EQUINIX INC
Form 10-Q
November 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
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, 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 ý No ¨ and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The number of shares outstanding of the registrant's Common Stock as of November 2, 2017 was 78,233,697.

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PART I - FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
EQUINIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$1,599,988	$748,476
Short-term investments	29,572	3,409
Accounts receivable, net	597,242	396,245
Other current assets	217,006	319,396
Total current assets	2,443,808	1,467,526
Long-term investments	10,885	10,042
Property, plant and equipment, net	9,006,171	7,199,210
Goodwill	4,226,490	2,986,064
Intangible assets, net	2,335,175	719,231
Other assets	285,967	226,298
Total assets	$18,308,496	$12,608,371
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$657,229	$581,739
Accrued property, plant and equipment	205,444	144,842
Current portion of capital lease and other financing obligations	60,201	101,046
Current portion of mortgage and loans payable	84,455	67,928
Other current liabilities	149,295	133,140
Total current liabilities	1,156,624	1,028,695
Capital lease and other financing obligations, less current portion	1,612,188	1,410,742
Mortgage and loans payable, less current portion	2,551,510	1,369,087
Senior notes	5,717,276	3,810,770
Other liabilities	728,681	623,248
Total liabilities	11,766,279	8,242,542
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, $0.001 par value per share: 300,000,000 shares authorized; 78,233,670 and 71,409,015 shares outstanding	79	72
Additional paid-in capital	9,718,580	7,413,519
Treasury stock, at cost; 402,575 and 408,415 shares	(146,369)	(147,559)
Accumulated dividends	(2,433,600)	(1,969,645)
Accumulated other comprehensive loss	(783,947)	(949,142)
Retained earnings	187,474	18,584
Total stockholders' equity	6,542,217	4,365,829
Total liabilities and stockholders' equity	$18,308,496	$12,608,371

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)			
Revenues	$1,152,261	$924,676	$3,168,207	$2,669,342
Costs and operating expenses:				
Cost of revenues	582,360	470,302	1,573,524	1,354,949
Sales and marketing	157,619	110,936	428,112	325,358
General and administrative	185,336	181,239	558,090	515,605
Acquisition costs	2,083	12,505	31,510	64,635
Impairment charges	—	7,698	—	7,698
Gains on asset sales	—	(27,945)	—	(33,187)
Total costs and operating expenses	927,398	754,735	2,591,236	2,235,058
Income from continuing operations	224,863	169,941	576,971	434,284
Interest income	2,291	762	9,820	2,528
Interest expense	(121,828)	(92,200)	(352,554)	(293,395)
Other income (expense)	(1,076)	2,938	545	(56,217)
Loss on debt extinguishment	(22,156)	(9,894)	(42,103)	(10,499)
Income from continuing operations before income taxes	82,094	71,547	192,679	76,701
Income tax expense	(2,194)	(22,778)	(24,912)	(25,957)
Net income from continuing operations	79,900	48,769	167,767	50,744
Net income from discontinued operations, net of tax	—	2,681	—	14,306
Net income	$79,900	$51,450	$167,767	$65,050
Earnings per share ("EPS"):				
Basic EPS from continuing operations	$1.02	$0.69	$2.20	$0.73
Basic EPS from discontinued operations	—	0.04	—	0.21
Basic EPS	$1.02	$0.73	$2.20	$0.94
Weighted-average shares	78,055	71,190	76,283	69,689
Diluted EPS from continuing operations	$1.02	$0.68	$2.18	$0.72
Diluted EPS from discontinued operations	—	0.04	—	0.20
Diluted EPS	$1.02	$0.72	$2.18	$0.92
Weighted-average shares for diluted EPS	78,719	71,908	76,948	70,389
Cash dividends declared per common share	$2.00	$1.75	$6.00	$5.25

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(Unaudited)			
Net income	$79,900	$51,450	$167,767	$65,050
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment ("CTA") gain (loss)	100,909	(32,603)	408,830	(215,065)
Net investment hedge CTA gain (loss)	(60,723)	(34,721)	(191,121)	4,163
Unrealized gain (loss) on available-for-sale securities, net of tax effects of $(108), $(693), $(178) and $(1,113)	245	1,487	(85)	2,382
Unrealized gain (loss) on cash flow hedges, net of tax effects of $4,379, $1,384, $17,670 and $(1,263)	(13,070)	(4,153)	(52,468)	3,789
Net actuarial gain on defined benefit plans, net of tax effects of $(4), $(3), $(14) and $(9)	13	7	39	21
Total other comprehensive income (loss), net of tax	27,374	(69,983)	165,195	(204,710)
Comprehensive income (loss), net of tax	$107,274	$(18,533)	$332,962	$(139,660)

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net income	$167,767	$65,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	622,135	534,026
Stock-based compensation	129,602	115,730
Amortization of intangible assets	128,068	93,384
Amortization of debt issuance costs and debt discounts	20,100	13,709
Provision for allowance for doubtful accounts	6,889	6,541
Impairment charges	—	7,698
Gain on asset sales	—	(33,187)
Gain on sale of discontinued operations	—	(4,242)
Loss on debt extinguishment	42,103	10,499
Other items	3,437	14,843
Changes in operating assets and liabilities:		
Accounts receivable	(202,430)	(72,807)
Income taxes, net	(53,608)	1,021
Accounts payable and accrued expenses	44,952	(11,526)
Other assets and liabilities	35,339	(22,004)
Net cash provided by operating activities	944,354	718,735
Cash flows from investing activities:		
Purchases of investments	(57,926)	(31,736)
Sales and maturities of investments	32,867	41,796
Business acquisitions, net of cash and restricted cash acquired	(3,628,526)	(1,767,227)
Purchases of real estate	(64,964)	(28,118)
Purchases of other property, plant and equipment	(946,048)	(727,044)
Proceeds from sale of assets	47,767	828,197
Net cash used in investing activities	(4,616,830)	(1,684,132)
Cash flows from financing activities:		
Proceeds from employee equity awards	41,625	34,143
Payment of dividends	(463,914)	(374,151)
Proceeds from public offering of common stock, net of offering costs	2,126,341	—
Proceeds from senior notes	2,449,700	—
Proceeds from loans payable	1,059,800	710,404
Repayments of capital lease and other financing obligations	(60,252)	(100,863)
Repayments of convertible debt, mortgage, and loans payable	(63,520)	(986,465)
Repayment of senior notes	(500,000)	—
Debt extinguishment costs	(23,020)	(10,181)
Debt issuance costs	(56,886)	(11,751)
Other financing activities	(900)	—
Net cash provided by (used) in financing activities	4,508,974	(738,864)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	26,450	13,130
Change in cash balances included in assets held for sale	—	(3,755)

Net increase (decrease) in cash, cash equivalents and restricted cash	862,948	(1,694,886)
Cash, cash equivalents and restricted cash at beginning of period	773,247	2,718,427
Cash, cash equivalents and restricted cash at end of period	$1,636,195	$1,023,541

Cash and cash equivalents	$1,599,988	$987,915
Current portion of restricted cash included in other current assets	25,079	25,305
Non-current portion of restricted cash included in other assets	11,128	10,321
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	$1,636,195	$1,023,541

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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, 2016 has been derived from audited consolidated financial statements as of that date. The condensed 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 ("U.S. 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 February 27, 2017. 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, including the acquisitions of certain Verizon data center assets from May 1, 2017, the IO UK data center operating business from February 3, 2017, the Paris International Business Exchange™ ("IBX") data center from August 1, 2016 and Telecity Group plc ("TelecityGroup") from January 15, 2016. All significant intercompany accounts and transactions have been eliminated in consolidation.

Income Taxes

The Company began operating as a real estate investment trust for U.S. federal income tax purposes ("REIT") effective January 1, 2015, and thereafter received a favorable private letter ruling ("PLR") from the U.S. Internal Revenue Service ("IRS") that validated the Company's position with respect to specified REIT compliance matters. As a result, the Company may deduct the distributions made to its stockholders from taxable income generated by the operations of the Company parent and its qualified REIT subsidiaries ("QRSs"). The Company's dividends paid deduction generally eliminates the U.S. taxable income of the Company parent and its QRSs, resulting in no U.S. income tax due. However, the Company's 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 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 performance of the Company, tax law changes and future business acquisitions.

The Company's effective tax rates were 12.9% and 33.8% for the nine months ended September 30, 2017 and 2016, respectively. The decrease in effective tax rate is primarily driven by the realization of unrecognized tax benefits in the current period related to the Company's tax positions as a result of the expiration of a statute of limitations.

Assets Held for Sale and Discontinued Operations

Assets and liabilities to be disposed of that meet all of the criteria to be classified as held for sale as set forth in the accounting standard for impairment or disposal of long-lived assets are reported at the lower of their carrying amounts or fair values less costs to sell. Assets are not depreciated or amortized while they are classified as held for sale. A component of a reporting entity or a group of components of a reporting entity that are disposed or meet the criteria to be classified as held for sale should be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The accounting guidance requires a business activity that, on acquisition, meets the criteria to be classified as held for sale be reported as a discontinued operation. For further information on the Company's assets held for sale and discontinued operations, see Notes 4 and 5.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to current period presentation.

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Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

In August 2017, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU was issued to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and to simplify the application of the hedge accounting guidance in current GAAP. This ASU permits hedge accounting for risk components involving nonfinancial risk and interest rate risk, requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the hedged item is reported, no longer requires separate measurement and reporting of hedge ineffectiveness, eases the requirement for hedge effectiveness assessment, and requires a tabular disclosure related to the effect on the income statement of fair value and cash flow hedges. This ASU is effective for annual or any interim reporting periods beginning after December 15, 2018 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 May 2017, FASB issued ASU No. 2017-09 Compensation–Stock Compensation (Topic 718). This ASU was issued primarily to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. This ASU affects any entity that changes the terms or conditions of a share-based payment award. This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This ASU is effective for annual or any interim reporting periods beginning after December 15, 2017 with early adoption permitted. The adoption of ASU 2017-09 is not expected to have a significant impact on its consolidated financial statements.

In March 2017, FASB issued ASU No. 2017-07 Compensation–Retirement Benefits (Topic 715). This ASU was issued primarily to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost. This ASU requires that an employer reports the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic post-retirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. This ASU is effective for annual or any interim reporting periods beginning after December 15, 2017. While the Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements, the Company does not expect the adoption of ASU 2017-07 to have a significant impact on its consolidated financial statements due, in part, to the immateriality of a retirement benefit plan it holds.

In February 2017, FASB issued ASU No. 2017-05 Other Income—Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20). This ASU is to clarify the scope of the non-financial asset guidance in Subtopic 610-20 and to add guidance for partial sales of non-financial assets. This ASU defines the term in substance non-financial asset and clarifies that non-financial assets within the scope of Subtopic 610-20 may include non-financial assets transferred within a legal entity to a counterparty. The ASU also provides guidance on the accounting for what often are referred to as partial sales of non-financial assets within the scope of Subtopic 610-20 and contributions of non-financial assets to a joint venture or other non-controlled investee. This ASU is effective for annual or any interim reporting periods beginning after December 15, 2017. Early adoption is permitted for interim or annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements, but does not expect to early adopt this ASU.

In January 2017, FASB issued ASU No. 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This ASU is to simplify the subsequent measurement of goodwill. The ASU eliminates step

2 from the goodwill impairment test and the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This ASU should be applied on a prospective basis. This ASU is effective for the Company for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In January 2017, FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The ASU provides new guidance to assist entities with evaluating when a set of transferred assets and activities is a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The ASU is effective for annual periods beginning after December 15, 2017, including interim periods within those periods with early adoption being permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and expects to adopt the standard prospectively on January 1, 2018.

In October 2016, FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU requires the recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This ASU is effective for fiscal years and interim period within those fiscal years, beginning after December 15, 2017, 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 June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company expects this ASU to impact its accounts receivable and is currently evaluating the extent of the impact that the adoption of this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). In September 2017, the FASB issued ASU 2017-13 ("ASU 2017-13"), which provides additional implementation guidance on the previously issued ASU 2016-02. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company continues to assess the impact of adopting this standard will have on its consolidated financial statements and believes the ASU will have a significant impact on its consolidated financial statements due, in part, to the substantial amount of leases it has. The Company expects to record a significant increase in assets and liabilities on the consolidated balance sheet at adoption due to the recording of right-of-use assets and corresponding lease liabilities.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments- Overall (Subtopic 825-10) ("ASU 2016-01"), which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income other than those accounted for under equity method of accounting or those that result in consolidation of the investees. The ASU also requires that an entity present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the ASU eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company currently holds publicly traded equity securities that are classified as “available-for-sale” and are carried at fair value with unrealized gains and losses reported in stockholders’ equity as a component of accumulated other comprehensive income (loss). Upon the adoption of this ASU, the unrealized gains and losses will be recognized through net income. The Company has not elected to measure its financial liabilities at fair value therefore, does not expect to have an impact on the accounting for its financial liabilities. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

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EQUINIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") Topic 606 and issued subsequent amendments to the initial guidance with ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, ASU 2016-20 and ASU 2017-13, collectively referred as "Topic 606." Topic 606 will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of Topic 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Topic 606 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. Topic 606 allows entities to adopt with one of these two methods: full retrospective, which applies retrospectively to each prior reporting period presented, or modified retrospective, which recognizes the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings in the period of initial application. The Company currently anticipates adopting the standard using the modified retrospective method. Topic 606, as amended, is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods therein (i.e. January 1, 2018, for a calendar year entity). Early application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company will adopt the standard on January 1, 2018.

While the Company is continuing to evaluate all potential impacts of the standard, the Company believes the most significant impact relates to its accounting for installation revenue and the cost to obtain contracts. Under the new standard, the Company expects to recognize installation revenue over the contract period rather than over the estimated installation life. Under the new standard, the Company is also required to capitalize and amortize certain costs to obtain contracts. Therefore, these costs to obtain contracts will not be immediately expensed, but will be capitalized and amortized.

Furthermore, the Company is making investments in systems and processes and designing operational and internal control structural changes in order to report under the new standard.

Accounting Standards Adopted

In January 2017, FASB issued ASU No. 2017-03, Accounting Changes and Error Corrections (Topic 250). The ASU adds SEC disclosure requirements for both the quantitative and qualitative impacts that certain recently issued accounting standards will have on the financial statements of a registrant when such standards are adopted in a future period. Specially, these disclosure requirements apply to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606); ASU No. 2016-02, Leases (Topic 842); and ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU is effective immediately. The Company adopted ASU 2017-03 in the three months ended March 31, 2017 by including appropriate disclosure requirements within its condensed consolidated financial statements to adhere to this new ASU.

In December 2016, FASB issued ASU No. 2016-19, Technical Corrections and Improvements. This ASU covers a wide range of Topics in the Accounting Standards Codification. Certain aspects of this ASU were effective immediately, while a few of the corrections are effective for the Company for its fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company adopted ASU 2016-19 in the three months ended March 31, 2017. The adoption of ASU 2016-19 did not impact the Company's condensed consolidated financial statements.

In November 2016, FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for the Company for its fiscal years beginning after December 15, 2017, and interim periods within those fiscal years with early adoption being permitted. This ASU should be applied using a retrospective transition method to each period presented. The Company adopted ASU 2016-18 in the three months ended March 31, 2017 and applied this ASU retrospectively to the periods presented in the Company's condensed consolidated statements of cash flows. As a result, net cash used in investing activities for the nine months ended September 30, 2016 was adjusted to exclude the change in restricted cash and increased the previously reported amount by $444.4 million. Restricted cash amounts are primarily time deposits or cash set side as a pledge for our mortgage loan in Germany, an escrow

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account for a data center project and collateral for the Company's various bank guarantees for the periods ended September 30, 2017 and 2016.

In October 2016, FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control. This ASU alters how a decision maker needs to consider indirect interests in a variable interest entity ("VIE") held through an entity under common control. Under this ASU, if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2016-17 in the three months ended March 31, 2017. The adoption of this standard did not impact the Company's condensed consolidated financial statements as it does not hold any interests in a VIE through related parties that are under common control.

In August 2016, FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This ASU provides guidance on the classification of eight cash flow issues to reduce the existing diversification in practice, including (a) debt prepayment or debt extinguishment costs; (b) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (c) contingent consideration payments made after a business combination; (d) proceeds from settlement of insurance claims; (e) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (f) distributions received from equity method investees; (g) beneficial interests in securitization transactions; and (h) separately identifiable cash flows and application of the predominance principle. The ASU is effective for fiscal years and interim period within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-15 in the three months ended March 31, 2017 and applied this ASU using a retrospective transition method to each period presented in the Company's condensed consolidated statements of cash flows. The adoption of ASU 2016-15 did not impact the Company's condensed consolidated statements of cash flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). This ASU simplifies several areas of the accounting for share-based payment award transactions, including (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The Company adopted ASU 2016-09 in the three months ended March 31, 2017. Beginning on January 1, 2017, the Company began to record the excess tax benefits from stock-based compensation as income tax expense through the statement of operations instead of additional paid-in capital as required under the previous guidance. There was no adjustment to excess tax benefits from stock-based compensation recorded as additional paid-in capital in prior years. Excess tax benefits that were not previously recognized, as well as a valuation allowance recognized for deferred tax assets as a result of the adoption of this ASU, were recorded on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of 2017 totaling $1.1 million. As a part of the adoption of this ASU, stock compensation awards will have more dilutive effect on the Company's earnings per share prospectively.

Under this guidance, cash flows related to excess tax benefits will no longer be separately classified as financing activities apart from other income tax cash flow. The Company elected to apply this part of the guidance retrospectively, which resulted in a change of $1.5 million in both net cash provided by operating activities and net cash used in financing activities in the Company's condensed consolidated statement of cash flows for the nine months ended September 30, 2016 to conform with the current period presentation. Additionally, this guidance permits entities to make an accounting policy to estimate forfeitures each period or to account for forfeitures as they occur. The Company elected to continue to estimate forfeitures.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments ("ASU 2016-06"). This ASU clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. This guidance is to be applied on a modified retrospective basis to existing debt instruments as of the beginning of the fiscal year in which the amendments are effective, and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted ASU 2016-06 in the three months ended March 31, 2017. The adoption of this standard did not impact the Company's condensed consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815), Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships ("ASU 2016-05"). This ASU clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This ASU may be applied prospectively or using a modified retrospective approach, and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company adopted ASU 2016-05 in the three months ended March 31, 2017. The adoption of ASU 2016-05 did not impact the Company's condensed consolidated financial statements.

