TelecityGroup plc

H1 2011 results

8 August 2011

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MICHAEL TOBIN
CEO

INTRODUCTION

Highlights

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- **Strong H1 2011 results**
  - Revenue up 19.8% to £112.2m (H1 10: £93.7m)
  - EBITDA up 30.5% to £49.4m (H1 10: £37.9m)
  - EBITDA margin up to 44.1% (H1 10: 40.4%)
  - Adjusted profit before tax up 44.6% to £31.0m (H1 10: £21.4m)
  - Adjusted diluted earnings per share up 27.3% to 11.2p (H1 10: 8.8p)
- **Acquisition of Data Electronics expands growth platform**
  - Immediately earnings enhancing
  - Establishes TelecityGroup as the market leader in Ireland
  - Adds growth capacity in a location which many companies view as a preferred entry point into Europe
  - Total announced customer power including the acquisition of Data Electronics up to 116MW
- **Positive outlook confirmed**
  - 2011 set to be another strong year of growth for TelecityGroup
  - Continuation of successful organic growth strategy
  - Seek to augment organic growth with value enhancing acquisitions

BRIAN MCARTHUR-MUSCROFT

GROUP FINANCE DIRECTOR

FIRST HALF RESULTS

Income statement

	H1 10 (£'m)	**H1 11 (£'m)**	**Growth (%)**
Revenue	93.7	**112.2**	**19.8 %**
Operating costs	(55.8)	(62.8)	
EBITDA	37.9	**49.4**	**30.5 %**
Depreciation and amortisation	(13.4)	(15.9)	
Operating profit	24.5	**33.5**	**36.6 %**
Net finance costs	(3.1)	(2.5)	
Adjusted profit before tax	21.4	**31.0**	**44.6 %**
Adjusted tax charge	(3.8)	(8.4)	
Adjusted profit after tax	17.6	**22.6**	**28.2 %**
Adjusted diluted EPS	8.8p	**11.2p**	**27.3 %**
EBITDA margin	40.4%	**44.1%**	

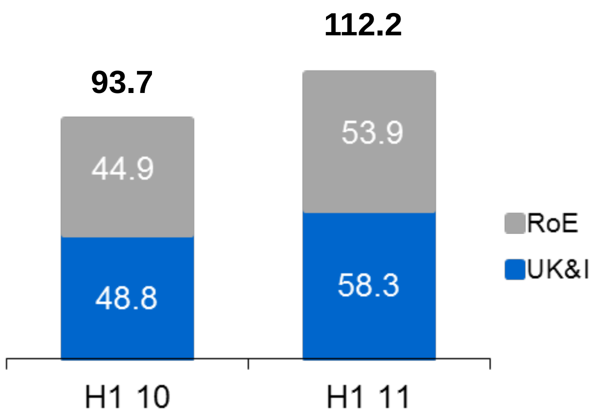
The above results are adjusted to exclude other financing items (see appendix for a full reconciliation of adjusted results)

Strong revenue growth

- **Total revenue up 19.8%**
  – Significant order wins during period
  – Over 90% of revenues are recurring

- **Geographies**
  – UK & Ireland revenue up 19.6%
  – Rest of Europe revenue up 20.0%

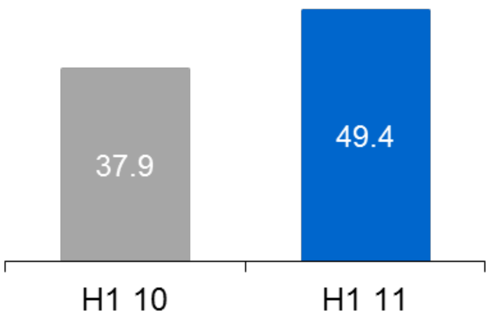
By geography (£'m)



Significant growth in EBITDA

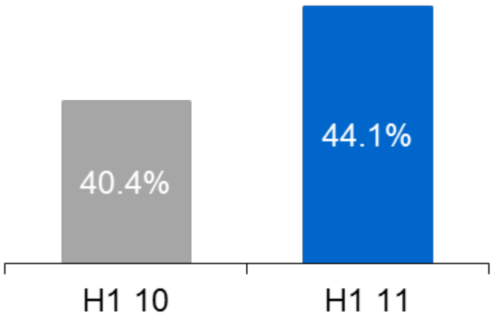
- **H1 11 EBITDA up 30.5% to £49.4m**
  - Responsible pricing
  - Continued focus on cost control

