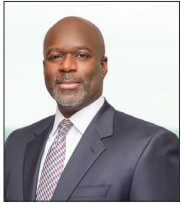




## REAL ASSET SECTORS

# Macro trends drive data centre utilization



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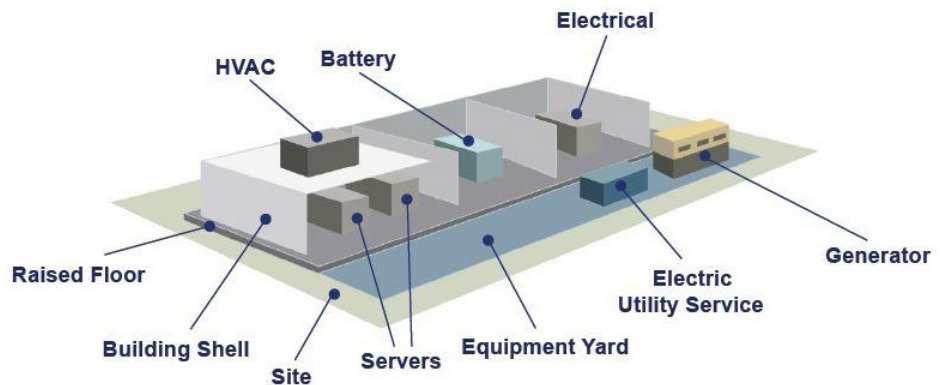


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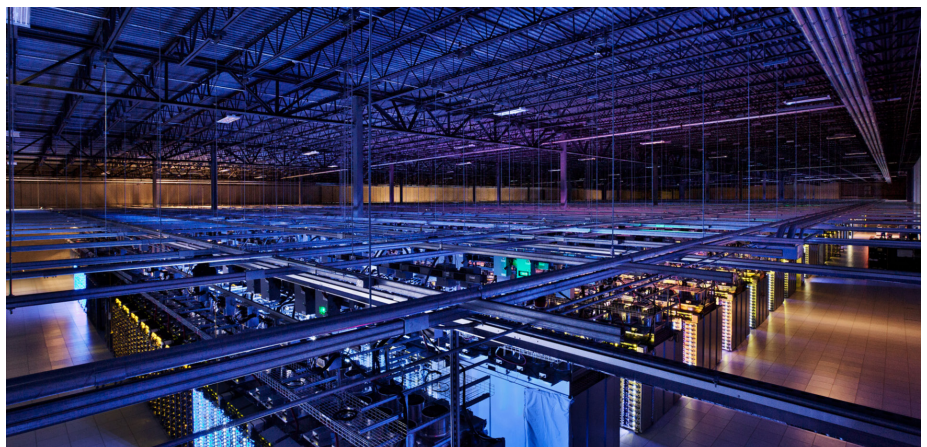
Data Centres are purpose-built facilities designed to house servers and network equipment. The servers process and store data while the network equipment facilitates access to that data. Data centres require significantly more power and cooling (with on site redundancy) than a traditional industrial asset, making the development cost per square foot and the subsequent expertise to manage them, significant barriers to entry.

Data centre utilization is driven by global macro trends such as big data, e-commerce, cloud computing, the internet of things, social media, gaming/e-sports, streaming and general business or personal computing. As the amount of data being created and stored continues to grow at an exponential rate, the demand for additional data centres continues to grow.

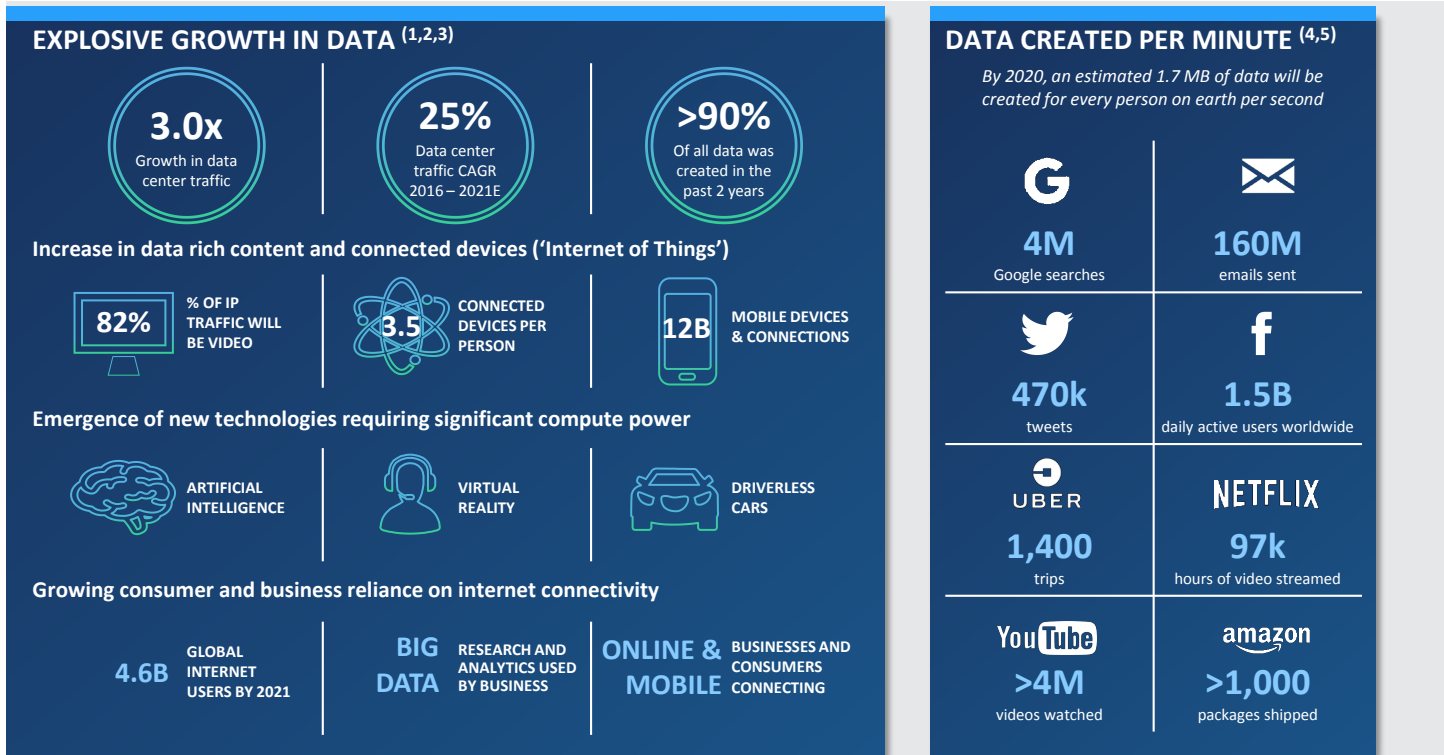
### Data Centre 101 - What is a Data Centre?



