INTERXION

Moderator: Jim Huseby
November 4, 2015
1:30 p.m. GMT

Operator: This is conference # 53506531.

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by, and welcome to the Interxion third-quarter 2015 earnings Webcast.

During the presentation we'll have a question-and-answer session. When you wish to ask a question you'll need to press star, one on your telephone keypad and wait for your name to be announced.

I must advise you the Webcast is been recorded today, Wednesday, November 4, 2015. I'd now like to turn the Webcast to your presenter today, Jim Huseby, Vice President Investor Relations. Please go ahead.

Jim Huseby: Thank you, (Jenny). Hello everybody, and welcome to Interxion's third-quarter 2015 earnings conference call. I am again joined today by David Ruberg, Interxion's Vice Chairman and CEO; Josh Joshi, the Company's CFO; and Giuliano Di Vitantonio, our Chief Marketing and Strategy Officer. To accompany our prepared remarks we have prepared a slide deck which is available on the Investor Relations page of our Web site at investors.interxion.com. We encourage you to download these slides to use during this call if you've not already done so.

Before we get started I'd like to remind everyone that some of the statements that we will be making today are forward-looking in nature and involves risks and uncertainties. Actual results may vary severely from these statements, and may be affected by the risks we identified in today's press release and those identified in our filings with the SEC. We assume no obligation, and do not intend to update or comment on forward-looking statements made on this call.

In addition, we will provide non-IFRS measures on today's conference call. We provide a reconciliation of those measures to the most directly comparable IFRS measure in today's press, which is posted on our investor relations page at investors.interxion.com.

We'd also to remind you that we post important information about Interxion on our Web site at www,interxion.com, and on social media sites such as Facebook at facebook.com/interxion and Twitter at @interxion. We encourage you to check these sites for the most current available information. Following our prepared remarks we will be taking some questions. And now I'm pleased to hand the call over to Interxion's CEO, David Ruberg. David?

David Ruberg: Thank you, Jim. Welcome to our third-quarter 2015 earnings call. Please turn to slide 4. During the third quarter 2015 Interxion direction posted strong financial and operational results. We continued to produce steady, consistent growth through our focus on operational excellence and financial discipline. Demand for access to interconnection options, cloud platforms and business partners remains healthy. We continue to attract and install key magnetic customers into our data centers, further enhancing our already robust communities of interest.

In the third quarter we again experienced double-digit revenue and adjusted EBITDA growth. Revenues increased 13 percent year over year and 3 percent sequentially, and adjusted EBITDA increased 17 percent year over year and 4 percent sequentially. At the same time, our adjusted EBITDA margin expanded 44.6 percent, which is an increase of 150 basis points versus the third quarter of last year.

Our revenue growth was driven by the continued expansion of footprint, power usage and inter-connections. During the quarter we completed two previously announced projects, one in Madrid and one in Marseille. Demand across our markets remains healthy, and yesterday we announced that we will be building three new data centers, One each in Amsterdam, Copenhagen and

Dublin, as well as build Phases 3 and 4 of our Frankfurt-10 data center. I will provide more background on the drivers of these expansions later in the presentation.

Please turn to slide 5. As usual, Josh will provide more details on our financial results in a few minutes. But the key takeaways from this slide are that we have continue to see double-digit revenue growth year over year, and we have also seen a significant improvement to our adjusted EBITDA margin which grew, as I stated before, 150 basis points to 44.6 percent.

Please turn to slide 6. Operating metrics in the third quarter were very solid once again. We added a total of 1900 square meters of equip space, which is an increase of 13 percent year over year. Our footprint now surpasses 100,000 square meters, or over 1 million square feet of prime data center space. This is located across the widest geographic footprint in Western Europe.

Revenue-generating space increased approximately 10,000 square meters to 70,000 square meters, which is a 14 percent increase from this time last year. Consistent with our disciplined approach to expanded capacity to meet continue customer demand, our utilization rate remains steady at 78 percent.

Other key operational metrics of the business remain positive and consistent with prior quarters. That is, booking were as expected in the quarter. The sales pipeline remains strong, pricing remains steady, and revenue churn again remained low and consistent with our historical annual rate range of between 0.5 percent and 0.75 percent per month on average.

Please turn to slide 7. As stated before, during the quarter we completed an expansion in Marseille and our Phase 2 expansion of Madrid-2. We have spoken previously about Marseille, and we are extremely pleased with the progress we've made there since we acquired the data center last year.

With respect to Madrid, we are seeing growth from both international and national customers. Spain is the fifth largest economy in Western Europe, and Interxion is benefiting by being the only pan-European retail data center operator in the market. We are experiencing particularly strong growth from digital media, the CDN services providers and systems integrators, and these three segments now represent nearly one-third of total revenue in Madrid. This new expansion in our Madrid-2 facility adds some much-needed capacity to satisfy the continued demand we are seeing in this market.

Overall, we continue to see strong customer demand across our footprint for our highly connected and multi-cloud data center capacity. To address this demand, we announced four new expansion projects yesterday, including three new data centers in Amsterdam, Copenhagen and Dublin, as well as the expansion of Frankfurt-10, each of which will open in late 2016. In Amsterdam, we have a strong pipeline of demand from both the existing and new customers. Our collaborative relationship with many of our customers helps us to closely match the timing of their capacity needs with our deployment schedule.