EBITDA (£'m)

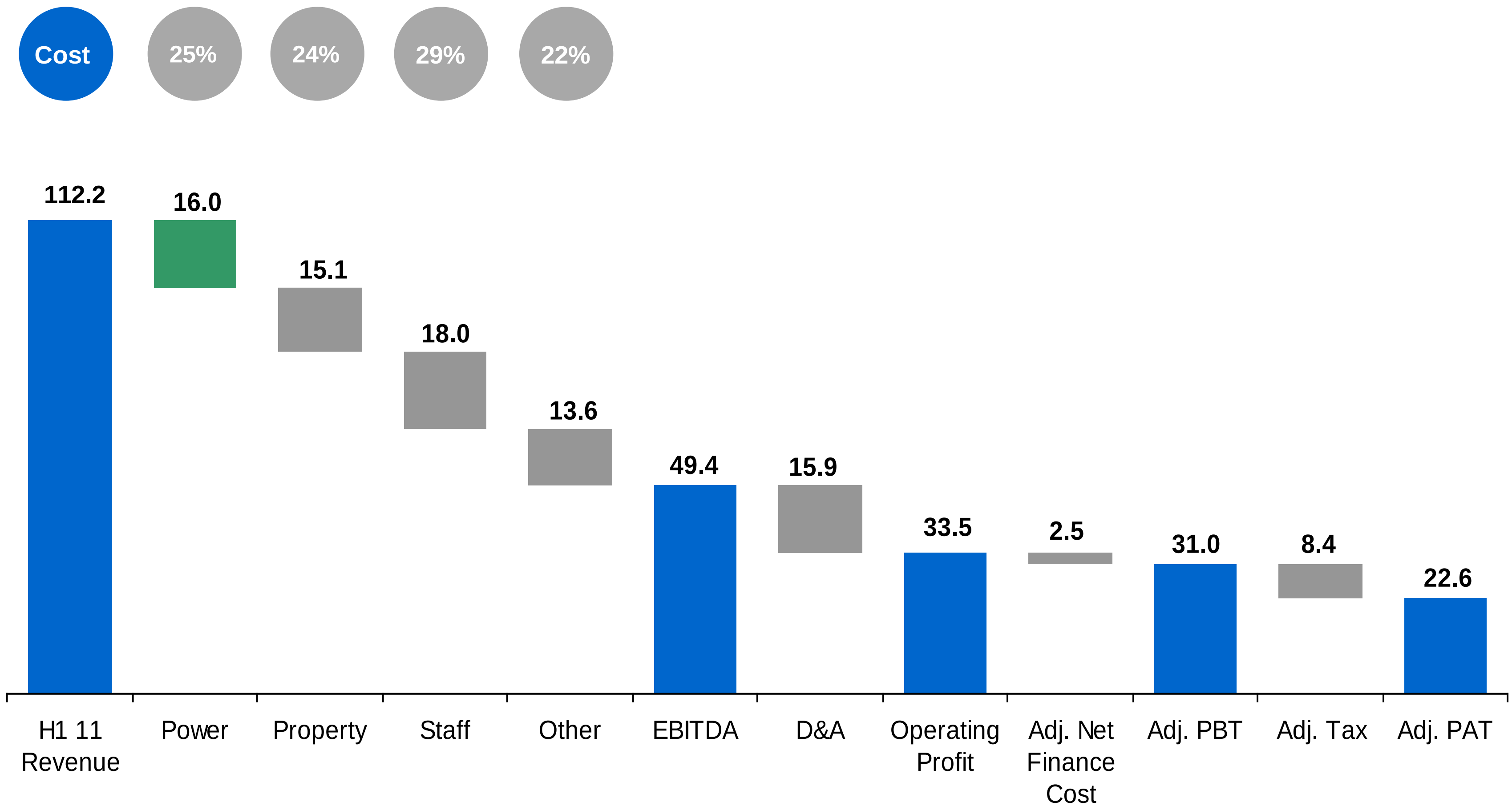


- **H1 11 EBITDA margin up to 44.1%**
  - Continued margin growth
  - Expected to remain strong

EBITDA margin (%)



