



ASX Announcement

13 November 2018

2018 Annual General Meeting – Chairman’s Address

At last year’s Annual General Meeting, we discussed how NEXTDC was expanding the capacity of its existing facilities and the development of our second-generation data centres; S2 Sydney, B2 Brisbane and M2 Melbourne. Since then, we have opened both B2 and M2 facilities – designed, built and certified to the industry’s highest standards and we’re looking forward to opening S2 soon.

With the announcement of three new sites; S3 Sydney, M3 Melbourne and P2 Perth, we continue to grow the pipeline of world-class, hyperscale, next-generation data centres in Australia.

It’s the Company’s corporate vision to help enterprises harness the digital age, improving our society through the advancement of technology. We have seen this come true with many of our new customers recently building the platform for their digital future in B2 and M2, and have watched our customers deliver their own objectives and customer’s needs through partnering with us.

NEXTDC’s purpose is to be the leading customer-centric data centre services company, delivering solutions that power, secure and connect the enterprise. NEXTDC continues to successfully live out its purpose, which is evident in the long list of industry awards and world class standards the business has achieved over the past year.

Our brand promise is our 100% uptime guarantee, and that promise is underpinned by our world leading innovation in design, engineering and operations.

Key operational and financial metrics

Our strong performance in FY18 is highlighted by significant growth in key operating metrics:

- Revenue increased 31% to \$161.5 million.
- Underlying EBITDA increased 28% to \$62.6 million.
- Contracted utilisation increased 8.7MW to 40.2MW.
- Customers continued to grow strongly, up 26% to 972.
- Our partner ecosystem grew to over 470 partners; and
- The number of interconnections increased by 37% to almost 8,700.



Development and Operation of industry leading data centres

During the year, the Company increased its contracted utilisation by 28% from 31.5MW at the end of FY17 to 40.2MW at the end of FY18.

Our data centre platform continues to expand at pace with:

- A total of \$285 million invested during FY18 across our new and existing developments.
- B2 and M2 have opened, are generating revenues and have earned a number of industry awards.
- The S2 development is on track for a 1H19 opening.

We also announced three new sites at P2 Perth, S3 Sydney and M3 Melbourne, driven by the ongoing robust demand for our services. NEXTDC has commenced early works construction of P2, with practical completion scheduled for 1H FY20.

Following our \$300m Notes raising in July, our pro-forma cash balance stood at \$718 million. Combined with our undrawn \$300 million debt facility, total pro-forma liquidity stood at over a billion dollars.

Our balance sheet position has never been stronger, now underpinned by over \$1.2 billion of total assets at 30 June. We continue to adopt a disciplined approach to capital allocation.

Takeover of APDC

Last month, NEXTDC announced an unconditional, all-cash, off-market takeover offer to acquire all of the securities of Asia Pacific Data Centre Group (ASX: AJD) (APDC) at an offer price of \$2.00 cash per security. We now have a relevant interest in 98.7% of the stapled securities of APDC and will move to take full control in the coming weeks by completing the compulsory acquisition process.

The completion of this takeover will bring to an end a process that was initiated in July 2017 when the Company acquired its initial 14% stake in APDC. Completing this acquisition is in line with NEXTDC's longer-term strategy to own more of its data centre properties, and will result in the company benefiting from an additional \$14 million of recurring annual cash flow savings and a strengthening of its balance sheet position. NEXTDC is funding the APDC acquisition out of its existing cash reserves.



Strong growth in customers and connectivity

NEXTDC continues to derive revenue from numerous products including enterprise and cloud colocation, connectivity services, and establishment fees.

Accordingly, it is pleasing to note that the Company continues to deliver impressive year on year growth both in the number of new customers and also connectivity services, adding a record number of more than 2,300 interconnections during FY18.

Shareholder returns and executive remuneration

With growth a driver of value creation, the Board recognises that significant elements of executive remuneration need to be contingent on NEXTDC's ability to expand its national footprint. This includes being the first to market in securing strategic sites and offering a consistent, high-value service to national and international customers.