Construction will begin shortly, it actually starts today, with the first two phases targeted to come online in the fourth quarter of 2016. As is our practice, we will continue with subsequent phases matched to the pace of market demand. When fully constructed, Amsterdam-8 will be Interxion's facility to date at approximately 8000 square meters.

In Frankfurt, we continue to see very strong demand fueled by the superior connectivity of our campus, which provides access to over 200 network providers. Over the past three years we have developed our Frankfurt campus into one of the most highly connected multi-cloud facilities in Europe. Over this same time period we have increased capacity in Frankfurt by almost 50 percent over a 6700 square meters. Phases 1 and 2 of Frankfurt-10 are scheduled to open in the first half of 2016, with most of that capacity already sold. Given the committed orders and healthy pipeline of opportunities, yesterday we announced we will also be building out Phases 3 and 4, which will complete the build-out of Frankfurt-10.

While there's always significant focus on our larger builds in the big four markets, we also continue to see growth in many of our rest-of-European markets. Yesterday we also announced new builds in Dublin and Copenhagen in addition to our previously announced build in Vienna and a completed built in Madrid. We've seen both healthy national demand in these markets, as well as interest from the global service providers as they begin (deployments) in these next-phase markets. We'll have more to say about demand across Europe later in our remarks.

Please turn to slide 8. In Q3 2015 we continued to attract some very significant customers to grow our communities of interest. Our healthy growth this quarter was fueled by continued expansion of the managed services provider segment, with cloud providers outpacing the other segments in both revenue and bookings. As existing providers continued to expand into new countries, and a new wave of providers land in Europe, we are making the necessary investments to leverage their presence.

For example, this quarter we launched AWS Direct Connect in Frankfurt and our Cloud Connect access to Microsoft Express Route went live in Amsterdam. We also announced an alliance with Net App to create a hybrid cloud test lab in our data center in Amsterdam. The magnetic effect of these cloud platforms is signaled by the growing investments of our go-to-market partners who are actively rolling out tools and add-on applications to facilitate hybrid cloud adoption.

Network providers continue to expand their presence in our connectivity-rich facilities, with Marseille becoming a very attractive hub. In just over a year we have attracted 20 new additional network providers to our facility, with NTT being the latest addition to the list. Also in Q3 the De-Cix platform went live in the city, highlighting the role of internet exchanges and making Marseille a gateway to Africa and the Middle East.

The digital media and CDN networks also had a strong quarter. On the digital media side we saw customers expanding into multiple countries, especially at our hubs in Stockholm, Vienna, and Marseille, as well as in our media-rich cities like Dusseldorf and Madrid. We now have several digital media customers that expanding throughout our footprint, including logos like Riot Games. Similarly, on the CDN side several logos are also expanding into new geographies.

Our financial services segment also experienced double-digit growth led by insurance providers and national and regional banks. We also announced the launch of a test platform in our London data center for firms looking to trade at the London Metals Exchange, and this was done in conjunction with Marex Spectron, a commodities broker and a market intelligence provider. Last but not least, enterprises continued to adopt public cloud and to assess the value of moving portions of their IT infrastructure into co-location data centers. Among the earlier adopters are online retailers that are driving strong demand for our data center services.

Our steady and consistent focus on building our communities of interest have allowed us to be very successful in identifying the magnetic customers are the most likely to thrive in our environments. You can expect to see us continue on this path going forward, bringing additional benefits to both our customers and our shareholders.

In short, our business is performing well. We have seen no material change in the competitive dynamics in our marketplace. Customer demand remains strong acrosst our footprint. We are continuing to add capacity to meet that demand. And we remain well situated to capitalize on the growth opportunities from the cloud deployments rolling out across Europe.

Now before I turn the call over to Josh, I'd like to make a few remarks about the announced merger in our sector. There has been significant speculation around the regulatory approval process and the possibility that certain assets there may need to be divested. Additional clarity is expected by the end of next week, and at this point it would appropriate for us to speculate on the outcome. Suffice it to say we are always interested in good assets and we will certainly keep our eyes open to evaluating interesting acquisition opportunities. And I think this is all that we are going to talk about on this subject today. With that, I would now like to turn the call over to Josh.

Josh Joshi: Great. Thank you David, and indeed welcome to everybody on the phone and online. I'd like to start by discussing the group's third-quarter results, and as usual then provide some additional color on our two geographic reporting segments. I'll follow that with some commentary on capital expenditures, cash flow, balance sheet, and of course returns.

So starting with the income statement, please could you turn to slide 10. Interxion delivered another quarter of profitable growth based on solid execution and disciplined expansion. Total revenue in the third quarter was EUR98 million, up 13 percent compared to the third quarter 2014 and up 3 percent sequentially. On a constant currency basis, total revenue was up 11 percent year over year and 3 percent sequentially.

