

# Close to home

FIBERTECH'S CONSERVATIVE APPROACH TO EXPANSION IN ITS TIER 2 NORTH EASTERN US MARKETS IS SERVING THE COMPANY WELL, REPORTS MATTHEW WHALLEY

**Fibertech's roots** lie in the building and installation of fibre-optic networks and the company has used this experience to bring its customers in Tier 2 markets in the US online. Fibertech's calm and rational approach to growing its business has not always been common in the US telecoms market.

"There are some companies who started out taking the same measured approach but there has been lots of pressure on them to change. We are blessed with the right combination of factors: we achieved some early success with large blue-chip customers that gave us traction; we have two very patient investors in Nautic Partners and Bank of America Capital Investors; and we turned cash positive early enough to ride out first the telecoms sector meltdown of 2001 and 2002 as well as the overall US economic collapse of 2008. We have worked our way up to \$66 million in annual recurring revenues through the combination of all these factors, plus of course, a sales force that has inked over \$800 million of total contract value in our first nine years," says John Purcell, president and CEO at Fibertech.

The company has focussed on US Tier 2 markets east of the Mississippi and north of the Carolinas and has declined to move outside these areas. Fibertech advocates a "near-net" model, meaning that it builds fibre networks out to those economically viable customers within half a mile of its backbone. In doing this, Fibertech is able to deliver services to customers underserved with carrier choice.

"We have enjoyed our success because we got there early with an extensive all-fibre build-out. Our early success has allowed us to extend the network into large multiple rings in each city. Fibertech's prices mean a saving versus the incumbent provider and our service has gained a reputation as reliable and responsive. So now with 5,000-route miles in service and over 4,000 buildings on-net, we are able to capture increasing market share," says Purcell. "To succeed in this sector, you need to be 'first-est with the most-est'. That is, you need to



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**MIKE HURLEY**  
VP, SALES AND MARKETING, FIBERTECH

get there first with the most network and the best people. You need to sell services fast enough to establish your store as the leading one on the block – delivering on time, on budget, with quality standards second to none. All of this has to happen simultaneously, not sequentially."

## **RECURRING REVENUE**

Fibertech's business has continued to be viable where others have failed because it has remained devoted to a model that is contingent on signing contracts that generate recurring revenue. Purcell says: "Our average contract is almost 10 years in length; we think we have the stickiest revenue model in the industry. As a result, we have virtually no churn."

The company's business is split evenly, with 50% of its revenue coming from its

carrier business and 50% coming from enterprise customers. In 2009, Fibertech has seen the growth from its carrier business exceed expectations.

Mike Hurley, VP of sales and marketing, at Fibertech comments that growth in telecoms tends to be "lumpy" and is not as predictable as it could be. He says: "It varies from year to year because it is such a long sales cycle. When you are marketing large infrastructure changes to customers these are long-term planning decisions. Sometimes you have to wait for the market to get there. This year we have done well with wireless backhaul. Carriers are trying to get larger capacity out to end customers."

In 2009, Fibertech completed builds in Maryland, New Jersey and White Plains, New York. In any given year the company

expects to expand into one or two additional markets while building 500 to 700-route miles of lateral extensions from its existing network to serve customers.

“We will keep getting more and more traction within our markets and connected to more buildings and as we continue to extend out to more buildings our network will get closer to other entities that maybe weren’t viable before,” says Hurley. “Fibertech is also very patient. We don’t go away. Someone we call today might be a small financial institution and they just don’t need enough bandwidth today for us to justify the build out to them. Next year or the year after either their bandwidth might have grown – which is likely – or our network has got closer to them – which is also likely – and a build-out is a no brainer. We are pretty patient; that way instead of

trying to force feed the customers, we let them come to us. We are out in front of the market in many ways.”

### A COMMITTED CHOICE

Judy Reed Smith, CEO at Atlantic-ACM, notes that any operator can choose to move at a slower pace as long as they make a committed choice to a business model and have patient investors. She says: “(Fibertech) was founded by someone who built fibre and someone who knew telecoms, so they understood how cost-effectively to start and grow a company. They get a contract, then build, so have never had great capital at risk.”

The model is simple as long as the company remains disciplined. Without the pressure to become a national operator or investors looking for a quick exit, Fibertech

can do what it does well and play in markets that deliver a return without confusing its customers.

“We let customers choose the markets we go to. We never plant a flag and say let’s go build out that market and we will build a business there,” says Hurley. “You have to pick your spots.”

Hurley comments that there is only so much time and effort a small business can devote to different markets. If a company’s markets are close together then they are easier to handle from an operational and marketing perspective. He says: “When regional enterprises grow, their carrier needs often grow across the same region so we can grow along side our customers. There are plenty of places we can expand to in the eastern half of the country so we will stick to that.” ■

## KEY FACTS

> **History:** Fibertech is a privately held telecommunications company founded in May 2000 with an initial round of equity financing. Total equity committed was \$25 million of which Nautic Partners (formerly Navis Partners) committed \$20 million. Management and other investors committed the remaining \$5 million. Fibertech then immediately bought the assets of White Knight Communications. White Knight had been building and installing fibre-optic networks for school districts and other end users since 1991. Fibertech closed a second round of equity financing on March 29 2001. Total equity committed was \$25 million of which Bank of America Capital Investors was the major investor.

Fibertech builds and operates fibre-optic networks throughout mid-size cities in the eastern and central regions of the US. Helping to fulfil the promise of delivering high-speed, data-intensive services to businesses and consumers, the company offers virtually unlimited bandwidth and control of valuable network assets throughout metropolitan areas at a fixed cost. Fibertech’s “open-access” design enables telecommunications, financial, educational and internet entities the ability to offer on-net, facilities-based and high bandwidth intensive services.

The company is building “carrier-ready” networks strategically connecting local telco central offices, carrier hotels, data centres and other traffic aggregation points. Another core competency of the company is its ability to extend these benefits to the end user. Targeting municipalities, educational institutions, office parks, financial institutions and large businesses, Fibertech is able to extend the benefits of its fibre networks directly into these buildings.

> **Ownership:** Fibertech investors are led by Nautic Partners and Bank of America Capital Investors. Members of the senior management team have also invested in the company.

> **CEO:** John Purcell

> **Revenues:** Total revenue is \$70 million this year and next year it is anticipated to be \$85 million. Total contract value for this year alone is over \$200 million.

> **Customers:** Fibertech serves major long distance, CLEC, ISP and wireless carriers. The company also boasts *Fortune 500* companies, large financial institutions, major healthcare facilities, universities, K-12 school districts, along with many mid-size companies in diverse industries.

> **Network:** Fibertech has a 24 market metro footprint in the eastern region of the US. Markets include New York, Rhode Island, Pennsylvania, New Jersey, Indiana, Ohio, Connecticut, Massachusetts, New Hampshire, Maryland, Delaware, with a lesser fibre presence in a number of other markets.

> **Products and services:** Fibertech extends its fibre-optic network directly into business locations allowing them to internally deploy a wide range of advanced telecommunications applications. In addition to dark fibre capacity, Fibertech offers a complete optical solutions portfolio of services from private line connections ranging in speeds from T1 to OC192; point-to-point and multi-point Ethernet service in speeds ranging from 10Mbps to 1Gbps; managed wavelengths; dedicated internet access; and co-location. ■