

benchmark-it news

Corporate/MNC

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Headlines:

[COLT ANNOUNCES LATEST RESULTS](#)

- Turnover up 46% year-on-year to £220.3m (£224.1m including infrastructure sales);
- Revenue mix improving, with 42% coming from non-switched services;
- Numerous awards for customer service;
- Funding gap of £500m-£600m still looming as economic slowdown impacts revenue growth and poor sentiment undermines stock prices.

[VERSATEL ANNOUNCES SECOND QUARTER 2001 RESULTS](#)

- Revenues increase 47% year-on-year to €69m;
- 52% of revenues from data and Internet services;
- Anticipated full-year revenues revised down to €280m-€290m.

[BT PUSHING FOR CONCERT BREAK-UP](#)

- Hopes to resolve situation over Concert's future ownership in the next few weeks before launching wireless demerger prospectus;
- Final resolution will benefit competitors and give customers an opportunity to get good deals from the remaining service providers.

[COMPLETEL REPORTS QUARTERLY REVENUE GROWTH](#)

- Second quarter revenues up 25% over first quarter to €24.5m, with 95% of revenues coming from on-net services;
- Faces challenging future with failing data centre business, relatively low awareness and being a late entrant into a crowded market.

[VIATEL FINDS NO BUYERS FOR EUROPEAN NETWORK](#)

- European network assets crossing ten countries and having cost \$2bn attracts no viable bids – bad news for others trying to sell their network assets;
- UK assets were successfully sold as they included a solid customer base;
- Why bid for the networks when you can target the customers?

[ETT AND IPASS EXTEND RELATIONSHIP](#)

- ETT to offer secure remote access services.

[GLOBAL CROSSING WINS EUROPEAN MICROSOFT CONTRACT](#)

- Yet more activity from Global Crossing as it keeps pushing through its new strategy;
- Can the company grow quickly, strike successful partnerships and keep customers happy all at once?

[CABLE & WIRELESS IN TORNADO DIGITAL MEDIA COLLABORATION](#)

- Cable & Wireless will host secure digital content distribution;
- Tornado and Cable & Wireless will sell one another's services.

COLT ANNOUNCES LATEST RESULTS

COLT has announced its latest results for the three and six months ending 30th June 2001. Second quarter highlights include:

- Turnover up 46% to £220.3m
- Turnover of £224.1m including infrastructure sales
- £6.5m EBITDA positive (£7.9m including infrastructure sales)
- Continued improvement in revenue mix between switched and non-switched services

Commenting on the results, CEO Peter Manning said: “We have seen some lengthening of customer order cycles and slower rates of growth in the carrier market segment but nevertheless we added 505 new buildings, 1.8 million private wire VGEs and 310 racks during the quarter bringing the totals to 6,803, 12.1 million and 1,832, respectively. Switched minutes increased by 28% over the second quarter of 2000 to 5.0 billion and we continued to improve revenue mix with a switched:non-switched ratio of 58:42 (excluding infrastructure sales) compared with 65:35 in the second quarter last year.

COLT's reputation for superior customer service continues to be recognised by our customers. In Switzerland and Belgium the Telecommunications User Groups in those countries rated COLT as the best corporate carrier. In Germany, readers of Telecom Handel voted COLT ‘Telco of the Year’ and in Spain our quality of service was recognised with the award of The National Prize for Telecommunications 2001 by the Catalan Government.”

Second quarter 2001 key operational statistics by country/sub-region are shown in the table below:

	City network (kms)	Buildings connected	Switched minutes (MM)	Private Wire VGEs (000's)	Headcount
UK & Ireland	343	1,642	1,817	3,807	1,392
Germany	1,304	2,684	1,957	4,996	1,492
France	538	889	697	918	559
South Region	700	952	392	1,520	687
North Region	734	636	175	819	600
Total	3,619	6,803	5,038	12,060	4,734*

*includes 4 “other” posts

South Region comprises Italy, Spain and Switzerland

North Region comprises Austria, Belgium, the Netherlands and Sweden

Whilst COLT's year-on-year growth rate has slowed from 58% when it reported its previous quarter, 46% growth still represents a solid result. What appears to be causing concern in the investment community in particular is the fact that COLT, with £1.3b in cash, can keep running until late 2002, but will need to raise between £500m and £600m to bridge its funding gap until it becomes net income positive in 2004.

