

# Vision

“It's not about changing the magic, it's about having the right partner to help bring complementary skills that you don't have — the objectives and vision for the business have to be aligned.”

Greg Boorer, CEO, Canberra Data Centres



## Critical infrastructure for the heart of the nation

Greg Boorer and Ken Lowe took a leap of faith when they founded Canberra Data Centres (CDC) in 2007. The demand was there, but the government's risk aversion was a major impediment.

Federal government agencies desperately required a local data centre so they could get their servers out of leaky basements in government buildings into more secure sites. International data centre providers had long targeted Canberra for business but could not agree terms with the city's bureaucrats.

“The multinationals were saying, ‘If you give us an anchor tenancy, we will build a data centre’,” says Greg. “The government was saying, ‘If you build it and then win a tender, we will give you the business’.”

Greg had developed an expertise in data centres working in Europe. On his return to Australia to set up a home and start a family, a fortuitous meeting with Ken at a soccer match resulted in the two working together. Ken's company offered IT support to small and mid-sized businesses and he needed someone to run the Canberra office. As it happened, Greg needed a job.

Once installed in Canberra, Greg could immediately see the opportunity for an innovative IT infrastructure strategy. “I saw that

there were no data centres and very little security,” he recalls. “At the same time, government was becoming more dependent on IT and they had hundreds of server rooms in the basement of their buildings. It was a horrible situation, where critical systems were in these small rooms under the building which would occasionally flood after a major weather event.”

Many multinational operators had seen the same thing, but Greg says they wanted to be paid before they would start building a data centre.

Greg and Ken decided to step into the arena with the bold proposition centred around the old adage, ‘build it and they will come’. With as much money as they could personally raise—combined with some innovative deal-making—they built the first data centre in Canberra without one client signed up.

It took them more than a year to get their first client—but that started the ball rolling and their idea began gaining traction. They leveraged the property and took on as much debt as the bank would give them to make it work. For the first seven years, all of their personal assets were on the line.

Influential Canberra bureaucrats were watching closely and slowly the duo started to win them over.





## Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

## AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

## AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

"We won our first very small client in 2008 and a lot of people in government wanted to watch and see how that transpired," he says. "It took a couple of years before we signed any large contracts, which then gave us the momentum to grow quickly."

However, although growth was fast, it was always constrained by capital requirements. "We were hand to mouth between 2008 and 2014," says Greg. "Because it is such a capital-intensive industry, it is difficult to build capacity ahead of the curve without having big licks of capital."

Two events changed that. The first was when they realised they were losing market share because they could not accommodate potential clients, and the second was when the bank told them it was time to bring in more capital.

"They said, 'what do you need? How can we build the team? What kind of support do you need?'"

The bankers outlined several types of capital, including institutional money, family offices and private equity. "The institutional money could not get their heads around the type of growth we were showing them at 30% to 50% a year," says Greg. At the same time, discussions with family offices revealed "they were interested, but risk averse—they wanted to enjoy the upside but not participate in the downside."

However, private equity saw it for what it was—a business with a unique proposition ready to fly to the next level with the right kind of investment and strategic support.

Quadrant Private Equity stood out from the crowd for both men. "They were very compelling in what they put forward and articulated that they were investing in the people, not just the business," says Greg. "That gave me a lot of confidence."

"Their entrepreneurial nature was a breath of fresh air after talking to a lot of people who were all very nervous about the ambitions we had for future growth," he continues. "They said, 'What do you need? How can we build the team? What kind of support do you need?' and 'How can you invest ahead of the curve to be ready when the business arrives?'"

Quadrant Managing Partner Justin Ryan could immediately see the potential of the business and the CEO. "It was a uniquely positioned business with a unique CEO," he says. "When we went to see the business, we were very impressed by the infrastructure and the model and the huge success they had had with clients."

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Bringing Quadrant on board as partner brought some immediate benefits. For the founders, it meant they could finally de-risk their investment in the business. It also made it instantly easier to get debt funding. "All of the banks lined up to be involved and both our risk and interest premium dropped," Greg says.

There were also many benefits personally for Greg. This was his first business and he was its creator, but the job could be a lonely one. Quadrant provided mentoring on how to be the best CEO. "They put the wings under me personally to give me absolute control of the business," he says. "They groomed me to be the best CEO I could be and freed me up to do the things that needed to be done, particularly on the business development side."

Justin says the Quadrant team didn't change much about the business model, it was more a case of them helping to make important decisions about growth. "We said, 'Let's double the capacity and go for gold'," he recalls.

Quadrant sold out of CDC in 2016, but its timely investment and support set the business on the path to future growth. As the need for data continues to grow exponentially, so too does the business. "Everyone is reliant on their mobile phone and all of that online data has to live somewhere," says Greg. "There is also increased awareness by government and individuals about the sovereignty of data and the importance of where it lives."

As for the impact of private equity investment on the business, Greg says it was critical. "You have to find the right investor that is culturally aligned," he says. "If you are a natural risk-taker, you need to find someone who will support that side of your personality. It's not about changing the magic, it's about having the right partner to help bring complementary skills that you don't have – the objectives and vision for the business have to be aligned."

*Quadrant Private Equity was the 2017 recipient of an AVCAL Award: Best Management Buyout between \$300m - \$500m for their investment in Canberra Data Centres.*

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