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WHAT WORKS

A Star Is Reborn

Former dotcom sensation **Akamai** has shaken off 9/11 and reemerged as one of tech's hottest properties.

BY BRIDGET FINN

Akamai CEO Paul Sagan is—once again—ready to speak confidently about the future. An Emmy Award-winning television producer turned high-tech exec, he's putting the finishing touches on his company's arduous turnaround: In the first quarter, Akamai's profits climbed 386 percent to \$14.1 million; revenue grew 24 percent to \$60.1 million. Both Steve Jobs and Bill Gates are loyal clients. Yet even now, the memory of the ordeal Akamai endured in the aftermath of the 2001 terrorist attacks remains so vivid that Sagan chokes back tears as he recalls the experience. "You'll have to excuse me," he apologizes. "It's still hard, even after all these years."

No Internet company was hit harder by 9/11 than Akamai. Already struggling to adapt to the economic downturn that followed the dotcom collapse, employees at the network-services provider were devastated to learn that Danny Lewin, Akamai's charismatic co-founder, had been a passenger aboard American Airlines Flight 11—the first jet to slam into the World Trade Center.

Today, however, thanks to a savvy repositioning effort and steadfast management, Akamai, based in Cambridge, Mass., has again emerged as one of the most important players in e-commerce and Internet media. The company's network of 16,000 servers, which enables customers' webpages and online applications to load faster and more reliably, accommodates about 20 percent of all Web traffic. Last year Akamai turned profitable for the first time, earning \$34.4 million on revenue of \$210 million. This year, analysts predict, profits will more than double. "Akamai is a big dog in a small market," says Hampton Adams, an analyst with IRG Research. "But that market could get a lot bigger very soon."

Such a rosy outlook would have been difficult to imagine four years ago. Founded in 1998, Akamai began when Lewin and Tom Leighton, Lewin's former professor at MIT, developed complex algorithms that dynamically map Web traffic to avoid Internet congestion. The concept was soon brought to life, with venture funding, a network of servers, and a healthy roster of dotcom customers. After a 1999 IPO, Akamai's market cap hit \$30 billion as the company's stock peaked at \$345 per share.

Yet by the summer of 2001, the stock price hovered around \$5. The boom had gone bust, and dotcom clients were disappearing by the day. With \$300 million in long-term debt, just \$163 million in revenue, and a net loss totaling \$2.4 billion, Akamai was itself poised to become an Internet casualty. "People gave us up for dead," says Sagan, who was president at the time.