After two and a half years in which the Remuneration and Nomination Committee had accepted the request by the Senior Executives to forego a pay increase, in order to ensure key operational staff members could be appropriately remunerated and retained, a salary review was undertaken effective 1 January 2018. Modest increases to fixed remuneration for Senior Executives carried regard for Australian and international salaries for similar roles and any changes to the scope and breadth of executive responsibilities.

Multi-Cloud strategies

The tailwinds in our industry are strong and getting stronger. Gartner states that in 2018, Technology that allows organisations to run their systems in the cloud will be the driving force of a rise in Australian technology spending to \$84.8bn in 2018.

According to IDC, by 2020 over 90 per cent of enterprises will use multi-cloud solutions, shifting workloads from their corporate IT environment between multiple cloud providers.

While this solves this issue of using the best tool and getting the best outcome for the requirements, the emerging challenge organisations now face is the complexity of moving data seamlessly and securely in a multi-cloud world. If you're running on cloud platforms such as Office 365, Azure, AWS, Oracle, IBM Cloud, Alicloud or Google Cloud you need an intelligent network as a service like our AXON platform to facilitate your data transport between the multiplicity of clouds.



Thriving in the age of digital disruption

The next few years will see organisations experimenting with new applications and systems to drive value from new technologies like Blockchain, Internet of Things, mobile 5G and Artificial Intelligence to name a few.

The coming years will see global cloud infrastructure continue its extraordinary growth, continuing to fuel and accelerate ground breaking advancements in new platforms and technologies. Start-up businesses are ready to build enterprises at a speed and on a scale that was previously unimaginable only a few years ago, and the introduction of mobile 5G services in 2020 will once again change the ways businesses and individuals' access and share information.

We are living in the most exciting time in human history. The exponential convergent consequences of these technologies will herald a new age of accelerated advancements in many industries. This is what is referred to as the 4th Industrial Revolution - the cyber physical age. NEXTDC is proud to be the leading data centre infrastructure platform supporting Australian businesses to take advantage of these extraordinary opportunities.

Customer experience key to success

Customer First is a core value for our passionate team. At NEXTDC we are obsessed with delivering the industry's best customer experience.

Over the past 12 months, we focused on implementing innovative customer experience strategies to extend our lead in the industry and deliver extraordinary customer interactions. We take pride in the fact our facilities and the people that work there provide a passionate, friendly and productive environment for customers, every time they visit.

We understand the needs of data centre users continue to evolve and we are dedicated to providing unrivalled reliability, security and connectivity.

Real time intelligence

Our people continue to develop new and exciting technologies. One such example is our Machine Learning platform for data centre Artificial Intelligence that will drive deep operating insight with real time telemetry into the efficiency of our data centres. We are also delivering on new customer experience initiatives that will change the way we communicate with customers and we continue to aspire to the highest standards in the industry. We are at a very exciting time in the history of the Company. I'm proud



N E X T D C where the cloud lives®

of the innovative work we are doing to deliver the next generation of digital infrastructure assets that will realise our vision for the future.

My address would not be complete without thanking my fellow directors, our management team and staff, who are most ably led by our CEO, Craig Scroggie. With that, and on behalf of NEXTDC, I would like to thank you our shareholders for your ongoing support.

Douglas Flynn,
Chairman

ENDS

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About NEXTDC

NEXTDC is an ASX200-listed technology company enabling business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

As Australia's leading independently certified data centre operator with a nationwide network of enterprise-grade award winning facilities, NEXTDC provides world-class colocation services to local and international organisations. With a focus on sustainability and renewable energy, we deliver industry leading engineering solutions showcasing energy efficiency and NABERS 4.5 star certification.

Our ecosystem hosts the country's largest independent network of carriers, cloud and IT service providers, enabling customers to source and connect with cloud platforms, service providers and vendors to build complex multi-cloud networks and scale their IT infrastructure and services.

NEXTDC is *where the cloud lives*®.

To learn more, visit www.nextdc.com