# Citadel prepares for exit from Chapter 11


2010-05-18 14:15:00

With US Bankruptcy Judge Burton Lifland set to sign an order confirming the reorganization plan proposed by Citadel Broadcasting and its senior lenders the company – radio's third largest group – should soon emerge from Chapter 11 protection. But what lies ahead?

Aurelius Capital Partners claims that Citadel is really worth more than is claimed in the reorg plan, which leaves current shareholders with nothing, while the senior lenders get 90% of the equity and 10% goes to lower ranking creditors. Aurelius, which opposed the plan the judge has approved, could yet appeal to a higher court, but it would face an uphill battle. Meanwhile, Citadel's stock, which is worthless under the approved plan, is still trading at two or three cents a share – down sharply from the recent high of 49 cents when there was optimism that Aurelius might prevail.

Even with the reorganization, Citadel is hardly debt free. As proposed when the company made its Chapter 11 filing in December, Citadel's $2.1 billion secured credit facility will be converted into a new term loan in the principal amount of $762.5 million. One industry insider who spoke to RBR-TVBR on the condition that their name not be used said CEO Farid Suleman should have worked to exchange more debt for equity. "It's not like he's going to have a lot of flexibility." That same person, who has been a long time critic of Suleman, warned that if there's a double-dip for the economy, the company will be right back in bankruptcy.

While the terms of the reorganization clearly anticipate having the lenders be able to sell shares to the public at some point, it may be quite a wait until Wall Street is ready for a new radio stock. For the foreseeable future, Suleman, COO Judy Ellis and everyone else down the line will have to focus on driving top-line revenue growth to translate that into EBITDA growth and enhance the value of the company.

Citadel's most recent quarterly report showed a recovery underway for its local radio station operations, while the former ABC Radio Networks, now called Citadel Media, had not yet joined the parade.

**RBR-TVBR observation:** Not only is an IPO not a realistic option for the foreseeable future, Citadel also won't have much opportunity to divest stations and reduce that still-significant debt load until the station trading markets improve. There's no evidence that Citadel is actively shopping any stations. Broker Mike Bergner told us that Citadel would have to be able to sell at a multiple above where its debt is trading, which has been around seven times. That, we note, is what Lew Dickey recently said Cumulus Radio Investors (CRI) hopes to pay for large market stations. No doubt Suleman could get 7-8 times for Citadel's large market stations, but those would not be the ones he would want to sell. So, he's going to have to focus on operations – something he's never shown much aptitude for.

**Have an opinion on this article? Post your comment below.**

SHARE

## Today's Broadcasting News Sign up here for our free newsletters!

RBR - Radio News

- Online Hispanic radio service goes mobile
- Citadel prepares for exit from Chapter 11
- Radio had Miss USA before NBC and Donald Trump
- Citadel Broadcasting Corp gets OK to exit bankruptcy
- FCC offers guidance for powering up FM HD operation

TVBR - TV/Cable News

- Campbell Brown leaving CNN
- Two congressional takes on retrans consent, one FCC response
- Gannett signs renewal for Nielsen ratings
- Charlie Sheen staying put at CBS
- Canoe Ventures announces programming partners for iTV