

Quadrangle, CVC to buy Ntelos

by Vyvyan Tenorio Posted 05:18 EST, 19, Jan 2005

Telecommunications company **Ntelos Inc.** said Wednesday, Jan. 19, it has struck an agreement to be acquired by private equity firms **Quadrangle Capital Partners LP** and **Citigroup Venture Capital** through a leveraged recapitalization valued at about \$750 million.

The price translates to a 6.25 times Ebitda multiple, based on the company's roughly \$120 million Ebitda as of the end of 2004.

In a three-step process, Waynesboro, Va.-based Ntelos will refinance its existing debt and repurchase up to 75% of its equity at \$40 per common share. The buyout firms will acquire up to 24.9% of the post-recapitalized equity of the company, also at \$40 per share. Following regulatory approvals, Quadrangle and CVC will acquire the remaining equity, also at the same price.

The sale of equity to Quadrangle and Citigroup Venture Capital is not contingent on the closings of the refinancing and initial stock repurchase by the company.

When all is said and done, the New York-based buyout sponsors will have put in a combined \$150 million and will each own 50% of Ntelos.

"The company has a nice mix of assets, stable growth and free cash flow from the [incumbent local exchange carrier] business and strong potential growth from the wireless side," said Michael Huber, managing principal at Quadrangle.

"And we're pleased to be partnering with the management," Huber added.

Ntelos' two largest shareholders, **Morgan Stanley** and affiliates of **Capital Research and Management Co.**, have agreed to the transaction.

Morgan Stanley Senior Funding Inc. and **Bear, Stearns & Co.** will serve as joint lead arrangers and joint bookrunners for the estimated \$625 million debt financing. This will come in the form of a \$400 million term loan and a \$225 million senior secured second-lien loan. Additionally, there will be a \$35 million revolving credit facility.

The transaction value also comprises an as-yet undetermined amount of cash.

Ntelos provides voice, broadband and wireless service in Virginia, West Virginia and portions of Kentucky, Ohio, North Carolina and Tennessee. The company filed for Chapter 11 bankruptcy protection in March 2003 but re-emerged at the end of that year after reducing its debt to about \$320 million from \$950 million at the time of the bankruptcy filing. Former senior noteholders owned 94% of the reorganized company.

Ntelos reported consolidated operating revenue for the year ending Dec. 31, 2004, of about \$334 million, consolidated operating income at about \$55 million and net income at about \$39 million.

— Phineas Lambert contributed to this report

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