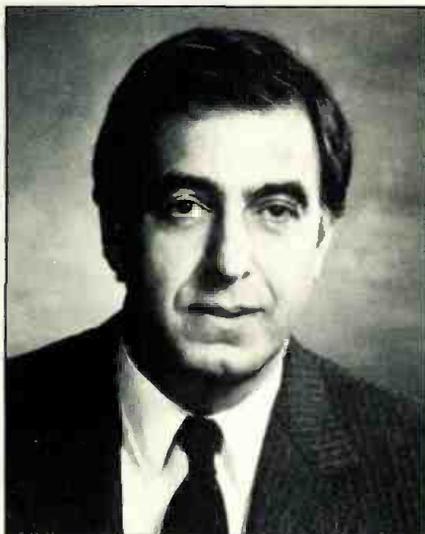




Bennack



Conomikes

## Hearst's rise in the ownership ranks

The Pittsburgh-based Hearst Broadcasting Group, which announced plans last week to acquire WCVB-TV Boston for \$450 million, is a subsidiary of the New York-based publishing empire founded a century ago by William Randolph Hearst. The company's broadcast activities stem back to the 1930's, when it first entered the radio business. Today, in addition to its four AM and three FM stations, Hearst owns five top-50-market VHF stations: WTAE-TV Pittsburgh (12th market); WBAL-TV Baltimore (21st); KMBC-TV Kansas City, Mo. (27th); WISN-TV Milwaukee (29th), and WDTN(TV) Dayton, Ohio (49th). Its radio portfolio includes WBAL(AM)-WYYY(FM) Baltimore; WISN(AM)-WLTO(FM) Milwaukee; WTAE(AM)-WHTX(FM) Pittsburgh, and WAPA(AM) San Juan, P.R.

Six years ago, the company embarked on a major expansion program in various media, adding various print publications, two television stations and four cable systems. The company also forged a partnership with ABC, known as Hearst-ABC Video Entertainment Services (HAVES), which owns two-thirds of both Lifetime and the Arts & Entertainment cable programming services. If the Boston deal goes through, the company said, its acquisitions in that time will have exceeded \$1 billion.

The last television station it purchased was also a Metromedia outlet—KMBC-TV—in 1982 for \$79 million, completed just one year after it bought WDTN for almost \$50 million. Metromedia sold its Kansas City outlet to make room in its portfolio for Boston. It's believed that Hearst obtained an informal agreement at that time from Metromedia, giving it first crack at buying the company's Boston station if it ever became available.

In the meantime, analysts say, Hearst has concentrated on paying off its debt from its last two broadcast acquisitions. "They should have no problem raising the money to buy the [Boston] station," said John Intrater, a senior financial analyst with Frazier, Gross & Kadlec, Washington. "They may decide to sell off a station or two to help finance it," offered Intrater. Potential spin-off candidates, he said, are WTAE-TV Pittsburgh, which would probably fetch \$200 million, and WDTN Dayton, which is worth \$50 million or more. "Their newspapers spin off quite a bit of cash as well," he said.

But be that as it may, most analysts and brokers contacted last week believed that Hearst was overpaying for the station—the consensus being the station is worth closer to \$300 million or \$350 million, and not \$450 million. At that price, Metromedia is getting more than twice the \$220 million it paid for the station in 1982.

Frank Bennack Jr., Hearst Corp. president and chief executive officer, refused to comment last week on details of the proposed acquisition, such as how the station purchase will be financed or whether existing stations will be spun off to support the financing. More than one broker said Hearst could readily secure loans from banks and/or investment houses for up to 80% of the purchase price, however.

The current Hearst television group—headed by John Conomikes as general manager—reaches 20 million potential viewers. WCVB-TV Boston, the sixth largest market, has close to two million television homes and more than five million potential viewers.

Among the company's 15 daily newspaper holdings are the *San Francisco Examiner*, *San Antonio (Tex.) Light*, *Los Angeles Herald-Examiner*, *Seattle Post-Intelligencer* and *Laredo (Tex.) Times*. Among its magazine holdings are *Cosmopolitan*, *Good Housekeeping*, *Harper's Bazaar*, *Popular Mechanics*, *Redbook*, *Science Digest* and *Town & Country*.

number-one independent station in the country, receives a 26 share in the market, giving it estimated revenues of \$52 million. Owing to its status, Buono estimated a 40% profit, giving a cash flow of about \$21 million. Multiplying this by a factor of 11 (a higher than average amount), he estimated a fair market value of \$230 million.

KTTV-TV Los Angeles was purchased in 1963. It is on channel 11 with 166 kw and a 2,940-foot tower. Using the same methods, Buono estimated its fair market value at \$430 million.

WNEW-TV New York is on channel 5 with 17.5 kw and a 1,688 foot tower. Buono felt its value was about \$560 million.

Metromedia's most recent acquisition is KNBN-TV Dallas, an independent (as are all Metromedia stations except WCVB-TV) on channel 33 with 4,508 kw and a 1,696-foot tower. It purchased the station in December 1983 for \$14.9 million. Buono estimated the station to be worth about \$34 million.

In April of that year, it purchased WFLD-TV Chicago, on channel 32 with 5,000 kw and a 1,415-foot tower, for \$136 million. That station is now estimated to be worth about \$210 million.

In April 1978, Metromedia purchased KRIV-TV Houston for \$11 million. It increased the power of the station from about 1,600 kw to 5,000 kw and raised the antenna from 940 feet to 2,049 feet. In testimony to the rapid growth of the market and to Metromedia's improvements, the station is now thought to be worth about \$175 million.

The sale of WCVB-TV (on channel 5 with 100 kw and a 980-foot tower) is causing some consternation for analysts, since it is felt the station's cash flow cannot justify the \$450-million price tag. Metromedia purchased the station in 1982 for what was then a record price of \$220 million. Buono had originally estimated the price of the station at \$330 million, but when it was announced that Hearst had purchased the station for \$450 million, he went back and revamped his figures. However, even with a 50% profit margin, Buono could not justify a price of more than \$390 million.

When the figures are totaled, Buono's estimates come to \$2.029 billion, including his revamped estimate for WCVB-TV Boston, indicating that Murdoch and Davis paid the seller's price for the stations.

Memphis-based broker Milton Q. Ford was one of the few brokers who could say he was not surprised at the recent rise in cash flow multiples. Contacted at the time of the ABC/Capcities deal for a magazine article about the rising price of TV stations, Ford differed from other analysts, predicting that both the price and multiples of TV station sales would rise dramatically. His comments "wound up on the cutting room floor," he said. "I said at the time that the sale would drive the multiples up, and it's done it," said Ford. "I'm not sure if there is a limit to cash flow multiples today."

Speaking of the sale of WCVB-TV, Ford said, "Hearst does not overpay. I'll bet it could prove the station is worth it. I would think the station is probably making more than everyone says," Ford continued. "Ev-