INTERXION

Moderator: JIM HUSEBY
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Operator: This is conference # 25907881.

Ladies and gentlemen, thank you for standing by, and welcome to the Interxion fourth-quarter and full-year 2015 earnings call.

At this time all participant are on a listen only mode. There will be a presentation followed by a question and answer session. At which time if you wish to ask a question you must press start one on your telephone keypad. I must advise you that this conference is being recorded today on Wednesday the 2nd of March, 2016.

I'd now like to hand the conference over to Mr. Jim Huseby, Vice President of Investor Relations. Please go ahead, sir.

Jim Huseby: Thank you, Jessica. Hello, everybody, and welcome to Interxion's fourth-quarter 2015 earnings conference call. I'm joined by David Ruberg, Interxion's Vice Chairman and CEO; Josh Joshi, the Company's CFO; and Giuliano Di Vitantonio, Company's Chief Marketing and Strategy Officer.

To accompany our prepared remarks, we prepared a slide deck, which is available on the Investor Relations page of our website at investors.interxion.com. We encourage you to download these slides for use during this call if you've not already done so.

Before we get started, I'd like to he remind everyone that some of the statements we will be making 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 posted on our Investor Relations page at investors.interxion.com.

We would also like to remind you that we post important information about Interxion on our website at www.interxion.com and on social media sites, such as Facebook at Facebook.com/interxion and Twitter at @Interxion. We encourage you to check these sites for the most current available information.

Following our prepared remarks, we will be taking questions. And now, I'd like to hand the call over to Interxion's CEO, David Ruberg. David?

David Ruberg: Thank you, Jim. Welcome to our fourth-quarter and year-end 2015 earnings call. Please turn to slide 4.

Our 2015 Q4 and full-year results demonstrate that Interxion continues to produce solid results while executing on our communities market strategy and while allocating capital in a disciplined manner. Trends in IT continue to be in our favor, and Interxion spent most of 2015 strengthening our position by attracting cloud magnets to our data centers across the widest footprint in Western Europe.

We believe that we are still at the beginning of the next major IT investment cycle, as billions of IT dollars shift from legacy IT deployments to the cloud over the next several years.

As more and more applications shift to the cloud, we believe that most of the shift will go to a small group of cloud service providers, and we have increasingly focused on expanding our relationship with these key platform providers, and this focus helped drive our solid results in 2015.

Our focus on attracting these magnetic customers continues, and rather than slowing down, we see continued strong demand from this small group in 2016 and beyond.

Full-year revenue grew 13 percent, once again all organic. We focused on improving the efficiencies of our data centers, resulting in gross margin expansion of 160 basis points. Much of these efficiency gains were also realized in adjusted EBITDA, which grew 17 percent, expanding these margins by 130 basis points, to 44.3 percent for the full year.

We remained disciplined in our capital deployment in 2015, investing nearly EUR200 million, yet utilization increased from 76 percent to 78 percent. Expansions were initially focused in Frankfurt, Amsterdam, Vienna, and Stockholm, but we have broadened in the second half of 2015 and into 2016 to include Marseille, Madrid, Dusseldorf, Dublin, and Copenhagen.

Earlier this morning we announced four additional expansions to include two of our French markets, Marseille and Paris, and further and additional expansions in Dusseldorf and Vienna. This is consistent with the cloud and IT trends that are pushing compute power out to the edge and closer to the GDP, and I'll have more to say about that later.

Please turn to slide 5. As usual, Josh will be sharing the detail of our financial results later in the call.

However, I wanted to highlight that the fourth quarter of 2015 represents a milestone for Interxion, exceeding EUR100 million in revenue in the quarter, which compares to less than EUR90 million in the fourth quarter year ago and over 81 percent higher than our revenue five years ago when we went public, representing a 13 percent organic CAGR during a prolonged period of economic weakness in Europe.

Please turn to slide 6. We continued our strong operational momentum in the fourth quarter. We added another 1,000 square meters of new capacity in the quarter, and we also installed 1,100 revenue generating square meters, keeping our utilization strong at 78 percent. For the full year, Interxion installed 8,100 revenue generating square meters and added 7,700 square meters of new capacity.

With respect to other key metrics, our sales pipeline continues to be very strong. Demand remains healthy, and bookings were solid. Pricing continues to be steady, and revenue churn remained consistent with our historical annual range of between 0.5 and 0.75 per month on average.

Please turn to slide 7. During the fourth quarter, we opened a new data center in Dusseldorf and expanded in Vienna. In this quarter, recently, we opened Frankfurt-10. We continue to experience very strong demand in Frankfurt and are well positioned to adjust our customers' growing capacity requirements in this key market.

As I noted earlier, we announced four new expansion projects today to complement the four other projects we announced around last quarter's earnings call. Today, we announced our next expansion in Marseille, adding 800 square meters, as Marseille continues to be of high interest as a gateway for network providers, CDNs, and digital media players.

In Paris, we are expanding our Paris-7 data center to meet customers' orders where we are seeing demand among the service providers, national French enterprises, and financial services segment.

Vienna has also been a strong market for Interxion, and we are adding more capacity through 2016 and into 2017. Our Vienna campus is very highly connected, with over 100 carriers and ISPs, and is a strong gateway market to access the GDP of Eastern and Southern Europe. We opened 1,500 square meters of new capacity in Vienna during 2015, and today, announced another 1,400 square meters.