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income:				
Net income from continuing operations	$79,900	$48,769	$167,767	$50,744
Net income from discontinued operations	—	2,681	—	14,306
Net income	$79,900	$51,450	$167,767	$65,050
Weighted-average shares used to calculate basic EPS	78,055	71,190	76,283	69,689
Effect of dilutive securities:				
Employee equity awards	664	718	665	700
Weighted-average shares used to calculate diluted EPS	78,719	71,908	76,948	70,389
Basic EPS:				
Continuing operations	$1.02	$0.69	$2.20	$0.73
Discontinued operations	—	0.04	—	0.21
Basic EPS	$1.02	$0.73	$2.20	$0.94
Diluted EPS:				
Continuing operations	$1.02	$0.68	$2.18	$0.72
Discontinued operations	—	0.04	—	0.20
Diluted EPS	$1.02	$0.72	$2.18	$0.92

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Shares reserved for conversion of 4.75% convertible subordinated notes	—	—	—	1,193
Common stock related to employee equity awards	73	22	88	17
Total	73	22	88	1,210

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3. Acquisitions
Certain Verizon Data Center Assets Acquisition
On May 1, 2017, the Company completed the acquisition of certain colocation business from Verizon Communications Inc. ("Verizon") consisting of 29 data center buildings located in the United States, Brazil and Colombia, for a cash purchase price of approximately $3.6 billion (the "Verizon Data Center Acquisition"). The Company funded the Verizon Data Center Acquisition with proceeds of debt and equity financings, which closed in January and March 2017 (See further discussions on the term loan borrowing and senior notes issuance in Note 9 and common stock issuance in Note 11). The Verizon Data Center Acquisition constitutes a business under the accounting standard for business combinations and therefore was accounted for as a business combination using the acquisition method of accounting.
In connection with the Verizon Data Center Acquisition, the Company entered into a commitment letter (the "Commitment Letter"), dated December 6, 2016, pursuant to which JPMorgan Chase Bank, N.A., Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated committed to provide a senior unsecured bridge facility in an aggregate principal amount of $2.0 billion for the purposes of funding a portion of the cash consideration for the Verizon Data Center Acquisition and the fees and expenses incurred in connection with the Verizon Data Center Acquisition. Following the completion of the debt and equity financings associated with the Verizon Data Center Acquisition in March 2017, the Company terminated the Commitment Letter. See further discussions on the senior notes issuance in Note 9 and common stock issuance in Note 11. The Company paid $10.0 million of commitment fees associated with the Commitment Letter and recorded $2.2 million for the year ended December 31, 2016 and $7.8 million for the nine months ended September 30, 2017 to interest expense in the condensed consolidated statements of operations.
The Company included the Verizon Data Center Acquisition's results of operations from May 1, 2017 in its condensed consolidated statements of operations and the estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning May 1, 2017. The Company incurred acquisition costs of approximately $1.2 million and $27.6 million during the three and nine months ended September 30, 2017, respectively.
Purchase Price Allocation
Under the acquisition method of accounting, the total purchase price is allocated to the assets acquired and liabilities assumed measured at fair value on the date of acquisition. As of September 30, 2017, the Company has not completed the detailed valuation analysis to derive the fair value of the following items including but not limited to, property, plant and equipment, intangible assets and deferred taxes. Therefore, the allocation of the purchase price to assets acquired and liabilities assumed is based on provisional estimates and is subject to continuing management analysis, with assistance from third party valuation advisers. As of September 30, 2017, the Company has updated the preliminary allocation of purchase price for the Verizon Data Center Acquisition from the provisional amounts reported as of June 30, 2017 and the adjustments made during the three months ended September 30, 2017 were not significant. The adjustments in fair value of acquired assets and liabilities assumed did not have a significant impact on the Company’s condensed consolidated statements of operations for the three months ended September 30, 2017.

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The Company may further adjust these amounts as valuations are finalized and the Company obtains information necessary to complete the analyses, but no later than one year from the acquisition date. The preliminary purchase price allocation is as follows (in thousands):

Cash and cash equivalents	$1,073
Accounts receivable	319
Other current assets	7,319
Property, plant, and equipment	841,401
Intangible assets (1)	1,706,100
Goodwill	1,083,789
Total assets acquired	3,640,001
Accounts payable and accrued liabilities	(1,725)
Other current liabilities	(320)
Capital lease and other financing obligations	(17,659)
Deferred tax liabilities	(19,544)
Other liabilities	(6,067)
Net assets acquired	$3,594,686

(1) The nature of the intangible assets acquired is customer relationships with an estimated useful life of 15 years. Included in this amount is a customer relationship intangible asset for Verizon totaling $246.1 million. Pursuant to the acquisition agreement, the Company formalized agreements to provide pre-existing space and services to Verizon at the acquired data centers.

The fair value of customer relationships was estimated by applying an income approach. The fair value was determined by calculating the present value of estimated future operating cash flows generated from existing customers less costs to realize the revenue. The Company applied discount rates ranging from 7.7% to 14.4%, which reflected the nature of the assets as they relate to the risk and uncertainty of the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of customer relationships include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

The fair value of property, plant and equipment was estimated by applying the cost approach. The cost approach is to use the replacement or reproduction cost as an indicator of fair value. The premise of the cost approach is that a market participant would pay no more for an asset than the amount for which the asset could be replaced or reproduced. The key assumptions of the cost approach include replacement cost new, physical deterioration, functional and economic obsolescence, economic useful life, remaining useful life, age and effective age.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill is attributable to the workforce of the acquired business and the revenue increase from future customers expected to arise after the Verizon Data Center Acquisition. The goodwill is not expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the Verizon Data Center Acquisition was attributable to the Company's Americas region. For the three months ended September 30, 2017, the Company's results of continuing operations include the Verizon Data Center Acquisition's revenues of $137.0 million and net income from continuing operations of $29.2 million. The Company's results of continuing operations include the Verizon Data Center Acquisition's revenues of $223.7 million and net income from continuing operations of $56.3 million for the period May 1, 2017 through September 30, 2017.

IO Acquisition

On February 3, 2017, the Company acquired IO UK's data center operating business in Slough, United Kingdom, for a cash payment of approximately $36.3 million ("IO Acquisition"). The acquired facility was renamed London 10 ("LD10") data center. The IO Acquisition constitutes a business under the accounting standard for business combinations and as a result, was accounted for as a business combination using the acquisition method of accounting. Under the acquisition method of accounting, the assets acquired and liabilities assumed in a business combination shall be measured at fair value at the date of the acquisition. As of September 30, 2017, the Company has not completed the detailed valuation analysis to derive the fair value of deferred taxes. The

Company has updated the preliminary allocation of purchase price for the IO Acquisition from the provisional amounts reported as of June 30, 2017 and the adjustments made during the three months ended September 30, 2017 were not significant. The adjustments in fair value of acquired assets and liabilities did not have a significant impact on the Company’s condensed consolidated statements of operations for the three months ended September 30, 2017. The purchase price has been allocated primarily to property, plant and equipment of $40.3 million, goodwill of $16.2 million, intangible assets of $6.3 million, deferred tax assets of $6.3 million and financing obligations of $33.1 million on a provisional basis. The nature of the intangible assets acquired is customer relationships with an estimated useful life of 10 years. Goodwill is not expected to be deductible for local tax purposes and is attributable to the Company's EMEA region. Goodwill will not be amortized and will be tested for impairment at least annually.

The Company included IO UK's data center operating results from February 3, 2017 in its condensed consolidated statements of operations and the estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning February 3, 2017. For the three months ended September 30, 2017, the incremental revenues from the IO Acquisition were not significant and for the nine months ended September 30, 2017, the incremental revenues were $4.0 million. The incremental net losses and acquisition costs were not significant to the Company's condensed consolidated statements of operations for both periods.

Paris IBX Data Center Acquisition

On August 1, 2016, the Company completed the purchase of Digital Realty Trust, Inc.'s ("Digital Realty's") operating business including its real estate and facility, located in St. Denis, Paris for cash consideration of approximately €193.8 million or $216.4 million at the exchange rate in effect on August 1, 2016 (the "Paris IBX Data Center Acquisition"). A portion of the building was leased to the Company and was being used by the Company as its Paris 2 and Paris 3 data centers. The Paris 2 lease was accounted for as an operating lease and the Paris 3 lease was accounted for as a financing lease. Upon acquisition, the Company in effect terminated both leases. The Company settled the financing lease obligation of Paris 3 for €47.8 million or approximately $53.4 million and recognized a loss on debt extinguishment of €8.8 million or approximately $9.9 million in the third quarter of 2016. The Paris IBX Data Center Acquisition constitutes a business under the accounting standard for business combinations and as a result, the Paris IBX Data Center Acquisition was accounted for as a business combination using the acquisition method of accounting.

The Company included the incremental Paris IBX Data Center's results of operations from August 1, 2016 in its condensed consolidated statements of operations and the estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning August 1, 2016. The Company incurred acquisition costs of approximately $12.0 million for the year ended December 31, 2016 related to the Paris IBX Data Center Acquisition.

Purchase Price Allocation

Under the acquisition method of accounting, the assets acquired and liabilities assumed in a business combination shall be measured at fair value at the date of the acquisition and the Company completed the valuation analysis. The purchase price allocation, which excludes settlement of the Paris 3 financing obligations, was as follows (in thousands):

Cash and cash equivalents	$4,073
Accounts receivable	1,507
Other current assets	794
Property, plant and equipment	143,972
Intangible assets	11,758
Goodwill	48,835
Other assets	81
Total assets acquired	211,020
Accounts payable and accrued liabilities	(2,044)
Other current liabilities	(2,798)
Deferred tax liabilities	(42,395)
Other liabilities	(755)
Net assets acquired	$163,028

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. Goodwill is not expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill is attributable to the Company's EMEA region.

The following table presents certain information on the acquired identifiable intangible assets (dollars in thousands):

Intangible Assets	Fair Value	Estimated Useful Lives (Years)	Weighted-average Estimated Useful Lives (Years)
In-place leases	$7,485	0.9-9.4	4.3
Favorable leasehold interests	4,273	1.9-6.7	5.3

The fair value of in-place leases may consist of a variety of components including, but not necessarily limited to the value associated with avoiding the cost of originating the acquired in-place leases. The fair value of favorable leases was estimated based on the income approach, by computing the net present value of the difference between the contractual amounts to be paid pursuant to the lease agreements and estimates of the fair market lease rates for the corresponding in-place leases measured over the remaining non-cancellable terms of the leases. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

The fair value of the property, plant and equipment was estimated by applying the income approach or cost approach, such as cash flows or earnings that an asset can be expected to generate over its useful life or the replacement or reproduction cost.

For the three months ended September 30, 2017 and 2016, the incremental revenues and incremental net losses from the Paris IBX Data Center Acquisition were not significant to the Company's condensed consolidated statements of operations. For the nine months ended September 30, 2017, the incremental revenues from the Paris IBX Data Center Acquisition were $9.1 million, and for the nine months ended September 30, 2016, the incremental revenues were not significant to the Company's condensed consolidated statements of operations. The incremental net losses were not significant to the Company's condensed consolidated statements of operations for the nine months ended September 30, 2017 and 2016.

TelecityGroup Acquisition

On January 15, 2016, the Company completed the acquisition of the entire issued and to be issued share capital of TelecityGroup. TelecityGroup operates data center facilities in cities across Europe. The acquisition of TelecityGroup has enhanced the Company's existing data center portfolio by adding new IBX metro markets in Europe including Dublin, Helsinki, Istanbul, Manchester, Milan, Sofia, Stockholm and Warsaw. As a result of the transaction, TelecityGroup became a wholly-owned subsidiary of the Company.

Under the terms of the acquisition, the Company acquired all outstanding shares and all vested equity awards of TelecityGroup at 572.5 pence in cash and 0.0336 new shares of Equinix common stock for a total purchase consideration of approximately £2,624.5 million or approximately $3,743.6 million. In addition, the Company assumed $1.3 million of TelecityGroup's vested employee equity awards as part of consideration transferred. The Company incurred acquisition costs of approximately $42.5 million during the year ended December 31, 2016 related to the TelecityGroup acquisition.

In connection with the TelecityGroup acquisition, the Company placed £322.9 million or approximately $475.7 million into a restricted cash account. The cash was released upon completion of the acquisition.

Purchase Price Allocation

Under the acquisition method of accounting, the assets acquired and liabilities assumed in a business combination shall be measured at fair value at the date of the acquisition and the Company completed the valuation analysis. As of December 31, 2016, the Company updated the final allocation of purchase price for TelecityGroup from the provisional amounts reported as of March 31, 2016, which primarily resulted in increases to intangible assets of $36.8 million and deferred tax liabilities of $19.5 million and decreases in capital lease and other financing obligations of $34.4 million, goodwill of $22.5 million and assets held for sale of $36.9 million. The changes did not have a significant impact on the Company’s results from operations for the year ended December 31, 2016.

The final allocation of the purchase price is as follows (in thousands):

Cash and cash equivalents	$73,368
Accounts receivable	24,042
Other current assets	41,079
Assets held for sale	877,650
Property, plant and equipment	1,058,583
Goodwill	2,215,567
Intangible assets	694,243
Deferred tax assets	994
Other assets	4,102
Total assets acquired	4,989,628
Accounts payable and accrued expenses	(84,367)
Accrued property, plant and equipment	(3,634)
Other current liabilities	(27,233)
Liabilities held for sale	(155,650)
Capital lease and other financing obligations	(165,365)
Mortgage and loans payable	(592,304)
Deferred tax liabilities	(176,168)
Other liabilities	(40,021)
Net assets acquired	$3,744,886

The purchase price allocation above, as of the acquisition date, includes acquired assets and liabilities that were classified by the Company as held for sale (Note 4).
The following table presents certain information on the acquired intangible assets (dollars in thousands):

Intangible Assets	Fair Value	Estimated Useful Lives (Years)	Weighted-average Estimated Useful Lives (Years)
Customer relationships	$591,956	13.5	13.5
Trade names	72,033	1.5	1.5
Favorable leases	30,254	2.0 - 25.4	19.7

The fair value of customer relationships was estimated by applying an income approach. The fair value was determined by calculating the present value of estimated future operating cash flows generated from existing customers less costs to realize the revenue. The Company applied a weighted-average discount rate of approximately 8.5%, which reflected the nature of the assets as they relate to the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of the customer relationships include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. The fair value of the TelecityGroup trade name was estimated using the relief of royalty approach. The Company applied a relief of royalty rate of 2.0% and a weighted-average discount rate of approximately 9.0%. The fair value of the other acquired identifiable intangible assets was estimated by applying a relief of royalty or cost approach as appropriate. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.
The fair value of the property, plant and equipment was estimated by applying the income approach or cost approach. The income approach is used to estimate fair value based on the income stream, such as cash flows or earnings that an asset can be expected to generate over its useful life. There are two primary methods of applying the income approach to determine the fair value of assets: the discounted cash flow method and the direct capitalization method. The key assumptions include the estimated earnings, discount rate and direct capitalization rate. The cost approach is to use the replacement or reproduction cost as an indicator of fair value. The premise of the cost approach is that a market participant would pay no more for an asset than the amount for which the asset could be replaced or reproduced. The key assumptions of the cost approach include replacement cost new, physical deterioration, functional and economic obsolescence, economic useful life, remaining useful life, age and effective age.
The Company determined the fair value of the loans payable assumed in the TelecityGroup acquisition by estimating TelecityGroup's debt rating and reviewing market data with a similar debt rating and other characteristics of the debt, including the maturity date and security type. On January 15, 2016, the Company prepaid and terminated these loans payable. In conjunction with the repayment of the loans payable, the Company incurred an insignificant amount of pre-payment penalties and interest rate swap termination costs, which were recorded as interest expense in the condensed consolidated statement of operations.
Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise after the TelecityGroup acquisition. The goodwill is not expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the TelecityGroup acquisition, except for the goodwill associated with assets held for sale, is attributable to the Company's EMEA region. For the three months ended September 30, 2016, the Company's results of continuing operations include TelecityGroup revenues of $107.3 million and net loss from continuing operations of $15.7 million. For the nine months ended September 30, 2016, the Company's results of continuing operations include TelecityGroup revenues of $299.0 million and net loss from continuing operations of $54.4 million.

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Unaudited Pro Forma Combined Financial Information
The following unaudited pro forma combined financial information has been prepared by the Company using the acquisition method of accounting to give effect to the Verizon Data Center Acquisition as though it occurred on January 1, 2016. The Company completed the Verizon Data Center Acquisition on May 1, 2017. The operating results of the Verizon Data Center Acquisition for the period May 1, 2017 through September 30, 2017 are included in the condensed consolidated statements of operations for the three and nine months ended September 30, 2017. The unaudited pro forma combined financial information includes adjustments for amortization expenses of acquired intangible assets, transaction related costs, bridge loan commitment fee in connection with the Verizon Data Center Acquisition and the consequential tax effects of these adjustments.
The Company and Verizon entered into agreements at the closing of the Verizon Data Center Acquisition pursuant to which the Company will provide space and services to Verizon at the acquired data centers. These arrangements are not reflected in the unaudited pro forma combined financial information. For the three and nine months ended September 30, 2017, the Company recognized approximately $137.0 million and $223.7 million, respectively, of revenues attributed to the Verizon Data Center Acquisition, which included these arrangements.
The unaudited pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had the Verizon Data Center Acquisition occurred on January 1, 2016, nor is it necessarily indicative of the future results of operations of the combined company.
The following table sets forth the unaudited pro forma combined results of operations for the three and nine months ended September 30, 2017 and 2016 (in thousands, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenues	$1,152,261	$1,034,999	$3,309,381	$3,000,311
Net income (loss) from continuing operations	80,135	35,069	194,504	(37,410)
Basic EPS	1.03	0.45	2.50	(0.49)
Diluted EPS	1.02	0.45	2.48	(0.49)

4. Assets Held for Sale
In June 2016, the Company approved the divestiture of the solar power assets of Bit-isle. In October 2016, the Company entered into a Share Transfer Agreement for the transfer of common stock of Terra Power Co., Ltd., relating to the divestiture of the solar power assets of Bit-isle. The Company received ¥400.0 million upon the closing of the transaction, or approximately $3.8 million at the exchange rate in effect on October 31, 2016. In November 30, 2016, the Company received an additional ¥2,500.0 million, or approximately $22.1 million at the exchange rate in effect at the time of receipt. The Company received the remaining payment of ¥5,313.4 million in the first quarter of 2017, or approximately $47.8 million at the exchange rate in effect on March 31, 2017. During the three months ended September 30, 2016, the Company evaluated the recoverability of the carrying value of its assets held for sale related to the sales agreement signed in October, as discussed above, and concluded that the Company would not recover the carrying value of certain assets. Accordingly, the Company recorded an impairment charge on other current assets of $7.7 million at September 30, 2016, reducing the carrying value of such assets from $79.5 million to the estimated fair value of $71.8 million.
During the fourth quarter of 2015, the Company and TelecityGroup agreed to divest certain data centers, including the Company's London 2 ("LD2") data center and certain data centers of TelecityGroup in the United Kingdom, Netherlands and Germany, in order to obtain the approval of the European Commission for the acquisition of TelecityGroup. The assets and liabilities of LD2, which were included within the EMEA operating segment, were classified as held for sale in the fourth quarter of 2015 and, therefore, the corresponding depreciation and amortization expense was ceased at that time. This divestiture was not presented as discontinued operations in the condensed

consolidated statements of operations, because it did not represent a strategic shift in the Company's business, as the Company continued operating similar businesses after the divestiture. The divestiture was completed on July 5, 2016 and the Company recognized a gain of $27.9 million on the sale of the LD2 data center, which is included in gains on asset sales in the condensed consolidated statements of operations for the three and nine months ended September 30, 2016.

The revenue and net income generated by LD2 during the three months ended September 30, 2016 were not significant. During the nine months ended September 30, 2016, LD2 generated revenues of $6.1 million and net income of $2.3 million.

During the fourth quarter of 2015, the Company entered into an agreement to sell a parcel of land in San Jose, California. The sale was completed in February 2016 and the Company recognized a gain on sale of $5.2 million.

5. Discontinued Operations

In order to obtain the approval of the European Commission for the acquisition of TelecityGroup, the Company and TelecityGroup agreed to divest certain data centers of TelecityGroup in the United Kingdom, Netherlands and Germany. These TelecityGroup data centers, on acquisition, met the criteria to be classified as held for sale and were therefore reported as discontinued operations. As of January 15, 2016, the date of TelecityGroup acquisition, depreciation and amortization of the reported discontinued operations were ceased.

On July 5, 2016, the Company completed the sale of these data centers and related assets to Digital Realty for approximately €304.6 million and £376.2 million, or approximately $827.3 million at the exchange rates in effect on July 5, 2016. The Company recognized a gain on sale of the TelecityGroup data centers in discontinued operations of $4.2 million for the three months ended September 30, 2016. The results of operations for these data centers that were divested have been reported as net income from discontinued operations, net of tax, from January 15, 2016, the date of TelecityGroup acquisition, through July 5, 2016 in the Company's condensed consolidated statements of operations. The results of operations for these data centers during the three months ended September 30, 2016 were not significant. Capital expenditures from the date of acquisition through the date of sale were $31.5 million.

