

The Deal.com

CHARTING THE DEAL ECONOMY

WEDNESDAY MAY 22 2002

Fox Paine, Paradigm in \$102M deal

by Neil Sandler and David Shabelman

TEL AVIV — Private equity firm **Fox Paine & Co. LLC** is acquiring **Paradigm Geophysical Ltd.**, an Israeli oil and gas exploration software company, in an all-cash deal valued at more than \$102 million.

Terms call for Paradigm Geophysical to receive \$5.15 per share in cash, or \$77.5 million.

Fox Paine, which is completing the deal through the Netherlands-based holding company Paradigm Geotechnology BV, also will assume \$25 million in debt.

Saul Fox, a partner with Fox Paine, said the firm took Paradigm private because of Wall Street's "disinterest in micro-cap companies," the company's geographic remove in Israel and the fall in technology stock made it difficult for Paradigm to get fair value on the open market.

Paradigm has been growing 30% to 40% on a compounded annual rate both organically and through acquisition, he added.

"Looking at that record and after

meeting with management and getting their ideas going forward, we thought the company was very exciting," Fox said.

Fox Paine, which has \$1.5 billion under management, expects to acquire additional information technology and service companies that cater to the oil and gas drilling sector, Fox said.

The price tag represents a 37.8% premium over Paradigm's average closing share price on the Nasdaq in the past 90 days, though only a 15% premium over its closing price Tuesday of \$4.48 per share. Rumors that a deal was in the works, which the company confirmed May 8, helped rally the stock. Priced at \$4.48 per share, the company has a market capitalization of \$700 million.

In the first quarter, Paradigm had revenues of \$16.9 million, down from \$17.5 million in the year-ago period. Revenues in 2001 were \$72.8 million.

"Taking a company like ours pri-

vate will enable us to grow more rapidly and give us access to the necessary cash to expand," said Eldad Weiss, CEO of Herzliya, Israel-based Paradigm Geophysical.

Paradigm's technology uses seismic data and mathematical algorithms to develop computer-based 3-D models of subterranean oil reserves. Drillers use the models to guide exploration.

"This is an extremely attractive deal for Paradigm, as the company has a substantial upside with expected growth in the oil and gas exploration industry in the coming years," said Guy Ziser, an analyst with Ofek Securities, a Tel Aviv-based investment bank.

Advising Paradigm Geophysical were **Tanner & Co.** and Tel Aviv law firm **Efrati Galili**. Tel Aviv investment firm **Reliance Capital** advised Fox Paine and Paradigm Geotechnology. Fox also was represented by law firms **Meitar, Liqornik, Geva & Co.** in Tel Aviv and **Wachtell, Lipton, Rosen & Katz**.