EQUINIX INC
Form 10-Q
July 31, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0487526**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

One Lagoon Drive, Fourth Floor, Redwood City, California 94065

(Address of principal executive offices, including ZIP code)

(650) 598-6000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) Yes x No ¨ and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares outstanding of the registrant s Common Stock as of June 30, 2015 was 56,958,446.

Table of Contents

EQUINIX, INC.

INDEX

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 336,133	$ 610,917
Short-term investments	95,397	529,395
Accounts receivable, net	293,855	262,570
Current portion of restricted cash	523,003	3,057
Other current assets	81,730	85,004
Total current assets	1,330,118	1,490,943
Long-term investments	4,039	439
Property, plant and equipment, net	5,184,800	4,998,270
Goodwill	1,007,739	1,002,129
Intangible assets, net	131,383	147,527
Restricted cash, less current portion	10,524	14,060
Other assets	157,415	164,065
Total assets	$ 7,826,018	$ 7,817,433
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 315,554	$ 285,796
Accrued property, plant and equipment	128,193	114,469
Current portion of capital lease and other financing obligations	26,832	21,362
Current portion of mortgage and loans payable	59,041	59,466
Current portion of convertible debt	149,780	
Other current liabilities	138,332	162,664
Total current liabilities	817,732	643,757
Capital lease and other financing obligations, less current portion	1,217,746	1,168,042
Mortgage and loans payable, less current portion	506,631	534,686
Convertible debt, less current portion		145,853
Senior notes	2,750,000	2,750,000

Other liabilities	331,319	304,964
Total liabilities	5,623,428	5,547,302
Commitments and contingencies (Note 8)		
Stockholders equity:		
Common stock	57	57
Additional paid-in capital	3,418,223	3,334,305
Treasury stock	(10,646)	(11,411)
Accumulated dividends	(621,792)	(424,387)
Accumulated other comprehensive loss	(423,173)	(332,443)
Accumulated deficit	(160,079)	(295,990)
Total stockholders equity	2,202,590	2,270,131
Total liabilities and stockholders equity	$ 7,826,018	$ 7,817,433

See accompanying notes to condensed consolidated financial statements

3

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
	(Unaudited)			
Revenues	$ 665,582	$ 605,161	$ 1,308,756	$ 1,185,214
Costs and operating expenses:				
Cost of revenues	315,757	292,859	614,070	580,384
Sales and marketing	81,248	75,254	159,864	142,682
General and administrative	119,578	111,675	233,218	214,978
Acquisition costs	9,866	676	11,022	861
Total costs and operating expenses	526,449	480,464	1,018,174	938,905
Income from operations	139,133	124,697	290,582	246,309
Interest income	921	744	1,441	2,178
Interest expense	(74,496)	(66,874)	(143,287)	(135,694)
Other income	1,386	681	872	1,359
Loss on debt extinguishment		(51,183)		(51,183)
Income from operations before income taxes	66,944	8,065	149,608	62,969
Income tax benefit (expense)	(7,485)	2,014	(13,697)	(11,553)
Net income	59,459	10,079	135,911	51,416
Net loss attributable to redeemable non-controlling interests		1,249		1,299
Net income attributable to Equinix	$ 59,459	$ 11,328	$ 135,911	$ 52,715
Earnings per share (EPS) attributable to Equinix:				
Basic EPS	$ 1.04	$ 0.22	$ 2.39	$ 1.04
Weighted-average shares	56,935	51,332	56,798	50,470
Diluted EPS	$ 1.03	$ 0.22	$ 2.37	$ 1.04
Weighted-average shares	57,499	51,652	57,410	50,884

See accompanying notes to condensed consolidated financial statements

4

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(Unaudited)			
Net income	$ 59,459	$ 10,079	$ 135,911	$ 51,416
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment (CTA) gain (loss)	69,443	23,081	(76,869)	38,051
Unrealized gain (loss) on available for sale securities	17	(74)	120	765
Unrealized gain (loss) on cash flow hedges	(14,290)	54	(3,734)	254
Net investment hedge CTA loss	(10,389)		(10,389)	
Defined benefit plans	83		142	
Total other comprehensive income (loss), net of tax	44,864	23,061	(90,730)	39,070
Comprehensive income, net of tax	104,323	33,140	45,181	90,486
Net loss attributable to redeemable non-controlling interests		1,249		1,299
Other comprehensive income attributable to redeemable non-controlling interests		(750)		(2,817)
Comprehensive income attributable to Equinix	$ 104,323	$ 33,639	$ 45,181	$ 88,968

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six months ended June 30, 2015	2014
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 135,911	$ 51,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	236,267	215,596
Stock-based compensation	64,606	58,811
Excess tax benefits from stock-based compensation	(931)	(11,632)
Amortization of intangible assets	12,745	13,979
Amortization of debt issuance costs and debt discounts	7,585	11,126
Provision for allowance for doubtful accounts	2,890	2,527
Loss on debt extinguishment		51,183
Other items	8,937	10,329
Changes in operating assets and liabilities:		
Accounts receivable	(41,782)	(53,505)
Income taxes, net	(66,147)	(92,513)
Other assets	(1,574)	10,188
Accounts payable and accrued expenses	49,293	(14,172)
Other liabilities	37,474	17,349
Net cash provided by operating activities	445,274	270,682
Cash flows from investing activities:		
Purchases of investments	(324,292)	(115,222)
Sales of investments	718,121	412,013
Maturities of investments	35,431	175,600
Business acquisitions, net of cash acquired	(10,247)	
Purchases of real estate	(38,282)	(16,791)
Purchases of other property, plant and equipment	(371,462)	(265,723)
Changes in restricted cash	(507,645)	499
Other investing activities, net		12
Net cash provided by (used in) investing activities	(498,376)	190,388
Cash flows from financing activities:		
Purchases of treasury stock		(255,383)
Proceeds from employee equity awards	16,565	15,821
Excess tax benefits from stock-based compensation	931	11,632
Payment of dividends	(192,968)	

Proceeds from loans payable	490,000	128
Repayment of convertible debt		(29,479)
Repayment of capital lease and other financing obligations	(13,638)	(9,283)
Repayment of mortgage and loans payable	(518,629)	(27,094)
Debt extinguishment costs		(22,552)
Debt issuance costs	(617)	
Net cash used in financing activities	(218,356)	(316,210)
Effect of foreign currency exchange rates on cash and cash equivalents	(3,326)	1,580
Net increase (decrease) in cash and cash equivalents	(274,784)	146,440
Cash and cash equivalents at beginning of period	610,917	261,894
Cash and cash equivalents at end of period	$ 336,133	$ 408,334

See accompanying notes to condensed consolidated financial statements

Table of Contents

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. (Equinix or the Company) and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The condensed consolidated balance sheet data as of December 31, 2014 has been derived from audited consolidated financial statements as of that date. The consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles in the United States of America (GAAP). For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix s Form 10-K as filed with the SEC on March 2, 2015. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Income Taxes

In September 2012, the Company announced that its Board of Directors approved a plan for Equinix to pursue conversion to a real estate investment trust (REIT). On December 23, 2014, its Board of Directors formally approved its conversion to a REIT effective on January 1, 2015. The Company completed the implementation of the REIT conversion in 2014, and as a result the Company has elected to be treated as a REIT for federal income tax purposes effective January 1, 2015. In May 2015, the Company received a favorable response to the private letter ruling (PLR) it had requested from the U.S. Internal Revenue Service (IRS) in connection with the Company s conversion to a REIT for federal income tax purposes. As a result, the Company may deduct the distributions made to its shareholders from taxable income generated by the Company and its Qualified REIT Subsidiaries (QRSs). The Company s dividends paid deduction generally eliminates the taxable income of the Company and its QRSs, resulting in no U.S. income tax due. However, the Taxable REIT Subsidiaries (TRSs) will continue to be subject to income taxes on any taxable income generated by them. In addition, the foreign operations of the Company will continue to be subject to local income taxes regardless of whether the foreign operations are operated as a QRS or a TRS.

The Company provides for income taxes during interim periods based on the estimated effective tax rate for the year. The effective tax rate is subject to change in the future due to various factors such as the operating performances of the REIT and TRSs, tax law changes and future business acquisitions.

The Company s effective tax rates were 9.2% and 18.3% for the six months ended June 30, 2015 and 2014, respectively. The decrease in the effective tax rate is primarily due to the reduced tax rate as a result of the REIT conversion. As a REIT, the Company is entitled to a deduction for dividends paid, resulting in a substantial reduction of federal income tax expense.

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, Fair Value Measurement, which permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years with early adoption permitted. A reporting entity should apply the amendment retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity s financial statements. The Company does not believe the adoption of ASU 2015-07 will have a significant impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest Imputation of Interest (ASU 2015-03), to simplify the presentation of debt issuance costs. The ASU requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected by this ASU. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidations (ASU 2015-02). This ASU requires companies to adopt a new consolidation model, specifically: (1) the ASU modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) the ASU eliminates the presumption that a general partner should consolidate limited partnership; (3) the ASU affects the consolidation analysis of reporting entities that involved with VIEs and (4) the ASU provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In January 2015, FASB issued ASU 2015-01, Income Statement Extraordinary and Unusual Items (ASU 2015-01), to simplify the income statement presentation requirements by eliminating the concept of extraordinary items. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not believe the adoption of ASU 2015-01 will have a significant impact on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15), to provide guidance on management s responsibility in evaluating whether there is substantial doubt about a company s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The Company does not believe the adoption of ASU 2014-15 will have a significant impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09). This ASU requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which companies expect to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. This ASU is effective for fiscal years and interim periods beginning after December 15, 2016. On July 9, 2015, the FASB decided to delay the effective date of this standard to annual reporting periods beginning after December 15, 2017. The FASB permitted early adoption of this standard, but with an adoption date no earlier than December 15, 2016, the original effective date of this ASU. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

8

Table of Contents

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS) for the periods presented (in thousands, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income	$ 59,459	$ 10,079	$ 135,911	$ 51,416
Net loss attributable to redeemable non-controlling interests		1,249		1,299
Net income attributable to Equinix, basic and diluted	$ 59,459	$ 11,328	$ 135,911	$ 52,715
Weighted-average shares used to calculate basic EPS	56,935	51,332	56,798	50,470
Effect of dilutive securities:				
Employee equity awards	564	320	612	414
Weighted-average shares used to calculate diluted EPS	57,499	51,652	57,410	50,884
EPS attributable to Equinix:				
Basic EPS	$ 1.04	$ 0.22	$ 2.39	$ 1.04
Diluted EPS	$ 1.03	$ 0.22	$ 2.37	$ 1.04

The following table sets forth weighted-average outstanding potential shares of common stock that are not included in the diluted earnings per share calculation above because to do so would be anti-dilutive for the periods indicated (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Shares reserved for conversion of 3.00% convertible subordinated notes		3,151		3,258
Shares reserved for conversion of 4.75% convertible subordinated notes	1,958	2,849	1,950	3,636
Common stock related to employee equity awards	99	294	95	307
	2,057	6,294	2,045	7,201

3. Acquisitions

Nimbo Acquisition

On January 14, 2015, the Company acquired all of the issued and outstanding share capital of Nimbo Technologies Inc. (Nimbo), a company which specializes in migrating business applications to the cloud with extensive experience moving legacy applications into a hybrid cloud architecture, and connecting legacy data centers to the cloud, for a cash payment of $10,000,000 and a contingent earn-out arrangement to be paid over two years (the Nimbo Acquisition). Nimbo continues to operate under the Nimbo name. The Nimbo Acquisition was accounted for using the acquisition method. As a result of the Nimbo Acquisition, the Company recorded goodwill of $17,154,000, which represents the excess of the total purchase price over the fair value of the assets acquired and liabilities assumed. The Company recorded the contingent earn-out arrangement at its estimated fair value. The results of operations for Nimbo are not significant to the Company; therefore, the Company does not present its purchase price allocation or pro forma combined results of operations. In addition, any prospective changes in the Company s earn-out estimates are not expected to have a material effect on the Company s consolidated statement of operations.

Table of Contents

Offer for TelecityGroup

On May 29, 2015, the Company announced a cash and share offer for the entire issued and to be issued share capital of Telecity Group plc (TelecityGroup) for total consideration of approximately £2,351,900,000 or $3,594,409,000. The Company expects to close this transaction in the first half of 2016. As the offer to TelecityGroup includes an element of cash, the Company is required to include a confirmation that the Company has sufficient cash available to fulfill the offer, according to the UK Takeover Code. As a result, the Company placed £322,851,000 or approximately $493,801,000 into a restricted cash account, which was included in the current portion of restricted cash in its condensed consolidated balance sheet.

In addition, the Company entered into a bridge credit agreement with J.P. Morgan Chase Bank, N.A. (JPMCB) as the initial lender and as administrative agent for the lenders from time to time party thereto (the Lenders) for a principal amount of £875,000,000 or approximately $1,340,000,000 (the Bridge Loan). The Bridge Loan has an initial maturity of 12 months from the date of the first drawdown and, at the initial maturity date (if not repaid prior to that time), will be converted into seven-year extended bridge loans. The total estimated initial commitment fees associated with the Bridge Loan are approximately £4,375,000 or $6,701,000 and will be paid on the earlier of the consummation of the acquisition and the termination of the Bridge Loan. As of June 30, 2015, the Company had accrued commitment fees of approximately $1,337,000 associated with the Bridge Loan in interest expense in its condensed consolidated statement of operations.

The Bridge Loan bears interest during the first three months in which the funds are advanced, at an initial annual rate of LIBOR plus 5.00%. Thereafter, the rate for each subsequent three-month period increases by 0.5% over the applicable margin in effect for the immediately preceding three-month period, subject to a cap (the Total Cap). Prior to February 28, 2016, the Total Cap is equal to 1.50% plus the greatest of (i) the yield on the Company s 5.750% senior notes due 2025, (ii) the yield on the J.P. Morgan US Dollar Global High Yield Index minus 1.21% and (iii) 4.875%. On and after February 28, 2016, the Total Cap is equal to 1.75% plus the greatest of (i) the yield on the Company s 5.750% senior notes due 2025, (ii) the yield on the J.P. Morgan US Dollar Global High Yield Index minus 1.21% and (iii) 4.875%. Under certain circumstances the Bridge Loan will bear interest at the Total Cap as determined weekly. The Bridge Loan is unsecured and is guaranteed by certain of the Company s domestic subsidiaries. As of June 30, 2015, the Company had not made any advances on the Bridge Loan. The Company intends to obtain permanent financing prior to the closing of the TelecityGroup acquisition to replace and terminate the Bridge Loan.

4. Derivatives and Hedging Activities

Derivatives Designated as Hedging Instruments

Net Investment Hedges. The Company is exposed to the impact of foreign exchange rate fluctuations in the investments in its wholly-owned foreign subsidiaries that are denominated in currencies other than the U.S. dollar. In order to mitigate the volatility in foreign currency exchange rates, the Company entered into a foreign currency term loan during the three months ended June 30, 2015 (as discussed in Note 7) and designated 100% of the term loan to hedge its net investments in its wholly-owned foreign subsidiaries that are denominated in the same foreign currencies as the term loan. All changes in the fair value of the hedging instrument designated as a net investment hedge, except the ineffective portion, are recorded as a component of other comprehensive income on the condensed consolidated balance sheet. As of June 30, 2015, the Company designated $490,210,000 of its foreign currency term loan to hedge investments in its wholly-owned foreign subsidiaries. As a result, the Company recorded foreign exchange losses of $10,389,000 in other comprehensive income for the three and six months ended June 30, 2015. The Company recorded no ineffectiveness from its net investment hedges for the three and six months ended June 30, 2015.

Cash Flow Hedges. The Company hedges its exposure to foreign currency exchange rate fluctuations for forecasted revenues and expenses in its EMEA region in order to help manage the Company s exposure to foreign currency exchange rate fluctuations between the U.S. dollar and the British pound, Euro and Swiss franc.

Table of Contents

Effective January 1, 2015, the Company entered into intercompany derivative hedging instruments (intercompany derivatives) with a wholly-owned subsidiary of the Company and simultaneously entered into derivative contracts with unrelated parties to hedge certain forecasted revenues and expenses denominated in currencies other than the U.S. dollar. The following disclosure is prepared on a consolidated basis; intercompany assets and liabilities resulting from intercompany derivatives are eliminated in consolidation.

As of June 30, 2015, the Company s cash flow hedges had maturities within 1 month to 2.5 years, as follows (in thousands):

	Notional Amount	Fair Value (1)	Accumulated other comprehensive income (loss) (2)(3)
Derivative assets	$ 166,709	$ 9,281	$ 21,763
Derivative liabilities	211,036	(5,064)	(17,939)
	$ 377,745	$ 4,217	$ 3,824

(1) All derivative assets related to cash flow hedges are included in the condensed consolidated balance sheets within other current assets, other assets, other current liabilities and other liabilities.

(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).

(3) The Company recorded a net gain of $6,719 within accumulated other comprehensive income (loss) relating to cash flow hedges that are expected to mature in the next 12 months.

As of December 31, 2014, the Company s cash flow hedges had maturities within 1 month to 1 year as follows (in thousands):

	Notional Amount	Fair Value (1)	Accumulated other comprehensive income (loss) (2)
Derivative assets	$ 281,055	$ 8,404	$ 8,480
Derivative liabilities			
	$ 281,055	$ 8,404	$ 8,480

(1) All derivative assets related to cash flow hedges are included in the condensed consolidated balance sheets within other current assets.

(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).

During the three months ended June 30, 2015 and 2014, there were no ineffective cash flow hedges. During the three months ended June 30, 2015, the amount of gains reclassified from accumulated other comprehensive income (loss) to revenue were $7,428,000 and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses were not significant. During the three months ended June 30, 2014, the amount of gains (losses) reclassified from accumulated other comprehensive income (loss) to revenue and operating expenses were not significant.

During the six months ended June 30, 2015 and 2014, there were no ineffective cash flow hedges. During the six months ended June 30, 2015, gains of $15,506,000 were reclassified from accumulated other comprehensive income (loss) to revenue and net losses of $2,983,000 were reclassified from accumulated other comprehensive income (loss) to operating expenses. During the six months ended June 30, 2014, net losses of $2,662,000 were reclassified from accumulated other comprehensive income (loss) to revenue and gains reclassified from accumulated other comprehensive income (loss) to operating expenses were not significant.

Derivatives Not Designated as Hedging Instruments

Embedded Derivatives. The Company is deemed to have foreign currency forward contracts embedded in certain of the Company s customer agreements that are priced in currencies different from the functional or local currencies of the parties involved. These embedded derivatives are separated from their host contracts and carried on the Company s balance sheet at their fair value. The majority of these embedded derivatives arise as a result of the Company s foreign subsidiaries pricing their customer contracts in the U.S. dollar. Gains and losses on these embedded derivatives are included within revenues in the Company s condensed consolidated statements of operations. During the three months ended June 30, 2015, the Company recognized a net loss of $2,057,000 and during the three months ended June 30, 2014, gains (losses) from these embedded derivatives were not significant. During the six months ended June 30, 2015, gains (losses) from these embedded derivatives were not significant and during the six months ended June 30, 2014, the Company recognized a net loss of $2,416,000, respectively, associated with these embedded derivatives.

Economic Hedges of Embedded Derivatives. The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with the Company s embedded derivatives (economic hedges of embedded derivatives). Gains and losses on these contracts are included in revenues along with gains and losses of the related embedded derivatives. The Company entered into various economic hedges of embedded derivatives during the three and six months ended June 30, 2015 and 2014. Gains (losses) from these contracts were not significant for the periods then ended.

Foreign Currency Forward and Option Contracts. The Company also uses foreign currency forward and options contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the foreign currency-denominated assets and liabilities change. Gains and losses on these contracts are included in other income (expense), net, along with those foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with the foreign currency forward and options contracts. During the three and six months ended June 30, 2015, the Company recognized a net loss of $12,719,000 and $2,462,000, respectively. During the three and six months ended 2014, the Company recognized a net gain of $2,017,000 and $2,901,000, respectively.

Table of Contents

Offsetting Derivative Assets and Liabilities

The following table presents the fair value of derivative instruments recognized in the Company s condensed consolidated balance sheets as of June 30, 2015 (in thousands):

	Gross Amounts	Gross amounts offset in the balance sheet	Net amounts (1)	Gross amounts not offset in the balance sheet (2)	Net
Assets:					
Designated as hedging instruments:					
Foreign currency forward contracts	$ 9,281	$	$ 9,281	$ (4,566)	$ 4,715
Not designated as hedging instruments:					
Embedded derivatives	7,640		7,640		7,640
Economic hedges of embedded derivatives	438		438	(18)	420
Foreign currency forward contracts	1,142		1,142	(210)	932
	9,220		9,220	(228)	8,992
Additional netting benefit				(815)	(815)
	$ 18,501	$	$ 18,501	$ (5,609)	$ 12,892
Liabilities:					
Designated as hedging instruments:					
Foreign currency forward contracts	$ 5,064	$	$ 5,064	$ (4,566)	$ 498
Not designated as hedging instruments:					
Embedded derivatives	134		134		134
Economic hedges of embedded derivatives	18		18	(18)	
Foreign currency forward contracts	10,037		10,037	(210)	9,827
	10,189		10,189	(228)	9,961
Additional netting benefit				(815)	(815)
	$ 15,253	$	$ 15,253	$ (5,609)	$ 9,644

(1) As presented in the Company s condensed consolidated balance sheets within other current assets, other assets, other current liabilities and other liabilities.