The Company did not record income from discontinued operations, net of tax for the three and nine months ended September 30, 2017. The following table presents the financial results of the Company's discontinued operations for the nine months ended September 30, 2016 (in thousands).

	Nine Months Ended September 30, 2016
Revenues	$ 48,782
Costs and operating expenses:	
Cost of revenues	24,795
Sales and marketing	1,030
General and administrative	7,026
Total costs and operating expenses	32,851
Income from discontinued operations	15,931
Interest and other, net	(1,286)
Income from discontinued operations before income taxes	14,645
Income tax expense	(4,581)
Gain on sale of discontinued operations, net of income taxes	4,242
Net income from discontinued operations, net of tax	$ 14,306

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6. Derivatives and Hedging Activities

Derivatives Designated as Hedging Instruments

Net Investment Hedges. The Company is exposed to the impact of foreign exchange rate fluctuations on the value of investments in its foreign subsidiaries. In order to mitigate the impact of foreign currency exchange rates, the Company has issued various foreign currency debt which is designated as hedges against the Company's net investments in foreign subsidiaries. As of September 30, 2017 and December 31, 2016, the total principal amounts of foreign currency debt, which was designated as net investment hedges, were $2,499.4 million and $646.2 million, respectively. The Company also uses foreign currency forward contracts to hedge against the effect of foreign exchange rate fluctuations on a portion of its net investment in the foreign subsidiaries. For a net investment hedge, changes in the fair value of the hedging instrument designated as a net investment hedge, except the ineffective portion and forward points, are recorded as a component of other comprehensive income in the condensed consolidated balance sheets.

The Company recorded net foreign exchange losses of $60.7 million and $191.1 million in other comprehensive income (loss) for the three and nine months ended September 30, 2017 and net foreign exchange gains of $5.5 million and $44.4 million in other comprehensive income (loss) for the three and nine months ended September 30, 2016, respectively. For the three and nine months ended September 30, 2016, the Company reclassified net foreign exchange gains of $40.0 million to gain on sale of discontinued operations. The Company recorded no ineffectiveness from its net investment hedges for the three and nine months ended September 30, 2017 and 2016.

Cash Flow Hedges. The Company hedges its foreign currency translation exposure for forecasted revenues and expenses in its EMEA region between the U.S. Dollar and the British Pound, Euro, Swedish Krona and Swiss Franc. The foreign currency forward and option contracts that the Company uses to hedge this exposure are designated as cash flow hedges under the accounting standard for derivatives and hedging. The Company also uses net purchased collar options to manage a portion of its exposure to foreign currency exchange rate fluctuations, where the Company writes a foreign currency call option and purchases a foreign currency put option. When two or more derivative instruments in combination are jointly designated as a cash flow hedging instrument, they are treated as a single instrument.

The Company enters into intercompany hedging instruments ("intercompany derivatives") with wholly-owned subsidiaries of the Company in order to hedge certain forecasted revenues and expenses denominated in currencies other than the U.S. dollar. Simultaneously, the Company enters into derivative contracts with unrelated third parties to externally hedge the net exposure created by such intercompany derivatives.

The following disclosure is prepared on a consolidated basis. Assets and liabilities resulting from intercompany derivatives have been eliminated in consolidation. As of September 30, 2017, the Company's cash flow hedge instruments had maturity dates ranging from October 2017 to August 2019 as follows (in thousands):

	Notional Amount	Fair Value [1]	Accumulated Other Comprehensive Income (Loss) [2] [3]
Derivative assets	$111,080	$ 5,441	$ 5,059
Derivative liabilities	492,159	(29,762)	(34,017)
Total	$603,239	$ (24,321)	$ (28,958)

(1) All derivatives 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 loss of $19.9 million within accumulated other comprehensive income (loss) relating to cash flow hedges that will be reclassified to revenues and expenses as they mature in the next 12 months.

As of December 31, 2016, the Company's cash flow hedge instruments had maturity dates ranging from January 2017 to November 2018 as follows (in thousands):

	Notional Amount	Fair Value [1]	Accumulated Other Comprehensive Income (Loss) [2] [3]
Derivative assets	$545,638	$ 44,570	$ 42,634
Derivative liabilities	42,207	(1,815)	(1,453)
Total	$587,845	$ 42,755	$ 41,181

(1) All derivatives 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 $31.9 million within accumulated other comprehensive income (loss) relating to cash flow hedges that will be reclassified to revenues and expenses as they mature over the next 12 months.

During the three months ended September 30, 2017 and 2016, the ineffective and excluded portions of cash flow hedges recognized in other income (expense) were not significant. During the three months ended September 30, 2017, the amount of net losses reclassified from accumulated other comprehensive income (loss) to revenues and the amount of net gains reclassified from accumulated other comprehensive income (loss) to operating expenses were not significant. During the three months ended September 30, 2016, the amount of net gains reclassified from accumulated other comprehensive income (loss) to revenues was $10.1 million and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses was $5.0 million.

During the nine months ended September 30, 2017, the amount of net gains from the ineffective and excluded portions of cash flow hedges recognized in other income (expense) was $3.6 million. During the nine months ended September 30, 2016, net gains from the ineffective and excluded portions of cash flow hedges recognized in other income (expense) were not significant. During the nine months ended September 30, 2017, the amount of net gains reclassified from accumulated other comprehensive income (loss) to revenues was $25.8 million and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses was $13.4 million. During the nine months ended September 30, 2016, the amount of net gains reclassified from accumulated other comprehensive income (loss) to revenues was $22.7 million and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses was $11.7 million.

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 September 30, 2017 and 2016, gains (losses) associated with these embedded derivatives were not significant. During the nine months ended September 30, 2017 and 2016, the losses associated with these embedded derivatives were $6.3 million and $7.3 million, respectively.

Economic Hedges of Embedded Derivatives. The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with the Company's customer agreements that are priced in currencies different from the functional or local currencies of the parties involved ("economic hedges of embedded derivatives"). Foreign currency forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Gains and losses on these contracts are included within revenues in the Company's condensed consolidated statements of operations along with gains and losses of the related embedded derivatives. The Company entered into various economic hedges of embedded derivatives during the three and nine months ended September 30, 2017 and 2016. During the three and nine months ended September 30, 2017, the gains (losses) associated with these contracts were not significant. During the three months ended September 30, 2016, the gains (losses) associated with these contracts were not significant. During the nine months ended September 30, 2016, the gains associated with these contracts were $5.3 million.

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Foreign Currency Forward and Option Contracts. The Company also uses foreign currency forward and option 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 its foreign currency-denominated assets and liabilities change. Gains and losses on these contracts are included in other income (expense), net in the Company's condensed consolidated statements of operations, along with foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward and option contracts. The Company entered into various foreign currency forward and option contracts during the three and nine months ended September 30, 2017 and 2016. During the three and nine months ended September 30, 2017, the Company recognized net losses of $23.1 million and $60.2 million, respectively, associated with these contracts. During the three and nine months ended September 30, 2016, the Company recognized net gains of $3.2 million and $44.6 million, respectively, associated with these contracts.

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 September 30, 2017 (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 designated as cash flow hedges	$ 5,441	$ —	$ 5,441	$ (5,441)	$ —
Not designated as hedging instruments:					
Embedded derivatives	5,096	—	5,096	—	5,096
Economic hedges of embedded derivatives	969	—	969	(278)	691
Foreign currency forward contracts	6,947	—	6,947	(1,973)	4,974
	13,012	—	13,012	(2,251)	10,761
Additional netting benefit	—	—	—	(3,680)	(3,680)
	$ 18,453	$ —	$ 18,453	$ (11,372)	$ 7,081
Liabilities:					
Designated as hedging instruments					
Foreign currency forward and option contracts designated as cash flow hedges	$ 29,762	$ —	$ 29,762	$ (5,441)	$ 24,321
Not designated as hedging instruments:					
Embedded derivatives	3,013	—	3,013	—	3,013
Economic hedges of embedded derivatives	278	—	278	(278)	—
Foreign currency forward contracts	2,806	—	2,806	(1,973)	833
	6,097	—	6,097	(2,251)	3,846
Additional netting benefit	—	—	—	(3,680)	(3,680)
	$ 35,859	$ —	$ 35,859	$ (11,372)	$ 24,487

(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.

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The following table presents the fair value of derivative instruments recognized in the Company's condensed consolidated balance sheets as of December 31, 2016 (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:					
Cash flow hedges					
Foreign currency forward and option contracts	$ 44,570	$ —	$ 44,570	$ (1,815)	$ 42,755
Net investment hedges					
Foreign currency forward contracts	6,930	—	6,930	(3,310)	3,620
	51,500	—	51,500	(5,125)	46,375
Not designated as hedging instruments:					
Embedded derivatives	9,745	—	9,745	—	9,745
Foreign currency forward contracts	8,734	—	8,734	(1,873)	6,861
	18,479	—	18,479	(1,873)	16,606
Additional netting benefit	—	—	—	(2,436)	(2,436)
	$ 69,979	$ —	$ 69,979	$ (9,434)	$ 60,545
Liabilities:					
Designated as hedging instruments:					
Cash flow hedges					
Foreign currency forward and option contracts	$ 1,815	$ —	$ 1,815	$ (1,815)	$ —
Net investment hedges					
Foreign currency forward contracts	3,525	—	3,525	(3,310)	215
	5,340	—	5,340	(5,125)	215
Not designated as hedging instruments:					
Embedded derivatives	1,525	—	1,525	—	1,525
Economic hedges of embedded derivatives	866	—	866	—	866
Foreign currency forward contracts	3,228	—	3,228	(1,873)	1,355
	5,619	—	5,619	(1,873)	3,746
Additional netting benefit	—	—	—	(2,436)	(2,436)
	$ 10,959	$ —	$ 10,959	$ (9,434)	$ 1,525

(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.

7. Fair Value Measurements

Cash, Cash Equivalents and Investments. The fair value of the Company's investments in money market funds approximates their face value. Such instruments are included in cash equivalents. The Company's money market funds and publicly traded equity securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices for identical instruments in active markets. The fair value of the Company's other investments, including certificates of deposit, approximates their face value. The fair value of these investments is priced based on the quoted market price for similar instruments or nonbinding market prices that are corroborated by observable market data. Such instruments are classified within Level 2 of the fair value hierarchy. The Company determines the fair values of its Level 2 investments by using inputs such as actual trade data, benchmark yields, broker/dealer quotes, and other similar data, which are obtained from quoted market prices, custody bank, third-party pricing vendors, or other sources. The Company uses such pricing data as the primary input to make its assessments and determinations as to the ultimate valuation of its investment portfolio and has not made, during the periods presented, any material adjustments to such inputs. The Company is responsible for its condensed consolidated financial statements and underlying estimates.

Derivative Assets and Liabilities. For derivatives, the Company uses forward contract and option models employing market observable inputs, such as spot currency rates and forward points with adjustments made to these values utilizing published credit default swap rates of its foreign exchange trading counterparties and other comparable companies. The Company has determined that the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, therefore the derivatives are categorized as Level 2.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 were as follows (in thousands):

	Fair Value at September 30, 2017	Fair Value Measurement Using Level 1	Level 2
Assets:			
Cash	$ 1,130,270	$1,130,270	$—
Money market and deposit accounts	469,718	469,718	—
Publicly traded equity securities	7,701	7,701	—
Certificates of deposit	32,756	—	32,756
Derivative instruments [(1)]	18,453	—	18,453
Total	$ 1,658,898	$1,607,689	$51,209
Liabilities:			
Derivative instruments [(1)]	$ 35,859	$—	$35,859
Total	$ 35,859	$—	$35,859

(1) Includes both foreign currency embedded derivatives and foreign currency forward and option contracts. Amounts are included within other current assets, other assets, others current liabilities and other liabilities in the Company's accompanying condensed consolidated balance sheet.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 were as follows (in thousands):

	Fair Value at December 31, 2016	Fair Value Measurement Using	
		Level 1	Level 2
Assets:			
Cash	$ 345,119	$345,119	$—
Money market and deposit accounts	400,388	400,388	—
Publicly traded equity securities	6,463	6,463	—
Certificates of deposit	9,957	—	9,957
Derivative instruments [1]	69,979	—	69,979
Total	$ 831,906	$751,970	$79,936
Liabilities:			
Derivative instruments [1]	$ 10,959	$—	$10,959
Total	$ 10,959	$—	$10,959

(1) Includes both foreign currency embedded derivatives and foreign currency forward and option 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 Level 3 financial assets or financial liabilities as of September 30, 2017 and December 31, 2016.

8. Leases

Capital Lease and Other Financing Obligations

Amsterdam 5 ("AM5") Data Center

In May 2017, the Company entered into an agreement to acquire the land and building for the AM5 IBX data center for cash consideration of €26.7 million or $30.4 million at the exchange rate in effect on June 30, 2017. The Company had previously leased this IBX data center. As a result of the purchase, the prior lease was effectively terminated and the lease liability was settled in full. The Company settled the financing lease obligation of AM5 data center for €20.0 million or approximately $22.8 million and recognized a loss on debt extinguishment of €7.2 million or approximately $8.2 million. The fair value allocated to the ground lease was €6.7 million or $7.6 million was recorded as other assets and will be amortized through December 2054.

Hong Kong 5 ("HK5") Data Center

In January 2017, the Company entered into an agreement for certain elements of the construction of Hong Kong 5 Data Center. The terms of the construction agreement triggered the Company to be, in substance, the owner of the asset during the construction phase. The Company has accounted for the construction and related agreements as a build-to-suit arrangement. As of September 30, 2017, the Company recorded a financing liability totaling approximately 565.2 million Hong Kong dollars, or $72.4 million at the exchange rate in effect as of September 30, 2017.

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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 [(1)]	Total
2017 (3 months remaining)	$ 21,758	$ 23,065	$ 44,823
2018	93,791	100,966	194,757
2019	87,022	87,789	174,811
2020	87,170	87,636	174,806
2021	87,443	89,294	176,737
Thereafter	882,047	973,777	1,855,824
Total minimum lease payments	1,259,231	1,362,527	2,621,758
Plus amount representing residual property value	—	537,219	537,219
Less amount representing interest	(538,584)	(948,004)	(1,486,588)
Present value of net minimum lease payments	720,647	951,742	1,672,389
Less current portion	(30,043)	(30,158)	(60,201)
Total	$ 690,604	$ 921,584	$ 1,612,188

(1) Other financing obligations are primarily build-to-suit lease obligations.

9. Debt Facilities

Mortgage and Loans Payable

As of September 30, 2017 and December 31, 2016, the Company's mortgage and loans payable consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Term loans	$ 2,619,646	$ 1,413,582
Mortgage payable and loans payable	46,159	44,382
	2,665,805	1,457,964
Less amount representing unamortized debt discount and debt issuance cost	(31,876)	(22,811)
Add amount representing unamortized mortgage premium	2,036	1,862
	2,635,965	1,437,015
Less current portion	(84,455)	(67,928)
Total	$ 2,551,510	$ 1,369,087

Senior Credit Facility

On December 17, 2014, the Company entered into a credit agreement with a group of lenders for a $1,500.0 million credit facility (“Senior Credit Facility”), comprised of a $1,000.0 million multicurrency revolving credit facility (“Revolving Credit Facility”) and a $500.0 million multicurrency term loan facility (“Term Loan A Facility”). The Senior Credit Facility was amended on April 30, 2015 to convert outstanding U.S. dollar-denominated loans into equivalent amounts denominated in four foreign currencies. The Senior Credit Facility was further amended on December 8, 2015 to increase the Revolving Credit Facility to $1,500.0 million and to receive commitments from the lenders for a $250.0 million and £300.0 million seven-year Term B-1 Loans (the “Term B-1 Loan Facility”).

On December 22, 2016, the Company entered into a third amendment (the "Third Amendment") to the Senior Credit Facility. Pursuant to the Third Amendment, (i) the Company could borrow up to €1,000.0 million in additional term B loan (the "Term B-2 Loan"), (ii) the interest rate margin applicable to the existing Term B-1 Loan Facility in U.S. Dollars was reduced from 3.25% to 2.50% and the LIBOR floor applicable to such loans was reduced from 0.75% to zero and (iii) the interest rate margin applicable to the loans borrowed under the Term B-1 Loan Facility in Pounds Sterling was reduced from 3.75% to 3.00%, with no change to the existing LIBOR floor of 0.75% applicable to such loans.

On January 6, 2017, the Company borrowed the full amount of the Term B-2 Loan of €1,000.0 million, or approximately $1,059.8 million, and recorded debt issuance costs of €13.0 million, or approximately $13.8 million at the exchange rate in effect on January 6, 2017. The Term B-2 Loan bore interest at an index rate based on LIBOR plus a margin of 3.25%. The Term B-2 Loan was issued at par. The Term B-2 Loan must be repaid in equal quarterly installments of 0.25% of the original principal amount starting in the second quarter of 2017, with the remaining amount outstanding to be repaid in full on the seventh anniversary of the funding date of the Term B-2 Loan. As of September 30, 2017, the Company had a €995.0 million outstanding balance, or a total of approximately $1,175.6 million at the exchange rate in effect on September 30, 2017, under the Term B-2 Loan. As of September 30, 2017, debt issuance costs related to the Term B-2 Loan, net of amortization, were €11.6 million, or $12.2 million.

On August 15, 2017, the Company entered into a fourth amendment (the “Fourth Amendment”) to the Senior Credit Facility. Pursuant to the Fourth Amendment, (i) the interest rate margin applicable to loans borrowed under the Term B-1 Loan Facility in US Dollars was reduced from (a) 2.50% to 2.00% in the case of USD Term B-1 Loan Facility indexed to LIBOR and (b) 1.50% to 1.00% in the case of USD Term B-1 Loan Facility indexed to an alternate base rate, (ii) the LIBOR floor applicable to loans borrowed under the Term B-1 Loan Facility in Pounds Sterling was reduced from 0.75% to zero and (iii) the interest rate margin applicable to loans borrowed under the Term B-2 Loan in Euro was reduced from 3.25% to 2.50%.

Senior Notes

As of September 30, 2017 and December 31, 2016, the Company's senior notes consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
2.875% Euro Senior Notes due 2025 [1]	$ 1,181,500	$—
4.875% Senior Notes due 2020	—	500,000
5.375% Senior Notes due 2022	750,000	750,000
5.375% Senior Notes due 2023	1,000,000	1,000,000
5.750% Senior Notes due 2025	500,000	500,000
5.875% Senior Notes due 2026	1,100,000	1,100,000
5.375% Senior Notes due 2027	1,250,000	—
	5,781,500	3,850,000
Less amount representing unamortized debt issuance cost	(64,224)	(39,230)
Total	$ 5,717,276	$3,810,770

(1) The 2.875% Euro Senior Notes are denominated in Euros with €1,000.0 million outstanding as of September 30, 2017.

Redemption of 2020 Senior Notes

On September 28, 2017, the Company redeemed the entire $500.0 million principal amount of its 4.875% senior notes due 2020 at a redemption price of 102.438% of the principal amount of the notes plus accrued and unpaid interest. The Company recognized a loss on debt extinguishment of $14.6 million related to the redemption of these notes

comprised of a $12.2 million early redemption premium and write-off of unamortized debt issuance costs of $2.4 million.
2025 Euro Senior Notes
On September 20, 2017, the Company issued €1,000.0 million, or approximately $1,199.7 million in U.S. dollars, at the exchange rate in effect on September 20, 2017, aggregate principal amount of 2.875% senior notes due October 1, 2025, which

are referred to as the "2025 Euro Senior Notes." Interest on the notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2018. Debt issuance costs related to the 2025 Euro Senior Notes were $16.3 million.

