NAB President/CEO Gordon Smith talked with RBR+TVBR about what’s on the docket in Washington this year, along with NAB’s strategy to deal with it.

What is the state of broadcasting?

I think the TV industry in general is coming off a great year. A lot depended on whether TV stations were located in states with hotly contested political races. Advertising has come back strong from the recession. Retransmission consent has also provided a second revenue stream, which is only fair, since broadcasters by far deliver the most viewers.

On the radio side, it depends on the market. Business is steady, from what I hear, but it could always be better. And while it is easy to hype the growth of online streaming services, the fact is radio has more listeners now than ever before. So I’m hopeful that radio will get a kick-start as the warm weather returns.

A number of issues figure to get heavy play in Washington this year. Can you address what’s at stake and likely to happen for the following?

The incentive auction in general:

The FCC is currently shaping how it will run the auction, and NAB remains engaged with all stakeholders in the process. We will also be arguing our court case regarding the FCC’s incentive auction order to ensure the commission follows its congressional mandate. We are seeking an expedited review to protect our coverage areas after the auction and to make sure the FCC doesn’t force stations to pay out of pocket to move to another channel on the dial.

Broadcast participation in the incentive auction:

Broadcasters have a responsibility to shareholders to examine the auction and whether it fits their business model and plan for the future. NAB recently unveiled a market-by-market compilation of data about potential auction payouts to help broad-
A Guide to the NAB Show 2015

Chances are you picked up this magazine in Las Vegas. Here, from NAB Executive VP, Conventions and Operations Chris Brown, is a look at trends and some of the particulars of the current event.

What will be hot and important for television broadcasters?

This year we’re holding our first ever Online Video Conference, which will feature sessions on such topics as virtual MVPDs, the migration to over-the-top video, original online content, and online advertising metrics, as well as how to monetize online video across platforms. With consumers accessing more and more content online, we believe this conference will provide a valuable insight for broadcasters into the future of video and consumer interests.

Also on the digital side, we have dedicated a portion of the Broadcast Management Conference program to a Digital Strategies Exchange for Television. This program provides an in-depth look at the challenges and opportunities facing television operators in the digital space. There will be focus around the value of digital partnerships, social strategies, and multiplatform monetization ideas, including TV Everywhere.

Finally, tied to all of these in some way, television broadcasters should absolutely make time to visit our Sprockit Hub in the convention center’s North Hall. Sprockit showcases some of the most exciting startups in the media and entertainment industry. These are the companies that, through innovation in technology, are helping reshape the future of this business: the newest in advertising technology, data and analytics, social media, mobile, OTT, all at the cutting edge. Anyone that is looking to get a great snapshot of the future should spend some time in the Sprockit Hub.

What will be hot and important for radio broadcasters?

NAB Labs is conducting the Digital Strategies Exchange for Radio program again on April 15. This one-day workshop is targeted to non-technical radio station managers and will provide digital managers with practical advice on how to get the most out of digital assets. Radio’s digital leaders will be on hand to share a variety of best practices and updates on connected-car technology, hybrid radio, digital audience measurement, branding, social media, and emerging services.

With Congress and the Copyright Royalty Board set to review copyright law and the rates broadcasters pay for streaming music, we are also producing educational sessions for radio managers to bring them up to speed on where things are in Washington.

What’s new at this year’s show?

Since we emerged from the recession a few years ago, we have seen steady growth in attendance at the show. The last two years have been particularly strong, with the show floor growing by 17%. Last year, we had over 98,000 attendees, up more than 4% from 2013, and had almost 1,700 members of the news media covering the event. I expect the show will approach, if not exceed, 1 million net square feet of exhibition space and should draw over 100,000 registrants.

What overall industry trends do you believe attendees will take away from the Show?

Again, the growth in over-the-top video will be a major focus and will be explored in depth. Our Online Media Conference is just one avenue in which questions about over-the-top video will be discussed. Certainly there will be a lot to learn about the evolution of 4K, or Ultra HD, technology. There continues to be investment on all fronts in 4K, both on the technology and content sides of the ecosystem. While there may be some debate about its ultimate adoption, there will absolutely be additional companies bringing 4K products, along all aspects of the acquisition and production workflow, as well as complementary high dynamic range (HDR) imaging technology to market and to the show.

On the advertising front, as companies continue to sort out new business models in a multiscreen world, there will likely be a good bit to discover in the way of new advertising technology. The technology is getting more sophisticated in every area, from programmatic to analytics to mobile and everything in between. With digital, and mobile more specifically, driving content consumption across multiple screens, a whole new range of targeting opportunities are available to savvy content owners and distributors.

What international presence do you expect at the show?

The NAB Show always has a large international presence. In fact, we typically see nearly 30% of our total attendees coming from outside the U.S. and from around 160 countries across the globe, whether as individual attendees, exhibitors, or as part of an official delegation.
Local Renaissance: Why Broadcasters Win in the Age of Community

By Stacey Lynn Schulman
EVP, Strategy, Analytics & Research, Katz Media Group

It wasn’t that long ago that John Doerr, the American venture capitalist and partner at Kleiner Perkins, coined the acronym “SO-LO-MO,” believing the future would be dramatically impacted by the convergence of social, local, and mobile forces. This trifecta should have been a boon to local broadcasters, since radio and TV stations have always been mobile and social at their very core, predating the digital manifestations on devices and apps available today. But while we’ve heard a great deal about SO (social), and a lot about MO (mobile), we’ve heard precious little about LO (local). In fact, recent data even suggests that national marketers have been moving more and more dollars out of local media in favor of the perceived efficiencies in national channels. The time is now for SO-LO-MO to become reality. Local broadcasters must seize this opportunity to re-engage marketers in what is perhaps one of the greatest countercultural movements of our time: a revitalized love affair with localism.

Virtual communities may be growing up online, but actual communities have taken on renewed relevance. Even though the digital era has made the entire world immediately accessible, its global citizens, adrift in virtual existence, have begun yearning for something more tangible that ties them to a particular time and place. Major corporations, research vendors, and advertising agencies have been investigating this phenomenon, finding that not only do consumers believe they should and do have pride in their local communities, but that millennials are leading this charge. In a 2013 Havas study, 64 percent of millennials indicated they derive personal satisfaction from purchasing locally produced goods, more than any other demographic group. That’s great news for local media!

