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Dallas-based Ambit burning with ambition for electricity sales

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The first thing that strikes you when you enter the warehouse loft offices of Ambit Energy LP in Dallas' West End is the sparse decor.

The "executive suite" is out in the open, furnished with \$19 folding metal tables from Wal-Mart, used office chairs and cheap overhead lighting.

It looks more like a temporary government sting operation than the corporate headquarters for a retail electric provider that expects to generate \$400 million in revenue this year.

This isn't an attempt to be New Age chic. Founder Jere Thompson Jr. is determined to be New Age smart.

"We knew we needed to put our money into people and systems and not in fancy offices or elegant furniture," says the 52-year-old chief executive, who previously founded and sold CapRock Communications Corp. "We didn't even have a receptionist desk for the first two years. That was our opulence last year."

The conference room is the aisle where execs roll chairs from one makeshift desk to another, trying not to snag hanging computer and telephone wires in the process.

"We have a thousand conversations all day long," Thompson says. "I was the second of seven children, so it was easy for me to tune out the noise. For others who were only children, it's been a bit of a wake-up call."

Ambit's five-man management team – ages 39 to 58 – seems a little long in the tooth for such start-up austerity. And none of their résumés lists experience at anyplace remotely akin to an energy company.

That's because Thompson sees Ambit as a data processing company that just happens to sell residential electricity.

"That's the factory," he says, pointing to a computer behind glass.

Ambit doesn't generate electricity. It doesn't distribute it. It sells electricity to consumers on a price-competitive basis now that the industry is being deregulated around the country. Getting really big in a hurry is the name of Thompson's game.

He says his first priorities were to put together a management team strong enough to handle rapid growth and to develop a computer system that keeps human error at a minimum.

Regular at deregulation

This is Thompson's third foray into deregulation.

The son of former Southland Corp. chief executive Jere Thompson Sr. started Dallas-based CapRock in 1992, eventually building fiber and broadband networks across Texas. McLeod USA Inc. acquired CapRock in late 2000 for more than a half-billion dollars in the last of the big telecom buyouts.

"Nine months later, McLeod was bankrupt, and we'd taken stock," Thompson says, then adds with a shrug, "That was the currency of exchange at that time."

Fortunately, he'd cashed in enough to start another company in 2002. Unfortunately, he re-entered the local and long-distance telephone arena just before technology, cellphones and a change in government rules put that industry into a death spiral.

Left with a call center and data processing experience, he decided to become an electricity provider, taking on TXU Corp., now called Energy Future Holdings, and Reliant Energy Inc.

He's surrounded himself with veteran technology, telecommunications and multilevel marketing executives who've been in deregulated trenches before.

"I brought in what I call our billion-dollar management – guys who had built, managed or turned around billion-dollar organizations," says Thompson. "What's that movie about the old astronauts coming back? *Space Cowboys*?"

He hired the four executives at six-figure salaries in 2006 with the promise of equity stakes if their efforts panned out.

The team

First on board was chief information officer John Burke, 43, who came from his own IT company. Burke couldn't find a system that fit what he thought the company needed, so he created one from scratch.

Chris Chambless, 39, chief marketing officer, brought in experience with multilevel sales at Excel Communications Inc.

Jim Timmer, 49, chief financial officer, was a senior-level executive with GTE Corp., while operations senior vice president Jim McFelea, 58, was at AT&T Inc. before he joined Excel to help reorganize its operations.

"We come from two different camps," Burke says. "That creates enough tension to make us constantly rethink what we're doing. Chris and I are more entrepreneurial. We move quickly but sidestep issues. Jim and Jim brought in the other extreme."

All are now equity holders. That's because last year, Ambit (which means *circle of influence*) turned a profit on revenue of about \$200 million. It has nearly 50,000 independent sales consultants who have signed up more than 200,000 customers.

Thompson expects sales to double this year.

David Biegler, former chief operating officer of TXU, says the first reason he invested in Ambit was Jere Thompson Jr. The second was Thompson's plan of attack.

"I have a pretty good understanding why retail electricity companies succeed or fail," says Biegler, chief executive of Estrella Energy LP. "The elements of what he's doing have things pretty well covered."

He likes the multilevel sales or "network" approach.

"You can't afford to spend a lot of money on a sales force because the margin won't sustain it," Biegler says.

Just as Southwest Airlines hedges its future fuel needs, Ambit buys its future electricity requirements through a major energy company to minimize its price swings and costs.

That is absolutely key, Biegler says. "Electricity is such a volatile commodity. You can't let a daily, weekly or monthly swing kill a company. If you have a blowout in prices that you haven't properly hedged, you'll go under immediately."

Jere Thompson Sr., who was the first to give his son money, likes the concept and the teamwork.

"The frugality that he and the team have is kind of funny but also really neat," he says. "He's done a dadgum good job, and I'm extremely proud of him."