



Connections 2000

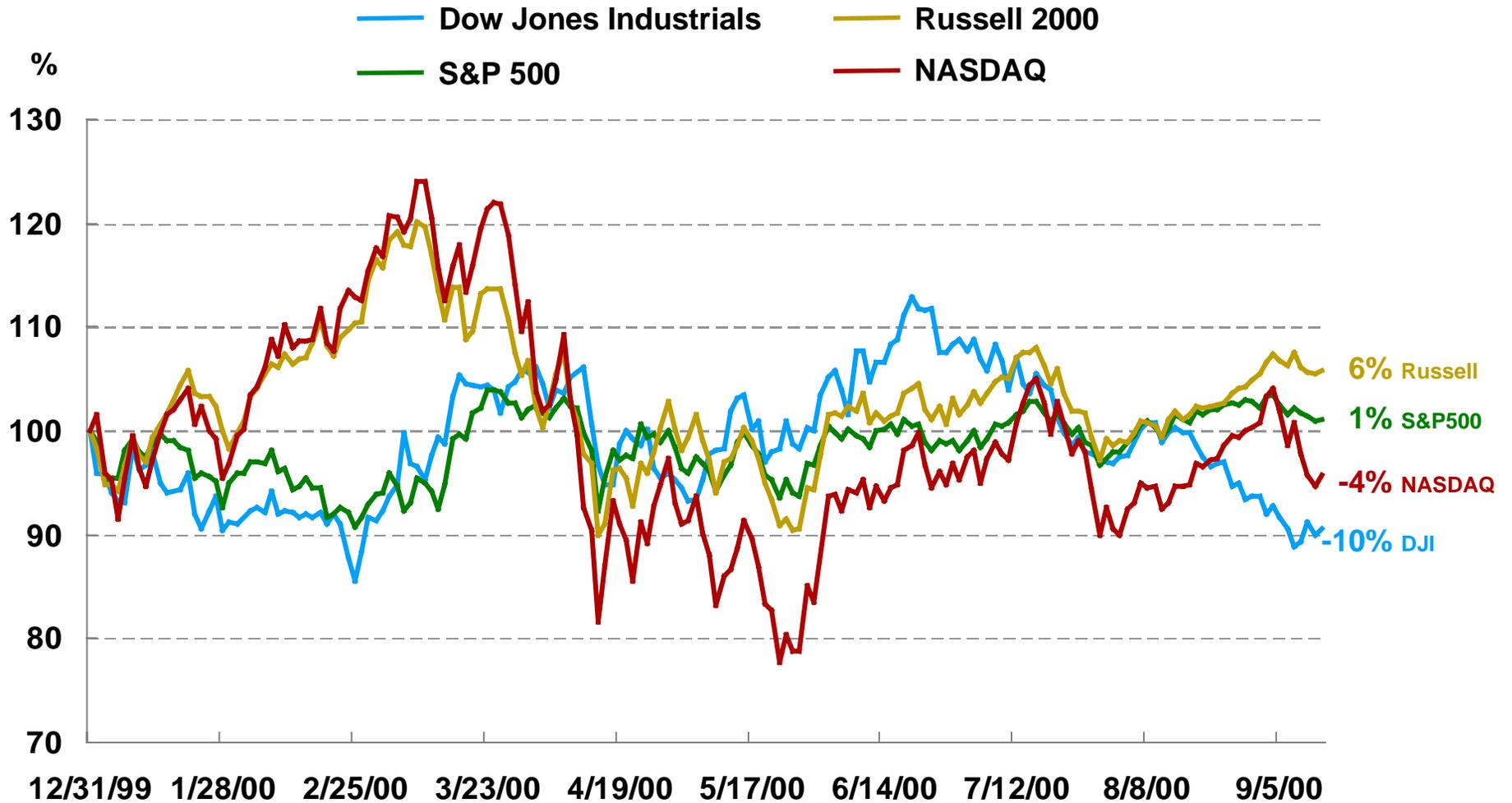
New World Financing: Partnerships in Building a Business