Consumers today not only want local goods, they want national marketers to speak to them in a local context. Sixty-one percent of respondents in the same 2013 Havas study agreed that national brands should play bigger roles in their communities, opening the door to wider investment from national spot advertisers willing to customize messaging to local audiences. Katz Media Group tested this hypothesis recently for a national advertiser by comparing reactions to national and localized versions of the same radio creative. The results were resoundingly positive for the localized spots, with a +13% increase in ad recall, a +11% increase in intention to visit the brand’s website, and a +21% increase in purchase consideration for those who heard the localized ads versus the national ones.

With the power of localism clearly on the rise, the ability to use geo-locational targeting to micro-segment our DMAs and digitally re-target our constituents has become an enticing proposition for advertisers. And yet, the role of local broadcasters to deliver on Doerr’s vision remains more promising than ever before.

Why? Three reasons: Better than anyone else, local broadcasters can deliver the powerful combination of relevant cultural currency, authentic community, and live experience.

In addition, local broadcasting is inherently mobile and social.

1. The concepts of “friend” and “following” strangers in virtual communities is facilitated by discovering common bonds that are often drawn from the products of mass culture: music, TV shows, movies, etc. These touchstones provide us with cultural currency as we navigate virtual life. This is why, despite references to radio as “old media” and prognostications over the “death of TV,” all mass media are actually more powerful than ever.

2. In a world of virtual relationships, local community grounds us in authentic experience. Broadcast advertising that is “localized” stands out because the velocity and variety of digital interactions today have multiplied our level of distraction and numbed us to the constant barrage of re-targeted, “personalized” digital ads. Advertising that is truly localized therefore allows marketers’ messages to rise above this din and resonate with consumers in a way that embraces the authentic communities they identify with.

3. Local media are frequently live, and, in the case of local radio, almost exclusively live. In an age when so much media usage is on demand and consumers expect gratification in the here and now, marketers need vehicles that can deliver mass audiences instantaneously, in real time, with the ability to locally contextualize their message simultaneously.

While mobile and social media are frequently touted as our industry’s bright new shiny objects, in reality, these are not new opportunities for marketers. Broadcasters have been delivering on mobile and social since their inception. Radio has always been the true mobile medium, with two-thirds of its usage occurring out-of-home and closest to the point of sale (compared to mobile devices, which are used at home, over WiFi, two-thirds of the time). Likewise, social is at the very heart of radio’s essence. From request lines to dedications, radio has been providing listeners with tangible, human interactions that go far beyond 140 characters and “like” buttons. Compared to other media types, a 2012 Colligent study revealed that local radio stations drive the most engaging behaviors within Facebook, while local television reigns on Twitter. Social media, facilitated by mobile devices, may be this century’s version of the telephone, enabling easier and more robust interaction, but it is still the content of radio and television stations that drive those interactions.

Skeptical? Consider that iHeartRadio’s Music Festival and the Academy Awards each drove 5 billion social media impressions this year.

Radio and TV broadcasters win in the “Age of Community” because their powerful brands are fixtures in our local lives. Whether on the air, online, or on mobile devices, local stations remind us of where we are and where we’re from, giving us a sense of purpose and direction as we navigate our weather, traffic, and local events. They give us moments of belonging with real people throughout our day as we commute with our morning drive time jocks, cheer with our local sports announcers, and relate to our real neighbors with our late-news anchors. Likewise, radio and television talent are like family, providing local broadcasters with powerful persuasive capability that rivals the word-of-mouth recommendations that have always factored so heavily in consumer decision-making.

Now more than ever, localism is the critical differentiator in the media mix, giving local broadcasters a unique opportunity to outshine other communication channels. At Katz Media Group, we have been researching and investing in the concept of localism, developing relevant case studies to reinvigorate national advertiser interest in local markets, and highlighting pathways for them to engage meaningfully. Stay tuned.
In the past year, we closed media deals with an aggregate transaction value of nearly $300 million. MVP continues to be a thought leader and innovator in the media sector.

How can we put our expertise to work for you? Call for a confidential discussion at NAB.

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Two Views on Why We Need ATSC 3.0: Insights from Broadcast Industry Leaders

Pearl TV Managing Director Anne Schelle strongly endorses the development of ATSC 3.0 broadcast standards as a way to keep broadcasters at the forefront:

We live and work in a digital ecosystem that evolves rapidly. Every day we’re watching, listening, and reading from a variety of sources and devices. And yet our digital broadcast TV standard dates back to the mid-1990s, when the flip phone was cutting-edge, when “You’ve got mail” told you to check the in-box, and when dial-up modems delivered content. Moving from analog to digital TV was a long process, because consumers were stuck with analog displays not designed for a digital source.

But today, our digital video ecosystem is moving faster than ever before. Some 4 million Ultra HD TV sets will be sold this year alone, and millennials are moving away from entertainment and information as something absorbed simply at home in the living room. They’re constantly moving, connected to a variety of wireless networks that no longer require a big antenna or a cable. Our audience is changing, they are increasingly on the move, and the continuing march of technology is the reason that our broadcast standards need to evolve to ATSC 3.0.

Market research conducted by Frank N. Magid Associates indicates that U.S. mobile consumers say they are ready for live, local mobile TV, with the concept of watching live digital television via a mobile device appealing to half of those surveyed. When asked what live video they want to see, nearly nine out of 10 survey respondents say they are interested in watching live news and weather programming while on the go. It is no surprise that the promise of “TV everywhere” excites our video-consuming public, and equally disappoints.

Built-in mobility is only one advantage of ATSC 3.0. The new system will be flexible and robust. Capable of transmitting Ultra HD TV, ATSC 3.0 will be IP-based, and it will offer improved OFDM reception to reach viewers in more places at one time. With advanced compression, the new system will enable new services and will be far more flexible than the 20-year-old technology it replaces.

Sinclair Broadcast Group/ONE Media's Mark Aitken is advocating a solution that builds on a broadcaster’s key advantages:

Prior to the advent of digital television, the analog television broadcast industry offered one service: television. While the promise of digital television was many things, it turns out that the technology adopted was designed to do pretty much the same thing, just better. Better pictures and sound delivered to the living rooms of America. This is not a bad thing, and HDTV has certainly forever changed what consumers expect from television. But they have moved on, literally.

