

general sales manager, KING-TV Seattle. Glover said that since the JOA went into effect, some advertisers have complained about a lack of guaranteed placement in the newspapers.

In Cincinnati, WLWT(TV) sales director Ned Paddock said he has also had indications from car dealers that they are looking toward broadcasting as an alternative to rising newspaper advertising rates. He emphasized that *The Cincinnati Enquirer* and *The Cincinnati Post*, which formed a JOA in 1979, are nevertheless "devastatingly strong" in the market.

Rob Hasson, vice president and director of sales for Seattle-based Olympia Broadcasting, warned that newspapers prove to be tough competitors even when operating under a JOA. "Regardless of [whether] there's a JOA in any town," said Hasson, "those newspapers are always a killer." □

## King World's fortune: investing in the future

**Company wants to reinvest profits by acquiring new programing and buying broadcast properties**

As it embarks on a new fiscal year, King World Productions faces the challenges of its own success. Armed with years of projected revenues from its top-rated syndication shows, the company is working to reinvest its profits and acquire new programing to follow the successes of *Wheel of Fortune*, *Jeopardy!* and *The Oprah Winfrey Show*. Meanwhile, investor skepticism raises the question of whether the company will be able to build on its undeniable successes.

King World will generate nearly \$390 million in earnings over the next four fiscal years only by continuing its current barter and syndication activities, according to Jessica Reif, an analyst at CL Global Partners Securities Corp. Other analysts' projections support this estimate.

The challenge facing King World, headed by Chairman Roger King and his brother Michael King, president and chief executive officer, is to put its income into "something that enhances the value of that money rather than uses it up," according to Dennis McAlpine of Oppenheimer & Co.

The first tangible step in this process is the acquisition of CBS affiliate WIVB-TV, Buffalo, N.Y., which the company has indicated is only the beginning of its broadcast division.

"We are evaluating other broadcasting properties as we go along," said Jeff Epstein, King World's chief financial officer. Among television stations, the company is limiting its search to network affiliates in the top 50 markets, Epstein said. Rather than looking at independents, the company is looking for affiliates because of the more controllable quality, price and availability of affiliate programing. Another reason is traditional affiliate dominance. "We want sta-

tions that either are or can become the leading station in the market," Epstein said.

King World is concentrating its search in the top 50 markets because it can afford it. "If you're a good manager," Epstein said, "you want to apply your skills to larger, not smaller, assets." To manage the broadcast division, King World hired Paul Hughes, formerly of Viacom, in February 1988. Epstein said King World was also looking at FM stations and FM/AM combinations in up to the top 50 markets.

"They know stations as well as anyone in the business," said one observer. "They know where good people are, where good markets are. They're very well qualified to make decisions."

The company announced "well over a year ago" that it would make broadcast acquisitions, said Raymond Katz, analyst at Mabon, Nugent & Co. The delay before the June purchase announcement, Katz said, is an indication that King World's management is "very prudent." Katz added, "A lot of stations were shopped around to Larry Tisch and King World," including WJW-TV Cleveland, Katz said. Like Tisch, Katz said, "If they make a mistake, they're going to err on the side of caution."

On its program development side, Epstein said the company's strategy is "to sow program seeds to acquire the next hit without being extravagant on shows that are not going to make it." The company is developing products to distribute on several fronts. In February, it formed a research and development group to test new programing before launching it nationwide. King World had no comment on network projects, but Katz said, "They hope they will have something to test in winter or spring 1989." The company has no pilots yet, he said. In addition to the research and development group, the company has a joint venture with MCA Inc. to develop and produce new programing; the rights to produce a game show based on the "Monopoly" board game, and an advertising network division chartered to develop advertiser-sponsored programing. "We've got a lot of irons in the fire," Epstein said.

In the meantime, the company's operations are bringing in plenty of cash for new ventures. King World will have pretax profits of \$100.7 million for 1988 off of earnings of \$280 million for 1988, estimates Reif. For 1989, her estimate is \$131.6 million from revenues of \$330 million.

Net operating cash flow for the company in 1989, assuming one year's ownership of recently purchased WIVB, will be 82 million after tax and interest, with depreciation and amortization added back, Katz said.

The company will have \$400 million in

pre-tax income, before depreciation, amortization, and interest, in fiscal 1989 through 1992, according to McAlpine.

King World's stock price does not reflect these projections. The company closed its fiscal year at \$21.50, about the level it has stayed at for the past six months—below its one-year high of \$31.875 and the price per share of King World's 1987 stock tender offer, \$28.00. Estimating the company's fiscal 1989 earnings at \$2.80 per share, McAlpine said King World's stock price of about eight times earnings was a reason to "mortgage the kids to buy stock." McAlpine asked, "How many companies do you know of that you can predict with any reasonable degree of certainty will have any earnings in 1992?"

McAlpine indicated several reasons for lack of investor enthusiasm for King World. "The investment community in general is reluctant to be in media stocks, especially small ones, after the crash," McAlpine said. "It's viewed as a limited-product company even though it's got three big products," he said. "The nature of the two brothers has turned some people off," he added.

"This is a business where you need someone with a gregarious outlook on life," McAlpine said. "Roger is just a bull in a china shop. He just barrels ahead." Yet, says McAlpine, "Despite their perceived character, they are extremely conservative. They're not going to make a foolish acquisition."

"They have good judgment, and they've shown it in the past," said Katz. "There's no reason to doubt it going forward." □

## Rangers sale opens up question for Gaylord

**Broadcaster has right of first refusal to purchase majority of baseball team, which it broadcasts on its KTVT Dallas**

The majority owner of the Texas Rangers has reached a tentative agreement to sell his portion of the team to two business groups, leaving the next move in the sale up to Gaylord Broadcasting, minority owner of the team and owner of KTVT(TV) Dallas, on which the Rangers appear locally and on regional cable systems. Gaylord has the right of first refusal to block the sale, submit

**Part of IDB.** A group of investors including New York investment manager George Soros and Quantum Fund N.V., a Netherlands Antilles corporation, said it has bought 7% of the stock of California-based IDB Communications Group Inc. The group reported in a Securities and Exchange Commission filing that it holds 344,500 IDB common shares, all purchased between July 5 and Aug. 3 at prices ranging from \$8.25 to \$11.25 a share. The IDB shares, according to the filing, are held by the group for the purpose of investment. IDB Communications Group released second quarter earnings of 13 cents per share, up from 9 cents per share last year. Net earnings for the second quarter 1988 were \$636,000 on revenue of \$5.18 million, compared to net earnings of \$391,000 on revenue of \$2.5 million for the second quarter last year.