

REPORT REPRINT

DC BLOX looks to extend services with acquisition of Infrapoint

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The company is aiming to expand in the Southeast beyond simply building datacenters as it reaches for Infrapoint, adding a host of cloud and managed service capabilities to compete with established providers and support local and regional demand.

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Atlanta-based DC BLOX is aiming to supplement its ongoing physical infrastructure growth in the Southeast with the purchase of Infracore, adding cloud and managed service capabilities to its portfolio. The company continues to advance its spoke-and-wheel expansion strategy with construction of its facility in Huntsville, Alabama, and the soon-to-be-announced purchase of land in another Alabama city, which will give it four datacenters in as many markets. To better compete with established providers, especially those in the top market of Atlanta, and support pent-up local demand in its smaller markets, DC BLOX is bolstering its services.

While it has not officially announced which of Infracore's services it will launch for itself, the deal should give it the ability to offer a variety of services, including private cloud, public cloud integration, cloud storage and security. Regardless, the company will continue to support Infracore's existing customer base beyond the merger.

THE 451 TAKE

After the installation of a new CEO late last year, DC BLOX has by all accounts rebooted itself and looks to be on the right path forward. The company recently raised a series B funding round that it claims will support the construction of at least another three datacenters. In addition to supporting local companies in the underserved, smaller markets of Chattanooga, Tennessee, Huntsville and - just announced - Birmingham, Alabama, DC BLOX is now targeting heavily regulated industries with stringent security requirements. With the acquisition of Infracore, the company obtains security services that will support customers across the financial and government verticals in maintaining compliance with industry-specific requirements - obvious steps in the pursuit of those customers.

DEAL DETAILS AND RATIONALE

DC BLOX continues to execute on its growth strategy of targeting smaller, more underserved areas that have pent-up potential but very little competition or stock sitting on the market. As the company expands into more of these regions, adding services beyond colocation seems to make a lot of sense. All of its relevant rivals offer managed and cloud services in addition to colocation facilities in other markets, so this transaction starts to level that playing field a bit.

Terms of the deal were not disclosed. Infracore's former CEO, Chris Gatch, will join DC BLOX as CTO, while the target's former CTO, Merrett Willett, will lead the acquirer's cloud engineering team. This particular move is as much about expertise as it is anything, so all of the other employees are said to be making the transition over to DC BLOX.

TARGET PROFILE

Cloud and managed service provider Infracore was founded in 2015 in Atlanta. The company centers its practice on private cloud-based services, with an eye toward public cloud integration for a hybrid cloud package. It tends to leverage Cisco for its UCS line of servers and storage, and then layers on either a VMware- or Microsoft-based hypervisor and management service, depending on what the situation calls for.

To that end, Infracore prides itself on its consultative approach to IT services to help customers choose the best execution venue for its workloads. The company can then fold in a number of as-a-service offerings, such as database, backup and full disaster recovery products, to help round out a customer's IT stack. As a complement to these, Infracore also offers security services and can help with compliance management for those regulated-industry customers.

ACQUIRER PROFILE

Founded in 2014, Atlanta based DC BLOX continues to build on what it started four years ago. Late last year, the company appointed a new CEO, Jeff Uphues, and since that time it has been on a fairly ambitious growth trajectory. Starting first with the facility in the crowded market of Atlanta, the company then added a datacenter in Chattanooga, about two hours north of Atlanta. DC BLOX is currently building its third facility, this time in Huntsville, and is working to close on land in another city in Alabama for a fourth facility.

Beyond colocation, DC BLOX has connected its facilities with fiber, allowing customers to leverage additional datacenters in its portfolio for backup and disaster-recovery (BUDR) purposes. The company also recently launched its Cloud Ramp service, utilizing Megaport to offer private connectivity to public cloud providers like Amazon Web Services and Microsoft Azure. Finally, it is working with the local connectivity suppliers in each of its markets to offer dedicated, private connections into customers' premises to facilitate end-to-end connectivity to resources, whether they be hosted in a DC BLOX datacenter or a public cloud provider.

COMPETITION

Frankly, competition in the Atlanta market is where things get tricky for DC BLOX. While the city is home to some 35 providers across nearly 55 datacenters, only a small portion of those will directly compete with DC BLOX – however, all of these players are well-known names. Among them, Flexential (formerly Peak 10 + ViaWest) is the dominant provider in the SMB sector. The company has a broad range of offerings such as colocation, cloud and managed services and has strong financial backing to support consistent growth and aggressive deals. On top of this, Flexential has locations outside the Atlanta market, and focuses on BUDR as well.

The market elephant is QTS Realty Trust, which contends on every level such as cloud, colocation and wholesale services – including markets outside Atlanta, although admittedly not in smaller metros like Chattanooga. With its aggressive growth strategy, QTS offers large amounts of capacity, competitive costs to customers, and the ability to move up the stack at the ready. Other potential competitors include Cyxtera (formerly CenturyLink), T5 Data Centers with its new colocation and services portfolio, and Zayo Group (zColo). Not only do these providers present a challenge for DC BLOX on name recognition, each also has a BUDR strategy of its own, with all of them having datacenters in other markets as well.

In Chattanooga, as in other small metros, multi-tenant datacenters are few and far between. From a space perspective, the city is dominated by Airnet Group – however, that vendor has shifted its focus more toward moving customers to Microsoft Azure rather than filling up its datacenter space. Chattanooga-based electric and fiber connectivity company EPB has also historically offered datacenter services, but its facility has been full for quite some time now, and it seems content to not expand further. This leaves Mike Collins & Associates as the only true formidable rival for colocation services in Chattanooga, but even this company has been relatively quiet in the market over the past 12 months, suggesting that DC BLOX may have a fairly easy road ahead of it there.

Beyond colocation services, however, DC BLOX could face competition in the area from Birmingham-based Tek-Links. The vendor offers a full suite of cloud and managed services from EPB's datacenter, including fiber-connected facilities in other markets, and has historically been aggressive on deals. In addition, DC BLOX will vie for business in Chattanooga with the very same providers it faces in Atlanta, as we've heard that those players have been known to reach into the market to attract deals in the same manner as DC BLOX.

ACQUIRER

DC BLOX

DEAL VALUE

Undisclosed

TARGET

Infrapoint

DATE ANNOUNCED

May 29, 2018

SUBSECTOR

Colocation / Managed infrastructure / Services

CLOSING DATE

Undisclosed