

# Private Equity Week

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## PIPE Deals Dip Down, But Not Out In 2001

By Robyn Kurdek

While it may have been a shoddy year for initial and secondary public offerings, 2001 saw better-than-average activity in the PIPEs arena. In fact, last year was the second-busiest year for PIPEs (short for private Investments in Public Equities) since 1995. All told, 998 PIPE deals got out of the gate in 2001, raking in a whopping \$13.5 billion in proceeds.

Granted, that's significantly less than the numbers the market posted in 2000, when a record-breaking 1,251 PIPE transactions were done, for a grand total of \$24.5 billion.

"[Two thousand] was an aberrant year. Most of the transactions done were from the first quarter of 2000, right before the market crashed," said Robert Kyle, an executive vice president with DirectPlacement Inc., the company that owns the online private placement database PlacementTracker.com.

Indeed, public companies racked up an astonishing \$12 billion from private investors in Q1 2000.

Aberrations aside, 2001 saw about a 30% growth rate in PIPEs from 1999. That year, 687 deals got done, for a total take of \$10.4 million.

Kyle said he anticipates similar growth in the PIPEs market in 2002. "Any bigger of a jump [than 30%] could be scary, in that the last time we saw that, there was a crash in the market," he explained.

Furthermore, if the public markets bounce back as they are expected to and the S&P 500 shows an increase that matches its historical rates, the IPO market could still take as long as six months to catch up, Kyle said, which may provide additional fodder for more PIPE transactions in 2002.

As for 2001, the year's largest deal was a \$763 million PIPE investment for Arch Capital Group Ltd., a Bermuda-based insurance holding company. Private equity big guns Warburg Pincus and Hellman & Friedman led the transaction, which closed in November.

Following in a distant second place was national drug store chain owner Rite Aid Corp., which completed a \$402.4 million PIPE transaction in June led by American Century Mutual Funds and Bessent Global Equity Master. The deal was groundbreaking because it was the largest PIPE that has ever been sold to multiple institutions, Kyle said. Rounding out the top five are Adelphia Communications Corp., XO Communications Inc. and AMC Entertainment Inc., which each brought in \$250 million in separate PIPE transactions in 2001.

### TOP 20 PIPE DEALS FOR 2001

| Company                           | Closing Date | Gross Proceeds  | Industry      |
|-----------------------------------|--------------|-----------------|---------------|
| Arch Capital Group Ltd.           | 11/19/01     | \$736.0M        | Insurance     |
| Rite Aid Corp.                    | 06/12/01     | \$402.4M        | Retail        |
| Adelphia Communications Corp.     | 01/17/01     | \$250.0M        | Media         |
| XO Communications Inc.            | 04/25/01     | \$250.0M        | Telecom       |
| AMC Entertainment Inc.            | 04/19/01     | \$250.0M        | Entertainment |
| Metromedia Fiber Network Inc.     | 10/01/01     | \$230.0M        | Telecom       |
| Commerce One Inc.                 | 06/28/01     | \$225.5M        | Internet      |
| Pacificare Health Systems Inc. *  | 12/04/01     | \$22.5M         | Healthcare    |
| America Online Latin America Inc. | 04/02/01     | \$130.1M        | Internet      |
| Hearst-Argyle Television Inc.     | 12/20/01     | \$130.0M        | Media         |
| Rite Aid Corp.                    | 05/17/01     | \$125.0M        | Retail        |
| ITC DeltaCom Inc.*                | 05/29/01     | \$48.0M         | Telecom       |
| Mutual Risk Management Ltd.       | 05/08/01     | \$112.5M        | Insurance     |
| Vimpel-Communications             | 05/30/01     | \$103.0M        | Telecom       |
| Internap Network Services Corp.   | 09/14/01     | \$101.4M        | Internet      |
| Gabelli Asset Management Inc.     | 08/10/01     | \$100.0M        | Fin. Svcs.    |
| Price Enterprises Inc.            | 03/21/01     | \$100.0M        | REITs         |
| NTL Inc.                          | 06/22/01     | \$100.0M        | Telecom       |
| MGI Pharma Inc.*                  | 02/28/01     | \$15.0M         | Pharma        |
| ON Semiconductor Corp.            | 09/07/01     | \$100.0M        | Technology    |
| <b>Total No. of Deals: 20</b>     |              | <b>\$3.558B</b> |               |

\*Structured Equity Line Placement. The amount displayed is estimated gross proceeds, not the total commitment amount. Source: PlacementTracker.com