Interview: Sureel Choksi, CEO and president, Vantage Data Centers

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Following a hat-trick of wins at the TMT M&A Awards USA 2024, Sureel Choksi, CEO and president of Vantage Data Centers, sat down with TMT Finance to discuss leading the global datacentre operator and his vision for future growth amid evolving market dynamics.

Choksi was named CEO of the Year and, in addition, Vantage was awarded Digital Infrastructure Growth Story of the Year and secured Digital Infrastructure Financing Deal of the Year for its US$3bn green loan in April 2024.

In this interview, Choksi shares insights on his leadership journey, the shifting landscape of datacentre financing, overcoming power supply challenges, and growth opportunities — both organically and through M&A.

Can you tell me a little about your career journey to joining Vantage as CEO and president in 2013? How have your previous roles and experience shaped your approach at Vantage?

I started with a finance and engineering degree, I was pretty good at finance and less so at engineering, so I got into investment banking and then venture capital. In late 1997, I joined an early-stage telecommunications company called Level 3 Communications, starting on the finance side, I eventually became CFO and then migrated into roles on the operational side. Level 3 was primarily a fibre-based communications service provider but also had a datacentre business, which was my first exposure to the sector.

I left Level 3 in 2010 to pursue a new enterprise datacentre company, Elevation Data Centers, but after a couple of years, the team and I were not able to get that business off the ground. Around that time, I was approached by Silver Lake, who were looking for an operating executive to help them with their digital infrastructure strategy and with Vantage, which at the time was very small and not performing particularly well. I joined Silver Lake in 2013, and they appointed me CEO of Vantage.

When I look back at the opportunities that prepared me for Vantage, I think about my background in finance, large-scale infrastructure experience at Level 3 but also my start-up experience at Elevation; while that venture wasn't successful, it came in handy when I joined Vantage – we only had 21 people at the time, and the company was very young.

How would you describe your management style, and how has it evolved over the

course of your career?

My leadership style has always focused on building the right team, setting clear objectives, and trusting them to deliver. Early on, I was involved in every decision, but with 1,700 employees today, I focus on key strategic priorities. Now I prioritize areas where I can have the greatest impact, such as customer relationships, executive recruitment, capital raising, and major expansion initiatives.

In June, Vantage completed a US$9.2bn equity investment led by DigitalBridge and Silver Lake. How are you seeing the types and profiles of investors looking at the datacentre space change? And what does Vantage look for/prioritise in an investment partner?

Investor interest in the datacentre space has never been greater, whether from infrastructure funds, real estate capital, or traditional private equity. Investors, like we do at Vantage, see a once-in-a-generation opportunity driven by AI demand on top of continued cloud computing growth. Datacentres will remain a very high-growth sector for at least the next decade or longer.

Since our focus is on serving the hyperscalers on a long-term basis and doing it globally, we prioritize partners who, like DigitalBridge and Silver Lake, share our long-term vision, have deep pockets, and bring strategic value. A focused communications infrastructure investor, DigitalBridge adds value through its relationships, access to deal flow, and financing ideas specific to the industry, while Silver Lake provides broader tech and AI ecosystem expertise.

What trends and solutions are you seeing in capital raising strategies for datacentre companies? How do you expect these structures to evolve, and what role do you expect the public markets to play?

There is a lot of innovation in the capital markets. From a broader set of investors on the equity side to the development of the ABS market over the last six years on the debt side. We were the first datacentre company to issue in the ABS market in 2018, and that’s a much broader pool of debt capital that allows the industry to continue to scale and deploy greater amounts year over year.

As the capital needs continue to increase, there’s a premium on capital recycling. As datacentres are leased, constructed, and then stabilised, they have a very different financial profile from traditional DevCo assets. Stabilised datacentres throw off cash or dividends, and that’s very attractive to a different type of investor that is looking for that cash yield, such as insurance capital and real estate capital.

Vantage has implemented two YieldCos across North America and EMEA over the last few years. Going forward, there’s an opportunity and need across the industry for hundreds of billions of dollars of capital recycling to keep pace, particularly with AI CapEx requirements.

Most public companies in the datacentre industry have been taken private over the last few years, with the view that there’s access to even greater amounts of capital in the private markets, but there are still public markets opportunities. There are a couple of YieldCo vehicles that are listed on the Singapore Exchange today as REITs, and as we and others look to recycle capital, there will be more private YieldCos as well as the possibility of public vehicles.

Power availability was cited at our TMT M&A Forum USA in September as one of the biggest challenges for datacentre developers. How are you and the team at Vantage approaching this challenge?

Market growth over the last few years has exhausted traditional power sources in most, if not all, major datacentre markets globally. We're now focused on finding solutions to accelerate the timelines on power. This includes expanding into new markets, partnering with utilities to give them better visibility into demand, improving long-term planning, as well as self-generation solutions.

We have built a couple of large power plants, one in North America and one in Europe, that are behind-the-meter and adjacent to our datacentres to be able to bridge the gap for longer-term utility power. There are also other behind-the-meter solutions available including working with independent power producers to be able to bring to bear much larger scale power quicker.

What opportunities do you foresee for Vantage in expanding through M&A activity?

Our priority is delivering consistency globally to our hyperscaler customers so our primary focus is on greenfield development where we can utilise a standardised design and a set of operational protocols.

Where we've utilised M&A, it has been to accelerate growth in certain markets through acquisitions of smaller players with strong teams established in just one or two markets. It will be the same going forward, most of our investment will be on focused organic and greenfield expansion but from time to time we might find opportunities where we can move faster to expand in certain markets through M&A.

What have been the most impactful learnings at Vantage, and how do you measure success?

It has been an amazing journey in the last 11 and a half years; we've gone from two markets in the western US to 30 markets and growing across five continents, from 21 people to 1,700.

Some of my key lessons have been around growing the team; when you are growing a business exponentially, you need to think about today's scale and scope while also considering a year or two ahead, and wherever possible, look at over-hiring to accommodate the growth that's coming.

Around scaling, another focus has been on developing global standards for how we can build at scale, efficiently and quickly while remaining nimble. While global, this is also an intensely local business; there are different languages, regulations, processes, and building standards so marrying those aspects is an important balance.

Key metrics we use to measure success include customer satisfaction — are we able to deliver a consistently world-class experience to our customers across the globe? — and the financials associated with that, e.g., our ability to underwrite and deliver returns in line with investors’ expectations.