

Marathon man sprints ahead

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enterprise network

Buying a telecoms company, expanding across Europe and floating it — all within 18 months. Are Giles Redpath's plans too ambitious? By **David Sumner Smith**

THE pre-school headmaster faced a dilemma. Should he punish the nine-year-old, day-boy, for profitably selling sweets to boarders, or compliment him on his entrepreneurial spirit?

"He told me 'I would either end up in jail or make a million,'" recalled Giles Redpath.

Redpath was a born salesman. Redpath made enough money after leaving school to invest £1m last September in the £20m Bimbo (buy-in management buy-out) of the telecoms sales company Euphony.

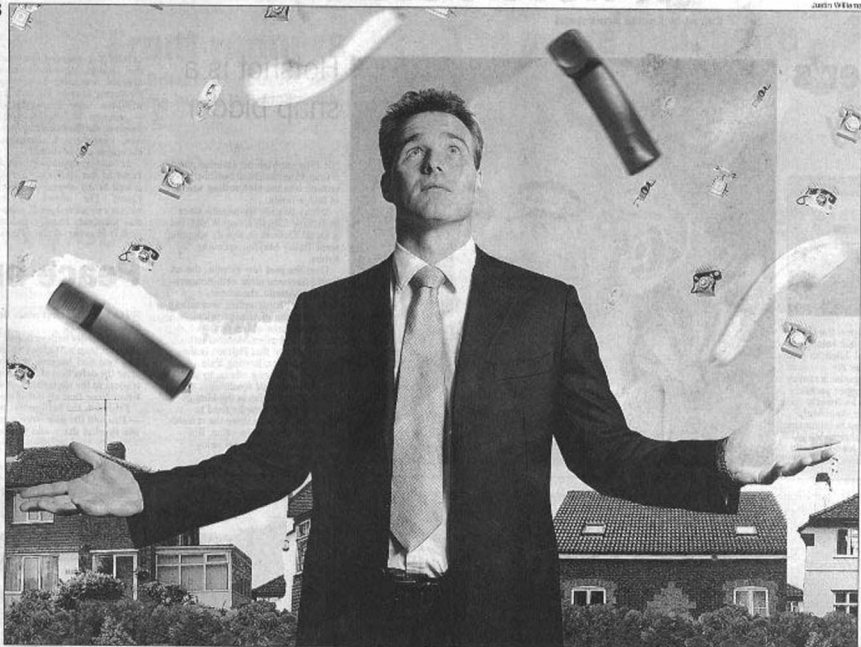
Having got 51% of the shares for just 5% of the investment, Redpath, now 39, faces the challenge of preparing the company for a flotation in April next year.

While studying at Edinburgh University, he worked as a door-to-door salesman for Everest double glazing. He was the company's salesman of the year in Scotland, despite travelling to update New York in the holidays to sell frozen food from a refrigerated van.

"My English accent was worth \$1,000 (£334) a week," said the multi-millionaire. "In addition to the £25,000 I was earning every year in the UK."

Before his final year at university he had earned enough to buy a six-bedroom apartment in the centre of Edinburgh, on which he made extra profit by renting five rooms to fellow students.

In addition to selling, Redpath learnt the power of networking. He established the Young Entrepreneurs Network at Edinburgh University was elected president of a global network of affiliate organisations in 70 countries that brought together 25,000 members, including Michael Dell and Steve Jobs. One of his network contacts invited Redpath to work on a project for Mercury Telecoms when he left university — the first of



Plenty to offer: Giles Redpath's Euphony can provide a range of products, including internet, phone and mobile services, and has also diversified into energy sales

many high-flying posts in the telecoms sector.

He became impressed with the way Excel Communications, which was using network marketing techniques in the US, achieved \$2 billion sales within five years. He was keen to build a similar operation in Europe and learned that he would need start-up funding of £15m. Then he realised Euphony was for sale.

Euphony had originally been set up by Dan Robison. By 2003 the company was making pre-tax profits of £4m on sales of £85m. But Robison had returned to the US and the 15 other American shareholders had lost interest.

Redpath agreed to buy the company for £25m and set about raising funds, using his negotiating skills to attract £19m from other investors.

Having won the Fastest trading rise in 1995 and the 35th-class in the Round Britain sailing race in 1998, Redpath is used to living on the edge. With 10 marathons under his belt, he had plenty of stamina for the negotiations. After several two-day "ultra-marathons" involving mountainous runs of some 80 miles with a tent and rucksack on

his back, there was no doubting his determination.

Redpath is convinced that Euphony has huge potential. "We do not have an expensive telecoms infrastructure," he said. "Our investment goes into systems for billing, customer care and payment of commission to our sales consultants."

Euphony exploits the ever-increasing competition that exists

to sell more distant acquisitions and recruited more sales consultants. Because consultants almost invariably sell to their parents, Euphony customers tend to be older and typically remain loyal to the company much longer.

A thousand consultants join every month, but with many dropping out, the network will have grown to 18,500 from 13,000 by

the highest level of profitability. As well as broadband internet access, Euphony has diversified into energy sales. More than 40% of customers buy mobile-phone services from the company, 50% take fixed-line services and more than 70% buy gas and electricity.

To reach sales targets in time for the flotation, Euphony has a rapid-roll-out programme. By the end of June its agents will be selling broadband internet access as well as residential phone lines in Britain, the Netherlands, Ireland and Germany.

By the end of September they will also sell energy in these markets. Euphony is expanding to Spain in July and adding another country every six months, with France and Turkey top of the target list.

Growth should accelerate sales from £97.5m in 2004 to £120m this year, and boost profits from £6m to £10m — despite a £20m investment in customer-care and billing systems. From 2006 onward Redpath forecasts 10% profitability.

But Redpath is modest about his accomplishments.

"I'm more of a leader than a manager," he said. "I'm not much of a team person. In fact, I am generally

best when I'm on my own."

Running a company with its two main offices in England and Belgium is proving difficult. "It is not entirely logical to have the Euphony headquarters in the UK," he said. "But we need to build the organisation around the skills we have got."

Redpath plans to concentrate operational and technical work in England, with marketing driven from Brussels, where more of the team members are multilingual.

"I have sold many things in my life," said Redpath. "But my ultimate goal is to sell a small percentage of the company which is owned by the investors when I take it to market in April next year, and keep 51% for myself."

The investors would be happy for the float to take place within the next three years, but Redpath can see no reason for any delay. "It's a bit like an ultra-marathon or a big sailing race. If you are ready, you might as well go for it."

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See also *Bimbo workshop*, *Appointments*, section 7, page 7

EUPHONY'S CHALLENGES

- ▶ To compete with online rivals
- ▶ To develop a management structure
- ▶ To manage expansion

across Europe for the supply of internet, fixed-line and mobile telephone services. It negotiates bulk deals with suppliers and uses network marketing to sell to residential customers on their behalf.

Sales consultants usually start working part-time, selling to friends and family. Within a year, 75% will have dropped out of the network. The remainder will have learnt how

the end of the year. Consultants recruit and train other consultants, so the churn in personnel carries no direct cost. Each new consultant pays £200 to join, so Euphony covers its costs for sales collateral.

At present, Belgium is the only market where all products (internet, phone and mobile) are sold by Euphony, accounting for 60% of the company's sales and

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