

**INTERXION**

**Moderator: Jim Huseby**  
**August 2, 2017**  
**1:30 p.m. GMT**

Operator: This is conference # 48725099

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Interxion second quarter 2017 results webcast.

During the presentation, we will have a question-and-answer session where you can submit questions at any time today via the webcast. To submit a question click the Q&A icon on the lower left-hand corner of your screen, type your question in the open area, and click send to submit. I must advise, the webcast is being recorded today, Wednesday, the 2nd of August 2017.

I'd now like to pass the webcast over to your first speaker today, Jim Huseby. Please go ahead, sir.

Jim Huseby: Yes. Thank you (Colin). Hello everybody and welcome to Interxion's Second Quarter 2017 Conference Call. I'm joined by David Ruberg, Interxion's Vice Chairman and CEO; Josh Joshi, the company's CFO; and Giuliano Di Vitantonio, Interxion's 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 website at [investors.intexion.com](http://investors.intexion.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 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 on 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 Relations page at [investors.interxion.com](http://investors.interxion.com).

We would also like to remind you that we post information about Interxion on our website at [www.interxion.com](http://www.interxion.com) and on 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 am pleased to hand the call over to Interxion's CEO David Ruberg. David?

David Ruberg: Thank you Jim, and welcome to Interxion's Second Quarter 2017 Earnings Call. Please turn to slide 4. During the second quarter 2017, Interxion again posted strong financial and operational results as the momentum of our business continue to grow with demand led by global cloud platforms expansions in Europe.

Total revenues increased 16 percent year-over-year and 6 percent sequentially. Recurring revenue grew 14 percent year-over-year and 5 percent sequentially. Adjusted EBITDA also saw a strong growth increasing 15 percent year-over-year and 6 percent sequentially, while adjusted EBITDA margin was 45.0 percent.

During the second quarter, we opened a total of 2900 square meters of additional capacity across 4 markets: Marseille, Paris, Vienna and Copenhagen and we continue to make steady progress in our other construction projects. Stockholm 5 and Zurich 3 Phase 3 expansion will be opening in the third quarter while Frankfurt 11 and Frankfurt 12 are both on schedule to open later this year. Finally, construction is well underway at London 3 and is expected to open next year.

We continue to add capacity, respond to customer demand. Earlier this week we announced expansion projects in 3 cities. Demand for data center capacity on our Frankfurt campus continues to exceed our available supply. The capacity that we'll be adding at Frankfurt 11 and Frankfurt 12 is already over 50 percent presold and so we have commenced Frankfurt 13 another 4,800 square meter facility that is expected to begin its phased openings late next year.

We also announced our second data center at Marseille, a market that we have entered just 3 years ago and has transformed into an important connectivity hub. We continue to experience strong demand here and these additional 4,300 square meters will begin to address that need as Marseille begins to involve from primarily a connectivity hub to a more diversified hub that is attracting cloud and content players. Finally, we announced a further expansion of Vienna 2. Vienna's geographic location and a high level of connectivity in our data center has made this a key gateway market to Eastern and Southern Europe.

We have nearly doubled our equipped space in Vienna since 2014 and continue to experience strong customer demand. We announced that we're building another 2,300 square meters that will be split across 2 phases and is already 50 percent already presold. I have more to say about these 3 markets later in my remarks. Please turn to Slide 5. As usual, Josh will provide much more detail in our financials, but I would like to provide some context for our results. The growth that we have been experiencing over the past several quarters is a result of our relentless focus on our customers and building communities of interest.

Over the past several years, we deepened our relationships with cloud and connectivity providers in order to make Interxion the preferred location in Europe to enable the cloud. Our strong results today reconfirmed that our strategy is working. Total revenue growth, recurring revenue growth and adjusted EBITDA growth, all in the mid-teens percent over year-over-year.

Please turn to Slide 6. We are pleased with our acquisition of Interxion Science Park and the integration is proceeding according to plan. We have developed a significant sales pipeline and expect to include this operating metrics by year-end. Our reported organic operating metrics showed strong progress in the second quarter. A highlight of these operating metrics is the record amount of revenue generating space installed in the quarter. Installed 5,200 square meters in the second quarter lifting utilization to 81 percent. Over the past 12 months, we've installed 12,800 square meters, the most in any 12-month period in the company's history and a 16 percent year-over-year increase demonstrating the strength of demand and our ability to capture it with respect to other key business metrics. Bookings in the quarter continued at a strong level continuing the pace that we've seen since Q2 of 2016 and the bookings were diversified both in size and location.

Our sales pipeline remain strong. Pricing remains steady and revenue churn was again low and consistent with our historical annual range of between 0.5 and 0.75 per month on average.

Please turn to slide 7, in the second quarter, we completed expansions on schedule in Marseille and Vienna and opened capacity in Copenhagen and Paris ahead of schedule. As I said before our other projects remain on schedule. Including the opening of Dublin 3 late last year, we have had a capacity expansions in 8 of our 11 countries including all big 4 markets. Our expansion momentum remains strong, with another 15,000 square meters or 13 percent of existing capacity schedule to open before the end of next year.

