



# Frequently Asked Questions

## How can I increase the value of my broadcast properties?

One of the fundamental elements to increasing broadcast property value is increasing revenue. Establish a goal of increasing gross sales revenue annually over a specific period like three-years. There are multiple ways to increase revenue. For example, **(a)** increase commercial rates, **(b)** increase the sold-out level, **(c)** build a new client base; **(d)** increase revenue by adding non-traditional revenue such as **(i)** event marketing, **(ii)** Internet business, **(iii)** tower space rental income, or **(iv)** HD channel rental income.

Establish an annual revenue increase goal: For example: Seven-percent (7%) and make sure the company's operating expense do not increase more than (3.5%) each year. Look for operating cost savings.

The result will be the Net Operating Income (profit), also known as "Cash Flow". Try to increase your station's cash flow each year by Seven-percent (7%). This simple formula will help you increase the profitability of your broadcast properties exponentially over a three-year period. Broadcast property values are based upon cash flow multiples.

## Performance vs. Potential? What do buyers look for?

Small market broadcasters are always trying to increasing their broadcast station value by upgrading the FCC broadcast authorization with Minor Modification Applications to improve signal coverage and population count reached by the station's signal. Broadcasters tend to ignore past performance history and market conditions. They want to pitch Buyers the potential of an upgraded broadcast station.

Buyers are very smart today. They recognize that the best predictor of a station's value and potential is its sales revenue history. Buyers want to see the station's last three-year cash flow and not over estimated sales projections based upon an improved signal pop count.

Buyers will pay something for an improved signal, but not for a signal that a Seller claims will deliver an *unproven* or *under-reached population* based upon an improved signal.

Broadcast station owners who want to maximize their broadcast station value should focus on consistently increasing their annual cash flow. It's the single best determining factor for a station's sale price when sold. The potential upgrade of a signal, format change to improve sales performance are

*(Continued on next page)*



all excellent. But these will not dramatically increase the value of a broadcast station's value to a savvy Buyer. Cash flow is always the key for determining a station's value.

### **What is due diligence?**

The process of reviewing the supporting documentation prepared by the Seller for the Buyer's review is what is called "Due Diligence". The documentation will include descriptions of real estates, equipment, leases, contracts personnel and financial statements. The documents are usually attached as exhibits (schedules) in the purchase agreement for the broadcast property.

### **How long does the sale process take?**

Marketing the station can take from several weeks to several months depending on the property. Negotiating and drafting a contract for purchase and sale of a station can also take from several weeks depending on the complexity of the deal. The FCC approval process normally takes about 90-120-days.

### **What happens to employees in a sale?**

Asset purchases usually require the Seller to terminate all employees on the date the sale is consummated unless otherwise agreed. The Buyer has the option to re-hire all or none of the Seller's employees. In the majority of station purchases, the Buyer recognizes the value of current employees and retains them.

### **How do you protect the confidentiality of broadcast properties in a sale?**

Confidentiality and Non-Disclosure Agreements are a standard practice in which both the Buyer and Seller must agree before sensitive information about a proposed broadcast property is offered or disclosed. Rockwell Media is careful not to reveal broadcast property details until the Buyer is qualified as to interest and financial ability to close.

### **How are Buyers qualified?**

We discuss with the Buyer their specific interest and ability to fund a purchase. Rockwell Media validates the funding source of the Buyer's financial resources and frequently speak directly with the funding source to assure the Buyer has the financial ability to close the on the proposed purchase.

### **Will a sale be held up during a license renewal period?**

The FCC generally does not grant license transfers when a station is involved in the midst of license renewal. A transfer could be delayed until the license renewal is granted. Buyers and Sellers often enter into a Time Brokerage Agreement sometimes referred to a Local Marketing Agreement that allows the Buyer to operate the station and allows the Seller to be removed from the daily operations as permitted by the FCC rules.