(2) The Company enters into master netting agreements with its counterparties for transactions other than embedded derivatives to mitigate credit risk exposure to any single counterparty. Master netting agreements allow for individual derivative contracts with a single counterparty to offset in the event of default.

Table of Contents

The following table presents the fair value of derivative instruments recognized in the Company s condensed consolidated balance sheets as of December 31, 2014 (in thousands):

	Gross Amounts	Gross amounts offset in the balance sheet	Net balance sheet amounts (1)	Gross amounts not offset in the balance sheet (2)	Net
Assets:					
Designated as hedging instruments:					
Foreign currency forward contracts	$ 8,404	$	$ 8,404	$	$ 8,404
Not designated as hedging instruments:					
Embedded derivatives	9,182		9,182		9,182
Foreign currency forward and option contracts	5,153		5,153	(138)	5,015
	14,335		14,335	(138)	14,197
Additional netting benefit				(508)	(508)
	$ 22,739	$	$ 22,739	$ (646)	$ 22,093
Liabilities:					
Designated as hedging instruments:					
Foreign currency forward contracts	$	$	$	$	$
Not designated as hedging instruments:					
Embedded derivatives	4		4		4
Economic hedges of embedded derivatives	390		390		390
Foreign currency forward and option contracts	416		416	(138)	278
	810		810	(138)	672
Additional netting benefit				(508)	(508)
	$ 810	$	$ 810	$ (646)	$ 164

(1) As presented in the Company s condensed consolidated balance sheets within other current assets, other assets, other current liabilities and other liabilities.

(2) The Company enters into master netting agreements with its counterparties for transactions other than embedded derivatives to mitigate credit risk exposure to any single counterparty. Master netting agreements allow for individual derivative contracts with a single counterparty to offset in the event of default.

Table of Contents

5. Fair Value Measurements

The Company s financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 were as follows (in thousands):

	Fair value at June 30, 2015	Fair value measurement using Level 1	Level 2
Assets: (1)			
Money market and deposit accounts	$ 65,058	$ 65,058	$
U.S. government agency securities	95,397		95,397
Certificates of deposit	12,230		12,230
Derivative instruments (2)	18,501		18,501
	$ 191,186	$ 65,058	$ 126,128
Liabilities:			
Derivative instruments (2)	$ 15,253	$	$ 15,253
	$ 15,253	$	$ 15,253

(1) Excludes cash and restricted cash.
(2) Includes embedded derivatives, economic hedges of embedded derivatives and foreign currency forward and options contracts. Amounts are included within other current assets, other assets, other current liabilities and other liabilities in the Company s accompanying condensed consolidated balance sheet.

The Company did not have any significant Level 3 financial assets or financial liabilities as of June 30, 2015.

6. Leases

Capital Lease and Other Financing Obligations

Atlanta 1 Capital Lease

In May 2015, the Company entered into a lease amendment to extend the lease term of the Company s Atlanta 1 IBX (the AT1 Lease). The lease was originally accounted for as an operating lease. Pursuant to the accounting standard for leases, the Company reassessed the lease classification of the AT1 Lease as a result of the lease amendment and determined that upon the amendment the lease should be accounted for as a capital lease. The Company recorded a capital lease asset and liability totaling approximately $21,274,000 during the three months ended June 30, 2015. The lease term was extended to September 2035.

Atlanta 2 Capital Lease

In January 2015, the Company entered into a lease amendment to extend the lease term of the Company s Atlanta 2 IBX (the AT2 Lease). The lease was originally accounted for as an operating lease. Pursuant to the accounting standard for leases, the Company reassessed the lease classification of the AT2 Lease as a result of the lease amendment and determined that upon the amendment the lease should be accounted for as a capital lease. The Company recorded a capital lease asset totaling approximately $25,960,000 and a capital lease liability totaling approximately $26,230,000 during the three months ended March 31, 2015. The lease term, including a renewal option, was extended to December 2024.

Table of Contents

Maturities of Capital Lease and Other Financing Obligations

The Company s capital lease and other financing obligations are summarized as follows (in thousands):

	Capital lease obligations	Other financing obligations	Total
2015 (6 months remaining)	$ 36,008	$ 27,612	$ 63,620
2016	68,275	57,025	125,300
2017	70,333	60,188	130,521
2018	72,405	61,623	134,028
2019	74,336	59,655	133,991
Thereafter	913,660	569,861	1,483,521
Total minimum lease payments	1,235,017	835,964	2,070,981
Plus amount representing residual property value		411,613	411,613
Less estimated building costs		(7,771)	(7,771)
Less amount representing interest	(592,984)	(637,261)	(1,230,245)
Present value of net minimum lease payments	642,033	602,545	1,244,578
Less current portion	(18,738)	(8,094)	(26,832)
	$ 623,295	$ 594,451	$ 1,217,746

7. Debt Facilities

Mortgage and Loans Payable

The Company s mortgage and loans payable consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Term loan	$ 490,210	$ 500,000
ALOG financings	43,133	56,863
Mortgage payable and other loans payable	31,649	36,608
	564,992	593,471
Less amount representing debt discount	(1,391)	(1,600)
Plus amount representing mortgage premium	2,071	2,281
	565,672	594,152
Less current portion	(59,041)	(59,466)

	$ 506,631	$ 534,686

On April 30, 2015, the Company, as borrower, and certain subsidiaries as guarantors entered into an amendment (the Amendment) to its credit agreement dated December 17, 2014 (the Original Credit Agreement and, as amended, the Amended Credit Agreement). The Original Credit Agreement provided for a senior credit facility of $1,500,000,000, comprised of (i) a $1,000,000,000 senior secured multi-currency revolving credit facility and (ii) a $500,000,000 senior secured term loan facility (the Term Loan Facility). The Amended Credit Agreement facilitated the conversion of the outstanding U.S. dollar-denominated principal amount of the Term Loan Facility to an approximately equivalent amount denominated in four foreign currencies. In connection with the execution of the Amended Credit Agreement, on April 30, 2015 the Company prepaid the U.S. dollar-denominated $490,000,000 principal balance of the Term Loan Facility and immediately re-borrowed under the Term Loan Facility the aggregate principal amounts of CHF 47,780,000, 184,945,000, £92,586,000 and ¥11,924,000,000, or approximately $490,000,000. The Company accounted for this transaction as a debt modification. The Company did not incur any gains or losses relating to the debt modification.

16

Table of Contents

The Company will repay the Term Loan Facility in equal quarterly installments on the last business day of each March, June, September and December, commencing on June 30, 2015, equal to the amount of 2.00% of the result of the respective Term Loan Facility on April 30, 2015 divided by 0.98. The remaining principal amount will be paid on the maturity date of the Term Loan Facility.

Convertible Debt

The Company s convertible debt consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
4.75% convertible subordinated notes	$ 157,885	$ 157,885
Less amount representing debt discount	(8,105)	(12,032)
	$ 149,780	$ 145,853

4.75% Convertible Subordinated Notes

Holders of the 4.75% convertible subordinated notes were eligible to convert their notes during the quarter ended June 30, 2015 and are eligible to convert their notes during the three months ending September 30, 2015, since the stock price condition conversion clause was met during the applicable periods. As of June 30, 2015, had the holders of the 4.75% convertible subordinated notes converted their notes, the 4.75% convertible subordinated notes would have been convertible into a maximum of 1,964,879 shares of the Company s common stock.

The 4.75% convertible subordinated notes are scheduled to mature on June 15, 2016. Upon maturity (and assuming that no conversion occurs prior to such maturity), the Company will be obligated to settle any outstanding principal amount of the notes and accrued interest in cash. In addition, should conversion occur prior to maturity, the Company may, at its election, settle the obligation either in cash, stock or a combination of cash and stock.

To minimize the impact of potential dilution upon conversion of the 4.75% convertible subordinated notes, the Company entered into capped call transactions (the Capped Call) separate from the issuance of the 4.75% convertible subordinated notes and paid a premium of $49,664,000 for the Capped Call in 2009. The Capped Call covers a total of approximately 4,432,638 shares of the Company s common stock, subject to adjustment. Under the Capped Call, the Company effectively raised the conversion price of the 4.75% convertible subordinated notes from $84.32 to $114.82.

Pursuant to the declaration of the quarterly dividend in May 2015, the Company further amended the Capped Call agreement to adjust the effective conversion price of the 4.75% convertible subordinated notes from $80.36 to $109.34 per share of common stock. Depending upon the Company s stock price at the time the 4.75% convertible subordinated notes are redeemed, the settlement of the Capped Call will result in a delivery of up to 1,232,808 shares of the Company s common stock to the Company; however, the Company will receive no benefit from the Capped Call if the Company s stock price is $80.36 or lower at the time of conversion and will receive less shares than the 1,232,808 share maximum as described above for share prices in excess of $109.34 at the time of conversion than it would have received at a share price of $109.34 (the Company s benefit from the Capped Call is capped at $109.34 and the benefit received begins to decrease above this price).

17

Table of Contents

Senior Notes

The Company s senior notes consisted of the following as of (in thousands):

	June 30, 2015	December 31, 2014
5.375% Senior Notes due 2023	$ 1,000,000	$ 1,000,000
5.375% Senior Notes due 2022	750,000	750,000
4.875% Senior Notes due 2020	500,000	500,000
5.75% Senior Notes due 2025	500,000	500,000
	$ 2,750,000	$ 2,750,000

Maturities of Debt Facilities

The following table sets forth maturities of the Company s debt, including mortgage and loans payable, convertible debt and senior notes and excluding debt discounts and premium as of June 30, 2015 (in thousands):

Year ending:	
2015 (6 months remaining)	$ 29,516
2016	216,958
2017	52,885
2018	48,330
2019	348,585
Thereafter	2,778,674
	$ 3,474,948

Fair Value of Debt Facilities

The following table sets forth the estimated fair values of the Company s mortgage and loans payable, senior notes and convertible debt, including current maturities, as of (in thousands):

	June 30, 2015	December 31, 2014
Mortgage and loans payable	$ 549,090	$ 553,045
Convertible debt	159,514	162,159
Senior notes	2,748,513	2,790,023

The Company has determined that the inputs used to value its debt facilities fall within Level 2 of the fair value hierarchy.

Table of Contents

Interest Charges

The following table sets forth total interest costs incurred and total interest costs capitalized for the periods presented (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Interest expense	$ 74,496	$ 66,874	$ 143,287	$ 135,694
Interest capitalized	1,663	4,079	6,542	7,485
Interest charges incurred	$ 76,159	$ 70,953	$ 149,829	$ 143,179

8. Commitments and Contingencies

Purchase Commitments

Primarily as a result of the Company s various IBX expansion projects, as of June 30, 2015 the Company was contractually committed for $259,984,000 of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX data centers and make them available to customers for installation. In addition, the Company had numerous other, non-capital purchase commitments in place as of June 30, 2015, such as commitments to purchase power in select locations through the remainder of 2015 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2015 and thereafter. Such other miscellaneous purchase commitments totaled $367,368,000 as of June 30, 2015.

In connection with the cash and share offer to TelecityGroup, the Company has entered into a cooperation agreement with TelecityGroup to secure the clearances and authorization necessary to satisfy the regulatory pre-condition to the TelecityGroup acquisition. The Company has agreed to pay to TelecityGroup £50,000,000 or approximately $76,415,000 if: (i) on or prior to November 29, 2016, the Company invokes the regulatory approvals condition, or (ii) on November 29, 2016, the regulatory approvals condition is not satisfied or waived by the Company.

9. Stockholders Equity

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, are as follows (in thousands):

	Balance as of December 31, 2014	Net Change	Balance as of June 30, 2015
	$ (336,946)	$ (76,869)	$ (413,815)

Foreign currency translation adjustment (CTA) gain (loss)			
Unrealized gain (loss) on cash flow hedges	6,603	(3,734)	2,869
Unrealized gain (loss) on available for sale securities	(99)	120	21
Net investment hedge CTA loss		(10,389)	(10,389)
Defined benefit plans	(2,001)	142	(1,859)
	$ (332,443)	$ (90,730)	$ (423,173)

Changes in foreign currency exchange rates can have a significant impact to the Company s consolidated balance sheets (as evidenced above in the Company s foreign currency translation gain or loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translating into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. As of June 30, 2015, the U.S. dollar was generally stronger relative to certain of the currencies of the foreign countries in which the Company operates. The strength of the U.S. dollar had an overall negative impact on the Company s consolidated financial position because the foreign denominations translated into fewer U.S. dollars as evidenced by the increase in foreign currency translation loss for the six months ended June 30, 2015 as reflected in the above table. In future periods, the volatility of the U.S. dollar as compared to the other currencies in which the Company operates could have a significant impact on its consolidated financial position and results of operations including the amount of revenue that the Company reports in future periods.

Dividends

On May 7, 2015, the Company declared a quarterly cash dividend of $1.69 per share, with a record date of May 27, 2015 and a payment date of June 17, 2015. The Company paid a total of $96,203,000 on June 17, 2015 for the second quarter cash dividend. In addition, the Company accrued an additional $2,443,000 in dividends payable for the restricted stock units that have not yet vested.

On February 19, 2015, the Company declared a quarterly cash dividend of $1.69 per share, with a record date of March 11, 2015 and a payment date of March 25, 2015. The Company paid a total of $96,196,000 on March 25, 2015 for the first quarter cash dividend. In addition, the Company accrued an additional $2,630,000 in dividends payable for the restricted stock units that have not yet vested.

Stock-Based Compensation

In February 2015, the Compensation Committee and the Stock Award Committee of the Company s Board of Directors approved the issuance of an aggregate of 586,646 shares of restricted stock units to certain employees, including executive officers, pursuant to the 2000 Equity Incentive Plan, as part of the Company s annual refresh program. These equity awards are subject to vesting provisions and have a weighted-average grant date fair value of $222.40 and a weighted-average requisite service period of 3.44 years. The valuation of restricted stock units with only a service condition or a service and performance condition requires no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Company s stock price on the date of grant. In connection with the Company s REIT conversion, the Company used revenue and adjusted funds from operations (AFFO) as the performance measurements in the restricted stock units with both service and performance conditions that were granted in February 2015, whereby revenue and adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were used as the performance measurements in prior years grants.

The Company uses a Monte Carlo simulation option-pricing model to determine the fair value of restricted stock units with a service and market condition. There were no significant changes in the assumptions used to determine the fair value of restricted stock units with a service and market condition that were granted during the three months ended March 31, 2015 compared to the three months ended March 31, 2014.

The following table presents, by operating expense category, the Company s stock-based compensation expense recognized in the Company s condensed consolidated statement of operations (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Cost of revenues	$ 2,551	$ 2,228	$ 4,857	$ 4,098
Sales and marketing	9,922	7,943	18,633	14,943

General and administrative	21,520	23,659	41,116	39,770
	$ 33,993	$ 33,830	$ 64,606	$ 58,811

20

Table of Contents

10. Segment Information

While the Company has a single line of business, which is the design, build-out and operation of IBX data centers, it has determined that it has three reportable segments comprised of its Americas, EMEA and Asia-Pacific geographic regions. The Company s chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on the Company s revenue and adjusted EBITDA performance both on a consolidated basis and based on these three reportable segments. The Company defines adjusted EBITDA as income from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges and acquisition costs as presented below (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Adjusted EBITDA:				
Americas	$ 170,886	$ 158,125	$ 343,620	$ 307,688
EMEA	79,533	65,351	155,564	128,556
Asia-Pacific	60,843	51,801	117,826	99,421
Total adjusted EBITDA	311,262	275,277	617,010	535,665
Depreciation, amortization and accretion expense	(128,270)	(116,074)	(250,800)	(229,684)
Stock-based compensation expense	(33,993)	(33,830)	(64,606)	(58,811)
Acquisition costs	(9,866)	(676)	(11,022)	(861)
Income from operations	$ 139,133	$ 124,697	$ 290,582	$ 246,309

The Company also provides the following additional segment disclosures (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Total revenues:				
Americas	$ 371,447	$ 342,256	$ 735,416	$ 672,289
EMEA	173,967	157,162	338,590	308,592
Asia-Pacific	120,168	105,743	234,750	204,333
	$ 665,582	$ 605,161	$ 1,308,756	$ 1,185,214
Total depreciation and amortization:				
Americas	$ 69,226	$ 62,765	$ 135,953	$ 122,792
EMEA	27,633	27,709	54,140	57,421
Asia-Pacific	30,517	25,238	58,919	49,492
	$ 127,376	$ 115,712	$ 249,012	$ 229,705

Capital expenditures:				
Americas	$ 104,400	$ 87,707	$ 235,655(1)(2)	$ 155,222
EMEA	56,927	27,101	84,483	42,665
Asia-Pacific	60,015	45,008	99,853	84,627(3)
	$ 221,342	$ 159,816	$ 419,991	$ 282,514

(1) Includes the purchase price for the business acquisitions, net of cash acquired, which totaled $10,247.
(2) Includes the purchase price for the San Jose land purchase, which totaled $38,282.
(3) Includes the purchase of real estate totaling $16,791.

Table of Contents

The Company s long-lived assets are located in the following geographic areas as of (in thousands):

	June 30, 2015	December 31, 2014
Americas	$ 3,021,032	$ 2,874,562
EMEA	1,134,157	1,135,319
Asia-Pacific	1,029,611	988,389
	$ 5,184,800	$ 4,998,270

Revenue information on a services basis is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Colocation	$ 496,610	$ 452,660	$ 978,155	$ 887,283
Interconnection	104,661	90,969	206,319	177,995
Managed infrastructure	23,466	27,856	47,321	53,240
Rental	1,954	2,673	4,553	5,343
Recurring revenues	626,691	574,158	1,236,348	1,123,861
Non-recurring revenues	38,891	31,003	72,408	61,353
	$ 665,582	$ 605,161	$ 1,308,756	$ 1,185,214

No single customer accounted for 10% or greater of the Company s revenues for the three and six months ended June 30, 2015 and 2014. No single customer accounted for 10% or greater of the Company s gross accounts receivable as of June 30, 2015 and December 31, 2014.

11. Subsequent Event

On July 29, 2015, the Company declared a quarterly cash dividend of $1.69 per share, which is payable on September 16, 2015 to the Company s common stockholders of record as of the close of business on August 26, 2015.

Table of Contents

Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed in Liquidity and Capital Resources below and Risk Factors in Item 1A of Part II of this Quarterly Report on Form 10-Q. All forward-looking statements in this document are based on information available to us as of the date of this Report and we assume no obligation to update any such forward-looking statements.

Our management s discussion and analysis of financial condition and results of operations is intended to assist readers in understanding our financial information from our management s perspective and is presented as follows:

- Overview
- Results of Operations
- Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Contractual Obligations and Off-Balance-Sheet Arrangements
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements

Overview

In May 2015, as more fully described in Note 3 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we announced an offer for the entire issued and to be issued share capital of Telecity Group plc (TelecityGroup), valued at approximately £2.4 billion or $3.6 billion at the time of the announcement. We expect to close this transaction in the first half of 2016. In connection with the transaction, we also entered into a bridge credit agreement with J.P. Morgan Chase Bank, N.A. (JPMCB) as the initial lender and as administrative agent for the lenders from time to time who will be a party thereto (the Lenders), for a principal amount of £875.0 million or approximately $1.3 billion (the Bridge Loan). The Bridge Loan is dedicated solely for the acquisition of TelecityGroup and to satisfy funds certainty requirements. We intend to obtain permanent financing prior to the closing of the acquisition to replace and terminate the Bridge Loan.

In May 2015, as more fully described in Real Estate Investment Trust (REIT) Conversion in Item 2 of this Quarterly Report on Form 10-Q, we received a favorable response to the private letter ruling (PLR) request we had submitted to the U.S. Internal Revenue Service (IRS) in connection with our conversion to a REIT for federal income tax purposes effective for the taxable year commencing January 1, 2015.

In April 2015, as more fully described in Note 7 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we entered into an amendment (the Amendment) of our Credit Agreement dated December 17, 2014 (the Original Credit Agreement). The Amendment allowed for the conversion of the outstanding U.S. dollar-denominated principal amount of the term loan facility to an approximately equivalent amount denominated in four foreign currencies. In connection with the execution of the Amendment, on April 30, 2015, we repaid the U.S. dollar-denominated $490.0 million principal balance of the term loan facility and immediately re-borrowed under the term loan facility the aggregate principal amount of CHF 47.8 million, 184.9 million, £92.6 million and ¥11.9 million, or approximately $490.0 million.

