INTERXION

Moderator: Jim Huseby
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Operator: Ladies and gentlemen, thank you for standing by and welcome to the Interxion Q1 2014 results conference call.

At this time all participants are in a listen-only mode. There will be a presentation, followed by a question and answer sessions, at which time, if you wish to ask a question, you will need to press star one on your telephone keypad.

I must advise you that this conference is being recorded today on May 7, 2014. I would now like to hand the conference over to your speaker today, Jim Huseby. Please go ahead sir.

Jim Huseby: Thank you, Azura. Hello, everybody. And welcome to Interxion's first-quarter 2014 earnings conference call. Today you will be hearing from David Ruberg, Interxion's Vice Chairman and CEO, and Josh Joshi, the Company's CFO. To accompany our prepared remarks, we are again providing a slide deck; the slides are available on the Investor Relations page of our website at investors.interxion.com. We encourage you to download the slides to use during this call if you've not already done so.

Before we get started, I would like to remind everybody that some of the statements that we 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 in our filings with the SEC. We assume no obligation and do not intend to update or comment on forward-looking statements made on this call.

In addition, we will be provide non-IFRS measures on today's conference call. We provide a reconciliation of those measures to the most correctly comparable IFRS measures in today's press release, which is posted on our Investor Relations page at www.investors.interxion.com.

We would also like to remind you that we post important information about Interxion on our website. We encourage you to check our website for the most currently available information; we also post information on social media sites such as Facebook at Facebook.com/interxion, and Twitter at @Interxion. We encourage you to follow us on these sites as well. As usual, following our prepared remarks we will be taking some questions. And now I'm pleased to hand the call over to Interxion's CEO, David Ruberg. David?

David Ruberg: Thank you, Jim. And welcome to our first-quarter 2014 earnings call.

Please turn to slide 4 of the presentation. Interxion produced another quarter of solid, consistent execution with continued operational progress. Financial and operating results in the first quarter were consistent with our expectations and continue to show good year-over-year improvement.

Our revenue growth, all organic, was up 8 percent year over year and 3 percent sequentially. Adjusted EBITDA grew slightly faster than revenue at 9 percent, with adjusted EBITDA margins of 42.9 percent despite the normal EBITDA drag that comes from opening two new data centers in the quarter.

On our last conference call I categorized the European market for cloud service providers as having had a light switch turned on. The strong bookings momentum we saw in the fourth quarter of last year continued into the first quarter of 2014, and the result in orders prompted us to accelerate the expansion of Amsterdam 7 and Frankfurt 8. In addition to Frankfurt and Amsterdam, we have seen good activity in Stockholm, Vienna, and Dublin.

As result of our accelerated and large expansion plan, we recently increased our capital expenditure guidance for 2014 and also raised approximately

EUR158 million of incremental capital at very attractive rates. All of our expansion projects remain on schedule, and with orders supporting 70 percent of our 2014 capital expenditures we expect our utilization rate of space will be higher by year end and into 2015.

So please turn to slide 5. I've already covered most of our financial highlights on this slide, and Josh will review the financial results in more detail in a few minutes, and so why don't we turn to slide 6. Interxion had solid operational results in the first quarter; we added 2,800 square meters of capacity, ending the first quarter with 82,900 square meters of equipped space, which is up 6 percent year over year.

In addition, we installed 1,700 square meters in the quarter, which is an increase of 8 percent year over year, reaching 61,400 square meters of revenue-generating square space by the end of the quarter. Space utilization was 74 percent, remaining in our mid-70 percent target range.

Quickly reviewing other KPIs, sales pipeline remains healthy. The bookings remained strong during the quarter, pricing continues to be in line with what we've seen over the last few quarters, ARPU remained firm, and churn remains low and consistent with our historical range of between 0.5 percent to 0.75 percent per month on average.

Please turn to slide 7. We completed four expansion projects in the first quarter. The two larger projects were 1,100 square meters in the first space in Amsterdam 7, and 800 square meters in Frankfurt 9. The other two projects were 300 square meters in Brussels and 500 square meters in Stockholm.

In April we opened the first phase of Frankfurt 8, which is 900 square meters, and we also announced that this data center will see three additional phases of similar size open before the middle of next year. We ended the quarter with 86 million watts of customer available power and a total of 139 million watts of maximum available customer power within our current and announced data centers.

Please turn to slide 8. Our communities of interest to continue to develop nicely in the first quarter, reflecting both the effectiveness of our three-tiered go to market approach, and the recognition by customers of the value inherent in co-locating within our communities.

As with the last quarter, the managed service provider segment continues to be our fastest-growing segment. Recurring revenue in the quarter from this segment grew over 15 percent versus the first quarter of 2013, again highlighting the investment the cloud service providers are making as enterprises start to migrate to cloud solutions. As I mentioned earlier, we've continued to see strong bookings from this segment so far in 2014, and are deploying capital in a number of markets to meet this contracted demand. We are working in partnership with these customers and other magnets to deploy the platforms needed to support the enterprise migration to hybrid cloud solutions that we expect to see beginning in 2015.

