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CEO THOMAS KURIAN ON THE FUTURE OF CLOUD

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DATA | ECONOMY

VOL 5 ISSUE 1 | DEC/JAN 20

FUTURE

100

The 100 personalities to watch in the next decade poised to heavily influence the direction and transformation of the global data centre market.

PLANNING FOR MARKET FLUX

The new decade starts with fears and warning of a possible global recession. But how would that impact the data centre sector? And what can you do? João Marques Lima sits with ServerFarm's CFO Kevin Dillard to find out more.



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It hasn't been up to ten years since the world fully exited the last recession and yet again, the world is possibly slowly navigating towards another... recession.

Economies across some of the key nations such as the USA, the UK or Germany have all slowed down, sparking fears of such scenario, with China also “coughing” – but not sneezing.

Political instability in Latin America, Hong Kong and the Middle East have not helped in the grand scheme of things, and the social economic shift in these regions is set to continue well into 2020.

Nevertheless, there is hope that all is nothing but a slight fright in the global economy, with Goldman Sachs sending a reassuring message to the market: the worst might well be over.

“After a year filled with intense worry that both the US and global economy were about to tip into recession, the narrative is changing for 2020,” Jan Hatzius, Goldman's chief economist wrote in a company report.

“This easing in financial conditions suggests not only that global growth is likely to pick up somewhat in absolute



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terms, but also that growth may come in stronger than currently predicted by the forecaster community

“We expect the global growth slowdown that began in early 2018 to end soon, in response to easier financial conditions and an end to the trade escalation.”

For data centres, the sector is expected to continue to grow, with or without a slowdown in global economies, as US colocation operator ServerFarm's CFO Kevin Dillard explains.

The company manages seven data centres across North America and Europe, covering 960,500sqf of space and boosting 127.5MW in IT load.

How does a business like ServerFarm stay on top of the possible difficulties in 2020 and beyond?

From a CFO perspective, it's about planning - ensuring we have the cash flow and quality control processes internally to bear the brunt of any potential market downturns. Given the nature of the data center industry, compliance reporting is also critical.

Luckily, ServerFarm operates in a sector that - while not recession-proof - certainly is forecast to continue growing despite market flux. Plus, and maybe most importantly, our business model helps to protect us against slumps.

ServerFarm offers a solution for service providers and enterprises who themselves are trying to course-correct their balance sheets; so, we help our customers weather recessions, and in turn, retain and attract business ourselves.

What are the biggest trends you are seeing in the data centre marketplace that are driving your

revenues and forcing expansion?

Globally, organisations are focused on accelerating their digital transformations and embracing next-gen technologies such as cloud, edge, IoT and AI.

They don't want - and can't afford - to be weighed down by aging, inefficient and costly data center assets.

Service providers and enterprises are demanding dynamic, innovative ways to manage physical environments so they can deliver a 'cloud-like' experience across all physical infrastructure, whether on-premise, hybrid, public, edge or IoT.

How have you seen the data centre market shift in the past 24 months?

As evidenced by global data center M&A activity and consolidation, the industry is focused on optimising existing facilities and engaging in strategic partnerships versus building just to build.

As service providers and enterprises require skyrocketing amounts of capacity to support AI, IoT and other intensive workloads - and need their experts to focus more than ever on their core business - they're turning to colocation and hybrid models and away from internal physical environments. To us, these trends will only deepen in 2020.

What are the expansion plans for ServerFarm in the current markets you serve and beyond?

In the last six months alone, we've completed a \$200 million recapitalisation to drive growth, acquired 5NINES Global Holdings (expanding ServerFarm's network to several new locations around Europe and the U.S.), and extended our portfolio with a data centre acquisition in Amsterdam.

Serverfarm's data centre portfolio



Amsterdam
Netherlands
194,000 sqf
20MW



London
UK
120,000 sqf
10.5MW



Chicago, IL
USA
134,000sqf
38MW

We also just recently announced our involvement in the NVIDIA DGX-Ready Data Centre Program, which connects service providers and enterprises with AI-ready facilities for smooth, quick and cost-effective AI deployments.

We have no intention of slowing down when it comes to strategic acquisitions and investments in the latest technologies that will benefit our customers.

Are there any plans to expand outside the US, further in Europe and other regions?

Yes, global expansion has been a major effort for ServerFarm in 2019 and will continue to be critical in 2020. We're focusing on growing our network in North America, Europe and beyond.

In terms of climate change, global warming, sustainability - how important is that for you as a business?

It's definitely important. We get feedback from our clients and prospects that the sustainability and energy efficiency of our data centres are important factors in their decisions, so those factors often play into our internal choices regarding facility improvements and purchases. We're always looking for opportunities to boost sustainability and efficiencies.

How much do you invest in making sure your business quickly becomes environmentally friendly?

ServerFarm as a business is certainly environmentally friendly already. When it comes to our individual data centres - especially the new acquisitions that are in varying states of sustainable operations when we fold them into our portfolio - we make it a priority to get them up to speed with our standards.

We swap out products and equipment for more sustainable alternatives and generally improve operational efficiency when it comes to power, air handling and more.

The marketplace as a whole is getting on board and making great strides in encouraging sustainability from a price standpoint. Environmentally friendly generators, for example, are much closer in price to their less sustainable counterparts these days.

On that note, it's important for the industry to know that affordability and sustainability are not mutually exclusive. Our TITAN - Moses Lake data centre in Washington uses hydro power, which is environmentally friendly but also one of the most cost-effective power generation options in the country. Combining the low power cost with our innovative cooling solution, TITAN delivers one of the lowest PUEs in the industry at 1.25 or better.

How do you see the role of a CFO evolving in the digital age?

I've always believed in being on the forefront of adopting digital advancements within finance and accounting, including the latest efficiencies and new software and programs. At ServerFarm, we use groundbreaking SaaS products for our internal finance and accounting efforts every day.

I've always seen the value in investing in products that will allow us to accomplish more with less resources, and I consider that a huge part of my job. Ironically, I'm accomplishing the same goal for us that our client c-suite executives are accomplishing for their companies when they invest in ServerFarm - future-proofing the organisation for the ever-evolving digital age.



Kevin Dillard

Chief Financial Officer
Server Farm Realty
Jan 2011 - Present

The Abbey Company LLC
EVP/CFO
Feb 2006 - Jan 2011

The Abbey Company LLC
VP/CFO
Dec 2004 - Jan 2006

CBRE (Insignia/ESG, Inc.)
Regional Controller
Mar 1996 - May 2003

CBRE (Insignia/ESG, Inc.)
Assistant Regional Accounting Manager
May 1995 - Feb 1996

CBRE (Insignia/ESG, Inc.)
Real Estate Accountant
Jan 1993 - Apr 1995



Atlanta, GA
USA
153,000sqf
15MW



Moses Lake, WA
USA
136,000sqf
34MW



Toronto, ON
Canada
30,000sqf
6MW



Oak Brook, IL
USA
193,500sqf
4MW