Equinix provides global data center offerings that protect and connect the world s most valued information assets. Global enterprises, financial services companies and content and network service providers rely upon Equinix s leading insight and data centers in 33 markets around the world for the safekeeping of their critical IT equipment and the ability to directly connect to the networks that enable today s information-driven economy. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and (iii) exchange and outsourced IT infrastructure services. As of June 30, 2015, we operated or had partner International Business Exchange (IBX) data centers in the Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, Miami, New York, Philadelphia, Rio de Janeiro, Sao Paulo, Seattle, Silicon Valley, Toronto and Washington, D.C. metro areas in the Americas region; France, Germany, Italy, the Netherlands, Switzerland, the United Arab Emirates and the United Kingdom in the Europe, Middle East and Africa (EMEA) region; and Australia, China, Hong Kong, Indonesia, Japan and Singapore in the Asia-Pacific region.

Our data centers in 33 markets around the world are a global platform, which allows our customers to increase information and application delivery performance while significantly reducing costs. This global platform and the quality of our IBX data centers have enabled us to establish a critical mass of customers. As more customers choose our IBX data centers, it benefits their suppliers and business partners to colocate with us as well, in order to gain the full economic and performance benefits of our offerings. These partners, in turn, pull in their business partners, creating a marketplace for their services. Our global platform enables scalable, reliable and cost-effective colocation, interconnection and traffic exchange that lowers overall cost and increases flexibility. Our focused business model is built on our critical mass of customers and the resulting marketplace effect. This global platform, combined with our strong financial position, continues to drive new customer growth and bookings.

Historically, our market has been served by large telecommunications carriers who have bundled telecommunications products and services with their colocation offerings. The data center market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers. More than 350 companies provide data center solutions in the U.S. alone. Each of these data center solutions providers can bundle various colocation, interconnection and network offerings, and outsourced IT infrastructure services. We are able to offer our customers a global platform that reaches 15 countries with proven operational reliability, improved application performance and network choice, and a highly scalable set of offerings.

Our utilization rate was approximately 79% as of June 30, 2015 and 77% as of June 30, 2014; however, excluding the impact of our IBX data center expansion projects that have opened during the last 12 months, our utilization rate would have increased to approximately 82% as of June 30, 2015. Our utilization rate varies from market to market among our IBX data centers across the Americas, EMEA and Asia-Pacific regions. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market it may limit our ability for growth in that market. We perform demand studies on an ongoing basis to determine if future expansion is warranted in a market. In addition, power and cooling requirements for most customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of power our customers draw from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. This increased power consumption has driven the requirement to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our IBX data centers even though we may have additional physical cabinet capacity available within a specific IBX data center. This could have a negative impact on the available utilization capacity of a given IBX data center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and offerings. As was the case with our recent expansions and acquisitions, our expansion criteria will be dependent on a number of factors, such as demand from new and existing customers, quality of the design, power capacity, access to networks, capacity availability in the current market location, amount of incremental investment required by us in the targeted property, lead-time to break even on a free cash flow basis, and in-place customers. Like our recent expansions and acquisitions, the right combination of these factors may be attractive to us. Depending on the circumstances, these transactions may require additional capital expenditures funded by upfront cash payments or through long-term financing arrangements in order to bring these properties up to Equinix standards. Property expansion may be in the form of purchases of real property, long-term leasing arrangements or acquisitions. Future purchases, construction or acquisitions may be completed by us or with partners or potential customers to minimize the outlay of cash, which can be significant.

Our business is based on a recurring revenue model comprised of colocation and related interconnection and managed infrastructure offerings. We consider these offerings recurring because our customers are generally billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues have comprised more than 90% of our total revenues during the past three years. In addition, during any given quarter of the past three years, more than half of our monthly recurring revenue bookings came from existing customers, contributing to our revenue growth. During the three months ended June 30, 2015 and 2014, our largest customer accounted for approximately 3% and 2% of our recurring revenues, respectively. Our 50 largest customers accounted for approximately 34% and 35% of our recurring revenues for the three months ended June 30, 2015 and 2014, respectively. During the six months ended June 30, 2015 and 2014, our largest customer accounted for approximately 3% of our recurring revenues. Our 50 largest customers accounted for approximately 36% and 34% of our recurring revenues for the six months ended June 30, 2015 and 2014, respectively.

Our non-recurring revenues are primarily comprised of installation services related to a customer s initial deployment and professional services that we perform. These services are considered to be non-recurring because they are billed typically once, upon completion of the installation or the professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. However, revenues from installation services are deferred and recognized ratably over the expected life of the customer installation. Additionally, revenue from contract settlements, when a customer wishes to terminate their contract early, is recognized when no remaining performance obligations exist and collectability is reasonably assured, to the extent that the revenue has not previously been recognized. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our Americas revenues are derived primarily from colocation and related interconnection offerings, and our EMEA and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure offerings.

The largest components of our cost of revenues are depreciation, rental payments related to our leased IBX data centers, utility costs, including electricity and bandwidth, IBX data center employees salaries and benefits, including stock-based compensation, repairs and maintenance, supplies and equipment and security services. A substantial majority of our cost of revenues is fixed in nature and should not vary significantly from period to period, unless we expand our existing IBX data centers or open or acquire new IBX data centers. However, there are certain costs which are considered more variable in nature, including utilities and supplies that are directly related to growth in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will generally increase in the future on a per-unit or fixed basis in addition to the variable increase related to the growth in consumption by our customers. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year. To the extent we incur increased utility costs, such increased costs could materially impact our financial condition, results of operations and cash flows. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change, such increased costs could materially impact our financial condition, results of operations and cash flows.

Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, including stock-based compensation, sales commissions, marketing programs, public relations, promotional materials and travel, as well as bad debt expense and amortization of customer contract intangible assets.

General and administrative expenses consist primarily of salaries and related expenses, including stock-based compensation, accounting, legal and other professional service fees, and other general corporate expenses such as our corporate regional headquarters office leases and some depreciation expense.

Due to our recurring revenue model, and a cost structure which has a large base that is fixed in nature and generally does not grow in proportion to revenue growth, we expect our cost of revenues, sales and marketing expenses and general and administrative expenses to decline as a percentage of revenues over time, although we expect each of them to grow in absolute dollars in connection with our growth. However, for cost of revenues, this trend may periodically be impacted when a large expansion project opens or is acquired, and before it starts generating any meaningful revenue. Furthermore, in relation to cost of revenues, we note that the Americas region has a lower cost of revenues as a percentage of revenue than either EMEA or Asia-Pacific. This is due to both the increased scale and maturity of the Americas region, compared to either the EMEA or Asia-Pacific region, as well as a higher cost structure outside of the Americas, particularly in EMEA. While we expect all three regions to continue to see lower cost of revenues as a percentage of revenues in future periods, we expect the trend that sees the Americas having the lowest cost of revenues as a percentage of revenues to continue. As a result, to the extent that revenue growth outside the Americas grows in greater proportion than revenue growth in the Americas, our overall cost of revenues as a percentage of revenues may increase in future periods. Sales and marketing expenses may periodically increase as a percentage of revenues as we continue to scale our operations to invest in sales and marketing initiatives to further increase our revenue, including the hiring of additional headcount and new product innovations. General and administrative expenses may also periodically increase as a percentage of revenues as we continue to scale our operations to support our growth.

Real Estate Investment Trust (REIT) Conversion

In September 2012, we announced that our Board of Directors approved a plan for Equinix to pursue conversion to a REIT. On December 23, 2014, our Board of Directors formally approved our conversion to a REIT effective on January 1, 2015. We completed the implementation of the REIT conversion in 2014, and as a result we have elected to be treated as a REIT for federal income tax purposes effective January 1, 2015. In May 2015, we received a favorable response to the private letter ruling (PLR) we had requested from the U.S. Internal Revenue Service (IRS) in connection with our conversion to a REIT for federal income tax purposes. The REIT conversion includes almost all of our data center operations in the U.S., Europe and Japan; our data center operations in other jurisdictions will initially be designated as taxable REIT subsidiaries (TRSs).

As a REIT, we will generally be permitted to deduct from federal income taxes the dividends we pay to our stockholders (including, for this purpose, the value of any deemed distribution on account of adjustments to the conversion rate relating to our outstanding debt securities that are convertible into our common stock, provided the deemed distribution is not a preferential dividend). The income represented by such dividends will not be subject to federal taxation at the entity level but will be taxed, if at all, at the stockholder level. Nevertheless, the income of our TRSs which hold our U.S. operations that may not be REIT-compliant, are subject, as applicable, to federal and state corporate income tax. Likewise, our foreign subsidiaries continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through TRSs or through qualified REIT subsidiaries (QRSs). We are also subject to a separate corporate income tax on any gains recognized during a specified period (generally 10 years) following the REIT conversion that are attributable to built-in gains with respect to the assets that we owned on January 1, 2015. Our ability to

Table of Contents

qualify as a REIT will depend upon our compliance with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition to taxes owed with respect to our TRSs operations. In particular, while state income tax regimes often parallel the federal income tax regime for REITs, many states do not completely follow federal rules and some may not follow them at all.

We expect to incur a total of approximately $360.0 to $370.0 million in tax liabilities associated with a change in our methods of depreciating and amortizing various data center assets for tax purposes from our prior methods to methods that are more consistent with the characterization of such assets as real property for REIT purposes. These liabilities have been and continue to be generally payable over a four-year period starting in 2012. As of June 30, 2015, we have settled $326.0 million of the estimated federal and state tax liability related to this recapture of depreciation and amortization expenses. The remaining tax liability is expected to be settled by the end of 2015.

As a REIT, we also expect to incur approximately $10.0 million annually in compliance costs beginning in 2015.

On October 16, 2014, we announced the declaration by our Board of Directors of a special distribution (the 2014 Special Distribution) of $416.0 million on our shares of common stock, payable in either common stock or cash to, and at the election of, our stockholders of record as of October 27, 2014 (the Record Date). Common stockholders elected to receive payment of the 2014 Special Distribution in the form of stock or cash, with the total cash payment to all stockholders limited to no more than 20% of the total distribution. The value of the 2014 Special Distribution, plus the value of the deemed distribution on account of the adjustment to the conversion rate relating to our outstanding 4.75% convertible subordinated notes that was made as a result of the 2014 Special Distribution (the 2014 Conversion Rate Adjustment), exceeded our previously undistributed accumulated earnings and profits attributable to all taxable periods ending prior to January 1, 2015.

We intend to declare one or more special distributions in the fourth quarter of 2015 (the 2015 Special Distributions), which would encompass various items of taxable income that we expect to recognize in 2015, including depreciation recapture in respect of accounting method changes commenced in our pre-REIT period and foreign earnings and profits recognized as dividend income. We estimate the aggregate amount of our 2015 Special Distributions, together with the expected value of the deemed distributions associated with any adjustments to the conversion rate of our outstanding 4.75% convertible subordinated notes resulting from the 2015 Special Distributions (the 2015 Conversion Rate Adjustments), will equal approximately $580.0 to $680.0 million. The conversion of additional existing data center operations into the REIT and the addition of new entities into the REIT may also result in future special distributions.

We also paid quarterly dividends in 2015 in connection with our conversion to a REIT effective January 1, 2015. On February 19, 2015, we declared a quarterly cash dividend of $1.69 per share, which was paid on March 25, 2015 to shareholders of record on March 11, 2015. On May 7, 2015, we declared a quarterly cash dividend of $1.69 per share, which was paid on June 17, 2015 to shareholders of record on May 27, 2015. On July 29, 2015, we declared a quarterly cash dividend of $1.69 per share, which will be paid on September 16, 2015 to shareholders of record on August 26, 2015.

We continue to monitor our REIT compliance to maintain our status as a REIT. For this, and other reasons, as necessary, we may convert certain of our data center operations in Canada and additional countries in Asia-Pacific into the REIT in future periods.

Table of Contents

Results of Operations

Three Months Ended June 30, 2015 and 2014

Revenues. Our revenues for the three months ended June 30, 2015 and 2014 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas:						
Recurring revenues	$ 353,605	53%	$ 325,152	54%	9%	11%
Non-recurring revenues	17,842	3%	17,104	3%	4%	5%
	371,447	56%	342,256	57%	9%	11%
EMEA:						
Recurring revenues	160,063	24%	148,625	25%	8%	25%
Non-recurring revenues	13,904	2%	8,537	1%	63%	89%
	173,967	26%	157,162	26%	11%	29%
Asia-Pacific:						
Recurring revenues	113,023	17%	100,381	16%	13%	23%
Non-recurring revenues	7,145	1%	5,362	1%	33%	45%
	120,168	18%	105,743	17%	14%	24%
Total:						
Recurring revenues	626,691	94%	574,158	95%	9%	17%
Non-recurring revenues	38,891	6%	31,003	5%	25%	35%
	$ 665,582	100%	$ 605,161	100%	10%	18%

Americas Revenues. Our revenues from the U.S., the largest revenue contributor in the Americas region for the period, represented approximately 92% and 91%, respectively, of the regional revenues during the three months ended June 30, 2015 and 2014. Growth in Americas revenues was primarily due to (i) approximately $2.7 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Atlanta, Miami, São Paulo and Toronto metro areas, and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2015, the U.S. dollar was generally stronger relative to the Canadian dollar and Brazilian real than during the three months ended June 30, 2014, resulting in approximately $9.0 million of unfavorable foreign currency impact to our Americas revenues during the three months ended June 30, 2015 compared to average exchange rates of the three months ended June 30, 2014. We expect that our Americas revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in Atlanta, Dallas, Rio de Janeiro and Washington D.C. metro areas, which are expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

EMEA Revenues. Our revenues from the U.K., the largest revenue contributor in the EMEA region for the period, represented approximately 39% and 37%, respectively, of the regional revenues during the three months ended June 30, 2015 and 2014. Our EMEA revenue growth was primarily due to (i) approximately $7.5 million of revenue from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam and London metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2015, the impact of foreign currency fluctuations resulted in approximately $28.1 million of unfavorable foreign currency impact to our EMEA revenues primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc, and Euro during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Frankfurt metro area, which is expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

Table of Contents

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 40% and 37%, respectively, of the regional revenues for the three months ended June 30, 2015 and 2014. Our Asia-Pacific revenue growth was primarily due to (i) approximately $13.0 million of revenue generated from our recently-opened IBX data center expansions in the Melbourne, Osaka, Singapore, Shanghai and Tokyo metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2015, the U.S. dollar was generally stronger relative to the Australian dollar, Japanese yen and Singapore dollar, than during the three months ended June 30, 2014, resulting in approximately $11.4 million of unfavorable foreign currency impact to our Asia-Pacific revenues during the three months ended June 30, 2015 when compared to average exchange rates of the three months ended June 30, 2014. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX data center expansions and additional expansions currently taking place in the Hong Kong, Melbourne, Shanghai, Singapore, Sydney and Tokyo metro areas, which are expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the three months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Three months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 157,890	50%	$ 148,940	51%	6%	11%
EMEA	86,799	27%	81,454	28%	7%	25%
Asia-Pacific	71,068	23%	62,465	21%	14%	24%
Total	$ 315,757	100%	$ 292,859	100%	8%	17%

	Three months ended June 30,	
	2015	2014
Cost of revenues as a percentage of revenues:		
Americas	43%	44%
EMEA	50%	52%
Asia-Pacific	59%	59%
Total	47%	48%

Americas Cost of Revenues. Our Americas cost of revenues for the three months ended June 30, 2015 and 2014 included $54.3 million and $52.9 million, respectively, of depreciation expense. The increase in depreciation expense was primarily due to our IBX data center expansion activity, partially offset by the increase in the lives of certain fixed assets when we entered into lease amendments to extend the lease term for certain IBX data centers. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to $3.6 million of higher utilities, repairs and maintenance costs in support of our business growth and $2.1 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (994 employees included in Americas cost of revenues as of June 30, 2015 versus 928 as of June 30, 2014). During the three months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas cost of revenues resulted in approximately

$7.0 million of favorable foreign currency impact to our Americas cost of revenues primarily due to generally stronger U.S. dollar relative to the Canadian dollar and Brazilian real during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. We expect Americas cost of revenues to increase as we continue to grow our business.

EMEA Cost of Revenues. Our EMEA cost of revenues for the three months ended June 30, 2015 and 2014 included $23.7 million and $23.4 million, respectively, of depreciation expense. The increase in our EMEA cost of revenues was primarily due to $5.1 million of higher costs associated with equipment resales and certain custom services provided to our customers as well as an increase in net realized losses relating to cash flow derivatives, offset by $2.3 million of lower rent, facilities and utilities costs primarily due to foreign currency fluctuations. During the three months ended June 30, 2015, the impact of foreign currency fluctuations to our EMEA cost of revenues resulted in approximately $15.0 million of net favorable foreign currency impact to our EMEA cost of revenues primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc and Euro during the three months ended June 30, 2015 compared to the three months ended June 30, 2014. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Our Asia-Pacific cost of revenues for the three months ended June 30, 2015 and 2014 included $29.2 million and $24.1 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX data center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was due to $2.5 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (376 employees included in Asia-Pacific cost of revenues as of June 30, 2015 versus 312 as of June 30, 2014) and higher costs associated with rent, facilities and utilities in support of our business growth. During the three months ended June 30, 2015, the U.S. dollar was generally stronger relative to the Australian dollar, Japanese yen and Singapore dollar, than during the three months ended June 30, 2014, resulting in approximately $6.3 million of favorable foreign currency impact to our Asia-Pacific cost of revenues during the three months ended June 30, 2015 when compared to average exchange rates of the three months ended June 30, 2014. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Three months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 50,415	62%	$ 42,783	57%	18%	21%
EMEA	17,835	22%	21,914	29%	-19%	-8%
Asia-Pacific	12,998	16%	10,557	14%	23%	33%
Total	$ 81,248	100%	$ 75,254	100%	8%	14%

	Three months ended June 30,	
	2015	2014
Sales and marketing expenses as a percentage of revenues:		
Americas	14%	13%
EMEA	10%	14%
Asia-Pacific	11%	10%
Total	12%	12%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to $7.3 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (471 employees included in Americas sales and marketing as of June 30, 2015 versus 428 as of June 30, 2014). During the three months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas sales and marketing expenses was not significant when compared to average exchange rates of the three months ended June 30, 2014. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in Americas sales and marketing initiatives, we believe our Americas sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

EMEA Sales and Marketing Expenses. The decrease in our EMEA sales and marketing expenses was primarily due to expenses incurred in connection with the termination of certain consulting contracts during 2014. During the three months ended June 30, 2015, the U.S. dollar was generally stronger relative to the British pound, Swiss franc, and Euro, than during the three months ended June 30, 2014, resulting in approximately $2.4 million of net favorable foreign currency impact to our EMEA sales and marketing expenses during the three months ended June 30, 2015 when compared to average exchange rates of the three months ended June 30, 2014. We believe our EMEA sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (166 employees included in Asia-Pacific sales and marketing as of June 30, 2015 versus 136 as of June 30, 2014) and higher professional fees to support our business growth. For the three months ended June 30, 2015, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the three months ended June 30, 2014. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Asia-Pacific sales and marketing expenses have increased. Although we anticipate that we will continue to invest in Asia-Pacific sales and marketing initiatives, we believe our Asia-Pacific sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

General and Administrative Expenses. Our general and administrative expenses for the three months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Three months ended June 30,				% change	
	2015	**%**	**2014**	**%**	**Actual**	**Constant currency**
Americas	$ 86,831	73%	$ 82,066	73%	6%	7%
EMEA	22,023	18%	19,729	18%	12%	24%
Asia-Pacific	10,724	9%	9,880	9%	9%	16%
Total	$ 119,578	100%	$ 111,675	100%	7%	11%

Table of Contents

	Three months ended June 30,	
	2015	2014
General and administrative expenses as a percentage of revenues:		
Americas	23%	24%
EMEA	13%	13%
Asia-Pacific	9%	9%
Total	18%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $5.0 million of higher depreciation expense from the implementation of Oracle R12 ERP system, certain systems to improve our quote to order and billing processes and other systems to support the REIT conversion and (ii) $2.9 million of higher travel and office expenses in support of our business growth. The increase was partially offset by a $3.5 million decrease in professional fees from our REIT conversion process incurred during the three months ended June 30, 2014. During the three months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas general and administrative expenses was not significant when compared to average exchange rates for the three months ended June 30, 2014. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments into improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including these investments in our back office systems.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (376 employees included EMEA general and administrative functions as of June 30, 2015 versus 329 as of June 30, 2014) and higher depreciation expense. During the three months ended June 30, 2015, the U.S. dollar was generally stronger relative to the British pound, Swiss franc, and Euro, than during the three months ended June 30, 2014, resulting in approximately $2.4 million of favorable foreign currency impact to our EMEA general and administrative expenses during the three months ended June 30, 2015 when compared to average exchange rates of the three months ended June 30, 2014. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. Our Asia-Pacific general and administrative expenses did not materially change and the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses for the three months ended June 30, 2015 was not significant when compared to average exchange rates of the three months ended June 30, 2014. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Acquisition Costs. During the three months ended June 30, 2015, we recorded acquisition costs totaling $9.9 million primarily in the Americas and EMEA regions. During the three months ended June 30, 2014, we recorded acquisition costs of $676,000 primarily attributed to the Americas region. We expect our acquisition costs to increase through the closing of the TelecityGroup acquisition.