2027 Senior Notes

In March 2017, the Company issued $1,250.0 million aggregate principal amount of 5.375% senior notes due May 15, 2027, which are referred to as the "2027 Senior Notes." Interest on the notes is payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2017. Debt issuance costs related to the 2027 Senior Notes were $16.8 million.

The 2025 Euro Senior Notes and 2027 Senior Notes are unsecured and rank equal in right of payment to the Company's existing or future senior indebtedness and senior in right of payment to the Company's existing and future subordinated indebtedness. The 2025 Euro Senior Notes and 2027 Senior Notes are effectively subordinated to all of the existing and future secured debt, including debt outstanding under any bank facility or secured by any mortgage, to the extent of the assets securing such debt. They are also structurally subordinated to any existing and future indebtedness and other liabilities (including trade payables) of any of the Company's subsidiaries.

The 2025 Euro Senior Notes and 2027 Senior Notes are governed by a supplemental indenture to the indenture between the Company and U.S. Bank National Association, as trustee, that also governs the Company's 5.875% Senior Notes due 2026, 5.375% Senior Notes due 2022, and 5.750% Senior Notes due 2025 (collectively, the "Senior Notes"). The supplemental indenture contains covenants that limit the Company's ability and the ability of its subsidiaries to, among other things:

- incur additional debt;
- pay dividends or make other restricted payments;
- purchase, redeem or retire capital stock or subordinated debt;
- make asset sales;
- enter into transactions with affiliates;
- incur liens;
- enter into sale-leaseback transactions;
- provide subsidiary guarantees;
- make investments; and
- merge or consolidate with any other person.

If the Senior Notes are rated investment grade at any time by two or more of Standard & Poor’s, Moody’s and Fitch, most of the restrictive covenants contained in the supplemental indenture will be suspended. As of September 30, 2017, the Company was in compliance with all debt covenants.

The Company is not required to make any mandatory redemption with respect to the 2025 Euro Senior Notes or 2027 Senior Notes, however upon the event of a change in control, the Company will be required to offer to purchase the 2025 Euro Senior Notes and 2027 Senior Notes.

Optional Redemption Schedule

Senior Notes Description	Early Equity Redemption Price	First Scheduled Redemption Date	First Year Redemption Price	Second Year Redemption Price	Third Year Redemption Price	Fourth Year Redemption Price
5.375% Notes due 2027	105.375%	May 15, 2022	102.688%	101.792%	100.896%	100.000%
2.875% Euro Notes due 2025	102.875%	October 1, 2020	101.438%	100.719%	100.000%	—

The 2025 Euro Senior Notes and 2027 Senior Notes provide for optional redemption. Within 90 days of the closing of one or more equity offerings and at any time prior to the first scheduled redemption date listed in the optional redemption schedule, the Company may redeem up to 35% of the aggregate principal amount of the Senior Notes outstanding at the early equity redemption price, plus accrued and unpaid interest, provided that at least 65% of the aggregate principal amount of the Senior Notes remain outstanding immediately after the occurrence of such redemption.

On or after the first scheduled redemption date listed in the optional redemption schedule, the Company may redeem all or a part of the 2025 Euro Senior Notes and 2027 Senior Notes, on any one or more occasions, at the redemption prices (expressed as percentages of principal amount) set forth in the optional redemption schedule plus accrued and unpaid interest thereon, if any, if redeemed during the twelve-month period beginning on the first scheduled redemption date and at declining redemption prices during the twelve-month periods beginning on the anniversaries of the first scheduled redemption date.

In addition, at any time prior to the respective first scheduled redemption date, the Company may also redeem all or a part of the Senior Notes at a redemption price equal to 100% of the principal amount of Senior Notes redeemed plus the applicable premium (the "Applicable Premium") as of the date of redemption, and accrued and unpaid interest, if any, subject to the rights of the holders of record of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date. The Applicable Premium is written to make investors whole through the first scheduled optional redemption date and is defined as the greater of:

- 1.0% of the principal amount of the Senior Notes; and
- the excess of: (a) the present value at such redemption date of (i) the redemption price of the Senior Notes at the first scheduled redemption date, plus (ii) all required interest payments due on the Senior Notes through the first scheduled redemption date, computed using a discount rate equal to the treasury rate (or Bund rate for Euro Senior Notes) as of such redemption date plus 50 basis points; over (b) the principal amount of the Senior Notes, if greater.

In the event of any amendment to, or change in, the laws of a relevant tax jurisdiction, which would require the Company to pay additional amounts in respect to the 2025 Euro Senior Notes, the Company may redeem at any time the 2025 Euro Senior Notes in whole, but not in part, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

As of September 30, 2017, unamortized debt issuance costs related to the 2025 Euro Senior Notes were €13.5 million or approximately $16.0 million. Unamortized debt issuance costs related to 2027 Senior Notes were $16.0 million.

Maturities of Debt Facilities

The following table sets forth maturities of the Company's debt, including mortgage and loans payable, and senior notes, gross of debt issuance costs and debt discounts, as of September 30, 2017 (in thousands):

Years ending:	
2017 (3 months remaining)	$21,105
2018	84,478
2019	389,409
2020	44,027
2021	355,279
Thereafter	7,555,043
Total	$8,449,341

Fair Value of Debt Facilities

The following table sets forth the estimated fair values of the Company's mortgage and loans payable and senior notes (gross of debt discount, premium and deferred issuance costs), including current maturities, as of (in thousands):

	September 30, 2017	December 31, 2016
Mortgage and loans payable	$ 2,668,249	$1,461,954
Senior notes	6,106,055	4,033,985

The fair value of the mortgage and loans payable was estimated by considering the Company's credit rating, current rates available to the Company for debt of the same remaining maturities and terms of the debt (Level 2). The fair value of the senior notes was based on quoted market prices (Level 1).

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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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	$121,828	$92,200	$352,554	$293,395
Interest capitalized	6,174	3,234	20,573	9,479
Interest charges incurred	$128,002	$95,434	$373,127	$302,874

Total interest paid, net of capitalized interest, during the three months ended September 30, 2017 and 2016 was $122.8 million and $107.9 million, respectively. Total interest paid, net of capitalized interest, during the nine months ended September 30, 2017 and 2016 was $321.8 million and $262.1 million, respectively.

10. Commitments and Contingencies
Purchase Commitments
Primarily as a result of the Company's various IBX data center expansion projects, as of September 30, 2017, the Company was contractually committed for $336.8 million of unaccrued capital expenditures, primarily for IBX infrastructure 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 September 30, 2017, such as commitments to purchase power in select locations through the remainder of 2017 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2017 and thereafter. Such other miscellaneous purchase commitments totaled $592.4 million as of September 30, 2017.
Contingent Liabilities
The Company estimates exposure on certain liabilities, such as indirect and property taxes, based on the best information available at the time of determination. With respect to real and personal property taxes, the Company records what it can reasonably estimate based on prior payment history, current landlord estimates or estimates based on current or changing fixed asset values in each specific municipality, as applicable. However, there are circumstances beyond the Company’s control whereby the underlying value of the property or basis for which the tax is calculated on the property may change, such as a landlord selling the underlying property of one of the Company’s IBX data center leases or a municipality changing the assessment value in a jurisdiction and, as a result, the Company’s property tax obligations may vary from period to period. Based upon the most current facts and circumstances, the Company makes the necessary property tax accruals for each of its reporting periods. However, revisions in the Company’s estimates of the potential or actual liability could materially impact its financial position, results of operations or cash flows.
The Company's indirect and property tax filings in various jurisdictions are subject to examination by local tax authorities. The outcome of any examinations cannot be predicted with certainty. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations that would affect the adequacy of its tax accruals for each of the reporting periods. If any issues arising from the tax examinations are resolved in a manner inconsistent with the Company’s expectations, the revision of the estimates of the potential or actual liabilities could materially impact its financial position, results of operations, or cash flows.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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11. Stockholders' Equity
Accumulated Other Comprehensive Loss
The changes in accumulated other comprehensive loss, net of tax, by components are as follows (in thousands):

	Balance as of December 31, 2016	Net Change	Balance as of September 30, 2017
Foreign currency translation adjustment ("CTA") gain (loss)	$ (1,031,129)	$ 408,830	$ (622,299)
Unrealized gain (loss) on cash flow hedges [1]	30,704	(52,468)	(21,764)
Unrealized gain (loss) on available-for-sale securities [2]	2,110	(85)	2,025
Net investment hedge CTA gain (loss) [1]	49,989	(191,121)	(141,132)
Net actuarial gain (loss) on defined benefit plans [3]	(816)	39	(777)
Total	$ (949,142)	$ 165,195	$ (783,947)

(1) Refer to Note 6 for a discussion of the amounts reclassified from accumulated other comprehensive income (loss) to net income (loss).
(2) No realized gains and losses were reclassified from accumulated other comprehensive income (loss) to net income (loss) for the nine months ended September 30, 2017.
(3) The Company has a defined benefit pension plan covering all employees in one country where such plan is mandated by law. The Company does not have any defined benefit plans in any other countries. The unamortized gain (loss) on defined benefit plans includes gains or losses resulting from a change in the value of either the projected benefit obligation or the plan assets resulting from a change in an actuarial assumption, net of amortization.

Changes in foreign currency exchange rates can have a significant impact to the Company's condensed consolidated balance sheets (as evidenced above in the Company's foreign currency translation gain or loss), as well as its condensed consolidated results of operations, as amounts in foreign currencies generally translate into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. As of September 30, 2017, the U.S. dollar was generally weaker relative to certain of the currencies of the foreign countries in which the Company operates as compared to December 31, 2016. This overall weakening of the U.S. dollar had an overall favorable impact on the Company's condensed consolidated financial position because the foreign denominations translated into more U.S. dollars as evidenced by an increase in foreign currency translation gain for the nine months ended September 30, 2017 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 condensed consolidated financial position and results of operations including the amount of revenue that the Company reports in future periods.

Common Stock

In August 2017, the Company entered into an equity distribution agreement with RBC Capital Market, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, establishing an "at the market" equity offering program, under which the Company may offer and sell from time to time up to an aggregate of $750.0 million of its common stock in "at the market" transactions (the "ATM Program"). No sales have been made under the ATM Program to date.

In March 2017, the Company issued and sold 6,069,444 shares of its common stock in a public offering pursuant to a registration statement and a related prospectus and prospectus supplement, in each case filed with the SEC. The shares issued and sold included the full exercise of the underwriters' option to purchase 791,666 additional shares. The Company received net proceeds of approximately $2,126.3 million, after deducting underwriting discounts and commissions of $57.9 million and offering expenses of $0.8 million.

Dividends

On August 2, 2017, the Company declared a quarterly cash dividend of $2.00 per share, with a record date of August 23, 2017 and a payment date of September 20, 2017. During the three months ended September 30, 2017, the Company paid a total of $159.5 million in dividends. In addition, the Company accrued an additional $2.7 million in dividends payable for restricted stock units that have not yet vested.

On April 26, 2017, the Company declared a quarterly cash dividend of $2.00 per share, with a record date of May 24, 2017 and a payment date of June 21, 2017. During the three months ended June 30, 2017, the Company paid a total of $156.3 million in dividends. In addition, the Company accrued an additional $2.7 million in dividends payable for restricted stock units that have not yet vested.

On February 15, 2017, the Company declared a quarterly cash dividend of $2.00 per share, with a record date of February 27, 2017 and a payment date of March 22, 2017. During the three months ended March 31, 2017, the Company paid a total of $148.1 million in dividends. In addition, the Company accrued an additional $2.6 million in dividends payable for restricted stock units that have not yet vested.

Stock-Based Compensation

For the nine months ended September 30, 2017, the Compensation Committee and the Stock Award Committee of the Company's Board of Directors approved the issuance of an aggregate of 511,548 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 $367.23 and a weighted-average requisite service period of 3.48 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. The Company used revenues 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 the first nine months ended September 30, 2017.

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 in 2017 compared to the prior year.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of revenues	$3,911	$3,316	$10,000	$9,754
Sales and marketing	13,847	11,702	38,245	32,187
General and administrative	27,896	27,455	81,357	74,370
Total	$45,654	$42,473	$129,602	$116,311

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EQUINIX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

12. 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 revenues 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, acquisition costs and gains on asset sales as presented below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Adjusted EBITDA:				
Americas	$292,101	$202,131	$748,871	$581,619
EMEA	146,464	121,468	417,640	366,412
Asia-Pacific	111,754	96,443	320,690	272,952
Total adjusted EBITDA	550,319	420,042	1,487,201	1,220,983
Depreciation, amortization and accretion expense	(277,719)	(215,370)	(749,118)	(631,242)
Stock-based compensation expense	(45,654)	(42,473)	(129,602)	(116,311)
Acquisition costs	(2,083)	(12,505)	(31,510)	(64,635)
Impairment charges	—	(7,698)	—	(7,698)
Gains on asset sales	—	27,945	—	33,187
Income from continuing operations	$224,863	$169,941	$576,971	$434,284

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Americas	$596,538	$425,142	$1,566,593	$1,243,007
EMEA	338,833	301,250	976,624	869,715
Asia-Pacific	216,890	198,284	624,990	556,620
Total	$1,152,261	$924,676	$3,168,207	$2,669,342
Depreciation and amortization:				
Americas	$151,072	$81,724	$363,341	$236,385
EMEA	75,276	79,292	230,406	237,846
Asia-Pacific	52,063	53,809	156,456	153,179
Total	$278,411	$214,825	$750,203	$627,410
Capital expenditures:				
Americas	$151,310	$147,328	$465,424	$346,817
EMEA	112,578	79,585	347,647	223,440
Asia-Pacific	56,346	52,564	132,977	156,787
Total	$320,234	$279,477	$946,048	$727,044

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

	September 30, 2017	December 31, 2016
Americas	$ 4,399,846	$ 3,339,518
EMEA	2,933,406	2,355,943
Asia-Pacific	1,672,919	1,503,749
Total long-lived assets	$ 9,006,171	$ 7,199,210

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Colocation	$842,680	$678,959	$2,316,433	$1,958,582
Interconnection	179,544	137,501	493,288	397,147
Managed infrastructure	63,278	55,146	176,080	156,302
Other	3,531	5,400	11,720	12,901
Recurring revenues	1,089,033	877,006	2,997,521	2,524,932
Non-recurring revenues	63,228	47,670	170,686	144,410
Total	$1,152,261	$924,676	$3,168,207	$2,669,342

No single customer accounted for 10% or greater of the Company's revenues for the three and nine months ended September 30, 2017 and 2016. No single customer accounted for 10% or greater of the Company's gross accounts receivable as of September 30, 2017 and December 31, 2016.

13. Subsequent Events

On November 1, 2017, the Company declared a quarterly cash dividend of $2.00 per share, which is payable on December 13, 2017 to the Company's common stockholders of record as of the close of business on November 15, 2017.

On October 9, 2017, the Company completed the acquisition of Itconic for a cash purchase price of €215.0 million or $252.6 million at the exchange rate in effect on October 9, 2017. Itconic is a data center provider in Spain and Portugal, and also includes CloudMas, an Itconic subsidiary which is focused on supporting enterprise adoption and use of cloud services. Itconic’s operating results will be reported in the EMEA region following the date of acquisition. The acquisition of Itconic constitutes a business under the accounting standard for business combinations and therefore will be accounted for as a business combination using the acquisition method of accounting. The fair value of assets acquired and liabilities assumed are being appraised by the Company with the assistance of a third party and have not been finalized.

On October 6, 2017, the Company acquired a data center business from Zenium for a cash payment of approximately $93.0 million. The acquired facility is located in Istanbul, Turkey, and will be renamed Istanbul 2 ("IS2") data center. IS2’s operating results will be reported in the EMEA region following the date of acquisition. The acquisition of IS2 constitutes a business under the accounting standard for business combinations and therefore will be accounted for as a business combination using the acquisition method of accounting. The fair value of assets acquired and liabilities assumed are being appraised by the Company with the assistance of a third party and have not been finalized.

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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 October 2017, we acquired a data center business from Zenium in Istanbul for a cash purchase price of approximately $93.0 million. The acquired data center will be renamed as Istanbul 2 (or "IS2") data center. The acquisition of IS2 will be accounted for using the acquisition method.

In September 2017, as more fully described in Note 9 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we issued €1.0 billion or approximately $1.2 billion in U.S. dollars, at the exchange rate in effect on September 20, 2017, aggregate principal amount of 2.875% senior notes due October 1, 2025 (the "2025 Euro Senior Notes") and recorded debt issuance costs of $16.3 million. We used a portion of the net proceeds from the 2025 Euro Senior Notes to redeem our 4.875% senior notes with an aggregate principal amount of $500.0 million in September 2017. As a result, we recognized a loss on debt extinguishment of $14.6 million during the third quarter of 2017.

In September 2017, we entered into a purchase agreement to acquire Itconic with 5 data centers in Spain and Portugal for a cash purchase price of approximately €215.0 million or $252.6 million at the exchange rate in effect on October 9, 2017 (the "Itconic Acquisition"). The Itconic Acquisition was completed in October 2017. The Itconic Acquisition will be accounted for using the acquisition method.

In August 2017, as more fully described in Note 11 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we launched an "at the market" program (the "ATM program"), under which we may offer and sell shares of our common stock having an aggregate offering price of up to $750.0 million from time to time through our sales agents. No sales have been made under the ATM Program to date.

In August 2017, as more fully described in Note 9 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we entered into a fourth amendment (the “Fourth Amendment”) to the senior secured credit facility, which is comprised of a multi-currency revolving credit facility, a multi-currency senior secured term A loan facility and a multi-currency senior secured term B loan facility (the "Term Loan B Facility"). Pursuant to the Fourth Amendment, we modified various terms of interest rates applicable to loans borrowed under the Term Loan B Facility.

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In May 2017, 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 completed the acquisition of certain colocation business from Verizon Communications Inc. ("Verizon") consisting of 29 data center buildings located in the United States, Brazil and Colombia (the "Selected Verizon Data Center Business"), for a cash purchase price of approximately $3.6 billion (the "Verizon Data Center Acquisition"), which we funded with proceeds of debt and equity financings conducted in January and March 2017 as discussed below. The Verizon Data Center Acquisition was accounted for using the acquisition method. The fair value of the assets acquired and liabilities assumed are currently being appraised by a third-party. The valuation and purchase accounting of this acquisition have not yet been finalized as of September 30, 2017.

In March 2017, as more fully described in Note 11 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we issued and sold 6,069,444 shares of our common stock in a public offering. We received net proceeds of approximately $2,126.3 million, after deducting underwriting discounts, commissions and offering expenses.

In March 2017, as more fully described in Note 9 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we issued $1,250.0 million aggregate principal amount of 5.375% senior notes due May 15, 2027 (the "2027 Senior Notes") and recorded debt issuance costs of $16.8 million.

In February 2017, 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 acquired IO UK's data center operating business in Slough, United Kingdom, for a cash payment of approximately $36.3 million (the "IO Acquisition"). The acquired facility was renamed as London 10 ("LD10") data center. The IO Acquisition was accounted for using the acquisition method. The valuation and purchase accounting of this acquisition have not been finalized as of September 30, 2017.

In January 2017, as more fully described in Note 9 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we borrowed the full amount of the Term B-2 Loan of €1.0 billion or approximately $1.1 billion in U.S. dollars at the exchange rate in effect on January 6, 2017.