Please turn to Slide 8. In the second quarter of 2017 our communities of interest continued the expansion across all industry segments, as we are seeing a very healthy balance between large deals and small deals. We had 58 new logos to our customer base and in line with the previous quarter, 10 percent of our bookings came from new customers. The cloud platforms continue to infrastructure rollout across Europe with a significant positive impact on our top line as the capacity they booked in previous quarters got deployed.

With more bookings turning into installations, the market leaders are improving their ability to forecast future demand, which in turn enables us to work with them to gain better visibility on future capacity needs. The demand from cloud platform providers is not confined to just the market leaders as Europe becomes a more developed and attractive market. In Q2, we saw Tencent cloud which is the computing arm of Tencent, a leading cloud and content provider from Asia. It has chosen Interxion with Frankfurt as the location to enter the European market. Cloud remains the main driver of growth, but we had a very balanced distribution across all segments.

Continuing the trend seen in Q1, the second quarter of 2017 saw a very strong demand from connectivity providers. We are seeing a resurgence of this segment, the several drivers related to geography in traffic patterns contributing favorably. Marseille is driving steady growth in the segment with 120 PoPs deployed in our facilities to manage and distribute the traffic created for the submarine cables landing inside our data center or in close proximity to it. Another key factor is the development of cloud in content platform nodes that are generating traffic and attracting the carriers and ISPs that have an opportunity to capture that traffic.

Additionally, the early stages of the rollout of 5G wireless is prompting mobile operators to start deploying the infrastructure required to capture this opportunity. For all these reasons, looking in the connectivity segment grew significantly in the first half of this year compared to the same period last year.

Digital media has been a major driver of growth for several quarters now. It's the global content platforms deploy infrastructure across Europe to reach (eye balls). Increasing consumption of bandwidth-hungry video applications is driving a rapid rise in the volume of traffic which translates into more POPs, bigger POPs and in more locations. It's not uncommon for B2C content platforms to be present in several of our locations, in some cases, in all of them.

An example of this trend in Q2 is Yahoo's decision to expand their footprint with Interxion by adding POPs in Marseille and Vienna campuses in addition to their existing POPs with us in Amsterdam, Frankfurt and Madrid. Marseille and Vienna were chosen as strategic locations to connect Yahoo services across Southern and Eastern Europe, Turkey and the emerging markets in the Middle East and Northern Africa, in an indication of the value of these gateway markets to content providers.

As we saw in previous quarters, our bookings are showing strength in financial services and enterprise especially consumer retail as these companies are starting to stabilize their cloud migration strategy and the role the colocation can play becomes clearer to them. We are diligently working with their indirect channels to educate European enterprises about our strong value proposition from multi-client access within our campuses.

Our growing bookings in the last few quarters and the solid pipeline that we have built indicate that the message is resonating. To recap, in Q2, we delivered another quarter of solid execution of our go-to-market strategy as market demand continues to unfold in line with our strategy and our expectations for adoption. And with that I would now like to turn the call over to Josh.

M. V. Joshi: Great, thank you David and welcome to everybody on the phone and online. As in prior quarters, I'd like to start by discussing the group's quarterly results and then providing some additional color on our 2 geographic reporting segments. I'll follow that with some commentary on capital expenditure cash flow, the balance sheet and as usual finish with a few comments on returns. So please turn to Slide 10.

Interxion has built on its first quarter performance with another set of strong financial results for the second quarter driven by our focus on communities of interest, solid execution and disciplined expansion. Total revenue in the second quarter was a EUR 120.8 million, up 16 percent compared to the second quarter of 2016 and up 6 percent sequentially. On an organic constant currency basis, total revenue was up 16 percent year-over-year and 5 percent sequentially. Recurring revenue in the second quarter increased EUR 113.4

million, a 14 percent year-over-year increase and a 5 percent sequential increase. This was a strong performance in the quarter reflecting the strength of the business and driven by the increased revenue generating square meters added in the quarter.

Cross connect revenues were approximately 5 percent of total revenue in the quarter. We have achieved solid successful execution in our legacy cross connect conversion project. As we look forward to the second half, we expect recurring cross-connect revenues of between 5 percent and 6 percent of total revenue in each of the next two quarters. Nonrecurring revenue was EUR 7.4 million in the quarter, a 58 percent increase year-over-year. As I've mentioned on a number of previous calls, non-recurring revenue can be lumpy and somewhat difficult to predict. This quarter, we benefited from an incremental EUR 2 million to EUR 3 million of nonrecurring revenue with lower than usual gross profit margins. Relating to a wide range of customer projects, non-recurring revenue represented 6 percent of total revenue in the second quarter compared to 5 percent in both the prior quarter and the prior year.

Recurring ARPU was EUR 403 excluding Science Park and in line with the expectations with a small reduction from EUR 405 in the first quarter. Turning to costs. Cost of sales was EUR 47.9 million in the first quarter, up 21 percent from the second quarter last year and 9 percent from the prior quarter. These cost increases were noted to be driven by the higher level of nonrecurring revenue, but also consistent with the expansion of our data center capacity and continued investment in operations resources together with the inclusion of course of Interxion Science Park for a full quarter.

