

INTERVIEW: Rangu Salgame unveils Warburg TMT platform

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- **Investments driven by three major evolving trends**

Armed with up to US\$300m initial backing from blue chip private equity company Warburg Pincus, ambitious new buyout platform Princeton Growth Ventures is aiming to create a multibillion dollar platform to invest in the global internet infrastructure value chain. From datacentres to digital media companies, Princeton's investments will be underpinned by the surge in demand for global cloud services.

Speaking to **Ben Nice**, editor, TMT Finance, Princeton founder **Rangu Salgame**, the former CEO of Tata Communications' Growth Ventures Group, outlined his vision for the platform, which would initially target acquisitions of between around US\$500m and US\$1bn, with a clear focus on cloud and datacentre assets.

"From a long-term perspective, our aim is to build a multibillion dollar platform and with Warburg's support we are entering the market and will look at companies of different scale and size that will get us to the bigger vision. The nucleus could be anywhere from the half a billion, to one-billion-dollar range, including equity and debt - that's the sweet spot," he said.

Salgame pointed to three major trends and areas of growth underpinning Princeton's investment criteria: cloud, mobile and video distribution; with the underlying infrastructure for all three at the heart of where the platform will be allocating its money. "These themes are fundamentally impacting how internet infrastructure is going to evolve and deliver value. All three [cloud, mobile, video] have in common the question of what's the most efficient way to store, move and deliver content," he said.

Princeton will be headed up by Salgame and co-founder Varoon Raghavan. On Warburg's side, responsible for the fund is Mumbai-based managing director Viraj Sawhney, and Chandler Joel Reedy, who is a managing director in New York, with the firm also leveraging its global presence.

While specific acquisition targets remain confidential, Salgame's ambitions are clear and his pedigree evidenced. The ex-Tata man spearheaded the Indian company's US\$634m sale of its datacentre business to Temasek unit STT last year. When quizzed on the type of transactions Princeton will be targeting, he references both Verizon's US\$3.6bn and CenturyLink's US\$2.15bn carve-outs of datacentre assets as examples of done deals. Meanwhile, TMT Finance has previously reported on speculation around the sale of datacentre assets by telecom operators including Telefonica, Altice, Telecom Italia, Vodafone India and Vocus Australia.

“These trends have picked up in the last year or so. We were one of the early pioneers to do that at Tata and now I am on this side of the fence, and we believe datacentre carve-outs are an important part of our thesis.... we can bring that value to the market and help other companies look at similar value creation goals,” said Salgame.

Alongside datacentre carve-out deals, Salgame said the firm would also consider new builds and acquisitions of independent datacentre operators as other ways of scaling up, alongside investment into digital media platforms to tap into other areas of the value chain.

He acknowledged Princeton’s geographic focus – India, China, Southeast Asia, the Middle East and Latin America – is broad, but by partnering with a truly global outfit such as Warburg Pincus, he is confident the platform can source and execute deals almost anywhere in these regions, and is also excited by the prospect of cloud consumption in these markets.

“When it comes to emerging markets the cloud trend is at a very early stage. If we continue to see the trends that are happening in western markets, emerging markets are going to see explosive growth of cloud, whether corporate enterprise or consumer based services,” he said.

When pushed on specific markets which he sees as attractive, Salgame noted China, India and Indonesia as regions where he sees datacentre growth, followed by the Middle East and Latin America. On the digital media side, he highlighted the US, India and China as the key hunting grounds for assets.

As highlighted in the company’s press release announcing Warburg’s financial backing of up to US \$300m, Princeton has a clear vision to create a platform of significant scale, with both the management team and Warburg both committed for the long term. Warburg will act as a relatively hands-on investor, said Salgame, by tapping into its deep expertise in the TMT sector. For example, the firm’s portfolio companies in the space include: United Internet, Bharti Televentures, Inexio, BEA Systems and Veritas Software, among others.

“There will be multiple acquisitions... if Warburg Pincus gives us up to US \$300m, then that gives us more capacity for debt.... If the business is doing well, more capital will come and there’s potential there in the future to bring in another partner to start raising for further scale. Warburg is a long-term investor and we are here to build a long-term platform so we want to make the right acquisitions,” he said.

“There is competition out there and capital is easy to find. What’s unique is to have capital and leadership together. Along with Warburg, we bring depth of operating experience and that is the differentiator in acquisitions and that’s what’s going to make us different from other players bidding for similar deals.”