Source: Digital Realty is a REIT



Google Data Center in Council Bluffs, Iowa  
Source: Google



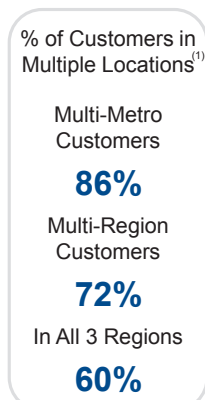
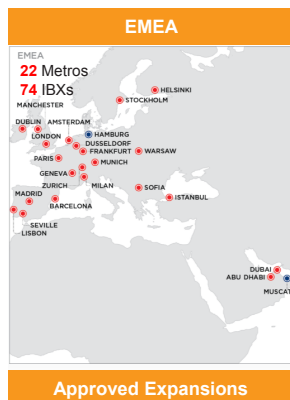
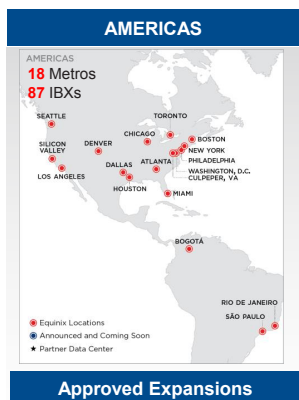
1) Source: Cisco, "Global Cloud Index," "Visual Networking Index," and "Mobile Visual Networking Index," 2016-2021.  
 2) Source: Cisco, "Visual Networking Index Predicts Global Annual IP Traffic to Exceed Three ZB by 2021," June 2017.  
 3) Source: IBM, "10 Key Marketing Trends for 2017," 2017.  
 4) Source: DOMO, "Data Never Sleeps 6.0," June 2018.  
 5) Source: Facebook, "Earnings Presentation," Q3 2018.

Data centre operators utilize two basic business models -wholesale and retail/colocation. Wholesale models generally serve large and hyperscale clients who lease most or all the facility for longer terms. Clients are usually charged based on their power consumption and capacity utilization and benefit primarily from the scale of the data centre operator. Clients generally utilize data centres to store their data, to run their critical IT infrastructure and to provide digital redundancy and disaster recovery services. Hyperscale users like Facebook, Google, Amazon, eBay and Microsoft may lease all the capacity in a data centre and often build and operate their own dedicated facilities.

Retail or colocation models serve small and medium clients looking to utilize some but not all the data centre's capacity over a shorter lease term. These firms often utilize software-as-a-service (Salesforce, Office 365, Workday) and infrastructure-as-a-service (Amazon Web Services, Microsoft Azure, Google Cloud, IBM Softlayer) applications and generally rely heavily on interconnections within the data centre to access these and other applications. In many instances the data centre operator may also provide consulting and other technical services to the client to optimize their data centre utilization. These revenues are in addition to the traditional power and capacity charges.

Equinix is a global owner and operator of data centres with 202 locations in 52 metros across North America, Europe and Asia. Equinix focuses on retail colocation with over 341K interconnections across their network. Focusing on smaller clients with greater technical needs results in greater pricing power (2-5% annual pricing escalators) and additional ancillary revenues (consulting, maintenance) to drive cash flow growth. In Q1/19 Equinix beat expectations, reporting 11%/12%/17% revenue/EBITDA/AFFO growth and generating their 65th straight quarter of revenue growth. Bookings were also very strong in Q1/19, representing the second best net bookings quarter in company history. While Americas EBITDA growth has slowed to 5% annually, Europe and Asia comprise over 53% of EBITDA and are growing at 18% and 21% respectively. For 2019 Equinix has raised full year guidance to 9%/10.8%/8% revenue/EBITDA/ dividend growth with a 43% payout ratio. Capital expenditures have historically yielded 31% with new builds hitting cash flow breakeven within 6-12 months.

Equinix global reach expanding across 52 metro areas and 24 countries



- Platform Equinix**
- Geographic footprint is unmatched and remains a unique differentiator
  - Multi-region deployments outpace single-region deployments
- Expansion strategy**
- Capture first-mover advantage in future global hubs
  - Use unique market intelligence for prudent capital allocation



(1) Derived from Q1 19 recurring revenues

Source: Equinix, Q1 2019 Earnings

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