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IPtimize shows there's life in long-suffering telecom

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It's been a sad refrain the last few years. Telecom on the ropes. Down for the count. Even out of the ring and on life support.

But one little, 9-month-old Denver company called IPtimize Inc. is back in the ring, led by management that's been through the telecom punches of the last few years and still, somehow, thinks there's hope for the industry.

It has evidence to support that optimism.

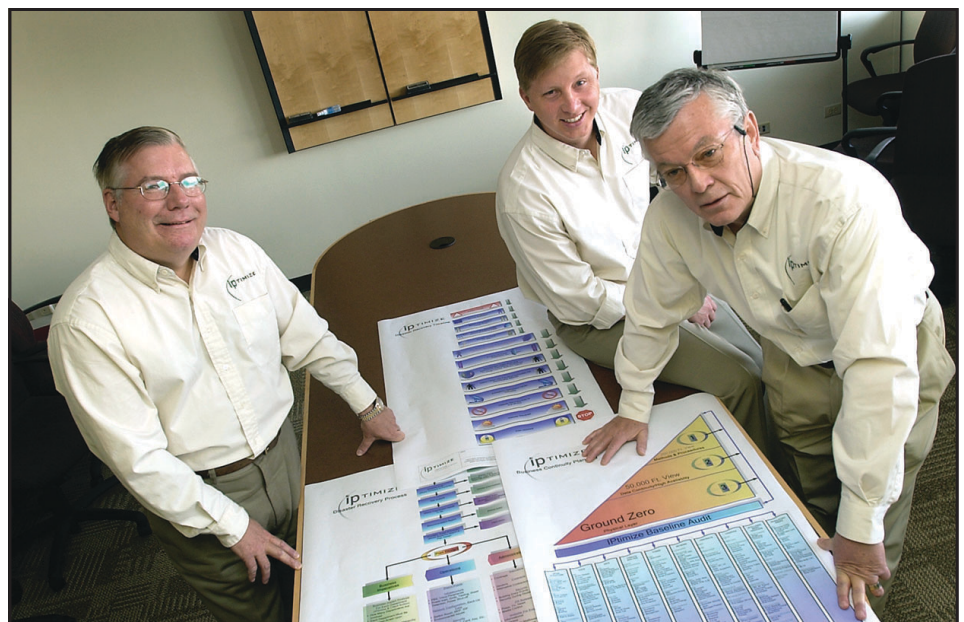
IPtimize already has 200 customers and 17 employees, and it just completed a private friends-and-family equity offering that raised \$750,000, including \$100,000 from its four founders.

Plus, two weeks ago it received a commitment for more than \$1 million from an institutional investor for a second round of stock financing, IPtimize CEO John Evans said. That second round is designed to raise up to \$1.5 million and close within 90 to 120 days, he said.

IPtimize concentrates mainly on security and Internet Protocol (IP) services for small- to medium-sized businesses with \$1 million to \$10 million in revenue and 20 to 500 employees.

On the security side, it monitors a company's computer network to spot vulnerabilities to attacks by hackers or viruses. And on the IP side, it stresses a combination of voice and data services on the same widebandwidth lines, which can improve savings and services.

IPtimize thinks demand is high, and it has big plans to meet it. Evans, 48, said the company is expecting revenue of \$1.5 million in 2004, \$8 million to \$10 million in 2005, and \$100 million



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From left, IPtimize principals John Evans, CEO and chairman; Christopher Reim, vice president for corporate finance; and Phil Allen, communications adviser.

annually in three to five years.

"That's aggressive, but John Evans ... has done it twice before," said Roger Christoph, president and CEO of Kansasville, Wis.-based Keystone Solutions Inc., an investment banking firm that is also parent to broker dealer and investment advisory firms.

Christoph and his clients have invested about \$350,000 of the \$750,000 raised, and Christoph cites two main reasons why:

- He has made money investing in Evans' companies before.

- Evans is a "visionary" who sees where telecom is headed.

If Evans' name sounds familiar, it's because he was the CFO of Englewood-based ICG Communications Inc., which filed for bankruptcy in November 2000 and

emerged from it in October 2002; and he was CEO and co-founder of Englewood-based Convergent Communications Inc., which filed for Chapter 11 bankruptcy in April 2001 and is out of business.

The other three IPtimize founders are Jeff Veres, COO; Clint Wilson vice president of sales and marketing; and Phil Allen, communications adviser to IPtimize, former vice president of investor relations at ICG and a co-founder of Convergent.

Christoph said Convergent ran into trouble through accumulating too much debt while making acquisitions, which led to cash-flow problems. And then access to capital markets shut down, causing an inability to refinance the debt through debt or equity offerings, he said.

Evans stressed a couple of things about the comparison of IPTimize with his past companies.

First, he left ICG when it had \$100 million in annual revenue and Convergent when it had \$250 million in annual revenue, and both companies had significant cash when he left, he said. His late-1999 departure from Convergent came before the telecom crash; he acknowledged that managing a post-crash Convergent “would have been a challenge.”

Secondly, IPTimize has important differ-

ences, including lower cost, from ICG or Convergent. The cost to deploy a converged IP network has dropped by 90 percent versus five years ago, Evans said.

Plus, with 40 to 50 sales agents in Denver, IPTimize uses a sales structure with an agent model similar to that in the insurance industry, whereby independent agents get a commission but not a salary. Convergent, on the other hand, paid sales salaries that translated into high overhead.

While Evans’ revenue targets seem lofty,

he stressed IPTimize plans to expand to 10 Western U.S. markets, so the \$100 million target translates to only \$10 million per market. It has expanded to Los Angeles and expects to add Phoenix, Salt Lake City, Portland, San Francisco and Seattle, Evans said.

Meanwhile, IPTimize’s Denver employment might grow from 17 now to between 60 and 100 within a year, with hiring in areas such as sales-channel managers, network technology, software, accounting and marketing, he said.