



Final Transcript



 InterCall®

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## Corporate Participants

**David Ruberg**

*Interxion - Vice Chairman and CEO*

**Josh Joshi**

*Interxion - CFO*

## Presentation

**Operator**

Ladies and gentlemen, thank you for standing by and welcome to the Interxion Q1 results conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by question and answer session at which time, if you wish to ask a question you will need to press \* 1 on your telephone. I must advise you this call is being recorded today on Tuesday 17<sup>th</sup> May 2011. I now like to hand the conference over to your speaker today, Mr Jim [Huseby]. Please go ahead sir.

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**Jim Huseby - Speaker**

Thank you Mike. Hello everyone and welcome to Interxion first quarter's conference call. Today you will be hearing from David Ruberg, Interxion's Vice-Chairman and CEO, and Josh Joshi the company's CFO. Before we get started I'd like to remind everyone that some of the statements that we will be making today are forward looking in nature and involve risks and uncertainties. Actual results may vary significantly from those statements and may be affected by the risks we identified in today's press release and those identified with our [filings] with the FCC. We assume no obligation and do not intend to update or comment on forward-looking statements made on this call.

In addition we will provide some non – (unclear) measures on today's conference call. We provide a reconciliation of those measures to the most directly comparable [IFRS] measures in today's press release and on our investors relations people page at [investors.interxion.com](http://investors.interxion.com). We'd also like to remind you that we post important information about Interxion on our website. We

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encourage you to check our website for the most current available information. Following our prepared remarks we will be taking some questions and now I'm pleased to hand the call over to Interxion CEO David Ruberg. David.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Thank you Jim and welcome. We continued to execute according to our plan during the first quarter of 2011, which resulted in our 18<sup>th</sup> consecutive quarter of organic revenue and adjusted EBITDA growth. Revenues were 57.9 million, up 21% year over year, and up over 4% sequentially. Adjusted EBITDA was 22.2 million, up 27% year over year. Revenue [generating] space increased by over 2% from year-end to 44,600 m<sup>2</sup>, while (unclear) space was unchanged with the resulting utilisation rate increasing to 73%. Pricing across our Pan-European platform remains stable and largely rational and unchanged since our last call. More than 60% of our new business came from our existing customers and (unclear) was in line with expectations and consistent with prior year patterns. We believe our financial performance is a direct result of our differentiated service offerings that (unclear) our strong connectivity with our growing committees of interest and the broadest coverage in Europe.

We focus on bringing the right customers into our data centers and into our data centre communities. We target customers who have response-time sensitive applications and high growth markets such as financial services, cloud services, and digital media providers. Evidence of the benefits of this approach can be seen in the success we've had so far this year in our financial services segment. Since the beginning of 2011 we've announced relationships with the New York Stock Exchange, the Deutsche Bourse, and several other alternative trading platforms along with a number of other service providers to the financial services industry. This demonstrates the magnetic qualities of our communities to attract other members who want low latency access to the business partners. These communities are being developed across our Pan-European platform as evidenced by the recent announcements we have made regarding finance segment activity in London, Frankfurt, and Stockholm. Also, we're seeing similar progress in our cloud service provider community announcing some significant customer wins in both Germany and London, and we expect to have additional news in the near future.

Similarly we are having success in the digital media segment. We're delighted to announce our relationship with Oscar Music and Media, which has pioneered Internet music exchange in the United Kingdom, allowing thousands of music companies to access the digital market. Today it connects over 15,000 companies to each other and the music and metadata that drive their

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business. One of the reasons why these companies choose Interxion is our broad connectivity. We our home to over 350 carriers and ISPs and in the quarter we expanded our Internet exchange connectivity with the addition of DE-CIX, the worlds largest Internet exchange operator, into our Düsseldorf data centre, and into other facilities on our Frankfurt campus. We also added the Danish (unclear) exchange, which is Denmark's only official Internet exchange hub to our Copenhagen data centre.

