

**INTERXION**

**Moderator: Jim Huseby  
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Operator: This is Conference #9794844.

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Interxion First Quarter 2018 Earnings Conference Call.

At this time all audio participants are in a listen-only mode. We will have a question-and-answer session after the presentation and if you wish to ask a question at that time, you'll need to press star and one on your telephone keypad. I must advise you the conference is being recorded today, Thursday, the 3rd of May, 2018.

I would now like to hand the conference call over to your presenter today, to Vice President, Investor Relations, Jim Huseby. Please go ahead, sir.

Jim Huseby: Thank you very much, Jennie. Hello, everybody, and welcome to Interxion's First Quarter 2018 Earnings Conference Call. I'm joined today by David Ruberg, Interxion's Vice Chairman and CEO; Richard Rowson, the company's interim CFO; and Giuliano Di Vitantonio, the company's Chief Marketing & 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](http://investors.interxion.com).

Before we get started, I'd like to remind everybody that some of the statements we'll be making today are forward-looking in nature and involves

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 available on our website, at [investors.interxion.com](http://investors.interxion.com).

We'd also like to remind you that we post important information about Interxion on our website, at [www.interxion.com](http://www.interxion.com), and at social media sites such as LinkedIn and Twitter.

Following our prepared remarks, we'll 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 first quarter 2018 earnings call.

Please turn to Slide 4. Our strong first quarter results reflect once again a combination of consistent strategic execution, successful creation of targeted communities of interest in our data centres and a favorable demand environment helped by improving business confidence. We are seeing opportunities across the deal size spectrum, revenue growth rates have remained strong across our footprint and customer churn has remained low.

As discussed on the Q4 2017 earnings call, we are engaged in a substantial capacity expansion program spanning most of our markets. Beyond the expansions announced in early January, we announced further capacity additions earlier this week, including the build of Amsterdam 10 and Frankfurt 14. All of these projects are in response to continued strong demand, which is also reflected in the level of pre-sold capacity for our data centres under construction. Of the Amsterdam 10 and Frankfurt 14 new

builds, approximately 25 percent of the total capacity of the announced phases is pre-sold.

A further note, the profile of returns on investment remains consistent with our historical levels, as customers recognize the value of our communities of interest and our trusted-provider status for their mission-critical applications.

Highlights for Q1 include a 17 percent increase year-over-year in total revenue and a 17 percent increase in recurring revenue; 19 percent year-year growth in adjusted EBITDA, with an EBITDA margin of 45.5 percent. We spent EUR96 million on capital expenditures invested in the business. We had 4,000 square meters of new capacity was added in Q1. Bookings in Q1 were again very strong, and the sales pipeline continues to reflect strong demand, and prices remain stable while churn remains low and within our historic ranges.

Please turn to Slide 5. Revenue in Q1 was nearly EUR134 million, up 17 percent from last year and up 3 percent sequentially. Recurring revenue, at EUR127 million, represented 95 percent of total revenue, consistent with prior periods. Adjusted EBITDA was EUR60.9 million in Q1, up 19 percent year-over-year and up 3 percent sequentially. And Richard will talk in more detail about the underlying fundamentals later in this call.

Please turn to Slide 6. We added 4,000 of square meters of equipped space in the first quarter organically, and we ended the period at 128,900 square meters. We installed 2,900 square meters of revenue generating space, the seventh consecutive quarter of installations exceeding 2,000 square meters. We ended Q1 with 104,100 square meters of revenue generating space while maintaining an overall utilization rate of 81 percent.

As expected, recurring cross connect revenue contributed approximately 6 percent of total revenue in Q1 as we work through the final phases of our program of converting non-recurring to recurring.

Please turn to Slide 7. During the first quarter, we opened our second data centre in Brussels, which we acquired from one of our customers, opened

another expansion in Vienna and added small expansions in Stockholm and Zurich.

The construction of the final phase of Frankfurt 11 was completed ahead of schedule. Frankfurt 13 is scheduled to open in Q4 2018. And in response to continued strong demand for our Frankfurt campus, this week we announced the build of Frankfurt 14, a 4,600 square meter facility, in two phases which are scheduled to open in Q3 and Q4 2019.

Earlier this week we announced the build of Amsterdam 10, which will be located on land we already own on the Schiphol-Rijk campus and it is adjacent to the Amsterdam 8 data centre. In total, Amsterdam 10 is expected to provide 14,400 square meters of equipped space and a total of 2,600 megawatts of customer-available power when fully built out. The first phase of Amsterdam 10 will provide 2,700 square meters of equipped space and is scheduled to open in Q3 2019, while the second phase will provide 4,100 square meters and is scheduled to open in Q1 2020.

The combination of Amsterdam 8 and Amsterdam 10 provides us with a compelling value proposition of two adjacent buildings with a total of approximately 22,300 square meters and approximately 40 megawatts when fully built out, which will house a vibrant community of connectivity providers, Cloud platforms, Digital Media companies, managed service providers and enterprises.

