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Charting the deal economy

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TECHNOLOGY DEALMAKER'S RESUME

Diana Maranon of AVERIL CAPITAL MARKETS GROUP INC.

Title: Founder and managing partner

Age: 43

Education: J.D., M.B.A., University of California, Los Angeles

Experience: Stock analyst with Shearson/American Express Inc. from 1981 to 1982; attorney with **Skadden, Arps, Slate, Meagher & Flom llp** from 1985 to 1988; vice president in the advisory practice of Wasserstein Perella & Co. from 1988 to 1994.

Deal Wisdom: "A lot of companies thought that—in the same way valuations rapidly went up and came down—they would rapidly go up again. That just hasn't happened, and we don't think it's going to happen. And now because the markets have been down and volatile for so long and the tech sector has adjusted so dramatically, shareholder alternatives are much more palatable."

With November's \$161 million buyout of **eMachines Inc.**, Diana Maranon did what a top bulge-bracket investment bank could not: find a buyer for the struggling Irvine, Calif.-based PC seller.

When eMachines began pondering its future earlier this year, the company hired **Credit Suisse First Boston** to sound out merger and acquisition opportunities. The bank contacted 55 companies, but failed to entice any into buying the computer maker, which had been grappling with withering revenue and a falling stock price since going public in March 2000.

Maranon, meanwhile, the founder and managing partner of Los Angeles investment banking boutique **Averil Capital Markets Group Inc.**, had been in on-and-off discussions with eMachines director Lap Shun Hui since January about alternatives for the company. When CSFB came up empty, she arranged \$145 million debt financing from **UBS Warburg llc** to bankroll a buyout by Hui, and the company signed the agreement Nov. 19.

Though it is one of her firm's largest deals to date, it pales in comparison with the hefty transactions she worked on in the 1980s and early '90s as an attorney at **Skadden, Arps, Slate, Meagher & Flom llp** and later as a banker in the Los Angeles office of Wasserstein Perella & Co.

Maranon's work then ran the gamut from dispensing hostile takeover and defense counsel to recapitalizations and underwriting during a period of frenetic dealmaking.

"You've never seen the deal pace that we had in the '80s," Maranon said. Among big deals she was involved with were **Hoffman-LaRoche Ltd.**'s \$2.1 billion purchase in 1990 of a majority stake in South San Francisco, Calif., biotech company **Genentech Inc.**, **Forstmann Little & Co.**'s \$2.1 billion buyout in 1987 of windshield and seat maker **Lear Siegler Inc.**, and Linda Wachner's \$487 million leveraged buyout in 1986 of apparel maker **Warnaco Group**.

But Maranon left Wasserstein in 1994 and, at considerable professional risk, in April 1995 launched Averil. After six years as an adviser in a big firm, she was ready for something that would offer more control.

Striking out on her own was never the idea, but when clients from her Wasserstein days started calling her for advice, she decided to form her own M&A shop.

These days, the deals are fewer and humbler than a decade ago. Yet the eMachine transaction illustrates where Averil fits in the wider investment banking world: advising companies too small for the big banks but still in need of Wall Street-level service.

Many companies fall below "the radar screen of the big bulge-bracket banks, but still need access to the public markets, the institutional markets, the private equity markets, and there's really not a huge network of banks that address that area," Maranon said. "We fill that void."

Bank consolidation over the last 12 months has widened that gulf. That could bode well for Averil, which concentrates on small to mid-cap companies in the technology, biotech and media industries.

Much of Averil's business comes from feeding deals to banks that they would otherwise ignore, such as UBS Warburg's part in financing the eMachines transaction. "UBS is making a small fee, but given the fact that we did most of the structuring work ... and it was kind of pre-packaged for them, it's a great piece of business for [UBS]," Maranon said.

Rather than competing head-to-head with larger banks, Maranon tries to work hand-in-hand. She often takes deals to larger institutions after having completed much of the preliminary work, thus making the deals, though small, more attractive to banks.

Averil also will go it alone on deals neglected by other banks, such as the \$10 million initial public offering in 1996 of Los Angeles online animation company **Brilliant Digital Entertainment Inc.** and its subsequent \$12 million secondary offering.

Other past deals at Averil include the 1998 management buyout of software games publisher **Virgin Interactive plc** from **Viacom Inc.** and the \$11 million recapitalization of CD-ROM and DVD maker **Future Media Productions Inc.**

The firm also has compiled a list of undervalued small and mid-cap companies ripe for investment, buyouts and other transactions. And as the vicissitudes of the present era of dealmaking begin to take effect, CEOs are becoming more receptive "because now they understand that those values aren't popping back to them," Maranon said. **D**

—Danny Fortson