Gross profit was EUR 72.9 million, an increase of 13 percent year-over-year and 4 percent sequentially. Gross profit margins were 60.3 percent down a 160 basis points year-on-year and 100 basis points sequentially. The gross margins were impacted by the change in revenue mix with a higher level of nonrecurring revenue by normal expansion (drive) and by our continued investments in improving our scalability and customer facing operations which I just talked about and also in prior calls.

Sales and marketing costs were EUR 8.3 million in the second quarter, an increase of 14 percent year-over-year and 4 percent sequentially. Sales and marketing costs were 7 percent of revenue which is consistent with both the first quarter and the prior quarter and is at the low end of our expected range of between 7 percent to 8 percent of total revenue. Other general and administration costs were EUR 10.3 million, up 6 percent year-over-year and down 3 percent sequentially. Although G&A costs represent 8.5 percent of revenue compared to 9.3 percent in the first quarter and 9.4 percent in the prior year and in line with expectations.

Adjusted EBITDA was EUR 54.3 million, an increase of 15 percent year-over-year and 6 percent higher sequentially. Adjusted EBITDA margin was 45 percent in the second quarter, a 50 basis point reduction on the prior year a 10 basis point reduction sequentially reflecting the flow through impact of the elevated nonrecurring revenue in the second quarter.

Depreciation, amortization and impairment expense was EUR 27.2 million, an increase of 24 percent year-over-year and 13 percent sequentially, both consistent with the increase in the average depreciable asset base, driven by our investments in data center expansion. The sequential increase was also driven by the inclusion of Interxion Science Park for a full quarter. The second quarter, net finance expense was EUR 10.9 million, 7 percent higher than last year's second quarter and 6 percent higher sequentially. The increases were primarily due to the increase in the amount drawn under our two revolving credit facilities.

The second quarter income tax charge was EUR 3.7 million which represents an effective tax rate of 26.5 percent. The LTM cash tax rate was approximately 18 percent consistent with the prior quarter and with our expectations and about where we expect our cash tax rate for the full year in 2017 to be. As we've commented on prior calls, we continue to expect the cash tax rate to trend up over the next 2 to 3 years.

Adjusted net income in the quarter was EUR 10.1 million compared to EUR 9 million in the same quarter last year and EUR 10.7 million in the first quarter.



The sequential reduction reflects the increase in the EBITDA being offset by high depreciation net finance and income tax charges. Adjusted earnings per share was EUR 0.14 on a diluted share count of EUR 71.7 million shares compared to EUR 0.13 in the second quarter last year and EUR 0.15 in the first quarter.

Now let's take a closer look by reporting segment. Please turn to Slide 11. The momentum in our largest geographic reporting segment continued with revenue in the Big 4 of EUR 78.9 million, up 19 percent year-over-year, 7 percent sequentially and accounting for 65 percent of the company's quarterly total. Our acquisition of Interxion Science Park contributed approximately EUR 1.9 million of revenue in the quarter.

Backing this out and looking at underlying performance on an organic constant currency basis, Big 4 revenue grew 18 percent year-over-year and 6 percent sequentially. Similarly, we saw strong recurring revenue growth in our Big 4 markets on a constant currency basis of 18 percent year-over-year and 6 percent sequentially. France, both Paris and Marseille together with Germany continue to be the strongest contributors to Big 4 results. Big 4 adjusted EBITDA was EUR 43.1 million, up 16 percent year-over-year and 7 percent sequentially. Big 4 adjusted EBITDA margins were 54.7 percent down around 110 basis points compared to last year's second quarter and consistent with last quarter.

Revenue in the rest of Europe was EUR 42 million, up 11 percent year-over-year and 3 percent sequentially. On a constant currency basis, recurring revenue growth was 12 percent year-over-year and 4 percent sequentially. Adjusted EBITDA at EUR 24 million was up 11 percent year-over-year and up 2 percent sequentially with margins at 57.3 percent, flat compared to last year and down 100 basis points sequentially. We continue to see strength in Austria, Spain and Sweden and in particular with our ongoing expansions in Vienna, our growth is driven by our established and expanding communities of interest at this very attractive gateway location.

Moving to Slide 12, let's discuss our capital expenditures. CapEx including intangibles totaled EUR 56.4 million during the second quarter. Our deployment of capital remains entirely consistent with our highly disciplined approach with capital expenditure allocated based on customer demand . This is reflected by the fact that the vast majority EUR 46 million or 82 percent of our capital expenditures in the quarter was discretionary investments in expansion and upgrades to meet customer requirements. Approximately 72 percent of this capital expenditure was in the Big 4 markets, reflecting both the location of our expansion projects and the relative sizes of these markets. However, we continue to invest across our footprint with expansion projects also underway in 3 of our 7 rest of Europe markets.

