

Timing was everything with Susquehanna Pfaltzgraff deals

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Louis J. Appell Jr.'s sale of Susquehanna Pfaltzgraff Co.'s pottery and media divisions was more than a business decision. But the timing of the latest deal, which would see the company's media business parceled out for more than \$1.6 billion, made good business sense.

Philadelphia-based Comcast Corp. agreed to buy Susquehanna's cable unit, and a group of investment companies are teaming up with Cumulus Media Inc. in a deal to buy the radio operation.

"His timing is excellent," said **Eric Meltzer**, a managing director of the Philadelphia investment banking firm Curtis Financial. Economic conditions are favorable to big deals, and demand for cable and radio properties is high, **Meltzer** said.

That's now. But some dark clouds are gathering for both the radio and cable industries. Radio faces competition from satellite-based services, notably XM Satellite Radio Holdings Inc. and Sirius Satellite Radio Inc., and Internet stations. Cable operators are competing against even more challengers. They include satellite providers in television and telephone companies in Internet and voice services. The phone companies are even looking to enter the television arena by sending video over their lines.

It's going to be tougher to succeed as a mid-size or regional cable operator, **Meltzer** said. "In any place that's of interest, it's going to become a brutally competitive market," he said.

Susquehanna Pfaltzgraff President and Chief Executive Officer William H. Simpson said the timing of the sale was determined by the Appell family, which has cited the succession issue as the reason.

"They came together and made the decision that it was time to make this transition," Simpson said. It turned out to be a good time to cash in the family's chips. Susquehanna's radio unit focuses on large markets and is ranked in the top three by revenue in at least six markets, according to company filings with the U.S. Securities and Exchange Commission. Combined, cable and radio brought in earnings of \$25.1 million on revenue of \$413.5 million in 2004, according to filings.

The sale might have been the last in a long chain of good business decisions Appell and his team made in running the widely respected media company, which was formed in the early 1940s with WSBA-AM radio in York. The cable property is considered valuable in part because it has upgraded to the latest technology. That will allow Comcast to immediately roll out some services Susquehanna did not yet offer to most of its subscribers, including voice services and on-demand video. Simpson said he expected to see Comcast offering SusCom customers new services quickly. "I think it bodes well for subscribers," he said.

A Comcast representative declined to speak on the record about the likely sale. The radio chain, meanwhile, is diverse in content and geography. It includes country, adult contemporary, oldies, rock and sports and talk radio formats and stretches from York to San Francisco.

For employees wondering about their future job prospects, there probably was never a good time to sell. Susquehanna Media employs 1,641 people, 440 in the York area. Their future was not clear, but analysts said it was unlikely these types of deals would result in significant layoffs. It also was not clear which managers would remain with either division. At the most senior level, Simpson said he would not remain with either of the two. The deals are expected to close in the first half of 2006, and Simpson said until then the companies would chug along as before. "It's very much business as usual," he said.