

# Fibertech logs strong growth

## Brighton company adds staff, expands headquarters as annual revenues surge

By WILL ASTOR

With a windfall that CEO John Purcell partly attributes to the recession, Fibertech Networks LLC is having a banner year.

The Brighton company, which installs and leases capacity on fiber-optic networks to businesses and telecommunications carriers, expects to book \$66.2 million in revenue this year, up 26 percent from \$52.5 million in 2008 and up 73 percent from \$38.3 million in 2007.

Fibertech is doubling the size of its network operations center and engineering facility and adding staff. It has added 14 workers in Rochester, bringing local staffing to 125. Fibertech employs 184 people in all and uses an additional 20 or so full-time contract workers, most of whom it expects to hire as full-time staffers within the next six months or so.

The company has taken an additional 11,000 square feet at its Meridian Centre headquarters and is moving its operations center into the new space.

Fibertech's revenue comes in as regular payments on long-term contracts with terms ranging from four to 20 years and averaging 10 years. That means the year-end 2009 projection is virtually money in the bank, Purcell said.

But the healthy revenue growth is not what he is most excited about. After inking \$220 million in new contracts through October, Purcell said, the company is nearly certain of at least several years of continued double-digit growth. He expects to end the year with \$230 million in new contracts.

"We sold a lot more contracts this year than we ever had before," Purcell said. "Sometimes the stars just align."

The company's previous record for new contracts—achieved in 2007—was \$103.6 million. In 2008, Fibertech closed deals for contracts totaling \$101.5 million.

Luck played a substantial role, Purcell conceded.

"I'd rather be lucky than smart," he said. "But realistically, it's been a little bit of both."

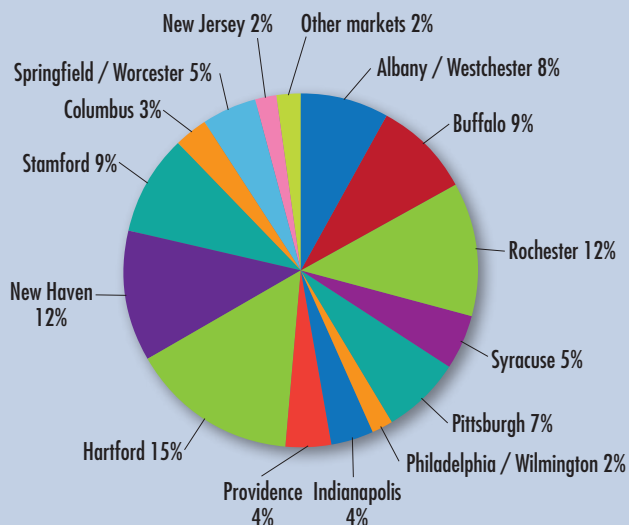
Three contracts accounted for a major portion of the year's record new-contract sales. Two were deals with large wireless providers that hired Fibertech to connect their New York cell phone towers to Fibertech's existing fiber-optic networks.

The third is a deal for Fibertech, which has existing networks in Stamford, New Haven and Hartford, to enhance Connecticut's

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### Recurring revenue by market

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\*As of Sept. 30, 2009

911 emergency system. Expansion into new markets in suburban New Jersey and Montgomery County, Md., also helped, Purcell said.

Closer to home, Fibertech is doubling its Rochester-area network to add 650 route miles and is adding route miles in Syracuse, Buffalo and Albany as well. The company also is in New England, Pennsylvania, Ohio, Indiana and Delaware.

Though the country has been in a recession and Fibertech's main customers—telecom carriers and businesses—have seen dips in their business, many firms regard additional fiber-optic capacity as an efficiency-boosting move, Purcell said.

Increasing consumer use of cell phones for bandwidth-eating applications such as video downloads and Internet browsing also helps Fibertech, Purcell said. Wireless carriers that until now were content to use existing copper-wire networks to connect cell phone towers to local switches

increasingly need fiber-optic capacity to keep their networks humming.

For such carriers, leasing space on existing Fibertech fiber-optic networks is more cost-effective than building their own

### On a fast pace

The firm expects to book \$66.2 million in revenue this year, CEO John Purcell says.



fiber-optic rings, Purcell said.

In such deals, carriers tend to ink 20-year leases and tout the networks as their own, which does not bother Purcell. Fibertech does not need consumer branding, he said.

One telephone company that does acknowledge its relationship with Fibertech is Paetec Holding Corp., the \$1.6 billion Perinton-based competitive local exchange carrier.

"We've used Fibertech as an underlying provider connecting our customers to the Paetec network in some of our key north-eastern markets for years," Paetec spokesman Christopher Muller said. "We have great respect for the company and the quality of their employees, and they've shown themselves to be very responsive to our needs and those of our customers."

The long-term nature of its deals with carriers gives Fibertech a stable financial outlook and helps insulate the company from the economy's dips and swings,

Purcell said. That is helping it with credit markets in the current climate of tight credit.

When Fibertech first went looking to borrow money, few lenders were willing, Purcell said. Most still were spooked by the 2001 telecom meltdown, and only M&T Bank Corp. agreed to advance funds.

Now the situation has taken a 180-degree turn. When Fibertech lined up a \$75 million credit facility in October, a five-bank syndicate led by M&T advanced \$30 million for a term loan and agreed to give Fibertech a \$45 million revolver.

Lined up with M&T were Bank of America Corp., JPMorgan Chase & Co. and CoBank, a specialist in telecom loans. Purcell sees the facility's terms—a variable rate currently at 5 percent and the option to go to a 6 percent fixed rate—as favorable. The \$30 million obligation is the company's only current debt.

Given that the firm can predict its mini-

num future revenues with a fair degree of accuracy, Purcell is confident in predicting a smooth path ahead. He is unsure of only one area, Purcell said: what avenue the company might take to pay its original investors, none of whom has yet seen a return.

"(So far) every penny has gone back into the company," he said.

The private-equity investors who provided some \$50 million in startup capital all had long-term horizons and were comfortable with a 10- to 12-year wait to see a return, Purcell said.

That time will expire in two to three years, and he cannot see an answer to how a payoff might be structured. Three possible scenarios present themselves: taking the company public, arranging a merger or buyout, or being acquired by a big private equity firm. All have upsides and downsides.

"It's the one question I don't have an answer for," Purcell said.

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