Please turn to Slide 13. Interxion ended the quarter with EUR 49.2 million in cash and cash equivalents, down from EUR 72.5 million at the end of the first quarter. Cash generation from operations in the quarter totaled EUR 40.6 million, we invested EUR 56.4 million in capital expenditure and paid EUR 4.9 million in cash interest and taxes. Following the year, at the end of the quarter, we've made some changes to our 2 revolving credit facilities. The effect of these changes is to increase the total amount available under the revolving credit facilities by EUR 25 million to EUR 200 million and to extend the maturities to 31st December, 2018 .

At the quarter end, we drawn a total of EUR 45 million against the available EUR 200 million. Balance sheet ratios continue to be strong. Gross leverage was 3.7x LTM adjusted EBITDA and net leverage at 3.5x pro forma adjusted for LTM Interxion Science Park and 3.6x and 3.3x respectively on an LQA basis. Cash ROGIC or cash return on gross invested capital was consistent with the first quarter at 11 percent. Our blended cost of debt at the end of the second quarter was also constant at 5.5 percent.

With our existing cash balance, growing cash generation of our data center assets and access to EUR 155 million from our 2 revolving credit facilities, we continue to have the financial flexibility and funding to execute our expansion program and to secure long-term sustainable returns.

Please turn to Slide 14. This is a slide that will be familiar to most of you and represents our 34 fully built-out data centers as of 1st January , 2016. This stabilized group remains at 34 data centers with 84,100 square meters of equipped space and at 82 percent utilization. We have invested in excess of EUR 1 billion in these fully built-out data centers since inception, including maintenance CapEx. And over the last 12 months, this group delivered EUR 367 million of revenue at a 67 percent gross profit margin, generating EUR 236 million in annual discretionary cash flow to the business. Although these assets are highly utilized, they continue to deliver top line growth with LTM constant currency recurring revenue increasing 6 percent year-over-year. This revenue growth was driven by price indexation, increases in energy consumption and power reservation and continued increases in utilization in cross-connects.

In a broader sense, these attractive returns reflect Interxion's focus on creating sustainable long-term value. This requires an attention to detail and a focus on two key activities; generating customer value and solid operational execution. First customer value is about thinking long-term about how we create value for our customers, which we believe is through developing attractive connected (communities) of interest and by-the-way our experience is that this also stimulates tremendous demand and visibility for further investment and attractive returns. Second, solid operational execution is about building and running a data center infrastructure as cost effectively as possible for the high levels of service our customers expect.

Now this includes a wide range of activities executed on a day-to-day basis from say investing in innovative data center design to increase longevity and reduced maintenance expenditure to, at the same time investing in developing scalable operations to secure long-term operating leverage by working diligently and creating sustainable improvements to both the numerator and the denominator of the return equation that effectively set out on this slide and together with prudent capital allocation, we were able to maintain and grow the annual cash return on investment and create long-term sustainable value for our stakeholders.

And with that I'd now like to return the call to David.

David Ruberg: Thank you, Josh. Please turn to Slide 16. The quarterly results that we announced today and the expansions that we announced earlier this week reflect the growing demand for our carrier and cloud neutral data centers, where customers can participate in the value creation of their communities of interest. Communities of interest began to form in data centers when carriers and Internet exchanges use carry neutral data centers to exchange traffic. Two decades later, the industry is growing in the back of the rapid expansion of global platforms to deploy network and compute capacity to reach end users across the world. Both enterprises and consumers forming much far-reaching communities.

The secular trend is fueling the growth of the industry is the global expansion of B2B cloud platforms and B2C content platforms underpinned by strong connectivity requirements. B2B cloud platforms are gaining momentum in the market as enterprises continue to move portions of their internal IT to the cloud. The market leading cloud platforms are deploying compute capacity in larger chunks than they did a few years ago, when they started to rollout, which is reflecting the rapid growth of this market segment.

The increased consumption of cloud services has also driven demand for cloud access node both public and private. These network nodes are smaller or more geographically distributed than compute nodes as they need to sit closer to GDP. B2C content platforms have been accelerating the global rollout of their capacity as the volumes of data is exploding. Especially thanks to video intensive social media platforms. The deployments are relatively smaller compared to cloud platforms, but they're more pervasive and drive higher traffic density, since video was the driving force for bandwidth consumption.

The common denominator between these two secular trends is the emergence of global platforms seeking data center partners that can help them deploy capacity on a predictable timeline in carrier-neutral data centers from where they can effectively serve the end users. This is particularly true in Europe or eyeballs in GDP are less concentrated geographically than in the United States

and where data regulations place constraints and where consumer data can be stored.

Different applications have different latency requirements, but they all require a high degree of connectivity. This is the main reason for global platforms to typically choose highly connected locations with a broad variety of carriers and ISPs. The carriers play critical role in moving traffic through the background across different geographies, while the ISPs are the means to reach the eyeballs. A recent expansion announcement in Frankfurt, Marseille and Vienna highlight how a strong connectivity proposition forces the expansions of communities of interest. For example, in Frankfurt we have a market where our demand exceeds our supply driven primarily by cloud providers, but increasingly augmented by content providers and enterprises. The strong track record of cloud deployments at Interxion for both compute and network nodes is expanding beyond the market leaders to include other cloud platform providers as they choose their location to serve the German market and in some cases, the whole of Europe. Our market leading connectivity with over 600 networks successful from our campus in Frankfurt is the powerful magnet underpinning the ongoing popularity of our offer in the city.

