

QTS RECEIVES THE 2023 COMPANY OF THE YEAR AWARD

Identified as best in class in the North American data center services industry

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Quality Technology Services excels in many of the criteria in the data center services space.

AWARD CRITERIA	
<i>Visionary Innovation & Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

Enterprises’ Digital Transformation and Content Consumption Fuel Future Growth Potential

In today’s connected world, data centers are the core of the digital economy. Therefore, enterprises and governments in North America rely heavily on best-in-class data centers and increasingly use third-party colocation service providers. With data center service providers focusing on scaling locations and power capacity to address the rise in hyperscale demand, they also invest in technologies and tools to create strategic differentiation. However, building and operating data centers is capital-intensive and highly challenging. For this reason, many data center providers seek external funding to meet the ever-growing demand. Frost & Sullivan identifies four key considerations that could enable service providers to build a value proposition that resonates with customers’ ever-evolving requirements:

- **Scalability**, i.e., the ability to invest in extensive scale facilities and new builds to attract hyperscale demand.
- **Best-in-class operations**, backed by technology, to ensure the efficient and seamless management of mission-critical digital infrastructure.
- **Connectivity** to address built-for-scale facilities with multiple network options.
- **A commitment to sustainable design**, including the use of renewable energy sources, innovative cooling technologies, and emerging technologies such as the Internet of Things (IoT) and artificial intelligence (AI) to create customer value.

Data center infrastructure management (DCIM) software is vital in centralizing the complex infrastructure, ensuring high availability, and optimizing energy efficiency and operational management. Robust DCIM tools create customer value through user-friendly dashboards and reports powered by real-time analytics and offering a centralized view. Moreover, cutting-edge security features and application program interface (API)-based integration with enterprise software is in high demand. Although a holistic approach to AI technology is imperative, the implementation must focus on specific areas. In an independent research study, Frost & Sullivan accentuates opportunities to:¹

- Optimize energy consumption and drive efficiency,
- Enhance security by reducing human intervention,
- Optimize servers by leveraging predictive analytics to distribute workloads efficiently,
- Reduce downtime through predictive analytics, and
- Optimize staffing through increased automation.

Notably, carrier-neutral data center providers are gaining a strategic advantage because a diverse network infrastructure provider ecosystem offers greater redundancy and flexibility in choice.

Frost & Sullivan estimates North America's data center services market will reach approximately \$28.08 billion in 2026, with a compound annual growth rate of about 6.6% from 2021 to 2026.² Hyperscale public cloud services constitute the predominant segment during the forecast period, with high demand from

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- Riana Barnard
Best Practice Research Analyst

reliability, high-level security, and scalability, its facilities range from built-to-suit locations for hyperscalers to multi-tenant sites for small to medium-sized businesses. With over 35 data centers spanning ~12 million square feet throughout North America and Europe, QTS consistently meets customers' need for best-in-class operational efficiencies.

In 2022, Frost & Sullivan recognized QTS for its unique connectivity strategy and sophisticated infrastructure and remains impressed with the company's continuing innovation and sustained

the content and digital media sector and financial services.

Quality Technology Services (QTS) uniquely leverages its vast technology know-how and engineering expertise to meet and exceed customer needs by delivering outstanding data center services. This mega-scale colocation provider is well-positioned to capitalize on new growth opportunities, cementing its leadership in the data center services market.

QTS: On a Growth Trajectory

Founded in 2005, QTS is a leading provider of data center solutions. Renowned for its unmatched

¹ Predictions for the Data Center Colocation Industry (Frost & Sullivan, December 2022).

² North American Data Center Colocation Services Growth Opportunities (Frost & Sullivan, July 2022).

leadership.

A relatively small number of large enterprises (i.e. public cloud, social media platforms, and artificial intelligence) continue to drive the growth of colocation space and power demand. QTS's acquisition by Blackstone in 2021 enhances its access to capital resources, allowing the company to significantly boost its capacity to meet the sharp rise in demand seen across the industry.

