



Data Centers, Digital Infrastructure and Clouds: A Roadmap to Sustainable Expansion

Gold Within

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Table of Abbreviations







Abbreviation	Explanation
AI	Artificial Intelligence
AMER	America
APAC	Asia-Pacific
AWS	Amazon Web Services
Bn	Billion
CAGR	Compound Annual Growth Rate
CapEx	Capital Expenditure
CARG	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Cash flow from Operations
CRAC	Computer Room Air Conditioners
D&A	Depreciation and Amortization
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortization
ECX Fabric	Equinix Cloud Exchange Fabric
EMEA	Europe, Middle East, and Africa
EPS	Earnings Per Share
EU	European Union
EV	Enterprise Value
FCF	Free Cash Flow
FY	Fiscal Year
GDP	Gross Domestic Product
HHI	Herfindahl-Hirschman index

Abbreviation	Explanation
HR	Human Resources
IaaS	Infrastructure as a Service
IBM	International Business Machines Corporation
IoT	Internet of Things
M&A	Mergers and Acquisitions
MM	Million
NPV	Net Present Value
OCP	OpenShift Container Platform
PaaS	Platform as a Service
PE	Price to Earnings
PP&E	Property, Plant, and Equipment
PTI	Payment to Income Ratio
R&D	Research and Development
REIT	Real Estate Investment Trust
ROI	Return on Investment
SaaS	Software as a Service
SG&A	Selling, General & Administrative
STEM	Science, technology, engineering, and mathematics
T	Total
TCO	Total Cost of Ownership
TV	Terminal Value
U.S	United States
USD	U.S Dollar
WACC	Weighted Average Cost of Capital



Executive Summary

IBM should <u>not</u> acquire...			instead, IBM should acquire...		
<div></div>			<div></div>		
Company Profile		<ul style="list-style-type: none">• A leading digital infrastructure company, focusing on 3 main segments: digital infrastructure, interconnection, and data center service• Combining two large entities like IBM and Equinix could result in a near-monopoly, which could impede long-term innovation due to the lack of competition	Company Profile		<ul style="list-style-type: none">• The first pure-play data center REIT in Asia with a diverse and high-quality portfolio of data center assets in key international data center hubs.• Keppel DC REIT's expertise in selecting high-potential data centers can significantly boost IBM's digital infrastructure and hybrid cloud service development
		<ul style="list-style-type: none">• Equinix has a market cap of ~\$80.5 Bn• Need a huge debt load to make a deal of this size feasible - risk of credit rating downgrade• Would be the largest transaction that IBM has done to date			<ul style="list-style-type: none">• Keppel DC REIT has a market cap of ~\$2.198 Bn• Team analysis suggests a 30% premium to current share price \$1.2• Keppel DC REIT presents IBM with the opportunity to establish itself as a significant player in Asian markets, including China, Ireland, and Malaysia, by providing access to numerous potential data centers in these locations
		<ul style="list-style-type: none">• Reduced sales and profitability following the merger could arise from IBM and Equinix's shared services• Equinix and IBM's data centers are overlapping in significant areas such as the US, UK, and Australia			<ul style="list-style-type: none">• Keppel's proven data center selection skills, evident in their rising financial income, promise to boost IBM's digital and cloud services.• Keppel's acquisition complements IBM's strategy by preventing monopolization, reducing service overlap, and encouraging innovation.

A man with glasses and a beard, and a woman with glasses, are looking at a device in a laboratory. The man is pointing at the device. The background shows laboratory equipment and large windows.

Industry Analysis

Global Industry Overview

The world embraces significant technological innovations in 2024 to cope with economic and societal changes



2023 Highlights

- The tech industry is booming, with growth expected to be driven by enterprises spending hugely on software and IT services—particularly artificial intelligence, cloud computing, and cybersecurity technology
- World economic growth slowed from 3.5 percent in 2022 to 3% in 2023. Inflation continues to decelerate, from 9.2% in 2022 on a year-over-year basis, to 5.9% in 2023 and 4.8% in 2024
- Businesses are striving for a balance between globalization and self-reliance in the stage of disruptions from geopolitical unrest, supply chain volatility, raw material shortages, and new regulations and policies

2024 Outlook by global geography



Asia Pacific

Asia Pacific (APAC) will have the fastest regional tech spend growth with 5.7% in 2024 due to the escalating adoption of software and IT services, fast R&D investment growth and Economic growth



North America

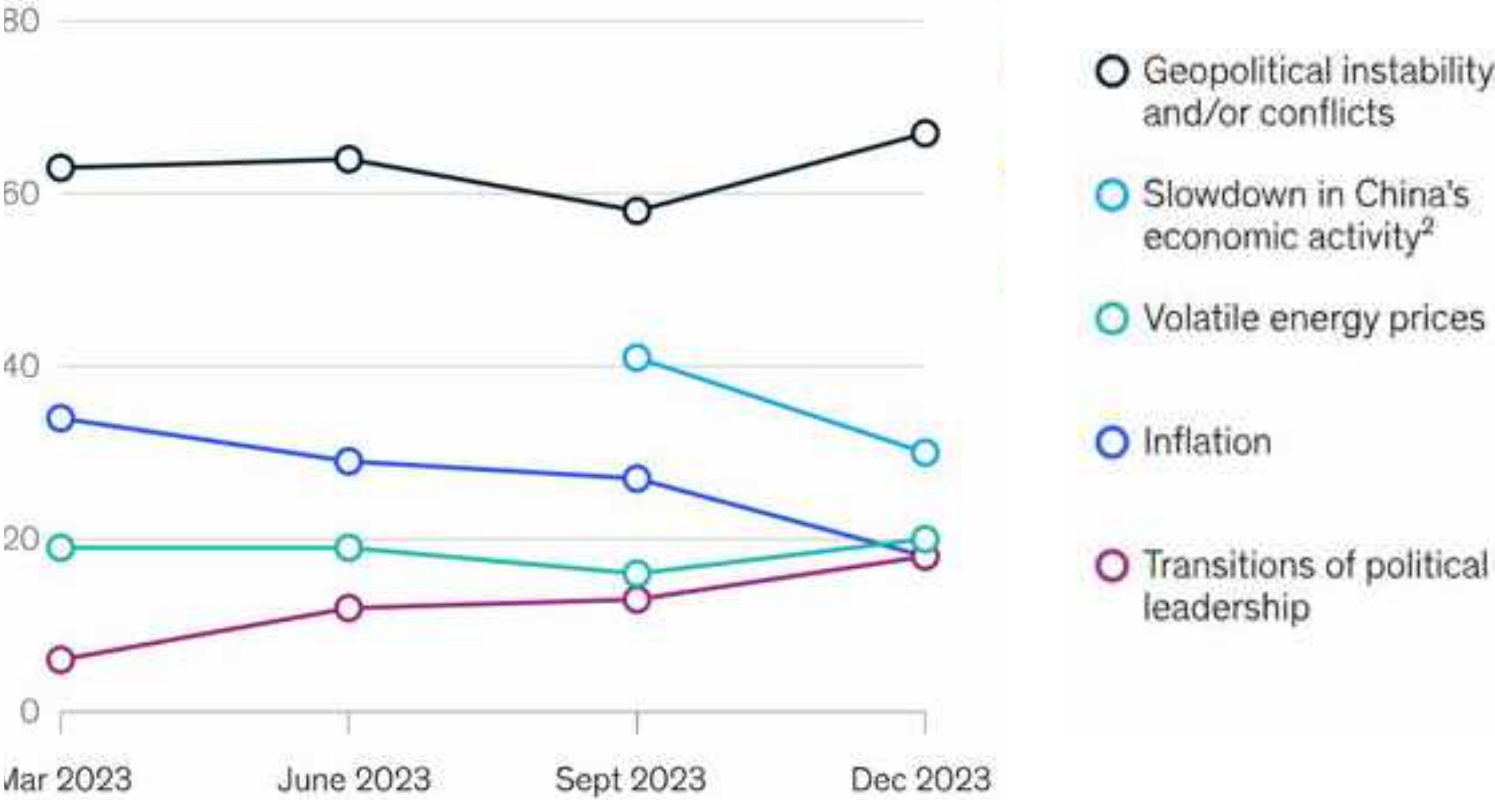
North America tech spend will grow at 5.5%, helped by the digital economy. Financial services and healthcare will see the fastest tech spend growth in 2024



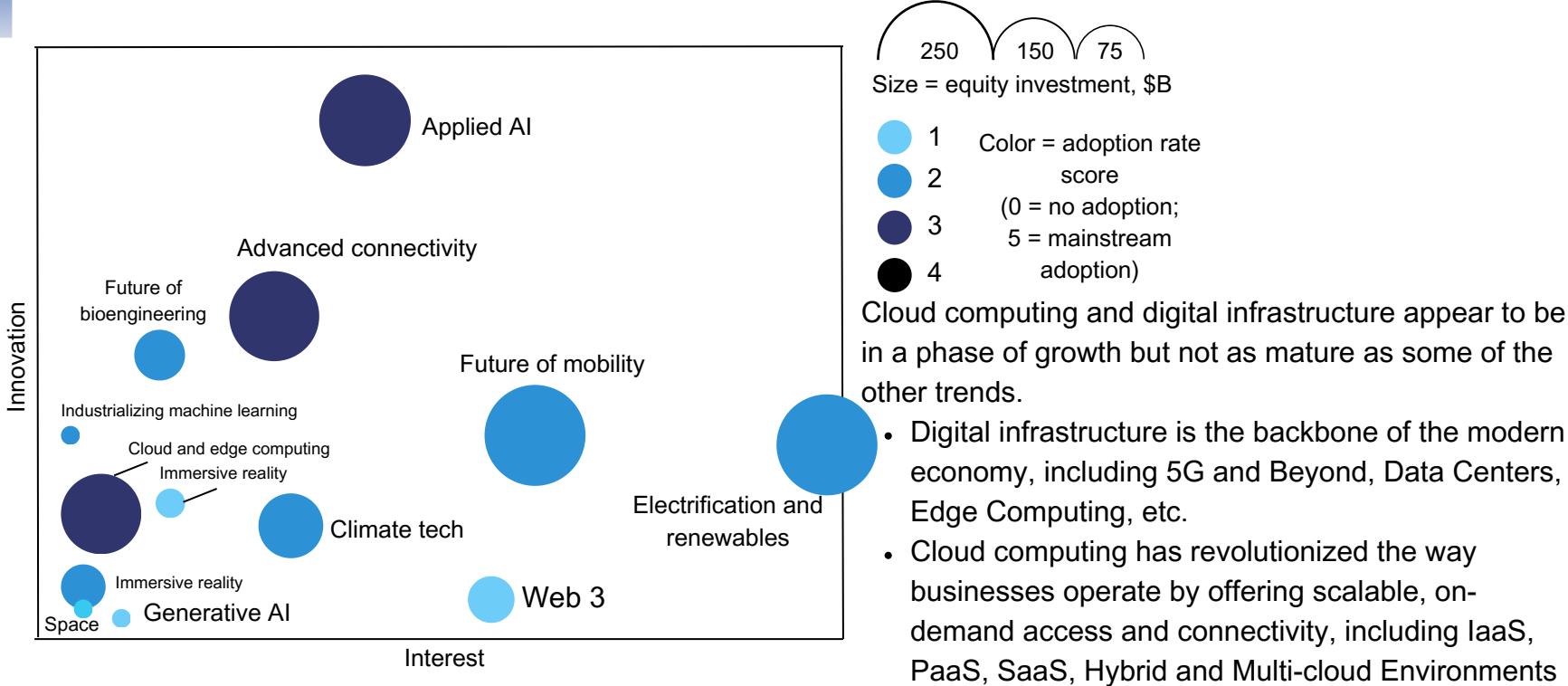
Europe

Europe will grow 5.1% thanks to the the recovery of real incomes and improved business confidence, along with the fall of inflation in 2023 suggests increased investment and competitiveness in 2024

Potential risks to global economic growth



The potential growth area for businesses



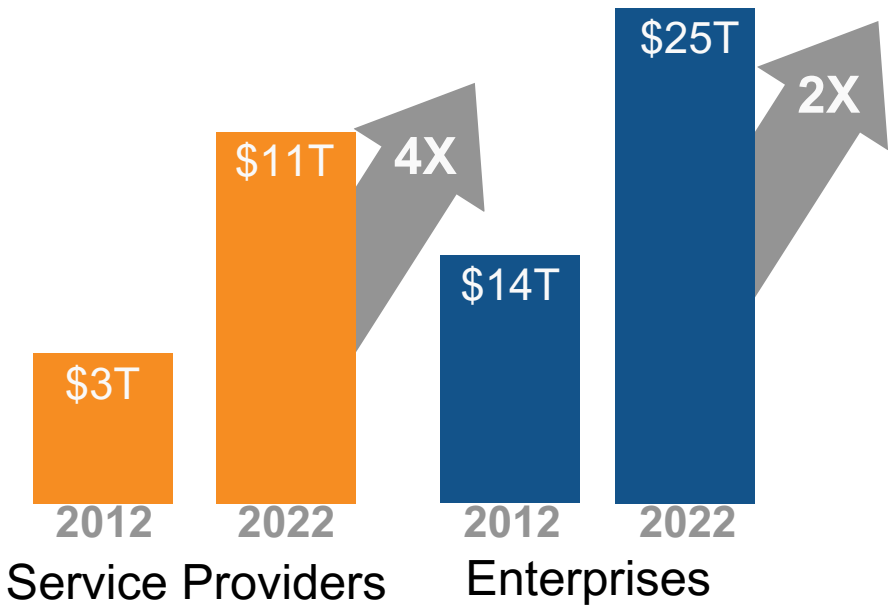
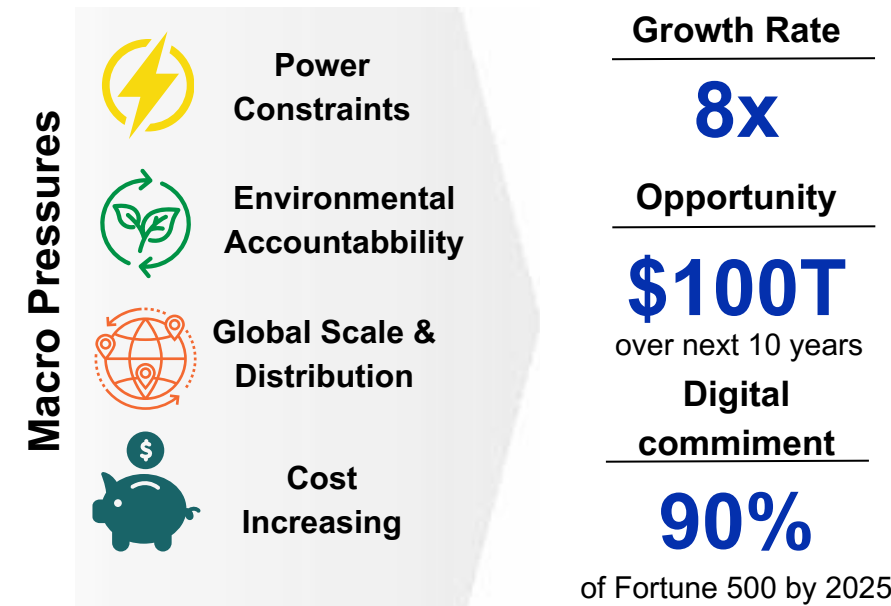
Source: (McKinsey&Co, 2023), (Statista, 2023), (FORRESTER, 2024)

Digital Infrastructure & Data Center Overview



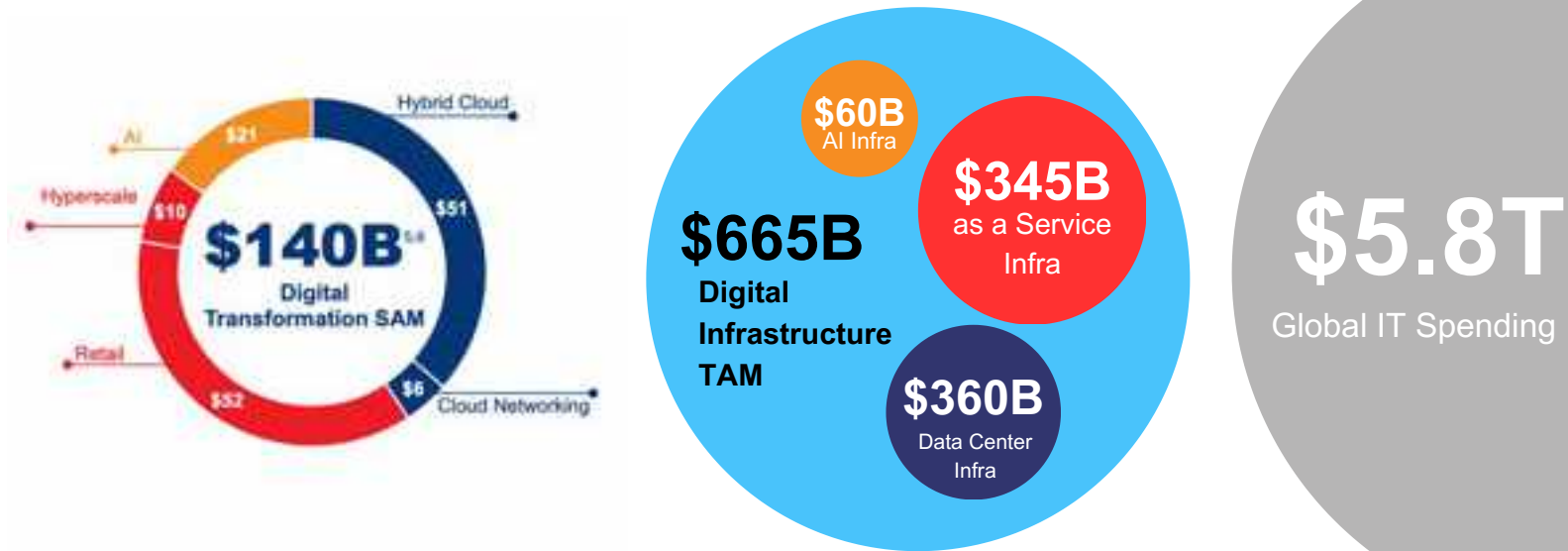
The digital economy is now racing to power their future with digitalization, emphasizing on digital infrastructure and data centers

Digital Infrastructure appears to be one of the highest priorities



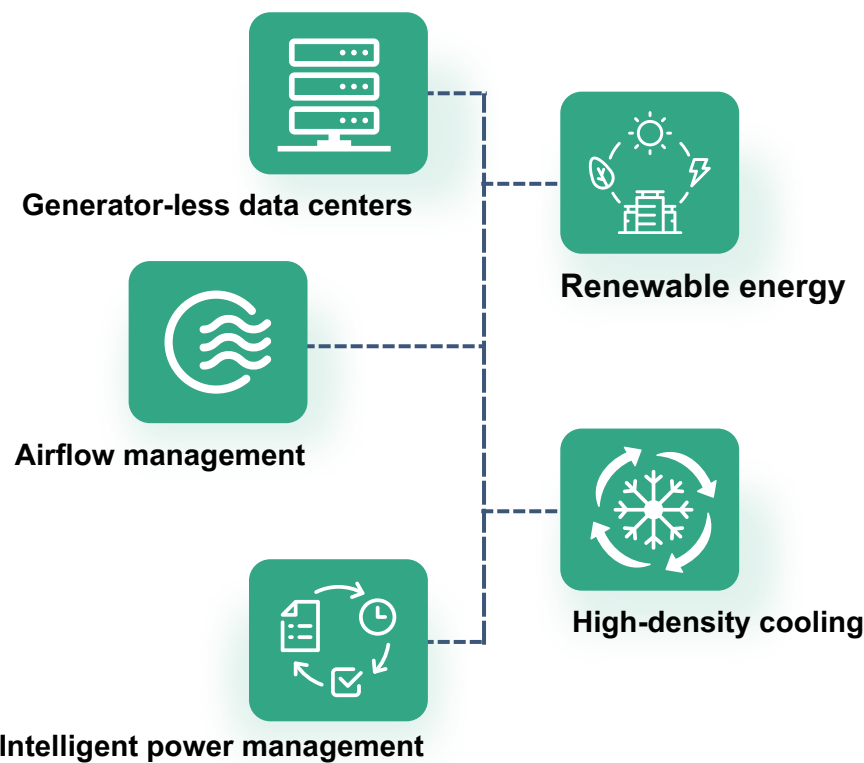
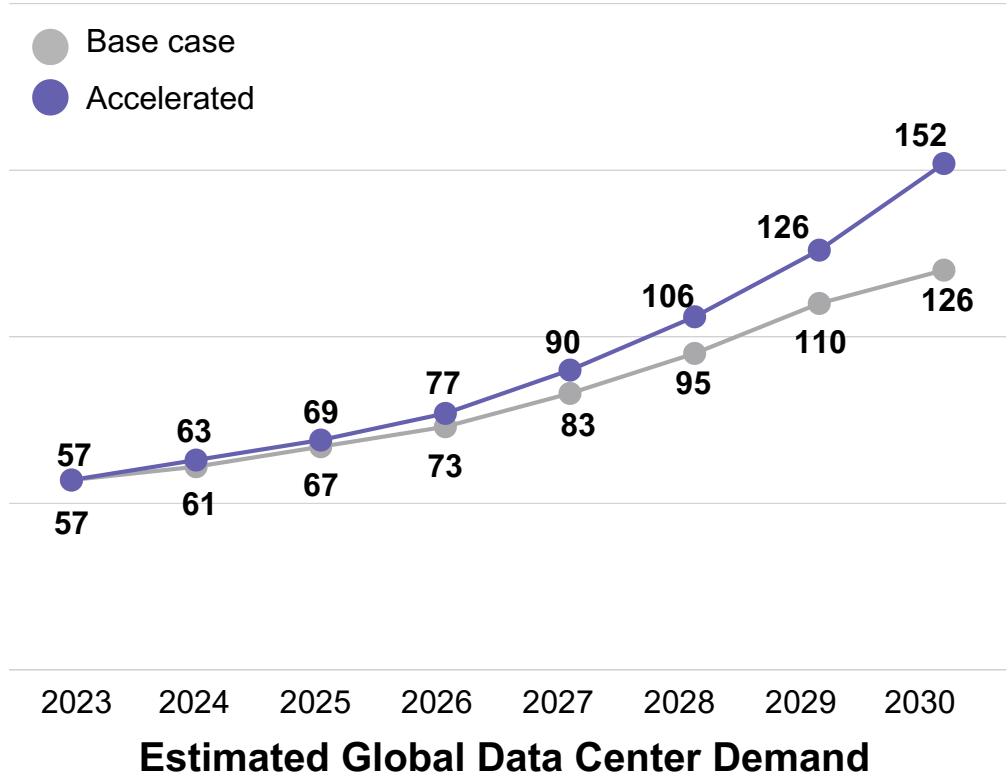
To take a further look, how will this market grow by 2026?

Worldwide Spending Technology Segment & Subsegment, 2021-2026

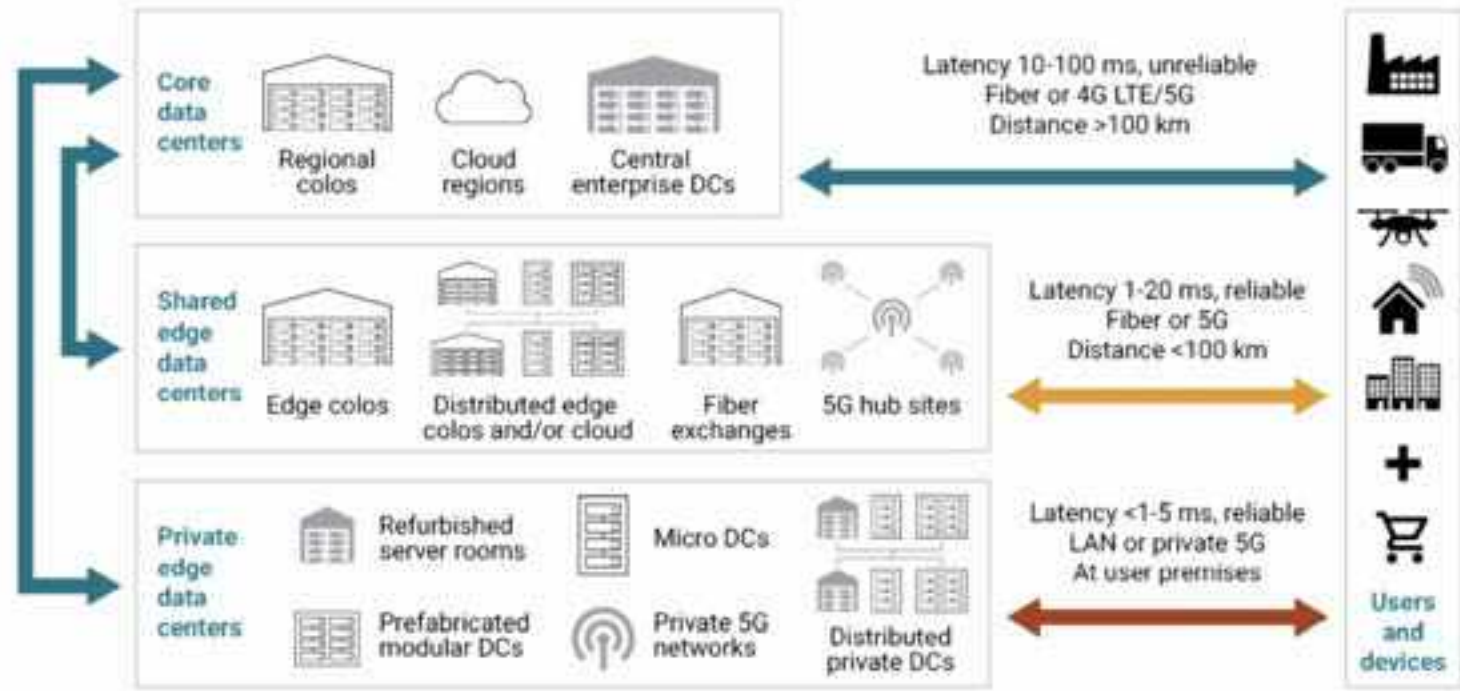


Data centers are the backbone of the digital infrastructure, therefore demand increases by times

Green Data Centers for the Future



Four main types of data centers that connect everything



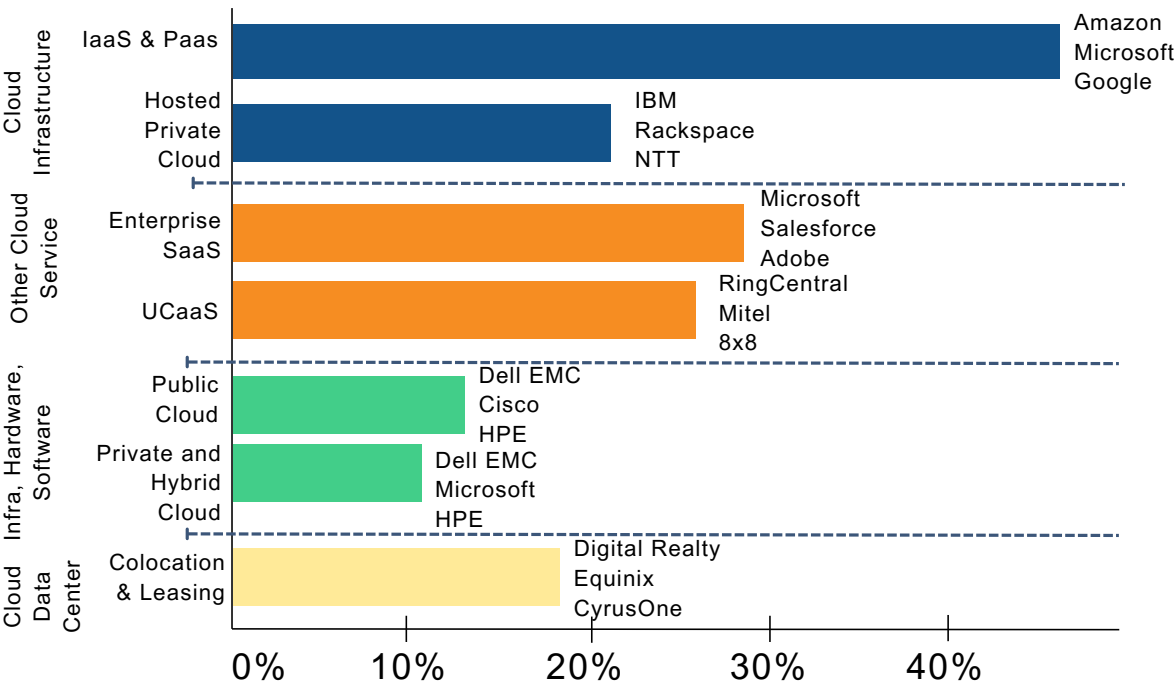
Source: (Equinix, 2023), (Uptime Institute Intelligence, 2021), (Statista, 2022)

Cloud & Hybrid Cloud Overview



2024 is expected to be a pivotal year for cloud computing, marking a significant shift towards widespread adoption and maturation across industries and sectors

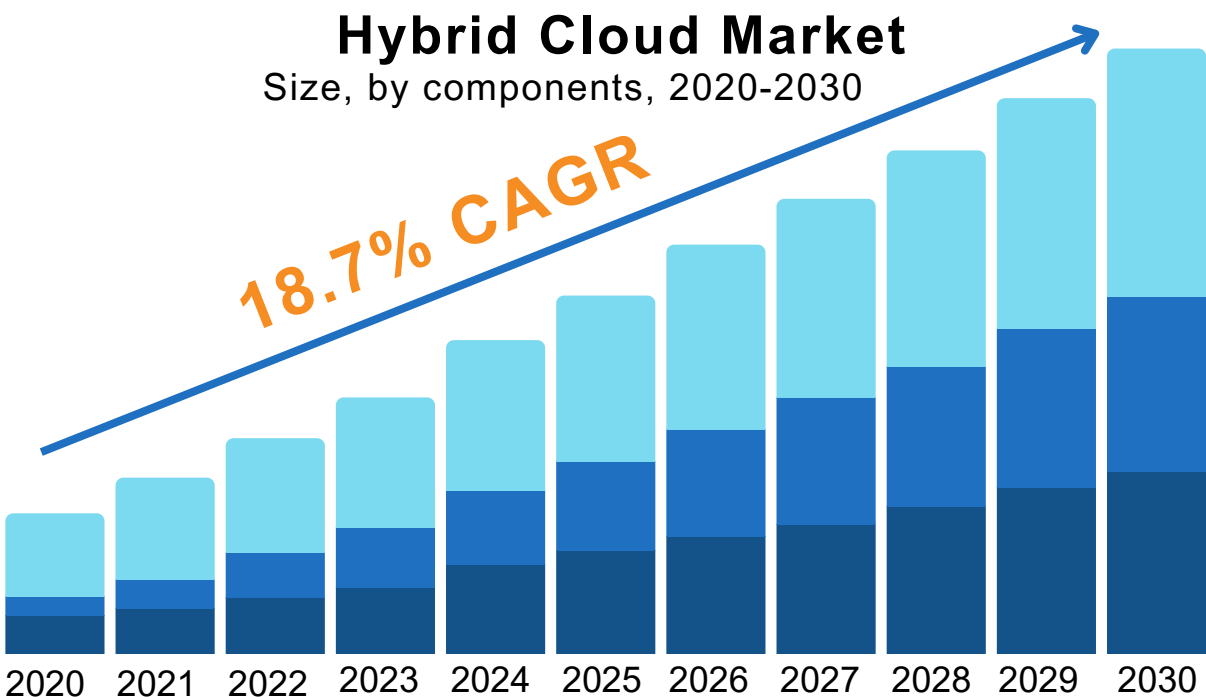
Businesses and countries are racing to the Cloud



Over \$100 billion in fiscal year 2023 on information technology (IT), and \$17 billion went to cloud services specifically

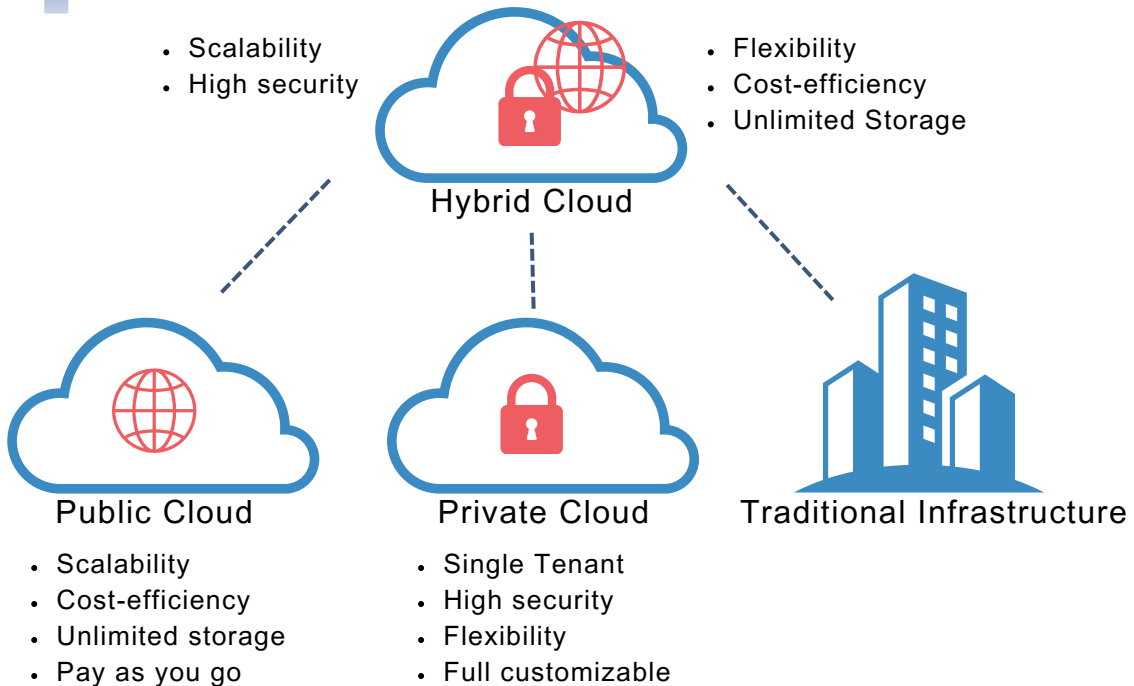
Cloud market services grew by 18% in the third quarter of 2023 amounting to a spend of US \$9.2 billion

Hybird cloud is now is on the rise



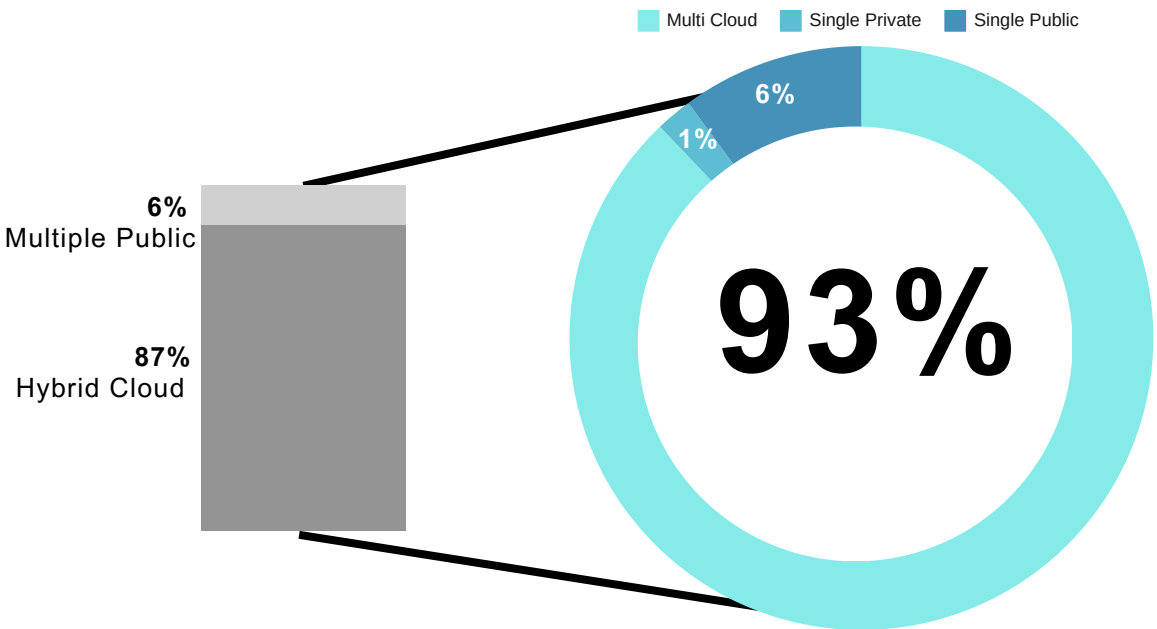
Cloud Markets Growth and Segments Leader

Buniesses have different Clouds preferences: Public, Private or Hybrid



Types of Clouds and their Connection

Souce: (Kinsta, 2023), (IDC, 2023), (Statista, 2024)



Enterprise Cloud Strategy

Coupled with the race, there has to be some rules to follow

General Data Protection Regulation (GDPR)

Cloud Computing Compliance Controls Catalogue (C5)

Payment Card Industry Data Security Standard (PCI DSS)

Federal Risk and Authorization Management Program (FedRAMP)

Cloud Security Alliance (CSA) Cloud Controls Matrix

ISO/IEC 27017 & 27018 (International Standards)

REGULATIONS

A low-angle, upward-looking photograph of modern skyscrapers. The buildings feature glass facades and metallic panels, creating a complex geometric pattern of lines and angles. A semi-transparent blue horizontal band is superimposed across the middle of the image, serving as a background for the title text.

Company Overview



IBM

Overview

IBM Overview

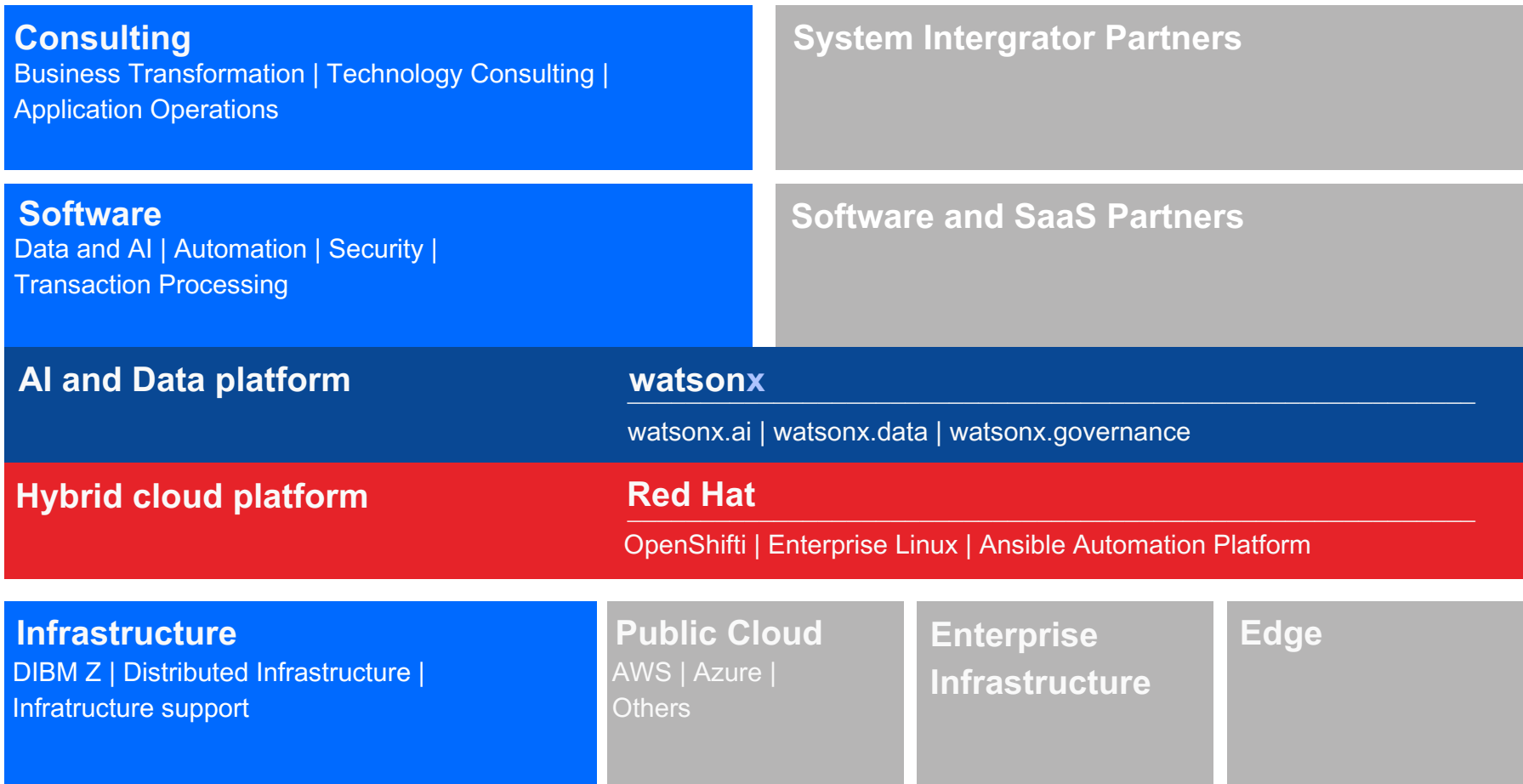
IBM is the global leader in digital infrastructure, cloud services and AI, serving clients in more than 175 countries



A Comprehensive Look at IBM

- **IBM (International Business Machines Corporation)** is a global technology company operates in more than 175 countries around the world headquartered in New York, USA
- The company's revenue is diversified across multiple segments, including **Software**, **Infrastructure**, Consulting, Financing + Other
- IBM aligns to a platform-centric model, focused on **hybrid cloud and AI**, innovation in **software and infrastructure** while pursued strategic acquisitions and divestitures
- IBM central in providing client value through **a combination of technology and business** expertise, expanded their partner ecosystem, simplified go-to-market model
- "IBM is dedicated to leveraging the latest technologies to drive innovation and create value for our clients worldwide." - Arvind Krishna, Chairman and CEO of IBM

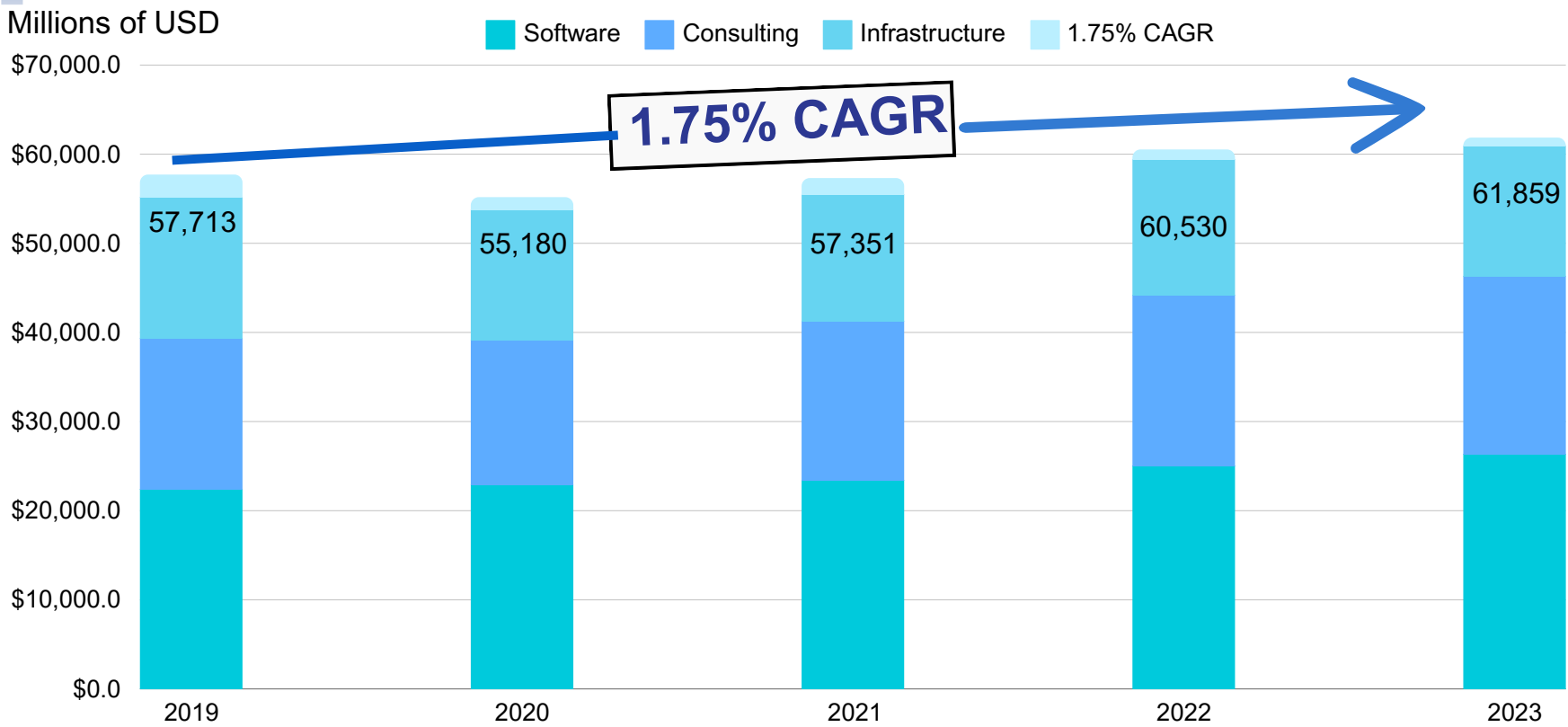
A diverse portfolio of products and services



Comparative Analysis - Who are IBM's competitors?