We believe that Interxion's combination of sector expertise and European footprint, strong operational execution, and the rich connectivity over communities positions us to partner with enterprises to play a substantial role in their adoption of the cloud. I'll give more insight on this in my remarks at the end of the presentation. Now I would like to turn call over to Josh.

Josh Joshi: Great, thank you, David and welcome to everybody on the phone and online. I will start as usual by discussing the group results and follow with some additional color on our geographic segments.

Please turn to slide 10. Interxion started the year with another quarter of consistent execution and solid results; we saw steady growth in recurring revenue and adjusted EBITDA together with year-over-year margin expansion. Total revenue in the first quarter was EUR80.6 million, up 8 percent compared to the first quarter last year and up 3 percent sequentially. Currency fluctuations had no meaningful impact on our results this quarter.

Recurring revenue at EUR75.9 million in the quarter made up 94 percent of total revenue and was up 7 percent from last year's first quarter and up 2 percent sequentially. Nonrecurring revenue was EUR4.7 million, in line with our expectations, 38 percent ahead of last year, and 27 percent up from the fourth quarter of 2013. Now nonrecurring revenues is lumpy in nature;

however, we would expect quarterly nonrecurring revenue to be at least EUR4 million a quarter for the remainder of the year, and this was already factored into our guidance at the start the year.

Recurring monthly ARPUs remained firm, consistent with our expectations. As we look forward for the remainder of the year, our expectations on the development of recurring ARPU have not changed. We expect recurring ARPU to tick down a little by year end and to be around 2 to 3 percentage points lower than current levels. This is primarily driven by the timing of the revenue-generating space being deployed and the complexity of configurations, customer changes in deployment schedule, and ramping of customer equipment and power and energy use within that space. This is of course fully factored into our guidance for the year.

Cost of sales in the first quarter was EUR32.6 million, up 10 percent over the same quarter last year and up 4 percent sequentially. Gross profit was EUR48 million, an increase of 7 percent year over year and 3 percent sequentially, while gross margins decreased slightly from around the 60 percent level to 59.6 percent. This is the result of seasonality of cost of sales when we see the majority of our annual cost increases in the first quarter together with expansion drag from our data center openings.

Sales and marketing costs were EUR5.9 million in the quarter, up 7 percent year over year and down 8 percent sequentially. As we mentioned on our previous call, the fourth quarter was a record bookings quarter and our sales commission expense reflected that. Bookings momentum into the beginning of 2014 continues to be strong.

Other G&A costs of EUR7.6 million remained flat year over year and was up 14 percent sequentially. At 9.4 percent of revenue, other G&A costs were within our typical range centered around 9 percent of revenues. The sequential rise was in part due to increased personnel costs and some recruitment costs in the quarter.

Adjusted EBITDA was EUR34.5 million, an increase of 9 percent year over year and 2 percent sequentially. Adjusted EBITDA margin in the first quarter was up 30 basis points year over year; sequentially adjusted EBITDA margins were down 30 basis points, consistent with the usual seasonality of our cost as I mentioned earlier, and also by the impact of expansion drag.

Depreciation, amortization, and impairments were EUR14 million, a 3 percent sequential increase and flat year over year. We booked EUR5.4 million of net finance expense in the first quarter, lower both sequentially and year over year. The sequential decrease is largely the result of higher interest capitalization in the first quarter of 2014 as result of our expansion program. The 16 percent year-over-year decrease in finance expenses were primarily driven by the refinancing completed in mid-2013.

With the addition of EUR150 million of bonds issued in April 2014 and another mortgage loan concluded in early April, we will see an increase in financing expense in the rest of year before taking into account capitalized interest. As is our normal practice, we've set a reconciliation of the significant puts and takes to net profit and EPS in the appendix to our presentation.

We booked income tax expense of EUR4.2 million in the first quarter, resulting in an effective book tax rate of 29 percent, which is down from the 32 percent in the same period last year and slightly up from the previous quarter. The cash tax rate on an LTM basis was 16 percent when adjusted for the one-time refinancing costs. We expect that cash taxes will be steadily increasing over the next two years or so to more closely match the effective tax rate of approximately 30 percent.

Adjusted net profit for the first quarter was EUR9.8 million, 51 percent higher year over year and flat sequentially. Adjusted earnings per share during the quarter where EUR0.14 on the basis of 69.6 million diluted shares, compared to EUR0.09 in the first quarter last year and EUR0.14 last quarter.

Let's take a closer look at our geographic segments. Please could you turn to slide 11. The growth rate in the big four segment at 9 percent year over year and 4 percent sequentially continues to be stronger than our rest-of-Europe segment, which grew at 7 percent year over year and 2 percent sequentially. Revenue in the big four was EUR50.8 million or 63 percent of the Company's quarterly total, and as David mentioned earlier, we've seen growth in Germany and the Netherlands.

