INTERXION

Moderator: Jim Huseby
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Operator: This is conference # 56607932.

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to today's Interxion fourth-quarter and full-year 2016 results conference call.

There will be a presentation, followed by a question-and-answer session, at which time if you wish to ask a question you will need to press star and one on your telephone keypad and wait for your name to be announced.

I must advise you that this conference is being recorded today Wednesday, March 1, 2017. I would now like to hand the conference over to your speaker today, Jim Huseby. Please go ahead.

Jim Huseby: Thank you, Operator. Hello, everybody. Welcome to Interxion's fourth quarter 2016 earnings conference call. I'm joined today by David Ruberg, Interxion's, Vice Chairman and CEO; Josh Joshi, the Company's CFO; and Giuliano De Vitantonio, the Company's Chief Marketing and Strategy Officer.

To accompany our prepared remarks we've prepared a slide deck which is available on the investor relations page of our website at investors.interxion.com. We encourage you to download these slides to use during this call if you have not already done so. Before we get started I would like to remind everyone that some of the statements we will be making today are forward-looking in nature and involve risks and uncertainties. Actual results may vary significantly from those 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 release which is posted on our investor page at investors.interxion.com.

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

David Ruberg: Thank you, Jim, and welcome to our fourth-quarter and year-end 2016 earnings call. Please turn to slide 4. Our fourth-quarter 2016 and full-year results continued the strong execution that is Interxion's hallmark resulting in solid results and continued development of our communities of interest strategy.

We continue to attract deployments from the key cloud platforms, and we also added new customers to our critical mass in connectivity. Trends in IT remain favorable with the growth of response time sensitive applications and data including the cloud, digital media, ad tech and low latency trading, driving increased demand for highly connected data centers.

During 2016, and into 2017, cloud platforms continue to expand across Europe with new rollouts in both countries where they already have capacity like Germany and additional countries like France. Cloud communities are starting to form in Europe with the early adopters of a co-located hybrid cloud executing either through direct enterprise deployments or with the help assistance integrators.

I would now like to spend a few minutes on 2016 results. Full-year revenue grew 11% on a constant currency basis, once again all organic. Adjusted EBITDA continued to grow faster than revenue as margins continued to expand. We continued to be disciplined in our capital deployments in 2016 as reflected by our utilization rate.

We invested approximately EUR250 million which resulted in the opening of new data centers in four markets including all four phases of Frankfurt 10 and the initial phases in Amsterdam 8, Dublin 3 and Copenhagen 2. In addition we opened expansion phases in five other markets. Some of our capital expenditures in 2016 were spent on other construction projects.

And some of these have already opened in 2017 such as the next phases of Amsterdam 8 and Copenhagen 2 as well as other builds that remain under construction and scheduled to open throughout 2017 and into 2018. And a few days ago we acquired a data center business that brings us a connectivity dense data center in Science Park in Amsterdam. Josh will provide you with more financial details, and I will discuss strategic rationale later in the call.

Please turn to slide 5. Momentum increased in the second half of 2016 as nearly 70% of the equipped space that we added came online in the second half of the year. Despite some currency weakness impacting our results, we experienced solid sequential recurring revenue growth in the fourth quarter which positions us well heading into 2017.

Please turn to slide 6. As I just mentioned, we continued our strong operational momentum in the fourth quarter. We added another 3000 square meters of new capacity in the fourth quarter, and we had the highest net quarterly installation level since 2014. Utilization increased to 79%. For the full year 2016, Interxion installed 8100 square meters of revenue generating space and added 9600 square meters of new capacity.

With respect to other key metrics, our sales pipeline continues to be very solid. Bookings in the quarter were again strong continuing the pace that we have seen since Q4 2015 with the diversity of across our geographies, industry segments and deal sizes. Pricing continues to be relatively stable and revenue churn remain constant with our historical annual rate of between 0.5% and 0.75% per month on average.

Please turn to slide 7. As already mentioned, during the fourth quarter, we opened two new data centers, one in Amsterdam and one in Dublin. We also completed a 500 square meter expansion phase in Paris. Demand for our Frankfurt campus continues to be very strong. We completed Frankfurt 10 in the third quarter of 2016 and immediately announced Frankfurt 11 in September.

Last week, we announced another build smaller data center project on our Frankfurt campus that will add further capacity and become available in Q4 2017. We also announced the long-awaited expansion in London. Adding 1800 square meters of capacity in London will provide necessary running for our financial services and digital media communities in London to continue to develop.