In alignment with Frost & Sullivan's recommendation to leverage the potential of areas beyond Northern Virginia, in 2023 QTS delivered new capacity in multiple markets including Phoenix (42MW) and Atlanta (50MW). Phoenix offers inexpensive power due to the diverse fuel mix and tax abatement opportunities; Atlanta has robust power and communication infrastructure with reasonable power costs, low natural disaster risk, and robust connectivity. Further, the company recently announced significant new market expansions including New Albany, OH, and York County, SC, each representing multi-billion dollar campus

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- Kriti Yadav
Industry Analyst, ICT

developments over time.

After recording its strongest ever year of leasing activity in 2022 (roughly equivalent to the prior 15 years' worth of leasing), YTD leasing activity has already positioned 2023 to set a new record for annual leasing volume. Moreover, the data center operator's backlog remains near all-time highs. With differentiated access to capital through Blackstone, QTS accelerated its investment from \$1.1 billion (2021) to \$3.2 billion (2022). For 2023, the company estimates its year-on-year (YoY) capital expenditure to increase >50%, reaching over \$5 billion, to create

long-term value. Its impressive double-digit YoY revenue growth is a testament to its product leadership, earning its clients' trust and loyalty and enabling it to capture market share.

Real-world Scenarios Driving Continual Technological and Security Advancements

With a deep-rooted history of purpose-fit innovation, QTS's proven, predictable, and repeatable performance differentiates itself from competitors' offerings through its customer-minded truck-to-rack simplicity and affordable total cost of ownership. Furthermore, its ongoing technological advancements address opportunities to optimize energy consumption, servers, and staffing, while reducing downtime.

The cornerstone of its solutions portfolio is a cutting-edge colocation orchestration platform, which gives customers 360-degree digital control. This service delivery platform (SDP™) offers unparalleled transparency, access, and digital control, enabling customers to optimize their real-time data center environments. Specifically, SDP™ leverages next-generation AI, ML, and predictive analytics to create intelligent and connected data center applications, including forecasting power consumption, automating the provisioning of services, and the ability to perform online ordering and asset management. Virtual reality technologies enable new virtual collaboration tools, and a 3D visualization application renders a real-time replication of a customer's IT environment. Through policy-based automation of the digitized data and facilities infrastructure, QTS data center customers benefit from unrivaled data transparency,

real-time analytics and trending, oversight and control of IT deployments, and the capability to provision new services in minutes.

Data transparency and real-time telemetry are at the core of QTS's smart remote management solutions. It includes **SmartCam™**, a machine learning-enabled intelligent camera system that recognizes faces and protects customers' physical assets and data from security risks. The new **SmartCart™** service allows customers to troubleshoot, configure, or test equipment through a secure network whenever they want. The new collaboration application (app), **Huddle™**, equips technicians and other subject matter experts to administer critical operations through high-resolution audio and video, chat, and co-browsing capabilities.

Furthermore, the company added a new visualization app to its solution suite. **QTS MAPs** offers dynamic insights into infrastructure-level metrics, from racks and panels through power distribution units, static transfer switches, uninterruptible power supply, and generators to utility feeds, including service records of all assets.

Through a new optimization app, **QTS Live Power**, large-scale customers gain visibility into sub-minute-level live raw power data. It allows them to organize and integrate the raw data into their predictive analytics tools, helping them to achieve key performance indicators and objectives. This feature complements two other existing capabilities, i.e., Power Analytics (visibility into the power draw from suite to racks, circuits, and poles) and Sensor Analytics (visibility into temperature and humidity readings).

From a connectivity standpoint, **SDP™** offers highly innovative apps that link customers with each other and to the outside world. The integrated platform unites a rich ecosystem of data centers, carrier hotels, and cloud service providers (such as AWS or Google Clouds) to drive efficiency and scalability. In particular, QTS's easy-to-use **Switchboard™** feature facilitates on-demand virtual connections to various destinations through one dedicated port, thereby removing multi-vendor management (and invoices) to save costs and advance scale. Moreover, this digital tool allows customers to securely cross-connect to networks with the lowest possible latency, providing ultimate flexibility to avoid network congestion.

