

Quazar Report – Data Centers

Q3 2021

Estimated Read Time: 4 minutes

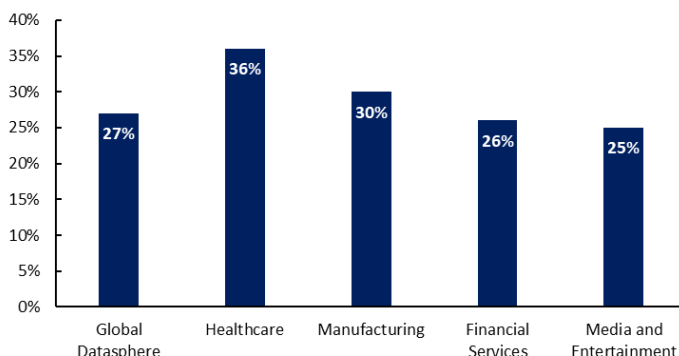
The need for data centers, digital infrastructure, or “the Cloud,” has grown immensely following the pandemic. Absorption – the change in occupied space less new capacity available within a given time period – reached 619.3 MW in the U.S. at year-end 2020, a 77.1% increase year-over-year.¹ The market is expected to see similar growth trends moving into the latter half of 2021. Ongoing development in data centers is driven by the need for hyperscale facilities that can process technology companies’ service to end-users, including: search, social networking, e-commerce, machine learning, Edge, 5g, and IoT. While hyperscalers led the rapid growth within the industry, the footprint of enterprise-level or colocation facilities still totaled 2,800 MW in 2020.²

The ongoing demand for data centers has a profound impact on downstream industries, as these facilities are outfitted with ergonomic material handling equipment, servers, and server racks, and they require ongoing IT services and the need for timely construction of facilities. The industry has a standard of replacing servers and server components every three to four years in order to stay up-to-date with technological advancements that can improve computing capabilities.

States have started offering incentives nationwide for the development of new facilities, with 31 out of 50 states contributing some form of benefit for data center construction.³ Incentives can include reduced sales on supplies or equipment, reduced property taxes, and discounts on power.

The Healthcare industry is expected to be the fastest growing market for new data captured and created, as the industry adopts telehealth, electronic medical records, patient portals, and data analytics. By 2025, the International Data Corporation predicts that 49% of the world’s data will be stored in public data centers, with more than 75% of the world’s population interacting with data on a daily basis.⁴

Comparing 2020-2025 Industry Datasphere CAGR



Source: Reinsel, Gantz, Rydning, “The Digitization of the World,” IDC White Paper

Sources:

1. Barnett, David. “Data Center Outlook Year-End 2020.” JLL Research, March 2021, <https://www.us.jll.com/en/trends-and-insights/research/data-center-outlook>.
2. “North American Data Center Report H2 2020.” CBRE Research, March 2021, <https://www.cbre.us/research-and-reports/North-American-Data-Center-Report-H2-2020>.
3. “The Impact of Data Centers on the State and Local Economies of Virginia.” Magnum Economics, January 2020, http://biz.loudoun.gov/wp-content/uploads/2020/02/Data_Center_Report_2020.pdf.
4. Rydning, John. “Worldwide Global DataSphere and Global StorageSphere Structured and Unstructured Data Forecast, 2021–2025.” March 2021, IDC White Paper.
5. “Outlook on the \$142. Billion Green Data Center Global Market to 2026 - Industry Analysis and Forecasts.” May 2021, ResearchAndMarkets.com.
6. “North American Data Center Report H2 2020.” CBRE Research, March 2021, <https://www.cbre.us/research-and-reports/North-American-Data-Center-Report-H2-2020>.
7. De Saullès, Martin. “The Business of Data, Commercial Opportunities and Social Challenges in a World Fuelled by Data.” July 2020.
8. FTSE Nareit U.S. Real Estate Index Series Daily Returns (December 31, 2020).

