

ASX Release

13 November 2020

2020 Annual General Meeting – CEO's Address

FY20 was another year of record growth and outstanding accomplishments for NEXTDC. The second half of FY20 saw us navigate a torrent of natural disasters including drought, catastrophic bushfires, smoke-inundated cities, and extreme weather events including flooding rains and cyclonic storms.

Of course, these tests of resilience and the ability of organisations to adapt quickly to change were tested even further by a 1 in a 100 year global health crisis. Clearly, this sequence of events has had an impact on the economy but it has also been a positive tailwind for the accelerated adoption of digital platforms and services and – from a NEXTDC point-of-view – the company was well-prepared to respond and deliver both business continuity and disaster preparedness support our customers expect. We were also able to deliver on the guidance we provided for FY20 and today we are optimistic for a digitally led economic recovery and confident about the financial guidance we are providing for FY21.

As far as our FY20 performance is concerned, there was lot of good news in the set of numbers shown in this slide. I would like to emphasise the significance of the growth in our contracted utilisation which is up by 33% to 70MW. We experienced a record level of sales during the reporting period with contracted utilisation increasing by 17.4MW or 33%, a number which represents by far the single largest sales performance in the company's 10-year history. This included the announcement of significant new contract wins in Victoria and New South Wales, with Victoria in particular exhibiting very strong growth in customer demand, both in the form of contract wins as well as future customer commitments to expansion options and reservations.

With regards to our capital expenditure for the year, our strong funding position means we are poised to take full advantage of future growth opportunities. FY20 capital investment saw us push over the top end of our guidance due to the accelerating growth requirements of our customers, which allowed the company to further accelerate its developments. With the announcements earlier this quarter about our new debt facilities, combined with our recent capital raising – we are in an outstanding position to continue growing the company to meet the strong forward demand for infrastructure capacity that we are experiencing.

New technologies and cloud platforms are driving exponential growth in data volumes. Meanwhile, regulatory control over the security, management, and data sovereignty are also driving organisations to cloud and colocation for the economies of scale and resilience they present. The costs of security, high volume connectivity, network diversity and fault tolerance of power and cooling systems to maintain high availability is challenging to deliver cost effectively and efficiently for all but the largest of organisations. These are just some of the factors driving growth in the data centre services sector. We continue to capitalise on this with our new 2nd generation developments and will be in leadership position again to cater for the future wave of data when our even larger 3rd generation builds come to life over the next few years.

I am also pleased with the continued growth of our connectivity services business. These services are up almost 20% over the reporting period and now represent more than 8% of revenue. This growth reflects the important role our connectivity business and data centre platform plays through our deep and diverse ecosystem. This connectivity between cloud platforms, geo-diverse locations, ecosystem partners, carriers and customers are the glue that binds together the digital economy and that is increasingly evolving within our facilities. This year we celebrated 10 years in business; a milestone that was accompanied by our

transition into the ASX 100 index. It is wonderful to reflect on how the company has developed over the past decade.

Performance at the edge

We live in extraordinary times of change and innovation. Every second of every day our society creates unprecedented volumes of data, which is streamed, shared, and accessed from a myriad of connected devices.

Today, any individual with a smart phone has the sum of all human knowledge in the palm of their hands and the potential to collaborate with billions of other people. These digital citizens are everywhere, they are impatient and demanding of positive online experiences. They expect the applications that are important to them to not only always be available but also to be responsive and feature rich. In the digital age, slow is the new downtime, with application performance and customer experience becoming the key differentiator. This applies to workforce efficiency as well. High performance interconnected digital platforms represent the keys to enterprise productivity gains in the digital age.

For organisations that rely on this immediate and deep connection between their platforms, their teams and their customers, proximity to the infrastructure that underpins performance is the difference between a good user experience and a bad one. This is why we put great effort in to making sure we grow our geo-diverse infrastructure where the demand is highest. It's why we continue to invest in Sydney and Melbourne and why we are so excited by the opening of P2 which is directly connected to Singapore and the East Coast via submarine cable. That allows the national and global digital economies to close the gap between the heart of data and processing power and the edges of interconnected networks where devices and users are located.