Recurring revenue in the third quarter increased EUR92.8 million, a 15 percent year-over-year increase and a 3 percent sequential increase. Nonrecurring revenue was at EUR5.2 million, reflecting another solid quarter of installations. Recurring ARPU increased by EUR1, which was a little better than expected. Customer energy and cross-connect helped recurring ARPU in the quarter, together with some modest currency tailwinds. Looking ahead to the fourth quarter, I'd expect recurring ARPUs to remain at or around this level.

Turning to costs. Cost of sales was EUR38.5 million in the third quarter, 8 percent year over year and 2 percent sequentially. Gross profit was EUR59.5 million, an increase of 17 percent year over year and 3 percent sequentially. Gross profit margins were 60.7 percent, improving 180 basis points year over year and 20 basis points sequentially. We've seen a strong performance on gross margins over the course of the year, driven by the inherent operating leverage of the business and also in part by improved energy efficiency and energy pricing gains.

Sales and marketing costs were at EUR6.19 million in the third quarter, up 17 percent year over year and a decrease of 4 percent sequentially, due mostly to timing differences on marketing spend. Part of the increase in year-over-year costs reflect the continued investments that we've made in our strategic marketing organization. Nevertheless, sales and marketing spend this quarter continues to be at the low end of our expected range this year of between 7 percent and 8 percent of revenue.

Other general and administrative costs excluding M&A were EUR8.8 million, up 15 percent year over year and 3 percent sequentially. Overall, other G&A costs were at 9 percent of revenues and at the lower end of our range this year of between 9 percent to 10 percent of revenue. Now, adjusted EBITDA was at EUR43.7 million, an increase of 17 percent year over year and 4 percent higher sequentially. Adjusted EBITDA margin increased to 44.6 percent in the third quarter, a 150 basis point improvement over the same period last year. It's worth pointing out that this represents the fifth consecutive quarter of adjusted EBITDA margin improvement. With a strong increase in adjusted EBITDA this quarter, Interxion has continued its long track record of profitable financial execution, and reported its 36th consecutive quarter, that's nine years, of both quarterly sequential revenue and quarterly sequential adjusted EBITDA growth.

Depreciation and amortization and impairment expense was EUR20.3 million, a 3 percent sequential increase and a 26 percent increase year-over-year, consistent with the increases in data center investments on the balance sheet. The third-quarter finance expense was EUR6.4 million, 8 percent lower than last year's third quarter and 19 percent lower sequentially. This quarter's finance income includes a EUR2.3 million gain before tax on the divestment of our minority holding in a content acquisition business. The third-quarter income tax charge was EUR4.7 million, which represents an effective tax rate of 31 percent. The LTM cash tax rate was approximately 18 percent. Our expectation for the full-year cash tax rate remains unchanged at a little above 20 percent.

Adjusted net profit in the quarter was EUR8.7 million compared to EUR8.3 million in the second quarter and EUR8 million in the same quarter last year. Adjusted earnings per share was EUR0.12 on a diluted share count of 70.6 million shares, unchanged from the second-quarter and EUR0.11 in the third quarter last year.

No let's take a closer look by reporting segment. Please turn to slide 11. The momentum in our largest geographic reporting segment continued, as revenue in the Big Four was EUR63.2 million, up 15 percent year over year and 5 percent sequentially. Recurring revenue growth was even stronger, delivering

17 percent year over year growth and 4 percent sequentially. Adjusted EBITDA in the Big Four was EUR34.9 million with margins at 55.2 percent, similar to the previous quarter. Our businesses in the Big Four markets in aggregate account for approximately 65 percent of the Company's quarterly total revenue. We saw a strong performance from France, driven in part by a successful investment in Marseille. And a strong performances in Germany and the Netherlands as well, reflecting our success in targeting magnetic multi-cloud platforms.

While talking about this region, I'd like to make a couple of remarks about a situation in Paris that has received some local media attention. Recently a Parisian court has rules that the local regulators in Paris have not properly evaluated the noise impact study we had commissioned when issuing the original operating permit for our Paris-7 data center. The result is that we are currently operating under a temporary permit granted by the local government. And we will be conducting a new noise impact study as part of our appeal and reapplication process. We wanted to assure everyone that Paris-7 continues to operate normally, and of course legally, and that we believe that this is a nonmaterial issue. Interxion has always operated this, and all of our other 39 facilities around Europe, in absolute compliance with the highest environmental and safety standards. And we fully anticipate receiving a new permanent operating permit in late 2016.

Now moving to the Rest Of Europe segment. Revenue was EUR34.8 million, up 10 percent year over year and down 1 percent sequentially. The sequential fall was driven partly by Swiss franc currency headwinds and partly by nonrecurring revenue, which can be lumpy each quarter. And indeed, nonrecurring revenue this quarter was down 32 percent sequentially in this Rest Of Europe segment. Recurring revenue growth was up 11 percent year over year and up one up 1 percent sequentially. Adjusted EBITDA at EUR19.8 million was up 2 percent sequentially and had a strong 18 percent year-over-year growth with a strong margin of 56.9 percent, up year over year and sequentially.

