



## IN BRIEF

Open source solutions provider **Red Hat** and Nokia have agreed to collaborate on carrier-grade telecommunications solutions, allowing Nokia to deliver carrier-grade solutions that meet the high performance and availability requirements demanded by operators. Nokia's Networks Business Group has selected Red Hat Enterprise Linux as its primary operating system for carrier-grade server platforms. Red Hat will provide Nokia with on-site consulting, support, certification and training services.

**Clarification:** Interoute's network upgrade (Interoute undergoes serious network upgrade, p8 *Capacity* November 2006) means its network will support up to 800Gb capacity once the upgrade is complete and that the company will be able to offer customers 10 Gigabit Ethernet delivered much faster than the current industry standard delivery times.

**Verizon Business** has unveiled a new integrated customer centre portal, building on the tools businesses can use to provision, manage, order, pay and create reports for their communications services in a secure online environment. The new look and feel for the Verizon Business Customer Centre will provide an integrated view of a wide range of services, which customers can personalise, so they can better manage their networks and associated applications worldwide. ■

## Qwest wins 10-year US defence contract

**Qwest Communications** has won a contract with the US Defence Information Systems Agency (DISA) in support of its global information grid. The deal is expected to be worth at least \$100 million over the 10-year period of the contract.

Qwest has been contracted to provide access transport services for the defence information systems network. DISA is a Department of Defence combat support agency that provides real-time IT and communications support to the US president, vice president, secretary of defence, the military services, and the combatant commands.

Diana Gowen, SVP at Qwest government services said: "Qwest continues to expand its role as a provider of technology services to the federal government, including Department of Defence agencies such as DISA. The experience Qwest has in providing services to the federal government helps position us for success on the execution of this contract."

Josh Holbrook, senior analyst at Yankee Group said: "Government contracts are increasingly important to telcos. The government has been making concerted efforts to upgrade its technology platforms and spending significant amounts of money to upgrade and consolidate its technology and as a result has been increasingly important since the government has stepped up spending."

In August 2006, AT&T signed a \$250 million with the Joint Hawaii Information Transfer System contract by the Defence Information Technology Contracting Office – Pacific, which is a part of DISA. The contract is a six-year contract with four one-year options.

Holbrook noted: "This is a customer segment that is going to continue to grow. The government is investing and upgrading its infrastructure and the amount of bandwidth the government is using is increasing rapidly. The department of energy is a good example where there is a lot of high-end research. Its bandwidth consumption is expected to grow astronomically. It is set to more than double over the next five years." ■

## NO FRIDAY THE 13TH JITTERS HERE

David Ballarini examines the reasons behind the recent successful IPO of session border controller vendor Acme Packet

### Analyst's Eye



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**On Friday**, October 13, Acme Packet went public with a hugely successful IPO and contrasted significantly with Vonage's ill-fated IPO, which many, including myself, felt would taint other VoIP IPOs. Although Acme is much smaller, less well-known and in a very different space from Vonage, investors rightly chose to evaluate the company on its merits.

Acme's original price range was \$6.50 to \$7.50 per share. This range was raised and shares were priced at \$9.50. Acme's first day of trading closed at \$15.91, an impressive 67% rise from the offering price. Since then, the stock has hit highs north of \$19, and has been holding its own in the \$16 to \$17 range, which translates into a market capitalisation of over \$1.1 billion. This is a very strong performance for a company that reported revenues of just \$38 million during the first half of this year.

First and foremost, Acme Packet, a session border controller (SBC) vendor, is in a very different business from Vonage. Network infrastructure is not generally considered a sexy category, and furthermore, SBCs are complex and not well understood, especially among investors. SBCs were virtually unknown three years ago, and in much the same way that Vonage created market awareness of retail VoIP, Acme has probably done more than any other vendor to give credence to SBCs as a distinct product category.

Acme is truly a pioneer in the SBC space, and by continually evolving its technology, it has emerged as a market leader, and the dominant vendor among tier one carriers in key markets. Acme also remains one of the few independent SBC vendors following the much-expected consolidation in the sector. To its credit, Acme has done it the old fashioned way, by keeping costs under control and growing the business organically. Since inception, it has taken a modest \$30 million in venture funding, and has been self-funding for the past three years. In 2005 it generated \$36 million in revenues, which increased to over \$38 million during the first half of 2006 while maintaining gross margins of 79%.

Clearly Acme Packet is doing a lot of things right. I see it being well positioned for growth, and with its IPO, it has the resources to remain independent and the flexibility to respond to competition and opportunities. Based on the management team's ability to execute, I believe it will continue to make the right calls and navigate the challenges it will likely face in the future. ■