As adjusted, EBITDA in the big four was EUR27.3 million with margins at 53.8 percent, down 20 basis points from the first quarter of 2013 and down 60 basis points from the previous quarter. In the quarter, adjusted EBITDA was impacted by the expansion drag of opening Amsterdam 7 and Frankfurt 9 as well as the usual seasonal cost (cutlets) in the first quarter. Demand continues to be generally healthy in the big four markets and our investments reflect this.

Revenue in the rest of Europe was EUR29.8 million, while adjusted EBITDA was EUR15.8 million, with margins of 52.9 percent improving both year over year and sequentially, reflecting solid cost control in this segment. As David already mentioned, we've seen strength consistently over several quarters in Sweden and we are now starting to see strength in Austria and Ireland. Again we continue to invest selectively in the rest of Europe segment based on customer demand.

Moving to slide 12, I will briefly discuss our capital expenditures. Capital expenditures including intangibles as seen on the left-hand chart totaled EUR57 million during the first quarter, with EUR52.7 million of that devoted to expansion capital and EUR3.7 million to other CapEx including maintenance CapEx.

We've made demand-driven investments across our footprint, actually much of it order-driven, with 76 percent of this quarter's investment going into the big four markets and 22 percent in the rest of Europe. The lion's share of our investment in the big four was in relation to the Amsterdam 7 and our Frankfurt data centers. In the rest of Europe segment, around half the investment was in Vienna.

Now I'd like to spend a few moments discussing the balance sheet. Please turn to slide 13. As we've mentioned a few moments ago, subsequent to the quarter end we closed EUR150 million bond tap, and also a EUR9.2 million mortgage over our Brussels facility. Given that both transactions closed in April, we thought that it would be helpful to present both the actual balance sheet figures as at March 31, and pro forma balance sheet figures as at March 31, adjusted for the additional bond borrowings and the repayment of the revolving credit facility.

We increased our long-term debt to support the accelerated data center investments we recently announced following the signed customer orders, and I think this is a reflection of the strength and flexibility of our balance sheet. The bond tap was issued at an effective yield of 4.7 percent, and the Brussels mortgage is 15-year money at a cost of 2 percent above EURIBOR. The overall pro forma blended cost of debt for the Company is now reduced to 5.9 percent, a reduction of almost 4 whole percentage points within the last year.

At March 31, our gross leverage ratio was 3.0 times while net leverage was 2.7 times. On a pro forma basis with additional bonds and the Brussels mortgages issued in April, and after repayment of the amounts drawn under the revolving credit facility, net leverage is slightly down at 2.6 times, and gross leverage increased to 3.9 times. We remain well capitalized, fully funded with strong credit metrics, no near-term maturities, and plenty of liquidity.

Please can you turn to slide 14. This is a familiar slide by now, underpinning our disciplined investment strategy to secure superior long-term cash returns. The chart looks at all of our data centers in operation as of the end of 2010, and rolls them forward to show how they are performing in the last 12-month period. Now that's 28 data centers with Frankfurt 6 and Dublin 2 added to the list from a year ago. Remember, that's every single data center over three years old across our entire footprint, no cherry picking.

In aggregate they represent about 67,000 square meters of equipped space. We've now mostly but not completely built out all of the phases in these data centers, and when fully equipped, I'd expect these 28 data centers to represent about 68,000 to 69,000 square meters of equipped space. Space utilization at the end of the quarter was 78 percent, giving room for further revenue growth as utilization increases. Recurring ARPUs have increased by over 12 percent since the end of 2010, and going forward as even more space utilization peaks at around 80 percent to 85 percent, there's still room for increases in both power capacity and energy consumption utilization to provide further revenue and ARPU growth.

Our approach continues to be to invest for attractive long-term returns in a disciplined manner, and the LTM cash return on these data centers was 28 percent. Now with that, I'd like to turn the call back over to David.

David Ruberg: Thank you, Josh. Please turn to slide 16. This slide is an update on the slide that we showed on our fourth-quarter 2013 results call that illustrates our view of the potential cloud adoption curves in the United States and in Europe. This is not a forecast.

It was prepared to allow for discussion of trends, and is based on conversations with our customers, their customers, and on our channel partners. The US market is shown in blue and Europe is in black. We've noted points at which we think there will be a ramp-up in deployment of capacity by managed service providers and usage and deployment by enterprises.

Investment in and deployment of large scale cloud offerings in the United States by managed service providers appears to have development some time ago with the integration migration to infrastructures as a service, IaaS, or platform as a service, PaaS, potentially following about 12 months later, which looks like it will be in mid-2014.

In Europe we saw managed service providers start to make similar commitments and deployments beginning at the very end of 2013. The European managed service provider activities continue to run at a good level to date in 2014, and the market so far is evolving along the lines and time frames we discussed here and on previous conference calls.

Please turn to slide 17. I am sure that you have seen many slides by this recently, we thought we would give you our version. For an enterprise moving to the cloud can be complicated and risky. And will probably require interim or intered solutions. These enterprises have operated for years with a growing amalgamation of applications which are probably interdependent.

