EQUINIX INC
Form 10-Q
April 29, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from _____ to _____

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices, including ZIP code)

(650) 598-6000

(Registrant s telephone number, including area code)

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

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

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

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

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

The number of shares outstanding of the registrant s Common Stock as of March 31, 2011 was 46,807,852.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	March 31, 2011	December 31, 2010
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 304,466	$ 442,841
Short-term investments	150,040	147,192
Accounts receivable, net	114,207	116,358
Other current assets	126,277	71,657
Total current assets	694,990	778,048
Long-term investments	2,145	2,806
Property, plant and equipment, net	2,881,126	2,650,953
Goodwill	789,876	774,365
Intangible assets, net	148,874	150,945
Other assets	135,502	90,892
Total assets	$ 4,652,513	$ 4,448,009
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 133,536	$ 145,854
Accrued property, plant and equipment	125,579	91,667
Current portion of capital lease and other financing obligations	8,381	7,988
Current portion of loans payable	20,204	19,978
Other current liabilities	55,574	52,628
Total current liabilities	343,274	318,115
Capital lease and other financing obligations, less current portion	296,913	253,945
Loans payable, less current portion	126,617	100,337
Convertible debt	922,325	916,337
Senior notes	750,000	750,000
Other liabilities	225,987	228,760
Total liabilities	2,665,116	2,567,494
Commitments and contingencies (Note 9)		
Stockholders equity:		
Common stock	47	46
Additional paid-in capital	2,372,660	2,341,586
Accumulated other comprehensive loss	(61,356)	(112,018)
Accumulated deficit	(323,954)	(349,099)

Total stockholders equity	1,987,397	1,880,515
Total liabilities and stockholders equity	$ 4,652,513	$ 4,448,009

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 March 31,	
	2011	2010
	(Unaudited)	
Revenues	$ 363,029	$ 248,649
Costs and operating expenses:		
Cost of revenues	194,576	133,050
Sales and marketing	33,636	19,468
General and administrative	62,601	43,155
Restructuring charges	496	
Acquisition costs	415	4,994
Total costs and operating expenses	291,724	200,667
Income from operations	71,305	47,982
Interest income	215	506
Interest expense	(37,361)	(25,675)
Other-than-temporary impairment recovery on investments		3,420
Loss on debt extinguishment and interest rate swaps, net		(3,377)
Other income	2,111	20
Income before income taxes	36,270	22,876
Income tax expense	(11,125)	(8,677)
Net income	$ 25,145	$ 14,199
Earnings per share:		
Basic earnings per share	$ 0.54	$ 0.36
Weighted-average shares	46,451	39,562
Diluted earnings per share	$ 0.53	$ 0.35
Weighted-average shares	47,219	40,791

See accompanying notes to condensed consolidated financial statements

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EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Three months ended March 31,	
	2011	2010
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 25,145	$ 14,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	74,062	47,301
Stock-based compensation	15,535	14,974
Amortization of debt issuance costs and debt discounts	7,284	5,554
Amortization of intangible assets	4,273	1,388
Allowance for doubtful accounts	1,204	290
Accretion of asset retirement obligation and accrued restructuring charges	1,125	568
Loss on debt extinguishment and interest rate swaps, net		3,377
Other items	920	209
Changes in operating assets and liabilities:		
Accounts receivable	3,099	(6,086)
Other assets	(4,279)	4,455
Accounts payable and accrued expenses	(13,606)	15,886
Other liabilities	3,008	(2,303)
Net cash provided by operating activities	117,770	99,812
Cash flows from investing activities:		
Purchases of investments	(149,963)	(89,984)
Sales of investments	75,583	1,509
Maturities of investments	72,195	200,760
Purchases of property, plant and equipment	(175,115)	(143,400)
Purchase of Paris 4 IBX property	(14,951)	
Increase in restricted cash	(94,773)	(686)
Release of restricted cash	630	244
Other investing activities	5	
Net cash used in investing activities	(286,389)	(31,557)
Cash flows from financing activities:		
Proceeds from employee equity awards	15,668	10,883
Proceeds from senior notes		750,000
Proceeds from loans payable	22,653	
Repayment of capital lease and other financing obligations	(1,968)	(1,554)
Repayment of mortgage and loans payable	(10,102)	(114,340)
Debt issuance costs	(125)	(15,193)
Net cash provided by financing activities	26,126	629,796
Effect of foreign currency exchange rates on cash and cash equivalents	4,118	(4,805)
Net increase (decrease) in cash and cash equivalents	(138,375)	693,246

Cash and cash equivalents at beginning of period	442,841	346,056
Cash and cash equivalents at end of period	$ 304,466	$ 1,039,302
Supplemental cash flow information:		
Cash paid for taxes	$ 174	$ 578
Cash paid for interest	$ 36,737	$ 8,288

See accompanying notes to condensed consolidated financial statements

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 at December 31, 2010 has been derived from audited consolidated financial statements at that date. The consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles in the United States of America. 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 25, 2011. 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 operations of Switch & Data Facilities Company, Inc. from April 30, 2010. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the consolidated financial statement presentation as of and for the three months ended March 31, 2011.

