Acme builds $200 million war chest

Start-up hopes to grow to 10-15 stations in next two years

By Steve McClellan

Acme Television Holdings has secured more than $200 million in capital, including a $115 million bond offering that closed last week, to operate five stations, including KPLR-TV St. Louis.

The start-up station group, whose chairman is WB CEO Jamie Kellner, will be based in St. Louis and will be run on a day-to-day basis by Acme President Doug Gealy. Gealy hopes to expand the group's portfolio over the next two years to 10-15 stations.

In addition to the $200 million in capital, Acme has secured a $20 million facilities lease agreement from GE Capital and a $40 million line of credit for future acquisitions.

In an offering memorandum for the bond offering (led by CIBC Wood Gundy and co-led by Merrill Lynch), Acme says it intends to acquire underperforming TV stations—or build stations from scratch—in high-growth, midsize markets. All the stations will affiliate with the WB.

In the memorandum, Acme laid out plans to have a five-station group up and running by September 1998. Currently, Acme owns two stations—KWBP(TV) Salem/Portland, Ore., ch. 32, which it acquired in June for just over $23 million, and WBXX(TV) Knoxville, Tenn., ch. 20, which signed on the air last week.

In August, Koplar Communications signed a definitive agreement to sell KPLR-TV to Acme for $146 million, subject to FCC approval. As part of the deal, Koplar head Edward J. Koplar is investing $5 million of the proceeds into Acme for 9% of the group owner.

Acme also said it intends to launch two other new stations next year: Salt Lake City outlet KZAR(TV), ch. 16, in March and KAOU(TV) Albuquerque, N.M., ch. 19, in September.

KPLR-TV is clearly in a turnaround situation, given its financial performance in the 1990s. One key management change already has taken place. Last month William Lanesey replaced Debra Corson as general sales manager. A change was predictable because, as Gealy puts it, "revenues were going down as the ratings were going up."

Acme won't replace the entire management team at the station. The bond memorandum indicates that Edward Koplar has signed a three-year management agreement, with automatic renewals, that will pay him $1 million a year to serve as KPLR-TV's chief executive officer. That's four times what Gealy will be paid to run the station group. Koplar also will become a member of Acme's board of advisers. Current general manager Max Lummis will remain in place at least until the sale closes, says Gealy. After that, "we'll see."

KPLR-TV has suffered financially for most of the 1990s, according to data supplied in the memorandum. In 1992 and 1993 the station posted net losses of $9.2 million and $6.9 million, respectively. In 1995 it recorded a $58.6 million profit on paper, but most of that was the result of a restructuring of debt and interest payments in which lenders and program syndicators forgave more than $47 million in unpaid bills. Another $11 million came from the sale of KRBK(TV) Sacramento, Calif.

In 1995 KPLR-TV recorded a $1.9 million net profit, but in 1996 it showed an $800,000 loss when revenue declined 1%, to $27.5 million. The station's market share of revenue has decreased from 17% in 1994 to 15.9% in 1996. Earnings before interest, taxes, amortization and depreciation last year totaled $5.9 million—Acme is paying almost 25 times that for the station—and operating income was $3.8 million. The station had a pretax profit margin of 21.7%, considered very low for the industry, analysts say.

Despite the poor financials, KPLR-TV had the best ratings performance of any WB, UPN or independent station in the country last May, according to the offering memorandum. With new sales management in place and improved ratings during the past year, Gealy says "it won't take long at all" to get the station back on track financially.

KPLR-TV has a prime time newscast that Acme plans to keep on the air, says Gealy. News at the station is currently a "breakeven" proposition, he says, but that should improve over time. The other Acme stations won't do news, he says.

The bond memorandum also outlined key terms in WB affiliation contracts. WB retains 75% of the prime time sales inventory and 50% of the children's block inventory. Stations also pay annual compensation to WB based on a formula that calculates 25% of the "added value" to a station from its WB affiliation, determined by the station's 18 to 49 ratings during prime time programming provided by the network.

Acme predicts that over the five-year period starting January 1998, revenue for the five-station group will increase from $44.5 million to $81.6 million, with broadcast cash flow climbing from $11.4 million to $44 million. Those numbers will be revised as the group adds stations. ■

Changing Hands

The week's tabulation of station sales

TV

WJET-TV Erie, Pa.
Price: $18.5 million
Buyer: Nexstar Broadcasting Group Inc., Scranton, Pa. (Perry Sook, president; ABRY Broadcast Partners, owner); owns/is buying nine TVs
Seller: Jet Broadcasting Inc., Erie (John Zanzius and Myron Jones, owners); owns WJET(FM) Erie
Facilities: ch. 24, 1100 kw visual, 110 kw aural, ant. 960 ft.
Affiliation: ABC

KTVZ(TV) Bend, Ore., and WICZ(TV) Binghamton, N.Y.
Price: Approximately $16.5 million (includes purchase of tower manufacturer Stainless Inc.
Buyer: Northwest Broadcasting, Okemos, Mich. (Brian Brady, president); owns KAYU(TV) Spokane, KCYU(TV) Yakima, KBWU(TV) Tri-Cities, all Wash.; KMVU(TV) Medford, Ore., and WKNT (TV) Bowling Green, Ky.
Sellers: KTVZ: Stainless Broadcasting, North Wales, Pa. (Bob Ferrington and Jeff Rodriguez, principals); WICZ: Resorts Broadcasting, Bend (Shelly Eggy, president)
Facilities: KTVZ: ch. 21, 126 kw visual, 12.6 kw aural, ant. 646 ft.; WICZ: ch. 40, 468 kw visual, 46.8 kw aural, ant. 1,230 ft.
Affiliation: KTVZ: NBC; WICZ: Fox

COMBOS

WBBQ-AM-FM and WZNY(FM) Augusta, Ga.
Price: $14 million ($10.2 million for WBBQ-AM-FM as charitable contribu-