Turning to or expansion plans. As you saw on the announcements we made yesterday we're adding capacity in Dublin, Vienna, and Stockholm, where we are space constrained as a result of the growth we are experiencing in these markets. All together we've announce over 3,300 m<sup>2</sup> of additional capacity, we announced it this year, which we expect to come online over the next couple of quarters. We have other expansion activity in the pipeline and we will be announcing those at the appropriate time. Over the past two years we have invested in all of our markets and would expect to continue to do so. Let me now turn the call over to Josh who will provide greater detail on our financials.

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**Josh Joshi - Interxion - CFO**

Thank you David and welcome to everybody. Interxion's first quarter results continue to show sequential increases in each of our key financial metrics and were consistent with our plan. Revenues continued to see strong growth operating in the model, drove margin expansion, and we continue to invest in the business with a future. The highlight of the quarter was obviously the [IPO], which fully funds our growth business plan, and after a year of recapitalisation activity allows the management team, now, to focus on business.

To begin with I'd like to talk you through the [PNL] and then cover some balance sheet items and finish with a selected cash flow and credit quality items. Revenue for the first quarter was €57.9 million compared to 47.8 million in the first quarter of 2010. This represented 21% organic year over year growth and 19% growth on a constant currency basis. Sequentially, revenue growth was over 4%. This growth was driven by the 11% increase in revenue generating space combined with the (unclear) that was in line with our expectations for the quarter and comparable to last year. Recurring revenue was €54.1 million representing 21% year over year growth and over 5% sequential growth. As a percentage of total revenue recurring revenue was 94%. Non-recurring revenue in the first quarter was €3.7 million compared to 3.1 million in the first quarter of 2010, and 4.1 million in the fourth quarter of 2010. As a reminder non-recurring revenue can be lumpy from quarter to quarter depending on the timing of customer installations.

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Looking at our two segments our revenue again was roughly split 60-40 between our big four countries and the rest of Europe. We experienced a consistent performance across our footprint with the big four countries of France, Germany, the Netherlands, and the UK, growing at 22% year over year and our markets in the rest of Europe growing in aggregate by 20% year over year. Gross profit margins in the first quarter were 57.2% up from 54.5% in the same quarter last year, but down slightly from 58.1% recorded in the fourth quarter as a result of normal seasonality. Sales and marketing costs was €4.2 million in the quarter, up 27% against the same quarter last year, and 11% sequentially. We continue to make investments in segment specific strategic marketing and business development talent.

Other [GNA], which excludes depreciation, and amortisation, shared-based payments, and exceptional costs, was €6.7 million. That was up 27% against the same quarter last year. This year over year increase reflects in part the onset of public company costs. Excluding these costs year over year growth in other GNA was about 17%. Included within exceptional GNA costs was a one-time €1.7 million expense being a partial write off of our IPO costs in accordance with IFR standards. This is something that I signalled would occur during our last earnings call. Adjusted EBITDA in the quarter was €22.2 million, a 27% increase year over year, and up 4% sequentially. Adjusted EBITDA margins were 38.4% higher than last year's 36.5% but slightly lower than the 38.5% last quarter as a result of the same seasonality that I mentioned a few moments ago.

Moving to non-operating costs we reported net finance expense of €6.6 million in the first quarter compared to 13.5 million in the same quarter last year, and 6.1 million last quarter. Neither of the prior periods is directly comparable to the current quarter's results. In the first quarter of 2010 we completed our original €200 million bond deal and recognised at that time a one time charge of €10.2 million associated with this debt refinancing, and the unwinding of interest rates (unclear). In the fourth quarter we did an incremental €60 million bond tap. Our total debt financing was thus fully in place from the beginning of the first quarter this year and as a result it was in the first quarter we recognised a full quarter's worth of interest.

Income taxes in this first quarter were €2.3 million compared to 1.2 million in the first quarter last year. The income tax charge comprised current tax expense of 0.5 million compared to 0.4 million last year and a net [defer] tax expense of €1.8 million compared to 0.8 million expense last year. We do not expect to pay meaningful cash taxes in the medium term. Net profit for the quarter was €2.8 compared to a loss of €4.7 million in the same quarter last year. Last year's loss was driven primarily by the one-time expenses associated with the debt refinancing that I spoke about a moment ago. Earnings per share for the quarter was €5 cents, based on a weighted average

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share count for the quarter of 61.5 million shares. The share count at the end of the quarter was 65.6 million shares following the IPO.