Revenue growth translates into profitable growth



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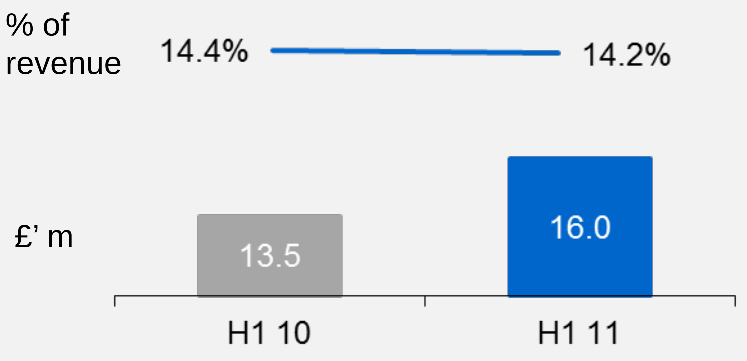
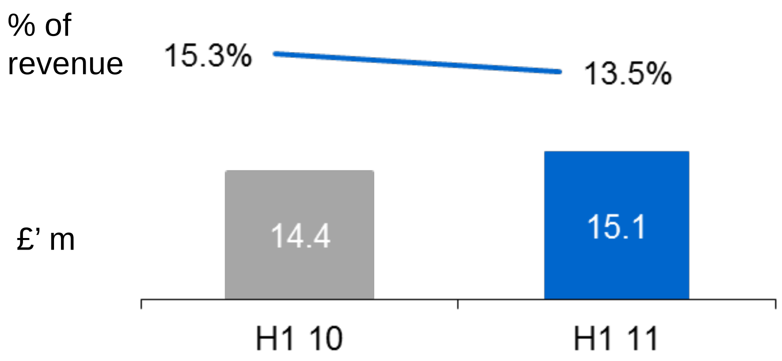
Benefits of operational leverage and cost control

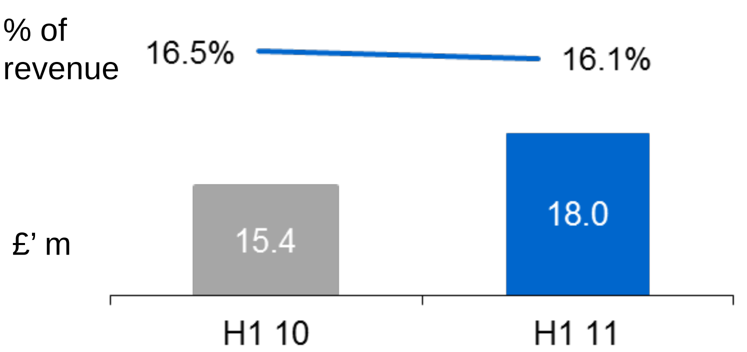
Power



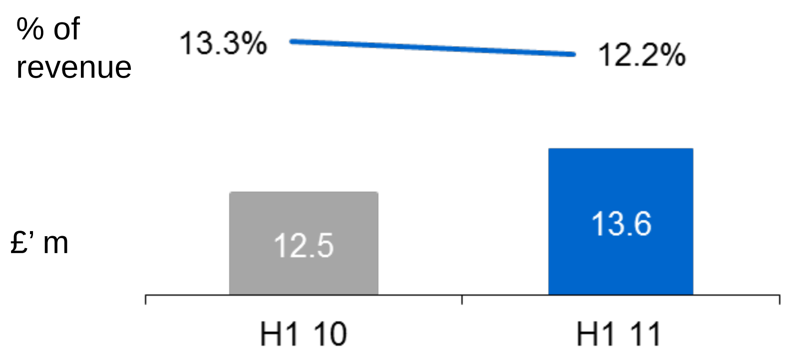
Property



Staff



Other



Strong cash flow generation and working capital performance

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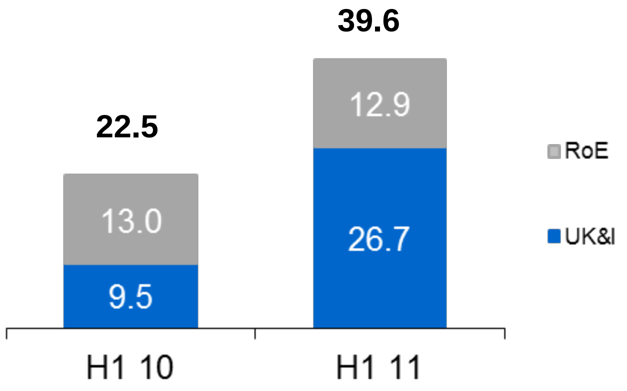
	(£'m)
EBITDA	**49.4**
Working capital	3.7
Net interest paid	(1.9)
Tax paid	(2.4)
Other	2.8
Operating cash flow	**51.6**
Operational capex	(10.4)
Operating free cash flow	**41.2**