Marseille is the most recent addition to our city portfolio and is quickly becoming one of the most sought-after locations. Our initial goal was to create a strong connectivity of any location where several submarine cables have landed and that goal has been primarily achieved. We've had a 64 connectivity providers PoPs since we took over the facility, more than doubling the number, which now stands at a 120. On the back of this very strong connectivity proposition, we are now starting to see both cloud providers and content providers look at and choose Marseille. The cloud platforms used to serve France in combination with Paris as well as a backup to other European locations. The content providers see it as a natural location to serve North Africa as well as the gateway to exchange traffic with the Middle East and Asia.

Vienna is another location where we have a very strong connectivity community, which has led to strong growth since 2014 driven by cloud deployments to serve Central and Southern European markets. They're attracted by the strategic proposition and position of the city to serve these markets to over 100 network providers present in our campus. Like Marseille, Vienna is a classic gateway market that is evolving from being a hub for the (train sort) of traffic to a location where data is stored and content originates.

At this point in time is the combination of connectivity cloud and content platforms that shapes the communities of interest that our customers want to be part of and we are actively working with our customers to enable them to connect to each other and create value for their own customers. As our industry continues to evolve, we constantly monitor what new applications are shaping market demand and we evolve our service portfolio to meet our customers' current needs and to anticipate their future needs.

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 2017, we're expecting revenue to be in the range of EUR 468 million to EUR 483 million. We expect adjusted EBITDA to be in the range in EUR 212 million to EUR 222 million and we expect to invest between EUR 250 million and EUR 270 million in capital expenditures this year.

Before we turn the call over to Q&A, I would again like to thank all of our employees for the talent, dedication and continued commitment in serving our customers as well as their efforts in delivering our strong results. I'd also like to thank our shareholders and bondholders for the continued support of Interxion. Now, let me hand the floor back to the operator to begin the question-and-answer segment. Operator, can you please read out the instructions to register questions from the call.

Operator: Thank you. Participants, as a reminder, to submit a question, you may do so by clicking the icon on the lower left-hand corner of your screen, type in your question in the open area, and click send to submit.

Our first question is from Robert Gutman from Guggenheim. Your line is open.

Robert Gutman: So in terms of the conversion to Interxion billing, what stage of the process would you say you are at? What are the next steps and ultimately, how long it will take, you think for the whole base to be converted? That's my first question.

M. V. Joshi: Thanks very much for your question. Look 2017 represents a transition year and I don't think we're going to see the full impact of the conversions that we're doing this year until next year. And recall that this is a conversion process of our legacy cross-connects they were originally build on a nonrecurring basis. So I still think, whilst we've been progressing very well. I still think we've got further work to do for at least the remainder of this year and perhaps into the first half of next year. We'll provide more color and commentary in terms of data around this towards the end of this year or probably in our fourth quarter.

Robert Gutman: Great, thanks. And one other thing, I believe you'd said you're rolling out like a piloted program to with channel partners across footprint. How much, how far along are you with that and has this impacted margins year-to-date?

Giuliano Di Vitantonio: Robert this is Giuliano. Yes, we are working with our channels on multiple fronts. The two most important aspects are working with the cloud platform that are not only our customers, but also our best channel to reach the enterprises. And we have a common goal with them to increase cloud adoption and to make sure that alongside the portion of their internal IT that they move into the cloud, they also see the opportunity for heavy part of their workload moving to the colocation data center that is in close proximity to the cloud access. So if the (giant) go to market program with the cloud platforms and is proceeding very well, it's being rolled out for a couple of quarters now and we are starting to see that encouraging results from a pipeline development standpoint.

The other initiative that we had mentioned in previous calls and David and Josh as well, is the program with the system integrators and the managed

service providers that they are an indirect channel in the sense that they deployed with us to serve the enterprises. And that program is being in execution for us for a bit longer, more than a year and we are seeing the very, very good pattern of growth from that segment. So all in all, everything is going according to plan and the main reasons for doing this, for doing this through the channel is actually to make sure that we don't have to increase our SG&A to reach those customers. So from a margin standpoint, I would see this as a very positive impact.

Operator: Your next question is from Jonathan Atkin from RBC Capital Markets. Your line is open.

Jonathan Atkin: So I was interested in the nature of the preleasing that you'd mentioned in Frankfurt, is it weighted towards that one Asian customer or is it more diverse than that? And I'm also interested in any color you could provide on preleasing trends in other metros, where you have expansion projects underway?