Moving to the balance sheet, cash at 31 March was €229.3 million with the increase primarily due to the net proceeds of approximately €138.6 million from the IPO. Long-term borrowings were little changed from last year at €257.5 million and no borrowings were outstanding under our €50 million revolving credit facility. Our credit statistics remain well within in our [covenants]. Our adjusted EBITDA coverage-ratio was 3.5 against the 2.0 covenant, and the senior leverage ratio was 3.1, comfortably below our 4.0 covenant.

Turning to cash flow, cash generated from operations was €20.7 million in the first quarter, lower than last year due to unusual lumpiness in working capital movements. During the quarter we invested €19.1 million in capital expenditures including €17.1 million for expansion and upgrades, of that 12 million was invested in the big four countries. Overall equipped space remained at approximately 61,000 m<sup>2</sup> at the end of the year, the same as at year end, and up from approximately 55,400m<sup>2</sup> at the same time last year, and utilisation rates at the quarter end was 73% versus 72% a year ago. Well, with that let me turn it back to David. David.

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**David Ruberg** - *Interxion - Vice-Chairman and CEO*

Thank you Josh. Our results in the first quarter were inline with our expectations and the fundamental drivers remain unchanged from when we had our last conference call. They are - demand for our services continues to be very good and we believe the total industry supply-demand imbalance in Europe will not change in the foreseeable future. Two, we offer a differentiated service platform that focuses on connectivity, coverage, and are carefully chosen, and growing communities of interest. This differentiation has led to a pricing environment that remains generally stable across our Pan-European footprint. This is evidenced by the fact that the revenues continue to grow faster than the increase in the revenue generating space.

This consistency extends to our guidance as well. We are reaffirming the guidance for [full-year] 2011 that we provided to you late last March. Specifically, that means revenues are expected to be in the range of €239 to €245 million. Adjusted EBITDA is expected to be between €91 and €95 million and CAPEX is expected to be between €140 and €160 million. As always I would like to thank all of our employees in all of our countries for staying focussed on our customers and for delivering another solid quarter performance. I would also like to thank our shareholders and bondholders for their continued support. Now, let me hand the call back to the operator to begin

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the question and answer segment, and operator can you please read out the instructions to register questions from the call.

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## Questions and Answers

### Operator

Thank you. We will now begin the question and answer session. If you wish to ask a question please press \* 1 on your telephone and wait for your name to be announced. If you wish to cancel this request please press the #-key. Your first question comes from James Ratcliffe of Barclays Capital. Please ask your question.

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### James Ratcliffe – *Barclays Capital*

Morning and thanks for taking the question. Two [effects], first for all, (unclear) CAPEX is sort of well below the first quarter from a full-year [trend] in the quarter, can you just talk about what's driving that, and sort of what sort of (unclear) you see that following through the course of the year. And, secondly, just some [comments] (unclear) you're seeing very strong pricing environments in France, and I'm wondering, can you just give any more colour on it (unclear) fairly stable across the board, whether there's any markets that are particularly good, or where you're seeing particular stresses. Thanks.

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### David Ruberg - *Interxion – Vice-Chairman and CEO*

I'll take the questions and I think Josh will add some colour to the first one. As far as CAPEX, we've been capital constrained and capacity constrained for a long time. We just completed the IPO and from a practical standpoint it just takes time to crank up the engine and have this stuff flow through. So, again, you saw some announcements yesterday and I think you will see some additional announcements in the not too distant future, but I'll let Josh add any more colour that he wants to there.

In terms of the strong pricing I think we're going to stick to the comments that we made before that in general we are able to increase our prices. You can see that reflected in the disparate growth rates between revenue generating space, and the revenue, but I would not characterise them as strong. That's a word I would use for a couple of years ago. They are stable and consistent with what we said the last time. Josh do you have anything you want to add?

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**Josh Joshi** - *Interxion – CFO*

The only thing that I would add, James, is that we have said that we're reaffirming our guidance on CAPEX at 142, 160, and so I think that should signal more to come in the latter part of this year.

