



**Asia Pacific Data Centre Group**  
Asia Pacific Data Centre Holdings Limited ACN 159 621 735  
Asia Pacific Data Centre Trust ARSN 161 049 556

# ASX RELEASE

ASX Code: AJD

19 November 2014

## Chairman's Address

Attached is the Chairman's overview and presentation to the Combined Meetings for Asia Pacific Data Centre Holdings Limited and Asia Pacific Data Centre Trust to be held today.

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APDC is a special purpose real estate investment trust (A-REIT) which listed on the Australian Securities Exchange on 9 January 2013 to own properties that are leased or are being developed as data centres. APDC has the objective of providing investors with a stable income and the potential for capital growth.

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**COMBINED MEETINGS**  
**ASIA PACIFIC DATA CENTRE HOLDINGS LIMITED ACN 159 621 735**  
**ASIA PACIFIC DATA CENTRE TRUST ARSN 161 049 556**  
19 NOVEMBER 2014

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## **CHAIRMAN'S ADDRESS**

### **Introduction and Welcome**

Good morning ladies and gentlemen.

I welcome you to the 2014 Annual General Meeting of the Members of Asia Pacific Data Centre Holdings Limited and the 2014 General Meeting of Unitholders of Asia Pacific Data Centre Trust - the second securityholder meetings since listing on the ASX.

My name is Ian Fraser and I am the Chairman and an independent Non-Executive Director of APDC Holdings Limited and Asia Pacific Data Centre Limited.

I have been appointed by APDC Limited, as the Responsible Entity for the APDC Trust, as the Chairman of the APDC Trust General Meeting and I table my letter of appointment.

The Meetings of the two entities will be held concurrently today as detailed in the Notice of Meetings dated 20 October 2014 sent to securityholders. The constitutions of each entity provide for the meetings to be held in conjunction with each other while the stapling of the shares in APDC Holdings to the units in the APDC Trust applies.

Let me begin by introducing my fellow Directors and executives.

With me today are:

- Francina Turner - Executive Director, CEO and Company Secretary;

and Non-Executive Directors:

- Greg Baynton
- Chris Breach; and
- John Wright - chair of the Audit, Risk and Compliance Committee.

I wish to acknowledge the contribution of Bevan Slattery who resigned as a director on 30 June 2014. Over his 12 months of service on the Board, he has shared his knowledge of the data centre services sector, capital markets and new enterprise establishment. On behalf of the Board, I thank Bevan for his contribution.

Also with us today is KPMG, the Company's Auditor, represented at these Meetings by Jillian Richards and Johan Visser.

The minutes of the 2013 Meetings were approved by the Board and signed by the Chairman of the Meetings. Copies are available at the registration desk should any securityholder wish to view them.

I will provide an overview of the 2014 year, and then conduct the formal business of the Meetings.

## Investment in a Growing Sector

On behalf of your Board of Directors, it is my pleasure to provide you with an overview of the performance of the Asia Pacific Data Centre Group (APDC Group) for the year ended 30 June 2014.

APDC listed on 9 January 2013 and was established to own investment grade data centre properties in the Asia Pacific.

It derives income from owning and leasing these data centres to data centre tenants or operators.

The data centre services sector is growing rapidly and evolving as users' storage evolves from relying on in-house data centres to storing data in off-site or outsourced data centres such as the ones in the current APDC portfolio.

The data storage and connectivity requirements of Cloud providers, government and corporates are expected to drive demand for this asset class.

## Portfolio Overview

The 2014 year, our first full year of operation, has been a year of consolidation, achievement and growth.

The Group expanded its portfolio of data centres during the year with the completion of the newly constructed data centre in Malaga, Perth. It now owns a portfolio of three operational data centres in Melbourne, Sydney, and Perth, totalling more than 46,000 square metres of gross lettable area.

The Group's data centres are fully leased to one tenant, NEXTDC Limited, an ASX S&P 300 listed company.

The weighted average lease expiry of the portfolio is 13.7 years.

