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Susquehanna Pfaltzgraff selling radio, cable assets

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HARRISBURG, Pa. - Susquehanna Pfaltzgraff Co. is selling its radio and cable television businesses in separate deals for nearly \$2 billion in the continuing breakup of a family-owned conglomerate that had no heirs willing to take over.

The company's 33 radio stations will be sold for about \$1.2 billion to a partnership of Atlanta-based Cumulus Media Inc., one of the nation's biggest radio station operators, and several private equity firms. Meanwhile, the nation's biggest cable system operator, Comcast Corp., will buy Susquehanna's cable TV and broadband businesses for \$775 million.

The all-cash deals, announced Monday, pushed Cumulus shares up \$1.22, or 11 percent, to close at \$12.16 on the Nasdaq Stock Market, while shares of Comcast rose 24 cents to finish at \$27.81.

York, Pa.-based Susquehanna Pfaltzgraff, in its fifth generation of family ownership, announced in April that it would sell its media assets and its dishware lines, employing nearly 3,000 people. It sold its popular dishware division to Lifetime Brands Inc. in July and closed its factory earlier this month.

With the cable and broadcasting deals, which are expected to close next year, Susquehanna Pfaltzgraff will be left only with its real estate business.

"There's a lot of emotion for everyone because this was an outstanding, long-standing company with a lot of wonderful businesses and a lot of wonderful people," Susquehanna Pfaltzgraff's president and chief executive William H. Simpson said in an interview. "But you know this is the world we live in, this is the world of business."

The company got its start in the early 19th century when German immigrant Johann George Pfaltzgraff began a pottery business in south-central Pennsylvania. In 1922, Louis Appell Sr. and Pfaltzgraff's great-granddaughter Helen Pfaltzgraff married, eventually joining the pottery business with WSBA-AM, which Appell began 20 years later in York.

Susquehanna Radio is the nation's largest privately owned radio broadcasting company, with stations in San Francisco, Dallas, Houston, Atlanta, Cincinnati, Indianapolis, Kansas City, Mo., and York.

Cumulus' investment partners are Bain Capital, Blackstone Group and Thomas H. Lee Partners L.P.

For Cumulus, the deal means gaining listeners in four of the nation's top 10 markets and expanding the number of stations it owns and operates to 343. Most important, the company has the deep pockets of its investment partners to purchase more radio stations in the future, said Lew Dickey, Cumulus' chairman and chief executive.

"I think there's going to be another major wave of consolidation and I think this consolidation, the way it is structured, is ideally suited to become a major player," Dickey said in an interview.

The partnership will pay Cumulus to manage the stations. In return for its membership interest in the partnership, Cumulus will contribute its two FM stations in Houston and two FM stations in Kansas City.

Cumulus will initially own approximately 25 percent of Cumulus Media Partners, with performance incentives that can increase that stake up to approximately 40 percent.

In the second deal, Susquehanna is selling its cable television and broadband services division to Comcast, which already owned 30 percent of Susquehanna Communications. The acquisition will add 225,000 basic cable subscribers, based mainly in Pennsylvania, New York, Maine, and Mississippi, complementary to areas already served by Comcast.

Comcast said it will consolidate Susquehanna Communications' operations for a cash investment of about \$540 million, or \$440 million after certain tax benefits. Philadelphia-based Comcast now serves 21.4 million cable customers, over 7.7 million high-speed Internet customers, and 1.2 million voice customers in 35 states and the District of Columbia.

A public interest law firm, the Media Access Project, on Monday filed a motion with the Federal Communications Commission asking the agency to review whether the deal would put Comcast over the FCC-mandated 30 percent cap on cable subscribers.