- Cash generative business model supported by strong working capital management
- Debtor days remain stable at 31 (H1 10: 32)
- Other includes share based payments and FX
- Operational capex includes maintenance, enhancement (including efficiency) of existing infrastructure and customer install capex
- Underlying growth of 29.4% after adjusting for H1 10 upfront customer payment

Capex

- **Expansion capex of £39.6m**
  - Operating free cash flow largely invested in demand driven expansion

Expansion capex (£'m)



- **Total capex of £50.1m including operational capex of £10.4m**

Strong financial base

- **£300m senior debt facility**
- **Net debt at the end of the period was £56.1m**
- **Significant remaining debt capacity post completion of Data Electronics transaction**
- **H1 11 effective interest rate on drawn debt of 5.2% (H1 10: 5.4%)**
- **Margin on debt reduced and term refreshed to five years under new facility**
- **Lowest cost of borrowings in the sector**

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MICHAEL TOBIN
CEO

BUSINESS REVIEW

How our business works

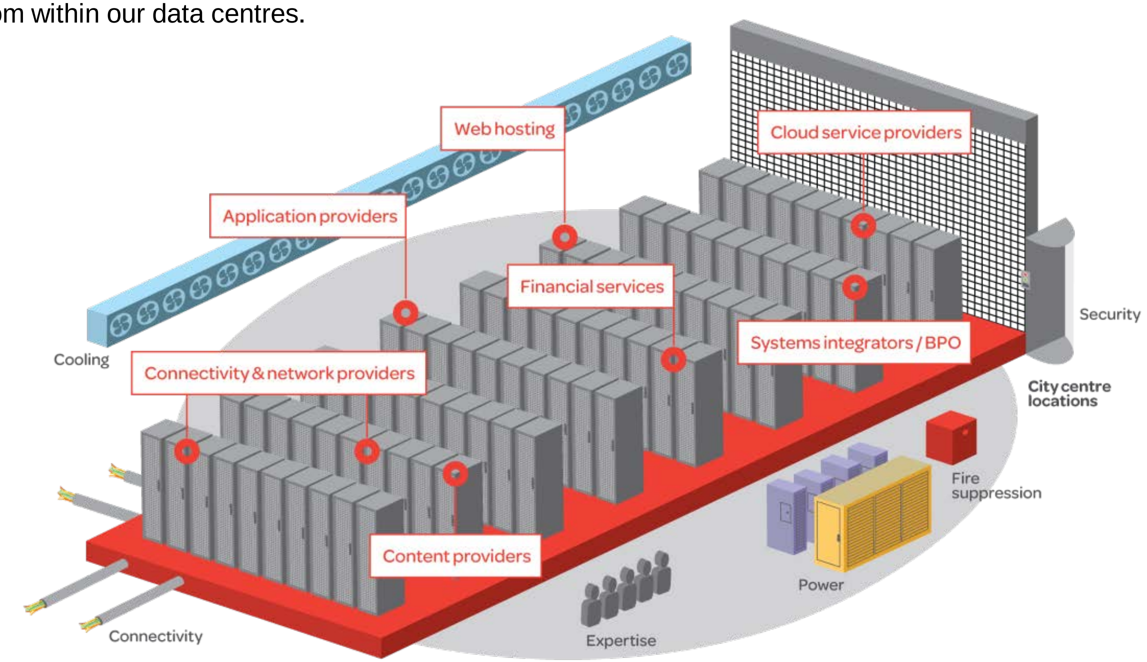
What is driving demand?