Christopher M. Harland
Managing Director
Head of Global Communications Services

MORGAN STANLEY DEAN WITTER

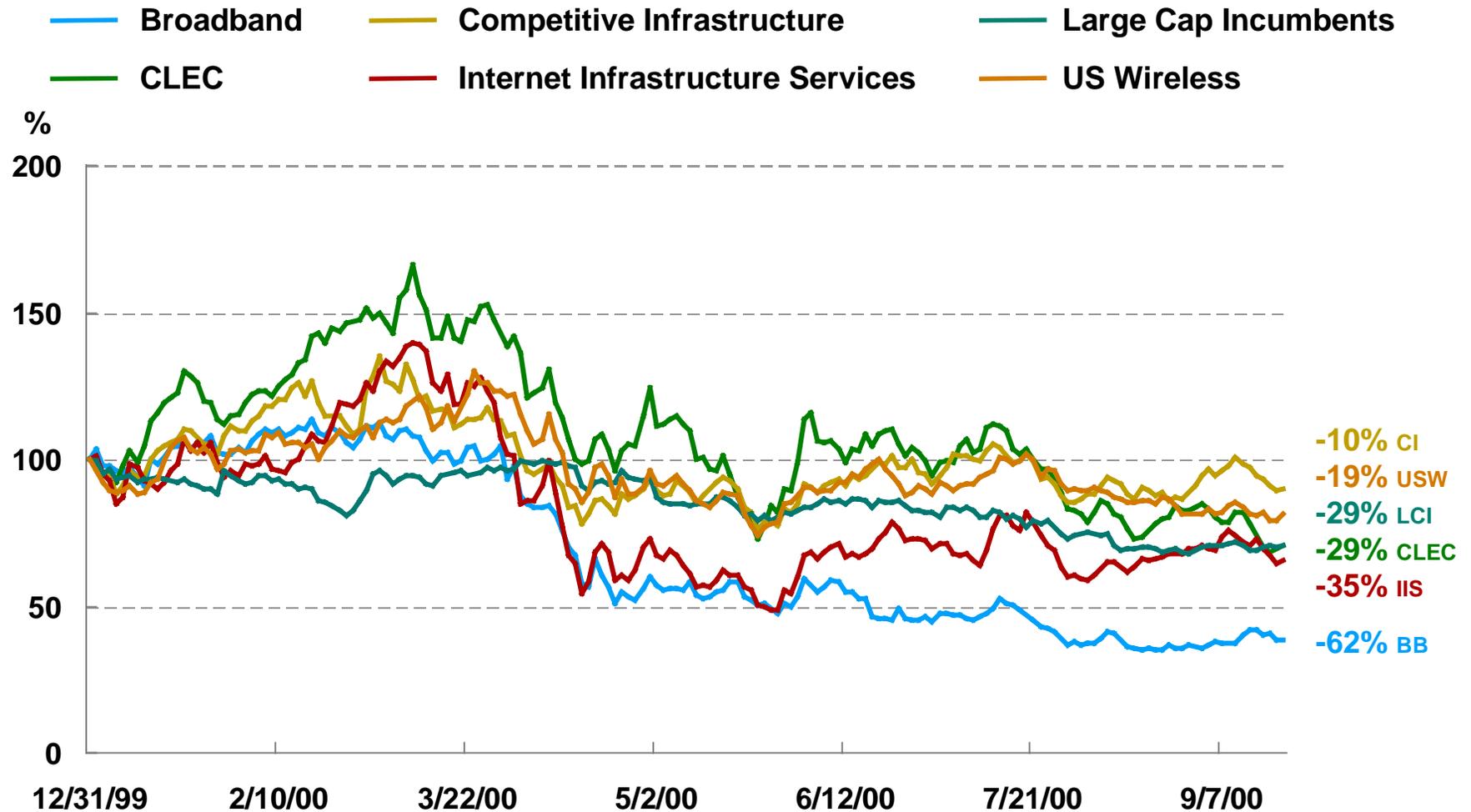
EQUITY MARKET PERFORMANCE

Year to Date



COMMUNICATIONS SECTOR PERFORMANCE

Year to Date



