

INTERNET INFRASTRUCTURE: THE FINANCE & REAL ESTATE ECOSYSTEM

An overview of the finance and real estate ecosystem that supports the wider Internet infrastructure sector.

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Internet infrastructure has always been a CapEx-intensive business with various elements that need to be assembled to create a successful operating service provider. Given the fragmented nature of the Internet infrastructure landscape, and the participation and unique presence of hyperscale platforms, there is also a very important strategic element. The inherent complexity of the business has helped seed extensive ecosystems across hardware, software, technology, services, communications infrastructure, strategic advisory, finance and real estate. This complimentary white paper provides an overview of the strategic, finance and real estate pieces of the ecosystem (we also have a complimentary white paper that covers the technology ecosystem), which is critically important to the sector's future. Bringing this part of the ecosystem together is the driving force behind **infra / STRUCTURE**, an executive summit Structure Research founded in 2018. We held the fourth edition last year in Toronto, and in 2024, we are moving the summit to Las Vegas, Nevada, as we look to take things to the next level.

The annual executive summit **infra / STRUCTURE**, hosted by Structure Research, was founded to provide thought

leadership and pave the way for all participants in the ecosystem to assemble in one venue to learn, network and get business done. Our goal is to create *the marquee event* for the sector, with a focus on content produced by independent third-party research and participation from operating executives and decision-makers from across the supporting ecosystem.

This complimentary white paper is being made available to potential sponsors and participants and paints a picture of what this ecosystem and landscape is going to look like - providing a blueprint that service providers, investors and vendors alike can use to navigate and understand this market, and ultimately, find value and success.

Thank you for taking the time to learn more about **infra / STRUCTURE** and ultimately, sponsor and attend. We trust that you will find the event a valuable investment of your time and look forward to welcoming and serving you in Las Vegas.

Best Regards,
The Structure Research Team

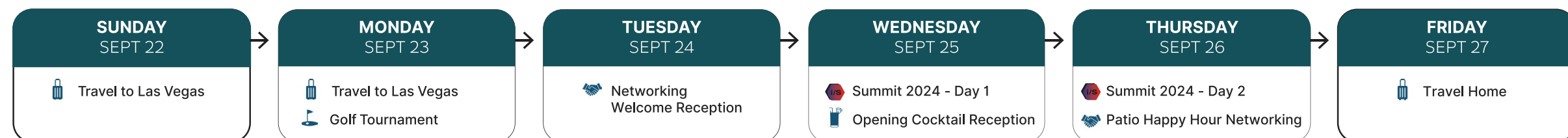
ABOUT infra / STRUCTURE

infra / STRUCTURE is an exclusive industry summit that will bring together executives from across the Internet infrastructure ecosystem - hyperscale, cloud, data centre, edge and managed infrastructure - for high-value networking and a frank discussion about the industry's status and future directions. The infrastructure services market lacks an industry event that is vendor-neutral and brings together under one roof all the key pieces - operators, financiers, developers, end