It is estimated that every 18 months, we double the total sum of data created since the beginning of mankind. This information explosion is forecast to accelerate exponentially as a result of further advances in – and reliance upon – cloud computing, the Internet of Things, 5G and artificial intelligence to name a few. We play a pivotal role in this new 4th industrial revolution where technology is being built upon technology. As this digital acceleration continues our geo-diverse footprint becomes ever-more important.

Hyperscale facilities and the hybrid multi-cloud

NEXTDC continues to strengthen its strategic partnerships with the world's leading technology companies such as Amazon, Microsoft, Google, IBM, Oracle and Alibaba. Our Cloud Centre partner ecosystem comprises more than 640 of Australia's leading ICT services providers who have points of presence within one or more of our facilities. This combination allows us to offer customers direct and secure access to the market's leading services they need to develop and advance their Hybrid Multi-Cloud architectures. No data centre services provider in Australia has more direct on-ramps to public cloud platforms than NEXTDC and we continue to add new ones every year.

Statistics define future growth opportunities

There are many reasons why we can all be confident that demand for colocation data centre services will continue to boom. We have the capital to continue building the digital infrastructure needed to support the growth of the digital economy. And we house Australia's largest and most active specialist ICT ecosystem. The opportunity ahead is widely reported by industry analysts.

IDC forecasts that global investment in public cloud services and infrastructure will more than double over the period from 2019 to 2023. Keeping in mind that this was before the onset of a global pandemic which is accelerating digital growth, IDC found that public cloud spending is expected to grow from \$229 billion in 2019 to nearly \$500 billion in 2023. This represents a CAGR of 22.3%. The prediction for APAC is even stronger with a CAGR of 33.9% for the same services with the market almost tripling to reach \$76.1 billion over the stated time period. In the same report, IDC identified Australia as APAC's second largest market with current spending of \$3.9 billion annually on cloud infrastructure and services.

Supporting and fuelling this digital acceleration with world's best practices external benchmarks is what NEXTDC excels at, and that has been a key driver and differentiation of the Company's sustained growth over the last 10 years. We build the critical infrastructure that powers the world's digital platforms and systems, we interconnect business to their suppliers and customers, their data and their applications, and we provide the advanced digital infrastructure needed to secure the data that organisations and society heavily depend on.

Global pandemic driving accelerated technology adoption

While cost efficiencies, productivity improvements and customer experience enhancements have been driving the adoption of these megatrends in recent years, a one-in-100-year health crisis during FY20 has served to steepen the growth curve and accentuate the role of digital infrastructure as an essential service. The extraordinary events that have unfolded globally as a result of COVID-19 introduced new barriers to traditional business models including social distancing, closed offices, closed communities, shut borders, grounded flights and supply chain disruptions.

In a matter of weeks, the global economy was forced to re-think how people live and work, how organisations collaborate and communicate with businesses immediately turning their focus to their infrastructure platforms to support new ways of working. FY20 saw our global communities conduct the single largest remote work experiment in our history.

These macro impacts on all industries have, in turn, driven exponential increases in data usage and therefore increased the dependence organisations and individuals have on digital infrastructure. Industry analysts have called out the trend. In June 2020 IDC forecast that COVID-19 has pushed the digital transformation initiatives for many organisations ahead by as much as three years. Driven by the reduced numbers of people gathering to work in centralised locations and the acceleration of cloud adoption, many organisations are also re-thinking their real estate strategies. Does it still make sense for them to house their critical systems on-premise in data centres located where their people used to be? For many organisations, colocation suddenly makes a lot more sense.

New ways of doing business

This global pandemic has generated new standard operating procedures for many organisations. Often these activities rely on digital platforms and connected ecosystems to function. This pivotal moment in history is now also sparking a new round of innovation where digital solutions are being leveraged to meet present challenges at the same time as enabling them to counter risk around future unexpected change.

