



DATUM: QUIETLY GAINING GROUND

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Farnborough-headquartered, **Datum**, is a small but very nicely formed data centre provider. With sites at both the Cody Technology Park in Farnborough and in Manchester (close to the Enterprise zone), the firm has a very impressive set of blue-chip clients. Around 75% of Datum's revenue comes from Enterprise customers, with a very nice spread of FTSE 100, FTSE 250, and Fortune 500 companies in its client portfolio.

We've been tracking Datum for many years. In 2021, Datum was **acquired by UBS Asset Management Real Estate & Private Markets** - funded by shareholder debt rather than equity. Datum was originally part of the same **Darwin**-backed Group as **Attenda**, which was **sold to Ensono in 2016**. Darwin remained a key investor in Datum – alongside other private individuals. At the time, UBS said it wanted to expand the site and "*develop the successful business into a broader platform*". And about a year later (September 2022), Datum acted and acquired Manchester-headquartered, **Teledata**, giving it an important regional presence in the North-West. Furthermore, the firm has been granted planning permission for the development of a new data centre building on what is currently unused space next to the existing Farnborough facility.

I recently took a tour of the firm's data centre in Farnborough, hosted by CEO, Dominic Phillips and CFO, Mark Richards. The first thing you notice is the level of security – both onto the park and then into the data centre itself. Nobody's getting in there that shouldn't be in there!

Inside the halls themselves, clients can customise various aspects such as locks on racks, use of cages, remote opening of racks, and exactly who has permission to enter the space. The next thing to notice is how immaculate all the equipment is; even the stand-by generators housed in a separate room are dust free! Finally – and someone has to say it – data centres should be reassuringly boring. And this one certainly was! Staff came across as being hyper reliable and informed, which when coupled with a laser-like focus on clients' needs, you can start to see why so many big-name brands put so much trust into this small, UK company.

Impressive customer base

Datum has an impressive base of customers – both on the Enterprise side (direct to end user, blue chip clients) and the Service Provider side (i.e. IT service providers, MSPs, ISVs and SaaS businesses). Of note is that doing business with the Service Providers gives Datum an important presence in the ecosystem, and while it targets larger 'Enterprise' firms directly, it also services the **SMB** market indirectly.

However, one of the challenges data centres businesses cannot escape is that this is a model that is all about timings. You don't want new, huge, empty halls with no customers. Likewise, you don't want to leave the development of new space too late in the day in case you miss an opportunity where a customer needs the space rapidly. Indeed, in its FY22, Datum acknowledges that revenue growth was hampered by limited spare capacity. In

the round, however, a well-run data centre business is a neat model with 'sticky', high revenue visibility with the only real risk being failure to sell space.

Data centre businesses are also all about the longer term. Investment/development sums are large – and the returns on those investments could play out over a period of years. But data centre businesses also provide great visibility of forward revenues, and we can see why an investor like UBS (which manages Datum for a pension fund) is drawn to the business.

While FY22 group revenue came in at £11.7m on the back of 11% growth (8% organic, coupled with a 3% increase attributable to increased energy charges), FY23 is expected to be much higher, at 32%. A chunk of that (21%) is from the increase in power costs, but organic growth has also nudged up – to 11%. Combined investments over FY22 and FY23 totalled half a million pounds reflecting the firm's intent to invest to grow.

Broader market

The UK data centre and colocation market is significant within the context of the broader European geographic scene, and the competitive landscape here covers a set of increasingly polarised suppliers. At one end, large providers serving the likes of the hyperscalers are betting big on AI to accelerate growth. At the other end, smaller suppliers with quality customer bases continue to thrive, not least because the demand for hybrid hosting very much prevails.

Over the years, consolidation has been a key feature with all the major players (the likes of **Equinix** and **Digital Realty**) having been involved in M&A. We've seen **smaller** or struggling (e.g., **Sungard**) businesses be acquired. Datum's backing from UBS enabled it to become an acquirer and expand regionally.

We know from speaking to many management teams that being investor-backed can be less than relaxing. But Phillips explains that the upside of having external investors is the discipline it creates – for example around finances and Governance. This approach to running the business, is also reflected in how customers are treated and how the data centres are managed.

2023 was about finishing the build out of its "Hall 4" space, while this year the focus will be completing the build out work in the Manchester facility. When "Hall 4" gains anchor clients, management attention will then swing to the start of the construction of the new Cody Park data centre on the land next door. Going forward, we expect to see focus remain in the North West and South East regions and understand the search is underway for another site inside the M25.

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