Financial Revenue Per Year by segments



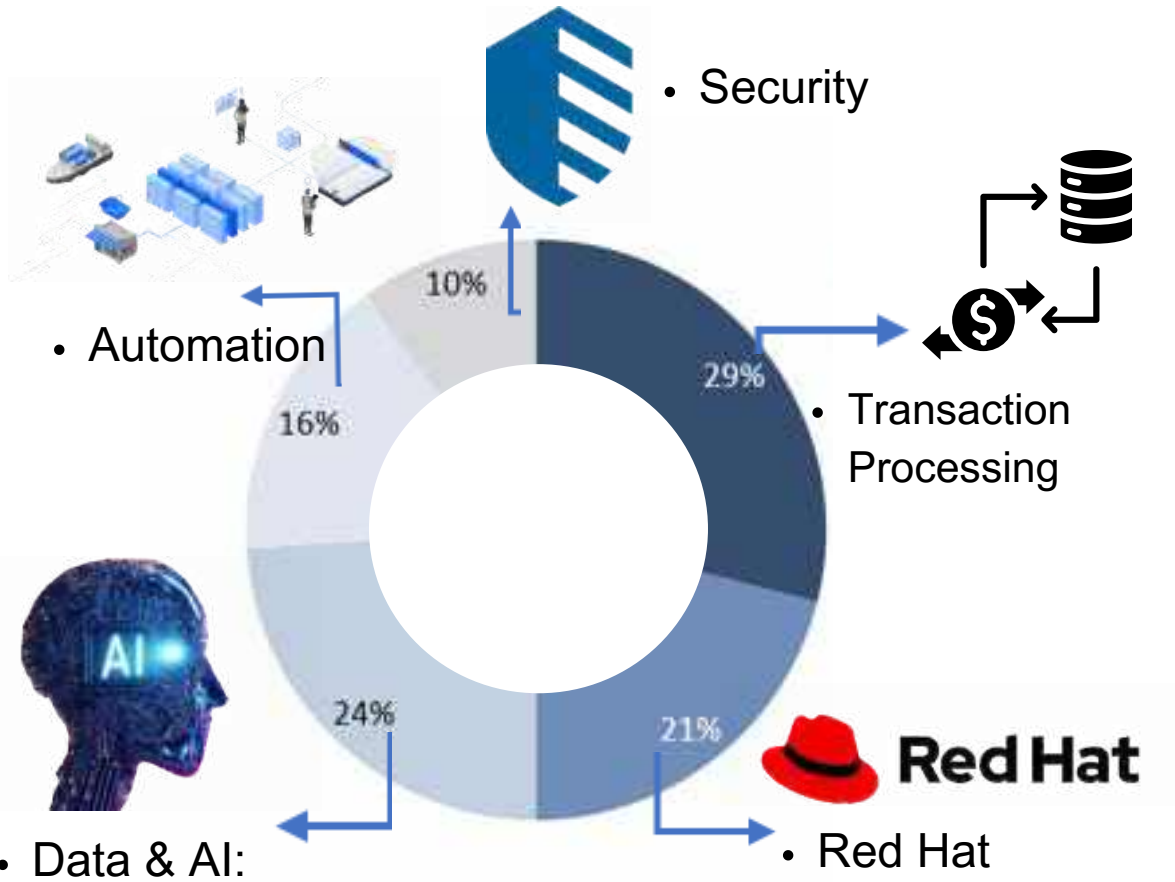
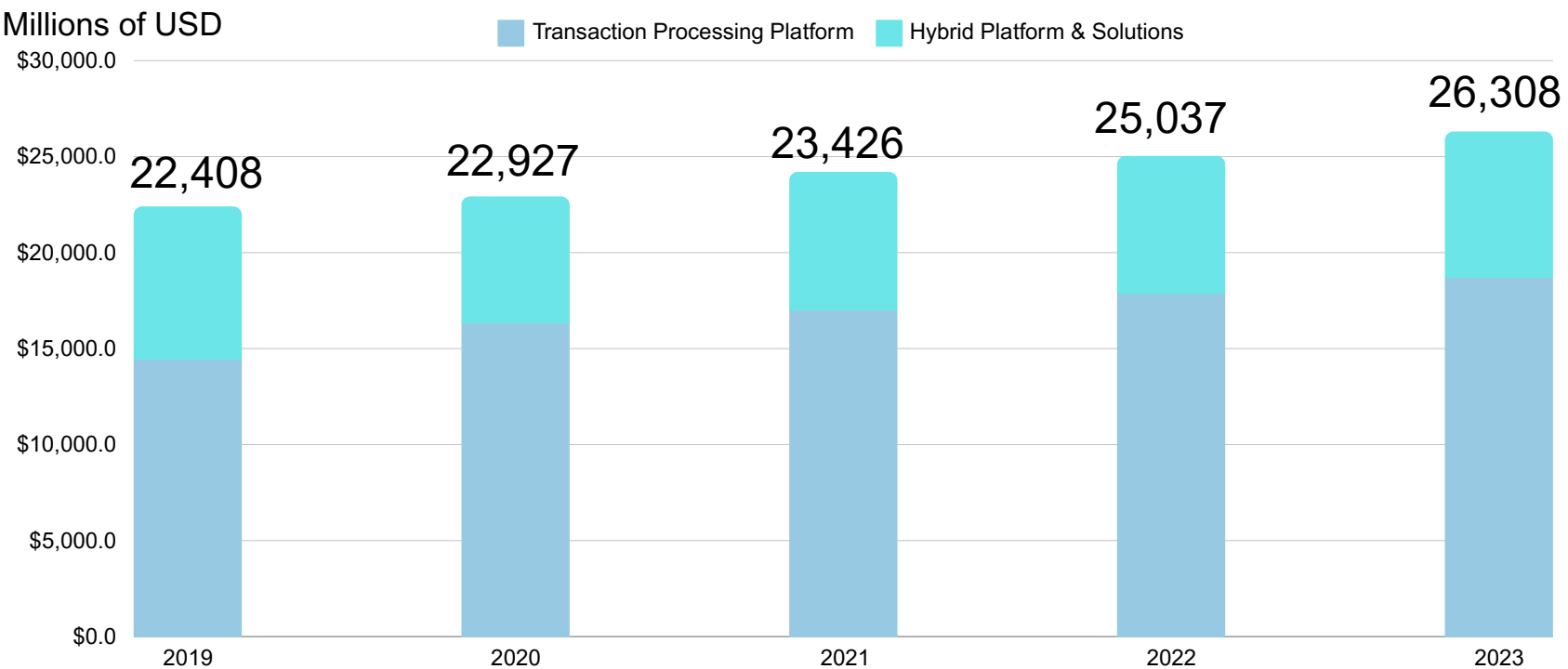
Source: (IBM Annual report, 2022), (Bloomberg, 2024)

IBM software segments provides solutions that address client needs on their journey to hybrid cloud

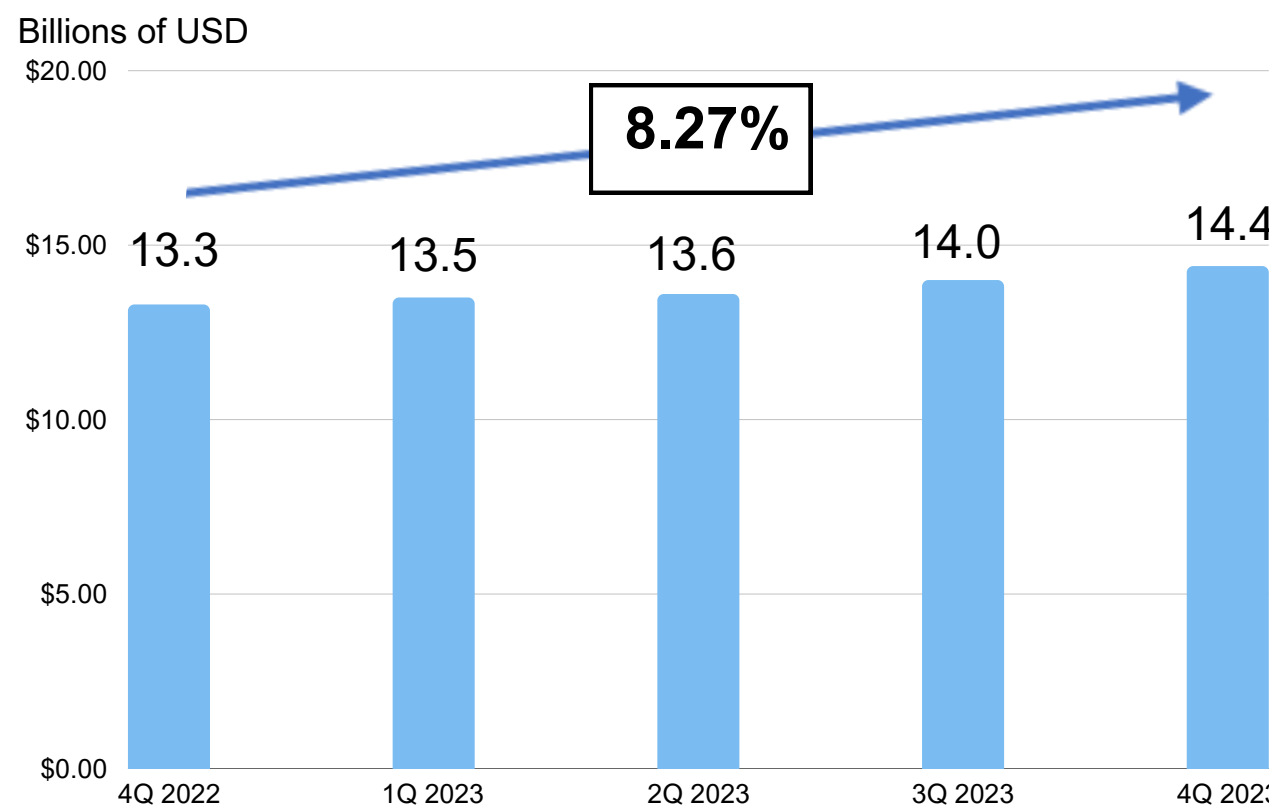
Segment Overview

- Software provides software solutions that address client needs for a **hybrid cloud platform, data and AI, automation, and security** on their journey to hybrid cloud
- IBM Software’s growing portfolio runs on **Red Hat OpenShift** Container Platform (OCP)
- One hundred percent of commercial banks, telecommunication, media and technology companies in the Fortune Global 500 rely on Red Hat
- Software is the segment that generate the **highest revenue** in 2023, which is 43% of total revenue
- **Red Hat**, reported in IBM Software segment, delivers the leading open-source hybrid cloud platform and enables clients to build, secure, operate and manage any application, anywhere
- A **hybrid cloud strategy** can enable seamless data services among disparate data centers, co-locations, edge locations and the public cloud infrastructure

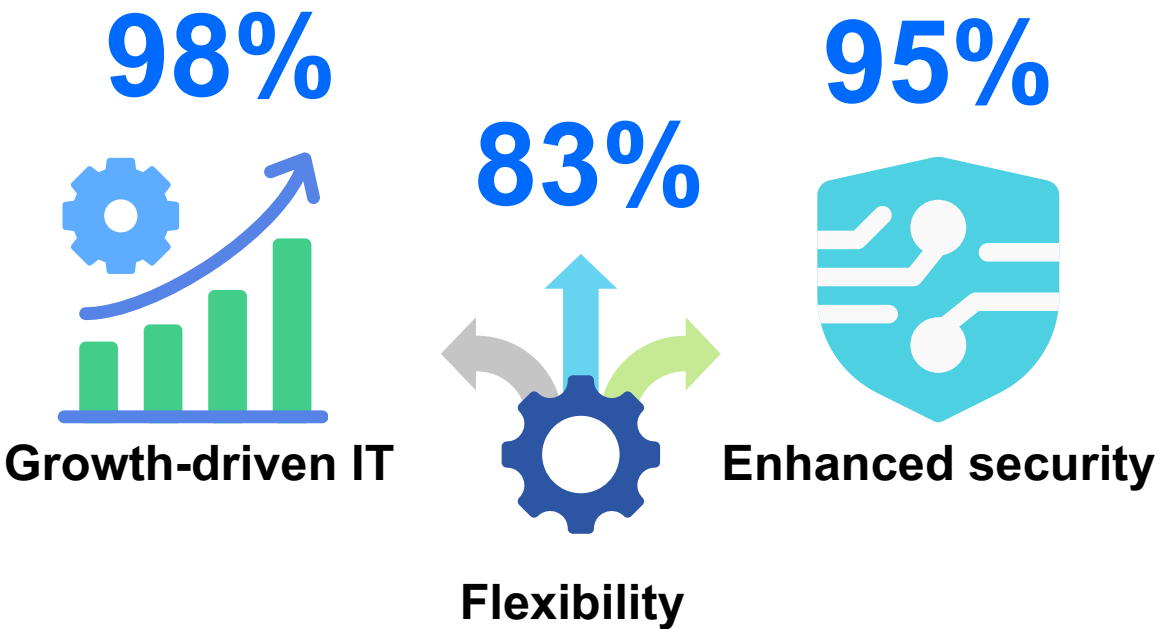
Segment Revenue



Annual recurring revenue for Hybrid Platform & Solutions



“Hybrid cloud is a powerful strategy for business transformation and innovation.”



Source: (IBM Annual report, 2022), (Bloomberg, 2024)

IBM has been investing to both extend and expand hybrid cloud and AI capabilities in Software

Software attributes

“Modernize”

Accelerate, integrate and manage agile IT landscapes from the data center to the edge.

“Automate”

Improve productivity with AI workflows that help people learn, detect, decide and act

“Data-driven”

Collect, organize and analyze data to infuse AI to shape future outcomes

“Secure”

Align, protect, and manage threats to your business proactively

66%

Acceleration in development cycles using IBM and Red Hat solutions together

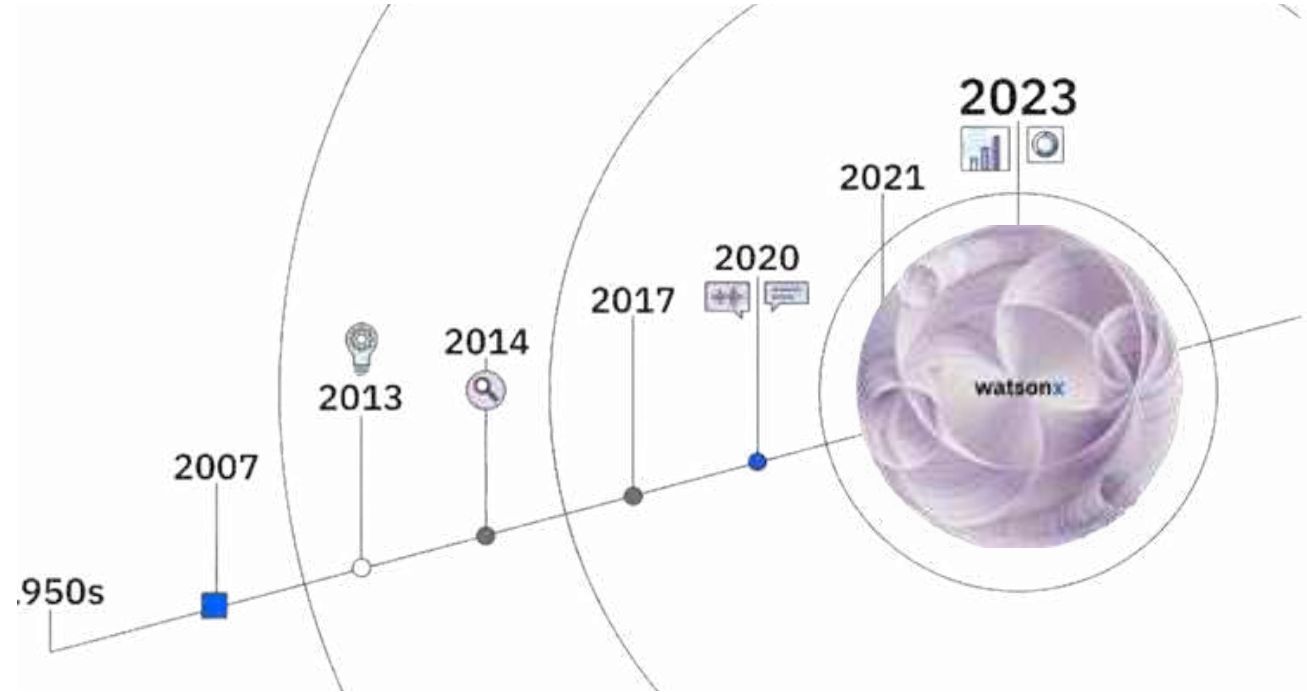
Reduction in processing time by leveraging hyperautomation to boost productivity

60%

6%

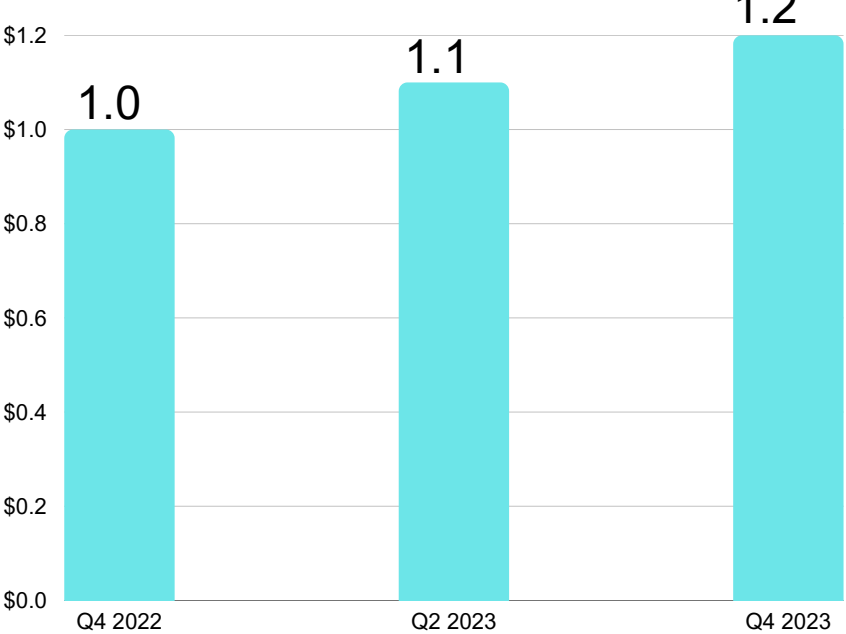
Footprint reduction in infrastructure, lowering capex and opex through application modernization and hybrid cloud optimization

The Watsonx platform captures AI share leadership with a comprehensive platform



Red Hat Main Driver of IBM Software Sales “write once, deploy anywhere”

Red Hat ARR (Billions of USD)



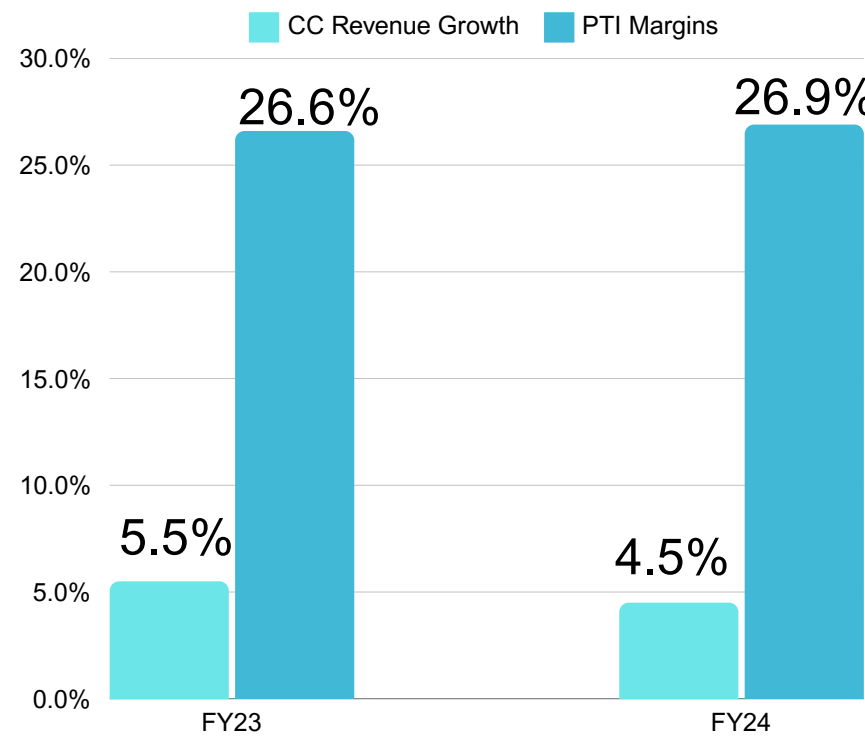
Red Hat collaborates with a broad ecosystem of partners and communities comprised of millions of developers



PaaS

- IBM Software’s growing portfolio runs on Red Hat OpenShift Container Platform (OCP)

Estimated growth and PTI margins for the FY2024



IBM’s Software business is well positioned with meaningful exposure to Security and Automation, as well as open-source and Kubernetes technology with RedHat and OpenShift

Source: (IBM, 2024), (J.PMorgan, 2023)

IBM Overview | Consulting



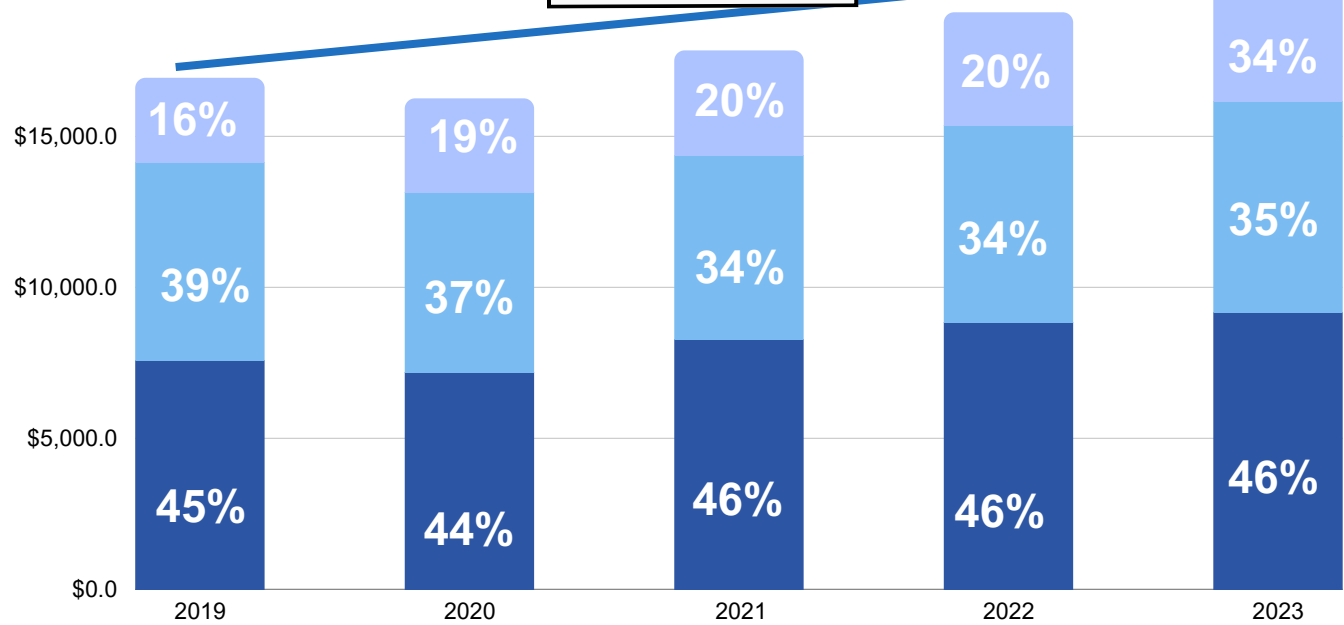
Consulting is one of the strongest growing segments in IBM with a great source of expertise and capital

Segment Overview

- Consulting designs, builds and operates technology and business processes based **hybrid cloud and AI technologies**
- IBM is the only technology company with a consulting business at scale
- IBM **strategic partnerships** now make up over 40% of Consulting revenue and delivered double-digit growth in both, signings and revenue for the full year
- It comprises three business areas – Business Transformation, Technology Consulting and Application Operations
- Consulting **revenue increased** 6% adjusted for currency with growth across all lines of business, with backlog is up 8%
- IBM Consulting has strengthened its commitment to be a trusted partner for digital transformation and expanded its use of the **IBM Garage**

Revenue Growth

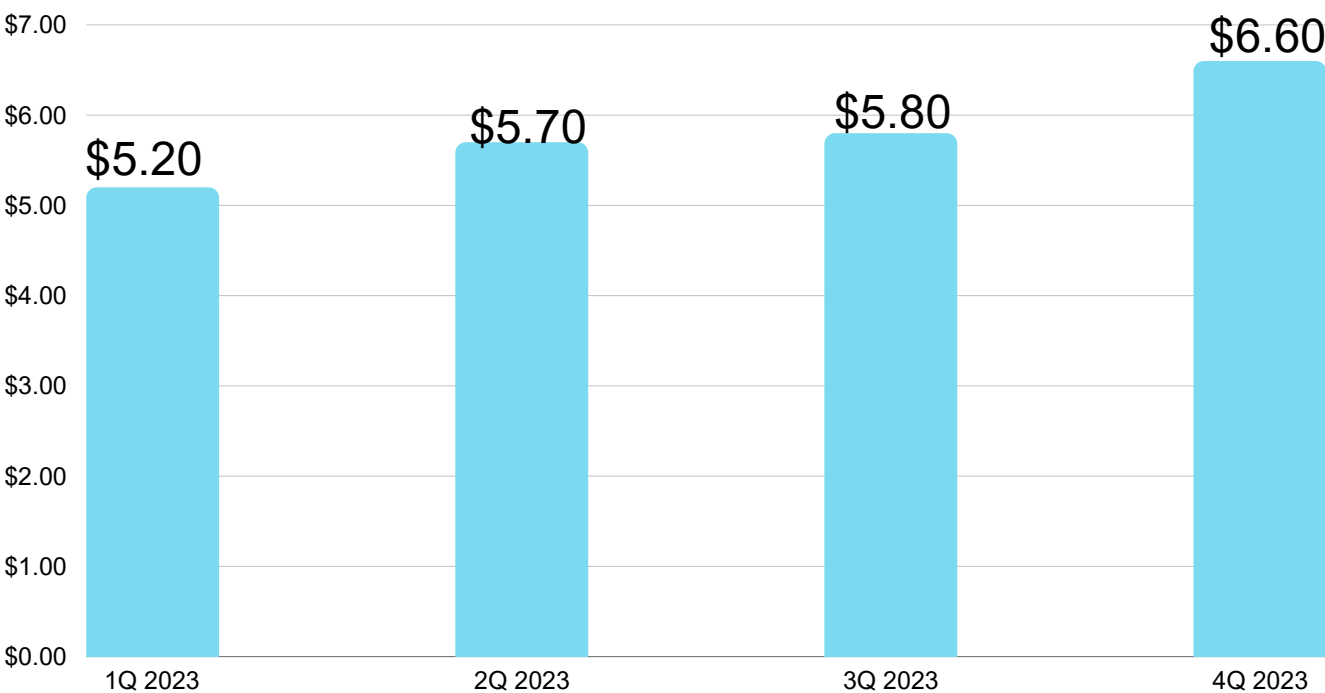
Millions of USD
\$20,000.0



• Its success in the past two years suggests IBM consulting segment will likely grow faster than the overall industry (at about 5%)

Strong signing performance

Billions of USD



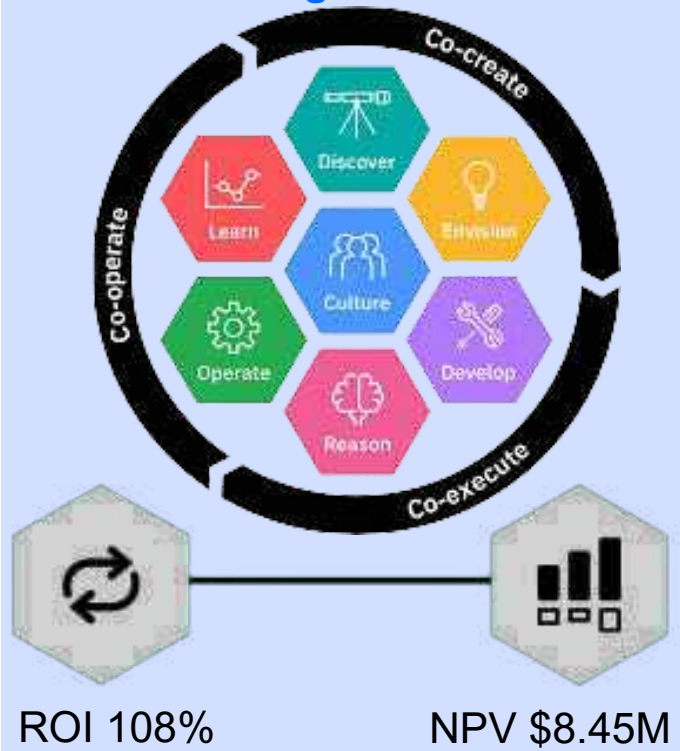
- Consulting signings was approximately 2/3 of IB book of AI-related business, in the fourth quarter 2023 with Book-to-bill ratio >1.15 for the year

IBM Consulting is the leading market system integrator with hybrid cloud and AI

Red Hat® OpenShift® on Amazon Web Services (AWS) and Azure

- Transform and innovate with hybrid cloud.
- Modernize traditional deployments and build cloud-native applications

The Garage method



Watson-related products

Watsonx and IBM Consulting capabilities to deploy AI at-scale are a powerful combination distinctive to IBM

“AI for business”

HR and talent
Customer Service
Application Modernization

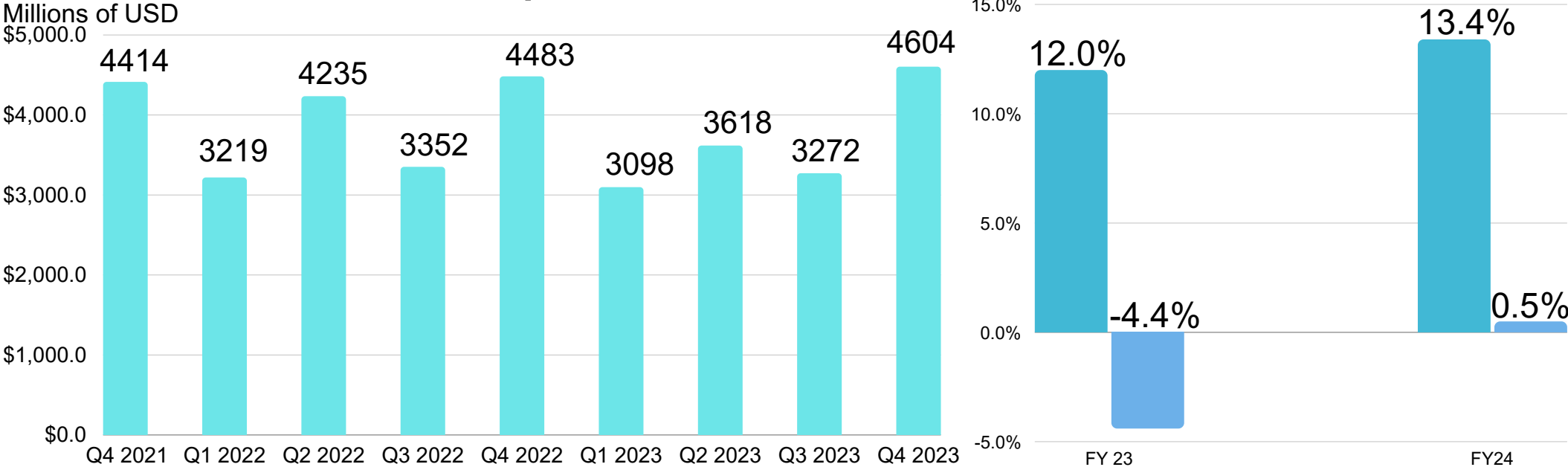
Source: (IBM, 2024), (Bloomberg, 2024), (CNBC, 2022)



Segment Overview

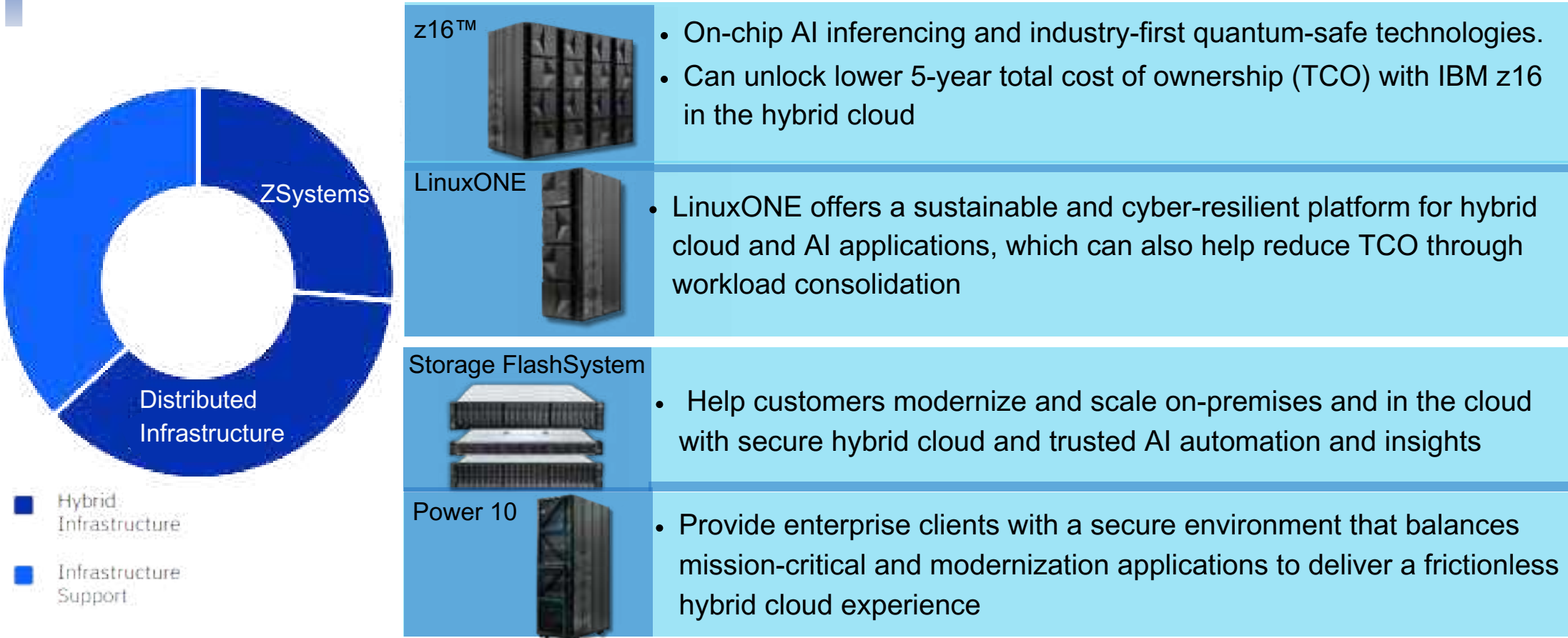
- Infrastructure is optimized for infusing **AI into mission-critical transactions** and **tightly integrated with IBM Software** including Red Hat for accelerated hybrid cloud benefits
- Infrastructure comprises two business areas – Hybrid Infrastructure and Infrastructure Support
- Forty-five of the world's top 50 banks are running on IBM zSystems.
- **The z16 program** incorporates a number of key innovations, including cloud-native development for hybrid cloud and embedded AI at scale
- Total infrastructure **FY revenue** was down 4% y/y, reflecting **lower demand** from the product cycle

Infrastructure revenue is expected to decline



- Infrastructure profitability fluctuates on product-refresh cycles, with margins slipping when a new mainframe is released and then improving in subsequent years

IBM is well positioned in the growing hybrid cloud infrastructure market



IBM Cloud Deployment - Data Center Map



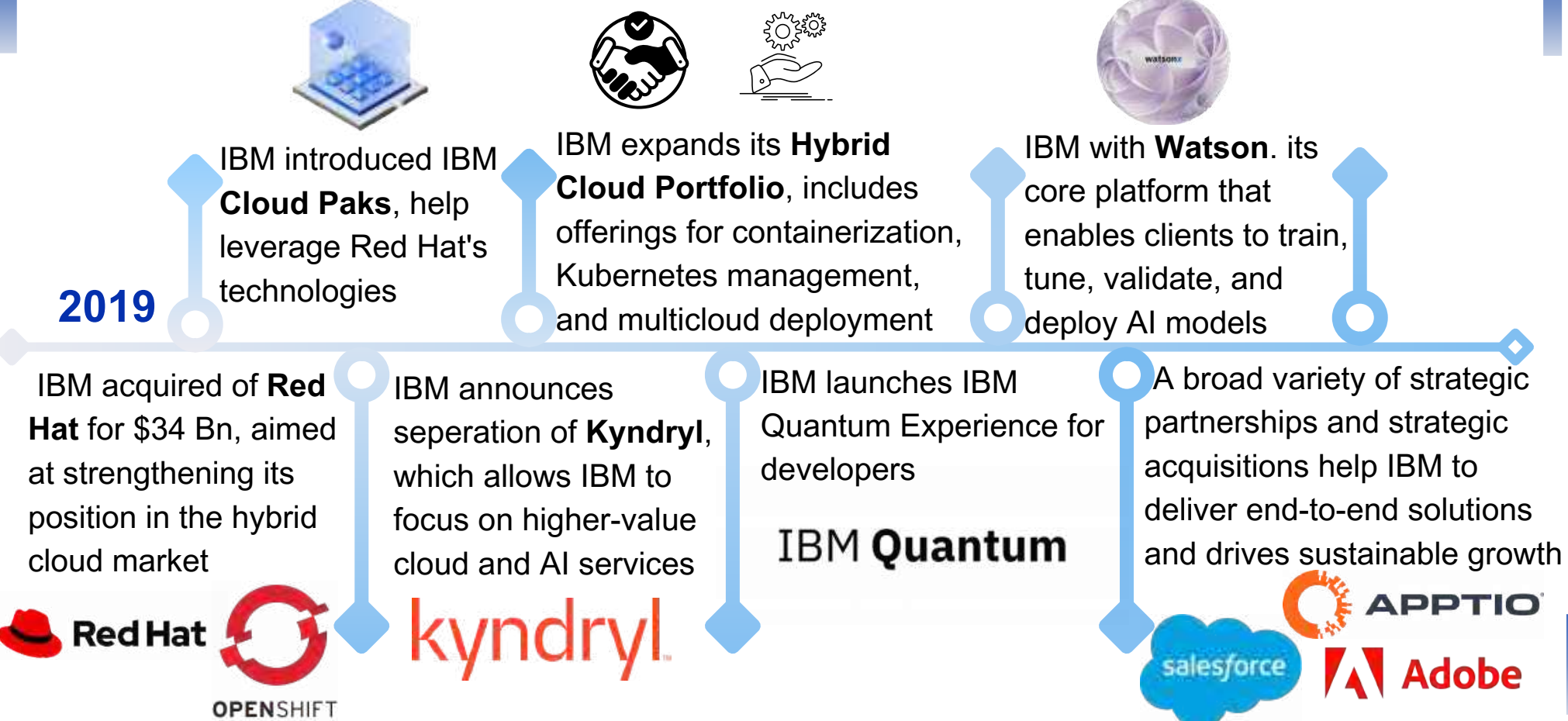
Source: (IBM Annual report, 2024), (Bloomberg, 2024)