The flexibility, agility, and resilience that is inherent in cloud platforms, colocation facilities and connected ecosystems have been critical in the enablement of organisations to respond quickly, keep their teams connected, enact business continuity plans and set a course for a less predictable future. Video collaboration providers are a leading example of user growth and platform adoption, instigated by widespread and mandated social distancing.

Post COVID-19 research from Global Workplace Analytics showed that as many as 77% of knowledge workers want to continue working from home at least some of the time, while 74% of organisations surveyed by Gartner in April 2020 were planning for some workers to be permanently remote. In March this year, Microsoft said it had seen a 110% increase in daily users since November.

Then, in April, Microsoft reported that daily users had jumped a further 70%, increasing to more than 75 million daily active users. During the same time, we saw massive infrastructure and cloud demand activity from retailers as they ramped up online stores to meet increased demand from customers needing to shop from home.

Safety is everyone's responsibility

Safety is an incredibly important topic. We take a view that safety is everyone's responsibility and maintaining a safety-first culture is the highest priority for the business. Our commitment to providing and maintaining a safe and healthy work environment provided us with unique challenges in FY20, first with thick smoke blanketing our major capitals, and then the COVID-19 pandemic.

Each of these circumstances resulted in swift action, and the implementation of business continuity and disaster recovery protocols across the business to protect our customers, suppliers, and teams. Safety extends far beyond ensuring that our work environments are clear of slip or trip hazards, it is more than reactively dealing with immediate and circumstantial challenges such as COVID; and making sure that our capital works projects are operating to best practice.

Of course, these are all critically important, but we view safety more holistically, in making sure that all of our teams, customers, contractors and visitors to site have a safe experience while working with us. We continue to commit the resources necessary to maintain a safe working environment, and ensure the ongoing operation of the business, and health and well-being of our team. In addition to our COVID response, which includes significant attention to understanding and dealing with mental health challenges, we have implemented a range of strategies and support systems to renew and enhance our workplace safety management across both our operational and capital works portfolios. We continuously review and improve our systems and work closely with our stakeholders, including customers and suppliers, to align ourselves with industry best practice, and achieve our ultimate goal of zero injuries.

Innovation, engineering, and design compliance

With our 2nd generation data centres completed and open for business in Perth and Sydney, M2 in Melbourne is undergoing an expansion that will triple its size and with B2 fuelling Queensland's digital growth, we have inventory now available in all of Australia's key markets that is certified to the highest global standards. Our brand maintains a position as the benchmark for world class design, efficiency and operations with our Uptime Institute Tier IV constructed certifications, and Tier IV Gold Operational Sustainability credentials all representing firsts for colocation data centres in the Asia Pacific region. Over the past 12 months, we have received a significant number of industry certifications and awards that recognise our global leadership in data centre innovation.

In June 2020, NEXTDC was named by Frost & Sullivan as the market leader in the Australian data centre services industry. This is an accolade that directly reflects the company's hard work and dedication to continuously improve. In Q1FY20, we were recognised as Frost & Sullivan's Global Company of the Year, and acknowledgement of the Company's commitment to innovation, and delivering true customer value.

Our M2 Melbourne data centre also achieved Tier IV Gold Certification for Operational Sustainability during FY20, following in the footsteps of B2 – which, back in FY18, was the first data centre in the Southern Hemisphere to be certified at this level of operational excellence. Gold certification for Operational Sustainability recognises the human factors that must be considered when running a data centre at optimum fault tolerant standards. These certifications reinforce the importance we place on not just designing and constructing this critical infrastructure, but the processes and people required to run them efficiently and in line with world's best practise.

It gives me great pleasure to also announce that that in October NEXTDC was announced as a winner at the Australian Business Awards (known as the ABA100 Awards) in the Sustainability Category, which is a nice segway to our sustainability commitments.