Finally we announced our fifth data center in Stockholm which is scheduled to open the first of three phases in the third quarter of this year. In total, we have announced over 14,000 square meters of new capacity or another 13% of our total is scheduled to open in 2017 and throughout mid-2018. Please turn to slide 8.

Throughout 2016, we continued our logo expansion, and we attracted significant new customers to our growing communities of interest. Cloud providers continue to be the main source of growth for us as a new wave of the cloud rollout is underway in Europe.

The results in Q4 coupled with our active sales pipeline provides strong indication that the growth in this segment is pervasive across different types of cloud solutions spanning both infrastructure as a service and software as a service offerings. More importantly, we are continuing to make significant progress in attracting the strategic elements of these cloud platforms that are essential ingredients of the communities of interest.

Specifically in Q4, Microsoft deployed express route with us in Paris, AWS recently deployed direct connect in our data centers in Dublin, Madrid and Stockholm as their rollout across Europe continues. Our connectivity segment experienced good growth in 2016 with Marseilles being a large contributor of new logos including a new wave of Asian carriers coming to our data center in southern France to capture the rapidly growing traffic between Europe and Asia.

In Q4 we added China Unicom and China Telecom to our community of connectivity providers in Marseilles which now totals over 100. Conductivity is the core value proposition of carrying neutral providers like interaction, and I will expand on this later in the presentation.

2016 was a very good year for digital media fueled by the growth in consumer platforms that deliver live video streams. These companies are among the first adopters of co-located hybrid model for cloud as they use public cloud as their data processing environment and then leverage the highly connected data centers for OTT distribution.

These trends make our data centers very appealing to digital media platforms as they can gain access to both connectivity providers and the on and off ramps to the major cloud providers. The enterprise segment had a positive year as well as the migration to a hybrid cloud model is beginning to drive demand for co-location in Europe.

We expect this early trend to gather momentum through 2017 and accelerate in 2018 as more and more CIOs in Europe become more comfortable with hybrid cloud model as the transition tools become available and security concerns are addressed. They are starting to see the benefits of co-locating latency sensitive workloads in close proximity to the public cloud nodes.

At Interxion we're making the necessary investments to prepare for the onboarding of the enterprise into the cloud community. We are refining our go to market model to capture these opportunities with a collaborative partner approach.

We are introducing an level of post sales support that will meet the stringent response time requirements of the cloud platforms, and we are adopting our operational procedures to support enterprise reporting requirements when they place workloads in a shared environment. System integrators our a big part of the cloud community, and they are actively driving adoption of co-location.

However, growth in that segment is partially offset by the simultaneous initiatives to consolidate legacy deployments. In the financial services segment we enjoyed steady growth especially in London where a strong community that has continued to invest in co-location even in the aftermath of Brexit.

With the announcement of London 3 becoming available in 2018, we will be able to meet a larger portion of the available demand. As we continue to navigate one of the most important transitions in the history of our industry, the focus on communities of interest provides interaction with a steady long-term direction to deliver will value to our customers and our shareholders.

You can expect to see us continue on this path in 2017 and beyond. And I would now like to turn the call over to Josh.

Josh Joshi: Great. Thank you David and of course welcome to everybody on the phone and online. I would like to start by discussing the group's fourth-quarter results with some additional color on our two geographic reporting segments. I will follow that with a review of our financial performance for the year, operating leverage, capital expenditures, the balance sheet and conclude with a few comments on returns.

Before diving in, I just wanted to salute my colleagues the route Interxion for yet another job well done. As we look back on our fourth-quarter and full-year performance, it is clear that Interxion continues to execute well and achieve solid results.

This sustained track record is a direct result of the extraordinary passion and commitment of the people within the Company. Please turn to slide 10. Interxion had a strong finish to 2016 adding to our track record of consistent quarterly execution coupled with disciplined demand led expansion.

Total revenue in the fourth quarter was EUR110.5 million up 10% organically compared to the fourth quarter 2015 and up 5% sequentially. On a constant currency basis, total revenue was up 12% year-over-year and 5% sequentially. Recurring revenue in the fourth quarter increased to EUR103.4 million, a 9% year-over-year increase and a 3% sequential increase.

Constant currency recurring revenue growth was 11% year-over-year and a strong 4% sequentially. Included in recurring revenue again this quarter was a growing contribution from cross connects. In the fourth quarter recurring revenue from cross connects was between 3% and 4% of total revenue.