We also experienced a solid uptick of demand in Dusseldorf in 2015. Like our Frankfurt campus, our Dusseldorf site is highly connected, with over 100 carriers and ISPs, which feeds a strong digital media and CDN community and is home to a number of German enterprises, sometimes acting as a dual site with Frankfurt for larger enterprises.

During 2015, Interxion expanded Dusseldorf-1, and we later opened the first 600 square meters in Dusseldorf-2, and today, we announced the next phase of Dusseldorf-2, which will add another 600 square meters, and that is scheduled to open in the second quarter of 2016.

Please turn to slide 8. Throughout 2015, we continued our customer expansion, and we attracted significant customers through our growing communities of interest. Service providers continue to be the main source of growth for us, as a new wave in the cloud rolls out and is starting to ramp up in Europe.

Results in Q4 and the sales pipeline looking forward provide strong indications that the growth in this segment is pervasive across different types of cloud solutions, spanning both business-to-business and business-to-consumer platforms.

More importantly, we are continuing to make significant progress in attracting the magnetic deployments that are crucial to create communities of interest around these platforms. We will come back and discuss this trend in much more detail later in the call.

Our connectivity segment experienced solid growth in 2015, with Marseille now reaching the critical mass to contribute meaningfully to our top line. Since we acquired the facility in Marseille, we have attracted 24 new carriers to this data center, bringing the total to 83, and therefore, this is becoming a very important hub in the rapidly growing infrastructure to connect Europe with Africa, the Middle East, and the Far East.

The cloud and connectivity segments provide the foundation to grow other segments, and 2015 was a strong year across the board.

We had a very good year in financial services, where we continued to grow our customer base across Europe, and we further developed a strong community of interest in London with the win of the London Metal Exchange.

Two other segments that experienced healthy growth were CDNs and online retailers, on the back of the secular trend that is seeing business processes being digitized and moved to cloud-based solutions, which is fueling both IP traffic and online consumption, both of which create demand for colocation.

2015 was a transition year for European enterprises as they are assessing their options for migrating their legacy IT to the hybrid cloud. As discussed in previous calls, this migration is approximately 18 to 24 months behind the US, and the adoption of collocated hybrid cloud in Europe is being spearheaded by systems integrators, both global and local partners, other cloud providers that are aggressively capitalizing on the opportunity to help enterprises through the migration process.

The strong momentum that we're seeing in this segment provides a clear indication that our strategy is unfolding as anticipated.

As we navigate one of the most important transitions in the history of our industry, the focus on communities of interest has been a steady, consistent approach, and we have been very successful in identifying the magnets that are most likely to thrive and contribute to our environments.

You can expect to see us continue on this path in 2016, bringing additional value to both our customers and to our stakeholders. With that, I would like to turn the call over to Josh.

Josh Joshi: Great. Thank you, David. And welcome to everybody on the phone and online. I'd like to start by discussing the Group's fourth-quarter results with some additional color on our two geographic reporting segments.

I'll follow that with a review of our financial performance for the year, including capital expenditures, cash flow, and the balance sheet, and as usual, conclude with a few comments on our returns.

As we review our fourth-quarter and full-year performance, it's clear that the strong results we're reporting today demonstrate the continued focus and commitment of the people within the Company, on the operational and financial execution, and to the fundamental strength underlying the Company's business model. With that in mind, let's dive straight into the detail, and please turn to slide 10.

Interxion had a strong finish to 2015, continuing our track record of consistent quarterly execution. The Company delivered another record quarter of profitable growth based on solid execution and disciplined expansion. Total revenue in the fourth quarter was EUR100.7 million, up 12 percent organically compared to the fourth quarter 2014, and up 3 percent sequentially.

On a constant currency basis, total revenue was up 10 percent year over year and 3 percent sequentially. Recurring revenue in the fourth quarter increased to EUR95.1 million, a 14 percent year-over-year increase and a 3 percent sequential increase. Nonrecurring revenue was EUR5.6 million, reflecting another solid quarter of installations.

Quarterly nonrecurring revenue by nature is lumpy and historically driven by a number of factors, including installations, structured cabling, cross-connects, and other activity.

In the fourth quarter, the Company transitioned away from charging solely on a one-time nonrecurring fee for cross-connects and moved to a recurring fee model across all countries for all new cross-connect sales. We will be discussing our full-year 2016 guidance a little bit later, but we do expect our quarterly nonrecurring revenue to continue to be lumpy in nature and return to the slightly lower range of between EUR4 million to EUR5 million per quarter.

Recurring monthly ARPU increased by EUR4 from the last quarter. This was a little better than expected and reflects a number of factors, including deal size, geographic mix, increased energy utilization, and the impact of currency.

Looking ahead to 2016, recurring ARPUs are likely to be relatively stable at this level for most of this year, factoring in the new capacity we'll be bringing online that David mentioned, as well as other items that impact ARPU, such as the level of energy utilization and, of course, the impact of currency, et cetera.

Turning to costs. Cost of sales was EUR39.2 million in the fourth quarter 2015, up 6 percent year over year and 2 percent sequentially. Gross profit was EUR61.4 million, an increase of 16 percent year over year and 3 percent sequentially.

