

# ASX Release

19 November 2021

## 2021 Annual General Meeting – CEO's Address

Ladies and gentlemen

FY21 represented another year of strong growth and outstanding accomplishments for NEXTDC.

Over the past 12 months, the way we live and work has continued to evolve. Organisations have largely adapted to surviving, and many are thriving in a COVID world. Though full of challenges, it has also brought positive tailwinds for the adoption of digital platforms and services. From a NEXTDC perspective, COVID-19 has ushered in the world's single largest work from home experiment and continues to challenge and reshape our world. How we connect today has dramatically accelerated the world's digital transformation journey. As we emerge from COVID in a largely vaccinated world, so too will a return to the office and travel drive further accelerated change in a post COVID society.

Digital infrastructure is now intrinsic, not only to commerce, but also education, communities and lifestyle. Work has become an activity we do, and not necessarily somewhere we go. The company was well-prepared for this rapid evolution and continues to respond and deliver the level of security, business continuity and disaster preparedness our customers expect. Importantly for our investors, we were also able to deliver on the guidance we provided for FY21 and, today, we are optimistic for a digitally led economic resurgence post-COVID and also confident about the financial guidance we are providing for FY22.

As far as our FY21 performance is concerned, there was a lot of good news in the set of numbers shown earlier by Doug and now expanded upon in this FY21 Highlights slide.

### **FY21 Highlights**

Data centre services billing increased by 23% (up \$45.3 million), contracted utilisation was up by 8% (5.5MW) and interconnection revenues continue to climb (up 13%). Connectivity services growth is particularly pleasing as this is ecosystem enhancing, high margin, recurring monthly revenue.

Meanwhile, EBITDA rose by 29% and operating cash flow grew by a healthy 148%, underscoring the inherent operating leverage in the business. These are strong numbers landing well above the guidelines forecast at the start of FY21. Some significant contract wins in NSW and Victoria were celebrated during the reporting period. At the same time, our new record billings were grounded in our ability to achieve our capital works program, despite challenging circumstances.

We also continue to meet our objectives in relation to capital management and network expansion. Having recently refinanced the company's senior debt facility to a new aggregate limit of \$2.5 billion, NEXTDC has access to total liquidity of approximately \$2.4 billion on a pro forma basis, including cash of more than \$650 million at 30 June 21, net drawn cash of \$300 million and undrawn debt of \$1.4 billion.

Delivering 17MW of expansion capacity across S2 and M2 during FY21 was a wonderful achievement. S3 and M3 construction programmes are planned for practical completions in 2H22 and 1H23 respectively. These growth opportunities become even more exciting when we start looking a little further down the development pipeline at S4, a site in Sydney's west that will add up to a further 300MW of additional capacity. We are poised to take full advantage of future growth opportunities as new technologies and cloud platforms continue to drive exponential growth. Our extensive enterprise and



government footprint continues to attract new cloud on-ramps to our metropolitan locations. The addition of new cloud on-ramps allows our customers in turn to take advantage of our low latency access to the cloud environments.

This dynamic is reflected in our FY21 results where we added 183 new local and international enterprise and government customers. The company continues to capitalise on this with our 2nd generation developments and we will be in leadership position again to cater for the future wave of data when our even larger 3rd generation campuses come online.

## **We are in the era of Digital Everything**

Digital transformation continues to change the world in exciting and disruptive ways.

With customers increasingly interconnecting to multiple clouds, there is a need for a new generation of elastic connectivity platforms. Our network partnerships with the world's leading technology companies such as AWS, Microsoft, Google, IBM, Oracle, Alibaba and OVHcloud continue to flourish.

When combined with our Cloud Centre partner ecosystem of over 730 of Australia's ICT and digital services providers enabled by our AXON interconnection platform, we are very well positioned to deliver customers the widest range of premium grade multi-Cloud architectures in the market.

NEXTDC is the most cloud-connected digital infrastructure platform in the country, housing the largest footprint of direct on-ramps to public cloud platforms, which continues to grow every year. In FY21, new on-ramps were provisioned for Google Cloud in Brisbane and Melbourne; with the B2 point of presence being Google's first ever in Queensland and the second in Melbourne delivering customers zero latency capability to a new availability zone.

## **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 accelerate. Importantly, 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 digital ecosystem.

Data volumes continue to compound at exponential rates, a phenomenon that continues to double approximately every two years. That data – gathered from literally billions of sources every second of every day – has to be migrated to and then ultimately reside in hosted infrastructure that is increasingly being provisioned under infrastructure as-a-Service delivery models.