Our demand remains healthy and broad-based. We have now announced expansions for approximately 38,000 square meters of new capacity scheduled to open over the next 24 months across 11 countries, which equates to an overall capacity increase of about 30 percent.

Nothing has changed regarding our disciplined investment approach or our targeted returns or our go-to-market strategy which focuses on the segments that enhance the value of our communities of interest or our customers.

Please turn to Slide 8. As we announced during the Q4 conference call, we have adjusted our customer segmentation classifications to reflect the evolution of our customer base and the communities of interest that have

formed within our data centres. More specifically, we are now grouping our customers into 3 business segments, Connectivity, platforms and enterprises, to better reflect the 3 main customer clusters that participate in our communities of interest.

Connectivity includes carriers, mobile operators, internet service providers, internet exchanges, content delivery networks and subsea cables. Within platforms, we include both B2B Cloud platforms and B2C content platforms, which consists primarily of Digital Media companies. Enterprise include both direct deployments from financial services, retail, manufacturing, healthcare and the public sector as well as indirect deployments through systems integrators and managed service providers.

We believe that this new segmentation provides a more meaningful representation of how our revenue mix is evolving over time. Each of these business segments has reached different stages of maturity in its understanding and adoption of colocation service, and each represents a different type of opportunity for us. At the current time, these 3 segments are comparable in size, with platforms representing a little over one-third of our revenue and Connectivity and enterprise each slightly less than one-third.

The platform segment continues to benefit from both Cloud and content providers expanding rapidly within existing locations and into new countries to reach more and more users. Their relative share will grow in the short to medium term as both Cloud and content providers continue their fast pace of expansion.

We expect the relative share of Connectivity to slowly decline in the coming years even as the segment itself is still growing in a healthy way, because the size and number of deployments is smaller than for platforms.

The enterprise segment is currently growing, but at a slower pace than platforms. So its relative contribution may decline in the short term, but we expect that the growth rate will accelerate when the inflection point for hybrid Cloud happens.

In Q1, we continue to see strong demand across all of our customer segments, with particularly strong bookings from Cloud providers. We received orders from all the leading Cloud providers, with a very good combination of compute nodes and strategic network nodes.

The leading Cloud platforms are continuing to roll out their private access nodes across Europe. In Q1, Microsoft announced the deployment of an express route node in Marseilles, adding to those already deployed with Interxion in Frankfurt and Paris. AWS announced a direct deployment in Paris, its eighth in our campuses. Securing all these nodes resulted in a very successful quarter for this segment, both from a commercial and a strategic standpoint.

B2C content platforms also continued to deliver strong growth, as Digital Media applications are being rolled out across Europe with enhanced features that require more bandwidth and benefit from proximity to the end users, especially in gaming and social media. The content platforms are establishing a greater presence in large markets and gateway locations such as Frankfurt, Amsterdam, Paris, Marseilles, Dublin and Madrid, which all saw solid Digital Media demand in Q1.

Connectivity had another strong quarter, with strong growth driven by further expansions and by connectivity of providers across locations and the ongoing success of the Marseilles hub. This French city is rapidly becoming the gateway for most of the data traffic flowing between Europe, Africa, the Middle East and the rest of Asia. The 13 subsea cables currently landing in the city or in its vicinity directly connect Marseilles to 43 countries around the world and are capable of transporting more than 150 terabits, with 65 terabits being added in the last 12 months. This is the main driver of the growth that we have seen in the number of connectivity providers in Marseilles, which now is over 130.

We expect this trend to continue, as there are new submarine cable projects that are well underway that could more than double the total transport capacity over the next couple of years.

Another reason for the solid growth of the Connectivity segment is our success in attracting Cloud and content platforms into our data centres. Connectivity providers are benefiting from the high volume in traffic created by content and Cloud platforms and, consequently, they're either deploying new PoPs or expanding existing presences. We will expand on this later in the call.

The newly defined enterprise segment contributed some sizable orders in Q1, an indication of the early phases of enterprise hybrid Cloud demand. A specific mention goes to financial services, which sustained momentum in London, and this segment will benefit from the London 3 data centre opening later this year.

IT service providers were also a healthy source of demand for our enterprise segment, reflecting these providers' efforts to establish themselves as credible Cloud orchestrators and enablers. We expect many large enterprises to continue to turn to systems integrators for assistance with their hybrid Cloud journeys given the complexities associated with legacy software applications and platforms. Interxion's data centres offer low-latency access to all of the key Cloud platforms, including utilizing our Cloud Connect offering, making our data centres ideal environments for the service providers to base their enterprise deployments.

In summary, Q1 provided a solid start to 2018 and built on the momentum created in 2017, with demand coming from all segments and comprising a healthy mix of large deals and small deals.