Key Trends/Industry Highlights

- The Global Green Data Center Market size will reach \$142.8 billion by 2026.⁵
 - As the largest corporate buyer of renewable energy, Amazon will seek to power 100% of company activities from renewable energy sources by 2025.
- Northern Virginia has the highest concentration of data center projects, with over 326 MW under construction at year-end 2020, a 400% increase since 2019.⁶
- “If you could download the entire 2025 Global Datasphere at an average of 25 Mb/s, today's average connection speed across the United States, then it would take one person 1.8 billion years to do it, or if every person in the world could help and never rest, then you could get it done in 81 days.”⁷
- Data centers were the highest performing public real estate sector in 2020.⁸

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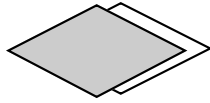
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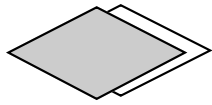
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Selected Transactions: Recent Industry M&A Activity

<u>Transactions Announced Date</u>	<u>Target/Issuer</u>	<u>Total Transaction Value (\$USDmm, Historical Rate)</u>	<u>Buyers/Investors</u>
05/03/2021	Data Foundry, Inc.	\$38.0	Pacific Avenue Capital Partners, LLC
04/14/2021	Data Center and a Campus of vXchnge Operating LLC	\$115.0	Worthington Industries, Inc. (NYSE:WOR)
04/08/2021	Whinstone US, Inc.	\$101.7	Zurn Industries, LLC
01/13/2021	360 Spear Street Data Center Facility	\$121.0	Armstrong World Industries, Inc. (NYSE:AWI)
12/10/2020	ATL Data Centers LLC	\$740.0	Fortune Brands Home & Security, Inc. (NYSE:FBHS)
11/23/2020	HIVE Atlantic Datacentres Ltd.	\$359.8	The RectorSeal Corporation
11/02/2020	44 Communication Sites and One Data Center	\$27.0	Gibraltar Industries, Inc. (NasdaqGS:ROCK)
09/29/2020	Zayo Colocation, Inc.	\$44.1	Renin Corp.
09/24/2020	Pacific Star Communications, Inc.	\$25.0	Apogee Enterprises, Inc. (NasdaqGS:APOG)
09/09/2020	Pivot Technology Solutions, Inc. (TSX:PTG)	\$42.3	Lawson Products, Inc. (NasdaqGS:LAWS)
06/12/2020	Zeuus, Inc. (OTCPK:ZUUS)	\$3,038.9	Builders FirstSource, Inc. (NasdaqGS:BLDR)
11/18/2019	Whinstone US, Inc.	\$118.0	Armstrong World Industries, Inc. (NYSE:AWI)
08/01/2019	Knight Point Systems, LLC	\$10.1	Installed Building Products, Inc. (NYSE:IBP)
07/31/2019	East Valley Data Center	\$74.0	Industrial Opportunity Partners, LLC
07/25/2019	Digital Bridge Holdings, LLC	\$9.1	TopBuild Corp. (NYSE:BLD)

Source: Capital IQ



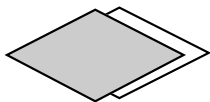
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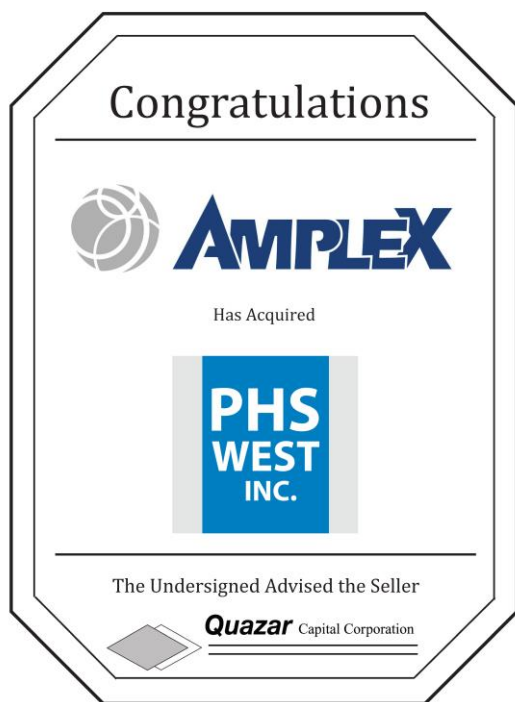
Selected Transactions: Recent Industry M&A Activity (without disclosed value)

