Tribune to Buy 19 TV Stations for $2.7 Billion

Pool photo by Chris SwedaThe Tribune's WGN-TV hosted a Chicago mayoral debate in 2011.

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The Tribune Company agreed on Monday to buy 19 television stations for about $2.7 billion, making it one of the nation's biggest owners of commercial local TV outlets amid a groundswell of consolidation in the industry.

The stations are in 16 regions, including Denver, Cleveland and St. Louis, and many of their local news broadcasts are ranked first or second in their markets. They will complement Tribune's 23 existing stations and its WGN America cable channel. Tribune is buying the stations from Local TV Holdings, a company owned by the investment firm Oak Hill Capital Partners.

The deal comes less than a month after the Gannett Company agreed to buy the Belo Corporation for about $1.5 billion, nearly doubling its local television holdings. In that transaction, which is expected to close by the end of the year, Gannett will pick up 20 television stations owned by Belo.

Another of the biggest station owners in the country, Sinclair, has spent about $2 billion acquiring a series of smaller station owners in the last year and a half, and it has said it is on the lookout for more such opportunities.

But Tribune's deal eclipses all the others. It comes as Tribune is weighing a potential sale or spinoff of its newspaper properties, including The Chicago Tribune and The Los Angeles Times. Advisers of Tribune have been in touch with potential bidders, ranging from the Koch brothers to the billionaire Eli Broad.

Steve Ridge, the president of the media strategy group at Frank N. Magid Associates, which consults with many local stations, said "2013 will go down as the year of transformational consolidation, forever changing the landscape of local market television ownership and operation."

Such consolidation is intended to help media companies gain more scale, giving them additional negotiating clout with programming and distribution partners. It will also give them more exposure to political battleground states, where election candidates spend enormous amounts of money on advertising every two years.

Peter Liguori, the new chief executive of Tribune, contended that the combination with Local TV makes his company "the No. 1 local TV affiliate group in America."

Seven of Local TV's 19 stations are affiliates of the Fox network. Tribune already owned seven, and through the acquisition it will become the biggest holder of Fox affiliates. The company will remain the biggest holder of affiliates of the CW, a small broadcast network jointly owned by the CBS Corporation and Warner Brothers.

Tribune indicated that the acquisition would also benefit WGN America, which is somewhat obscure and surely low-rated despite being available in about 75 million homes across the country. Mr. Liguori, a cable veteran, has signaled that the channel is a priority for him. Last month, for the first time, it ordered an original scripted drama, called "Salem," which is scheduled to make its debut sometime next year.

Tribune said in a news release on Monday that the increased leverage that comes from the Local TV stations "will also lead to more meaningful conversations with affiliates about distribution, which is especially important to the future of WGN America."

Mr. Ridge said the combination of Tribune and Local TV "is an absolute natural given the history and close association of the companies." The two have been linked for years through various contracts sometimes known as shared service agreements and local marketing agreements. In Denver, Tribune and Local TV stations have shared office space. In St. Louis, they have also shared reporters, cameras and vehicles. These arrangements have become a common cost-cutting tactic in local television.

Mr. Ridge also predicted that more station groups would buy or sell by the end of the year. "Nearly every group owner in the country is in overdrive this summer considering the various combinations," he said. "It is a time to gobble or get gobbled."

Alan D. Mutter, a newspaper consultant who writes the blog Reflections of a Newsosaur, said that since Tribune emerged from bankruptcy at the end of the year, the company has accelerated its shift away from newspapers.

"The new management, post-bankruptcy, clearly signaled that they were focusing on the broadcast side of the business," said Mr. Mutter. "It suggests they want Tribune to unmistakably be a broadcasting company."

Mr. Mutter noted that Gannett was following a similar path with its purchase last month of local television stations, and warned executives at both companies that the profits may not last for long.

"Local broadcasting is going to be the next big legacy media that undergoes what we like to call a painful paradigm shift," said Mr. Mutter. "I actually question why everybody would be rushing into the local TV business. It's a great business. It's a highly profitable business. What happened to newspapers is about to happen to TV."

Tribune plans to finance the deal through cash on hand and up to $4.1 billion in loans from JPMorgan Chase, Bank of America Merrill Lynch, Citigroup, Deutsche Bank and Credit Suisse. Some of the new bank debt will go toward refinancing Tribune's existing obligations.

The transaction is expected to close this year.

Guggenheim Securities and the law firms Debevoise & Plimpton and Covington & Burling advised Tribune. Moelis & Company, Wells Fargo, Deutsche Bank and the law firm Dow Lohnes advised Local TV.

Christine Haughney contributed reporting.