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 around the world for the safehousing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. The Verizon Data Center Acquisition along with the acquisitions of Itconic and IS2 expanded the Company's total global footprint to 190 IBX data centers across 48 markets around the world. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and (iii) exchange and outsourced IT infrastructure services. As of September 30, 2017, we operated or had partner International Business Exchange® ("IBX") data centers in the Atlanta, Culpeper, Bogota, Boston, Chicago, Dallas, Denver, Houston, 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; Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Sweden, Switzerland, Turkey, 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 48 markets around the world are a global platform, which allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global platform and the quality of our IBX data centers, we believe we have established a critical mass of customers. As more customers locate in our IBX data centers, it benefits their suppliers and business partners to colocate 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 24 countries with proven operational reliability, improved application performance and network choice, and a highly scalable set of offerings.

Our utilization rates were approximately 78%, excluding the Verizon Data Center Acquisition, as of September 30, 2017 and 81%, excluding the acquisitions of TelecityGroup and Bit-isle, as of September 30, 2016. Excluding the impact of our IBX data center expansion projects that have opened during the last 12 months and acquisitions mentioned above, our utilization rate would have increased to approximately 83% as of September 30, 2017. Our utilization rate varies from market to market among our IBX

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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 September 30, 2017 and 2016, our largest customer accounted for approximately 4% and 3%, respectively, of our recurring revenues. Our 50 largest customers accounted for approximately 37% and 36%, respectively, of our recurring revenues for the three months ended September 30, 2017 and 2016. During the nine months ended September 30, 2017 and 2016, our largest customer accounted for approximately 3% of our recurring revenues. Our 50 largest customers accounted for approximately 36% of our recurring revenues for both the nine months ended September 30, 2017 and 2016.

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.

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.

We expect our cost of revenues, sales and marketing expenses and general and administrative expenses to grow in absolute dollars in connection with our business growth. We may periodically see a higher cost of revenues as a percentage of revenues, 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 revenues 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. 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 revenues, 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.

Taxation as a REIT

We elected to be taxed as a real estate investment trust for U.S. federal income tax purposes ("REIT") beginning with our 2015 taxable year. As of September 30, 2017, our REIT structure includes all of our data center operations in the U.S., Canada, Japan and most of our data center operations in Europe. Our data center operations in other jurisdictions are operated as taxable REIT subsidiaries ("TRSs").

As a REIT, we generally are permitted to deduct from our U.S. federal taxable income the dividends we pay to our stockholders. The income represented by such dividend payments is not subject to U.S. federal income tax at the entity level but is taxed, if at all, at the stockholder level. Nevertheless, the income of our domestic TRSs is 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 gain recognized from a sale of a REIT asset where our basis in the asset is determined by reference to the basis of the asset in the hands of a C corporation (such as (i) an asset that we held as of the effective date of our REIT election, that is, January 1, 2015, or (ii) an asset that we or a QRS hold following the liquidation or other conversion of a former TRS). This built-in-gains tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g. January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset. If we fail to remain qualified for U.S. federal income taxation as a REIT, we will be subject to federal income tax at regular corporate tax rates. Even if we remain qualified for U.S. federal income 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.

On March 22, 2017, June 21, 2017, and September 20, 2017, we paid quarterly cash dividends of $2.00 per share, and on November 1, 2017 we declared a quarterly cash dividend of $2.00 per share, payable on December 13, 2017 to stockholders of record on November 15, 2017. We expect the amount of all 2017 quarterly distributions and other applicable and deemed distributions to equal or exceed the taxable income to be recognized in 2017.

We continue to monitor our REIT compliance in order to maintain our qualification for U.S. federal income taxation as a REIT. For this and other reasons, as necessary we may convert certain of our data center operations in additional countries into the REIT structure in future periods.

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Results of Operations

Our results of operations for the three and nine months ended September 30, 2017 include the results of operations of the Verizon Data Center Acquisition from May 1, 2017, the IO Acquisition from February 3, 2017 and the Paris IBX data center acquisition (the "Paris IBX Data Center Acquisition") from January 1, 2017. Our results of operations for the three and nine months ended September 30, 2016 include the results of operations of Telecity Group from January 15, 2016 and the Paris IBX Data Center Acquisition from August 1, 2016.

Discontinued Operations

We present the results of operations associated with the TelecityGroup data centers that were divested in July 2016 as discontinued operations in our condensed consolidated statement of operations for the three and nine months ended September 30, 2016. We did not have any discontinued operations activity during the three and nine months ended September 30, 2017.

Three Months Ended September 30, 2017 and 2016

Revenues. Our revenues for the three months ended September 30, 2017 and 2016 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three Months Ended September 30,				% Change	
	2017	%	2016	%	Actual	Constant Currency [1]
Americas:						
Recurring revenues	$566,036	49 %	$404,462	44 %	40 %	40 %
Non-recurring revenues	30,502	3 %	20,680	2 %	47 %	47 %
	596,538	52 %	425,142	46 %	40 %	40 %
EMEA:						
Recurring revenues	320,879	27 %	286,190	31 %	12 %	9 %
Non-recurring revenues	17,954	2 %	15,060	2 %	19 %	15 %
	338,833	29 %	301,250	33 %	12 %	9 %
Asia-Pacific:						
Recurring revenues	202,118	18 %	186,354	20 %	8 %	11 %
Non-recurring revenues	14,772	1 %	11,930	1 %	24 %	28 %
	216,890	19 %	198,284	21 %	9 %	12 %
Total:						
Recurring revenues	1,089,033	94 %	877,006	95 %	24 %	23 %
Non-recurring revenues	63,228	6 %	47,670	5 %	33 %	32 %
	$1,152,261	100 %	$924,676	100 %	25 %	24 %

[1] As defined in the "Non-GAAP Financial Measures" section in Item 2 of this Quarterly Report on Form 10-Q.

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Americas Revenues. Revenues for our Americas region for the three months ended September 30, 2017 included approximately $137.0 million of revenues attributable to the Verizon Data Center Acquisition. Our revenues from the U.S., the largest revenue contributor in the Americas region for the period, represented approximately 91% and 92%, respectively, of the regional revenues during the three months ended September 30, 2017 and 2016. Excluding revenues attributable to the Verizon Data Center Acquisition, our Americas revenue growth was primarily due to (i) approximately $17.5 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, New York, Sao Paulo, Silicon Valley, Toronto and Washington, D.C. metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas revenues was not significant when compared to average exchange rates during the three months ended September 30, 2016.

EMEA Revenues. Revenues for our EMEA region for the three months ended September 30, 2017 included approximately $5.2 million of revenues attributable to the Paris IBX Data Center Acquisition, which closed in August 2016, and the IO Acquisition, which closed in February 2017. Our revenues from the UK, the largest revenue contributor in the EMEA region for the period, represented approximately 32% and 31%, respectively, of the regional revenues during the three months ended September 30, 2017 and 2016. Excluding revenues attributable to the Paris IBX Data Center Acquisition and the IO Acquisition, our EMEA revenue growth was primarily due to (i) approximately $24.4 million of revenues from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dubai, Dublin, Frankfurt, Helsinki, Paris, and Zurich metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $10.4 million of net favorable foreign currency impact to our EMEA revenues primarily due to a generally weaker U.S. dollar relative to the Euro during the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

Asia-Pacific Revenues. Our revenues from Japan, the largest revenue contributor in the Asia-Pacific region for the period, represented approximately 34% and 36%, respectively, of the regional revenues during the three months ended September 30, 2017 and 2016. Our Asia-Pacific revenue growth was primarily due to (i) approximately $8.3 million of revenue generated from our recently-opened IBX data center expansions in the Hong Kong, Osaka 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 September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $5.3 million of net unfavorable foreign currency impact to our Asia-Pacific revenues primarily due to a generally stronger U.S. dollar relative to Japanese yen and Singapore dollar during the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

Cost of Revenues. Our cost of revenues for the three months ended September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Three Months Ended September 30,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$270,488	46 %	$178,983	38 %	51 %	51 %
EMEA	190,046	33 %	167,189	36 %	14 %	10 %
Asia-Pacific	121,826	21 %	124,130	26 %	(2)%	1 %
Total	$582,360	100%	$470,302	100%	24 %	23 %

	Three Months Ended September 30,	
	2017	2016
Cost of revenues as a percentage of revenues:		

Americas	45%	42%
EMEA	56%	55%
Asia-Pacific	56%	63%
Total	51%	51%

Americas Cost of Revenues. Cost of revenues for our Americas region for the three months ended September 30, 2017 included approximately $72.3 million attributable to the Verizon Data Center Acquisition. Excluding the impact from the Verizon Data Center Acquisition, our Americas cost of revenues for the three months ended September 30, 2017 and 2016 included $70.2 million and $61.3 million, respectively, of depreciation expense. The increase in depreciation expense was primarily due to our IBX data

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center expansion activity. In addition to the increase in depreciation expense, the increase in our Americas cost of revenues for the three months ended September 30, 2017 compared to the three months ended September 30, 2016 was primarily due to (i) $5.9 million of higher office expense, utilities, taxes, licenses, and insurance in support of our business growth and (ii) $3.3 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,090 Americas cost of revenues employees, excluding those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 1,008 as of September 30, 2016). For the three months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas cost of revenues was not significant when compared to average exchange rates of the three months ended September 30, 2016. We expect Americas cost of revenues to increase as we continue to grow our business, including results from the newly acquired business from the Verizon Data Center Acquisition.

EMEA Cost of Revenues. Cost of revenues for our EMEA region for the three months ended September 30, 2017 included approximately $6.0 million attributable to the Paris IBX Data Center Acquisition and the IO Acquisition. Excluding the impacts from these acquisitions, the increase in our EMEA cost of revenues was primarily due to (i) $7.4 million of higher utilities, taxes, licenses and insurance costs in support of our business growth, (ii) $4.3 million of higher depreciation expense, and (iii) $5.5 million of higher compensation costs, including general salaries and higher headcount growth (1,167 EMEA cost of revenues employees as of September 30, 2017 versus 1,003 as of September 30, 2016), partially offset by $2.1 million of lower rent and facility costs. During the three months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA cost of revenues resulted in approximately $5.6 million of net unfavorable foreign currency impact to our EMEA cost of revenues primarily due to a generally weaker U.S. dollar relative to Euro during the three months ended September 30, 2017 compared to the three months ended September 30, 2016. 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 September 30, 2017 and 2016 included $46.0 million and $49.4 million, respectively, of depreciation expense. Our Asia-Pacific cost of revenues did not materially change during the three months ended September 30, 2017 compared to the three months ended September 30, 2016. During the three months ended September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $3.5 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 Japanese yen and Singapore dollar during the three months ended September 30, 2017 compared to the three months ended September 30, 2016. 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 September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Three Months Ended September 30,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$99,599	63 %	$56,119	51 %	77 %	77 %
EMEA	39,359	25 %	36,703	33 %	7 %	6 %
Asia-Pacific	18,661	12 %	18,114	16 %	3 %	5 %
Total	$157,619	100 %	$110,936	100 %	42 %	42 %

	Three Months Ended September 30,	
	2017	2016
Sales and marketing expenses as a percentage of revenues:		
Americas	17 %	13 %

EMEA	12%	12%
Asia-Pacific	9 %	9 %
Total	14%	12%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses for the three months ended September 30, 2017 was primarily due to (i) $27.3 million of amortization of the acquired intangible assets in connection with the Verizon Data Center Acquisition, (ii) $11.4 million of higher compensation costs, including sales compensation, general salaries and stock-based compensation and headcount growth (665 Americas sales and marketing employees, including those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 545 as of September 30, 2016) and (iii) $2.0 million of higher consulting expense to support our business growth. For the three months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange

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rates of the three months ended September 30, 2016. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenues. These investments have included the hiring of additional headcount and new product innovation efforts. We anticipate that we will continue to invest in Americas sales and marketing initiatives. We expect our Americas sales and marketing expenses to continue to increase as we continue to grow our business, including impact from the Verizon Data Center Acquisition.

EMEA Sales and Marketing Expenses. The increase in sales and marketing expenses for our EMEA region for the three months ended September 30, 2017 was primarily due to $4.0 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (378 EMEA sales and marketing employees as of September 30, 2017 versus 332 as of September 30, 2016), partially offset by a decrease in amortization and bad debt expenses. For the three months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the three months ended September 30, 2016. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues. These investments have included the hiring of additional headcount and new product innovation efforts. We expect our EMEA sales and marketing expenses to increase as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. Our Asia-Pacific sales and marketing expenses did not materially change during the three months ended September 30, 2017 compared to the three months ended September 30, 2016. For the three months ended September 30, 2017, the impact of foreign currency fluctuations on our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the three months ended September 30, 2016. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenues. These investments have included the hiring of additional headcount and new product innovation efforts. We expect our Asia-Pacific sales and marketing expenses to increase as we continue to grow our business.

General and Administrative Expenses. Our general and administrative expenses for the three months ended September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Three Months Ended September 30,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$119,434	64 %	$99,422	54 %	20 %	20 %
EMEA	44,380	24 %	62,583	35 %	(29)%	(30)%
Asia-Pacific	21,522	12 %	19,234	11 %	12 %	15 %
Total	$185,336	100%	$181,239	100%	2 %	2 %

	Three Months Ended September 30,	
	2017	2016
General and administrative expenses as a percentage of revenues:		
Americas	20%	23%
EMEA	13%	21%
Asia-Pacific	10%	10%
Total	16%	20%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $8.9 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,088 Americas general and administrative employees, including those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 919 as of September 30, 2016), (ii) $4.5

million of higher office and consulting expenses in support of our business growth and (iii) $5.1 million of higher depreciation expense associated with the implementation of certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business. During the three months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates for the three months ended September 30, 2016. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further support our operations, including additional investments in our back office systems and maintaining our REIT qualification, and impact from the Verizon Data Center Acquisition.

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EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to $9.2 million of lower amortization expense as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017, $4.9 million of lower consulting costs and $2.2 million of lower compensation expenses largely due to the completion of TelecityGroup integration activities in the current quarter. For the three months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA general and administrative expenses was not significant when compared to average exchange rates for the three months ended September 30, 2016. Over the last several years, 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, we expect our EMEA general and administrative expenses to increase in future periods as we continue to further support our operations.

Asia-Pacific General and Administrative Expenses. Our Asia-Pacific general and administrative expenses did not materially change during the three months ended September 30, 2017 compared to the three months ended September 30, 2016. The impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses for the three months ended September 30, 2017 was not significant when compared to average exchange rates of the three months ended September 30, 2016. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to further support our operations.

Acquisition Costs. During the three months ended September 30, 2017, we recorded acquisition costs totaling $2.1 million primarily for the Verizon Data Center Acquisition in the Americas region. During the three months ended September 30, 2016, we recorded acquisition costs totaling $12.5 million primarily in the EMEA region due to the Paris IBX Data Center Acquisition.

Impairment Charges. During the three months ended September 30, 2016, we recorded impairment charges totaling $7.7 million in the Asia-Pacific region relating to assets held for sale. We did not have impairment charges during the three months ended September 30, 2017.

Gain on Asset Sales. During the three months ended September 30, 2016, we recorded a gain of $27.9 million on the sale of the London 2 ("LD2") data center in the EMEA region. We did not have any asset sales during the three months ended September 30, 2017.

Income from Continuing Operations. Our income from continuing operations for the three months ended September 30, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

	Three Months Ended September 30,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$105,785	47 %	$89,004	53 %	19%	19 %
EMEA	64,197	29 %	51,829	30 %	24%	16 %
Asia-Pacific	54,881	24 %	29,108	17 %	89%	91 %
Total	$224,863	100%	$169,941	100%	32%	30 %

Americas Income from Continuing Operations. The increase in our Americas income from continuing operations was primarily due to higher income generated from the Verizon Data Center Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower general and administration expenses as a percentage of revenues. The impact of foreign currency fluctuations on our Americas income from continuing operations for the three months ended September 30, 2017 was not significant when compared to average exchange rates of the three months ended September 30, 2016.

EMEA Income from Continuing Operations. Despite the impact of $27.9 million gain on asset sales from LD2 during three months ended September 30, 2016, the increase in our EMEA income from continuing operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower general and administration expenses as a percentage of revenues, which was primarily due to lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017, and lower acquisition costs incurred for the three months ended September 30, 2017. We incurred $0.9 million of acquisition costs for the three months ended September 30, 2017 and $10.9 million of acquisition costs, which was primarily related to the Paris IBX Data Center Acquisition, during the three months ended September 30, 2016. The impact of foreign currency fluctuations on our EMEA income from continuing operations for the three months ended September 30, 2017 resulted in approximately $3.9 million of net favorable foreign currency impact to our EMEA income from continuing operations primarily due to a generally weaker U.S. dollar relative to Euro during the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

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Asia-Pacific Income from Continuing Operations. The increase in our Asia-Pacific income from continuing operations was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. In addition, there was $7.7 million of impairment charges relating to assets held for sale for the three months ended September 30, 2016 while there was no similar charge for three months ended September 30, 2017. The impact of foreign currency fluctuations on our Asia-Pacific income from continuing operations for the three months ended September 30, 2017 was not significant when compared to average exchange rates for the three months ended September 30, 2016.

Interest Income. Interest income was $2.3 million and $0.8 million, respectively, for the three months ended September 30, 2017 and 2016. The average annualized yield for the three months ended September 30, 2017 was 0.68% versus 0.41% for the three months ended September 30, 2016.

Interest Expense. Interest expense increased to $121.8 million for the three months ended September 30, 2017 from $92.2 million for the three months ended September 30, 2016. The increase in interest expense was primarily due to the Term B-2 Loan borrowings of €1.0 billion, or approximately $1.1 billion at the exchange rate in effect at the time of borrowing in January 2017. Additionally, the increase was also attributable to our issuance of $1.25 billion of 2027 Senior Notes in March 2017, as well as additional financings such as various capital lease and other financing obligations to support our expansion projects. The remaining increase was attributable to our issuance of €1.0 billion, or approximately $1.2 billion at the exchange rate in effect at the time of borrowing in September 2017, of the 2025 Euro Senior Notes. During the three months ended September 30, 2017 and 2016, we capitalized $6.2 million and $3.2 million, respectively, of interest expense to construction in progress. We expect to incur higher interest expense going forward in connection with higher indebtedness that we incurred during 2017.

Other Income (Expense). We recorded net other expense of $1.1 million and net other income of $2.9 million, respectively, for the three months ended September 30, 2017 and September 30, 2016, which was primarily due to foreign currency exchange gains and losses during those periods.

Loss on debt extinguishment. We recorded a $22.2 million net loss on debt extinguishment during the three months ended September 30, 2017. During the three months ended September 30, 2017, we recorded $14.6 million loss on debt extinguishment in connection with the repayment of all of our 4.875% senior notes and $7.6 million net loss on debt extinguishment as a result of an amendment of financing obligations for a data center in Santa Clara and other various lease modifications and terminations. During the three months ended September 30, 2016, we recorded a $9.9 million loss on debt extinguishment as a result of the settlement of the financing obligations for our Paris 3 IBX data center.

Income Taxes. Effective January 1, 2015, we have operated as a REIT for U.S. federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on our taxable income distributed to our stockholders. We intend to distribute and have distributed the entire taxable income generated by the operations of the Company parent and its QRSs for the tax years ended December 31, 2017 and December 31, 2016, respectively. 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 September 30, 2017 and 2016.

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 regardless of whether the foreign operations are operated as a QRS or TRS have been accrued, as necessary, for the three months ended September 30, 2017 and 2016.

For the three months ended September 30, 2017 and 2016, we recorded $2.2 million and $22.8 million of income tax expense, respectively. Our effective tax rates were 2.7% and 31.8%, respectively, for the three months ended September 30, 2017 and 2016. The decrease in effective tax rate is primarily driven by the realization of unrecognized tax benefits in the current quarter related to the Company's tax positions as a result of the expiration of a statute of limitations.

