

Navigating Asia's digital infra: Insights from Stonepeak's Andrew Thomas

Reporting by Elles Houweling

TMT Finance speaks with Andrew Thomas, Senior Managing Director and Partner at Stonepeak, based in New York. Thomas leads the firm's Digital Infrastructure practice, focusing on key subsectors including datacentre assets, towers and wireless infrastructure, enterprise fibre, and residential broadband.

In this interview, Thomas shares insights on Digital Edge's growth strategy, the convergence of energy and digital infrastructure, as well as investment and exit strategies within the digital infrastructure space, and more.



Digital Edge, one of your datacentre portfolio companies, recently announced a US\$1.6bn raise in debt and equity. Can you walk me through the significance of that deal and how it aligns with Digital Edge's growth strategy?

It was a fantastic and successful capital raise for the business. We're excited about the level of interest this received from both new and existing investors. The goal of this capital raise was to back the tremendous growth opportunities we see in the business, both within Digital Edge's existing markets and in potential new ones. With large campuses in Japan, Korea, Indonesia, and India, we've seen great traction with existing customers in core markets, and this capital will help us accelerate expansion in these regions. The capital will also support Digital Edge move into new markets that our customers are asking us to go to.

You've mentioned potentially entering new markets. Can you share more about that and where you see new opportunities arising in Asia?

We are seeing a lot of opportunity in Malaysia, specifically in Johor. We've spent a lot of time looking at this market, and Digital Edge is now in the process of entering and beginning to build out capacity. We see great tailwinds in this market, it has firmly emerged as the next large hub in APAC, driven by cloud service expansion and AI-related infrastructure. Many of Digital Edge's customers are eager for the company to establish a presence in the country to support their expansion, so we're predominantly focussed on this market at this time. We are always evaluating markets based on the

fundamental supply and demand outlook and where our customers are telling us they want us to go. Another market we're quite excited about is Thailand. There is strong demand from all Digital Edge's customers for expansion there. While we are not in the market yet, it's one we've spent considerable time analysing and exploring.

With so many new datacentre platforms emerging globally, how do you and your team decide which opportunities to pursue? What factors set them apart?

We spend a lot of time conducting thematic and fundamental analyses to identify where we believe there will be strong demand drivers. This includes analysing macro trends in the market and understanding where customers are planning their capacity rollouts and where they need infrastructure. That's the first point. Secondly, we also assess where our existing platforms would be well-positioned to succeed based on where we have operating experience and expertise, strong local networks and boots-on-the-ground support. For example, with the Digital Edge platform the majority of our business today is in Japan, Korea, and Southeast Asia, particularly Indonesia and the Philippines. This success largely stems from the fact that the Digital Edge management team has decades of experience in these markets, and we have strong local partners that we've worked with successfully. These two factors are key to our approach.

Real estate company AGP, which is backed by Stonepeak, is now looking at entering the digital infrastructure and datacentre space. Can you walk me through the significance of this move and how it fits within Stonepeak's broader strategy?

It's a natural expansion for AGP. We began our history with AGP with a successful joint venture for Digital Edge's Navi Mumbai campus. Their expertise in energy development, combined with our experience in datacentre development, was highly complementary. Power is the critical constraint in developing new capacity, and AGP's experience in energy development gives them a unique ability to execute strategies that develop powered land for datacentres.

Do you see growing convergence between digital infrastructure and energy, and how do these two asset classes complement each other?

Absolutely, there has always been a strong interlinkage between both energy development and datacentre development, and this connection is more acute than ever. It will continue to grow in importance over the next 5 to 15 years. Historically, the primary constraint to developing new datacentre capacity was access to the right real estate, operating experience, or customer relationships. While all those factors remain important access to, or the development of, power has become the primary constraint. For Stonepeak, we have the benefit of deep expertise in both the energy sector and datacentre development and operations. When we evaluate a new project, we can begin by bringing our sector experts together to assess the timeline, cost, and feasibility of bringing power to the project at the required scale. This is almost always the starting point for us when analysing a new datacentre opportunity.

Would you consider investing in energy sector opportunities adjacent to datacentres before investing in the datacentre opportunities themselves?

