

Buyers aplenty for Heritage

Brokers say everyone is interested in 29 stations News Corp. will spin off

By Elizabeth A. Rathbun

WASHINGTON

So who wants to buy Heritage Media Corp.'s five network TV affiliates and 24 radio stations from News Corp.?

Who doesn't?

That's the answer given by brokers and even Heritage when asked who might be interested in making such a deal. "Everybody. And that's not much of an exaggeration," says Paul W. Fiddick, president of Heritage's Radio Group.

News Corp. last Monday announced plans to buy Heritage for \$1.35 billion. At the same time, News Corp. said it will sell Heritage's TV and radio stations, retaining only its in-store and direct marketing companies. Those companies, Actmedia and Dimac, provide more than 80% of Heritage's annual revenue. However, the broadcast properties supply more than 30% of its cash flow, Fiddick notes.

Brokers, analysts and insiders estimate that the entire TV-radio group could sell for up to \$600 million. One says the TV group itself is worth as much as \$240 million, while yet another estimates that the radio group alone could go for at least \$300 million.

Federal law is forcing News Corp.'s hand when it comes to selling Heritage's TV stations. The company already reaches 34.83% of the nation's TV households, just shy of the limit of 35%.

With up to 20 competitors lined up, broker Brian Cobb of Media Venture Partners expects the bidding for the TV stations to be fast and furious. He predicts a group sale price of \$180 million-\$240 million, or about 12 times cash flow.

"There will be above-average interest," particularly for Heritage's TV stations in Alabama, Oklahoma and West Virginia, Cobb predicts. "It's not a bad group" and it's "very well run," with long-term expansion possibilities, he says.

Cobb declined to speculate on possible buyers. The list is just too long, he says.

Heritage's largest TV market is Oklahoma City, where it owns Fox affiliate KOKH-TV (ch. 25). Heritage also owns ABC affiliates WCHS-TV Charleston,

W.Va. (ch. 8), and WEAR-TV Mobile, Ala./Pensacola, Fla. (ch. 3). Heritage also has an LMA with an option to buy WB affiliate WFGX(TV) (ch. 35) Fort Walton Beach, Fla./Mobile, Ala./Pensacola.

Its smallest market is in New England, with NBC affiliates WPJZ(TV) Plattsburgh, N.Y./Burlington, Vt. (ch. 5), and satellite WNNE-TV Hartford, Vt./Hanover, N.H. (ch. 31), and it is building ch. 44 in Burlington.

"There is a waiting list for properties like that," says TV broker Ted Hepburn. Asked to name potential buyers, he said, "You just go down the list [of group owners] and there's just one after the other."

Investment banker Steve Pruett of Communications Equity Associates Inc. wonders if the stations might be spun off to a Fox-friendly owner or owners. "There's always a little bit more to it...with [News Corp. Chairman Rupert] Murdoch," Pruett says. "There are a couple of desirable sta-

tions here" that Murdoch might want to see as Fox affiliates.

As for radio, News Corp. has no experience in running stations, says broker Gary Stevens: "They're not in the radio business."

But Heritage's radio group is attractive to those who are. "They're in good markets and it's all one piece," Stevens says. "Just about anybody might be interested in it. It would fit a lot of different [buyers]," particularly the ever-growing Jacor Communications Inc., Stevens says. Jacor CEO Randy Michaels declined comment.

Heritage owns at least three stations—including an FM duopoly—in all its markets, which include Kansas City, Mo.; Portland, Ore.; Seattle, and Milwaukee.

Stevens speculates that the radio group might sell for 12 to 14 times cash flow: "In an overheated market like this, [the price] easily goes over 10 [times]."

Acme making TV debut in Oregon

WASHINGTON—WB Network supporters, led by network chief Jamie Kellner, will pay \$17.6 million for KWBP(TV) Salem/Portland, Ore. With WB steering clear of actually owning KWBP—and up to \$400 million worth of other TVs that the group wants to buy—FCC documents list the buyers as Kellner consultant Tom Allen and Douglas Gealy, who likewise is working on WB distribution plans. Their company has been dubbed Acme Television Holdings, a reference to Warner Bros.' "Road Runner" cartoons, which feature "Acme" products.

Acme's investors, who include Kellner, "understand the value [that] a successful network brings to stations," Allen says. The names of Acme's other investors and its financing are expected to be made public in the next two to four weeks, he says. The group is being steered by investment banker Communications Equity Associates. WB can't buy its own TV stations outright because its parent, Time Warner, owns cable systems in many large markets.

If FCC and Justice Department approval is granted, Allen and Gealy each will own 40% of KWBP. Seller Peregrine Communications Ltd. will retain 20%, the documents say (see "Changing Hands," page 46). Portland is the nation's 24th-largest TV market; Acme is concentrating on buying stations in markets 20-80, Allen says. Specifically, it is looking for "undercapitalized, undermanaged or start-up" stations. Unbuilt and single-owner stations like KWBP also are attractive, he says. Other network affiliates, such as those to be sold by News Corp. (see story, above), are not. "We're not going to buy a Fox affiliate and convert it to a WB affiliate," Allen says.

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Kellner leads the new Acme into TV ownership.