Broadcasting & Cable

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Study: Local Broadcast Valuations Off 32%

Multiples don't reflect bright prospects for 2012

By Michael Malone -- Broadcasting & Cable, 2/2/2012 5:10:17 PM

Valuation multiples for local broadcasters are off 32% compared to the same stage of the last two year cycle, showing a continued cool reception from investors, despite a positive outlook for stations in 2012. The findings come from the media investment bank **M.C. Alcamo & Co., Inc.**

As of the close of trading Jan. 31, six pure-play broadcasters traded at an average multiple of 7.3x, according to Alcamo – down 32% from the same period two years ago. Fisher was highest of the bunch at 8.6x, trailed by Nexstar at 7.9x.

Multiples at so-called "integrated media firms," which own stations and other assets, were 6x – down 25% from January 2010, due in part to the ailing newspaper industry. Media General had the highest multiple in this group of eight at 8.6x, followed by Entravision at 8.5x. Gannett and Washington Post were at the low end of the valuation spectrum, according to M.C. Alcamo, at 4.3x and 4.6x.

"Investors remain cautious about broadcast, despite rising profitability, improved credit profiles, an excellent outlook for 2012, and audience trends all pointed in the right direction," said **Michael Alcamo**, president. "Moreover, investors are apparently assessing a valuation discount of 19% against media groups which own non-broadcast assets, particularly newspaper assets."

Wall Street trading reflects this investor indifference to local broadcasting. While the S&P 500 is currently 80% of its 52-week high water mark, pure-play broadcasters' stocks are only 64% of their 52-week high, while stocks of integrated media groups are 59% of their year-long high.

"Given strong balance sheet positions, the advertising recovery, controlled cost situations at all major broadcasters, and the typically high beta of broadcasters, it seems incongruous that share prices have lagged behind the broader index," said Alcamo. "In view of technical advances in master control, rising levels of retransmission revenue, and a resilient advertiser proposition from the high definition consumer experience, we nevertheless believe that broadcasters will increasingly be seen as strong cash-producing businesses."

Analyst says media stocks are undervalued

5 February, 2012 10:48:00
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Michael C. Alcamo of **M.C. Alcamo & Co. Inc.** notes that media stocks have a sharp drop in multiples over the past two years – 32% as a matter of fact – and suggests that it represents a general lack of confidence in broadcast.

And the worst of it has hit companies that have interests in more media pots than broadcast. Alcamo says this lack of confidence may be misplaced.

Alcamo noted that, "…the sector is positioned for an exceptionally profitable year. The outlook for future quarters beyond 2012 is also excellent."

Alcamo explained, "We evaluated both pure-play broadcasters as well as integrated media groups (media firms with a significant broadcasting division). When compared to the pure-play broadcasters, integrated media groups are apparently assessed a 19% valuation discount by investors. Investors may be assessing this "valuation penalty" due to less optimistic views they hold regarding the outlook for print assets, particularly newspaper assets."

He went on: "Lastly, we evaluated the stock price position of the fourteen media firms in the study, and compared these to the pacing for the S&P 500 index. While the S&P 500 currently stands at 80% of the way through its 52-week range, broadcast stocks are moving more sluggishly. Stocks of pure-play broadcasters are only 64% through their 52-week range. Stocks of integrated media groups are moving with even greater torpor -- on average, these stocks are only 59% of the way through their 52-week range."

The six pure-play groups included Belo, Fisher, Gray, LIN, Nexstar and Sinclair.

The five integrated groups included Gannett, Journal, Meredith, Media General and E.W. Scripps.

Here's the money shot from Alcamo: "In times of rising stock prices, broadcasting stocks generally outpace the overall stock index. Therefore, should the current stock market rally continue, we believe the stocks of broadcasters are poised to advance significantly ahead of the index."

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TVNewsCheck
THE BUSINESS OF BROADCASTING

M.C. ALCAMO RESEARCH

Value of TV Firms Down A Third Since 2010

As of Jan. 31, shares of the six pure-play groups were trading at a multiple of 7.3 times trailing 12-month EBITDA, down 32% from the 10.7 times from two years earlier, according to a study by M.C. Alcamo & Co. Investors remain "cautious" despite positive signs, says Alcamo President Michael Alcamo.

By Staff

TVNewsCheck, February 3, 2012 7:45 AM EST

The worth of publicly traded TV station group has sunk by a third over the past two years, according to a study by **M.C. Alcamo & Co.**, **Inc.,** a New York investment banker.

