Brass in pocket, vXchnge goes shopping in Texas and boosts DCIM

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In late September, vXchnge raised $200m in capital, with participation from Deutsche Bank Credit Solutions. In October, it purchased a 100,000-square-foot datacenter and 18-acre campus with 26MW of power in Austin, Texas, to complement the facility it had in that market. The firm has also been improving its in-site datacenter infrastructure management (DCIM) platform, which it is making available to its end-user customers. It looks to have everything in place to focus on building scale.

The 451 Take

VXchnge spent the first half of the year improving its DCIM system, which will give it some differentiation, and will particularly appeal to customers with deployments in multiple geographies. In the second half of the year, it raised capital and started putting that to use with the purchase in Texas. The firm now seems ready to scale, and presumably will look for additional expansion targets in what it considers to be underserved, well-connected locations, with an eye to enabling edge computing. We believe there will be strong demand in edge markets eventually, although in many areas, the time has not yet come. VXchnge should be well placed to benefit from that demand, if it can gain enough customers in the meantime.
Context

vXchnge is a Tampa, Florida-based, carrier-neutral datacenter service provider that was founded in 2013. It is led by several former executives of Switch and Data, and is backed by private equity firm The Stephens Group. In July 2013, vXchnge purchased Bay Area Internet Solutions, a colocation provider with a facility in Santa Clara, California. In November 2013, vXchnge merged with FiberMedia Group, to add scale, scope and six extra locations. In May 2015, the provider extended its reach further with the purchase of eight datacenters from SunGard Availability Services.

vXchnge provides next generation data centers throughout US markets to help you get closer to the edge where your customers are located. All of vXchnge datacenters adhere to the following standards: SSAE 18 TypeII, SOC 2 Type II, ISO/IEC 27001:2013, HIPAA/HITECH and PCI DSS 3.1.

DCIM technology

In\site is vXchnge's homegrown DCIM software platform, which is freely available to its customers via a secure, online portal. The focus is on delivering visibility into customers' leased space, and also supporting customers' compliance requirements.

In terms of DCIM functionality, in\site enables customers to track and trend power in their leased space and network utilization. Customers can define utilization thresholds down to the circuit, which, in addition to delivering real-time alerts, can help with capacity management and planning.

For example, alerts for when power utilization reaches a certain level for a certain period of time can prompt planning discussions around upgrades to a larger circuit. Network bandwidth utilization includes trending data, with maximum, minimum and average use over user-defined time periods.
The software also enables tracking of IT assets using RFID tags, which allows visualization of customers' equipment, for example, in their leased space and audits of equipment moves, adds and changes. Customers can bulk upload and download groups of assets into in\site, and a mobile-friendly version of the software can be used for on-the-floor data entry.

In addition to providing location and equipment information, including data-hall topography, the asset-management dashboard enables customers to apply their own nomenclature to asset tags and metadata. Compliance reports, including those relating to assets, can be downloaded from in\site as a PDF with a customer's watermark, which can be important for certain regulatory requirements, including throughout the customer supply chains.

By linking vXchnge facilities' keycard access logs to in\site, customers can remotely track and control people access. For example, a customer can immediately delete from the in\site system an employee who no longer works at their company (or a third-party contractor, etc.) so that they will no longer have access to the facility – yet the system will also show where that person has been and what equipment they have had access to.

Other functionality includes being able to grant temporary site access, including by date, time and areas of access, as well as being able to issue work-order tickets for vXchnge's remote-hands service (with the ability to attach files to the work-order submission, such as drawings or photos of equipment).

VXchnge built the software to be customizable by end users, including with role-based views of data, like directors of operations, finance departments, auditors (governance, risk and compliance departments), and individual lines of business. The online dashboard can be tailored with drag-and-drop views of specific monitoring or asset data, as well as data from third-party sources – such as local weather and events. The latter is monitored by vXchnge's local site support technicians, a person who alerts customers about local events via the portal (for example, if an accident is blocking a route to the datacenter).