The need for broadcasting to be competitive in the era of “everything mobile and portable” does not strike this author as something new. Sinclair Broadcast Group has been striving to get a fully capable digital broadcast standard for 16 years. And now, with an industry that is fully aware of the competitive forces that surround us, we have an opportunity to design and develop a fully capable and competitive standard in the world of today, adaptable to the world of tomorrow. Yes, we need mobile! Yes, we need UHDTV and HDTV Plus. And, yes, it needs to be OFDMA-based, for reasons of ruggedness and an ability to support multiple towers in a Single Frequency Network. Imagine mobile, portable, and traditional fixed television broadcasting, all inside of one digital broadcast platform. So “yes” to all of that, but it needs to be so much more!

Enter ONE Media (Open Network Enabled Media), a joint-venture startup funded by Sinclair Broadcast Group. It is focused on realizing an optimal “all IP” wireless next-generation broadcast solution, carrying the same kind of IP data and content that flows across the rest of the world’s digital infrastructure. ONE Media is filling the void and providing a place where business ideas and technology invention come together for the good of an entire industry.

As a wireless IP data pipeline, new and before-unimagined services become possible. Broadcasters have the ability to flood entire marketplaces with ubiquitously available bits. There is extreme value waiting to be unlocked in such capabilities, not just in local television, but in providing a competitive bit-distribution platform that can be woven together with both local and national service capabilities. ONE Media is focused on providing the technological tools to re-energize broadcasters in today’s and tomorrow’s competitive world.

That requires that we build for more than just today’s needs. Our future depends on it being built with an evolutionary capability that ensures we have the opportunity to stay competitive, to support the “Internet of Things” and yet-unforeseen other needs.

Sinclair Broadcast Group and its 162 TV stations are committed to building out and launching new services only possible with a new broadcast platform. It’s all about making money with the bits.

Save the Date

November 17, 2015
Michael Kassan Blazes a Path to the Media Future

By Dave Seyler

The future is always the same distance away. That was as true in 1015 A.D. as it is in 2015 A.D. But getting there seems many degrees more complicated in 2015, especially in the rapidly changing media business. Michael E. Kassan, chairman and CEO of MediaLink, shares with us his vision of where we are and where we’re going.

What exactly does MediaLink do?

The turn of the millennium brought monumental change to our industry: The foray of technology was blurring the fault lines that have for years separated buyers and sellers, creators and consumers. I founded MediaLink in 2003 out of a need: My colleagues and industry friends were calling for advice on how to navigate this evolving landscape, and one day the phone was ringing enough to create a business out of it.

In 2009, Wenda Harris Millard, a longtime friend, publishing executive, and digital media pioneer, joined me as president and COO. MediaLink sits at the intersection of Madison Avenue, Silicon Valley, Hollywood, and Wall Street. We work with brands, media companies, technology solutions, and financial institutions to deliver services ranging from business acceleration, strategy development, executive search, and partnership management to innovation strategy. Partnering with our clients to develop a deep understanding of their needs, expectations, assets, resources, and limitations, we get to know the team and the reality of how it operates, its capacity to adapt, and its tolerance for change. Informed by benchmarks and best practices of highly successful companies and the deep operational expertise resident at MediaLink, we develop analysis, options, and processes to create a team that can rapidly become an agile, innovative, digitally proficient organization.

The reality is that in our constantly evolving business world, adapting is not good enough. Because of our position in the marketplace, we are uniquely connected to see and seize opportunities in shifting landscapes. Unlike traditional consulting firms, we activate our recommendations with our clients. Every person on our team has built, fixed, and run companies, so we can execute strategy with the best in our field. Today MediaLink is a team of more than 90 people, all of whom have resident knowledge in media, marketing, and technology.

Cord-cutting and the use of OTT devices is cutting into cable and satellite subscriptions. Is this the future of television access, or will it plateau at some point?

Cord-cutting, a behavior especially frequent among millennials and younger viewers, is a challenge for media and cable companies alike. While much has been made in the media of cord-cutters’ potential impact on television, the actual numbers are still fairly small, at least for the time being.

A senior executive at a major media company once told me that as it pertains to cord-cutting, she is unsure the source of this behavior and whether it’s related to economic pressure or a lack of interest in having cable altogether. Of course, there is a generational shift, but you will not see the cable business fall off a cliff, or any sense of un-bundling in the near future.

Cord-nevers are actually a more significant group, though one whose impact remains unclear. Increasingly, as young people are graduating from college, many with significant debt, they’re not investing in cable because it’s cost-prohibitive. While people are less likely to have cable in their early to mid-20s, they may buy program bundles later as they begin to gain more disposable income and have families.

Does cord-shaving pose a challenge to traditional media companies?

Absolutely, and especially if it leads to large-scale cord-cutting. However, it is important to delineate between the two trends and to note that for the moment, at least, any large increase in cord-cutting has yet to occur.

How important will over-the-air broadcast be to traditional television?

In order to assess the future of traditional TV, it’s important to define what “TV” means. In doing so, there are a few points to highlight.

The first: TV is still the best way to reach a lot of people quickly. A senior marketer at a global telco company once explained to me, “For us, everyone breathing is a potential customer. It’s not like we’re selling mountain bikes and only need to reach outdoor enthusiasts under the age of 40. A broad-scale business still needs linear TV and the associated mass reach, and will need it for a long time.” So, as it stands today, there are many fantastic video platforms, which won’t threaten TV so much as they will extend its reach.

As viewer behavior fragments, sports, live events, and local broadcasting will likely become the new premium and continue to sustain the traditional model by serving advertisers’ need for “big reach” opportunities, like the Super Bowl and the Grammys. The explosion of channels and content types that many believe will impede network television could actually increase the value of such...
content to marketers. Primetime and real broad audience delivery, which will still only be accomplished at one moment in time with TV, will continue to be very lucrative and have even higher CPM. Today, few digital delivery platforms can compete with linear TV for getting a mass audience all in one place.

