NEXTDC

ASX Release

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Significant growth in revenues moves NEXTDC close to positive cashflows

NEXTDC Limited (ASX: NXT) is pleased to announce its results for the 12 months ended 30 June 2014 (FY14) that saw the achievement of significant revenue growth moving the Company close to generating positive cashflows.

Result overview:

- Data centre services revenue of $30.4 million (included in Revenue from ordinary activities), up from $9.0 million in FY13
- Revenue from ordinary activities of $48.3 million, up from $36.2 million in FY13
- Statutory net loss after tax of $22.9 million, compared to $2.2 million net loss in FY13
- Underlying EBITDA[1] loss of $16.1 million, compared to $20.0 million loss in FY13
- Cash and term deposits of $70.8 million at 30 June 2014
- Over $160 million raised in new cash and funding
- S1 Sydney joined M1 Melbourne and B1 Brisbane as facility EBITDA[2] positive.

Net loss after tax for the year increased to $22.9 million reflecting increased facility costs from the expanded network. Included in the result were non-recurring gains of $7.1 million resulting from transactions involving Asia Pacific Data Centre Group (APDC) (ASX: AJD), and $1.3 million in advisory fees for fund raising activities. Underlying EBITDA, adjusted for non-recurring items, improved from a loss of $20.0 million in FY13 to a loss of $16.1 million in FY14.

Commenting on the Company's FY14 performance, NEXTDC CEO Craig Scroggie said:

"The 2014 financial year was a pivotal year in NEXTDC's short history, with the Company achieving significant growth across all key operational and financial metrics and moving closer to generating positive cash flows. NEXTDC is at the heart of the digital economy and well positioned to take advantage of the fast growth in data centre colocation powered by the

[1] Underlying EBITDA for FY14 is a non-statutory financial metric and is calculated as EBITDA less $4.9m building development profit, $2.2m in APDC distribution and profit on sale of securities, plus $1.3m in fund raising advisory fees. FY13 EBITDA included gain on APDC disposal of $14.6m and $6.2m building development profit, both removed to reflect underlying EBITDA. Non-statutory financial metrics have not been audited.
2 Facility EBITDA is a non-statutory financial metric representing earnings before interest, tax, depreciation and amortisation at the facility level, before head office costs. Non-statutory financial metrics have not been audited.

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move of enterprise and governments to colocation and the adoption of cloud and mobile computing technologies."

National network now in place

On 24 February 2014, NEXTDC launched its fifth data centre, P1 Perth. With no new data centres currently under construction, the Company is no longer carrying any base building construction risk.

B1 Brisbane continued to contribute positive facility EBITDA, with M1 Melbourne (from Q1 FY14) and S1 Sydney (from Q4 FY14) also achieving facility EBITDA breakeven.

"With the completion of S1 Sydney and P1 Perth in 2014, M1 Melbourne and C1 Canberra in 2013, and B1 Brisbane in 2012, NEXTDC has delivered a world-class portfolio of market-leading carrier and vendor-neutral data centres in all key capital cities. The Company now transitions into its operational phase that will help achieve its vision of becoming the most recognised, connected and trusted data centre brand in the Asia-Pacific region," said Mr Scroggie.

Multiple sales milestones achieved

NEXTDC achieved a number of key sales milestones during FY14, including:

- Annualised contracted recurring revenue up 36% to $41.7 million (FY13: $30.7 million)
- High margin cross connects up 190% to 1,488 (FY13: 513), representing approximately 4% of recurring revenue for FY14
- Contracted customer utilisation up 22% to 11.9MW (FY13: 9.7MW) mainly through higher-margin rack sales
- Annualised unweighted pipeline up 21% to $144 million (FY13: $119 million)

In addition, NEXTDC secured Telstra as a key channel partner as of December 2013.

Operational milestones achieved underpin future growth

NEXTDC achieved the following operational milestones during FY14:

- Invested $91.0 million in data centre plant and equipment
- Added 10.7MW of network capacity to 19.65MW (planned target: 35.35MW)
- Opened S1 Sydney on 30 September 2013
- Opened P1 Perth on 24 February 2014
- Each of the M1, S1 and P1 facilities achieved UTI Tier III certification.

The rollout of new capacity will continue to be actively managed to ensure that current and anticipated demand is adequately catered for, with future capital investments tightly aligned to customer demand.