As of Jan. 31, shares of the six pure-play groups were trading at a multiple of 7.3 times trailing 12-month EBITDA, down 32% from the 10.7 times from two years earlier, the study said.

The Jan. 31 multiple of eight "integrated" companies with TV stations and other media assets was lower — at 6 times — but it was down just 25% from two years ago, it said.

"Investors remain cautious about broadcast, despite rising profitability, improved credit profiles, an excellent outlook for 2012 and audience trends all pointed in the right director," said M.C. Alcamo President **Michael Alcamo**.

The six pure plays used in the study: Belo, Fisher, Gray, LIN, Nexstar and Sinclair.

The eight integrated companies: Entravision, Gannett, Journal Communications, Meredith, Media General, Saga Communications, Scripps and the Washington Post Co.

MediaPost NEWS

MediaDailyNews

Home > MediaDailyNews > Tuesday. May 24, 2011

Media Companies: Stock Value Doesn't Reflect Profitability

by Wayne Friedman, Feb 3, 2012, 10:43 AM

Article ▼ Comments(1) ▼

The value of broadcast TV companies, as well as integrated media companies that include broadcast assets, have lagged the broader stock market gains in the last two years -- which confuses media investment bank **M.C. Alcamo & Co., Inc.**

Cash-flow selling multiples -- earnings before interest, taxes, depreciation, and amortization -- have dropped during the last two years, according to the media investment banker. "Investors remain cautious about broadcast -- despite rising profitability, improved credit profiles, an excellent outlook for 2012 and audience trends all pointed in the right direction," stated **Michael Alcamo**, president of M.C. Alcamo.

Alcamo says this sluggishness is a mystery because usually media companies outperform other companies in a rising stock market.

For those pure-play broadcast companies -- those with TV and radio stations assets -- the average cash flow multiple at the end of January 2012 was 7.3, down some 32% from the 10.7 number two years ago.

For those integrated media companies -- those with TV, radio and non-broadcast media assets, such as print, outdoor, for example -- the situation was worse, averaging a 6.0 multiple, down 25% from 8.0 in January 2010. Alcamo feels investors may be putting a lower value on those companies because many have poor-performing print and newspaper assets.

Looking at stock prices, the S&P 500 index, by the end of January 2012, was trading at 80% of its 52-week range. By way of comparison, the pure-play companies were trading at 64% of their 52-week range; the integrated media companies were at 61%.

The six pure-play broadcasters include: Belo Corp., Fisher Communications, Sinclair Broadcast Group, Grey Television, LIN Television, and Nexstar Communications. The five integrated media companies are Meredith Corp, Journal Communications, Gannett Company, E.W. Scripps, and Media General.

MC Alcamo & Co

February 2, 2012
For Immediate Release

Contact: Michael Alcamo
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M.C. Alcamo & Co., Inc. Releases 1-31-12 Broadcast Valuation Study

Broadcast Valuations Lag Broader Market:

EBITDA Multiples at 7.3x, Down From 10.7x

Alcamo: "Sector appears undervalued by 32%; however, the industry is developing a reputation as an excellent generator of cash"

"Investors appear to be assessing a valuation discount of 19% against integrated media groups reflecting their non-broadcast assets."

New York, N.Y., February 2, 2012 – Media investment bank M.C. Alcamo & Co., Inc. today released its proprietary review of valuation multiples in broadcast media.

Compared with results recorded at the same stage in the last two-year cycle, valuation multiples were off 32%, apparently reflecting a continued cautious long-term view among investors.

Effective the close of trading January 31, 2012, the six pure-play broadcasters traded at an average multiple of 7.3 x trailing 12-month EBITDA – down 32% from the 10.7 x multiple seen two years previously.

Multiples at eight integrated media firms that own broadcast assets were even lower: at 6.0 x, down 25% from the 8.0 x multiple seen in January, 2010. The earnings of integrated media groups are currently valued at a multiple 19% lower than that applied to their pureplay broadcasting peers.

Michael Alcamo, the firm's President, said, "Investors remain cautious about broadcast – despite rising profitability, improved credit profiles, an excellent outlook for 2012, and audience trends all pointed in the right direction. Moreover, investors are apparently assessing a valuation discount of 19% against media groups which own non-broadcast assets, particularly newspaper assets."