Television live, newsworthy events still draws big numbers at predictable times (Super Bowl XLIX drew the largest U.S. TV audience in history, 120.8MM viewers at its peak. The most recent Academy Awards broadcast, while down YoY, still drew 36.6MM viewers (* **), and advertisers know that since there is less DVR activity around these events, their ads have a lower chance of being skipped, and so are willing to pay the associated premium for programming of this nature.

How do you believe TV stations should maximize the value of their over-the-air signals? Multicast-ing? High-definition? New services? And how important will the development of ATSC 3.0 be?

As consumers become more adventurous in their seemingly unquenchable search to find content in new ways on any screen, TV stations need to be on-trend and understand what viewers are watching at each screen, and create content strategies that respect what viewers are looking for, when they want it, and where they want it. As Leslie Moonves said on stage with me during MediaLink’s Brand Matters keynote panel at CES this January, “I don’t care where you watch our shows. Just watch them.”

Whether that be multicasting or utilizing social media to more effectively keep viewers tethered to their content, broadcasters and networks need to be flexible and able to adapt quickly. An interesting anecdote is about the local-station news director who is considering eliminating scores and highlights from his nightly sports segment, as most viewers already have that information prior to the broadcast. Instead, sports would focus on interviews and analysis with the local teams. If done effectively in a coordinated manner, the news director’s programming can lead to a strategy that will help keep valuable viewers involved with their brand across multi-channels/screens.

Retransmission consent is a big issue. What are the implications of the move to cord-cutting and OTT for broadcasters that increasingly rely on retrans income?

Retransmission negotiations are changing all the time. And while sometimes the conversations can be adversarial and contentious, there is an incentive to work together in a collaborative manner in order to compete better with the OTT platform.

In a more collaborative business approach, broadcasters, networks, and access providers can structure digital video packages tailored to viewers and share a commitment in serving “TV Everywhere” access.

One of the important reasons for local broadcasters and cable system operators to support one another’s business models is their mutual need to remain competitive with the growing number of OTT alternatives for video programming. While OTT may not result in cord-cutting, it has been linked to cord-shaving, and the ability to watch network TV programming on demand has proven popular with millennials.

While the behavior of today’s cord-cutters and cord-nevers may change as they grow older, John Stankey, chief strategy officer at AT&T, noted, “We think cord-shaving is a reality going forward.” But while the slender bundles brought on by this trend have been core to the pricing strategies for cable providers and TV networks, the further progress of cutting and shaving is anelated, at least in the short term, by contract protections. As the Wall Street Journal pointed out last year, channels like ESPN stipulate that their distribution contracts that they need to reach a high percentage of the distributor’s customer base. So if too many people start subscribing to cheaper tiers, providers will need to reintroduce those channels into those bundles and they won’t be as skinny.

Where do you see the incentive auction going? What is the best strategy for broadcasters regarding the decision to participate or not?

For many stations, such as major network affiliates, closing operations or ceasing broadcast activities will likely not be an economical choice. However, recent trials of channel-sharing in L.A. make the option a potentially lucrative one with strong technical feasibility.

Channel-sharing will require well-defined governance and cost-sharing approaches. These must be balanced with ownership structures and operations in order to fairly allocate both capacity and costs. Furthermore, this must all be evaluated in light of the potential tax implications of the funds received via the auction.

The re-emergence of over-the-air TV consumption, along with the ability to multicast, has led to somewhat of a resurgence in the value of networks. Do you see this as a growing trend, and will some of these networks become forces to be reckoned with?

The combination of good content and a sound digital strategy is key, not necessarily the re-emergence of over-the-air TV consumption. Video has been a great vehicle for engagement, and we’re seeing really great content being produced by TV networks (and their studio/producing partners). Content is king, and now consumers have the ability to watch it uninterrupted across devices anytime, anywhere.

At least one major analyst sees AM/FM radio as being on the ropes, with a substantial winnowing of the herd on the way. Your thoughts on this?

I have been and continue to be bullish on radio. The power of sound is a universal magnet to gather people around a common interest. In my opinion, if a radio host is successful in building a relationship with his or her listeners, then a human perspective is brought to the offering in a way unlike most other forms of marketing.

A report released by Nielsen last year estimated that radio reaches 92% of the total U.S. population ages 12 and older. That’s massive reach.

That said, with the foray of digital, it’s critical that radio continues to be nimble and experiment with digital strategies to ensure that the channel reaches millennials and emerging audience segments at an increasing rate. Mobile is both an obvious and huge distribution opportunity. For instance, Bob Pittman has hit the nail on the head with iHeart’s mobile app, giving listeners access to their favorite artists when and where they want it.

Is there any hope for print publishers? What are the best strategies for these publications to go beyond simple survival and thrive?

Print providers must transform their digital products into something that people are willing to pay for and experiment with new methods of storytelling (i.e., video and social media) to take advantage of advertisers’ interest in aligning with these new formats.

The Magazine Publishers of America is a perfect example of an organization that is challenging its members to implement omni-channel marketing initiatives to drive traffic to both their digital and print properties.

Glenn Serafin personally has closed one or more buy, sell or finance transactions in the following 53 ranked and surveyed markets: Albuquerque NM * Allentown PA * Altoona PA * Atlantic City NJ * Augusta ME * Baltimore MD * Bangor ME * Baton Rouge LA * Boston MA * Cape Cod MA * Clarksville-Hopkinsville TN-KY * Cleveland OH * Colorado Springs CO * Concord NH * Denver CO * Detroit MI * Flagstaff AZ * Frederick MD * Fredericksburg VA * Fresno CA * Ft. Myers FL * Gainesville-Ocala FL * Grand Rapids MI * Greenville-New Bern-Jacksonville NC * Hagerstown MD * Hudson Valley NY * Los Angeles CA * Modesto CA * Monmouth-Ocean NJ * Nassau-Suffolk NY * New Orleans LA * New York NY * Norfolk VA * Orlando FL * Pensacola FL * Philadelphia PA * Phoenix AZ * Portland ME * Redding CA * Reno NV * Sacramento CA * Salina-Manhattan KS * Salt Lake City UT * Savannah GA * Spokane WA * Sussex NJ * Tampa FL * Trenton NJ * Tucson AZ * Victor Valley CA * Wichita KS * Wilkes-Barre/Scranton PA * Winchester VA and in numerous unranked markets across the USA.