Austria and Sweden again had particularly strong performances in the quarter. All of the seven countries in our Rest Of Europe segment reported year-over-year margin performance in the quarter. Now, despite the fact that macro conditions have remained generally difficult in Europe, particularly in the smaller economies, our business model and our community of interest approach still continues to deliver attractive profitable growth right across our footprint.

Moving to slide 12, I'd like to spend a few minutes reviewing capital expenditures. Our focus has always been to allocate capital to achieve attractive returns led by customer demand. Nothing has changed. Capital expenditures, including intangibles as seen on the left-hand chart, totaled EUR35.3 million during the third quarter, with EUR30.4 million discretionary investment on expansion and upgrades to meet customer requirements and the remaining EUR4.9 million in mostly nondiscretionary investments for maintenance and intangibles.

75 percent of this quarter's capital expenditure was invested in the Big Four markets, with most of the spending in Frankfurt, Dusseldorf and Marseille where we have been adding capacity. The capital investment associated with our recently announced expansions in Amsterdam, Copenhagen, Dublin, and Frankfurt that we now expect to expand in 2015 has already been factored into our guidance for this year.

Interxion -- please turn to slide 13, excuse me. Interxion ended the quarter with EUR50 million in cash and cash equivalents, EUR7 million than at the end of the second quarter. Cash generation in the quarter totaled EUR43 million. Uses of cash in the quarter included EUR35.3 million in capital expenditure and EUR18.2 million in cash interest and taxes.

Balance sheet ratios remain strong, with gross leverage at 3.3 times LTM adjusted EBITDA and net leverage at 3.0 times. Cash ROGIC, which is our return on gross invested capital, remains unchanged at 12 percent. Our blended interest rate at the end of the third quarter remained stable at approximately 6.1 percent. With the cash on hand, access to the EUR100 million revolving credit facility and the strong cash generation of our data center assets we have the financial flexibility and funding to execute our expansion program.

Please turn to slide 14. This now familiar slides includes all of our fully built-out data centers January 1, 2014. At the end of the third quarter, these 28 data centers were at 83 percent utilization with gross margins of 67 percent and delivering annual cash returns of 26 percent, which we believe is an industry-leading return. We think our disciplined approach to targeting magnetic customers, along with our rigorous operating and financial execution, will continue to drive attractive long-term cash returns on invested capital. And with that, I would like to turn the call back over to David. David?

David Ruberg: Thank you, Josh. Please turn to slide 16. Yesterday we announced a new expansion in four cities, reflecting sustained demand for data center services across Europe. These fields continue our practice of deploying capital (in a disciplined way) where we see demand, primarily in response to constant interaction with our customers. We enjoy a collaborative relationship with many of our customers, and knowing their projected capacity requirements helps us to size and pays our bills to closely match the timings of their capacity needs. This collaborative approach is largely the responsible for our ability to (main) a tight utilization range and maximize a return on invested capital, and achieve the types of industry-leading returns that Josh just shared with you.

Given these newly announce builds, we thought it would be a good time to share our perspective on how the cloud roll-out it's shaping up in Europe. Our current footprint already provides broad coverage throughout Western Europe, with a concentration around the main sources of GDP as well as access to other key markets through our gateway hubs including Marseille, Stockholm and Vienna where we are either working on expansions or have recently completing them.

The additional investments we announced yesterday are in line with where our customers are rolling out their capacity, which reflects the patterns of cloud deployment across Europe. We're beginning to see this cloud roll-out gain momentum across Europe, as evidenced by both a steady uptick in power consumption levels, cross-connection growth, as well as requests for incremental capacity. This increased demand continues in the major markets of Frankfurt and Amsterdam, but our strategic customers are now beginning to expand their focus to other European markets such as Dublin, Vienna and Scandinavia.

Amsterdam and Dublin are natural markets of interest as they are the two main landing spots for US cloud providers coming to Europe. Amsterdam is the preferred hub to serve Europe from a central location. And we continue to see a number of vendors choosing it to bootstrap their presence into Europe, especially for applications where latency matters. Dublin is emerging as an alternative to Amsterdam, thanks to the direct links to US and favorable fiscal environment for applications such as enterprise SaaS where latency up to 100 milliseconds is acceptable. Our new data centers in Amsterdam and Dublin will position us to capture the healthy demand that is coming to these two cities when they open during the fourth quarter of 2016.

While many cloud providers, especially those with less stringent latency requirements, chose to deploy their platforms in a single city in Europe, others land in one location and then expand in other countries to follow the eyeballs and the GDP. IAAS and PAAS providers are among the first to distribute their cloud nodes across mobile countries as the performance of enterprise applications improves when the platform's close to the developers who utilize it. Consumer-facing applications, such as the services from social media providers and online entertainment providers, follow a similar deployment pattern as they follow eyeballs that fuel their growth plans.

One additional reason to deploy closer to the end users is data compliance and other regulatory requirements, which is becoming increasingly important in Europe and do vary from country to country. The strength of demand in Frankfurt is a reflection of these trends. The relative strength of the German economy, combined with the compliance laws in the country, are driving demand for data center capacity in Frankfurt, as well as Dusseldorf, from both international cloud providers and German companies. Our further expansion in Frankfurt positions us well to capture this demand.