MORGAN STANLEY DEAN WITTER

Sources of Capital for Emerging Communications Providers

Private
Equity

Strategic
Equity

Public
Equity

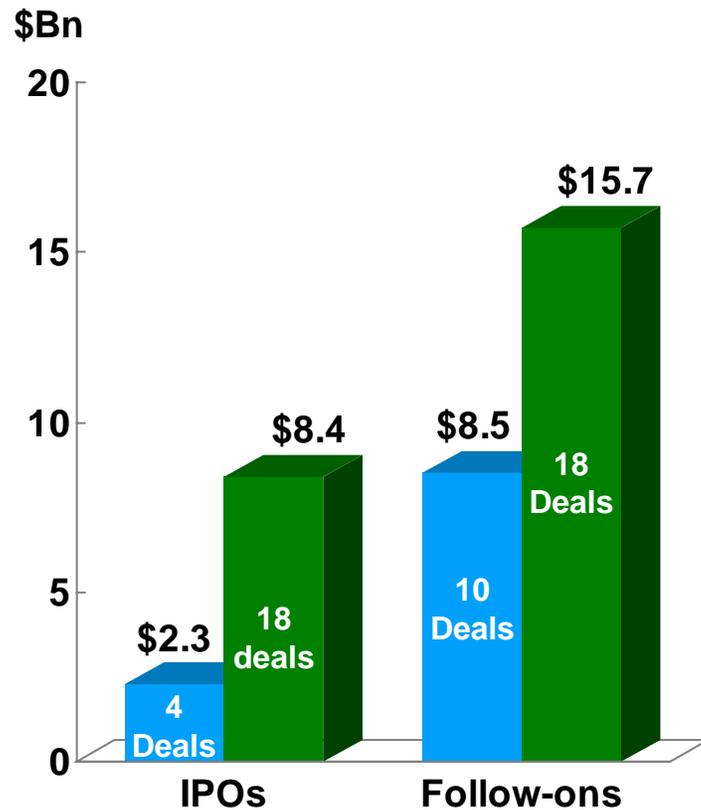
High Yield
Debt

Bank
Debt

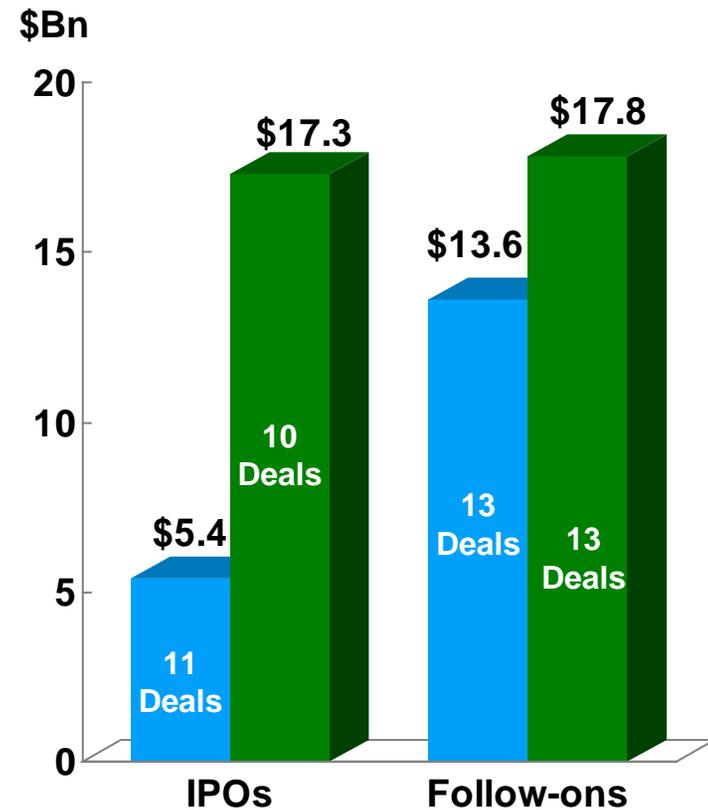
Hybrid
