

Hearst stocks up on Argyles

Merged TV group with 14 stations, 11.6% coverage is valued at \$1.8 billion

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WASHINGTON

It's only Hearst Corp.'s second TV station buy in 11 years, but it's a doozy: In acquiring Argyle Television Inc. last week, Hearst doubled its TV station holdings and created a new TV company valued at \$1.8 billion.

Argyle's stations themselves are valued at about \$525 million, sources say. Hearst effectively paid 3.9 times Argyle's 1996 earnings. Brokers say that multiple sounds high, but fair. "They're good properties," says TV broker Brian Cobb, of Media Venture Partners: "It's a good matchup." But, he notes, the deal gives "new meaning [to the term] 'geographic diversity.'"

Hearst-Argyle Television Inc. will be based in New York and will own 14 TV stations and three satellites. It will operate a 15th under an LMA, for a total TV



The managers of Hearst-Argyle are culled from both groups. Bob Marbut (l), who chairs Argyle, will be chairman/co-CEO, while John G. Conomikes (r), currently Hearst's VP/GM of broadcasting, will be president/co-CEO. The lineup also includes David J. Barrett, currently VP/deputy GM of broadcasting for Hearst, who will be executive VP/COO, and Blake Byrne, president/COO of Argyle, who will be executive VP of Hearst-Argyle. Argyle CFO Harry T. Hawks will keep that position in the new company, and Argyle Executive VP/Chief Revenue Officer Ibra Morales will be senior staff sales executive.

household reach of 11.6%. The new company's goal is to reach 20% in 3-5 years, says Argyle Chairman Bob Marbut, who will be chairman/co-CEO of the new company. That's the percentage

needed "to really be a player with the networks, with the programmers, with everybody," he says.

To get there, Argyle and Hearst knew they had to merge. "The bottom line is both of these companies were looking for the best opportunities to be a consolidator," says Hearst Corp. President Frank Bennack Jr. "We came to where all broadcasters come: Do you go up in size or do you exit?"

San Antonio-based Argyle has been asking that question since last August, when it said it was looking to make its six TVs and three satellites part of a larger group. Hearst has been scouting stations for years, but its only success was in acquiring wwwb-TV Tampa/St. Petersburg in November 1995. Before that, Hearst

hadn't bought a TV station since 1986. "Everyone's trying desperately to get bigger quickly," says Cobb. "This year and next we're going to see how big 'big' is."

In getting its wish, Argyle gets access to capital like it never had before: \$1 billion in unused debt capacity to spend on TV stations, Marbut says: "We have the dry powder to launch an aggressive acquisition program [that would make Hearst-Argyle] one of the premier consolidators of the 1990s."

Privately controlled Hearst, meanwhile, gets access to public money that it never had before. Like Argyle, the new company will be public, with Hearst owning 86% of its stock and Argyle shareholders 14%. "We thought that in addition to our own cash flow and debt...participating in a public currency gives us another way to grow more rapidly," Bennack says.

The new company will not be a subsidiary of Hearst Corp., which will maintain its private holdings in books, magazines, newspapers and cable channels. Less than 10% of Hearst's revenue comes from broadcasting, the company says. Hearst-Argyle essentially will be a merged Hearst Broadcasting Group plus a renamed Argyle. The deal requires FCC and Justice Department approval.

Hearst-Argyle will have 11 ABC af-

What is Hearst-Argyle Television Inc.?

Hearst Corp. and Argyle Television Inc. last week announced plans to join Hearst's TV stations with Argyle's and name the new group Hearst-Argyle Television Inc. The new group, comprising six Argyle stations and eight from Hearst, plus an LMA and three satellites, would own more ABC affiliates than ABC Inc. itself. Following are each company's contributions, by market.

DMA ranked market	Station (ch., affil.)	Coming from...
6. Boston	WCVB-TV (ch. 5, ABC)	Hearst
15. Tampa/St. Petersburg, Fla.	wwwb-TV (ch. 32, WB)	Hearst
19. Pittsburgh	WTAE-TV (ch. 4, ABC)	Hearst
23. Baltimore	WBAL-TV (ch. 11, NBC)	Hearst
30. Cincinnati	WLWT-TV (ch. 5, NBC)	Argyle
31. Milwaukee	WISN-TV (ch. 12, ABC)	Hearst
32. Kansas City, Mo.	KMBC-TV (ch. 9, ABC), (plus LMA with KCWB-TV (ch. 32, WB))	Hearst
43. Oklahoma City	KOCO-TV (ch. 5, ABC)	Argyle
44. West Palm Beach, Fla.	WPBF-TV* (ch. 25, ABC)	Hearst
47. Providence, R.I.	WNAC-TV** (ch. 64, Fox; operated by Clear Channel Communications Inc.)	Argyle
53. Dayton, Ohio	WDTN-TV** (ch. 2, ABC)	Hearst
69. Honolulu	KITV-TV (ch. 4, ABC), plus satellites KHVO-TV Hilo and KMAU-TV Wailuku	Argyle
90. Jackson, Miss.	WAPT-TV (ch. 16, ABC)	Argyle
118. Fayetteville/Fort Smith, Ark.	KHBS-TV (ch. 40, ABC); plus satellite KHOG-TV (ch. 29, ABC)	Argyle

Notes: *Hearst is buying **to be divested because of overlap