



Yipes Enterprise Services Bought For \$300M

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By Arthur Kimball-Stanley

Yipes Enterprise Services Inc., a provider of managed Ethernet services, has agreed to be acquired for \$300 million by Reliance Communications Ltd., one of India's largest telecommunications companies.

The cash deal, according to one company investor, means a pretty good exit for those venture firms that put capital into a company reincarnated from the telecom downturn in 2002.

Yipes's predecessor, Yipes Communications Inc., was founded in 1999 and had raised \$291 million in financing before filing for Chapter 11 bankruptcy in 2002. The failure meant losses for a large syndicate of venture firms including Intel Capital, Soros Fund Management and New Enterprise Associates, among a host of others.

The only investor in Yipes Communications that bought into the company's reincarnation as Yipes Enterprise, which was comprised of a new management team and auctioned intellectual property purchased from the bankruptcy proceedings, was NorWest Venture Partners.

"The company that emerged in 2002 had a very different strategy than the one before," Promod Haque, a managing partner of Northwest Venture Partners, said. "For the investors at that time there was a loss, but for us now if you look at the rough numbers you can see the exit is substantial."

Over the last five years, Yipes Enterprise, which is based in San Francisco, has raised \$106 million from Crosslink Capital, Sprout Group, Norwest Venture Partners and JP Morgan Partners. Panorama Capital now manages the now defunct J.P. Morgan Partners' interest in the business.

Yipes owns over 22,000 route kilometers of Ethernet fiber across 14 metropolitan areas in the United States. With Ethernet currently the fastest growing segment of the wired telecom market, Yipes has grown its revenue at a rate of 40% per year over the last year as it acquired customers seeking to set up Ethernet access between corporate offices all over the world, according to the company.

Major customers for the company include the New York Stock Exchange, the Chicago Mercantile Exchange and Nasdaq. The big accounts, according to Haque, allowed the company to reach out successfully to traders and other money management firms seeking the fastest trading connections possible.

Already successfully competing with major telecom players such as AT&T Corp. and Verizon Inc. in domestic markets the company, according to Haque, began looking at entering the international markets. The deal with Reliance, according to Haque, complements that move as the company has a significant presence in Asia and the capitalization to finance growth. This is the largest acquisition Reliance has ever made, according to a release issued by the company.

Last year, Reliance, which is based in Mumbai, took in over \$4 billion in revenue. Yipes will operate as a strategic business unit of Reliance and will maintain its management team and its staff of 140 employees. The deal should close within the next three months.