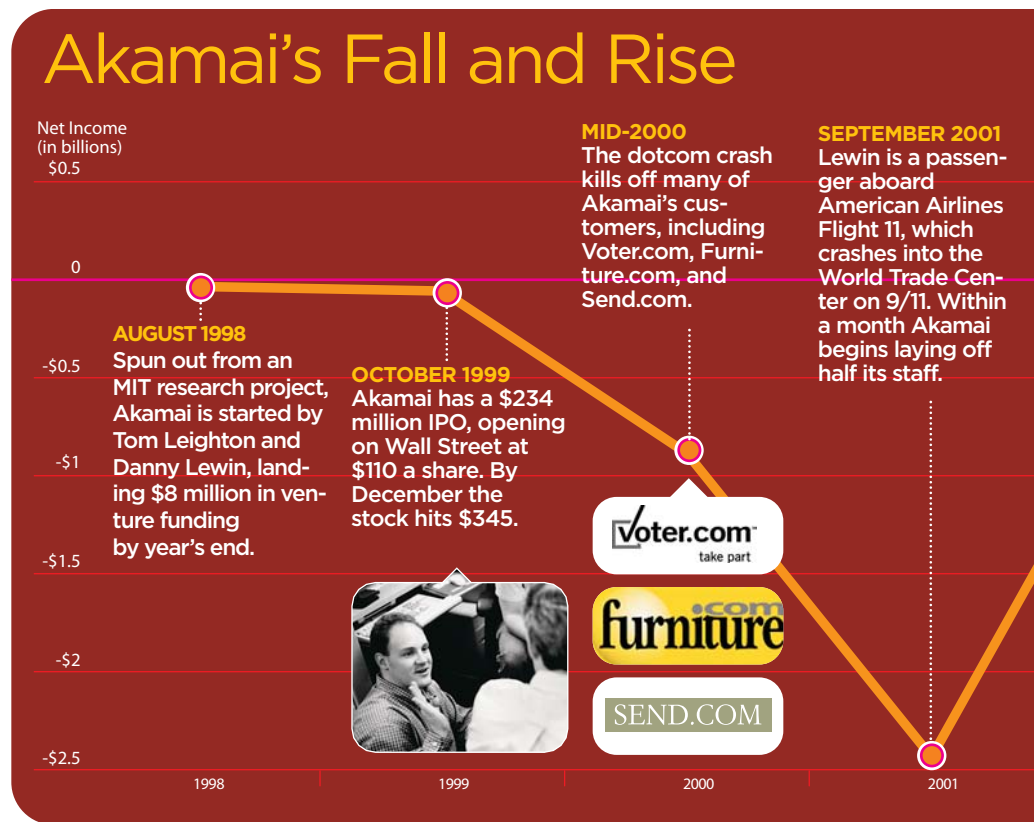
The Longest Day

LEWIN WAS SCRAMBLING TO SAVE THE BUSINESS. Raised in Denver before moving with his parents to Israel at age 15, he attended Technion, Israel's top engineering university, where he earned degrees in computer science and mathematics. In Israel's De-

fense Forces, he rose to the rank of captain and was selected to join one of the country's elite special forces units.

In 1996, Lewin went to MIT, where he collaborated with Leighton to develop the computational algorithms that eventually formed the bedrock of Akamai's data-distribution service. Ambitious, energetic, intense, and personable, Lewin "had a special way of engaging and motivating people," says Leighton, who worked with Lewin late into the night on Sept. 10, 2001.

On the morning of Sept. 11, Lewin boarded the ill-fated American flight from Boston to Los Angeles. According to the 9/11 Commission report, "Passenger Daniel Lewin, who was seated in the row just behind [Mohamed] Atta and [Abdul Aziz al] Omari, was stabbed by one of the hijackers.... Lewin had served four years as an Officer in the Israeli military. He may have made an attempt to stop the hijackers in front of him, not realizing that



another was sitting behind him." At 8:19 a.m., flight attendant Betty Ong reported that a man in business class—most likely Danny Lewin—had been wounded by the hijackers. Just over 25 minutes later, Flight 11 crashed into the North Tower of the World Trade Center.

By 10 a.m. that day, as employees struggled to come to grips with Lewin's death, Akamai's servers were being hammered by millions of visitors looking for information about the attacks. In-

side Akamai's network operations command center, engineers' eyes widened as they watched the situation unfold. "Our employees were in shock," recalls Sagan, who was at the Cambridge offices that morning. "But traffic was going crazy." Remarkably, Akamai's network and employees absorbed the stress, so that customers like CNN, which used Akamai to cache and deliver Web content, were able to accommodate the extra traffic without a hitch.

Indeed, Akamai's network performance on 9/11 provided a tribute to Lewin's formidable talent. Akamai was designed to manage the unpredictability and complexity of Internet traffic by minimizing the strain on both corporate networks and the Internet itself. To accomplish that, the company operates a network of 2,400 server clusters scattered inconspicuously around the world. These servers replicate and deliver clients' Web-based content or applications as close as possible to the point of con-

has been an Akamai customer since 1999—the request is routed to an Akamai server in New York instead of traveling across the country to Apple's facilities in Silicon Valley. With a shorter distance to travel and less congestion along the way, iTunes songs arrive in customers' music libraries with conspicuous speed.

Staying Power

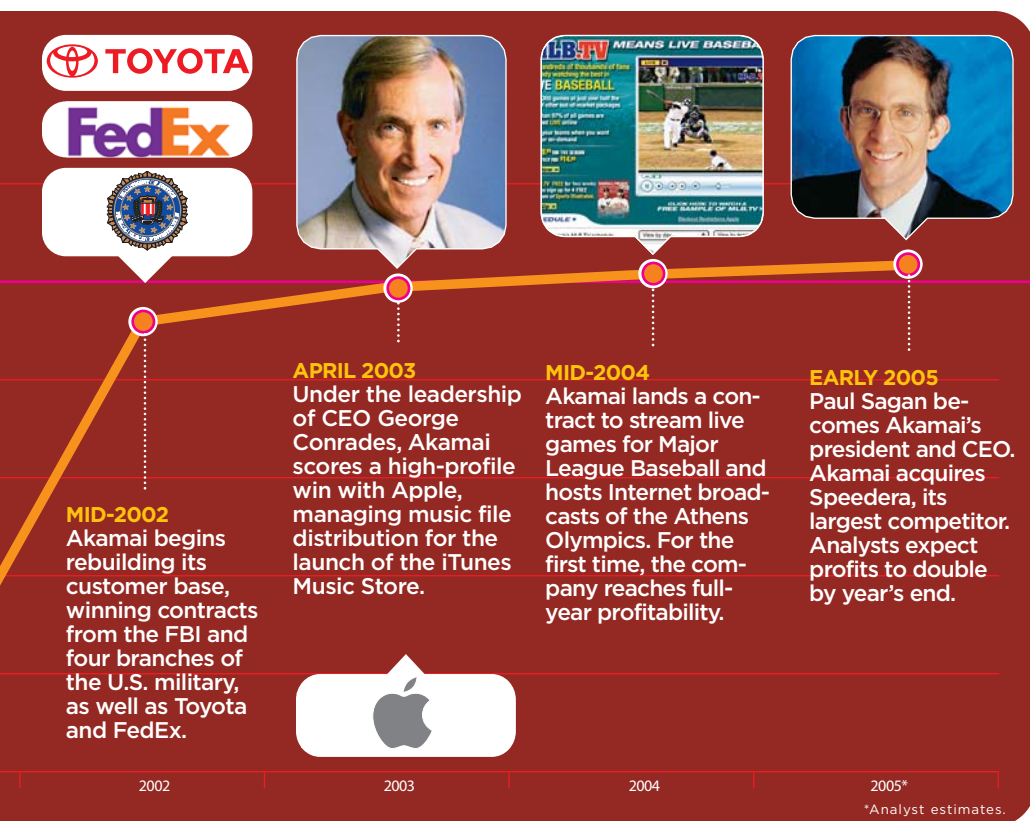
IN THE WEEKS AFTER 9/11, HOWEVER, BASIC survival was the task at hand. "It was very painful," Leighton says. In October the company began slashing its headcount from 1,300 to 500. Thanks to its successful IPO and a subsequent bond sale, Akamai still had more than \$200 million squirreled away in the bank, so short-term liquidity wasn't a problem during the transition. The entire management team stepped up to compensate for Lewin's loss. "Because of Danny," Leighton says, "we were more determined to succeed."