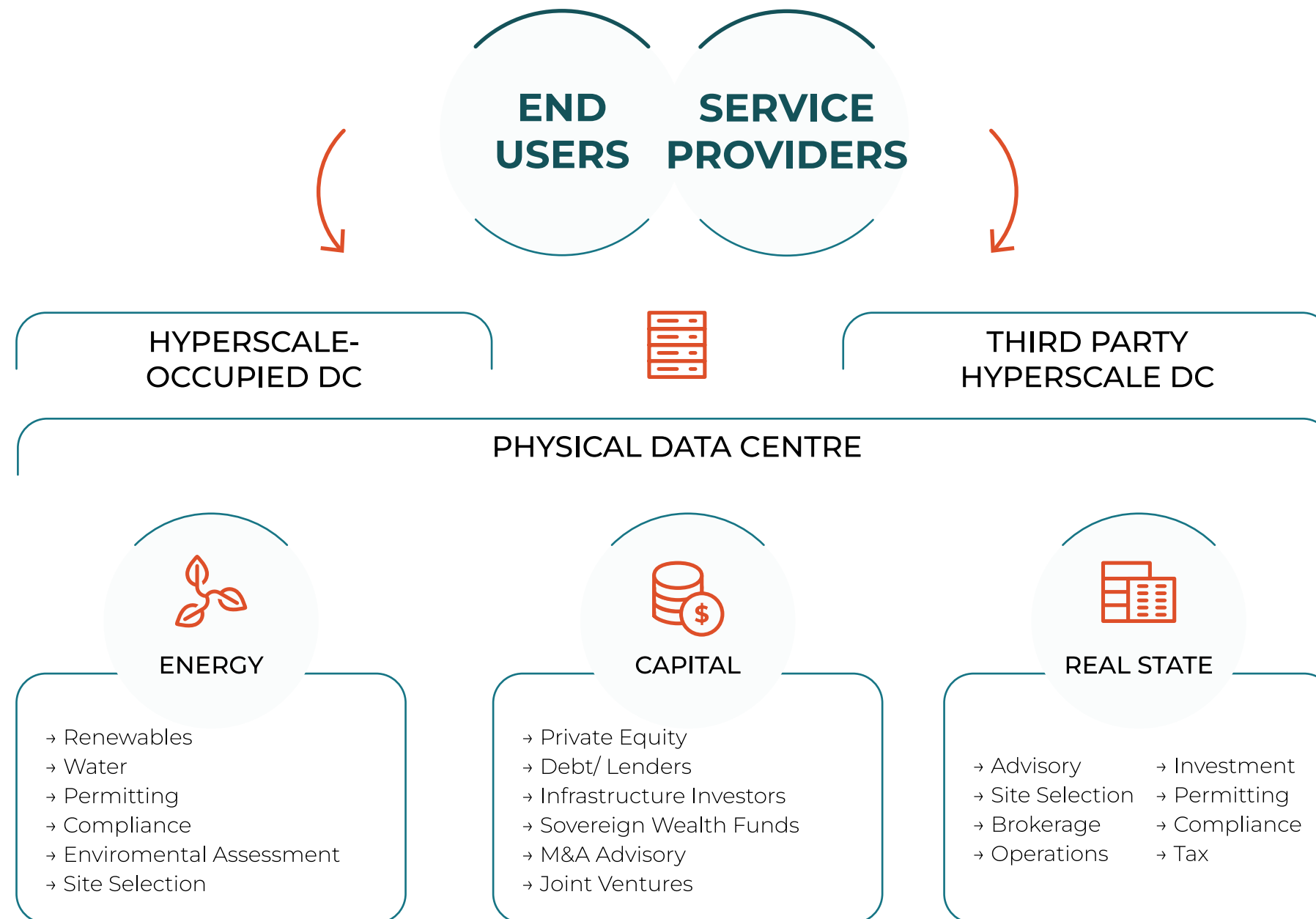
users and suppliers - that are involved in the value chain. **infra / STRUCTURE** was built to create an environment where conversations happen, relationships are built and ultimately, deals are done - all against the backdrop of third-party analysis and engaged discussion of the sector's most pertinent issues and challenges. Today's Internet infrastructure executive is busy. There is no better way to get multiple things done at one time and in one location.

infra / STRUCTURE is a week devoted to exclusive events, networking, high quality independent industry research content ... and of course, sun, fun and relaxation ... for the infrastructure operating executive.

TIMELINE FOR **infra / STRUCTURE** WEEK 2024:



THE ECOSYSTEM



PRIVATE EQUITY INVESTORS



Private equity investors have been long-standing supporters of infrastructure operators dating back to the early days of the sector. They have done well in the mid-market, up to the enterprise space, and spread investments across early-generation managed hosting, data centre colocation and other managed infrastructure service providers. Private equity has always been drawn to the sector's recurring revenue business model, high customer and revenue retention levels, along with steady and predictable growth rates for what is a young and emerging business. Private equity tends to look for returns in a somewhat shorter time frame than infrastructure-oriented investors and that is why they have mostly stayed out

of the hyperscale data centre space. Instead, private equity investors have remained focused on supporting operators with diverse customer bases and long-term upside potential. Private equity was heavily involved in the early waves of infrastructure providers that zeroed in on raw compute and storage hosting and management. As the sector has matured and consolidated, and with the rise of public cloud, investors have shifted to supporting service providers with vertical, product and application niches, or differentiation through value-add such as security and compliance. They are also actively supporting the emerging managed public cloud ecosystem.