Income from Discontinued Operations. Our net income from discontinued operations was $2.7 million for the three months ended September 30, 2016. We did not have discontinued operations during the three months ended September 30, 2017.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance 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, acquisition costs and gain on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to income or loss from operations. Our adjusted EBITDA for the three months ended September 30, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

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	Three Months Ended September 30,						% Change		
	2017	%		2016	%		Actual	Constant Currency	
Americas	$292,101	53	%	$202,131	48	%	45%	44	%
EMEA	146,464	27	%	121,468	29	%	21%	16	%
Asia-Pacific	111,754	20	%	96,443	23	%	16%	18	%
Total	$550,319	100	%	$420,042	100	%	31%	30	%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition and higher revenues as a result of our IBX data center expansion activity and organic growth as described above. The impact of foreign currency fluctuations on our Americas adjusted EBITDA for the three months ended September 30, 2017 was not significant when compared to average exchange rates of the three months ended September 30, 2016.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, and lower integration costs relating to the TelecityGroup Acquisition in the current year compared to the same period in the prior year. During the three months ended September 30, 2017, currency fluctuations resulted in approximately $5.7 million of net favorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to Euro during the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. During the three months ended September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $2.4 million of net unfavorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to a generally stronger U.S. dollar relative to Japanese yen and Singapore dollar during the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

Nine Months Ended September 30, 2017 and 2016

Revenues. Our revenues for the nine months ended September 30, 2017 and 2016 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Nine Months Ended September 30,						% change		
	2017	%		2016	%		Actual	Constant currency	
Americas:									
Recurring revenues	$1,492,059	47	%	$1,178,097	44	%	27%	26	%
Non-recurring revenues	74,534	2	%	64,910	2	%	15%	14	%
	1,566,593	49	%	1,243,007	46	%	26%	25	%
EMEA:									
Recurring revenues	922,067	29	%	821,381	31	%	12%	16	%
Non-recurring revenues	54,557	2	%	48,334	2	%	13%	16	%
	976,624	31	%	869,715	33	%	12%	16	%
Asia-Pacific:									
Recurring revenues	583,395	19	%	525,454	20	%	11%	12	%
Non-recurring revenues	41,595	1	%	31,166	1	%	33%	35	%
	624,990	20	%	556,620	21	%	12%	14	%
Total:									
Recurring revenues	2,997,521	95	%	2,524,932	95	%	19%	20	%
Non-recurring revenues	170,686	5	%	144,410	5	%	18%	20	%
	$3,168,207	100	%	$2,669,342	100	%	19%	20	%

Americas Revenues. Revenues for our Americas region for the nine months ended September 30, 2017 included approximately $223.7 million of revenues attributable to the Verizon Data Center Acquisition. Our revenues from the U.S., the largest revenue

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contributor in the Americas region for the period, represented approximately 91% and 93%, respectively, of the regional revenues during the nine months ended September 30, 2017 and 2016. Excluding revenues attributable to the Verizon Data Center Acquisition, growth in Americas revenues was primarily due to (i) approximately $37.2 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, New York, Sao Paulo, Silicon Valley, Toronto and Washington, D.C. metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the nine months ended September 30, 2017, the U.S. dollar was generally weaker relative to the Brazilian real than during the nine months ended September 30, 2016, resulting in approximately $10.3 million of net favorable foreign currency impact to our Americas revenues during the nine months ended September 30, 2017 compared to average exchange rates during the nine months ended September 30, 2016.

EMEA Revenues. Revenues for our EMEA region for the nine months ended September 30, 2017 include $29.9 million of revenues attributable to the first 15 days of 2017 resulting from the acquisition of TelecityGroup that closed on January 15, 2016, the Paris IBX Data Center Acquisition, which closed in August 2016, and the IO Acquisition, which closed in February 2017. Our revenues from the UK, the largest revenue contributor in the EMEA region, represented approximately 30% of regional revenues for the nine months ended September 30, 2017 compared to 33% of regional revenues for the nine months ended September 30, 2016. Excluding the acquisitions, our EMEA revenue growth was primarily due to (i) approximately $55.3 million of revenues from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dubai, Dublin, Frankfurt, Helsinki, Paris and Zurich metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $29.7 million of net unfavorable foreign currency impact to our EMEA revenues primarily due to a generally stronger U.S. dollar relative to the Euro during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Asia-Pacific Revenues. Our revenues from Japan, our largest revenue contributor in the Asia-Pacific region, represented approximately 34% of regional revenues for both nine-month periods ended September 30, 2017 and 2016. Our Asia-Pacific revenue growth was primarily due to (i) approximately $26.2 million of revenues generated from our recently-opened IBX data center expansions in the Hong Kong, Osaka and Tokyo metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the nine months ended September 30, 2017, the U.S. dollar was generally stronger relative to the Japanese yen and Singapore dollar than during the nine months ended September 30, 2016, resulting in approximately $7.4 million of net unfavorable foreign currency impact to our Asia-Pacific revenues during the nine months ended September 30, 2017 when compared to average exchange rates during the nine months ended September 30, 2016.

Cost of Revenues. Our cost of revenues for the nine months ended September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Nine Months Ended September 30,				% change	
	2017	%	2016	%	Actual	Constant currency
Americas	$680,942	44 %	$520,123	38 %	31%	30 %
EMEA	538,661	34 %	488,920	36 %	10%	13 %
Asia-Pacific	353,921	22 %	345,906	26 %	2 %	4 %
Total	$1,573,524	100%	$1,354,949	100%	16%	17 %

	Nine Months Ended September 30,	
	2017	2016
Cost of revenues as a percentage of revenues:		

Americas	43 %	42 %
EMEA	55 %	56 %
Asia-Pacific	57 %	62 %
Total	50 %	51 %

Americas Cost of Revenues. Cost of revenues for our Americas region for the nine months ended September 30, 2017 included approximately $109.4 million of cost of revenues attributable to the Verizon Data Center Acquisition. Excluding the impact from the Verizon Data Center Acquisition, depreciation expense was $199.3 million and $179.5 million for the nine months ended September 30, 2017 and 2016, respectively. The growth in depreciation expense was primarily due to our IBX expansion activity.

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In addition to the $19.8 million increase in depreciation expense, the remaining increase in our Americas cost of revenues for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 was primarily due to (i) $18.2 million of higher utilities, repairs and maintenance, taxes, licenses, insurance, and other cost of sales in support of our business growth, and (ii) $9.1 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and higher headcount growth (1,090 Americas cost of revenues employees, excluding those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 1,008 as of September 30, 2016). During the nine months ended September 30, 2017, the impact of foreign currency fluctuations resulted in approximately $7.0 million of net unfavorable foreign currency impact to our Americas cost of revenues primarily due to a generally weaker U.S. dollar relative to the Brazilian real during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. We expect Americas cost of revenues to increase as we continue to grow our business, including results from the newly acquired business from the Verizon Data Center Acquisition.

EMEA Cost of Revenues. Cost of revenues for our EMEA region for the nine months ended September 30, 2017 included $27.0 million of cost of revenues attributable to the first 15 days of 2017 resulting from the acquisition of TelecityGroup that closed on January 15, 2016, the Paris IBX Data Center Acquisition, which closed in August 2016, and the IO Acquisition, which closed in February 2017. Excluding cost of revenues attributable to these acquisitions, the increase in our EMEA cost of revenues was primarily due to $17.3 million of other cost of sales, including third party and managed service expenses and $14.3 million of higher utilities in support of our business growth, partially offset by $6.8 million of lower depreciation and accretion expense resulting from real estate purchases and lease renewals and $5.4 million of lower office expense, rent and repairs and maintenance expense. During the nine months ended September 30, 2017 the impact of foreign currency fluctuations on our EMEA cost of revenues resulted in approximately $16.2 million of net favorable foreign currency impact to our EMEA cost of revenues primarily due to a generally weaker U.S. dollar relative to the British pound during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. The increase in our Asia-Pacific cost of revenues was primarily due to (i) $11.5 million higher consulting, utilities, bandwidth cost, managed service expense and other cost of sales to support our business growth and (ii) $2.3 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation and headcount growth (818 Asia-Pacific cost of revenues employees as of September 30, 2017 versus 794 as of September 30, 2016), partially offset by $ $5.9 million decrease in depreciation and accretion expenses. During the nine months ended September 30, 2017, the U.S. dollar was generally stronger relative to the Japanese yen and Singapore dollar than during the nine months ended September 30, 2016, resulting in approximately $4.5 million of net favorable foreign currency impact to our Asia-Pacific cost of revenues during the nine months ended September 30, 2017 when compared to average exchange rates during the nine months ended September 30, 2016. 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 nine months ended September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Nine Months Ended September 30,				% change	
	2017	%	2016	%	Actual	Constant currency
Americas	$251,988	59 %	$171,128	52 %	47%	47 %
EMEA	117,307	27 %	102,757	32 %	14%	20 %
Asia-Pacific	58,817	14 %	51,473	16 %	14%	16 %
Total	$428,112	100%	$325,358	100%	32%	33 %

Nine Months Ended

	September 30,	
	2017	2016
Sales and marketing expenses as a percentage of revenues:		
Americas	16%	14%
EMEA	12%	12%
Asia-Pacific	9 %	9 %
Total	14%	12%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to (i) $47.3 million of amortization of the acquired intangible assets in connection with the Verizon Data Center Acquisition, (ii)

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$26.4 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation and headcount growth (665 Americas sales and marketing employees, including those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 545 as of September 30, 2016) and (iii) $3.9 million of higher consulting expenses to support our growth. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange rates during the nine months ended September 30, 2016. We anticipate that we will continue to invest in Americas sales and marketing initiatives and expect our Americas sales and marketing expenses to continue to increase as we continue to grow our business, including impact from the Verizon Data Center Acquisition.

EMEA Sales and Marketing Expenses. The increase in sales and marketing expenses for our EMEA region was primarily due to (i) $9.0 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (378 EMEA sales and marketing employees as of September 30, 2017 versus 332 as of September 30, 2016) and (ii) $4.0 million of higher bad debt expenses. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA sales and marketing expenses resulted in approximately $5.9 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 during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues. These investments have included the hiring of additional headcount and new product innovation efforts. We expect our EMEA sales and marketing expenses to increase 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 $2.6 million of higher rent expense in support of our growth and $5.5 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (298 Asia-Pacific sales and marketing employees as of September 30, 2017 versus 277 as of September 30, 2016), partially offset by a decrease in bad debt expense. For the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates for the nine months ended September 30, 2016. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenues. These investments have included the hiring of additional headcount and new product innovation efforts. We expect our Asia-Pacific sales and marketing expenses to increase as we continue to grow our business.

General and Administrative Expenses. Our general and administrative expenses for the nine months ended September 30, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Nine Months Ended September 30,				% change	
	2017	%	2016	%	Actual	Constant currency
Americas	$344,754	62 %	$289,363	56 %	19 %	19 %
EMEA	152,016	27 %	171,031	33 %	(11)%	(6)%
Asia-Pacific	61,320	11 %	55,211	11 %	11 %	13 %
Total	$558,090	100%	$515,605	100%	8 %	10 %

	Nine Months Ended September 30,	
	2017	2016
General and administrative expenses as a percentage of revenues:		
Americas	22%	23%
EMEA	16%	20%

Asia-Pacific	10%	10%
Total	18%	19%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $23.0 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,088 Americas general and administrative employees, including those from the Verizon Data Center Acquisition, as of September 30, 2017 versus 919 as of September 30, 2016), (ii) $16.8 million of higher depreciation expense associated with certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business and (iii) $12.0 million of higher office expense

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and consulting cost to support our growth. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates for the nine months ended September 30, 2016. 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 in 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 and maintaining our REIT qualification. We also expect our Americas general and administrative expenses to increase as we continue to grow our business and as a result of the Verizon Data Center Acquisition.

EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to (i) $11.4 million of lower depreciation and amortization expenses as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017, (ii) $3.3 million of lower consulting expenses which was largely due to the completion of TelecityGroup integration activities in the current period and (iii) $2.8 million of lower compensation costs. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA general and administrative expenses resulted in approximately $8.8 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 during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. 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, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expense was primarily due to $4.9 million of higher depreciation expenses and $2.7 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (427 Asia-Pacific general and administrative employees as of September 30, 2017 versus 340 as of September 30, 2016), which partially offset by a decrease in rent, repair and maintenance expense. For the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the nine months ended September 30, 2016. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to support our growth.

Acquisition Costs. During the nine months ended September 30, 2017, we recorded acquisition costs totaling $31.5 million primarily in the Americas and EMEA regions. $27.0 million of acquisition costs in Americas region was primarily related to the Verizon Data Center Acquisition during the nine months ended September 30, 2017. During the nine months ended September 30, 2016, we recorded acquisition costs totaling $64.6 million primarily in the EMEA region due to the acquisitions of Telecity and the Paris IBX Data Center.

Impairment Charges. During the nine months ended September 30, 2016, we recorded impairment charges totaling $7.7 million in the Asia-Pacific region relating to assets held for sale. We did not have impairment charges during the nine months ended September 30, 2017.

Gains on Asset Sales. During the nine months ended September 30, 2016, we recorded gains on asset sales of $33.2 million relating to the sales of the LD2 data center in the EMEA region and the San Jose land parcel in the Americas region. We did not have any gain on asset sales during the nine months ended September 30, 2017.

Income from Continuing Operations. Our income from continuing operations for the nine months ended September 30, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

	Nine Months Ended September 30,				% change	
	2017	%	2016	%	Actual	Constant currency
Americas	$261,934	46 %	$264,643	61 %	(1)%	(2)%

EMEA	164,105	28	%	73,506	17	%	123	%	121	%
Asia-Pacific	150,932	26	%	96,135	22	%	57	%	58	%
Total	$576,971	100	%	$434,284	100	%	33	%	33	%

Americas Income from Continuing Operations. The decrease in our Americas income from continuing operations was primarily due to higher acquisition costs, increased depreciation and amortization of intangibles in connection with the Verizon Data Center Acquisition and higher operating costs as a percentage of revenues. During the nine months ended September 30, 2017, we incurred

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$27.0 million of acquisition costs, which was primarily related to the Verizon Data Center Acquisition and $3.0 million of acquisition costs during the nine months ended September 30, 2016. Additionally, we incurred additional amortization of the acquired intangible assets resulted from the Verizon Data Center Acquisition, partially offset by higher revenues as result of our IBX data center expansion activity, organic growth and the Verizon Data Center Acquisition as described above. In addition, we recorded $5.2 million gain on sale of San Jose land parcel during the nine months ended September 30, 2016. The impact of foreign currency fluctuations on our Americas income from continuing operations for the nine months ended September 30, 2017 was not significant when compared to average exchange rates of the nine months ended September 30, 2016.

EMEA Income from Continuing Operations. The increase in our EMEA income from continuing operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower cost of revenues as a percentage of revenues, lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017 and lower acquisition costs incurred for the nine months ended September 30, 2017. We incurred $4.5 million of acquisition costs during the nine months ended September 30, 2017 and $61.4 million of acquisition costs, which was primarily related to our acquisition of TelecityGroup, during the nine months ended September 30, 2016. Additionally, we recognized $27.9 million gain on the sale of the LD2 data center during the nine months ended September 30, 2016 while there were no assets held for sale transactions occurred during the nine months ended September 30, 2017. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our EMEA income from continuing operations was not significant when compared to average exchange rates of the nine months ended September 30, 2016.

Asia-Pacific Income from Continuing Operations. The increase in our Asia-Pacific income from continuing operations was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. During the nine months ended September 30, 2017, the impact of foreign currency fluctuations on our Asia-Pacific income from continuing operations was not significant when compared to average exchange rates of the nine months ended September 30, 2016.

Interest Income. Interest income was $9.8 million and $2.5 million, respectively, for the nine months ended September 30, 2017 and 2016. The average annualized yield for the nine months ended September 30, 2017 was 0.57% versus 0.36% for the nine months ended September 30, 2016.

Interest Expense. Interest expense increased to $352.6 million for the nine months ended September 30, 2017 from $293.4 million for the nine months ended September 30, 2016. The increase in interest expense was primarily due to the Term B-2 Loan borrowings of €1.0 billion, or approximately $1.1 billion at the exchange rate in effect at the time of borrowing in January 2017. Additionally, the increase was also attributable to our issuance of $1.25 billion of 2027 Senior Notes in March 2017, as well as additional financings such as various capital lease and other financing obligations to support our expansion projects. The remaining increase was attributable to our issuance of €1.0 billion, or approximately $1.2 billion at the exchange rate in effect at the time of borrowing in September 2017, of the 2025 Euro Senior Notes. During the nine months ended September 30, 2017 and 2016, we capitalized $20.6 million and $9.5 million, respectively, of interest expense to construction in progress. We expect to incur higher interest expense going forward in connection with higher indebtedness that we incurred during 2017.

Other Income (Expense). We recorded net other income of $0.5 million and net expense of $56.2 million, respectively, of other income (expense), for the nine months ended September 30, 2017 and 2016, primarily due to foreign currency exchange gains and losses during the periods, including $63.5 million in foreign currency losses recognized in the first quarter of 2016 as a result of completing the acquisition of TelecityGroup.

Loss on debt extinguishment. We recorded $42.1 million net loss on debt extinguishment during the nine months ended September 30, 2017 due to amendments of lease and financing obligations in Americas, Asia Pacific and EMEA regions and lease terminations in connection of real estate property purchases in Americas and EMEA regions. In addition, we recorded $14.6 million loss on debt extinguishment in connection with the repayment of all of our 4.875% senior notes. During the nine months ended September 30, 2016, we recorded $10.5 million loss on debt extinguishment as a result of the settlement of the financing obligations for our Paris 3 IBX data center as well as the prepayment and termination of our 2012 and 2013 Brazil financings.

Income Taxes. Effective January 1, 2015, we have operated as a REIT for U.S. federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on our taxable income distributed to our stockholders. We intend to distribute and have distributed the entire taxable income generated by the operations of the Company parent and its QRSs for the tax years ended December 31, 2017 and December 31, 2016, respectively. 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 nine months ended September 30, 2017 and 2016.

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 regardless of whether the foreign operations are operated as a QRS or TRS have been accrued, as necessary, for the nine months ended September 30, 2017 and 2016.

For the nine months ended September 30, 2017 and 2016, we recorded $24.9 million and $26.0 million of income tax expense, respectively. Our effective tax rates were 12.9% and 33.8%, respectively, for the nine months ended September 30, 2017 and 2016. The decrease in effective tax rates is primarily driven by the realization of unrecognized tax benefits in the current period related to the Company's tax positions as a result of the expiration of the statute of limitations.

Income from Discontinued Operations. We did not have discontinued operations during the nine months ended September 30, 2017. Our net income from discontinued operations was $14.3 million for the nine months ended September 30, 2016.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance 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, acquisition costs and gains on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to net income. Our adjusted EBITDA for the nine months ended September 30, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

	Nine Months Ended September 30,				% change	
	2017	%	2016	%	Actual	Constant currency
Americas	$748,871	50 %	$581,619	48 %	29%	28 %
EMEA	417,640	28 %	366,412	30 %	14%	17 %
Asia-Pacific	320,690	22 %	272,952	22 %	17%	19 %
Total	$1,487,201	100%	$1,220,983	100%	22%	23 %

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. During the nine months ended September 30, 2017, currency fluctuations resulted in approximately $4.0 million of net favorable foreign currency impact on our Americas adjusted EBITDA primarily due to the generally weaker U.S. dollar relative to the Brazilian real during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues and general and administration expenses as a percentage of revenues. During the nine months ended September 30, 2017, currency fluctuations resulted in approximately $10.0 million of net unfavorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally stronger U.S. dollar relative to the British pound during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. During the nine months ended September 30, 2017, currency fluctuations resulted in approximately $3.4 million of net unfavorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to a generally stronger U.S. dollar relative to Japanese yen and Singapore dollar during the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016.