Scandinavia is one of the areas where cloud adoption is happening faster. This is a region where we see some very healthy dynamics with the local systems integrators that are facilitating cloud adoption by enterprises. Our new data center (at) Copenhagen compliments our strong presence in Stockholm to serve this market. I also remind you that we recently opened our Madrid-2.2 data center, and as we see an improvement in the Spanish GDP, we're consequently seeing improving demand in that country.

To summarize, the role of the cloud infrastructure across Europe is accelerating, gaining momentum, and is followed a fairly consistent pattern. An important aspect of all these deployments is that they tend to have high power density, which improves the revenue per unit of space. The investments that we announced yesterday are aimed at capturing the demand from cloud providers and the ensuing demand from systems integrators and enterprises. This year alone we have opened or announced expansions in 8 of our 11 countries to meet the needs of our customers.

Please turn to slide 17. Today we are reaffirming our previously announced full-year financial guidance for revenue, adjusted EBITDA, and capital expenditures. To be specific, for the full-year 2015 we are expecting revenue to be in the range of EUR375 million to EUR388 million. We expect adjusted EBITDA to be in the range of EUR162 million to EUR172 million. And we expect to invest between EUR180 million and EUR200 million in capital expenditure this year.

Before we turn the call over to Q&A, once again I would like to thank all of our employees in all of our countries for remaining focused on our customers, for executing against our business plans and for continuing to deliver strong results. I would also like to thank our shareholders and bondholders for their continued support of Interxion. And with that, now let me hand the call back to the operator to begin the question-and-answer segment. And operator, can you please read out the instructions to register questions from the call?

Operator: Of course. Thank you very much, sir.

As a reminder, if you wish to ask a question please press star, one on your telephone keypad and then wait for your name to be announced. As a courtesy to all our callers today please limit yourselves to one question and one follow-up question only. Thank you.

Your first question from William Blair comes from the line of James Breen. Your line is now open, sir.

James Breen: Thanks for taking the question. Dave, just sort of general industry question for you. Some of the changes in the Safe Harbor data rules that we've seen recently, there's been a lot speculation about that helping to accelerate growth in Europe as some of the US companies have to store data there. I was wondering if you had some comments on that? And then Josh, on the margin side, good strong margin quarter. Just wondering what is driving that? Thanks.

David Ruberg: On the data issue, I think we will see growth. Keep in mind the announcement was only made a couple of months ago, and so it's a little premature to actually seen it. But I will tell you that not only was there an anticipated impact of this, but also some of the cloud providers realize that in order to meet the performance requirements of some of the workloads and applications they were going to have to do something differently than trying to service them from a too-remote a location. So again, we expect to see the latency issue, the performance issue, the security issue, all of them come into play as we move forward. Josh?

Josh Joshi: Great. Thanks David, and thanks Jim for the question. I was very pleased, we were all very pleased with the margin performance of the business. And it continues to grow from strength to strength. There is one primary factor. As adjusted EBITDA has grown, the prime driver this quarter and so far this year has been the growth in gross profit margins, and the underlying operational leverage of the business, I think, has been a core factor there. I think I mentioned in my prepared remarks there were another couple of factors centered around energy efficiency. We have a program over the last 18 months to improve the efficiency, the that we deploy energy to our customers in certain of our data centers. But also we were able to capture early on this year, and I think I mentioned it a couple of earnings calls ago, some of the pricing benefit in Europe in terms of some of the energy pricing that we saw.

So a number of things helping us all along the way this year. But we are very happy with progress.

James Breen: Perfect. Thank you.

Operator: Thank you very much indeed, sir. Now your next question from Raymond James comes from the line Frank Louthan. Your line is now open, sir.

Frank Louthan: Great. Thank you. Can you give us an idea of, with your relationships -- you mentioned Microsoft and AWS coming to your data centers. What's the total number of data centers you expect them to be in, and give us an idea of how you think that might continue to expand the revenue? And then I apologize if you discussed this, but can comment on the recent changes in the e-privacy rules about data and how you think that might impact you, both positively and negatively? Thanks.

David Ruberg: Well, the question is really one of timeframe. I would hope over the next five or six years that we would have the major cloud providers in all of our data centers, either directly or indirectly. So that's a goal of ours and it's a goal of theirs. And in terms of how it will impact our revenue, we will see, positively.

In terms of the data privacy, again I'll repeat basically what I said before. The data, for two reasons, whether it be for data sovereignty rules or for latency, the data will be stored closer and closer to the application and closer and closer to the application -- closer and closer to the users of that data. So all in all, I think these are very positive trends for us.

Frank Louthan: Do you expect to see any new customers or any change in customer behavior over the next 12 months because the rule change?

David Ruberg: I expect to see new customers and I expect to see behavioral changes. The issue is, how do you quantify this? And again, there is a number of people that are looking at this from a technology standpoint, trying to figure out how to ensure that this data doesn't move. But they also want the efficiencies that come from sharing resources. So a lot of this is it to be sorted out.

Frank Louthan: OK. Thank you.

Operator: Thank you very much indeed. Now from Cowen and Company the next question comes from the line of Colby Synesael. Your line is open, sir.