While 9/11 nearly destroyed Akamai, the homeland security business that blossomed in its aftermath helped resurrect the company. The FBI was eager to hear Akamai's pitch—the agency was stung when part of its website went down during the 9/11 attacks—and by March the FBI had become one of Akamai's first major government customers. Other clients quickly followed, including the new Department of Homeland Security, four branches of the military, and the Internal Revenue Service.

Meanwhile, Sagan and then-CEO George Conrades, a tech industry veteran and former IBM executive, mined their Rolodexes. Sagan, a former president and editor of new media at Time Inc. (the parent company of this magazine), had moved to Boston in 1998, in part to consult with Battery Ventures, where he researched Akamai as a potential investment. After a meeting with Lewin

and Leighton in 1998, Sagan was hooked. He joined the company as its COO a few months later.

Trading on the rugged reputation its network earned during 9/11—and the fact that for just \$10,000 a month, Akamai would guarantee a secure, uninterrupted Web presence—the team slowly won new business from high-profile companies like E-Trade, FedEx, L.L. Bean, and Logitech. In 2002, MTV moved all of its sites and streaming traffic to Akamai's network.



sumption—a process that minimizes the number of network "hops" that data must make to get from the server that hosts it to the user who requests it.

The result is dramatically faster downloads and fewer annoying waits for webpages to load; Akamai's network delivers content two to 10 times faster than nondistributed networks and with greater reliability. So, for example, when a music lover in Manhattan buys a song from the iTunes Music Store—Apple

With online retail projected to double to \$316 billion by 2010, the Web has proven itself more than just a dotcom fad. As established companies flock to the Internet to deliver streaming media, run Web applications, and conduct e-commerce transactions, many are realizing how cost-effective Akamai's service can be. Cathay Pacific claims to have saved \$1 million a year and doubled Internet sales by using Akamai to accelerate the airline's online bookings. Mobile-phone manufacturer Sony Ericsson ditched all but two of its own Web servers, delivering its ringtone download service through Akamai instead—a change that helped improve download speeds by more than 400 percent.

Best of all, Akamai has the market virtually to itself. In March the company paid \$130 million in stock to buy Speedera, its biggest competitor. With Speedera in the fold, Akamai will command more than 80 percent of the Web content-delivery services business, with the rest occupied by competitors like Netli, a Silicon Valley startup, and a handful of players with revenues of less than \$10 million a year.

Sagan, who became Akamai's CEO in April, says his toughest

challenge now comes from the falling prices of bandwidth and network hardware—a trend that encourages some potential client companies to build their own networks instead of hiring Akamai. As a countermeasure, Akamai is investing heavily in R&D and launching new services such as an accelerator that speeds up Web-based enterprise applications. Specialized markets like manufacturing and mobile content are another key focus. During the past six months, Akamai landed more than 100 new customers, including XM Satellite Radio.

Sagan has been the emotional rock of the organization. On the morning of 9/11, it fell to him to tell the staff that Lewin was dead. Today he runs Akamai with a confidence and determination that has rubbed off on the rest of the organization. "In the beginning, people told us we were crazy," he says. "But we proved them wrong, and now we're ready to turn our business into a billion-dollar company." ♦

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