Non-GAAP Financial Measures

We provide all information required in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only U.S. GAAP financial measures. Accordingly, we use non-GAAP financial measures to evaluate our operations.

Non-GAAP financial measures are not a substitute for financial information prepared in accordance with U.S. GAAP. Non-GAAP financial measures should not be considered in isolation, but should be considered together with the most directly comparable U.S. GAAP financial measures and the reconciliation of the non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures. 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 these non-GAAP financial measures provides consistency and comparability with past reports and provides a better understanding of the overall performance of the business and 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 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. Investors should therefore exercise caution when comparing non-GAAP financial measures used by us to similarly titled non-GAAP financial measures of other companies.

Our primary non-GAAP financial measures are adjusted EBITDA and adjusted funds from operations ("AFFO"). Both measures 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 an IBX data center do not recur with respect to such data center, although we may incur initial construction costs in future periods with respect to additional IBX data centers, 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 adjusted EBITDA and AFFO, we exclude amortization expense related to acquired intangible assets. Amortization expense is significantly affected by the timing and magnitude of our acquisitions and these charges may vary in amount from period to period. We exclude amortization expense to facilitate a more meaningful evaluation of our current operating performance and comparisons to our prior periods. We exclude accretion expense (gain), 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 can vary significantly from period to period based on share price, and the timing, size and nature of equity awards. As such, we, and many investors and analysts, exclude this stock-based compensation expense to compare our operating results with those of other companies. 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. We also exclude gains on asset sales as it represents profit that is not meaningful in evaluating our current or future operating performance. Finally, we exclude acquisition costs from AFFO and adjusted EBITDA to allow more comparable comparisons of our financial results to our historical operations. The acquisition costs relate to costs we incur in connection with business combinations. Such charges generally are not relevant to assessing long-term performance of the Company. In addition, the frequency and amount of such charges vary significantly based on the size and timing of the acquisitions. Management believes items such as restructuring charges, impairment charges, gain on asset sales and acquisition costs are non-core transactions; however, these types of costs may occur in future periods.

Adjusted EBITDA

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income from continuing operations	$224,863	$169,941	$576,971	$434,284
Depreciation, amortization, and accretion expense	277,719	215,370	749,118	631,242
Stock-based compensation expense	45,654	42,473	129,602	116,311
Acquisition costs	2,083	12,505	31,510	64,635
Impairment charges	—	7,698	—	7,698

Gains on asset sales	—	(27,945)	—	(33,187)
Adjusted EBITDA	$550,319	$420,042	$1,487,201	$1,220,983

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 the nature of our business model consisting of a recurring revenue stream and a cost structure which has a large base that is fixed in nature also discussed earlier in "Overview."

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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. FFO represents net income (loss), excluding gain (loss) 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 beginning in 2015 and that have both service and performance conditions. In presenting AFFO, we exclude certain items that we believe are not good 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, gain (loss) 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, gain on asset sales and net income (loss) from discontinued operations, net of tax. 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. We exclude the amortization of deferred financing costs as these expenses relate to the initial costs incurred in connection with debt financings that have no current or future cash obligations. We exclude gain (loss) on debt extinguishment since it generally represents the write-off of initial costs incurred in connection with debt financings or a cost that is incurred to reduce future interest costs and is not a good indicator of our current or future operating performance. We include an income tax expense adjustment, which represents the non-cash tax impact due to changes in valuation allowances, uncertain tax positions and deferred taxes that do not relate to current period's operations. We deduct recurring capital expenditures, which represent expenditures to extend the useful life of its IBX centers or other assets that are required to support current revenues. We also exclude net income (loss) from discontinued operations, net of tax, which represents results that may not recur and are not a good indicator of our current future operating performance.

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Our FFO and AFFO for the three months ended September 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$79,900	$51,450	$167,767	$65,050
Adjustments:				
Real estate depreciation	200,313	159,788	535,114	469,510
(Gain) loss on disposition of real estate property	5,877	(23,436)	3,779	(29,424)
Adjustments for FFO from unconsolidated joint ventures	29	29	85	85
FFO	$286,119	$187,831	$706,745	$505,221

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
FFO	$286,119	$187,831	$706,745	$505,221
Adjustments:				
Installation revenue adjustment	6,161	4,612	17,775	15,373
Straight-line rent expense adjustment	2,297	2,686	5,721	5,714
Amortization of deferred financing costs	4,390	2,687	20,100	13,438
Stock-based compensation expense	45,654	42,474	129,602	116,312
Non-real estate depreciation expense	29,205	22,108	87,021	64,516
Amortization expense	48,893	32,929	128,068	93,384
Accretion expense (gain)	(692)	545	(1,085)	3,832
Recurring capital expenditures	(44,914)	(41,600)	(105,455)	(105,343)
Loss on debt extinguishment	22,156	9,894	42,103	10,499
Acquisition costs	2,083	12,505	31,510	64,635
Impairment charges	—	7,698	—	7,698
Income tax expense adjustment	(10,058)	2,501	(6,575)	3,612
Adjustments for AFFO from unconsolidated joint ventures	(5)	(10)	(17)	(31)
Net income from discontinued operations, net of tax	—	(2,681)	—	(14,306)
AFFO	$391,289	$284,179	$1,055,513	$784,554

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."

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 Euro, British pound, Japanese yen, Singapore dollar, Australian dollar and Brazilian real. 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 U.S. 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 reporting in currencies other than the U.S. dollar are converted into U.S. dollars at constant exchange rates rather than the actual exchange rates in effect during the respective periods (i.e. average rates in effect

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for the three months ended September 30, 2016 are used as exchange rates for the three months ended September 30, 2017 when comparing the three months ended September 30, 2017 with the three months ended September 30, 2016).

Liquidity and Capital Resources

As of September 30, 2017, our total indebtedness was comprised of debt and financing obligations totaling $10,120 million consisting of (a) $5,782 million of principal from our senior notes, (b) approximately $1,672 million from our capital lease and other financing obligations, and (c) $2,666 million of principal from our mortgage and loans payable (gross of debt issuance cost, debt discount, plus debt 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 expenses related to our REIT integration activities, payment of regular dividends and completion of our publicly-announced expansion projects. As of September 30, 2017, we had $1.6 billion of cash, cash equivalents and short-term and long-term investments, of which approximately $1.1 billion was held in the U.S. 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 $1.5 billion revolving credit facility. On May 1, 2017, we completed the acquisition of Verizon's colocation services business located in United States, Brazil and Colombia for a cash purchase price of approximately $3.6 billion. The Verizon Data Center Acquisition was funded by the borrowing of our €1.0 billion Term B-2 Loan and proceeds from the issuance of our 2027 Senior Notes and of our common stock. During the three months ended March 31, 2017, we borrowed the full amount of our €1.0 billion Term B-2 Loan (see Note 9 of Notes to Condensed Consolidated Financial Statements), issued $1.25 billion of 5.375% senior notes due 2027 (see Note 9 of Notes to Condensed Consolidated Financial Statements) and sold 6,069,444 shares of common stock in a public offering for net proceeds of $2.1 billion (see Note 11 of Notes to Condensed Consolidated Financial Statements). During the three months ended September 30, 2017, we entered into an equity distribution agreement under which we can sell up to $750.0 million of common stock in at the market (“ATM”) offerings, issued €1.0 billion 2.875% Euro Senior Notes due 2025 and redeemed the entire $500.0 million principal amount of our 4.875% Senior Notes due 2020. No sales have been made under the ATM program through September 30, 2017.

As of September 30, 2017, we had 39 irrevocable letters of credit totaling $59.0 million issued and outstanding under the U.S. revolving credit line; as a result, we had a total of approximately $1.4 billion 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.

Sources and Uses of Cash

	Nine Months Ended September 30,	
	2017	2016
	(dollars in thousands)	
Net cash provided by operating activities	$944,354	$718,735
Net cash used in investing activities	(4,616,830)	(1,684,132)
Net cash provided by (used in) financing activities	4,508,974	(738,864)

Operating Activities. Our source of cash provided by our operations is generated by colocation, interconnection, managed infrastructure and other revenues. Our primary use of cash from our operating activities includes compensation and related costs, interest payments, other general corporate expenditures and taxes. Net cash provided by operating activities increased from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 primarily due to improved operating results offset by timing of collections on our receivables and increases in cash paid for cost of revenues, operating expenses, interest expense and income taxes.

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Investing Activities. The net cash used in investing activities for the nine months ended September 30, 2017 was primarily due to business acquisitions of approximately $3.6 billion, primarily the Verizon Data Center Acquisition, capital expenditures of $946.0 million as a result of our expansion activity, and purchases of real estate of $65.0 million, partially offset by proceeds from asset sales of $47.8 million. The net cash used in investing activities for the nine months ended September 30, 2016 was primarily due to $1.8 billion for the acquisitions of TelecityGroup and the Paris IBX Data Center and the remaining amounts due for Bit-isle shares. These payments were partially offset by $805.4 million net proceeds received from Digital Realty from the divestiture of certain data centers (see Notes 4 and 5 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q). Other investing cash flows for the nine months ended September 30, 2016 included $727.0 million of capital expenditures primarily related to our expansion activity, purchase of real estate for $28.1 million and purchase of investments for $31.7 million, partially offset by proceeds from the sale of assets of $22.8 million and sales and maturities of investments for $41.8 million.

Financing Activities. The net cash provided by financing activities for the nine months ended September 30, 2017 was primarily due to borrowings under our €1.0 billion Term B-2 Loan, approximately $1.1 billion at the exchange rate in effect on January 6, 2017, the issuance of $1.25 billion of 5.375% senior notes due 2027, the issuance of €1.0 billion 2.875% Euro Senior Notes due 2025, approximately $1.2 billion at the exchange rate on September 20, 2017, and the sale of 6,069,444 shares of common stock for net proceeds of $2.1 billion. Other financing activities included repayment of the entire $500.0 million principal amount of our 4.875% Senior Notes due 2020, dividend distributions of $463.9 million, debt issuance costs of $56.9 million, repayments of capital lease and other financing obligations of $60.3 million, and repayments of mortgage and loans payable of $63.5 million, partially offset by proceeds from employee awards of $41.6 million. The net cash used in financing activities for the nine months ended September 30, 2016 was primarily due to repayments of loans of $986.5 million relating to loans assumed from TelecityGroup acquisition, our revolving credit facility and our Brazil financings facility, dividend distributions of $374.2 million and repayments of $100.9 million of capital lease and other financing obligations, partially offset by borrowings of $710.4 million under our multicurrency Term B loan facility and bridge term loan, and proceeds from employee equity awards of $34.1 million.

Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements expiring through 2065. The following represents our debt maturities, financings, leases and other contractual commitments as of September 30, 2017 (in thousands):

	2017 (3 months)	2018	2019	2020	2021	Thereafter	Total
Term loans (1)	$20,301	$81,204	$386,040	$40,559	$351,709	$1,739,833	$2,619,646
Senior notes (1)	—	—	—	—	—	5,781,500	5,781,500
Interest (2)	78,308	358,459	356,662	345,442	343,525	1,076,494	2,558,890
Capital lease and other financing obligations (3)	44,823	194,757	174,811	174,806	176,737	1,855,824	2,621,758
Operating leases (4)	41,508	166,498	159,074	149,190	139,796	1,222,207	1,878,273
Other contractual commitments (5)	594,240	126,255	53,148	15,245	12,359	127,941	929,188
Asset retirement obligations (6)	—	3,340	14,328	10,205	4,721	84,145	116,739
	$779,180	$930,513	$1,144,063	$735,447	$1,028,847	$11,887,944	$16,505,994

(1) Represents principal only.

(2) Represents interest on mortgage payable, loans payable, senior notes and term loans based on their approximate interest rates as of September 30, 2017.

(3) Represents principal and interest.

(4) Represents minimum operating lease payments, excluding potential lease renewals.

(5) Represents off-balance sheet arrangements. Other contractual commitments are described below.
(6) Represents liability, net of future accretion expense.

There are no other material changes in our commitments under mortgage and loans payable as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

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In connection with certain of our leases and other contracts requiring deposits, we entered into 39 irrevocable letters of credit totaling $59.0 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 $50.9 million as of September 30, 2017. 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 September 30, 2017, we were contractually committed for $336.8 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 2017 and thereafter, is reflected in the table above as "other contractual commitments."

We had other non-capital purchase commitments in place as of September 30, 2017, 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 2017 and beyond. Such other purchase commitments as of September 30, 2017, which total $592.4 million, are also reflected in the table above as "other contractual commitments."

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP. The preparation of our 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. On an ongoing basis, management evaluates the accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. Management bases its assumptions, estimates and judgments on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results may differ from these assumptions and estimates, and such differences could be material. 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, 2016.

We elected to be taxed as REIT for U.S. federal income tax purposes beginning with our 2015 taxable year. As of September 30, 2017, our REIT structure includes all of our data center operations in the U.S., Canada, Japan and most of our data center operations in Europe. Our data center operations in other jurisdictions are operated as TRSs.

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 three and nine months ended September 30, 2017.

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

Market Risk

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 nine months ended September 30, 2017 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, 2016, other than factors discussed below.

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Foreign Currency Risk

In January 2017, we borrowed Term B-2 Loan of €1,000.0 million. In September 2017, we issued €1,000.0 million of 2.875% senior notes due October 1, 2025 ("2025 Euro Senior Notes"). We designated 100% of Term B-2 loan and 54.5% of 2025 Euro Senior Notes as net investment hedges against our net investments in foreign subsidiaries that use the Euro as their function currency. For a net investment hedge, changes in the fair value of the hedging instrument designated as a net investment hedge, except the ineffective portion and forward points, are recorded as a component of other comprehensive income in the condensed consolidated balance sheets. We did not record any ineffectiveness during the nine months ended September 30, 2017. Any remaining change in the carrying value of the 2025 Euro Senior Notes is recognized in other income (expense) in our condensed consolidated statements of operations. Fluctuations in the exchange rates between the Euro and the U.S. Dollar will impact the amount of U.S. Dollars that we will require to settle the Term B-2 Loan and 2025 Euro Senior Notes at maturity. If the U.S. Dollar would have been weaker by 10% in comparison to the Euro as of September 30, 2017, we estimate our obligation to cash settle the principal portion of Term B-2 Loan and 2025 Euro Senior Notes in U.S. Dollars would have increased by approximately $117.6 million and $118.2 million, respectively. If the U.S. Dollar would have been stronger by 10% in comparison to the Euro as of September 30, 2017, we estimate our obligation to cash settle the principal portion of Term B-2 Loan and 2025 Euro Senior Notes in U.S. Dollars would have decreased by approximately $117.6 million and $118.2 million, respectively.

To help manage the exposure to foreign currency exchange rate fluctuations, we have implemented a number of hedging programs, in particular (i) a cash flow hedging program to hedge the forecasted revenues and expenses in our EMEA region, (ii) a balance sheet hedging program to hedge the remeasurement of monetary assets and liabilities denominated in foreign currencies, and (iii) a net investment hedging program to hedge the long term investments in our foreign subsidiaries. Our hedging programs reduce, but do not entirely eliminate, the impact of currency exchange rate movements and its impact on the consolidated statements of operations.

The U.S. dollar weakened relative to certain of the currencies of the foreign countries in which we operate during the nine months ended September 30, 2017. This has significantly impacted our condensed consolidated financial position and results of operations during this period, including the amount of revenues that we reported. Continued strengthening or weakening of the U.S. dollar will continue to have a significant impact to us in future periods.

With the existing cash flow hedges in place, a hypothetical additional 10% strengthening of the U.S. dollar for the nine months ended September 30, 2017 would have resulted in a reduction of our revenues and operating expenses including depreciation and amortization expense for the quarter by approximately $94.4 million and $105.2 million, respectively.

With the existing cash flow hedges in place, a hypothetical additional 10% weakening of the U.S. dollar for the nine months ended September 30, 2017 would have resulted in an increase of our revenues and operating expenses including depreciation and amortization expense for the quarter by approximately $92.2 million and $104.0 million, respectively.

Interest Rate Risk

An immediate 10% increase or decrease in current interest rates from their position as of September 30, 2017 would not have a material impact on our interest expense due to the fixed nature of the majority of our debt obligations. However, the interest expense associated with our senior credit facility and term loans, which bear interest at variable rates, could be affected. For every 100 basis point change in interest rates, our annual interest expense could increase by a total of approximately $20.8 million or decrease by a total of approximately $4.3 million based on the total balance of our primary borrowings under the Term A loan facility, Term B-1 and B-2 loans, and the Japanese yen term loan as of September 30, 2017. As of September 30, 2017, we had not employed any interest rate derivative products against our debt obligations. However, we may enter into interest rate hedging agreements in the future to mitigate our exposure to interest rate risk.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), of the effectiveness of our "disclosure controls and procedures" as of the end of the period covered by this quarterly report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

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(b) Changes in Internal Control over Financial Reporting. We completed the acquisition of the selected Verizon Data Center Business in the second quarter of 2017. We are evaluating changes to processes and other components of internal controls over financial reporting of the Selected Verizon Data Center Business as part of the ongoing integration activities. There have not been any other changes in our internal control reporting that occurred during the quarter ended September 30, 2017 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.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

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 Integration of the Verizon Assets.

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

On May 1, 2017, we acquired Verizon's colocation business (the "Business"), for a cash purchase price of approximately $3.6 billion (the "Verizon Data Center Acquisition"). The success of the Verizon Data Center Acquisition will depend, in part, on our ability to successfully integrate the Verizon assets into our business, and realize the anticipated benefits, including synergies and cost savings, from the Verizon Data Center Acquisition. 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 our common stock may be adversely affected.

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

- retaining relationships with key customers, landlords and suppliers of the acquired business, some of which may terminate their contracts with the Business as a result of the Verizon Data Center Acquisition or which may attempt to negotiate changes in their current or future business relationships with us;
- expanding our relationships with U.S. government customers, which will subject us to complex regulatory and compliance requirements and risks with which we have limited experience;
- integrating or migrating IT systems, which may create a risk of errors or performance problems and could affect our ability to meet customer service level obligations;
- our reliance on transition services from Verizon to operate the Business, and our need to develop sustainable alternative arrangements upon expiration or interruption of those transition services;
- the diversion of management's attention from ongoing business concerns and performance shortfalls at Equinix as a result of the devotion of management's attention to the Verizon Data Center Acquisition;
- managing a larger company;
- integrating two unique corporate cultures;
- retaining key employees, who may experience uncertainty associated with the Verizon Data Center Acquisition and who may depart after the Verizon Data Center Acquisition because of issues relating to the uncertainty and difficulty of the integration or a desire not to remain with us following the Verizon Data Center Acquisition; and
- unforeseen expenses or delays associated with the Verizon Data Center 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.

We expect to incur significant integration costs in connection with the Verizon Data Center Acquisition

We expect to continue to incur significant costs in connection with integrating the Verizon assets into Equinix. 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 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. In addition, Verizon has contributed specified assets and liabilities of the acquired business to newly formed entities, and we have acquired the equity interests of such entities. However, the contributed assets may not be sufficient to operate all aspects of the acquired business. Accordingly, we may have to use assets or resources from our existing business or acquire additional assets in order to operate the acquired business.

As a result, the integration expenses associated with the Verizon Data Center Acquisition could, particularly in the near term, exceed the cost savings that we expect to achieve from the streamlining of operations from the Verizon Data Center Acquisition.

Our business, financial condition and results of operations may be adversely affected by the Verizon Data Center Acquisition if we are not able to obtain requisite consents or enter into certain agreements.