Gartner forecasts that worldwide public cloud spend will grow 23.1% in 2021 to US\$332.3 billion. In Australia, Gartner forecasts organisations will spend A\$10.6 billion on public cloud this year, an increase of 18.4% from 2020. This survey also found that almost 70% of organisations using cloud services today plan to increase their cloud spending. Gartner also forecasts Software-as-a-Service (SaaS) to reach A\$5.7 billion in Australia in 2021. These are trends that have colocation data centres and complex cloud interconnection services such as those provided by NEXTDC at their heart.

## **The new normal in doing business**

No business can accurately predict where the next disruption is going to come from. The cloud allows them a flexible solution that is both responsive and scalable. Today 92% of enterprises report they are adopting a multi-Cloud strategy with each now accessing an average of 2.6 public and 2.7 private cloud environments.

## **Victoria rapidly emerging as new digital hub**

In the past 12 months, 9MW of new capacity was commissioned on-time and on-budget at M2, despite challenging construction conditions caused by COVID-19. A further 9MW of capacity is currently under way, which will support further customer expansion at M2, which is scheduled for delivery during Q4FY22. This additional 18MW of long-term capacity is just the beginning of our growth plans in Australia's second largest city.

During FY21, we also received development approval for M3 Melbourne in West Footscray, which is now under construction.

Having secured expansion land adjacent to the original holding, the M3 site will comprise a 150MW technology campus upon completion, supporting hyperscale, government and enterprise customers as well as offering a new operations centre for NEXTDC and mission critical operations space for customers and partners.

## **Safety is everyone's responsibility**

NEXTDC's ethos is that safety is everybody's responsibility. The health and safety of our customers, suppliers and staff are our highest priority. NEXTDC fosters a safety-first culture with hazard identification, incident prevention and the active management of all WHS issues forming key cultural cornerstones.

NEXTDC is 100% committed to its goal of achieving zero injuries across the business and we continue to commit the resources necessary to achieve this goal.

In FY21, we completed the rigorous process of ISO 45001 certification for workplace, health and safety. We also implemented an industry leading, five-point PPE standard across all construction activities and engaged independent safety consultants to conduct inspections at all our sites. The results of all this work, led by our Head of Safety, are perhaps best demonstrated by the fact that we managed to complete over 500,000 capital work hours during FY21 without a single Lost Time Injury. Safety is firmly embedded across our business as an ever-evolving critical priority. We continuously review and improve our systems while working closely with our people, customers and suppliers to achieve our goal of zero injuries.

## **Recognised for innovation, engineering, and design compliance**

In FY21, NEXTDC continued to be recognised for global industry leadership in data centre engineering, customer experience and energy efficiency. We continue to invest in maintaining our Uptime Institute Tier III certification for our 1<sup>st</sup> generation facilities and Tier IV certification for the design, construction and operations for our 2<sup>nd</sup> generation sites.

Both S1 and P1 completed their recertification of Uptime Institute Gold Operational Sustainability with both receiving improved audit performances under the Tier III Gold assessment regime.

B2 and M2 are Tier IV Gold certified, the only colocation facilities in the Southern Hemisphere to achieve this level of independent certification. P2 and S2 both also achieved Tier IV certification for built environments, undergoing a first-of-its-kind, rigorous remote assessment carried out by the Uptime Institute. These achievements are testament to the operational, engineering and supply chain excellence of our sites and demonstrates why we are the only data centre provider in the country who are verified as being able to offer a 100% uptime guarantee.

The industry continues to recognise the focus we have on innovation, engineering and operational excellence. In April 2021, NEXTDC was recognised as Australia's Most Reliable Data Centre Operator



at the APAC Business Awards based on our well demonstrated expertise within the data centre industry, our dedication to customer service and our commitment to excellence. In September, NEXTDC were recognised by Frost & Sullivan as the Australian Data Centre Company of the year, for our continued dedication to quality, service excellence and delivering true customer value.

During FY21, we were also thrilled to be recognised for our sustainability leadership, after being announced as the winner in the sustainability category of the Australian Business Awards.

### **Leveraging sustainability leadership to support carbon neutral objectives and preserve the planet**

NEXTDC maintains its commitment to delivering the highest levels of energy efficiency driven via innovative design, engineering, and operational excellence. As computing loads continue to grow and sustainable business practice drives a focus on operating in a carbon neutral world, minimising environmental impact is a critical success factor for all organisations. For NEXTDC that means energy efficiency and commitment to ongoing carbon reduction will be a differentiator in our industry.