This mix of legacy applications consist of some that are mainframe-based, some that are client/server based or desktop-based, some that are web-based. Extensive analysis must be made into the potential impact moving even part of one of these applications to an outsource provider.

This effort has been going on. It takes time but it is going on now, and the approach that will come out of this will change as the economics of the cloud and interconnection to the cloud evolve.

Enterprise migration to cloud is driven by a combination of factors, such as reducing costs, improving efficiency, expanding reach, meeting regulatory environments, and the big one, and by the ability to create value by getting better access to the customers. It is becoming clear that for most enterprises wanting to take advantage of cloud services, a hybrid model is the way forward. Which means that some applications may stay in the enterprises' owned facilities, but those that require faster response time and/or reduced latency or are bursty will probably be moved to carrier-neutral locations.

These applications may be retained in a private cloud if they are part of the enterprises' secret sauce or they may be housed within systems integrators, or burst into the public cloud as required, or they may be placed directly in the public cloud. As systems integrators, cloud service providers, and enterprises work to develop better hybrid clouds and cloud business models, it is logical to do so in a cloud hub where private and public cloud infrastructures can co-locate and cross-connect to the right counterparties.

This slide attempts to illustrate how interactions cloud hubs are providing this hybrid environment across each of the most important areas for enterprise cloud deployment, which are: first, to reduce cost and improve scalability of key applications, Interxion's enterprises; enterprise customers can access all major cloud service providers through our rich community of carriers across our 11-country footprint. Second, in order to manage risk, Interxion's enterprise customers can access our rich differentiated community, over 300 local cloud service providers to meet the increasing demands for on-shoring data within the bounds of national data sovereignty laws.

Third, to grow revenues from consumer-facing applications and improve response times; our customers can co-locate with the 20 internet exchanges that Interxion hosts, and the right carriers that we host that provide them with direct access to over 75 percent of Europe's GDP. We are continually evolving Interxion's cloud hubs in order to offer enterprises the best portfolio of highly-collected, reliable, flexible, high-density compute environments in which to conduct their business.

To be successful, you need more than just a product offering. Creating the preferred cloud environment for enterprises requires significant time and investment to develop a community of interest that includes their trading partners as well as their working partners. All of these companies want to work with a data center operator that gets it. We think Interxion does get it and that's one of the reasons we've been doing well with the cloud platform providers.

We are taking the necessary time and making the investment required to develop a coherent approach that addresses the needs of the enterprise across key factors, which include connectivity, flexibility, tools, support, collaboration, and configuration expertise. As part of our cloud hub strategy, Interxion is striving to deliver even more value to enterprise customers who will benefit from our expanding cloud community of interest, a future-proofed IT roadmap by direct access to key cloud service providers, and platforming of enterprise strategic applications requiring real-time performance. All of these can drive significant value, competitive advantage to the enterprise customer if they are housed in the right location with the right connectivity, power, and supporting communities of interest. We believe that Interxion cloud hub ticks all of these boxes.

Please turn to slide 18. We are reaffirming our existing full-year financial guidance, which includes our recent upward revision to our capital expenditure guidance. To be specific for the full year 2014, we are expecting revenue to be in the range of EUR334 million to EUR344 million. Adjusted EBITDA to be in the range of EUR145 million to EUR152 million. Capital expenditures to be between EUR175 and EUR200 million to support our order-driven expansion projects.

I would like to thank again all of our employees in all of our countries for staying focused on our customers, executing against our business plan, and continuing to deliver solid results. I'd also like to thank our shareholders and bondholders for their continued support of Interxion's development. Now let me hand the call back to the operator to begin the question and answer segment. Operator, can you please read out the instructions to register questions from the call?

Operator: Absolutely, thank you. As a reminder, if you wish to ask a question, you can press star one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, you can press the hash key. So that's star one on your telephone keypad if you wish to ask a question.

We have a question from the line of Jonathan Atkin. Please ask your question.

Jonathan Atkin: Yes, I was interested -- the change to the CapEx guidance, the terminology you're using now includes intangibles; on previous presentations it didn't, so I wondered if you could maybe detail that as well as just the change in the magnitude for the full-year outlook?

Then on the cloud exchange hub, I was interested as you benchmark your capabilities versus other retail co-location providers, how does your cloud exchange hub differ than others in terms of either having APIs or programmatic interfaces or density of networks or whatnot? Thank you.

Josh Joshi: This is Josh. Let me deal with the CapEx question and I will hand it over to David for the cloud. Jonathan, actually for a number of years we've been reporting CapEx with including intangibles. I'm happy to talk to you in terms of the disclosure, but actually that's how we've been reporting it, and CapEx for at least three years I think we've been including intangibles as reported.

Jonathan Atkin: Okay. We can take that off-line. The terminology on the guidance slide actually just changed slightly, so that was really my only question.

Josh Joshi: So then going back to the number question, there's been no change in terms of our thought process or in terms of the numbers or how we are thinking about guidance, and so don't infer any subtle changes there because there aren't any.

Jonathan Atkin: Okay.