**Strategy**
VXchnge aims to differentiate with its operations as well as with the transparency and ease of management afforded by its in\site platform. The firm has former military staff on its operations teams, and does not skimp when it comes to proactive maintenance, generator fuel polishing, top-quality batteries (and capacitor replacement when batteries are replaced), and general attention to detail.

For example, power rooms and feeds are color-coded and the firm uses wraps, not zip ties, for electrical cords so that they do not need to be cut with razors. Many of its sites have a distributed block redundant power system and CRAC units, with dedicated condensers and in/out pipes so that if there is a leak at one CRAC it can be isolated and won't affect the others.

VXchnge locates its facilities in urban areas that it considers to be underserved yet well connected. It targets network, service and content providers, as well as cloud firms and enterprises, with low-cost cross connects and flexible densities (2-30kW per cabinet), as well as 24/7/365 on-site support.

The firm partners with WAN-to-public providers (e.g., Level 3 and AT&T's NetBond) and SDN providers such as Megaport, Console (IX Reach) to provide direct connections to cloud service providers such as AWS, Microsoft Azure and Google Cloud Services.

Customers

VXchnge's sweet spot is with customers that seek 10-20 cabinets of relatively high-density and network-focused space. The firm is seeing growth in multisite deployments from service providers, but increasingly from enterprises as well.

Current customers include B&H Photo, CloudMosa, Cogent, Comcast, Computer Integration Technologies, Cross River Fiber, Hurricane Electric, Integra, Interserver, Lightower, Madison Technology, MetricStream, OneStepCloud, Tech Mahindra, SAP, Surecript, TechLAB Innovation Center, TidalScale, Virtual Density and Whole Foods.

Competition
VXchnge competes with network-dense providers in the markets where it has facilities, but no other provider is in quite the same set of metros. EdgeConneX has a similar business model - it also targets carriers and media/content providers and has deployed in similar edge markets - but tends to be in more suburban locations.

Also, EdgeConneX has been able to expand rapidly by signing leases for some of its new facilities, while VXchnge insists on owning and having control of its sites. EdgeConneX also has a lights-out policy, while VXchnge does not. So far, the two firms only overlap in Pittsburgh, Portland, Minneapolis and Nashville. Netrality acquires carrier hotels in edge markets too, but has a low-touch, lights-out approach similar to that of EdgeConneX.

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<thead>
<tr>
<th>SWOT Analysis</th>
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<tbody>
<tr>
<td><strong>Strengths</strong></td>
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<tr>
<td>VXchnge has a good collection of assets in key markets, and has developed a detailed management system to view and manage all the locations on a single pane of glass, providing transparency and consistency to customers.</td>
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<tr>
<td><strong>Weaknesses</strong></td>
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<tr>
<td>The firm’s model is to acquire or build network-dense facilities where it owns and controls the infrastructure, and to not compete with its customers' managed service offerings. VXchnge will need to continue to build its brand in all of its markets, and communicate the advantages of its offerings.</td>
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<tr>
<td><strong>Opportunities</strong></td>
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<td>VXchnge is well positioned to take advantage of edge deployments, once the need for those arises.</td>
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<td><strong>Threats</strong></td>
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<td>Content providers may seek to become more vertically integrated and own their own networks, reducing the need for the space offered by VXchnge and its competitors.</td>
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Lighttower Fiber Networks [M/C Partners] (5)

COMPANY MENTIONS (PRIMARY)
vXchnge (/search?company=vXchnge)

COMPANY MENTIONS (OTHER)
AT&T, Amazon Web Services, Bay Area Internet Solutions, Center for Innovative
Technology, CIT Group, Cogent, Comcast, Computer Integration Technologies, Cross
River Fiber, Deutsche Bank, EdgeConneX, FiberMedia Group, Google, Hurricane Electric
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