I would now like to turn the call over to Richard Rowson, our Interim Chief Financial Officer. Richard?

Richard Rowson: Thank you, David. Please turn to Slide 10.

Interxion delivered yet another very good quarter in Q1. We saw solid growth based on strong execution across all markets and segments. Total revenue in Q1 was EUR133.8 million, up 17 percent compared to Q1 2017 and up 3 percent sequentially.

Foreign exchange movements had a 1 percent negative impact, of EUR1.2 million, on total revenue year-over-year, but no material impact sequentially. Accordingly, constant currency revenue growth was 18 percent year-over-year and 3 percent on a sequential basis. Mobilizing for last year's acquisition of Interxion Science Park and the foreign exchange movements, organic constant currency growth was 17 percent year-over-year.

Recurring revenue in Q1 was EUR127 million, a 17 percent year-over-year increase and a 3 percent sequential increase, driven by growth in revenue generating space with stable recurring ARPU, which was EUR412 in the quarter. On a constant currency basis, recurring revenue was up 18 percent year-over-year and 3 percent sequentially. Recurring revenue represented 95 percent of total revenue in Q1, consistent with the prior quarter.

Non-recurring revenue in Q1 was EUR6.9 million, up slightly from Q4, reflecting the ongoing volume of installation activity.

Cost of sales was EUR52.7 million in Q1, up 20 percent year-over-year and up 8 percent sequentially.

Gross profit was EUR81.1 million, an increase of 16 percent year-over-year and flat sequentially, representing a gross profit margin of 60.6 percent. You will recall that the gross margin in the prior quarter benefited from a usage-based energy credit in Germany.

Sales and marketing costs were EUR8.7 million in Q1, up 10 percent year-over-year and down 3 percent sequentially. Sales and marketing expenses represented 6.5 percent of quarterly revenue in Q1, which was slightly below our typical range of 7 percent to 8 percent of revenue.

General and administrative costs were EUR11.6 million in the quarter, up 9 percent year-over-year and down 11 percent sequentially due to certain one-time charges in the fourth quarter that we discussed on our last call. At 8.6 percent of revenue, G&A expenses remained within the expected range of 8 percent to 9 percent of revenue.



Adjusted EBITDA of EUR60.9 million was up 19 percent year-over-year and up 3 percent sequentially, representing an adjusted EBITDA margin of 45.5 percent, an increase of just over 40 basis points year-over-year and flat sequentially.

The Q1 depreciation and amortization expense was EUR29.6 million, a 22 percent increase year-over-year, which is consistent with the increase in the depreciable asset base resulting from the ongoing expansionary investment in our data centre footprint.

The financial expense in Q1 was EUR11.4 million, a reduction of slightly under EUR1 million compared with Q4 2017.

The Q1 income tax charge was EUR3.8 million, equating to an effective tax rate of 24.6 percent, while our LTM cash tax rate was 22.3 percent.

Net income was EUR11.7 million in Q1, a 14 percent year-over-year uplift and a 20 percent sequential increase.

Adjusted net income in Q1 came in at EUR11.9 million, up 17 percent year-over-year and up 12 percent versus Q4 2017.

Adjusted earnings per share were EUR0.17 on a diluted share count of 71.9 million shares, compared to EUR0.14 in Q1 2017 and EUR0.15 in Q4 2017.

Looking forward to the remainder of 2018, we continue to expect the following. ARPU should see continued growth from the same primary drivers as in the past, mainly energy and cross connect growth, partially offset by the dilution that typically occurs with new installations. By Q4 2018, ARPU is expected to be between EUR414 and EUR418, with modest quarterly fluctuations based on the level of installation activity.

We expect that cross connect revenue will be approximately 6 percent of total revenue for the year. Non-recurring revenue is expected to be in the range of EUR5 million to EUR6 million per quarter, while sales and marketing costs are expected to be within the range of 7 percent to 8 percent of total revenue. G&A expenses are expected to be within their typical range of 8 percent to 9

percent of total revenue. And lastly, our cash tax rate should continue to trend higher towards our effective tax rate of 25 percent.

Please turn to Slide 11. Interxion's Big 4 markets maintained strong momentum, posting revenue of EUR87.9 million, up 20 percent year-over-year on a constant currency basis, and up 3 percent sequentially. Adjusted EBITDA was EUR48 million, a year-over-year increase of 19 percent and sequentially flat, representing a 54.6 percent adjusted EBITDA margin. Germany and France again led the strong performance of the Big 4 segment.

Our Rest Of Europe segment again delivered solid performance in the quarter, with revenue at EUR45.9 million, up 15 percent year-over-year and up 4 percent sequentially on a constant currency basis. Adjusted EBITDA was EUR27.6 million, which on a constant currency basis was 18 percent higher year-over-year and up 6 percent sequentially. The Rest Of Europe segment also continues to deliver strong adjusted EBITDA margins, at 60 percent in Q1, compared with 58.8 percent in the prior quarter. A number of countries within the Rest Of Europe drove the growth performance, with Austria, Denmark, Ireland and Sweden posting strong Q1 year-over-year growth rates.

