



Richard D. Calder, Jr.

EDITORS' NOTE Rick Calder was appointed to his current position in May 2007 after more than two decades of experience in the telecommunications arena. In his role, Calder has full strategic and operational responsibility for the company and also serves as a director on the company's board of directors. He joined GTT from InPhonic, Inc., a leading provider of wireless services and products, where he served as the President and Chief Operating Officer. Prior to InPhonic, he was President of Business Enterprise & Carrier Markets at Broadwing Communications. He held senior management positions at Winstar Communications and, before Winstar, Calder co-founded GO Communications, a wireless communications company. Early in his career, Calder held various marketing and business development positions at MCI Communications, and various marketing and engineering positions at Tellabs, Inc. He received a B.S. in electrical engineering from Yale University and an M.B.A. from Harvard Business School.

COMPANY BRIEF GTT (gtt.net) connects people across organizations, around the world and to every application in the cloud. Its clients benefit from an outstanding service experience built on the core values of simplicity, speed and agility. GTT owns and operates a global Tier 1 Internet network and provides a comprehensive suite of cloud networking services.

Will you discuss the history and heritage of GTT and how the business has evolved?

When I joined the company 12 years ago, we were a \$50 million firm. We were a special purpose acquisition company (SPAC), which bought two private companies seven months before I joined. The strategy back then was basically to grow organically and through selective acquisitions into a player that could take on the incumbent telecom carriers such as AT&T and Verizon. Our strategy today remains the same, as has our purpose and our values. We have laid out a succession of timebound financial

Simplicity, Speed, Agility

**An Interview with Richard D. Calder, Jr.,
President and Chief Executive Officer, GTT Communications, Inc.**

objectives and have delivered on all of them. We have grown from a \$50 million firm to an almost \$2 billion firm, with an opportunity to become a much larger company.

We help large and multinational companies connect their people to any location in the world and to every app in the cloud. We're a connectivity company, and everyone needs more of that. There is not a day that goes by when anyone thinks they need less Internet connectivity or any less bandwidth; they always need more. This means most corporations are happy to consider alternative providers. We live different values from the incumbents and we preach this all the time. Every time we buy a company, these are the values that form the fabric of our cohesive culture – simplicity – be easy to work with; speed – be fast and responsive; agility – strive to say yes.

This sets us apart from the incumbents. Additionally, our focus on serving the needs of the enterprise market with an outstanding client experience makes us different. Most incumbent carriers prioritize their consumer businesses, investing in mobile or expanding into media and content. This shift in focus away from the enterprise market presents a tremendous opportunity for GTT to take share. We are very focused on our set of products. We are a cloud networking company, selling wide-area networks to get people connected. We sell Internet services. At our heart, we are an Internet company and operate one of the industry's largest Internet backbones. We also sell transport and infrastructure services and unified communications.

Today, we have 3,000 people in 30 countries and 60 offices around the globe. There is no reason we can't be a \$3 billion firm, which is our next financial objective. We believe we can continue to grow for our employees and for our clients, generating opportunities for both vital stakeholders in the company's future success. We have a relatively small portion of most of our clients' telecom spend and we think we can continue to create great value for them.

Are you able to differentiate when it comes to product offerings or is it more about culture, values and strategy?

I wouldn't call our connectivity offerings commodity-like. We can differentiate when it comes to reliability. This is critical for our clients.

We have to be reliable and we also want to be a company that is easy to work with. Our

view is that clients should try us and they will find that they can do it at a relatively modest investment. As enterprise bandwidth requirements grow and applications migrate to the cloud, CIOs need more networking. Yet they want it for the same amount of money or maybe less. We can hit those buckets.

In terms of differentiation, the interesting technology innovation and trend in networking is software defined wide area networking (SD-WAN). Historically, networks have been private. They started years ago when there was no Internet and its main purpose was to connect office locations. Today 60 to 70 percent of the traffic goes to the Internet. The old networks existed as private networks and every company bought separate Internet access lines at every location.

SD-WAN provides more efficient performance for traffic transported across the Internet and leverages two redundant Internet connections. If one fails, the other connection can take all your traffic.

