

# Primus Scales up Wholesale Business

**Primus (OTCBB: PMUG) to Acquire Arbinet for \$28 Million in Stock; Sells Non-Core European Assets New Management Executing on Strategy to Improve Primus Portfolio; Arbinet Transaction to Double Scale of Primus' Global Wholesale Business; Sells Retail Operations in 6 European Countries**

**Primus Telecommunications Group, Incorporated (PTGi), a global facilities-based integrated provider of advanced telecommunications products and services, announced that it has entered into a definitive merger agreement to acquire Arbinet Corporation, a leading provider of wholesale telecom exchange services to carriers, for \$28 million in an all-stock transaction. The Boards of Directors of both companies have approved the merger, which is subject to regulatory approvals, the approval of the stockholders of both companies and certain other conditions. The transaction is expected to close in the first quarter of 2011.**

Following closing, Primus will integrate Arbinet into Primus' Global Wholesale group, which should add over \$300 million in annual revenue and generate accretive cost synergies of \$3 million to \$7 million in each of the next two years. On a pro forma basis, Primus' Wholesale business unit is expected to generate over \$500 million in annual revenue, and bring Primus' total consolidated annual run rate revenue to over \$1 billion.

Dealmakers Monthly spoke to Peter D. Aquino, Chairman, President and Chief Executive Officer, and Richard Ramlall, Senior Vice President, Corporate Development and Chief Communications Officer, about the deal. "Primus' new management team is focused on improving the company's operations, which in our view begins with making important decisions about



where we can be most successful over the long term, explained Primus Chairman Aquino. "Given that scale is critical in the wholesale business, we made the strategic decision to add Arbinet's thexchange(SM) and complementary international route capabilities, which we expect will benefit our combined international carrier customers as they look to outsource their wholesale needs to players of size. This acquisition not only adds scale, but allows us to mitigate cost overlaps and is expected to allow us to realize significant synergies over time. We expect this to be a win for our customers and employees, and to generate additional value for stockholders."

The combination of Primus' Global Wholesale business with Arbinet should enhance global competitive positioning by allowing customers to access more global routes at competitive rates and diversifies the product portfolio of international voice and data services across all existing customer segments. Primus will become the only major global provider to offer customers options either to acquire direct international

connections through traditional interconnect arrangements or to manage their access needs through Arbinet's voice trading exchange (thexchange(SM)).

The combined entity is expected to capitalize on both companies' long-established experience in the global wholesale marketplace, enabling the combined company to deliver more innovative and higher quality voice and data services to the global market.

Specifically, the combined company will be able to offer customers:

**Exchange Services** – thexchange, the world's largest online wholesale voice trading exchange, will continue to provide customers with access to a global electronic marketplace of 1,100 plus members for the purchase or sale of voice and data traffic.

**Traditional Carrier Services** – Extensive international network of direct routes for the exchange of voice, data, and managed communications services for national operators, wholesale carriers, mobile network operators, cable and alternative VoIP service operators.

**Data Services** – Internet transit and IP peering solutions through Arbinet's layer 2 Data Exchange for ISPs, ASPs, VoIP, content providers and more. Without an additional router/AS hop, the Data Exchange provides a flexible and cost-effective solution for companies that require IP transit, paid peering and/or multihoming solutions. The Data Exchange provides a one-stop shop opportunity for buyers to access multiple providers, simultaneously,

through one connection. The Data Exchange also offers an innovative high performance IP route optimization solution that meets the demands of Software-as-a-Service and cloud providers and leverages the public Internet for delivery of quality sensitive IP applications.

**Outsourced Carrier Services** – The combined company will be larger in scale, have an even bigger global footprint, and is expected to offer a more competitive cost structure than the Primus and Arbinet businesses separately. The new entity is expected to offer a broader variety of services at more competitive prices to both companies' customers, including an improved ability to compete for customer outsourcing contracts. By offering innovative wholesale solutions to fixed and mobile operators worldwide, with more efficient back-office solutions that include billing, credit, global number database management and leading proprietary routing software, we believe the ability to translate this cost-savings for customers who require more efficient and improved carrier outsourced solutions will be a win-win for the marketplace.

Shawn O'Donnell, President and Chief Executive Officer of Arbinet, stated, "Arbinet's Board examined a range of strategic alternatives and, after a careful review, concluded that our merger with Primus is the best available option for our stockholders. As an all-stock transaction, this combination provides Arbinet stockholders the opportunity to participate in the upside potential of the combined company. In sum, we have found a strong partner in Primus with a complementary business, outstanding reputation and shared values, and we believe Arbinet will thrive as part of the Primus family."

The company expects that the combination will improve gross margins and resulting EBITDA by eliminating operating redundancies and adding the benefits of increased scale by:

- Enhancing Primus' direct voice carrier services product portfolio with additional options to use the thexchange(SM), the world's largest online wholesale voice marketplace offering anonymous, automated traffic routing, trading and settlement

- Adding enhanced global voice and data services, including IP transit and peering
- Combining complementary strengths, including an expanded global footprint, additional sales presence, and increased coverage in Asia, Latin America, and Eastern Europe.



Peter Aquino



Richard Ramlall

sales of the UK, Belgium, Spain, Sweden, Switzerland and Italy operations are closed.

"In addition to the tuck-in Arbinet transaction, the Primus team has been very active in evaluating the merits of retaining or divesting certain sub-scale businesses and has taken immediate action to sell or discontinue retail operations in Europe," added Primus Corporate Development & CCO Senior Vice President Ramlall. "The aggregate net cash proceeds for European businesses sold to date are approximately \$7 million, every dollar of which counts towards our cash balance. We are committed to keeping all of our options open with respect to evaluating Primus' strategic alternatives, to proceeding with this process in the coming months to help unlock the value of the sum of the parts of the Primus portfolio, and to seeking ways to accelerate the transformation of our balance sheet."

In addition, Ramlall said that as part of the Arbinet transaction: "Primus is also pursuing a NASDAQ listing, in order to have the shares to be issued to Arbinet shareholders exchange-traded shares, to capture the greater trading efficiency and liquidity of that marketplace, and enable us to qualify with a broader range of institutional investors."

## About Primus

Primus Telecommunications Group, Incorporated is a leading provider of advanced communication solutions, including, traditional and IP voice, data, mobile services, broadband Internet, collocation, hosting, and outsourced managed services to business and residential customers in the United States, Canada, Australia, and Brazil. Primus is also one of the leading international wholesale service providers to fixed and mobile network operators worldwide. Primus owns and operates its own global network of next-generation IP soft switches, media gateways, hosted IP/SIP platforms, broadband infrastructure, fiber capacity, and data centers located in Canada, Australia, and Brazil. Founded in 1994, Primus is headquartered in McLean, Virginia. **DM**

Under the terms of the merger agreement, Arbinet common stockholders will receive shares of Primus common stock in exchange for shares of Arbinet common stock they own in a stock-for-stock transaction valued at \$28 million. One of Primus' and Arbinet's principal stockholders has entered into share support agreements to vote its shares of both Primus and Arbinet in favor of the merger.

Houlihan, Lokey, Howard and Zukin acted as financial advisors to Primus in connection with the Arbinet merger.

Separately, Primus engaged Akira Partners UK Ltd to conduct a process to sell certain assets in the United Kingdom, France, Belgium and Italy. Primus also worked to sell assets in other European countries. To date, the