IBM's Strategic Direction

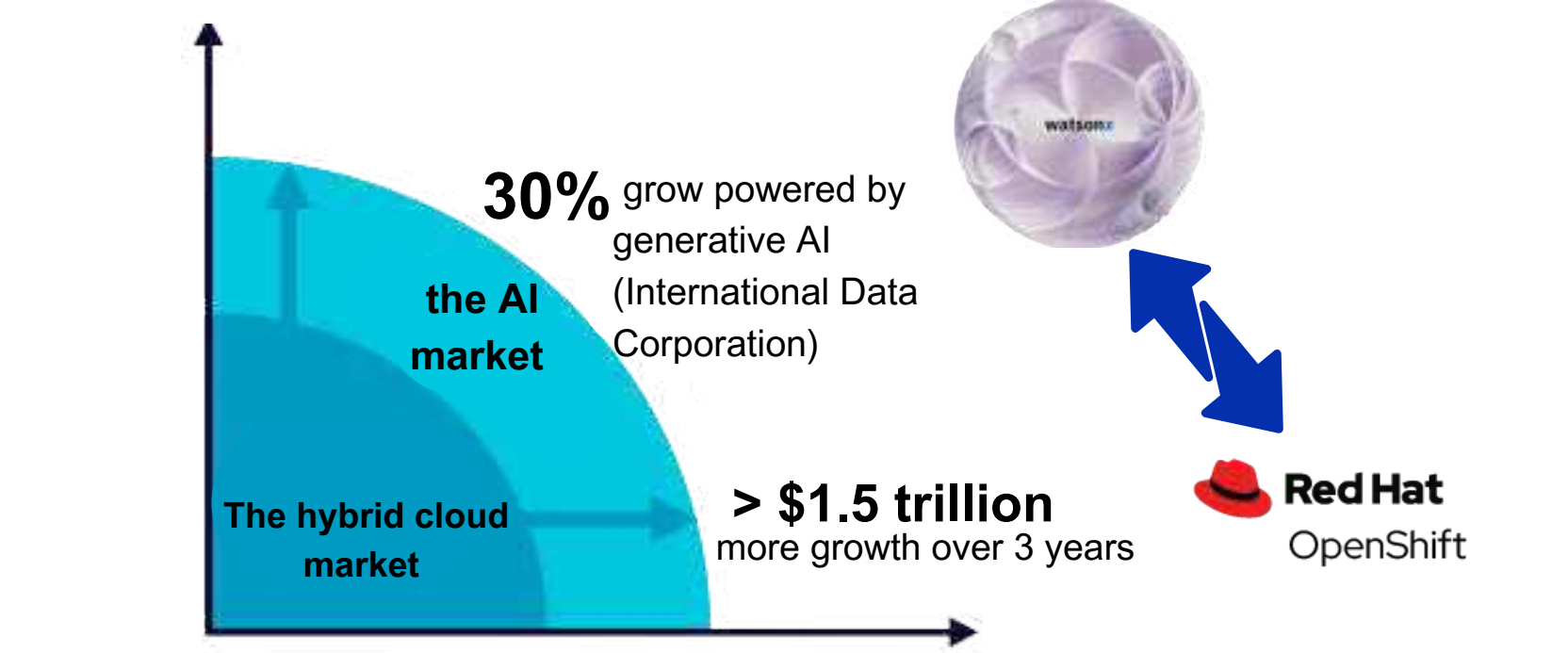


IBM believes hybrid cloud and AI are the two most transformative technological shifts that are happening in the world today

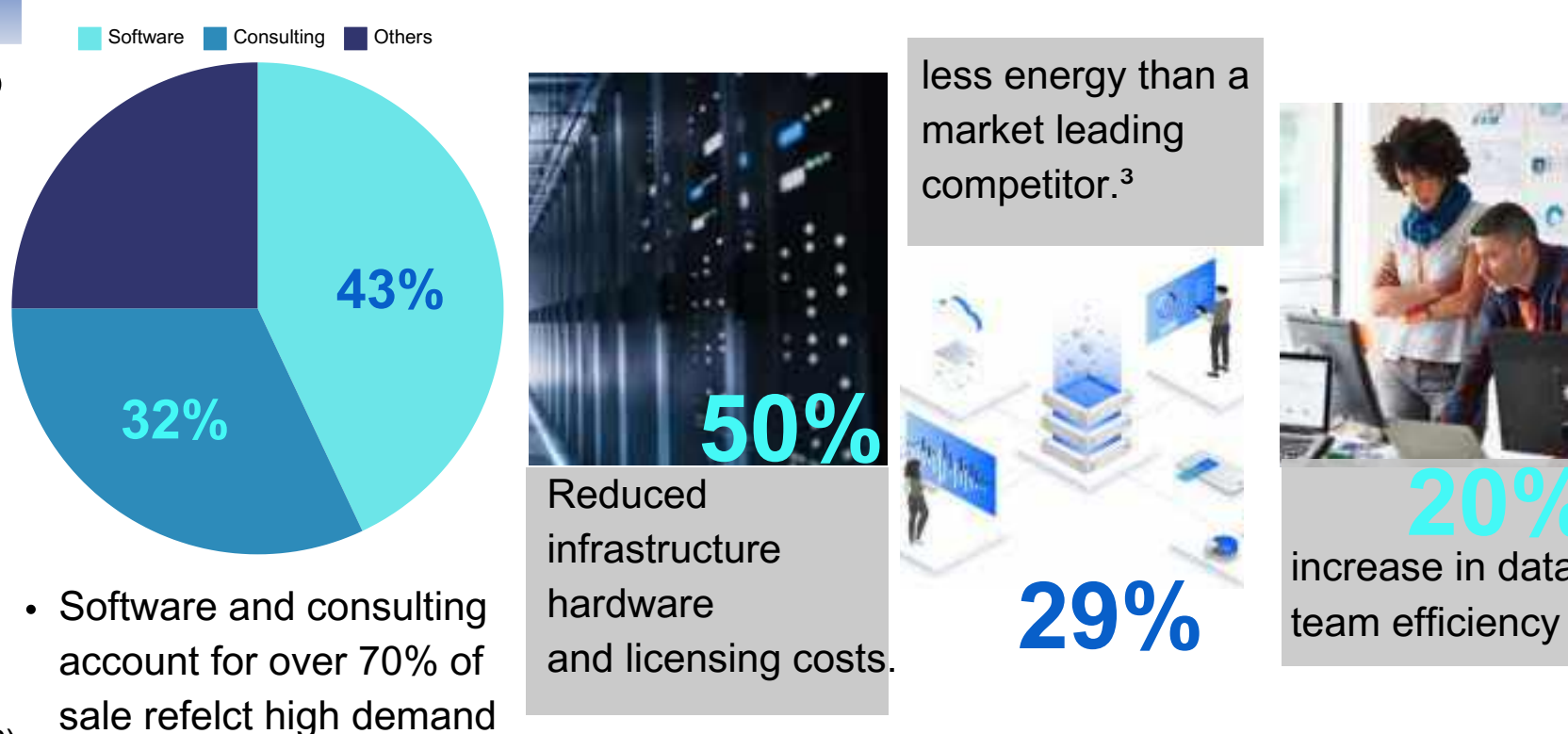
IBM platform-centric hybrid cloud and AI strategy



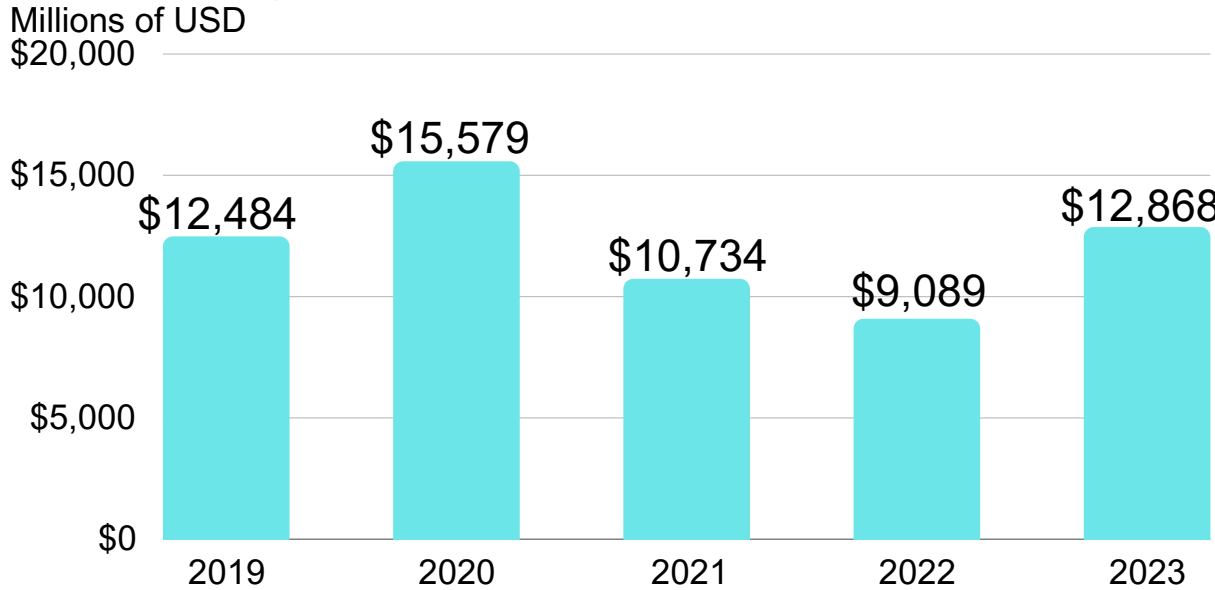
IBM's hybrid cloud and AI strategy addresses an enormous market need



Digital transformation driven by customers' needs



Strong free Cash flow in 2023 will lead to more strategic acquisitions to expand global footprint



Red Hat

APPTIO

- 2019's \$34 billion takeover of Red Hat and the \$4.6 billion purchase of Apptio were IBM's largest transactions

Source: (IBM, 2023), (J.P. Morgan research, 2022)

A photograph of a modern data center aisle. The aisle is lined with rows of server racks on both sides. The racks have blue and white doors. Above the racks, there are yellow overhead cranes and red fire extinguishers. The floor is a light blue color. The image is overlaid with a semi-transparent blue rectangle in the center, which contains the text "EQUINIX Overview".

EQUINIX Overview

Equinix Overview (1/2)

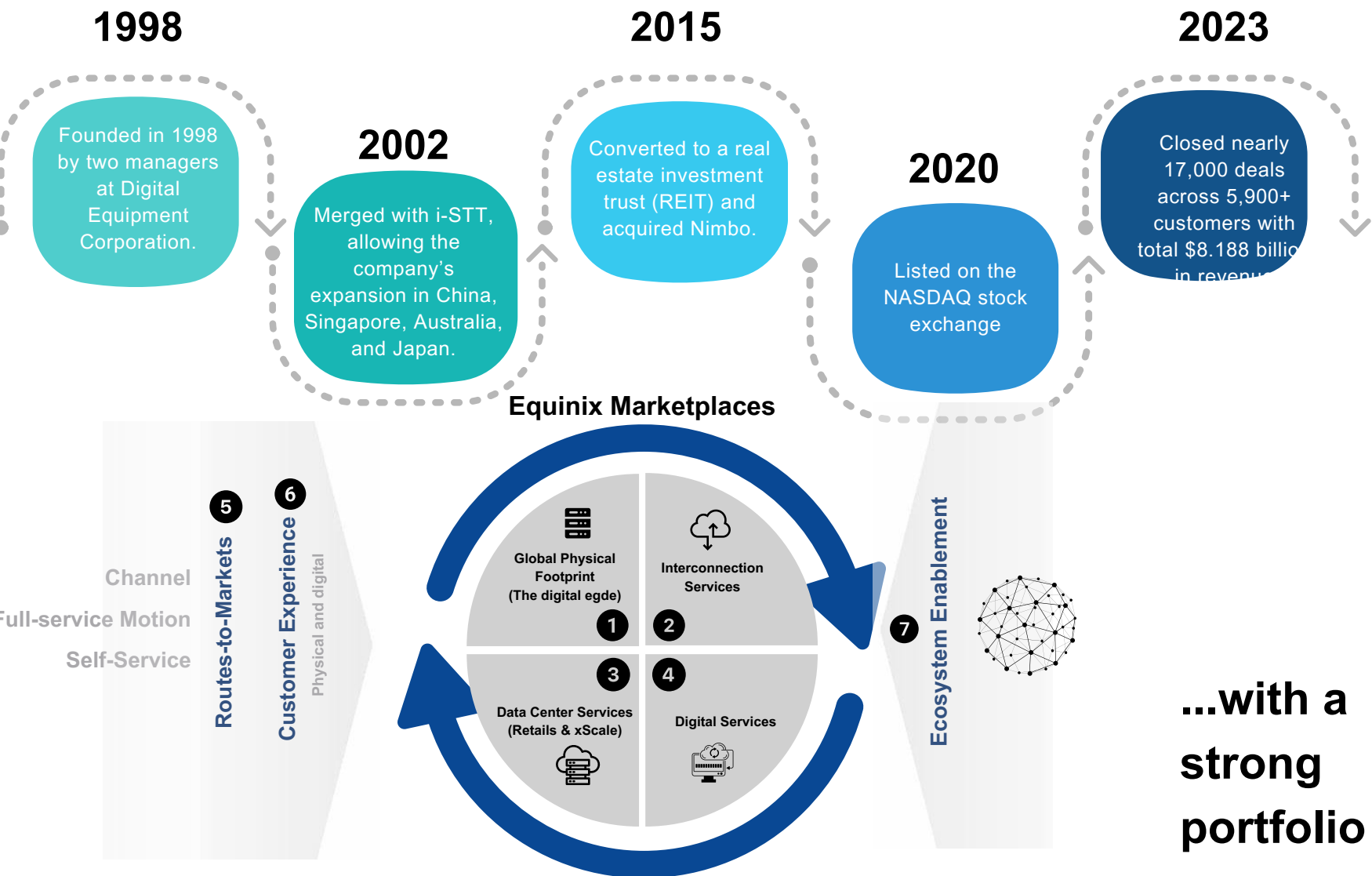


As the world's largest data center and colocation provider, Equinix enables the interconnected digital infrastructure that powers the digital global economy

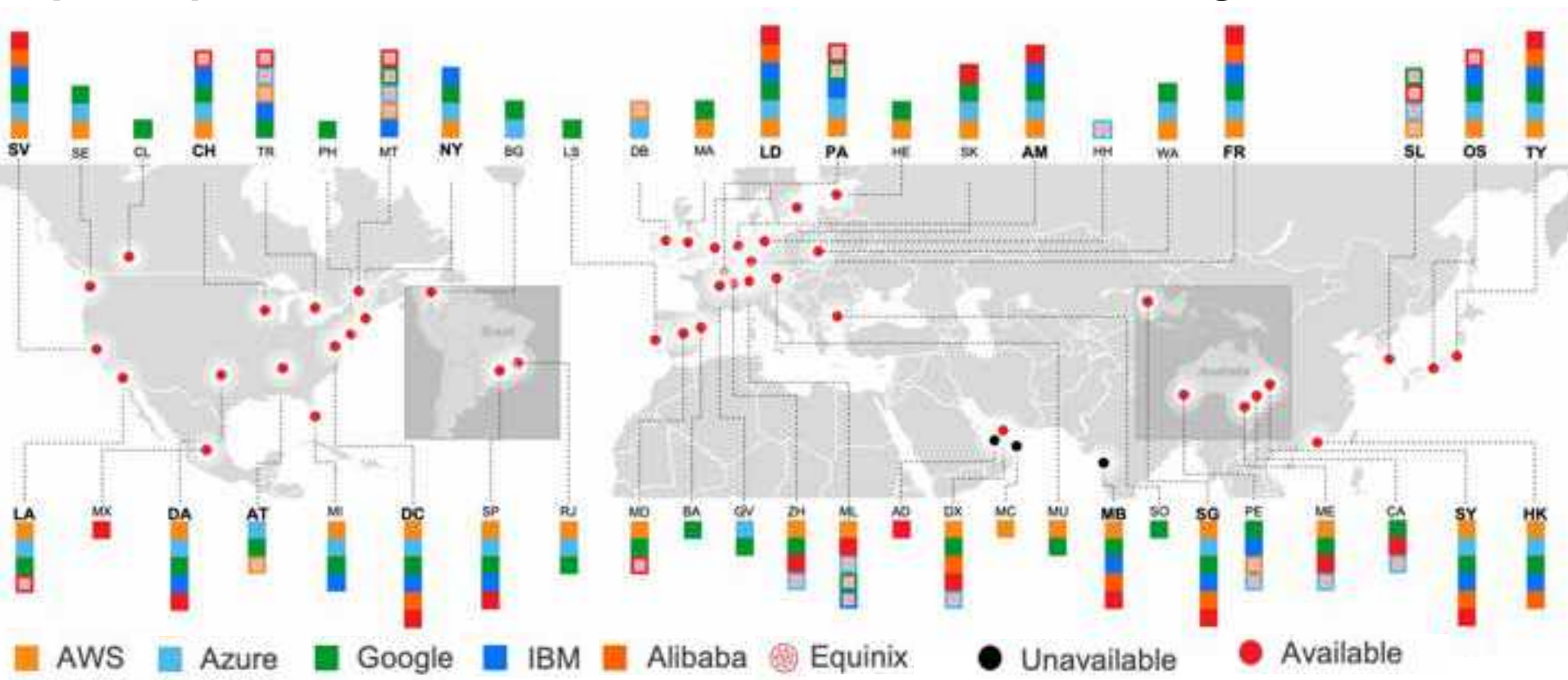
A Comprehensive Look at Equinix

- Equinix is **the world's digital infrastructure company**, founded as a vendor-neutral multitenant data center provider where competing networks could securely connect and share data traffic
- Equinix focuses on **3 main segments: digital infrastructure, interconnection and data center services**
- In 2023, Equinix has **250 data centers** close to clouds and networks for optimal hybrid architectures and access to **the world's largest industry ecosystem** powered by **456,000+ interconnections**

Equinix has been growing significantly over time...



Equinix presents at all corners of the world, with the giants...



... and continues expanding routes to seize opportunities.

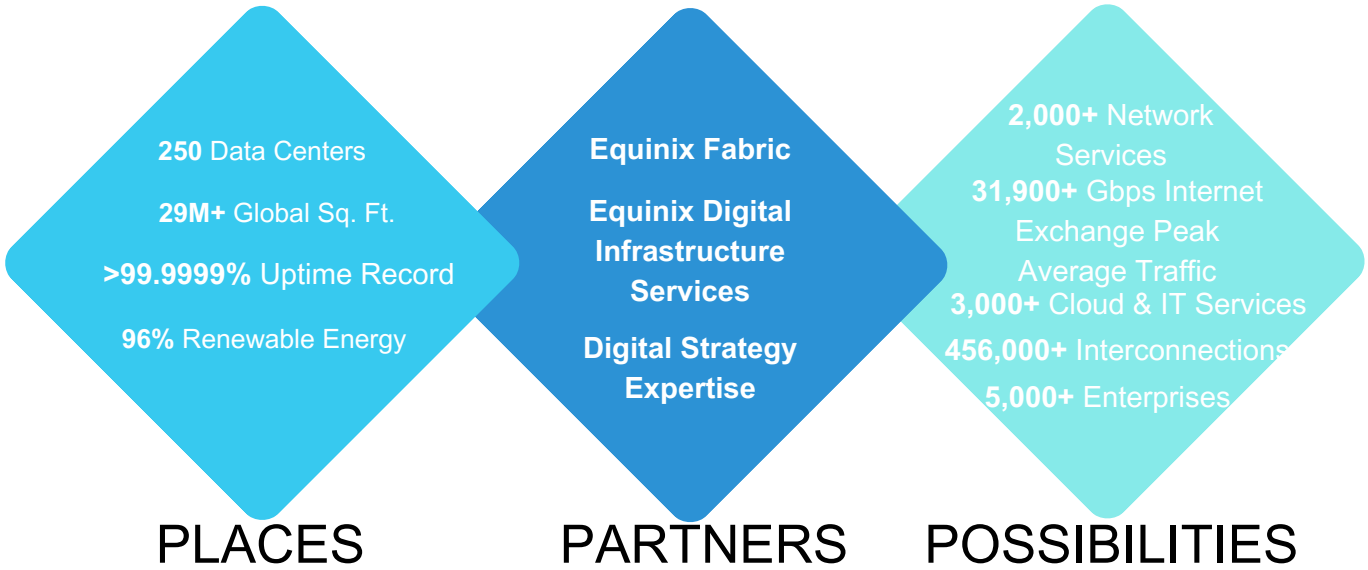


Equinix Overview (2/2)



Equinix is heading the right and substantial path, resulting in impressive growth and achievement

Equinix aims to bridge to world together with the RIGHT...

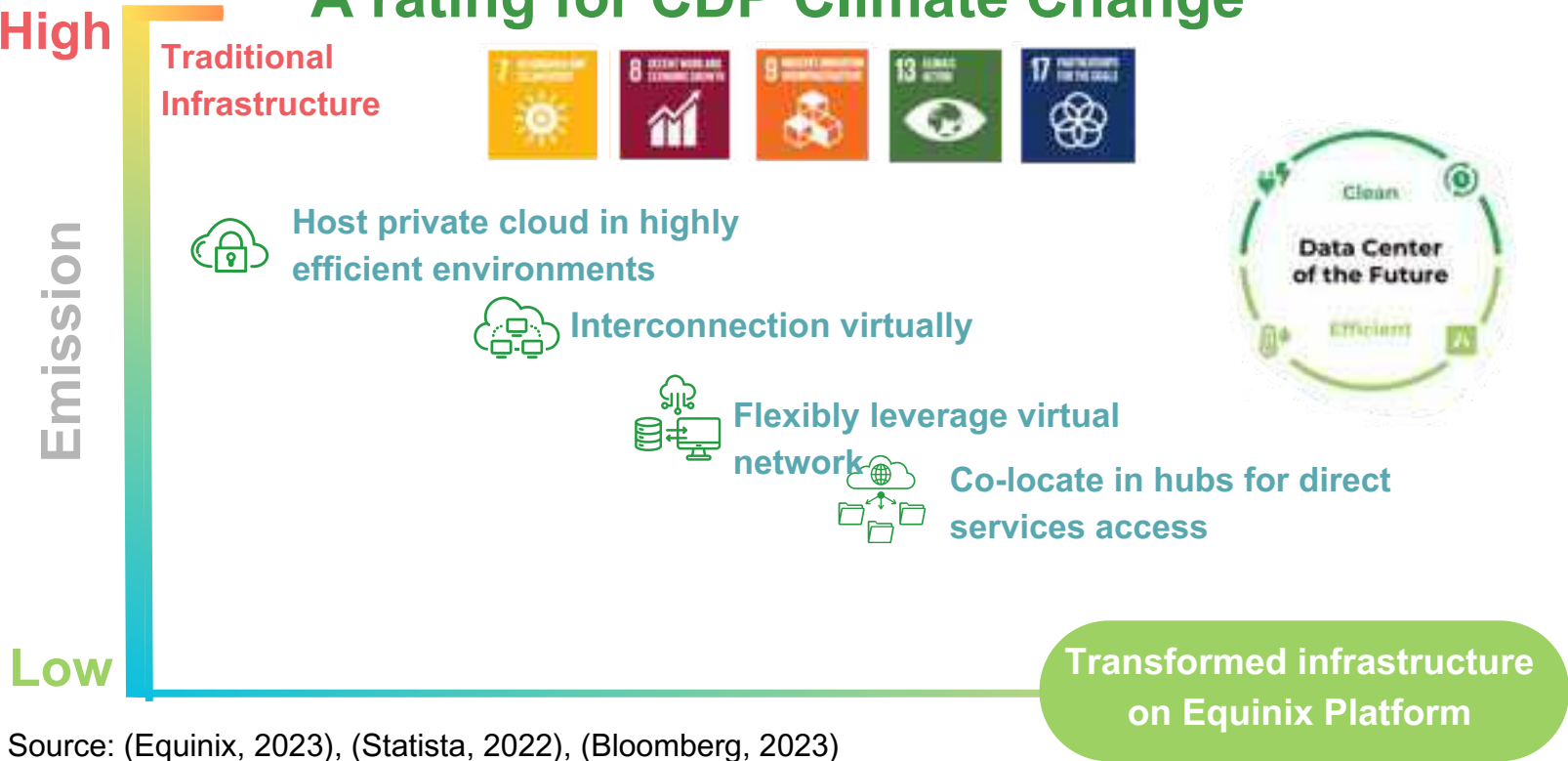


"2023 was another strong year for Equinix—we delivered more than \$8 billion of revenues, achieving **an amazing 21 years of consecutive quarterly revenue growth**, all while driving AFFO per share performance above the top end of our long-term expectations."

Charles Meyers, CEO and President, Equinix

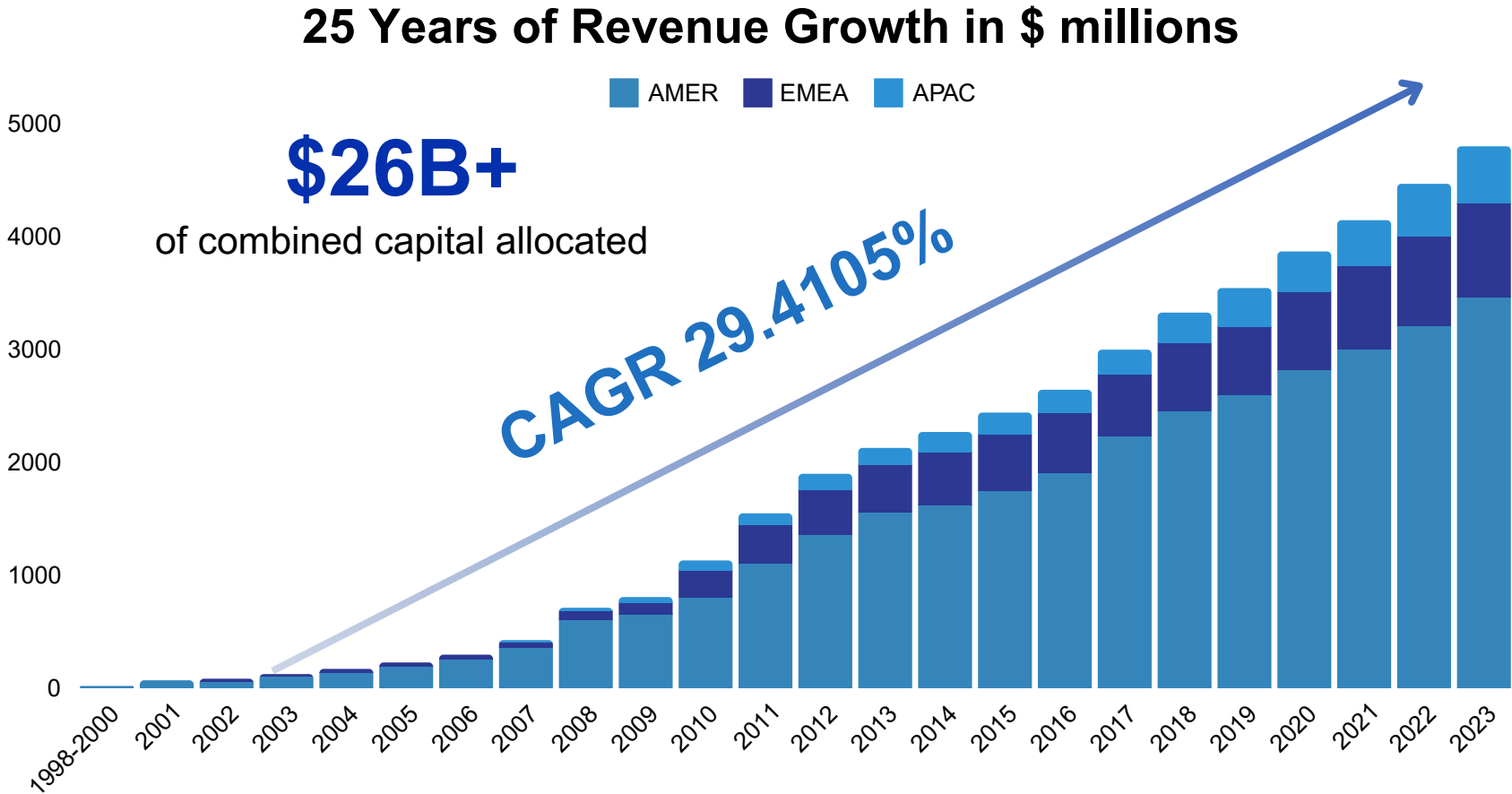


A rating for CDP Climate Change

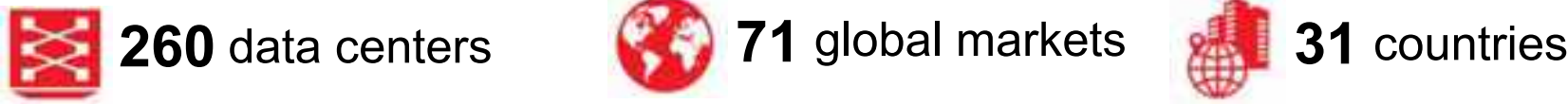


Source: (Equinix, 2023), (Statista, 2022), (Bloomberg, 2023)

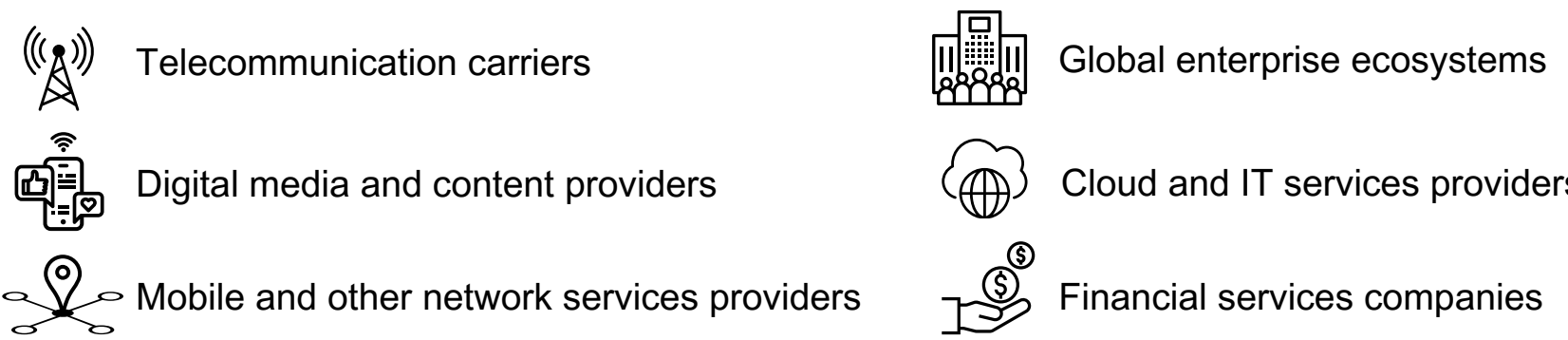
Doing the RIGHT things leads in the RIGHT results



Global Footprint



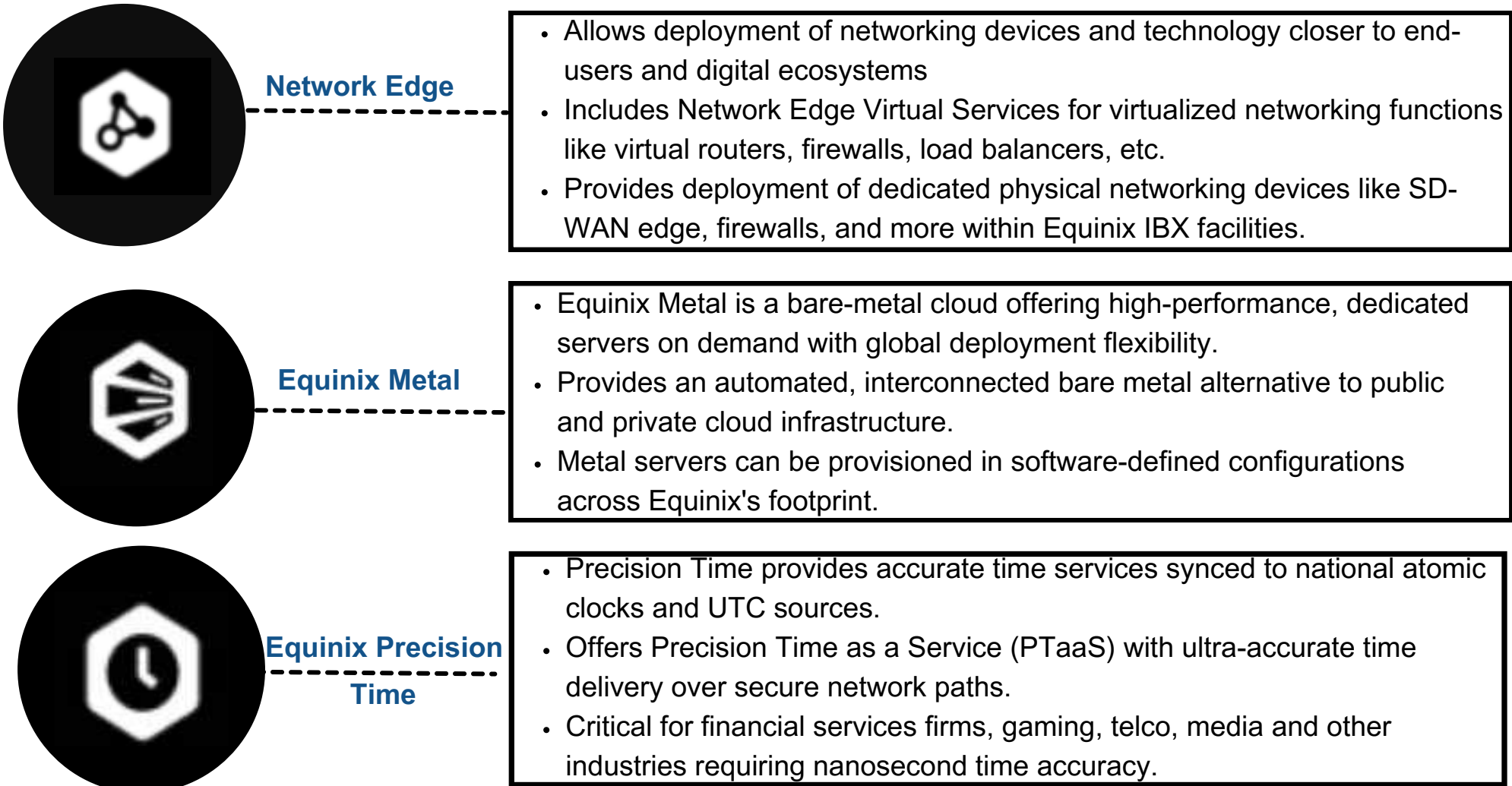
Global Customer



Equinix has established itself as the digital backbone facilitating with diverse and advanced solutions needed in today's digital economy

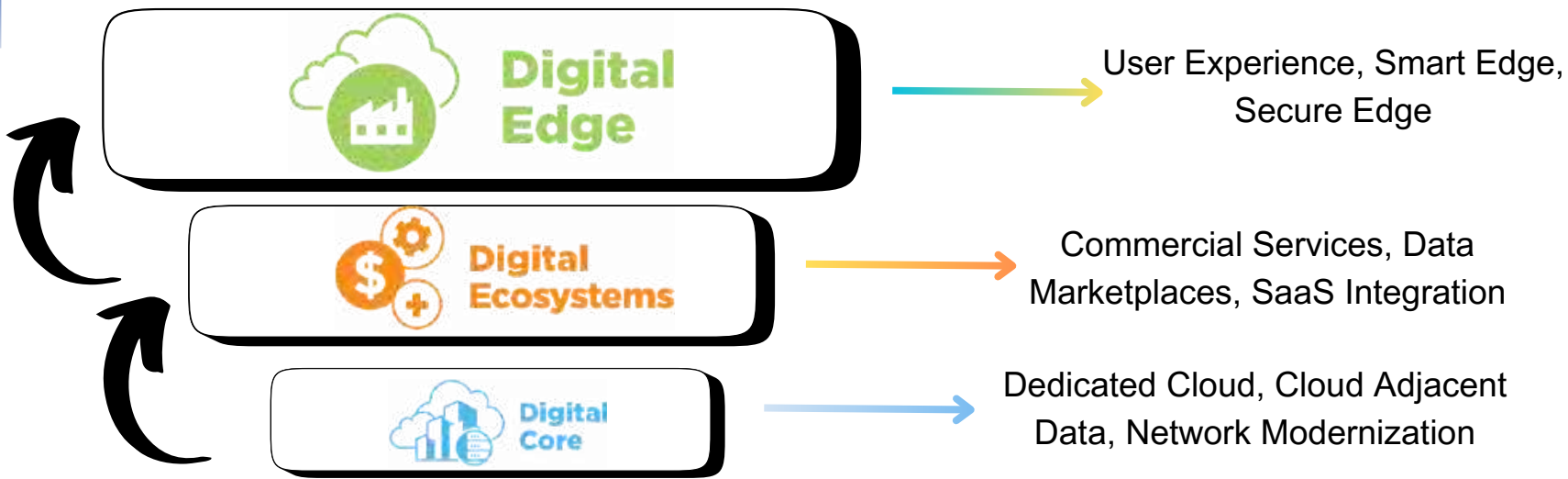
Segment Overview

- Equinix helps businesses stay relevant in today's rapidly growing digital economy by keeping up with the shift in global demand for digital services
- Equinix offers professional services to deploy, monitor, manage, and optimize IT infrastructure.
 - Services include remote hands, installations, troubleshooting, reporting, storage and data protection
 - Network services provide high-speed connectivity within and between Equinix facilities globally. Solutions include cross connects, metro connect, and more.
 - Security services include DDoS protection, firewalls, secure access controls, and more to protect critical infrastructure



Source: (Equinix, 2023), (Statista, 2023), (Yahoo Finance, 2023)

The components of digital infrastructure

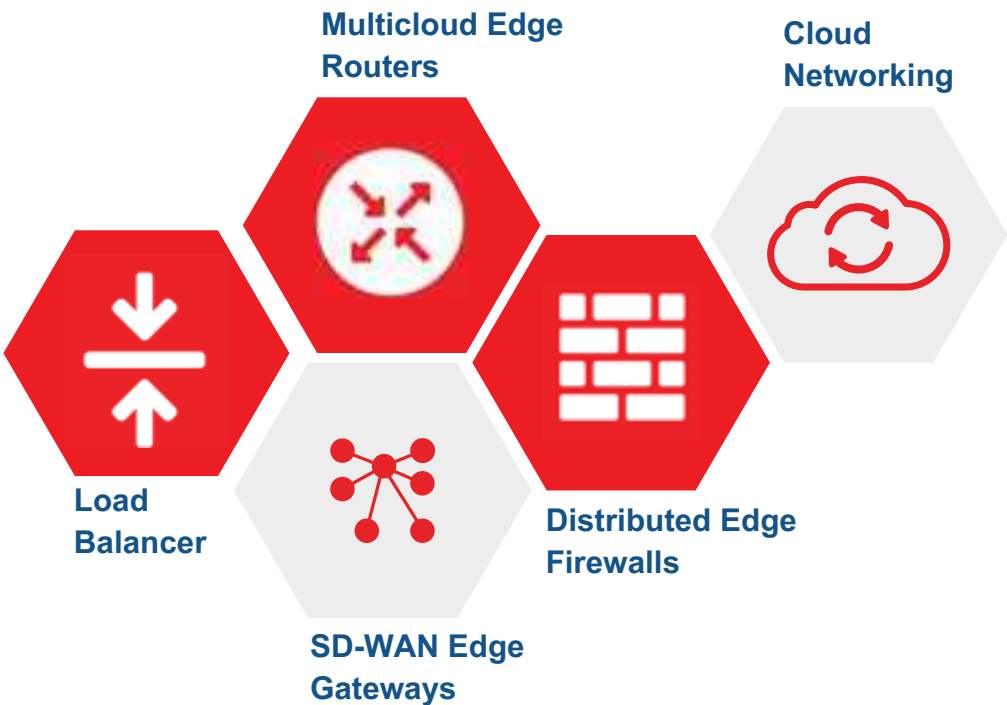


**10-year
Deployment
Growth**

44% ↑
countries
59% ↑
3-region

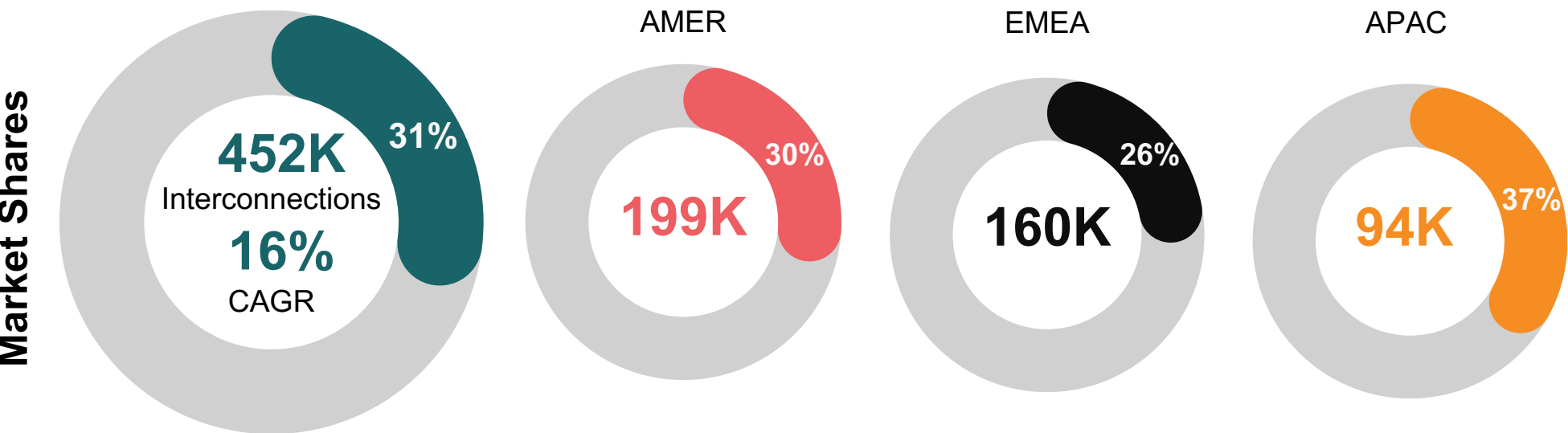
3% ↑
single-metros
46% ↑
multi-metros

How things connected to each other at Equinix Platform

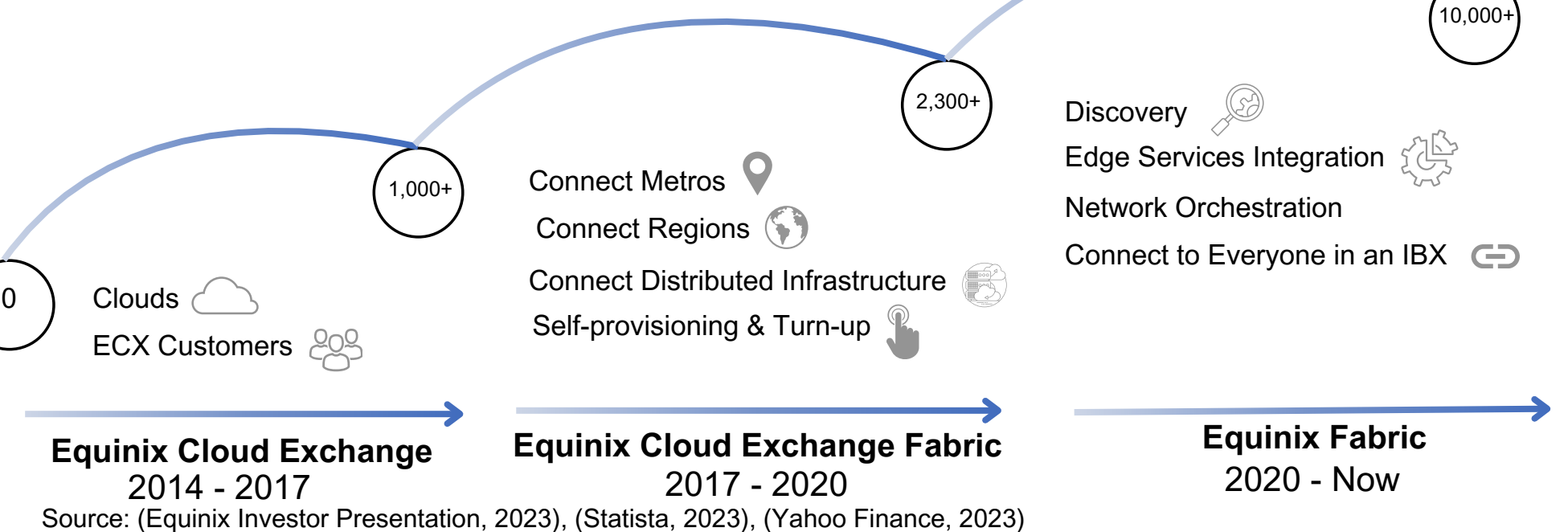


Segment Overview

- Equinix helps businesses stay relevant in today's rapidly growing digital economy by keeping up with the shift in global demand for digital services
- Equinix's industry-leading global interconnection franchise continues to perform with over 462,000 total interconnections deployed on its platform. In Q4 2023, interconnection revenues climbed up 10% year-over-year, and the company added an incremental 4,300 organic interconnections in the quarter