David Ruberg: And to your question, this is an emerging situation, and so you listed a couple of features and functions that are integrated into the approach. But what I was trying to get across Jonathan is that it is more than that. It is more than a product. It is a philosophy. It is an approach. Having an API into the way you allocate your cross-connects is good, but if you have the inappropriate people to cross-connect to, that's a problem.

So these things, the software elements of it are being developed. I believe APIs are standard interfaces, are nothing unique. It is more a matter of execution and looking to the future, understanding who the customers are and understanding who they need to partner with, again, not only in terms of who they trade with, but who they are going to buy services from. So I think that's a bigger differentiator than just the software that supports this.

Jonathan Atkin: You commented on demand trends in a couple of rest-of-Europe markets, Dublin and others, and I wondered if you could just give a little bit of perspective as to which sectors are driving the demand there?

David Ruberg: I think most people would realize that in Amsterdam and Frankfurt, it is the cloud folks. In Stockholm it's across the board and it has been that way for a year. In Dublin it is again across the board. And in Vienna it is primarily the cloud platform people.

Jonathan Atkin: My last question would be around Germany where some of your competitors have reported seeing renewed strength, I think it has always been a fairly strong market for you on a relative basis to peers. But just wondering whether the fact that your competitors are doing better, do you see that as having any kind of an impact on your business in that particular market?

David Ruberg: I don't believe so. We haven't seen it adversely impact us yet. And I don't think it will.

Jonathan Atkin: Great. Thank you.

Operator: Our next question comes from the line of Colby Synesael. Please ask your question.

Colby Synesael: Great, thank you. Two if I may. The first one has to do with demand. And as it relates to the cloud, I was wondering if you can give us any color in terms of the variation in demand. Is it coming from one or two very big customers like Microsoft or Google, and I'm sure you won't give us the names, but those types of what we'll call public cloud providers?

Or is it really more broad than that? I guess the concern would be that if it is just one or two big cloud providers they are going to extract pretty aggressive pricing from you, might even go indirectly and exclude you from the power aspect, as I think happened to you in one of your facilities already in Amsterdam. Just trying to get some sense of that.

And then also as it relates to the book-to-bill on those customers, is it simply just a matter of once you have that space available for them to take, they're going to install, and therefore, when we'd expect to see those facilities come online, we should also start to assume that you're going to ramp those up pretty quickly? Thanks.

David Ruberg: Colby, on your first one, it is not just one provider. If you look at the three segments: the infrastructure, the platform, and the service; we are focused on the top three to five each one of those categories. And I am very proud to say that they were interested in us. So the number that we are talking about on a global basis exceeds 10. If you want to look at on a local basis the number is quite large.

So it is not a concentration of just one. The enterprises that are migrating -- that we believe will migrate to the hybrid solution, they do not want to be held captive to just one, and we do not want to create an environment where we are held captive to just one. So we have worked very hard to build a community of interest, not a community of one. Okay?

Josh Joshi: And Colby on the book-to-bill, as I said earlier the deployments that our customers put in place, they tend to be complex, and there are various perspectives here. So you've got a book-to-bill ratio which is just on the space, and that could be in terms of first installation, it could be between a month and three months, and then ramping that over time, that could ramp over a period of four quarters or more.

Then on top of that you would see both the power capacity, the cooling capacity ramp over time as well as the energy consumption. So all of those impact, if you like, the way the book-to-bill works over time.

Colby Synesael: Okay and then if I can just sneak one extra one in there. In your most recent 20-F or I guess equivalent of 10-K filing, there's commentary in there that Baker Capital is looking to add two members to the Board, and there's some commentary in there that seems like they could be more aggressive or more active, just noting that they are open to all avenues for creating and maximizing shareholder value. Am I reading too much into that or is there the potential for some changes from an operational or even from a strategic perspective as it relates to the Company being considered right now?

David Ruberg: Okay. I don't know what you are reading into this, but as we disclosed in our 20-F on April 8, Baker Capital notified the Board that they intended to designate two additional individuals for nomination at the Company's 2014 Annual Meeting. Each of these candidates must meet the standards for independence under the requirements of the New York Stock Exchange. Information about the Annual Meeting and candidates for election to the Board of Directors will be available in our proxy statement, which will be filed approximate 30 days prior to our Annual Meeting, which is currently scheduled for the 25th of June.

The only thing that -- I think the Company has been very forthcoming in providing all of its stakeholders with the relevant information, and the only thing that I would add to that is it appears that people have misread this or it's subject to interpretation that the Board will be expanded to nine, it will not. The Board will stay at seven. And I think that's the appropriate answer to the question at this time, Colby.

Colby Synesael: Okay, thank you.

Operator: Thank you. We would like to remind participants that if you wish to ask a question, you can press star one on your telephone keypad and wait for your name to be announced. We would also like to remind participants to limit their questions to one and follow up if necessary.

Our next question comes from the line of James Breen. Please ask your question.

James Breen: Thanks. Just respect with the guidance on revenue. If you look at the low end of that guidance it implies I think 9 percent-plus growth for this year. Can you just talk about given what you grew year over year in the first quarter, how does that progress throughout the year given the space that you are adding and the commentary you gave on the MRR numbers? Thanks.

