



Richard Rowson, CFO, Romonet

Former CFO of Global Switch: how much influence does the finance department really have over data center strategy and what's keeping CFOs awake at night.

Let's start with the CFO and CIO's relationship. How do the two departments work together?

CFOs are more than just the purse strings of the business. They play an active role in helping CIOs frame their operational strategies effectively, assist with the creation of business cases and can identify the best solutions from a financial perspective.

This isn't because a CFO has a stronger understanding of technology, it's their experience in how to win over stakeholders for new projects and investments. This is critical within the context of the data center.

There are two 'CFO perspectives' – one, the operator point of view, the other, within the context of enterprise IT strategy. In my opinion, CIOs within a data center business have a more limited role – it's more about service delivery.

On an enterprise level, the CIO actively develops overriding structures and data center strategy. This is where CFO and CIOs should work closely together - they need to if the business is to succeed.

Shareholder pressure; how does that relate to the data center?

A CFO is accountable to two groups – the CEO and the board, and as a custodian of shareholder interests. People talk very glibly about creating shareholder value, but it's simple; the term means giving **shareholders an investment that's worth more tomorrow than today.**

Due to the level of financial capital involved in data center construction, maintenance and operation, data centers play a key part in this 'value process'. Enterprises need to stop thinking about the data center as a raw cost and more as a generator of business value.

During your time as CFO of Global Switch, what challenges did you face?

I joined the industry in 1999, so **I've seen the good, the bad and the ugly.** At Global Switch, we went through a period of significant growth and the business changed quickly - generating about £50 million (EBITDA) when I joined, to over £220 million when I left.

Shareholder pressure; how does that relate to the data center?

This included raising over £1 billion of debt – a major challenge when you're operating across seven different countries with significant capital expenditure and demanding shareholders. While this was taking place, we had to ensure our customers were satisfied with our services without negatively affecting the business's profitability.

Is the colocation market different from a financial perspective?

It's a sector that has experienced rapid growth. Access to capital has been fairly straightforward and essentially, most operators have been an order-taking business. That's not a model conducive to long-term financial efficiency.

In the colocation market specifically, pricing has halved in the space of five years. Therefore, you have to either halve your costs or double your revenue – either is extremely challenging within such a competitive sector.

Inefficiency always catches up with organizations – financial returns from projects will reduce and then eventually shareholders will say 'the marginal benefits of building a new facility has reduced so much, we would rather the operator return the invested money and not build anything else.'

Colocation operators are maturing and trying to maximize the value-adds of existing assets. This essentially means requiring a better understanding of customer economics.

In the past, a colo business would know overall whether a facility was making money and delivering a return, although they didn't have insight on a customer-by-customer basis. As a result, there are many 'what-if' scenarios that needed answering.

For example, what's the effect of bringing in a large customer or what would happen if clients renewed at a certain price?

Romonet provides the answers to these questions and enables CFOs to work closer with sales departments. The finance department can start to steer pricing, explain whether it makes sense to pursue deals at certain times, and understand how power needs to be allocated to each customer.

Is this what excited you about Romonet?

In my opinion, few businesses have all the ingredients to be successful. Romonet has the technology, people, leadership, passion and customer list. The quality of conversations we have with customers is extremely interesting.

When I look at the market and especially during my time as CFO of Global Switch, Romonet's cloud-based Big Data platform is something I would have absolutely purchased. When I talk to CFOs in the industry, their eyes light up because of how it solves so many of their challenges.

Customers aside, what about challenges? Is compliance a part of the CFO's responsibilities?

Industry guidelines are becoming more of an issue, because more customers are making decisions based on CO2 emissions or PUE, so to an extent, the CFO does influence these strategic choices.

CFOs are starting to worry that they are breaching guidelines. As a result, this would mean significant taxes, which when traded at a certain EBITDA multiple, can take millions off the value of the business.

What other KPIs are CFOs measured on? Should they have a larger involvement in IT?

Predominantly KPIs are from a money perspective. One of the challenges I faced was that too many IT projects were part of a short fix, not long-term strategy. Short-sightedness can have a negative effect on business profitability years later – both executives and IT staff need to be aware that market influences can strike incredibly quickly.

Richard Rowson, CFO of Romonet

Prior to joining Romonet, Richard Rowson was Chief Financial Officer (CFO) at Workshare, a market leader in the provision of secure enterprise file sharing and collaboration applications.

Richard has held a number of senior financial roles within data center operators, including CFO at Global Switch. Richard's knowledge of technology businesses and extensive experience in the capital markets has proved instrumental in guiding businesses through periods of rapid international growth.

Richard has more than 20 years' experience in financial strategy and management in both publicly traded and privately backed businesses.



About Romonet

Established in 2006, Romonet provides the data center industry's only end-to-end, Cloud-based management platform built on a native Big Data architecture. This combination of modeling, simulation, financial and infrastructure performance services provides customers with the capability to accurately provision, predict, model and control their owner-operated, leased and public cloud estates, associated natural resources and their immediate and long-term capacity.

Romonet's platform is the simplest commercially viable method to enable the CFO and CIO to accurately understand the most strategic asset in a company's portfolio. This value extends through to the engineering teams responsible for maintaining a data center's availability, quality of service and performance management.