The 10-year Evolution of Cloud Services



Network Growth

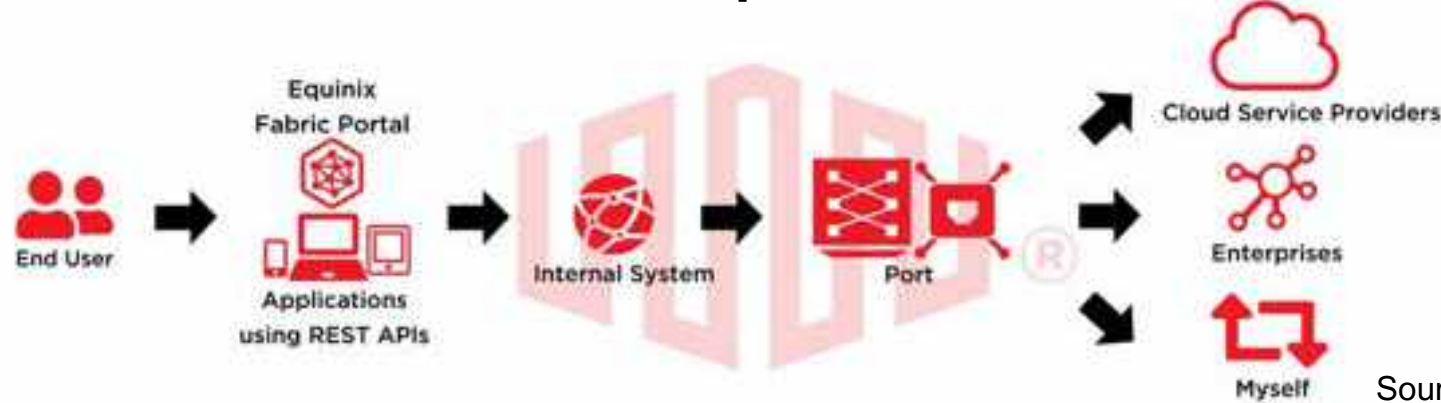
Types	Y/Y Growth
Network & Cloud	7%
Network & Content	33%
Network & Enterprise	10%
Network & Financial	23%

Service Growth

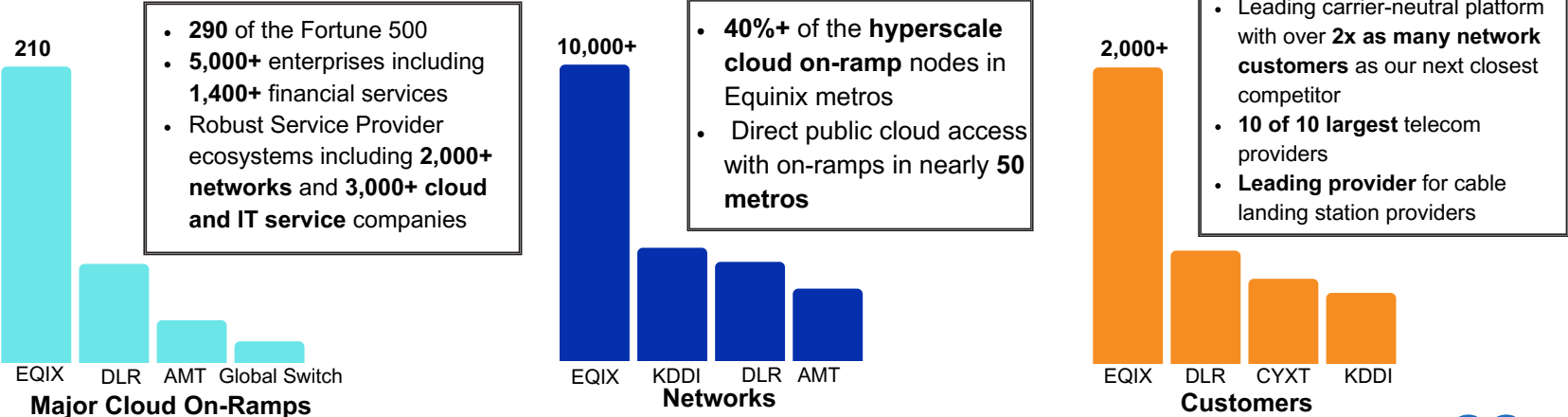
Types	Y/Y Growth
Network & Cloud	35%
Network & Content	7%
Network & Enterprise	11%
Network & Financial	54%

Vertical View of Connectivity Growth

A brief overview of how Equinix Fabric works



How Equinix Interconnection compares with others?



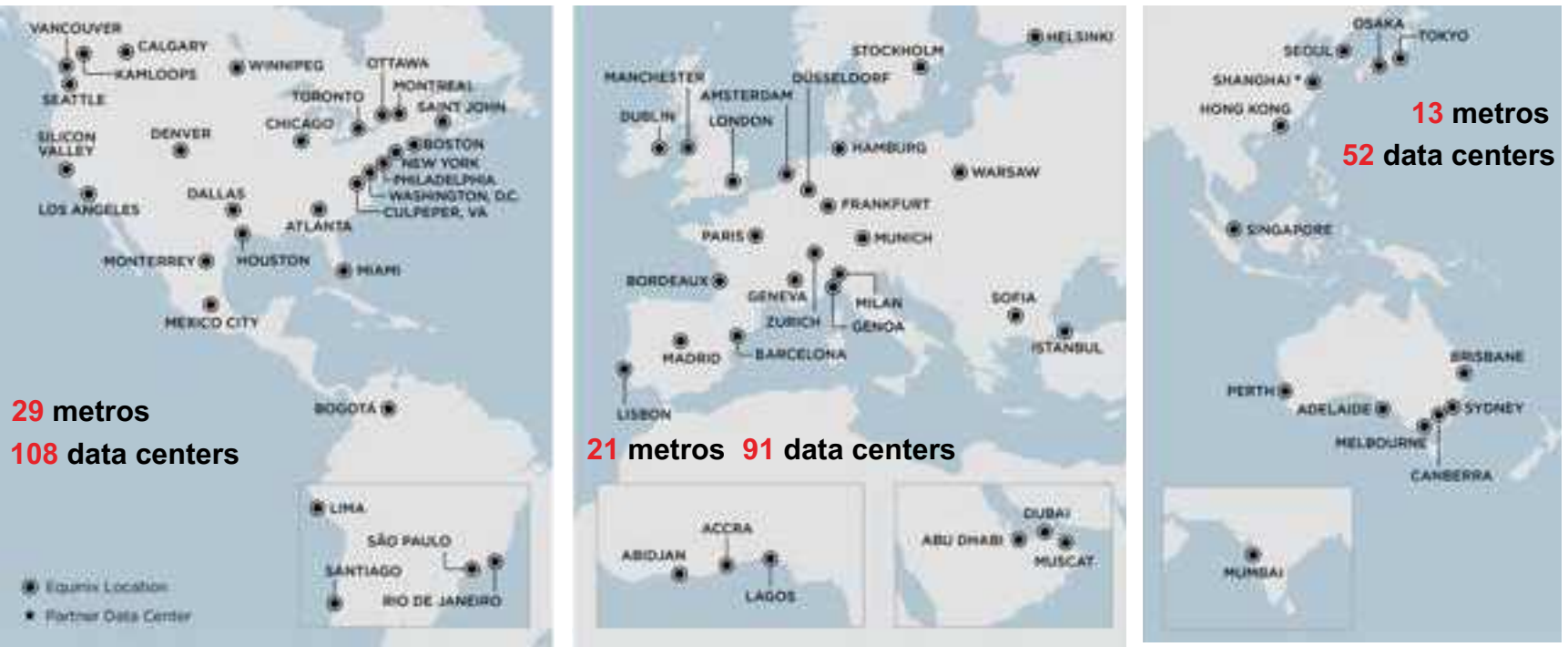
Equinix provides enterprises with a globally distributed platform for mission-critical infrastructure deployment and a foundation for a greener future

Segment Overview

- Equinix helps businesses stay relevant in today’s rapidly growing digital economy by keeping up with the shift in global demand for digital services
- Equinix operates over 200 data centers globally providing colocation, security, and managed infrastructure services. Colocation options range from cabinets to cages and suites. Facilities provide redundant power, cooling, and physical security
- Three main categories: IBX Data Centers, IBX Smart View, xScale Data Centers

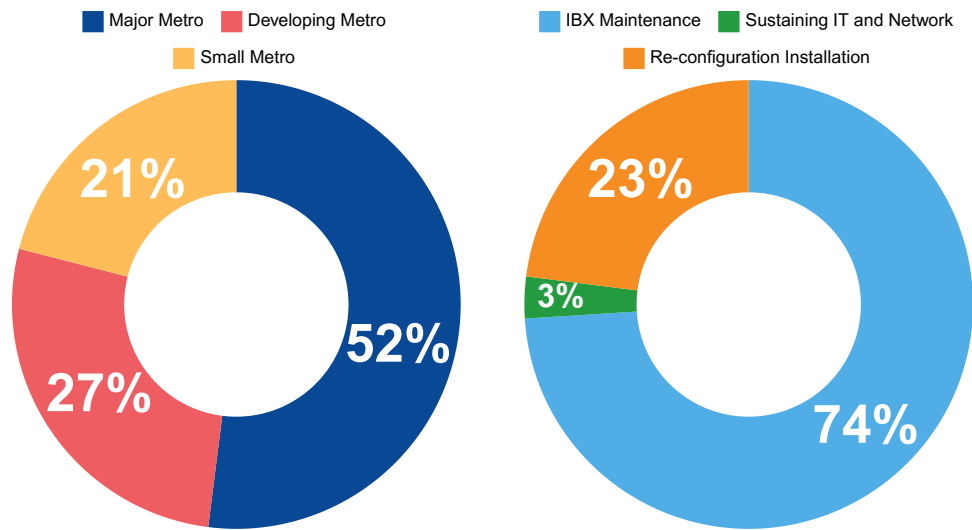
TOP 10 Real Estate Investment Trust

Where can we find Equinix data centers? Where-ever we want!



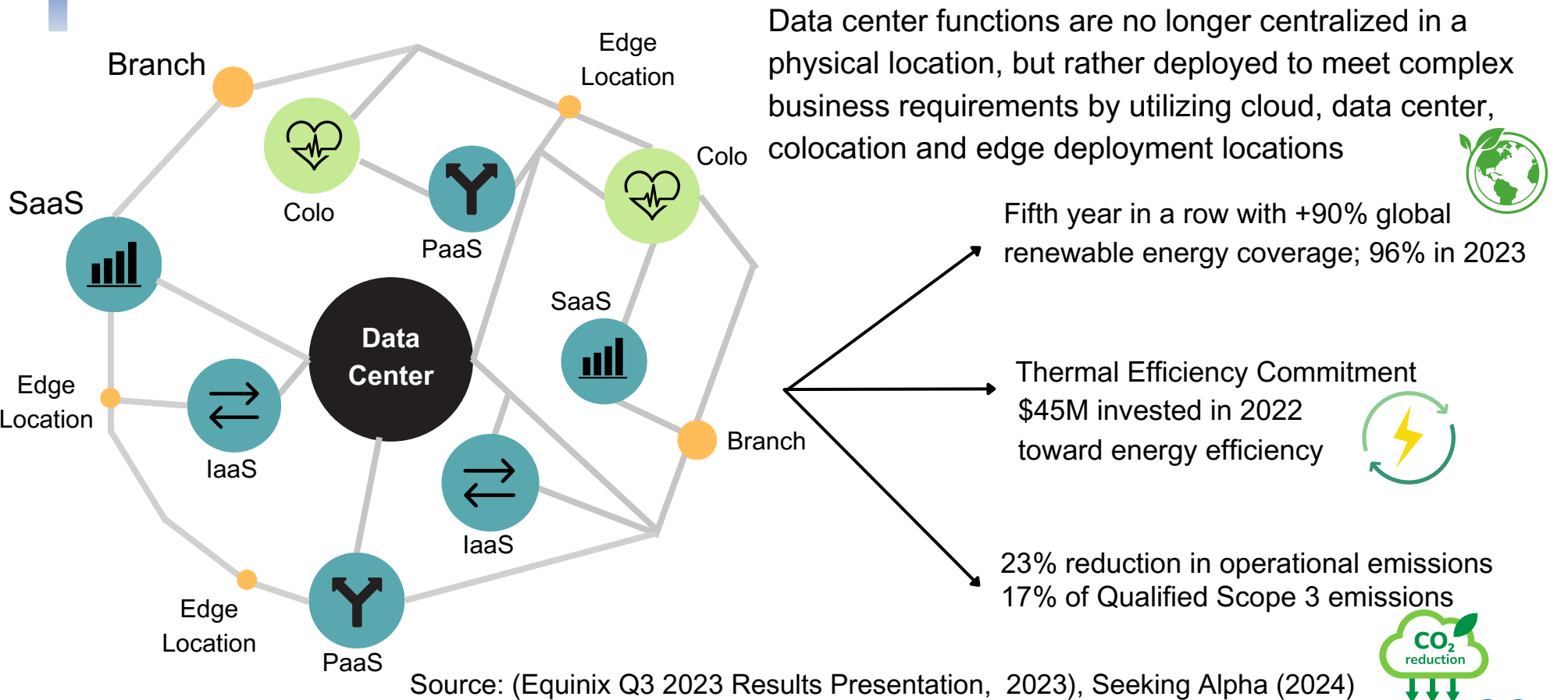
Data Center Services or IBX is Equinix’s most important R&D focus

Targeting ~\$3B of CAPEX per year FY23 – FY27 to expand and maintain Equinix’s platform



- IT investment**
- Customer initiatives
 - Efficiency and scaling projects
- Digital Services investment**
- New product development
 - Enhancements to existing products
- Supports new bookings**
- CAPEX to support installation of new customers

The Data Center of the Future – No longer limited by walls



Equinix bridges the digital world by investing, researching and developing in AI, clouds, and sustainable solutions

Geographically Expansion: Equinix's Strategic Asian Footprint Expansion

- In Asia-Pacific, Equinix currently has **51 data centers** in **13 key metros** across Australia, China, Hong Kong, India, Japan, Malaysia, Indonesia Korea and Singapore.
- Over the next two years, Equinix is investing over **\$350 million** in **10 new data centers across Asia-Pacific**



Expected to register **CAGR of 12.1%** during the period of 2022 to 2027 fuelled by deep internet penetration, public cloud services and higher predicted Internet of Things (IoT) growth

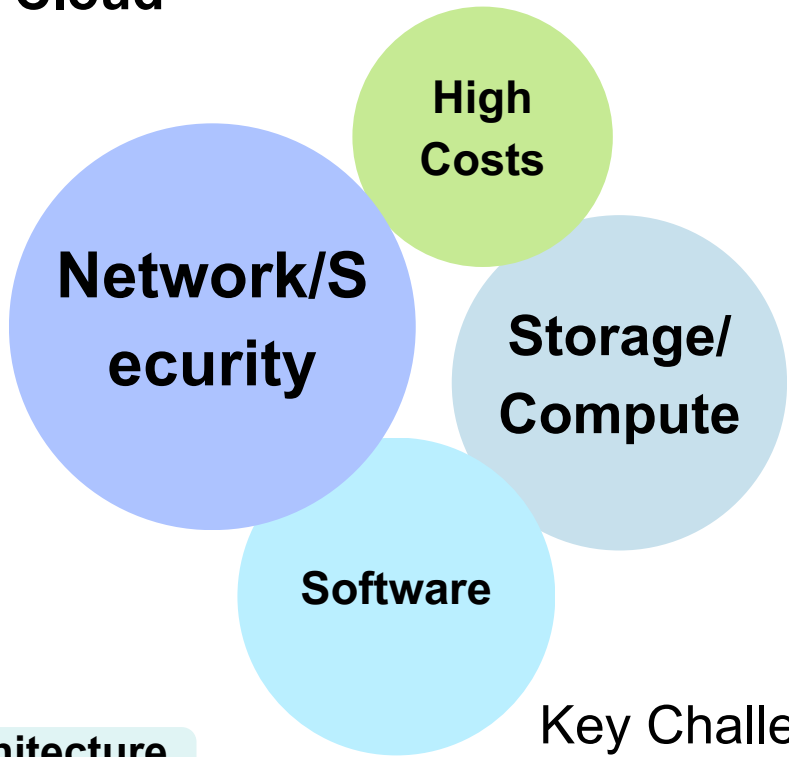
Internally Expansion: Journey in Chasing the Cloud

- 1
HIGH PERFORMANCE
Low-latency access avoids network congestion

2
SECURE CONTROL
Private connections mitigate threat risk

3
CONSISTENT OPERATIONS
Predictable availability delivers six 9s SLAs
- 5
COST EFFICIENCY
Reduce egress charges with cloud rewards

4
ECOSYSTEM DEPTH
Quickly reach suppliers, partners and customers



5 Building Blocks to a Connected Hybrid Multicloud Architecture.

Source: (Equinix, 2023), (Statista, 2023), (Seeking Alpha, 2022)

Future Expansion: Partner for AI data center infrastructure



Equinix provides colocation, interconnection, security, and management services via its global data center facilities



Private AI

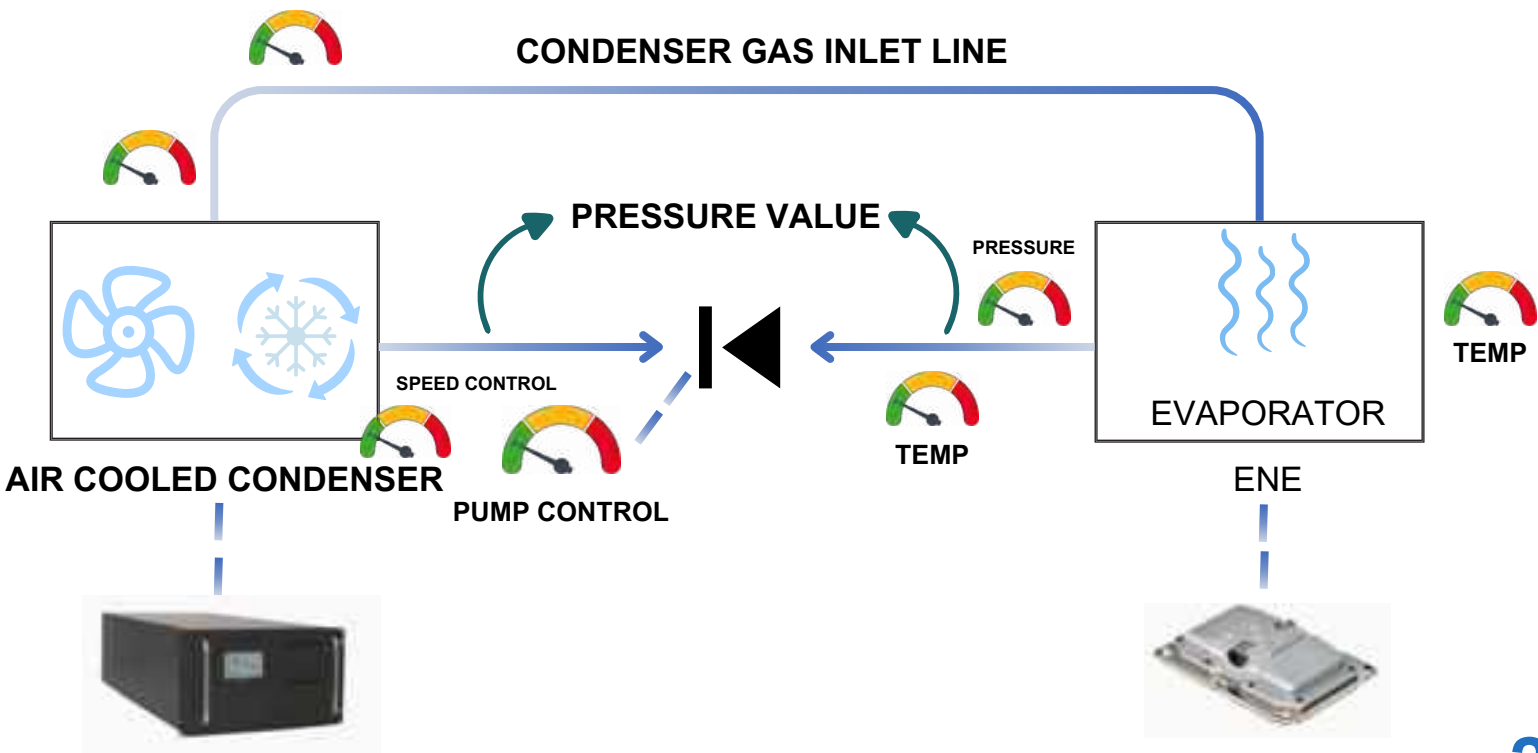


Nvidia DGX systems, powered by Nvidia AI Enterprise software, provide the core infrastructure for AI development and training

- Keep data private
- Reduce your regulatory risk
- Optimize your costs and performance

Equinix is at the heart of addressing industry trends and problems

R&D in Advancing Liquid Cooling Technologies



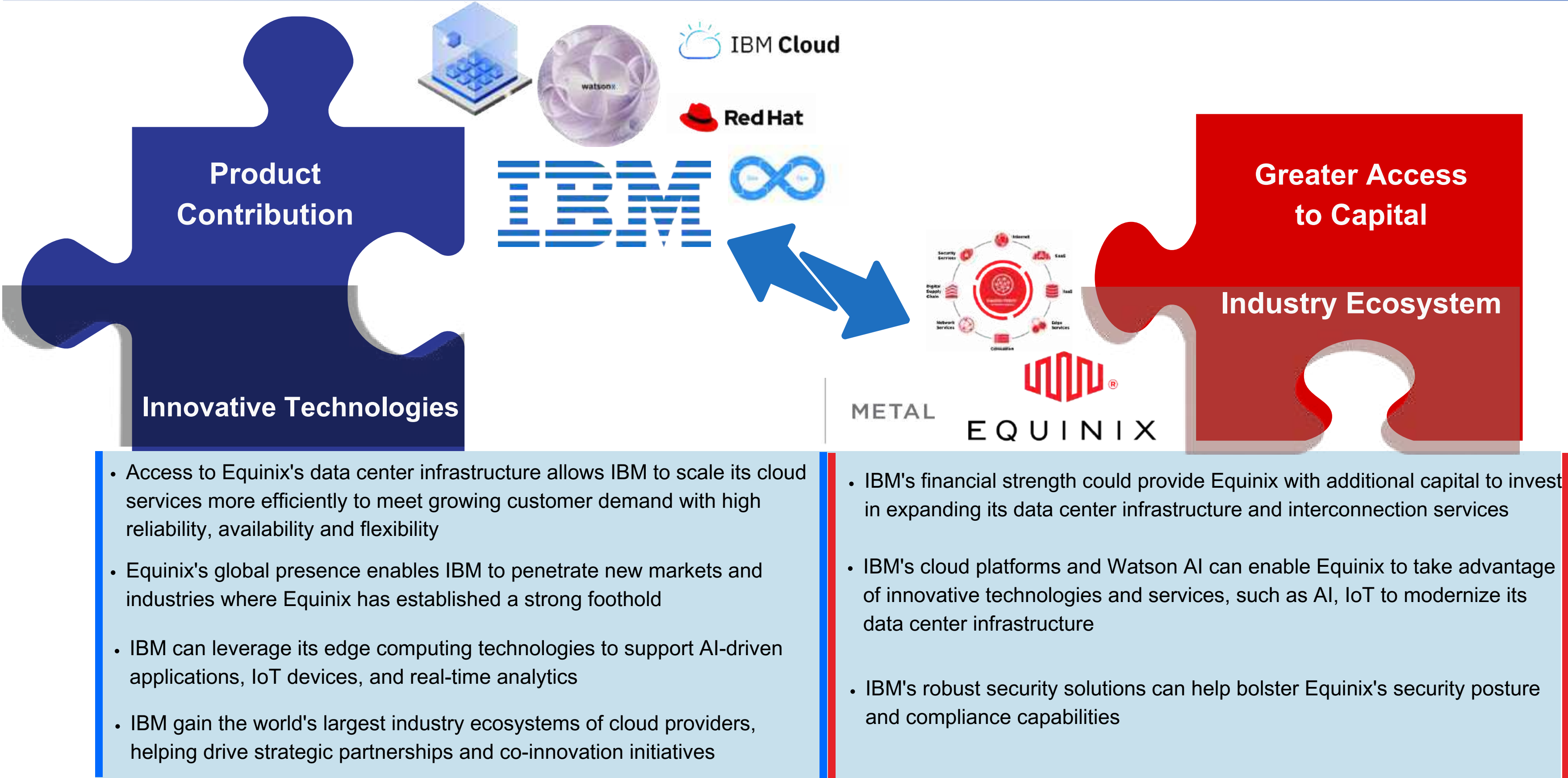
A close-up photograph of two hands shaking in a firm grip. The person on the left is wearing a blue suit jacket, and the person on the right is wearing a dark pinstriped suit jacket. The background is a blurred teal color. A semi-transparent blue horizontal band is overlaid across the middle of the image, containing the text 'Strategic Fit' in white.

Strategic Fit

Strategic Fit Between IBM and Equinix



The combined company provides a wide range of opportunities for complemented products and makes them leaders in the market



Strategic Fit Between IBM and Equinix



Equinix's Data Centers and Interconnection match well with IBM Cloud Platform

Equinix can support IBM's hybrid cloud and AI through Equinix's ecosystem



- IBM can offer clients enhanced connectivity options between their on-premises infrastructure and IBM Cloud with Equinix's connectivity solutions
- IBM can have immediate access to Equinix's extensive data center infrastructure, enabling it to expand its footprint
- Equinix's focus on technological innovation and ecosystem collaboration complements IBM's commitment to maintaining a leading edge in innovation
- The capabilities and focuses of both companies complement each other effectively

World's infrastructure provider
The world's largest industry ecosystems

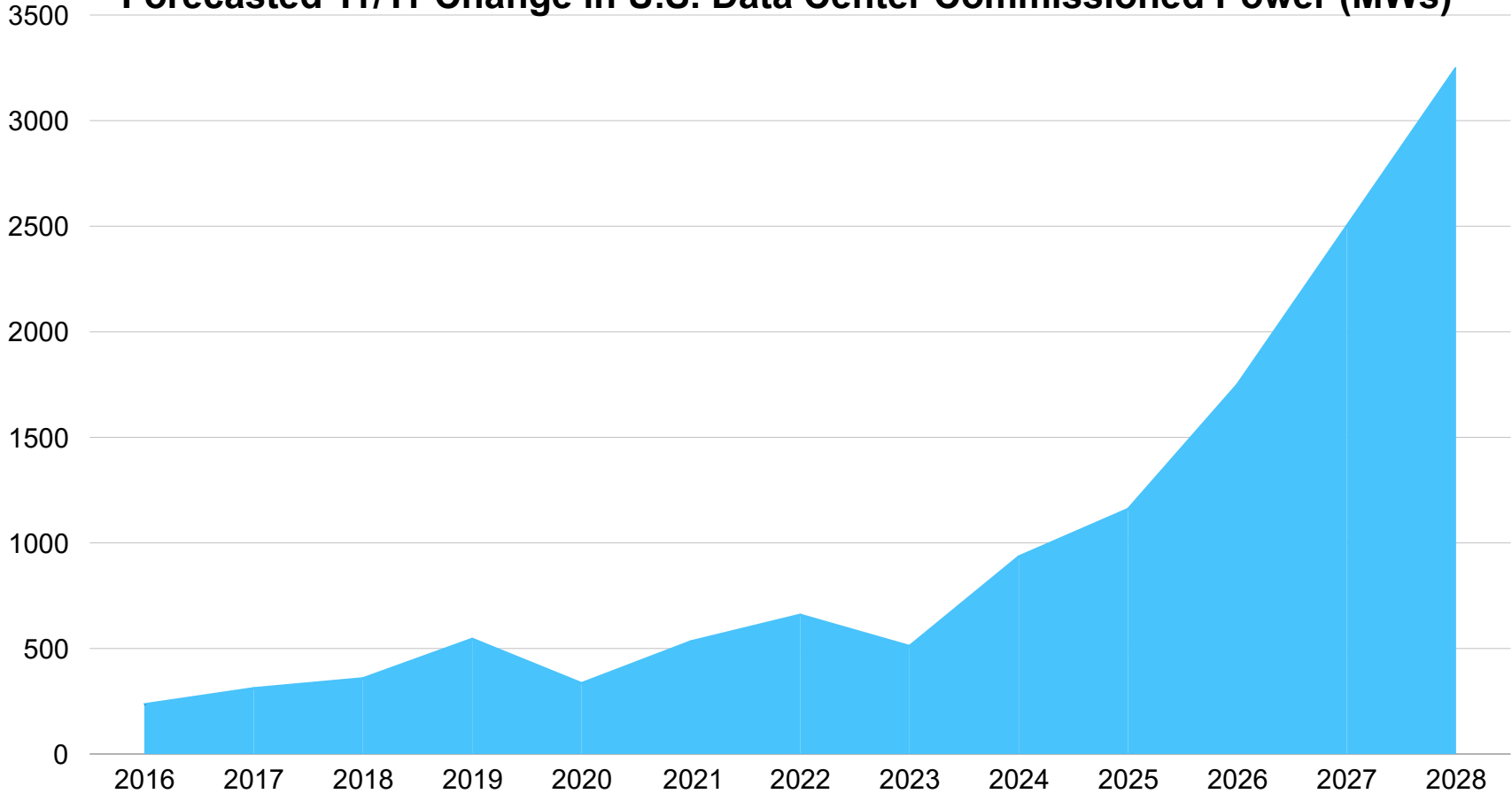
Global reach: 6 continents, with data center facilities in 71 metros across 32 countries

IBM can leveraging ecosystems of partners on an interconnected platform to tap into new capabilities that enable them to scale



Data center growth supports hybrid cloud deployments and extends IBM's reach into new markets and regions

Forecasted Yr/Yr Change in U.S. Data Center Commissioned Power (MWs)



Benefits of Equinix digital services(Three-Year) \$M

Decrease in internally managed infrastructure costs

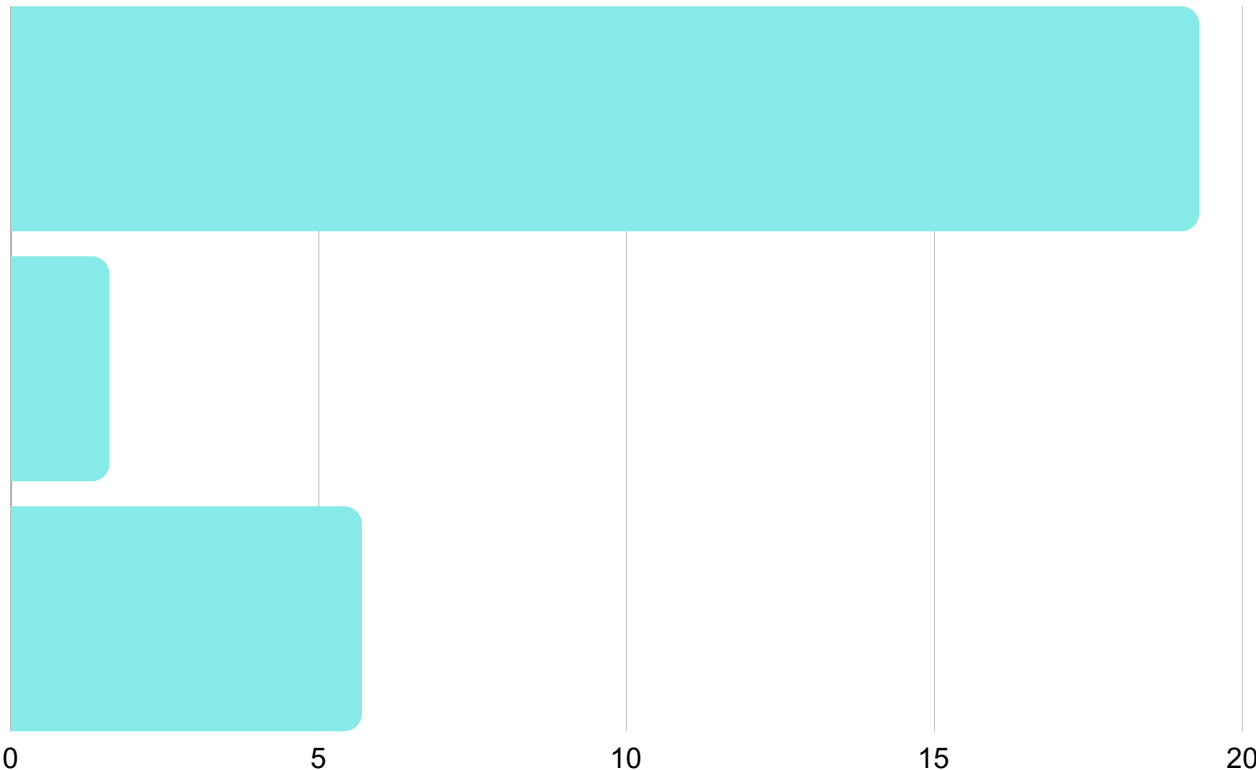
Reduced cost of connections

Increased operational productivity

ROI 142%



NPV \$15.59M



Source: (IBM, 2022), (Equinix, 2022)

Strategic Fit Between IBM and Equinix

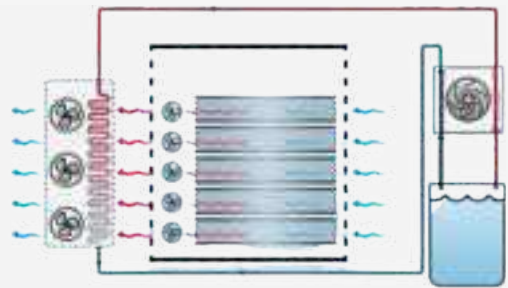


IBM Cloud and AI efficiently support Equinix’s Data Center Innovations

Equinix supports next-generation liquid cooling technologies for cloud, AI and digital infrastructure

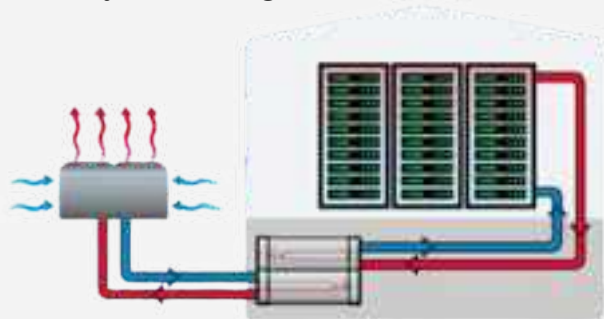
Rear-door heat exchangers

- Energy Efficiency: save up to 50% on the overall data center operation
- Heat Removal: can reduce 48% of the waste heat
- Less Space Requirement: utilizes available spaces
- Flexibility: easier to install compared to CRAC units with under-floor air distribution
- Low maintenance: be cleaned once in a while to remove the dirt on the air-side of the coils



Direct-to-chip

- Higher Performance: more efficient than traditional air cooling methods
- Energy Savings: requires less energy to power fans and air conditioning units.
- Increased Reliability and Longer Lifespan: extend the lifespan of electronic components and reduce thermal-related failures.
- Potential for Liquid Cooling Innovations: are continuously evolving



BENEFITS

Risk Mitigation



Improved Data Center Sustainability



High-Density Computing Support

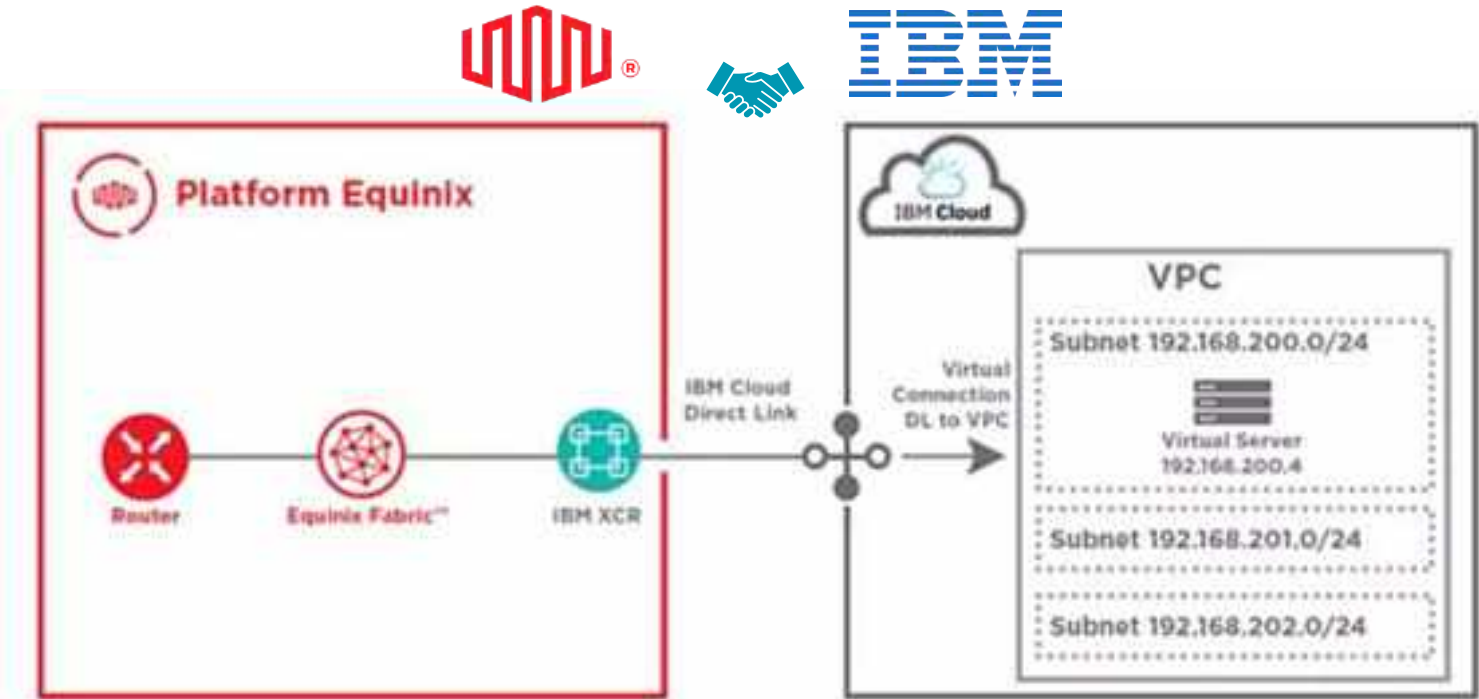


Enhanced Performance and Reliability



Source: (IBM, 2022), (Equinix, 2022)

IBM collaborates with Equinix to deliver application-centric hybrid cloud connectivity to enterprises



The integration of Equinix Fabric and IBM Cloud Direct Link is a crucial element for seeking a comprehensive cloud networking topology with a mix of Equinix Platform, Red Hat OpenShift and IBM Cloud Satellite



AI at the metro edge



IBM Cloud Pak for Data



Interconnection



Cloud Pak for Multi-Cloud Management

And more!



