

Broadcasting May 20

Vol 108 No 20



TOP OF THE WEEK

\$510 million's the mark to beat now

Tribune Co. sets last week's record for a single station with its purchase of KTLA(TV) Los Angeles

KTLA(TV) Los Angeles was sold last week by Golden West Broadcasters to Tribune Co. for \$510 million cash. That works out to a daily increase of \$285,000 in the station's value since it was purchased by the sellers for \$245 million in late October 1982.

Tribune's sealed bid, one of several opened last Tuesday evening (May 14) at 5 o'clock in the Los Angeles offices of Morgan Stanley, broke the previous station price tag record of \$450 million set only two weeks ago when Hearst Corp. agreed to buy WCVB-TV Boston (BROADCASTING, May 13). It also brought a major-market independent station under the wings of a company that already has five independents and growing program production aspirations.

By the next morning, Tribune officials were in Los Angeles where a definitive agreement was signed. They then went to New York for a Thursday morning press conference where John W. Madigan, Tribune Co. executive vice president, said the purchase was the biggest deal in the history of the Tribune Co.: "It fills in a missing link. We now have three out of the top three markets. We will be number four in the industry in terms of revenue and number five in terms of households reached."

The purchase, when approved by the FCC, will increase the coverage of the Tribune group from 14.5% to 19.6% of the nation's television households, as calculated by Tribune, which assigned full weight to UHF as well as VHF stations. That puts Tribune ahead of RKO and behind only ABC, CBS, NBC and Metromedia. Under the FCC formula that assigns half weight to U's, Tribune's reach goes down to 18.6%, but the company will be ahead of Metromedia (then at 18.1%) after the latter loses Boston.

At the Thursday press conference, Tribune Broadcasting Co. President James C. Dowdle responded to what is now becoming a familiar question: "Was the price too high?"

"I don't think you can evaluate Los Angeles as a single-station purchase," Dowdle

said. "There is a synergy and a spread of value over to the other five stations that we have. . . . It is difficult to look back and say what we could have bought it for a year or two ago and anyway, I have never been one to look backwards. You either are going to grow and position yourself in the future or beat the consequences."

Dowdle said the \$510 million price represented roughly 12 times KTLA's 1985 cash flow as estimated by Tribune. Revenue in 1984 for the station was about \$90 million and cash flow was \$34.5 million. That would put the price at a 15 times multiple of cash flow. But there were also, as in most station

sales, adjustments for money in the till when the deal closes (working capital) and the assumption by Tribune of certain operating liabilities that raised the price to about \$545 million or close to 16 times 1984 cash flow. And that price buys only the license and the equipment (the land and buildings still belong to one-time owner Gene Autry).

But he added that the attempt to use guidelines of cash flow to evaluate station purchases (BROADCASTING, May 13) often ignores wider considerations. Dowdle focused on the "double benefit" that ownership of KTLA would provide: giving Tribune Entertainment's program production an assured outlet in the nation's second largest market and providing the station with a supply of programming at practically no extra cost to the company. "How much of a multiple do you give for that?" he asked.

Golden West president, Tony Cassara, agreed with Dowdle's assessment: "We never had anyone evaluate the station in the sense of having it appraised, but we were given a range [by some investment bankers] of \$450 million to \$500 million. But a lot depends on who the buyer is and what else they have. . . . To have a VHF station in the second market is a unique opportunity, something that doesn't come along every day. They are the only people besides the networks who have VHF outlets in the top three markets."

It is believed there were at least five other bidders for the station. Cox and Gaylord among them. But Steve Rattner, vice president at Morgan Stanley, declined to comment beyond saying that "there were a number of attractive proposals of which theirs was the most attractive."

Tribune has five television stations, all independents: three VHF's—WGN-TV Chicago, WPIX-TV New York and KWGN-TV Denver—and two UHF's—WGNX-TV Atlanta and WGNQ-TV New Orleans. Its last television purchase was WGNX-TV in 1983 for \$32 million. The Chicago-based company also owns five radio stations and cable systems serving, as of March 31, 194,800 basic subscribers.

"What makes independent television go is



Tribune Co. Broadcasting's Dowdle



Tribune Co.'s Madigan