And as we look forward to full-year 2017, we expect recurring cross connects revenue to be between 4% and 5% of total revenue. Nonrecurring revenue was EUR7.1 million in the fourth quarter. Quarterly nonrecurring revenue by its nature is lumpy and historically driven by a number of factors including installations, structured cabling and other customer activity.

This quarter we enjoyed particularly strong installations in France and Germany. As we look forward to 2017, I expect nonrecurring revenue to remain broadly within our usual range of between EUR4 million and EUR5 million per quarter. Recurring monthly ARPU ended EUR1 higher than last quarter broadly in line with expectations.

As always there were puts and takes on the recurring ARPU line including foreign exchange headwinds and the dilution impact from the significant new installations in the quarter on the one hand, more than offset on the other by increased energy revenue and of course cross connect revenue.

Looking ahead to 2017, recurring ARPU's are likely to be driven by the same underlying factors with increases in energy usage and cross connects offset by dilution to periods of high installations. I expect that we will end 2017 near our current levels give or take a couple of euros, but we may see some typical quarterly variability as builds and expansions come online.

Turning to costs, cost of sales was EUR43 million in the fourth quarter 2016 up 10% year-over-year and 6% sequentially with a sequential increase somewhat tied to the heavy level of installations that also drove the high-end nonrecurring revenue in the quarter. Gross profit was EUR67.5 million an increase of 10% year-over-year and 5% sequentially.

Gross profit margins were 61.1% unchanged year-over-year and about 20 basis points decreased sequentially. Gross margins in the quarter also reflected the impact of the higher mix of lower margin nonrecurring revenue and the impact of expansion drag from the two new build data centers coming online in the quarter.

Sales and marketing costs increased to EUR7.6 million in the fourth quarter an increase of 3% year-over-year and 5% sequentially. Sales and marketing spend this quarter were 6.9% of revenue just below our expected range of between 7% and 8% of revenue.

As we look forward into 2017 we expect to continue to invest into our strategic marketing activities as we further develop and expand our communities of interest and refine our go to market model. Accordingly I expect our sales and marketing costs to remain within the 7% to 8% revenue range into 2017. Other general and administration costs excluding M&A were EUR10.5 million up 15% year-over-year and up 19% sequentially and at over 9% of revenues.

Other G&A was elevated a little in the quarter due to some one-time costs with severance and professional services. Therefore, as we look forward into 2017 I would expect other G&A costs to continue to reflect the underlying operating leverage of the business and be somewhere between 8% and 9% of revenues for the year.

Adjusted EBITDA was EUR49.3 million an increase of 10% year-over-year and 2% higher sequentially. Adjusted EBITDA margin was 44.6% in the fourth quarter unchanged compared to the same period last year also due in part to the revenue mix this quarter.

Depreciation, amortization and impairment expense was EUR24.2 million a 20% increase year-over-year consistent with the increase in the depreciable asset base driven by our investments in data center expansion. The fourth quarter finance expense was EUR9.5 million, 18% higher than last year's fourth quarter and up 10% sequentially.

The annual increase was primarily due to the bond tap last April while the sequential increase reflects the impact of the financial lease adjustment which we reported last quarter. The fourth quarter income tax charge was EUR3 million which represents an effective tax rate of 23% and benefited from the recognition of deferred tax assets in the quarter.

The underlying effective tax rate was 28%, and the LTM or full-year 2016 cash tax rate was approximately 14%. As we look forward our expectations on the development of the LTM cash tax rate have not changed, and we continue to expect the cash tax rate to trend up over the next two to three years.

Adjusted net profit in the quarter was EUR9 million compared to EUR12.1 million in the same quarter last year and EUR8.6 million in the third quarter adjusted earnings-per-share was EUR0.13 on a diluted share count of 71.4 million shares compared to EUR0.12 year in the third quarter and EUR0.17 in the fourth quarter last year. Let's take a closer look by reporting segment.

Please turn to slide 11. The strong momentum in our largest geographic reporting segment continued as revenue in the big four was EUR71 million up 13% year-over-year and 6% sequentially both on a constant currency basis. Adjusted EBITDA was EUR38.2 million with margins of 53.9% up year-over-year though down sequentially due to the impact of expansion drag and the nonrecurring revenue mix that I just mentioned.

Our rest of Europe segment delivered a solid performance in the quarter with revenue at EUR39.5 million up 11% year-over-year and 3% sequentially both on a constant currency basis. Adjusted EBITDA at EUR22.7 million was up 2% sequentially in 10% year-over-year with a particularly strong margin of 57.5%, and once again Austria, Spain and Sweden were strong performers.