Executive Summary

Industry Analysis

Company Overview

Financial Overview

Feasibility Analysis

Alternative Solution

Conclusion

The background is a complex collage of financial data. It features several line charts with blue lines and square markers, some showing upward trends and others downward. There are also bar charts at the bottom right. The entire image is overlaid with a grid of numbers, some in white and some in blue, representing various financial metrics. The text 'Financial Overview | Comps' is centered in a large, white, sans-serif font.






Financial Overview | Comps

Equinix Potential Peer Groups



The peer group for Equinix encompasses data centers, interconnection, and digital service

Data Center



Logic: Equinix’s primary revenue stems from its data center, and it is one of the largest providers in the sector






Digital Service



Logic: businesses are increasingly reliant on digital service, revenue from this service is projected to stably increase in the future



Interconnection



Logic: one of Equinix’s main sources of revenue, high growth potential with rising demand for global network connectivity








Equinix is categorized as a REIT due to its business model, which involves significant real estate holdings. However, in normal operation, it provides cloud services, and its real estate is mostly used for locating data centers => **We select its peer group based on its normal operation**

Source: (Bloomberg, 2023)

Comparable Company Selection

Selection of Equinix’s peer group was determined via examining comparable companies’ relevance to Equinix’s brand as well as revenue and cost drivers






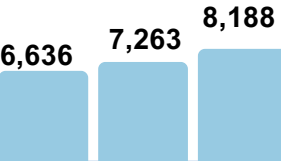






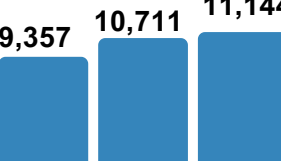




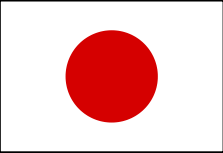


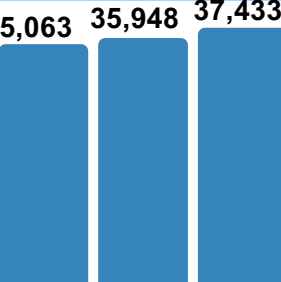






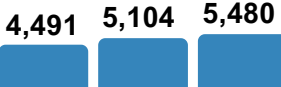






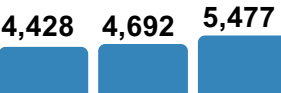






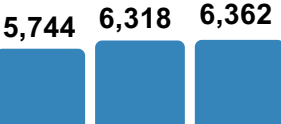



	Market size	Market size CAGR	Brand relevance	Cost drivers	Revenue drivers	Decision
		13.0% (‘21-’28)	NM	<ul style="list-style-type: none">• Network operations and maintenance• Rent and labor• R&D• Utilities	<ul style="list-style-type: none">• Colocation• Network connection• Digital ecosystem	
Data Centers and Colocation	\$75.14Bn (‘24e)	14.02% (‘21-’28)		<ul style="list-style-type: none">• Network operations and maintenance• Rent and labor• R&D• Utilities	<ul style="list-style-type: none">• Colocation• Network connectivity• Managed infrastructure	
Interconnection	\$10.56Bn (‘24e)	13.5% (‘23-’32)		<ul style="list-style-type: none">• Network operations and maintenance• Rent and labor• R&D• Utilities	<ul style="list-style-type: none">• Colocation• Network connectivity• Managed infrastructure	
Digital Services	\$226.9Bn (‘24e)	23.60% (‘23-’32)		<ul style="list-style-type: none">• Network operations and maintenance• Rent and labor• R&D• Utilities	<ul style="list-style-type: none">• Colocation• Network connectivity• Managed infrastructure	

Source: Equinix Annual report (2023), Bloomberg (2024)

Peer Group Statistical Analysis



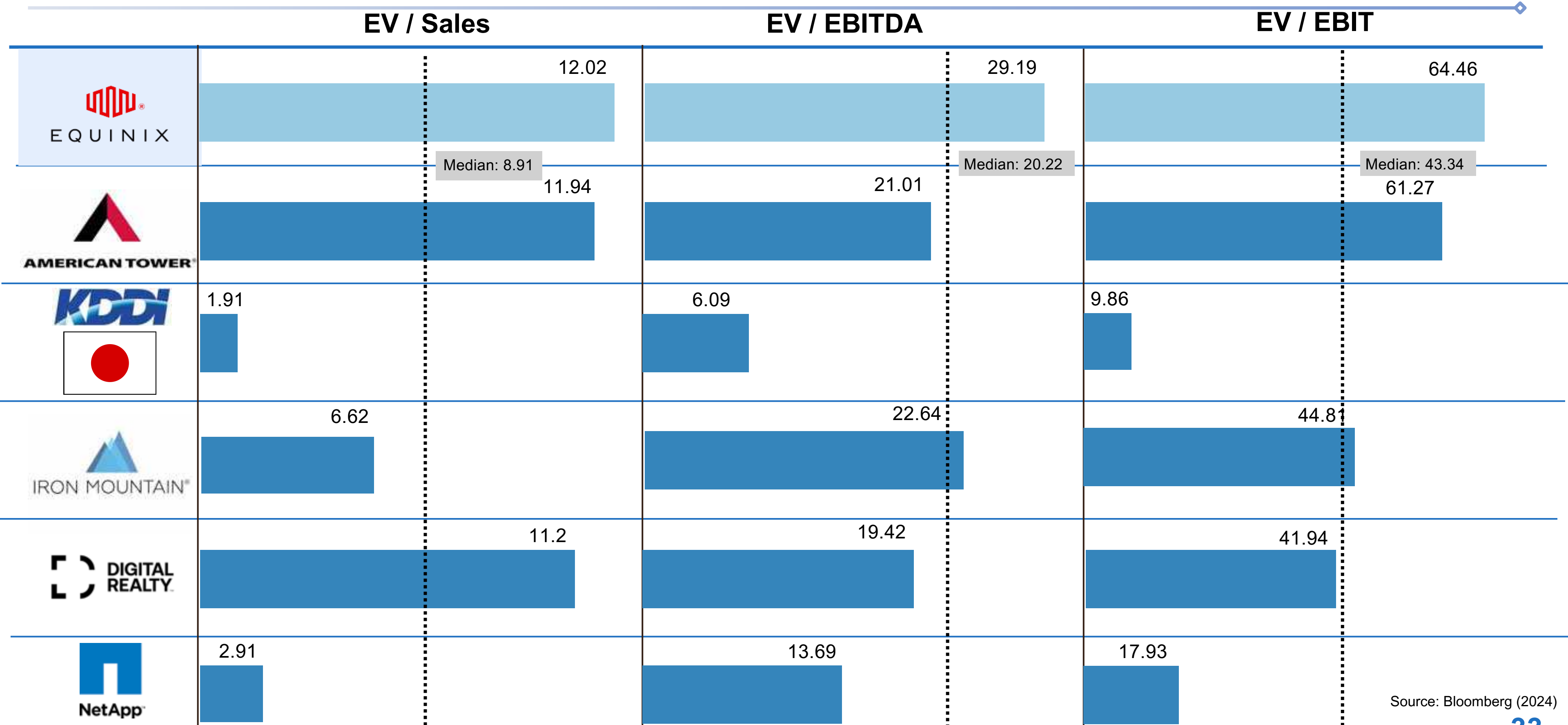
Historical enterprise value, market cap, sales, projections for EBITDA, EBIT, and net income margin for the upcoming FY

	Enterprise value	Market Capitalization	Sales FY'21 - FY'23 (MM)	EBITDA less CapEx	EBITDA margin	EBIT margin
<div> EQUINIX</div>	\$90.48 B 	\$82.61 B 	<div> 6,636 7,263 8,188</div>	\$0.2 B 	34.05%  Median: 32.33%	18.64%  Median: 18.73%
<div> AMERICAN TOWER</div>	\$152.48 B 	\$87.06 B 	<div> 9,357 10,711 11,144</div>	\$3.36 B 	56.04% 	19.49% 
<div> </div>	\$72.47 B 	\$62.50 B 	<div> 35,063 35,948 37,433</div>	(\$1.84 B) 	30.40% 	18.81% 
<div> IRON MOUNTAIN</div>	\$30.27 B 	\$21.63 B 	<div> 4,491 5,104 5,480</div>	\$0.31 B 	29.25% 	14.78% 
<div> DIGITAL REALTY</div>	\$58.68 B 	\$43.97 B 	<div> 4,428 4,692 5,477</div>	\$2.25 B 	57.64% 	26.70% 
<div> NetApp</div>	\$18.06 B 	\$17.96 B 	<div> 5,744 6,318 6,362</div>	\$1.13 B 	21.29% 	16.26% 

Source: Bloomberg (2024)

Peer Group Trading Multiples

For providers in cloud services industry

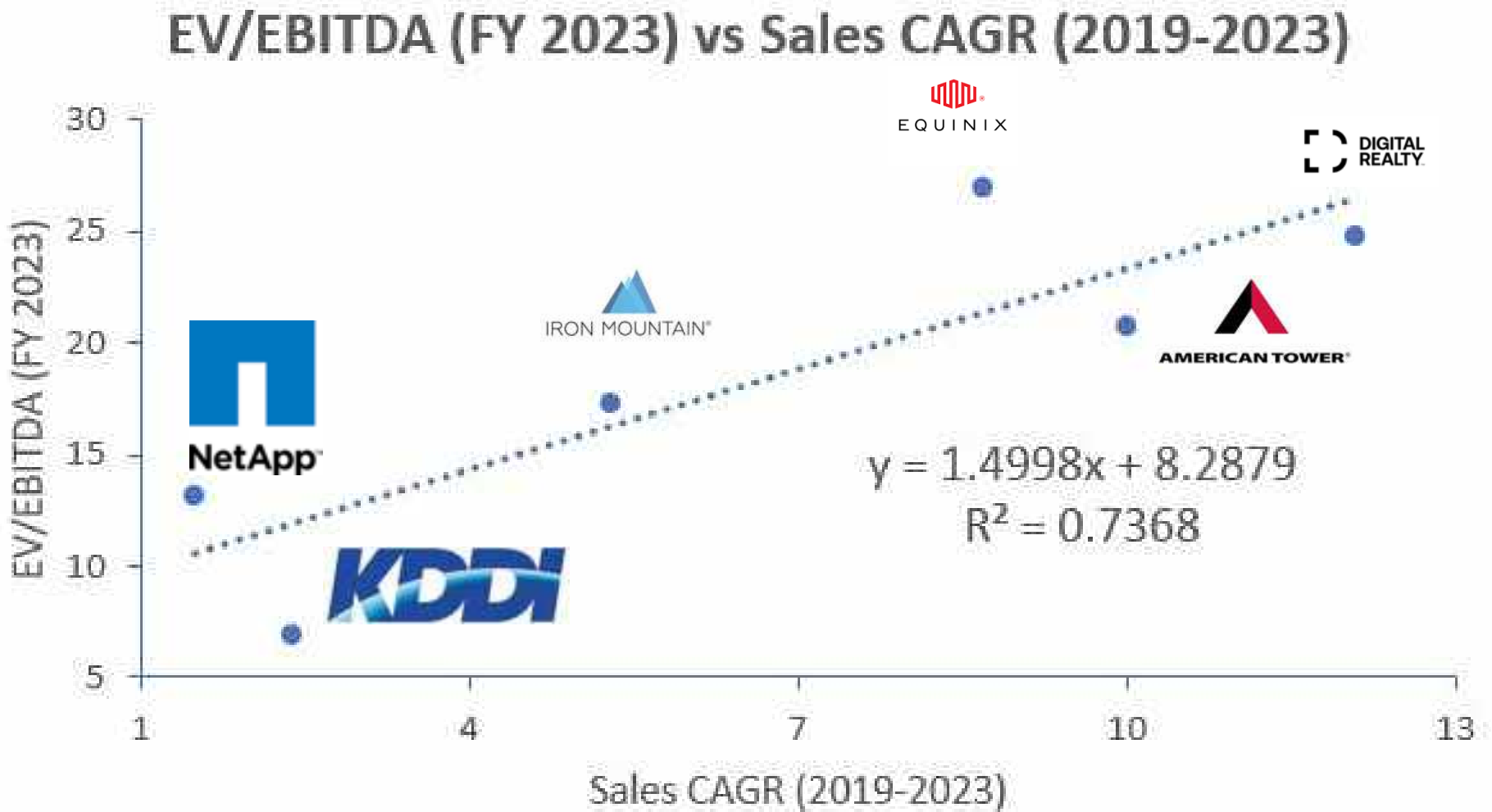
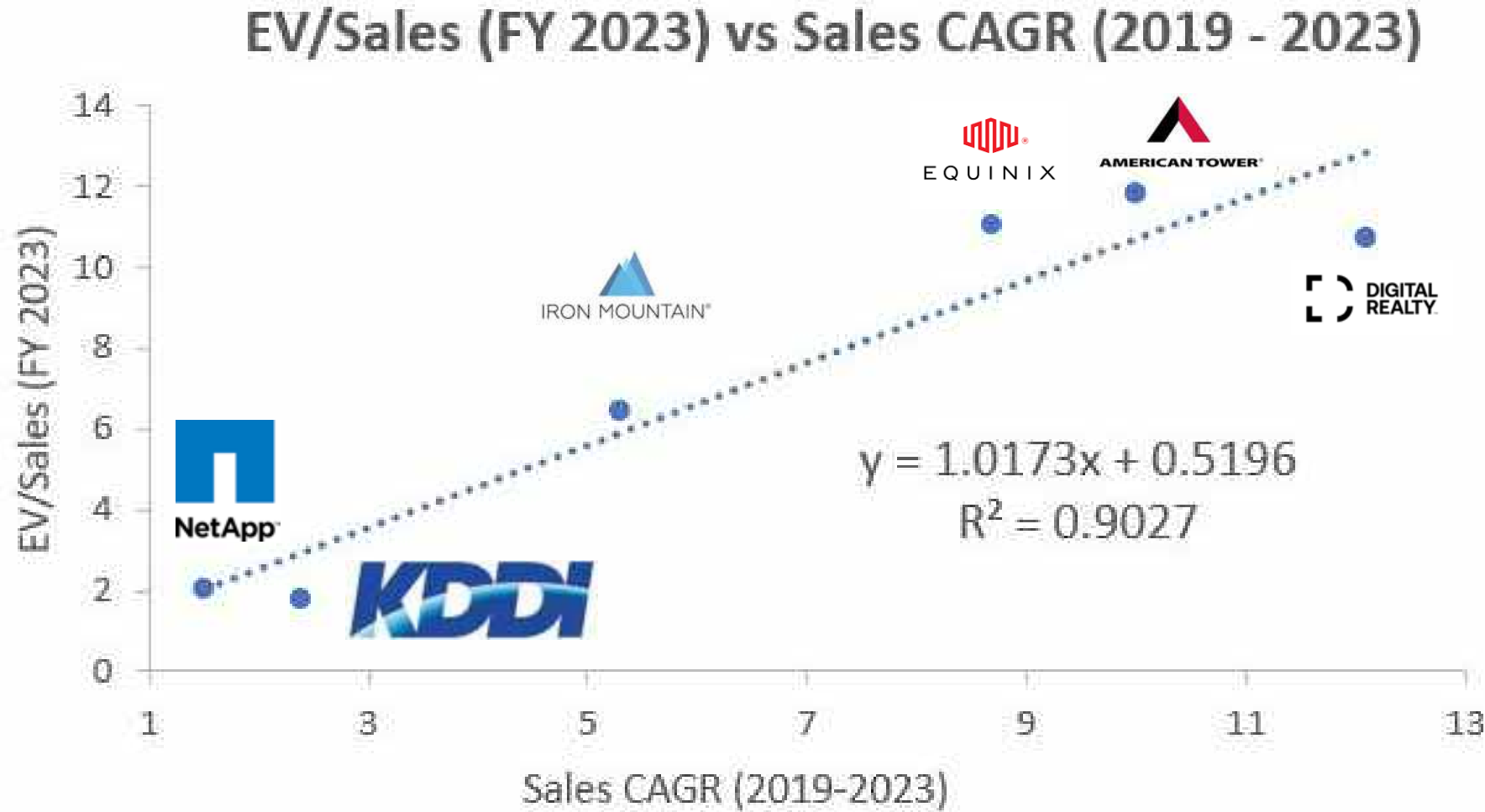


Source: Bloomberg (2024)

EV/ Sales & EV/EBITDA CAGR



Among its 4 peers, Equinix 's CAGR is higher than only Oracle, yet it has the highest EV/Sales and EV/EBITDA



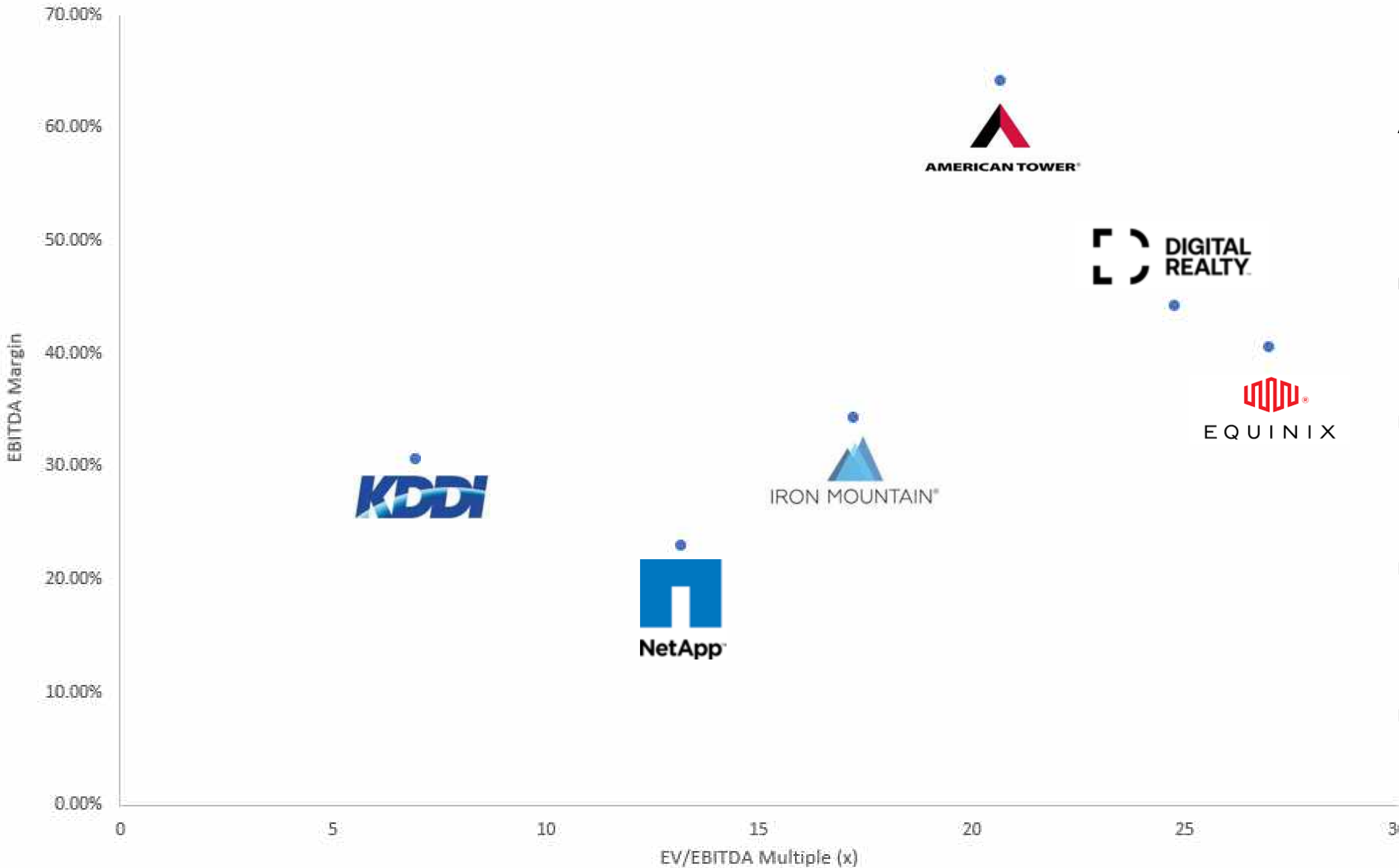
Key Takeaways

- EV/EBITDA < 10 is considered healthy or undervalued, slightly larger than 10 is acceptable, yet Equinix’s EV/EBITDA is 26.97, which is 170% higher than the healthy standard
- Average EV/EBITDA for REIT industry is 19.8x, 36% lower than Equinix's EV/EBITDA
- EV/Sales smaller than 3, or slightly larger than 3, is considered healthy
- Average EV/sales for IT industry is 3.51, and average EV/Sales for REIT industry is 11.74
- Equinix's EV/Sales is 244% larger than that of IT industry, 2.8% larger than the average EV/Sales of REIT industry, and 302% higher than the healthy standard
- **Equinix has the highest EV/Sales and EV/EBITDA** comparing to its peers, given its EV/EBITDA and EV/Sales are **significantly larger** than its industry’s ratio. However, the statistic shows that its **CAGR is lowest among the 5 firms**. This may show that Equinix is **extremely overvalued**

Source: Bloomberg (2024)

EV/EBITDA 2023 vs 2023 EBITDA Margin

EV/EBITDA Multiples vs. EBITDA Margin for Equinix’s peer group



Source: Bloomberg (2024)

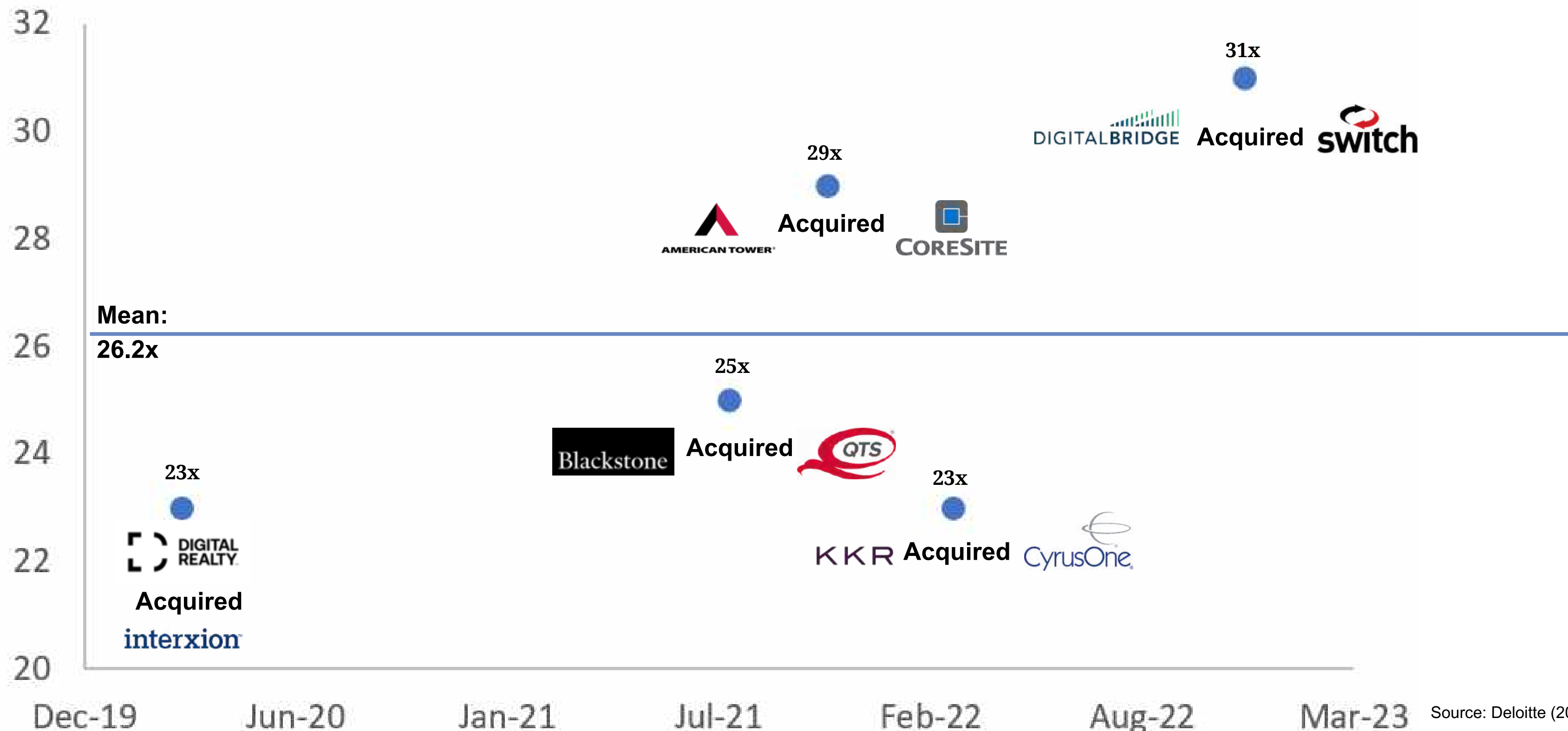
- Equinix**
- Equinix has the highest EV/EBITDA multiple among the listed companies at 26.97x, with an EBITDA margin of 40.56%
 - Indicating this is the most expensive among these companies in terms of how the market values its earnings; its strong EBITDA Margin also reflects a solid business model
- American Tower**
- With an EV/EBITDA multiple of 20.68x and an EBITDA margin of 64.26%, American Tower appears to be valued at a premium. Its highest EBITDA margin within the group indicates strong operational efficiency and profitability.
- Iron Mountain**
- Meta has an EV/EBITDA multiple of 17.21x and an EBITDA margin of 34.42%
 - This could suggest that it is less expensive relative to its earnings before interest, taxes, depreciation, and amortization
- NetApp**
- NetApp has an EV/EBITDA multiple of 13.15x and an EBITDA margin of 23.03%, the second lowest EV/EBITDA ratio among the group, which could mean it is undervalued or that the market has lower growth expectations for it
- Digital Realty**
- With an EV/EBITDA multiple of 24.77x and an EBITDA margin of 44.23%, Digital Realty appears to be valued higher than its peers
 - The second-highest EBITDA margin in the group indicates strong profitability, which could justify the higher valuation
- KDDI**
- Amazon has an EV/EBITDA multiple of 6.94x and an EBITDA margin of 30.72%. This suggests that it is the least expensive of these companies, potentially offering a value play
 - Its reasonable EBITDA margin suggests decent operational efficiency but possibly less focus on the high-margin data center operations

Precedent Digital Infrastructure Analysis



Digital infrastructure M&A activity has been slowly trending upward, fetching larger and larger multiples

Past Digital Infrastructure Transaction EBITDA Multiple





Financial Overview | Discounted Cash Flow

Financial Performance Forecasts

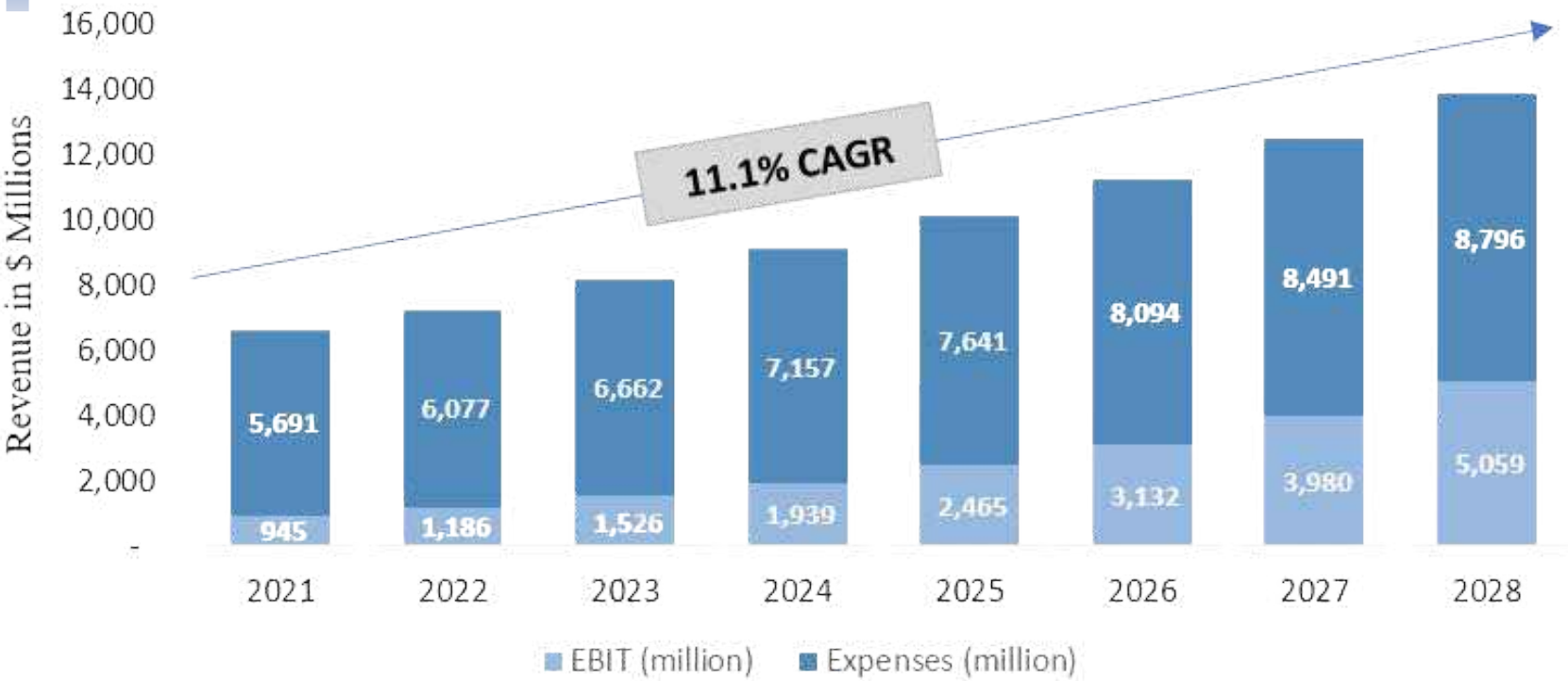


Business segments and total revenue breakdown through 2028

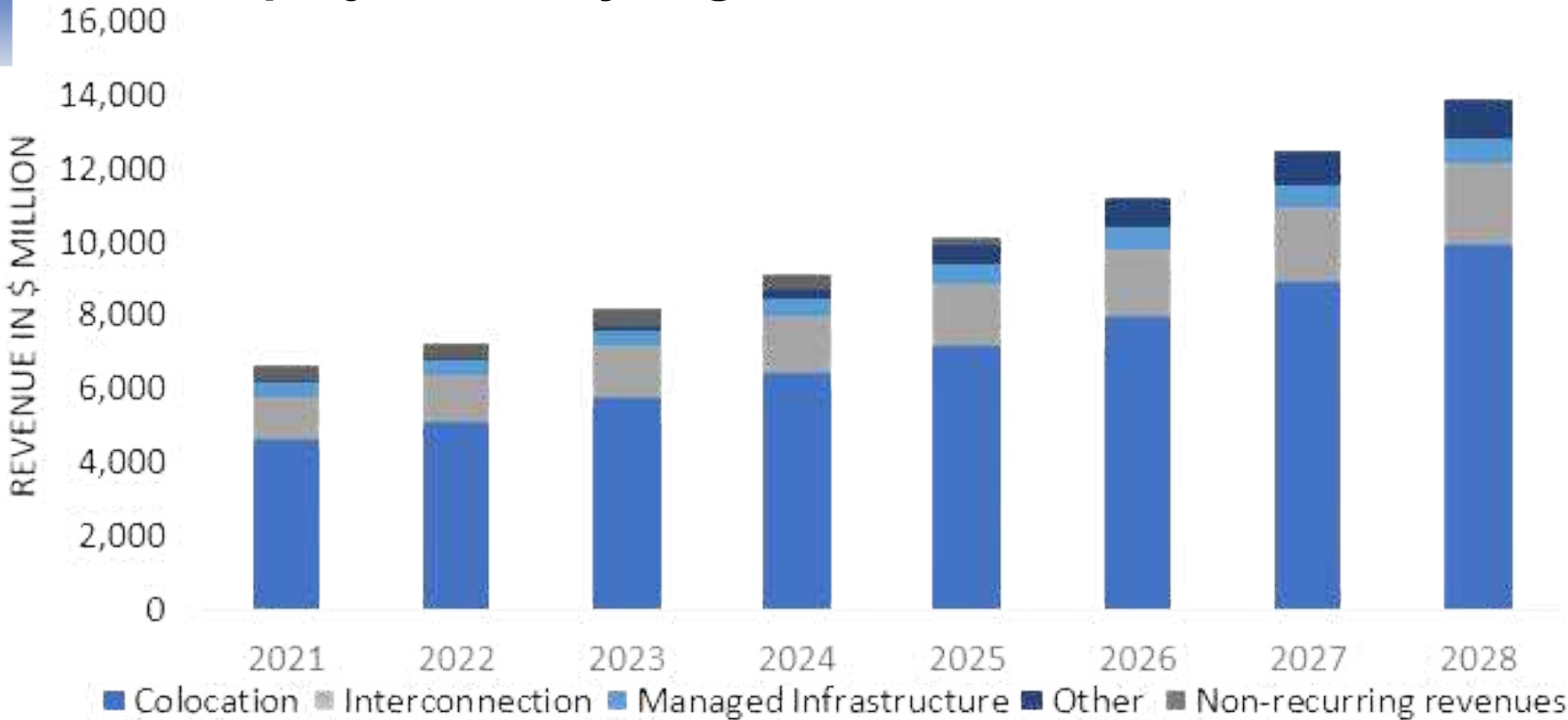
Equinix’s revenue projections - assumption (base)

- Over the course of the projected years (through FY28), **revenue is expected to grow consistently**, as indicated by the **CARG of 11.1%**
- The **expenses** are also increasing but appear to be **growing at a slower rate than EBIT**
- The revenue contribution from different segments shows diversification in the company's business, with **Colocation and Interconnection being significant contributors**.
- By 2028, there is a **reduction in the Asia-Pacific’s revenue share**, indicating the competitive challenges company will face in this region, while the **EMEA’s revenue substantially increases and catch up with same level of revenue contribution’s Americas**

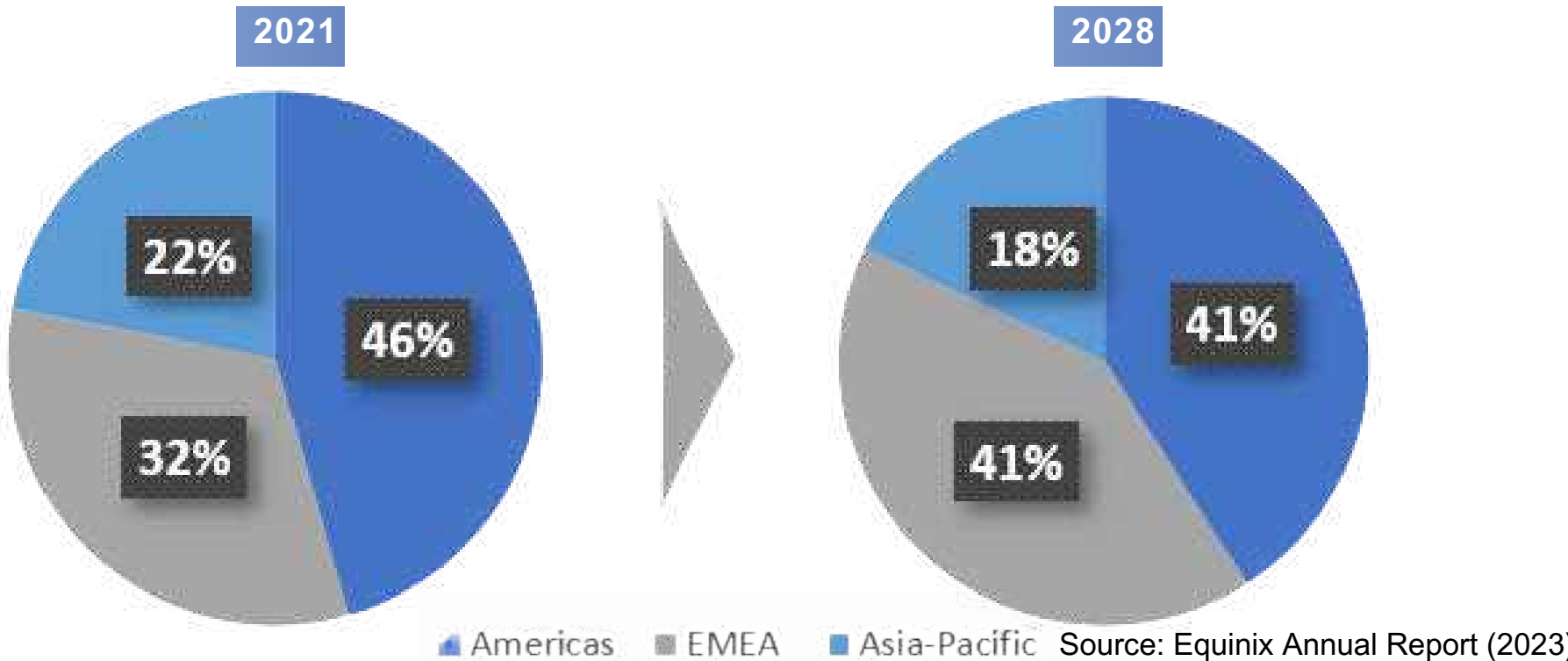
Revenue projections



Revenue projections by segment ‘21-’28



Revenue projections by geography ‘21-’28



Source: Equinix Annual Report (2023)

Equinix Discounted Cash Flow (1/2)

Equinix’s valuation and FCF projections



In \$000's	2023 12/30/2023	2024 12/30/2024	2025 12/30/2025	2026 12/30/2026	2027 12/30/2027	2028 12/30/2028
Income before income taxes	1,124,230	1,247,895	1,385,164	1,537,532	1,706,660	1,894,393
Interest expense	402,022	442,224	486,447	535,091	588,600	647,460
EBIT	1,526,252	1,694,140	1,880,495	2,087,350	2,316,958	2,571,823
Depreciation	1,636,075	1,816,043	2,015,808	2,237,547	2,483,677	2,756,882
Stock-based compensation	407,536	452,365	502,125	557,359	618,668	686,722
Amortization of intangible asset	209,063	232,060	257,587	285,921	317,372	352,283
Amortization of debt issuance costs and debt discounts and premiums	18,718	20,777	23,062	25,599	28,415	31,541
Provision for credit loss allowance	14,835	16,467	18,278	20,289	22,521	24,998
Loss on asset sales	5,046	5,601	6,217	6,901	7,660	8,503
Loss on Debt extinguishment	35	39	43	48	53	59
Other items	41,722	46,311	51,406	57,060	63,337	70,304
Cash paid for taxes	(152,988)	(169,817)	(188,497)	(209,231)	(232,247)	(257,794)
CapEx	(2,781,018)	(3,086,930)	(3,426,492)	(3,803,406)	(4,221,781)	(4,686,177)
Change in working capital	(75,323)	(83,609)	(92,805)	(103,014)	(114,346)	(126,924)
Unlevered FCF	849,953	943,448	1,047,227	1,162,422	1,290,288	1,432,220
Present value of Unlevered FCF	849,953	883,957	919,322	956,102	994,353	1,034,135

Terminal Value (in thousands)

Free cash flow	1,034,135.00
Perpetual growth rate	3.70%
WACC	7.37%
Terminal Value	21,735,067.68

- Perpetual growth rate is inflation rate
- Stock-based compensation, provision for credit loss allowance, loss on asset sales, and loss on debt extinguishment are treated as an expense for FCF valuation
- Values enclosed in parenthesis indicate amounts subtracted from the FCF computation

Source: Equinix Annual Report (2023), Bloomberg (2024)

Equinix Discounted Cash Flow (2/2)



Calculation of the weighted average cost of capital (WACC) and DCF sensitivity analysis

Cost Of Equity	
Beta	0.08
Risk free rate	1.98%
Equity risk premium	6.0%
Cost Of Equity	7.818%

Cost Of Debt	
Average interest rate	2.30%
Interest Expense	402,022
Total Debt	17,460,000
Tax Rate	13.81%
After Tax Cost Of Debt	1.98%

WACC	
Cost of equity	0.0782
Cost of Debt	1.98%
Effective tax rate	13.81%
WACC	6.73%

Perpetuity and Exit EBITDA Multiple Approach

Exit EBITDA Multiple Approach	
Terminal year EBITDA	5,681
Terminal value EBITDA multiple	29.300x
Terminal value	166,453
Present value of terminal value	120,171
Present value of stage 1 cash flows	5,638
Enterprise value	125,808
<i>Implied TV perpetual growth rate</i>	<i>5.77%</i>

Perpetuity Approach	
FCF in Last Forecast Period	1,432
FCF t+1	1,590
Long term growth rate (g)	5.77%
Terminal value	165,085
Present value of terminal value	119,183
Present value of stage 1 cash flows	5,638
Enterprise value	124,820
<i>Implied TV exit EBITDA multiple</i>	<i>29.300x</i>

- The Weighted Average Cost of Capital (WACC) represents return to lenders and shareholders
- WACC of 6.73% represents the required rate of return (discount rate) necessary for DCF analysis
- This also represents the fact that the company must pay investors an average of \$0.0673 for every \$1.00 received in funding

