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## Colorado dealmakers No. 1

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Sell and buy, buy and sell — Colorado companies turned hyperactive in the second quarter when it came to mergers and acquisitions.

Buyers announced they would snap up \$92.3 billion worth of homegrown companies between April and June, according to Houlihan Lokey's Mergerstat.

Adding new meaning to Always Buy Colorado, the activity was enough to rank the state first in the nation for the second quarter on the sell side and only second to California for the first half of the year.

Colorado accounted for nearly 16.7 percent of the dollar volume of announced deals on the sell side for the first half of the year, according to Thomson Financial Securities Data.

Their ranks greatly thinned, several of the remaining companies in the state took the offensive. Colorado companies are second only to New York firms on the buy side this year, bidding to acquire \$62.6 billion worth of other companies, the largest represented in Qwest Communications International's charge to keep U S West, the state's largest company, local.

"Colorado was the big surprise for us," said Eugenia Shepard, a vice president at the Los Angeles investment bank that runs Mergerstat. "It puts you on the map."

For one, Colorado doesn't have many large companies and rarely breaks into the top 10 for deal volume, much less top the charts. Most of its deals until recent quarters were smallish compared to what was going on in the rest of the country. "California, New York, Texas and Florida are the perennial favorites. They are always the most active," Shepard said.

It makes sense. They have large populations and the large economies that go with those. Several Fortune 500 companies call those states home.

What is a state with only 4 million people and a handful of large companies doing at the top of the rankings, pulling together some of the biggest deals the country has seen so far this year?

"It is a tribute to the quality of the companies we have here and the quality of the

management teams," said Joe Dumford, an investment banker with J.D. Ford & Co. "Our marketplace is being recognized as a hub for major corporate transactions."

Two mega-deals in particular pushed the state to the top of the charts. AT&T's \$55.8 billion acquisition of MediaOne Group on the sale side and Qwest Communications announcement on June 14 that it would make a bid for U S West.

Qwest this week appears likely to succeed, beating out a competing offer from Global Crossings in return for giving up its bid on Frontier Corp. The deal is valued at \$48 billion and is a substantial defense of keeping market capitalization in the state.

"A lot of it has to do with the size of the transactions. Colorado has been building up an arsenal of communication companies and those companies are becoming of interest," Shepard said.

Broadcasting and communications were the two hottest industry niches for merger and acquisition activity in the country, Mergerstat reports. Denver had several players in that second category.

The average value of disclosed deals was \$3.3 billion on the sell side and \$1.6 billion on the buy side. No other states came close to having such huge average volumes.

"Outside of the mega-deals we saw a lot of activity in Colorado," Dumford said. His firm, which specializes in working with medium-sized private companies, will have completed about six deals from May to July, an unusually brisk volume.

Mega-deals, those representing more than \$1 billion in value, accounted for five of the 186 that Mergerstat captured in its database for Colorado. Many of the deals in the state involved private companies, who often don't disclose the value of a purchase or sale.

If the current trend continues, it is likely that 1999 will break the record M&A activity set last year. Colorado will have played a big part in that happening.

This month, Dutch giant Buhrmann NV plans to acquire Broomfield-based Corporate Express in a \$2.3 billion deal. The combined companies will create the world's biggest distributor of office supplies to corporate customers.

Corporate Express was one of the most active acquirers in 1996 and 1997, before its stock price collapsed.

Cyprus Amax also agreed to merge with Asarco Inc. to create the world's largest publicly traded copper company, with an estimated market value of \$2 billion.

Asarco Cyprus Inc., the proposed name for the new company, will control 8 percent of the Western world's copper output. The combined company will leave the metro area behind.

Long a favorite shopping ground for outsiders, the state displayed a strong surge of acquisitions, both in deal value and number of companies acquired.

United International Holdings, a cable and telecommunications provider, is on a buying spree, using stock that has risen nearly tenfold from its 52-week low of \$7.75 last fall. It accounted for four of the 20 largest deals transacted in the state during the first six months.

Verio Inc., Wild Oats, Mail-Well and MediaNews also are among the hunters and not the hunted.

New Era of Networks was an active player, but its stock got sideswiped this month after the company announced disappointing second quarter earnings. From a recent high of \$78 a share, New Era now trades closer to \$16.

Observers question how long Colorado can stay on top of the charts. There is a limit to the value of companies it can keep selling.

"I wouldn't expect it to last beyond a couple of quarters," Shepard said.

Among the names on the short list of locally headquartered or self-standing companies gone or leaving are MediaOne, Tele-Communications Inc., Liberty Media, New Century Energies Inc., Western Gas Resources Inc., Jones Intercable, Commnet Cellular Inc., Abacus Direct Corp., First Colorado Bancorp Inc., and the Hach Co.

Colorado companies, having shot off their ammunition, will have to retrench and fill the gapping holes left by those who didn't survive the frenzy of the first seven months of this year.