



ASX Release

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2015 Annual General Meeting – CEO's Address

I am delighted to have this opportunity to address shareholders after a year of significant growth and strategic achievements. Today, I would like to provide a review of the 2015 financial year and discuss the exciting year ahead, including our intentions to develop new data centre facilities at Brisbane (B2) and Melbourne (M2).

NEXTDC was created in late 2010 to fulfil the need for a nationwide network of independent, world-class data centres and enable the growth of the digital economy. Since then we've built five next-generation facilities and a partner network of over 200 enterprises and more than 50 carrier and content delivery networks.

We have incredible momentum in our business because of the way we've fostered the development of customer and partner ecosystems of networks and computing platforms, hosted in highly secure and scalable environments.

FY15 results

During FY15 NEXTDC achieved new sales of 9.8MW on a pro forma basis, which increased contracted utilisation by 83 percent from 11.9MW at the end of FY14 to 21.7MW.

We signed a number of significant customer contracts in FY15, including well-known national and international enterprises such as Microsoft for connections to the Azure and Office 365 public cloud platforms via ExpressRoute; PCCW Global and its worldwide MPLS network; CenturyLink – the third largest telecommunications company in the United States; and global network provider CloudFlare.

Since NEXTDC was appointed to the Australian Government Data Centre Facilities Supplier Panel in July last year we have signed new contracts with the Australian Electoral Commission and the Australian Prudential Regulation Authority for services at our C1 Canberra data centre. In addition, after the end of FY15 we secured a significant and exciting \$35 million Federal Government contract.

Other significant customer contracts include a Major International Customer for initial capacity of over 1MW at S1 announced in December 2014, and a Leading Corporation for 4MW across M1 and S1 announced in June 2015.



The high density requirements associated with these customer wins provides NEXTDC with the opportunity to utilise our Project Plus engineering program, which is expanding the Company's overall national capacity from 35MW to 42MW without the requirement for additional land, building or fit out of additional data halls.

FY15 achievements

NEXTDC's go-to-market model is centred on being 'Partner Preferred'. Our carrier and vendor neutrality has attracted a diverse array of local and international partners to our business, including carriers, cloud providers, integrators and end users. NEXTDC is committed to these partnerships that enhance our ecosystem, and continue to work closely together with our partners to deliver innovative solutions for our customers.

In September 2014 NEXTDC released the Quarter Rack product to support the growing needs of the small and medium business markets, and in November 2014 launched FastStart bundles to offer flexible, pay-by-the-month colocation for the first time in the Australian market.

This is another example of how NEXTDC continues to innovate by adapting the world's leading data centre technology to the Australian environment; and we are now delivering Software-as-a-Service solutions that will drive more value from existing data centres globally.

Last year we announced the development of a new interconnection product as well as the next generation of Data Centre Infrastructure Management (DCIM) platforms. I am pleased to confirm that this commitment has been fulfilled.

NEXTDC created two new lines of business: AXON Systems, delivering Connectivity-as-a-Service via a dynamic, high-speed switching fabric; and ONEDC Software, delivering the ONEDC cloud-platform for DCIM.

The general availability of our AXON virtual exchange was announced in mid-October, which is now providing on demand, network-neutral cloud connectivity to a multiplicity of domestic and global providers. We have nearly 30 businesses signed up, from global solution providers like Microsoft to local managed service providers like Fastrack and VMvault. It is becoming clear that this elastic Connectivity-as-a-Service platform will be an important part of enabling future IT solutions.

We see just as much opportunity for ONEDC to support industry growth and deliver cost efficiency through real-time intelligence on the deployment and operation of IT infrastructure in any data centre, anywhere.

As part of our expanding product portfolio NEXTDC is intending to introduce data centre solutions for regional cities and remote sites to support the growth of network infrastructure at the edge of the internet.

Importantly, these technology solutions are designed to support the growth of distributed networks and computing platforms for any environment, not just locations that can support NEXTDC's world-class, hyper-scale data centres.



NEXTDC's software and infrastructure solutions represent the next stage of our Data-Centre-as-a-Service model, allowing us to expand our vision to help enterprises harness the digital age, and improve our society through the advancement of technology.