The growth of the digital economy is creating significant demand for the services provided by our customers. Examples of demand drivers include:

- Digital media
- Enterprise IT services
- Financial services
- On-demand IT / Cloud computing
- Mobile computing
- E-Commerce
- Social networking
- Internet access
- Music & video content
- Gaming
- E-Government services
- Knowledge management

The TelecityGroup hub: the data centres that enable the digital economy

These end-user demands are being met by a wide range of our customers who operate services from within our data centres.



The TelecityGroup data centre

A TelecityGroup data centre is a thriving, connected, digital ecosystem providing direct access to a wide choice of telecoms and content distribution networks, key internet exchange points, and cloud hubs.

- Track record
- City centre locations
- Customer ecosystem
- High levels of connectivity

Technologies and applications evolve but TelecityGroup's core business remains the same. The data centre environments which TelecityGroup builds and operates are difficult to replicate: connectivity, scalability, cost-management, reliability and flexibility all improve when IT infrastructure is hosted in a TelecityGroup carrier-neutral data centre.

Demand drivers: Internet traffic growth remains strong

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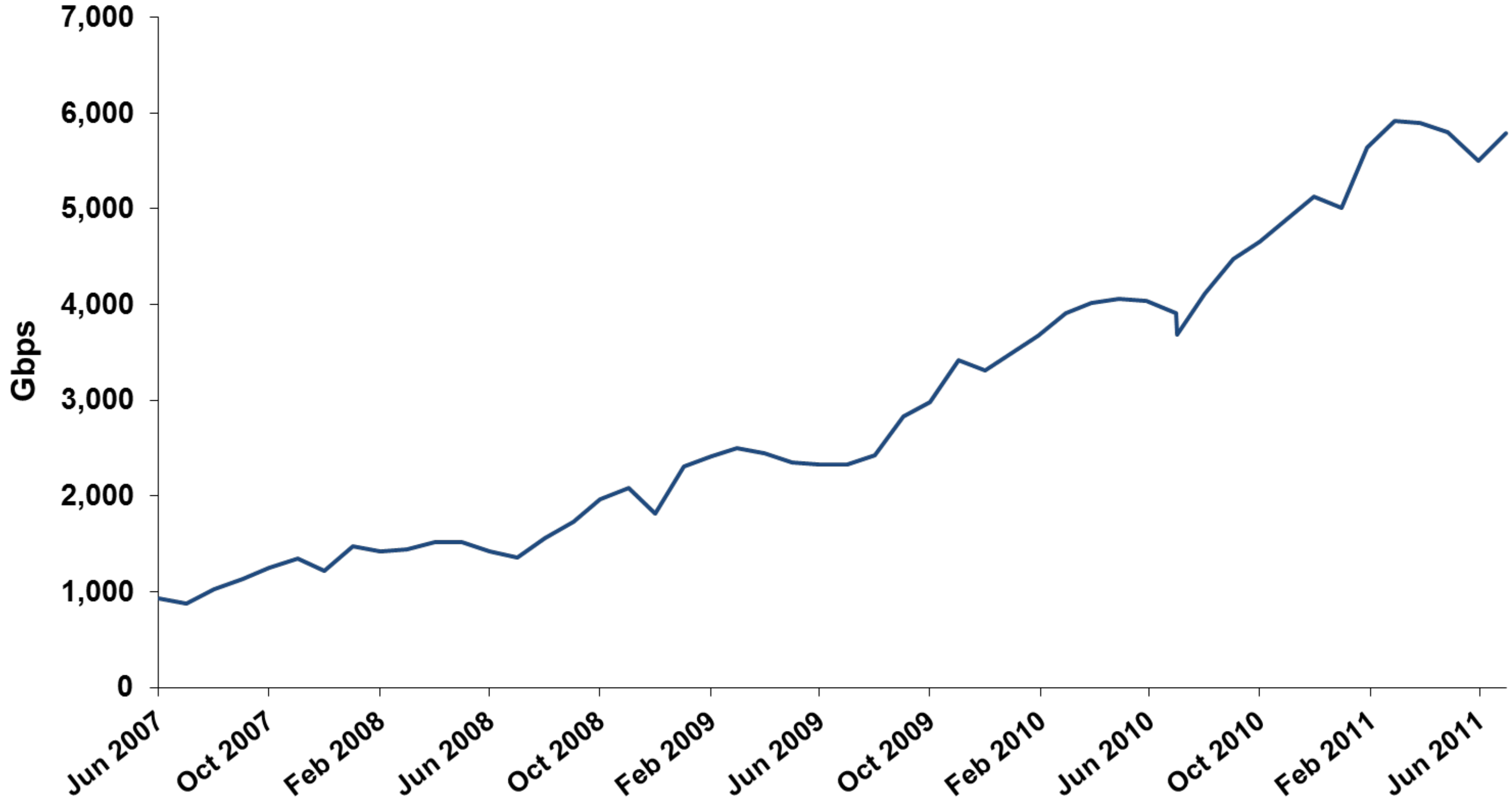
Aggregated peak European IXP traffic (2007 – 2011)



