

Hyperscale data center infrastructure

M&A - Analysis Report

By Cascade Research

Brookfield &



**ONTARIO
TEACHERS'
PENSION PLAN**

ACQUIRES



COMPASS
datacenters.

January 2025

Overview

Introduction

Brookfield Infrastructure and the Ontario Teachers' Pension Plan acquired Compass Datacenters for \$5.7 billion, highlighting the strategic expansion in the growing data infrastructure market. Compass provided scalable data center solutions for enterprises and cloud service providers facing rising data demands. The acquisition aimed to strengthen the consortium's position in the data center sector, leveraging Compass capabilities to meet the increasing need for reliable data solutions amidst a shift towards digitalization and cloud computing. This move was expected to create synergies by combining Compass's infrastructure with its new owners' financial and operational resources, facilitating accelerated growth in key markets.

Brookfield

Acquirer: Global Infrastructure investor & Pension Plan

Name: Brookfield Infrastructure Partners

Industry: Infrastructure investment.

CEO: Sam Pollock

FTE: 16000

Revenue: \$14.4 bn (Brookfield Corporation, broader group)

EBITDA: \$6 bn (Brookfield Infrastructure).

Introduction:

Brookfield Infrastructure Partners, based in Toronto, is a global infrastructure investment firm that acquires and operates critical assets in the energy, transportation, utilities, and data sectors. It manages over \$850 billion in assets as of 2024.



Name: Ontario Teachers' Pension Plan (OTPP)

Industry: Pension fund investment

CEO: Jo Taylor

FTE: 1200

AUM: \$184 bn

Introduction:

The Ontario Teachers' Pension Plan (OTPP), also based in Toronto, manages over \$184 billion in net assets as of 2024, focusing on high-growth sectors like infrastructure and technology to provide long-term value for its members under CEO Jo Taylor.



Target: Hyperscale data center infrastructure

Name: Compass Datacenters

Industry: Hyperscale data center infrastructure.

CEO: Chris Crosby

FTE: 210

Revenue: \$ 32.7 million

EBITDA: Not disclosed

Introduction:

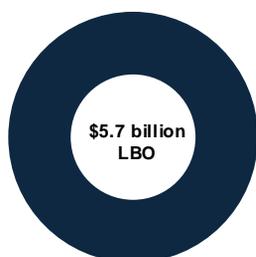
Compass Datacenters, headquartered in Dallas, Texas, is a leading hyperscale computing space, specializing in custom-built data centers for enterprise, cloud, and SaaS providers. Founded in 2011 by Chris Crosby, the company has expanded its presence globally, with approximately 17 data center campuses across the U.S., Canada, and Israel. Compass is recognized for its innovative designs and sustainability-focused operations, which align with the growing demand for efficient digital infrastructure. Moreover, the company demonstrates a commitment to sustainability, evidenced by its focus on constructing LEED-certified facilities, aligning with ESG priorities.

The company has distinguished itself in the market with its "datacentre on demand" model, enabling expedited deployment of facilities within as little as six months—18 to 24 months faster than the industry standard.

With an estimated annual revenue of \$32.7 million and 210 employees, the company has shown strong growth, increasing its workforce by 24% in the past year.

Financing

Exhibit 1: Deal Financing Structure for the Acquisition of Compass Datacenters



Comment:
Share of financing sources are undisclosed

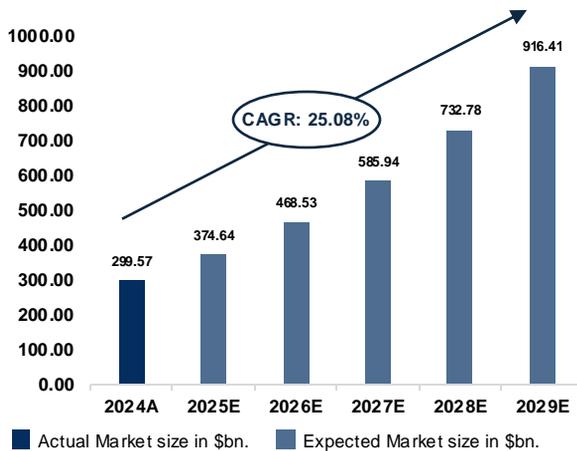
On October 3, 2023, Ontario Teachers' Pension Plan and Brookfield Infrastructure Partners acquired the company through a \$5.7 billion LBO. An undisclosed amount of debt financing supported the transaction. The new ownership structure will provide the company with strong operational and financial support to execute its sustainable and large-scale data center campuses across multiple regions.

This partnership allowed Brookfield and Ontario Teachers to leverage Compass Datacenters' strong market position to meet the rising demand for digital infrastructure.