Please turn to Slide 12. As David has already mentioned, we continue to see healthy demand trends across all of our markets and good momentum in take-up of our new capacity. Accordingly, we continue to allocate capital to expanding our footprints in a considered and strategic manner.

Capital expenditure including intangibles total EUR96.2 million during Q1, about 96 percent of CapEx in the period, where EUR92 million went into expansion and upgrade projects, while 4 percent, or EUR4.2 million, was deployed on maintenance and other CapEx. As in previous periods, the lion's share of CapEx was deployed in the Big 4 markets, in which we invested 73 percent of total group CapEx in Q1, consistent with our expansion schedule.

Please turn to Slide 13. Interxion ended Q1 with EUR55.3 million in cash and cash equivalents, up from EUR38.5 million at the end of 2017. Net cash generated from operations was EUR34.6 million in Q1.

During the quarter, we increased our available liquidity with a new EUR225 million credit facility, which takes our total credit facilities to EUR425 million. As of 31 March 2018, a total of EUR180 million had been drawn under these facilities, and this has subsequently increased to EUR225 million. Our blended cost of debt decreased slightly, to 5.2 percent.

Balance sheet ratios remain solid, with gross leverage at 3.9 times LTM adjusted EBITDA and net leverage at 3.7 times.

Cash ROIC, which is our measure of return on gross invested capital, was 10 percent for the last 12 months.

With our cash on hand, available funds under our RCFs and the strong cash generation of our data centre assets, we continue to have the liquidity required to meet our investment plans.

Please turn to Slide 14. As is our normal practice in Q1, the data in this slide has been rolled forward to 1 January 2017, and 3 new data centres have been added to the calculation, taking the total to 37 fully built-out data centres as at that date.

At the end of Q1 2018, these data centres, with 91,400 square meters of equipped space, were at 83 percent utilization. They delivered an LTM constant currency revenue growth rate of 10 percent, with gross margins of 67 percent, and an annual cash return of EUR263 million. This equates to a 23 percent annual cash return on the nearly EUR1.2 billion of investment.

And with that, I would like to turn the call back over to David.

David Ruberg: Thank you, Richard. Please turn to Slide 16. During the last earnings call, we introduced for the first time a graphic that captures the different stages of maturity of our 3 business segments, Connectivity, platforms and enterprises, and the substantial opportunity that lies ahead for Interxion. The slide depicts directionality, where the industry is headed, without the intent to provide accurate predictions on the relative size and/or timing of each opportunity.

Keeping with the baseball analogy that we used previously, the picture shows the multiple games that are simultaneously going on. These games are interdependent, but each of them start at a different point in time and is in a different "inning." It is our intention to use this slide again over the next couple of quarters to provide a deeper dive into some of the key drivers that are shaping the communities of interest in our data centres and are fueling growth in each of these 3 segments.

Today, we start with the interplay of platforms and Connectivity in highly connected data centres, which is one of the fundamental pillars of our successful run over the years. Next quarter we will dive into what's happening within the enterprise segment with the 2 sub-games that are developing; those being the migration of existing application to the Cloud and the very early stages of the development of Cloud-native applications sometimes combined with the re-architecting of existing applications.

In Q3, we will focus on some of the emerging trends, such as real-time analytics, AI and IoT, that are paving the way to a new wave of applications. These technologies are already being widely introduced by the leading platform providers and will be spreading to the enterprises in the future.

But let's start with the data explosion. So please turn to Slide 17. As you know, communities of interest take many shapes and forms, but connectivity is the foundation for all of them. The importance of this foundation was highlighted when the B2B Cloud platforms and the B2C Cloud platforms began the rollout across the major cities, initially in the U.S. and then in Europe.

The first step for them was the deployment of the network nodes required to reach their end user customers with acceptable latency and performance. The choice of the ideal locations to deploy these PoPs was an exercise in identifying the data centre provider with the highest density and the right mix of connectivity providers to serve their customer base.

For B2B Cloud platforms, this was dictated by carriers utilized by the majority of enterprises. And for B2C content-providing platforms, it was

driven by the combination of internet service providers' internet exchanges and mobile operators that provided the maximum coverage of the consumers they intended to reach.

When the deployment of network nodes by the platforms started to happen, the site collection criteria for this new wave of customers and the primary value proposition for Interxion were the communities of connectivity providers that we had spent the last 15 to 20 years building in our data centres. Platform providers have very strict requirements when it comes to operational excellence and customer service, but these became discriminating factors among the very few campuses' (e-city) that provide the connectivity foundation that they require.