32

Table of Contents

Interest Income. Interest income was $921,000 and $744,000, respectively, for the three months ended June 30, 2015 and 2014. The average annualized yield for the three months ended June 30, 2015 was 0.22% versus 0.13% for the three months ended June 30, 2014. We expect our interest income to remain at these low levels for the foreseeable future due to lower invested balances and a portfolio more weighted towards short-term U.S. government securities.

Interest Expense. Interest expense increased to $74.5 million for the three months ended June 30, 2015 from $66.9 million for the three months ended June 30, 2014. This increase in interest expense was primarily due to the impact of additional financings such as various capital lease and other financing obligations to support our expansion projects. During the three months ended June 30, 2015 and 2014, we capitalized $1.7 million and $4.1 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our $1.25 billion senior notes offering in November 2014 and $1.5 billion senior credit facility offerings in December 2014, partially offset by the redemption of our 7.00% senior notes and settlement of our 3.00% convertible notes in 2014. We expect to incur additional indebtedness to support our growth and acquisition opportunities such as the TelecityGroup acquisition, resulting in higher interest expense. We expect to obtain permanent financing prior to the closing of the TelecityGroup acquisition to replace and terminate the Bridge Loan.

Other Income. We recorded $1.4 million and $681,000 of other income, respectively, for the three months ended June 30, 2015 and 2014, primarily due to foreign currency exchange gains during the periods.

Loss on Debt Extinguishment. During the three months ended June 30, 2014, we recorded a $51.2 million loss on debt extinguishment as a result of the exchanges of the 3.00% convertible subordinated notes and 4.75% convertible subordinated notes. We did not record any loss on debt extinguishment during the three months ended June 30, 2015.

Income Taxes. Effective January 1, 2015, we elected to be treated as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on the taxable income distributed to our stockholders. We intend to distribute the entire taxable income generated by the operations of our REIT and its QRSs for the tax year ending December 31, 2015. As such, no provision for U.S. income taxes for the REIT and its QRSs has been included in the accompanying condensed consolidated financial statements for the three months ended June 30, 2015.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. U.S. income taxes for the TRS entities located in the U.S. and foreign income taxes for our foreign operations were accrued, as necessary, for the three months ended June 30, 2015.

For the three months ended June 30, 2015 and 2014, we recorded $7.5 million of income tax expense and $2.0 million of income tax benefit, respectively. The income tax benefit for the three months ended June 30, 2014 was primarily due to the $51.2 million loss on debt extinguishment. As such, the effective tax rates for the three months ended June 30, 2015 and 2014 are not comparable. We expect to recognize a lower income tax provision for the year ended December 31, 2015 as compared to the income tax provision in 2014 due to our REIT conversion because we are entitled to a deduction for dividends paid, which will result in a substantial reduction of U.S. income tax expense. As a REIT, substantially all of our income tax expense will be the foreign income tax incurred by our foreign subsidiaries and the U.S. income tax incurred by our U.S. TRSs.

Table of Contents

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the performance of our segments, measure the operational cash generating abilities of our segments and develop regional growth strategies such as IBX data center expansion decisions. We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges and acquisition costs. Our adjusted EBITDA for the three months ended June 30, 2015 and 2014 was split among the following geographic regions (dollars in thousands):

	Three months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 170,886	55%	$ 158,125	57%	8%	10%
EMEA	79,533	25%	65,351	24%	22%	43%
Asia-Pacific	60,843	20%	51,801	19%	17%	30%
Total	$ 311,262	100%	$ 275,277	100%	13%	21%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the three months ended June 30, 2015, currency fluctuations resulted in approximately $2.9 million of unfavorable foreign currency impact on our Americas adjusted EBITDA primarily due to the generally stronger U.S. dollar relative to the Brazilian real and Canadian dollar during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the three months ended June 30, 2015, currency fluctuations resulted in approximately $13.7 million of net unfavorable foreign currency impact to our EMEA adjusted EBITDA primarily due to generally stronger U.S. dollar relative to the Euro, Swiss franc, and British pound during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the three months ended June 30, 2015, currency fluctuations resulted in approximately $6.3 million of net unfavorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to generally stronger U.S. dollar relative to the Australian dollar, Japanese yen, and Singapore dollar during the three months ended June 30, 2015 compared to the three months ended June 30, 2014.

Table of Contents

Six Months Ended June 30, 2015 and 2014

Revenues. Our revenues for the six months ended June 30, 2015 and 2014 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Six months ended June 30,				% change	
	2015	**%**	**2014**	**%**	**Actual**	**Constant currency**
Americas:						
Recurring revenues	$ 700,659	53%	$ 640,132	54%	9%	12%
Non-recurring revenues	34,757	3%	32,157	3%	8%	9%
	735,416	56%	672,289	57%	9%	11%
EMEA:						
Recurring revenues	313,487	24%	290,750	25%	8%	24%
Non-recurring revenues	25,103	2%	17,842	1%	41%	64%
	338,590	26%	308,592	26%	10%	27%
Asia-Pacific:						
Recurring revenues	222,202	17%	192,979	16%	15%	25%
Non-recurring revenues	12,548	1%	11,354	1%	11%	19%
	234,750	18%	204,333	17%	15%	25%
Total:						
Recurring revenues	1,236,348	94%	1,123,861	95%	10%	17%
Non-recurring revenues	72,408	6%	61,353	5%	18%	27%
	$ 1,308,756	100%	$ 1,185,214	100%	10%	18%

Americas Revenues. Our revenues from the U.S., the largest revenue contributor in the Americas region for the period, represented approximately 92% and 91%, respectively, of the regional revenues during the six months ended June 30, 2015 and 2014. Growth in Americas revenues was primarily due to (i) approximately $5.1 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Atlanta, Miami, São Paulo and Toronto metro areas, and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2015, the U.S. dollar was generally stronger relative to the Canadian dollar and Brazilian real than during the six months ended June 30, 2014, resulting in approximately $14.2 million of unfavorable foreign currency impact to our Americas revenues during the six months ended June 30, 2015 when compared to average exchange rates of the six months ended June 30, 2014. We expect that our Americas revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in Atlanta, Dallas, Rio de Janeiro and Washington D.C. metro areas, which are expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

EMEA Revenues. Our revenues from the U.K., the largest revenue contributor in the EMEA region for the period, represented approximately 38% and 37%, respectively, of the regional revenues during the six months ended June 30, 2015 and 2014. Our EMEA revenue growth was primarily due to (i) approximately $11.1 million of revenue from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, London and Paris metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2015, the impact of foreign currency fluctuations resulted in approximately $52.4 million of unfavorable foreign currency impact to our EMEA revenues primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc, and Euro during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Frankfurt metro area, which is expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers   contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 40% and 37%, respectively, of the regional revenues for the six months ended June 30, 2015 and 2014. Our Asia-Pacific revenue growth was primarily due to (i) approximately $25.4 million of revenue generated from our recently-opened IBX data center expansions in the Melbourne, Osaka, Singapore, Shanghai and Tokyo metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2015, the U.S. dollar was generally stronger relative to the Australian dollar, Japanese yen and Singapore dollar, than during the six months ended June 30, 2014, resulting in approximately $20.2 million of unfavorable foreign currency impact to our Asia-Pacific revenues during the six months ended June 30, 2015. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX data center expansions and additional expansions currently taking place in the Hong Kong, Melbourne, Shanghai, Singapore, Sydney and Tokyo metro areas, which are expected to open during the remainder of 2015 and 2016. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the six months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Six months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 308,259	50%	$ 290,705	50%	6%	10%
EMEA	168,015	28%	167,985	29%	0%	17%
Asia-Pacific	137,796	22%	121,694	21%	13%	23%
Total	$ 614,070	100%	$ 580,384	100%	6%	14%

	Six months ended June 30,	
	2015	2014
Cost of revenues as a percentage of revenues:		
Americas	42%	43%
EMEA	50%	54%
Asia-Pacific	59%	60%
Total	47%	49%

Americas Cost of Revenues. Our Americas cost of revenues for the six months ended June 30, 2015 and 2014 included $107.8 million and $103.3 million, respectively, of depreciation expense. The increase in depreciation expense was primarily due to our IBX data center expansion activity, partially offset by the decrease in our depreciation expense as a result of the increase in the useful lives of certain fixed assets when we entered into lease amendments to extend the lease term for certain IBX data centers. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to $7.4 million of higher utilities, repairs and maintenance costs in support of our business growth and $4.2 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (994 employees included in Americas cost of revenues as of June 30, 2015 versus 928 as of June 30, 2014). During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas cost of revenues resulted in approximately $10.6 million of favorable foreign currency impact to our Americas cost of revenues primarily due to generally stronger U.S. dollar relative to the Canadian dollar and Brazilian real during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. We expect Americas cost of revenues to increase as we continue to grow our business.

EMEA Cost of Revenues. Our EMEA cost of revenues for the six months ended June 30, 2015 and 2014 included $45.8 million and $49.6 million, respectively, of depreciation expenses. The decrease in

Table of Contents

depreciation expense was primarily due to the impact of foreign currency fluctuations. Excluding depreciation expense, the increase in EMEA cost of revenues was primarily due to $7.9 million of higher costs associated with equipment resales and certain custom services provided to our customers as well an increase in net realized losses relating to cash flow hedging derivatives, offset by $5.3 million of lower rent, facilities and utilities expenses, primarily due to foreign currency fluctuations. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our EMEA cost of revenues resulted in approximately $28.2 million of net favorable foreign currency impact to our EMEA cost of revenues primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc and Euro during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Our Asia-Pacific cost of revenues for the six months ended June 30, 2015 and 2014 included $56.4 million and $47.4 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX data center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily due to $3.5 million of higher utilities, rent and facilities costs in support of our business growth. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Asia-Pacific cost of revenues resulted in approximately $11.3 million of net favorable foreign currency impact to our Asia-Pacific cost of revenues primarily due to a generally stronger U.S. dollar relative to the Australian dollar, Japanese yen and Singapore dollar during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses for the six months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Six months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 99,460	62%	$ 83,857	59%	19%	21%
EMEA	35,080	22%	38,998	27%	-10%	2%
Asia-Pacific	25,324	16%	19,827	14%	28%	37%
Total	$ 159,864	100%	$ 142,682	100%	12%	18%

	Six months ended June 30, 2015	Six months ended June 30, 2014
Sales and marketing expenses as a percentage of revenues:		
Americas	14%	12%
EMEA	10%	13%
Asia-Pacific	11%	10%
Total	12%	12%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to $13.9 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (471 employees included in Americas sales and marketing as of June 30, 2015 versus 428 as of June 30, 2014) and $2.4 million of higher travel, advertising, promotion and professional fees to support our growth. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas sales and marketing expenses was not significant when compared to average exchange rates of the six months ended June 30, 2014. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to

Table of Contents

invest in Americas sales and marketing initiatives, we believe our Americas sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

EMEA Sales and Marketing Expenses. The decrease in our EMEA sales and marketing expenses was primarily due to $3.7 million of lower professional fees primarily due to the termination of certain consulting contracts during 2014. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our EMEA sales and marketing expenses resulted in approximately $4.7 million of net favorable foreign currency impact to our EMEA sales and marketing expenses primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc and Euro during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. We believe our EMEA sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to $3.5 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (166 employees included in Asia-Pacific sales and marketing as of June 30, 2015 versus 136 as of June 30, 2014). For the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the six months ended June 30, 2014. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Asia-Pacific sales and marketing expenses have increased. Although we anticipate that we will continue to invest in Asia-Pacific sales and marketing initiatives, we believe our Asia-Pacific sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

General and Administrative Expenses. Our general and administrative expenses for the six months ended June 30, 2015 and 2014 were split among the following geographic regions (dollars in thousands):

	Six months ended June 30,				% change	
	2015	%	2014	%	Actual	Constant currency
Americas	$ 168,954	73%	$ 157,423	73%	7%	8%
EMEA	42,454	18%	37,558	18%	13%	25%
Asia-Pacific	21,810	9%	19,997	9%	9%	16%
Total	$ 233,218	100%	$ 214,978	100%	8%	12%

	Six months ended June 30,	
	2015	2014
General and administrative expenses as a percentage of revenues:		
Americas	23%	23%

EMEA	13%	12%
Asia-Pacific	9%	10%
Total	18%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $8.9 million of higher depreciation expense from the implementation of Oracle R12 ERP system, certain systems to improve our quote to order and billing processes and other systems to support the REIT conversion, (ii) $5.3 million of higher rent, facilities, travel and office expenses to support our business growth and (iii) $4.9 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (764 employees in Americas general and administrative functions as of June 30, 2015 versus 703 as of June 30, 2014), partially offset by an $8.4 million decrease in professional fees from our REIT conversion process incurred during the six months ended June 30, 2014. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Americas general and administrative expenses was not significant when compared to average exchange rates for the six months ended June 30, 2014. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments into improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to $4.5 million of (i) higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (376 employees included in EMEA general and administrative functions as of June 30, 2015 versus 329 as of June 30, 2014), (ii) higher depreciation expense and (iii) an increase in net realized losses relating to cash flow hedging derivatives. During the six months ended June 30, 2015, the impact of foreign currency fluctuations to our EMEA general and administrative expenses resulted in approximately $4.4 million of net favorable foreign currency impact to our EMEA general and administrative expenses primarily due to a generally stronger U.S. dollar relative to the British pound, Swiss franc and Euro during the six months ended June 30, 2015 compared to the six months ended June 30, 2014. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. Our Asia-Pacific general and administrative expenses did not materially change. For the six months ended June 30, 2015, the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the six months ended June 30, 2014. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Acquisition Costs. During the six months ended June 30, 2015, we recorded acquisition costs of $11.0 million primarily in the EMEA and Americas regions. During the six months ended June 30, 2014, we recorded acquisition costs of $861,000 primarily attributed to the Americas region. We expect our acquisition costs to increase through the closing of the TelecityGroup acquisition.

Interest Income. Interest income was $1.4 million and $2.2 million, respectively, for the six months ended June 30, 2015 and June 30, 2014. The average annualized yield for the six months ended June 30, 2015 was 0.20% versus 0.42% for the six months ended June 30, 2014. We expect our interest income to remain at these low levels for the foreseeable future due to lower invested balances and a portfolio more weighted towards short-term U.S. government securities.

Interest Expense. Interest expense increased to $143.3 million for the six months ended June 30, 2015 from $135.7 million for the six months ended June 30, 2014. We capitalized $6.5 million and $7.5 million, respectively, of interest expense to construction in progress during the six months ended June 30, 2015 and 2014. This increase in interest expense was primarily due to the impact of additional financings such as various capital lease and other financing obligations to support our expansion projects. Going forward, we expect to incur higher interest expense as we recognize the full impact of our $1.25 billion senior notes offering in November 2014 and $1.5 billion senior credit facility offerings in December 2014, partially offset by the redemption of our 7.00% senior notes and settlement of our 3.00% convertible notes in 2014. We expect to incur additional indebtedness to support our growth and acquisition opportunities such as the TelecityGroup acquisition, resulting in higher interest expense. We expect to obtain permanent financing prior to the closing of the TelecityGroup acquisition to replace and terminate the Bridge Loan.

Table of Contents

Other Income. We recorded $872,000 and $1.4 million of other income, respectively, for the six months ended June 30, 2015 and 2014, primarily due to foreign currency exchange gains during the periods.

Loss on Debt Extinguishment. During the six months ended June 30, 2014, we recorded a $51.2 million loss on debt extinguishment as a result of the exchanges of the 3.00% convertible subordinated notes and 4.75% convertible subordinated notes. We did not record any loss on debt extinguishment during the six months ended June 30, 2015.

Income Taxes. Effective January 1, 2015, we elected to be treated as a REIT for federal income tax purposes. As a REIT, we are generally not subject to U.S. income taxes on taxable income distributed to our stockholders. We intend to distribute the entire taxable income generated by the operations of our REIT and its QRSs for the tax year ending December 31, 2015. As such, no provision for U.S. income taxes for the REIT and its QRSs has been included in the accompanying condensed consolidated financial statements for the six months ended June 30, 2015.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. U.S. income taxes for the TRS entities located in the U.S. and foreign income taxes for our foreign operations were accrued, as necessary, for the six months ended June 30, 2015.

For the six months ended June 30, 2015 and 2014, we recorded $13.7 million and $11.6 million of income tax expenses, respectively. Our effective tax rates were 9.2% and 18.3% for the six months ended June 30, 2015 and 2014, respectively. We expect to recognize a significantly lower income tax provision in 2015 as compared to the income tax provision in 2014 due to our REIT conversion because we are entitled to a deduction for dividends paid, which will result in a substantial reduction of U.S. income tax expense. As a REIT, substantially all of our income tax expense will be the foreign income tax incurred by our foreign subsidiaries and the U.S. income tax incurred by our U.S. TRSs.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the performance of our segments, measure the operational cash generating abilities of our segments and develop regional growth strategies such as IBX data center expansion decisions. Our adjusted EBITDA for the six months ended June 30, 2015 and 2014 was split among the following geographic regions (dollars in thousands):

	Six months ended June 30,				**% change**	
	2015	**%**	**2014**	**%**	**Actual**	**Constant currency**
Americas	$ 343,620	56%	$ 307,688	57%	12%	13%
EMEA	155,564	25%	128,556	24%	21%	41%
Asia-Pacific	117,826	19%	99,421	19%	19%	30%
Total	$ 617,010	100%	$ 535,665	100%	15%	23%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the six months ended June 30, 2015, currency fluctuations resulted in approximately $4.8 million of unfavorable foreign currency impact on our Americas adjusted EBITDA primarily due to the generally stronger U.S. dollar relative to the Brazilian real and Canadian dollar during the six months ended June 30, 2014 compared to the six months ended June 30, 2014.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the six months ended June 30, 2015, currency fluctuations resulted in approximately $25.1 million of net unfavorable foreign currency impact to our EMEA adjusted EBITDA primarily due to generally stronger U.S. dollar relative to the Euro, Swiss franc and British pound during the six months ended June 30, 2015 compared to the six months ended June 30, 2014.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. The U.S. dollar was generally stronger relative to the Australian dollar, Japanese yen and Singapore dollar compared to the six months ended June 30, 2014, resulting in approximately $11.0 million of net unfavorable foreign currency impact to our Asia-Pacific adjusted EBITDA during the six months ended June 30, 2015 when compared to average exchange rates of the six months ended June 30, 2014.

Non-GAAP Financial Measures

We provide all information required in accordance with generally accepted accounting principles (GAAP), but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, we use non-GAAP financial measures to evaluate our operations. Legislative and regulatory requirements encourage the use of and emphasis on GAAP financial metrics and require companies to explain why non-GAAP financial metrics are relevant to management and investors.

Our management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. However, we have presented such non-GAAP financial measures to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what management believes to be our core, ongoing business operations. We believe that the inclusion of this non-GAAP financial measure provides consistency and comparability with past reports and provides a better understanding of the overall performance of the business and its ability to perform in subsequent periods. We believe that if we did not provide such non-GAAP financial information, investors would not have all the necessary data to analyze Equinix effectively.

Investors should note, however, that the non-GAAP financial measures used by us may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as those of other companies. In addition, whenever we use non-GAAP financial measures, we provide a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure.

Our primary non-GAAP financial measures, adjusted funds from operations (AFFO) and adjusted EBITDA, exclude depreciation expense as these charges primarily relate to the initial construction costs of our IBX data centers and do not reflect our current or future cash spending levels to support our business. Our IBX data centers are long-lived assets and have an economic life greater than 10 years. The construction costs of our IBX data centers do not recur and future capital expenditures remain minor relative to our initial investment. This is a trend we expect to continue. In addition, depreciation is also based on the estimated useful lives of our IBX data centers. These estimates could vary from actual performance of the asset, are based on historical costs incurred to build out our IBX data centers and are not indicative of current or expected future capital expenditures. Therefore, we exclude depreciation from our operating results when evaluating our operations.

In addition, in presenting AFFO and adjusted EBITDA, we exclude amortization expense related to certain intangible assets, as it represents a cost that may not recur and is not a good indicator of our current or future operating performance. We exclude accretion expense, both as it relates to asset retirement obligations as well as accrued restructuring charge liabilities, as these expenses represent costs which we believe are not meaningful in evaluating our current operations. We exclude stock-based compensation expense as it represents expense attributed to equity awards that have no current or future cash obligations. As such, we, and many investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of our operations. We also exclude restructuring charges. The restructuring charges relate to our decisions to exit leases for excess space adjacent to several of our IBX data centers, which we did not intend to build out, or our decision to reverse such restructuring charges. We also exclude impairment charges related to certain long-lived assets. The impairment charges are related to expense recognized whenever events or changes in circumstances indicate that the carrying amount of long-lived assets are not recoverable. Finally, we exclude acquisition costs from our AFFO and adjusted EBITDA. The acquisition costs relate to costs we incur in connection with business combinations. Management believes such items as restructuring charges, impairment charges and acquisition costs are non-core transactions; however, these types of costs will or may occur in future periods.