Source: Pitchbook, 2024

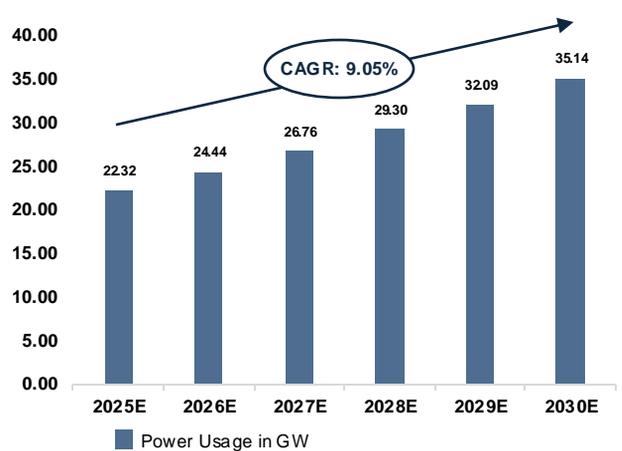
Strategic Implications

Exhibit 2: Market size Development from 2024 to 2029 - The Hyperscale Data Center market expects to grow with 25.06% CAGR



Source: (Mordor Intelligence, 2024)

Exhibit 3: US Power Consumption in GW from 2025 to 2030 - Data Center market power consumption is expected to grow with 9.5% CAGR



Source: (Datacenter Dynamics, 2024)

Short Term Effects

The acquisition of Compass Datacenters by Brookfield Infrastructure and OTPP will have significant short-term effects on the company. Firstly, the enhanced financial backing from these two major investors will allow Compass to accelerate its ongoing and planned data center developments, enabling the completion of key projects and expansion in high-demand markets. This financial strength also positions Compass more competitively among global data center providers, enhancing its ability to attract large hyperscaler clients and meet the growing demand for sustainable and scalable data center solutions.

Additionally, the presence of Brookfield and OTPP is likely to reinforce investor confidence in the data center sector as a lucrative asset class, potentially prompting similar transactions that could elevate valuations and activity in the industry. With the current management team remaining in place, operational continuity and leadership stability are expected, minimizing any disruptions to client services. Furthermore, given the emphasis both firms place on ESG principles, Compass is poised to prioritize sustainability initiatives, including investments in energy-efficient technologies that appeal to environmentally conscious clients and stakeholders, enhancing their overall strategic capabilities.

Long Term Effects

The global hyperscale data center market is projected to grow from \$299.57 billion in 2024 to \$916.5 billion by 2029, representing a compound annual growth rate (CAGR) of 25.06%. An increasing demand for data storage and processing capacity drives this significant growth. The acquisition of Compass Datacenters by Brookfield Infrastructure and the Ontario Teachers' Pension Plan (OTPP) is expected to significantly boost market expansion, especially in emerging regions such as Asia-Pacific and South America, where there is a rapidly growing need for digital infrastructure. With Brookfield's global expertise and OTPP's strong capital resources, Compass is well-positioned to expand its operations. Additionally, as noted in Exhibit Three, there is a pressing need for alternative energy sources to power the hyperscale data center industry. The emphasis on environmental, social, and governance (ESG) principles by its new owners can position Compass as a leader in sustainable data center solutions. The company focuses on investments in renewable energy and energy-efficient operations, aligning with global sustainability trends and distinguishing itself in a competitive market.

In addition to market expansion, Compass is likely to strengthen its relationships with hyperscalers and cloud providers, benefiting from enhanced operational scale and capital to meet their escalating needs. This could translate to longer-term, high-value contracts, thus increasing recurring revenue. Additionally, the financial backing from Brookfield and OTPP will provide Compass with greater resilience to market cycles, ensuring a focus on long-term growth even during economic downturns. With the potential for acquisitions and strategic partnerships, Compass could emerge as a leading consolidator in the data center sector. As data demands shift with advancements in AI, IoT, and edge computing, Compass is well-equipped for innovation, ultimately enhancing its valuation and setting the stage for a possible future IPO.

Risk Factors

Regulatory and Compliance Risks

The acquisition of Compass Datacenters by Brookfield and OTPP entails significant regulatory and compliance risks that require careful management. Key concerns include potential antitrust scrutiny, especially regarding competition in the digital infrastructure sector, and the need for strict adherence to data privacy laws across various jurisdictions. Additionally, Compass must comply with stringent energy efficiency and environmental regulations amid growing ESG demands while navigating diverse regulatory frameworks during its expansion. Securing zoning and land use approvals is also critical, as is staying ahead of evolving cybersecurity legislation and tax scrutiny. To mitigate these risks, Compass can leverage the legal expertise of Brookfield and OTPP, invest in ESG-compliant technologies, and strengthen governance structures to support successful growth.