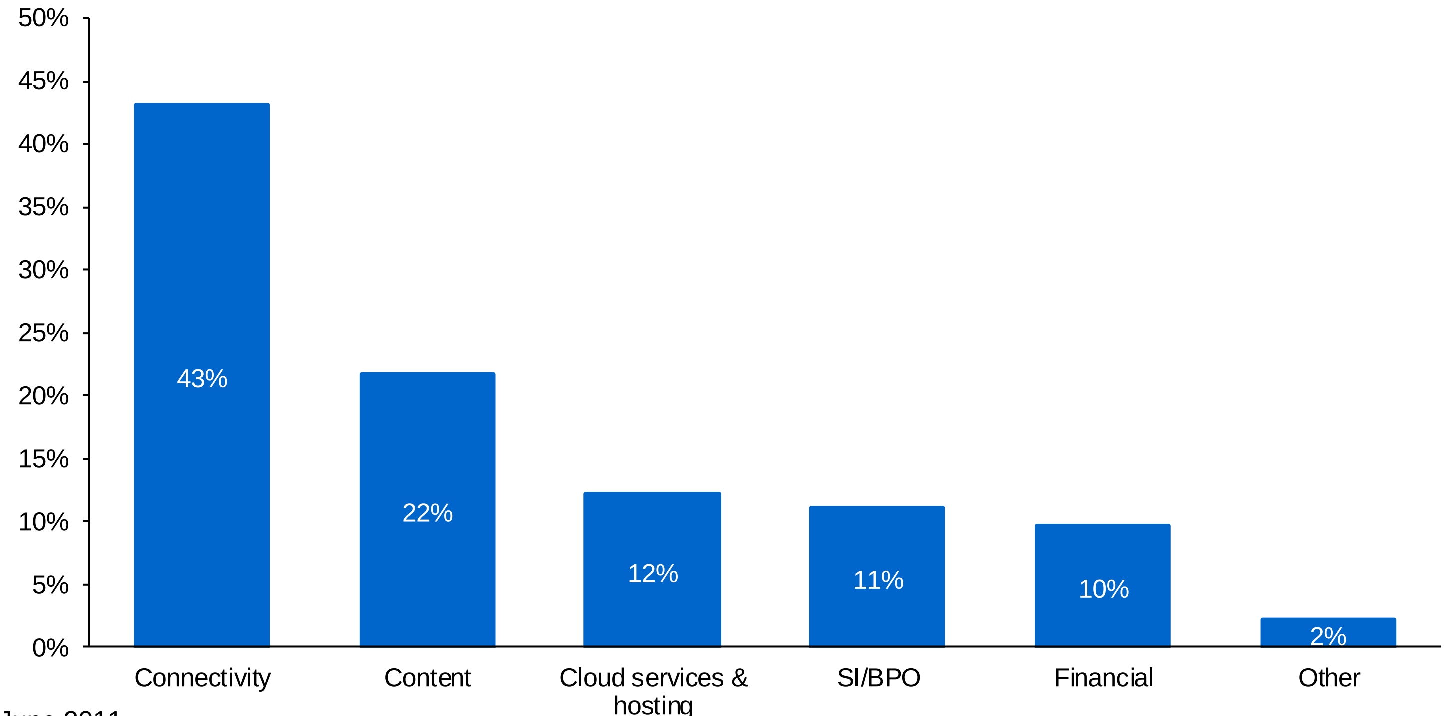
We continue to see significant growth in the digital economy
Growth is being driven by both increasing consumer and business activity

Source: Euro-IX

Demand drivers: Broad based growth

The network density in TelecityGroup's data centres acts as a magnet to attract new customers. Demand in H1 2011 was broad based as an increasing range of consumer and business activities migrate on-line