Adjusted EBITDA

We use adjusted EBITDA to evaluate our performance both on a consolidated basis, as well as the operating performance of each of our segments (Americas, EMEA and Asia-Pacific) and as a metric in the determination of vesting of restricted stock units that were granted before 2015 that have both service and performance conditions. In presenting adjusted EBITDA, we exclude certain items that we believe are not good indicators of our current or future operating performance. These items are depreciation, amortization, accretion of asset retirement obligations and accrued restructuring charges, stock-based compensation, restructuring charges, impairment charges and acquisition costs. We exclude these items for the same reasons that they are excluded from the non-GAAP financial measures mentioned above.

We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges and acquisition costs as presented below (in thousands):

	Three months ended June 30,		**Six months ended June 30,**	
	2015	**2014**	**2015**	**2014**
Income from operations	$ 139,133	$ 124,697	$ 290,582	$ 246,309
Depreciation, amortization, and accretion expense	128,270	116,074	250,800	229,684
Stock-based compensation expense	33,993	33,830	64,606	58,811
Acquisition costs	9,866	676	11,022	861
Adjusted EBITDA	$ 311,262	$ 275,277	$ 617,010	$ 535,665

Our adjusted EBITDA results have improved each year and in each region in total dollars due to the improved operating results discussed earlier in Results of Operations , as well as due to the nature of our business model which consists of a recurring revenue stream and a cost structure which has a large base that is fixed in nature as discussed earlier in Overview . Although we have also been investing in our future growth as described above (e.g. through additional IBX data center expansions, acquisitions and increased investments in sales and marketing expenses), we believe that our adjusted EBITDA results will continue to improve in future periods as we continue to grow our business.

Funds from Operations (FFO) and AFFO

We use FFO and AFFO, which are non-GAAP financial measures commonly used in the REIT industry. FFO is calculated in accordance with the standards established by the National Association of Real Estate Investment Trusts

(NAREIT). FFO represents net income (loss), excluding gains (losses) from the disposition of real estate assets, depreciation and amortization on real estate assets and adjustments for unconsolidated joint ventures and non-controlling interests share of these items.

We use AFFO to evaluate our performance on a consolidated basis and as a metric in the determination of employees annual bonuses beginning in 2015 and vesting of restricted stock units that were granted in 2015 that have both service and performance conditions. In presenting AFFO, we exclude certain items that we believe are not good

Table of Contents

indicators of our current or future operating performance. AFFO represents FFO excluding depreciation and amortization expense on non-real estate assets, accretion, stock-based compensation, restructuring charges, impairment charges, acquisition costs, an installation revenue adjustment, a straight-line rent expense adjustment, amortization of deferred financing costs, gains (losses) on debt extinguishment, an income tax expense adjustment, recurring capital expenditures and adjustments for unconsolidated joint ventures and non-controlling interests share of these items. The adjustments for both installation revenue and straight-line rent expense are intended to isolate the cash activity included within the straight-lined or amortized results in the consolidated statement of operations.

Our FFO and AFFO for the three and six months ended June 30, 2015 and 2014 were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Net income	$ 59,459	$ 10,079	$ 135,911	$ 51,416
Net income attributable to redeemable non-controlling interests		1,249		1,299
Net income attributable to Equinix	59,459	11,328	135,911	52,715
Adjustments:				
Real estate depreciation and amortization	107,321	100,788	209,969	200,239
Gain/loss on disposition of real estate property	559	183	621	216
Adjustments for FFO from unconsolidated joint ventures	29	28	57	56
Non-controlling interests share of above adjustments		(2,514)		(4,681)
NAREIT FFO attributable to common shareholders	167,368	109,813	346,558	248,545

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
NAREIT FFO attributable to common shareholders	$ 167,368	$ 109,813	$ 346,558	$ 248,545
Adjustments:				
Installation revenue adjustment	12,474	5,244	21,128	12,417
Straight-line rent expense adjustment	2,017	3,331	5,218	6,360
Amortization of deferred financing costs	3,848	4,783	7,706	11,282
Stock-based compensation expense	33,993	33,830	64,606	58,811
Non-real estate depreciation expense	13,605	7,785	26,298	15,357
Amortization expense	6,450	7,139	12,745	14,109
Accretion expense	894	362	1,788	(21)
Recurring capital expenditures	(27,330)	(26,018)	(49,703)	(52,467)
Loss on debt extinguishment		51,183		51,183
Acquisition costs	9,866	676	11,022	861
Income tax expense adjustment (1)	(1,784)	(7,726)	(4,192)	(2,771)
	(13)	(19)	(30)	(40)

Adjustments for AFFO from unconsolidated joint ventures				
Non-controlling interests share of above adjustments		(2,786)		(3,285)
Adjusted Funds from Operations (AFFO)	$ 221,388	$ 187,597	$ 443,144	$ 360,341

(1) Represents changes in its income tax reserves and valuation allowances that may not recur or may not relate to the current year s operations.

Our AFFO results have improved due to the improved operating results discussed earlier in Results of Operations, as well as due to the nature of our business model which consists of a recurring revenue stream and a cost structure which has a large base that is fixed in nature as discussed earlier in Overview. Although we have also been investing in our future growth as described above (e.g. through additional IBX data center expansions, acquisitions and increased investments in sales and marketing, and general and administrative expenses), we believe that our AFFO results will continue to improve in future periods as we continue to grow our business.

Constant Currency Presentation

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the U.S. dollar against major international currencies such as the Brazilian real, British pound, Canadian dollar, Euro, Swiss franc, Australian dollar, Hong Kong dollar, Japanese yen, Singapore dollar and United

Arab Emirates dirham. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Presenting constant currency results of operations is a non-GAAP financial measure and is not meant to be considered in isolation or as an alternative to GAAP results of operations. However, we have presented this non-GAAP financial measure to provide investors with an additional tool to evaluate our operating results. To present this information, our current and comparative prior period revenues and certain operating expenses from entities with functional currencies other than the U.S. dollar are converted into U.S. dollars at the exchange rates in effect for the comparable prior period rather than the actual exchange rates in effect during the respective periods (i.e. average rates in effect for the three months ended June 30, 2014 are used as exchange rates for the three months ended June 30, 2015 when comparing the three months ended June 30, 2015 with the three months ended June 30, 2014 and average rates in effect for the six months ended June 30, 2014 are used as exchange rates for the six months ended June 30, 2015 when comparing the six months ended June 30, 2015 with the six months ended June 30, 2014).

Liquidity and Capital Resources

As of June 30, 2015, our total indebtedness was comprised of (i) convertible debt principal totaling $157.9 million from our 4.75% convertible subordinated notes (gross of discount) and (ii) non-convertible debt and financing obligations totaling approximately $4.6 billion consisting of (a) approximately $2.8 billion of principal from our senior notes, (b) approximately $1.2 billion from our capital lease and other financing obligations, and (c) $565.0 million of principal from our mortgage and loans payable (gross of discount and premium).

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of the current portion of our debt as it becomes due, payment of tax liabilities related to our conversion to a REIT, payment of the cash portion of the special distributions, payment of regular dividends and completion of our publicly-announced expansion projects. As of June 30, 2015, we had $435.6 million of cash, cash equivalents and short-term and long-term investments, of which approximately $216.4 million was held in the U.S. The decrease in our cash, cash equivalents, short-term and long-term investments from December 31, 2014 was primarily due to a transfer of approximately $493.8 million to a restricted cash account in connection with our announcement of our offer for the entire issued and to be issued share capital of TelecityGoup in May 2015. We believe that our current expansion activities in the U.S. can be funded with our U.S.-based cash and cash equivalents and investments. Besides our cash and investment portfolio, we have additional liquidity available to us from the $1.0 billion revolving credit facility that forms part of our $1.5 billion senior credit facility and the $1.3 billion Bridge Loan that was entered into in May 2015, which is designated for the completion of the TelecityGroup acquisition. However, we intend to obtain permanent financing prior to the closing of the TelecityGroup acquisition, which would ultimately replace the Bridge Loan.

As of June 30, 2015, we had 29 irrevocable letters of credit totaling $43.8 million issued and outstanding under the revolving credit facility; as a result, we had a total of approximately $956.2 million of additional liquidity available to us under the revolving credit facility. Besides any further financing activities we may pursue, customer collections are our primary source of cash. While we believe we have a strong customer base, and have continued to experience relatively strong collections, if the current market conditions were to deteriorate, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity. Additionally, we may pursue additional expansion opportunities, primarily the build out of new IBX data centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions. We are also now operating as a REIT and paying regular, recurring cash dividends. While we expect to fund these plans with our existing resources, additional financing, either debt or equity, may be required and if current market conditions were to deteriorate, we may be unable to secure additional financing or any such additional financing may only be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

Table of Contents

Sources and Uses of Cash

	Six Months Ended June 30,	
	2015	2014
Net cash provided by operating activities	$ 445,274	$ 270,682
Net cash provided by (used in) investing activities	(498,376)	190,388
Net cash used in financing activities	(218,356)	(316,210)

*Operating Activitie*s. The increase in net cash provided by operating activities was primarily due to improved operating results and favorable working capital activities such as decreased payments of certain accounts payable and accrued expenses and increased collections of customer receivables, and decreased income tax payments. During the three months ended June 30, 2014, we elected to make $54.1 million of incremental payments of our accounts payable balance to minimize the potential difficulties with converting accounts payables invoices in connection with the upgrade of our purchasing and accounts payables systems from Oracle 11i to R12, which negatively impacted the operating cash flows for the six months ended June 30, 2014. It is possible for some large customer receivables that were anticipated to be collected in one quarter to be delayed to the next quarter. The timing of collection of customer receivables can vary slightly from one period to the next, which can impact cash flows from operating activities. For example, certain significant customer receivables which were anticipated to be collected in June 2015 were instead collected in July 2015, which negatively impacted cash flows from operating activities for the six months ended June 30, 2015. We expect that we will continue to generate cash from our operating activities during the remainder of 2015 and beyond.

Investing Activities. The net cash used in investing activities for the six months ended June 30, 2015 was primarily due to a $493.8 million increase in restricted cash in connection with our cash and share offer for TelecityGroup, $371.5 million of capital expenditures primarily as a result of expansion activity, $38.3 million for the purchases of land in San Jose, California, and $324.3 million of purchases of investments, offset by sales and maturities of investments for $753.6 million. The net cash provided by investing activities for the six months ended June 30, 2014 was primarily due to $587.6 million of sales and maturities of investments, partially offset by $115.2 million of purchases of investments, $265.7 million of capital expenditures primarily as a result of expansion activity and $16.8 million for the purchase of land in Melbourne, Australia.

During 2015, we expect that our IBX expansion construction activity will be greater than our 2014 levels. However, if the opportunity to expand is greater than planned and we have sufficient funding to pursue such expansion opportunities, we may increase the level of capital expenditures to support this growth as well as pursue additional business acquisitions, property acquisitions or joint ventures. In May 2015, we announced a cash and share offer valued at approximately £2.4 billion or $3.6 billion for the entire issued and to be issued share capital of TelecityGroup. We currently anticipate that the TelecityGroup acquisition will close in the first half of 2016.

Financing Activities. The net cash used in financing activities for the six months ended June 30, 2015 was primarily due to $518.6 million of repayments of U.S. dollar- denominated term loan and other mortgage and loan payments, and $193.0 million of dividend distributions, offset by $490.0 million of proceeds from our term loan modification. The net cash used in financing activities for the six months ended June 30, 2014 was primarily due to $255.4 million of purchases of treasury stock under our share repurchase program that was approved by our Board of Directors in December 2013, $52.0 million paid in connection with the exchanges of the 3.00% convertible subordinated notes and 4.75% convertible subordinated notes and $36.4 million of repayments of other long-term debt and capital lease and other financing obligations, partially offset by $15.8 million of proceeds from employee equity awards and $11.6

million of excess tax benefits from stock-based compensation. Going forward, we expect that our financing activities will consist primarily of repayment of our debt and additional financings needed to support expansion opportunities, additional acquisitions or joint ventures, the payment of our regular cash dividends and the cash portion of our 2015 Special Distributions. We also expect to obtain permanent financing prior to the closing of the TelecityGroup acquisition to replace and terminate the Bridge Loan.

Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX data centers and certain equipment under non-cancelable lease agreements expiring through 2053. The following represents our debt maturities, financings, leases and other contractual commitments as of June 30, 2015 (in thousands):

	2015 (6 months)	2016	2017	2018	2019	Thereafter	Total
Capital lease and other financing obligations (1)	63,620	125,300	130,521	134,028	133,991	1,483,521	2,070,981
Operating leases (2)	50,711	102,446	101,214	97,534	92,228	658,434	1,102,567
Other contractual commitments (3)	462,161	108,596	51,012	1,590	741	3,252	627,352
Asset retirement obligations (4)		511	9,390	3,372	11,800	46,741	71,814
	$ 576,492	$ 336,853	$ 292,137	$ 236,524	$ 238,760	$ 2,191,948	$ 3,872,714

(1) Represents principal and interest.
(2) Represents minimum operating lease payments, excluding potential lease renewals.
(3) Represents off-balance sheet arrangements. Other contractual commitments are described below.
(4) Represents liability, net of future accretion expense.

In connection with the cash and share offer to acquire TelecityGroup, we have entered into a cooperation agreement with TelecityGroup to secure the clearances and authorization necessary to satisfy the regulatory pre-condition to the TelecityGroup acquisition. We have agreed to pay TelecityGroup £50.0 million or approximately $76.4 million if: (i) on or prior to November 29, 2016, we invoke the regulatory approvals condition, or (ii) on November 29, 2016, the regulatory approvals condition is not satisfied or waived by us.

In connection with certain of our leases and other contracts requiring deposits, we entered into 29 irrevocable letters of credit totaling $43.8 million under the senior revolving credit line. These letters of credit were provided in lieu of cash deposits under the senior revolving credit line. If the landlords for these IBX leases decide to draw down on these letters of credit triggered by an event of default under the lease, we will be required to fund these letters of credit either through cash collateral or borrowing under the senior revolving credit line. These contingent commitments are not reflected in the table above.

We had accrued liabilities related to uncertain tax positions totaling approximately $24.8 million as of June 30, 2015. These liabilities, which are reflected on our balance sheet, are not reflected in the table above since it is unclear when these liabilities will be paid.

Primarily as a result of our various IBX data center expansion projects, as of June 30, 2015, we were contractually committed for $260.0 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided in connection with the work necessary to complete construction and open these IBX data centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2015 and thereafter, is reflected in the table above as other contractual commitments .

We had other non-capital purchase commitments in place as of June 30, 2015, such as commitments to purchase power in select locations and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during 2015 and beyond. Such other purchase commitments as of June 30, 2015, which total $367.4 million, are also reflected in the table above as other contractual commitments.

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately $443.6 million to $523.7 million, in addition to the $260.0 million in contractual commitments discussed above as of June 30, 2015, in our various IBX data center expansion projects during 2014 and thereafter in order to complete the work needed to open these IBX data centers. These non-contractual capital expenditures are not reflected in the table above. If we so choose, whether due to economic factors or other considerations, we could delay these non-contractual capital expenditure commitments to preserve liquidity.

Critical Accounting Policies and Estimates

Equinix s financial statements and accompanying notes are prepared in accordance with GAAP. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management s application of accounting policies. On an ongoing basis, management evaluates its estimates and judgments. Critical accounting policies for Equinix that affect our more significant judgment and estimates used in the preparation of our condensed consolidated financial statements include accounting for income taxes, accounting for business combinations, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption Critical Accounting Policies and Estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2014.

As discussed previously, on December 23, 2014, our Board of Directors formally approved our conversion to a REIT effective on January 1, 2015. We completed the implementation of the REIT conversion in 2014. Effective on January 1, 2015, we have elected to be treated as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on the taxable income distributed to our stockholders. We intend to distribute the entire taxable income generated by the operations of our REIT and QRSs for the tax year ending December 31, 2015. As such, no provision for U.S. income taxes for the REIT has been included in the accompanying condensed consolidated financial statements for the six months ended June 30, 2015.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. U.S. income taxes for the TRS entities located in the country and foreign income taxes for our foreign operations were accrued, as necessary, for the six months ended June 30, 2015.

Recent Accounting Pronouncements

See Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

While there have been no significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the six months ended June 30, 2015 as compared to the respective risk exposures and procedures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2014, the U.S. dollar strengthened relative to certain of the currencies of the foreign countries in which we operate during the six months ended June 30, 2015. This has significantly impacted our consolidated financial position and results of operations during this period, including the amount of revenue that we reported. Continued strengthening or weakening of the U.S. dollar will continue to have a significant impact to us in future periods.

Excluding consideration from hedging contracts, an immediate 10% appreciation in current foreign exchange rates as of June 30, 2015 would have resulted in an increase of $61.8 million and $10.7 million in revenue and net income before taxes for the six monts ended June 30, 2015. Excluding consideration from hedging contracts, an immediate 10% depreciation in current foreign exchange rates as of June 30, 2015 would have resulted in a decrease of $61.0 million and $12.5 million in revenue and net income before taxes for the six months ended June 30, 2015.

Item 4. Controls and Procedures

(a) ***Evaluation of Disclosure Controls and Procedures.*** Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (the Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

(b) ***Changes in Internal Control over Financial Reporting.*** During the quarter ended June 30, 2015, we concluded the implementation of certain systems used in our North American operations to support our quote to order and billing process. This implementation resulted in certain changes to our processes and procedures affecting our internal control over financial reporting. Therefore, we have modified the design and documentation of the internal control processes and procedures relating to the new systems to update and enhance existing internal controls. The system changes were undertaken as a business initiative to integrate systems in North America and were not undertaken in response to any actual or perceived deficiencies in our internal control over financial reporting. Other than as described above, there have not been any changes in our internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) ***Limitations on the Effectiveness of Controls.*** Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed and operated to be effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None

Table of Contents

Item 1A. Risk Factors

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating our business and us:

Risks Related to the Acquisition of TelecityGroup

Consummation of the TelecityGroup acquisition is subject to the satisfaction of certain conditions which, if not satisfied, may result in the TelecityGroup acquisition not proceeding.

Completion of the TelecityGroup acquisition is subject to among other things:

- the receipt of regulatory approvals;
- the approval by TelecityGroup shareholders of the scheme of arrangement;
- the sanction of the scheme of arrangement by the UK High Court and the registration of the Scheme Court Order with the UK Registrar of Companies; and
- the approval for listing on the NASDAQ Global Select Market of our common stock to be issued in the TelecityGroup acquisition.

Although we believe that the conditions will be satisfied, it is possible that the parties may not satisfy these conditions, or that they may not be satisfied by the long stop date of November 29, 2016, or that they may only be satisfied subject to certain conditions or undertakings which may not be acceptable.

We cannot provide any assurance that the TelecityGroup acquisition will be completed, or that there will not be a delay in the completion of the TelecityGroup acquisition. Any delay could, among other things, result in additional transaction costs, loss of revenue or other negative effects resulting from uncertainty about completion of the TelecityGroup acquisition. We are also party to a cooperation agreement with TelecityGroup, containing restrictions on the conduct of our business, which may adversely affect our ability to execute our business strategies.

We have agreed to pay to TelecityGroup £50.0 million if: (i) on or prior to November 29, 2016, we invoke the regulatory approvals condition, or (ii) on November 29, 2016, the regulatory approvals condition is not satisfied or waived by us.

We also have a $1.3 billion Bridge Loan to complete the TelecityGroup acquisition that we intend to replace with permanent financing prior to the closing. If we are unable to replace the Bridge Loan with alternative financing, the terms of the Bridge Loan would be more costly than our existing debt obligations.

If the TelecityGroup acquisition does not proceed or is materially delayed for any reason, the price of our common stock may be adversely impacted and we will not recognize the anticipated benefits of the TelecityGroup acquisition.

We expect to incur significant transaction and acquisition-related integration costs in connection with the consummation of the TelecityGroup acquisition.

We expect to incur significant costs in connection with consummating the TelecityGroup acquisition and integrating our and TelecityGroup s operations into a combined company. However, the actual costs incurred may exceed those estimated and there may be further unanticipated costs and the assumption of known and unknown liabilities. While we have assumed that we will incur transaction and integration expenses, there are factors beyond our control that could affect the total amount or the timing of such expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

Table of Contents

As a result, the transaction and integration expenses associated with the TelecityGroup acquisition could, particularly in the near term, exceed the cost savings that we expect to achieve from the streamlining of operations following the completion of the TelecityGroup acquisition.

The anticipated benefits of the TelecityGroup acquisition may not be realized fully and may take longer to realize than expected and there will be numerous challenges associated with integration.

The success of the TelecityGroup acquisition will depend, in part, on the combined company s ability to successfully integrate our and TelecityGroup s businesses, which currently operate as independent public companies, and realize the anticipated benefits, including synergies and cost savings, from the combination. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully or at all, or may take longer to realize than expected and the value of the combined company s common stock may be adversely affected.