Energy efficiency and sustainability leadership

NEXTDC maintains its commitment to delivering the highest levels of energy efficiency driven by innovative design, engineering, and operational excellence. It is a fundamental goal we strive for every day under a proactive program of continual improvement.

We operate at industry leading rates of Power Usage Effectiveness allowing us to offer customers lower power bills than they would receive for running their critical systems in other facilities. Energy efficient infrastructure not only saves our customers money on power bills, it also gives us a powerful market differentiator by helping them to achieve their own carbon reduction objectives. Some of our achievements are listed in this snapshot. We are ISO certified for sustainable practices, our M1 and S1 data centres are the first and only data centres in Australia to achieve a National Australian Built Environment Rating System (NABERS) 5-Star rating for energy efficiency and we are Moving towards Task Force on Climate-Related Financial Disclosures (TCFD) compliance. We have a deep passion to deliver global energy efficiency and sustainability leadership for the industry.

Our award-winning facilities management, central operations and engineering teams collaborate closely to continually improve the efficiency of the facilities. Together they have implemented an in-house-developed, operational framework that optimises performance through a real-time tuning regimen that adjusts cooling plant settings such as fan speeds, water pressure and approach temperatures to align computing load with prevailing external weather conditions. This critical body of work has continued to improve our industry leading power efficiency which in turn reduces the power costs and carbon footprint of IT for our customers. Waste management also plays an important role in our sustainability strategy. We recycle all cardboard, fluorescent light tubes and manage e-waste for our own operations and clients in our facilities.

Further emphasising our focus on leadership through industry innovation, during FY20 NEXTDC's corporate operations were successfully re-certified as 100% carbon neutral under the Australian Climate Active Standard. First achieved in FY19, through our partnership with Qantas Future Planet (QFP), NEXTDC is the only data centre operator in the APAC region to achieve carbon neutrality. We are proud of this achievement and are also preparing to release a customer-facing solution that will enable organisations to offset the carbon they generate at our facilities via our QFP partnership.

Giving back to our local communities

NEXTDC firmly believes that companies should contribute to their community and improve our society. This is a critically important factor in attracting and retaining today's knowledge economy workers. Social responsibility is a high priority for employees when selecting a company to commit their work life to and strongly reflects in employee engagement. In 2018 we launched our 'Live to Give' Corporate Social Responsibility program and throughout FY20 we participated in a number of initiatives to help make a positive impact within the communities in which we live and work.

'Live to Give' encourages and empowers our teams and the Company to be socially conscious. It is our firm belief that successful companies can do more than just make money, they can give back to the community and use their influence to improve our society. NEXTDC's 'Live to Give' program includes a corporate partnership with The Smith Family (with over \$250,000 donated since the program began). We encourage staff to take paid 'Volunteer Days' and we match dollar for dollar any contributions they make to four charities selected by our team. Those charities are Cancer Council, Beyond Blue, The Smith Family and UN Women. We are also committed to creating a diverse workplace. Approximately 33% of staff are female while our ethnic diversity is closely representative of the multicultural profile of Australia. This diversity continues to deliver fresh thinking to everything we do and, when added to the other workplace benefits, we offer in areas such as maternity leave, paternity leave and primary carer leave, we have built our status as a preferred Australian employer.

Customer experience is the key to success

One of our corporate values is “Customer First” and it is a belief that is approached with dedication and passion by our team. Our uncompromising focus on creating an exceptional customer experience makes NEXTDC stand out in the industry. Our devotion to service excellence spans all facets of our business. This includes having experienced, empowered front-of-house and facilities management staff on duty 24 hours a day, seven days a week, 365 days a year.

They are always there to ensure that customer interactions with our facilities and teams are frictionless and supported by people who understand their challenges, care about finding solutions and make sure they have everything they need to make their visit seamless.