Colby Synesael: Great. Two questions, if I may. First off, I know last quarter you said you were pleasantly surprised that the Telecity process had not disrupted your sales momentum. This quarter you said that bookings were as expected. But I was hoping you could give us a little bit more color on that. I guess if there was any concern, it's that the roll-out from that process wouldn't necessarily been reflected in third-quarter results, but could ultimately be reflected in fourth-quarter results, or maybe in first-half 2016 results. So just trying to get some affirmation about what's going on there.

And then the second question. Josh, in response to Breen's question regarding what drove the gross margin, you obviously mentioned that energy, and I guess the opportunity to arbitrage where energy pricing is for you versus what you charge your customers, has helped drive that. What's the likelihood of that been sustainable? And as a result of that situation, are you seeing more questions asking for metered pricing opposed to amp breaker type pricing? Thank you.

David Ruberg: Colby, I'm not sure I used the word pleasantly surprised in the last quarter. We have not seen -- the summer months are not normally as robust from a bookings standpoint as the rest. That is all that was meant. We have not seen an adverse impact because of the pending deal, or the announced deal between those two entities. Matter of fact what we've seen is a substantial uptick in people coming to us with an interest to explore opportunities with us, and these are already customers in one or two of our competitors. So I do not expect there was an impact today and I do not expect there'd be an impact going forward. I just don't.

And I know the question was addressed to Josh, but on to the energy. The real emphasis in the margin improvement is not the arbitrage, basically on buying smart. The real benefit has come from us constantly working day in and day out to improve the PUEs and consume less energy for the infrastructure. And that benefits the customers as well as it benefits us. And by the way, we are now -- substantially over 70 percent of our customers are going on metered power, which is different than it was five years ago. So the trend happened a long time ago. All right?

Colby Synesael: Great. That is very helpful. Thank you, David.

Operator: Thank you very much indeed, sir. Your next question from RBC Capital Markets comes from the line of Jonathan Atkin. Your line is now open.

Jonathan Atkin: Thank you. So yes, you mentioned PUE, which I wanted to drill in a bit. And clearly it is not one-size-fits-all. Perhaps in some metros versus other metros and other various phases within an existing campus you might have different requirements. I wondered over the last several years whether you are starting to customize around particular power densities that may be more suitable in some locations versus others?

And then kind of on the sales and marketing front, I wondered if you could give us an update on the portion of business that came from existing customers versus new logos? And what, if any, update there is with respect to channel partners? Thank you.

David Ruberg: OK. On the first question, which is do we customize? We design all of our data centers to approximately 1.5 to 2 kilowatts per square meter. And one of the fascinating aspects of building a retail data center is that you have a heterogeneous base and you have to incorporate into the data center the ability to have 500 watts in one square meter and 2.5 to 4 kilowatts in other square meter. So we have not changed the design parameter. And we find that it fits very well, given the mix of customers and application workloads that we've had. In terms of the PUE, this is just something that we've been focused on for the last four or five years in terms of constantly trying to provide better utilization economically and ergonomically sound and pass those benefits along to our customers. All right?

Jonathan Atkin: Thank you. And then the question around new logos and existing businesses?

David Ruberg: 80 percent.

Jonathan Atkin: And channel partner update?

David Ruberg: I think everybody knows that we had two major channel partners in the United States, one of which got acquired. That channel partner for the last year, so has really been more of a partner providing us with market color than any leads. So having them go to one of our competitors from a revenue generating standpoint, or lead generating standpoint, really has had no impact. And the other one remains a very solid partner of ours, both in terms of us sharing information with them about potential deals for them and them sharing with us, and also them giving us market color.

Jonathan Atkin: But if you broadened the definition to include systems integrators, or perhaps some of the IS cloud platforms that you host, is that -- have you seen a lot of pull-through from that, or not so much?

Giuliano Di Vitantonio: Jonathan, this is Giuliano Di Vitantonio. Yes, we are seeing some very healthy dynamics with the system integrators and the managed service providers. They clearly see cloud as a big opportunity for them and also for their customers. And so they are -- we have a very good pipeline in terms of them deciding to colocate with us. And that will also create a magnetic effect with all of the enterprise customers that will go through them. So we call that a channel, but it's not really a pure channel because initially we contract with the system integrators (statically). But yes, it's an alternative way for us to reach the end customers, and a very effective one.

Jonathan Atkin: Thank you.

Operator: Thank you very much indeed, sir. Now from Evercore your next question comes from the line of Jonathan Schildkraut. Your line is open, sir.

Jonathan Schildkraut: Great. I guess two questions. First, I'd love to get a little bit more color on the guidance. And I know that David, you've established a pretty good history here of setting a benchmark at the beginning of the year and then delivering to that benchmark. But even as I look at what you have achieved over the first three quarters and the implications on the final quarter of the year, just based on the range there is some pretty interesting, I think, read-throughs.

First of all, the midpoint of the range, I think, on either side here implies slowdown in both EBITDA and revenue and a margin contraction. And I'm just not sure if there's anything seasonally, or from a nonrecurring revenue base, things like that that I should think that revenue could possibly step down? Or alternatively EBITDA could step down, or something could happen with margins as I look into the final quarter of the year.