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Let’s Make a Deal

By Glenn Serafin, President of the National Association of Media Brokers

Some headlines aside, last year was just OK for broadcast-station trading. SNL Kagan reported that 759 radio stations were sold in 2014 for $1.51 billion, up from 638 radio stations for $1.02 billion in 2013. BIA/Kelsey says 935 radio stations were sold in 2014 for $950 million, compared to 860 stations sold in 2013 for $1.036 billion. SNL Kagan and BIA/Kelsey use different criteria for what stations are included, e.g., swaps and commercial versus non-commercial, and what constitutes a sale. But, to see a trend, their data is equally good. The radio stations sold last year represent about 6% of the 15,432 full-power AM and FM radio stations operating in the U.S. To draw an unfair comparison, when deals were robust after Telecom in 1996, about 12% of radio stations changed hands annually.

On the television side, 2013 was a banner year for consolidation in advance of the mid-term elections, and because aggregators and swappers like Tribune, Comcast, Gannett, Sinclair, Media General, Meredith, Gray, and Nexstar had (and still have) the favor of capital sources. Thus, as they say, 2013 was a "tough comp." SNL Kagan reported 145 full-power TV stations changed hands last year for $7.26 billion, compared to 286 full-power TV stations for $11.39 billion in the previous year, 2013. BIA/Kelsey, on the other hand, says 171 TV stations were sold last year for $4.626 billion, compared to 278 TV stations for $9.712 billion in 2013. Whichever is more accurate, TV transactions and dollar volume were down from 2013 to 2014, a 10% drop. In short, it would take only one deal of even moderate magnitude to double the total value for the year.

To the right is a chart of deal values for the first two months of the year. Perhaps between our deadline and when you read this, there will be more action. As I write this, we are off to a slow start in 2015. Unit sales are low. So is dollar volume. Both radio and TV values and transactions are driven by two primary factors: revenue growth and access to reasonably priced capital. For institutional investors, TV is in favor. Sadly, radio still is not. RAB reported spot radio revenues were $13.6 billion last year, off 3% from $14 billion in 2013. This range hasn’t changed much since 2010. A study provided by TVB reported spot revenues for local TV were $20.5 billion last year, up 9% from $18.6 billion in 2013 (but about the same as in the political year 2012). Separately, digital revenues for radio and TV rose 9% and 14% respectively. NTR also was up. But it’s not because radio has become a bad business. Indeed, with manageable costs, the potential for high operating margins, relatively little capital expense, and terrific tax treatment, radio remains an attractive investment, especially at low prices, which today average 7X broadcast cash flow (plus or minus, depending on market size, growth, and the quality of the assets). This is why so many small radio transactions are being done (70% in markets smaller than rank #75).

2015 Station Trading Starts off Sluggish

By Dave Seyler

In the world of station trading, not much is happening. Deals are being filed with the FCC, but they are generally on the small side. By the end of February, according to RBR•TVBR research, total value traded had yet to surpass the $60 million threshold. In short, it would take only one deal of even moderate magnitude to double the total value for the year.

Trading on the television side has been especially sluggish, and we have to suspect the big money being floated by the FCC regarding the incentive auction is a major factor. Most of the trades so far have been low-cost deals for LPTV CPs. At press time, there were signs things were picking up. On the radio side, an Alpha Media Lubbock, TX deal has been announced for $23 million, and Gray Television is spending $17.5 million for a full-power/low-power TV combo in Twin Falls, ID. The two deals by themselves add a modicum of respectability to the 2015 trading total value. But only a modicum.

Perhaps between our deadline and when you read this, there will be more action. To the right is a chart of deal values for the first two months of the year.

Source: EOB
Alex Berkett is co-founder and executive vice president of Townsquare Media, radio’s newest public company. Here he addresses the many facets of the company’s forward-looking business plan.

How is 2015 business looking overall?
As a public company, we are limited by securities law in regard to what guidance we can offer in relation to the forward outlook for our business. With that being said, we were very pleased with our 2014 results, which were consistent with our publicly issued guidance, and are excited about our strategy, asset mix, and prospects in 2015 and beyond.

We thought your IPO was a bold move at a time when many would have been glad to be far away from the stock market. How’s it going, and where do you think it’s headed?
We were pleased to have successfully completed the first initial public offering of a company with substantial radio assets in over 10 years. While the equity markets have been challenged for media companies in recent times, we have been able to deliver meaningful appreciation to our public shareholders. Over time it is our hope to continue to create equity value for our shareholders. Being a public company affords us a number of advantages that we hope to capitalize on over time, including increased visibility, access to the equity capital markets, potential future liquidity opportunities for our pre-offering shareholders should they desire it, the ability to attract and reward employees with equity-based compensation, and a currency that may be used in potential acquisitions. In all, we believe having gone public has been a very good thing for our company and its stakeholders.

We’ve reported that Townsquare digital has been the source of an increasing share of the company’s total income. Is that trend going to continue, and at what pace? Accelerated, the same, or somewhat slower?
It’s definitely going to continue. We have a real focus on engaging our audience across multiple platforms and offering our advertisers access to these consumers at each point of engagement. Despite the overall disruption of traditional media platforms and increased audience fragmentation, we are proud to be growing our audiences across all platforms: our radio listeners (terrestrial and online), online visitors, and on-site audiences. We believe our product-facilitation strategy has been critical in allowing us to accomplish this feat, and we couldn’t accomplish that without the hard work, commitment, and creativity of our local programming and sales teams.

This diversification positively impacts our financial results, allowing us to achieve approximately 8% pro forma net revenue growth in 2014. We were able to produce this growth in part because of the growth in our local advertising business, which includes our radio assets, but also because our digital and live events offerings represent a significant portion of our business. In fact, in 2014, Townsquare generated approximately 30% of our revenue from sources other than the sale of terrestrial radio advertising. Excluding the radio assets we acquired more recently, that figure was 42% in 2014, above the 40%-by-2014 threshold we targeted when we founded the company. We expect our digital and live events offerings to be an increasingly large component of our business going forward, and we continue to invest in resources, personnel, training, and other resources in support of this growth.