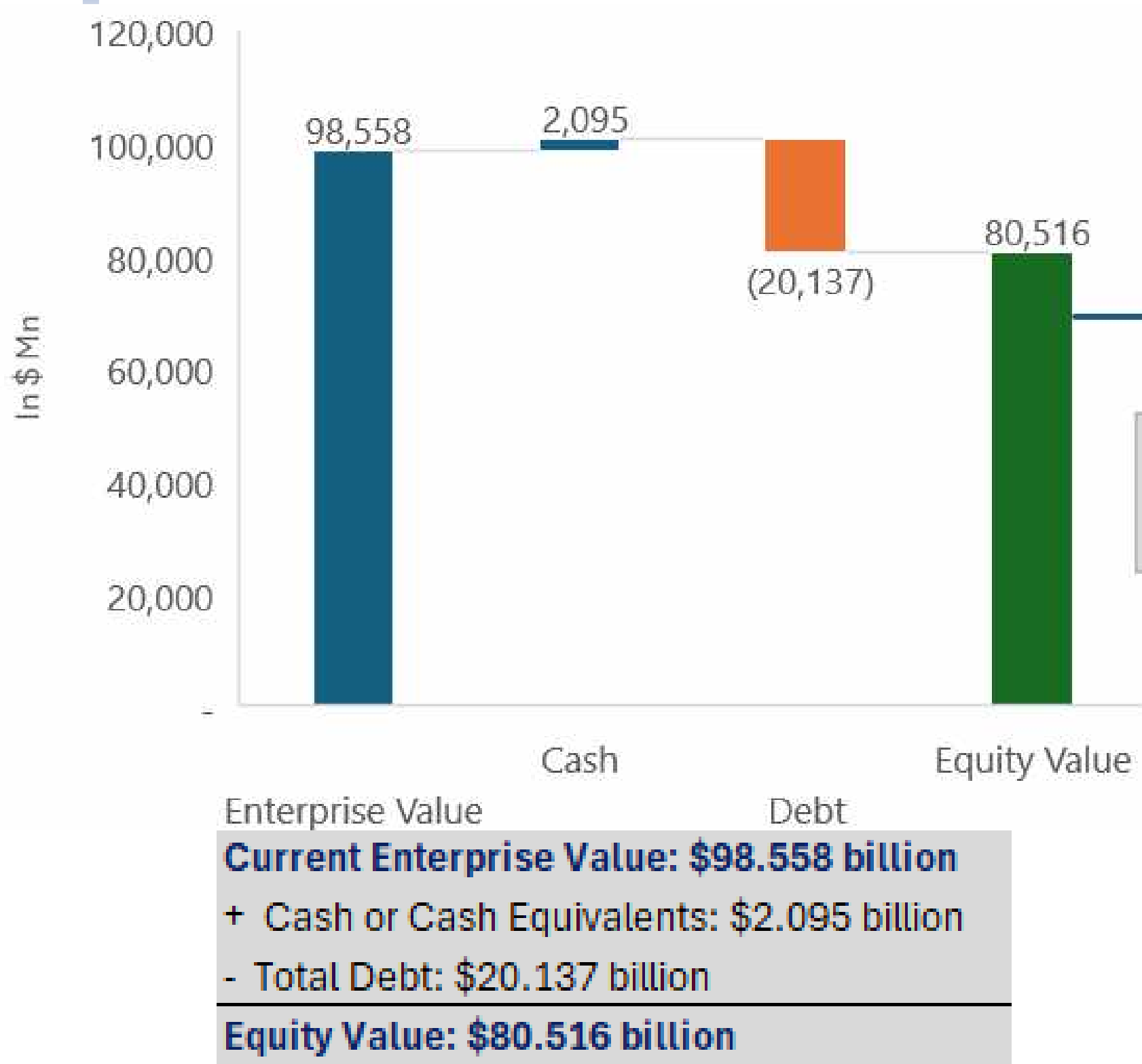
Source: Equinix Annual Report (2023), Bloomberg (2024)

Equinix Fair Enterprise Value Determination

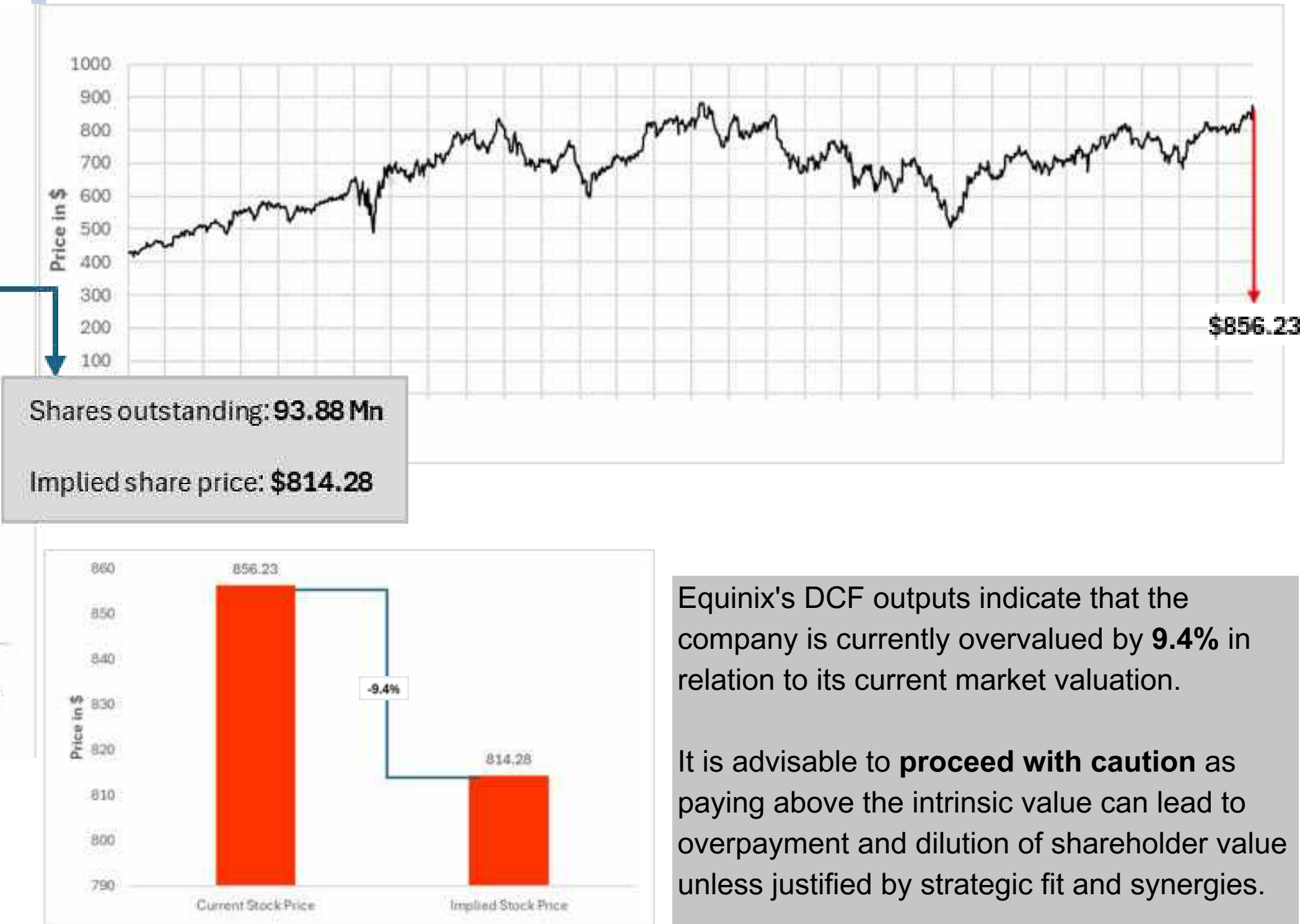


Enterprise value to equity value bridge and compare intrinsic value vs. actual price

Enterprise Value to Equity Value Bridge



Equinix Historic Stock Price (as of 02/20/2024)



Equinix's DCF outputs indicate that the company is currently overvalued by **9.4%** in relation to its current market valuation.

It is advisable to **proceed with caution** as paying above the intrinsic value can lead to overpayment and dilution of shareholder value unless justified by strategic fit and synergies.

Source: Yahoo Finance (2023), Bloomberg (2024)

The background is a complex financial visualization. It features a dark blue grid with various data series. A prominent line chart with yellow square markers trends upwards from the bottom left towards the top right. Another line chart with white square markers is visible in the upper right quadrant. At the bottom, there is a bar chart with white bars of varying heights. The entire background is overlaid with numerous numerical values in white and yellow, some of which are slightly blurred to create a sense of depth. The text 'Financial Overview | Synergies' is centered in a large, white, sans-serif font, with a vertical line separating the two words.

Financial Overview | Synergies

Potential Synergies Overview



Enterprise value to equity value bridge and compare intrinsic value vs. actual price

	Possible Synergies	Duration	Reasoning
Cost Synergies	<ul style="list-style-type: none">• Operation efficiency• R&D• Infrastructure and facility• Global expansion	1-10 years	More streamlined operation, assembled workforce, economies of scale, advantage of Equinix’s footprint globally, use of patents and license
Revenue Synergies	<ul style="list-style-type: none">• Cross-selling opportunities• Improved service offerings• R&D• Global expansion	3-8 years	Equinix’s large customer base of enterprises and strong presence in key markets around the world
Post Merger	<ul style="list-style-type: none">• IBM expands its footprint more to APAC and EMEA countries that Equinix has already owned its data center+ APAC countries: Malaysia, Indonesia+ EMEA countries: Switzerland, UAE, Ghana, Finland, Ireland, Nigeria, Oman, Poland, Portugal, South Africa, Sweden, Turkey• Broader range of services portfolio, particularly in cloud and data center service• Integration of Equinix's interconnection and data center technologies with IBM's cloud offerings leading to more robust and efficient services		

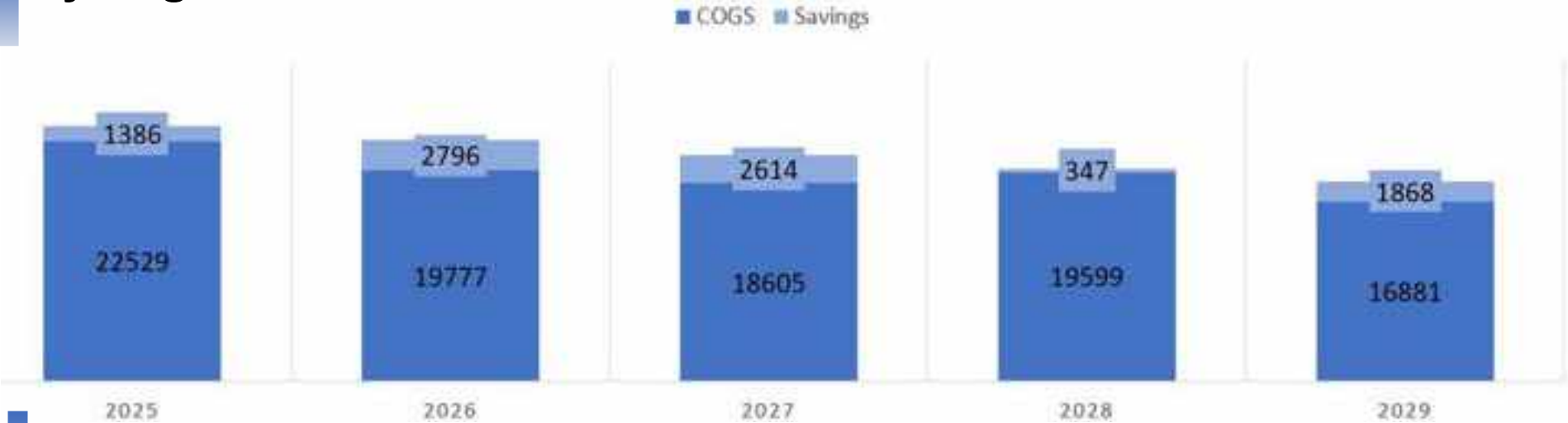
Source: IBM (2023), Equinix (2023), Bloomberg (2024)

Quantified Synergies - COGS, SG&A, CapEx



As an integrated company, Equinix will experience cost saving synergies amounting to a NPV of \$11,877 mm

Synergies from reduction in COGS



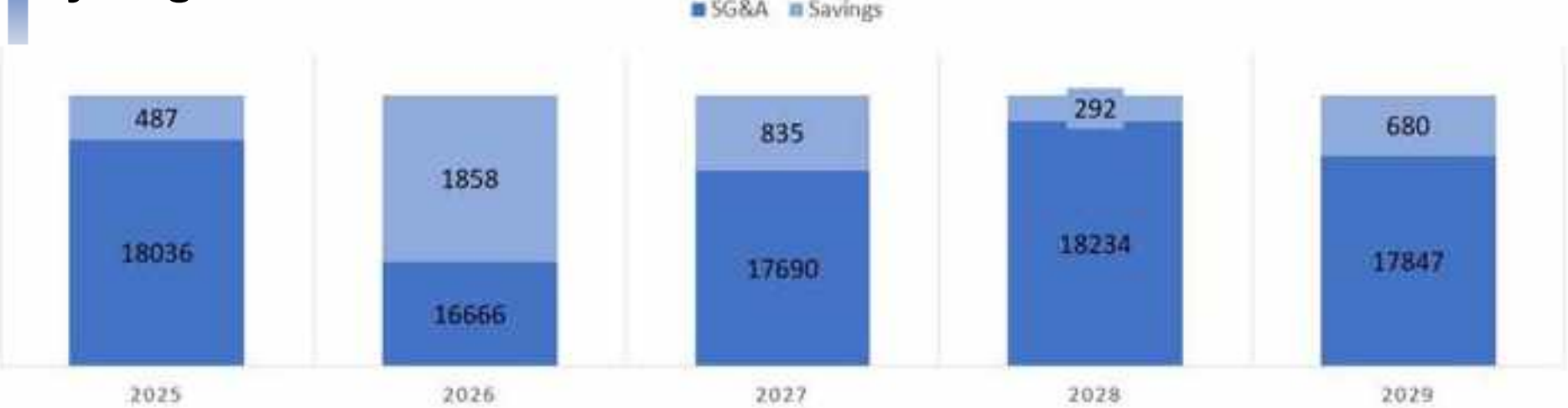
Cost of Goods Sold

Economies of scale arise in larger volume purchase and production, increase in bargaining power due to the expanded scale of the entity

NPV

**\$8187.9
MM**

Synergies from reduction in SG&A



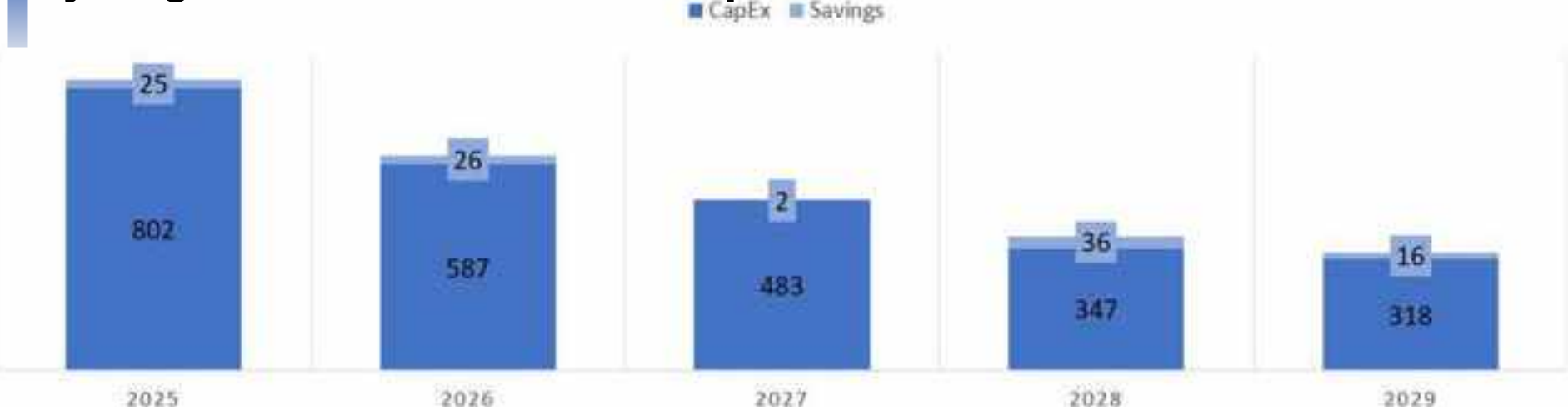
Selling, General and administrative expense

Elimination of overlapping workforce, espeicially in administrative role, **streamline operation**, leading to faster processing time and lower labor cost

NPV

**\$3598
MM**

Synergies from reduction in CapEx



Capital Expenditures

Benefits from Equinix’s characteristics as a REIT, which include available real estate worldwide, **possibility of consolidating offices and data centers** where there is geographical overlap, **more efficient allocation of resources**, such as equipment

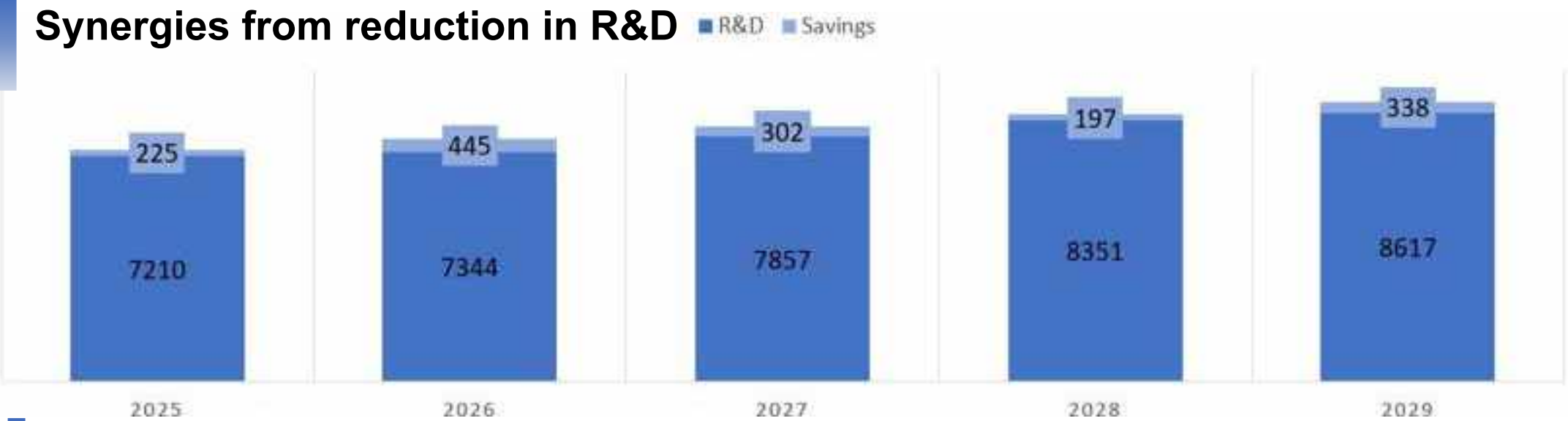
NPV

**\$91
MM**

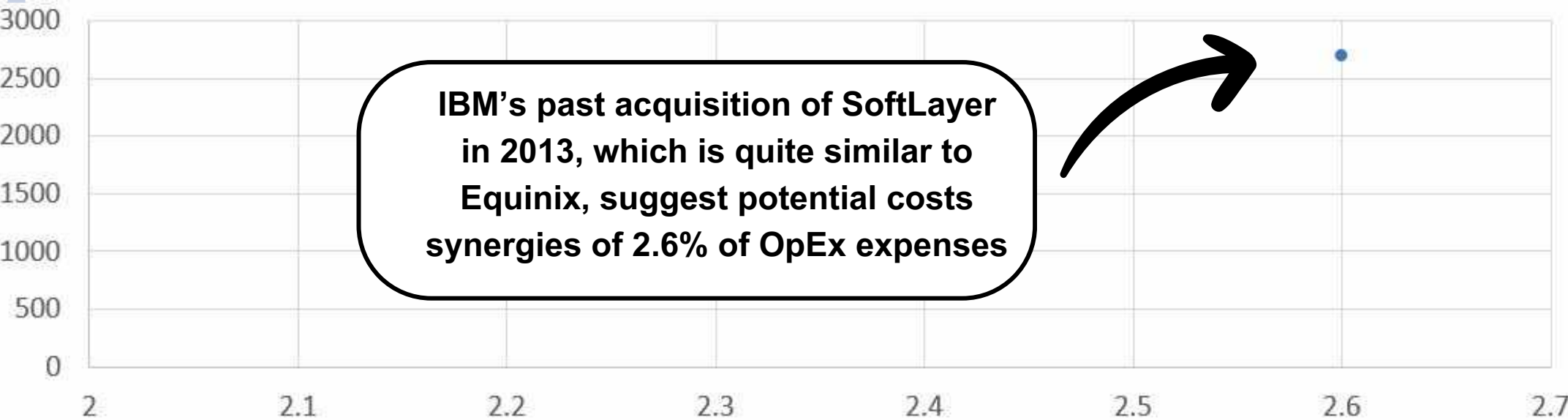
Source: Equinix Annual Report (2023), Bloomberg (2024)

Quantified Synergies - OpEx, R&D

Maximizing cost synergies: IBM's acquisition of Softlayer as a blueprint for future tech mergers



IBM acquisition of SoftLayer in the past suggest positive cost synergies



- Among IBM's precedent acquisitions, **SoftLayer is most like Equinix**. Both operate within the data center and cloud service industry
- **The cost synergies of 2.6% of operating expense estimate suggests that IBM could save at least 2690 MM in 5 years if it acquires Equinix (Bear Case)**

Source: IBM Annual Report (2023), Equinix Annual Report (2023), Bloomberg (2024)

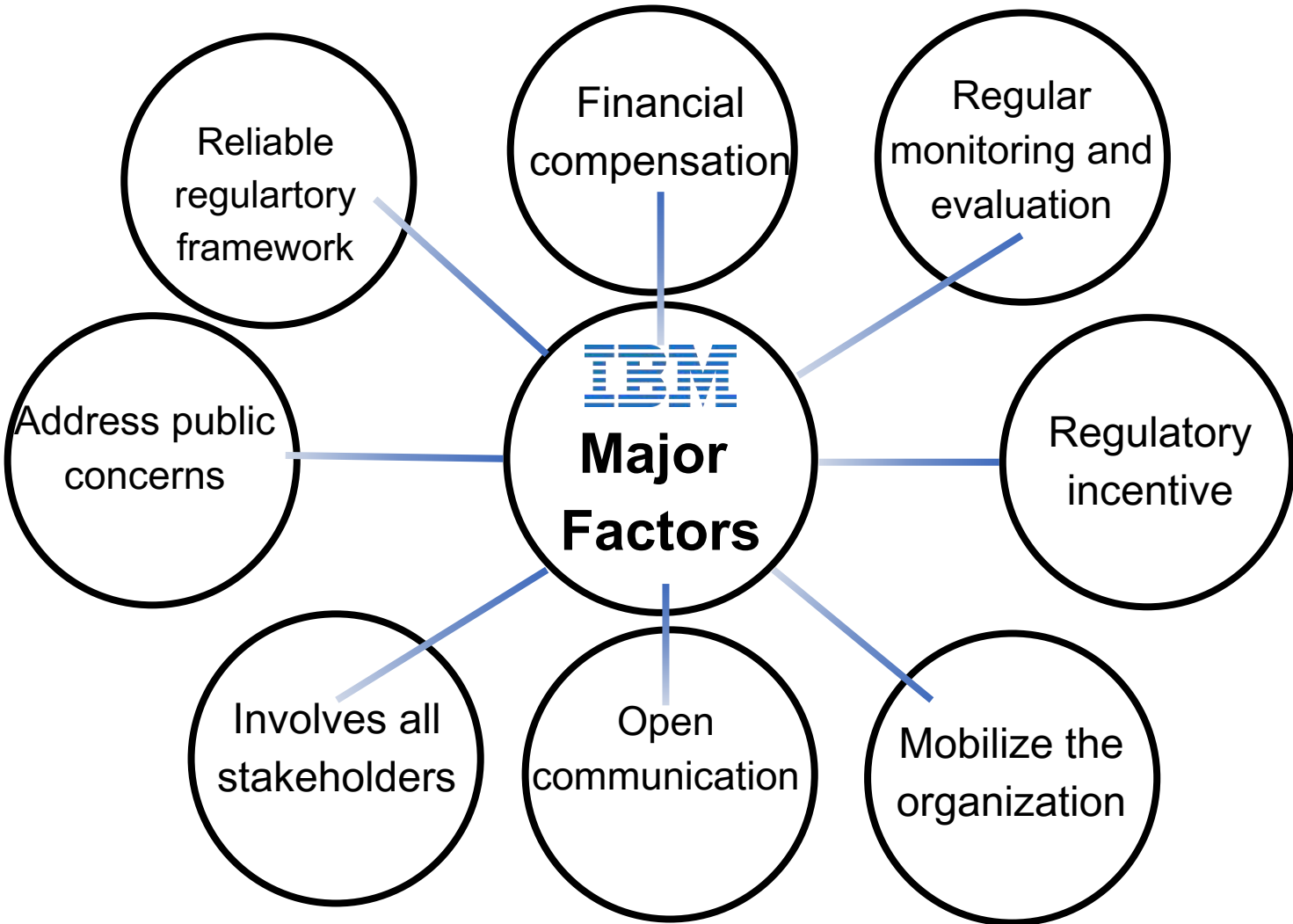
Research and Development

Accelerate the time-to-market for new technologies and services, shared knowledge and expertise, access to larger intellectual property portfolio, elimination of redundant efforts, enhance R&D facility

NPV

\$1287.9 MM

Achieving cost synergies

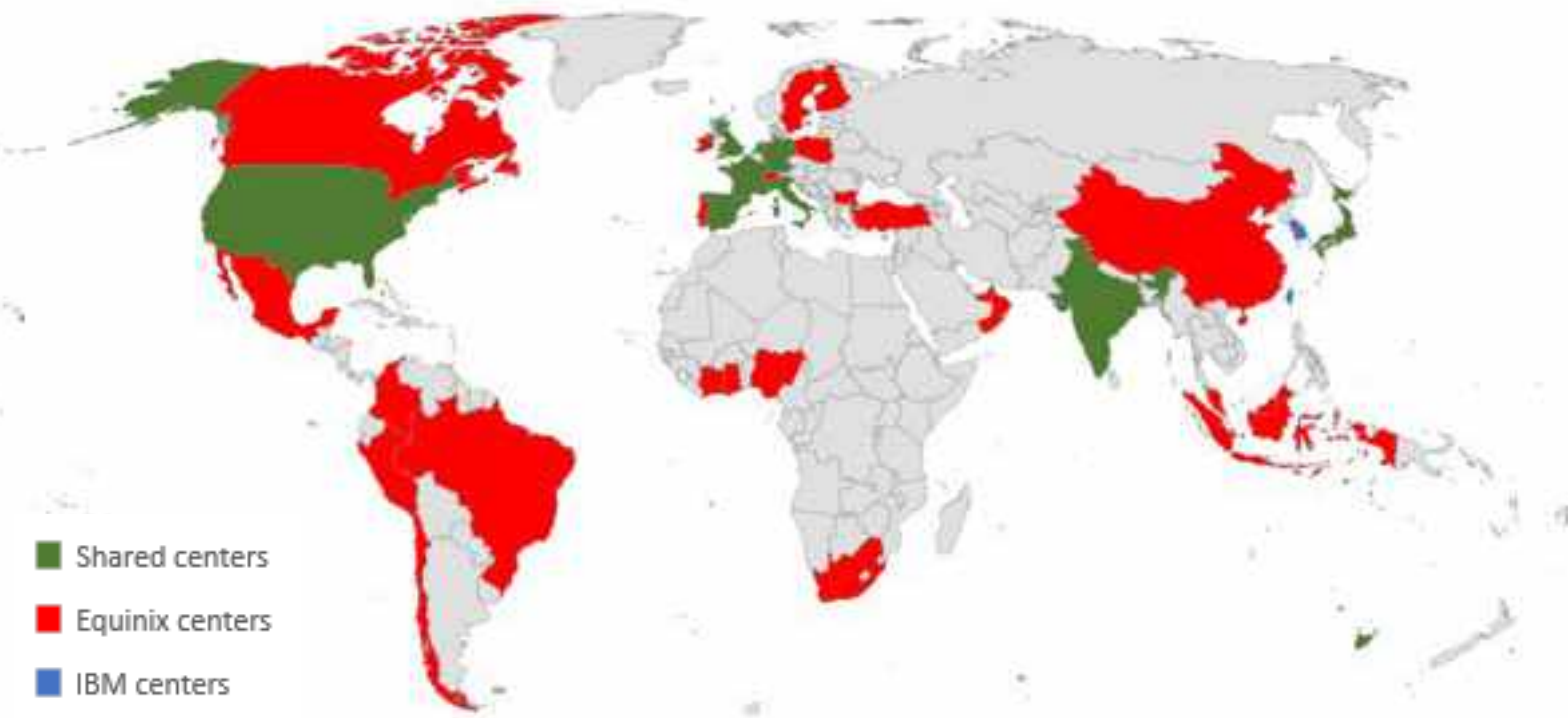


Compare Revenue Synergies to Standalone

Combining operations allows for more latency capabilities and agility as well as revenue boost



Global Data Centers and Network Locations



Market Growth of Equinix in %



Synergies from increase in IBM Revenues



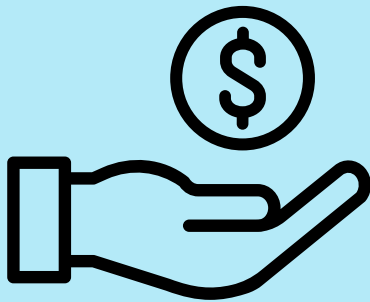
Revenues

- Accelerated revenue growth through a premier customer base
- A major factor is Equinix's data center network transnational
- ~80% revenue spike in the acquisition year
- +3 global data center locations globally, contributing to the revenue spike

Source: IBM Annual Report (2023), Equinix Annual Report (2023), Bloomberg (2024)

Revenue Synergies from Economies of Scale

Maximizing revenue growth through acquisition and integration with Equinix



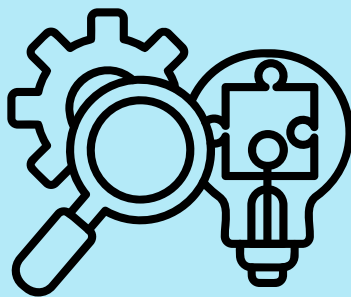
Cross-selling opportunities

- Equinix has a large customer base of enterprises using its data center and interconnection services. Through a strategic partnership, IBM could offer its cloud services, such as IBM Cloud, IBM Watson, or Red Hat OpenShift, to these customers
- Both companies receive the benefits of combining Equinix's reliable infrastructure with IBM's advanced cloud solutions, thus more opportunity for revenue growth



Joint R&D

- IBM and Equinix could collaborate to develop a new hybrid cloud solution tailored to the needs of enterprises. Equinix's data centers could serve as a strategic location for deploying IBM's cloud services, providing low-latency, high-performance connectivity
- The two companies would be able to create a bundled offering that includes IBM's cloud services and Equinix's interconnection services, attracting clients looking for secure hybrid cloud solutions



Improved service offerings

- Equinix's interconnection services, such as Equinix Cloud Exchange Fabric (ECX Fabric), could enhance the performance and reliability of IBM's cloud services
- IBM could use ECX Fabric to provide direct and secure connections between its cloud data centers and customer environments hosted in Equinix data centers
- This improved connectivity could make IBM's cloud services more attractive to customers with high-performance requirements



Global Expansion

- Equinix has a strong presence in key markets around the world, including major cities in North America, Europe, and Asia-Pacific. By partnering with Equinix, IBM could quickly expand its reach into these markets, where Equinix's data centers are already established.

Select Customers Addition



Joint Operations



Source: IBM (2023), Equinix (2023), Bloomberg (2024)



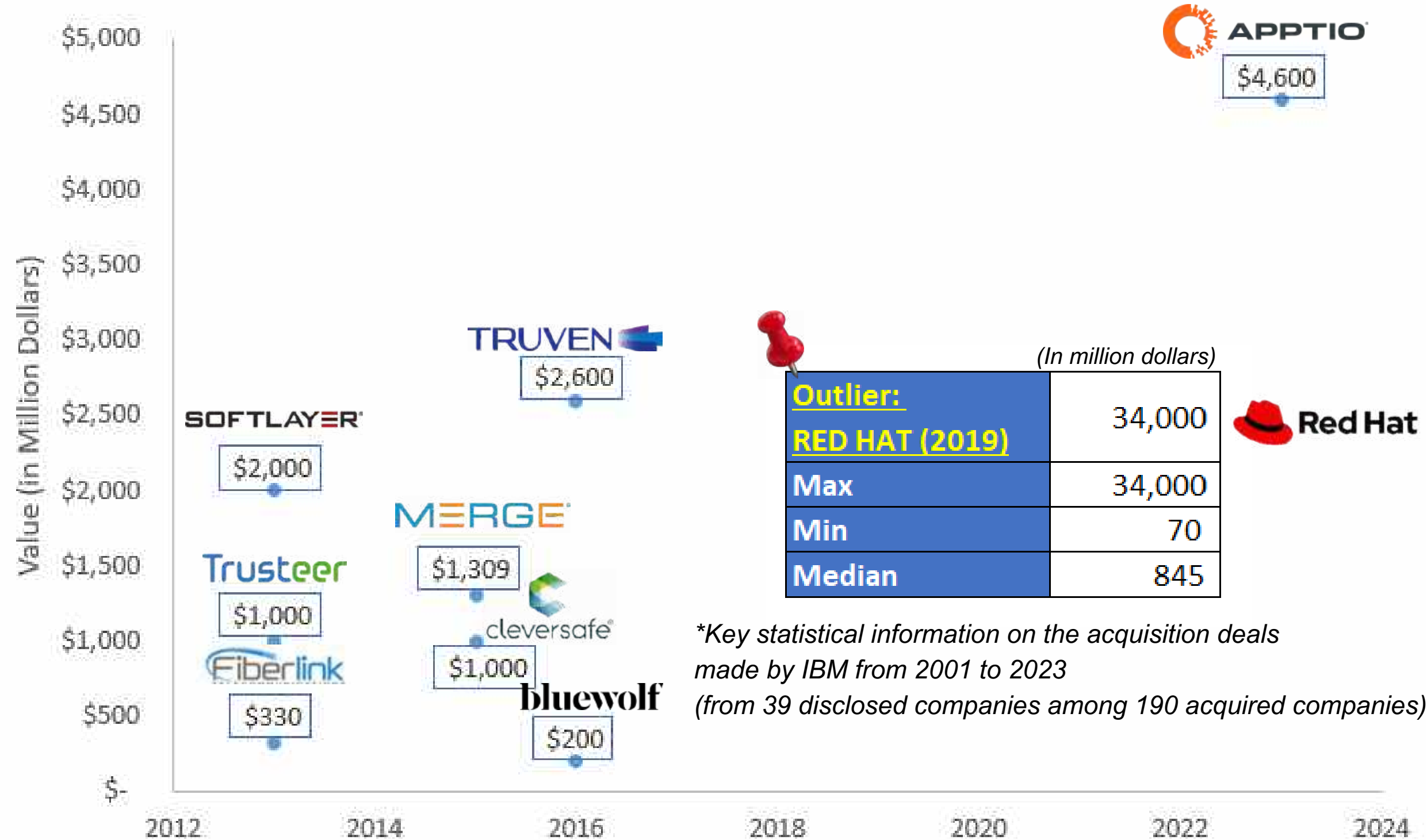
Acquisition Feasibility Analysis

IBM's Past Acquisition



An acquisition of EQUINIX would be an extreme outliers in terms of IBM's acquisition price range. Also, EQUINIX is considered as an overvalued company

Acquisition Prices of Companies Disclosed by IBM
2012 - 2023



Key insights from IBM's past acquisitions

Focused Industry

- Software and Technology:
- Consulting and Business Services: database software, identity management, enterprise storage, business intelligence, content management software
- Healthcare and Life Sciences
- Other specialized industries

Company size & Stage of company

- Size: Midsize to large companies
- Stage of companies: well-established in their respective fields with a developed product or service line

CONCLUSION

- Strategic fit: Equinix expands IBM's digital infrastructure footprint and strengthens Hybrid Cloud Strategy.
- Equinix has well-established services
- **HOWEVER**, Equinix **doesn't align with IBM's acquisition price range**. It's overvalued at **over \$80 billion enterprise value, significantly higher than Red Hat's acquisition price of \$34 billion**. Additionally, Equinix's current stock price of over \$900, suggesting an **overvalued stock**.

Source: Wikipedia (2024)

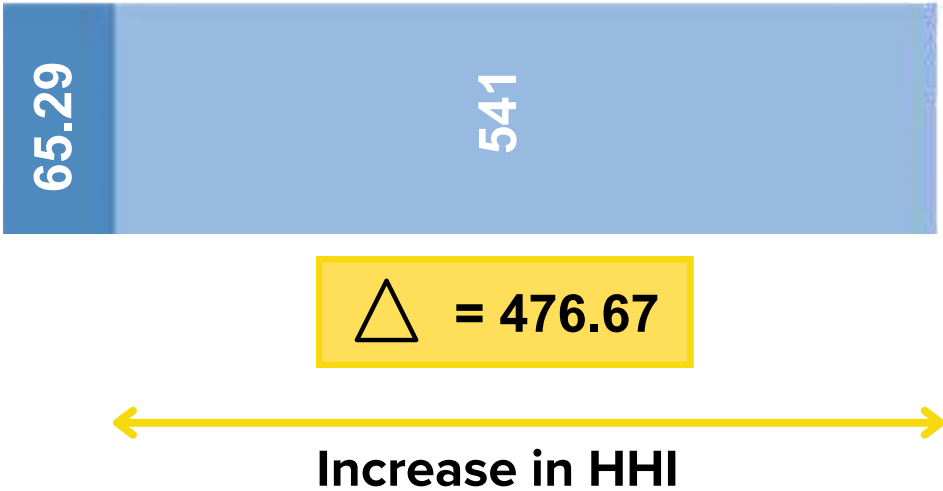
IBM's acquisition of Equinix, significantly raising HHI, will likely prompt the Federal Trade Commission (FTC)

Concentration analysis

Herfindahl-Hirschman index for selected US markets

Market position context:

- IBM's IaaS Market Share: 8.08%
- Equinix's Data Center Colocation Share: 15.2%
- We believe there is a strong connection between IaaS Growth & Data Center Expansion



Three major US Antitrust laws currently prevent the development of monopolies

- **The Hart-Scott-Rodino Antitrust Improvements Act of 1976:** states that acquisitions involving companies of a certain size cannot be completed until certain information is provided to the federal government and a specified waiting period has elapsed
- **The Clayton Act of 1914:** makes it illegal for one company to purchase the stock of another company if their combination results in reduced competition within the industry at large
- **The Sherman Act of 1890:** prohibits new business combinations and stock purchases that lead to the creation of a monopoly

The HHI

$$HHI = \sum_{i=1}^N (MS_i)^2$$

The HHI is a common measure of market concentration and is used to determine market competitiveness, often pre- and post M&A transactions.

Conclusion

The following acquisition increases the HHI of IBM by 476.67 points, far exceeding the 200-point threshold for regulatory concern. This substantial rise in market concentration is likely to prompt rigorous antitrust scrutiny.