Josh Joshi: Thanks, Jim. At the beginning of the year as we think through guidance, we've got a number of factors that we take into account. And as you look at the way that we are deploying space and capacity, and I think I said on our 4Q call, in fact that we see this more weighted towards the second half. And you can see in terms of the way that we are bringing on space, so over the course of the year.

So our guidance is our guidance; at the midpoint it is 10 percent year-over-year growth. We haven't changed our position on that in terms of the guidance range. And our philosophy is that if there's a material change then we will come back, but we continue in terms of our approach at this point.

James Breen: Great, thanks.

Operator: Our next question comes from the line of Milan Radia. Please ask your question.

Milan Radia: Thank you. I had a question on the preselling percentages, I guess if you -- thinking about the comments around the amount of CapEx that's covered by orders, and so has there been a material shift with respect to the preselling magnitude that's happening prior to those openings?

And second question if I may was really just around thinking about your ARPU outlook. So if you were to take the medium-term outlook and defined it as you like, whether it is or two or four or five years, what is the kind of ARPU trajectory, and has there been any kind of structural change in the way you look at the ARPU potential coming out of these slightly larger deals, say with the cap providers, et cetera?

Josh Joshi: Milan, on the first question, the short answer is yes. We said about 70 percent of the CapEx that we've guided to over the course of this year is being built to support customer orders effectively. And therefore effectively a presale into those data centers.

I think that's just indicative of the kind of work that the marketing and sales organization have done in terms of identifying the right customers and magnetic customers that go into our footprint. So there has been that increase. Just to remind you though, our standard approach -- and that approach hasn't changed -- is that what we're looking to do is size our data centers to have sales of about 25 percent on day one, and to sell the remainder over three years. We've just done better than that more recently.

And then in terms of the longer-term ARPU development. I have to tell you Milan, it's real difficult. And for some of the reasons that I outlined on the call in terms of the way that customers will deploy their capacity, their cooling capacity and the way that they will deploy energy.

And also some of the expectations of that -- as we bring magnetic customers into our footprint we fully expect them as David was mentioning earlier to attract enterprises and enterprise conversion into our footprints. While our focus is on generating returns and shareholder value, I'd expect ARPUs all things being equal over the medium term, to increase, and I'd expect the value to significantly increase. I hope that helps.

David Ruberg: Milan, a little different perspective. We are at the early stages of cloud adoption. This is a huge opportunity. And everybody is trying to size appropriately their applications. So what we see is that the enterprises aren't quite sure where they're going directly to a hybrid, where they're going to go to a private that's co-located, how much is going to stay where, what ports of the software, and so the platform providers are trying to anticipate this.

So this goes in a little bit of a more bursty mode than you would like to see. It is not a consistent approach to supply and demand. It is bursty. So what we've seen here is a pretty good size burst that last for it looks like three quarters, and as the platform providers are anticipating, the enterprise is coming. What that means is they will take the space; they will only take the power when the enterprises start to deploy.

So it is very difficult for us to figure this out. We have the contracts, the question is when will our customers get the contracts with their customers. But we have contracts for the space. We have the results, the deal figured out for the power and the energy consumption. This is all demand driven on their part. Okay?

Milan Radia: Got it. Thank you very much.

Operator: Our next question comes from the line of Gray Powell. Please ask your question.

Gray Powell: Thank you very much. You all saw a very good acceleration of revenue growth in Q1 to 8.4 percent year over year. It looks like things are definitely going in the right direction.

Just making some rough assumptions. It looks like growth needs to improve into the 12 percent to 13 percent range in the second half to make the midpoint of guidance. So given the strength of bookings that you've seen in Q4 and Q1, can you just talk about your confidence level in that ramp? And then do you see the high end of the revenue guidance is achievable?

Josh Joshi: Thanks Gray. Our guidance is our guidance. We've put it out there, I'm not going to comment on individual perspectives within that. But we have good visibility as I've talked about before, and the way that the revenues will develop over time. I will leave it at that.

Gray Powell: Okay. And then just one more if I may. I think slide 14 is probably one of the most helpful slides in the deck in terms of giving investors a view of how your business looks in a more mature state. Can you give us a sense as to the ARPU in those facilities that exist to that year end 2010, and just the annual growth rate on those facilities today?

Josh Joshi: The average CAGR over the last three years has been around 3.5 percent on recurring ARPU, slightly higher in fact on total ARPU. And the average ARPU of those older facilities is something like, and I have to go back and check the numbers, but it is something like 5 percent to 10 percent higher in terms of where we are today in terms of the overall average. So overall, those data centers are following the footprint, the approach that we outlined in terms of how these things develop over time.

Gray Powell: Got it. Okay. Thank you very much.

Operator: Our next question comes from the line of Maurice Patrick. Please ask your question.