Building a platform for future innovation in the digital economy

Few could have predicted 10 years ago, how the IT infrastructure landscape would evolve to where it is today. Similarly, one can only imagine where the industry could be a decade from now. Data has become the world’s most valuable commodity, which is best demonstrated by the outstanding success of companies like Facebook, Amazon, Netflix, Google, Microsoft, Apple and Atlassian to name a few.

In the past 12 months, NEXTDC once again set new benchmarks with a capital development program that exceeded FY19’s record levels. Continuing to build geo-diversity around cloud availability is an important component of our vision and purpose to design, engineer and operate the critical digital infrastructure that will support our customers’ needs and digitally transform their operations.

Continually extending the availability and diversity of our world class infrastructure and supporting our customers’ growth requirements in existing and new availability zones are key drivers behind the decisions we make on where to invest our capital. With the M2 expansion, we are facilitating hyperscale growth in Victoria. Six new data halls are due for completion over the coming months to meet hyperscale and enterprise customer growth, with the overall facility now targeting 60MW, up from 40MW previously. The first stages will be handed over to customers in the coming weeks. Demand in Sydney continues to grow. During FY20, contracted utilisation topped 36MW in this region and there is more to come in the near term which set in motion our plans for the construction of our 3rd generation of data centres.

S3 Sydney is now underway and will introduce an additional 80MW of capacity when complete. Meanwhile, during FY20, we finalised the construction of S2. This 30MW multi-storey hyperscale development now stands proudly as an iconic interconnected building in Sydney’s north. We also completed construction of stage 1 of P2 in Perth’s CBD during FY20, adding critical Tier IV capacity to a growth economy that is perfectly situated and connected to Asia by subsea cable to take advantage of the changing geo-political landscape in the world’s fastest growing region.

The first of our 3rd generation data centres, which is already in build phase, will form a critical enabler for organisations to keep pace with future growth of cloud and data as they accelerate their transformation agendas. Land for S3 at Gore Hill, 10km from the Sydney CBD, was purchased in FY19 with design completed, building approval received and initial earthworks having already begun during FY20. Representing NEXTDC’s largest development to date and targeting a total IT capacity of 80MW, S3 will deliver significant capacity to hyperscale, enterprise and government customers for years to come. In Melbourne, we have also purchased land and submitted designs to seek development approval for M3.

Real time intelligence

When it comes to real-time intelligence our customers are looking for self-service and automation in the data centre that help to cut down complexity, reduce friction and speed up interactions. The way we enable this is through our customer experience Software-as-a-Service offering, ONEDC. ONEDC enables our customers to make real time decisions about how they manage their data centre. ONEDC aggregates all the tools our customers require to efficiently manage their infrastructure and the services needed at any NEXTDC facility.

Service requests, such as booking a car park, a tour, securing meeting room access or technical support, as well as authorising access for personnel, unlocking and locking racks and comprehensive reporting capability – including real-time temperature and humidity monitoring – are all consolidated and viewed through a single pane of glass, accessed via the ONEDC smart phone app or any browser.

This innovative platform is continually evolving based on customer collaboration and feedback. Not only does it enhance customer experience, but it also dramatically improves our operational efficiency through self-service features and automation of manual processes. During FY20, our in-house ONEDC development team extended reporting capabilities and introduced an improved self-service ticketing capability for customers as well as optimising and integrating multiple back-end systems that power the platform including our CRM and service-desk platforms. This is helping us to create a single 360-degree view of our customers.

Strong start towards meeting FY21 guidance

We've experienced a strong start to FY21, already achieving major milestones for the business. The guidance we have provided in FY21 reflects the company's expectation for further solid data centre services revenue growth of between 21% and 25% over that seen in FY20. The top end of that guidance represents a \$250 million data centre services revenue stream with strong growth in recurring data centre services revenue, underpinned by long-term customer contracts. This includes over 17MW of contracted capacity that had yet to commence billing as at 30 June 2020.

The completion of S2 and P2, new public cloud availability zones at M2, changing workplace environments and evolving organisational operating processes are also expected to drive strong ongoing demand for connectivity services which represented 8.1% of our recurring revenue in FY20.