David Ruberg: Jonathan, no, the preleasing in Frankfurt is not weighted towards the Asian provider. It is a very healthy mix of cloud content and enterprise. And as far as the answer to your second question, in general, we're looking for the appropriate mix as we talked about the fact that we're focused on hybrid cloud and in most instances this means that we are looking at somewhere around 50 percent preleasing, which you can probably figure out goes with some of the larger customers, so that we have ample space to build a community of interest and fill up with the smaller customers or the smaller platforms with smaller installations that basically don't normally signed up well in advance. OK.

Jonathan Atkin: Yes, thank you. And then you mentioned in the script 5G wireless, just maybe a little bit more information whether it's geographic or the types of requirements that you're seeing from mobile operators or perhaps others related to that opportunity and then maybe just a kind of more granular update on Spain and Sweden? Thank you.

Giuliano Di Vitantonio: This is Giuliano, I'll take the question on 5G and wireless. So these are just aspects of a much bigger trend around mobility. Mobile operators are



seizing the opportunity, 5G is just the latest deployment, latest (round) of technology, 4G is in full swing across Europe. So we are seeing a secular trend here, mobility becoming more and more important, that's impacting all the countries, there are different stages of adoption, so some are rolling out 4G, some are early adopters of 5G, but the trend is pervasive across all of Europe.

David Ruberg: As far as Spain and Sweden are concerned, they are doing quite well. I think people realize economy is recovering in Spain and we're seeing the benefit of that and Sweden has done well for us, is one of the advance opportunities in terms of the systems integrators, that's always been our forte with them. So both of them are doing quite well.

Jonathan Atkin: And then finally, any commentary on what your peers in Europe are doing in terms of cross-connect modernization or are they on a parallel path as you are following them or are there kind of desperate practices that you're seeing in it that is yet to kind of flush out, what the industry standard practices are?

Giuliano Di Vitantonio: It's a standard practice and this is Giuliano again. It's a standard practice across the industry. Of course, providers that are newer to the market have adopted a recurring revenue model from inception, while those like us and others in Europe and in the U.S. who have been in the market for much longer, starting with a nonrecurring revenue 15-20 years ago. So, as far as I know, all the main providers that starting with nonrecurring model are shifting their installed base to a recurring model.

Operator: You're next question today is from the line of Frank Louthan from Raymond James.

Frank Louthan: I guess looking at the expansion that you had this quarter, I was surprised to see that the ARPU uptick a little bit, talk to us a little about the trends there, is little bit of a lag for you get some of the revenue, talk to us about that and then what are you seeing from other competitors in the market? Are you seeing any irrational entrance or other behavior that would make you concerned about the health of the business in any of your given markets?

M. V. Joshi: Let me deal with ARPU and I'll hand over to David. ARPU was actually in a great position in the quarter, we had a slight down tick. If you recall in earlier years, when we had significant increases in new revenue generating space, what you would expect to see is a more meaningful down tick in our ARP. In fact, we didn't see that, it was far more modest and I think that, that goes to the strength of the underlying proposition here around cross-connects, the energy revenue increasing and the underlying health of our recurring revenue. That's not to say that this increase in the 5,200 that we installed and the increase in momentum we're seeing there over the last few quarters, that's a real positive for us as we are building the forward revenue prospects of the business. David, you want to pick up any other point?

David Ruberg: I can't speak to the behavior of some of the new entrants, whether they are rational, irrational. I can only speak to the impact it has on us. And so our customers continue to value our propositions of connectivity platforms, communities of interest and therefore our pricing is been relatively stable regardless of what's going on in the industry. OK.

Operator: Participants, once again, as a final reminder, if you do wish to ask a question or make a comment, you can do so by pressing star and one on your telephone keypad. Participants please be reminded that you will be limited to asking one question during today's question-and-answer session. Your next question is from Matthew Heinz from Stifel.

Matthew Heinz: With respect to GDPR, what sort of conversations are you having with customers today around preparing for the -- may be 2018 go-live date. I guess our customers readying for this today or do you anticipate that they will mostly act as more visibility emerges closer to the go-live date and are there any specific customer segments that are particularly burdened by data protection challenges and thus might have a broader colocation requirement across Europe?

Giuliano Di Vitantonio: Matthew, this is Giuliano. I'll take that one. Yes, we are having conversations with customers on that topic. Also we are having conversations with system integrators, we're having conversations with customers on that topic because indeed they need help, the deadline is looming. It's only 9 months away, so they are making plans to make sure that they meet the

regulation. For us, that means that the topic of security, the topic of data protection is becoming more and more important (undermine) and we have a strong value proposition in that respect. So that we are having conversation with customers that are leading to some very fruitful engagement. I cannot comment too much on their level of preparedness for that, but certainly they are coming to us with that as a concern and we're working with them to address that.

David Ruberg: And adding to that, since we are a company that resides in Europe, we have our own issues with these elements and we are spending a substantial amount of time preparing ourselves for these type -- the implementation of these rulings and that gives us insight into what some of our customers should be thinking about or are thinking about.

Matthew Heinz: Thanks and just as a follow-up, how much of the current year CapEx budget is allocated to the expansion projects that were just announced this week and I noticed also that you have incurred about EUR 100,000 of M&A cost in the quarter. I'm just wondering if that's a remnant of advances or there is ongoing activity?

