



New Jersey Born and Raised

An Interview with Marc P. Lefar,
Chief Executive Officer and Director, Vonage

EDITORS' NOTE Marc Lefar joined Vonage as Chief Executive Officer in July 2008. From 2003 to 2007, he served as Chief Marketing Officer of Cingular Wireless (now AT&T Mobility). Prior to this, Lefar served as Executive Vice President, Marketing and Value-Added Services at Cable & Wireless Global. He also held senior leadership roles at Verizon Wireless and GTE Wireless. He started his career at Procter & Gamble. Lefar has a B.S. in Commerce from the McIntire School of Commerce at the University of Virginia.



Marc P. Lefar

COMPANY BRIEF With technology serving approximately 2.4 million subscribers, Vonage (www.vonage.com) is a leading provider of low-cost communications services connecting individuals through broadband devices worldwide. Their Vonage World plan offers unlimited calling to more than 60 countries with popular features like call waiting, call forwarding, and voicemail for a low monthly rate. Vonage's service is sold on the Web, and through regional and national retailers including Walmart and is available to customers in the U.S., Canada, and the United Kingdom. Vonage Holdings Corp. is headquartered in Holmdel, New Jersey. Vonage® is a registered trademark of Vonage Marketing Inc., a subsidiary of Vonage Holdings Corp.

How has Vonage performed and where do you see growth coming from?

The company had been the subject of a number of litigation issues that made it difficult to compete a few years back. Three years ago, we found ourselves in the worst credit market in history with the need to refinance a fairly heavy debt and improve our financial and operational performance quickly.

We recently announced the first quarter performance of this year and we've now had record high EBITDA for 13 of the last 14 quarters. In 2010, we reported our first full-year positive free cash flow. We successfully refinanced our debt at less than half the effective interest rates of the original debt. Additionally, we have improved both network quality and customer satisfaction to levels where we reported that we're now growing our subscriber line additions again.

We're now generating an income of over \$20 million – it's up 50 percent versus a year ago – and we have shifted our business strategy to focus on three growth areas, one being expanded penetration of the international long distance market. We found that focusing on underserved ethnic segments, particularly the Asian/Indian and Hispanic markets, has generated strong business results for us. So we continue to focus on international long distance calling.

The second major area of growth for us is international geographic expansion; taking our business outside the U.S. into countries that are trying to use Internet capabilities, have broadband access, and are broadly penetrated in their populations. We feel we can deliver communication services with the same kind of marketplace disruption that we did in the U.S. in these other countries.

The third area is the evolving market for portable broadband connected devices, including smartphones, iPads, and other forms of portable tablets, as well as laptops and PCs.

How did you communicate the message internally about how the brand will evolve?

Our workforce is incredibly resilient. Of just under 1,100 employees, almost 985 live in New Jersey and the vast majority work out of our corporate headquarters in Holmdel, New Jersey. So to have everybody together and able to understand the issues facing the business was a benefit.

Many of the company's troubles were broadly publicized; it was an IPO that did not go particularly well, and the legal issues were highly publicized.

But the employee population is a group of fighters. They heard the rallying cry that said we have to make significant changes in how we treat our customers and how we manage our business practices, and we were able to do that.

In 2010, we were able to convince the investment community we were a stable, vibrant, and financially strong operation. That has benefited our stock price – we're in the top handful of performers in 2011 year-to-date in the Russell 2000 Index. That is after 2010 where the stock price was up by roughly 60 percent and it was up 100 percent the year before that.

So from a point at which we were close to being delisted on the New York Stock Exchange, we've created almost \$1 billion in equity values during that time and it is due to the hard work of our local, New Jersey, homegrown employee base.

How have you been successful at finding and retaining a diverse talent base?

One of the benefits of being based in New Jersey is that there are a lot of telecom firms and employees in the greater New Jersey area. So we have the opportunity to find experienced people.

We attract top talent, and we pay extraordinary benefits and amenities here as a way to make their quality of life better.

We have a tremendous number of volunteer efforts, in-kind donations, and community-based initiatives that give back to the community and that also helps with employee retention.

As a technology and telecom company, we attract a broad range of diverse talent and the state of New Jersey is ethnically diverse.

Providing people with a great office facility and clear commitment to giving back to the community has allowed us to stay surprisingly stable in terms of workforce.

New Jersey's Governor has been vocal about making the state business friendly. Is there an effective understanding of the opportunities for business within the state?

The educated workforce and access to talent are positives, but the cost of doing business in New Jersey is quite high. The income and property tax issues that affect consumers also affect businesses, and it makes it difficult for businesses that are looking to move here or expand to do it as aggressively.

There are some states that are hungry and providing even stronger incentives than New Jersey does for folks to build an employee base. We were the recipient of one of the New Jersey employment stimulus grants. We have doubled the size of our workforce in exchange for getting that grant, but we are just receiving the actual grant funds for 2007 now.

So while there is the promise of potential incentives, the practical reality is how well it's implemented. Only when the words and pictures match will the broad national perspective of doing business in New Jersey improve.

Tax rates are high. Because of Vonage's history, we have operating losses, so our tax liabilities are not quite the same as some other companies.

Despite employees having access to some of the best health care systems in the world, health care is extraordinarily expensive – probably more so here than in other parts of the country in terms of the rate of increase.

So it's expensive to afford that talent, particularly in competitive industries. ●