



EQUINIX

THE DATA CENTER AS REVENUE CENTER

EQUINIX WHITEPAPER



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THE DATA CENTER AS REVENUE CENTER

The explosive growth in mobile, content, and cloud-based data traffic offers tremendous revenue opportunities for high margin retail services such as Ethernet and MPLS. To remain competitive, network operators have no choice but to expand their infrastructure to meet demand for these new high-growth services. However, when it comes to how an operator plans for – and manages – that growth, they now have a very clear choice. They can opt to deploy in traditional telehouses or carrier hotels, and continue to focus on wholesale services, or they can invest in “retail data centers” that not only offer all the network-to-network connectivity of a telehouse, but also act as aggregation points for concentrations of retail customers in network-centric industries. These “revenue centers” contain concentrations of highly-profitable potential customers in key business markets around the globe. This whitepaper explores how you can quickly transform your data center infrastructure into a cluster of revenue centers.

KEY TRENDS

IT executives around the world are using the following trends and forecasts to influence their thinking about the evolution of their data centers.

According to the latest **Cisco Visual Networking Index**¹:

- Annual global IP traffic will quadruple by 2015, reaching the zettabyte threshold by the end of that year.
- Mobile data traffic will grow at a CAGR of 92 percent between 2010 and 2015, reaching 6.3 exabytes per month by 2015.
- The sum of all forms of video (video conferencing, TV, video on demand, Internet, and P2P) will be approximately 90 percent of global consumer traffic by 2015.
- The number of devices connected to IP networks will be twice as high as the global population in 2015.

According to Gartner, the cloud services market will increase threefold, from \$50 billion to nearly \$150 billion in 2014, increasing traffic for business IP and private networks.

Despite these growth trends, the Telecom Industry Association is forecasting that overall network CAPEX spend will grow at a meager 2 percent per year between now and 2014.

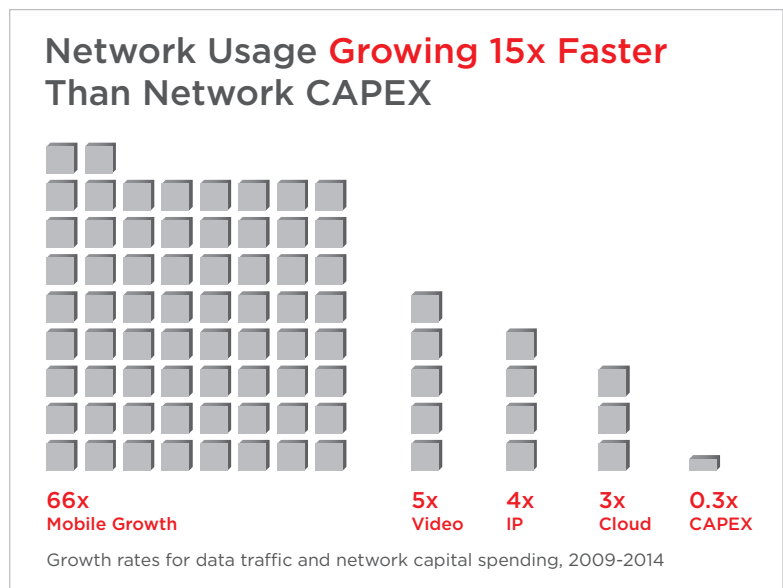


Fig. 1: Gartner, Inc.

If your share of these services grew in-line with the market, what type of revenue opportunity would that represent?

http://www.cisco.com/en/US/solutions/collateral/ns341/ns525/ns537/ns705/ns827/white_paper_c11-481360_ns827_Networking_Solutions_White_Paper.html

IMPLICATIONS FOR YOUR DATA CENTER

The massive growth in demand for IP-based services is great news only if you can grow your infrastructure fast enough to keep pace with demand and if you are building that infrastructure where you can easily sell to—and connect to—the greatest number of the most profitable type of customer, offering them increased performance and interconnections.

Network Demand and the Need for Performance

With the explosion of connected devices and advent of new services in entertainment, gaming and even financial trading on Wall Street, the data center today is increasingly being seen as a means to gain a business performance edge. The growth discussed above in mobile broadband data services and in virtualization and cloud computing all require an unprecedented level of data networking efficiency, reliability and scalability in order to ensure quality of service for customers, partners and end users in destinations around the world. The proper deployment of your infrastructure can make all the difference in terms of the performance of your services—and the performance of your customers' services.

Network Demand and the Need for Interconnection

Across the globe, organizations want to remove geographic boundaries and tap global markets. Carriers looking to expand quickly and compete on a global scale have understood the need for interconnecting their networks, but at Equinix, we've taken the interconnection value proposition to a new level.