Top 100 customers by primary application type (% of revenue*)



*June 2011

Demand drivers: A location of choice for cloud providers

The Cloud is: IT capabilities / functions / applications provided as a service over a network

Cloud computing is enabled by: connectivity, virtualisation, data centres

TelecityGroup as a location of choice for cloud service providers

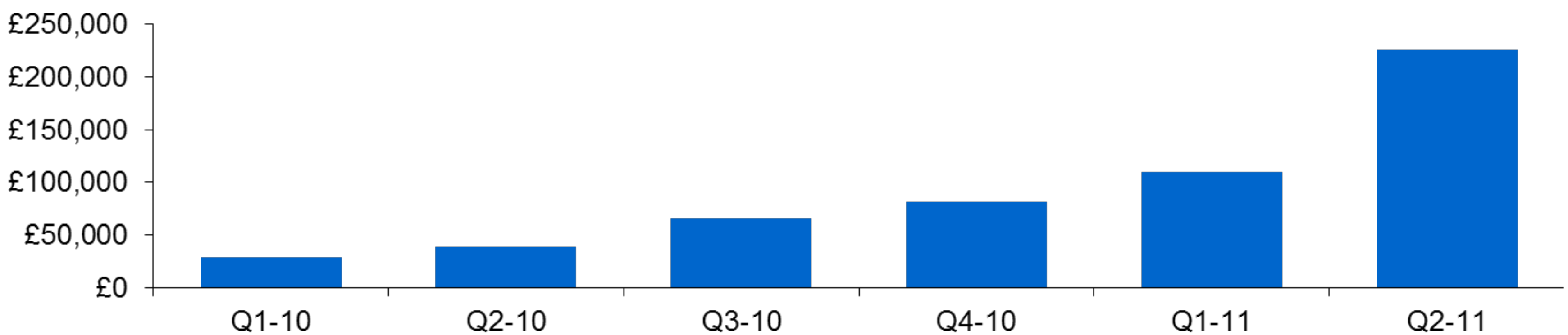
Highly-connected
TelecityGroup provides access to multiple networks, Internet Exchanges and ISPs

Efficiently scalable
TelecityGroup operates efficient and scalable data centres across Europe. Capacity expansion programme complements customers' growth plans

Secure, resilient
TelecityGroup has secure, high power density facilities with redundant power, connectivity and cooling infrastructure to ensure service availability

Ecosystems
TelecityGroup data centres are hubs for the burgeoning cloud services marketplace – providing access to additional revenue opportunities

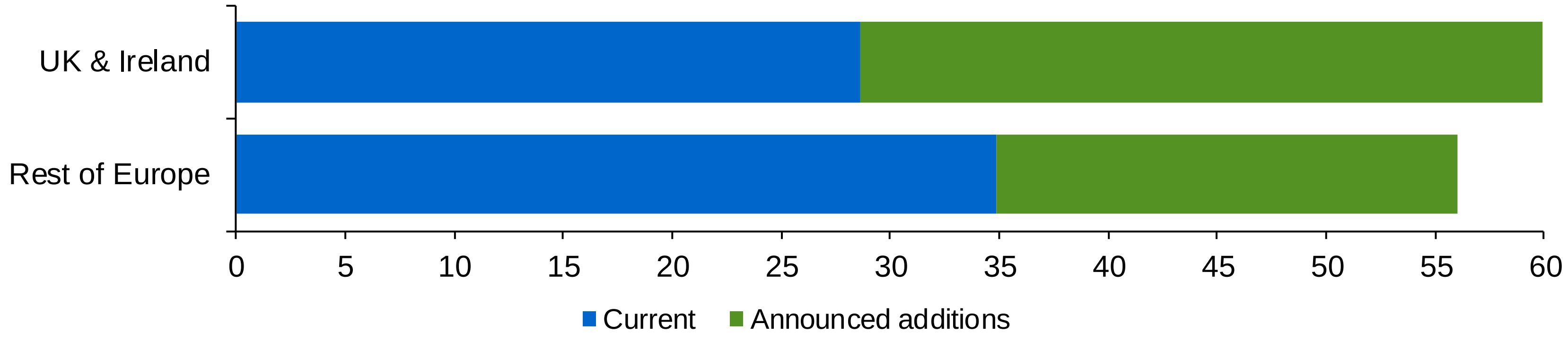
A cloud services operator with TelecityGroup (quarterly recurring revenue)