Gross profit margins were 61.1 percent, improving 220 basis points year over year and 40 basis points sequentially. We've seen a strong performance on gross margins over the course of the year, driven by the inherent operating leverage of the business, and also, in part, by improved energy margins.

Sales and marketing costs have increased to EUR7.4 million in the fourth quarter, an increase of 13 percent year over year and up 6 percent sequentially, due mostly to timing differences on marketing spend, as well as increased sales commissions.

Part of the increase in year-over-year sales and marketing costs reflect the continued investments we've made throughout the year in our strategic marketing organization. Nevertheless, sales and marketing spend this quarter at 7.3 percent of revenue continues to be at the low end of our expected range this year of between 7 percent and 8 percent of revenue.

As we look forward into 2016, we continue to expect to invest into our strategic marketing activities as we further develop and expand our communities of interest. Accordingly, I expect sales and marketing costs to remain in the 7 percent to 8 percent of revenue range into 2016.

Other general and administration costs, excluding merger and acquisition costs, were EUR9.2 million, up 19 percent year over year and 4 percent sequentially. Overall, other G&A costs were at 9.1 percent of revenue and at the low end of our usual range of 9 percent to 10 percent of revenue.

As we think about this and look forward into 2016, I'd expect other G&A costs to exhibit continued operating leverage and reduce as a percentage of revenue and be somewhere between 8 percent and 9 percent of revenues.

Adjusted EBITDA was EUR44.9 million, an increase of 16 percent year over year and 3 percent higher sequentially. Adjusted EBITDA margin increased to 44.6 percent in the fourth quarter, a 160-basis point improvement over the same period last year. With a strong increase in adjusted EBITDA this quarter, Interxion has continued its long track record of profitable financial execution.

Depreciation, amortization, and impairment expense was EUR20.2 million, a 17 percent increase year over year, consistent with the increase in the depreciable asset base driven by our investments in data center expansion. The fourth-quarter finance expense was EUR8.1 million, 1 percent higher than last year's fourth quarter and up 26 percent sequentially.

As a reminder, other last quarter finance expense was impacted by a EUR2.3-million gain on the sale of a financial asset which affected the sequential comparison.

The fourth quarter income tax charge was EUR2.6 million, which represents and effective tax rate of 17 percent. The effective tax rate was positively impacted by the revaluation of deferred tax balances in our UK and Swedish businesses. The underlying effective tax rate was 26 percent.

On an LTM basis, the cash tax rate was approximately 18 percent, which, in fact, was slightly better than expectations. As we look forward, our expectations on the development of the LTM cash tax rate have not changed. We expect the cash tax rate to trend up over the next two or three years towards effective tax rate levels.

Adjusted net profit in the quarter was EUR12.1 million, compared to EUR7.2 million in the same quarter last year and EUR8.7 million in the third quarter. Adjusted earnings per share was EUR0.17 on a diluted share count of 70.7 million shares, compared to EUR0.12 in the third quarter and EUR0.10 in the fourth quarter last year.

Now, let's take a closer look by reporting segment. Please turn to slide 11. The strong momentum in our largest geographic reporting segment continued, as revenue in the Big Four was EUR64.8 million, up 15 percent year over year and 2 percent sequentially. Recurring revenue growth was even stronger, delivering 16 percent year-over-year growth and 2 percent sequentially.

Consistent with prior quarters, we saw strength in Germany, both Frankfurt and Dusseldorf, and the Netherlands. Adjusted EBITDA in the Big Four was EUR34.8 million, with margins at 53.7 percent, higher than the fourth quarter 2014, but lower sequentially, due to the increased sales compensation in the quarter that I mentioned earlier.

Revenue in the Rest of Europe segment was EUR35.9 million, up 7 percent year over year and 3 percent sequentially. Recurring revenue growth was up a solid 10 percent year over year and up 3 percent sequentially. Adjusted EBITDA at EUR20.8 million was up 5 percent sequentially and a strong 15 percent year over year, with a strong margin of 57.9 percent, up both year over year and sequentially.

Austria and Sweden again had particularly good performances in the quarter, and we started to he see good gains in markets like Spain. Importantly, all of the seven countries in our Rest of Europe segment reported strong year-over-year margin performance in the quarter, and the Rest of Europe segment as a whole posted record profitability and margins in the quarter.

Despite the fact that macro conditions have remained generally difficult in Europe, particularly in the smaller economies, our ability to achieve consistently solid profitable growth in these markets reflects the resilience and attractiveness of our business model and the value proposition that we provide to our customers.

Please turn to slide 12 where I'd like to spent a little more time on the full-year results. For the full year 2015, total revenue was EUR386.6 million, a 13 percent increase year over year. Total nonrecurring revenue was EUR21.4 million, at the same level as 2014. Total recurring revenue was EUR365.2 million, up 14 percent year over year.

Gross profit was EUR234.9 million, 17 percent higher year over year, with gross profit margins up 160 basis points, to 60.8 percent. Adjusted EBITDA increased to EUR171.3 million, also 17 percent higher than 2014, and adjusted EBITDA margins were up 130 basis points, to 44.3 percent.

The solid improvement in margins again reflects the underlying operating leverage in the business model. 2015 represents the Company's tenth consecutive year of margin improvement, and our guidance for 2016 looks to maintain this track record of annual margin improvement.