Strong start to FY16

NEXTDC's trading performance so far for the first four months of FY16 has been in line with our expectations. Accordingly, the Company is pleased to confirm that it remains on track to achieve its FY16 revenue guidance of \$85-90m and EBITDA guidance of \$25-28m, with a skew towards second half earnings performance in line with the likely delivery and billing commencement of the new Leading Corporation and Federal Government customer contracts announced in June and August 2015.

Investment in new capacity also remains on track with major construction works currently underway at S1 and M1 to deliver both the Leading Corporation and Federal Government contracts. Construction activity in relation to these two contracts is due to be completed in the 2H of FY16 with revenue generation to commence as forecast shortly following construction completion and continue to ramp up to FY17.

NEXTDC continues to experience strong demand for its premium data centre services across its footprint. The Company is currently in advanced discussions in relation to a number of new large customer opportunities, which, if successful, will require the deployment of additional incremental capex in the coming months, which is not factored into our 26 August 2015 guidance.

Capital raising

NEXTDC continues to experience strong demand for its premium data centre services, with its existing facilities in Brisbane (B1) and Melbourne (M1) rapidly reaching capacity constraints. B1 contract utilisation reached 90% at 31 October 2015 (up from 79% at 30 June 2015). M1 contract utilisation reached 77% at 31 October 2015 (up from 76% at 30 June 2015) with a firming pipeline of advanced customer opportunities.

Accordingly, as flagged at the company's FY15 results, NEXTDC intends to develop two new data centres in Brisbane (B2) and Melbourne (M2). Total investment in these new facilities is expected to be \$175-200m over the next 12 to 18 months.

The company is currently undertaking due diligence on new sites for the facilities and expects to commission both facilities in 2H of FY17. NEXTDC intends to acquire the land and building associated with the new facilities and to continue to hold the underlying property once each facility is developed. NEXTDC's intention to hold the underlying property at the new facilities is supported by the evolution of its operations as well as the desire to have greater control over its long term assets, improve its operating leverage, as well as enhanced security, enabling access to more flexible longer term debt funding arrangements, which ultimately is expected to lower NEXTDC's cost of capital.

In order to fund the development of B2, NEXTDC took the decision to issue senior unsecured notes complementary to the \$60m notes raised by the company in June 2014. Notes II were overwhelmingly



supported by new and existing investors, with the Company choosing to take oversubscriptions of \$30 million, resulting in an ultimate offer size of \$100 million.

As the Chairman noted earlier, yesterday the company announced a capital raising of \$120 million, consisting of an institutional investor placement to raise \$50 million and an accelerated non-renounceable pro rata entitlement offer to raise \$70 million.

The placement and institutional components of the entitlement offer were successfully completed yesterday. The placement was priced at \$2.55 per share, which was equivalent to the last closing price on Friday, 20 November 2015 (last traded day) and 13.3% premium to the offer price of \$2.25 per new share under the entitlement offer. To have such strong support from existing and new investors, without having to offer discounted shares is a very strong statement of the value of the company's shares.

The 1 for 6.23 non-renounceable pro rata entitlement offer at \$2.25 per new share represents a 10.4% discount to TERP and is fully underwritten by Macquarie Capital.

The retail component is scheduled to open on 27 November and close on 11 December.

We are encouraged by the positive response from our larger institutional shareholders and would hope that many of our smaller shareholders also choose to take up their rights and continue to invest in the next chapter of NEXTDC.

Further details on the terms of the equity raising can be found in the announcement materials that were lodged on the ASX platform yesterday.

In conclusion

I would like to close my presentation by thanking you, our shareholders, for your time today and for your continued support. We are excited about the opportunities that lie ahead as we leverage our strong brand, industry-leading products and services, and talented, dedicated team for another year of growth as we continue to support the extraordinary developments across the digital economy.

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About NEXTDC

NEXTDC is an ASX300-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 national network of UTI Tier III-certified facilities, NEXTDC provides enterprise-class colocation services across the country, facilitating hybrid cloud deployments by offering direct connections to their partner community: Australia's largest independent network of carriers, cloud and IT service providers.

NEXTDC's subsidiaries include AXON Systems, which offers AXONVX, a virtual exchange delivering secure, elastic connections via a dynamic, high-speed switching fabric; and ONEDC Software, developer of the ONEDC® cloud-platform for data centre infrastructure management.

NEXTDC is *where the cloud lives*®.

To learn more, visit www.nextdc.com