Maurice Patrick: Hi, guys. Just a big picture question really around this other cloud hub. I'd like to get you views on sort of the extent to which you see there's a first-move advantage in doing this, and if turns out to be a wild success, then how quickly can others replicate it, and therefore compete against you in it? Thank you.

David Ruberg: First of all, I think we announced this three years ago. Again, it is more than just a product. It is an approach. So it is an approach to understanding what customers you want and it takes time to develop that community of interest. It takes time for the enterprises to restructure their software.

Personally I believe that you can build a portal, anybody, not anybody, but you can build a portal whole lot easier than you can create a strategy that says these are the customers I want, these are the customers they're going to work with, here's my go-to-market strategies to support that, here's the space, here's the configuration, here are the sales people that know how to support that, here are the configuration people that know how to install it. So it is again, I'm trying to convey is it is more than a product.

And since it's execution based, it is always more difficult; it would be simple if you just bought a piece of software. One of the reasons that we do do well and margins are relatively good is because there's tremendous value creation here, high barriers to entry, and these all have led to this situation. But this is something that we've been doing for three or four years and we've learned a lot from this situation that we first started here in Amsterdam about what to do and what not to do and how to give advice to our partners.

Maurice Patrick: Just on that one, as I'm sure your customers fully understand that, do you think your customers' customers given the value chain fully appreciate it? Just wondering how well the knowledge base is.

David Ruberg: I don't know if I can answer absolutely whether they appreciate it or not, but I can tell you that the ones that I talk to, yes. Because they want to be in the data center where someone understands that because their trading partners will be here as well. So even when we work with systems integrators, one of the questions that comes up is what application am I going to put in your data center versus some other data center? Well, under NDA, who is here? Who am I going to interface with?

So yes, these questions do come up. They come up a lot because this community of interest, this magnet concept, people are actually truly starting to believe in that, just look at the traffic patterns. So I think the answer is yes. A resounding yes.

Maurice Patrick: Great, thank you.

Operator: Our next question comes from the line of Jonathan Schildkraut. Please ask your question.

(Rob): Hi, this is (Rob) in for Jonathan. I was wondering if you could talk about the economics of signing the cloud platform providers versus signing a full cloud deployment for the enterprise. Just the difference in economics and timing in those two examples.

Josh Joshi: (Rob), thanks for the question. The returns that we are looking forward don't change in terms of the way that we are deploying these customers in our data centers. So I fully expect as we look at magnetic customers, one of the things that we do is we look at them in terms of how much they are going to draw in terms of those customers that are magnetized from them, say enterprises, we'd expect them to draw significantly more square meters over time, and what multiple of premium that we can apply versus the magnetic customer in terms of how much incremental revenue per square meter that they will bring in.

So that's how we think about it. But in each case as we look at a campus and look at the way that both the cloud and the enterprise go into that campuses, we are looking for solid IR returns over time. David, did you want to add anything?

David Ruberg: Did that answer your question?

(Rob): Yes. That does it. Thanks for taking my question, guys.

Operator: Our next question comes from the line of David Barden. Please ask your question.

David Barden: Hey, guys, thanks. Maybe three questions. First Dave, just I thought one of the cool things about the quarter was Dublin and Vienna kind of being robust activity contributors this quarter. I know you mentioned it was an all-arounder and a cloud-driven basis for those being contributors, but can you extrapolate anything from what's going on in those markets into projections for some of the other non-core markets maybe this year or next year? Is there something replicatable about it?

The second question, I just wanted to follow-up on that prior question. Obviously, there's a lot of questions around how strong the growth is in the very end of the year around these cloud-centric deals. And the cloud-centric deals seem to have an IRR that's premised on those cloud companies being successful, further penetrating the enterprise customers down the road. Could you elaborate a little bit on how much of your expected IRR is really premised on that success versus the contract that you have in your hand?

And then the third question, Dave, and I know you're going to hate it, but following up on this Board situation. For those of us that remember the IPO and the process that preceded it, this fact that Baker seems to be getting more activist and wanting to put more people of theirs on this Board suggests that something has happened, some conflict has arisen, or some opportunity has presented itself and there's disagreements, and they want to take greater control.

So can we just more directly address that situation and how we see it playing out this year? What as investors, what should we be expecting, and why is what happened happening? Thanks.

David Ruberg: I will take the last question first. Baker always had the right for four. And the Board was composed from day one. So this is not a change. The Board is not being expanded.

And in terms of these Directors, Baker has the right for two non-independent and two independent. And the two non-independent are people that are not changing, and people that are changing are independent Directors. And again, they have to meet the independence requirements under the New York Stock Exchange. So I think that's all that I feel comfortable talking about at the present time.

This Company is focused on shareholder return, which means creating sustainable cash per share. It's not let's do it for one quarter, and we will continue to be focused on that.

Josh Joshi: I will leave Vienna/Dublin to you David, and then I'll come back. There was a question, Dave, on the deals in terms of the IRR and how that develops between the magnetic and the other deals. Our approach is a holistic target at trying to get 30 percent-plus IR returns. You can see the slide that I showed earlier about annual cash returns at 28 percent.