Our growth platform

- **Unrivalled multi-year announced capacity expansion programme**
  - Existing connectivity and customer ecosystems leveraged by opening new capacity close to established sites
  - Strong returns on capital have led to significant growth in earnings, the resulting operating free cash flows from which are being deployed to drive further growth
- **Bolt-on acquisitions to expand growth platform**
  - Focus on highly connected premium data centre businesses in growth markets
  - Strong balance sheet capacity and financial discipline create the opportunity for further value creation
- **Operational strength**
  - Strong management at both the central and country level combines a single Group vision with local market flexibility
  - Focus on infrastructure quality, service levels and energy efficiency

Total customer power (MW)

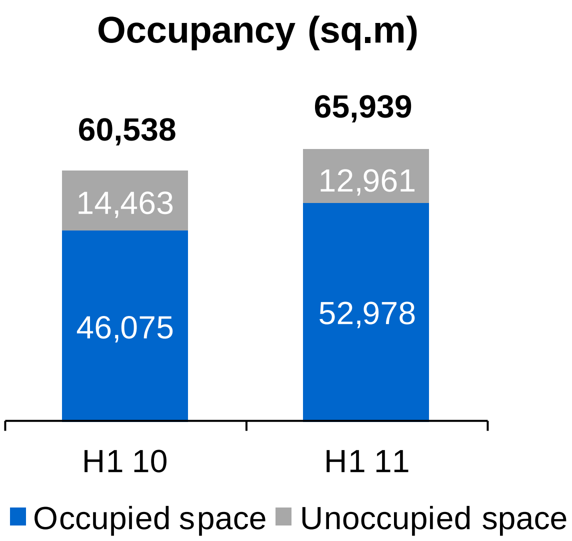


ROB COUPLAND
COO

OPERATIONAL REVIEW

Capacity and occupancy

- **Group capacity & occupancy (sq.m)**
- **Fitted-out space up 8.9% to 65,939 sq.m**
- **Occupied space up 15.0% to 52,978 sq.m**
  - Occupancy rate up to 80.3%
  - Revenue per occupied sq.m up 3.7% to £2,146



Our build programme: An update

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PHASED OPENINGS

LONDON	21MW expansion of Powergate site 6MW expansion of Harbour Exchange site
AMSTERDAM	New 9MW site close to Amsterdam 2
FRANKFURT	6MW expansion of existing facilities
STOCKHOLM	3.6MW expansion of Stockholm 2
MANCHESTER	New 3.5MW site
PARIS	Completion of 6.4MW Paris 3 site
DUBLIN	Dublin 3 to be expanded by 1.5MW

An operational overview of Data Electronics

- **The leading provider of highly connected data centres in the Republic of Ireland**
  - Over 40 carrier POPs, the most connected data centres in Ireland
  - Hosts the Dublin internet exchange, INEX
  - High quality customer base

- **Two high specification carrier-neutral data centres in Dublin**
  - Combined operational capacity of 4MW
  - Secured expansion for 1.5MW
  - Potential for further significant expansion within existing sites

Kilcarberry Park Data Centre

Northwest Business Park Data Centre

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QUESTIONS

Appendix – Adjusted results

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	H1 10 Result (£'m)	H1 11 Result (£'m)	H1 10 EPS Pence	H1 11 EPS Pence	Growth EPS %
Profit after tax/unadjusted EPS	**12.5**	**25.4**	**6.2**	**12.6**	
Add/(less) other finance items	7.1	(2.9)	3.6	(1.5)	
(Less)/add tax effect of above	(2.0)	0.1	(1.0)	0.1	
Post amortisation adjusted profit after tax/adjusted EPS	**17.6**	**22.6**	**8.8**	**11.2**	**27.3%**
Add amortisation	0.8	1.0	0.4	0.6	
(Less) tax effect of the above	(0.2)	(0.3)	(0.1)	(0.2)	
Pre amortisation adjusted profit after tax/adjusted EPS	**18.2**	**23.3**	**9.1**	**11.6**	**27.5%**

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Expertise you can trust.

Europe's leading provider of
premium carrier-neutral
data centres.

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