Net finance expense for the year was EUR29 million, compared to EUR27.9 million in 2014. After taking into account the usual puts and takes, like the effective capitalized interest, for example, together with the previously mentioned EUR2.3-million gain on the sale of a financial asset, the underlying net finance expense increased by 8 percent.

By the way, all the adjustments for line items below adjusted EBITDA are set out in our usual reconciliation table, which you can find in the appendix, both of our earnings presentation and our earnings press release.

Now, reported net profit was EUR48.6 million in 2015, but this comparisons is skewed somewhat by the impact of this year's M&A break fee income of EUR20.9 million and the other puts and takes that I just mentioned. Taking these items into account, adjusted net profits was EUR37.9 million, up 17 percent compared to 2014. Adjusted diluted EPS were EUR0.54, a 17 percent year-over-year increase.

Moving to slide 13, let's discuss our capital expenditures. Our focus has always been to allocate capital to secure attractive and sustainable long-term returns. As evidenced by our consistent utilization rate, we deploy capital expand our saleable capacity to match our projected customer demand.

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

Capital expenditures including intangibles totaled EUR42 million during the fourth quarter, which brought the total invested in the year to EUR192.6 million, which is at a similar level to our investments in 2014 after you exclude the EUR20 million we invested on purchasing our Vienna campus last year.

In 2015, over 90 percent of our capital expenditures, that's EUR175.7 million, was invested in expansion and upgrade projects to meet customer requirements, with the remaining investments, totaling EUR16.9 million, for maintenance, IT, and intangible investments.

Infrastructure investments in Europe by the cloud platforms have tended to favor the bigger GDP economies, as part of the first wave, and certainly, these big markets, France, Germany, Netherlands, and the UK, have seen the significant majority of the initial cloud platform investment.

Looking at our capital spend by geography, we've invested EUR131.8 million in our Big Four markets, with over half of this invested in our thriving Frankfurt campus.

Indeed, Interxion's Frankfurt campus has for a number of years been one of the premier connectivity-led data centers in all of Europe, and when combined with the stronger German economy, our Frankfurt campus has been coveted by cloud platform customers and has made our campus arguably the single premier cloud hub in all of Europe, with continuing strong demand outpacing our supply.

Our Frankfurt campus is the classic example of connectivity, cloud compute, and access to GDP, combining to stimulate demand.

Notwithstanding the strength of our Big Four markets, we invested EUR55 million in our Rest of Europe markets with the largest investments being made in our Vienna and Sweden gateway markets.

We continue to invest to meet demand. And as David remarked a few minutes ago, we've already you announced an excess of 12,000 square meters of equip capacity coming online in 2016 and 2017. Accordingly, looking forward to 2016, we expect to slightly accelerate our capital investment on an (expansionary) data center investments, and we've you announced capital expenditure guidance of between ERU200 million and EUR220 million.

Please turn to slide 14. Interxion ended the year with EUR58.6 million in cash and cash equivalents, down from nearly EUR100 million at the end of 2014.

Cash generation in the year included EUR169.4 million of cash from operations and EUR15 million from the mortgage in Frankfurt. Uses of cash in the year included EUR192.6 million invested in capital expenditure and EUR42.3 million in cash interest and taxes.

Our blended interest rate at the end of the year decreased slightly to approximately 6.0 percent. With cash on hand, access to the EUR100-million revolving credit facility, and the strong cash generation of our data center assets, we have the financial flexibility and the funding to execute our expansion program.

Balance sheet ratios remain strong, with gross leverage at 3.2 times LTM adjusted EBITDA and net leverage at 2.9 times. Cash ROGIC, which is our return on gross invested capital, remained unchanged at 12 percent.

Please turn to slide 15. This familiar slide includes all of our fully built-out data centers as at the 1st of January, 2014. At the end of the quarter, these 28 data centers were at 83 percent utilization, with gross margins of 67 percent and annual cash returns of 26 percent, which we believe is an industry-leading return.

This collection of fully built-out data centers saw pretty stable levels of utilization and year-over-year revenue growth of nearly 5 percent. The key drivers remain increases in power capacity and energy consumption. We also achieved an increase of 6 percent in gross profit year over year, again, continuing the theme of increasing margins.

Recurring ARPUs for this group increased by over 3 percent over the year, with those data centers within our Big Four markets delivering, on average, nearly 6 percent in ARPU growth, driven by increases in the both power capacity and energy consumption.

Our disciplined approach in targeting magnetic customers, along with our strong operating and financial execution, continues to secure attractive, long-term cash returns. And with that, I'd now like to turn the call back over to David.

David Ruberg: Thank you, Josh.

Please turn to slide 17. As we have mentioned before, cloud is redefining the IT industry, and consequently, the data center industry. In this section, I will provide our perspective on how the evolution of public cloud is impacting the data center marketplace and requirements.

The public cloud can be broadly categorized into business-to-consumers platforms and business-to-business platforms. The business-to-consumer platforms, such as video and music streaming services, generate large volumes of (IB) traffic, and the end user experience is the primary concern for the providers.

Interconnection options to carriers and mobile operators play an important part in providing the critical balance to achieve the required performance as well as the cost efficiency to distribute the content to end users who do demand a high-quality streaming experience.

Consequently, we are seeing increasing demand from B2C platforms, that they seek colocation with connectivity providers to distribute their network and platforms closer to the end users.