Equity/Debt

GLOBAL COMMUNICATIONS EQUITY ISSUANCE

First Quarter Equity Issuance



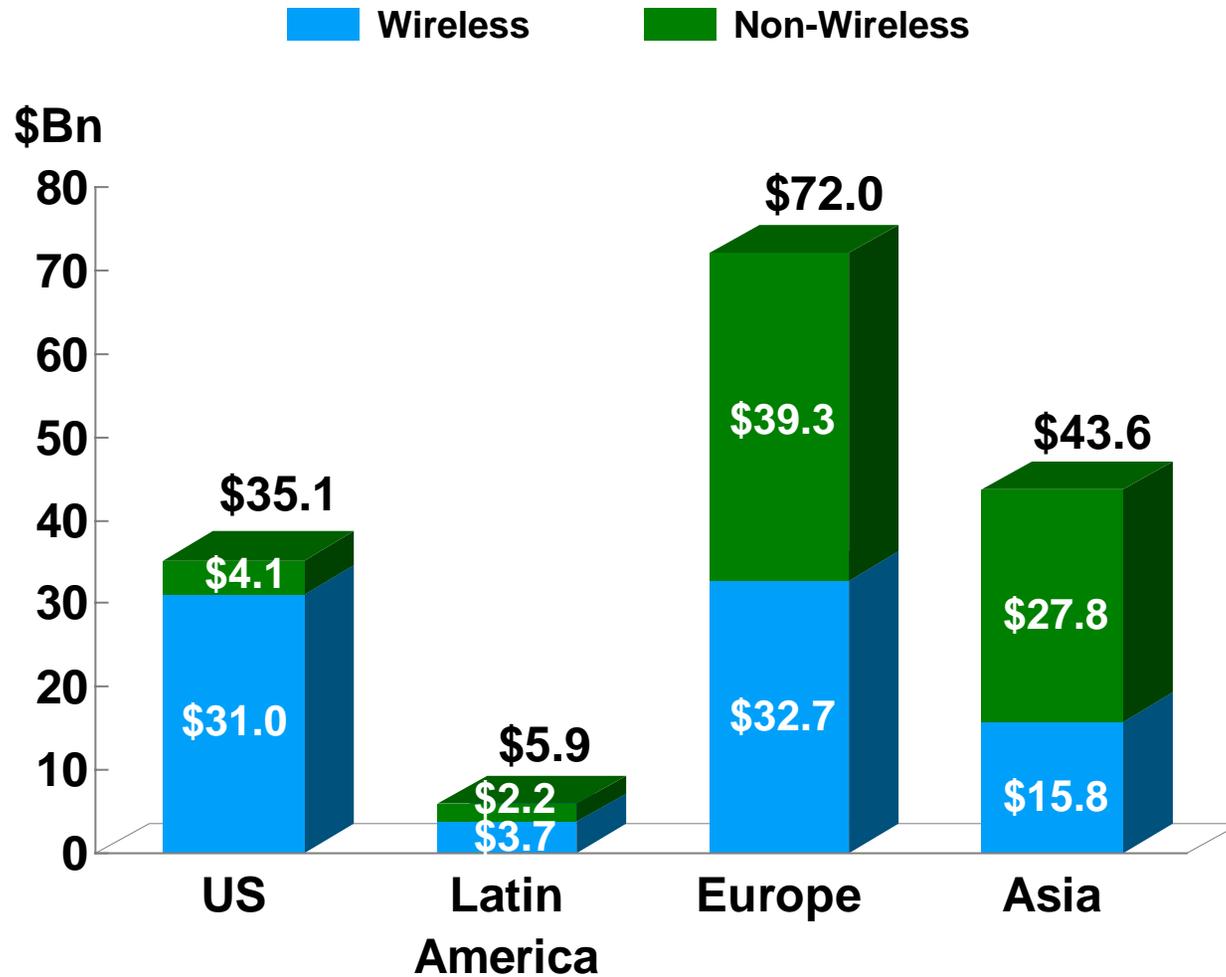
Second Quarter Equity Issuance



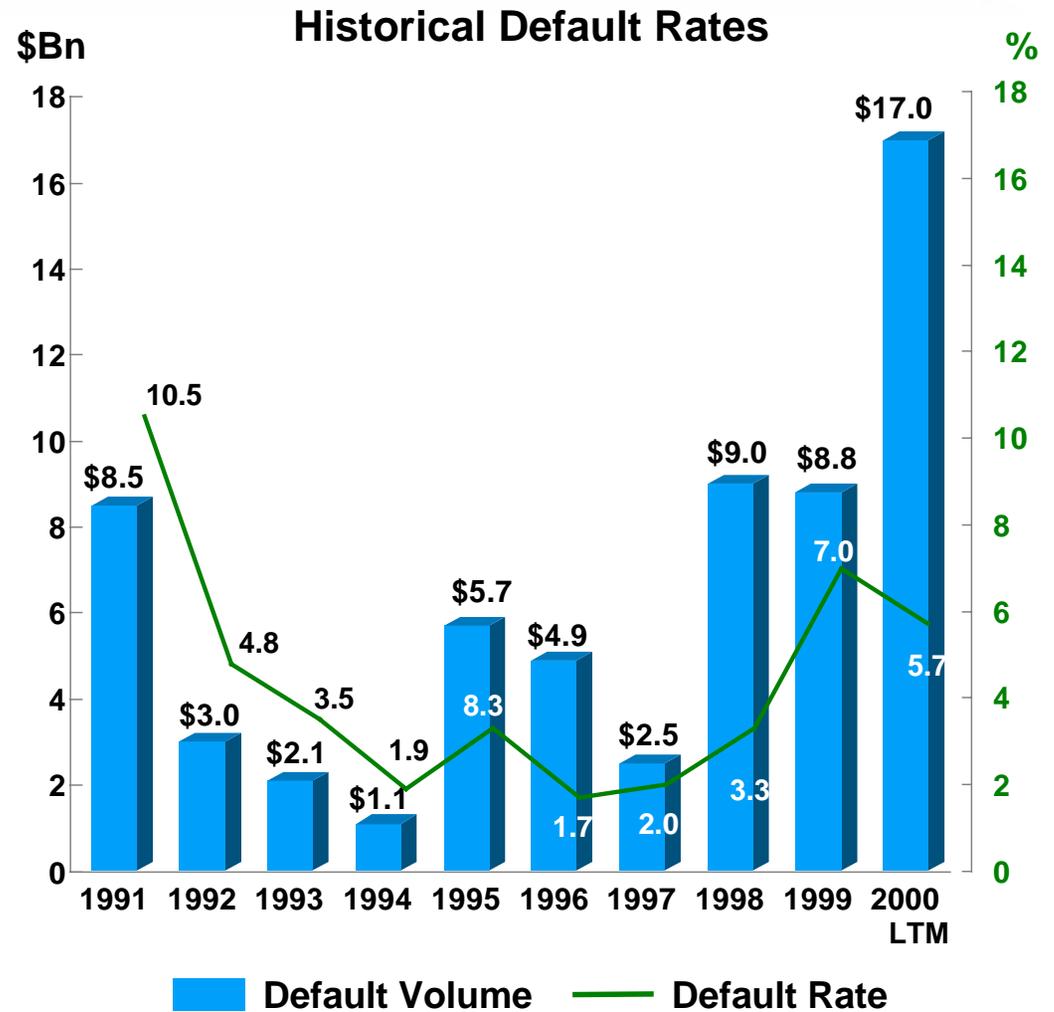
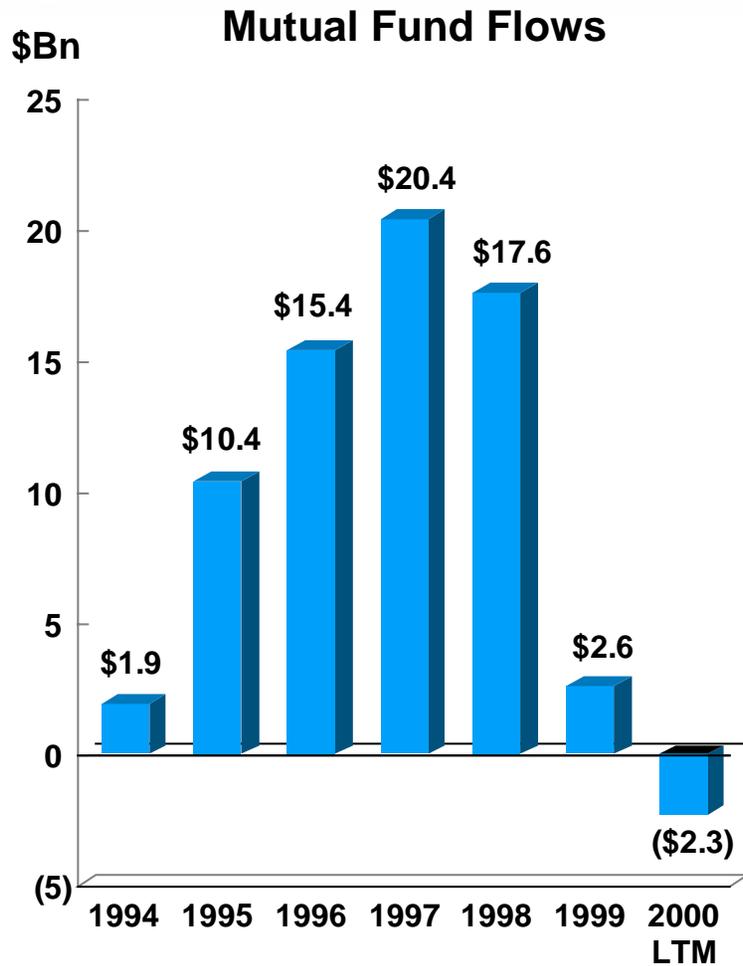
1999