## Features of Our Data Centres

The data centres feature metropolitan locations, leading-edge design and construction and attributes such as efficient power utilisation. They have been assessed by the Uptime Institute and have been accredited with uptime ratings for service availability which are sought after by our tenant's end-customers.

## Rental Income and Leases

The rental income from the three data centres in our portfolio was \$11.8 million for the year ended 30 June 2014. This reflected a full year's rent from the Melbourne and Sydney leases, and seven month's rent from the Perth lease.

The data centre leases are the subject of an annual CPI review based on the September quarter CPI. The rent for all three of APDC's data centres increases by 2.3% as at 21 December of this year. The total FY15 rental from the leases will thus increase to \$12.97 million per annum.

## Perth Data Centre Acquisition

Our latest acquisition is the data centre in Malaga, Perth.

This data centre was developed by NEXTDC Limited and the building acquired by APDC in November 2013 and leased to NEXTDC.

The total cost of the Perth land and buildings acquired by APDC was \$28.8 million. The data centre officially opened to customers of NEXTDC in February 2014.

## **Our Tenant – NEXTDC Limited**

All of the data centres in our portfolio were developed by NEXTDC and are leased to NEXTDC.

The terms of the leases are 'triple net' where outgoing and statutory expenses, maintenance and the tenant's plant and equipment are the responsibility of the tenant, NEXTDC.

The leases feature initial lease terms of 15 years and options for further terms totalling another 25 years. Annual rent increases with CPI and there are market reviews at 5 year intervals.

APDC and NEXTDC are also party to a three year alliance agreement whereby APDC has the first right of refusal to acquire any of NEXTDC data centre developments or acquisitions and NEXTDC has a first right to lease or operate any properties that APDC acquires. This agreement expires in December 2015.

NEXTDC continues to make progress in its operating objectives.

In its annual results announcement it stated that the Melbourne and Sydney data centres owned by APDC are EBITDA positive at the facility level with greater than 50% of built power being actively billed to customers.

During the year NEXTDC successfully raised equity and debt funding for the fit out of its data centres.

NEXTDC expects to be EBITDA positive in FY15.

## **Valuations**

The Group has invested \$138.8 million in acquisition of the land and operational data centres and the portfolio is currently valued at \$150.7 million.

All three data centres were independently valued by CBRE during the year and all have recorded valuation uplifts.

Our Melbourne data centre was valued at \$56.2 million as at 30 June 2014, an increase of \$4.2 million in the carrying value as at 30 June 2013.

Our Sydney data centre was valued at \$64.5 million as at 30 June 2014, an increase of \$6.5 million in the carrying value as at 30 June 2013.

The Perth data centre was valued at \$30.0 million as at 15 January 2014, an increase of \$1.1 million on the land and development fee cost.

These valuation increments resulted in unrealised gains of \$11.99 million that have not been included in the amounts distributed to securityholders.

## **PDS Milestones Achieved**

I'm pleased to be able to say that APDC has achieved all the milestones set out in the prospectus and product disclosure statement dated 3 December 2012 (PDS) for the period to 30 June 2014. The key milestones include:

- the IPO
- completion of the Final Instalment;
- acquisition of the Sydney and Perth data centre base buildings under the development agreements with NEXTDC;
- securing the loan facility to fund the Perth data centre development fee and to provide working capital headroom;
- management of operating expenses within the initial working capital constraints of the Group; and

- paying distributions to securityholders of 12.2 cents per stapled security for the period from IPO to 30 June 2014.

### **Financial Overview**

I will now take you through some of the key highlights for the financial year ended 30 June 2014.

The Group's financial results for the year ended 30 June 2014 were in line with expectations.

APDC recorded distributable earnings of \$9.95 million in line with the PDS Forecast.

Statutory profit was \$21.76 million which included unrealised asset revaluations of \$11.99 million.

The Group paid total distributions of 9.00 cents per stapled security representing a distribution yield of 9.0% (annualised) on the fully paid \$1.00 issue price. It has since paid a distribution of 2.25 cents per stapled security for the period ended 30 September 2014.

Distributions in FY14 were 28.18% tax deferred.