Capital management strategy raised over $160 million

In July 2013, NEXTDC sold its remaining shareholding in APDC raising $28.1 million cash (after transaction costs) and generating a profit on sale of the securities of $1.7 million.

Over FY14, NEXTDC was paid $24.1 million by APDC in development fees for the base buildings for P1 Perth and S1 Sydney. Reported net income on development activity totalled $4.9 million.

In August 2013, the Company successfully raised $50 million (before transaction costs) via a placement, and in June 2014, a further $60 million (before transaction costs) was raised via a five-year senior unsecured note offer.

In total, over $160 million in cash and debt was raised to support NEXTDC's capital investment program and the ongoing growth working capital needs of the business.

Quality certification and admission to Government panel

In July 2014, NEXTDC achieved ISO27001: 2005 Information Security Management System certification for its S1 Sydney and M1 Melbourne data centres supported by Brisbane head office. The Company also announced its admission to the Australian Government Data Centre Facilities Supplies Panel, enabling NEXTDC to contract with Federal Government departments and agencies for data centre services at each of NEXTDC's data centres.

Remuneration arrangements

After a review of the Company's corporate charters, policies and arrangements, and following the engagement of an independent remuneration consultant and consultation with a number of stakeholders, the Board has adopted improvements to remuneration policies for the 2015 year and beyond. Detailed information about these arrangements, and for remuneration for the 2014 year, is included in the 2014 Remuneration Report released today with the Annual Report. CEO, Craig Scroggie, will participate in new Short Term Incentive and Long Term Incentive Plans, subject to requisite shareholder approvals.

FY15 Outlook[3]

Based on the Company's current utilisation levels and expected new client contracts, NEXTDC expects the following outcomes over FY15:

- new sales between 2.4MW and 3.0MW (FY14: 2.1MW)
- substantial growth in data centre services revenue to between $51.0 million and $55.0 million[4] (FY14: $30.4 million)
- direct variable costs, including power and consumables, to increase in line with customer consumption (FY14: $3.9 million)

3 Excludes incremental large whitespace or major deals

4 Revenue from ordinary activities in FY14 ($48.3 million) included data centre development revenue of $15.5 million. Revenue from ordinary activities in FY15 will predominantly consist of revenue from data centre services as no new base building development is currently in progress.

- fixed costs, excluding power and consumables, of between $44.0 million and $46.5 million (FY14: $42.6 million[5])

- capital investment on plant and equipment of between $30.0 million and $35.0 million

- positive earnings before interest, tax, depreciation and amortisation (EBITDA) reflecting the leverage now available in the Company's asset base.

Commenting on the Company's outlook, Mr Scroggie, said:

"In FY15, our innovation will see the introduction of the Company's new subscription-based ONEDC® Software-as-a-Service Data Centre Infrastructure Management (DCIM) platform for Data Centre Intelligence; a new virtual interconnection platform; FastStart online colocation ordering; and half and quarter-rack products, which together are ideal for SMEs or businesses trialling the benefits of colocation and considering the move to public or private cloud computing solutions colocated with their own infrastructure."

"With all of NEXTDC's Australian data centres now built and operational, the benefits of the inherent leverage of the Company's scalable infrastructure will now start to drive increasing returns. While carefully managing the cost base, it is important that the Company continues to invest in sales to maximise contracted utilisation at appropriate prices per MW to generate the highest possible return on capital invested."

"Over the past twelve months, many important milestones across capital management, development and sales were achieved. We have reached a critical inflection point for the Company. Subject to new sales continuing in line with current volume and price, we expect to achieve EBITDA breakeven in the first half of the current financial year, marking a key milestone in the Company's financial performance going forward."

ENDS

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5 Excluding $1.3 million in fund raising advisory fees

About NEXTDC

As Australia's leading Data-Centre-as-a-Service (DCaaS) provider, NEXTDC is revolutionising cloud computing in Australia. An ASX300 company and the only independent data centre operator with a strategic footprint in all major growth markets in Australia, NEXTDC offers a range of highly flexible, resilient and secure colocation services to corporate, government and IT services companies.

NEXTDC's purpose-built facilities have been designed to address the market's growing appetite for energy-efficient carrier-neutral data centres in which organisations can host critical IT infrastructure and selectively source services through their diverse national ecosystem.

NEXTDC is *where the cloud lives*TM.

To learn more, visit www.nextdc.com