Furthermore, we are on track to deliver growth in our underlying EBITDA in the range of 20% to 24%, now increasingly driven by the performance of our second-generation facilities as customer utilisation ramps up. As far as forward investments are concerned, we've seen industry demand continue to increase across the region and don't expect that to slow down. We will continue development in line with customer demand to realise these opportunities for further growth. With two major capital works projects underway at M2 and S3, we expect to invest up to \$400m million in new infrastructure and fitting out new data halls to meet customers' growth requirements for additional capacity.

We also continue to benchmark our operational excellence against global standards. We are in the process of obtaining Uptime Tier IV certification for both S2 and P2 as well as Gold Operational Sustainability. We also continue to take the lessons we learned from NABERS 5-Star certifications for S1 and M1 and apply them to our operational 2nd generation facilities. Conversely, the ongoing maintenance of the 1st generation facilities continues as we retrospectively apply all of the lessons and improvements that have been learned during the 2nd generation builds and the 3rd generation designs.

Our company continues its disciplined expansion, and we remain focussed on developing our people, our systems and our processes to take full advantage of the exponential opportunities ahead. We will also continue to invest on exploring opportunities for regional expansion. We have offices in Singapore and Tokyo where we continue to work with key customers and talk to respective governments about potential expansion in the region.

In closing, I would like to thank our Board for their continued support and ongoing commitment to driving excellence and good governance at NEXTDC. I would like to thank my Executive team for their leadership and dedication in building this extraordinary infrastructure platform, as well as every team member for their commitment and passionate contribution as we continue to work towards achieving our long-term goals. Finally, I would like to thank you, our shareholders, for your continued support. It's an exciting opportunity for all of us to be in such a strong position after just 10 years in business. We are in an incredible position to

sustain that success going forward as NEXTDC continues to enable the growth of the digital economy in Australia and beyond.

I'll close with a Bill Gates quote that I often reflect on. "People tend to overestimate what can be achieved in one year and underestimate what can be achieved in 10 years." Having gone from a start-up to an ASX100-listed, \$6 billion company in our first 10 years, the next decade for NEXTDC has unlimited potential for future success. It really is the very beginning of the 4th industrial revolution, the cyber physical age, and the greatest opportunities are in front of us. I hope you are excited about the future of our company and continue to enjoy the journey over the next decade.

This announcement is authorised by the Board of Directors.

ENDS

For more information

Alex Teo

Vice President Strategy and Investor Relations

T: +61 2 8072 4976

E: investorrelations@nextdc.com

NEXTDC Investor Centre: www.nextdc.com/our-company/investor-centre

About NEXTDC

NEXTDC is an ASX100-listed technology company and Asia's most innovative Data Centre-as-a-Service provider. We are building the infrastructure platform for the digital economy, delivering the critical power, security and connectivity for global cloud computing providers, enterprise and government.

NEXTDC is recognised globally for the design, construction and operation of Australia's only network of Uptime Institute certified Tier IV facilities, and the only data centre operator in the Southern Hemisphere to achieve Tier IV Gold certification for Operational Sustainability. NEXTDC has a strong focus on sustainability and operational excellence through renewable energy sources and delivering world-class operational efficiency. Our data centres have been engineered to deliver exceptional levels of efficiency and the industry's lowest Total Cost of Operation through NABERS 5-star energy efficiency.

NEXTDC's corporate operations have been certified carbon neutral under the Australian Government's Carbon Neutral Initiative, in line with *National Carbon Offset Standard (NCOS) for Organisations*.

Our Cloud Centre partner ecosystem is Australia's most dynamic digital marketplace, comprising more than 590 carriers, cloud providers and IT service providers, enabling local and international customers to source and connect with cloud platforms, service providers and vendors to build complex hybrid cloud networks and scale their critical IT infrastructure services.

NEXTDC is *where the cloud lives*®.

To learn more, visit www.nextdc.com