

RCN Metro's Felipe Alvarez Discusses Recent NEON Deal

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RCN Corp. recently closed its \$260 million acquisition of NEON Communications Group, giving it the fiber assets to interconnect its metropolitan networks in Chicago, the Mid Atlantic and Northeast. That has allowed RCN Metro, a business unit of RCN Corp., to expand its commercial services business and make a splash in wholesale.

RCN Metro Optical Networks President Felipe Alvarez says that unlike many other mergers and acquisitions in the telecom industry, the RCN-NEON deal is about growth potential as opposed to synergies, which means that integration is less of a challenge and downsizing is not the focus. RCN Metro, which finished 2007 with \$90 million in revenue (this number does not include NEON revenue), nearly doubles its revenue base with the addition of NEON, says Alvarez. (Watch xchange online for a story on RCN's fourth quarter 2007 results, which come out March 13.)

The NEON acquisition also gives RCN more facilities, which means more control, and that enables RCN Metro to offer its customers a higher level of service and reliability, says Alvarez, adding that some of the fiber runs through electrical conduits. RCN Metro already offered services including transport using SONET and wavelengths, Ethernet in the 10meg to 1gigabit range, collocation and network management in Boston, Chicago, New York, the Philadelphia area and Washington, D.C., metro areas, says Alvarez, who adds the company is now looking at adding managed services to its portfolio. NEON gave RCN Metro ownership of the fiber connecting those cities as well as access to tier 2/3 cities in the Mid-Atlantic and Northeast.

"I think that the fact we are really facilities-based gives us huge leverage because we control the fiber delivery," Alvarez says. "For the bulk of what we do we control it from customer prem to customer prem, endpoint to endpoint, and I think that's a significant advantage that we have in the marketplace. We don't have to rely on other service providers, so we are able to control the quality as well as the response time if there's an issue."

This, as well as RCN Metro's flexibility due to its ability and willingness to customize solutions and networks for its customers, enables the company to give competitors like AboveNet Inc. and Verizon Communications Inc. a run for their money, say Alvarez. RCN Metro has traditionally been, and continues to be, strong in the financial services sector. "We provide services to nine out of the 10 top investment banks in the world," Alvarez says.

And despite talk of a recession this year, Alvarez is upbeat. "Today we really haven't seen anything yet," he says. "I think obviously at some point it tends to impact [businesses]. Interestingly enough I just signed an order with a very large investment bank who actually increased their bandwidth on a short term contract because they're seeing they're peaking out of their current network due to the large number of transactions due to what's going on with the economy. It's an interesting reverse effect."

Kelly Teal, xchange business editor, contributed to this report. Kelly spoke with Alvarez at the recent COMPTTEL show, to view that video interview, [click here](#).



RCN, in first quarterly results since buying Neon Communications, posts 11 pct revenue rise

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NEW YORK - Regional cable operator RCN Corp., releasing its first quarterly results since buying fiber-optic company Neon Communications Group Inc., said Tuesday its fourth-quarter revenue climbed 11 percent, more than analysts expected.

Quarterly losses totaled \$32.4 million, compared with \$24.7 million a year ago. Earnings per share weren't provided.

But revenue increased to \$167.9 million from \$150.6 million, topping the consensus estimate of \$160.2 million according to a Thomson Financial analyst poll.

Shares rose \$1, or nearly 10 percent, to \$11.15 in morning trading.

In November 2007, RCN completed its \$255 million acquisition of Neon, funded largely by drawing on its credit lines. Neon operates a fiber-optic network from Maine to Virginia. The acquisition sharply boosted the RCN's cash flow: Earnings before interest, taxes, depreciation and amortization jumped 26 percent from the year-earlier figure.

For fiscal 2007, RCN lost \$152 million compared with a loss of \$11.9 million a year ago. Revenue climbed to \$636.1 million from \$585.5 million.

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