In addition, given the general slowdown in the market, COLT generates 6% of its switched revenues and 60% of its IP-based revenues from ISPs and this does expose it to some potential problems if this customer base experiences problems.

COLT, along with many other players in the market, will be carefully monitoring the general economic outlook and hoping that sentiment picks up in good time for it to be able to raise the funding it will need. In the meantime, it should continue to roll out its networks and load them with traffic – where possible it will leverage its strong reputation for customer service to grow a base of “good” customers.

VERSATEL ANNOUNCES SECOND QUARTER 2001 RESULTS

Versatel has also been giving details of its results for the second quarter of 2001, with the following highlights:

- Revenues increased 47% year-on-year to €69m
- Data and Internet revenues made up 52% of revenues for the quarter (47% a year earlier)
- Total business customers up to 67,000 from 62,000 at the end of the previous quarter
- 292 new buildings connected, giving a total of 1,543
- 630 xDSL lines added in the Netherlands, giving a total of 1,140
- 673 xDSL and ISDN lines added in Germany, giving a total of 6,113
- 50 business park rings, 28 city rings and 69 “near overlay sections”
- Total access extensions of about 1,137km in the Benelux countries and 663km in Germany

Commenting, CEO Raj Raithatha said: “Versatel's second quarter results showed continued progress towards profitability led by further expansion of our fibre business and 120 percent growth in DSL connections in the Netherlands. The growth of our on-net revenue base is a direct result of our ability to provision fibre and DSL customers in a timely and cost efficient manner. Our top and bottom line results were adversely affected by a financially troubled voice reseller masking the strength of our recurring gross margins.

The introduction of DSL technology as a medium to provide a bundled service offering of voice and Internet access in the fall of 2001 underlines Versatel's commitment to providing our customers with the most advanced telecommunications products. That being said, the regulatory and PTT provisioning risk continues to remain over the next 18 months, even though progress has been made in the past 6 months.”

Versatel is following the prudent strategy, like every other sensible alternative player with a desire for survival, of focusing on higher-quality revenue generation and

getting customers on-net, whilst reducing its exposure to low margin voice resale business.

The company has revised its financial guidance for the rest of the year in the face of problems in the wholesale and indirect voice telephony markets. The company has revised its 2001 revenue growth target down from 66-71% to 54-60%:

- Previous guidance for 2001: €301-310m
- Revised guidance for 2001: €280-290m

Despite lowering revenue targets, the company believes its EBITDA guidance does not need revision as it grows the proportion of higher quality revenues and closely manages its cost base.

With virtually all players targeting better customers, the question has to be asked what is happening to the “bad” customers? Presumably, the installed base is remaining with their existing suppliers as they are no longer being targeted by other players. This may mean that they have effectively been converted into “good” customers as there are no significant new players entering the market reselling cheap voice. It will be interesting to watch (if and when sentiment in the telecoms sector improves) whether suppliers will revert to their previous strategies of generating revenues at any cost or whether they will continue to take a more prudent profit-oriented approach.

BT PUSHING FOR CONCERT BREAK-UP

BT is reported to be hoping to reach an agreement to break up Concert, its joint venture with AT&T, within the next two to three weeks.

Sir Christopher Bland, BT's Chairman, has told those negotiating with AT&T that a resolution to the long-running debate over Concert's future is vital before BT publishes a prospectus on the demerger of its mobile phone division early next month. The resolution is almost certain to involve dismantling Concert, which was set up in 1998 to provide voice, data and Internet services for multinational business customers but it has recently been suffering increasingly heavy losses estimated to be running at more than £300m per quarter. This is due to the downturn in demand from alternative telecoms carriers and established corporate clients. Concert has also been hit by a series of bad debts, which make up to date assessments of its financial strength difficult. In addition, with the continued reporting of problems at Concert and its imminent demise, it will not have been signing any new business as older contracts expire.

It appears, however, that AT&T is less convinced that a final agreement can be reached within BT's self-imposed deadline.

“There is a lot of wood to chop. There is complexity about how to split the customers,” said one person close to the talks. This person doubted the two sides would be able to reach a resolution in the next two to three weeks.

As part of its broader debt-reduction and restructuring efforts, BT is expected to publish its wireless demerger prospectus early next month, in order to complete the

transaction by mid-autumn. This will include updates on all major aspects of the group's business. The company is anxious to give a picture of stable prospects for Future BT, the name given to the rump of the company following the wireless demerger and which will include any of BT's share of the Concert assets.

