

# INSIDE RADIO

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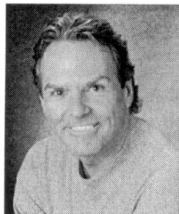
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f t s THE MOST TRUSTED NEWS IN RADIO

**The new Riviera Broadcasting looks to invest \$100 million in radio.** Ron Burkle's private equity firm Yucaipa Companies and Magic Johnson Enterprises have committed \$500 million to begin making investments. Now they're looking to spend as much as \$100 million of that to buy radio stations over the next year. Yucaipa and Earvin "Magic" Johnson have teamed up with veteran radio operator Mike Cutchall to form Riviera Broadcasting, which last week announced its first deal. Riviera



Mike Cutchall

will spend \$16 million to buy three Phoenix radio stations: Spanish CHR "95.1 FM Latino Vibe" KVIB, rhythmic CHR "Power 98.3" KKFR and modern rock "X-103.9" KEXX. "We're using it as a foundation to look for additional assets and build out a group," Cutchall says. Johnson has been looking to invest in radio for several years, but the high multiples weren't attractive. Now that prices have come down, he believes the time to buy has come. "We are extremely optimistic about the value-creation potential in radio," Johnson says. "Market conditions make this the right time to take advantage of this opportunity." Cutchall says they'll look to buy in top 25 markets. "The nice thing is that we have the funds — we don't need bank debt," he adds. Cutchall was at the NAB Show last week meeting with potential sellers. That may include some groups who've decided to downsize while revenue is back on the rise, or banks that have ended up with assets during the recession and are now looking to sell. "There are some deals out there, but none of them are easy," Cutchall explains. He believes

having the star power of Magic Johnson may even help some to sell to them. Meanwhile, Yucaipa and Magic Johnson are making other investments. Their first deal was a \$10 million acquisition of Vibe Holdings, the owner of the magazines Vibe and Uptown and the "Soul Train" television show. Yucaipa is also one of three finalists to buy Warner Music Group. Bloomberg says it's down to the wire with Len Blavatnik and billionaire brothers Tom and Alec Gores — majority owners of Westwood One — also still in the Warner bidding.

**Realism replaces optimism for many in the deal market.** One year ago as radio pulled itself out of the recession and the economy was on the mend, radio's deal-makers left the NAB Show will plenty of optimism that sales would begin. But that hope largely failed to translate into signed contracts. A number of brokers say they left this year's Las Vegas convention with a still-optimistic but more grounded view of the world. "As time goes on you can't help get more realistic," DEFcom president Doug Ferber says. Broker Michael Bergner agrees. "I came back with a clear impression that big market radio is in the middle of healing, but middle and small markets have absolutely no financing available to them," he says. While some bankers were still seen at the NAB Show, the loss of lenders such as Wells Fargo Foothill, CIT Group and CapitalSource from radio has hurt. "They filled an important role, and we need some other lenders to step up and fill that void," says one broker. But there could be a crack in the frozen lending market. One broker discloses his firm was approached by two lenders looking to tackle smaller-sized deals. Ferber says, "It's really up to the banks to decide when the deal market comes back." Yet brokers say the radio market mirrors what's going on with the real estate market nationally: there are more sellers than buyers. "The buyer pool for radio assets has gotten very shallow," Ferber says. "There are some operators that would like to divest some or part of their companies to pay down debt but they're having a tough time either convincing someone to buy the stuff they don't want or they can't get it sold at the right price. The market is still frozen." He thinks it could be 2013 before radio's deal market is thaws and is back to a more traditional volume of sales. Bergner thinks it could be even longer. "We're in a long-term illiquid phase," he says. That gives already leery lenders — who like to see an exit before they even make the deal — to avoid radio. Some brokers worry that if radio revenue growth rates slow, it will hurt even more. But most also agree more than ever — the state of the deal market is no longer reflective of radio as a whole. Bergner says, "The fact that you're not selling doesn't mean you're doing bad."



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