Please turn to slide 12 where like to spend some time on the full-year results. For the full-year 2016, total revenue was EUR421.8 million an 11% increase year-over-year on a constant currency basis. Total recurring revenue was EUR400 million again up 11% year-over-year constant currency.

Gross profit was EUR259.2 million, 10% higher year-over-year with gross profit margins up 70 basis points to 61.5%. Adjusted EBITDA increased to EUR290.9 million 11% higher than 2015, and adjusted EBITDA margins were up 100 basis points to 45.3%. The solid improvement in margins again reflects the underlying operating leverage in the business model.

2016 represents more than 12 consecutive years of margin improvement. Net finance expense for the year was EUR36.3 million compared to EUR29 million in 2015 with the increase primarily due to last April's bond tap. Reported net income was EUR39.9 million in 2016 and adjusted net income was EUR36.6 million.

Both were lower than 2015 primarily driven by the added finance costs and higher depreciation. Moving to slide 13, I wanted to make a few comments on operating leverage. Once again in 2016 Interxion delivered a strong year-over-year margin expansion with adjusted EBITDA margins as I just mentioned growing by over 100 basis points.

Since 2012, we have expanded our gross margins by 230 basis points and our adjusted EBITDA margins by 380 basis points while growing adjusted EBITDA by 66% to over EUR190 million in 2016. This speaks to the attractiveness of our business model and our execution against that model.

The rate of annual margin expansion may be affected of course by factors such as expansion drag and the investments in areas such as strategic marketing or systems. Nevertheless, our goal is to deliver annual improvements in full-year adjusted EBITDA margins and as a said before, we been able to achieve that for each of the last 12 consecutive years.

Please turn to slide 14. Our focus has always been to allocate capital to secure attractive and sustainable long-term returns as evidenced by our consistent utilization rate. We deploy capital to expand our quick capacity to match our projected customer demand.

We also build our data centers on campuses to allow us to further leverage connectivity and power infrastructure to service the campus and customer environment. This allows us both use capital more effectively and at the same time leverage our customer communities to stimulate further demand.

Capital expenditures including intangibles totaled EUR73.8 million during the fourth quarter which brought the total invested in the year to EUR250.9 million. While this was a record level of annual investment for the Company the important point is that our disciplined approach has not changed. We continue to invest based on customer demand.

In 2016, about 91% of our capital expenditures nearly EUR230 million was invested in discretionary expansion and upgrade projects to meet customer requirements with the remaining investments totaling EUR22 million for maintenance, IT and intangibles. Maintenance and other CapEx represents a little over 3% of revenues.

Our investments were again strongly oriented towards the big four markets where our customers generate the most demand with about two thirds of our annual CapEx allocated to that reporting segment. Please turn to slide 15. Interxion ended the year with EUR115.9 million in cash and cash equivalents up from nearly EUR54 million at the end of 2015.

Cash generation for the year included EUR183.4 million of cash from operations and EUR155 million from the bond tap in April. Uses of cash in the year included EUR250.9 million invested in capital expenditure and EUR44 million in cash interest and taxes.

Our blended interest rate at the end of the year decreased to approximately 5.7%, and with the cash on hand and access to our revolving credit facility and the strong cash generation of our data center assets, we have the financial flexibility and the funding to execute our expansion program. Balance sheet ratios remain strong with gross leverage at 3.8 times LTM adjusted EBITDA and net leverage at 3.2 times.

Cash ROGIC which is our return on gross invested capital measure was 11% for the year. As David mentioned, we recently announced the acquisition of the data center business of Vancis BV. This acquisition closed on February 24, and the net cash consideration will be around EUR78 million or around 13 times estimated full-year 2017 EBITDA.

The acquisition will be immediately accretive, and we expect the acquired Interxion Science Park business to contribute between EUR6 million and EUR7 million in post acquisition revenue during 2017. This has been fully factored into the guidance that we've announced today. Please turn to slide 16.

This familiar slide includes all of our fully booked out data centers as of January 1, 2015. As a reminder we will roll that date forward to the beginning of 2016 on our next earnings report. As at the end of 2016 these 30 data centers were at 83% utilization with gross margins of 67% and annual cash returns of 24% which we believe is one of the highest in the industry.

These data centers delivered 9% constant currency growth for 2016 and gross margins remained at 67%. That's five points higher than overall group gross margin and indicates the latent operating leverage still available in the business.

