



What It Will Take to Hang Onto Recovery

Second half of 2010 looks strong for stations, but 2011's outlook is all about confidence

*By Michael Malone
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It is, by all accounts, a very good time to be running a station group. After years of being stuck in neutral, automotive advertising is revving along, up as much as 60% year over year. Core business— from local mom-and-pops, retail, restaurants and the like— is also cooking again. And the fall's political season looks to be so gargantuan that it will likely surpass the record amounts spent by candidates in 2008's presidential season.

The second half's earnings numbers will shine even brighter when compared to their dim counterparts in 2009. "Automotive has undergone a resurgence, and we see it continuing in the third and fourth quarter," says Meredith Local Media President Paul Karpowicz, who forecasts Meredith revenue to climb up in the high teens to 20% over last year in the second half. "Business has come back to life; life is good."

Station groups have considerable momentum as they zoom into the second half of the year. Petry Television President/CEO Val Napolitano, who handles agency business for around 120 stations, says stations' national ad revenue is not only robust but remarkably consistent across several categories. "It's not just automotive, but fast food, retail, travel," he says. "It's almost all categories."

Local broadcasters say it's just the type of broad-based recovery that should sustain itself through the rest of the year. "Auto advertising continues to pace at a substantial double-digit increase to the prior year, and the vast majority of the ad categories that we track continue to pace ahead of the bookings from 2009," says Nexstar President/CEO Perry Sook. "The advertising recovery shows no signs of abating at this point."

And while the networks' May upfront presentations are designed to woo media buyers, count several broadcast chiefs among those who were impressed by the Manhattan song and dance. While they've seen dozens of the presentations before—and are quick to note that a great trailer does not often translate to a great series—several said it was the best batch of presentations they'd seen in years, which bodes well for fall and beyond.

"It was a terrific display of the networks' commitment to over-the-air television,"

believes LIN Media President/CEO Vincent Sadusky. “Stations need the network business to be the driver of all other platforms.”

And then there is that whopper of a political season set to kick off in around two months. All indicators point to record amounts waiting to be spent, thanks to several factors. Chief among them are the landmark Citizens United Supreme Court ruling on corporations’ election spending, an extraordinary number of governor seats up for grabs, and an intensely competitive midterm election cage match between Democrats and Republicans—as well as the upstart Tea Party.

Evan Tracey, President of Kantar Media’s Campaign Media Analysis Group, is forecasting between \$2.4 billion and \$2.6 billion being spent on candidates and issues in 2010—with a giant chunk of that landing around Labor Day and pouring in until early November. Not one for hyperbole, Tracey says all the key macro factors are in place for what will be nothing short of grand-slam spending. “It’s clearly the most competitive cycle I can remember,” he says. “There’s almost no such thing as a safe seat—every incumbent is a marked man or woman. I’ve never seen anything like it.”

Dark clouds loom

And so, the rest of 2010 is downright rosy for local television, right? Not so fast. Business is still very difficult to forecast, say broadcast chiefs, with ad buys coming in closer and closer to airtime. Unemployment is dangerously high in many parts of the country. And the Dow Jones Industrial Average continues to bounce like a yo-yo.

The acquisitions market remains lackluster. Modest as they are, Local TV’s \$16.5 million purchase of WGNT Norfolk and London Broadcasting’s \$31.3 million grab of KIII Corpus Christi represent the biggest station deals of the recent past. Some believe that credit markets, hampered by the persistent economic uncertainty, are acting like it’s the fall of 2008 all over again.

“I was feeling great until the last couple of weeks,” says Gray Television President/COO Robert Prather. “There’s a real black cloud over the economy in Europe, and the credit markets here have been affected—they’ve just shut down.”

Television Bureau of Advertising (TVB) President/ CEO Steve Lanzano says he’s “very bullish” on the station business, but “coolly confi - dent” in the overall economy, which he sees as persistently vulnerable. “There’s sensitivity in the marketplace where any event could turn it upside down,” he says. “The economy is based on confidence. If people are confi dent that things are getting better, then things do get better.”

Continuing to cloud confidence is that creeping oil spill in the Gulf Coast, which will dominate hearts and minds well into the second half of the year. While the direct economic impact involves only a handful of states, when the rest of the country sees the ubiquitous images of the greasy slick in the media all day long, it chips away at their faith in big business and government—and often, their spending habits.

“Seeing BP on the corner of the screen on CNBC 24 hours a day can’t help but make people feel horrible,” Sadusky says. “Until there’s greater evidence that they’re controlling it, it will continue to make people pretty depressed and weigh into their consumptive attitudes.”

Economic storm clouds notwithstanding, all agree that it’s a great time to be invested in local TV. BIA/Kelsey forecasts \$17 billion in station ad revenue in 2010, a 7.5% increase over last year, while SNL Kagan calls for an even more sanguine \$20.9 billion, which includes retransmission consent revenue.

A panel of broadcast chiefs was unanimous in their bullish outlook on the second half at the SNL Kagan TV and Radio Finance Summit in Manhattan June 16. An analyst told the panel she’d heard that stations’ ad pascings had started to flatten, prompting Fisher Communications’ Colleen Brown; Kepper, Tupper & Co.’s John Tupper; and Titan Broadcast Management’s Bert Ellis to shake their heads in unison. “I’ve not heard that,” Brown said.

Beyond 2010

With 2010 looking mostly airtight, broadcasters are focused on their game plans for what looks like a tricky 2011. Next year won’t have the Olympics or the political windfall, and while mobile television’s upside is tremendous, it may be a few years before users getting local video on their smartphones yields real revenue. “There are still some business processes and monetization issues to be worked out for mobile,” Lanzano says. “It’s still in its genesis right now.”

Some are concerned that the type of hangover revelers associate with New Year’s Day awaits the station world at the dawn of 2011. “Q3 and Q4 [2010] look to be spectacular on a year-to-year basis; 2010 is, however, giving broadcasters but a brief respite from the new reality,” says Frank N. Magid President of Television Steve Ridge. “Reversing the overall downward trend remains a longer-term challenge.”

The key, say broadcast execs, is better serving viewers and marketers on all platforms, not letting costs get out of whack amidst 2010’s fat margins, and growing the new business that saved local TV’s bacon back when the automotive ads dried up—and hopefully will do so again when the political taps run dry.

“[Stations] can’t go back to the spending levels they had before just because we got a bump in business this year,” says CBS Television Stations President Peter Dunn. “We need to prepare for beyond 2010.”