<u>Transactions Announced Date</u>	<u>Target/Issuer</u>	<u>Buyers/Investors</u>
07/01/2021	CS Technology, Inc.	Accenture plc (NYSE:ACN)
04/30/2021	PHS West, Inc.	Amplex AB
04/29/2021	Turbonomic, Inc.	International Business Machines Corporation (NYSE:IBM)
04/25/2021	Whipcord Edge Data Centers Inc.	Canada15Edge Data Centers Inc.
04/14/2021	Ensono, LP	KKR & Co. Inc. (NYSE:KKR)
03/15/2021	PeakView	Inflow Communications, Inc.
03/04/2021	Data Center in Chicago	Landmark Dividend, LLC
02/09/2021	Planet Data Solutions, Inc.	Veristar LLC
01/26/2021	Digital West Networks, Inc.	Wave Broadband, LLC
01/19/2021	Data Center and Colocation Business of Atmosera, Inc.	Digital Fortress, Inc.
12/17/2020	MTM Technologies, Inc.	Axispoint Technology Solutions Group, Inc.
12/15/2020	Harbor Communications, LLC	Cellular South, Inc.
12/07/2020	MicroCorp, Inc.	Cloud Service Partners, Inc.
11/16/2020	Atlantic Metro Communications, Inc.	365 Operating Company LLC
10/22/2020	eGuard Tech Consulting Services Inc.	Ntiva, Inc.

Source: Capital IQ



Quazar Capital Corporation Advises PHS West, Inc. in Its Sale



Quazar Capital Corporation is pleased to announce PHS West, Inc. (“PHS” or “the Company”) has been acquired by Amplex AB (“Amplex”). Quazar Capital Corporation (“Quazar”) advised PHS in the transaction.

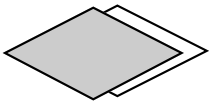
The Shareholder of PHS made a decision to transition the business in order to find a Buyer with the resources, industry expertise, and scale to manage and augment the rapid growth of the business. The Shareholder chose Quazar as their M&A Adviser primarily due to Quazar’s unique marketing approach, extensive network, ability to reach strategic buyers, industry expertise, and reputation for successfully working with privately-held businesses.

After an extensive marketing process, Quazar generated robust interest in PHS, including from both Strategic and Financial Buyers. Ultimately, the Shareholder decided Amplex was the right Buyer for

the business due to its industry knowledge, cultural fit, international reach, and experience managing rapidly growing businesses.

“I am grateful for Quazar’s efforts in helping negotiate and close the transaction. The entire Quazar team was invaluable throughout the process, and I do not believe this transaction would have come together without Quazar’s leadership. As for the future, I am thrilled to have partnered with Amplex in order to continue to grow the business. I have confidence Amplex will continue to serve our customers well and create new opportunities for our employees. This acquisition is a truly great fit for everyone involved.” – Dan Cummings, President of PHS West

“In our companies within the Sunnex Lifting Technology Group, which is part of the Amplex sphere, we already have a fine and exciting business in lifting equipment for material handling, and we are represented in several markets in both Europe and the USA. PHS West is a well-run company that we know well as a customer and partner in the American market. The acquisition of PHS West gives us a high-quality and very attractive complement to our existing offering, as well as adding a strong management team to our group” – Fredrik Celsing, President and CEO of Amplex AB



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PHS West, Inc. (phswest.com) in an industry leader in designing, assembling, and selling material handling equipment for a wide range of applications and industries. Started in 1995 by Dan Cummings, and currently located in Rockford, Minnesota, the Company originally specialized in motorized travel endoscopy carts. Since then, the Company has developed an array of motorized and non-motorized ergonomic friendly equipment. Today, some of the Company's products include: motorized lifters, specialized motorized tugs, server rack tugs, dialysis carts, patient transport chairs, supply distribution carts, trash and bio-hazard carts, and linen carts.

Amplex AB (amplexab.se/index_e.htm) is a privately-held Swedish holding company which specializes in retail technology, lighting, anti-vibration equipment, and automotive sales. The group consists of approximately 20 different companies throughout Sweden, Finland, France, China, and the United States.

Quazar Capital Corporation (quazarcapital.com) is a Minneapolis-based Investment Bank founded in 1990. Quazar Capital specializes in working within various Industries, including: Manufacturing, Software, Technology, Financial Services, Construction, Agriculture, Distribution, and Business Services. Quazar generally works with privately-owned businesses with EBITDA between \$2 million and \$10 million.