The 24% annual cash return evidences the strong underlying operating leverage, the prudent capital allocation, targeted customer approach and continued strong operating and financial execution to drive these attractive returns from our data center assets. And now with that I'd like to turn the call back over to David.

David Ruberg: Thank you, Josh. Please turn to slide 18. We often talk about connectivity and it is really the key foundation driver of our industry. I would like to spend the next few minutes talking today sharing our perspective on its criticality. Carrier neutral data center providers like Interxion do not really compete on space and power.

Our key value proposition is the density and quality of access to connectivity providers that we offer, the robustness of the communities that develops around them and the quality of our services that we provide. Enabling carriers and ISPs to exchange traffic was the very purpose of the emergence of companies like ours when the Internet started.

Then over time this industry evolved and customers from other verticals, for instance IT service providers, e-commerce providers and content providers started to select carrier neutral data centers the cause of access to connectivity which translates into reduced communication costs and better quality of service for their customers. Until recently; however' demand remained generally limited to smaller sized deployments.

Today in a world dominated by cloud services and ubiquitous access to these services, connectivity is also shaping the demand for cloud deployments. The direct -- the cloud access nodes are on and off ramps such as Microsoft's express route and AWS's direct connect and other types of cloud network nodes are housed in the most connected data centers in each city are becoming major drivers of traffic which in turn attracts more connectivity providers.

Even larger compute deployments by cloud providers require access to the best possible connected data centers in order to optimize the movement of vast amounts of data through carrier network's. At the same time, digital media companies and enterprises are starting to select carrier neutral data centers for sizable deployments in proximity to connectivity providers and cloud platforms.

This strong requirement for diverse and neutral connectivity is the main reason carrier neutral providers are enjoying a healthy growth. Gaining the right level of connectivity in essence building these communities of connectivity providers takes a long time and remains the highest barrier to entry in our industry.

Carriers and ISPs tend to coalesce around a couple of locations in each major metro because concentration of providers is required and at the same time customers value diversity and redundancy. Once these communities form it is highly unlikely that any of the participants would move because the volume and patterns of traffic are very sticky and the business case to replicate that elsewhere is week and disrupted to their own business.

We may occasionally compete for specific opportunities that only required limited access to connectivity if we see them as strategic. But the core target of our business remains the demand for deployments that require strong access to connectivity.

We measure the success of our strategy in relation to that because it is the best predictor of our ability to thrive in the long-term. Please turn to slide 19. The competitive landscape is different in each city depending on who has had more success in creating the community.

But there are only a handful of carrier neutral data center providers that reached critical mass, and they tend to be the usual suspects across most locations in Europe of which you are familiar with. The degree to which a city has the potential to become a connectivity hub is the main criteria that we use to decide where we invest.

When we selected Marseilles as the first city to be added to our portfolio in more than a decade we did that because we anticipated that the traffic between

Europe and Africa, Middle East and Asia would increase dramatically and connectivity providers would want to be present in such an interesting intersecting location.

Fast-forward to today. Less than three years after we made that investment, Marseilles has become the undisputed gateway between three continents. As the submarine cables landing in the city are being lit, more than 100 connectivity providers have chosen to deploy equipment in the Interxion data center to capture the traffic that is going through Marseilles.

More importantly, the city is no longer just a transit point for traffic. Investments that we have made in Marseilles have provided cloud and content providers with an ideal location to deploy their services in a place where the data can be stored and processed to serve customers across multiple regions Europe, North Africa Middle East.

This is the typical pattern of evolution of a connectivity hub that begins as a nexus for Internet traffic and overtime becomes a hotbed of the digital economy. In Europe, currently the four main connectivity hubs are Frankfurt, London, Amsterdam and Paris often referred to as FLAP or the Big 4.

Because of the volume of traffic going through these four connectivity hubs, these are the locations where the digital economy is taking shape and the co-location in the industry is growing faster. And by the way in the next three to five years we may add Marseilles to that list. The city where interaction has the largest community of connectivity providers is Frankfurt with almost 300 carriers and ISPs.

Our strength in this location is the main driver for the strong demand from all customer segments including cloud platforms and enterprises which is fueling our very strong growth in the city as reflected by the announcement of another expansion with Frankfurt 12. As mentioned, the competitive landscape differs in each city and we continuously strive to strengthen our position in all of our cities as well as creating synergies across the cities.