And I think that that overall is what we are trying to do and we can be more flexible with some of the magnetic customers. What we are not doing -- I think we said before, we are not doing any bad deals in inverted commas, we're delivering significant incremental returns and we are delighted about the way the business is developing. And our focus is resolute and laser sharp on the development of shareholder value. And again, I go back to the annual cash returns that we've been able to deliver to date.

David Ruberg: David, let me just add a little bit to that. We don't do bad deals. All of the deals that we do have very good IRRs. All of them.

So this is not a matter of in the consumer world of doing some loss leader so you can attract people in. So we do -- fundamentally, we have a mixture approach and it is all about value creation and we've been doing this for years.

I'm not sure that I can extrapolate on Vienna. I think Ireland is simply a matter of the UK is doing better. It is drawing people, so if you want to access the UK market but not pay UK prices, you do it in Ireland. And I think the Vienna situation has developed where people are looking at how you access Eastern Europe, but do it from an economy and a political situation that's far more stable than what's going on today. So that's the best I can give you at the present time.

David Barden: All right, got it. Thanks for the color, guys. Appreciate it.

Operator: Our next question comes from the line of Michael Bowen. Please ask your question.

Michael Bowen: Thank you very much for taking the questions. First of all, with regard to commentary on the call, I think it was you, Josh, that said you are expecting that the recurring revenue per meter was going to decline 2 percent to 3 percent from current levels. When I'm looking at our model, I've got to either think about obviously increasing my utilization or revenue-generating space. And when we are looking out revenue growth of around 10 percent, should we extrapolate then that the revenue-generating space is going to grow north of that?

And then I guess second question would be with that recurring revenue per meter going lower, Equinix actually showed strength quarter over quarter, so can you give us a little bit of thought around comparing and contrasting what might be happening in their business versus yours in the Europe region? Thanks.

Josh Joshi: Michael, thank you for the question. A couple things. I will leave Equinix with -- in terms of their business with them. And talking about Interxion. If you look at our announced expansions this year, we are planning to deploy something like 10,000 square meters. It is a good 15 percent or so increase on our existing base at the beginning of the year.

We've also said that we've got significant orders in support of them, so we've got a great deal of visibility. There aren't that many levers to turn from your modeling perspective to arrive at some of the conclusions that you are trying to arrive at.

So I think that we do see this as a development, particularly in the second half, of the top line. And we are very excited by the way that we've been able to attract some of the platforms and some of the customers within our footprint and our campuses, and what it says for us and the development of this business in 2015 as well.

David Ruberg: I'm not the modeling expert here. But keep in mind that when someone comes into your data center, and we have as I indicated before, not one but multiple ones, and they take a fair amount of space. But initially they do not consume the normal amount of power and/or energy, your ARPU has to come down.

So you've got -- I look at this differently. You've got a situation where we're going to expand significantly, we are going to bring these magnetic customers in and they are high-intensity per square meter usage, and by the way someone asked before, there is no -- we are not doing what we did in one data center. We are not allowing them to buy energy. Because there is no one dominating or a small group dominating a data center. So the ARPUs have to come down if it is a substantial amount of space, and there is a substantial amount of space being brought online this year and being consumed by people that it will take them time to deploy both energy and cooling.

Michael Bowen: Thanks for that Dave, I actually am glad you brought that up. How long should we think about these customers maybe ballpark, how long does it take them to come up to a more normalized power usage?

David Ruberg: As the enterprises move to the cloud quickly, it is going to go through the roof. That's a crystal ball that all of us are sitting here going how do you forecast that?

If you look at this instead of just on one quarter or two quarters or three quarters, these are heavy energy users, and if the enterprises start to migrate to these hybrid solutions, there's a lot more space that goes with this, there's a lot more space that goes with the hybrid portion, and there's a lot of energy consumption in cooling that goes with it. So if I had an answer for that one, I think we would be pundits instead of just a Management team. I can't answer that.

Michael Bowen: Also just one last quick one Dave, if I'm picking up your tone correctly, I believe it was last call you had mentioned quite a bit that the enterprises were a little bit slow to adopt, you needed to see adoption, but I want to make sure I understand your tone is that you seem to see that improving; would that be correct?

David Ruberg: We see people, you look at your systems integrators and you had a big system integrator announce results this morning. The announced results are substantial growth in Europe, they happen to be one of our customers. They are beginning to get involved in starting to work with the enterprises to show them the various roadmaps of how they can migrate their software to a hybrid situation. Anytime they have to go from a dedicated to a hybrid situation, something's got to be broken apart and restructured.

It takes time to do that. They are doing it now. But there was a large systems integrator that announced this morning, very good results for Europe.

Michael Bowen: Okay, thanks very much, guys.

Operator: Our next question comes from the line of Jonathan Atkin. Please ask your question.

Jonathan Atkin: My follow-up was already asked. Thank you.

Operator: There are no more questions at this time.

David Ruberg: That concludes our conference call for today. I want to thank you all for joining us today, and we will speak to again in early August when we announce our next set of results. Thank you very much.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.

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