The value of our communities has been greatly enriched by these network nodes, because they now are driving an incredible amount of traffic thanks to the data explosion that these platforms brought about. The largest global platforms, both B2B and B2C, have been amongst the early players to adopt advanced technologies that are very data-intensive, such as real-time analytics, virtual reality and machine learning.

To enable this type of innovation for their users, they are building sophisticated application and data architectures with data centre and connectivity at the core of their global platforms. The rise in subsea cable deployments in the last couple of years is an indication of the growing amount of data that is being moved on a global scale to enable Cloud delivery service, social media and messaging, live streaming, interactive gaming and other vertical applications.

And this data explosion, in return, represents an opportunity for connectivity providers as they deploy new PoPs to capture the incremental traffic and deliver value to their customers. It is not a coincidence we have seen a significant uptick in bookings from connectivity providers in the cities where these network nodes have landed, which have contributed to five consecutive quarters of strength in this segment alongside the unique dynamics of Marseilles.

The virtuous cycle that the interplay of platforms and connectivity providers creates is one of the strongest drivers for the value and stickiness of our communities, and cross connects between the different members of the community is how that interplay is actually achieved.

Of the approximate 55,000 recurring cross connects that we have in our campuses, the connections between connectivity providers still represent roughly half of it. However, the fastest growing segments are Digital Media and Cloud platforms, with almost twice the CAGR of the other segments. This is a strong indication that the data explosion created by these global platforms requires a great deal of interconnection to deliver the right services to the right users at the right time.

Initially, these large platforms deployed network nodes in carrier-neutral facilities and kept data and compute capacity in remote locations. However, as the volumes of data started to explode and performance became a more important factor, their software architectures and network topologies evolved as well, and they began to deploy compute nodes closer to the end users.

We have now reached a stage where they are building global networks to move applications and data seamlessly across the globe to serve both businesses and consumers, and colocation is an increasingly central element of their architectures. In this new context, the demarcation between wholesale providers and retail providers is being redefined, as the key different is no longer the size of the deployment, but rather the connectivity requirements.

We are seeing an increasing number of platforms seeking to deploy their compute nodes in close proximity to the main connectivity hubs. In many cases, they are willing to pay a premium to sit right in highly connected data centres such as ours when the application requires the minimum number of network hubs.

This is the main reason you have seen our deal mix shifting towards a higher proportion of large deals over the past couple of years. It is not because we have been chasing wholesales deals, but because customers have realized that

even large deployments benefit significantly from sitting in highly connected data centres.

The interplay of platforms and connectivity is a perfect example of why focusing on communities of interest and the workloads that benefit the most from sitting in highly connected data centres has been and will continue to be the essence of our strategy. By enabling businesses to interconnect with each other, we attract the deployments that benefit the most from being part of the community and we are able to sustain the value of our campuses over time.

Please turn to Slide 18. Lastly, before we open the call to Q&A, an update on our guidance. A reminder about our approach – our approach remains to provide annual guidance for revenue, adjusted EBITDA and CapEx on our Q4 call each year, with a potential to potentially updating that guidance if appropriate during the year.

For 2018, our revenue and adjusted EBITDA guidance remains unchanged from what we provided in March of this year. That is, we expect total revenue to be in the range of EUR553 million to EUR569 million. We expect adjusted EBITDA to be in the range of EUR250 million to EUR260 million. With our capacity expansion released earlier this week, we increased our CapEx range to EUR365 million to EUR390 million, from a previous range of EUR335 million to EUR365 million, to take account of our additional expansion initiatives.

Before opening the call up to Q&A, I would again like to thank all of our employees in all of our countries for staying focused on our customers and 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 for Interxion.

And now let me hand this back to the Operator to begin the question-and-answer session.

Operator: So just a gentle reminder how to ask a question, please press star and one and wait for your name to be announced.

And our first question today, from Citi Research, comes from the line of Michael Rollins. And your line is now open, sir.

Michael Rollins: Hi, Good morning. Two questions, if I could. First, I was wondering if you could talk a bit more about your pan-European portfolio and are there additional markets, like you did with Marseilles a couple of years ago, that you want to expand into as you look out as to where demand is evolving.

And then, secondly, if I could, just in terms of the competitive market, if you can give an update in terms of what you're seeing? Some of the other data centre companies that operate in Europe have talked up development in Europe. And wondering if you're seeing any impact competitively on pricing or on share from that. Thanks.

David Ruberg: OK, Mike, first of all, on the pan-European, I think as we've said many times before we are focused on putting ourselves in the position where we can address the GDP. And at the present time for the markets that we encompass or search or deal with, we are approximately 75 percent to 80 percent have access to the GDP. And so without revealing anything that I shouldn't reveal, I believe that we have – we're positioned in the right locations and focused on the right opportunities.

In terms of the new entrants, I think over all I would say that this market and the growth that we're seeing is large enough to support the 3 or 4 large participants in this market, and at least to date we have not seen any impact on pricing. As I said, it remains stable.