Australian businesses continue to take positive action on climate change and are making conscious decisions to choose solutions that make a positive difference. Our customers are looking for a responsible and ethical partner they can trust to help them reach their own sustainability goals. We are the only data centre provider in Australia to receive carbon neutral certification for our corporate operations under the Commonwealth's Climate Active program.

With a commitment to driving global leadership in energy efficiency and sustainability, NEXTDC's data centres are achieving energy efficiency performance at levels not previously achieved in Australia. New design innovations at S2 – our first multi-storey development – are already delivering the long-term energy efficiency benchmarks promised by its design. S2 is on track to achieve its targeted annualised PUE of 1.29 in FY22. Our average PUE performance across the national fleet during FY21 was 1.4. These are outstanding results, well ahead of Australian industry averages of around 1.7.

Our focus on sustainability starts with designing, building and operating data centres that use the lowest amount of power, and perform at the highest levels of efficiency. Our approach extends to investing in renewables such as wind and solar and is further supplemented by offsetting the carbon emissions that cannot yet be avoided. NEXTDC is also the only data centre provider to achieve a NABERS 5-Star rating for energy efficiency. This level of efficiency allows us to deliver customers the lowest total cost of operation in Australia.

Since FY18, NEXTDC's corporate operations have been carbon neutral, complying annually with Climate Active requirements. During FY21 NEXTDC became the first data centre services company to have our product Climate Active certified, resulting in NEXTDC becoming the only data centre operator to offer a Climate Active-certified carbon offset program direct to customers. Through NEXTneutral our customers can offset 100% of the carbon footprint from their IT infrastructure housed in our facilities. It is an uncomplicated way for our customers to make significant inroads toward meeting their sustainability goals which continues to escalate in urgency.

### **True zero waste**

Waste management continues to play an increasingly important role in our sustainability strategy. We recycle all cardboard, fluorescent light tubes and manage e-waste for our own operations and for our clients at our facilities. We have set achievable targets for zero waste with the facilities management and central operations teams who are working diligently on the processes and infrastructure that needs to be put in place to achieve this. It is not any one action, rather a combination of many actions that will continue to create positive momentum in our commitment to achieving sustainable operations.

## **Community engagement when it is needed most**

NEXTDC has long felt that our people should feel empowered to build a strong sense of connection to their local communities. Our 'Live to Give' Corporate Social Responsibility program continues to be an important pillar of working at NEXTDC, particularly as the world grapples with a pandemic creating hardship on an unprecedented scale. 'Live to Give' encourages and empowers our teams and the Company to be socially conscious. In FY21, we made the decision to triple the number of volunteer days granted to our teams. This represents paid leave for every employee to volunteer at established charities or community organisations that are important to them as individuals. Based on employee feedback, we also added two new charities to our list of Workplace Giving Partners; Australian Red Cross and Solar Buddy – an organisation that provides solar powered lights to remote and developing communities that are in energy poverty. We match \$1: \$1 every donation our employees pledge to these charities plus the four that have been in the program from the beginning; The Smith Family, Cancer Council, Beyond Blue and UN Women. NEXTDC also supports employees who currently give their time to RFS and other emergency/disaster relief services by providing up to 4 weeks paid emergency management leave each year.

Diversity and inclusion are things that NEXTDC remains committed to. Approximately 33% of staff are female and since August 2021, NEXTDC has been a signatory to 40:40 Vision, committing to have a minimum of 40% women in executive roles. With diversity comes an injection of fresh thinking. When teamed with other important workplace benefits we offer, such as leading-practice parental leave, which now includes paid benefits for employees tragically impacted by newborn death, still-birth or miscarriage, our 'Live to Give' program and paid volunteer days; we maintain a strong foothold as a preferred Australian employer.

## **Customer-centric business model**

One of our corporate values is "Customer First". It is a value our team embrace with dedication and passion. The tireless attention we pay to listening to our customers and delivering outcomes that exceed expectations is a true differentiator for NEXTDC. Putting our customers first spans all facets of our business; from sales, marketing, product and delivery teams, through to our front-of-house and facilities management staff who are driven to go above and beyond every hour of every day. We dedicate ourselves to ensuring our customers' experiences are frictionless, with a firm focus on ensuring we partner strategically to create best case outcomes to the challenges our customers face.

## **Securing the next decade of development pipeline**

When we started 11 years ago, few could have predicted how the IT landscape would change. One can only imagine where the industry will be a decade from now. Whatever happens, NEXTDC is positioned to retain its leadership in innovation and the rigorous management of risk and opportunity.