INFRASTRUCTURE & REAL ESTATE INVESTORS



Infrastructure-oriented and real estate investors are a relatively recent entrant to the sector's landscape. The main driver was the rise of hyperscale cloud, which created a need for large quantities of long-term capital, real estate holdings, access to energy and renewables, with the expectation and acceptance of a different type of return profile. Very distinct from private equity investors that have long supported the sector, this group of investors is far more comfortable with the hyperscale model and the creditworthy tenants and long-term contracts

that drive the stability and predictability, albeit at lower return rates. It is this group of investors that has the unique capabilities to support the hyperscale sector and the direction it is headed. Hyperscale builds, and those that will be driven by the emerging AI wave, will cost hundreds of millions of dollars to build. Getting the capital to support this will present challenges and also open the door to investors focused on the real estate piece and leaving the CapEx to a hyperscale tenant or scaled operator.

M&A ADVISORS



M&A advisors have played an important role in the sector’s development over the last several decades and Internet infrastructure has always been a healthy environment for them given the highly fragmented nature of the market. M&A advisors have helped entrepreneurs and operators obtain capital to finance growth and expansion, supported challenging situations, while being heavily involved and successful with long-term value creation. M&A advisors have brought strategic buyers into the landscape, helped move assets that needed support or realignment, and facilitated consolidation and accumulation of scale across individual

operations and the wider sector. There are a wide range of M&A practices supporting the sector. There are those that are independent boutiques, while many practices are part of larger financial institutions. There is a relatively small group of advisors that have developed a unique specialization and knowledge of the Internet infrastructure sector that dates back decades. The steady and consistent volume of M&A coming out of the sector, and the cyclical nature of strategic buying, ensures a steady flow of activity for this part of the ecosystem.

LENDERS



Institutional lenders play an increasingly important role in the ecosystem given the cost of building out infrastructure on a global basis. With build costs around \$10m per MW and climbing, the stakes are getting higher. Operators are looking at both equity and debt as a source of financing and looking to trusted lenders for both resources and guidance. Strategic M&A is another driver behind the need for debt.

REAL ESTATE ADVISORY



Real estate advisors are a critical component of the Internet infrastructure industry. They provide services ranging from facilities management, operations and maintenance, to site selection, tenancy brokerage, valuation and appraisal, among others. This is not an exhaustive list and there is some overlap coming from real estate management and investment organisations.



Real estate companies and investors continue to get more directly involved in the Internet infrastructure sector. Given the criticality of land and power, real estate companies have a unique value proposition they can use to pursue the opportunity presented by hyperscale data centre demand. Real estate entities have pushed into the value chain from various angles. They have invested directly and managed assets, partnered and set up JVs with operating entities and supplied the real estate assets for data centre projects, and

organically set up operating companies. Again, the main asset being brought to the table is land, and in many cases, land with power and permits for development. With the direction of hyperscale and AI, it is inevitable that real estate entities play a more prominent role in the ecosystem. They control and possess fundamental building blocks that have emerged as a standalone core competency and that operators increasingly have difficulty focusing on.



The energy sector is just starting to get more directly involved in the Internet infrastructure sector. With power requirements surging, and the need for renewables increasingly urgent, power companies are looking to enter the sector and potentially operate, while also getting involved through joint ventures and partnerships. The criticality of power makes this a natural evolution for the sector. Energy and transmission constraints continues to become more pronounced and energy companies getting involved is about going directly to the source.

PUBLICLY LISTED COMPANIES



Structure Research tracks all the publicly listed infrastructure service providers on a global basis. These companies are at the centre of the Internet infrastructure sector and provide valuable transparency that serve as benchmarks and indicators for wider trends. The infra / STRUCTURE summit is a place for both equity analysts, fund managers and investors to get a sense for where this peer group is and how it is tracking.