And then my other question is really around the return on invested capital slide that you guys put out. I thought it was very instructive. I was wondering if we can get some insight into sort of what the same-store growth would have been in that asset base, just understand how revenue or gross margins -- cash gross margins are growing in there? Thanks.

Jonathan Atkin: Jonathan, although you adjusted to me, I think that is a better question, both of them, for Josh to answer.

Josh Joshi: Yes, great. Thanks, Jonathan. If we -- looking at the revenue guidance, you are right. Our approach is to think carefully and set guidance at the beginning of the year. And we have really not tried to adjust guidance to help people understand where we come to in the range. And indeed, we didn't adjust guidance this time. I think some of the parameters which impact the way that revenue might develop over time, nonrecurring revenues can be very lumpy. They were this quarter, particularly in our Rest Of Europe segment. And also we can see movements in other perspectives in terms of the way that the energy develops. But other than nonrecurring revenues, I don't see the business moves around dramatically. The only other impact that tends to be out of our control is foreign exchange. So I think that we are -- we've been pleased with the progress in the business to date. And we have maintained our guidance across all parameters.

Now, as we look at the returns slide, and thank you for raising the point because I think about it's worth noting that we are looking at what I believe are industry-leading returns. We are looking at cash gross margins at 67 percent. Remember, substantively more leased data centers generally in Europe than in the US. And I think as we see that develop over time we've been able to maintain some very attractive returns. I'd also remind you, Jonathan, because we've not done any acquisitions, we've not included goodwill in the investment line because we don't have any. But obviously if you do acquisitions to compare it with this number on a like-for-like basis, I would encourage people to include goodwill on acquisition in arriving at the comparative returns.

Remember also that these data centers are pretty full. We are trying to analyze a comparison of these full data centers. We are seeing good growth in these data centers, but they're full data centers and the growth is not on a same-store basis. It's coming from underlying energy growth and underlying pricing growth and obviously cross-connect growth, which we still see coming from our existing data centers. What we are not seeing is underlying space growth. And so the growth, without pointing to a specific number, but the growth is in the single digits year over year in these kinds of environments. I hope that was helpful.

David Ruberg: Yes. Sorry about that.

Jonathan Schildkraut: Yes. That was helpful. I guess just coming back to each of these questions, is there anything that we should be looking for as it applies to the fourth quarter EBITDA margin that would reach beyond the normal historical seasonality? And then in terms of, again, the cash-on-cash return slide, the maintenance CapEx here is about 2 percent, just a little bit north of that. Is that the right way to think about your assets as they mature over time? Thanks.

Josh Joshi: Jonathan, that's a great question. I think that -- let's deal with the maintenance CapEx first. It's 2 percent on these data centers as they develop over time. What we see is that on a long-term basis, and we spend a lot of time looking at this. On a long-term basis, we think that maintenance CapEx on data centers is probably going to be something like 3 percent or 4 percent of revenues on a long-term basis.

And they may be up and down in any one quarter or any one year. So the 2 percent at this point in time is what we have expended. Where we have done upgrades in certain data centers on occasion, we would also at that point in time make sure we do quite a bit of maintenance. So that actually reduces, if you like, refurbishes the data center, refurbishes part of the data center.

And then the other question around margins, there's nothing untoward or anything that I wanted to point to. One of the things that we've discussed in the past is the seasonality of margins in the third quarter, given that they are summer months. It gets colder in the winter period, obviously. So that tends to reduce the cost of cooling data centers. Beyond that underlying seasonality in our business, there is nothing really else to point out.

Jonathan Schildkraut: Thanks so much for taking the questions and for the answers.

David Ruberg: Thanks, Jonathan.

Operator: Thank you very much indeed, sir. Now your next question from Jefferies comes from the line of Milan Radia. Your line is now open.

Milan Radia: Thanks very much. The first question was just around the De-Cix move into (alco) capacity taking in Marseille. How usual is it for, within Europe, for Internet exchanges within countries to sort of trample into adjacent countries or other parts of Europe? It struck me as slightly unusual. Presumably they want to explore some capacity in Marseille, but how does that work logistically in terms of their interaction with the French Internet exchanges?

And then my second question was around the ARPU profile, the sort of flatty profile into Q4. How should we think about that going into 2016?

And the final question was around expansion in Amsterdam and Frankfurt. How much of that is driven by the kind of decisions and capacity being provided to the magnets? That's what I have inferred from your proximity relationship that you've described and the fact that they are able to plan one to two years ahead. Thanks very much.

David Ruberg: Hi, Milan. Well, you get an answer for each one of us. OK. On De-Cix going into Marseille, it is highly unusual. Keep in mind that these Internet exchanges are really co-ops and what drives the co-op is the terms and conditions under which they are formulated. And De-Six has a much more wide open charter. There are a number of other Internet exchanges that would like to go out of region, out of their native city, but they are constrained.

