

IJInvestor Awards 2020 – The Digital Colony Interview

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Digital Colony is riding high on the back of numerous achievements in the last year, rounding off a host of accomplishments by scooping a total of five key IJInvestor Awards in recognition of this success.

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In the pages that follow, Digital Colony is repeatedly singled out for praise by IJInvestor's independent panel of judges – all established industry experts – with awards for:

- Re-defining Infrastructure in the Americas category
- Best Digital Infrastructure Acquisitions in the Data Centre category – the Digital Bridge deal (including Vantage Data Centers and DataBank)
- Overall global Best Digital Infrastructure Acquisition (Fibre) – Zayo Group Holdings
- Best Digital Infrastructure Acquisition for Fibre – Zayo Group Holdings
- Outstanding Individual Award for 2020 – Steven Sonnenstein

During the judging period, Digital Colony achieved final close on its inaugural fund – Digital Colony Partners – at \$4.05 billion, a key component of Colony Capital's pivot to digital infrastructure. A reflection of the success of this vehicle is that it is already 70% deployed.

Among its key portfolio investments is the take-private of Zayo Group by affiliates of Digital Colony Partners and the EQT Infrastructure IV fund. This transaction's closing was announced in March 2020 and valued at \$14.3 billion, representing the largest syndicated private equity investment, the fifth-largest media and communications LBO and the second-largest LBO overall since 2008.

The fund is led by Marc Ganzi – president and chief executive of Colony Capital, also CEO of Digital Colony – who founded Digital Bridge Holdings, a leading global investor and owner of mobile and internet infrastructure. Digital Bridge was acquired by Colony Capital in July 2019 as part of Colony's transformation to become the premier platform for digital infra and real estate investment.

Marc is very much a "people person" and – as is always the case – he hires in his own image, giving him a team with strong communication skills, which he believes is central to the fund's success to date and forms the basis for future achievements.

"Having been a deal-maker in the digital infrastructure space for the last 26 years, the consistent theme across almost 80% of our deals is... relationships," says Marc. "It is centred on long-lived, trusted relationships with counterparties and customers and – ultimately – as we look back on the last year, a lot of those deals were curated because of pre-existing relationships and trust."

"Trust among all parties is key because you can't just turn networks over to somebody who lacks experience, you have to have people who have been there and done that. This is where we differentiate ourselves as a firm."

"Having been an operator for the last 26 years, we are trusted. When the time comes to choose a party to interact with, people don't spend a lot of time thinking about our operational credentials. They know them."



However, having carved its niche in the Americas and across Europe, the time has arrived for the Colony team to tackle fresh markets.

Asia Pacific

“There’s a lot happening in that part of the world, as relates to infrastructure,” says Marc. “Migration to cloud is big trend in Asia and a lot of significant new workloads are happening across the region.

“We are really excited about following some of our customers to that hemisphere and thinking about ways we can help them. There is a really good opportunity to roll up the tower industry which has been highly fragmented in this region for the last 15 years. We can bring the techniques we have used in the US, LatAm and Europe to bear in Asia. Edge computing is also a big opportunity in Asia.”

Marc recognises that many of the trends he and his team have been hunting in the Americas and across Europe are starting to manifest in Asia, and he already has a five-strong team in Singapore to spearhead those efforts.

Digital infra all the way

Like most people established in the digital infrastructure world, Marc is keeping a close eye on 5G and its migration as the velocity of capex spend gathers pace.

“Our belief is that this will be a seven-year investment cycle,” says Marc. “Which will probably be pretty heavy in 2021-through-23, and then start to taper off a bit. We are starting in the US and the Nordics as the first places we have seen 5G deployments. The same goes for Korea and Japan. Europe will come later this year / next year, and in 2022-23 you will begin to see 5G roll out across Latin America.

“The impact for towers should be strong and there should be a lot of investment into existing tower infrastructure – which will be great for the tower operators and the carriers as they roll out new technologies.

“We are excited about this and the team is spending a lot of time with our customers thinking about how we deploy 5G networks, reduce costs and look for new ways to create efficiencies in the RAN architecture.”

The tower sector is rapidly evolving to a place where it is no longer simply a case of installing gear on a tower and renting space as cloud radio access network (C-RAN) establishes itself in the infra lexicon.

“If you’re going to be a next-generation tower owner, you need to understand the fabric of what is driving network architecture – how to deploy cloud radio access networks and how fibre interacts with the tower,” says Marc.

“Just renting space from a mobile operator is not adding a lot of value. You have to be thinking about other ways you can bring value to the customer from 5G.”

As C-RAN gathers impetus, it is going to see a massive switch (no pun intended) from traditional methods to cloud-based, virtual switch technology that will involve significant investment into the aggregation of radios into a hub that feeds into a cloud data centre.

“This is a great opportunity for our mobile customers to save money,” says Marc. “And that is why we are spending so much time on C-RAN and edge computing – because that’s the future of networks.”

The internet of things (IoT) is roughly seven years out and will require massive investment over that period. Currently – in 2020 – there are 20 billion devices connected to the IoT, with this expected to rise to 80 billion in 2025, and on to 500 billion in 2030.

Just taking that snapshot at a glance, you cannot help but think that Digital Colony is in a good place where it will benefit from first-mover advantages, track record and established relationships... not to mention their first fund is almost fully-deployed... and doubtless another one is in the brewing.

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