More importantly, it gives you visibility into the applications your employees are running. This allows companies to decide what they want to do with their traffic and ramp it up and down. They can decide whether they want an employee to be able to access YouTube all the time, or prioritize access to key business and communications applications. We can give them that enhanced visibility and control.

Typically, we can also do it at a better price because Internet connectivity is generally a little less expensive provided we put it in a package with two redundant connections backing each other up. The large incumbents can do this too, but they want to protect all their revenue from legacy connectivity. They are saddled with old private networks and they are reluctant to move clients onto newer, more efficient technologies. Their position is often that, "of course we can do this, but it is going to cost you more." GTT can come in and do it for less.

What have been the keys to being successful with GTT's acquisitions and how have you been able to maintain culture when bringing in so many new colleagues with these acquisitions?

We take a very different approach to acquisitions. We have a playbook that we continue to refine. We evaluate every deal we make and incorporate what we learn from each one to make our playbook better.

We live our values with every integration – simplicity, speed, agility. Most integrations among our peer group take place over one, two or three years. For us, integrations take place over one or two quarters. For big acquisitions like Interoute, it may take three or four quarters.

We only buy companies that are a strategic fit. They have to be in the cloud networking business and selling to large and multinational clients. Something like 70 percent of acquisitions fail because the strategy isn't right and a company just buys something because they want the shiny new object and then hope to build a strategy around it. We have a well-defined strategy and are able to integrate acquisitions quickly.

In addition to only buying firms that align to our strategy, it must be for the right price. If you pay the wrong price, it undercuts the strategic value. With each acquisition, we aim to realize a post synergy multiple of five times EBITDA or less in one, two or three quarters. We trade for multiples above that so they are generally accretive to our business.

Speed is really critical and I generally spend a ton of time listening and presenting myself to the organization. The first time I meet people, I explain our values and tell them that to be a part of GTT they have to live our values. They have to be easy to work with internally for their employees and peers, as well as for our clients. They have to be fast and responsive and strive to say yes.

We have acquired more than 30 companies and we have been maniacal about creating and sustaining a cohesive culture that understands our values of simplicity, speed and agility. We also communicate frequently on our purpose and our strategy so that each employee knows what we do – we're a connectivity company helping companies connect their people across organizations, around the world and to every application in the cloud. We do it by providing a comprehensive portfolio of cloud networking services that include wide area networking, Internet services, etc.

Do you worry that this cohesive culture will be difficult to maintain as GTT continues to grow?

We have grown to more than 3,000 employees and our culture has been very consistent and resilient throughout the company's expansion. I think it can be maintained if you are committed to living it. When we reach \$10 billion in revenue, we might have to think about it a little bit more because then there is the possibility that bureaucracy sets in. The HR and Finance organizations might be compelled to step in and set a few more rules. But we have a long runway ahead before we reach that point. The most important thing is making sure that all of our employees live our values. It is vital that they don't just know them, but that they live them.

How important is brand awareness for GTT?

Our biggest challenge is that we don't have great awareness and familiarity. No one buys anything, whether it is toothpaste or cloud networking services, unless they have heard of the company. We struggle with this, but our growing scale helps. When we were a \$50 million

company it was impossible to overcome this hurdle; at \$100 million, it was a little easier; and at \$2 billion, it is much easier.

If potential clients do a little research on us, they will discover that we have been around for 20 years and are traded on the New York Stock Exchange. They will find out that we are very transparent and have a Who's Who list of clients in every industry segment.

At our current size, brand awareness is worth more effort, whether it is through investor relations, public relations or marketing, and we are making that effort. Every year, we move up a little bit. We still haven't reached the AT&T and Verizon level, but we're getting closer.

■

We help large and multinational companies connect their people to any location in the world and to every app in the cloud.

■

Is it challenging to balance the long-term focus with the short-term pressures for a public company?

Not at all. I actually enjoy going through that process. We have nine covering analysts. In the early days, we had no one on our earnings calls. We have hundreds of people on the calls now and they ask good questions.

One of the things that investors judge us on is performance – how we are doing against our objectives. We don't give short-term guidance on what we are going to do the next quarter. We are one of the few firms that gives intermediate guidance. We are on our fifth round of doing this. We started this when we were an \$80 million company back in 2011. We stated that our objective was to grow to \$200 million over the next three years. We did it in two and a half years.