Do you have anything you want to add?

Giuliano Di Vitantonio: Yes, I would echo the fact that pricing has remained stable across all the deal sizes. All the data we have point to the fact that our market share has increased, so to answer your question.

And as David mentioned in his prepared remarks, at the end of the day the competitive differentiation that we have is the strength of the communities of interest that we've built over the past 15, 20 years. Those are not easy to emulate. Those provide a stickiness to our communities that it would take a



long time for some of these new players to match. So they may go after other type of deals than those that we identified as the right target for us and those that the customers seek us for.

Michael Rollins: Thanks very much

David Ruberg: OK, Mike?

Michael Rollins: Yes. Thank you.

Operator: Thank you very much indeed, sir. Now our next question from William Blair comes from the line of James Breen. And your line is open, sir.

James Breen: Thank you very much. Just with respect to the increase in CapEx and the additional expansions, are these coming from demand you're seeing from existing customers or new customers? Just wondering about the mix of where the incremental sales are coming from. Thanks.

David Ruberg: What are the mix from incremental sales? I think, as we indicated in the prepared remarks, the balance is relatively consistent. In the short term and the medium term, we will probably see a little more of the demand come from the platform providers, whether it be Cloud and/or Digital Media. But it's been pretty consistent across the board and reflective of, essentially, what we said before, which is where we are and we're expecting to be over the next couple of years.

Anything you want to add?

Giuliano Di Vitantonio: Just that we have a very steady flow of new customers every quarter, that being constant for several quarters now. So we expect that to increase, again once the hybrid Cloud adoption reaches the inflection point that we're starting to see.

David Ruberg: James, I don't want to beat our chest too much or pound the drums too much, but one of the things that we get asked a lot is, we see a lot of people changing their strategies, are you going to change your strategy?

And I think we've been very thoughtful about this over the years. We've given a lot of consideration to it. And we're not about to change our strategy, because we don't need to change our strategy. And I think what we've been doing for the last couple of years has been quite successful, will continue to be successful and is reflected in the numbers. So we're going to continue to do what we've been doing.

James Breen: Great. Thank you.

Operator: Thank you very much indeed, sir. Your next question from Barclays comes from the line of Amir Rozwadowski. And your line is now open, sir.

Amir Rozwadowski: Thank you very much for taking the questions. Two, if I may. Really appreciate the color around the evolution of connectivity requirements that you folks provided. If we think about that evolution in the attractiveness of the communities of interest, is there an opportunity set to increase some of the pricing that you guys are providing into the marketplace right now, given some of the rising needs for connectivity that you had mentioned?

David Ruberg: The short answer is, yes. The longer answer is, how do we do the pricing in the first place? So we've gone through a transition as we have migrated from non-recurring to recurring. We're looking for a stabilization period this year in terms of how we deal with this pricing, billing, things like that. And we're looking to then reflect next year on the value creation that we've done, and we will do a fair and responsible valuation in terms of what we do about pricing.

We've always been -- I would say we're conservative, but our goal is a long-term goal based on building communities of interest, attracting the right people and charging a fair, reasonable price.

Did I answer your question?

Amir Rozwadowski: That does. That does. Thank you. And then, to the earlier question around the competitive dynamics of the region, as you folks mentioned, you do -- it does seem as though you're outgrowing the market, or at least gaining share in the marketplace. How should we think about that dynamic, going forward, given some of the increased attention that other folks are playing to

the market? Do you believe there's an opportunity to continue to gain share? Could we see some of your growth ebb a bit as some of those players increase their role? Or really that flywheel of the communities of interest should provide a competitive moat regardless of other investments made by other players?

Giuliano Di Vitantonio: This is Giuliano. I'll take this one. Yes, your last sentence is key. Our competitive advantage will remain, regardless of who enters the market, but there are other factors at play here.

So first of all, we have developed a stronger relationship with some of these platform customers. We've now worked with them for 4 or 5 years in some cases. And so we have -- we're also gaining more visibility into that future demand. Besides the bookings that of course, as David pointed out, have been very strong in that segment, we also have much more visibility into their future demand. And so some of these builds that you saw announced are also predicated on the fact that we have visibility into future demand from those customers.

And also, equally important, the run rate of the smaller deals, connectivity providers, enterprises, system integrators, they are becoming more and more predictable.

So it's really the complete mix that we are seeing that is very favorable to us at the moment. So it's more visibility into demand, the good mix, the competitive advantage we have with the connectivity foundation. All of those things remain in place regardless of whether some new players come in.

Amir Rozwadowski: Thank you very much for the incremental color.

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

Frank Louthan: Great. Thank you very much. Some of your competitors have discussed several alternative ways to raise capital for some discrete projects, some JVs and so forth, I think largely from some sovereign wealth funds and so forth. And none of them have ever really pulled this off, but they're all sort of

discussing it. And in hearing it being looked at increasingly for hyperscale builds in Europe as well, have you considered any of these sort of ways to raise capital and what are your thoughts there? And are you seeing any competitive inroads from anyone that's deploying this access to capital? Thanks.

