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2019 Annual General Meeting – CEO's Address

FY19 was another year of record growth and accomplishments. I won't go over the financial results again, but I do want to take this opportunity to emphasise the significance of the growth in our customer numbers, up 22% from FY18 to FY19, and the continued acceleration of interconnections, up by 27%. These key metrics demonstrate the breadth of our premium data centre services business and highlight the unique value of our data centre platform that is increasingly differentiated by the depth of our ecosystem.

Our connectivity solutions represent a rapidly growing recurring revenue stream for us, creating connectivity between cloud platforms, ecosystem partners, carriers and customers and representing the glue that binds the network effect of the digital economy.

The 4th industrial revolution
We live in extraordinary times, the digital age and the age of the customer. Every second of every day our society creates unprecedented volumes of data, which is streamed, shared and accessed from a myriad of connected devices.

It is estimated that every 18 months, we create the equivalent total sum of data created since the beginning of mankind. This information explosion is forecast to accelerate exponentially as a result of further advances in cloud computing, the Internet of Things, 5G and artificial intelligence to name a few. We play a pivotal role in the new 4th industrial revolution, as we design, build and operate the critical infrastructure platform that will fuel the growth of the digital economy.

Hyperscale facilities and the hybrid multi-cloud
NEXTDC has built strategic partnerships with the world's leading technology companies such as Amazon, Microsoft, Google, IBM, Oracle and Alibaba. Our Cloud Centre partner ecosystem comprises more than 550 of Australia's leading ICT services providers who have points of presence within one or more of our facilities. This combination allows us to offer customers the market's leading services they need to develop hybrid multi-cloud architectures.

There are many good reasons why we can all be confident that demand for colocation data centre services will continue to boom. In 2017 alone, the largest public cloud providers collectively spent $75 billion capex on data centre deployments. Meanwhile, analysts predict that network traffic within hyperscale data centres will quadruple by 2021.

The evolution of IT continues
Leading research and advisory firm, Gartner, predicts that 80% of all organisations will shift their workloads to colocation and cloud-based computing models by 2025. It also estimates the global market for hybrid cloud – where IT workloads are shared across a combination of private systems and co-located cloud-based systems – will reach a value of $138.6 billion by 2023.

With colocation, a new world of opportunities emerges. It allows organisations to combine on-premise infrastructure with the type of on-demand, pay-per-use computing model that is available from public cloud platforms. It's the way of the future, with the latest research estimating:

- 85% of organisations will leverage flexible IT environments for hyper-agile architecture which enables application development; and
- 41% of enterprise workloads will run on public cloud platforms with a further 22% on hybrid cloud platforms.

Every workload transitioned to colocation reduces costs and provides increased flexibility to rapidly scale up and down as required – pay as you go computing. It means organisations can access fit-for-purpose technology when and how it suits them.

Data Tsunami is yet to hit
As much as we are already seeing the growth in data accelerate, analysts agree that we are only at the beginning of the data tsunami. For example:
- The Internet of Things – by 2022 there will be over 50 billion smart connected devices;
- Artificial Intelligence – AI spending is predicted to surpass $40 billion by 2020; and
- Autonomous and connected vehicles – there will be an estimated 220 million connected vehicles by 2025.

World class design and engineering
Our brand maintains its position as the benchmark for world class design, efficiency and operations with our Uptime Institute Tier IV constructed certifications, and Tier IV Gold Operational Sustainability credentials all representing firsts for colocation data centres in the Asia Pacific region. The Uptime Institute is the global industry body for data centre accreditation and Tier IV is the highest level attainable.

Over the past 12 months, we have received a significant number of industry certifications and awards that recognise our global leadership in data centre innovation. Importantly, NEXTDC's B2 and M2 data centres became the first in the Southern Hemisphere to achieve Tier IV Gold Certification for Operational Sustainability, which reinforces the importance we place on our processes and people. Gold certification for Operational Sustainability recognises the human factors that must be considered when running a data centre at optimum fault tolerant standards.

Our commitment to operational excellence landed a series of high-profile global awards including Data Center Dynamics' 2018 APAC Operations Team of the Year, as well as their global awards for Operations Team of the Year, and Design Team of the Year. Meanwhile in Q1FY20, respected global analysts, Frost & Sullivan presented NEXTDC with its 2019 Global Visionary Innovation Leadership Award, recognising us as the 2019 Global Data Centre Company of the Year.

Industry leading power efficiency and sustainability
Efficiency and environmental sustainability is a fundamental goal we strive for. From the design stage through to the operation of our facilities, the only thing that has a higher priority is safety. We have an exciting story to tell when it comes to energy efficiency and sustainability. We operate at industry leading rates of Power Usage Effectiveness which serves to reduce costs for our customers and minimises our carbon footprint. Waste management also plays an important role in our sustainability strategy. We recycle all cardboard, fluorescent light tubes and manage e-waste for our own operations and clients in our facilities.

Further emphasising our focus on leadership through industry innovation, in FY19 NEXTDC's corporate operations were successfully certified 100% carbon neutral under the Australian National Carbon Offset Standard (NCOS). Through our partnership with Qantas Future Planet, NEXTDC is the only data centre operator in the APAC region to achieve carbon neutrality.

Giving back to our local communities
It is our firm belief that companies should contribute to their community and improve our society. This is a critically important factor in attracting and retaining today's knowledge economy workers. Social responsibility is a high priority for employees when selecting a company to commit their work life to, and reflected in employee engagement. In 2018 we launched our 'Live to Give' Corporate Social Responsibility program and throughout FY19 we participated in several initiatives to help make a positive impact within the communities in which we work and live.