It's no longer just about network-to-network connections. We cater to five major ecosystems: networking and mobile, content and digital media, cloud and IT services, financial services and enterprise services. This means that carriers are not just connecting to one another. Now there's a huge opportunity for interconnections in growing traffic sectors, including mobile network operators (MNOs), smartphone platforms, cloud providers, financial firms and video sites. It also means that any company with its data center hosted in one of our carrier-neutral facilities is now able to directly connect to a global value-chain of partners for improved speed and performance, along with lower costs and new revenue opportunities.

Platform Equinix and the Potential for Interconnections

In all, Platform Equinix comprises nearly 100 network-neutral data centers in 13 countries and includes:

- 700+ cloud and IT service providers
- 675+ network service providers
- 600+ financial services companies
- 450+ content and digital media companies
- 5 of the top 5 social networking sites
- 7 of the top 10 video sites
- 9 of the top 10 advertising networks

The interconnections between these businesses grew by an amazing 27 percent last year

In addition, Equinix has a total of more than 4,000 network-centric businesses, and the interconnections between these businesses grew by an amazing 27 percent last year. We recently calculated that these interconnections mean that our customers are spending somewhere between \$5.5 billion and \$6 billion annually on telecom-related services in Equinix sites. Yet, this is just the tip of the iceberg in terms of their total spend on services from the other ecosystems. Our services-neutral environment also provides an aggregation point for customers for virtualization and cloud services, communications services such as HD video conferencing and telepresence, and anything else that's part of a services portfolio.

THE POSSIBILITIES ARE BOUNDLESS

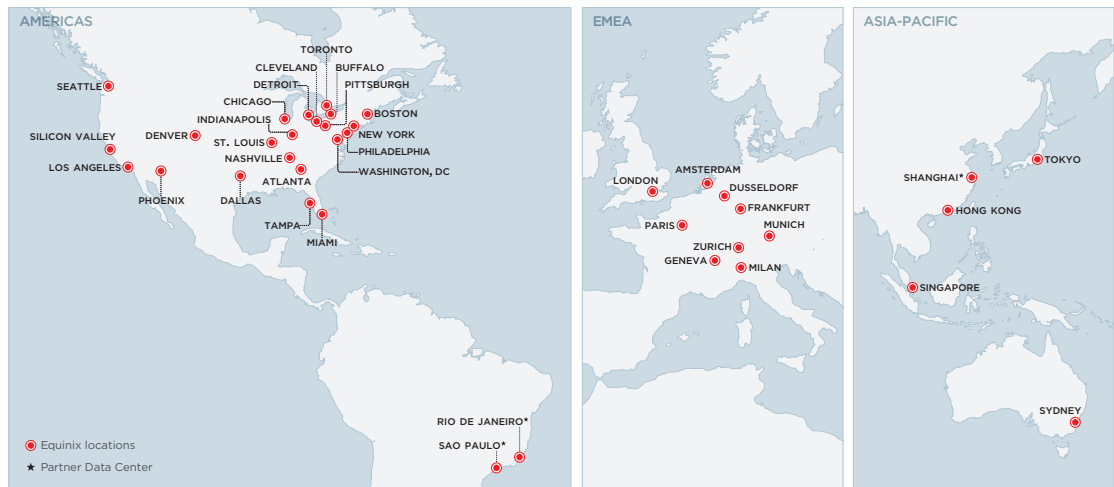
Directly connect to a complete, global value chain of partners

The five global Equinix business ecosystems enable customers in one facility to directly connect to a complete, global value chain of partners. Other data center infrastructure providers don't support such rich, non-carrier ecosystems. For example, traditional telehouses, such as 111 8th Avenue in New York and 56 Marietta in Atlanta, focus primarily on interconnecting Carrier A to Carrier B. Other data centers that service enterprises either don't take a carrier-neutral approach or don't have an extensive global presence, both of which significantly limit the ability of service providers and enterprises to cost effectively interconnect to their value chains around the world.

With our carrier and service neutrality and our global reach, Equinix provides an aggregation point for customers and has achieved a density of carriers, service providers and enterprises to create a self-sustaining momentum. For example, Equinix currently hosts 7 of the top 10 video sites, all five of the top five social network sites, five of the world's largest MNOs, and four of the five top smartphone platforms. And as mentioned above, non-network customers already spend more than \$5.5 billion on communications services with organic growth currently at 27 percent per year. This presents an unparalleled opportunity for carriers that operate inside Equinix facilities.

THE OPPORTUNITY BY VERTICAL

For companies trying to understand their business opportunities, we have broken down our growth by geography and verticals. Fig. 2 shows the distribution of our 89,939 interconnections globally (as of Q2, 2011), revealing, for example, the relative dominance of financial services connections in EMEA, and network connections in Asia-Pacific, while the Americas are seeing a more even distribution of interconnection types.



