

was more conservative in his estimate, guessing a cash flow of about \$6 million but with a higher multiple of 10 or 12, and pricing the station at \$60 million to \$70 million. Intrater was in agreement with Ford and estimated the station's value at about \$65 million. Buono felt the station was worth about \$93 million.

#### *What Are The Radio Stations Worth?*

On the radio side, the potential divestiture of most of ABC's radio properties and six of Capcities' stations looks to break the all-time sales price for both stand-alones and combinations several times over.

First on the list are ABC's Los Angeles outlets. KABC(AM) and KLOS(FM). Washington broker Tom Gammon of Americom Media Brokers, which handles only top 100 market radio deals, said Los Angeles is a \$250-million radio market. With KABC's 6.9 share of the market, Gammon estimated a cash flow of about \$8.9 million. Multiplying that by a factor of seven, he came up with a sale price of \$60 million for the AM property. KLOS's cash flow he estimated at about \$6.9 million. Multiplied by a slightly higher factor of eight (FM's generally receive a higher multiple), the price for KLOS comes to about \$54 million. That brings the total price for the combination to \$114 million, or almost three times the all-time AM-FM combination record of \$40 million.

Robert Chaisson, a New Canaan, Conn., media broker, was in agreement with Gammon's figuring, but felt the prestige of the Los Angeles market could convince a buyer to pay as much as \$120 million.

Intrater also agreed with the price for KABC (his estimate was about \$55 million) but differed on the price of KLOS, feeling that it would go for less—about \$32 million to \$35 million—due to his lower estimation of its cash flow (about \$4.2 million).

Buono gave an estimate of \$71 million for KABC and \$45.9 million for KLOS, making a total price of almost \$116 million.

Gammon estimated WABC(AM)-WPLJ(FM) New York to be worth about \$47.6 million. Stan Raymond, of Raymond O'Grady Associates Inc., Atlanta, felt the stations were worth "every bit of \$48 million, but could go for more than \$50 million." Buono felt the stations would go for about \$59 million. Intrater was more in accord with Gammon and Raymond, figuring about \$16 million for WABC and \$32 million-\$35 million for WPLJ.

Gammon predicted a price for WLS-AM-FM Chicago of \$28 million. Others felt that price was low. Chaisson felt the stations should sell for at least \$30 million, and "maybe more." Intrater, although admitting the stations were not what they once were, felt the price would be much higher. He thought WLS(AM) should have a cash flow of about \$3.2 million and command a high multiple and WLS-FM should turn about \$2.2 million in profits. He felt the stations could go for about \$40 million. Buono also felt the stations would sell for more than \$30 million, estimating the price to be about \$36 million.

KGO(AM) San Francisco was estimated by

Gammon to have a cash flow of about \$8 million, multiplied by 7.5 because of its unusually strong demographics. He gave a price of approximately \$60 million. Chaisson thought Gammon's \$8-million cash flow figure high and felt the station would be more likely to fall into the \$25-million to \$30-million range. Chaisson said: "Anyone who pays \$60 million to \$80 million for a stand-alone AM is crazy, though it would be great for another FM owner in the market and he may overpay a little." Intrater also felt \$60 million was high and felt the station should have a cash flow of about \$4.5 million, bringing its value to between \$40 million and \$45 million. Buono, although still below Gammon's estimate, felt the station was worth more than the others, giving a price of \$51 million.

Gammon estimated the price for Capcities' WJR(AM)-WHYT(FM) Detroit at \$36 million, but there was disagreement. LaRue felt the Detroit stations would bring a higher price due to his higher estimation of its cash flow multiple. He felt the stations would go for about \$60 million. Intrater also felt the stations should sell higher, estimating \$48 million. Buono, however, was in almost exact accord with Gammon, giving a price of \$37 million, and Chaisson also felt the stations should sell in the \$30-million to \$35-million range.