We will incur significant transaction-related costs in connection with the TelecityGroup acquisition and the integration process. We may encounter material challenges in connection with this integration process, including, without limitation:

- the diversion of management s attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management s attention to the TelecityGroup acquisition;
- managing a larger combined company;
- integrating two unique corporate cultures, which may prove to be challenging;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations; and
- unforeseen expenses or delays associated with the TelecityGroup acquisition.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management s time and energy, which could materially impact our business, financial condition and results of operations.

Our stockholders will have a reduced ownership and voting interest after the consummation of the TelecityGroup acquisition.

If the TelecityGroup acquisition completes, the TelecityGroup shareholders are expected to beneficially own approximately 10.1% of the common stock of the combined company after the TelecityGroup acquisition. Consequently, our current stockholders will own a smaller proportion of our common stock than the proportion of our common stock owned immediately prior to completion of the TelecityGroup acquisition and, as a result, the number of voting rights which can be exercised and the influence which may be exerted by our shareholders in respect of the combined company will be reduced.

The market price of our common stock may decline as a result of the TelecityGroup acquisition.

The market price of our common stock may decline as a result of the TelecityGroup acquisition if we do not achieve the perceived benefits of the TelecityGroup acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the TelecityGroup acquisition on our financial results is not consistent with the expectations of financial or industry analysts. Current stockholders may not wish to continue to invest in us if the TelecityGroup acquisition is consummated or for other reasons may wish to dispose of some or all of their shares of our common stock. If, following the consummation of the TelecityGroup acquisition, there is selling pressure on our common stock that exceeds demand at the market price, the price of our common stock could decline. In addition, TelecityGroup shareholders are expected to own approximately 10.1% of the common stock of the combined company, and they may decide to sell their common stock following the TelecityGroup acquisition, which may result in additional pressure on the price of our common stock.

We would incur adverse tax consequences if the combined company following the TelecityGroup acquistion failed to qualify as a REIT for U.S. federal income tax purposes.

We believe that, following the TelecityGroup acquisition, we will integrate TelecityGroup s assets and operations in a manner that will allow us to timely satisfy the REIT income, asset, and distribution tests applicable to us. However, if we fail to do so, we could jeopardize or lose our qualification for taxation as a REIT, particularly if we were ineligible to utilize relief provisions set forth in the Internal Revenue Code of 1986. For any taxable year that we fail to qualify for taxation as a REIT, we would not be allowed a deduction for distributions to our stockholders in computing our taxable income, and thus be subject to U.S. federal and state income tax at the regular corporate rates on all of our U.S. federal and state taxable income in the manner of a regular corporation. Those corporate level taxes would reduce the amount of cash available for distribution to our stockholders or for reinvestment or other purposes, and would adversely affect our earnings. As a result, our failure to qualify for taxation as a REIT during any taxable year could have a material adverse effect upon us and our stockholders. Furthermore, unless prescribed relief provisions apply, we would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which we failed to qualify as a REIT. Finally, even if we are able to utilize relief provisions and thereby avoid disqualification for taxation as a REIT, relief provisions typically involve paying a penalty tax in proportion to the severity and duration of the noncompliance with REIT requirements, and thus these penalty taxes could be significant in the context of noncompliance stemming from a transaction as large as the TelecityGroup acquisition.

Risks Related to Operating as a REIT

We may not remain qualified as a REIT.

We expect to be taxed as a REIT under the Code, commencing with our taxable year beginning January 1, 2015. We believe we are operating so as to qualify as a REIT under the Code and believe that our organization and method of operation complies with the rules and regulations promulgated under the Code and will enable us to continue to qualify as a REIT. However, we cannot assure you that we will qualify as a REIT, or that we will remain qualified as a REIT. Qualification as a REIT requires us to satisfy numerous requirements (some on an annual and others on a quarterly basis) established under highly technical and complex sections of the Code which may change from time to time and for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a REIT, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must satisfy specified asset tests on a quarterly basis.

If, in any taxable year, we fail to qualify for taxation as a REIT and are not entitled to relief under the Code:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income;

- we will be subject to federal and state income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates; and

- we will be disqualified from REIT tax treatment for four taxable years following the year we were so disqualified.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for other purposes.

In addition, if we fail to qualify as a REIT, we still will have incurred substantial costs to support the REIT conversion and may still be subject to federal and state tax liabilities of approximately $360.0 to $370.0 million resulting from the recapture of depreciation and amortization expenses, of which $326.0 million has been settled as of June 30, 2015.

As a REIT, failure to make required distributions would subject us to federal corporate income tax.

We paid quarterly distributions in the first and second quarters of 2015. The amount, timing and form of any future distributions will be determined, and will be subject to adjustment, by our Board of Directors. To qualify and be taxed as a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gain) each year to our stockholders. Generally, we expect to distribute all or substantially all of our REIT taxable income. If our cash available for distribution falls short of our estimates, we may be unable to maintain distributions that approximate our REIT taxable income and may fail to qualify for taxation as a REIT. In addition, our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the payment of expenses and the recognition of income and expenses for federal income tax purposes, or the effect of nondeductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, the creation of reserves or required debt service or amortization payments.

To the extent that we satisfy the 90% distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax on our undistributed taxable income if the actual amount that we distribute to our stockholders for a calendar year is less than the minimum amount specified under the Code.

We may be required to borrow funds or raise equity to satisfy our REIT distribution requirements.

Depending on the ultimate size and timing of any 2015 Special Distributions and the cash outlays associated with our conversion to a REIT, or the size and timing of future regular or special distributions, including any distributions made to satisfy REIT distribution requirements and maintain our qualification and taxation as a REIT, we may need to borrow funds or raise equity, even if the then-prevailing market conditions are not favorable for these borrowings or offerings.

Any insufficiency of our cash flows to cover our REIT distribution requirements could adversely impact our ability to raise short- and long-term debt or to offer equity securities in order to fund distributions required to maintain our qualification and taxation as a REIT. Furthermore, the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. This would increase our indebtedness. A significant increase in our outstanding debt could lead to a downgrade of our credit rating. A downgrade of our credit rating could negatively impact our ability to access credit markets. Further, certain of our current debt instruments limit the amount of indebtedness we and our subsidiaries may incur. Significantly more financing, therefore, may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness. For a discussion of risks related to our substantial level of indebtedness, see Other Risks.

Whether we issue equity, at what price and the amount and other terms of any such issuances will depend on many factors, including alternative sources of capital, our then-existing leverage, our need for additional capital, market conditions and other factors beyond our control. If we raise additional funds through the issuance of equity securities or debt convertible into equity securities, the percentage of stock ownership by our existing stockholders may be reduced. In addition, new equity securities or convertible debt securities could have rights, preferences and privileges senior to those of our current stockholders, which could substantially decrease the value of our securities owned by them. Depending on the share

price we are able to obtain, we may have to sell a significant number of shares in order to raise the capital we deem necessary to execute our long-term strategy, and our stockholders may experience dilution in the value of their shares as a result.

Legislative or other actions affecting REITs could have a negative effect on us or our stockholders.

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Federal and state tax laws are constantly under review by persons involved in the legislative process, the IRS, the U.S. Department of the Treasury and state taxing authorities. Changes to the tax laws, regulations and administrative interpretations, which may have retroactive application, could adversely affect us. In addition, some of these changes could have a more significant impact on us as compared to other REITs due to the nature of our business and our substantial use of TRSs. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws, regulations and administrative interpretations applicable to us may be changed.

Complying with REIT requirements may limit our flexibility or cause us to forego otherwise attractive opportunities.

As a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets and the amounts we distribute to our stockholders. For example, under the Code, no more than 25% of the value of the assets of a REIT may be represented by securities of our TRS and other nonqualifying assets. This limitation may affect our ability to make large investments in other non-REIT qualifying operations or assets. In addition, in order to maintain qualification as a REIT, we must annually distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification as a REIT, we will be subject to U.S. federal income tax at regular corporate rates for our undistributed REIT taxable income, as well as U.S. federal income tax at regular corporate rates for income recognized by our TRS. Because of these distribution requirements, we will likely not be able to fund future capital needs and investments from operating cash flow. As such, compliance with REIT tests may hinder our ability to make certain attractive investments, including the purchase of significant nonqualifying assets and the material expansion of non-real estate activities.

There are uncertainties relating to our estimate of our 2015 Special Distributions and the expected value of the deemed distributions associated with the 2015 Conversion Rate Adjustments, as well as the percentage of common stock and cash we may distribute in the 2015 Special Distributions.

We have provided an estimated range of our 2015 Special Distributions and the expected value of the deemed distributions associated with the 2015 Conversion Rate Adjustments. Our 2015 Special Distributions will encompass various items of taxable income including our depreciation recapture in respect of our accounting method changes commenced in our pre-REIT period and our dividend income recognized from the cumulative foreign earnings and profits of the data center operations outside the U.S. to be included in the REIT conversion as of January 1, 2015. However, our estimate of extraordinary items of taxable income in 2015 may be incorrect. For these reasons and others, our actual 2015 Special Distributions and, consequently, the estimated range of the sum of the 2015 Special Distributions together with the expected value of the deemed distributions associated with the 2015 Conversion Rate Adjustments, may be materially different from our current estimates.

We anticipate paying up to 20% of the 2015 Special Distributions in the form of cash and at least 80% in the form of common stock. We may in fact decide, based on our cash flows and strategic plans, IRS revenue procedures relating to distributions of earnings and profits, leverage and other factors, to pay these amounts in a different mix of cash and common stock.

As a REIT, we are limited in our ability to fund distribution payments using cash generated through our TRSs.

Our ability to receive distributions from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from real estate. Consequently, no more than 25% of our gross income may consist of dividend income from our TRSs and other nonqualifying types of income. Thus, our ability to receive distributions from our TRSs may be limited, and may impact our ability to fund distributions to our stockholders using cash flows from our TRSs. Specifically, if our TRSs become highly profitable, we might become limited in our ability to receive net income from our TRSs in an amount required to fund distributions to our stockholders commensurate with that profitability.

In addition, a significant amount of our income and cash flows from our TRSs will be generated from our international operations. In many cases, there are local withholding taxes and currency controls that may impact our ability or willingness to repatriate funds to the United States to help satisfy REIT distribution requirements.

Our planned extensive use of TRSs, including for certain of our international operations, may cause us to fail to qualify as a REIT.

The net income of our TRSs is not required to be distributed to the REIT, and income that is not distributed to the REIT generally will not be subject to the REIT income distribution requirement. However, there may be limitations on our ability to accumulate earnings in our TRSs and the accumulation or reinvestment of significant earnings in our TRSs could result in adverse tax treatment. In particular, if the accumulation of cash in our TRSs causes the fair market value of our securities in our TRSs and other nonqualifying assets to exceed 25% of the fair market value of our assets, we would fail to qualify as a REIT.

Our cash distributions are not guaranteed and may fluctuate.

A REIT generally is required to distribute at least 90% of its REIT taxable income to its stockholders.

Our Board of Directors, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to our stockholders based on a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures and any stock repurchase program. Consequently, our distribution levels may fluctuate.

Even if we qualify as a REIT, some of our business activities are subject to corporate level income tax and foreign taxes, which will continue to reduce our cash flows, and we will have potential deferred and contingent tax liabilities.

As a REIT, we may be subject to some federal, state, local and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income, and state, local or foreign income, franchise, property and transfer taxes. In addition, we could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Code to maintain qualification for taxation as a REIT.

A portion of our business is conducted through wholly owned TRSs because certain of our business activities could generate nonqualifying REIT income as currently structured and operated. The income of our U.S. TRSs will continue to be subject to federal and state corporate income taxes. In addition, our international assets and operations will continue to be subject to taxation in the foreign jurisdictions where those assets are held or those operations are conducted. Any of these taxes would decrease our earnings and our available cash.

Table of Contents

We will also be subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) on gain recognized from a sale of assets occurring within a specified period (generally ten years) after the effective date of our REIT election, that is, January 1, 2015, to the extent of the built-in-gain based on the fair market value of those assets on the effective date of the REIT election in excess of our then tax basis. In addition, depreciation recapture income that we will recognize in 2015, as a result of accounting method changes that were effective prior to January 1, 2015, will be fully subject to this 35% tax.

In addition, the IRS and any state or local tax authority may successfully assert liabilities against us for corporate income taxes for our pre-REIT period, in which case we will owe these taxes plus applicable interest and penalties, if any. Moreover, any increase in taxable income for these pre-REIT periods will likely result in an increase in pre-REIT accumulated earnings and profits, which could either increase the taxable portion of our 2015 distributions to our stockholders or cause us to pay an additional taxable distribution to our stockholders after the relevant determination.

Restrictive loan covenants could prevent us from satisfying REIT distribution requirements.

Restrictions in our credit facility and our indentures may prevent us from satisfying our REIT distribution requirements, and we could fail to qualify for taxation as a REIT. If these limits do not jeopardize our qualification for taxation as a REIT but nevertheless prevent us from distributing 100% of our REIT taxable income, we would be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts. See Other Risks for further information on our restrictive loan covenants.

Complying with REIT requirements may limit our ability to hedge effectively and increase the cost of our hedging and may cause us to incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge assets, liabilities, revenues and expenses. Generally, income from hedging transactions that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets and income from certain currency hedging transactions related to our non-U.S. operations do not constitute gross income for purposes of the REIT gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as nonqualifying income for purposes of the REIT gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on income or gains resulting from hedges entered into by them or expose us to greater risks associated with changes in interest rates or exchange rates than we would otherwise want to bear. In addition, hedging losses in any of our TRSs generally will not provide any tax benefit, except for being carried forward for possible use against future capital gain in the TRSs.

We have limited experience operating as a REIT, which may adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to forecast dividends.

We began operating as a REIT on January 1, 2015 and, as such, have limited operating history as a REIT. In addition, prior to January 1, 2015 our senior management team had no prior experience operating a REIT. We can provide no assurance that our past experience has sufficiently prepared us to operate successfully as a REIT. Our inability to operate successfully as a REIT, including the failure to maintain REIT status, could adversely affect our business, financial condition and results of operations.

Distributions payable by REITs generally do not qualify for preferential tax rates.

Qualifying distributions payable by corporations to individuals, trusts and estates that are U.S. stockholders are currently eligible for federal income tax at preferential rates. Distributions payable by

REITs, in contrast, generally are not eligible for the preferential rates. The preferential rates applicable to regular corporate distributions could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock.

Our certificate of incorporation contains restrictions on the ownership and transfer of our stock, though they may not be successful in preserving our REIT status.

As a REIT, no more than 50% of the value of outstanding shares of our stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than the first year for which we elect to be taxed as a REIT. In addition, rents from affiliated tenants will not qualify as qualifying REIT income if we own 10% or more by vote or value of the customer, whether directly or after application of attribution rules under the Code. Subject to certain exceptions, our certificate of incorporation prohibits any stockholder from owning beneficially or constructively more than (i) 9.8% in value of the outstanding shares of all classes or series of our capital stock or (ii) 9.8% in value or number, whichever is more restrictive, of the outstanding shares of any class or series of our capital stock. We refer to these restrictions collectively as the ownership limits and we included them in our certificate of incorporation to facilitate our compliance with REIT tax rules. The constructive ownership rules under the Code are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of our outstanding common stock (or the outstanding shares of any class or series of our stock) by an individual or entity could cause that individual or entity or another individual or entity to own constructively in excess of the relevant ownership limits. Any attempt to own or transfer shares of our common stock or of any of our other capital stock in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. Even though our certificate of incorporation contains the ownership limits, there can be no assurance that these provisions will be effective to prevent our REIT status from being jeopardized, including under the affiliated tenant rule. Furthermore, there can be no assurance that we will be able to enforce the ownership limits. If the restrictions in our certificate of incorporation are not effective and as a result we fail to satisfy the REIT tax rules described above, then absent an applicable relief provision, we will fail to qualify as a REIT.

Other Risks

Acquisitions present many risks, and we may not realize the financial or strategic goals that were contemplated at the time of any transaction.

In May 2015, we announced a cash and share offer for the entire issued and to be issued share capital of Telecity Group plc (TelecityGroup) for total consideration of approximately $3.6 billion at the time of announcement. Over the last several years, we have completed several acquisitions, including that of Switch & Data Facilities Company, Inc. (Switch and Data) in 2010, an approximate 53% controlling equity interest in ALOG Data Centers do Brasil S.A. (ALOG) in 2011 and the remaining outstanding shares of ALOG in 2014, Asia Tone Limited and ancotel GmbH in 2012, an acquisition of a Dubai IBX data center in 2012, an acquisition of a carrier hotel in Frankfurt in 2013 and Nimbo in 2015. We may make additional acquisitions in the future, which may include (i) acquisitions of businesses, products, services or technologies that we believe to be complementary, (ii) acquisitions of new IBX data centers or real estate for development of new IBX data centers or (iii) acquisitions through investments in local data center operators. We may pay for future acquisitions by using our existing cash resources (which may limit other potential uses of our cash), incurring additional debt (which may increase our interest expense, leverage and debt service requirements) and/or issuing shares (which may dilute our existing stockholders and have a negative effect on our earnings per share). Acquisitions expose us to potential risks, including:

the possible disruption of our ongoing business and diversion of management s attention by acquisition, transition and integration activities;

our potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition or investment;

the possibility that we may not be able to successfully integrate acquired businesses, or businesses in which we invest, or achieve anticipated operating efficiencies or cost savings;

the possibility that announced acquisitions may not be completed, due to failure to satisfy the conditions to closing or for other reasons;

the dilution of our existing stockholders as a result of our issuing stock in transactions, such as our acquisition of Switch and Data, where 80% of the consideration payable to Switch and Data s stockholders consisted of shares of our common stock;

the possibility of customer dissatisfaction if we are unable to achieve levels of quality and stability on par with past practices;

the potential deterioration to our ability to access credit markets due to increased leverage;

the possibility that our customers may not accept either the existing equipment infrastructure or the look-and-feel of a new or different IBX data center;

the possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;

the possibility that required financing to fund an acquisition may not be available on acceptable terms or at all;

the possibility that we may be unable to obtain required approvals from governmental authorities under antitrust and competition laws on a timely basis or at all, which could, among other things, delay or prevent us from completing an acquisition, limit our ability to realize the expected financial or strategic benefits of an acquisition or have other adverse effects on our current business and operations;

the possible loss or reduction in value of acquired businesses;

the possibility that future acquisitions may present new complexities in deal structure, related complex accounting and coordination with new partners, particularly in light of our status as a REIT;

- the possibility that future acquisitions may be in geographies and regulatory environments to which we are unaccustomed;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX data center;
- the possibility of litigation or other claims in connection with, or as a result of, an acquisition, including claims from terminated employees, customers, former stockholders or other third parties; and
- the possibility of pre-existing undisclosed liabilities, including, but not limited to, lease or landlord related liability, environmental liability or asbestos liability, for which insurance coverage may be insufficient or unavailable.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Table of Contents

We cannot assure that the price of any future acquisitions of IBX data centers will be similar to prior IBX data center acquisitions. In fact, we expect costs required to build or render new IBX data centers operational to increase in the future. If our revenue does not keep pace with these potential acquisition and expansion costs, we may not be able to maintain our current or expected margins as we absorb these additional expenses. There is no assurance we would successfully overcome these risks or any other problems encountered with these acquisitions.

Our substantial debt could adversely affect our cash flows and limit our flexibility to raise additional capital.

We have a significant amount of debt and may need to incur additional debt to support our growth. Additional debt may also be incurred to fund future acquisitions, any future special distributions, regular distributions or the other cash outlays associated with maintaining qualification as a REIT. As of June 30, 2015, our total indebtedness was approximately $4.7 billion, our stockholders equity was $2.2 billion and our cash and investments totaled $435.6 million. In addition, as of June 30, 2015, we had approximately $956.2 million of additional liquidity available to us from our $1.0 billion revolving credit facility as part of a $1.5 billion senior credit facility agreement entered into with a group of lenders and approximately $1.3 billion from the Bridge Loan solely for the purpose of the funding TelecityGroup acquisition. Some of our debt contains covenants which may limit our operating flexibility. In addition to our substantial debt, we lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements, the majority of which are accounted for as operating leases. As of June 30, 2015, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $1.1 billion, which represents off-balance sheet commitments.

Our substantial amount of debt and related covenants, and our off-balance sheet commitments, could have important consequences. For example, they could:

- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt and in respect of other off-balance sheet arrangements, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;
- increase the likelihood of negative outlook from our rating agencies;
- make it more difficult for us to satisfy our obligations under our various debt instruments;
- increase our cost of borrowing and even limit our ability to access additional debt to fund future growth;
- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;

- limit our operating flexibility through covenants with which we must comply, such as limiting our ability to repurchase shares of our common stock;

- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity, which would also limit our ability to further expand our business; and

- make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings to the extent we have not entirely hedged such variable rate debt.

