

# Mossberg's Investor Digest

## Best Idea Profile

## Belo Corporation (NYSE: BLC)

### DESCRIPTION:

Headquartered in Dallas, Texas; Belo Corporation was founded as a Texas newspaper company in 1842. In February of 2008, the company completed a spinoff of its former newspaper businesses and related assets into a separate public company, A.H. Belo Corporation (NYSE: AHC). Currently, Belo is one of the largest publicly-traded pure-play television companies in the US. Belo currently owns 20 television stations that reach 14 percent of the US television market. Belo currently has six stations in the 14 largest U.S. markets and 14 stations in the 50 largest U.S. markets. The company's stations include channels for ABC, CBS, NBC, Fox and others which are situated in 15 highly attractive markets. Belo also owns two local regional cable channels, manages one station through a local marketing agreement and has an ownership interest in two other cable news channels. The company's principal source of revenue is television airtime sales to local, regional and national advertisers.

### KEY INVESTMENT CONSIDERATIONS:

**Cyclical Recovery in Advertising** – Belo is poised to reap the benefits of any strength in broadcast advertising rates. Belo's spot advertising revenues (excluding political advertising) was down less than 1% in the fourth quarter of 2009 vs. 2008 results. This is a marked improvement from a 16% year-over-year decline for the same segment of ad spending in the third quarter of FY2009. Total spot ad revenues increased over 9% in January 2010 on a year-over-year basis. The Super Bowl, the Olympics and a general recovery in the spot market leave Belo with a stronger outlook.

**Stronger Capital Structure** - During 4Q09 of 2009 Belo successfully completed a \$275 million senior note offering. The notes have an interest rate of 8% per annum and are due in 2016. The net proceeds of the offering were used to reduce and subsequently amend the company's revolving credit facility with more flexible terms. 87% of Belo's debt now has a fixed rate of 7.5%. The company's long-term debt decreased 6% in 2009 on a year-over-year basis.

**Quality Franchise** - In addition to locations in many attractive markets, Belo has put a premium on high standards of quality programming. Since 1957 Belo television stations have received numerous awards for news coverage including 25 Alfred I. duPont-Columbia Awards, 21 George Foster Peabody Awards, and 35 Edward R. Murrow Awards. In Jan 2009, WFAA, Belo's Dallas/Fort Worth station, made history as the only local television station to ever receive the prestigious Alfred I. duPont-Columbia University Gold Baton award.

**Cost Restructuring** - Belo implemented a number of cost reductions during the recession. Total station expenses decreased 13% in 2009 vs. 2008. Corporate operating costs were down 24% for the 4Q09 and 7% for the full year in 2009 on a year-over-year basis.

**Strong Markets for Political Advertising** – Political advertising has proliferated in recent years. The combination of major issues, a divided electorate and the new US Supreme Court Ruling that opens up political spending to more corporate, nonprofit and union participation has set the stage for stronger trends in political ad spending. Wells Fargo Securities estimates that political advertising for 2010 would be in the \$3.3 billion range (\$2.1 billion for broadcast television). After discussions with political experts, Wells Fargo is looking for an upside of 8% to 15% from their previous estimate. Belo is present in a number of markets such as Texas, Arizona, Missouri and Washington which should have strongly contested Senate and House races.

### VALUATION:

Shares currently trade at just 12x the consensus analyst estimate of \$0.54. Belo's newspaper spinoff and pure-play broadcaster status have left the company very sensitive to advertising price increases in an improving environment. With an improving outlook for ad rates, price multiples should expand as rates increase.

### (NYSE: BLC)

Investment Data (as of 2/26/10)

<b>Recent Price</b>	<b>\$6.73</b>
52-Week Range	0.47 - 7.10
Fiscal Year End	December
Dividend	.N/A
Shares Outstanding	105 MM
Average Trading Volume (3 mos)	900,000
Market Capitalization	700 MM
Cash	5 MM
Long Term Debt	1 B
Enterprise Value (EV)	1.7 B
LT Debt/ Equity	nmf
BV/ Share	nmf
TTM Revenue	\$590 MM
P/ Revenue	1.2x
2010 EPS (estimate)	0.54
P/ EPS	12x
TTM EBITDA (adjusted)	200 MM
EV/ EBITDA	8.5x

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