Can you describe your local event business? What types of things does Townsquare do, and how does it tie into and enhance the radio and digital aspects of the business?
In 2014, Townsquare produced approximately 500 live events across all 66 of our markets, attended by over 700,000 people. Approximately 90% of these events are annually recurring brand franchises, such as the Kalamazoo Rib Fest or the Red Dirt BBQ & Music Festival in Tyler. Less than 20% of these events are music-based. The overwhelming majority of our events are lifestyle events, including beer festivals, athletic events, and other family-friendly events.

This is a terrific business for us, one that we have largely created since founding the company, and one that contributes significantly to the growth of our business. We are able to capitalize on a number of synergies with our radio and digital offerings, including the real marketing power provided by those assets, leveraging our local sales force to attack sponsorship opportunities and syndicating successful event ideas across our footprint of 66 markets. And our live events serve as big promotional engines for our radio and digital brands.

Any plans for station acquisitions in 2015?
We are always evaluating acquisition opportunities in radio, as well as in digital and live events. We look for assets that fit our strategic plan. We target assets located in small- and mid-sized markets with low economic volatility. We focus on market-leading brands, as demonstrated by our station clusters achieving the #1 or #2 market share in 65 of the 66 markets in which we operate. Given that we were able to acquire over 300 radio stations in 43 months, we certainly see a lot of opportunities as sellers bring assets to the market. However, we will continue to be disciplined and transact only when assets meet our strategic requirements and are actionable at accretive valuation levels.

Are there any plans to start moving into larger markets, and, if so, is there any kind of timetable?
Our largest markets today are Monmouth-Ocean (#53) and Buffalo (#57). We expect to continue to focus on small and mid-sized markets where we believe the competitive environment for executing our diversified media strategy is particularly attractive. Where the line between mid-sized and large markets is drawn is subjective, but I think it is unlikely we will be in the largest markets unless the competitive environment in those markets were to evolve significantly.

What kinds of things does the company do to attract website traffic?
Most importantly, we publish content that our audience finds compelling. Our 325 radio station companion websites serve 325 unique demographic and geographically targeted audiences, the same audiences that are served by each website’s companion radio station brands. Our content teams produce over 40,000 pieces of unique, original content per month. That content is very often localized and written by our local on-air personalities, who use the online content to engage their listeners throughout the day, not just when their show is airing.

How much autonomy is given to local managers, and how much direction comes from corporate?
We focus on hiring talented local managers who are aggressive entrepreneurs in the diversified businesses they are running for our company. We believe strong managers in our markets are best positioned to make the day-to-day decisions required to execute our differentiated strategy.

Is there anything you’d like to comment on that we didn’t happen to bring up?
We have built a digital marketing service offering that we provide to the SMBs in our markets, many of whom are clients investing in our radio, digital, and live events products. This offering includes search engine and mobile-optimized websites, hosting, listing services, and social media and reputation management, and is sold on a subscription basis.

Our local sales teams are able to integrate this offering into the suite of products they are discussing with their clients, make incremental commission income from selling it, and also benefit by being seen as a digital solutions provider to their clients, not just a radio seller.

By Dave Seyler

Alex Berkett is co-founder and executive vice president of Townsquare Media, radio’s newest public company. Here he addresses the many facets of the company’s forward-looking business plan.
Crystal Ball Gazing with Drew Marcus

By Dave Seyler

Strap into your seat and get ready for a wide-ranging cruise into the immediate future with financial wizard Drew Marcus, founder, managing partner, and portfolio manager of Sugarloaf Rock Capital, LLC.

We've been seeing positive economic prognostications for 2015. Do you agree? And how will that pan out for broadcasters?

2015 sets up as a year with a number of cross currents: economic growth, tough political comps, expectations for share gains from online/social/mobile, likely continued share losses from print, and the prospect of increased programmatic selling. Total U.S. advertising is expected to be up 2%-3% in 2015, with Local down 1%. TV should see core advertising growth in the low single digits, but net retrans and digital could grow around 10%. Radio will likely see a slight decline in advertising revenue but growth in live events.

What will the radio station group of 2020 look like, and what do they need to do now to get there?

Organically, radio groups will likely diversify away from advertising over the next five years. We are already seeing this with Cumulus investing in Rdio and NASH, Radio One investing in TV One, Entercom investing in SmartReach Digital, Salem investing in digital, and Townsquare’s focus on local events and websites. If Congress and the FCC are successful at writing a new Telecommunications Act, which would likely include the logical loosening of broadcast-ownership rules, then the 2020 groups will be larger.

How important is it for radio to secure its traditional territory on the vehicle dashboard?

It is critical for broadcast radio to have a prominent position in the digital connected car. Otherwise, the share loss to the personalized services like Pandora and Spotify will accelerate. Innovative products like NextRadio and HD Radio will help. A challenge will be that the current royalty regime disincentives radio from driving listeners to its digital stream.

What will the television station group of 2020 look like, and what will they need to do now to get there?

The future of TV stations is highly dependent on a number of regulatory issues, including the spectrum incentive auction, ATSC 3.0, and JSA/SSA rulemakings. Near term, stations will need to determine the degree to which they participate in the spectrum auction. The decision-making process should include determining the underlying value of spectrum, which is somewhat dependent on the technical specifics, and to invest in their social and mobile strategies.

Any thoughts on what highly leveraged broadcast companies need to do to cure the deficiencies of their balance sheets?

The answer to this question is different for TV versus radio. TV’s median leverage is only about 4x on 2014-5 average EBITDA, and the sector is generating a ton of free cash flow. TV groups are in the fortunate position where they can pay down debt and return value to shareholders in the form of dividends and share repurchases. On the other hand, radio’s leverage is still at around 6x. The key to deleveraging is focusing all free cash on debt repayment and growing EBITDA.

The way people access video programming is in extreme flux right now, with over-the-air, cable, satellite, telco, internet, and OTT all in the mix. How do you see this playing out over the next five years?

A core premise to media investing is having a view on whether or not the MVPD programming bundle is going to break, which would allow consumers to pick channels on an a la carte basis. Both programmers and distributors are incented to maintain the bundle. We believe the bundle may not break, but it has never been more brittle. Netflix, with 50 million global subscribers, has demonstrated that consumers will pay for a compelling programming package. We expect “must see” programming to thrive with OTT products that are incrementally profitable despite likely cannibalization. However, less popular content could get commoditized.