Enterprise software as service applications such as CRM, ERP, and analytics, on the other hand, may have less stringent performance requirements and consume lower volumes of network capacity. Therefore, historically, we have seen software as service providers deploy one or more cloud platforms -- service platforms within Europe to serve their entire European base.

However, this is now starting to change due to enterprise data sovereignty concerns, which results in software service providers distributing their cloud platforms into countries where the requirements are stricter.

Infrastructure as a service and platform as a service are the foundation upon which B2C and enterprise software as a service are built. They move significant amounts of data and are much less more latency and cost sensitive.

As a consequence, we are seeing a clear trend towards distributing the deployments much closer to the end user applications to reduce the cost of connectivity and improve performance by reducing latency.

In the short term, the data center demand is being driven by infrastructure as a service, because it's the first model to be adopted by enterprises. However, in the medium to long term, we believe that what we will see will be more demand for colocation being driven by platform as a service, because applications will be rearchitected into the hybrid model to provide a more consistent operating environment that will allow them to optimize both cost and performance.

In this scenario, enterprise developers will have the option to place their application nodes as close as possible to the cloud platforms, which will drive larger enterprise deployments into carrier-neutral data centers.

Please turn to slide 18. The usage of cloud-oriented solutions by business and consumers leads to waves of investment by cloud providers. Today, we are seeing a new wave that is larger than any preceding wave and is having an important secondary effect.

As more applications migrate to the cloud, cloud platform providers are pushing deployments close to the end users so that the incremental demand is following the GDP to densely populated areas.

The trend started in the United States 12 months ago and is beginning to show up in Europe, where there is an additional factor of data sovereignty requiring certain data to stay within the country of origin.

Colocation benefits from this trend in two ways. The first is the increasing demand for cloud connectivity. And the second is the buildout of the cloud computing platforms themselves.

Initially, the cloud computing capacity was achieved almost exclusively through cloud providers' own dedicated facilities, but now cloud providers are increasingly relying on third-party solution as their infrastructure requirements shift from centralized architectures to distributed architectures.

Cloud providers are choosing these highly-connected locations for workflows that require proximity to the end users and high performance, with performance defined in both terms of quality and latency. Cloud providers are trying to strike the right balance between large bespoke facilities and smaller deployments in shared facilities to be closer to the end user.

The resulting demand for data centers, we believe, can be categorized into five types of deployments. One, these hyperscale deployments -- and by the way, these are our words, not necessarily the industry's.

These are 50-megawatt plus in facilities owned by the cloud providers themselves, typically in locations chosen for low cost of land and energy. These deployments are focused on creating economies of scale for workloads with lower performance requirements.

Large deployments, 10 to 30 megawatts. These are showing up in third-party facilities fully dedicated to one provider and not necessarily highly connected. These deployments are typically focused on a compute capacity of applications that don't require a high degree of connectivity or responsiveness.

Mid-size deployments, 3 to 10 megawatts, in third-party facilities fully or partially dedicated to one provider, but with high carrier density. These deployments are typically focused on applications that require a high degree of connectivity and a footprint to serve a large geographic area or a very densely populated area.

Edge deployments, 1 to 3 megawatts. In shared carrier-neutral facilities, these deployments tend to be focused on applications with high performance requirements. They are typically the country-led infrastructure as a service or platform as a service platforms that are being distributed closer to the end user, hence, the term move to the edge that is starting to be used in the industry.

The fifth category is network deployments, approximately 300 kilowatts and shared carrier-neutral colocation facilities. These are the network nodes that enable public and private access to the public cloud platforms and distribution of content and computing services to end users.

These have been rolled out across the major markets in Europe in recent years, and we're seeing the coverage expand to most European countries. Within this spectrum we are focused on those deployments that generate good IRRs and have the potential to be the magnets for the colocated hybrid cloud solution for enterprises.

Network deployments are the natural targets for us, and we have earned a leading market share in the cities where we operate. In particular, we enable private access for our customers to the four leading enterprise cloud service providers.

Edge deployments are emerging as a new growth opportunity for carrier-neutral colocation providers like Interxion. This demand is incremental, and it is different in nature from the traditional retail business. But it provides very good returns and investments because of its higher power density and connectivity requirements.

We expect the growth of our business to be largely driven by cloud in the next few years, both from this wave of investment by cloud providers and from the communities of interest that will form around these platforms.

Please turn to slide 19. Before getting to the specifics of our guidance for 2016, I'd like to remind you again about our guidance philosophy. Our approach is to provide you annual guidance for revenue, adjusted EBITDA, and CapEx on our Q4 call and publicly update that guidance as appropriate during the year.

For 2016, we expect total revenue to be in the range of EUR416 million to EUR431 million. We expect adjusted EBITDA to be in the range of EUR185 million to EUR195 million. And we expect our capital expenditures to be between EUR200 million and EUR220 million. And most of this capital is for projects that we've already announced.

Before opening the call up to Q&A each quarter, I conclude our prepared remarks by thanking our employees for staying focused on our customers and executing against our business plan. And I'd like to say it's an honor to work with such committed people.

I would also like to thank our shareholders and bond holders for their continued support. It is definitely appreciated. Now, I'd like to hand the call back to the operator to begin the question-and-answer segment. Thank you.

Operator: Ladies and gentlemen as a reminder, if you wish to ask a question please press star one on your telephone keypad and wait for your name to be announced. That’s star one to ask a question or simply make a comment. If you wish to cancel your request please press the hash key.