M. V. Joshi: Taking about the capital expenditure in the year, we've got -- these projects come online at different times. I don't have the exact numbers as to how much of our capital expenditure guidance is in relation to these projects. There is a reasonable meaningful chunk in relation to deposits we've announced today that actually goes into 2018 as well. In terms of M&A transaction costs, there's elements of remnants of leftovers from (balances) and we are always looking at various projects, as you know and we've spoken on many occasions.

Operator: You're next question is from Colby Syneseal from Cowen & Co.

Colby Syneseal: Giuliano, if you could provide some color on your backlog. I don't imagine you give us explicit numbers, but maybe you could talk about it in terms of what it looks like today versus how it's looked in the -- I guess historically speaking. And then a clarification on that. Did I hear, I think in response to Atkin's question, that you said that 50 percent of your current development

pipeline is preleased. So that's one question. And then my other question had to do with your guidance. When I look at your strong second quarter results and assuming fairly reasonable assumptions in terms of square meters added and pricing in the back half of this year, what seem that you're going to be at the lowest -- at the high end of your guidance and perhaps even above that, curious why you didn't raise your guidance today as well?

David Ruberg: OK. Let me see if we can answer. In terms of the backlog, you're correct. We're not going to give you the numbers, but it's consistent, it's steady with what we've seen. The presale numbers that we gave, where for Vienna and for Frankfort, Frankfort 11 percent to 12 percent or 50 percent preleased in Vienna preleased. We gave you no number from Marseille.

M. V. Joshi: Yes, but if you look at our capital plans for 2017 as a whole, well over 50 percent preleased and that is something that we talked about last quarter. It continues to be the case and improving. So that's a positive. Sorry to interrupt David.

Colby Syneseal: I'm sorry, did you say that of the space that's expected to come online in the third and fourth quarter, we should assume roughly 50 percent as we stand here today has been preleased is that, what you mentioned Josh, I'm sorry?

M. V. Joshi: That's not what I meant. It is in relation to the capital expenditures of 2017, more than 50 percent of it is preleased, of the space that we're building in relation to those projects that we're spending in 2017.

David Ruberg: And yes with that guidance.

M. V. Joshi: Yes, guidance. Our approach Colby is, as we've discussed this on previous calls, is to put our guidance at the beginning of the year. And then to work to that guidance unless we feel, we need to change it.

Colby Syneseal: Anything that's in the back half of the year, whether it's churn or some type of price reduction or anything that would suggest that the trend that we've seen so far in the year would be meaningfully different, and any reason you wouldn't be at the higher end of your guidance in terms of how you're thinking about it right now?

M. V. Joshi: If you look at nonrecurring revenue that has an ability to be lumpy, as I discussed on our prepared remarks and if you think about the kind of square meters that we put in over the last several quarters in terms of revenue generation square meters, that's generated a lot of activity. But also, it could go equally quite rapidly down as well. But the takeaways from our results today, I think a pretty attractive, we have got strong revenue generating square meter adds, I think we've got strong recurring revenue organic constant currency growth and we continue to expand our business based on demand that we see. So I think all of those components, positive for the second half.

David Ruberg: And Colby, we're adding on to that, there are no concerns in the back half of the year whether these are churn and/or pricing.

Operator: Next question today is from Tim Horan from Oppenheimer. Your line is open.

Timothy Kelly Horan: Dave, as an old network guy, it sounds like you're saying the network in B2C growth is accelerated a bit. I just wonder if you could give us a little bit more color, is it secular? Why do you think this is happening as it maybe the shift to SDN and NFV, and I know you mentioned 5G on the network side, but just to clarify, are you in the right locations from Naval SeaRAM Technology because that seems to be kind of the foundation for 5G?

David Ruberg: First of all, traditionally we have been focused on B2B as we have been the provider, the colocation has been business to business. The world is going to digital media, that's B2C, its business to eyeball. And whether it be 3G, 4G, 5G, Netflix, Amazon Prime, you name it, it is a combination of cloud platforms, digital media platforms, carriers and ISPs. That is what is making many of our locations really attractive, just a meshing of these altogether. So that's what we're working towards.

Timothy Kelly Horan: And are you in the right locations to enable SeaRAM for the 5G buildouts?

David Ruberg: We are aware the GDP is, where the eyeballs are, so yes.

Operator: Your next question is from the line of Michael Rollins from City. Your line is open.

Michael Rollins: Just a couple of questions if I could. The first one is just, if you could spend a little bit of time talking about how your enterprise customers are using your data centers, maybe a couple of examples, relative to how they might use the cloud? And what they might put application wise in your facilities versus you're managing public and private cloud options? The second question is, I'm wondering if you just revisit the strategic aspirations of Interxion with respect to how you feel today about the continental strategy that you have versus some of the global opportunities that are still be in front of the company? Thanks.

