

Fibertech finding success

■ Fiber-optic network firm nears profitability despite telecom bust.

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If everything goes well for the rest of this year, Fibertech Networks Ltd. could achieve a minor miracle in a tough telecommunications market.

The company could post a profit after just three years in business.

The Brighton company has achieved success by focusing on a narrow task in telecommunications — building fiber-optic data lines through the tunnels and streets of mid-sized cities, then renting digital space on those lines for monthly fees or upfront cash payments.

"We're trying to get to the point where we're a fully profitable, tax-paying member of the community," said John Purcell, president and chief executive of Fibertech. "We're getting there."

The 73-employee company had more than \$30 million in sales in 2002 and could post \$40 million in sales in 2003. Soon the company could explore mergers, acquisitions or a potential sale, Purcell said.

Getting this far was not easy.

Purcell, a former vice president of Frontier Corp., and Frank Chiaino, former president and CEO of Time Warner in Rochester, started the firm in 2000 with \$50 million in financing.

Originally, Fibertech planned to build and rent data lines mainly to large phone companies that wanted to reach customers in mid-sized cities, often bypassing the local phone companies.

Fibertech built networks in 13 cities such as Indianapolis; Columbus, Ohio; Rochester; Albany; and New Haven, Conn.

That part of the company's plan worked out. Three of the

four major long-distance telephone companies now lease space on Fibertech networks to route phone calls and Internet traffic.

However, the demand for such services never matched the fervor of investment during the telecommunications boom. While billions of dollars flowed into such ventures from investors, many projects flamed out or were forced to file for bankruptcy to reorganize — most notably Global Crossing Ltd.

So Fibertech scaled back the number of cities where it planned to lay cable and laid off some workers.

But the company survived by shifting its strategy, sending sales people directly to customers such as schools and local governments rather than waiting for other phone companies to recognize those users' needs and order new fiber-optic links.

The approach worked. Companies such as Bausch & Lomb Inc. signed up for Fibertech systems and so did school systems in Pittsford, East Irondequoit, Henrietta, Greece, Hilton, Le Roy and 15 other districts outside Rochester.

Now more than half of the company's customers aren't telephone companies.

In one project now under construction, Fibertech is connecting dozens of schools in Rochester with high-speed fiber-optic lines, allowing the schools to bypass the local phone company for some Internet service and other data links.

"What Fibertech is doing for us is taking down the barriers for doing things between schools and get us past the slower phone lines," said John Poland, a supervisor of research and develop-



WILL YURMAN staff photographer

Thad Seaman watches Simon Chavers and Scott Leach, right, prepare poles for cable on Jefferson Road, Pittsford.

ment for the Board of Cooperative Educational Services 1, which helps coordinate projects among regional schools.

"You can do Internet connections that are 500 to 600 times faster than what we have now — have streaming video from servers in any school, so students can access things like science lab videos from anywhere in the school system."

Poland says the system does not necessarily save money because the entire project represents a major investment, including some federal funding to connect schools to the Internet. Rather, using direct fiber links allows the schools to build projects that could not be accomplished any other way.

With such sales, Fibertech last year reached a financial milestone, bringing in more cash for the year than it spent, a key step toward posting profits, a stage that company officials say could start later this year.

Two other things helped along the way, said Seth Libby, an analyst with the Yankee Group in Boston.

Choice One Communications Inc. invested early in Fibertech and hired the telecom to build

systems in specific cities, a virtually guaranteed stream of cash for Fibertech. "They're not just going out and building on spec," Libby said.

Second, Fibertech stayed with a plan to focus on "underserved" cities, Libby said, such as Rochester and Binghamton.

Still, the market is far from risk-free, Libby says.

"Fibertech is still subject to the whims of the economy, so companies such as Fibertech have to be very strategic about where they go," he said.

Ideally, Fibertech's profitability should rise as more clients sign up to use existing networks, turning Fibertech into more of a sales company than a construction company, Purcell said.

As the company's finances improve, Fibertech will have more choices available, Purcell said, such as possible cash dividends for its private owners as well as potential mergers or a sale of the company.

"We expect we'll be totally profitable," Purcell said. "If we succeed, we'll stand out in a tough marketplace as a rare success story." □

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