And your first question comes from the line of (Jonathan Schildkraut). Please ask your question.

(Jonathan Schildkraut): Great. Two questions if I may. The first, David, is to drive a little bit deeper around sort of the cloud commentary that you provided. Thank you for all the detail, particularly sort of laying out of the time frame for adoption in Europe.

I guess my question is, and would be helpful in understanding is how does Interxion differentiate relative to the other guys? I understand it may be sort of a first to market or building a better community and Josh did a nice job describing the strength of the Frankfurt asset but over time is there ample opportunity for multiple providers across Europe to really benefit from this trend or will Interxion be able to be better positioned than some of its peers?

And then the second question probably for Josh here is really on the MRR conversion around the cross-connect. I think that's an exciting transition for the Company, opens up long-term opportunity around interconnect model.

Maybe if you can give us a little color on the implications if there was any on 4Q revenue MRR and then in terms of 2016 the same, you know, what kind of headwind do you expect that conversion to create over the short term? Thanks a lot.

David Ruberg: Thank you, Jonathan. On first question, how we differentiate ourselves, I think the answer is relatively simple, to ex spouse and very difficult to implement.

It's a matter of execution. It's a matter of focus on who you want and how you're going to go after it. You can't be masters to all people and so we have been consistently focused on this hybrid cloud solution and what it takes to build that and because of that, we have gotten quite a reputation from the platform providers of being able to understand their issues, to be able to formulate approaches with them and their partners that give them the perspective that we have a better value proposition than others.

We've done so in spite of the fact that many of these platform providers have originated United States and had a relationship with other providers who provide service in the United States and in spite of us being at a distance and an arm's length we were able to convince them we understood their problems, we could help create value better than others and that's what we've done. It's an execution issue. It's a focus issue.

And that's why I'm he delighted to have the employees in this Company that understand that.

(Jonathan Schildkraut): Thank you.

Josh Joshi: Jonathan, this is Josh. Just on cross-connect, look, just to remind everybody on the call that European cross-connects versus US cross-connects fundamentally have been different as a thesis for many years.

In the US, cross-connect revenue associated with Internet exchanges are actually the providers whereas in Europes cross-connect revenues associated with Internet exchanges are in fact third party revenues and not our revenues.

And then as we talked on prior calls, we spent a lot of time looking at, particularly in our Frankfurt, in our German business, about the development of cross-connects and moving from a nonrecurring model, which has been the historical model that -- particularly in our business that we've used to bill for cross-connects and changing that monetization framework and moving the monetization to a he recurring revenue process.

And we've had quite a lot of success in Germany over the last year or two as we develop that model. And in the fourth quarter as I mentioned in my prepared remarks, we moved the business across the rest of our Western European platform to a recurring model.

The consequences of that as you rightly pointed out and inferred is a reduction in nonrecurring revenue. The obvious question that it begs is what happens to he recurring revenue and our approach has been -- our monetization approach has effectively been if we're charging X on nonrecurring revenue, then we're likely to monetize that X over a two, three, depending on the market, four year period on a recurring revenue model.

So don't expect the recurring revenues to come flowing in from nonrecurring to recurring in the same year. Maybe putting some numbers on that, we saw nonrecurring revenues from cross-connects at about just short of EUR4 million in 2015.

Now, what I expect to see in 2016 is object obviously. Substantively reduced and we see the development of recurring revenue over time. I hope that answers your question.

(Jonathan Schildkraut): It does. If I can ask just one more on a follow-up basis. I'm looking at the constant currency revenue growth for this year and for next year and it's really about 10 percent in each year.

So pretty flat. And I'm just wondering if you guys have made any sort of currency assumptions or that you're just expecting sort of steady percentage growth as we look at 2014 and 2015 -- pardon me, 2015 results and 2016 expectations.

Josh Joshi: As we looked forward into 2016 there are a number of puts and takes in the numbers. Currency being one of them. The change in the. Obviously has an impact in the way the numbers grow. And obviously we expect our deployments and the way that that develops over time also to have an impact on the way that the revenue would flow.

As an example, we announced something like 12,000 square meters, 12,300 meters of equipped space coming online, about 10,000 of it coming online in 2016 and something like 65 percent of the 10,000 is coming online in the fourth quarter.

So as you can see the development of the business and the development of revenues over time. As a business and the way that we're positioned at the moment in the industry, I think we're very delighted about our positioning.

(Jonathan Schildkraut): Thanks for taking the questions.

Josh Joshi: Thank you, Jonathan.

Operator: Your next question comes from the line of (Tim Horan).

Ladies and gentlemen, to allow everyone to ask a question, you are limited to ask one question per person.

Your next question comes from (Tim Horan). Please ask your question.

(Tim Horan): Thanks a lot, guys. Dave, can you give us a little bit more color why the -- I guess it's the larger public clouds are moving to edge, was there any specific applications or something that specifically growth that process a year ago?

And really how important is that to your business? Thanks.

David Ruberg: One of the interesting elements of this entire cloudy is people seem to think that it is well articulated in terms of what's the network topology and what are the applications. It itself is being the -- the roll-out of this is being modified as they figure out how people are going to use them, what applications are they going to convert first.

