Station Trading 2003: Content is king as all eyes focus on TV

Here are the rules of the game: TV is where the action is and, in a triopoly deal, content is king. "Everybody's out there looking. There are a lot of equity guys out there, a lot of private-equity money has lined up, but it's just hard to find any good deals. Newspapers are very conservative, so they're not really going to be sellers, and I'm not sure that the [broadcast and newspaper] cultures mix." That, in a nutshell, is where things stand right now, according to an exclusive TVBR survey of media brokers on the current station-trading environment. The quote cited comes from a long-time media broker, known well by RBR, but who requested anonymity.

Three other brokers who said they would speak on the record echoed the same theme, although there were some differences of opinion on the amount of opportunity that exists. The brokers: Elliot Evers, of Media Venture Partners; Brian Cobb, of CobbCorp and Bill Whitley, of Media Services Group.

All of them spoke with the understanding that station-trading isn't really going to get going until Congress and the U.S. Courts weigh in on the dereg situation.

"We still don't have clarity" on the rules, Cobb told TVBR, mentioning the latest senatorial hearings. Said Whitley: "I think there's still a lot of confusion about how it's all going to play out."

Taken together, here's what the three brokers said: All the station trading action will be in TV. Radio is essentially done, and cash-flow multiples don't really matter any more. "Cash flow hasn't mattered for about three or four years now," says Brian Cobb. "The real valuation comes from a correlation of revenue and [market] opportunity," Cobb told TBVR.

Elliot Evers, managing director and co-founder of MVP, said "Almost without exception, every private-equity firm that has had any broadcast experience has hooked up with a management team and is actively seeking deals." That's exciting news for the station-trading marketplace. But how will that play out in the largest-or the smallest-markets?

"In the largest markets, it's really going to come down to content," says Cobb. Meaning: In a market like New York or Los Angeles, where the only possible TV-purchase will be an independent station, "the question is 'What kind of programming will I be able to put on?' "

And in the smaller markets? Well, that's where the media brokers hope the FCC will stand firm on allowing waivers. The proposal from the station-traders: Let the #3 and #4 TV station merge-as long as their combined Nielsen shares are lower than the #1 station in the market. "If the FCC allows that," said one broker, "then I think we'll see some real small-market opportunities."

What about radio's former owners who have been sitting on the sidelines? If they want to get back into the game, then they're going to have to focus on TV. Why? "There's really nothing of scale in radio to make a deal interesting," said one broker. "I'm sure Larry Wilson would love to get back into the game. So would Jeff Trumper. But where are the radio deals?," was the rhetorical question posed by one broker. "They're not there," he said, "so, if these guys are getting back in, they're going to focus on TV."

Remember Steve Hicks? He and brother Tom are now big Clear Channel shareholders, and broker Bill Whitley is one of the guys who helpled the Hicks brothers buy up a lot of small-market stations. How's the small-market station-trading market look now? "The problem on the radio side is a lot of the stations have been bought already. Not just by Clear Channel, but by Cumulus and Citadel, too. It's very hard to find a market that's not already consolidated," says Whitley, who told TVBR he thought that station trading will be "more TV-buying-TV" rather than cross-media acquisitions. "I haven't seen a lot of cross-pollination interest so far," he said.