2000

GLOBAL COMMUNICATIONS EQUITY BACKLOG

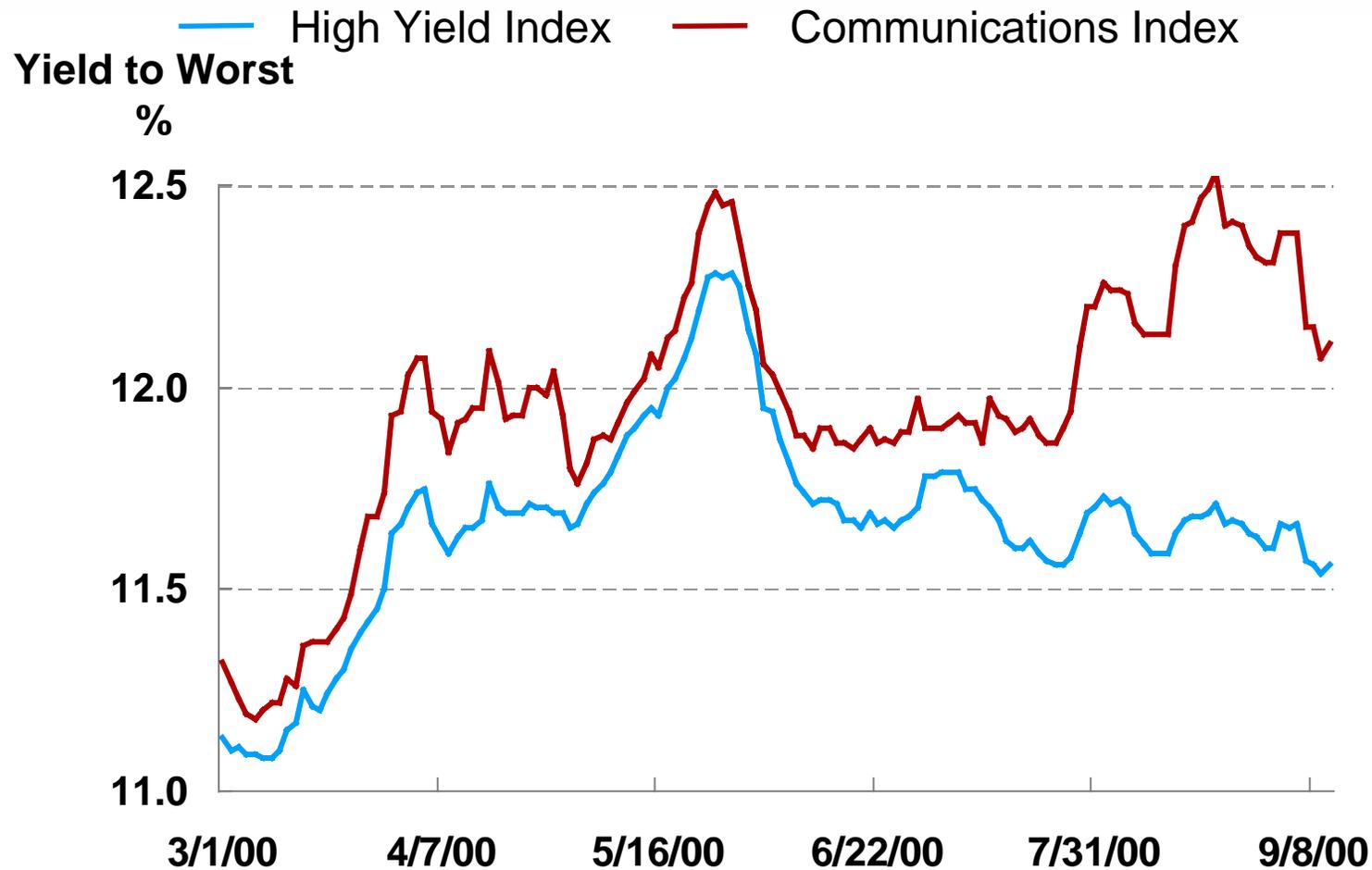


HIGH YIELD MARKET ENVIRONMENT



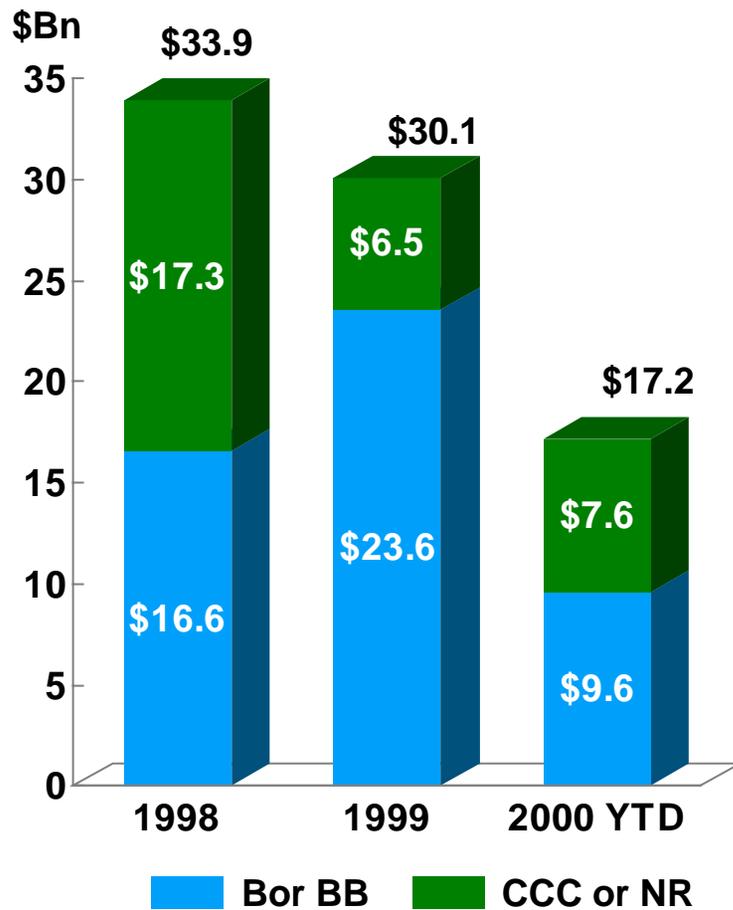
HIGH YIELD TRADING LEVELS

March 1, 2000 – September 8, 2000

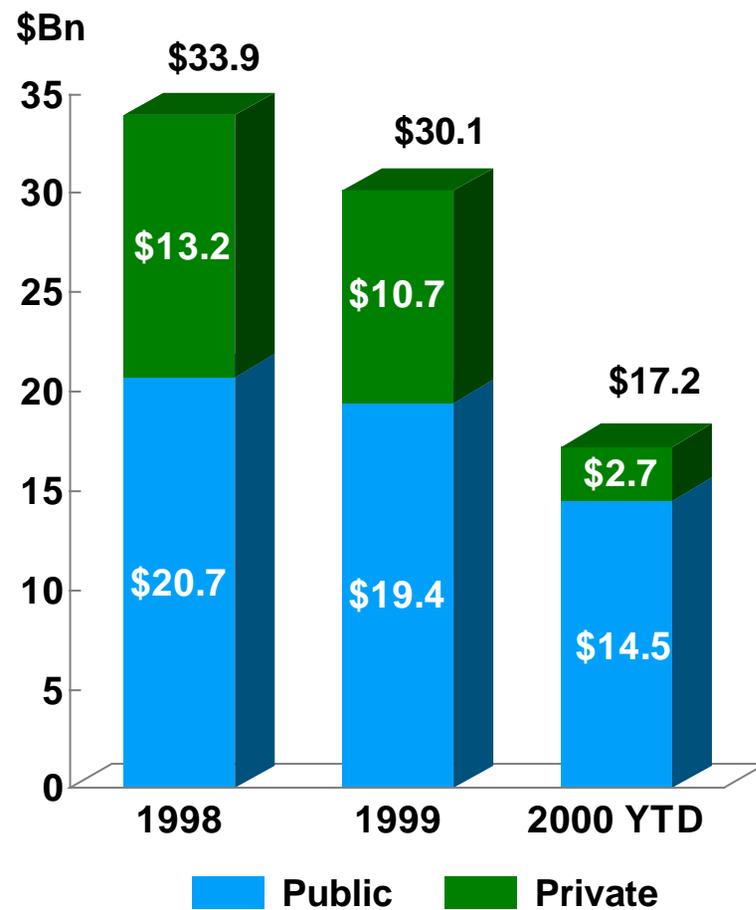


COMMUNICATIONS HIGH YIELD ISSUANCE

Ratings Characteristics

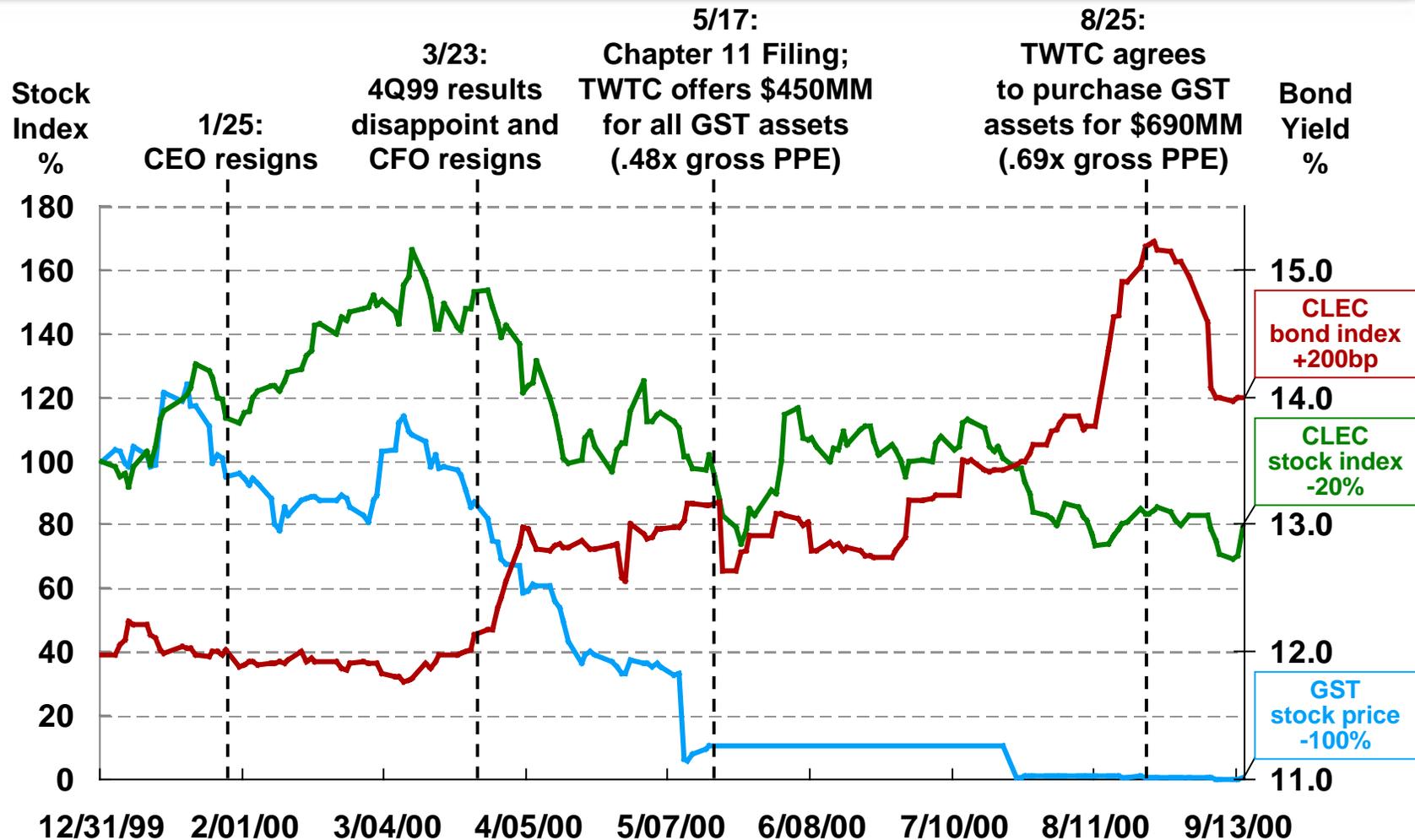


Public vs. Private



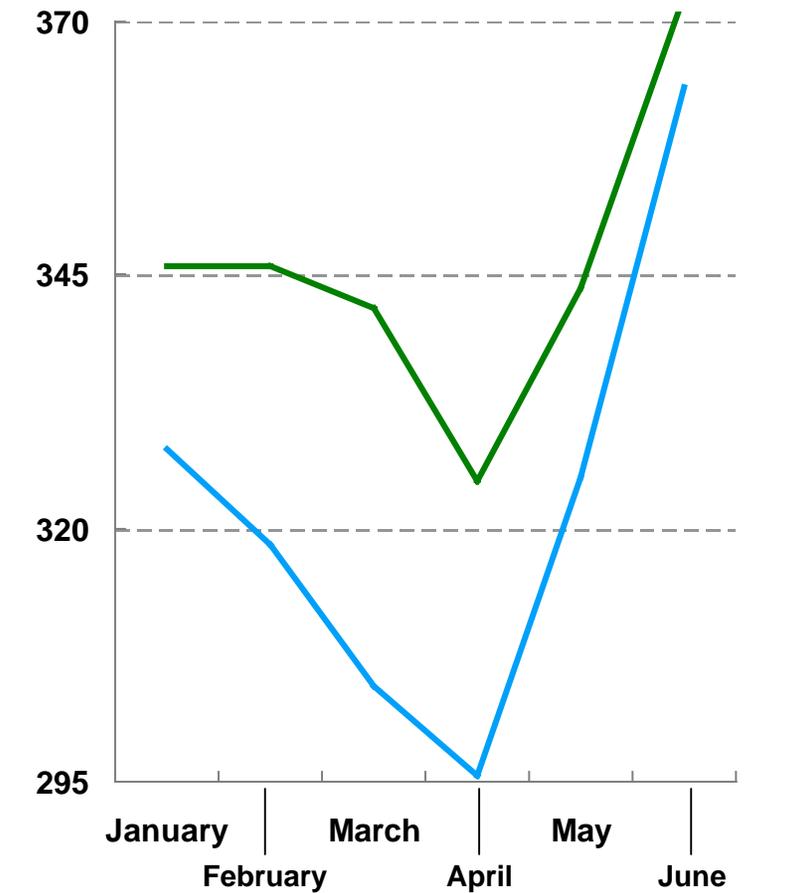
GST CASE STUDY

CLEC Index Stock and Bond Performance



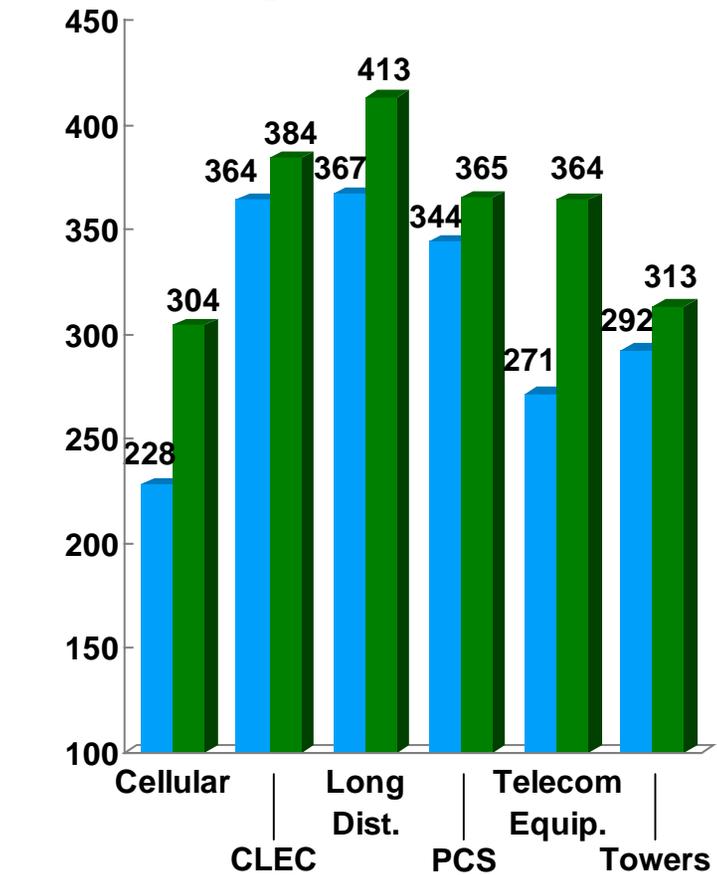
COMMUNICATIONS LEVERAGED LOAN MARKET