And what you're seeing is, this is why the bifurcation and the structuring is that some of these applications really do require close proximity. They require as we tried to depict in one of the charts a number of key parameters that require access to huge data, that require latency, cross control, quality of use, and the way that you resolve this in some of these cases, not all, but in some of them is by putting the compute nodes closer to where the users are. This is an evolving architecture.

The original implementation was to build these monolithic centralized solutions. Europe, which has a state of sovereignty issue, you look at that state of sovereignty but if you really look behind it you'll see its cost and response time and it's something that is evolving as people start to really use these platforms.

(Tim Horan): So this is a very positive trend for your business, not to put words in your out?

David Ruberg: I think it's not only positive fors us but I think you've seen with some of the announcements in the United States I think you've begun to see this effect filter back to the United States with some of the announcements of wins by some of our in our industry, yes he.

(Tim Horan): Thanks so much.

Operator: And your next question comes from the line of (Milan Radia). Please ask your question.

(Milan Radia): Hi, thanks very much. Just following on from the comments around enterprise demand and that becoming a meaningful feature. I'm hearing that from a number of different data center operators.

Are they using their own internal IT departments or are they typically working happened in hand with integrators and does the industry need to shift in any way closer to the model of acquiring sort of cloud service provision capabilities as they did with to try and facilitate more directly some of the enterprise ambitions to partake in some of the cloud platforms that are already in your data centers. Thank you.

David Ruberg: Hello, Milan. I'm going to let our chief Mark continuing officer answer that one primarily. Keep in mind, we're early stages of all of this. There is no single unique solution that fits all sizes.

And so it also depends upon what your orientation is in terms of you how you want to collaborate with people. So there's experimentation on their side, experimentation on our side. And Europe is a little bit different than the United States.

Giuliano Di Vitantonio: Hi, Milan, this is Giuliano. At this stage we see the system integrators playing a critical role and there's really two categories of system integrators that we work with.

First there's the large global system integrators that play a critical role in taking large enterprises to their migration process he's to cloud. And that's one wave of engagement that we have with enterprises. And then there's the local partners for the cloud providers.

These are managed service providers that are more at a country level that are shifting their business model from supporting more or less softer license base model to really providing access to the cloud. So these are smaller providers that are working with smaller enterprises.

So by working on these two-pronged approach with the large global system integrators and the smaller managed service providers in the countries we believe we have very good access right you now to the full spectrum of enterprise customers.

So at this point we believe this had is sufficient for us to really get access and penetrate that market.

(Milan Radia): Makes sense. Thanks very much.

Operator: And your next question comes from the line of (Matthew Heinz). Please ask your question.

(Matthew Heinz): Thanks. Good morning. I wanted to further explore the concept of edge migration. I guess as we hear more you about the growth of the edge and micro data center providers such as edge connects moving into Europe can you help us understand the impact this has on traditional retail or carrier neutral colocation and further, would this be an area that would owe potentially make sense for future M&A or even organic expansion?

David Ruberg: I'm going to try and look behind the question you asked. This is not impacting carrier neutral in the way I think you might think it is. This is not replacing. It's not displacing. It actually is a natural consequence.

It's like the carriers 10 years ago when they would put Class 1 pop and then as the traffic picked up or it became important, cost reduction became more important they put a Class 3 pop.

What you're seeing is instead of them just put connectivity and backhaul is to where their compute nodes are, it makes sense for certain level of application to put the compute node right next to the on and off ramp.

So it does not adversely impact carrier neutral and actually it is the facilitator of the hybrid co-located solution. And it is over time something that will generate substantial for us communities of interest. Did I answer your question?

(Matthew Heinz): That's very helpful. I guess it seems kind of like a spoke to the spoke. If the hyper scale data center is the hub then I guess we're talking about a spoke of a spoke.

So just as a follow-up on the nonrecurring revenue shift, should we see that 1 million euro or so per quarter from cross-connects kind of come out of nonrecurring right away or is there more of a gradual decline by quarter as we move throughout the year?

Josh Joshi: Well, Matt, thanks for the question. In terms of any future guidance on the numbers, I think in my prepared remarks I made it relatively clear in terms of you how I see that developing over time.

I would expect nonrecurring revenue to be in the range of something like 4 million to 5 million per quarter as we get into -- as we go through 2016. I'd remind you, Matt, that nonrecurring revenue is lumpy for many reasons and is not just about cross-connect at all.

So we could see both positive and negative movements, both ends of that range. But that's how we thought about the guidance for this year.

(Matthew Heinz): OK. Thank you very much.

Operator: And your next question comes from the line of (Michael Rollins). Please ask your question.

(Michael Rollins): Hi. Thanks. A question and a follow-up if I could. On the question, David, I was just wondering if you could just take us a step back a little bit on your global aspirations for the business you talk about from time to time and, as you look at your competitors' results and you look at your own success, are you seeing any change in the urgency to gets closer or be a part of the more global solution?

And then Josh, if I could on the guidance, in past public presentations you've mentioned before you gave the 2016 guidance the idea of a back end loading to it and you mentioned a few different things on the call today that could influence that.

Can you summarize that and maybe help us understand how back end loaded to think about the results may be, just to get a better sense of how the year will flow. Thank you.

David Ruberg: You want to answer that.