The acquisition of Vancis that we just announce is a small but very strategic investment for us because it greatly enhances our connectivity proposition not only in Amsterdam but it strengthens our position across the connectivity segment overall. Science Park is the heart of the connectivity in Amsterdam and the acquired data center, now renamed Interxion Science Park is the data center were the Internet exchange AM6 started and through which a lot of the connectivity flows.

With access to over 100 carriers Vancis doubles Interxion's existing carrier density in Amsterdam thus strengthening our communities of interest and the value of our (skiffle) campus as well. If access to the community of connectivity of providers is the core value proposition for customers, cross connects are the means to realize it. When customers want to connect to others within the community of interest they do so by purchasing a cross connect.

As such, the demand for cross connects is a strong barometer of the health of our overall business and our ability to create a sustainable competitive advantage. In 2016, the number of cross connects grew by more than 25% and reached a total in excess of 45,000 a portion of which are currently being built on a recurring basis.

The steady growth of our cross connect business is expected to continue into 2017 during which time we also expect to continue to increase the proportion that is charged on a recurring basis. Please turn to slide 20. Before getting to the specifics of our guidance for 2017, I would like to remind you about -- again about our guidance philosophy.

Our approach is to provide annual guidance for revenue, adjusted EBITDA and CapEx on our Q4 call and then publicly update that guidance as appropriate during the year. Therefore, for 2017 we expect total revenue to be in the range of EUR468 million to EUR483 million.

We expect adjusted EBITDA to be in the range of EUR212 million to EUR222 million, and we expect our capital expenditures to be between EUR250 million and EUR270 million excluding M&A and by the way approximately 60% of the forecasted our guidance given capital expenditure is supported by committed customer orders.

Before opening up the call on Q&A I would like to second Josh's remarks and I would again like to thank all of our employees in all of our countries for staying focused on our customers in executing against our business plan and for continuing to deliver strong results. I would also like to thank our shareholders and bondholders for their continued support of Interxion.

Now let me hand the call back to the operator to begin the question-and-answer segment.

Operator: Thank you.

Ladies and gentlemen, we will now begin the question-and-answer session. To allow everyone the opportunity to ask questions, you are limited to asking one question per person. As a reminder, if you wish to ask a question, please press star and one on your telephone keypad and wait for your name to be announced. If you wish to cancel your question, press the hash key. Once again, star one if you wish to ask a question. Your first question comes from James Breen, William Blair & Company. Your line is now open.

James Breen: Thanks for taking the question. Dave, you talked about the enterprise business continuing to grow this year, and I think you made a comment that you think it will accelerate in 2018. (technical difficulty), and what makes you believe you can see that acceleration next year? Thanks.

David Ruberg: The level of interest, the conversations that we are having with the cloud platform providers one in particular which has a well-developed channel of distribution, one which is developing a channel of distribution and also our conversations with the enterprises themselves and talking to our partners here in the United States. Guiliano, you want to add anything to that?

Giuliano Vitantonio: Yes, a couple of things. James, what we're seeing is that hybrid cloud is really starting to happen. So, public cloud of course will capture a very significant portion of the IT spend, but for the remaining of the spend, co-location is becoming a more and more palatable option for customers both from a technical and a financial standpoint.

From a technical standpoint it really makes sense from the performance standpoint to be in proximity of the cloud platforms and also some of the hurdles to that option that we saw in the past like security or the tools or the ability of the tools or even the skills required to migrate those hurdles are being cleared more and more so CIOs are more comfortable from a technical standpoint.

From a financial standpoint, some of the uncertainty from a political and economic standpoint we are seeing in Europe is actually a motivation for our customers to have more of a risk mitigation strategy and hedge their bets little bit and not tie up too much of their capital in the small data center so co-location is an ideal opportunity for them to de-risk a little bit their investments right now.

James Breen: Perfect. Thanks.

Operator: You next question comes from Jonathan Schildkraut. Your line is now open.

Jonathan Schildkraut: Great. Good morning and thanks for taking the questions. I guess I would like to focus on the Vancis acquisition if I may. Josh, during your prepared remarks I think you said that you guys paid about 13 times EBITDA for that and that for the year -- for 2017 for the portion of the year the you are owning it, it would be EUR6 million to EUR7 million of revenue.

Just backing the envelope if I have this right, and I guess that's what I'm asking, it would imply some fairly high EBITDA margins in that business maybe 75% to 77%. And, if that's correct, then it would imply some limited EBITDA margin expansion on the core business as we look at 2017. So, I guess my question breaks into two parts.

