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Management Changes at Broadcaster

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Salem Communications, the Goliath of Christian radio broadcasting, reshuffled its senior management July 1.

Eric Halvorson is now president and Chief Operating Officer of the Camarillo-based company, which owns 98 radio stations and serves as a publisher and Internet provider of Christian content.

As president, Halvorson succeeds company co-founder Edward Atsinger, who will continue on as Chief Executive Officer.

"Salem finds itself with opportunities and challenges in both our core broadcasting business and our developing new media businesses, and we have determined that each area requires uniquely-focused leadership," Atsinger said in a statement.

Because of the restructuring, Halvorson, a member of Salem's Board of Directors and Audit Committee, will assume day-to-day management oversight of Salem's operations, including all of its divisions. Salem co-founder Stuart Epperson will continue serving as Chairman of the Board. Additionally, he and Atsinger have agreed to new three-year employment contracts.

Graduates of South Carolina college and seminary Bob Jones University, Epperson and Atsinger, also brothers-in-law, first ventured into the Christian radio business in the early 1970s. They developed their first station with such a format in Oxnard. Now Salem Communications is estimated to be the fourth largest radio station owner in the country.

Atsinger and Epperson aren't the only executives directly affected by the company's restructuring. Joe Davis will shift from Executive Vice President and Chief Operating Officer to Division President of Radio, and David Evans will shift from Executive Vice President of New Business Development and Chief Financial Officer to Division President of New Business Development, Interactive and Publishing.

"David Evans moves up to a very high-level strategic support position," Wachovia Securities market analyst Bishop Cheen said. "David is uniquely qualified to do that, having been the CFO all these years."

Cheen also views the shift of Evan Masyr from Vice President of Accounting and Finance to Senior Vice President and CFO favorably. "Now he has the best of both roles," Cheen said. "Years of working his way up, and he still has David Evans as a mentor right above him."

While Salem representatives declined to comment further on the company's reorganization, Barrington Research market analyst James Goss said that he considers it to be more of an evolution than a shakeup. "(Atsinger) is not gone; he'll still be one of the key owners of the stock," Goss said. "It's not as if he's moving out of the business. It's just that some of the operational roles will be handled by others."

New COO Halvorson is no stranger to operations. From 1995 to 2000, he served as Salem's COO and General Counsel alike. He was also president and CEO of the Thomas Kinkade Company from 2003 to 2005. Because of Halvorson's background, Mary Beth Garber, head of the Southern California Broadcasters Association, to which Salem belongs, does not believe that his appointment as president indicates that Salem's shareholders are expressing concern about the company's operations. "I think in this case they've taken someone from the Board of Directors who happened to be the most qualified person," she said.

According to Robert Gustafson, head of Electronic Media Management of the Cinema and Television Arts Department at California State University, Northridge, Salem's management makeover actually demonstrates shareholder energy. "Rather than them saying, 'oh, dear, what can we do' and firing everybody, they've become more actively part of the process," he said.

Still, the announcement of Salem's restructuring came just weeks after the company held its annual shareholders' meeting in Westlake Village. Moreover, in January, Christianity Today magazine quoted then CFO Evans as saying that Salem's stock price has been on a roller coaster. In December, Salem's stock price had dropped to \$11.19 per share after reaching a high of \$33.08 per share in 2004.

This year the rollercoaster ride has continued, with the company reaching a low of \$10.84 per share in early March and a high of \$13.67 in late April. To boot, Salem announced that for second quarter 2007 it expects total revenue to be between \$58.7 million and \$59.2 million and adjusted EBITDA to be between \$12.8 million and \$13.3 million, figures below analysts' estimates of \$61.1 million total revenue and EBITDA of \$15.7 million.

By restructuring, Cheen said Salem is creating opportunities to engage in strategic execution and "not just the tactical." Such a move is key to Salem's success during a time in which terrestrial radio is facing unprecedented challenges from the Internet and other sources, as Salem explained to shareholders in its 2006 Annual Report, released in April.

"They're not acquiring stations in boxcar kinds of numbers like they have been," Cheen said. "Instead, they're focused on developing other media, like Web sites."

Salem has been steadily branching out. It operates 12 Web sites, seven magazines and digital publisher Xulon Press. Goss predicts, however, that radio will remain its most important revenue contributor, as that medium has always been Salem's focus. In radio, the company has expanded into the conservative talk arena, featuring the likes of Dennis Prager, Dennis Miller and Michael Medved on its airwaves. This has sparked criticism from members of the Christian community who view Salem's departure from a solely religious focus as a compromise in values. But the move away from Christian music and talk seems necessary, considering Salem's competitors such as Clear Channel and CBS Radio are secular.

Due to the nature of radio, however, Salem may not necessarily yield results by diversifying and restructuring.

"Radio is a very management intensive business, but you can't micromanage it all," Cheen said. "It's really up to the right people on the ground. You can do everything right in the San Fernando Valley, and there might be a screw-up in Dallas or trouble in Houston, so all you can do is try to control your own turf."

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