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DAS loot

By [Chris Nolter](#) Updated 05:21 PM, Nov-30-2012 ET

As the burden of carrying wireless data mounts, telecoms are beefing up their capacity in urban centers and other areas with intense traffic.

Terms like "network densification" are increasingly part of the parlance, as companies such as [AT&T Inc.](#) and [Verizon Wireless](#) invest heavily in long-term evolution, or LTE, wireless broadband networks.

Distributed antenna systems, or DAS, represent a key tool in this effort, along with a range of "small cell" technologies that boost carriers' ability to deliver data. DAS networks are groups of transmitters linked by fiber in stadiums, malls, hospitals or other high-traffic areas. As deployments have grown, DAS has driven M&A activity and drawn investment by firms such as Soros Funds Management LLC.

Dan Timm, CFO of [ExteNet Systems Inc.](#), said the industry focus is shifting from expanding the area that a network covers to increasing network capacity.

"Towers can work great in many places," Timm said. "In high-density urban areas, DAS and small cells are really the only way."

ExteNet is the last independent DAS operator of significant size, though other companies operate in the sector. For example, [InSite Wireless Group LLC](#), backed by [Catalyst Investors](#) and [Cox Communications Inc.](#), has DAS systems. And large tower operators such as [Crown Castle International Corp.](#) have built or acquired portfolios.

Lisle, Ill.-based ExteNet has raised \$300 million in debt and equity capital over the last decade from backers including Soros Funds Management, tower operator SBA Communications Inc. and venture capital firms Centennial Ventures, [Columbia Capital](#), [Sevin Rosen Funds](#), [CenterPoint Ventures](#) and [Palomar Ventures](#).

ExteNet is categorized as a competitive local exchange carrier, or CLEC, and uses public rights of way to deploy systems on utility poles and other infrastructure. It has also deployed systems in prominent public spaces such as the [Barclays](#) Center — the new arena built for the [NBA's](#) Brooklyn Nets — and Marlins Park

– the home field of the Miami Marlins baseball team.

ExteNet's link to SBA is in some ways the company's most significant relationship. For one thing, there is a symbiotic element: ExteNet gets insights into the tower market, Timm said, and SBA has a window into DAS systems.

On a more practical level, the agreement also covers dealmaking contingencies. After SBA bought **Mobilitie LLC** for \$1.1 billion earlier this year, ExteNet wound up purchasing the target's DAS networks for \$125 million.

"If they acquire more DAS assets, we get a first look at those," Timm explained. "If we acquire something with tower assets, they get a first look."

ExteNet was founded in 2002 as ClearLinx Network Corp., and attracted financing from Centennial, Columbia, Sevin Rosen and CenterPoint two years later.

The company took the name ExteNet in December 2006. The investor group expanded to include Palomar in May 2008, when ExteNet raised \$27.5 million equity and debt financing. Soros and SBA led a \$128.4 million round in January 2010.

Reflecting the evolution of the business and its capital profile, ExteNet was able to line up \$125 million in senior secured facilities for the Mobilitie asset purchase. Lenders included **Barclays Private Credit Partners Fund LP** and **SunTrust Robinson Humphrey Inc. Reed Smith LLP**, which typically handles transactions for ExteNet, provided counsel.

More opportunities for expansion lie ahead as demand for ExteNet's technology increases. "DAS has moved into the mainstream," said Kevin Smithen of Macquarie Research. He projected that DAS revenues are growing at more than 30% per year versus a rate of about 8% for the macro tower sector.

"For both AT&T and Verizon, it used to be a peripheral technology," Smithen said. "Now it is a large part of the growth of the industry, particularly when we start moving from the coverage phase of LTE to the capacity phase of LTE."

As part of a massive network upgrade, AT&T plans 1,000 new DAS sites over the next three years.

Most recently, Verizon Wireless installed DAS networks in the Charlotte, N.C., convention center and other local venues to handle spikes in traffic ahead of the Democratic National Convention. Across the aisle, as it were, ExteNet deployed systems in Tampa ahead of the Republican National Convention.

"With the transition to data, the need to get closer to the user has become more important," ExteNet marketing director Manish Matta said.

The growing demand will also spawn new competition for ExteNet. Witness a recent spate of deals involving DAS operators.

Crown Castle, in particular, has been aggressive. The Houston tower company bought DAS operator **NextG Networks Inc.** from **Madison Dearborn Partners LLC** for \$1 billion earlier this year, and purchased **NewPath Networks Inc.** for \$128 million in 2010.

"NextG has been a very good deal for Crown Castle and has certainly helped their growth in 2012," Smithen added.

Crown Castle's moves raise an obvious question: Will SBA pick up the rest of ExteNet? An SBA

spokeswoman could not be reached. But company CEO Jeffrey Stoops noted during a recent call that SBA received a convertible note as part of its compensation in its sale of DAS networks to ExteNet.

"If the world continues to move in the direction that it's moving in terms of DAS and small cells," he said, "we will continue to have an interest in expanding our relationship with an investment in ExteNet."

SBA has a full plate at the moment. In addition to the \$1.1 billion purchase of Mobilitie, it recently closed the \$1.45 billion acquisition of **TowerCo LLC**'s assets in October.

The tower company has said it still has \$750 million that it could deploy in asset purchases or stock buybacks, but leverage is likely a factor.

For ExteNet, the options for its backers could also include a recapitalization or an initial public offering.

Meanwhile, at least for the next several years, the opportunities for DAS should remain dense.

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