At the moment, broadcast still seems to have a lock on strong local content. Do you see other media making inroads?

Traditional local media has thus far survived the attack of online players like Patch/AOL. However, broadcasters should not be complacent. Broadcasters need to invest in their social and mobile strategies.

Are you expecting any interesting M&A activity in the broadcast field this year? In the next five years?

We expect radio to be somewhat quiet, with activity among the small-to-medium sized groups. TV will probably be more active, with potential “merger of equals” deals. The incentive auction could also spark deal activity as broadcasters try to increase their odds of success.

Is there a question you would like to answer that we didn’t think to ask?

I would just highlight that TV stations need to fix the way their ratings are measured and monetized. The networks are moving to C7, while local stations are stuck on same-day ratings. The shift of viewing from live to delayed is only going to accelerate.

Finally, who do you think will win next year’s Super Bowl? Besides CBS?

As a diehard Jets fan, I hope they draft Marcus Mariota and he leads the team to a playoff run. Hope springs eternal!

Early Read on 2016 Senate Battle

By Dave Seyler

Just before this magazine went to the printer, Sen. Ted Cruz (R-TX) announced that he is running for president, the first of what will be a string of such announcements as the 2016 elections heat up.

While candidates are duking it out to earn the right to report to work every day in the Oval Office, at least 60 more are likely to be doing the same for the right to play their trade in the Senate side of the U.S. Capitol. It is of course very early, but both The Cook Political Report and Sabato’s Crystal Ball are already at work handicapping Senate elections on a contest-by-contest basis.

The structural edge goes to the Democrats, who are defending only 10 seats to the Republican’s total of 24.

However, at this point, neither handicapper sees the Democrats taking the body back.

Cook gives the Democrats 36 safe seats, including incumbents and the Senate’s two independents, and gives the Republicans 30. But when comparing 34 contested races, only nine are seen as solid or likely Democratic wins, with one other leaning their way. Republicans are seen with 19 solid or likely wins along with five leaners.

Cook doesn’t list any races in the toss-up category at this point.

Sabato provides Democrats with just a touch more optimism. It sees the Republicans safe or likely to the tune of 51 seats against the Democrats’ 46. But it does put three states in the toss-up category: Pennsylvania, Illinois, and Wisconsin.

The thing to remember: it’s very, very early.
L&L Broadcasting LLC has acquired Seven stations in the San Antonio, Texas Radio Market for $31,000,000 from Border Media Business Trust.

Heartland Media LLC has acquired Three TV stations serving Eugene and Medford-Klamath Falls, Oregon for $29,000,000 from Chambers Communications Corp.

LocusPoint Networks LLC has acquired WDVB-CD Edison, New Jersey for $20,000,000 from Deepak Viswanath.

Mid-West Family Broadcasting has acquired Ten stations serving Eau Claire, Wisconsin and Rockford, Illinois for $15,500,000 from Maverick Media.

Marquee Broadcasting Inc. has acquired WMDT-TV Salisbury, Maryland for $9,000,000 from Delmarva Broadcast Services.

Telemundo Rio Grande Valley, LLC has acquired KTLM-TV Rio Grande City, Texas for $8,500,000 from Sunbelt Multimedia Company.

Hubbard Broadcasting, Inc. has acquired 16 Radio stations in Central and Northern Minnesota for $8,000,000 from Omni Broadcasting Company.

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Guiding Univision into the Future with Kevin Cuddihy

By Dave Seyler

The pull of Spanish-language advertisers is generally very similar to the pull of English-language advertisers across industries, with the main ones being telecommunications, automotive, health care, and retail. With that being said, there is a great opportunity for advertisers that haven’t realized the power of the U.S. Hispanic consumer to gain market share by connecting with this important group.

However, a “one size fits all” approach just doesn’t work. We know Hispanic better than anyone else, and the culturally relevant content that we deliver across platforms is unmatched. By working closely with us as partners, we’re able to help clients deliver the right concepts and ideas, ones that we know will resonate with our audiences, regardless of platform.

How are Univision’s retransmission consent deals going, in general?

We have had a tremendous track record of concluding retransmission consent deals with our partners that enable them to grow their businesses with the Hispanic community.

As immigrants blend into the general population and younger, U.S.-born Hispanics enter the money demos, is Univision planning to add more English-language radio content and compete directly with mainstream-formatted stations?

It is less about language and more about culturally relevant content. We need to stay relevant and competitive in this market, it is all about delivering the right content, and that’s exactly what we’re doing across the markets that we operate in. The key is to listen to what the consumer wants in those markets and what resonates, then package the content in a way that’s culturally relevant and available, whenever and wherever they want to consume it.

Univision owns and operates several English-language radio stations, including KKSS/Albuquerque (Kiss 97.3); KKRK/Albuquerque (Yo! 101.3); KIOT/Albuquerque (Coyote 102.5); KBBT/San Antonio (The Beat 98.5); KXTN/San Antonio (Tejano 107.5); KMKY/San Antonio (Yo! 95.1); and KVVF/San Jose-San Francisco (Hot 105.7/100.7). In order to stay relevant with the younger generation, we continue to provide content that attracts 12,000 fans, many of which represent the younger demographic of listeners. We get it. We know how to engage Hispanics like no one else, and this helps us deliver results for advertisers.

There is no doubt that digital represents an enormous opportunity for growth in radio, and our industry is exceptionally equipped to capture that growth, just like Univision has with our Uforia music app, which has grown more than 60% in the past three years, engaging 299,000 monthly unique visitors. The app offers a library of 20 million songs and access to all of our local radio stations, in addition to custom stations that we’ve created, and then some. Not to mention, 745,000 listeners stream Univision Radio stations via the Web on a monthly basis.

In a similar vein, as the Hispanic population continues to grow, is it expanding into new markets in which Univision will seek an O&O presence?

U.S. Hispanics are estimated to make up 22% of the total U.S. population by 2030. In fact, with $1.3 trillion in purchasing power, U.S. Hispanics are the 16th-largest market in the world. Now more than ever before, brands have an opportunity to tap into the power of this important consumer group. No brand is closer to the Hispanic community than Univision.