2000 Monthly Average of
Libor+ Communications New Issue Spreads



— Pro Rata — Weighted Average Institutional

LTM Ended 7/31/2000
Libor+ Average Communications Pricings

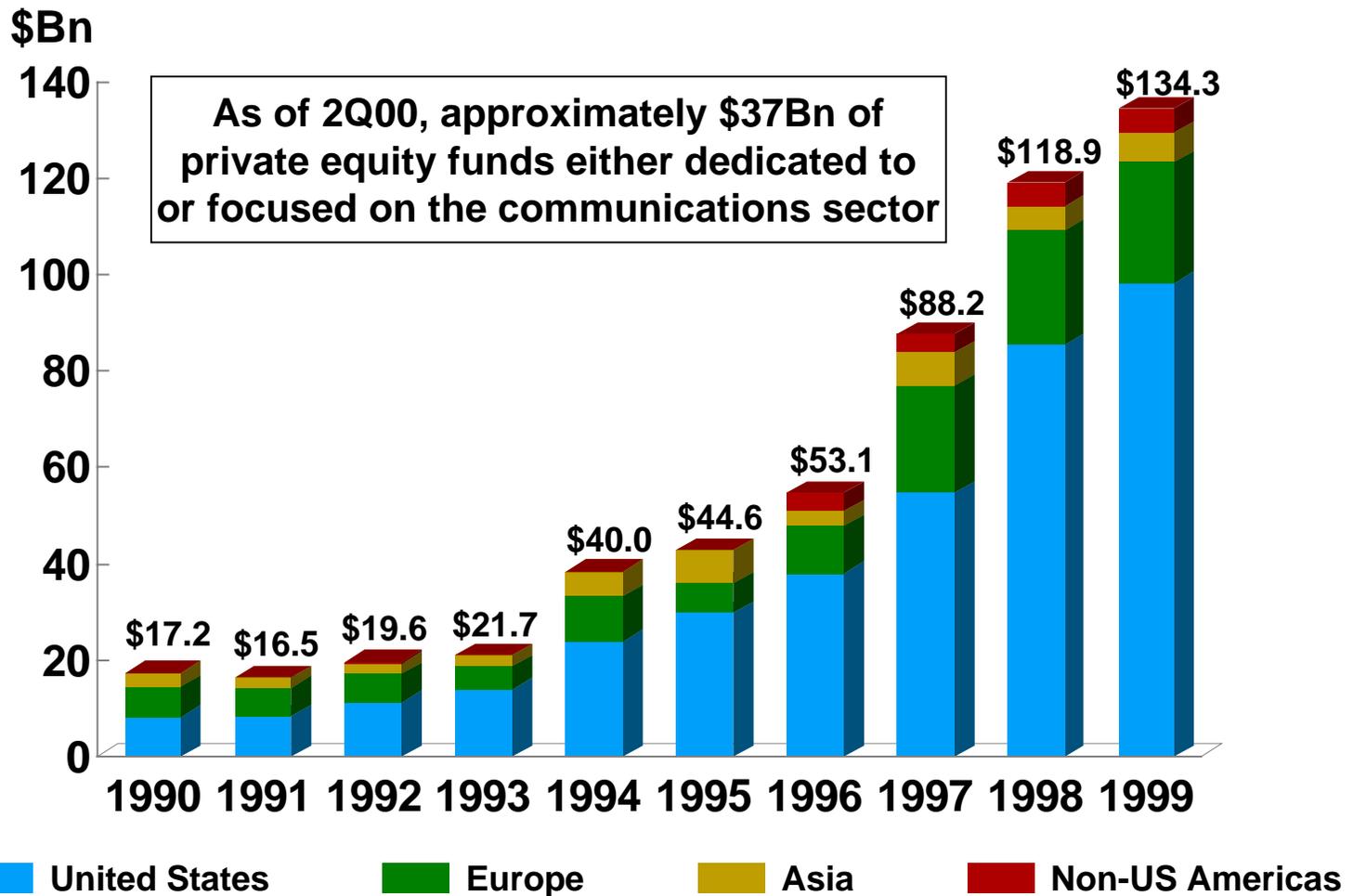


— Pro Rata — Weighted Average Institutional

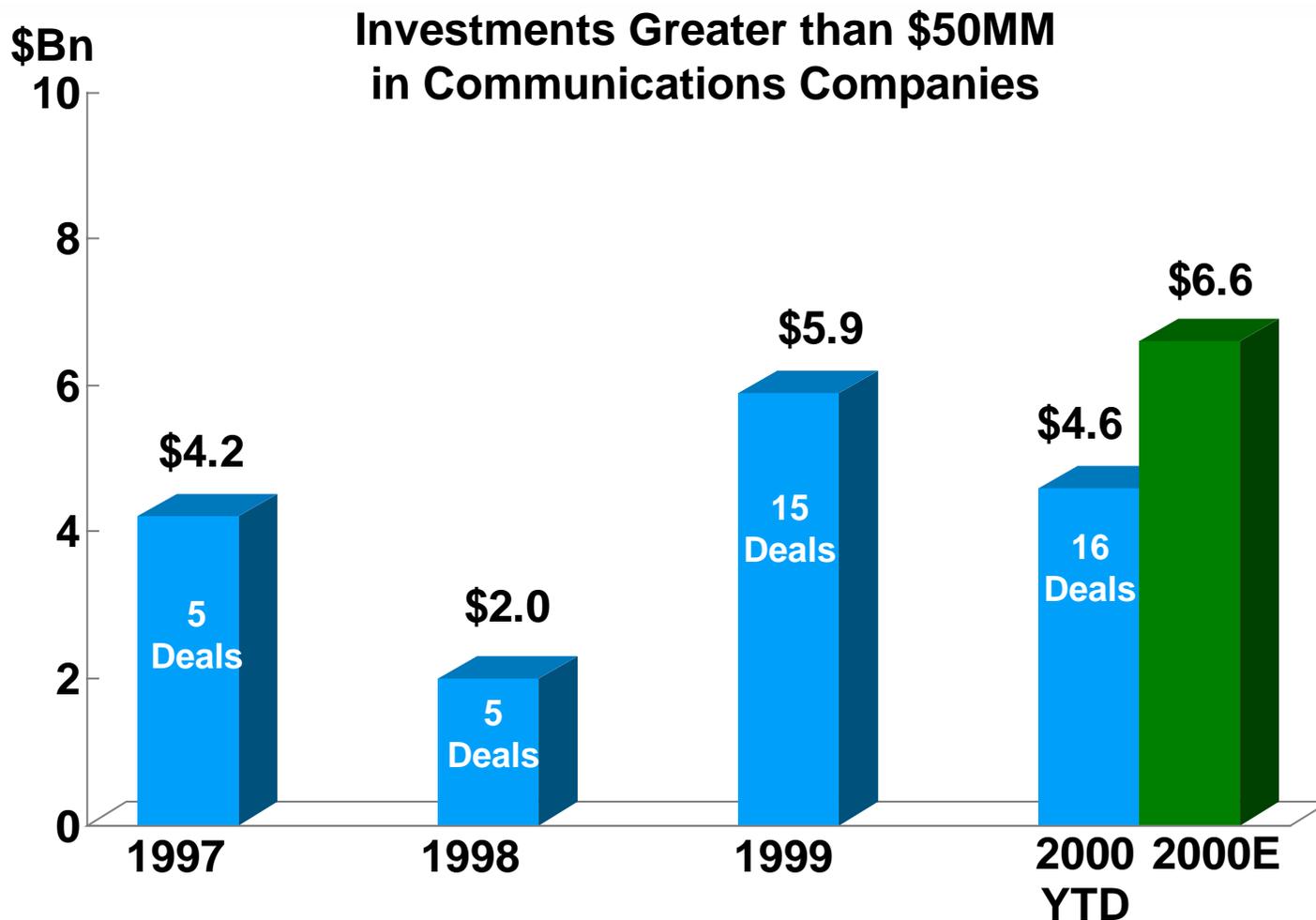
PRIVATE EQUITY ENVIRONMENT

- Private capital flows to the communications sector have accelerated
 - Emergence of numerous dedicated communications funds
 - Generalists are also focusing on the sector
- Financial sponsors have become flexible on the type of transactions they will execute
 - Large start-ups
 - Significant minority investments
 - VC-like investments
- However, there has also been a recent retrenchment in this sector
 - Financial sponsors are increasingly cautious and selective

GLOBAL PRIVATE EQUITY RAISED



U.S. PRIVATE EQUITY INVESTMENTS



STRATEGIC EQUITY

- Can be very important in a capital-constrained environment
- However, strategic equity investors usually want some degree of control
- International players are one of the more intriguing sources of strategic equity
 - Especially interested in data companies that address termination in the U.S.

CONCLUSIONS

- Entire service-provider sector has traded off as many companies have faced operational shortfalls and liquidity problems
- Financing crunch will drive consolidation
- As the dust clears, investors should migrate back in search of quality names
- Market windows will present themselves and need to be accessed quickly
- Strategic equity will be an important source of financing while the capital markets are difficult
- Data and wireless sectors are currently the most attractive to investors but last-mile assets should also regain their appeal