So it is a little unusual. We are treating both of these exchanges, both France IX and De-Cix, on equal footing. They are identical in terms of -- we're neutral when it comes to not only carriers but to Internet exchanges. But there is a very strong contingent of companies in Germany that encourage them to come here because of the traffic patterns that these companies in Germany are pursuing. So it's a little unusual, dictated by what the rules are or their incorporation, but it is working. The ARPU question, Josh?

Josh Joshi: Thanks, David. Thanks Milan for the question. We have been projecting that ARPU would stabilize and increase by the end of this year. And indeed we saw that in the third quarter, which I was happy to see. And given the various factors we mentioned before, and I will spend a bit of time going over them, that we expect that will influence ARPU, I expect that it will continue to be stable for the balance of the year. But we saw this increase. And the underlying parameters that impact it that I called out are along the lines of energy and cross-connect were the positive influences on that number.

Regarding 2016, we will provide more perspective to the extent that we feel necessary at that point on our next earnings call. But remember, if you look at the kind of things that impact our business, in particular ARPU, it's a yield figure not a pricing figure, although pricing does impact it. There's a average deal size, there is the geographic mix in our business, and also the impact of any geo-cross-connect. And as we look forward into 2016, and we're going to talk about that on the next earnings call, and as we start to think about the impact in the business it will be all of those factors and where our growth is coming from that will impact the way that we might want to think about ARPU. I hope that was a good answer. Giuliano?

Giuliano Di Vitantonio: Good afternoon, Milan. This is Giuliano. Concerning your question about Amsterdam and Frankfurt, of course we strive to strike a good balance between the magnet and other customers across all our data centers, and Frankfurt and Amsterdam, no exception to that. In particular, we see slightly different dynamics. In Frankfurt, of course the main driver there is cloud providers trying to reach the end users.

Germany of course is the European country with the largest GDP and also with data regulations that require the cloud providers to be close to the end users. That is the primary driver for being there, but we always had a good balance between cloud providers and enterprises in Frankfurt, even before we see the magnetic effect. So we have that good balance now and we expect that that will get even better when that magnetic effect will kick in. So we are very comfortable with that balance in Frankfurt.

When it comes to Amsterdam the dynamic is slightly different, because of course Amsterdam is more of a European hub and therefore serves a broader audience than just the local market. However, I mentioned earlier the system integrators, and actually they're very attracted to the Amsterdam facility. We have the first intake of managed service providers and system integrators that actually was in Amsterdam, the first instances were there. And we also, David mentioned also the (pattern) that we're doing with Net App there. So Amsterdam is more of a European hub, but we get the system integrators to compensate (the one) for the lack of the local market.

Milan Radia: OK.

Giuliano Di Vitantonio: Does that help and your question?

Milan Radia: It does, actually. Thank you very much.

Operator: Thank you very much indeed, sir. Your next question from Citi comes from the line of Michael Rollins. And your line is now open, sir.

Michael Rollins: Hi, thanks for taking the questions. Two, if I could. First back on Paris. Does the situation that you described in Paris create any hesitation from customers to put more assets into that facility while you are going through the next phase of the process? And then David, if I could just follow up and just ask for a little bit more background to the comment that you made around the possibility of divestitures from Telecity? And maybe what you've heard in terms of -- what you've heard and what you led to your comment this morning to actually comment on this situation. Thank you.

David Ruberg: OK. I said I wasn't going to comment on that, but for you, Mike, 30 seconds more on that. What encouraged me to talk about this is the fact that many people have asked me the question that you did. Any conversations that we might have on this topic with the European Union are confidential at their request, and therefore any discussions we had are going to stay that way. But there is a lot of movement in the marketplace in terms of people being interested.

I don't know anything for sure, and I think the most appropriate way is we'll see what the Union -- the Commission decides and we will all know by Friday of next week. This issue will be -- if they decide something has to be divested, they will also probably decide what's the process for that divestiture. The next question will be what either Telecity or Equinix wants to do. Too many variables here. Don't have enough time to do all the speculation. that's 29 seconds. We're done. All right. The other question, yes?

Michael Rollins: Paris.

David Ruberg: On Paris, yes. Of course a situation like this had an impact and was unnerving, or a little disruptive to some of the people. However, I think the way we have handled this and the reason that we're into this situation, which turns out to be it's not a question of whether we are adhering to the rules or not. It's actually whether the State followed their own established rules. And the culprit in this is the State, who did not -- there are ground rules for noise. We adhere to them.

The technical factor is the State did not force us to adhere to them. We did it voluntarily. And so the judge ruled that the State was deficient, not that the results were. So it's taking us a while to explain this technicality. It's form over substance. But once we have explained this to the customers, I think they are as satisfied, happy as you could be in a situation like this.

Michael Rollins: And so therefore do you expect to improve utilization in that facility during this process over the next year?

David Ruberg: I expect to be able to continue to sell into that facility, yes.

Michael Rollins: Thank you.

Jim Huseby: Thank you, everybody. That concludes our third-quarter conference call. We look forward to seeing you out on the road. And we will be reporting our fourth-quarter results again in a couple months. Thank you all very much. You can disconnect.

Operator: Thank you very much, Mr. Huseby. With many thanks to all our speakers today, that does conclude the conference. Thank you for participating. You may now disconnect.

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