The occurrence of any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition. In addition, the performance of our stock price may trigger events that would require the write-off of a significant portion of our debt issuance costs related to our convertible debt, which may have a material adverse effect on our results of operations.

We may also need to refinance a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of our existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. We also have a $1.3 billion Bridge Loan to complete the TelecityGroup acquisition that we intend to replace with permanent financing prior to the closing. If we are unable to replace the Bridge Loan with alternative financing, the terms of the Bridge Loan would be more costly than our existing debt obligations. These risks could materially adversely affect our financial condition, cash flows and results of operations.

Global economic uncertainty and debt issues could adversely impact our business and financial condition.

The varying pace of global economic recovery continues to create uncertainty and unpredictability and add risk to our future outlook. An uncertain global economy could also result in churn in our customer base, reductions in revenues from our offerings, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity. The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties credit deteriorates or they are otherwise unable to perform their obligations. Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

The market price of our stock may continue to be highly volatile, and the value of an investment in our common stock may decline.

The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.

Announcements by us or others, or speculations about our future plans, may also have a significant impact on the market price of our common stock. These may relate to:

- our operating results or forecasts;
- new issuances of equity, debt or convertible debt by us;
- changes to our capital allocation, tax planning or business strategy;
- our qualification as a REIT and our declaration of distributions to our shareholders;
- a stock repurchase program;
- developments in our relationships with corporate customers;

announcements by our customers or competitors;

changes in regulatory policy or interpretation;

governmental investigations;

changes in the ratings of our debt or stock by rating agencies or securities analysts;

our purchase or development of real estate and/or additional IBX data centers;

- our acquisitions of complementary businesses; or

- the operational performance of our IBX data centers.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock. Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management s attention from other business concerns, which could seriously harm our business.

If we are not able to generate sufficient operating cash flows or obtain external financing, our ability to fund incremental expansion plans may be limited.

Our capital expenditures, together with ongoing operating expenses, obligations to service our debt and the cash outlays associated with our REIT distribution requirements, will be a substantial drain on our cash flow and may decrease our cash balances. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

Fluctuations in foreign currency exchange rates in the markets in which we operate internationally could harm our results of operations.

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of our revenues and costs are denominated in U.S. dollars; however, the majority of revenues and costs in our international operations are denominated in foreign currencies. Where our prices are denominated in U.S. dollars, our sales and revenues could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our offerings more expensive in local currencies. We are also exposed to risks resulting from fluctuations in foreign currency exchange rates in connection with our international expansions. To the extent we are paying contractors in foreign currencies, our expansions could cost more than anticipated as a result of declines in the U.S dollar relative to foreign currencies. In addition, fluctuating foreign currency exchange rates have a direct impact on how our international results of operations translate into U.S. dollars.

Although we currently undertake, and may decide in the future to further undertake, foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. In addition, REIT compliance rules may restrict our ability to enter into hedging transactions. Therefore, any weakness of the U.S. dollar may have a positive impact on our consolidated results of operations because the currencies in the foreign countries in which we operate may translate into more U.S. dollars. However, if the U.S. dollar strengthens relative to the currencies of the foreign countries in which we operate, our consolidated financial position and results of operations may be negatively impacted as amounts in foreign currencies will generally translate into fewer U.S. dollars. For additional information on foreign currency risk, refer to our discussion of foreign currency risk in Quantitative and Qualitative Disclosures About Market Risk included in Item 3 of this Quarterly Report on Form 10-Q.

Changes in U.S. or foreign tax laws, regulations, or interpretations thereof, including changes to tax rates, may adversely affect our financial statements and cash taxes.

We are a U.S. company with global subsidiaries and are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe that we have adequately assessed and accounted for our potential tax liabilities, and that our tax estimates are reasonable, there can be no certainty that additional taxes will not be due upon audit of our tax returns or as a result of changes to the tax laws and interpretations

Table of Contents

thereof. The U.S. Congress as well as the governments of many of the countries in which we operate are actively discussing changes to the corporate recognition and taxation of worldwide income. The nature and timing of any changes to each jurisdiction s tax laws and the impact on our future tax liabilities cannot be predicted with any accuracy but could materially and adversely impact our results of operations and financial position or cash flows.

We are continuing to invest in our expansion efforts but may not have sufficient customer demand in the future to realize expected returns on these investments.

We are considering the acquisition or lease of additional properties and the construction of new IBX data centers beyond those expansion projects already announced. We will be required to commit substantial operational and financial resources to these IBX data centers, generally 12 to 18 months in advance of securing customer contracts, and we may not have sufficient customer demand in those markets to support these centers once they are built. In addition, unanticipated technological changes could affect customer requirements for data centers, and we may not have built such requirements into our new IBX data centers. Either of these contingencies, if they were to occur, could make it difficult for us to realize expected or reasonable returns on these investments.

Our offerings have a long sales cycle that may harm our revenues and operating results.

A customer s decision to purchase our offerings typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our IBX data centers until they are confident that the IBX data center has adequate carrier connections. As a result, we have a long sales cycle. Furthermore, we may devote significant time and resources in pursuing a particular sale or customer that does not result in revenue. We have also significantly expanded our sales force in recent years, and it will take time for these new hires to become fully productive.

Delays due to the length of our sales cycle may materially and adversely affect our revenues and operating results, which could harm our ability to meet our forecasts and cause volatility in our stock price.

Any failure of our physical infrastructure or offerings could lead to significant costs and disruptions that could reduce our revenue and harm our business reputation and financial results.

Our business depends on providing customers with highly reliable solutions. We must safehouse our customers infrastructure and equipment located in our IBX data centers. We own certain of our IBX data centers, but others are leased by us, and we rely on the landlord for basic maintenance of our leased IBX data centers. If such landlord has not maintained a leased property sufficiently, we may be forced into an early exit from the center which could be disruptive to our business. Furthermore, we continue to acquire IBX data centers not built by us. If we discover that these IBX data centers and their infrastructure assets are not in the condition we expected when they were acquired, we may be required to incur substantial additional costs to repair or upgrade the centers.

The offerings we provide in each of our IBX data centers are subject to failure resulting from numerous factors, including:

- human error;
- equipment failure;

physical, electronic and cybersecurity breaches;

fire, earthquake, hurricane, flood, tornado and other natural disasters;

extreme temperatures;

water damage;

- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- failure of business partners who provide our resale products.

Problems at one or more of our IBX data centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers. As a result, service interruptions or significant equipment damage in our IBX data centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. Because our IBX data centers are critical to many of our customers businesses, service interruptions or significant equipment damage in our IBX data centers could also result in lost profits or other indirect or consequential damages to our customers. We cannot guarantee that a court would enforce any contractual limitations on our liability in the event that one of our customers brings a lawsuit against us as a result of a problem at one of our IBX data centers. In addition, any loss of service, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

Furthermore, we are dependent upon Internet service providers, telecommunications carriers and other website operators in the Americas, Asia-Pacific and EMEA regions and elsewhere, some of which have experienced significant system failures and electrical outages in the past. Our customers may in the future experience difficulties due to system failures unrelated to our systems and offerings. If, for any reason, these providers fail to provide the required services, our business, financial condition and results of operations could be materially and adversely impacted.

We are currently making significant investments in our back office information technology systems, including those surrounding the customer experience from initial quote to customer billing, and upgrading our worldwide financial application suite. Difficulties, distractions or disruptions to these efforts may interrupt our normal operations and adversely affect our business and operating results.

Commencing in 2012, we began a significant project to overhaul our back office systems that support the customer experience from initial quote to customer billing and our revenue recognition process. Additionally, commencing in 2013, we began to devote significant resources to the upgrade of our worldwide financial application suite from Oracle s version 11i to R12. Both projects have continued into 2015. Oracle has already begun to discontinue its support for our current business application suite. While the Oracle financial application suite implementation was largely completed in July 2014 and the initial implementation of the systems to support our billing and revenue process was completed in August 2014, work continues on our back office systems. As a result of that discontinued support and our continued work on these projects, we may experience difficulties with our systems, management distraction and significant business disruptions. Difficulties with our systems may interrupt our ability to accept and deliver customer orders and may adversely impact our overall financial operations, including our accounts payable, accounts receivables, general ledger, close processes, internal financial controls and our ability to otherwise run and track our business. We may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. All of these changes to our financial systems create an increased risk of deficiencies in our internal controls over financial reporting until such systems are stabilized. Such significant investments in our back office systems may take longer to complete and cost more than originally planned. In addition, we may not realize the full benefits we hoped to achieve and there is a risk of an impairment charge if we decide that portions of these projects will not ultimately benefit the company or are de-scoped. Any such difficulty or disruption may adversely affect our business and operating results.

The insurance coverage that we purchase may prove to be inadequate.

We carry liability, property, business interruption and other insurance policies to cover insurable risks to our company. We select the types of insurance, the limits and the deductibles based on our specific risk profile, the cost of the insurance coverage versus its perceived benefit and general industry standards. Our insurance policies contain industry standard exclusions for events such as war and nuclear reaction. We purchase minimal levels of earthquake insurance for certain of our IBX data centers, but for most of our data centers, including many in California, we have elected to self-insure. The earthquake and flood insurance that we do purchase would be subject to high deductibles and any of the limits of insurance that we purchase could prove to be inadequate, which could materially and adversely impact our business, financial condition and results of operations.

Our construction of additional new IBX data centers or IBX data center expansions could involve significant risks to our business.

In order to sustain our growth in certain of our existing and new markets, we must expand an existing data center, lease a new facility or acquire suitable land, with or without structures, to build new IBX data centers from the ground up. Expansions or new builds are currently underway, or being contemplated, in many of our markets. Any related construction requires us to carefully select and rely on the experience of one or more designers, general contractors, and associated subcontractors during the design and construction process. Should a designer, general contractor or significant subcontractor experience financial or other problems during the design or construction process, we could experience significant delays, increased costs to complete the project and/or other negative impacts to our expected returns.

Site selection is also a critical factor in our expansion plans. There may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity, or selection may be limited. Thus, while we may prefer to locate new IBX data centers adjacent to our existing locations it may not always be possible. In the event we decide to build new IBX data centers separate from our existing IBX data centers, we may provide interconnection solutions to connect these two centers. Should these solutions not provide the necessary reliability to sustain connection, this could result in lower interconnection revenue and lower margins and could have a negative impact on customer retention over time.

Environmental regulations may impose upon us new or unexpected costs.

We are subject to various federal, state, local and international environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. Our operations involve the use of hazardous substances and materials such as petroleum fuel for emergency generators, as well as batteries, cleaning solutions and other materials. In addition, we lease, own or operate real property at which hazardous substances and regulated materials have been used in the past. At some of our locations, hazardous substances or regulated materials are known to be present in soil or groundwater, and there may be additional unknown hazardous substances or regulated materials present at sites we own, operate or lease. At some of our locations, there are land use restrictions in place relating to earlier environmental cleanups that do not materially limit our use of the sites. To the extent any hazardous substances or any other substance or material must be cleaned up or removed from our property, we may be responsible under applicable laws, regulations or leases for the removal or cleanup of such substances or materials, the cost of which could be substantial.

In addition, we are subject to environmental, health and safety laws regulating air emissions, storm water management and other issues arising in our business. While these obligations do not normally impose material costs upon our operations, unexpected events, equipment malfunctions and human error, among other factors, can lead to violations of environmental laws, regulations or permits.

Furthermore, environmental laws and regulations change frequently and may require additional investment to maintain compliance. Noncompliance with existing, or adoption of more stringent, environmental or health and safety laws and regulations or the discovery of previously unknown contamination could require us to incur costs or become the basis of new or increased liabilities that could be material.

Regulation of greenhouse gas (GHG) emissions could increase the cost of electricity by reducing supplies of electricity generated from fossil fuels, by requiring the use of more expensive generating methods or by imposing taxes or fees upon electricity generation or use. Electricity is a material cost in connection with our business, and an increase in the cost of electricity, whether from regulations of GHGs or otherwise, could adversely affect us.

Regulations to limit GHG emissions have been in force in the European Union for some time. In the U.S., regulation of GHGs is in force for new sources under existing law and regulations. In addition, the U.S. Environmental Protection Agency (EPA) has proposed regulations under existing statutory authority that would require states to reduce GHG emissions by 30% by 2030. Certain states, like California, regulate GHG emissions by imposing regulatory caps on allowances and by selling or auctioning the rights to such emissions. These programs have not had a material adverse effect on our electricity costs to date, but due to the market-driven nature of some of the programs, could do so in the future.

In addition, regulation of GHGs is subject to change globally and nationally. For example, the United States and China recently announced an agreement regarding climate change that would require China to consider regulating its GHG emissions to prevent further increases in emissions of GHGs by 2030. In order for China to meet this commitment, China may impose limitations on fossil fuel generation or costs upon electricity, similar to those imposed in the U.S. and elsewhere. In other international forums, new commitments under the International Convention on Climate Change could result in new limits on GHG emissions within participating nations. Any such new regulations could trigger increases in electricity costs that could adversely affect our business in affected countries.

Even existing programs can change over time in ways that affect our operations. California s cap-and-trade program was expanded on January 1, 2015 to require fuel distributors (for example, gas pipeline companies and diesel fuel distributors) to obtain allowances for the GHG emissions attributable to the combustion of the fuels they sell. Such regulations have increased our costs for both electricity and fuel (for example, for emergency generators) in California.

The physical impacts of climate change, including extreme weather conditions such as heat waves, could materially increase our costs of operation due to, for example, an increase in our energy use in order to maintain the temperature and internal environment of our data centers necessary for our operations. To the extent any environmental laws enacted or regulations impose new or unexpected costs, our business, results of operations or financial condition may be adversely affected.

If we are unable to recruit or retain qualified personnel, our business could be harmed.

We must continue to identify, hire, train and retain IT professionals, technical engineers, operations employees, and sales, marketing, finance and senior management personnel who maintain relationships with our customers and who can provide the technical, strategic and marketing skills required for our company to grow. There is a shortage of qualified personnel in these fields, and we compete with other companies for the limited pool of talent. The failure to recruit and retain necessary personnel, including, but not limited to, members of our executive team, could harm our business and our ability to grow our company.

Table of Contents

We may not be able to compete successfully against current and future competitors.

We must be able to differentiate our IBX data centers and product offerings from those of our competitors. In addition to competing with other neutral colocation providers, we compete with traditional colocation providers, including telecommunications companies, carriers, internet service providers, managed services providers and large REITs who also operate in our market and may enjoy a cost advantage in providing offerings similar to those provided by our IBX data centers. We may experience competition from our landlords which could also reduce the amount of space available to us for expansion in the future. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use, blurring the line between retail and wholesale space. We may also face competition from existing competitors or new entrants to the market seeking to replicate our global IBX data center concept by building or acquiring data centers, offering colocation on neutral terms or by replicating our strategy and messaging. Finally, customers may also decide it is cost-effective for them to build out their own data centers. Once customers have an established data center footprint, either through a relationship with one of our competitors or through in-sourcing, it may be extremely difficult to convince them to relocate to our IBX data centers.

Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers. Similarly, with growing acceptance of cloud-based technologies, Equinix is at risk losing customers that may decide to fully leverage cloud infrastructure offerings instead of managing their own. Competitors could also operate more successfully or form alliances to acquire significant market share.

Failure to compete successfully may materially adversely affect our financial condition, cash flows and results of operations.

Our business could be harmed by prolonged power outages or shortages, increased costs of energy or general lack of availability of electrical resources.

Our IBX data centers are susceptible to regional costs of power, power shortages, planned or unplanned power outages and limitations, especially internationally, on the availability of adequate power resources.

Power outages, such as those relating to the earthquake and tsunami in Japan in 2011 or Superstorm Sandy, which hit the U.S. East Coast in 2012, could harm our customers and our business. We attempt to limit our exposure to system downtime by using backup generators and power supplies; however, we may not be able to limit our exposure entirely even with these protections in place. Some of our IBXs are located in leased buildings where, depending upon the lease requirements and number of tenants involved, we may or may not control some or all of the infrastructure including generators and fuel tanks. As a result, in the event of a power outage, we may be dependent upon the landlord, as well as the utility company, to restore the power.

In addition, global fluctuations in the price of power can increase the cost of energy, and although contractual price increase clauses exist in the majority of our customer agreements, we may not always choose to pass these increased costs on to our customers.

In each of our markets, we rely on third parties to provide a sufficient amount of power for current and future customers. At the same time, power and cooling requirements are growing on a per unit basis. As a result, some customers are consuming an increasing amount of power per cabinet. We generally do not control the amount of power our customers draw from their installed circuits. This means that we could face power limitations in our IBX data centers. This could have a negative impact on the effective available capacity of a given center and limit our ability to grow our business, which could have a negative impact on our financial performance, operating results and cash flows.

Table of Contents

We may also have difficulty obtaining sufficient power capacity for potential expansion sites in new or existing markets. We may experience significant delays and substantial increased costs demanded by the utilities to provide the level of electrical service required by our current IBX data center designs.

If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.

Our most recent evaluation of our controls resulted in our conclusion that, as of December 31, 2014, in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, our internal controls over financial reporting were effective. Our ability to manage our operations and growth, through, for example, ongoing billing system updates being deployed into production during 2015, will require us to further develop our controls and reporting systems and implement or amend new or existing controls and reporting systems. All of these changes to our financial systems create an increased risk of deficiencies in our internal controls over financial reporting until such systems are stabilized. If, in the future, our internal control over financial reporting is found to be ineffective, or if a material weakness is identified in our controls over financial reporting, our financial results may be adversely affected. Investors may also lose confidence in the reliability of our financial statements which could adversely affect our stock price.

If we cannot effectively manage our international operations, and successfully implement our international expansion plans, our revenues may not increase and our business and results of operations would be harmed.

For the years ended December 31, 2014, 2013 and 2012, we recognized approximately 49%, 46% and 44%, respectively, of our revenues outside the U.S. For the six months ended June 30, 2015, we recognized approximately 48% of our revenues outside of the US. We currently operate outside of the U.S. in Canada, Brazil, EMEA and Asia-Pacific.

To date, the network neutrality of our IBX data centers and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our acquired IBX data centers in the Asia-Pacific region the limited number of carriers available reduces that advantage. As a result, we may need to adapt our key revenue-generating offerings and pricing to be competitive in those markets. In addition, we are currently undergoing expansions or evaluating expansion opportunities outside of the U.S. Undertaking and managing expansions in foreign jurisdictions may present unanticipated challenges to us.

Our international operations are generally subject to a number of additional risks, including:

- the costs of customizing IBX data centers for foreign countries;
- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers   councils;

difficulties in managing across cultures and in foreign languages;

political and economic instability;

fluctuations in currency exchange rates;

difficulties in repatriating funds from certain countries;

our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business;

- unexpected changes in regulatory, tax and political environments;
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- compliance with anti-bribery and corruption laws;
- compliance with economic and trade sanctions enforced by the Office of Foreign Assets Control of the U.S. Department of Treasury; and
- compliance with evolving governmental regulation with which we have little experience.

In addition, compliance with international and U.S. laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, economic and trade sanctions, U.S. laws such as the Foreign Corrupt Practices Act and local laws which also prohibit corrupt payments to governmental officials. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our offerings in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate and address these risks and manage these difficulties.

Economic uncertainty in developing markets could adversely affect our revenue and earnings.

We conduct business, or are contemplating expansion, in developing markets with economies that tend to be more volatile than those in the U.S. and Western Europe. The risk of doing business in developing markets such as Brazil, China, India, Indonesia, Russia, the United Arab Emirates and other economically volatile areas could adversely affect our operations and earnings. Such risks include the financial instability among customers in these regions, political instability, fraud or corruption and other non-economic factors such as irregular trade flows that need to be managed successfully with the help of the local governments. In addition, commercial laws in some developing countries can be vague, inconsistently administered and retroactively applied. If we are deemed not to be in compliance with applicable laws in developing countries where we conduct business, our prospects and business in those countries could be harmed, which could then have a material adverse impact on our results of operations and financial position. Our failure to successfully manage economic, political and other risks relating to doing business in developing countries and economically and politically volatile areas could adversely affect our business.

The use of high power density equipment may limit our ability to fully utilize our older IBX data centers.

Some customers have increased their use of high power density equipment, such as blade servers, in our IBX data centers which has increased the demand for power on a per cabinet basis. Because many of our IBX data centers were built a number of years ago, the current demand for power may exceed the designed electrical capacity in these centers. As power, not space, is a limiting factor in many of our IBX data centers, our ability to fully utilize those IBX data centers may be limited. The ability to increase the power capacity of an IBX data center, should we decide to, is dependent on several factors including, but not limited to, the local utility s ability to provide additional power; the length of time required to provide such power; and/or whether it is feasible to upgrade the electrical infrastructure of an IBX data center to deliver additional power to customers. Although we are currently designing and building to a higher power specification than that of many of our older IBX data centers, there is a risk that demand will continue to increase and our IBX data centers could become underutilized sooner than expected.

Table of Contents

We expect our operating results to fluctuate.

