



## DATA CENTRE FINANCE FORUM GIVES POSITIVE OUTLOOK FOR 2009

London 8 December 2008 - The annual finance forum for investors in and owners of data centres which met in London has returned a largely positive outlook for the sector in 2009. Despite the economic climate, the operating fundamentals of data centres are sound and investors like the simplicity of recurring cash flows and the stability of operating results, particularly for colocation.

Speakers at the 2<sup>nd</sup> international Finance and Investment Forum for Data Centres who met in London last week assessed the current development and future outlook for data centres in the year ahead. Many viewed data centres as a predictable model because of the recurring revenue streams and mission critical activity. Fundamental drivers for the data economy were also believed to be still in place including the growth of online in retail and the propensity to outsource by enterprises.

Although the current economic downturn has resulted in difficulties in debt funding, it means less competitors and opportunities for data centre operators with healthy cashflows to expand in geographical locations where demand is growing. The data centre is 'right-sized' for a more straightened economic environment, and so much better placed to survive and thrive than many other industry sectors. Data centre operators who have strong relationships with power utilities are in also in a good position.

Conversely this is not a market for new entrants. Guy Willner, the former chief executive of Equinix Europe, warned that Data Centres are "no longer a start up game" because of the high investment that is required to be made in power before even starting to build a data centre. Data Centres ARE not a speculative play.

The forum also noted that many speculative deals have been put back or are on hold. The dynamic for consolidation would occur during 2009. Investment is still needed however as many data centres in Europe were built in the early 1990s and there remains a supply/demand imbalance.

"What the forum revealed, is a sustained business model for data centres that can ride out the recession. Internet demand is not in decline, nor is the need to support online retail activity. Enterprises facing drastic cost restrictions also see outsourcing to third parties as a panacea for their IT management. As such data centres remain well placed to survive and grow. By 2010-11 many will represent significant investment opportunities," commented Steve Wallage, managing director of BroadGroup Consulting.

Internationally, the US data centre market is ARGUABLY 1-2 years ahead of Europe, which is in mid-cycle of its development. Asian markets which are more disparate are in the more early stages of growth, but are worth monitoring in the mid-term, as is the Middle East and parts of Africa and Latin America.

The forum saw the need for more coordination (for policy driven risk management and regulatory compliance) between people who have a stake in an organisation. Everyone is at periscope depth and each only seeing a small piece of what's required. Sol Squire emphasised the need for corporates to have proper data archival policies. He perceived too much data being stored on email creating unnecessary "digital toxic waste."

More generally few businesses truly recognise that between 40 and 60% of the operating cost of a data centre is power, and many IT decisions are still made with no regard for the impact on the data centre.

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