### **Capital Management**

The Perth acquisition was financed through a five year facility with Bankwest of up to \$29.0 million of debt funding secured against the Sydney data centre. The Melbourne and Perth data centre assets remain unencumbered.

50% of the drawn debt is hedged resulting in a cost of debt of 5.46% as at 30 June 2014

Gearing was 16.4% as at 30 June 2014. For both Loan to Value Ratio and Interest Cover, the Group has comfortable headroom relative to the debt facility covenants.

### **Distribution Guidance**

I would like to advise that our guidance for distributions for the remainder of FY15 is 2.25 cents per security for the December quarter and 2.30 cents per security for the March and June quarters.

This guidance is subject to market conditions and the existing portfolio, operations, hedging and capital structure remaining unchanged.

I would like to thank you again for taking the time to join us. We thank all securityholders for their support.

# Asia Pacific Data Centre Group Combined Annual Meetings

19 November 2014



# Agenda

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**Welcome**

**Chairman's Overview**

**Formal Business**

# Chairman's Overview



# Investment in a Growing Sector

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- Investment grade data centres
- Owning and leasing data centre properties
- Increasing use of outsourced data centres
  - 51% of companies use an outsourced data centre
  - 25% of companies use a combination of in-house and outsourced data centres
  - Australian market for outsourced data centres is up 16%
- Data storage and connectivity needs of Cloud computing, government and corporates are driving demand

Source: Frost & Sullivan, Australian Data Centre Services Market 2014

# Portfolio Overview

46,893m<sup>2</sup> gross lettable area

13.7 years Weighted Average Lease Expiry as at 30/09/2014

100% leased

1 tenant



# Features of our data centres

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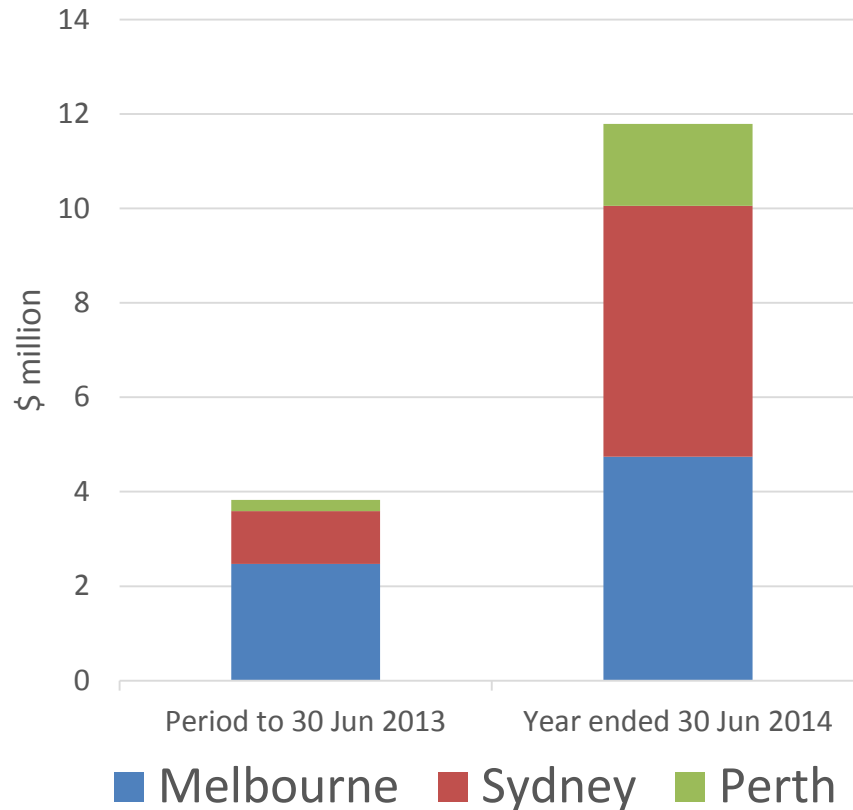
- Metropolitan location, within established commercial zones
- Uptime Institute Certification
  - Ability to support high levels of service availability, with Tier III being the highest level
  - Tier III for design and construction – Sydney, Perth
  - Tier III for design – Melbourne
- Access to power (29 MW across the APDC portfolio) and water
- Energy efficiency



