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Investment Dealers' Digest
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Investment Banking

Debt Counselors Aid Corporate Chieftains

For clients, 'another set of eyes'

By Allison Bisbey Colter



Craig Orchant, co-founder of EA Markets.

When American Tower Corp.'s senior unsecured debt was upgraded to investment grade last year, chief financial officer Thomas A. Bartlett saw an opportunity to refinance some debt and slash debt-service costs. The company, which leases telecommunications towers for periods of up to 20 years, also wanted to extend the maturity of its debt to better match that of its assets.

Bartlett had some experience raising money in the investment grade market from his previous role as treasurer at Verizon Communications, but he had never been involved in a transaction where investment grade debt was issued with the express purpose to pay off high-yield debt.

Rather than relying solely on advice from American Towers' lenders, Bartlett turned to EA Markets, a New York firm that advises on various sorts of capital markets transactions. When Bartlett was at Verizon, **Reuben Daniels** (who later co-founded EA and now serves as its chief client officer) worked with the telecommunications firm as relationship manager at Barclays Capital.

"When banks come in, while they're very helpful, many times they are pushing their own products and capabilities," Bartlett said. "Sometimes it's hard to get a truly independent view."

With EA Market's guidance, American Tower raised nearly \$600 million through a private placement of seven-year senior unsecured notes with an interest rate of 4.625%. It then used the proceeds, in part, to redeem senior notes paying 7.125% interest that were not set to mature until 2012.

Bartlett said EA Markets helped American Tower decide which bank to use to underwrite the new debt, the types of covenants it should seek and what the pricing should be.

Similarly, when American Tower was ready to pay off its existing debt, EA advised the company on the most effective way to call that debt.

EA Markets handled "everything from soup to nuts," he said.

The work did not end with the refinancing. Bartlett said that EA Markets has an ongoing relationship with American Tower, and that he uses Daniels as a "sounding board"

for almost all its cash-related transactions. "While I rely heavily on bankers, it's nice to have another set of eyes."

Daniels said the premise of EA Markets' business is that "by being independent, by not taking a principal position in a transaction, we can provide a perspective that's unique, help clients save money, maximize their capacity, and manage risk more effectively than someone who perhaps has a conflicting objective."

"Banks need to optimize their returns to their efforts. When they're focused on that, they may not necessarily attempt to find value for each client. That's the service gap we're filling."

Daniels was previously managing director and co-head of the U.S. investment banking department at Barclays Capital in New York. His 18 years of professional experience have been devoted to corporate finance, with a particular emphasis on derivative products.

Craig Orchant, the other co-founder and EA's chief advisory officer, was formerly a managing director and head of corporate finance and risk management at Barclays Capital; his experience has focused on capital raising and risk management across the equity, fixed-income and commodity markets.

A number of firms provide advice on certain aspects of mergers and acquisitions, but EA Markets also helps



Reuben Daniels, co-founder of EA Markets.

Understanding the True Cost of Money

The 18-month-old EA Markets is quickly finding a niche offering independent advice to those needing to rework their liabilities

corporate financial officers manage their balance sheets, whether that means developing capital structure plans or helping to unwind a multibillion-dollar derivatives portfolio.

So far, the firm, which was launched in January 2009, has been involved in more than \$50 billion of transactions. Daniels estimates it has “saved clients millions [of dollars] getting them the kind of results they wanted to get but were unsure about the market’s ability to deliver.”

In some cases, EA Markets earns a flat fee, perhaps with the potential for some upside if it meets or exceeds certain goals; in many cases, it participates in the saving generated for clients.

In addition to corporate finance and private placement services, EA Markets advises asset managers on portfolio risk analysis, asset valuation, infrastructure and technology outsourcing and investment origination.

Not all of its clients are as big as American Tower, which generated \$450 million of first-quarter revenue. With so many banks tightening their lending criteria, smaller and midsize companies are having difficulty renegotiating lines of credit on favorable terms. In the **Federal Reserve’s** April survey of senior loan officers, 85% of banks said their lending standards on commercial and industrial loans and lines of credit to large and mid-sized firms “remained basically unchanged” through the first quarter, while 3.4% said their standards had “tightened somewhat.”

That was the situation facing one of EA Market’s clients, an energy services company with about \$1.5 billion of revenue, when it refinanced a revolving bank credit facility last year. Orchant said the refinancing had “very challenging” terms for the company, which hired EA Markets “on a project basis” to assist it in arranging a new facility.

With EA Markets’ help, the client negotiated a “vastly superior” term sheet with its existing lead arranger, he said, and his firm is working with this client on term financing solutions with institutional investors to supplement the new credit facility.

“There’s a lot of concentration of power in the bank market,” he said. If you are the agent bank for a company, “you feel you have an entrenched position. You can therefore have a lot of influence on the outcome of refinancing events.” At the same time, “companies are typically wary of alienating agent banks that have been their closest partners.”

Orchant said EA Markets doesn’t try to tell clients what they must do. He

said that, in similar cases, the company has asked clients if they want to negotiate better terms with its lead bank, retain it as a lead bank or are prepared to bring in other lenders. “We’re not telling them what to do, but we’re helping their understanding of opportunities in the financing markets.”

In another recent assignment, EA Markets helped a company in the telecommunications, media and technology sector unwind a large portfolio of derivatives belonging to another firm it had acquired. The derivatives had been used to hedge debt that had since been paid off. Daniels said the client was “extremely well-versed in derivatives, had executed many transactions in the market and had all the resources one would want to terminate such a portfolio.”

Still, the firm saw value in engaging EA Markets, which advised it on preparing an execution strategy, tracking the portfolio’s value and modelling how it might perform under different market conditions so that when it was ready to execute the transactions there were no surprises. Because of the large size of the transaction, Daniels said, EA Markets is confident “we saved them tens of millions.” **IDC**

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