Pursuant to the transaction agreement, Verizon has agreed to use its commercially reasonable efforts until 12 months following the consummation of the Verizon Data Center Acquisition to obtain any consents from customers, landlords, and other third parties that may be necessary in connection with the Verizon Data Center Acquisition, or to amend its agreements with such third parties so that we will be entitled to the rights and benefits currently enjoyed by Verizon under such agreements on substantially the same terms as then in effect. To the extent that we or Verizon are not able to obtain such consents, we may not be able to realize the anticipated benefits of the Verizon Data Center Acquisition.

We would incur adverse tax consequences if the Verizon Data Center Acquisition causes us to fail to qualify as a REIT for U.S. federal income tax purposes.

We will integrate Verizon'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 would jeopardize or lose our qualification for taxation as a REIT, particularly if we would not be ineligible to utilize relief provisions set forth in the Internal Revenue Code (the "Code").

Risks Related to Our Taxation as a REIT

We may not remain qualified for taxation as a REIT.

We have elected to be taxed as a REIT for federal income tax purposes beginning with our 2015 taxable year. We believe that our organization and method of operation comply with the rules and regulations promulgated under the Code such that we will continue to qualify for taxation as a REIT. However, we cannot assure you that we have qualified for taxation as a REIT or that we will remain so qualified. Qualification for taxation as a REIT involves the application of highly technical and complex provisions of the Code to our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are also limited judicial or administrative interpretations of applicable REIT provisions.

If, in any taxable year, we fail to remain qualified 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 tax rates; and
- 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.

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

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

We paid a quarterly distribution in September of 2017 and have declared a fourth quarterly distribution to be paid on December 13, 2017. The amount, timing and form of any future distributions will be determined, and will be subject to adjustment, by our Board of Directors. To remain qualified for taxation 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, or in limited circumstances, the following 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 remain qualified 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.
Due to the size and timing of future distributions, including any distributions made to satisfy REIT distribution requirements, 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.
To remain qualified for taxation 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% (20% from and after our 2018 taxable year) of the value of the assets of a REIT may be represented by securities of one or more TRSs. Similar rules apply to other nonqualifying assets. These limitations may affect our ability to make large investments in other non-REIT qualifying operations or assets. In addition, in order to maintain our qualification for taxation as a REIT, we must 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 for taxation as a REIT, we will be subject to U.S. federal income tax at regular corporate tax rates for our undistributed REIT taxable income, as well as U.S. federal income tax at regular corporate tax rates for income recognized by our TRSs. 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.
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 qualification for taxation 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.

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In addition, a significant amount of our income and cash flows from our TRSs is 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 extensive use of TRSs, including for certain of our international operations, may cause us to fail to remain qualified for taxation as a REIT.

The net income of our TRSs is not required to be distributed to us, and income that is not distributed to us generally is not 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, then we will fail to remain qualified for taxation as a REIT. Beginning with our 2018 taxable year, if the accumulation of cash in our TRSs causes (1) the fair market value of our securities in our TRSs to exceed 20% of the fair market value of our assets or (2) 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, then we will fail to remain qualified for taxation as a REIT. Further, a substantial portion of our TRSs are overseas, and a material change in foreign currency rates could also negatively impact our ability to remain qualified for taxation 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 remain qualified for taxation 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.

Even if we remain qualified for taxation 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 our 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.

We will also be subject to a federal corporate level tax at the highest regular corporate tax rate (currently 35%) on gain recognized from a sale of a REIT asset where our basis in the asset is determined by reference to the basis of the asset in the hands of a C corporation (such as (i) an asset that we held as of the effective date of our REIT election, that is, January 1, 2015, or (ii) an asset that we or a QRS hold following the liquidation or other conversion of a former TRS). This 35% tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g., January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset.

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 cause us to pay an additional taxable distribution to our stockholders and an interest penalty to the IRS 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 remain qualified 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 or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets and income from certain currency hedging transactions related to our non-U.S. operations, as well as income from qualifying counteracting hedges, 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 our TRSs, which we presently do. This increases the cost of our hedging activities because our TRSs are subject to tax on income or gains resulting from hedges entered into by them and may 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 may not provide any tax benefit, except for being carried forward for possible use against future capital gain in the TRSs.

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 tax rates. Distributions payable by REITs, in contrast, generally are not eligible for the preferential tax rates. The preferential tax rates applicable to regular corporate distributions could cause investors that 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 qualification for taxation as a REIT.

In order for us to remain qualified for taxation 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 qualification for taxation as a REIT from being jeopardized, including under the affiliated tenant rule. Furthermore, there can be no assurance that we will be able to monitor and 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 remain qualified for taxation 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.
Over the last several years, we have completed numerous acquisitions. 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

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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, particularly when multiple acquisitions and integrations are occurring at the same time;
- 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 in connection with our acquisitions of Switch & Data Facilities Company, Inc. in 2010 and TelecityGroup in 2016;
- 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 desire to maintain our qualification for taxation 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;
- the possibility that asset divestments may be required in order to obtain regulatory clearance for a transaction; 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, or other issues not discovered in the diligence process.

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

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 for taxation as a REIT. As of September 30, 2017, our total indebtedness (gross of debt issuance cost, debt discount, and debt premium) was approximately $10.1 billion, our stockholders' equity was $6.5 billion and our cash, cash equivalents, and investments totaled $1.6 billion. In addition, as of September 30, 2017, we had approximately $1.4 billion of additional liquidity available to us from our $1.5 billion revolving credit facility. 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, some of which are accounted for as operating leases. As of September 30, 2017, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $1.9 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.

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. These risks could materially adversely affect our financial condition, cash flows and results of operations.

Adverse global economic conditions and credit market uncertainty could adversely impact our business and financial condition.

Adverse global economic conditions and uncertain conditions in the credit markets have created, and in the future may 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.

Recent political developments related to the U.K.'s referendum on membership in the EU could have a material adverse effect on our business.

We currently have IBX data centers and employees located in the UK and other European jurisdictions. A referendum was held on June 23, 2016 in the UK to determine whether it should remain in or leave the European Union (the "EU"), the outcome of which was a vote in favor of leaving the EU (the "Brexit"). The Brexit has resulted in political and economic instability throughout Europe. There is considerable uncertainty surrounding the exit process, the extent of the UK's future relationship with the EU, and the longer term impact of the Brexit on economic conditions in the UK and in the EU. The ongoing instability and uncertainty surrounding the Brexit in the near term, and the final terms reached regarding the Brexit, could have an adverse impact on our business and employees in EMEA and could adversely affect our financial condition and results of operations.

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, 2016, 2015 and 2014, we recognized approximately 57%, 49% and 49%, respectively, of our revenues outside the U.S. We currently operate outside of the U.S. in Canada, Brazil, Colombia, 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

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

We conduct business and are contemplating expansion, in developing markets with economies and governments 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, Colombia, India, Indonesia, Russia, Turkey, 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, such as the recent governmental unrest in Turkey, 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.

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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 cyber security, 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.
Sales or issuances of shares of our common stock may adversely affect the market price of our common stock.
Future sales or issuances of common stock or other equity related securities may adversely affect the market price of our common stock, including any shares of our common stock issued to finance capital expenditures, finance acquisitions or repay debt. In August 2017, we established an "at-the-market" stock offering program ("ATM Program") through which we may, from time to time, issue and sell shares of our common stock having an aggregate gross sales price of up to $750 million to or through sales agents. We have not made any sales of our common stock under the ATM Program to date.
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, including through our ATM Program;
- increases in market interest rates and changes in other general market and economic conditions, including inflationary concerns;
- changes to our capital allocation, tax planning or business strategy;
- our qualification for taxation as a REIT and our declaration of distributions to our stockholders;
- 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. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets may affect the market value 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, are and will continue to be a substantial burden 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.

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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 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 operations. To the extent we are paying contractors in foreign currencies, our operations 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. (although currently limited due to our taxation as a REIT) 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 thereof. The U.S. government 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 revenue 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 revenues. 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, or damage to customer infrastructure within our IBX data centers, 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 and ensure our IBX data centers and non-IBX offices remain operational. We own

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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 and office buildings. 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 buildings 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.

Our office buildings and IBX data centers are subject to failure resulting from, and infrastructure within such IBX data centers is at risk from, numerous factors, including:

- human error;
- equipment failure;
- physical, electronic and cyber security 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 and we may decide to reach settlements with affected customers irrespective of any such contractual limitations. Any such settlement may result in a reduction of revenue under U.S. GAAP. 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 and processes. Difficulties from or disruptions to these efforts may interrupt our normal operations and adversely affect our business and operating results.

We have been investing heavily in our back office information technology systems and processes for a number of years and expect such investment to continue for the foreseeable future in support of our pursuit of global, scalable solutions across all geographies and functions that we operate in. These continuing investments include 1) ongoing improvements to the customer experience from initial quote to customer billing and our revenue recognition process; 2) integration of recently-acquired operations such as Bit-isle, TelecityGroup and the Business onto our various information technology systems; and 3) implementation of new tools and technologies to either further streamline and automate processes, such as our fixed asset procure to disposal process, or to support our compliance with evolving U.S. GAAP, such as the new revenue accounting and leasing standards. As a result of our continued work on these projects, we may experience difficulties with our systems, management distraction and significant business disruptions. For example, 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, fixed assets, revenue recognition, 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 also 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

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are de-scoped. Finally, the collective impact of these changes to our business has placed significant demands on impacted employees across multiple functions, increasing the risk of errors and control deficiencies in our financial statements, distraction from the effective operation of our business and difficulty in attracting and retaining employees. Any such difficulties or disruptions may adversely affect our business and operating results.

Inadequate external and internal information, including budget and planning data, could prove to be inaccurate and lead to inaccurate financial forecasts and inappropriate financial decisions.

Our financial forecasts are dependent on estimates and assumptions including budget and planning data, market growth, foreign exchange rates, our ability to remain qualified as a REIT, and our ability to generate sufficient cash flow to reinvest in the business, fund internal growth, make acquisitions, pay dividends, and meet our debt obligations. Our financial projections are based on historical experience and on various other assumptions that our management believes to be reasonable under the circumstances and at the time they are made. However, if our external and internal information is inadequate, our actual results may differ materially from our forecasts and cause us to make inappropriate financial decisions. Any material variation between our financial forecasts and our actual results may also adversely affect our future profitability, stock price and stockholder confidence.

The level of 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. Any of the limits of insurance that we purchase, including those for cyber risks, 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, judicial or administrative orders, or leases for the removal or cleanup of such substances or materials and the restoration of natural resources, the cost of which could be substantial.

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Electricity is a material cost in connection with our business, and an increase in the cost of electricity could adversely affect us. The generators that provide electricity to our facilities are subject to environmental laws, regulations and permit requirements that are subject to material change, which could result in increases in generators' compliance costs that may be passed through to us. Regulations recently promulgated by the United States Environmental Protection Agency (the "U.S. EPA") could limit air emissions from power plants, restrict discharges of cooling water, and otherwise impose new operational restraints on conventional power plants that could increase costs of electricity. The heating, ventilation and air conditioning ("HVAC") and fire suppression systems at some of our facilities may include ozone-depleting substances that are subject to regulation by the U.S. EPA and the laws and regulations of non-U.S. jurisdictions. In addition, we are directly subject to environmental, health and safety laws regulating air emissions, storm water management and other issues arising in our business. For example, our emergency generators are subject to regulations and/or permits governing air pollutants, which could limit the operation of those generators or require the installation of new pollution control technologies. While environmental regulations do not normally impose material costs upon our operations, unexpected events, equipment malfunctions, human error and changes in law or regulations, among other factors, can lead to violations of environmental laws, regulations or permits, and to additional unexpected operational limitations or costs. Changes in law or our operations could require new permits or the renewal or amendment of permits, and it is possible that such changes would impose new limitations on our operations or new compliance costs, the extent of which cannot be estimated at this time.

Regulation of greenhouse gas ("GHG") emissions could increase the cost of electricity by reducing amounts 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, or upon GHG emissions. The U.S. EPA published a regulation in October 2015, called the "Clean Power Plan," that is intended to reduce GHG emissions from existing fossil fuel-fired power plants by 32 percent from 2005 levels by 2030 through state programs that could increase the average costs of electricity generation. Numerous petitions for review were filed challenging the rule and, in February 2016, the U.S. Supreme Court stayed implementation of the Clean Power Plan until the litigation is resolved. On March 28, 2017, the U.S. EPA asked the U.S. Court of Appeals for the D.C. Circuit to hold in abeyance the challenges to the Clean Power Plan as a result of an Executive Order issued by President Trump on that day that requires the U.S. EPA to review the Clean Power Plan and other regulations to assess actions it could take to reduce regulatory burden on the oil, natural gas, coal, and nuclear industries. In response, on April 28, 2017, the D.C. Circuit Court issued an order holding the challenges to the Clean Power Plan in abeyance for 60 days, or until June 27, 2017. In light of potential revisions to the Clean Power Plan by the U.S. EPA and the unresolved status of litigation concerning the Clean Power Plan, it is not possible to assess the impact of the Clean Power Plan upon the electric generating sector or upon our costs of operation. While we do not expect these developments to materially increase our costs of electricity, the costs remain difficult to predict or estimate.

State regulations also have the potential to increase our costs of obtaining electricity. While GHG regulation at the federal level is unlikely in the near future, certain states, like California, also have issued or may enact environmental regulations that could materially affect our facilities and electricity costs. California has limited GHG emissions from new and existing conventional power plants by imposing regulatory caps and by selling or auctioning the rights to emission allowances. State 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. Such laws and regulations are also subject to change at any time.

Aside from regulatory requirements, we have separately undertaken to procure energy from renewable energy projects in order to support new renewables development. The costs of procuring such energy may exceed the costs of procuring electricity from existing sources, such as existing utilities or electric service provided through conventional grids. These efforts to support and enhance renewable electricity generation may increase our costs of electricity above those that would be incurred through procurement of conventional electricity from existing sources.

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.

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

We must continue to evolve our product strategy and 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, we are at risk of 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.

Finally, as our customers evolve their IT strategies, we must remain flexible and evolve along with industry and market shifts. Ineffective planning and execution in our cloud strategy and product development lifecycle may cause difficulty in sustaining competitive advantage in our products and services.

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 large storms, earthquakes and tsunamis, 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 IBX data centers 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.

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, 2016, 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, the integration of Bit-isle, TelecityGroup and the Verizon Data Center Acquisition, the adoption of new accounting principles and our overhaul of our back office systems that support customer experience from initial quote to customer billing and our revenue recognition process, will require us to further develop our controls and reporting systems and implement or amend new or existing controls and reporting systems in those areas where the implementation and integration is still ongoing. All of these changes to our financial systems and the implementation and integration of acquisitions create an increased risk of deficiencies in our internal controls over financial reporting. 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

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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.

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.

Our operating results may 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 U.S. GAAP 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

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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") may be negatively impacted by process and system upgrades and acquisitions.

Our DSO may be negatively impacted by ongoing process and system upgrades which can impact our customer's experience in the short term, together with integrating recent acquisitions into our processes and systems which may have a negative impact on our operating cash flows, liquidity and financial performance.

Our reported financial results may be adversely affected by changes in U.S. GAAP.

We prepare our consolidated financial statements in conformity with U.S. GAAP. A change in these principles can have a significant effect on our reported financial position and financial results. In addition, the adoption of new or revised accounting principles may require that we make changes to our systems, processes and controls. For example, we are currently in the process of evaluating the newly issued accounting standards for revenue recognition and leasing, which could have a significant effect on our reported financial results, cause unexpected financial reporting fluctuations or require us to make costly changes to our operational processes and accounting systems upon the adoption of these standards. For additional information regarding the accounting standard updates, see “Accounting Standards Not Yet Adopted” and “Accounting Standards Adopted” sections of Note 1 of Notes in Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q.

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 U.S. 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.

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 September 30, 2017, our retained earnings were $187.5 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 2065. 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.

We face risks associated with unauthorized access to our computer systems, loss or destruction of data, computer viruses, malware, distributed denial-of-service attacks, or other malicious activities. These threats may result from human error, equipment failure, or fraud or malice on the part of employees or third parties. 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 our employees, or cause interruptions or malfunctions in our operations or our customers' operations. As we provide assurances to our customers that we provide a high 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 promptly detect that a cyber breach has occurred, or 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, damage relating to loss of proprietary information, 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 maintain insurance coverage for cyber risks but such coverage may be unavailable or insufficient to cover our losses.

We offer professional services to our customers where we consult on data center solutions and assist with implementations. We also offer managed services in certain of our foreign jurisdictions outside of the U.S. where we manage the data center infrastructure for our customers. The access gained from these services to our clients' networks and data creates some risk that our clients' networks or data will be improperly accessed. We may also design our clients' cloud storage systems in such a way that exposes our clients to increased risk of data breach. If Equinix were

held to be responsible for any such a breach, it could result in a significant loss to Equinix, including damage to Equinix's client relationships, harm to our brand and reputation, and legal liability.
We have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.
We derive 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

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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 global 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. Further, any payments made in settlement may directly reduce our revenue under U.S. GAAP and could negatively impact our operating results for the period. For all of these reasons, litigation 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 ("FCC") adopted network neutrality rules that may result in material changes in the regulations and contribution regime affecting us and our customers. However, the new FCC leadership may seek to overturn the current rules thus making the future of network neutrality and its impact on Equinix uncertain. There may also be forthcoming regulation in the U.S. in the areas of cybersecurity, data privacy and data security, any of which could impact Equinix and our customers. Similarly, data privacy regulations outside of the U.S. continue to evolve and must be addressed by Equinix as a global company.

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.

We remain focused on whether and how existing and changing 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.

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In addition, the continuing 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.

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.

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.

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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 of May 29, 2015. Recommended Cash and Share Offer for Telecity Group plc by Equinix, Inc.	8-K	5/29/2015	2.1	
2.2	Cooperation Agreement, dated as of May 29, 2015, by and between Equinix, Inc. and Telecity Group plc.	8-K	5/29/2015	2.2	
2.3	Amendment to Cooperation Agreement, dated as of November 24, 2015, by and between Equinix, Inc. and Telecity Group plc.	10-K	12/31/2015	2.3	
2.4	Transaction Agreement, dated as of December 6, 2016, by and between Verizon Communications Inc. and Equinix, Inc.	8-K	12/6/2016	2.1	
2.5	Amendment No.1 to the Transaction Agreement, dated February 23, 2017, by and between Verizon communications Inc. and Equinix, Inc.	10-K	12/31/2016	2.5	
2.6	Amendment No.2 to the Transaction Agreement, dated April 30, 2017, by and between Verizon Communications Inc. and Equinix, Inc.	8-K	5/1/2017	2.1	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/2002	3.1	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/14/2011	3.1	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/11/2013	3.1	
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	10-Q	6/30/2014	3.4	
3.5	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/2002	3.3	
3.6	Amended and Restated Bylaws of the Registrant.	8-K	3/29/2016	3.1	
4.6	Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/2014	4.1	
4.16	Fifth Supplemental Indenture, dated as of September 20, 2017 among Equinix, Inc. and U.S. Bank National Association, as trustee and	8-K	9/20/2017	4.2	

	Elavon Financial Services DAC, UK Branch, as paying agent	
4.17	Form of 2.875% Senior Notes due 2025 (see Exhibit 4.16)	
10.1	Fourth Amendment to Credit Agreement by and among Equinix, Inc., as borrower, the Guarantors (defined therein), the Lenders (defined therein) and Bank of America, N.A., as administrative agent, dated August 15, 2017.	X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X
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

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
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

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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: November 3, 2017

By: /s/ KEITH D. TAYLOR

Chief Financial Officer

(Principal Financial and Accounting Officer)

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