



Tier1 Research: Executive InsITer for 04/12/05

HEADLINES

- [Yipes puts \\$24mn in its pocket after growing sales to a record \\$2.5mn/mo](#)

Yipes puts \$24mn in its pocket after growing sales to a record \$2.5mn/mo

Yipes Enterprise Services, a privately held Ethernet service provider, announced the closing of a \$24mn Series C financing, which brings the total capital raised (since re-capping the company in mid-2002) to \$94mn. The round was led by Crosslink Capital and joined by existing investors Norwest, JP Morgan, and Sprout Group. T1R confirmed that this was an up round in terms of valuation. Management claims the capital inflow exceeds the funds needed to reach cash flow positive, which they target in 2006. The excess might be used in part for M&A per comments that small deals could now be enacted with cash, but we believe CEO Scanlon will now be excited to lift his head up after 7 months of effort to get the business model squared and funded and focus on proving their own ability before pursuing anything really significant on the M&A front. The groundwork is already laid since the client base has grown above 600 (up 3x since year-end 2003) on two record revenue quarters in a row (4Q04 and 1Q05), which management said is being driven by the New York, Chicago, and Philadelphia markets. They now have a \$2.5mn/mo run-rate and 100 employees with a network that spans 14k fiber route miles and extends to 2500 buildings.