EdgeConneX Las Vegas: A beacon of lights-out datacenter and interconnection services

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While not its most strategically important market, Las Vegas gives EdgeConneX exposure to robust edge datacenter demand from content, cloud and video providers and offers its customers an affordable access point to the cloud and interconnectivity networks.
Introduction
EdgeConneX’s Las Vegas facility features a similar design and layout as many of the company’s other edge datacenter (EDC) sites, providing a relatively low-cost, lights-out site that currently offers 1MW of capacity with the potential to expand. The datacenter offers interconnectivity services in a high-power-density footprint to customers seeking colocation at attractive rates, differentiating itself from rivals on both price and customizability of builds.

451 TAKE
While EdgeConneX’s Phoenix and Portland facilities are arguably more critical to both the company and its customers alike, its Las Vegas EDC gives it exposure to a key market that is undergoing rapid growth fueled by favorable economics and a prime geographic location. EdgeConneX’s lights-out model enables it to competitively price its colocation and interconnect products, and – more broadly – it could prove to be an attractive acquisition target as larger players seek economies of scale and entry into new geographic markets. The vendor’s ability to deploy a wide range of customized services across a wide range of clients speaks to the attractiveness and durability of its business model.

Context
Launched in 2009, Herndon, Virginia-based EdgeConneX’s datacenter business focuses on delivering edge facilities within close proximity to its customers’ end users. Like its other locations, the company’s Las Vegas facility caters to content providers – and, increasingly, cloud operators – for whom a low-latency infrastructure is important for delivery of quality video and other bandwidth-intensive content and applications. Locating itself in relatively smaller markets, EdgeConneX has found a unique value-add sweet spot delivering the ‘final mile’ between providers and end users. While EdgeConneX has occasionally taken on larger custom build projects in tier one cities, most of its focus of late has been on smaller facilities in tertiary markets – however, the prior may become more central to its future growth story as its relationships with hyperscalers deepen.

Products
Historically, EdgeConneX has specialized in building out smaller, local datacenters that provide its customers’ end users with reliable and efficient latency-sensitive interconnectivity and a high degree of customization. The company typically does not build speculatively, but rather commits to a facility’s construction only after an anchor tenant has signed and it believes it can reasonably lease remaining space. Recently, we have seen EdgeConneX engage in larger hyperscale deals that have called on it to build out to spec hyperscale facilities for cloud/content providers. These deals speak to the vendor’s ability to complete design and construction phases quickly, which is important to such customers as they contend with massive growth in their own data and compute needs and as the amount of content and number of users continues to increase considerably.

EdgeConneX’s Las Vegas site was built in 2014 and still has plenty of room for future expansion (although current utilization is only about 40%). Notably, the site has optionality for continued expansion on the part of EdgeConneX itself or has the potential for a separate space (5,000 square feet, with 1MW potential and the ability to finish a mezzanine area) to be leased to a third party. The site includes two separate loading docks that further enable monetization of its currently available lease space. The site is powered by four 250MW generators and provides 2n at the rack, and is connected to the carrier hotel located in the Peddick building in downtown Las Vegas.
The company’s experience operating so-called lights-out facilities offers a cost benefit that is ultimately reflected in the pricing it provides to its customers. This model is complemented by EdgeConneX’s proprietary self-service management software application (EdgeOS), which allows customers to monitor their infrastructure remotely. Remote hands are available for troubleshooting and maintenance as required.

Customers
The provider’s Las Vegas location serves customers involved in CDN, video delivery and caching services. More broadly, EdgeConneX caters to a broad client base ranging from small enterprises consuming only a few racks to hyperscalers seeking massive custom builds from the ground up. Its customers span the cloud, content, mobile, gaming and hyperscale industries, and this diversity of business sets the company up well from an operational standpoint given its exposure to multiple end markets.

Competition
In Las Vegas, EdgeConneX overlaps directly with Flexential as well as many so-called ‘mom and pop’ operations that are smaller in scale, but its offerings are relatively unique given its tilt toward proximal facilities near end users with the goal of optimizing latency around content delivery. Also, it’s impossible to operate in Las Vegas and not compete with Switch, regardless of how different the companies’ products look. Globally, EdgeConneX vies with some of the largest industry players, including Equinix, Digital Realty and Cologix, but again, its go-to-market strategy makes it fairly incomparable to some of these platforms. It is precisely EdgeConneX’s adherence to a relative unique set of customer services that creates such a competitively distinct presence both around the world and idiosyncratically in markets such as Las Vegas.

SWOT Analysis

**STRENGTHS**
EdgeConneX’s desire and ability to provide its customers with customized deployments helps distinguish it from its larger competitors and may lead to enduring, high-margin relationships with clients who appreciate the company’s ecosystem.

**WEAKNESSES**
The relatively small size – 3,600 operational square feet – of its Las Vegas facility may limit EdgeConneX’s ability to commit to larger custom deployments as the site’s utilization rates mature. However, the company does have options for expanding its existing operations within the existing building, with the ability to sublet some or all of that space to tenants as well.

**OPPORTUNITIES**
EdgeConneX’s foothold in a relative niche within the Las Vegas market and other tertiary cities catering to low-latency applications could give larger suppliers and rivals an opportunity to expand their own footprints via acquisition.

**THREATS**
Switch’s scale and infrastructure investments are likely to result in continued market dominance in Las Vegas and may prove to be too attractive for customers seeking colocation services in the desert valley to consider other options offered by smaller players like EdgeConneX.