Source: IBM Annual Report (2023), Investopedia (2024)

IBM Downgrade Risk Post-Equinix Acquisition

IBM faces massive downgrade risk in almost every acquisition debt financing scenario



IBM's credit rating

If IBM were to acquire Equinix at the below levels of debt, the company would be at risk of being downgraded by Moody's and S&P Global



100% Debt	
Pro Forma Moody's-adjusted EBITDA Breakdown	
FY	2023
Reported pro-forma pre-tax income	10,300
Add back interest expense	900
Add back D&A	2,800
Reported pro-forma EBITDA	14,000
Stock-based compensation adjustment	1,100
Workforce rebalancing adjustment	400
Corporate (gains)/charges adjustment	(100)
Adjusted pro-forma EBITDA	15,400
Moody's-adjusted Debt Breakdown	
FY	2023
Total unadjusted debt	112,600
100% debt financing of Equinix	80,500
Debt financing adjustment	(12,000)
Total adjusted pro forma debt	181,100
Moody's adjusted pro-forma debt to EBITDA	11.8x

DOWNGRADE to Caa1

50% Debt	
Pro Forma Moody's-adjusted EBITDA Breakdown	
FY	2023
Reported pro-forma pre-tax income	10,300
Add back interest expense	900
Add back D&A	2,800
Reported pro-forma EBITDA	14,000
Stock-based compensation adjustment	1,100
Workforce rebalancing adjustment	400
Corporate (gains)/charges adjustment	(100)
Adjusted pro-forma EBITDA	15,400
Moody's-adjusted Debt Breakdown	
FY	2023
Total unadjusted debt	112,600
100% debt financing of Equinix	40,250
Debt financing adjustment	(12,000)
Total adjusted pro forma debt	140,850
Moody's adjusted pro-forma debt to EBITDA	9.0x

DOWNGRADE to B1

25% Debt	
Pro Forma Moody's-adjusted EBITDA Breakdown	
FY	2023
Reported pro-forma pre-tax income	10,300
Add back interest expense	900
Add back D&A	2,800
Reported pro-forma EBITDA	14,000
Stock-based compensation adjustment	1,100
Workforce rebalancing adjustment	400
Corporate (gains)/charges adjustment	(100)
Adjusted pro-forma EBITDA	15,400
Moody's-adjusted Debt Breakdown	
FY	2023
Total unadjusted debt	112,600
100% debt financing of Equinix	20,125
Debt financing adjustment	(12,000)
Total adjusted pro forma debt	120,725
Moody's adjusted pro-forma debt to EBITDA	7.8x

DOWNGRADE to Ba3

Source: IBM Annual Report (2023)

Financing Scenario Analysis



After analyzing three different structures for this acquisition, none are feasible or logical

	Debt Financing	Equity Financing	Equity / Cash Hybrid
	<ul style="list-style-type: none">By financing this acquisition with 100% debt using 20-year notes market, there would be substantial impacts on IBM's financial leverageIBM's Adjusted Debt/EBITDA ratio could increase significantly by 8.3x, potentially leading to a downgrade in their credit rating to Caa1Due to these, debt financing may not be a feasible option for IBM	<ul style="list-style-type: none">To finance this acquisition with 100% equity, IBM would have to issue over 419 million shares resulting in a 0.56% dilutive effect to pro forma EPSCloud services providers have an average cost of equity of 9.5% vs the total market average of 8.48%For existing shareholders, dilution reduces their ownership percentage in the company, which might not be favorable	<ul style="list-style-type: none">By financing this acquisition with 40% debt and 60% equity, there would be dilutive to EPS by 0.34%A combination of debt and equity reap the benefits of both. Maintaining ownership by issuing equity while lowering your cost of capital by debt financingWhile this structure is the most favorable, the deal size is still too large to mitigate the negatives with any structure
Benefits	<ul style="list-style-type: none">✓ No impact on shareholder dilution & receive tax benefits✓ The cost of debt financing could be cheaper than equity financing✓ IBM, as a market leader in the tech industry, has strong negotiating power with lenders, potentially securing favorable loan terms	<ul style="list-style-type: none">✓ Credit rating is not affected by changes to Debt/EBITDA ratio✓ Utilizing equity financing means IBM wouldn't take on additional debt, avoiding interest expenses that come with debt financing✓ IBM retains its liquidity for other uses, such as funding operations or other strategic acquisitions	<ul style="list-style-type: none">✓ Reduced default risk on massive debt load✓ WACC is not significantly affected as debt and equity considerations are not stretched to their limits✓ Build confidence among investors, creditors, and other stakeholders.
Risks	<ul style="list-style-type: none">⊠ A downgrade in credit rating⊠ High leverage for acquiring a business that may not yield proportionate returns⊠ Increased default risk, potentially concerning investors across both debt and equity sectors	<ul style="list-style-type: none">⊠ Around 33% of shares are held by institutions leaving many parties to be negotiated with⊠ 100% equity would require issuing 419 Mm shares to be issued – roughly 46% of current shares outstanding⊠ In a 60/40 consideration, IBM would need to issue 167.6 MM shares to acquire Equinix	<ul style="list-style-type: none">⊠ In the scenario with the lowest cash consideration of 1%, this requires Siemens to hand over \$850 MM⊠ Debt is necessary for this deal as IBM does not have enough cash on hand to purchase Equinix with cash alone⊠ If IBM used all their cash (~\$13 Bn), they would still need to raise almost ~\$67.5 Bn to seal the deal

Source: IBM Annual Report (2023), Equinix Annual Report (2023), Bloomberg (2024)

Other Dimensions

Outlined critical risks in the acquisition, particularly in integrating leadership, culture, and managing Equinix's unique REIT structure post-integration



	Description	Area of concern	Threat assessment	Risk level
Customer perception	Change in brand perception post-acquisition	Equinix's brand identity and customer trust	Equinix customers may worry about IBM shifting focus away from core data center services, risking long-term relationships customer	
Ownership/ Leadership structure	Differing leadership structures and shareholder	Organizational structure and shareholder management	IBM's structured approach might conflict with Equinix's more flexible style. It's difficult to balance the interests of Equinix's diverse shareholders	
Layoffs	Potential job cuts and organizational restructuring	Employee morale and productivity	The fear of redundancies post-merger could create stress and uncertainty among Equinix employees, possibly leading to reduced productivity	
Cultural and HR obstruction	Mismatch in corporate cultures and human resources practices	Cultural Integration and HR Management	The significant differences in corporate culture and practices between IBM and Equinix may result in employee dissatisfaction and resistance.	
Challenges in managing EQUINIX's REIT	Adjusting to the financial and regulatory requirements of REIT	Equinix's brand identity and customer trust	Managing Equinix as a REIT requires IBM to navigate unique financial and regulatory landscapes, with risks of legal and financial consequences if mismanaged	

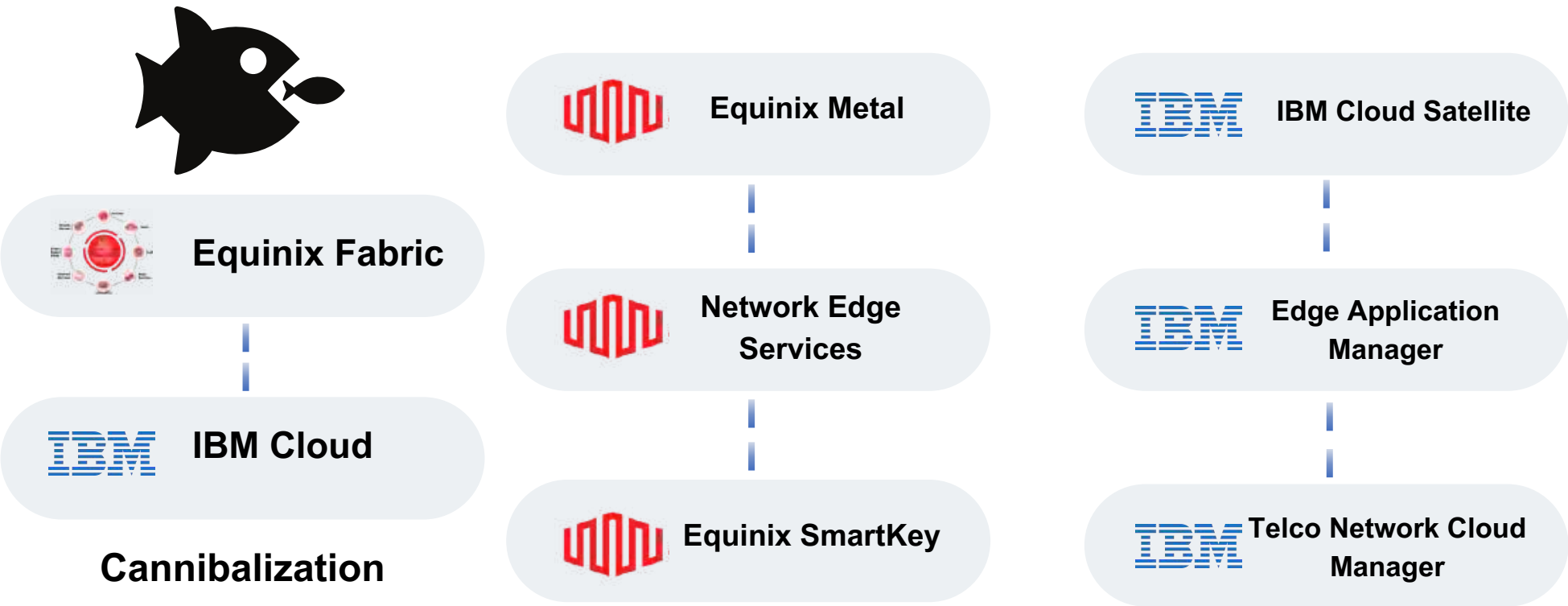
Source: IBM (2023), Equinix (2023)

IBM and Equinix Don't Fit

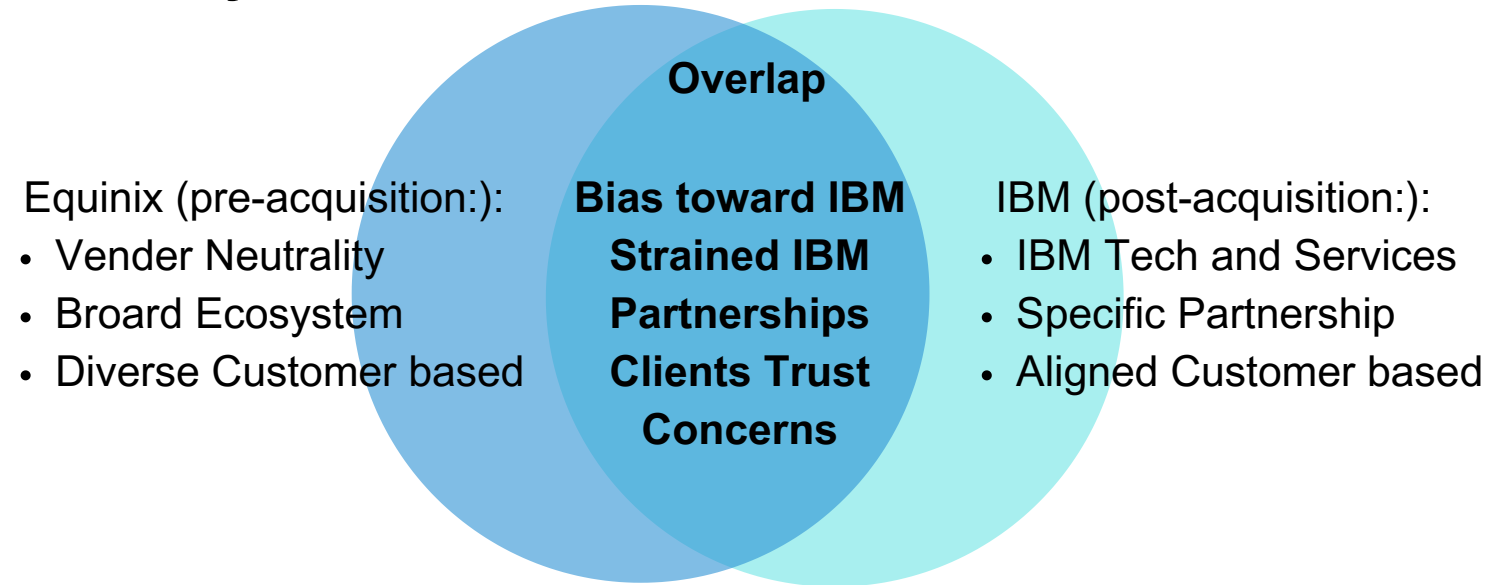
If IBM were to acquire Equinix, there are concerns of cannibalization and Trust Regulations



Post-acquisition, IBM might face internal competition between its services and those offered by Equinix

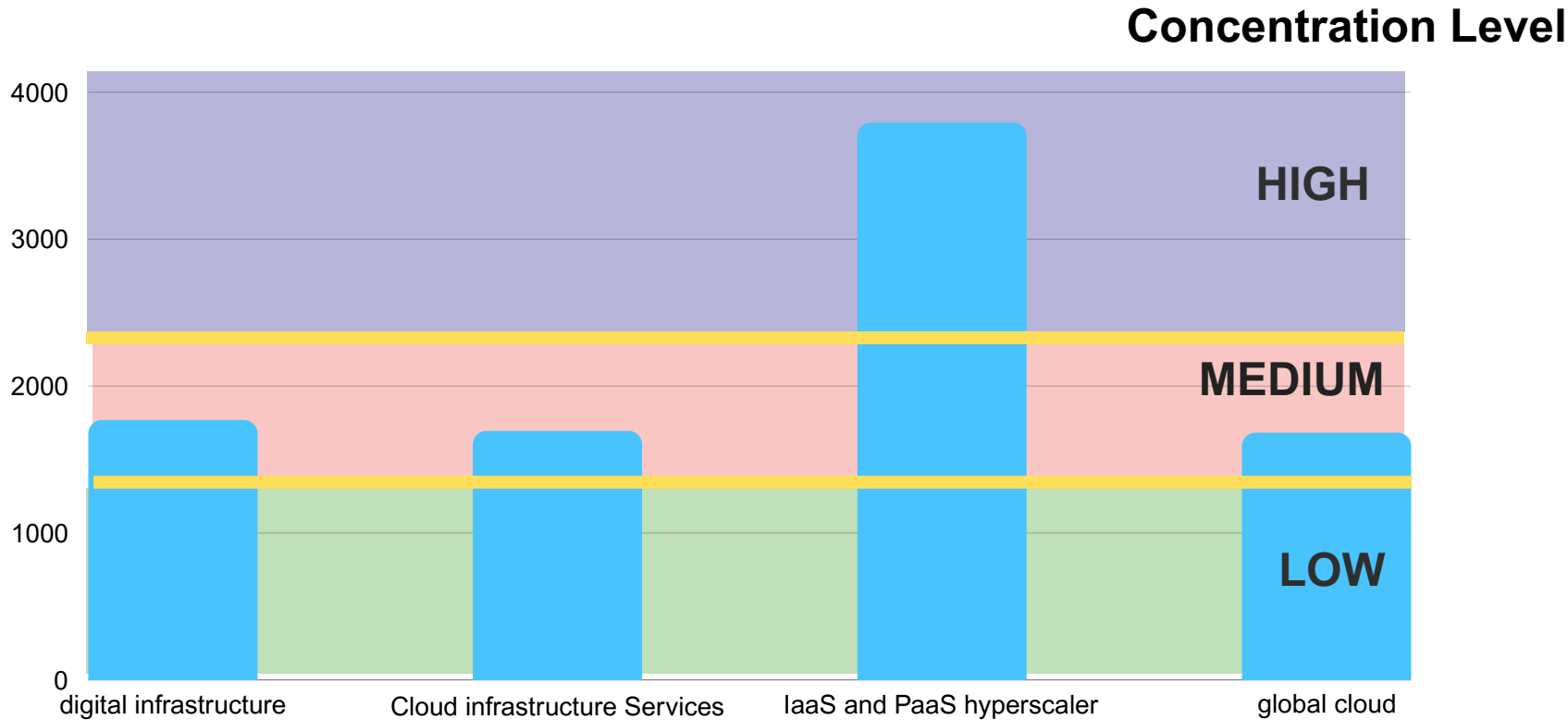


Loss of customer due to loss of vendor neutrality, discouraging competitive dynamics and innovation



While IBM is a leader in IaaS and PaaS infrastructure...

Analysis of concentration of various markets
Herfindahl-Hirschman index for selected US market



...the Federal Trade Commission may NOT approve a merger based on HHI

- IaaS and PaaS Hyperscaler industry has a **Herfindahl-Hirschman Index** of **476.67** which is considered by antitrust regulations to be highly concentrated
- With Equinix as the world's digital infrastructure company, A merger between two companies will **increase HHI**
- The merger would raise **antitrust concerns**, as Section 5.3 of the Horizontal Merger Guidelines jointly issued by the Justice Department and the Federal Trade Commission

Source: (Statista, 2024),(Equinix, 2023), (IBM, 2023)

A photograph of a server room with rows of server racks on both sides. A large, ornate, multi-tiered chandelier hangs from the ceiling in the center aisle. The floor is white with several large, rectangular ventilation grates. The text "Alternative Solution" is overlaid in white on a semi-transparent blue band across the middle of the image.

Alternative Solution

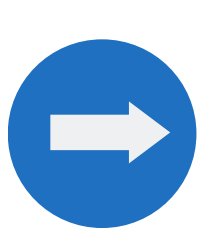
Criteria for IBM's Alternative Company For Acquisition



Establishing key parameters for selecting IBM's ideal acquisition company



- In **evaluating alternatives to Equinix for IBM's acquisition**, we focused on **key factors crucial for IBM's expansion in digital infrastructure and hybrid cloud services**.
- Equinix, despite its potential, didn't meet IBM's criteria due to its high market capitalization and overvaluation, leading us to establish specific criteria for a more suitable acquisition target.



Alternative company

Why Equinix is not the good choice

- **High market capitalization:** Equinix's market capitalization of **\$80.5 billion** creates a significant financial burden, stretching beyond IBM's ideal acquisition budget.
- **Overvaluation:** The current market valuation of **Equinix exceeds its intrinsic value**, posing a financial risk for IBM
- *Despite its drawbacks, Equinix does demonstrate strengths aligned with IBM's needs, notably owning data centers in strategic locations and maintaining a broad global presence, both crucial for supporting IBM's digital and cloud infrastructure*

Criteria for selecting an alternative company

















- **Market capitalization:** Preferably **less than \$5 billion**, aligning with IBM's past acquisition strategies and financial comfort zone.
- **Valuation:** **Fair or undervalued**, guaranteeing a financially wise investment for IBM.
- **Data center expertise:** Owning and effectively using data centers to enhance digital and cloud services in tech industry.
- **Global presence:** A **wide-reaching network of data centers**, aiding IBM's global operations and growth.

Source: IBM Annual Report(2023), Equinix Annual Report (2023), Bloomberg (2024)

Other Targets Satisfy IBM's Capacity and Long-term Goals



Due to the market size of Equinix, IBM should not acquire it to avoid internal competition

	Relevance and Rationale	Offerings Alignment	Strategic Feasibility	Financial Feasibility	Decision
	<ul style="list-style-type: none">State-of-the-art facilities and data center solutions provide crucial infrastructure components for IBM's cloud servicesEnhance the delivery and scalability of cloud offerings, ensuring reliable and high-performance services for their client				<ul style="list-style-type: none">Valuation: \$9Bn, relatively largeOverlapping global footprints
	<ul style="list-style-type: none">Access a network of data centers across various geographies, allowing for the expansion in key marketsTheir networks enable different connectivity options, allowing customers to easily connect to multiple cloud providers				<ul style="list-style-type: none">Valuation: \$47Bn, too largeImpact IBM's ability to invest in other strategic initiatives
	<ul style="list-style-type: none">Leading provider of colocation services, offering secure and reliable data center facilitiesStrong presence in edge markets, which are becoming increasingly important for delivering low-latency services				<ul style="list-style-type: none">Valuation: \$4Bn, relatively reasonableIBM already has a strong presence in markets where Cologix operates
	<ul style="list-style-type: none">Leading data center real estate investment trust, owning and managing a portfolio of data center propertiesData centers are located in key markets around the world where IBM hasn't been recognized as a key player, including Asia Pacific and Europe				<ul style="list-style-type: none">Valuation: \$3Bn, in line with precedentsComplimentary to IBM's strategies

Source: Bloomberg (2024)

Keppel DC REIT Overview (1/2)



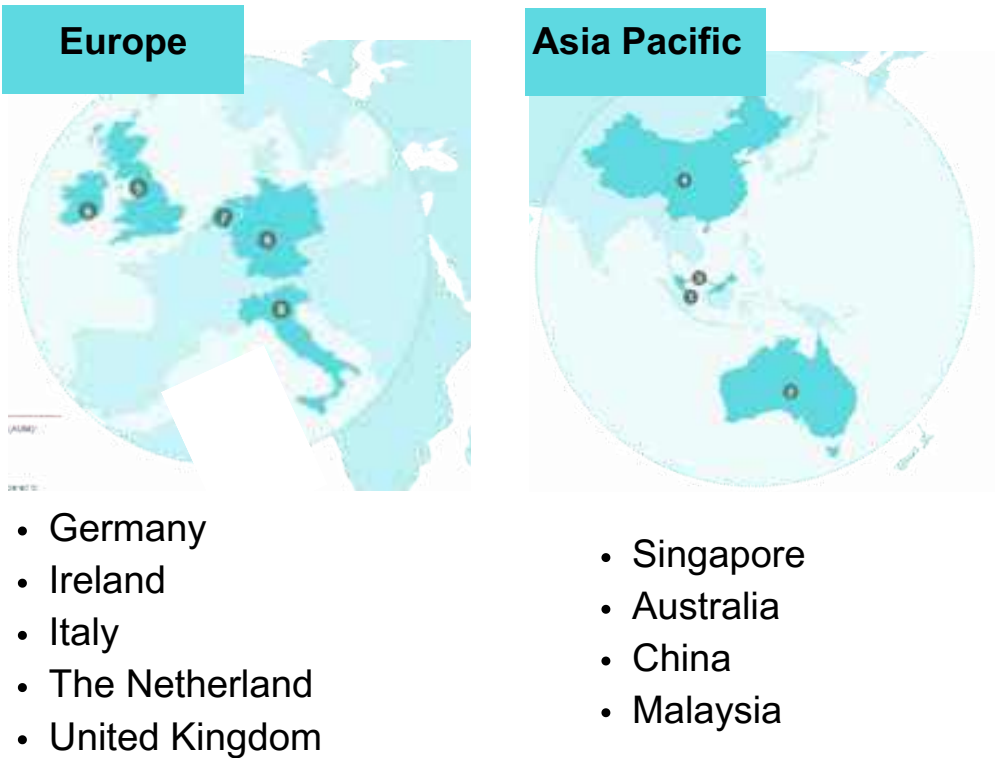
Keppel DC REIT acquires and owns a diverse portfolio of data centre assets with the aim to contribute to investors’ success and the growth of the digital economy

Segment Overview

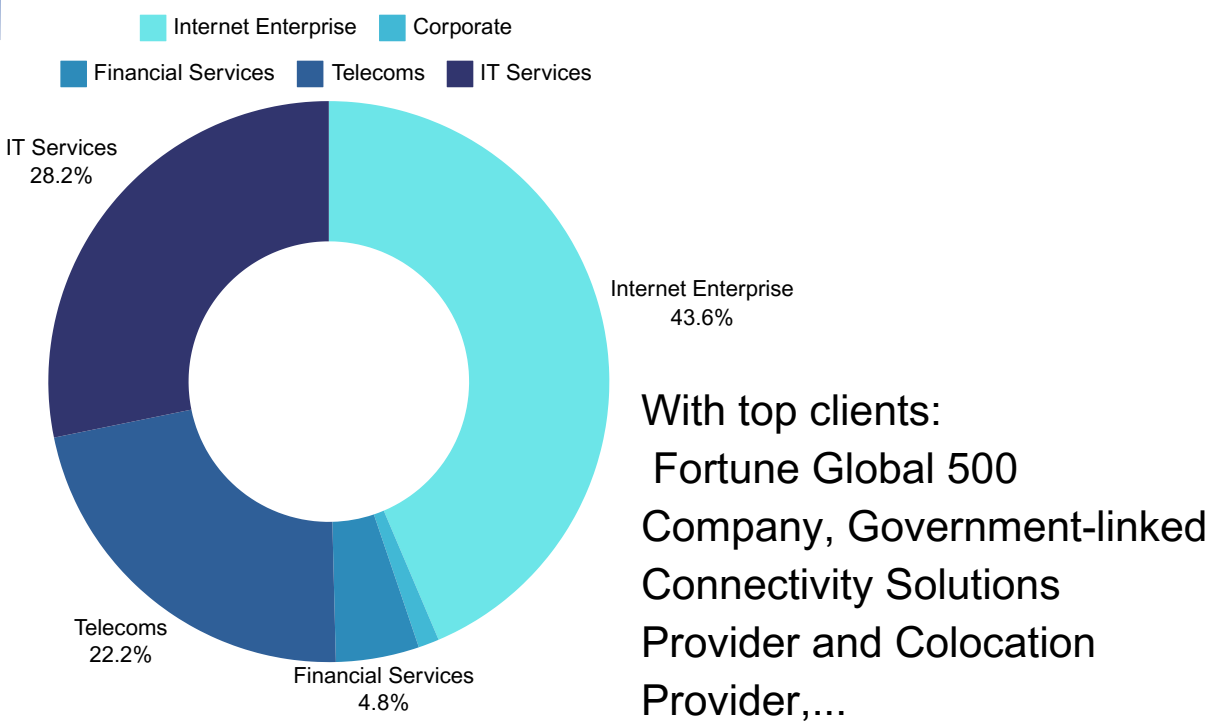
- Keppel DC REIT is **the first pure-play data centre REIT in Asia with diverse and high-quality portfolio** of data centre assets in key international data centre hubs
- It aims to provide investors with regular and stable distributions by investing in income-producing data centers and related assets
- It seeks for potential **new sustainable growth** opportunities including Keppel Data Centres’ Floating Data Centre Park project
- Keppel DC REIT is managed by Keppel DC REIT Management Pte. Ltd. (the Manager) and is sponsored by Keppel



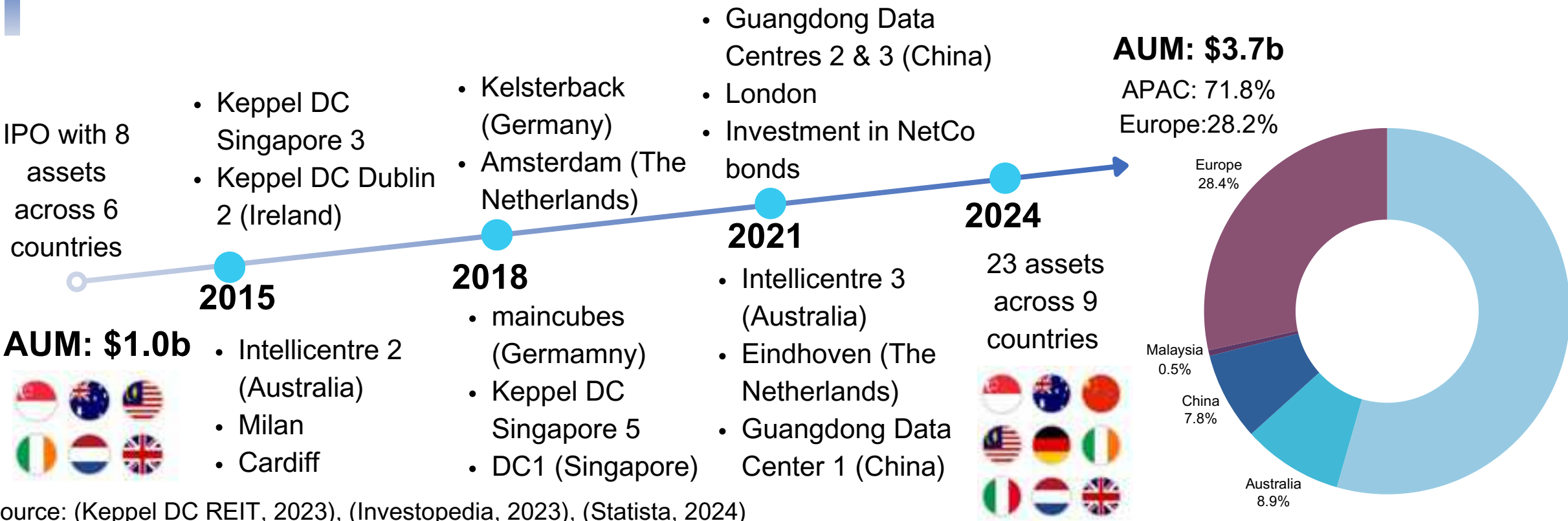
23 Data centers across nine countries



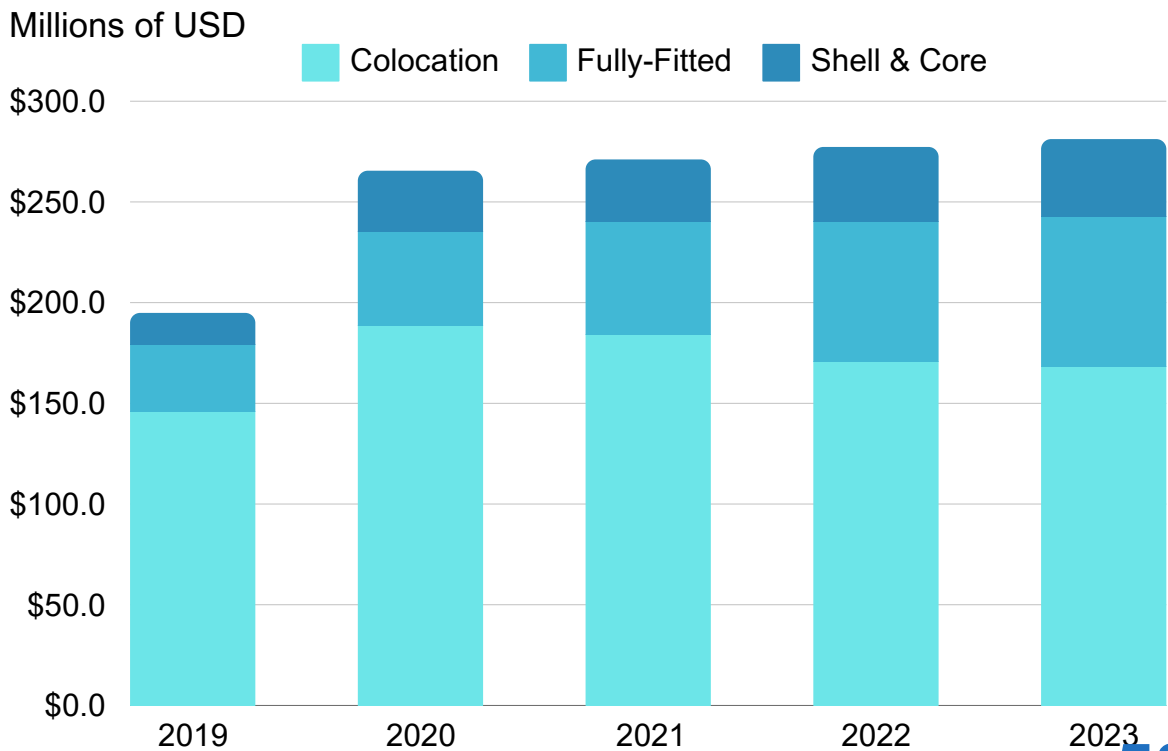
Diversified global client base



Diversified Portfolio Growth with Strong Asia Pacific Presence



Increasing demand in data center with healthy portfolio occupancy



Source: (Keppel DC REIT, 2023), (Investopedia, 2023), (Statista, 2024)

Keppel DC REIT Overview (2/2)



Keppel DC REIT is a mission-driven organization that prioritizes ESG practices in collaboration with its partners

2023 Key Highlights

FY 2023 Financial Performance

Distributable Income
\$167.7m

for FY 2023.
Positive reversions and escalations offset by higher finance costs and loss allowance provision

Diversified Portfolio Supported by Macrotrends

Demand Drivers for Data Centres

- Cloud-based Services
- Internet of Things
- Artificial Intelligence
- Big Data

Proactive Capital Management for Growth

Potential Assets for Acquisitions

>\$2B
Data centre assets under development & management through Keppel (including Keppel T&T5), and Keppel's private data centre funds

Key customers and suppliers

CBRE
CB RICHARD ELLIS

NEWMARK

iress

savills

Keppel

Suppliers

Keppel DC REIT

Keppel

macquarie
TECHNOLOGY GROUP

TEMASEK HOLDINGS

Customers

Sustainability at the heart of its strategies



Environmental Focus

- Achieve a 50% reduction for Scope 1 and Scope 2 emissions by 2030, from 2019
- Introduce renewable energy (RE) to $\geq 50\%$ of colocation assets by 2030
- Achieve $\geq 10\%$ reduction in effective Power Usage Effectiveness (PUE)



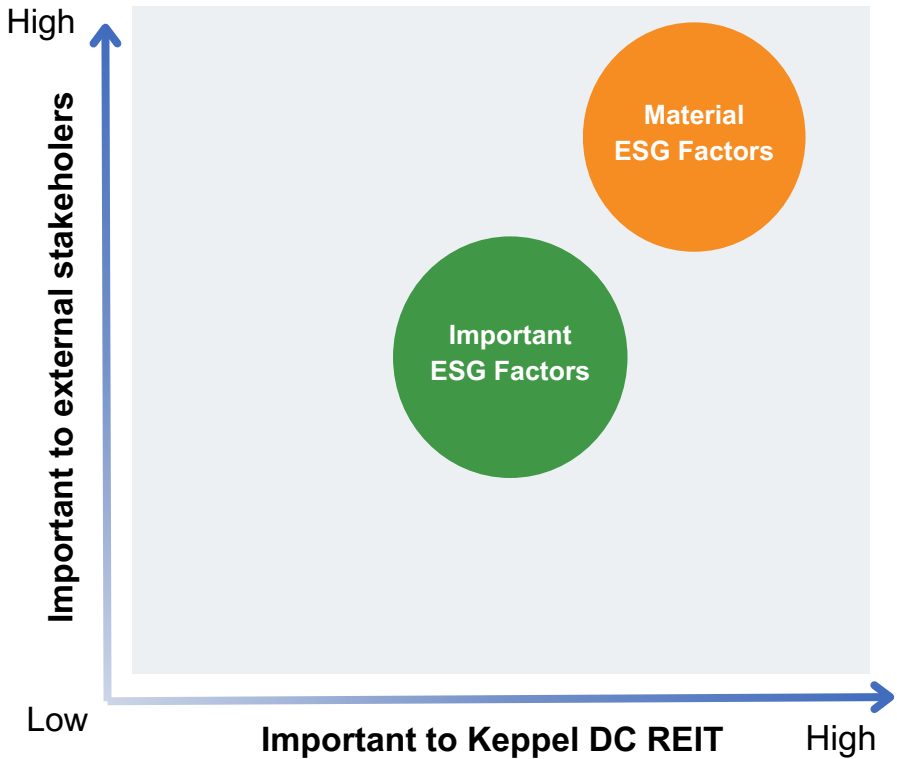
Responsible Business

- ~ 750 engagements with analysts and institutional investors & > 1,200 engagements with retail investors
- Upheld strong corporate governance as well as high standards of ethical business conduct



Responsible Business

- ~ 750 engagements with analysts and institutional investors & > 1,200 engagements with retail investors
- Upheld strong corporate governance as well as high standards of ethical business conduct



Source: (Keppel DC REIT, 2023), (Bloomberg, 2023), (Statista, 2024)

Executive
Summary

Industry
Analysis

Company
Overview

Financial
Overview

Feasibility
Analysis

Alternative
Solution

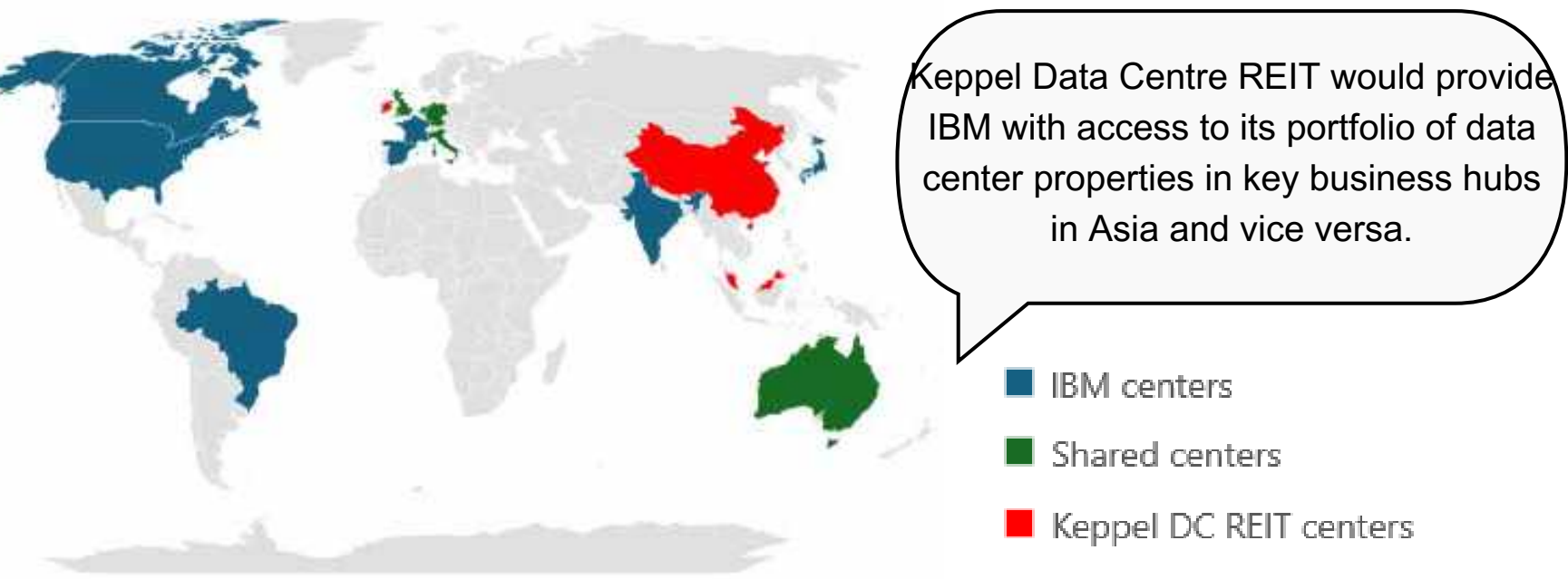
Conclusion

IBM and Keppel DC REIT | A Perfect Fit



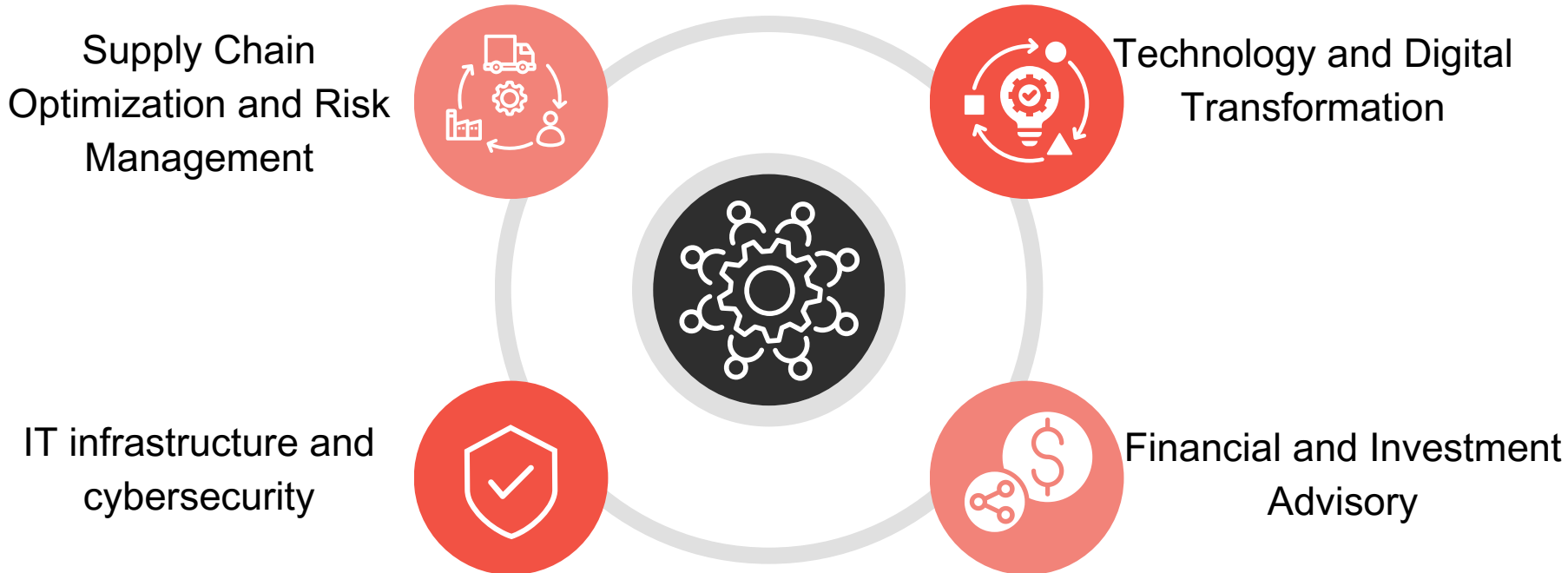
This is a winning deal for both Keppel DC REIT and IBM with mutual-support

Keppel DC REIT helps increase IBM Global Reach...



This increased capacity would enable IBM to offer its cloud services to more customers in diverse regions, supporting the expansion of its cloud business

IBM supports Keppel as with a diverse portfolio in Cloud and AI



Source: (Keppel DC REIT, 2023), (Bloomberg, 2023), (IBM, 2024)

...to three potential Asia markets

Guangdong, China

- Guangdong is a key location for Chinese internet companies
- The estimated New demand CAGR is **24.8%** between 2022 and 2026

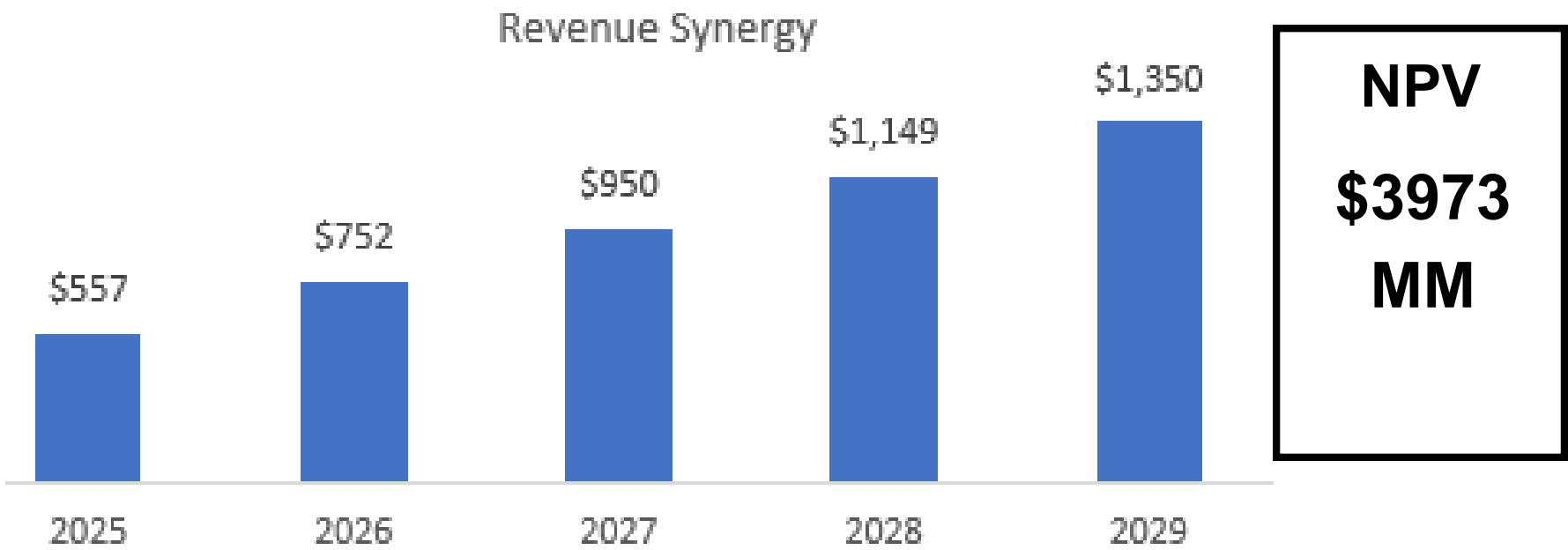
Dublin, Ireland

- Dublin is highly attractive to the hyperscalers, with a favourable tax and regulatory regime
- The estimated New demand CAGR is **16.8%** between 2022 and 2026

Cyberjaya, Malaysia

- Cyberjaya, with Kuala Lumpur, accounts for over 75% of the data centre capacity in the country
- The estimated New demand CAGR is **19.3%** between 2022 and 2026

Post merger synergies



IBM and Keppel DC REIT | A Win-Win



Both companies benefits from each others as experts in digital and data center innovation with the same goal of sustainability

IBM offers data centers modernization for Keppel DC REIT with hybrid cloud for AI

IBM Could scale resources to meet the growing demand for Cloud services with Keppel’s innovations

IBM Turbonomic

- Proactive capacity management
- VM rightsizing
- Optimized super clusters
- Continuous compute placement
- Continuous storage placement

IBM Products





- **Modular Design:** each floating data centre module can be scaled up quickly.
- **Land Demand Alleviation:** opens up land to sustain the growth of digital hubs.
- **Water Demand Reduction and Improves Energy Efficiency**

- *Research Projects**
- High-rise Data Center
 - Tropical Data Center
 - Cool Energy for Cooling



IBM and Keppel DC REIT follow the same path into sustainability



- The company has set ambitious goals for reducing its environmental footprint, including achieving **net-zero greenhouse gas emissions** by 2030
- The company is known for its **corporate social responsibility programs**, including community outreach and support for education, particularly in STEM fields
- The company maintains a diverse and independent board, and adheres to stringent standards in compliance, ethics, and data privacy



Collaborative Potential in Green Innovation

IBM's technological expertise combined with Keppel DC REIT's focus on sustainable infrastructure could lead to advancements in energy-efficient data center design and operation.



Shared Corporate Responsibility Goals

Both corporations emphasize environmental responsibility in their corporate ethos. This shared value enhances the potential for strategic alignment and joint initiatives.



Complementary Sustainability Focus

A strong commitment to sustainability, particularly in the areas of energy efficiency, renewable energy, and carbon footprint reduction.