Our Global Ecosystem Footprint: 4,000 customers with over 89,900 interconnections growing at 27% per year.

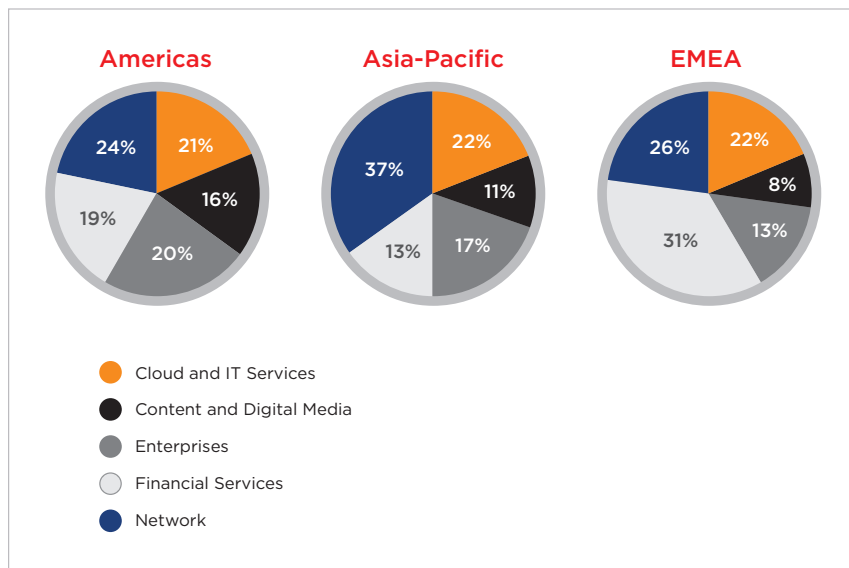


Fig. 2: The Global Equinix footprint Q2 2011.

Fig. 3 examines in detail our 27 percent growth rate by applying a vertical perspective to the type of interconnection. Slicing the data in such a way gives our carrier customers a calculated view of “where the action is” to help them synthesize strategies for infrastructure expansion that net the best return on their CAPEX spend.

They may note, for example, the strong growth of network customers interconnecting with financial services customers and content customers (e.g. social channels, media/advertising, e-commerce/e-retail and gaming).

However, while these top our list of cross-vertical interconnections, accounting for 23 percent and 33 percent respectively, network-to-cloud service providers (e.g. X-as-a-Service) and network-to-enterprise are actually accelerating dramatically, having accounted for zero growth just a couple of years ago.

In the area of rapidly growing cloud services (or “managed services”), enterprise customers typically enter the Equinix facility for colocation and then realize that just about every service and resource they need is a simple cross-connect away. So while they may be driven to our sites for colocation, they discover they can outsource storage to a vendor a few aisles over. Cloud-to-cloud services, which stand at a very robust 35 percent of our growth, represents the maturing of the cloud services market as new service providers now frequently opt to purchase infrastructure from another provider instead of building their infrastructure from scratch. And, once again, although cloud-to-content and cloud-to-enterprise are smaller numbers, they were non-existent just a couple of years ago.

Vertical View of Connectivity Growth			
Network Growth		Service Growth	
Number of CCs (A&Z combination)	Y/Y Growth (%)	Number of CCs (A&Z combination)	Y/Y Growth (%)
Network & Cloud	7%	Network & Cloud	35%
Network & Content	33%	Network & Content	7%
Network & Enterprise	10%	Network & Enterprise	11%
Network & Financial	23%	Network & Financial	54%

Fig. 3: Examines in detail our 27 percent growth rate by applying a vertical perspective to the type of interconnection

SOLUTIONS: YOUR DATA CENTER SHOULD BE A REVENUE CENTER, TOO

An in-depth analysis of our customers' presence and interconnection patterns reveals that our top-performing network provider customers, those with the highest number of cross connects with other service providers and customers, are deployed in 90 percent or more of our facilities. This means they are canvassing more ground from a geographic perspective, and are thereby able to reach more of the masses.

But for service providers, deeper penetration can translate into revenue gains when they offer a larger portion of their service portfolio from a greater number of currently installed sites. For example, Service Provider A offers only IP transit services in our Ashburn facility today. A customer that wants MPLS services would need to pay for a loop from Ashburn to Service Provider A's main transmission node in a downtown legacy telehouse. Due to this fact, Service Provider A often loses this higher margin network opportunity for lack of the proper infrastructure in Ashburn. Even worse, Service Provider A will often subsidize the loop cost between Ashburn and the legacy telehouse for a sufficiently large customer. Creating a "full service" network node in Ashburn would actually save Service Provider A margin on existing customers while simultaneously creating new opportunities.

AboveNet: Maximizing the Benefits of Platform Equinix

Let's look how one of our top-performing customers benefits from an extensive global colocation footprint across our sites as well as extensive cross-connect penetration of retail customers within the business ecosystems of Platform Equinix.