Building a platform for future innovation in the digital economy
Few could have predicted 10 years ago, how the IT infrastructure landscape would evolve to where it is today. Data has become the world's most valuable commodity which is best demonstrated by the soaring value of companies like Facebook, Amazon, Netflix, Google, Microsoft and Apple to name a few. Technology megatrends such as artificial intelligence, blockchain, virtual reality, and autonomous transport are all still in the embryonic stage. When you add the network effects from the global deployment of 5G infrastructure it becomes clear that the world is sitting at the top of a new innovation funnel, the next industrial revolution.

Customer experience is critical to success
One of our corporate values is "Customer First" and it is a belief that is approached with dedication and passion by our team. Our uncompromising focus on creating an exceptional customer experience makes NEXTDC stand out in the industry. Our devotion to service excellence spans all facets of our business. This includes having experienced, empowered front of house and facilities management staff on duty 24 hours a day, seven days a week, 365 days a year.

Real time intelligence
When it comes to real-time intelligence our customers are looking for self-service and automation in the data centre that cut down complexity, reduce friction and speed up interactions. The way we enable this is through our customer experience Software-as-a-Service offering, ONEDC. ONEDC enables our customers to make real time decisions about how they manage their data centre.

During FY19, ONEDC underwent a significant enterprise-wide transformation to Intelligent Service Management (ISM). This major operational transformation program not only improves process efficiency through real time data telemetry, it provides for self-service through automated ticket provisioning freeing up our Customer Experience team to be proactively focused on offering high quality, targeted customer support. ONEDC is also being integrated with our CRM and service desk platform, which is helping us to create a single 360-degree view of our customers.

Staying ahead of the competition
Ultimately delivering on our vision comes down to NEXTDC designing, building and operating a world leading data centre infrastructure platform that meets and exceeds customers' expectations. As the industry, technology solutions and the broader society all continue to change, there will always be more work to be done, but we are strategically well positioned to achieve the aggressive goals we continue to set for our company.

Strong start to FY20
We've experienced a strong start to FY20, already achieving major milestones for the business and setting the pace for another record-breaking year ahead. We have provided guidance and remain on track for solid revenue growth of between 12% and 15% over FY19 results. We also continue to see strong demand for connectivity solutions which represented 7.7% of our recurring revenue in FY19.

Furthermore, we are on track to deliver growth in our underlying EBITDA in the range of 17% to 23%, now increasingly driven by the performance of our second-generation facilities as customer utilisation ramps up. We've seen industry demand continue to increase across the region and don't expect that to slow down. In response, during FY20 we expect to invest between $280 and $300 million in new infrastructure to bring on additional capacity to support customers' growth requirements.

Construction is continuing at pace on our planned Tier IV, Sydney S2 and Perth P2 developments with customers already having gone live at both sites and operating under our 100% uptime SLA. There is 22MW of fitout being delivered to meet strong demand at S2 while phase one of P2 construction is expected to be completed in 2H20. We continue to deliver the P2 construction on time and budget, while over at S2 significant progress continues to be made with the base building successfully topped out and activities now focused on delivering expansion capacity for customer usage.

We also continue to benchmark our operational excellence against global standards. We are preparing for Uptime Tier IV certification for both S2 and P2 as well as Gold Operational Sustainability and taking the lessons we learned from NABERS 5-Star certifications for S1 and M1 and applying them to our second-generation facilities. Our company continues its rapid expansion, and we continue to invest in developing our people, our systems and our processes to take full advantage of these amazing opportunities.

In closing, I would like to thank our Board for their continued support and ongoing commitment to driving excellence and good governance at NEXTDC. I would like to thank my executive team for their leadership and dedication in building this extraordinary infrastructure platform, as well as every staff member for their passionate contribution as we work towards achieving our long-term goals.

Finally, I would like to thank you, our shareholders, for your continued support. It's an exciting opportunity for all of us to be a part of the journey as NEXTDC continues to enable the growth of the digital economy in Australia and beyond.

Craig Scroggie
Chief Executive Officer & Managing Director

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About NEXTDC

NEXTDC is an ASX200-listed technology company and Asia's most innovative Data Centre-as-a-Service provider. We are building the infrastructure platform for the digital economy, delivering the critical power, security and connectivity for global cloud computing providers, enterprise and government.

NEXTDC is recognised globally for the design, construction and operation of Australia's only network of Uptime Institute certified Tier IV facilities, and the only data centre operator in the Southern Hemisphere to achieve Tier IV Gold certification for Operational Sustainability. NEXTDC has a strong focus on sustainability and operational excellence through renewable energy sources and delivering world-class operational efficiency. Our data centres have been engineered to deliver exceptional levels of efficiency and the industry's lowest Total Cost of Operation through NABERS 5-star energy efficiency.

NEXTDC's corporate operations have been certified carbon neutral under the Australian Government's Carbon Neutral Initiative, in line with *National Carbon Offset Standard (NCOS) for Organisations.*

Our Cloud Centre partner ecosystem is Australia's most dynamic digital marketplace, comprising more than 550 carriers, cloud providers and IT service providers, enabling local and international customers to source and connect with cloud platforms, service providers and vendors to build complex hybrid cloud networks and scale their critical IT infrastructure services.

NEXTDC is *where the cloud lives®.*

To learn more, visit www.nextdc.com