Josh Joshi: Sure. Thanks. Let me take the guidance question first. As you know, we don't provide quarterly guidance. But there are a couple of things that I identify. We talked about the way that the space was coming on and we've talked about the way that the -- I would expect the nonrecurring revenues to develop.

We've traditionally seen something like 49 percent, 51 percent development of revenues between first half and second half. I would, again, depending on currencies, depending on a number of different factors, I would problem he probably expect it to be slightly more weighted to the back half than the front half.

(Michael Rollins): Thank you.

David Ruberg: On the question of global, certainly not really going to address timing, we have seen no negative impact in our ability to deliver results, whether we are global or not he global.

The biggest impact that we face and I think everybody realizes this is the uncertainty of the economic environment here in Europe. Out of that uncertainty economic environment it is actually encouraging that cloud providers to accelerate their deployments.

So for the foreseeable future I think we are very well positioned to be one of the key implementers of this roll-out of cloud infrastructure and provider in Europe. So we've not seen any negative impact at the present time.

(Michael Rollins): Thank you.

Operator: And your next question comes from the line of (Colby Synesael). Please ask your question.

(Colby Synesael): Thank you. If I look at your square meters added the last two quarters, so third quarter, fourth quarter, compared to the six quarters before there was a notable slowdown. And when I look at your year-over-year growth rates on a constant currency basis through the course of 2015, there's also a slowdown in each of the quarters.

And I'm curious how much of that is simply a lack of supply? I appreciate obviously this could be back end loaded in 2016, versus some of those very large cloud buildouts that we saw in those first six quarters, so all of 2014 and then the first two quarters of 2015. Basically being done and now really to he see that reacceleration we need to see that take-up now happening in those other markets.

And then just a follow-up I guess to the questions around cross-connect. I think in the past you've actually disclosed what percentage of revenue is now coming from interconnect or cross-connects and I think you've also given us the cross-connect number.

With you now charging more on a recurring basis I was hoping you could give us those numbers and I was curious if that's something you're going to start giving us on a more consistent basis so we could start to track your progress.

David Ruberg: To the question that you asked, if I could rephrase it, if we had more capacity today could we sell more and would we accelerate our growth rate and the answers is yes. So on to you.

Josh Joshi: I think in terms of -- there are a couple of things that I would ask you to remember, Colby. Firstly, as we've developed our business we have continued and in fact increased our utilization over time.

As we go forward into next year, yes, in some markets our demand exceeds the supply in terms of the way that we can build it and we're going to bring the supply on. We'll be going into the available inventory that we have and I think that that, the way that we set it out, I think that that shows the development.

Sometimes -- I agree that as we bring equipped capacity online it frees up our ability to bring through more revenue generating space. But there is always a little bit of room to maneuver and room to breathe in terms of the available utilization, although over time we've continued to improve our utilization.

In terms of cross-connect, yes, we've talked about the fact that we -- as we have developed cross-connect, our cross-connect model in Europe over the last 12 to 24 months, we've seen success in Germany and I think Germany showed cross-connect revenues something like 9 percent of revenue.

As we think about the business going forward, we're certainly evaluating what kind of metrics make sense to share with the market. We're not ready yet to share any specific metrics but we're thinking about it and we'll get back to you over the next several quarters as to which metrics make sense.

(Colby Synesael): Great. Thank you.

Operator: Thank you. And your next question comes from the line of (James Breen). Please ask your question.

(James Breen): Thanks. Just wanted to piggyback a little on the he question around sort of growth and buildout. As you think about the growth which has been consistent from a percentage perspective, how do you look at that in terms of new customers coming on relative to existing customers, building out more space with you?

And how does that affect your planning process when you think about adding space? Thanks.

Josh Joshi: Thank, Jim. There are some he metrics that we look at regularly. As an example, of our new business that we're winning, how much is coming from existing customers and the trend is actually very attractive. We're seeing 60 percent to 70 percent, sometimes 80 percent to 90 percent of our new business coming from existing customers.

So the visibility that we get on a go-forward basis in terms of what our customer requirements are pretty attractive. If you look at what David and are doing and their teams in terms of getting closer in partnership with some of the key cloud platform provider, I think we get a really good idea about what their plans are, about how we can help them in those plans.

And so not only do we get the visibility of bookings going forward, we also get a much -- a longer term perspective of how they're thinking. We're deploying something like 12,000 square meters of capacity, that's coming online over an 18 month time frame.

We're deploying in 2016 something like EUR200 MILLION to EUR220 million of capital expenditures based on our guidance. More than half of that of both of those metrics, more than half is based on, you know, actual customer requirements, real visibility that we can see.

So none of this is speculative. We've got real demand that we're building to and pedaling quite hard to meet that demand. I hope that answers your question.

(James Breen): That does. And just as a follow to that, when you look at your CapEx guidance, can you give us some color around how much of that is sort of already spoken for relative to the buildouts that you've announced this year?

Josh Joshi: Well, look, our approach to capital guidance is -- we always have some portion of our CapEx in relation to builds that we actually haven't yet announced. In this case actually a significant portion, the majority I would say relates to builds that we've announced already and a smaller portion of it relates to builds that we haven't announced.

(James Breen): Great. Thanks.

David Ruberg: That concludes our conference call for today. Thank you all for joining us. We look forward to speaking with you again both on the road and on our next earnings call which will be in early May. Thank you very much and you can disconnect now.

Operator: Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation.

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