

Sullivan buy continues Sinclair spree

Stock jumps on news of \$950 million-\$1 billion deal

By Steve McClellan

Sinclair Broadcasting's station-buying spree continues, with no signs of letting up. Last week Wall Street was loving it.

During the two days after the company announced its deal to buy Sullivan Broadcasting, Sinclair's stock jumped more than \$3, to \$58.25. Since Feb. 4, the stock has climbed almost 25%.

Last week the company entered into a definitive agreement to buy Sullivan Broadcasting for \$950 million-\$1 billion, which includes \$160 million in Sullivan debt.

Sinclair says it may issue \$250 million in new equity to help finance the deal. It may also ask its primary bank lender, Chase, to lend it more money "if needed" to complete the transaction, said Sinclair Chairman David Smith.

Over the past year, Sinclair has made deals (including Heritage, Max Media and Sullivan) that will double the size of its TV station group to 55, covering 22.4% of the country. Once closed, those deals will make Sinclair the largest non-network-owned station group in terms of reach. Sinclair has put together most of its group since 1991, when it owned just three stations.

The Sullivan deal also will make Sinclair the largest single owner of Fox affiliates, with 24 outlets—two more than even the Fox station group.

Smith reiterated to analysts last week the company's intention to become the largest TV group owner, with up to 100 stations. With the Sullivan acquisition, he's more than halfway there.

Sinclair also added to its gaggle of local marketing agreements (LMAs), acquiring two more in Buffalo, N.Y., and Greensboro, N.C. It also bought a second station in Oklahoma City, KOKH-TV, which may be spun off to a third party that would agree to do an LMA. That would give Sinclair 14 TV LMAs, more than any other single entity. In addition to Oklahoma City, three other conflicts arise out of the Sullivan deal: in Dayton, Ohio; Charleston, W. Va., and Charleston, S.C. (see chart).

Sullivan shareholders have agreed to

accept up to \$100 million in Sinclair stock as part of the consideration. But the stock payment is Sinclair's option, which it will decide to exercise or not as it gets near the anticipated June 1998 closing date. Analysts say the decision hinges on the cost of raising \$100 million versus a projection of how high and how fast Sinclair's stock will grow.

Sullivan Broadcasting founder and president Dan Sullivan will not join Sinclair's management group but instead will continue to build a new TV group, Quorum Communications.

Sullivan said he has the backing of ABRY Partners and about \$850 million in capital, which he said translates to "a couple billion" in station-buying power. He will focus on small to mid-size markets. As was the case with Sullivan Broadcasting, Quorum will look for underperforming stations, fix them and sell them, Sullivan said.

Sullivan had revenue of \$125 million in 1997 and cash flow of \$71 million, according to analysts. The core of Sullivan's group, eight Act III stations, were acquired two and a half years ago for \$500 million. Sinclair estimates that it will pay about 12 times Sullivan's 1998 cash flow for the 13-station group, which includes 10 Fox affiliates, mostly in markets 40-85. Sullivan says he expects Quorum's \$140 million acquisition of Petracom Broadcasting to close in 30 days.

ABRY, which has a 56% stake in Sullivan Broadcasting, is a big winner in the latest Sinclair acquisition. The Boston-based media investor put up \$60 million to help Sullivan acquire Act III, analysts say. When the Sullivan sale to Sinclair closes, ABRY's take will be about \$212 million.

Smith told analysts last week that he doubts the FCC will make a move to prohibit TV LMAs—especially in light of the political hot water that FCC Chairman William Kennard finds himself in over the free-airtime issue. But Smith said that he doesn't care whether the commission bans LMAs and forces the divestiture of existing LMAs. Sinclair, he said, would simply make an "adjustment" in its business model and meet anticipated revenue and profit goals going forward. ■

—With reporting by Sara Brown

Sinclair Broadcast Group Inc.

55 stations/Full coverage: 22.4% of U.S.

DMA #	Market	Station	Affiliation
14	Minneapolis	KLGT-TV*	WB
19	Pittsburgh	WPGH-TV	Fox
	LMA	WCWB-TV	WB
20	Sacramento	KOVR-TV	CBS
21	St. Louis	KDNL-TV	ABC
23	Baltimore	WBFF-TV	Fox
	LMA	WNUV-TV	WB
25	Indianapolis	WTTV-TV	Ind.
	satellite	WTTK-TV	Ind.
29	Raleigh-Durham	WLFL-TV	Fox
	LMA	WRDC-TV	UPN
30	Cincinnati	WSTR-TV	WB
31	Kansas City	KSMO-TV	Ind.
32	Milwaukee	WCGV-TV	Ind.
	LMA	WTV(TV)	WB
33	Nashville	WZTV-TV+	Fox
	LMA	WUXP-TV+	UPN
34	Columbus	WTTE-TV	Fox
35	Asheville	WLOS-TV	ABC
	LMA	WFBC-TV	Ind.
38	San Antonio	KABB-TV	Fox
	LMA	KRRT-TV	WB
39	Norfolk	WTVZ(TV)	Fox
40	Buffalo	WUTV(TV)+	Fox
44	Oklahoma City	KOCB-TV	WB
44	Oklahoma City	KOKH-TV+	Fox
46	Greensboro	WXLV-TV+	ABC
	LMA	WUPN-TV+	UPN
51	Birmingham	WTTO-TV	WB
	LMA	WABM-TV	Ind.
53	Dayton	WKEF-TV*	NBC
53	Dayton	WRGT-TV+	Fox
57	Charleston	WCHS-TV*	ABC
57	Charleston	WVAH-TV+	Fox
59	Richmond	WRLH-TV+	Fox
61	Las Vegas	KUPN-TV	WB
62	Mobile-Pens.	WEAR-TV	ABC
	LMA/option	WFGX-TV	WB
63	Flint-Saginaw	WSMH-TV	Fox
67	Lexington	WDKY-TV	Fox
69	Des Moines	KDSM-TV	Fox
72	Syracuse	WSYT-TV*	Fox
	LMA	WNYS-TV*	UPN
75	Rochester	WUHF-TV+	Fox
79	Paducah	KBSI-TV*	Fox
	LMA	WDKA-TV*	UPN
84	Madison	WMSN-TV+	Fox
93	Tri-Cities, Tenn.	WEMT-TV*	Fox
107	Tyler-Longview	KETK-TV*	NBC
	LMA	KLSB-TV*	NBC
110	Peoria	WYZZ-TV	Fox
117	Charleston, S.C.	WMMP-TV	UPN
117	Charleston, S.C.	WTAT-TV+	Fox
169	Utica, N.Y.	WFVX-TV+	Fox
187	Tuscaloosa, Ala.		
	LMA	WDBB-TV	WB

*is buying - is buying from Sullivan
Source: Sinclair Broadcast Group Inc.