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Media & Entertainment - Industry News

Media brokerage sees banner year for station swaps

EXCLUSIVE

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By [Dave Hendrick](#)

Although turmoil in the credit markets lends a degree of uncertainty to the prediction, a leading media brokerage firm anticipates significant M&A activity in the broadcast industry in 2008.

According to Media Services Group, market conditions will likely improve as the year progresses, with more stations changing hands in the year than in any 12-month period since the passage of the Telecommunications Act in 1996.

George Reed, managing director of Media Services, said that while the prediction was based in part on anecdotal evidence culled from the firm's 12 U.S. offices, much "real-time information from the trenches" pointed toward a particularly active year.

In addition to the holdings that will find new owners as a result of already planned divestures by [Clear Channel Communications Inc.](#), [Citadel Broadcasting Corp.](#) and [Cumulus Media Inc.](#), among others, Reed said private equity firms backing some broadcasters appeared to have grown "weary" of the industry, and may be looking for an exit.

Conversely, Reed said significant pockets of interest remain on the buy side of the equation.

"There are some entrepreneurs, some of which have been in the business before and sold out, that are looking at prices today and seeing stations trading at numbers that are perceived to be undervalued," Reed said in a Jan. 18 interview. "So we think some of those guys are going to get back in. We just think it's going to be a huge trading year."

Further, Reed said the "imbalance" between trading multiples on public companies and private market valuations suggest some sort of adjustments ahead, which he said could take the form of companies exiting the public markets or spinning off certain assets.

Given the currently constricted financing markets, Reed said much of the projected activity will likely take place in the latter half of the year.

Media Services expects small- to medium-market radio properties will trade at seven to nine times broadcast cash flow in the current year, with larger markets commanding nine to 11 times cash flow.

As to the [view](#) shared by many Wall Street analysts that radio has become something of a no-growth industry, Reed said many would-be buyers and sellers reject the notion, although growth assumptions vary widely depending on market size.

The director said that while struggling big markets get the big headlines, small and medium markets tend to be doing reasonable well, while nontraditional revenue will likely grow "across the board" in the coming year.

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