Lastly, QTS's comprehensive compliance and security program unifies physical and cyber security to provide a more holistic view of the risk landscape. It covers critical areas (e.g., threat intelligence, business continuity, and disaster recovery), leveraging cutting-edge tools, processes, and best practices to protect employees and customers. In addition, a dedicated internal compliance team monitors user activity and performs regular legal and ethical checks.

With a legacy of data center services leadership, the company's compelling value proposition underpins its sustained success.

Commitment to Sustainability

A surge in the importance of environmental, social, and corporate governance (ESG) initiatives drives enterprises to focus on strategic choices and commitments that support sustainability. Customers demand eco-responsible services, which compels data center providers to align their design and operations with these core values. To this end, sustainability is becoming a tangible and valuable asset.

QTS recently introduced a personalized sustainability dashboard that reveals ESG metrics to support

customers' sustainability journey. This industry-first app is a game-changer. It presents dynamic data and actionable insights on power and water usage effectiveness, helping them to manage and accelerate their compliance with sustainable development goals.

QTS also introduced its Freedom Building Design, which leverages a modular approach, mature supply chain, and best-in-class build strategy to deliver transparent and predictable total cost of ownership at speed. Notably, this innovative and repeatable approach accelerates the rapid deployment of critical data center space and capacity. It also aligns with sustainability directives, for instance, the demand for efficient cooling. Typically, conventional data centers choose between an energy-efficient cooling system requiring significant on-site water usage or a refrigerant-based system without on-site water but requiring substantial power supplies. QTS developed a near zero-water cooling system to deliver unparalleled water-efficient data centers. Frost & Sullivan commends QTS for leading by example. The company procures 100% of its power for QTS operations from carbon-free energy sources and achieves a 5% reduction in water usage effectiveness across its portfolio. With its buildings designed to align with Green Building Standards, the company purposefully pursues ENERGY STAR certification for all eligible properties. In addition, it aims to recycle 90% of its operational waste by 2025.

Remarkably, QTS reported a net promoter score of 90 in 2021 and 2022, showcasing exceptional customer satisfaction and brand loyalty. Frost & Sullivan commends QTS for its ongoing innovation that focuses on green facility design, cooling technologies, renewable energy sources, and power usage optimization to position the company as a partner of choice.

Conclusion

North American governments, enterprises, and small to medium-sized businesses rely heavily on best-in-class data centers and increasingly use third-party colocation service providers. Overall, Quality Technology Services (QTS) addresses customers' unmet needs with a strong leadership focus that incorporates customer-centric strategies and exemplifies best practice implementation. The software-defined technology platform delivers safe, compliant infrastructure solutions, robust connectivity, and premium customer support. Its service delivery platform (SDP™) offers remarkable transparency, access, and digital control, enabling customers to optimize their real-time data center environments. Moreover, QTS's cutting-edge data center connectivity solutions, built for automation and integration to seamlessly connect expanding networks of software-defined data centers, public clouds, carriers, and Internet exchanges, deliver ultimate flexibility. With its constant technological enhancements, differentiated security approach, and commitment to sustainability, QTS is at the forefront of the fiercely competitive North American data center services space. The company remains a trusted partner, earning a reputation for offering the overall best in the market.

For its strong overall performance, Quality Technology Services earns Frost & Sullivan's 2023 Company of the Year Award in the North American data center services industry.

What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Visionary Innovation & Performance

Addressing Unmet Needs: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

Visionary Scenarios Through Mega Trends:

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first-to-market solutions and new growth opportunities

Leadership Focus: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

Best Practices Implementation: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

Financial Performance: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

The Growth Pipeline Engine™

Frost & Sullivan’s proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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Key Impacts:

- **Growth Pipeline:** Continuous Flow of Growth Opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**