Image: [www.nextdc.com](http://www.nextdc.com)

# Rent profile – by asset

## Rental from Leases and Unimproved Land



- \$11.8m FY14 Rent
- 2.3% CPI rent review from Dec14

# Perth data centre acquisition



Image: [www.nextdc.com](http://www.nextdc.com)

# Our tenant – NEXTDC Limited

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- Lessee of initial portfolio
  - NEXTDC the sole tenant of initial portfolio (3 data centres)
  - Triple net lease – all operating risk sits with NEXTDC
  - Initial lease term 15 years (plus options to a total of a further 25 years)
- 3 year alliance period to December 2015
- S&P/ASX 300 company
  - Developer and operator of data centres in Australia since 2010
  - Provides independent, co-location data centre services

# NEXTDC recent performance

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- APDC's Melbourne and Sydney data centres are EBITDA positive at facility level for NEXTDC
- Continued fit out of APDC data centres linked to customer demand
- Recent guidance is EBITDA positive for FY15



# Valuations

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<b>Data Centre</b>	<b>Acquisition price</b>	<b>Current valuation</b>
Melbourne	\$52.0m	\$56.2m
Sydney	\$58.0m	\$64.5m
Perth	\$28.8m	\$30.0m
	<b>\$138.8m</b>	<b>\$150.7m</b>

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# PDS Milestones Achieved

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- IPO in January 2013
- Completion of the Final Instalment in May 2013
- Acquisition of the Sydney and Perth data centre base buildings
- Securing the loan facility to fund the Perth data centre development fee and to provide working capital headroom
- Management of operating expenses
- Distributions of 12.18 cents per stapled security from listing to 30 June 2014

# Financial overview

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	<b>FY14</b>
Statutory profit	\$21.76m
Distributable earnings	\$9.95m
Distribution per stapled security	9.00 cents
Tax deferred component	28.18%

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Includes unrealised gains from fair value adjustment on investment properties of \$11.99m

# Capital Management

## ■ Gearing of 16.4%

Interest Bearing Liabilities to  
Investment Properties as at  
30/06/2014

	<b>FY14</b>
Facility limit	\$29.0m
Drawn	\$25.0m
% hedged	50%
Effective cost of drawn debt	5.46% As at 30/06/2014
Term to maturity	4 years
LVR	39% vs 50% covenant
ICR	9.3x vs 2.0x covenant

# Distribution Guidance

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DecQ	2.25 cps
MarQ	2.30 cps
JunQ	2.30 cps

This guidance is subject to market conditions and the existing portfolio, operations, hedging and capital structure remaining unchanged



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# Formal Business

# Agenda - Ordinary Business

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- Consideration of financial statements and reports
- Resolution 1: Election of Ian Fraser as a Director
- Resolution 2: Adoption of Remuneration Report



# Consideration of Reports

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- Annual Financial Statements
- Directors' Report
- Independent Auditor's Report

# Resolution 1

## Re-election of Ian Fraser



“That, Ian Fraser, who retires in accordance with Clause 47(c) of the Constitution of APDC Holdings, and having offered himself for election and being eligible, is hereby re-elected as a Director of APDC Holdings Limited.”

	<b>For</b>	<b>Open</b>	<b>Against</b>	<b>Abstain</b>
<b>Proxy results</b>	50,890,822	117,800	0	16,598
% of votes cast	99.77%	0.23%	0.00%	

# Resolution 2 –

## Adoption of Remuneration Report

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“That, the Remuneration Report (which forms part of the Directors’ Report) for APDC Holdings Limited for the year ended 30 June 2014 be adopted.”

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	<b>For</b>	<b>Open</b>	<b>Against</b>	<b>Abstain</b>
<b>Proxy results</b>	45,308,305	117,800	4,134,377	70,000
% of votes cast	91.42%	0.24%	8.34%	

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 NEXTDC

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# Asia Pacific Data Centre Group Annual Meetings

19 November 2014