We have experienced fluctuations in our results of operations on a quarterly and annual basis. The fluctuations in our operating results may cause the market price of our common stock to be volatile. We may experience significant fluctuations in our operating results in the foreseeable future due to a variety of factors, including, but not limited to:

- fluctuations of foreign currencies in the markets in which we operate;
- the timing and magnitude of depreciation and interest expense or other expenses related to the acquisition, purchase or construction of additional IBX data centers or the upgrade of existing IBX data centers;
- demand for space, power and services at our IBX data centers;
- changes in general economic conditions, such as an economic downturn, or specific market conditions in the telecommunications and Internet industries, both of which may have an impact on our customer base;
- charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company s operations;
- the duration of the sales cycle for our offerings and our ability to ramp our newly-hired sales persons to full productivity within the time period we have forecasted;
- restructuring charges or reversals of restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;
- acquisitions or dispositions we may make;
- the financial condition and credit risk of our customers;
- the provision of customer discounts and credits;
- the mix of current and proposed products and offerings and the gross margins associated with our products and offerings;

the timing required for new and future IBX data centers to open or become fully utilized;

competition in the markets in which we operate;

conditions related to international operations;

increasing repair and maintenance expenses in connection with aging IBX data centers;

lack of available capacity in our existing IBX data centers to generate new revenue or delays in opening new or acquired IBX data centers that delay our ability to generate new revenue in markets which have otherwise reached capacity;

changes in rent expense as we amend our IBX data center leases in connection with extending their lease terms when their initial lease term expiration dates approach or changes in shared operating costs in connection with our leases, which are commonly referred to as common area maintenance expenses;

the timing and magnitude of other operating expenses, including taxes, expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;

- the cost and availability of adequate public utilities, including power;
- changes in employee stock-based compensation;
- overall inflation;
- increasing interest expense due to any increases in interest rates and/or potential additional debt financings;
- changes in our tax planning strategies or failure to realize anticipated benefits from such strategies;
- changes in income tax benefit or expense; and
- changes in or new generally accepted accounting principles (GAAP) in the U.S. as periodically released by the Financial Accounting Standards Board (FASB).

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations and financial condition. Although we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. Prior to 2008, we had generated net losses every fiscal year since inception. It is possible that we may not be able to generate net income on a quarterly or annual basis in the future. In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to lease and personnel expenses, depreciation and amortization and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior reporting periods should not be relied upon as indications of our future performance. In addition, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors.

Our days sales outstanding (DSO) of our accounts receivables have been increasing.

Although we have historically experienced a record of strong collection of our accounts receivables as evidenced by our prior DSO metrics, our DSO has increased over the past few quarters. Our DSO was affected by the implementation of a new billing system. The initial implementation of this system was completed in August 2014, but the full implementation of the system is not expected to be complete until later in 2015. The ongoing changes in the billing system may result in further delays in our billing and collections. We also centralized responsibilities for customer billing and collections in the EMEA region during 2014 and this transition of responsibilities impacted our DSO. We believe these are temporary issues that will resolve themselves over time together with the overall negative impact to our DSO has had an impact to our operating cash flows, liquidity and financial performance. However, if we are unable to resolve the underlying issues that are contributing to our current DSO levels, our operating cash flows, liquidity and financial performance may continue to be impacted.

We may incur goodwill and other intangible asset impairment charges, or impairment charges to our property, plant and equipment, which could result in a significant reduction to our earnings.

In accordance with GAAP, we are required to assess our goodwill and other intangible assets annually, or more frequently whenever events or changes in circumstances indicate potential impairment, such as changing market conditions or any changes in key assumptions. If the testing performed indicates that an asset may not be recoverable, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill or other intangible assets and the implied fair value of the goodwill or other intangible assets in the period the determination is made.

We also monitor the remaining net book values of our property, plant and equipment periodically, including at the individual IBX data center level. Although each individual IBX data center is currently performing in line with our expectations, the possibility that one or more IBX data centers could begin to under-perform relative to our expectations is possible and may also result in non-cash impairment charges.

Table of Contents

These charges could be significant, which could have a material adverse effect on our business, results of operations or financial condition.

We have incurred substantial losses in the past and may incur additional losses in the future.

As of June 30, 2015, our accumulated deficit was $160.1 million. Although we have generated net income for each fiscal year since 2008, except for the year ended December 31, 2014, we are also currently investing heavily in our future growth through the build out of multiple additional IBX data centers and IBX data center expansions as well as acquisitions of complementary businesses. As a result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. The current global financial uncertainty may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

The failure to obtain favorable terms when we renew our IBX data center leases, or the failure to renew such leases, could harm our business and results of operations.

While we own certain of our IBX data centers, others are leased under long-term arrangements with lease terms expiring at various dates through 2053. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX data centers. Most of our IBX data center leases have renewal options available to us. However, many of these renewal options provide for the rent to be set at then-prevailing market rates. To the extent that then-prevailing market rates or negotiated rates are higher than present rates, these higher costs may adversely impact our business and results of operations, or we may decide against renewing the lease. In the event that an IBX data center lease does not have a renewal option, or we fail to exercise a renewal option in a timely fashion and lose our right to renew the lease, we may not be successful in negotiating a renewal of the lease with the landlord. A failure to renew a lease could force us to exit a building prematurely, which could be disruptive to our business, harm our customer relationships, expose us to liability under our customer contracts, cause us to take impairment charges and negatively affect our operating results.

We depend on a number of third parties to provide Internet connectivity to our IBX data centers; if connectivity is interrupted or terminated, our operating results and cash flow could be materially and adversely affected.

The presence of diverse telecommunications carriers fiber networks in our IBX data centers is critical to our ability to retain and attract new customers. We are not a telecommunications carrier, and as such, we rely on third parties to provide our customers with carrier services. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. We rely primarily on revenue opportunities from the telecommunications carriers customers to encourage them to invest the capital and operating resources required to connect from their centers to our IBX data centers. Carriers will likely evaluate the revenue opportunity of an IBX data center based on the assumption that the environment will be highly competitive. We cannot provide assurance that each and every carrier will elect to offer its services within our IBX data centers or that once a carrier has decided to provide Internet connectivity to our IBX data centers that it will continue to do so for any period of time.

Our new IBX data centers require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our IBX data centers is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. Any hardware or fiber failures on this network may result in significant loss of connectivity to our new IBX data center expansions. This could affect our ability to attract new customers to these IBX data centers or retain existing customers.

If the establishment of highly diverse Internet connectivity to our IBX data centers does not occur, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow will be adversely affected.

We may be vulnerable to security breaches which could disrupt our operations and have a material adverse effect on our financial performance and operating results.

A party who is able to compromise the security measures on our networks or the security of our infrastructure could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations or our customers operations. As we provide assurances to our customers that we provide the highest level of security, such a compromise could be particularly harmful to our brand and reputation. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. As techniques used to breach security change frequently, and are generally not recognized until launched against a target, we may not be able to implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

We have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.

We derive some revenues from contracts with the U.S. government, state and local governments and foreign governments. Some of these customers may terminate all or part of their contracts at any time, without cause.

There is increased pressure for governments and their agencies, both domestically and internationally, to reduce spending. Some of our federal government contracts are subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. Similarly, some of our contracts at the state and local levels are subject to government funding authorizations.

Additionally, government contracts are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

Because we depend on the development and growth of a balanced customer base, including key magnet customers, failure to attract, grow and retain this base of customers could harm our business and operating results.

Our ability to maximize revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including enterprises, cloud, digital content and financial companies, and network service providers. We consider certain of these customers to be key magnets in that they draw in other customers. The more balanced the customer base within each IBX data center, the better we will be able to generate significant interconnection revenues, which in turn increases our overall revenues. Our ability to attract customers to our IBX data centers will depend on a variety of factors, including the presence of multiple carriers, the mix of our offerings, the overall mix of customers, the presence of key customers attracting business through vertical market ecosystems, the IBX data center s operating reliability and security and our ability to effectively market our offerings. However, some of our customers may face competitive pressures and may ultimately not be successful or may be consolidated through merger or acquisition. If these customers do not continue to use our IBX data centers it may be disruptive to our business. Finally, the uncertain economic climate may harm our ability to attract and retain customers if customers slow spending, or delay decision-making, on our offerings, or if customers begin to have difficulty paying us and we experience increased churn in our customer base. Any of these factors may hinder the development, growth and retention of a balanced customer base and adversely affect our business, financial condition and results of operations.

We may be subject to securities class action and other litigation, which may harm our business and results of operations.

We may be subject to securities class action or other litigation. For example, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Litigation can be lengthy, expensive, and divert management s attention and resources. Results cannot be predicted with certainty and an adverse outcome in litigation could result in monetary damages or injunctive relief that could seriously harm our business, results of operations, financial condition or cash flows.

We may not be able to protect our intellectual property rights.

We cannot make assurances that the steps taken by us to protect our intellectual property rights will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We also are subject to the risk of litigation alleging infringement of third-party intellectual property rights. Any such claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property, or acquire licenses to the intellectual property that is the subject of the alleged infringement.

Government regulation may adversely affect our business.

Various laws and governmental regulations, both in the U.S. and abroad, governing Internet related services, related communications services and information technologies remain largely unsettled, even in areas where there has been some legislative action. For example, the Federal Communications Commission recently adopted new network neutrality rules that may result in material changes in the regulations and contribution regime affecting us and our customers. Likewise, as part of a review of the current equity market structure, the Securities and Exchange Commission and the Commodity Futures Trading Commission (CFTC) have both sought comments regarding the regulation of independent data centers, such as us, which provide colocation for financial markets and exchanges. The CFTC is also considering regulation of companies that use automated and high-frequency trading systems. Any such regulation may ultimately affect our provision of offerings.

It also may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications services and taxation, apply to the Internet and to related offerings such as ours, and substantial resources may be required to comply with regulations or bring any non-compliant business practices into compliance with such regulations. In addition, the development of the market for online commerce and the displacement of traditional telephony service by the Internet and related communications services may prompt an increased call for more stringent consumer protection laws or other regulation both in the U.S. and abroad that may impose additional burdens on companies conducting business online and their service providers.

The adoption, or modification of laws or regulations relating to the Internet and our business, or interpretations of existing laws, could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

Industry consolidation may have a negative impact on our business model.

If customers combine businesses, they may require less colocation space, which could lead to churn in our customer base. Regional competitors may also consolidate to become a global competitor. Consolidation of our customers and/or our competitors may present a risk to our business model and have a negative impact on our revenues.

Terrorist activity throughout the world and military action to counter terrorism could adversely impact our business.

The continued threat of terrorist activity and other acts of war or hostility contribute to a climate of political and economic uncertainty. Due to existing or developing circumstances, we may need to incur additional costs in the future to provide enhanced security, including cybersecurity, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX data centers.

We have various mechanisms in place that may discourage takeover attempts.

Certain provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a third party from acquiring control of us in a merger, acquisition or similar transaction that a stockholder may consider favorable. Such provisions include:

- ownership limitations and transfer restrictions relating to our stock that are intended to facilitate our compliance with certain REIT rules relating to share ownership;
- authorization for the issuance of blank check preferred stock;
- the prohibition of cumulative voting in the election of directors;
- limits on the persons who may call special meetings of stockholders;
- limits on stockholder action by written consent; and
- advance notice requirements for nominations to the Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders in certain situations, may also discourage, delay or prevent someone from acquiring or merging with us.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
2.1	Rule 2.7 Announcement, dated as May 29, 2015. Recommended Cash and Share Offer for TelecityGroup plc by Equinix, Inc.	8-K	5/29/15	2.1	
2.2	Cooperation Agreement, dated as of May 29, 2015, by and between Equinix, Inc. and Telecity Group plc.	8-K	5/29/15	2.2	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/02	3.1	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/14/11	3.1	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/11/13	3.1	
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	10-Q	6/30/14	3.4	
3.5	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.6	Amended and Restated Bylaws of the Registrant.	8-K	12/23/14	3.1	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6.				
4.2	Indenture dated June 12, 2009 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	6/12/09	4.1	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
4.3	Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.2).				
4.4	Indenture for the 2020 Notes dated March 5, 2013 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	3/5/13	4.1	
4.5	Form of 4.875% Senior Note due 2020 (see Exhibit 4.4)	8-K	3/5/13	4.2	
4.6	Indenture for the 2023 Notes dated March 5, 2013 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	3/5/13	4.3	
4.7	Form of 5.375% Senior Note due 2023 (see Exhibit 4.6)	8-K	3/5/13	4.4	
4.8	Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/14	4.1	
4.9	First Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/14	4.2	
4.10	Form of 5.375% Senior Note due 2022 (see Exhibit 4.9)	8-K	11/20/14	4.3	
4.11	Second Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/14	4.4	
4.12	Form of 5.750% Senior Note due 2025 (see Exhibit 4.11)	8-K	11/20/14	4.5	
4.13	Form of Registrant s Common Stock Certificate	10-K	12/31/14	4.13	
10.1	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	10.5	
10.2	2000 Equity Incentive Plan, as amended.	10-Q	3/31/12	10.2	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.3	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.4	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.5	Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.	10-Q	6/30/14	10.5	
10.6	Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008.	10-K	12/31/08	10.31	
10.7	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/08	10.32	
10.8	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.33	
10.9	Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008.	10-K	12/31/08	10.34	
10.10	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.35	
10.11	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.1	
10.12	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.2	
10.13	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.4	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.14	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.5	
10.15	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.7	
10.16	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.8	
10.17	Switch & Data 2007 Stock Incentive Plan.	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company, Inc.	2/5/07	10.9	
10.18	Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30, 2010.	10-Q	9/30/10	10.42	
10.19	Form of amendment to existing severance agreement between the Registrant and each of Messrs. Ferris, Meyers, Smith, Taylor and Van Camp.	10-K	12/31/10	10.33	
10.20	Letter amendment, dated December 14, 2010, to Change in Control Severance Agreement, dated December 18, 2008, and letter agreement relating to expatriate benefits, dated April 22, 2008, as amended, by and between the Registrant and Eric Schwartz.	10-K	12/31/10	10.34	
10.21	Offer Letter from Equinix, Inc. to Sara Baack dated July 31, 2012.	10-Q	3/31/13	10.42	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.22	Restricted Stock Unit Agreement for Sara Baack under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/13	10.43	
10.23	Change in Control Severance Agreement by and between Sara Baack and Equinix, Inc. dated July 31, 2012.	10-Q	3/31/13	10.44	
10.24	Form of Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/13	10.46	
10.25	Form of Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/13	10.47	
10.26	International Long-Term Assignment Letter by and between Equinix, Inc. and Eric Schwartz, dated May 21, 2013.	10-Q	6/30/13	10.51	
10.27	Employment Agreement by and between Equinix (EMEA) B.V. and Eric Schwartz, dated as of August 7, 2013.	10-Q	9/30/13	10.54	
10.28	Restricted Stock Unit Agreement dated August 14, 2013 for Charles Meyers under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	9/30/13	10.55	
10.29	Equinix, Inc. 2014 Incentive Plan.	10-Q	3/31/14	10.48	
10.30	Offer Letter from Equinix, Inc. to Karl Strohmeyer dated October 28, 2013.	10-Q	3/31/14	10.49	
10.31	Restricted Stock Unit Agreement for Karl Strohmeyer under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/14	10.50	
10.32	Change in Control Severance Agreement by and between Karl Strohmeyer and Equinix, Inc. dated December 2, 2013.	10-Q	3/31/14	10.51	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.33	2014 Form of Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/14	10.52	
10.34	2014 Form of Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/14	10.53	
10.35	2014 Form of TSR Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/14	10.54	
10.36	2014 Form of TSR Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/14	10.55	
10.37	Lease between Digital 1350 Duane, LLC and Equinix LLC, dated March 27, 2014.	10-Q	3/31/14	10.56	
10.38	Amendment Agreement dated as of May 2, 2014, between Equinix, Inc. and Goldman, Sachs & Co., amending and restating the Master Terms and Conditions for Capped Call Transactions between Equinix, Inc. and Goldman, Sachs & Co. and amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.54	
10.39	Amendment Agreement dated as of May 2, 2014, between Equinix, Inc. and Deutsche Bank AG, London Branch, amending and restating the Master Terms and Conditions for Capped Call Transactions between Equinix, Inc. and Deutsche Bank AG, London Branch and amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.55	
10.40	Amendment Agreement dated as of May 2, 2014, between Equinix, Inc. and	10-Q	6/30/14	10.56	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
	JPMorgan Chase Bank, National Association, London Branch, amending and restating the Master Terms and Conditions for Capped Call Transactions between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch and amending the Confirmation for Base Capped Call Transaction.				
10.41	Amendment Agreement, dated as of May 13, 2014, between Equinix, Inc. and Goldman, Sachs & Co., amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.57	
10.42	Amendment Agreement dated as of May 13, 2014, between Equinix, Inc. and Deutsche Bank AG, London Branch, amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.58	
10.43	Amendment Agreement dated as of May 13, 2014, between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch, amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.59	
10.44	Amendment Agreement, dated as of June 6, 2014, between Equinix, Inc. and Goldman, Sachs & Co., amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.6	
10.45	Amendment Agreement dated as of June 6, 2014, between Equinix, Inc. and Deutsche Bank AG, London Branch, amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.61	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.46	Amendment Agreement dated as of June 6, 2014, between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch, amending the Confirmation for Base Capped Call Transaction.	10-Q	6/30/14	10.62	
10.47	Agreement for Purchase and Sale of Shares Among RW Brasil Fundo de Investimentos em Participação, Antônio Eduardo Zago De Carvalho and Sidney Victor da Costa Breyer, as Sellers, and Equinix Brasil Participaçãoes Ltda., as Purchaser, and Equinix South America Holdings LLC., as a Party for Limited Purposes and ALOG Soluções de Tecnologia em Informática S.A. as Intervening Consenting Party dated July 18, 2014	10-Q	9/30/14	10.67	
10.48	Credit Agreement, by and among Equinix, Inc., as borrower, Equinix LLC and Switch & Data LLC as guarantors, the Lenders (defined therein), Bank of America, N.A., as administrative agent, a Lender and L/C issuer, JPMorgan Chase Bank, N.A., and TD Securities (USA) LLC, as co-syndication agents, Barclays Bank PLC, Citibank, N.A., Royal Bank of Canada and ING Bank N.V., Singapore Branch, as Co-Documentation Agents and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, and TD Securities (USA) LLC, as joint lead arrangers and book runners, dated December 17, 2014.	10-K	12/31/14	10.48	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.49	Equinix, Inc. 2015 Incentive Plan.	10-Q	3/31/15	10.49	
10.50	2015 Form of Revenue/ AFFO Restricted Stock Unit Agreement for executives.	10-Q	3/31/15	10.50	
10.51	2015 Form of TSR Restricted Stock Unit Agreement for executives.	10-Q	3/31/15	10.51	
10.52	2015 Form of Time-Based Restricted Stock Unit Agreement for executives.	10-Q	3/31/15	10.52	
10.53	Bridge Credit Agreement dated as of May 28, 2015 among Equinix, Inc. as Borrower, Various Financial Institutions as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent. JPMorgan Securities LLC as sole Arranger and Bookrunner.				X
10.54	First Amendment to the Bridge Credit Agreement Dated as of May 28, 2015 as Amended on June 19, 2015 among Equinix, Inc., as Borrower, Various Financial Institutions as Lenders, and JP Morgan Chase Bank, N.A. as Administrative Agent. JPMorgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, CityGroup Global Markets Inc. and RBC Capital Markets, LLC as Lead Arrangers and Bookrunners and TD Securities (USA) LLC, ING Bank N.V., HSBC Securities (USA) Inc. and The Bank of Tokyo-Mitsubishi UFJ, LTD as Co-Managers				X
21.1	Subsidiaries of Equinix, Inc.				X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Document.				X
101.DEF	XBRL Taxonomy Extension Definition Document.				X
101.LAB	XBRL Taxonomy Extension Labels Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Document.				X

Table of Contents

EQUINIX, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	EQUINIX, INC.
Date: July 31, 2015	
	By: /s/ KEITH D. TAYLOR Chief Financial Officer (Principal Financial and Accounting Officer)

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Document
10.53	Bridge Credit Agreement dated as of May 28, 2015 among Equinix, Inc. as Borrower, Various Financial Institutions as Lenders, and JPMorgan Chase Bank, N.A., as Administrative Agent. JPMorgan Securities LLC as sole Arranger and Bookrunner.
10.54	First Amendment to the Bridge Credit Agreement Dated as of May 28, 2015 as Amended on June 19, 2015 among Equinix, Inc., as Borrower, Various Financial Institutions as Lenders, and JP Morgan Chase Bank, N.A. as Administrative Agent. JPMorgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, CityGroup Global Markets Inc. and RBC Capital Markets, LLC as Lead Arrangers and Bookrunners and TD Securities (USA) LLC, ING Bank N.V., HSBC Securities (USA) Inc. and The Bank of Tokyo-Mitsubishi UFJ, LTD as Co-Managers
21.1	Subsidiaries of Equinix, Inc.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Labels Document.
101. PRE	XBRL Taxonomy Extension Presentation Document.