And, as I mentioned before, it is all about the content. In order to stay relevant and competitive in this market, it is all about delivering the right content, and that’s exactly what we’re doing across the markets that we operate in, which also influences our plans for future O&O presence in other markets.

How important is digital to Univision’s business, and what kinds of things is the company doing in that space?

Digital is one of UCI’s top business priorities and growth opportunities. In January 2015, we reached 7.4 million total unique visitors across smartphones, tablets, and desktops. It’s an extremely important part of our business, and we continue to be focused on making our highly popular content available across platforms, including new networks, and constantly evolving and innovating to stay at the forefront of traditional media while investing and growing in digital and social media.

A great example of how we’re engaging younger demographics is Flama, our digital home for sharing edgy original and curated videos and other English-language content made by, for, and with Hispanic millennials. The digital platform TheFlama.com launched in April of 2014 and has seen incredible interest from this young demographic, particularly because the content is so different.

What are Univision’s 2016 political plans?

The importance of the Latino voter continues to grow at the national and local level, and UCI continues to engage with candidates on all sides of the aisle in an effort to keep the Hispanic community educated and informed on issues that are important to them. Nonetheless, during the last midterm cycle, only 3.2% of total political spend was on Spanish-language media, despite the fact that Hispanics represent 10% of the electorate and 17.7% of the total U.S. population. UCI has a Political and Advocacy Group that works with all sides of the aisle to ensure that candidates leverage our platforms to reach Latino voters that they cannot reach anywhere else.

Is there anything you’d like to address that we didn’t think to ask?

The power of Univision lies in being part of the fabric of the day-to-day lives of our local viewers. Our audiences wake up to our morning shows, stay connected throughout the day with our content online via Uforia and our digital platforms, watch our early local newscast, and end their day with our late newscast. And with our new structure, viewers benefit from richer content by experiencing the personalities they love on both TV and radio, as is the case in Dallas, where our radio personalities run TV segments and our anchors conduct news segments from radio booths. That’s a unique value proposition for us.
By Preston Padden, Expanding Opportunities For Broadcasters Coalition

By the time the 2016 NAB Convention rolls around, many lucky broadcasters will already have seized a historic opportunity to monetize their spectrum while continuing their broadcast operations without missing a beat. Later this year, broadcasters will be invited by the FCC to register for the incentive auction, and the auction will get underway early in 2016. Assuming that the FCC can clear 126 MHz, we estimate that the auction will generate more than $80 billion.

Gary Epstein, Howard Symons, and the FCC's entire incentive auction team deserve enormous credit for their hard work. In 40 years of following the FCC, I have never seen a more open and fair process. I began working at WTTG in Washington, DC in 1969 and have been in the industry ever since. At the former Association of Independent Television Stations, it was my privilege to help launch many new stations during a period of explosive growth. Now, at the Expanding Opportunities for Broadcasters Coalition, I am working with many of the broadcasters I met in earlier years. Our group of 85+ stations, a virtual cross section of the industry, has seized a historic opportunity to monetize their spectrum.

Like other broadcast organizations, we have urged the FCC to adopt broadcaster-friendly regulations to govern the auction. We believe that the FCC will adopt many of our recommendations because they know they need broadcast volunteers to have a successful auction.

For example, we have urged the FCC to adopt rules governing channel-sharing that are much more liberal and broadcaster-friendly than the rules in last May's report and order. Those rules are highly restrictive and require channel-sharing deals to be concluded before the auction. And they envision wide ranging around them in the auction. We have urged the FCC to respond to our advocacy, and we are guardedly optimistic that they will adopt many of our pro-broadcaster suggestions.

Our coalition has also championed an important change in the FCC's proposed formula for setting the starting prices that will be offered to broadcasters. The FCC's proposed formula was finalized before the AWS-3 auction prices went through the roof. The FCC's stated intention is to let "market forces" govern the auction. But a price formula that does not reflect the unmistakable market signals from the AWS-3 auction fails that test.

The FCC's formula ascribes equal weight to a station's interference-free covered pops and to the station's interference profile. Our proposal is a modest change that more appropriately reflects a station's true spectrum value. The FCC's constraint files and ISIX methodology both demonstrate that a station's impact extends far beyond its protected contour.

A single station in New York City can interfere with other broadcasters or wireless operations from Boston to Baltimore. Our reweighting of the FCC's formula ascribes the credit they deserve for the spectrum they occupy beyond their own service area, spectrum that the FCC wants to buy at a discount using its proposed formula.

Our proposed change would significantly increase the starting prices offered to every owner of television stations. At our blog at https://broadcast coalition.wordpress.com, we have posted a spreadsheet comparing starting prices for every station in the country, calculated using the FCC formula and using our formula.

Like other broadcast organizations, we have implored the FCC to abandon the proposed use of "Dynamic Reserve Pricing." DRP has virtually no support among broadcasters or wireless carriers. Broadcasters dislike it because it is a clever economist's trick to keep lowering prices that broadcasters already have rejected. It is a naked repudiation of the very "market forces" to which the FCC claims to defer. Wireless carriers hate it because it causes unnecessary impairment of the spectrum the FCC is trying to sell. As we said in our filing to the FCC, "using DRP to impair spectrum before auctioning it is like beating your car with a sledgehammer before taking the photo to sell it on Craigslist."

Another important issue we have tackled is the amount of information that the FCC will make available to broadband bidders during the auction. FCC Chairman Tom Wheeler has acknowledged that when making "a major sale ... having more information leads to better decisions." And economist Paul Milgram, the architect of the FCC's auction design, has written that "when bidders are uncertain about their valuations, they can acquire useful information by scrutinizing the behavior of their competitors."

Unfortunately, the FCC has proposed to tell broadband bidders nothing about the activity occurring around them in the auction. We have urged the FCC to rethink this plan and to provide broadcasters with the information they need to have confidence in the decisions they make.

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Auction Potential by TV Group

By Dave Seyler

EOBC took the trouble to plug in both the FCC's starting value formula and one of its own, more in line with reality in the strong opinion of EOBC, but on the conservative side of several EBC estimates.

The values are the maximums produced by each formula, constituting starting points from which bidding will proceed downward. It goes without saying that there is a lot of money on the table.

So now, without any further ado, we give you the incentive auction valuation chart by television group, courtesy of Expanding Opportunities for Broadcasters:
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