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**James Ratcliffe** – *Barclays Capital*

One follow-up if I could. Can you give us an update on where you are in terms of (unclear) permission in the London market and sort of how you are in terms of ability to expand in that market?

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

I actually expected that question the last time and that's just what it is, chatter. Guys, this is not an easy business to operate in. There are hurdles, there've been hurdles, there are hurdles, and there will be hurdles. Whether it deals with [permity], whether it deals with landlords, whether it deals with obtaining power, and that's what these hurdles are. I think it's public knowledge that, because you can on the website and find out, the first permit that we submitted for an expansion project in London was denied. But I'll tell you what, that's not the first time we've had a successful project that the permit was denied, and it won't be the last one, and it certainly won't be the first one for any one of our competitors, nor will it be the last one. So, I'm not concerned, it's an annoyance, but it's part of doing business.

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**Jim Huseby** – *Speaker*

Operator we're ready for the next question.

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**Operator**

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Thank you. Your next question comes from David Barden. Please ask your question.

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**David Barden** – *Bank of America*

Hey guys, thank you for taking the question. This is actually Steven (unclear) standing in for David. Two, if I could. I guess if I look at your guidance for the rest of the year it looks like it's implying essentially a flat margin from 1Q, are you able to provide a little more colour on, I guess, some of the moving parts on the cost side for the back-half of the year? I think the last quarter you mentioned some of the stocks [costs]. Is there anything else that we, I guess, should be looking for there? And, I guess, second, you know, when you look across your footprint, are there any additional markets within Europe where your customers are asking you to be, and, I guess, maybe a little bit on, kind of, the process that you guys go through in determining whether to put kind of additional capital into a market.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

I'll answer the second one first and then Josh will deal with the other one. We are very happy with the markets that we're currently in. That doesn't mean that there isn't opportunity for us to expand elsewhere. And, yes, some of our larger customers, which have multiple-national aspirations, have talked to us, but the process that we go through is a very selective one. The regulatory environment has to be correct in some of these countries to allow for competition. We look for things like approximately 20% of the ISP-traffic not being with the incumbent or being with the start-ups. So there's a whole list of things that we look at. That doesn't mean that we won't develop a relationship with someone in those countries that could potentially lead to a more strategic and/or a capital merger, but at the present time we are primarily focussed on our existing footprint and the relationships with our existing customers. I think you all know that we do have a relationship with the United States, which is continuing to develop, and since [trying] to head that one off, we are getting traction in that development. There have been some successes and the pipeline is building. So, Josh...

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**Josh Joshi** - *Interxion – CFO*

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Thanks for the question Steven. Talking about EBITDA, there are two areas where we will continue to invest in GNA over the course of this year. One, is in sales and marketing, we've seen great returns from that investment to this point in time, and the other area that we will invest in, and I highlighted on the last call, was that we will invest in [socks] readiness activity. Some of that will be ongoing, some of that will be onetime. Looking at [GNA] expands as it travels through the quarter, through the year, I'm expecting it, and we targeted it at being somewhere around the 20% level on a [underlying] basis.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Following on to Josh's comment on the sales and marketing – we're beginning to finish the [fleshing-out] of our marketing and sales strategy. It will be done by the end of this year. It's taken us two or three years to get here. We've added substantial strength particularly in the major accounts area in the last couple of weeks. But again I think that we will be in a position by the end of the year to say to everybody we've got the team we want in place, and again if we continue to see the benefit from the additional people that we bring onboard that we've seen [to date], we will all be very pleased.

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**Operator**

Thank you. Your next question comes from Jonathan Schildkrau of Evercore. Please ask your question.