BT's 50% stake was recently valued at £1.4bn (\$2bn) in the company's accounts, but the company stressed that any write-down would be considerably less than this due to the value salvaged from returning customers and network assets. The parent companies also hope to minimise any job losses from breaking up the venture, which employs between 5,000 and 6,000 people and has a number of headquarters scattered around the world.

Resolution of the Concert problem will benefit everyone except Concert employees and customers:

- AT&T and BT will have the opportunity to re-assess their international strategies as independent entities and work out what they do and do not want to achieve globally
- Concert competitors will have a great opportunity to pick up business as the parent companies squabble over the assets and customers get fought over
- Customers will be able to re-assess their supplier arrangements whilst still receiving guaranteed service from Concert during the break-up period. They will have the opportunity to examine alternative suppliers at a time when these suppliers are very keen on developing their blue-chip customer base and should thus get good prices and solid service commitments

COMPLETEL REPORTS QUARTERLY REVENUE GROWTH

CompleTel, a facilities-based provider of telecoms and Internet services to business users, carriers and ISPs in France and Germany and data centre services in those countries and the UK, has reported its latest quarterly numbers:

- Second quarter revenues up 25% over first quarter to €24.5m
- On-net revenues represented 95% of total revenue
- Adjusted EBITDA loss reduced to €23.9m

On-Net Metrics	Q1 2001	Q2 2001	Growth Q2-Q1
Retail sites connected	759	929	22%
Total customers connected	735	865	18%
Customers signed	1,027	1,246	21%
Customer orders	2,654	3,414	29%
Local route km	1,678	2,050	22%
Switched minutes (millions)	691	819	19%

The company now has networks in the following locations:

- France: Grenoble, Lille, Lyon, Marseille, Nantes, Nice, Paris, Strasbourg and Toulouse
- Germany: Berlin, Essen, Munich and Nuremberg

CompleTel's data centre operations' revenues fell from €1.7m to €1.1m quarter-on-quarter and as a consequence the company is examining how best to integrate this business (iPcenta) with its CLEC product offering. It has also revised its full-year revenue forecasts down to €10-120m from €20-135m.

CompleTel appears to be doing better in France than in Germany, mainly due to the fact that it has a greater presence in France than Germany and also due to the highly competitive nature of the German market. Having said that, its future looks pretty tough:

- It is starting from a low base and operating in the same markets as many other players
- It has little to differentiate it
- It managed to reduce its revenues from hosting
- It has relatively low recognition in the market

VIATEL FINDS NO BUYERS FOR EUROPEAN NETWORK

Viatel, the New York-based alternative Western European telecoms carrier which sought Chapter 11 bankruptcy protection in May, has closed the auction of its continental European assets due to inadequate bids.

Viatel had set a July 31st bidding deadline for its assets, which include a network of mostly unused and largely unlit fibre-optic cables connecting cities in Western Europe, and a fibre-optic cable running from London to New York.

More than two dozen potential buyers signed confidentiality agreements, but not one submitted a viable bid on the main European network, according to someone involved in the negotiations. The company is still negotiating with prospective buyers of its trans-Atlantic cable and some switching equipment housed in New Jersey, he said.

“There were bids for the network and pieces of the network,” said a Viatel spokesman. “In a review of those bids, it was determined that the bids did not reflect the appropriate value of the company and its assets. Management is now in discussion with its creditors about alternatives to outright sale.” Viatel declined to discuss the value of the bids or the names of the bidders.

That a significant telecoms network constructed at a cost of more than \$2 billion didn't attract any viable bids is bad news for other telecoms companies in the same boat, such as Teligent and RSL Communications.

Essentially, no-one wants to enter the market as it stands as they will find it nigh on impossible to get financing and, should they even manage that, they will find a

broadly competitive market which, whilst still offering significant opportunities, is also threatened by a more general economic slowdown.

Existing players have obviously run the rule over network assets that might have complemented their own, but were only prepared to pay tiny sums as they are hypersensitive about any expenditure. Other players will also find it simpler to acquire Viatel's customers through their own sales efforts than to buy them along with the network.

ETT AND IPASS EXTEND RELATIONSHIP

iPass has announced the re-signing of an extended 3 year agreement with European Telecommunications and Technology (ETT), an independent supplier of integrated managed data networks and value-added services in Europe, to deliver iPass' advanced suite of Global Roaming, Corporate Access and Managed Access solutions to ETT's corporate client base. The relationship offers ETT's clients, of which many are multinational corporations, secure, reliable access to the Internet through iPass' extensive global network of access points under the City Net Roaming service.