- The REIT has a strong focus on acquiring and developing data centers with **sustainable features** and has set targets for energy efficiency.
- It adheres to high standards in health and safety practices, ensuring a safe environment for its employees and contractors
- Governance within Keppel DC REIT includes a focus on transparency, risk management, and compliance with legal and regulatory requirements

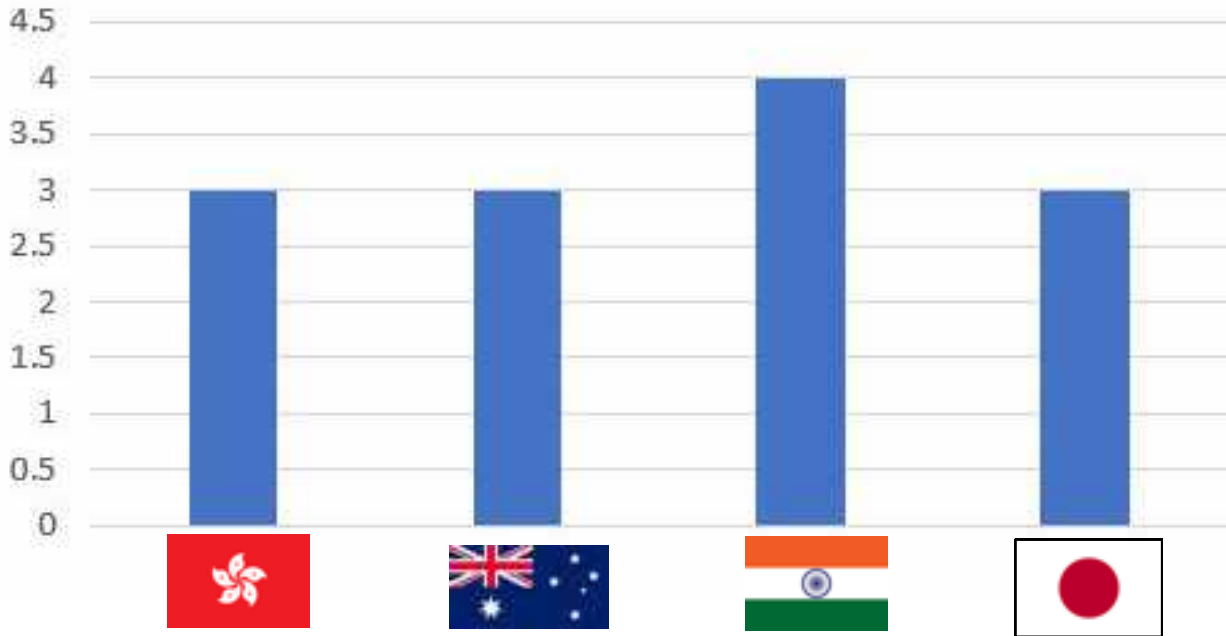
Source: (Keppel DC REIT, 2023), (IBM, 2023), (Statista, 2024)

IBM's Market Share Forecast in China, Ireland, and Malaysia

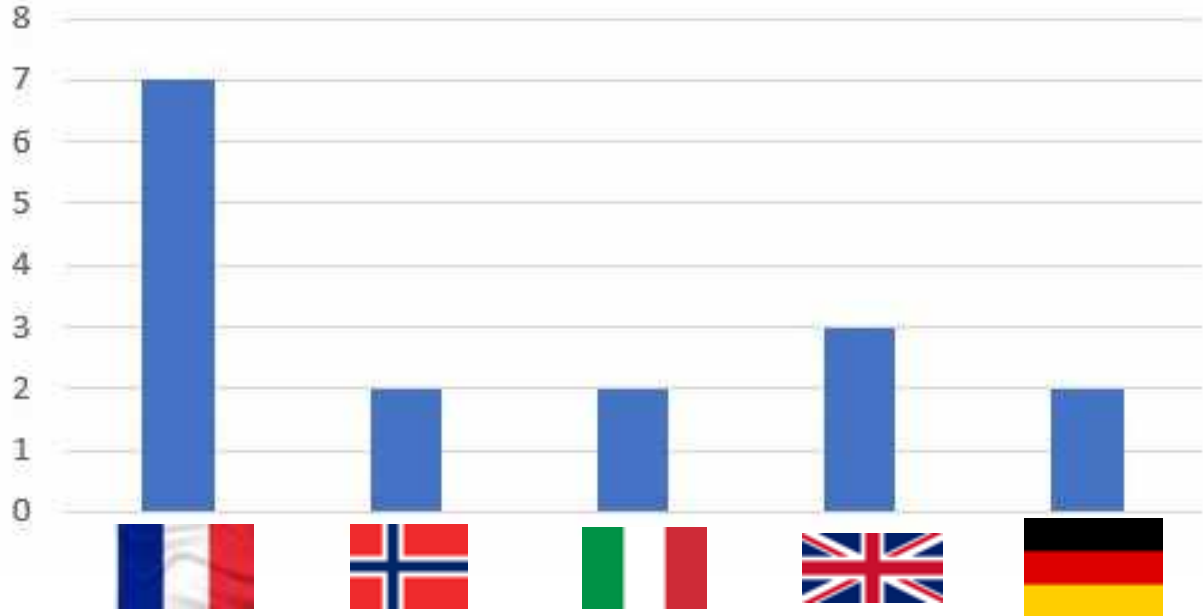


3 new data center's market will bring a estimated \$856.1 MM revenue to IBM in year 5 (2029) after the acquisition

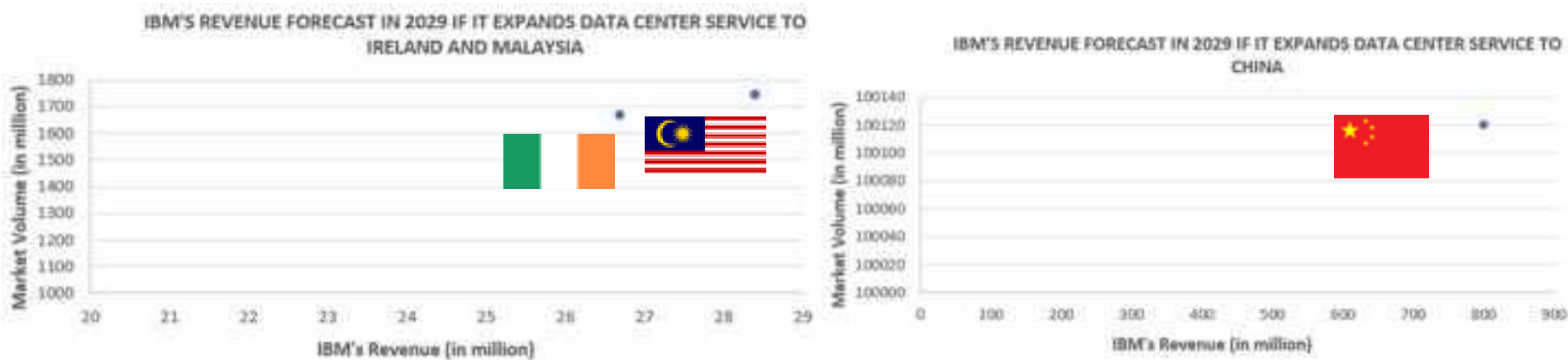
IBM cloud market share in APAC countries after acquire SoftLayer



IBM cloud market share in EMEA countries after acquire SoftLayer



- Countries are selected if after the acquisition of **SoftLayer**, IBM operates its data centers on the country **for the first time**. This is to estimate the **market share of IBM, 5 years**, after it acquires **Keppel DC REIT**, and operates on **new market**
- The figures above show **today** IBM's market share
- IBM acquisition case in 2013 can be used for estimation as SoftLayer and Keppel DC REIT possess many characteristics in common, including **number of data centers, market capitalization, and global footprint**



- **China** market is much more **competitive**, so IBM is **conservatively estimated** to capture 801MM revenue in 2029, which is equivalent to 0.8% market share

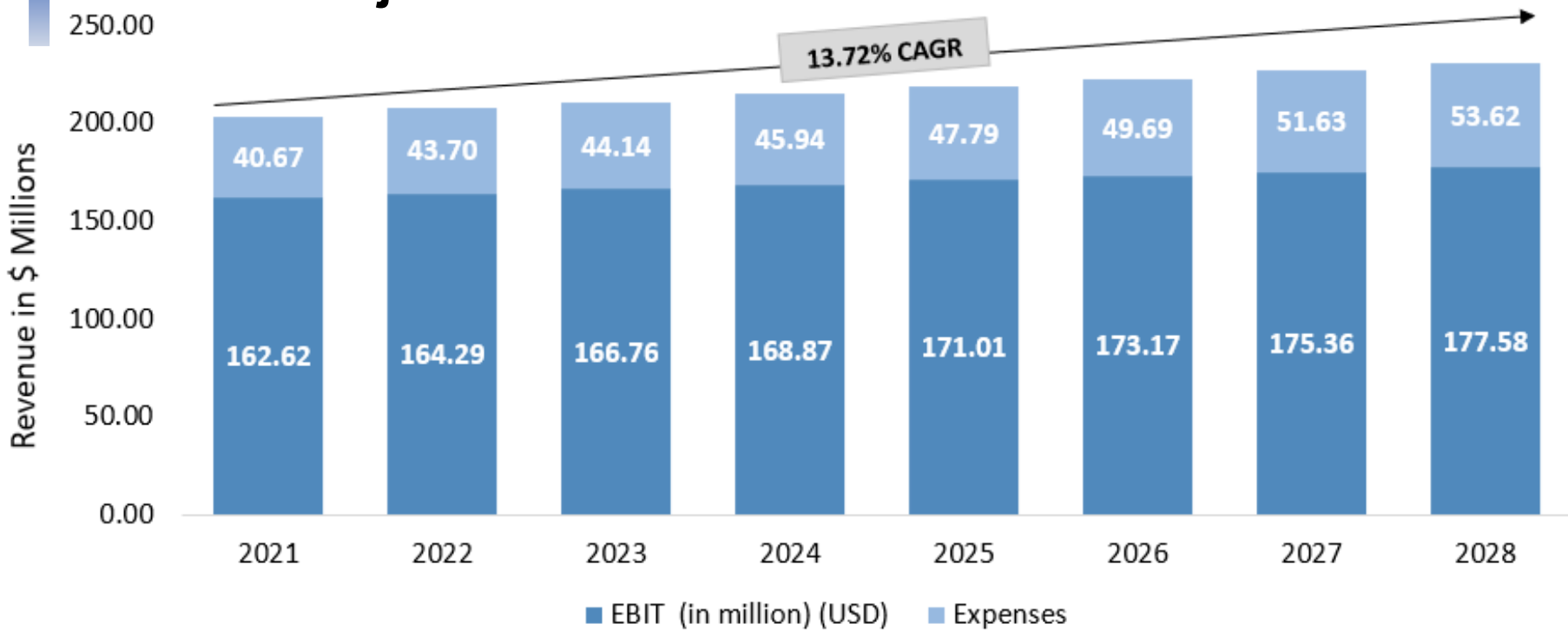
- From the bar charts above, 5 years after acquiring Keppel DC REIT, IBM is estimated to capture **1.6% market share** in Ireland and **1.63% market share** in Malaysia
- If this transaction is completed, IBM's projected revenue in 2029 will be **26.7 MM** in Scotland and **28.4 MM** in Malaysia
- **Ireland's** market size **CAGR** grows at **6.86%**, while the **Europe's** market size **CAGR** grows at **6.37%**
- Malaysia's market size **CAGR** grows at **7.57%**, while the **Asia's** market size **CAGR** grows at **7.22%**

Source: (Bloomberg, 2024), (Statista, 2024)

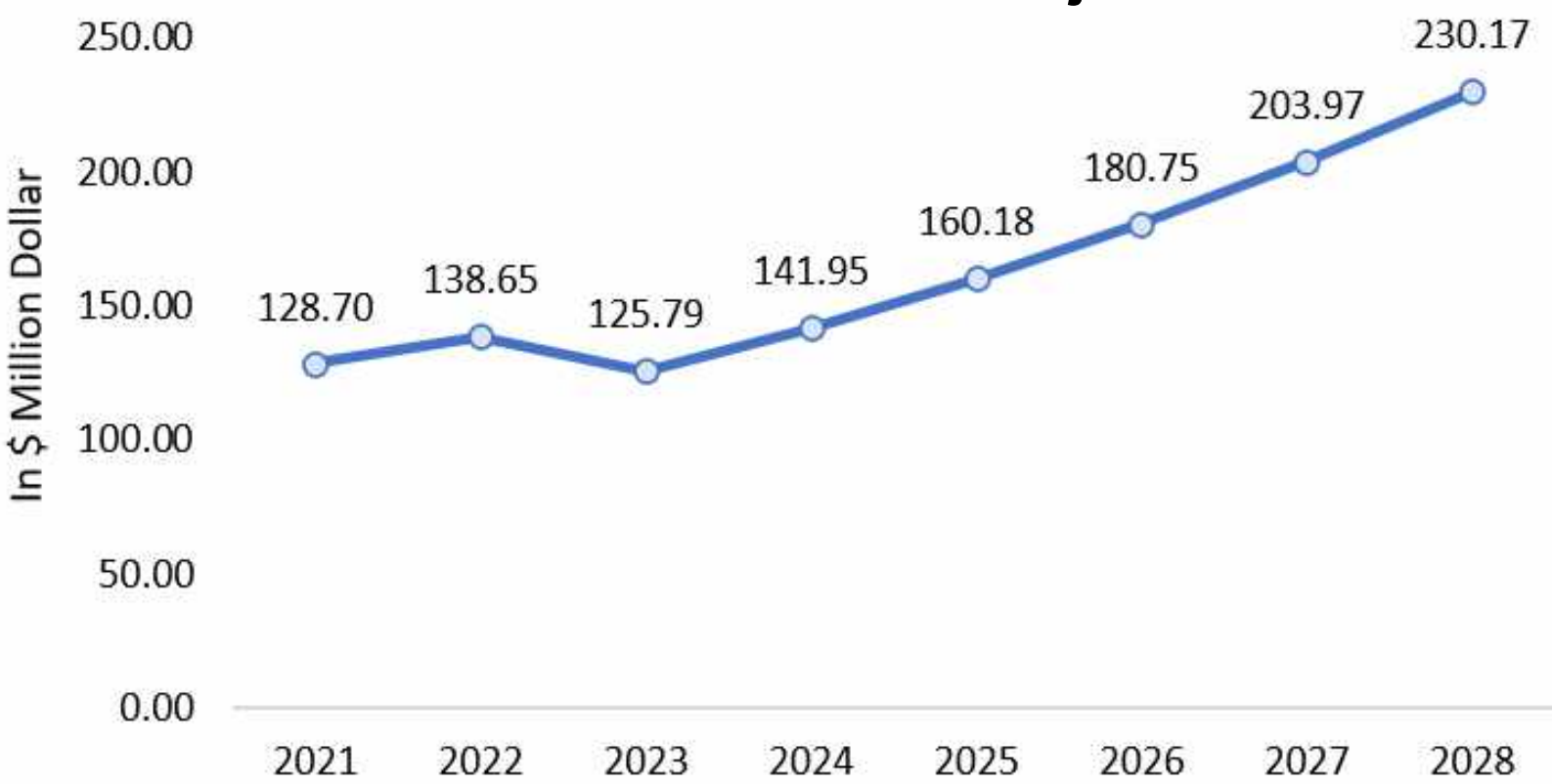
Kepple DC REIT’s Revenue Projections - Assumption (Base)

- Over the course of the projected years (through FY28), revenue is expected to grow consistently, as indicated by the **CARG of 13.72%**
- The **expenses** are also increasing but appear to be growing at a **slower rate than EBIT**
- Steady climb in income distributions to Shareholders reflects Kepple’s ability to maintain and potentially increase shareholder value over time.
- A substantial **surge in finance income** is projected, from marginal figures in the early years to an anticipated **21.97 billion dollars by 2028**. This notable growth is a clear indication of **Kepple’s strategic investments in Quality Data Centers**, Real Estate, and Assets paying off profitably.

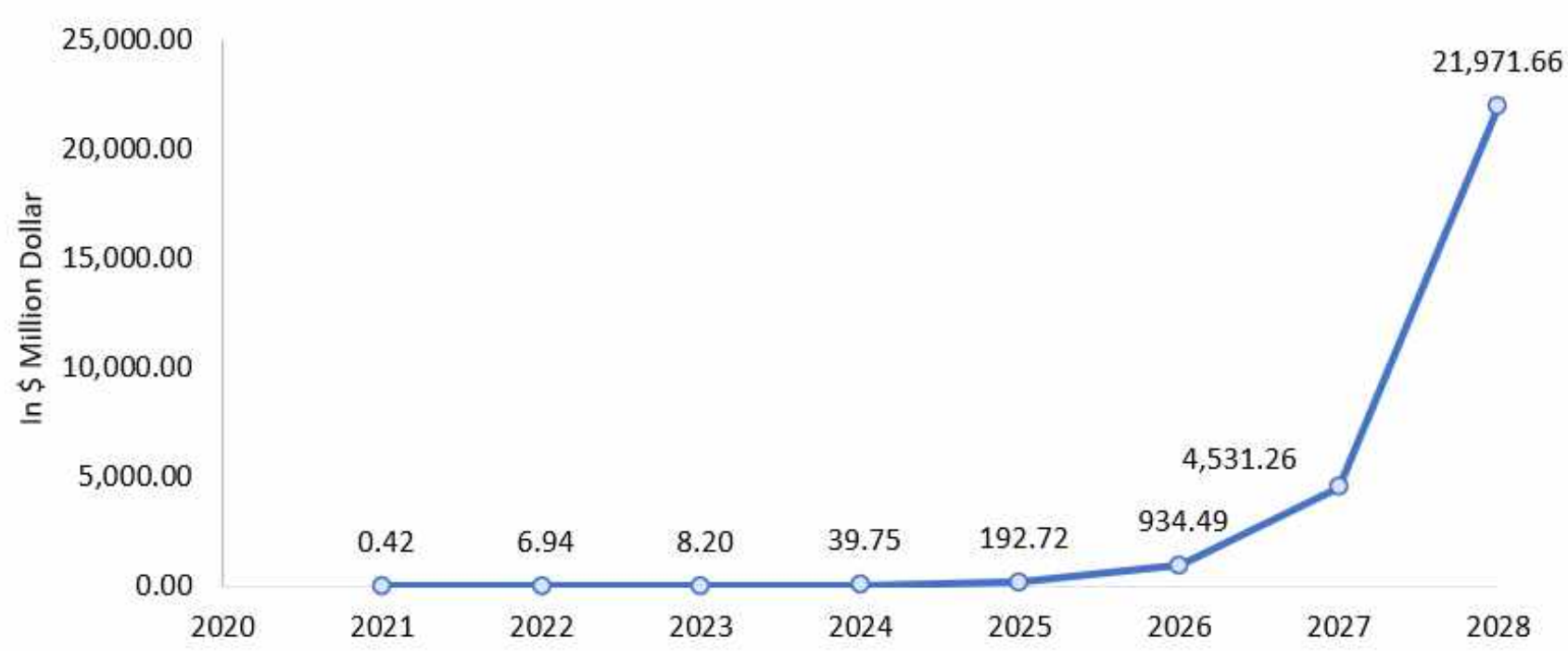
Revenue Projections ‘21-’28



Distributed Income to Shareholders Projections ‘21-’28



Finance Income Projections ‘21-’28



Source: Keppel DC REIT Annual Report (2023)

Keppel DC REIT Discounted Cash Flow

Discounted cash flow analysis



<i>In \$000's</i>	2023 12/30/2023	2024 12/30/2024	2025 12/30/2025	2026 12/30/2026	2027 12/30/2027	2028 12/30/2028
Income before income taxes	102,600	111,803	121,832	132,760	144,669	157,646
Interest expense	36,100	39,338	42,867	46,712	50,902	55,468
EBIT	138,700	151,141	164,699	179,472	195,571	213,114
Trustee's Fees	337.44	368	401	437	476	518
Finance income	8,087	8,813	9,603	10,465	11,404	12,426
Finance costs	35,903	39,124	42,633	46,457	50,625	55,166
Loss allowance for doubtful receivables	8,270					
		9,012	9,820	10,701	11,661	12,707
Share of results of a venture	6,130					
		6,680	7,279	7,932	8,644	9,419
Management fees paid and payable in Units	3,813					
		4,155	4,528	4,934	5,377	5,859
Other	629	685	747	814	887	966
Cash paid for taxes	(5,740)					
		(6,255)	(6,816)	(7,427)	(8,094)	(8,820)
CapEx	(200)	(218)	(237)	(259)	(282)	(307)
Change in working capital	(10,050)	(10,951)	(11,934)	(13,004)	(14,171)	(15,442)
Unlevered FCF	185,881	202,554	220,723	240,522	262,097	285,607
Present value of Unlevered FCF	185,881	188,651	191,462	194,315	197,211	200,150

Terminal Value (in thousands)

Free cash flow	1,034,135.00
Perpetual growth rate	3.70%
WACC	7.37%
Terminal Value	21,735,067.68

- Perpetual growth rate is inflation rate
- Trustee's fees, finance income, finance costs, loss allowance for doubtful receivables, share of results of a venture, management fees paid, and payable in units are treated as an expense for FCF valuation
- Values enclosed in parenthesis indicate amounts subtracted from the FCF computation

Source: (Keppel DC REIT Annual Report, 2023)

Executive
Summary

Industry
Analysis

Company
Overview

Financial
Overview

Feasibility
Analysis

Alternative
Solution

Conclusion

Valuation and Cost/Profit of Acquiring Keppel DC REIT

WACC and Capitalization



Perpetuity and Exit EBITDA Multiple Approach

Cost Of Equity	
Beta	1.10
Risk free rate	2.98%
Equity risk premium	6.0%
Cost Of Equity	9.58%

Cost Of Debt	
Average interest rate	3.21%
Interest Expense	36,100
Total Debt	1,123,000
Tax Rate	11.30%
After Tax Cost Of Debt	2.85%

WACC	
Cost of equity	9.58%
Cost of Debt	2.85%
Effective tax rate	11.30%
WACC	7.37%

Exit EBITDA Multiple Approach	
Terminal year EBITDA	213.11
Terminal value EBITDA multiple	10.07
Terminal value	2,147.01
Present value of terminal value	1,504.72
Present value of stage 1 cash flows	1,157.67
Enterprise value	2,662.39
Implied TV perpetual growth rate	6.61%

Perpetuity Approach	
FCF in last Forecast Period	285.61
FCF t+1	311.23
Long term growth rate (g)	6.61%
Terminal value	3,242.54
Present value of terminal value	2,272.51
Present value of stage 1 cash flows	1,157.67
Enterprise value	3,430.18
Implied TV exit EBITDA multiple	10.07x

- The Weighted Average Cost of Capital (WACC) represents return to lenders and shareholders
- WACC of 7.37% represents the required rate of return (discount rate) necessary for DCF analysis
- This also represents the fact that the company must pay investors an average of \$0.073 for every \$1.00 received in funding

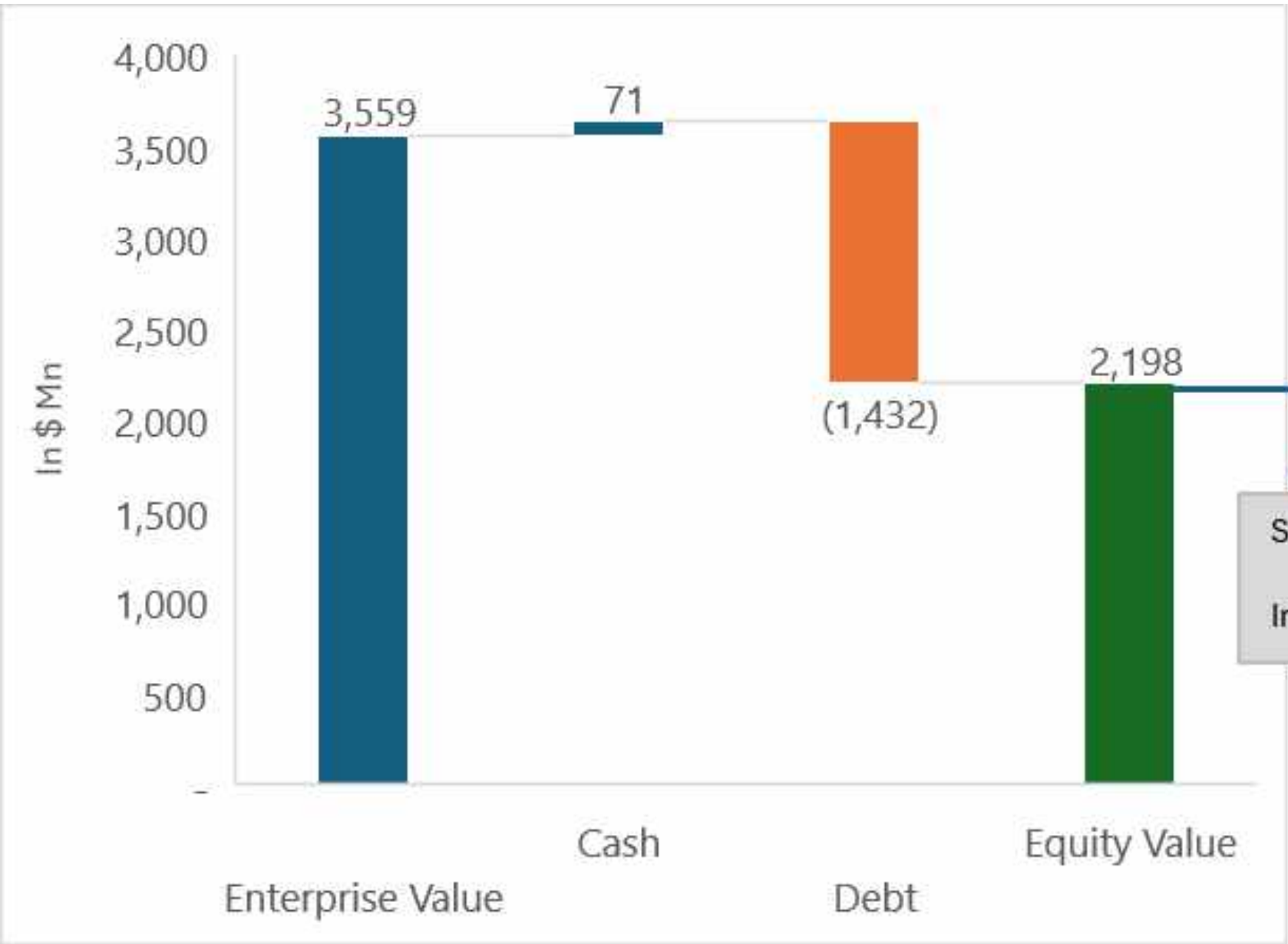
Source: (Keppel DC REIT Annual Report, 2023), (Bloomberg, 2024)

Keppel DC REIT Fair Enterprise Value Determination

Enterprise value to equity value bridge and compare intrinsic value vs. actual price

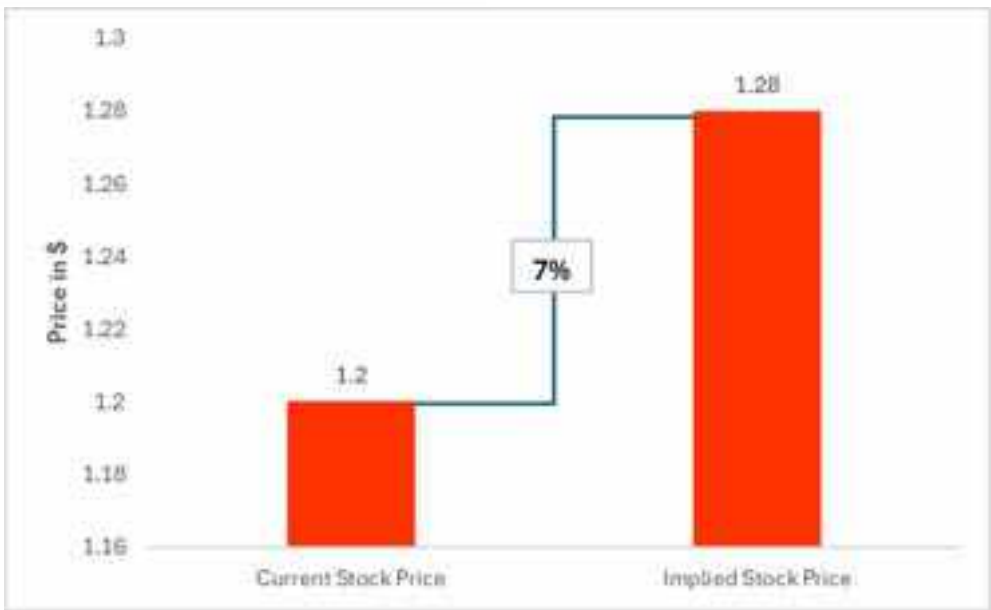


Enterprise Value to Equity Value Bridge



Current Enterprise Value: \$3.559 billion
+ Cash or Cash Equivalents: \$0.071 billion
- Total Debt: \$1.432 billion
Equity Value: \$2.198 billion

Equinix Historic Stock Price (as of 02/20/2024)



Keppel DC REIT's DCF outputs indicate that the company is currently undervalued by **7%** in relation to its current market valuation.

This makes a possible acquisition bid very **attractive**, especially at current market levels and Keppel DC REIT's stock performance in the last year

Source: (Yahoo Finance, 2023), (Bloomberg, 2024)

Post Acquisition Strategy



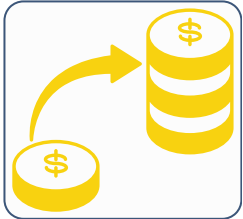
By focusing on data center and APAC regions, IBM will be better positioned

With the integration of data center, IBM aims for a larger range of market share



Strategic Geographic Advantage

With acquisition, IBM can capitalize APAC, which is a rapidly growing market for data center services, driven by increasing internet penetration, digital transformation, and the growth of tech-savvy populations.



Leveraging Established Infrastructure

Keppel's existing data center infrastructure in APAC means IBM can quickly scale up without the initial time and capital expenditure required to build new facilities.



Access to a Diverse Customer Base

IBM can leverage Keppel DC REIT's diverse client base to cross-sell its cloud and AI services to a wider audience, including sectors where it might currently have a limited presence.



Economies of Scale

By integrating operations, IBM could achieve economies of scale in the APAC region, leading to cost efficiencies in data center operations, energy consumption, and maintenance.

Energy efficiency and green technologies

IBM's AI and IoT technologies to reduce energy consumption in Keppel's data centers by 15-20% within three years

Improvement in PUE (Power Usage Effectiveness)

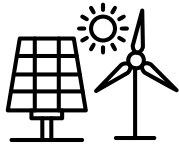
Reducing current PUE of roughly 1.7 to below 1.5, with an eventual goal of reaching 1.2 in top-performing centers

Investment in Green Technology R&D



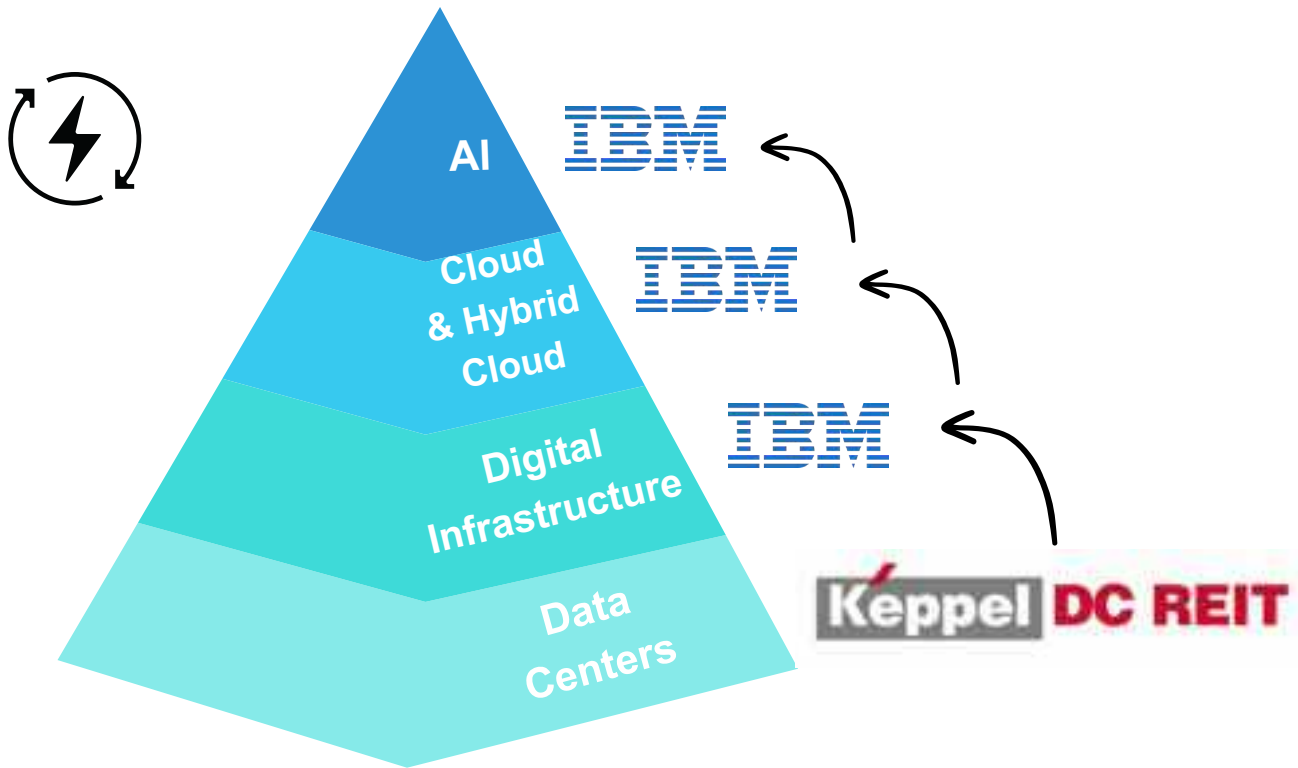
Allocate a budget, around 5-7% of annual revenue, towards research and development in green technologies for data centers.

Renewable Energy Usage



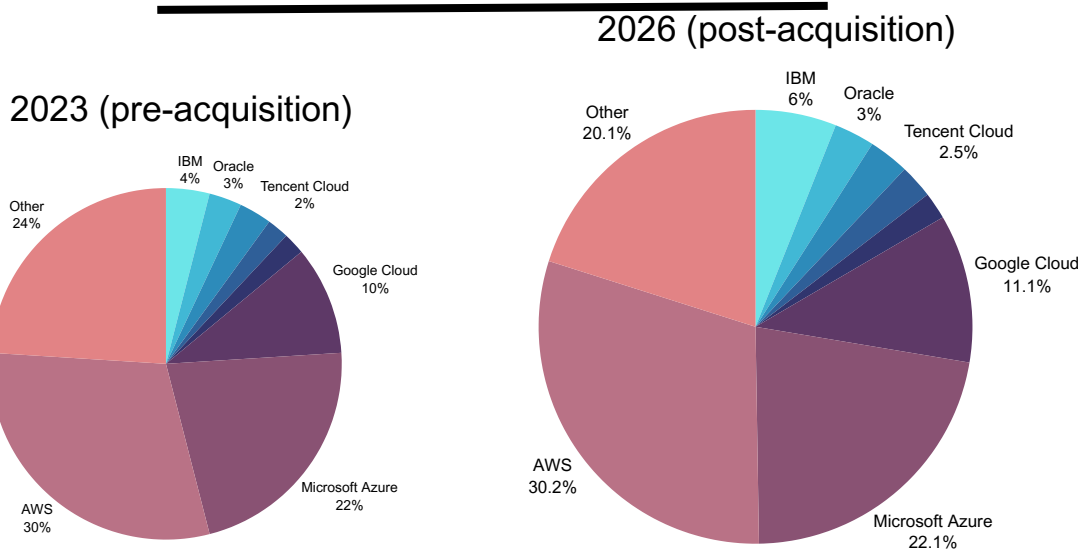
Aim to power 70% of all data center operations with renewable energy sources by a specific target year in 2026.

Bridging AI, digital infrastructure, and hybrid cloud capabilities



Potential Developments

- Achieve an average of 85-90% utilization rate across combined data center assets within two years post-acquisition
- Grow the enterprise client base in the APAC region by 25% within two years, focusing on sectors like finance, healthcare, and e-commerce
- Enhance connectivity between all data centers in the region to ensure seamless data transfer and redundancy, aiming for a 99.99% uptime



Market Share of Cloud Service, 2023 and 2026

Source: (Seeking Alpha, 2023), (CNBC, 2023)



Conclusion

The Conclusion

IBM should not acquire Equinix and rather opt for an acquisition that better aligns with its strategic initiatives



Product Integration

- **Product goal conflict:** The acquisition of Equinix by IBM could lead to **concerns about service and product changes**, risking **revenue loss** as customers might shift to competitors
- **Service Cannibalization:** **Overlapping services** between IBM and Equinix could **result in reduced sales and profitability post-acquisition**
- **Vendor Neutrality Loss:** Equinix's acquisition by IBM might **limit customer choice in complementary services**, as IBM could prioritize its solutions, risking the loss of Equinix's clients who value diverse options

Why Keppel is a better fit

- **Service alignment:** IBM's acquisition of Keppel **won't result in service conflict or cannibalization**, as Keppel's primary revenue comes from data center rentals, not from specific services
- **Complementary missions:** Keppel's focus on data center investment supports IBM's growth **without jeopardizing customer loyalty**
- **Strategic growth:** Keppel's expertise in selecting high-potential data centers can significantly **boost IBM's digital infrastructure and hybrid cloud service development**



Financial Analysis

- IBM's acquisition of Equinix, a large company, would require significant debt, potentially **lowering its credit rating to Ba3-Ca1 by Moody's scale**
- IBM has a low Debt/EBITDA ratio, but Equinix is **29% overvalued at a market price of \$910.10**
- IBM's largest acquisition was \$35 billion for Red Hat, with typical acquisitions below \$3 billion, **making Equinix an exceptional and costly target**
- IBM's strategy **focuses on smaller-scale mergers** and acquisitions for service expansion, suggesting acquiring Equinix may be financially unrealistic

Keppel offers greater upside potential

- By comparison, **Keppel DC REIT is ~78Bn smaller by market capitalization**
- **Keppel DC REIT is currently undervalued, trading at a 7% discount rate** from its intrinsic value
- The additive effect on IBM current portfolio of data centers would help IBM establish presence where it hasn't been recognized as a key player, such as APAC



Synergistic Opportunities

- **Location overlap:** Equinix's data centers **overlap with IBM's existing ones in major markets like America, UK, Germany, and Australia**, making acquisition redundant
- **Monopoly Risks:** Merging two large entities like IBM and Equinix could **lead to a near-monopoly**, potentially **stifling long-term innovation** due to lack of competition

Keppel provides powerful synergies

- **Strategic Expansion:** Keppel's presence in key Asian markets like **China, Ireland, and Malaysia, where IBM is less dominant**, offers strategic expansion opportunities
- **Avoiding Monopoly:** Acquiring Keppel, a smaller player with fundamental services, **won't lead to a monopoly**, avoiding regulatory and innovation concerns
- **Innovative Development:** Post-acquisition, **IBM can leverage** Keppel's data centers, real estate, and assets for **innovative product development and company growth**

Source: (IBM. 2024), (Keppel DC REIT, 2024)



Appendix

IBM + Keppel DC REIT | Merger Model



An acquisition of Keppel DC REIT would be accretive to IBM's EPS by 3% on a pro forma basis (in \$ MM)

Company Profile

IBM Financial Profile

Fully Diluted Shares Outstanding	914
Current Share Price	\$ 196
Equity Value	\$ 179,640
Forecasted Earnings Per Share (EPS)	\$ 8.62
P/E multiple	23x

KEPPEL DC REIT Financial Profile

Fully Diluted Shares Outstanding	1721
Current Share Price	\$ 1.2
Equity Value	\$ 2,198
Forecasted Earnings Per Share (EPS) t+1	\$ 0.06
P/E multiple	20x

Accretion/dilution analysis

Accretion/dilution analysis

Acquirer standalone net income	\$ 9,449	Target Standalone Net Income	\$ 122
% Tax rate	13.53%	% Tax rate	11.30%
Earnings Before Taxes (EBT)	\$ 10,927	Earnings Before Taxes (EBT)	\$ 151

Pro Forma Financials

Consolidated EBT	\$ 11,079
Less: Interest Expense and Financing Fees	\$ 1,645
Plus: Synergies, net	\$ 300
Less: Incremental Depreciation	\$ 6
Pro forma Adjusted EBT	\$ 9,728
Less: Taxes	\$ 1,573
Pro Forma Net Income	\$ 8,155

Pro Forma EPS

Pro Forma Net Income	\$ 8,155
Pre-Deal Acquirer Shares Outstanding	915
Plus: New Shares Issuances	1
Pro Forma Diluted Shares	916

Pro Forma EPS	\$ 8.90
% Accretion / (Dilution)	3%

Accretive to
Pro-forma
EPS by 3%

Transaction and financing assumptions

Transaction Assumptions

Offer Price Per Share	\$1.56
% Offer Premium	30%
Offer Value	\$2,685

Cash Consideration (All-Debt Funded)

Offer Value	\$2,685
% Cash	90%
Total Debt Financing	\$2,417
Financing Fee	\$162
Financing Fee % Total Debt	6.7%
Borrowing Term	20 years
Financing Fee Amortization	\$8
% Interest Rate	5%
Annual Interest Rate	\$0.4

Form of Consideration

% Stock	10%
% Cash	30%

Stock Consideration

% Stock	10%
Offer Value	\$2,685
Stock Consideration	\$269

Deal Assumptions

Synergies, net	\$296
Transaction Fees	\$67
Transaction Fees % Offer Value	2.5%

Purchase Price Accounting

Offer Value	\$2,685
Plus: Net Tangible Book Value	\$11,577
Purchase Premium	\$14,262
Less: PP&E	(5,501)
Less: Intangibles Write-Up	(4,395)
Plus: Deferred Tax Liability (DTL)	6,656
Goodwill Created	\$11,022

Asset Write-Ups

% Allocation to PP&E	25.0%
Useful Life Assumption	20 years
Incremental Depreciation	\$178
% Allocation to Intangibles	10.0%
Useful Life Assumption	20 years
Incremental Amortization	\$71

Source: (IBM Annual Report, 2023), (Keppel DC REIT Annual Report, 2023)



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