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Jonathan Schildkrau - *Evercore*

Thank you. A couple of detailed questions here. First, in terms of the expansion timing, you put out three important announcements yesterday, are there any expansions that we should be looking for on the horizon between today and when those expected expansions open in Q3? Secondly, the tax rate in the quarter was a lot higher than I thought, that we had our model, should we see that moderate down over the course of the year? I understand that's a reported tax rate, not a cash tax rate, but still would we see that moderate down over the course of the year, or is this kind of a new level? Third, I think, David, you've kind of alluded to your relationship with [Telex], is that as much as we're going to get from you, or maybe we get a little bit more colour,

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particularly because I know that you've highlighted [cross-border] opportunities in the past? And then, finally, you know, (unclear) you had 21% revenue growth, 27% year over year EBITDA growth, the [mid-20] your guidance calls for 16% and 17.5%, respectively, what (unclear) looking for in the course of the year that would lead your performance to kind of come down to that level or is this just kind of a conservative expectation. Thanks.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Did you get that all out without taking a breath or what? All right, the first...

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Jonathan Schildkrau - *Evercore*

One breath.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Well, I'm not sure I can answer it in one breath. The first question, which is, can you expect more announcements between now and when these facilities open. If that was the question the answer is yes, in big bold letters. I'm not even going to try the second one, which is the tax. Do you want to do that?

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**Josh Joshi** - *Interxion – CFO*

Yes, sure. The short answer to your question, Jonathan, is, yes, we'd expect the tax rate to moderate down. The reported tax rate was a high 46% in the quarter. That was actually because of the non-deductibility of some of these IPO write off's that we've put through the books. The underlying tax rate in the quarter was 30% and, as I've mentioned, the cash tax is pretty meaningless or very low. Hopefully that was the colour you wanted.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

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Okay, on Telex, that's all the guidance you're going to get or the comments you're going to get, and the last one... If you could repeat, what was your question about guidance?

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Jonathan Schildkrau - *Evercore*

Yes, it was a question about guidance; you guys had a very strong quarter, 21% year over year revenue, 27% year over year EBITDA. The mid-point of your guidance is calling for 16% and 17,5%, respectively, just trying to kind of put those two data-points together.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

I think at the present time it suits us all well if we just do what we said we were going to do, which is, we're reconfirming our guidance.

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**Operator**

Thank you. Your next question comes from Chris Larson of Piper Jaffray. Please ask your question.

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**Chris Larson** – *Piper Jaffray*

Thanks. One of the things, the differences, between the US and European market is the willingness or the ability to charge for (unclear), can you talk a little bit about customers' willingness to accept those interconnection charges. And, secondly, can you talk a little bit about your [bookings] or the trends and the [book to bill] time. And, new customer size, are the customers moving up in size, moving down in size, what's, (unclear) trends within (unclear). Thanks David.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

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On the interconnection side that's always an issue that we address by saying, look, customers are really concerned about the total cost of ownership and what it takes, and how you break it out, whether it's space, power reservation, power utilisation, or interconnection, at the end of the day it's their total bill. So it's not just an issue, I think, in terms of, in my opinion, what the customers are willing to pay; it is the type of customer, and the type of application, and the flexibility that they require in terms of how they do business. So if you are in a situation where you have customers that have a very high number of cross-connects and that's a substantial portion of it, then they make look for pricing, so that they can select a number of inter-connects.

The customers that we go after, that are valued focussed, not cost reduction focussed, are [usually] in the range of four to six... These are not carriers, these are the digital media Internet Service Providers, and they have their own favourite carriers. They're not looking for 10 connections, they're not looking for 15 connections, and it's pretty stable, so it puts us in a position where, basically, we can price them based on five or six connections, and more based on power reservation, power utilisation, and space. So I don't think it's a customer willingness, yes, or no, I think it's more to do with the application than it does the willingness, because it's the total cost of ownership they're looking for, and the flexibility within that.

The book to bill has been relatively stable over the last four quarters; it is certainly not what it was two years ago. I think we've all talked about the fact that it is lengthened somewhat but it is not gotten any worse in that last four quarters and we're all looking forward to the day when the economies in Europe stop growing at 0,5%, GDP quarter over quarter, and people really start to spend money, and it goes back to what it was before. In terms of customer profile it's pretty much the same today as it's been over that last two years. It was different three or four years ago but that's ancient history. So, again, it's pretty consistent with what we've seen both in a book to bill ratio and in customer size over the last four to six quarters.