AboveNet enables customers to create high-performance, cost-effective networks by bypassing the "last mile" legacy telecom infrastructure. Leveraging its private, dense optical fiber network, AboveNet delivers network services in the U.S. and Europe, serving multiple markets including financial services, media, health care, retail and government. AboveNet has dual-entrance fiber running into 41 Equinix data centers in North America and 13 Equinix data centers across Europe.

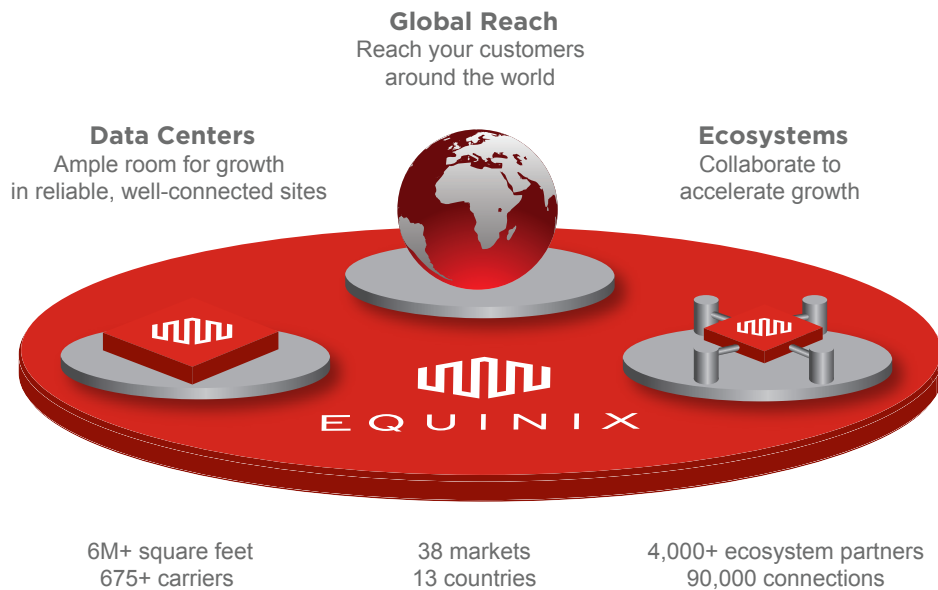
According to Nick Ridolfi, Senior Vice President of Sales at AboveNet, the future is all about being prepared for—and helping other companies prepare for—the massive growth in bandwidth consumption. "It's a self-fulfilling prophecy. The more comfortable we are relying on the Internet, the more performance we demand from it. Feeding this need requires giant pipes connected through data centers capable of optimizing the exchange of data. AboveNet has the optical fiber solutions to deliver true economies of scale. Equinix has the footprint, connectivity and expertise to improve its customers' application performance and protect their vital digital assets. Together we make it possible for businesses to grow their operations faster and more economically."

As the largest data center provider in the world, Equinix has created vast content and service hubs populated by companies that require ever more bandwidth to keep pace with the insatiable demand of businesses and consumers. This has presented AboveNet with a tremendous opportunity to reach new customers that require ultra-low latency, ultra-high security transport of content and services both nationally and globally.

AboveNet fiber connected to Equinix data centers offers mutual customers a unique and scalable solution. They are able to ramp their bandwidth from 1 to 10 to 40 gigs without changing the network infrastructure, enabling flexibility to optimize for high-bandwidth applications. In addition, AboveNet sees Equinix's Carrier Ethernet and Internet Exchange programs as essential components of its increasingly strategic mission to help customers deliver private and hybrid Cloud services. These synergies are what Platform Equinix is all about.

THE TAKEAWAY

The world's insatiable demand for IP-based services creates huge opportunities for service providers with sufficient globally distributed network capacity to satisfy that demand. However, creating that capacity through simple colocations and laying new lines is far too expensive and time consuming to deliver the margins and agility that today's opportunities demand. Platform Equinix offers an alternative. With its five rich ecosystems comprising more than 4,000 network-centric businesses in 98 network-neutral data centers in 13 countries, Equinix delivers margins, agility and unlimited global opportunity for direct access to the most profitable types of traffic through quick and cost-effective interconnection.





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About Platform Equinix

Equinix, Inc. (Nasdaq: EQIX) connects businesses with partners and customers around the world through a global platform of high performance data centers, containing dynamic ecosystems and the broadest choice of networks.

Platform Equinix connects more than 4,000 enterprises, cloud, digital content and financial companies including more than 675 network

service providers to help them grow their businesses, improve application performance and protect their vital digital assets.

Equinix operates in 38 strategic markets across the Americas, EMEA and Asia-Pacific and continually invests in expanding its platform to power customer growth.