

BROADCAST INVESTOR

Broadcast station M&A in H1'21 dominated by Gray deals

Tuesday, July 27, 2021 1:29 PM ET

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Market Intelligence

Despite the ongoing COVID-19 crisis, the TV deal market delivered an impressive \$4.16 billion deal volume in the first half of 2021. However, that volume would have been a mere \$40.7 million had it not been for one company: Gray Television Inc.

Top TV station sales, H1'21

Date	Deal volume (\$M)	Buyer	Seller	Number of stations			Cash flow multiple (x)
				Full-power	Low-power	CP	
05/03/21	2,825.00	Gray Television Inc.	Meredith Corp.	16	30	-	9.0
02/01/21	924.06	Gray Television Inc.	Quincy Media Inc.	24	2	-	9.0
04/29/21	380.00	Entertainment Studios Inc.	Gray Television Inc.	10	3	-	8.5
02/24/21	10.00	Sovryn Holdings Inc.	NRJ Holdings LLC	-	2	-	-
02/08/21	7.74	Radiant Life Ministries Inc.	Venture Technologies Group LLC	1	-	-	-
06/09/21	5.70	Sovryn Holdings, Inc.	Local Media TV Chicago, LLC	-	1	-	-
03/18/21	4.00	Faith Broadcasting Network Inc.	HC2 Holdings Inc.	2	-	-	7.3
01/08/21	2.85	Cunningham Broadcasting Corp.	Peak Media of Pennsylvania LLC	1	-	-	-
03/25/21	2.00	Mission Broadcasting Inc.	Sinclair Broadcast Group Inc.	1	-	-	-

Data compiled July 2021.
CP = construction permit
Sources: Industry data; Kagan estimates
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On Feb. 1, Gray announced the acquisition of Quincy Media Inc., which up until the sale was the largest family-owned TV company in the U.S., owning and/or operating 24 full-power TV stations in 16 markets. All but four of the stations are Big Four affiliates. Also part of the deal were two radio stations and one FM translator, which account for \$940,000 of the total. With the acquisition, Gray Television's station portfolio grew beyond 100 markets.

Based on our 2021/22 revenue estimates, the \$925.0 million price translates to a 9.0x forward seller's broadcast cash flow, or BCF, multiple — slightly higher than that of the last large consolidation deal, the acquisition of ION Media Networks Inc. by The E.W. Scripps Co., for which we estimated an 8.7x forward BCF multiple.

The Quincy Media acquisition was the largest broadcast station deal since the 64% Univision buyout in February 2020. But Gray's activities did not stop there.

To comply with FCC ownership regulations, Gray had to spin off Quincy stations in six markets. The sale of 10 full-power and three low-power stations to Allen Media Broadcasting LLC, a unit of Entertainment Studios Inc., was announced April 29. The \$380.0 million spinoff translated to an 8.5x BCF multiple.

On May 3, Gray Television, Inc. announced the acquisition of Meredith Corp. in what will be the largest TV transaction since the 2019 merger of Apollo Global Management Inc. and Cox Enterprises Inc. The originally announced deal value of \$2.70 billion was renegotiated and on June 3, both parties announced a new price of \$2.83 billion. We estimate a 9.0x forward seller's BCF multiple for this deal, based on Kagan estimates of \$794.5 million in 2022/2023 average revenue and a 39.5% cash flow margin.

The Meredith acquisition will add 11 new markets to Gray's portfolio, bringing the total to 113 markets — more than half

of the 210 U.S. TV markets.

To comply with FCC ownership caps, the purchase will require the spin-off of Gray's WJRT-TV in the Flint-Saginaw-Bay City, Mich., TV market. That sale could yield between \$80 million and \$90 million.

The only other relatively large TV transaction was Sovryn Holdings Inc.'s acquisition of two Class-A TV stations in Los Angeles from NRJ Holdings LLC. Sovryn Holdings paid \$10.0 million, or 97 cents per TV household, for independent KNET-CD and KNLA-CD. KNLA-CD has a channel sharing agreement with KNET-CD.

The radio deal market has been extremely slow, registering an average of three deals above the million-dollar mark per month. Ten of these 19 deals took place in the non-commercial realm, the largest being the \$7.1 million sale of three FM stations from Vernon R. Baldwin Inc. to Educational Media Foundation. This transaction translated to \$2.83 per pop.

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Date	Deal volume (\$M)	Buyer	Seller	Number of stations			Cash flow multiple (x)
				Full-power	Low-power	CP	
06/03/21	18.06	Lotus Communications Corp.	Sinclair Broadcast Group Inc.	4	2	-	6.4
02/12/21	7.11	Educational Media Foundation Inc.	Vernon R. Baldwin Inc.	3	-	-	-
04/19/21	4.00	Radio Training Network Inc.	Entravision Communications Corp.	1	-	-	-
02/05/21	3.30	B.C. Radio LLC	Sinclair Telecable Inc.	3	1	-	-
05/28/21	3.00	Your Public Radio Corp.	Towson University	1	-	-	-
02/25/21	2.57	Murfin Inc.	Southwind Broadcasting LLC	8	1	1	-
06/28/21	2.50	Educational Media Foundation Inc.	Martz Communications Group Inc.	2	-	-	-
06/21/21	2.20	WBOC Inc.	Adams Radio Group LLC	2	-	-	6.9
05/20/21	1.80	Centro Christiano Amistad Church	La Favorita Radio Network Inc.	2	-	-	-
04/08/21	1.80	J. Hanson Co. Inc.	Mountain Wireless Inc.	3	-	-	-
02/08/21	1.80	Seven Mountains Media LLC; Southern Belle LLC	Sound Communications LLC	11	6	-	6.4
03/30/21	1.60	El Sembrador Ministries	The Moody Bible Institute of Chicago	1	-	1	-
01/19/21	1.50	Northern California Public Media	Amaturo Sonoma Media Group LLC	1	1	-	-
03/25/21	1.40	Bible Broadcasting Network Inc.	Calvary Albuquerque Inc.	1	-	-	-
05/11/21	1.30	Radio Training Network Inc.	Horizon Broadcasting Co. LLC	2	-	-	-

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So far this year, the only radio station deal with a price tag above \$10 million was driven by one of America's largest TV station owners. In 2013, when Sinclair Broadcast Group Inc. bought all the assets of Fisher Communications Inc., the TV company also became owner of two AM and two FM stations in the Seattle-Tacoma, Wash. market. On June 3, Sinclair announced the sale of these stations to Lotus Communications Corporation. We estimate a 6.4x forward BCF multiple for the \$18.1 million transaction.

In total, the radio market registered a deal volume of \$99.5 million in the first six months of the year. That is a 75.6% increase compared to the \$56.7 million from the first half of 2020 but a 37.5% drop compared to the second half of 2020's \$159.3 million.

Use Kagan's U.S. Broadcast Station Transactions template for detailed listings of broadcast station sales, cash flow and \$ per pop average values, and monthly and year-to-date summaries and comparisons of the broadcast deal market. If you don't have our Excel Add-In, please download it here.

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