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**Chris Larson** – *Piper Jaffray*

And, David, maybe there's an [implication] there that you're not seeing really large customers and perhaps the benefit there of not seeing really large customers is they don't come back to you and try to assert power in terms of we're going to walk away, and, you know, you've got to do this on pricing. Is that a fair [sense] that they will [less]...?

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

I don't know how you draw that conclusion from what I've said but I'll be glad to comment on it. First of all I want to make a distinction. We have some of the largest customers in the world. The issue is that we don't take large implementations from these large customers. We are focussed on certain application and only certainly elements of those applications, which relate to connectivity and value. So we have very little exposure to some of these huge implementations where they can... I view them as wholesale, or we view them as wholesale, or quasi-wholesale, where price is the driver, we focus on the front-end to those applications where value is the driver.

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**Operator**

Thank you. Your next question comes from Michael Bowen of Guggenheim Securities. Please ask your question.

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**Michael Bowen** – *Guggenheim Securities*

Good morning. Thank you. I wanted to go back to something I think I heard you say, you said pricing was not strong, but it's stabile. If I had that correct could you tell us what changed, you know, what are you seeing from when it was strong, to now that's it's stable. And then, second question, with regard to the permit, I'm sorry if I've missed this, but can you give us any thoughts on why the permit was denied? Is this something (unclear) very, very specific to the London market or is it something with regards to design that could impact any other markets? Thanks.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

You're going to get me started here now. All right, strong versus stable. Two or three years ago when, not only we, but a number of our competitors were raising our [list] prices in the double digits, and they were sticking, that's a pretty strong environment. As we indicated on the road show our price increases are in the single or lower-digits, and that to me is stable, they're not declining. And, again, if you look at our top line and compare it to our [revenue] generating space, the top line is growing significantly faster than the space beneath. As far as the permit is

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concerned, I have to be careful here, it had to do with line-of-sight. It has to do with someone making sure that there's enough sunlight, is able to come up in the morning and someone can see it come through their window. So I hope there's nobody on here from the permitting, or the towers, or no politician on here - it's silly, but it's just business, and we go through this all the time. There are noise issues, there are aesthetics issues, there are green issues, you name it, but that's the business we're in, and it's applicable to everywhere.

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**Operator**

Thank you. Your next question comes from Jonathan Atkin of RBC Capital. Please ask your question.

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**Jonathan Atkin – RBC Capital**

Yes. I had a question about the rest of Europe versus big four and the margin differential, do you expect that to stay roughly where it is, where the rest of Europe is higher than big four? And (unclear) [sequentially], both gross margins and EBITDA margins, expanded in rest of Europe, but declined in the big four, and I might have missed it, but can you explain what some of the factors where there?

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**Josh Joshi - Interxion – CFO**

Yes, sure, I think if we talk to the EBITDA margins, the sort of differential in EBITDA margins, there's been a fairly consistent theme over the last eight to ten quarters, and I expect that to continue. It's to do with the price of property in each of these markets and... I'm sorry, what was your second question.

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**Jonathan Atkin – RBC Capital**

Yes, the sequential decline in big four versus increase, sequentially, in [Western] Europe.

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**Josh Joshi** - *Interxion – CFO*

Yes, I mean that was going, partly, to the seasonality that I was talking about before, where we've seen, in some of our countries, what we see at the beginning of the period is rent increases coming through, and so that's how you see that coming through the numbers.

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**Jonathan Atkin** – *RBC Capital*

And then, just generally, in terms of the pace of customer decision making, any change since what you indicated the last call, now that (unclear) is behind us, is there any kind of seasonal slowdown or maybe even [uptake], you know, given that 2011 (unclear) different pace of (unclear)?

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Jonathan, no noticeable change, and, yes, the budgets have come through, but again keep in mind... They just released the numbers for Europe. The average growth was 0.6% or whatever it is. Germany was doing well, France was doing well, UK was right on the button, the rest of them are not. I'm amazed, I'm impressed that the company is growing as it is, the pipeline is as strong as it is, given the fundamental underlying problems that many of these countries are still trying to deal with. But, back to a point that I said before, as these start to recover, what we expect to see is more capital going into the IT market, more web-enabled applications, more response time sensitive applications, particularly driven by some of communities we're interested in, and some of the wireless stuff, and we expect to see potentially a uptake next year. So both in terms of [rate of] decision making, people participating in it, and without changing our guidance [I've] given you a flavour that I think you're looking for.

