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Lang retools his company, Connexion, and is now finding success in old buildings

By Frank Vinluan

CARY—Connexion Technologies, a company founded by former Cary Mayor Glen Lang that grew fast in an amped-up economy and then hit a mega speed bump in a recession, has retooled its strategy and says it's found a new growth avenue.

Lang says that while the company's fortunes crashed with the decline in new residential construction, they rose with new technology that allows Connexion to deploy its Internet, video and telephone services in older buildings — a market previously unavailable to Connexion's fiber networks.

When Connexion was launched in

2002, the company served only planned residential communities and new developments. Lang says that in the capital-intensive business of installing fiber-optic networks, it's less expensive to dig trenches and bury lines in "greenfield" areas than it is to build in already developed areas.

The housing downturn shattered that business model.

Lang says new computer chip technology emerged last year that allows

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Glen Lang projects continued growth for his company.



CONNEXION: Lang says new technology that came available in 2008 led to shift in business model

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Connexion to link its fiber lines to electronic equipment installed at a building site. The equipment boosts the capacity of the building's existing telephone and cable wiring. Lang says the technology opened the door to apartment and condominium tenants as users of its networks. In 2008, the company clocked a little more than \$12 million in revenue. This year, Lang estimates a revenue run rate of more than \$25 million.

Norm Bogen, an analyst at Scottsdale, Ariz., research firm In Stat, says consumer interest in video over the Internet is a major driver of new fiber deployments. Bogen is unfamiliar with Connexion, but he understands the market Connexion is tapping. He says delivery of television programs over the Internet makes fiber attrac-

tive for people living in multitenant buildings who want to drop their cable provider.

"We think that's an area of growth," Bogen says. "That's going to be driven by fiber, as well as higher speed DSL."

Connexion is financed by investors, including Reedy Creek Investments, the investment firm of SAS co-founder and CEO Jim Goodnight.

The company also has a \$40 million credit line with HVB Group, a German bank.

Connexion has been through some growing pains of late. In April 2008, the company laid off close to 40 people, a move Lang says was related to the declining business of installing fiber in greenfield developments.

He says Connexion's growth since has come entirely from deploying its networks

to older buildings. Connexion's networks are in 22 states and serve close to 40,000 subscribers. The company now employs 450, most of them in Cary.

The Fiber to the Home Council estimates that as of April the United States had 4.4 million homes using fiber-optic connections. That is less than 4 percent of U.S. homes, but the market continues to grow, says David St. John, a spokesman for the group. Most of those homes are served by Verizon Communications, which has been aggressively rolling out its FiOs service in select markets. Through June, Verizon's fiber network was available in 16 states and served 2.5 million customers with television service.

Unlike Verizon, Connexion is not a service provider. The company builds networks that can be used by Verizon, AT&T,

DirecTV or others. Lang compares the relationship to a landlord/tenant arrangement: Telecom providers pay "rent" to access Connexion's network. And that comprises the majority of Connexion's revenue stream.

This year, Connexion started marketing its services to real estate investment trusts, which own commercial properties such as apartment buildings. By becoming a provider for one REIT, Lang says, Connexion can then serve that REIT's properties throughout the country.

"It took me about six or seven years to get to 30,000 subscribers," Lang says. "We'll do 30,000 in just six months." He's so bullish that he's now projecting Connexion will double in size by the end of this year compared to the end of 2008. And, he predicts, will double again in 2010.