Am I understanding Vancis correctly and then as I think about sort of the margin expansion story that you told earlier in your prepared remarks, is there something about 2017 that I should be -- that we should be aware of to understand implications on margin. Thanks.

Josh Joshi: Yes, thanks Jonathan in great question. So, one yes Vancis is a very attractive acquisition, and we've got some attractive adjusted EBITDA margins in that business. I don't fault your maths. Your percentages that you quoted are probably a little bit high but the data is there. If you look at the -- if you back that out as you look at the sort of underlying organic margin expansion within our business, it's relatively low, but it's still a margin expansion, and I think from my perspective, there are three factors as we go into 2017, that influence our thoughts on margin guidance on an organic basis.

One, operating leverage. One of the reasons of my prepared remarks was to comment and make sure that everyone understands that operating leverage continues to be healthy and is continuing to contribute to our business including cross connect. Secondly, expansion drag. If you look at the data centers that we're bringing onboard between Q4 2016 and Q4 2017 60% of that capacity is new build capacity that is coming online, and that with it brings the underlying expansion drag impact to our business which I would remind you, Jonathan, as you know, we talked about this before, is temporary.

And then another temporary impact into 2017 -- the third component, is investments in our business that David alluded to earlier on. We're going to invest in our go-to-market model, and we're going to invest in the way that customers can engage with us as we look at the migration of enterprise into 2018 for picking the cloud opportunity. And I think, as we look at those investments particularly in operations in the go-to-market that they are they probably add up to something like 100 to 150 basis points of investment in the year, and I think that is not long-term investment, I think that's a one-time or investment over maybe one or two years.

I think those are the key components the puts and takes to our guidance. I hope that answers your question fully.

Jonathan Schildkraut: Yes, Josh, that was really helpful. In terms of the expansion drag that you called out, I think you said 60% of the new capacity between Q4 and

Q4 was original build. Do you have a like for like number for 2016 just for comparative purposes?

Josh Joshi: Forgive me, Jonathan, I don't have that to hand, but I can send it to you later.

Jonathan Schildkraut: All right. Much appreciate for the taking the question and the answer. Thanks.

Josh Joshi: Thanks.

Operator: Your next question comes from the line of Jonathan Atkin. Please ask your question.

Jonathan Atkin: Yes, I was interested in new logo capture -- any comparative trends versus the prior periods a quarter ago as well as I suppose a year ago, and is this happening more in rest of Europe or more in the big 4 markets? And then, related to that, I guess on the competition side, I wondered if you could talk about the impact you are seeing from private players that are landing large cloud deals in markets such as Dublin and Amsterdam and London. Thanks.

Giuliano Vitantonio: So, Jonathan, this is Guiliano. I'll take your first question. We see a very stable trend in terms of new logos typically 90% of our revenue is coming from existing logos and 10% from new logos. And that percentage has been stable for us several quarters now.

David Ruberg: Jonathan, on your second half of your question, I don't think it has an impact on us at all. I think what you've seen potentially with the two large deals or potential large deals that you were referring to -- this is a decision on the part of the platform providers to go with them instead of do it themselves. So, this is something that would not have impacted us any way shape or form if they've done it themselves and we don't give them is using someone other than themselves to do it doesn't impact on messenger.

Jonathan Atkin: And in Frankfurt you mentioned assorted the most connected campus you have any comment on the recent management changes there?

David Ruberg: I'm sorry. You broke up a little bit. I didn't hear. Could you repeat your question?

Jonathan Atkin: Right, so Frankfurt is where you indicated in the script continues to be your most connected Metro and I wondered if you can comment on the management changes that has taken place in that market.

David Ruberg: We replaced our general manager with someone that had public company experience, I think a much larger company. This Company is growing, and we need to continue to look at our management up-and-down the line to make sure that we have the best talent that we can possibly get to lead the charge. And so, that's what we do. And we will continue to do that.

Operator: Your next question comes from Colby Synesael, Cowen and Company. Please ask your question.

Colby Synesael: Great. I just wanted to follow up on the comments regarding investing in the go-to-market strategy around the enterprise. I think it has been a while since you have given us the metrics around that such as numbers -- quota bearing reps or salesforce, I was hoping you can give us that maybe an indication of where that might go for the next year and possibly even two years and also just a little bit more specificity on what is being done.

Are you thinking about adding more of a specialized sales force than what you may have today? And also on the product side regarding enterprise, how do you feel about the current product specifically around how enterprises connect to the cloud, and would we expect to see any R&D efforts being made their to bolster the effort over the next year or two as well for that enterprise? Thank you.

