

Managed Ethernet Co. Yipes Enterprise Services Raises \$24M Series C

By Erica R. Davis 4/12/2005

Yipes Enterprise Services Inc., a provider of managed Ethernet services for enterprise customers, said it closed a \$24 million Series C round of funding for working capital and market development.

The up round closed yesterday, led by San Francisco-based Crosslink Capital, along with existing Yipes investors Norwest Venture Partners, JPMorgan Partners LLC and Sprout Group, a venture capital affiliate of Credit Suisse First Boston.

Crosslink Capital Venture Partner Gary Hromadko has taken a seat on Yipes' board.

In total, Yipes has raised nearly \$94 million since it was formed in July 2002. Its Series A closed in September 2003 with \$63.5 million while its Series B closed in late 2003 with \$7 million. Yipes investors are Norwest Venture Partners, New Enterprise Associates, Sprout Group, J.P. Morgan Chase & Co., Soros Private Equity Partners, Focus Capital, Glynn Ventures, and Quantum Capital.

Yipes provides services for Ethernet, a local area network architecture, over fiber optic and copper networks in major metropolitan areas of the U.S. and U.K. Additionally, Yipes has interconnected its metropolitan networks using its MPLS backbone network to offer national and global area network services. MPLS, short for multiprotocol label switching, is an industry standard designed to speed up IP-based communications.

The new round of funding exceeds the company's financial requirements to reach positive cash flow in mid 2006. With the funds, the company may also acquire fiber network assets from other companies, such as utilities or municipalities, to build out its coverage and add customers, Chief Executive John Scanlon said. The company will continue to expand internationally.

During the past two years, Yipes has tripled its customer base to more than 600 customers across industries including finance, legal, healthcare, education, media, high-technology and government.

Scanlon called the demand for managed Ethernet a main growth area within telecom services. This is due to the demand for more bandwidth inside corporations, due to the trend toward converged all-IP applications. "It's a challenge for today's CIO to run yesterday's network."

Ethernet is slowly replacing older protocols like frame relay and ATM, installed in the late 1980s and early 1990s, Scanlon said. "Rarely do you find reinvestment in frame or ATM. Ethernet is becoming the de facto standard of wide area networks."

Scanlon said Ethernet is simpler because it doesn't require extra components or specialized training like ATM or frame relay, and it provides more bandwidth for less cost.

Competitors for metro-area Ethernet are various independent local exchange carriers but Scanlon rarely runs into competition for national and international Ethernet.

Yipes has over 100 employees, including about 40 in San Francisco, 20 in Denver and the rest spread through major markets.

Yipes Enterprise Services was formed to acquire the assets of Yipes Communications, which had filed for Chapter 11 bankruptcy reorganization in 2002.

Yipes' investors declined to return calls for comment by press time.

<http://www.yipes.com>