The firm also noted that despite a modest surge in the broad market, broadcast stocks were moving sluggishly through their 52-week range. Historically, media firms tend to outperform the market during times of rising stock prices. "The lethargy among broadcast stocks is particularly mystifying," he said, "because 2012 promises to be a record-breaking year for profitability across the industry."

"Notwithstanding the anticipated windfall from political spending – which will come down to EBITDA at higher than 90% margin – and notwithstanding a surge in the broader market – broadcast stocks are still pacing well behind the S&P 500," he said.

As of January 31, the S&P 500 index was 80% through its 52-week range. However, the stock price of the six pureplay broadcasters was, on average, only 64% through its respective 52-week range. For integrated media groups, the news was worse. At the five integrated groups, the stock price was, on average, 59% through its 52-week range.

Alcamo said, "The torpor we see in the stock prices of the integrated groups seems to reflect a penalty investors are assessing against the non-broadcast assets."

	stock price within its 52-week range	
	1-31-10	1-31-12
S&P 500 index	84%	80%
six pureplay broadcasters *	86%	64%
five integrated groups **	77%	59%

* Belo Corporation, Fisher Communications, Gray Television, LIN Television, Nexstar Broadcasting, Sinclair Broadcast Group.

** Gannett Company, Inc., Journal Communications, Meredith Corporation, Media General, Inc. and E.W. Scripps Co.

"Given strong balance sheet positions, the advertising recovery, controlled cost situations at all major broadcasters, and the typically high beta of broadcasters, it seems incongruous that share prices have lagged behind the broader index," said Alcamo.

"In view of technical advances in master control, rising levels of retransmission revenue, and a resilient advertiser proposition from the high definition consumer experience, we nevertheless believe that broadcasters will increasingly be seen as strong cash-producing businesses," he said.

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U.S. Television Broadcast Industry EBITDA multiples, EV/ ttm EBITDA	EV/ EBITDA 1-31-10	EV/ EBITDA 1-31-12
six pure-play television broadcasters……………………………..	**10.7 x**	**7.3 x**
five integrated media firms with broadcast divisions…………….	**8.0 x**	**6.0 x**

broadcast and market stock price patterns	1-31-12
S&P 500 index, closing price within its 52-week trading range….	**80%**
six pure-play television broadcasters, position of average stock price on 1-31 within its 52-week trading range…………………	**64%**
five integrated media firms, position of average stock price on 1-31 within its 52-week trading range……………………….	**59%**

Trading multiples illustrate a company's enterprise valuation divided by EBITDA for its trailing twelve months (debt is reported at par). EBITDA is a measure of corporate-wide profit and incorporates centralized, corporate expenses. On an individual asset basis, broadcast cash flow is normally higher than EBITDA; therefore, station BCF multiples are typically higher and can depend on local cash flow, a market's rating, network affiliation, or other strategic considerations.

U.S. Broadcast Industry
Current Trading Multiples, 1/31/12

	company	close within 52-wk range	1-31 2010 EV/ ttm EBITDA		1-31 2012 EV/ ttm EBITDA	
BLC	Belo Corporation	63%	9.8	x	6.9	x
FSCI	Fisher Communications Group, Inc.	77%	12.1	x	8.6	x
GTN	Gray Television, Inc.	45%	10.6	x	7.4	x
TVL	LIN Television Corp.	47%	10.8	x	6.0	x
NXST	Nexstar Broadcasting Group Inc.	68%	12.0	x	7.9	x
SBGI	Sinclair Broadcast Group, Inc.	84%	9.0	x	7.2	x
	six firms in coverage	64%	**10.7**	x	**7.3**	x

About M.C. Alcamo & Co., Inc.

M.C. Alcamo & Co., Inc. is a New York-based investment banking firm specializing in mergers and acquisitions and workouts and restructuring transactions. The firm serves diverse industries, including television broadcasting and business and consumer media. For additional information, or to download the firm's reports and newsletters, please visit www.mcalcamo.com.