At \$200 million, we then advised that we wanted to grow to \$400 million over the next three years. We did that in two years. Then we said we wanted to grow to \$1 billion and that

we thought it would take four or five years to do it. We did it in two years. Then we announced at the end of 2017 a new objective of \$2 billion. When we bought Interoute in May 2018, it quickly led to our approaching \$2 billion, so we updated our revenue objective once again. In the fourth quarter of last year, we announced that we are now trying to grow to \$3 billion by the end of 2021 and that we are going to execute it, as we have in the past, through organic growth and selective acquisitions.

While our capital expenditures are relatively low, we continuously canvass for M&A investment opportunities. We currently have a deep funnel with more than 70 acquisition opportunities. Not all of them are strategic fits, but the vast majority of them are very good fits for us.

How large is GTT's target market?

Large corporations that operate only in the United States are great targets for us. Companies that only have 250 employees across 10 sites that operate on a regional basis are also a good fit. So we target companies from the low end all the way up.

We think the target market is at least 100,000 enterprises if we include all of North America and Western Europe. Around 500 of them are material targets right now. So our current penetration is actually a very small percentage of the addressable market.

We think the total addressable market is close to \$200 billion and we are currently under \$2 billion. The smaller single locations or even those with three locations in New York City are not ideal targets for us. We would leave those to the smaller or more regional service providers. This means our targets are the larger companies with a reasonable revenue stream and a good number of employees across multiple sites for which networking reliability is critical because they are connecting their people across their organization and into the cloud.

How critical is it to attract and retain talent as GTT continues to make acquisitions?

The best employees at a firm don't leave if they are treated like the king or the queen of that firm and feel that they are really valued there. This was the case for me. So here's a little secret; if you buy a company and treat those employees well, they become your best employees, so our best employees come from our acquisitions.

One of the nice parts of being public is that I have the best reward vehicle – stock. We pay great salaries, give great bonuses and have great sales incentives and benefits, but the lock-in is stock. We award it liberally time and again. Great performers may get stock once or twice a year. We use E*Trade as a platform so that they can track the growth of the stock's value over time.

We want our people to know that it is each of them who are driving the value of the firm. If we take great care of our employees and they take great care of our clients, everything will generally take care of itself over time.

Do you feel that it is important for companies today to be purpose-driven and how do you define GTT's purpose?

Purpose is absolutely important, and as previously alluded to, I define our purpose as helping corporations connect their people

across organizations and to any application in the cloud everywhere on the Internet. I define our purpose that way because I think we are one of the underpinnings of productivity and performance for the corporations which play a central role in powering the world's economic growth and expansion. Fortunately, we don't burn fossil fuels and we don't pollute the environment. As a communication cloud networking company, we don't have to face those type of issues. Are we interested in all of that? Yes. But we feel our best strategy is helping corporations connect their people and, if we focus on that and we deliver on that purpose, we will do our little bit to power productivity improvements and GDP growth around the world.

Do the relationships you develop with your clients need to include C-Suite engagement?

Yes, absolutely. The decision maker for us in most firms is frequently the chief information officer. We provide a mission-critical service to our clients, so it is a strategic sell to technical buyers such as the CIOs and their staffs. There are frequently other people involved in the purchase decision. The CFO is frequently involved. The procurement manager is sometimes involved and it is not unusual to have the CEO involved as well.

With our top clients, we probably account for under 10 percent of their spend for the type of services we provide. This means that there is a great opportunity for us to continue to grow just by developing deeper relationships with those firms to win a greater share of their business.

As GTT has grown, is it more challenging for you to be involved in every aspect of the business?

Every day, I have to examine what I should stop doing. At 60 employees in our three initial offices in Washington, London, and Düsseldorf, I could talk to everyone every day if I wanted to. Today, I have to look at the things I should not do anymore and delegate authority and accountability downward within the organization.

I spend the majority of my time communicating and listening. I try to be back in our office on Fridays because we have a "brown bag," bring your lunch day. We started this when we had three offices with 60 employees. Every week, we gather everyone together for lunch and now make it a global video conference with 3,000 employees. We record these events for people who can't participate in person. We ask someone to give a presentation. These have two criteria – be entertaining and make sure the participants learn something about the business. An executive will close, preferably me. I spend five minutes at the end basically reinforcing whatever was said and reinforcing the core of our business – our purpose and our values. I often close with a story about how we deliver on our purpose for a client or a story about an employee who lived our values that week.