Giuliano Di Vitantonio: Michael, this is Giuliano, I'll take the first part of your first question, and I'll let David comment on the strategic aspiration. Concerning our enterprises are using our data centers, we make a distinction between those that are already in our data centers that are aware of the benefits of colocation and those that are new to it, and frankly the vast majority fall in the second category. But both of them would typically need to take two steps from a cloud, from hybrid cloud standpoint. The first step they take is to really use a collocated data center to access the cloud. So you'll see a small PoP or a small deployment, just as a way to have a private access to the cloud, to multiple clouds to (deal around to that) in our data centers.

So that's the first step and then where we're starting to see with the more advanced enterprises those that have a more sophisticated approach to IT, they're looking selectively at each of their workload and determining what the best workload placement for each of them. And some of them are emerging as workloads that require either low latency or high throughput or high performance. Examples of that would be high performance computing, would be any application that's very, very free, can access to a database in the cloud, but as the workload is outside the cloud. So they've identified a few workloads that would actually benefit from being in close proximity yet not in the cloud, because they want it for either data regulation reasons or data protection reasons or for other purposes, they are kept off the cloud. So they are starting

the most sophisticated one of starting to identify which workloads would move next to the network. Does that answer your question?

Michael Rollins: So, in terms of maybe some other examples, another level deeper in terms of like database applications, maybe with naming customer names that say, customer example, customer XYZ, they are putting this type of a database or some additional color, I think it's just helpful to understand the difference is, what your data centers provide as a value proposition versus what some of the public cloud players are trying to offer?

Giuliano Di Vitantonio: So, we don't disclose specific customer names unless we have an agreement with those customers to discuss the applications that deploy with us. So, I don't feel a liberty of discussing specific customer names, but you can imagine what applications require free and database access, so maybe we can -- maybe in a follow-up conversational plan, we can discuss what specific applications fall in that category.

David Ruberg: I'm going to answer your -- I'm going to follow on Giuliano's first. But (Jonathan), first of all, the world is in transition and many people say, where are you, we're in the first inning of a nine indie game. So not only are the cloud guys working out their architectures, so the IT people trying to figure out and it's a performance issue, it's a cost issue and the question is what sits where, and maybe you figured out what should sit where, but you're not in a position to make that transition and your software or your business processes today. So there is an evolution, so the question that you have asked, we've seen some people move all to the cloud and then back out some and that's a transition process.

We've seen some very little portions if they were already structured to take advantage of the web, so it's all across the board. But I think if you study software, you'll see this is a portion of it that is response time-sensitive, it's value creative, it is dependent upon -- they are going to put that stuff, we hope, in our data centers because when it spills over and there is a baseline demand but any more than the baseline demand, they want to be next to something, a compute node that will give them the same performance when

they spillover and use it that they had -- if they had preconfigured their hardware and software to deal with this.

That's the element, that's what we're focused on and again, we're in the first inning of a 9 inning game, and I'm not going to answer this in terms of Avengers. So, I do know who I am talking to, but I want to let you know that we have not abandoned, I believe that we have one of the best go-to-market strategies, we have great customers, great people. We are doing quite well without having a global platform, but we have not abandoned that at all.

Operator: Your last question is from the line of James Breen from William Blair. Your line is open.

James Dennis Breen: Just a couple things Josh, on the margin side, given (my mix plan) for the back half of this year, next year, do you expect the EBITDA margins will stay in this 45 percent range going forward? And then secondly, sort of follow-up with Colby's question, it looks like you've got about 15000 (inaudible) square meters that's going to be installed back of this year, next year. As you look at what's presold there and just think about our trends in the past I think you talked about when the customer comes on and take some time to ramp up over 12 to 18-month period for the full revenue usage per square meter. Those trends change at all having the demand that we are seeing, are these companies ramping up (quicker) in the data center for power use there? Thanks.

M. V. Joshi: I appreciate your questions. So let's deal with each one in turn. If you think about margins. As a business, we have looked to expand our margins every year on a full year basis -- on a quarterly basis, but every year on a full year basis, we've looked to expand our margins by something like 0 to 100 basis points in many years in past years, we've been able to be better than that. And that underlying operating leverage in our business is expected to continue. So on a full year basis, this year compared to last year and 2018 compared to 2017 and beyond, we will expect to continue to improve our adjusted EBITDA margins.



And that's really is a great tailwind for our business and the tailwind for the returns that we're able to deliver. And given the connected communities of interest and the demand that's being able to drive, yes, you're right. We've got a significant amount of capacity, but we're currently constructing and will come online over the next several quarters into towards the end of 2018. That will have puts and takes on underlying ARPU, yes, of course, depending on how that comes online in any one period. But I go back to what I said before, where business with some very strong trends underline and what's going on in terms of either secular trends driving strong recurring revenue and organic constant currency growth and we have these continued capacity expansions to meet the demand that we see.

So I think the underlying trends are very positive for our business.

David Ruberg: Thank you everybody for joining us on our second quarter conference call. We would anticipate our third quarter call to happen in early November. Thank you for joining us and the call is now concluded.

Operator: Thank you, that this complete the webcast for today. Thank you all for participating and you may now disconnect.

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