



PLUGGED IN
By MARK

A Company Worth Keeping an Eye On

IT'S RARE THAT PLUGGED IN PAYS significant attention to private companies. When we do, it usually involves cool technologies or outfits we think could become attractive acquisition targets or initial-offering candidates. Google and Salesforce.com are examples of startups that were featured here well before their public stardom.

Neutral Tandem may or may not be in the league of Google, but it could be in Salesforce's camp, regarding public valuation: The Chicago-based telecom-infrastructure startup seems to be poised for success. It's the nation's first provider of an independently owned, or "neutral" network of tandem telecommunications switches, used to route calls between two or more other switches -- not unlike how a hub airport links two flights.

This is a real company, folks, having racked up \$28 million in revenue in 2005 and expected to double that in 2006. Just three years old, it's already cash-flow-positive, and will eke out a profit this year. Let's just say that the IPO underwriters are knocking at its door. An investment-bank bake sale seems likely before the end of the year.

As wireless, cable, broadband and other users of Ma Bell's old pipes tax the system, a bottleneck has emerged at the tandem networks, still controlled by the likes of **Verizon Communications** (VZ) and **AT&T** (T), says Neutral Tandem CEO Rian Wren.

Neutral Tandem offers an alternative, at a 25% discount. "We are breaking down the barriers to local telephone competition," adds Wren, formerly the head of Comcast's telephony operations and a veteran of the old AT&T.

DOW JONES REPRINTS



This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com. • [See a sample reprint in PDF format](#) • [Order a reprint of this article now](#).

Most tandem switches within the Public Switched Telephone Network are owned by the legacy regional Bell operating companies. The Bells collect fees from competitors and have little incentive to expand their tandem network's capacity or performance, because that would help their upstart competitors unseat them, Wren argues.

Enter Neutral Tandem, which now connects 45 major carriers, with 1,000 switches and 100 million