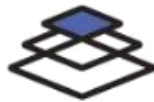


Monday, 6 September 2010
3:47 PM



Tier1Research

Eaton acquires cooling management company Wright Line, will likely heat up business

Datacenters and Colocation

by Jason Schafer

August 5, 2010

As far as datacenter equipment manufacturers go (i.e., UPSs, generators, CRAC units, etc.), each heavyweight has its own corner of the datacenter. Aside from Emerson (which has quite a fan-base/following of its UPSs as well as air conditioning equipment), the electrical guys are electrical and the mechanical guys are mechanical. APC, for instance, has struggled somewhat for acceptance of its APC line of air conditioning equipment, regardless of build quality and integration with other datacenter systems. Tier1 Research believes that the datacenter is evolving (and will continue to evolve) to the point that integration of mechanical, electrical, control and IT systems will be an absolute necessity to support the evolution of the overall intelligence of the datacenter through automation and controls.

Eaton disclosed recently that it has agreed to purchase **Wright Line** – a vendor of customized enclosures, racks and airflow management systems for datacenter-specific applications. While the terms of the transaction were not disclosed, Wright Line's 2009 revenues were just north of \$100m. Eaton's 2009 revenues were \$11.9bn.

T1R take

Tier1 Research thinks that in order to remain competitive, traditional equipment manufacturers will be under constant pressure to push the envelope on datacenter efficiency and speed of deployment through continued integration of all systems and components across the datacenter (to include power, cooling, IT, security, controls, etc.). We think that Eaton's move to acquire Wright Line is in line with this strategy for the longer term.

Acquisition of a company that fills in existing gaps for power/cooling infrastructure, while prudent, doesn't necessarily spell an automatic win. Brand and product integration within the overall company is especially important (just ask Schneider, which had a monumental task of bringing together many powerful brands/products to become more integrated). In addition to real integration and synergy from bringing multiple technologies/products together, T1R thinks the controls and intelligence along with an overall modular, pre-fabricated solution are other essential elements to success.

Put another way, the equipment manufacturers must keep pace with (if not exceed) the speed that other physical datacenter companies are rolling out with respect to fully modular datacenters (e.g., **Colt**, **GreenEdge Data**, **BladeRoom Group** and others). That being said, we do feel Eaton has been lacking the cooling side of the equation for a while. Provided Eaton is able to bring things together appropriately (which we have all faith that it will be able to), this should be a significant net positive for Eaton – and in the end, the innovation and increased competition is a boon for the industry as a whole.

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