RECENT M&A



M&A is a constant across the sector, but things have been relatively quiet lately. Having said that, there was still no shortage of major transactions over the last year. Strategic buyers are active and hyperscale data centre assets remain top targets. Meanwhile, take-private acquisitions of publicly listed data centre operators continue as long-term capital looks for ways to put capital to work in the sector.

STRUCTURE RESEARCH: OUR OFFERINGS



RESEARCH SUBSCRIPTIONS:

A regular flow of information, analysis and insight about the Internet infrastructure sector delivered straight to your inbox. Our publications are mobile-friendly and easy to consume. Stay on top of the sector's developments and get breaking information first-hand. This is both a competitive intelligence, and lead identification and generation tool.



STRATEGIC CONSULTING:

Tap into our analyst team and network for competitive insights, advice and strategic consulting. Take advantage of our extensive expertise and experience. Get useful insight on-demand.



EVENTS:

Independent third-party research content is the backdrop for highly informative events that also provide unique networking and business development opportunities.



MARQUEE EVENTS:

Our annual infra / STRUCTURE executive summit is the main venue for reaching and connecting with the infrastructure services ecosystem. This is a prime opportunity to network and engage with decision-makers.

→ **LASER FOCUS:**

We are focused exclusively on the Internet infrastructure value chain. We are all about understanding and navigating the infrastructure service provider market. We live and breathe it every day.

→ **UNPARALLELED ANALYST DEPTH INTO SERVICE PROVIDERS:**

Few if any of the big research firms focus so extensively on service providers. Even fewer have analysts that have tracked anywhere near as many service providers as Structure Research has and will continue to track.

→ **UNMATCHED DATA AND ANALYTICS:**

None of the big research firms have service provider directories or databases. They do a poor job of aggregating data points about this sector.

→ **RARE AND UNCOMMON ACCESSIBILITY:**

We work quickly and efficiently. No waiting lists and no bureaucracy. Call the analyst directly or even send a text message. We are a boutique shop that cuts through the red tape to serve our clients.

→ **MID-MARKET EXPERTISE:**

Our research spends meaningful time in the middle of the market in a sweet spot that is generating significant value for vendors and investors. Big research firms are top-heavy and focus on the enterprise market and largely ignore the rest of the landscape.

→ **AVOID THE DIRTY WORK:**

We publish information from attendance at company briefings, analyst meetings, management briefings, trade shows, reading SEC filings and scouring news and media sources so you don't have to do the dirty work.

→ **ENHANCED PRODUCTIVITY:**

Free up internal resources by outsourcing research and competitive intelligence to a highly qualified team. Send data and analysis to as many employees as you wish so everyone is on the same page and time wasting is limited from each person researching on their own. Let your staff focus on selling.

→ **UNIQUE AND IN-DEPTH INSIGHT:**

New and grounded insights into sector developments. Our history includes periodic first- to-market disclosures. We also cover developments nobody else is tracking.

→ **GLOBAL SCOPE:**

We are uniquely global in scope, with strong reach and market coverage in markets across Europe, APAC and now LatAm. We are spending time in markets where most research firms have limited visibility. The global perspective shapes our insights and provides grounded context.

→ **EFFICIENCY:**

We deliver content frequently and in consumable chunks that are mobile-friendly and designed specifically for the busy executive.

ABOUT STRUCTURE RESEARCH

Structure Research is an independent research and consulting firm with a focus on the cloud and data centre segments within the Internet infrastructure market and unique expertise in the hyperscale value chain. We are devoted to understanding, tracking and projecting the future of infrastructure service providers. Managing Director Philbert Shih founded Structure Research in September 2011. Structure Research works with service providers, vendors, institutional investors, venture capital firms and IT users as a research and advisory partner. Our subscription-based model includes regular opinion and analysis, company, trend and insight reports, financial models, databases containing market analytics and consulting services. The company has 10 associates and is based in Toronto, Canada, with a subsidiary registered in Singapore and presence in Los Angeles, CA, Miami, FL, London, UK and Houston, Texas.

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