David Ruberg: OK. Frank, your first question, have we thought about this, yes. We have thought about this for quite some time. Have we seen anybody make any inroads in Europe? Not really. And we will continue to look at these opportunities as long as it meets our long-term goals, which is a return on invested capital, the ability to control these assets so we can deliver the quality of service, the structure of the service and the communities of interest that we have been doing for the last couple of years which has put us in the position we are.

So yes. And again, not only have we approached people but they've approached us. So it's -- capital is one of the elements. It's what you do with the capital that is even more important.

Frank Louthan: OK, great. Thank you.

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

Jonathan Atkin: Thanks. So you talked about strength in France. I wondered if you could sort of break out Paris within that? Is it seeing comparable growth or less growth or greater growth, for that matter, than Marseilles?

And then the second question is more on product. I noticed on your websites that there's a product next to colo and interconnect called Key Guardian, which seems to be similar to a product that Equinix is rolling out, as well. I wondered if you could sort of discuss that and any other products that are in the works that you might be considering as an extension beyond your core data centre offerings. Thanks.

David Ruberg: Jonathan, I'm going to turn this over, the second question, to Giuliano.

Giuliano Di Vitantonio: So yes, on the product front, I'm glad to see that you pay attention to our website in detail. Thanks for that.

So we clearly focus a lot on creating as much innovation as possible for our customers, and we tend to follow a few criteria. First of all, these products need to be aligned to our strategy, and our strategy is to create these communities of interest with a strong focus on hybrid Cloud at the moment as the main driver of that strategy. So that's the first criteria.

The second criteria, we want to make sure that the offerings that we develop keep us neutral in the market. We don't want to develop competitive offerings to our customers. So we really emphasize the fact that we go for products that retain the neutrality for us.

And the third one, and that's probably why we haven't made as much noise about Key Guardian, is the fact that we always engage in a pilot with customers before we broadly announce our product. So in the case of Key Guardian, this is a solution to help customers manage their Cloud keys, Cloud access keys, which is a key component of the data protection environment and making the access to the Cloud more viable in a colocation environment.

So we are piloting with a number of customers and the product partner to develop this offer. It's in an advanced stage of development and piloting. But as we've done in previous occasions, we don't really go public very broadly until the product is in a more mature stage. It's the same approach we took with Cloud Connect and it's working for us. So we'll continue doing that.

David Ruberg: To follow on what he said, our approach is to work with our customers to come up with products and service which augment, but not supplement, our core business. So Giuliano was focused on those things that facilitate people migrating to the Cloud, and they have been involved in these discussions for quite some time.

Back to your first question, which is Paris and Marseilles, we are seeing very good business in Paris, obviously in Marseilles. But what I wanted to comment on is the dynamics that are changing. Paris has been late to the

game in terms of the Cloud platform, but that is evolving not just for Paris but because of France's position given Brexit, given Marseilles position. And so we're seeing an evolution where people are looking at France, not Paris, not Marseilles. They're looking at France collectively in terms of how they can meet the needs.

And so you're beginning to see some of the OTT providers, instead of going to Ireland or going to the U.K., are now starting to come into the west coast of France and go directly into Paris. You're seeing people coming into Marseilles as a way to get to Paris. So we actually need to look at this in terms of the two of them together, not individually.

So Jonathan, I hope that answered your question.

Jonathan Atkin: Thank you. And then any kind of update on Science Park. That deal has closed and it's been integrated, but any sort of trends to call out in terms of whether cross connects or type of demand you're seeing there?

David Ruberg: Things are going very well. We've announced a build. And what we need to do, before I answer your question, is we need to build. We're out of space, we're out of power. It's done exactly what we expected to do. It's enhanced our network ISP and network position in Amsterdam. And if we can build some more space around it, which we will, it will continue to enhance our position. So yes.

Jonathan Atkin: Thank you.

Operator: Thank you very much indeed, sir. And just once again, to ask a question, please press star and one on your telephone keypad.

And our next question from Cowen & Co. comes from the line of Colby Synesael. And your line is now open, sir.

Colby Synesael: Great, thank you. Two questions, if I may. First off, regarding the color you talked about towards the end of your prepared remarks, platforms I think you said had 35 percent of revenue. I was wondering if you could tell us what percentage of revenue platforms were maybe a year or two ago. Or maybe a

different way would be to say how much of the growth we've seen over the last year or two has really come from that segment of your verticals.

And then as part of that, you mentioned that pricing has been stable. But I have to assume for these larger deals you're giving some form of discount to these platform customers relative to the aggregate base. Can you give us any color on what that discount might look like? And I guess part of what I'm looking at to support that is that your return has gone from maybe 26 percent 2 years ago now to about 23 percent. So it does seem like there is something there.

