per year, and valued at well north of $50 million. Mays sat back, watched the station lose listeners and value, and finally bought it last year from Edens Broadcasting for a song—an estimated $6 million.

Mays has held fast to his simple, strict investment criteria—even when it meant sitting on the sidelines. For five years, until the middle of last year, the company was effectively out of the radio station acquisition market.

"Not because we didn't try," says Mays. "We looked at radio properties every day. They just didn't meet the investment criteria we set up.... If you stick by your targets for return on investment, it will take you out of the market."

Clear Channel's targets differ from those of other operators—not in the company's focus, which like others looks at a prospective station's cash flow—but in its time expectations. Rather than talking about the acquisition target's price as a multiple of the last 12 months' cash flow or the next 12 months' cash flow, Mays looks three years ahead. And he will not pay more than five times the station's projected cash flow three years down the line.

Turn that five-times multiple upside down and you have a 20% return on investment, which produces quite a spread over the 4¼% Clear Channel pays for the bank money it uses to make acquisitions.

To achieve that five-times-cash-flow target on a property bought at a current multiple of, say, 10 would require a doubling of cash flow in three years. Thus, a corollary to the Clear Channel strategy is that it buys stations only where it sees opportunities that can be quickly taken advantage of—not, for instance, relying only on long-term market growth.

Says Mays: "We want to be able to have both an immediate impact on the revenues and an immediate impact on the expenses."

As the company was getting out of the radio acquisition game in 1987, it decided instead to invest its extra cash in affiliates of the Fox TV network, which was just getting off the ground.

Here again, Mays picked his window of opportunity well. Clear Channel in the late 1980's was one of only a handful of companies that aggressively targeted independent TV stations, many of which—in retrospect—were at the bottom of a profit squeeze created by increasing competition and rising program costs. Says Mays: "All of the TV stations we bought were from non-broadcasters. One of them was actually in bankruptcy, and none of them were making any money."

That profit squeeze having largely worked itself through by the end of the decade, Clear Channel in the 1990's has piggybacked on the success of the Fox network as it has expanded its schedule—and its affiliates' profits. Today, Clear Channel has one of the largest Fox affiliate groups in the country, with six of its seven TV stations tied to the fourth network.

> *"All of the TV stations we bought were from non-broadcasters. One of them was actually in bankruptcy, and none of them were making any money."*

Another success story: Clear Channel paid slightly more than $6 million for KOKI-TV Tulsa in 1989; the station now produces $5 million per year in cash flow. "That's one times cash flow," Mays observes dryly.

Mays's assessment of the current acquisition market finds him reversing field again and looking at radio stations, mostly in markets where Clear Channel already has properties. Of the Fox affiliates, he says: "People are bidding up the prices. Fox affiliates are maturing and still selling at 10 times cash flow.... I look and say 'how the hell can I double the cash flow of this station?' "

The company has bought four times as many stations in the last nine years as it did in its first 12 years. And with the company generating so much cash flow—an Alex. Brown & Sons research report on Clear Channel projects it to produce $36 million in cash flow this year and $44 million in 1994—Mays can now acquire stations even faster and set his sights on bigger prospects. With the company's stock doing so well, and thus serving as an attractive form of tender, he has already explored more than one merger in the hundreds of millions of dollars.

Roughly one year ago the company enlarged its acquisition war chest to include nine major banks guaranteeing up to $150 million. Roughly $110 million of the bank line has already been used or committed, leaving $40 million for additional purchases.

Mays could tap the public or private debt markets for more money by issuing bonds, but he says he is happy keeping his interest rates low by borrowing short term: "The yield curve inversion still favors doing so." He also says he is happy keeping the company's leverage modest, setting an upper limit of 5½ times station operating cash flow—presently the debt-to-cash-flow ratio is 3.75.

Selling cars, tamales, toothpaste

Without its public exposure, which requires Clear Channel to detail just how profitable its stations are, the company probably wouldn't gain wide recognition as an operator. The company favors medium-size markets, where stations receive less attention. Tampa, the 21st market, is Clear Channel's largest radio market.

While station general managers are given wide latitude to run their own shops, they are also expected to adhere to a strict budgeting and planning process, and to keep expenses to a minimum.

"What's kind of unique about it is that nothing's really pushed on us," says Bob Scherer, general manager of WHAS(AM)-WAMZ(FM) Louisville, Ky. "Clear Channel allows us to run our own properties according to how we think they should be run, which means we're held accountable for them."

Except, of course, for station's expense reports—for which the president of the company holds himself accountable.

"Even if he doesn't look at every expense report, he maintains the illusion that he does," says Tim Menowsky, general manager of WRBQ and president of Media Mergers and Acquisitions.