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**Jonathan Atkin** – *RBC Capital*

Thank you I appreciate that. And then finally just in terms of competitive environment, are you noticing any different behaviour from some of your principal peers in the major markets?

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

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One day they're good guys, one day they're bad guys; one country, they're a good guy... No, we're not... Again, I think we've said before, the three or four of us that are doing this have been doing it a long time, I think there's a fair amount of mutual respect, and I think they understand the business, as do we, and nobody is about to go destroy the opportunity that we have. So, again, back to the fact, I think, the supply-demand imbalance - at least for another couple of quarters it looks like it's in good shape.

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**Operator**

Thank you. Your next question comes from Mithese Fiumara of Kairo. Please ask your question.

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**Mithese Fiumare - Kairo**

Hi, this is Mithese Fiumara from Kairo. Just two, one follow up, and then one (unclear). The follow up is on working capital. Here aforementioned the words some unexpected increase in (unclear), which, I [understand], where it came from, and, secondly, (unclear) they've seen recently a study in the US, between 06:00 and 08:00 PM, that 20% of the Internet traffic is driven by [Netflix], or similar video streaming applications. So given that in Europe we're behind that I wonder if you could explain you intend to capture that. Thanks.

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**David Ruberg - Interxion – Vice-Chairman and CEO**

Josh will answer the first one and I'll attempt to answer the second one.

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**Josh Joshi - Interxion – CFO**

You asked the question about what's going on with working capital. What I said was that it was unusually lumpy, so the movements are pretty big. What you see over the last several quarters is our movements in working capital going in both directions and that's just a reflection of what's going on with both liabilities and current assets. In this case there's no underlying issue. What you should be aware of is that we bill our customers three months in advance and sometimes six

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months and one year in advance, and just before the end of the quarter we do our billing, and as a result, what you see, the debtors go up.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

Could you put your line on mute because you are dominating... Thank you.

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**Josh Joshi** - *Interxion – CFO*

Thank you. And so our underlying (unclear) sales are outstanding around 15 to 17 days. They've been relatively consistent, but what you see going on is the three monthly cycle on our billing and then movements in VAT and other items.

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**David Ruberg** - *Interxion – Vice-Chairman and CEO*

To your first question on Netflix - Netflix is just one of many people that are involved in the digital media segment. And that's a segment we really like because one of the numbers that we've talked about is that we have access to 76% of the GDP in Europe on a low latency basis, and if you're going to do streaming media, IPTV, that's really important. So how do we intend to participate then? Just what we're doing now, which is working to get the right carriers to get the right distribution companies, to get the right facilitators of this, and that's what we're doing.

By the way I was just tapped on the shoulder and reminded that I may have appeared too negative in terms of what's going on in Europe, so to Jonathan's question, I just want to make sure that you all understand that we did quite well in what ostensibly appeared to be the weakest economies, because some of these economies are beginning to outsource in order to take advantage of cost-reduction. So I didn't want to leave anybody with the impression that I was pessimistic on Europe. The fact that we're here and doing well, another competitor is doing well, and one of the guys in the United States [touts] what's going on in Europe, I think in spite of the economies this industry is doing quite well. What I was trying to do is leave you with the impression that as these economies recover, and they will, this business will get even stronger. Did we answer your question?

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**Mithese Fiumare** - *Kairo*

Yes, I'm fine thanks.

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**Operator**

Once again, if you wish to ask a question please press \* 1 on your telephone and wait for your name to be announced. If you wish to cancel this request please press the #-key. There are no further questions at this time, sir, please continue.

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**Jim Huseby** - *Speaker*

Well, that completes our conference call for today. Thank you all for attending and we'll speak to you at the end of next quarter.

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**Operator**

Thank you, that does conclude our call for today. Thank you for participating. You may all disconnect.

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