Intrater estimated WRIF(FM) Detroit to have a cash flow of about \$2 million, but felt the figure may be higher. With a cash flow multiple of eight, he figured the station should fall in the \$16-million to \$18-million range, although he gave a final estimation of about \$20 million. Gammon felt the cash flow to be about \$2.8 million. Multiplied by eight, the calculated sale price would be \$22.4 million. Chaisson and Buono did not feel those prices were justified and they estimated the price at \$12 million and \$15 million, respectively.

KSRR(FM) Houston was estimated to have a cash flow of about \$2.3 million by Gammon. With the same multiple, it should fetch about \$17.8 million. Chaisson and Intrater were in close agreement with those figures, with Chaisson giving a price of \$18 million to \$20 million and Intrater a \$20-million to \$22-million figure. Buono was much higher in his estimate and priced the station at \$32.3 million.

KTKS(FM) Denton (Dallas) was sold two years ago to ABC for about \$6 million; using that price Gammon estimated it could go for about \$9 million. Chaisson, who is impressed with the growth of the Dallas market, felt the station could sell for as much as \$15 million. Buono and Intrater, however, were more skeptical. Buono estimated the price at \$9.8 million, while Intrater put it at \$6 million.

LaRue estimated Capcities' WPAT-AM-FM Paterson, N.J. (whose signal covers New York City), to have a sale price of about \$50 million and its KLAC(AM)-KZLA(FM) Los Angeles to correspond with the unrelated \$40-million sale price of KTNQ(AM)-KLVE(FM) Los Angeles (see "Changing Hands," March 25). Chaisson was in rough agreement, also giving a \$40-million price for KLAC(AM)-

KZLA(FM), and a price of \$40 million for WPAT-AM-FM. Intrater was more conservative, however, and estimated the price for WPAT-AM-FM at \$30 million to \$33 million and KLAC(AM)-KZLA(FM) at \$25 million to \$30 million. Buono guessed about \$62 million for the Los Angeles stations and \$37 million for New York.

#### *Evaluating The Cable Systems*

With a subscriber base of about 350,000 and using the industry rule of thumb of \$800 to \$1,000 per subscriber, Capcities' 55 cable systems in 16 states should generate between \$300 million and \$350 million. Those cable systems had 1984 revenues of \$76.3 million and operating income of \$2.5 million. Capcities is the country's 19th-largest MSO.

Harold Ewen, president of Communications Equity Associates, was somewhat uncomfortable estimating a price for Capcities' cable systems, both because of his dislike for guessing without an in-depth analysis, and because of what he considered his lack of knowledge of Capcities' cable operation. However, he felt that because the systems were in mostly rural areas with only a few major-market properties, they would probably fall in the \$800-per-subscriber to \$900-per-subscriber range, bringing the total closer to \$300 million.

Ewen pointed out that there are only about a dozen cable operators who could afford the \$300-million tab, and the systems may have to be sold separately. "This is probably a case of the sum of the parts being greater than the whole," said Ewen, "and the total price could go up if the systems are broken up."

Intrater, whose firm also does cable system evaluations (and has evaluated some of Capcities' systems), felt the systems would follow the \$1,000-per-subscriber rule and gave a price of \$350 million.

#### *The Deal's Bottom Line*

Brokers were quick to point out that the stations spun off in the deal would most likely not be sold individually but would be sold in blocks of several stations or even as a whole. This could deflate the price of the individual stations.

When all the spin-off sale estimates are totaled, ABC's radio properties could bring in between \$236 million and \$342 million, with a best estimate of about \$300 million. Capcities' six radio stations have a range of \$85 million to \$172 million with a best guess of about \$130 million. The TV stations (not including Philadelphia) were estimated at between \$105 million and \$218 million, with a best guess of about \$180 million. WPVI-TV was thought to be worth between \$350 million (admitted to be low) and \$555 million, but no best guess was forthcoming since all admitted they were not sure and all felt the station could go for much more.

Combined with at least \$300 million for Capcities' cable systems, the total value of the stations (without WPVI-TV) and cable systems to be spun off comes to nearly \$1 billion. □