

MWS Tracker Spotlight:

Windstream (NasdaqGS: WIN) to acquire PAETEC (NasdaqGS: PAET)

August 1, 2011

Financial Overview:

Transaction Value: \$2.3B
EV/Revenue: 1.2x

Transaction Structure: Stock Merger
EV / EBITDA: 7.7x

MWS Highlights:

- As a result of this acquisition, Windstream becomes a national telecommunications provider generating more than \$6 billion in revenue, with enhanced capabilities in key strategic growth areas such as fiber, Ethernet, data centers and managed services.
- MWS believes Windstream may acquire a data center/Cloud services company next to offer SaaS and PaaS services. This move would align with the path telecommunications companies are taking in buying data centers & managed services firms as they shift into the cloud/colocation/managed services spaces.
 - Ex: CenturyLink's (NYSE: CTL) recent acquisition of SAVVIS, Inc (NasdaqGS: SVVS); Verizon's (NYSE:VZ) acquisition of Terremark Worldwide Inc in Apr 2011.
- Consolidation is occurring in the telecommunications space and is set to continue as communications providers see new sources of revenue as residential and commercial landline business has changed over the last few years.
 - Ex: Arrow Electronics, Inc. (NYSE:ARW) acquisition of Shared Technologies in Sep 2010 and Cross Telecom in May 2011; Paetec's acquisition of Xeta in Feb 2011.
- MWS anticipates similar deals in the future as telecommunications players consolidate vendors (Avaya, Cisco are the few remaining).

Over the last four months, some of the key transactions in the space have included:

Transaction	Close Date	EV (\$M)	EV/ Revenue	EV/ EBITDA
CenturyLink acquires SAVVIS	7/15/2011	\$ 2,962.7	3.0X	12.9X
TDS acquires OneNeck	7/01/2011	\$ 95.0	2.6X	N/A
Verizon acquires Terremark Worldwide	4/07/2011	\$ 1,841.8	5.4X	22.4X

Press Release:

Please [click here](#) to learn more about this transaction.
(<http://www.snl.com/interactive/lookandfeel/4121400/ER81.pdf>)

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