2016 Annual General Meeting – Chairman's Address

Last year we discussed how NEXTDC has become a technology pioneer, hosting the infrastructure of the nation's leading technology providers, and connecting Australia to the next generation of IT services.

This year we have seen NEXTDC develop direct, secure connectivity to the world's leading cloud platforms via our AXONVX™ interconnection platform and win significant new data centre service contracts through engineering and commercial excellence.

Key operational and financial metrics

In FY16 NEXTDC achieved significant year-on-year growth across key operational and financial metrics:

- revenue increased 52% to $92.8 million
- contracted utilisation increased 4.4MW to 26.1MW
- EBITDA increased 247% to $27.7 million
- operating cash flow increased $15.4 million to $22.3 million, and
- the Company delivered a statutory net profit of $1.8 million, compared to net loss of $10.3 million in FY15.

Completion of $150m capital raising

Subsequent to year end, in September we launched and successfully completed a $150 million capital raising. The Company intends to use the proceeds to fund the acquisition of land and the associated development of our new S2 data centre in Sydney, as well as other general corporate purposes.

As you would appreciate, NEXTDC requires certainty of funding up front before embarking upon investments of the size of our new S2 data centre. NEXTDC expects that S2 will generate returns in excess of the Company's cost of capital, thereby generating additional value for shareholders over the longer term.

FY15 capital raising and NAB debt facility

It is also worth noting that the last few months of 2015 saw the completion of our Notes II offer and an equity raising of $220 million, earmarked to fund the Company's new B2 and M2 data centres. Sites have been secured for both facilities, and total investment is expected to be from $120 million to $140 million across FY17.

After 30 June 2016, NEXTDC was also successful in upsizing the Company's undrawn senior secured debt facility with National Australia Bank from $50 million to $100 million, which together with $341 million of pro-forma cash at 30 June, provides the Company with $441 million of available funding to complete Phase 1 construction of B2, M2 and S2.

While many key strategic objectives were met during the 2015-2016 financial year, we recognise the importance of creating value for our shareholders and we therefore continue to adopt a disciplined approach to capital allocation.

As you will see from the Company's FY16 Results and FY17 Outlook, NEXTDC continues to experience strong growth in revenue and consistent uptake of space in our facilities year-on-year. This performance has galvanised our confidence in the longer-term outlook for the business and cemented our decision to embark on significant new data centre investments.

These are indeed exciting times for your Company as we deliver substantial new data centre capacity and connectivity to the Australian IT industry.

Our CEO Mr Scroggie will provide further details of our investment plans in his address today.

Refinements to LTI and STI compensation plans

Also worth noting is that, during the year, and in response to investor and proxy advisor feedback, the Board has implemented improvements to the company's STI and LTI plans to reflect governance best practice and to ensure continuing and close alignment between executive incentives and shareholder interests.

The industry trends driving data centre growth

Data centre companies like NEXTDC are innovating to keep pace with the strong growth of data worldwide and the ever-increasing demands for efficient and secure hosting environments and secure, on-demand connectivity.

Cloud computing offers the flexibility and scale to support the market's evolving needs, and whether its public cloud or private, it still needs to go to a data centre, which even for a public cloud provider, is more often than not a colocation facility like NEXTDC's.

Although virtualisation and cloud are bringing great benefits to organisations with more choice and fewer constraints than ever before, these technologies still have a fundamental need for data centres with exceptional reliability and uptime. The Ponemon Institute has shown that the average cost for a business of a single data centre outage has increased nearly 40 percent in the past six years to break past $1 million.

As hubs for access to cloud, the key role for data centres is to support and connect different ecosystems of service providers and their customers. Emerging consumer technology like virtual reality as well as trends such as big data and cloud are reliant on ever increasing amounts of data centre space and the bandwidth to connect them

Today is the era of the hyper-scale data centre, where cloud computing is mainstream and workplaces must be digital and highly connected in order to realise new cost efficiencies and unleash their human potential.

Customer experience driving business transformation

The challenge of managing NEXTDC's incredible growth and expansion has seen the profound evolution of our business practices and company culture. We support a diverse range of teams from finance, legal, sales, marketing, software development, and customer service, to engineering, project management and operations, who design, build and maintain our award-winning data centres.

At NEXTDC we know great things come from experimentation. We strive to try new things and fail forward because this is the path to breakthrough innovation.

Last year we began a major business transformation program spanning the technology and systems used across the entire business to improve collaboration between our nationwide workforce and the experience of our customers interacting with us.

Transforming basic systems is a challenge in a live environment, however, by investing in platforms such as Salesforce, ServiceNow, DocuSign and Microsoft Office 365, we are gaining a competitive advantage by developing a cloud-based, service-oriented business model. Ultimately these investments help NEXTDC differentiate our value from our competitors and promote long-term loyalty through improved customer experiences.

With that, I would like to thank you for your ongoing support on behalf of NEXTDC. We look forward to having you as shareholders for many years to come as we continue our journey of growth.

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.

Douglas Flynn, Non-Executive 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 independent data centre operator with a nationwide network of Tier III facilities, NEXTDC provides enterprise-class colocation services to local and international organisations. With a focus on sustainability and renewable energy NEXTDC is leading the industry with award-winning engineering solutions for energy efficiency and NABERS 4.5 star certification.

NEXTDC is extending its leadership in data centre services through the innovative DCIM-as-a-Service software platform, ONEDC®, which enables customers to centrally manage their on-premise and colocated infrastructure; and the award-winning virtual connectivity platform, AXONVX™ – delivering rapid, secure connections to cloud services on-demand.

NEXTDC's Cloud Centre marketplace hosts the country's largest independent network of carriers, cloud and IT service providers, enabling their customers to source and connect with suppliers, partners and customers and build integrated hybrid cloud deployments.

NEXTDC is *where the cloud lives®*.

To learn more, visit www.nextdc.com