I also send our extended leadership team a weekly update of things they should be sharing with their teams. Every month, I do a meeting by video and, every year in June, I bring the extended leadership team in for two or three days of presentations and interactive discussions

to reinforce why we exist, how we do business and what we do, as well as to conduct some training.

Today, I spend about 50 percent of my time thinking about and running the business, about 30 percent thinking about M&A, and about 20 percent in external affairs. Communicating with employees and clients takes up most of the 50 percent of my time running the company.

■

If we take great care of our employees and they take great care of our clients, everything will generally take care of itself over time.

■

How did your father influence your management style, even though he was involved in a much different field?

My father was a senior official in the Central Intelligence Agency. I found that out when I was 14 years old and we were posted in Syria. There was no high school for me to attend in Syria so my father told me I was going to boarding school. He also told me that he didn't actually work for the State Department but for the Central Intelligence Agency, and that I couldn't tell anyone. So my dad had the coolest job in the world, but I couldn't tell anyone.

My dad taught me that most operatives recruited as sources of intelligence are lying to you and that only one out of every 20 or 30 pieces of information will actually pan out to be anything. He taught me that the only way you can discern this is by active listening. This is the concept of listening with all your senses and paying attention to everything people are saying. He also suggested that having a device keeps you from talking too much. My device is writing. I always take a pad of paper to write on. Some of it is gobbledygook. I'm just moving the pen to enhance my listening. My father taught me that, if you actively listen to multiple people and ask just a few targeted questions, they will tell you what you need to know. You can discern truth from that if you spend enough time at it, and that's what I do.

When we buy companies, I try to talk to as many of their people as I can. Access Point was a deal we did last October. They had 100 employees or so and I probably talked to 30 of them over two sessions. I asked a few questions such as: "What would you stop doing?" "What are the crazy things this firm does that causes everyone to wonder why they are still being done?" "What would you change if you were king for a day?" "Who are the great people in this organization?" I also ask them what the company's values are. That one is usually quick because, usually, no one really knows.

Before we closed the Interoute deal, I had spoken to about 200 of their top people and I spoke to almost 500 employees of the company throughout the process. We know that the number one question employees have in the back of their brain when their company is sold is, "What is going to happen to me?" So, on the day of the closing, we announced all of our top organizational positions. We told the staff that we would announce our decisions on filling those positions within 60 to 90 days because we take our responsibility for making them part of one organization seriously. Unfortunately, some people are leaving, but many will be fantastic employees as we continue to grow the business.

Active listening is a key asset for me. We even run a reverse agenda in our leadership meetings. I tell my leadership team that each one of them has to come with at least two issues they think that we, as the top ten people in the organization, should debate and try to bring to closure. If they can't come up with two, they're not thinking hard enough because every firm has things that should be discussed and debated.

We generally get 15 items on the agenda and they do a rapid-fire vote on them. Our process is fairly democratic and I just tick down the list. If there is a tie, I can be the tiebreaker, but I generally don't say anything during these conversations. I feel that, if I tell them what I think, then the tendency is for them to just agree. Frequently, if I know we have a consensus, we will make that decision and be done. This process helps us get a lot done.

You are clearly somebody who is always thinking about what is next. Are you able to enjoy the process and take moments to celebrate the wins?

I think we have had tremendous success and there are few firms that grow from \$50 million to \$1.8 billion. I take the time to recognize that this is a fantastic achievement, but then I'm back to looking forward again. It is great to remember where we've been and what we have accomplished up until now, but we are on a journey to keep creating a great company that people will remember and that will continue to thrive. The GTT brand is not yet a household name, but there is no reason that we can't be recognized as a firm that large and multinational corporations need to consider in addition to AT&T or BT.

I think we are moving forward on that journey. As I tell anyone who joins us, we employ 3,000 people today, but there is no reason that we cannot continue to grow and create a fantastic opportunity for you as an individual to thrive beyond anything you have ever imagined. ●