



Silicon Valley's Newest Billionaire: Wireless Wonder Robert Pera

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Robert Pera, billionaire at 33, makes computer hardware with even fatter profit margins than his former employer's. The secret: no direct sales force.



Cody Pickens for Forbes

Robert J. Pera lives lean. The **Apple** engineer turned entrepreneur never checks a bag at the airport, leases a BMW and keeps a sparsely furnished one-bedroom apartment in San Jose, Calif. Pera takes a similar stripped-down approach toward running Ubiquiti Networks, the maker of wireless-networking gear he founded in 2005 and that went public in October. "My aim is to build something great as efficiently as possible," he says.

Thus far Pera has had exceptional aim: In the 12 months ended Sept. 30, Ubiquiti netted \$64 million on \$243 million in sales. That 26% net margin is the highest of any publicly traded computer hardware firm, according to FactSet Research Systems. Apple came in second, at 24%.) Pera owns 64% of Ubiquiti, making his stake worth \$1.2 billion on paper.

How do you clock fat margins in a commodity-like manufacturing business? Outsource the sales function. In Pera's view star salespeople have their own interests at heart, not their employer's. Ubiquiti instead leans on some 50 distributors and hundreds of smaller resellers around the world.

That's right: Pera carries no direct sales force *and* he operates globally. Nearly 70% of Ubiquiti's top line comes from developing countries like Brazil, Indonesia and the Czech Republic, often in spots where there are simply no cables in the ground.

What the distributors can't gin up, the Web can. To connect with customers, Pera launched an online forum where they can interact with his research and development crew. The forum now has 110,000 registered users, several hundred of whom are on the site every day, exchanging ideas about everything from new features to billing schemes. "They tell our R&D team what we need to improve on," says Pera. Monitored by two or three engineers at any one time, the forum essentially takes the place of a customer support desk. Designers in Taiwan and Lithuania, along with contract manufacturers in China, slash costs, too.

Keeping expenses low means you can compete on price and still make a living—for a while, anyway. Ubiquiti makes systems that provide Internet access for as few as ten people within a 9-mile radius, to 10,000 customers (or more) within a 36-mile radius. The entire product line is relatively cheap. Motorola's former Canopy unit (now called Cambium Networks) charges \$2 million to \$4 million for a system with 10,000 subscribers; Ubiquiti's equivalent system goes for \$1.65 million. Ubiquiti's ten-subscriber unit, for \$800, is only slightly less expensive than its nearest competitor, although "other manufacturers don't have the buzz that Ubiquiti does," says distributor Carl Moberg of Streakwave Wireless in San Jose, Calif.

Boyish-looking and lanky (he plays pickup basketball a couple times a week), Pera is the rare Silicon Valley star to grow up there, too, in nearby San Carlos. His mom worked in public relations, his dad in business consulting. Pera missed a year of high school because of a rare heart-valve infection, but he eventually bagged undergraduate degrees in electrical engineering and Japanese, as well as a master's in electrical engineering, from UC San Diego, where he specialized in circuit design. After graduation he got a job with Apple as a hardware engineer working on the Airport Wi-Fi base station.

Says Pera: "Apple's a great company, but I realized I wanted to have more success faster."

He saw his chance in bringing the Internet to emerging markets. Some entrepreneurial service providers were harnessing Wi-Fi technology by putting amplifiers and antennas in front of Wi-Fi "radios" within specialized computers (not PCs or laptops) to boost their range. Hobbyists from rural Montana to the Czech Republic were charging \$1,000 for the amplifier/radio combo. Pera figured he could make a cheaper all-in-one version. In March 2005 he spent \$30,000 (from Apple options and credit card debt) to build a prototype in his apartment and set up a website. When a \$240,000 upfront payment for 3,000 units came in, Pera flew to Taiwan and found a contract manufacturer to handle the load.

At \$82 apiece to distributors, the devices were an instant hit, attracting competitors. Within six months larger copycats were making similar gadgets for \$30. "I learned my first rule of business," says Pera. "You need to build something defensible."

Rather than make one piece of a wireless system, Pera decided to make the whole thing. By 2009 he was selling a stand-alone system that delivered wireless Internet access complete with

antennas, base stations and other gear, all running on proprietary software. Competing hardware doesn't work with Ubiquiti's software. It's a strategy right out of Apple's playbook: Think iPhone, not Android.

Pera says he is using the \$33.5 million raised in the IPO to further expand his product line, though he won't share many details. In October Ubiquiti began selling \$60 video surveillance cameras that send footage over the Web, helpful for keeping an eye on warehouses, hotels and schools; Pera throws in the viewing and analysis software for free.

Serious challenges loom—not least with Ubiquiti's low-cost and far-flung sales model. While Pera says he bats away “99%” of the new distributor applications that come in daily, rogues still slip through. In early 2011 a Chinese distributor stole designs for some of Ubiquiti's AirMax wireless radios and built a factory in Shenzhen to make counterfeit versions bearing the Ubiquiti brand. With the help of lawyers in China and the Shenzhen police, Pera shut down the fraudster and sent him to prison—but not before shelling out an undisclosed but “significant” sum.

Another concern: keeping Ubiquiti's equipment from finding its way to countries like Cuba, Iran and North Korea where Pera can't export to without U.S. government approval. One distributor in Dubai shipped goods to Iran, flouting the rules of its contract. (Pera quickly dropped him.) The U.S. Department of Commerce issued Ubiquiti a warning letter asking the company to upgrade its systems so it can better track where shipments are going. “We didn't have the controls in place that we should,” admits Pera. “It can't happen again. If it does, I'll be in a lot of trouble.”

Pera's master plan? “I want to be in the same sentence as Cisco or Huawei,” he says rather matter-of-factly. “We have the potential to be a big-cap defining company.” Spoken like a brand-new billionaire.

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