1-31-12 Broadcast Multiples and Trading Patterns Report

M.C. Alcamo & Co., Inc.
708 Third Avenue, Fifth Floor
New York, New York 10017

Television Broadcasters
EV/ EBITDA and Equity Trading Range

As at: January 31, 2010
As at: January 31, 2012

		MCACo equity analysis								MCACo valuation analysis	
					1/31/10 close as % thru range				1/31/12 close as % thru range		
		1/31/10	52-week range			1/31/12	52-week range			1/31/10	1/31/12
	company	close	low	high	range	close	low	high	range	EV/ ttm EBITDA	
BLC	Belo Corporation	$ 6.52	$ 0.47	$ 6.79	96%	$ 7.43	$ 4.36	$ 9.27	63%	9.8 x	6.9 x
FSCI	Fisher Communications Group, Ir	$ 12.89	$ 7.34	$ 13.24	94%	$ 30.09	$ 21.90	$ 32.48	77%	12.1 x	8.6 x
GTN	Gray Television, Inc.	$ 2.23	$ 0.28	$ 3.57	59%	$ 2.05	$ 1.31	$ 2.95	45%	10.6 x	7.4 x
TVL	LIN Television Corp.	$ 4.74	$ 0.45	$ 6.25	74%	$ 4.03	$ 1.75	$ 6.56	47%	10.8 x	6.0 x
NXST	Nexstar Broadcasting Group Inc.	$ 4.64	$ 0.50	$ 4.92	94%	$ 8.47	$ 4.59	$ 10.28	68%	12.0 x	7.9 x
SBGI	Sinclair Broadcast Group, Inc.	$ 5.45	$ 0.85	$ 5.57	97%	$ 12.28	$ 6.60	$ 13.33	84%	9.0 x	7.2 x
				avg	86%			avg	64%	10.7 x	7.3 x
EVC	Entravision Communications Cor	$ 2.86	$ 0.12	$ 3.60	79%	1.79	0.75	2.78	51%	11.3 x	8.5 x
GCI	Gannett Company, Inc.	$ 14.83	$ 1.85	$ 15.99	92%	14.17	8.28	18.93	55%	6.0 x	4.3 x
JRN	Journal Communications Inc.	$ 3.53	$ 0.36	$ 4.80	71%	5.14	2.69	6.18	70%	6.4 x	4.9 x
MDP	Meredith Corporation *	$ 31.38	$ 10.60	$ 34.39	87%	31.49	21.10	36.29	68%	8.4 x	6.7 x
MEG	Media General, Inc.	$ 8.20	$ 1.25	$ 11.65	67%	4.02	1.14	7.73	44%	8.9 x	8.6 x
SGA	Saga Communications	$ 13.50	$ 3.00	$ 17.70	71%	41.25	25.52	41.45	99%	6.3 x	6.9 x
SSP	The E.W. Scripps Company	$ 6.94	$ 0.67	$ 9.77	69%	8.47	6.36	10.20	55%	10.1 x	5.4 x
WPO	Washington Post Company	$ 437.66	$ 300.16	$ 495.60	70%	378.71	308.50	455.68	48%	6.6 x	4.6 x
	all firms			avg	76%			avg	61%	8.0 x	6.2 x
	GCI, JRN, MDP, MEG, SSP			avg	77%			avg	59%	8.0 x	6.0 x

* fiscal year ends June 30

S&P 500 Index	1,073.87	666.79	1,150.53	84%	1,312.40	1,075.00	1,371.0	80%

M.C. Alcamo & Co., Inc.
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SUMMARY

1. Comparing January 31, 2012 to January 31, 2010, broadcast multiples are down sharply, apparently reflecting less optimistic long-term views of the sector.
Pureplay broadcast firms are valued at 32% than previously; integrated media group multiples are off 22%.
Investors appear to be assessing a valuation penalty against integrated media groups because of their non-broadcast assets.
Investors favor the prospects of integrated media groups at 19% less than they do pureplay broadcasters.

	1/31/10	1/31/12	ch
average EV/ EBITDA multiple, six pure-play broadcasters	10.7 x	7.3 x	32%
average EV/ EBITDA multiple, five integrated media groups	8.0 x	6.0 x	25%
comparison, pureplay v. integrated groups	-26%	-19%	

2. The S&P 500 index is 80% through its 52-week trading range; however, six pureplay broadcasters are only 64% through their 52-week trading range
and five well-capitalized, integrated media groups are only 61% through their 52-week trading range.
In taking a medium to long-term view, investors currently have a less optimistic view of the future profitability of broadcasters compared to S&P 500 firms in the aggregate.

position of the S&P 500 index through its 52 week trading range	80%
average position of six pureplay broadcasters in their 52-week trading range	64%
average position of five integrated media groups in their 52-week trading range	59%

Sources: Trading data: multiple sources. Company reporting data: Calculated by Capital IQ, using methodology that may differ from that used by a firm in its public filings