David Ruberg: Just to set the context for this and Guiliano will give a more detailed answer. Our organization is set up. We look at this -- we have a very consistent approach with segment heads, international accounts and local sales, and that model resonates with everybody.

When I talk to the customers, they love the fact that we sell internationally but we support locally, and that is different than many of the vendors -- the service providers that we compete with. They like the way it works. So our focus is on the presale and post sale is to do a collaborative approach with channels of distribution whether they be systems integrators or externals organizations that support some of these companies to work with them, and that is working quite well.

So we're going to leverage. We've made a concerted decision, conscious decision that we're going to leverage the talent of the people that we work with rather than try to compete with them. And it is working. So Guiliano do you want to –

Giuliano Vitantonio: Yes, try to answer both questions. The first on expanding on what David said, we don't plan to add an army of sales people to go after the enterprise opportunity. That is not our approach.

It's much more focused on a collaborative approach with our customers' channel, and that is a very important point. So we're working with the large cloud platform to leverage a channel in several ways including all the system integrators that are helping customers migrate to the cloud, the managed service providers who provide more specific services to enable connectivity to the cloud and also leveraging data sales force direct sales force for a joint go-to-market.

All of these things are being put in place that require some incremental but marginal investments in our sales and marketing organization are in line with the guidance that Josh gave earlier. It's very much of a channel focus in collaboration with our customers. Concerning the product question, we have a product that is called cloud connect that enables our customers to connect to all the major cloud platforms. We have them all the leading cloud platforms, and we're working with them again in a very collaborative approach.

We're working with them to develop all the capabilities that are pertinent to any given platform. Some of them will need certain type of access more (Leia) 2, some will need more Leia 3, but those are details. The point working very closely with the cloud platform to identify what technical requirements that customers have, and we're adding those capabilities to our cloud connect platform.

Colby Synesael: (technical difficulty)

Operator: Your next question comes from the line of Frank Louthan. Please ask your question.

Frank Louthan: Thank you. So, talk to us a little bit about the campus expansion that you have. To what extent are you running up any space constraints in the big four markets that may need a push to the market any thoughts there, and then talk to us about the competitive market. Are you seeing any of your competitors acting irrationally in any of your markets, what are you seeing there from a competitive standpoint?

David Ruberg: The second question is easier to answer than the first one. The traditional competitors we're not -- we're seeing very rational behavior. In the original, your first question, I think most people know we constrained in London and long-term we need to look at the campus. As far as the other major situations, cities that we are in and opportunities, I think we've done a very good job of looking to the future and obtaining space for incremental opportunity for us to grow.

Certainly, in Frankfurt that is the case. If you visit our campus, we have additional sites we have acquired. We're looking at options. There is space, there is power. We certainly have that situation here in Amsterdam, and think it's no secret that we have very large opportunity right next to our Paris 7 situation for us to grow in Paris. It's call Paris 8.

It's an old helicopter plant with a substantial amount of power and space. So without going into all of the other place, I think we've done a very good job. One of the things we have to do, you can't go buy a lot of land here in Europe.

If you want to be in the central location where the GDP is, for the conductivity is you have to look out three to five years to make sure that you have an opportunity to grow.

Operator: Your next question comes from the line of Michael Rollins, Citigroup. Your line is now open.

Michael Rollins: All right. Thanks for taking the question. Just curious we look at your utilization, how much is that possibly constraining sales activity, and is there a healthy debate in the management and boardrooms where you are debating whether to accelerate deployments even faster, given the comment that 60% of the capital being deployed has already been pre-sold for 2017. Thanks.

David Ruberg: I don't think the word debate is the correct word. But we do have healthy discussions in terms of how we deploy our capital and how much we should do in advance and how much we should do when we actually have contracts. Five years ago there was -- when things were much more predictable in terms of size and frequency, our approach was a little different than it currently is today.

But, this is something that again, I think we are concerned about returns on invested capital, we will do what is appropriate, and one of the things that has also changed is we have the relationship with some of these people, but quite honestly some of the orders that we have taken are against space that we have yet to build. I think how we approach this fully aware of the impacts of this, fully aware of the returns on invested capital really works quite well.

Operator: This was the last question. Please continue.

Jim Huseby: OK everybody that concludes our conference call for today. Thank you for attending and for your long-term support of Interxion. I expect that we will have our next conference call sometime in early May. You may now disconnect. Thank you.

Operator: That does conclude our conference for today. Thank you for participating. You may all disconnect.

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