Absolutely. There's significant opportunity in power infrastructure that complements datacentre development. We spend considerable time analysing these opportunities to ensure we can provide the necessary power capacity for datacentres, and we are actively looking at ways to invest in power infrastructure as part of our overall strategy.

We're seeing a rise of yieldco structures in the US and Europe, with stabilised assets being sold. Do you see this emerging in Asia, and how do you think it's influencing the investor landscape in digital infrastructure?

I believe that a large market for stabilised assets will emerge in Asia over time, similar to what we're seeing in the US and Europe. Currently, Asia has fewer stabilised facilities compared to those markets, so much of the capital being deployed today is focussed on development. There's not as much immediate need for platforms to recycle capital by selling stabilised facilities, but that will certainly change in the coming years. This is an attractive asset class for investors looking for yield and income. We expect this shift to drive more interest from institutional investors, such as pension funds and insurance vehicles, as the market in Asia grows.

With the digital infrastructure sector growing, how do you approach exit strategies for these investments?

It depends on the type of datacentre asset. For larger, hyperscale-focussed datacentre platforms, particularly those of the scale seen in US and European platforms, I believe the logical exit path—and for some potentially the only exit path—will be the public markets. So we should expect to see a return to public markets for many of the large, hyperscale-focused datacentre platforms. That said, one thing we believe to be true for Asia specifically is that the platforms there tend to be slightly smaller compared to those in the US and Europe. And they offer a real strategic benefit by giving global platforms access to new markets in a rapidly growing region. As a result, we anticipate significant interest from global players looking to acquire APAC-focused platforms with a strong footprint and existing operations in high-growth markets. At Stonepeak we are always focused on ensuring we have multiple avenues to exit an investment successfully. Part of this involves ensuring that the asset has strategic appeal, either by establishing a leading position in different markets or by offering distinctive access to a particular market or set of assets.

How has current market volatility and regulatory challenges, such as export controls and data sovereignty, affected the digital infrastructure industry, and how is it impacting your investment strategy?

Market volatility and local regulations are always something we think about when considering the near-, medium- and long-term development of our datacentre facilities. Having a clear and deliberate strategy around a datacentre supply chain is crucial. Ensuring consistent access to long lead time items on the desired timeline, with as much control as possible over pricing, is critical and often a key differentiator, particularly when developing at a larger scale. As we expand platforms like Digital Edge quickly, we remain highly mindful of how broader market volatility will affect construction costs. Given policies and macro trends that may lead to inflation, it's important to have the right protections in place in the contracts we sign to ensure we can still meet our target timelines, even as input costs rise. One of the most important factors is ensuring that you have inflation protection in your long-term contracts, ideally with CPI-type pass-throughs.

When considering capital allocation across different asset classes, how do you decide between investing in mature markets versus emerging markets? What factors are most important?

We're primarily focused on mature markets, but we often see great opportunities in emerging markets. There are a few factors that are very important in

these cases. Firstly, ensuring strong local expertise, whether it's through the team you're backing or through partnerships, is crucial. This is something Digital Edge has done very effectively. We have a great partnership at our Navi Mumbai campus with both AGP and NIIIF. Similarly, we've worked well with the Threadborne Group in the Philippines. Secondly, we look for investments with certain features that mitigate some of the risks of operating in emerging markets. This includes contracting in US dollars, focussing on large multinational companies as customers, utilising our global supply chain, rather than relying on solely local supply chains. These are all factors we consider to ensure we're setting ourselves up for success in any market we invest in.

The fibre market in Asia is becoming more prominent. Where do you see the opportunities in this space?

There's significant opportunity in the fibre space, particularly linked to the growing datacentre build out. High-capacity fibre networks are essential for connecting key datacentre hubs and interconnection points. Subsea cable landing stations are also a critical part of the infrastructure. These next-generation fibre networks are necessary to support the needs of large-scale customers, carriers, and hyperscale datacentres. We view this as an attractive sector, especially as the datacentre market continues to grow in major APAC markets.

Andrew Thomas is speaking at the TMT M&A Forum APAC in Singapore on 15 May. For more information on the agenda and speakers, [click here](#).