

Case Study

Data Centre Due Diligence

Conducting Risk Analysis for a Major International Bank

We provided the bank with a detailed and holistic risk analysis of both their contracts and physical infrastructure

Overview

Our client, the Asset Finance division of a major international bank, was preparing to invest in a major data centre fit-out for their own client, a GPU-as-a-Service provider.

Cambridge Management Consulting was engaged to conduct due diligence on their assets and platforms in the event that the bank's client went into default.

We conducted a two-stage review of their contracts and physical infrastructure in order to highlight risks and benefits and fully inform their investment decision.

The Challenge

The bank was considering a substantial investment (~\$200m) in a data centre fit-out in Iceland to support their client, a GPU-as-a-Service provider creating an AI training platform that was due to be 100% utilised by a major AI operator. The undertaking of this was expected to involve many counter-parties, including their client, their customer, the data centre colocation operator, the Icelandic utility providers, the telecoms companies, the hardware manufacturers (Dell & nVidia) and the integrators who were fitting out the data centre space.

Their primary concern was how the bank would be able to take over the assets and the platforms in the event that their client went into default.

The Approach

The bank engaged Cambridge Management Consulting to review the documents in the data room and produce reports detailing the risks inherent in the proposed investment, as well as any mitigations that might be required. There were two key aspects of this study:

1. A review of the contacts in place:

- Between the bank's client and the colocation provider;
- Between the colocation provider and the utility companies (Power Purchase Agreements were in place);
- Between the bank's client and the integrator providing the fit-out and installation services (including the Bill of Materials that were drawn up with Dell and nVidia); and
- Between the bank and their client, including a review of the processes in place for hand-over of control (and assets) in the event of default.

2. A site visit and risk assessment of the colocation data centre:

- A physical review of the security systems and provisions;
- Risk assessment of geological (seismic and volcanic), climate, meteorological, and man-made hazard risk factors; and
- A review of the resilience of the data centre electrical and mechanical systems.

The reports were organised to highlight key documents along with the main points of interest and any red flags that the bank needed to be aware of. The Cambridge MC team worked very closely with the bank investment team throughout to ensure that they fully understood the key risks and issues as well as validating the qualities of the proposed investment.

Outcomes

We provided the bank with a detailed and holistic risk analysis of both their contracts and physical infrastructure so that they had full awareness and opportunity to mitigate challenges before entering the agreement.