We have secured critical expansion capacity for the next decade of growth. Our single largest landholding to date was secured in Western Sydney for S4 during FY21. This site in Horsley Park will be the location for a new technology campus with a target capacity of 300MW. During FY21, we also received development approval for M3 Melbourne and secured expansion land for that 150MW campus located in West Footscray.

These hyperscale technology campuses will be the homes for the next generation of critical hyperscale cloud environments. Fundamentally, we are scaling our platform in Australia's two largest markets to meet the future needs of our customers.

Meanwhile, we also expect accelerating digital growth opportunities in Western Australia. Our P2 Perth facility opened to customers in Q1 FY21. It is our 2<sup>nd</sup> generation facility in this market and represents the premier digital infrastructure platform on the edge of the CBD. Connected by subsea cable to Sydney and Singapore, P2 is certified as Tier IV for Design and Construction and is generating significant early resonance with the booming resources sector. Demand for data centre and interconnectivity services in

WA is growing strongly and our resilience, security and ecosystem leadership is making P2 a critical piece of infrastructure in local mining, freight, civic and state government activities. It is providing an unprecedented opportunity for local, national, and global enterprises to expand their digital footprint.

In FY21 we continued to review emerging market opportunities across Asia Pacific and Japan. Travelling across Asia has proven to be challenging during COVID-19. With travel starting to return for the vaccinated, our team is now actively reviewing expansion opportunities in the world's fastest growing regions. A major priority is securing land in key markets that will drive our next decade of digital growth in Asia. Like all activities the Company undertakes, we view these opportunities as transformative in nature and remind ourselves that people frequently overestimate what they can achieve in one year and underestimate what can be built in a decade.

### **Data is the new oil**

Data is the world's most valuable commodity, playing a core role at the heart of commerce, government and community. Its rise is best demonstrated by the outstanding success of companies like Amazon, Netflix, Google, Microsoft, Apple and Atlassian to name a few. We can be sure there will also be new start-ups and innovations that will rise as rapidly as these front-runners. The beauty of building an infrastructure platform with the geo-diversity and scalability that we have is that it caters to all.

### **Real time intelligence and professional services engagement**

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.

During FY21, our in-house ONEDC development team continued to extend critical reporting capabilities including new Self Service Reporting features. ONEDC also now introduces the tick-a-box option for customers opting in our NEXTneutral carbon offset program as well placing a service order to activate NEXTDC's free e-Waste disposal service on decommissioned equipment.

### **Strong start towards meeting FY22 guidance**

As shareholders, you will be pleased to hear that we've experienced a strong start to FY22. The guidance we have provided for the FY22 financial period reflects the company's expectation for further solid data centre services revenue growth of between 16% and 20% over that seen in FY21. We expect EBITDA to rise by between 19% and 23% and capital expenditure in the range of \$480-\$540 million.

We currently have inventory available across all markets to drive further enterprise and network opportunities including providing dual availability zone solutions across two sites in major metropolitan centres. An important feature of increasing our total addressable market in each major metro.

As the company continues its growth trajectory, we remain focussed on developing our people, systems and processes, ensuring we are well positioned to take advantage of the exponential opportunities ahead. We continue to expand our digital infrastructure platform into new capital city locations in Australia. Further to that, we are well progressed with our regional expansion plans as we diversify our portfolio and push our digital infrastructure to edge locations in regional communities where demand is expected to continue surging over many years to come. We have recently announced a new regional development in partnership with the Northern Territory Government to develop our first data centre in Darwin, D1.

### **Closing**

In closing, I would like to thank our Board for its continued support and ongoing commitment to driving excellence and good governance at NEXTDC. I would like to thank my executive team for its leadership and dedication in building this extraordinary digital 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 11 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.

We hope you will continue to share this journey with us.

Authorised for release by the Board.

**ENDS**

For more information:

**Alex Teo**

Vice President of Strategy and Investor Relations

T: +61 2 8072 4976

E: [investorrelations@nextdc.com](mailto:investorrelations@nextdc.com)

NEXTDC Investor Centre: [www.nextdc.com/our-company/investor-centre](http://www.nextdc.com/our-company/investor-centre)



## About NEXTDC

NEXTDC is an ASX 100-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 Federal Government's Climate Active program.

NEXTDC's Cloud Centre partner ecosystem is Australia's most dynamic digital marketplace, comprising more than 660 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](http://www.nextdc.com)