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THE POWER IN THE MIDWEST

Denver-based boutique rivals big boys in
media/telecom advisory

Sluggish market conditions and a poor economy have made this an annus horribilis for bulge-bracket firms, but life is top of the world these days for one regional specialist in media-telecom deals, thank you very much.

Daniels & Associates, a 70-person advisory firm based in Denver, has not only added a few bankers in 2001, but it has experienced a whopping 58% increase in the volume of U.S. media-telecom merger advisory work on which it gets league table credit, according to Thomson Financial. That has pushed it up to an eighth-place ranking so far this year from fifteenth in 2000.

"We've been in the enviable position of being right in the middle of all of media and telecom's explosive growth," said Brian Deevy, head of Daniels & Associates, of his firm's growth over the past five years.

Daniels has advised on 12 U.S. media and telecom mergers valued at \$4.1 billion this year, compared with the \$2.6 billion in 51 deals for all of 2000, according to TF. What is more, many of the companies Daniels works for are private, and the value of their deals aren't disclosed, so it receives no credit for those on league tables.

It has also advised on several large cable deals this year, one of its traditional strengths. Daniels & Associates was founded in 1958 by cable industry pioneer Bill Daniels, who was the first person to transmit television signals by cable when he began broadcasting Denver's Channel 2 to Wyoming.

Earlier this year AT&T Broadband hired Daniels to advise it on several deals, including its sale of several Midwest cable systems covering about 840,000 basic cable subscribers to Mediacom Communications Corp. The deal, announced on Feb. 27 and expected to close in several weeks, was valued at just over \$2.2 billion. Also announced at the same time was a swap of cable properties with Charter Communications Inc. in a deal valued at about \$1.79 billion.



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Climbing the Ladder at Daniels

Advisor	1/01/01 - 6/20/01				1/01/00 - 12/31/00			
	Rank Val. (mil)	Rank	Mkt. Share	# of Deals	Rank Val. (mil)	Rank	Mkt. Share	# of Deals
Morgan Stanley	7,124.1	1	34.7	8	214,263.4	4	49	27
Credit Suisse First Boston	6,187.3	2	30.1	10	151,833.5	6	34.7	50
Merrill Lynch & Co Inc	5,754.2	3	28.0	2	242,369.8	2	55.4	16
Daniels & Associates Inc	4,107.6	8	20.0	12	2,600.6	15	0.6	51
Industry Totals	20,547.4	-	100	262	437,323.9	-	100	915

Source: Thomson Financial

Asked why it hired Daniels, Dan Buchanan, executive director of strategic development at AT&T Broadband, said: "Daniels is a leader within the cable industry and has forged many relationships over the years. The firm leverages off its experiences and relationships in order to do the best deal for my shareholders."

The AT&T Broadband transactions were complex, involving multiple properties and buyers, which is a specialty of Daniels. "Goldman and Morgan do certain things well and Daniels & Associates does certain things well," said Deevy. "In this case we were the best fit for what they were trying to accomplish."

Besides cable, Daniels also offers advisory and private fundraising services in other media sectors, telecom and the Internet. This year, Daniels was hired by McLeodUSA Inc. to advise on the sale of some PCS licenses. That was a departure for McLeod, which usually hires bulge-bracket firms to do its dealmaking. However, since competitive local exchange carriers have been under extreme pressure this year, McLeod hasn't been buying much. Instead, it hired Daniels to advise it on the sale of PCS licenses located in the Midwest to four buyers. According to Daniels, the combined value of the transactions is over \$100 million.

Daniels says it bows to no one when it comes to detailed industry knowledge. "There's no question that people would rather work with specialists," said Deevy. "We know more about some of these businesses than, quite frankly, anyone else on the Street. People want to hire a specialist."

Its approach has paid off for its bankers, who seem in no danger of being laid off at the moment. Indeed, the firm has

added a few positions, and plans to hire a few more before the year-end. "Our business continues to grow very nicely," said Deevy.

In April Daniels hired Tom Malone, who had been a managing director at J.P. Morgan Chase with a 10-year stint at Chase as a media and telecom banker under his belt. Malone says he values Daniels' entrepreneurial culture, along with its extremely low turnover. "Continuity (of personnel) is a strength of a firm," said Malone, a senior vp. "To have so many market disruptions, combined with soft markets and a lot of layoffs, means that some of the historical knowledge and strength of bulge-bracket firms gets lost."

On the numbers front, Daniels continues to prove itself. While bulge-bracket firms have seen their deal flow wither this year as mega-mergers have fallen off, that hasn't hurt Daniels. Indeed, the gap between it and the top ranked U.S. media-telecom adviser has narrowed by an eye-popping margin this year. Its \$4.1 billion in deals is within shouting distance of top-ranked Morgan Stanley's \$7.1 billion so far in 2001, whereas last year Daniel's \$2.6 billion was several zip codes removed from leader Goldman Sachs at \$352 billion. Last year both Morgan and Goldman were two of the advisors on the \$165 billion merger of AOL Inc. and Time Warner Inc.

Daniels fares especially well in the number-of-deals category. So far in 2001, Daniels has advised on 12 media-telecom deals in the U.S., topping Credit Suisse First Boston, which advised on 10 deals. Even in 2000, when rivals' deal values far exceeded Daniels, the Midwest-based concern advised on 51 deals, again beating out CSFB with 50 deals.

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