Commenting on the alliance, an iPass spokesman said: "As Europe's leading independent managed data network solutions provider, ETT develops carrier-independent telecom solutions for many global enterprises. The ETT client base includes international banks, major automotive and industrial manufacturers, media organisations, law firms and construction companies. The City Net Roaming service - ETT's cost-effective remote access solution for business travellers - is fast becoming an essential connectivity tool for major international enterprises that need to ensure their employees have secure access to LAN resources from anywhere in the world. Combine this networking expertise with a 24-hour multi-lingual customer service support centre to users of the roaming service enables ETT and iPass to lay claim to offering business travellers with one of the most comprehensive global roaming services available."

Christopher Britton, CEO of ETT, added: "As a remote access service iPass has over 14,000 unique points of presence (POPs) worldwide, offering more access numbers in more countries than other remote access services. The ETT City Net Roaming service is a total remote access solution that has been developed for multinational organisations that demand the highest levels of security with convenient access - working with iPass gives ETT a solution that fulfils all these requirements."

ETT's strategy is unusual and designed as an opportunity to intermediate between corporate customers and service providers. By striking deals with a range of suppliers, ETT's proposition becomes more attractive and the more presence it builds in the market, the greater the leverage it will have amongst service providers. It also benefits from a low cost-base through not having to invest in infrastructure.

On the downside, it is not clear how many customers will want to hand their communications provision to a third party - it could be construed that getting service through a company like ETT only adds an extra layer of complexity to the whole process and serves to distance customers from service providers, making it less likely that they will develop services to match corporate customers' changing requirements.

GLOBAL CROSSING WINS EUROPEAN MICROSOFT CONTRACT

Global Crossing has announced a two-year contract with Microsoft for the provision of broadband services across Western Europe:

“Communication is central to Microsoft's success,” said a Microsoft spokesman. “We depend on the ability to share information through e-mail, Intranet sites, and streaming audio and video to keep people in touch and informed no matter where they are. In the office or on the road, our work force requires the ability to tap into the system from far reaches of the world. Global Crossing is a valued partner in providing the services and dependability our employees need to work with our customers and partners, and succeed.”

“Our relationship with Microsoft is consistent with our strategy to service the needs of multi-national corporations worldwide,” said Global Crossing's SVP of multinational corporation sales. “Microsoft, like any global market leader, requires a reliable, secure network deploying the latest technology to communicate with its worldwide offices. In addition to providing direct fibre, our global team is poised to deliver the management, service and support Microsoft requires.”

Global Crossing will provide a broadband backbone network connecting Amsterdam; Brussels; Dublin; Les Ulis, France; London; Munich; Reading, UK; Stockholm, Zurich and Microsoft's headquarters in Redmond, Washington.

Global Crossing continues to evolve into a serious international player in a very short timescale. It is constantly striking partnership deals and appears to be getting customer contracts. A customer like Microsoft is a great endorsement for Global Crossing, but the questions remain:

- Can Global Crossing keep up the momentum it has established?
- Can a company that is growing so quickly and undergoing such a fundamental transition deliver consistently and in a quality fashion?

CABLE & WIRELESS IN TORNADO DIGITAL MEDIA COLLABORATION

Cable & Wireless has announced a three-year global managed hosting contract with European digital distributor Tornado Group. The deal will enable Internet users around the world to download and purchase digital media content quickly and securely, whilst safeguarding the content owner's intellectual property rights.

Cable & Wireless' managed hosting platform replaces a co-location solution previously used by Tornado. It will give global capability and additional resilience to Tornado's Digital Media Distribution System (DMDS), which provides a secure environment for the distribution of digital media including entertainment content, such as music, games and books.

Additionally, as part of this contract, Cable & Wireless has entered into a relationship with Tornado whereby both companies will actively promote each other's products and services to their respective customer bases, ultimately driving revenues from

multiple sources. A full end-to-end solution for the delivery of digital content is now available with the Tornado DMDS hosted at Cable & Wireless on its global IP network and additional products such as Frame Relay offered by Cable & Wireless to retailers.

There is likely to be an increase in the number of such partnerships where a customer-supplier relationship is exploited also as a revenue-generating opportunity through cross-selling, especially where the partners' skills and products are complementary – notably (in this case), networks and applications.