



COMPANY REPORT

Equinix (EQIX): If You Build It, They Will [Hopefully] Come

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Equinix ([EQIX](#)), the world's largest data center company with an enterprise value of >\$100 billion, held an Analyst Day in New York City. The management team used the opportunity to flex its muscles, by showcasing how its portfolio of 270+ data centers across 36 countries on six continents will thrive amidst an ongoing AI buildout spree. However, maintaining its strategic dominance will come with a hefty upfront development budget. The reality of increased spending early on to capture better earnings growth down the road spooked investors, sending shares of Equinix down >9% in Wednesday's trading, underperforming its peer Digital Realty by ~600 bps.

Artificial Intelligence Opportunity

While Equinix continues to see considerable demand for traditional data storage needs and networking services (i.e., interconnections), the most exciting opportunity lies in AI. The company estimates the total addressable market for data center infrastructure supporting AI deployments (excluding hyperscale self-builds and computer servers) is ~\$40 billion today and

The current level of investment is evenly split between training and inference applications,

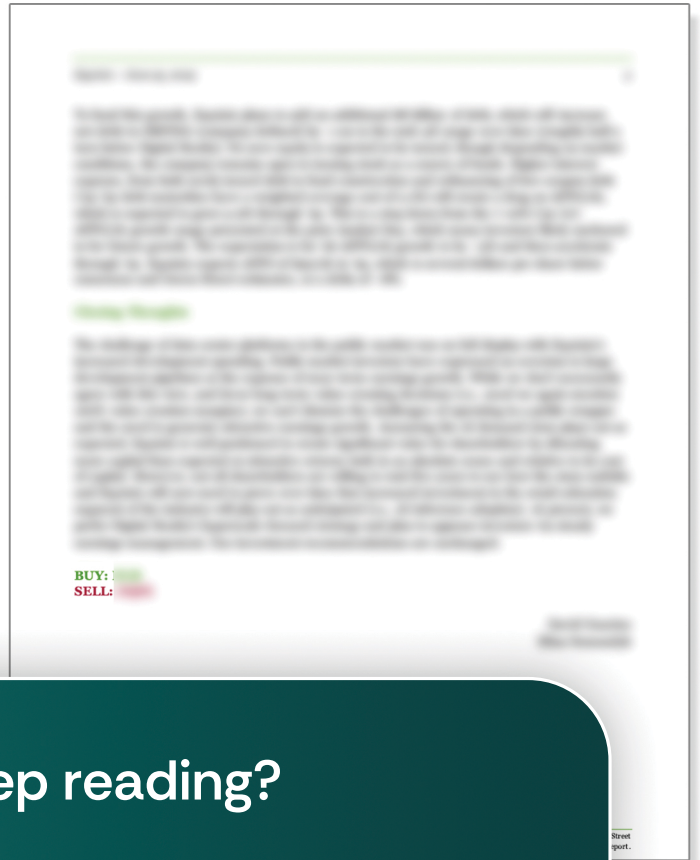
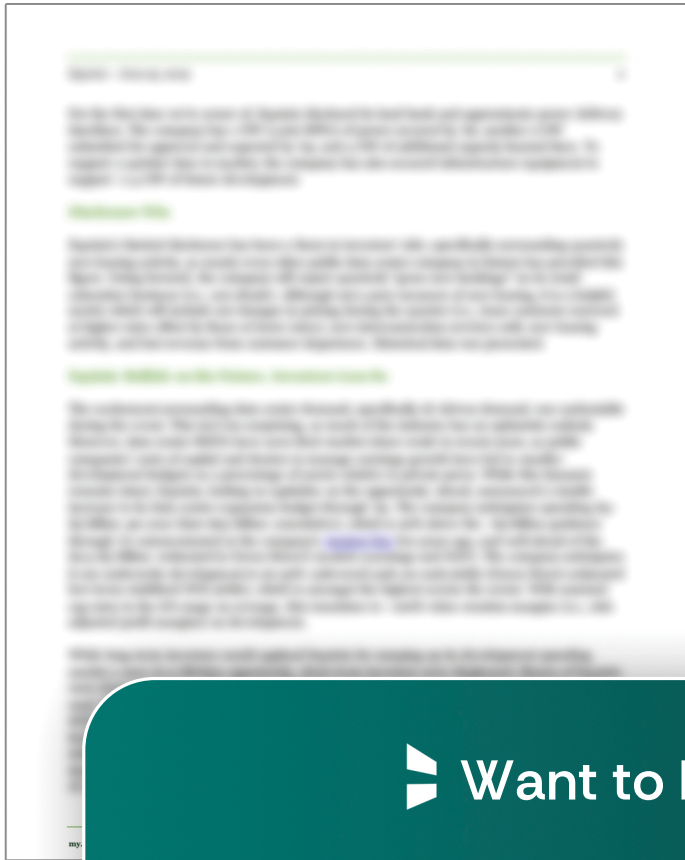
At present, the belief is lower-latency data centers (like Equinix operates) will be beneficiaries of inference applications.

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that Equinix's highly connected data center platform is one of the best positioned in the world to benefit should AI deployments unfold as expected.

Build Bolder Initiative

To capitalize on the AI gold rush, Equinix is tweaking its construction process under what is referred to as the Build Bolder initiative. This process was announced alongside [fourth quarter](#) earnings results in February, but was further expanded on during the Analyst Day. Given the combination of tenants requiring quicker data center delivery timelines and power densities increasing from 6 kW per rack to >12 kW in the past few years (i.e., data center computer servers have become more efficient, requiring more power to operate in the same sized square footage), Equinix is modifying its construction and design approach. Although this is not a monumental shift (all data center construction is fairly homogenous), the company will focus on building larger data centers, standardizing design of facilities, and strategically selecting land with short power delivery timelines.



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