Impact: ● ● ● ● ○

Competitive Risk and Market Sensitivity

The acquisition of Compass Datacenters by Brookfield and OTPP involves several regulatory and compliance risks. Antitrust scrutiny may delay the transaction as regulators evaluate competition impacts, while compliance with data privacy laws like GDPR and CCPA is essential due to Compass's handling of sensitive data. The energy-intensive nature of data centers requires adherence to strict energy efficiency and emissions standards, especially in environmentally focused regions. Compass faces challenges from varying regulations and zoning laws that complicate project approvals as it expands into new markets. Additionally, stricter cybersecurity legislation requires significant investment in security measures. The involvement of two global investors heightens scrutiny over tax strategies and financial compliance, with potential repercussions for missteps. Lastly, retroactive regulatory changes could create unexpected compliance burdens. Compass must leverage Brookfield and OTPP's regulatory expertise to mitigate these risks, invest in ESG-compliant technologies, and enhance governance structures to support its global growth ambitions while avoiding delays and reputational damage.

Impact: ● ● ● ● ○

Technological Obsolescence

Technological obsolescence poses significant risks for Compass Datacenters, as the rapid evolution in areas like server architecture and energy efficiency may outpace the company's ability to adapt, risking market share loss against competitors. The increasing prominence of edge computing challenges Compass's traditional hyperscale model, while advancements in AI for predictive maintenance highlight the need for timely adoption to manage operational costs effectively. Additionally, shifts toward hybrid and multi-cloud strategies require Compass to align its services with evolving client preferences. Emerging technologies like quantum computing could render existing infrastructure less relevant, necessitating investment in forward-looking research and development. Sustainability has become crucial, as failure to adopt green technologies could harm Compass's reputation. Moreover, the short lifecycle of IT equipment complicates upgrade management, and reliance on specific vendors introduces risks of operational disruption. Compass should prioritize R&D, adopt a client-centric approach, lead in sustainability, and establish strategic partnerships with technology leaders to mitigate these challenges, ensuring it remains competitive in a dynamic industry.

Impact: ● ● ● ● ●

Environmental and Sustainability Risks

The data center industry faces increasing pressure to reduce its environmental impact, particularly concerning energy consumption and greenhouse gas emissions. As Compass Datacenters expands, it risks reputational damage and financial penalties if it fails to meet environmental regulations, potentially losing clients focused on ESG factors. The shift toward renewable energy and stricter efficiency policies creates challenges and opportunities; thus, Compass must comply with current sustainability mandates and prepare for future regulations, such as carbon taxes, that could impact operating costs. Compass could invest in renewable energy, implement energy-efficient cooling technologies, and pursue certifications like LEED to mitigate these risks. With the support of Brookfield and OTPP, Compass can position itself as a leader in sustainable data center operations, enhancing its competitiveness in an environmentally-conscious market.

Impact: ● ● ● ○ ○

Recent Transactions and Valuation-Multiples

Exhibit 4: Relevant Hyperscale Data Center Infrastructure industry Acquisition's from 2019 to 2023

Target Company	Acquirer	Year	EV/TTM EBITDA Multiple
Compass Datacenters	Brookfield Infrastructure and Ontario Teachers' Pension Plan	2023	Undisclosed
CoreSite	American Tower	2021	10.39x
QTS Realty Trust	Blackstone	2021	33.36x
CyrusOne	KKR and Global Infrastructure Partners	2021	28.96x
Interxion	Digital Realty	2019	30.37x
Mean			25.77x

Source: Bloomberg Terminal (Nov. 2024)

Recent years have witnessed a series of mergers and acquisitions that have significantly shaped the landscape of the Datacenter market. These transactions have allowed the acquirers to enhance their market share, expand their geographical reach, and improve their service offerings. Here are some of the key acquisitions and their implications:

- 1. CoreSite acquired by American Tower (2021):** American Tower acquired CoreSite in 2021, marking a significant strategic move into the data center space. CoreSite specializes in colocation, interconnection, and cloud services, with a strong portfolio of high-quality data centers across key U.S. metropolitan markets. This acquisition underscores American Tower's diversification strategy, leveraging its established position in communication towers to capitalize on the growing demand for cloud and data center infrastructure. The deal's EV/TTM EBITDA multiple of 10.39x reflects a valuation aligned with industry peers at the time, emphasizing the quality of CoreSite's assets and its strategic importance for American Tower's digital infrastructure portfolio expansion. This valuation was also driven by the increasing convergence of tower and data center assets as critical components of the global digital ecosystem.
- 2. QTS Realty Trust acquired by Blackstone (2021):** Blackstone acquired QTS Realty Trust in 2021, a transformative deal highlighting Blackstone's commitment to expanding its presence in the data center sector. QTS Realty Trust specializes in data center solutions, including colocation, hyperscale hosting, and hybrid IT services, with a portfolio focused on large-scale, enterprise-grade assets across key global markets. This acquisition aligns with Blackstone's strategy of targeting high-growth sectors driven by the accelerating shift toward cloud computing and digital transformation. The EV/TTM EBITDA multiple of 33.36x represents a premium valuation, reflecting the robust demand for data center infrastructure, QTS's strong operational performance, and the scalability of its platform. The multiple is significantly higher than industry norms, emphasizing the strategic value Blackstone placed on QTS's differentiated offerings and growth potential in a rapidly evolving digital economy.
- 3. CyrusOne acquired by KKR and Global Infrastructure Partners (2021):** CyrusOne was acquired by KKR and Global Infrastructure Partners in 2021 for approximately \$15 billion, marking a significant investment in the data center sector. As a leading provider of data center facilities, CyrusOne supported enterprise customers and hyperscale cloud providers with scalable infrastructure solutions. The partnership highlighted the appeal of data centers as resilient assets in a digital economy. This acquisition enabled KKR and Global Infrastructure Partners to leverage CyrusOne's portfolio of over 50 global data centers and relationships with major cloud providers. The investment aimed to meet increasing demand driven by cloud computing, 5G, and IoT devices, while supporting CyrusOne's growth and innovation in a competitive market.
- 4. Interxion acquired by Digital Realty (2019):** In 2019, Digital Realty acquired Interxion to significantly expand its presence in Europe, creating one of the largest global platforms for colocation and interconnection services. Interxion was a key player in European data center markets, with a strong presence in major hubs such as Amsterdam, Frankfurt, and Paris. This acquisition was a strategic step for Digital Realty to capture growing demand in Europe while enhancing its global reach and service capabilities for hyperscale and enterprise customers. The EV/TTM EBITDA multiple of 30.37x reflects the high strategic value of Interxion's assets, particularly its footprint in high-demand, connectivity-rich European cities. The valuation underscores the importance of acquiring assets with strong growth potential and highlights the competitive environment for premium data center operators in key markets.

Trends

- **Premium Valuations**
EV/TTM EBITDA multiples range from 10.39x to 33.36x, driven by strong demand for digital infrastructure and competitive bidding.
- **Geographic Expansion**
Strategic buyers prioritize targets with strong regional footprints, such as Interxion in Europe or CoreSite in U.S. metro markets.
- **Hyperscale and Colocation Growth**
High demand for colocation and hyperscale solutions has elevated valuations, as seen with CyrusOne and QTS Realty Trust.

Additional Sources

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Team Overview



Head of M&A Analysis – Adriano Principe

Adriano Principe is an MSc Finance student at UCL, holding a BSc in Economics and Management from the University of Geneva where he engaged in valuation theory and macro analysis. Fluent in French, English, and Italian, and currently learning German, Adriano thrives in multilingual environments. His previous role at Lombard Odier have provided him with solid experience in market analysis, data automation, and trade settlement. His role as VP of IFSA Geneva, allowed him to organize events with companies like Credit Suisse. With a keen interest in M&A and valuation within TMT and Healthcare, Adriano is leading the M&A Report team at Cascade Research.



M&A Analyst – Jack Rowand

Jack Rowand graduated Cum Laude with a Bachelor of Commerce (Honours) in Financial Analysis from Stellenbosch University, achieving multiple distinctions, Dean's Merit Awards, and completing his thesis on the non-financial drivers of investment in renewable energy. During his Investment Analyst Internship at Athena Capital, Jack developed expertise in financial modelling, statement analysis, and private equity investment evaluation. With a strong foundation in financial analysis and a passion for valuation, he is dedicated to making a meaningful impact in the finance industry.



M&A Analyst – Filippo Zuccari

Filippo Zuccari is currently pursuing an MSc in Finance at UCL, having earned a Bachelor's degree in Economics and Management from LUISS Guido Carli University in Rome. He gained hands-on experience as a Performance Analyst at Mediolanum Bank, where he developed yield curve simulations, conducted comparative analyses of mutual funds, and supported private market investment initiatives. As a co-founder of an educational start-up and an M&A Analyst at Cascade Research, he combines entrepreneurial drive with a passion for M&A and financial analyses, bolstered by skills in programming and advanced financial modeling.

Management



Lukas Robrecht
President



Charles Crook
Vice President