And then as it relates to my other question, ARPU was down about 1 percent on a quarter-over-quarter basis. It looks like you're now including Science Park in your cabinets that you weren't previously. How much of that is a result of maybe lower ARPU at Science Park versus maybe other trends that are affecting that? Thank you.

David Ruberg: Hi. The first part of your question, Colby, a year ago, a year and a half ago, 2 years ago, it was approximately -- the platforms were approximately 30 percent of our revenue.

On the whole range of other modeling questions, do you ...

Richard Rowson: Colby, this is Richard. I'll cover those. Firstly, on the ARPU point, ARPU quarter-on-quarter went up by about EUR1. It went -- and about just under about EUR1 of that relates to Science Park. So I think you made the comment that our ARPU had declined quarter-on-quarter, but actually it's increased.

Secondly, if you look at the return slide, we're still getting cash returns of 23 percent, and that's consistent with what we saw across the bulk of last year. We had an increase to 24 percent in Q4, but 23 percent is consistent with what we've seen. We also see a slight impact as we bring on the new sites at the beginning of the period. And as they increase the revenue on those sites for managing cross connects and the like, we see an increased benefit from those.

And I think you may recall from a previous call we had, we had pointed out that one of the impacts that we've seen in that calculation has been the

increase in land that we've purchased over the period which has had a slight reductory impact on the cash return number. (Inaudible).

Colby Synesael: So I guess your point being is that -- no, that's very helpful. So your point being that on the platforms, I guess whether price is the same or different relative to the base, your point would be that the returns have remained relatively steady even as you shifted more to that platform customer.

Richard Rowson: That's correct.

David Ruberg: Again, remember, Colby, we're building a community of interest around these people and that is reflected in this, the value of not just the platforms but their ability to draw these. OK?

Colby Synesael: Great, thank you.

Operator: Thank you very much indeed. Now from Guggenheim Securities, you have a question from the line of Robert Gutman. And your line is now open, sir.

Robert Gutman: Hi, thanks for taking the question. On the construction backlog, once again how much is pre-committed or supported by contracts in hand? And if you could give some color not just on basically the balance of the sizes of deals, large or small, but as you emphasized today, maybe what proportion are higher connectivity versus lower connectivity. And then I have a question about the Frankfurt market.

David Ruberg: Well, again, for the new projects that we announced on Monday or Tuesday, it's approximately 25 percent. But as Giuliano remarked, we have much better visibility because of our relationship. And it's not just with the Cloud, it's also with some of the Digital Media and some of the enterprises. And keep in mind that some of these projects don't come online for 2 years. So we have very good visibility.

What was ...

Robert Gutman: High connectivity versus low connectivity (deal) size.



David Ruberg: Yes. I don't think it's -- we're going to comment on the size. But again, we have been doing this for the last 4 or 5 years. We've not changed our strategy. And you've seen the reflection of building these communities of interest over the last couple of years. You can assume that the mix is the same and the results will be the same that we have shown, with the one caveat that we expect that the platform providers, some of whom are, particularly Digital Media, require a lot of connectivity, will be a little higher than they currently are.

So it's really difficult for us to give you precise feedback on where we think the actual number is going to go in terms of deal size, but what we've done over the last couple of years is a pretty good reflection of where we're going to go.

Robert Gutman: OK. Thanks. And I just had 1 follow-on. If you could provide -- you talked a bit about France, but I was wondering, Frankfurt seems to be consistently very strong. And I was wondering if you could talk about or give us a little color on that more, because especially in the context of the 3 segments, the enterprise, platform and Connectivity segments, and the respective progress of those segments in that market.

David Ruberg: Well I could say it's very strong, and we could quit, but ...

Giuliano Di Vitantonio: I'll provide more color, Robert. So actually Frankfurt, as you mentioned, is the strongest market for us in terms also of the balance of the various customers we have. We have a phenomenal connectivity foundation which, frankly, is the main reason why everybody else wants to go to Frankfurt; frankly, Interxion Frankfurt.

We have of course a very, very solid demand from both type of platforms, both Cloud and content, because we have a combination of carriers that are very relevant to the Cloud platforms and ISPs, mobile operators that are very relevant to the content platforms. So both type of platforms are drawn to our campus in Frankfurt.

And it's also the country where we have probably the strongest enterprise presence. We have a number of important logos in the German market.

So Frankfurt is truly a city where we have the whole mix and in a very balanced way.

Robert Gutman: Great. Thank you.

Jim Huseby: That concludes our conference call for today. I want to thank everybody for joining us today. And we expect to report our next earnings results perhaps in early August. We look forward to speaking with you both on the road and then again in the future conference calls.

Thank you very much. You may disconnect.

Operator: Thank you very much, indeed, to all our speakers today. Thank you, sir.

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