Income Taxes

The Company s effective tax rates were 30.7% and 37.9% for the three months ended March 31, 2011 and 2010, respectively.

Stock-Based Compensation

In February and March 2011, the Compensation Committee and the Stock Award Committee of the Board of Directors approved the issuance of an aggregate of 706,270 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 had a total fair value as of the dates of grant of $60,485,000, which is expected to be amortized over a weighted-average period of 3.2 years.

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

	Three months ended March 31,	
	2011	**2010**
Cost of revenues	$ 1,345	$ 1,594
Sales and marketing	2,866	2,931
General and administrative	11,324	10,449
	$ 15,535	$ 14,974

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recent Accounting Pronouncements

In October 2009, the FASB issued an accounting standards update (ASU), which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. This ASU is effective prospectively for revenue arrangements entered into or materially modified beginning in fiscal years on or after June 15, 2010. The Company adopted this ASU during the three months ended March 31, 2011. The adoption of this ASU did not have any material impact on the Company s consolidated financial statements.

In January 2010, the FASB issued an ASU, which amends the use of fair value measures and the related disclosures. This ASU requires disclosure of activity in Level 3 fair value measurements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. The Company adopted this ASU during the three months ended March 31, 2010 with respect to the new disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, and its adoption did not have any significant impact on the Company s consolidated financial statements. The Company adopted this ASU during the three months ended March 31, 2011 with respect to the disclosure of activity in Level 3 fair value measurements on a gross basis, and its adoption of this ASU did not have any material impact on the Company s consolidated financial statements.

2. Earnings Per Share

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

	Three months ended March 31,	
	2011	2010
Net income	$ 25,145	$ 14,199
Weighted-average shares used to compute basic earnings per share	46,451	39,562
Effect of dilutive securities:		
Employee equity awards	768	1,229
Weighted-average shares used to compute diluted earnings per share	47,219	40,791
Earnings per share:		
Basic	$ 0.54	$ 0.36
Diluted	$ 0.53	$ 0.35

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

	Three months ended March 31,	
	2011	2010

Shares reserved for conversion of 2.50% convertible subordinated notes	2,232	2,232
Shares reserved for conversion of 3.00% convertible subordinated notes	2,945	2,945
Shares reserved for conversion of 4.75% convertible subordinated notes	4,433	4,433
Common stock related to employee equity awards	1,064	661
	10,674	10,271

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Balance Sheet Components

Cash, Cash Equivalents and Short-Term and Long-Term Investments

Cash, cash equivalents and short-term and long-term investments consisted of the following as of (in thousands):

	March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$ 246,972	$ 8	$ (2)	$ 246,978
Cash and money markets	207,471			207,471
Corporate bonds	428	7		435
Asset-backed securities	1,679	88		1,767
Total cash, cash equivalents and available-for-sale securities	456,550	103	(2)	456,651
Less amounts classified as cash and cash equivalents	(304,461)	(5)		(304,466)
Total securities classified as investments	152,089	98	(2)	152,185
Less amounts classified as short-term investments	(150,036)	(6)	2	(150,040)
Total long-term investments	$ 2,053	$ 92	$	$ 2,145

Cash, cash equivalents and short-term and long-term investments consisted of the following as of (in thousands):

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$ 391,945	$ 12	$	$ 391,957
Cash and money markets	195,860			195,860
Corporate bonds	2,632	13		2,645
Asset-backed securities	2,266	112	(1)	2,377
Total cash, cash equivalents and available-for-sale securities	592,703	137	(1)	592,839
Less amounts classified as cash and cash equivalents	(442,833)	(8)		(442,841)
Total securities classified as investments	149,870	129	(1)	149,998
Less amounts classified as short-term investments	(147,176)	(16)		(147,192)
Total long-term investments	$ 2,694	$ 113	$ (1)	$ 2,806

As of March 31, 2011 and December 31, 2010, cash equivalents included investments which were readily convertible to cash and had original maturity dates of 90 days or less. The maturities of securities classified as short-term investments were one year or less as of March 31, 2011 and December 31, 2010. The maturities of securities classified as long-term investments were greater than one year and less than three years as of

March 31, 2011 and December 31, 2010.

While certain marketable securities carry unrealized losses, the Company expects that it will receive both principal and interest according to the stated terms of each of the securities and that the decline in market value is primarily due to changes in the interest rate environment from the time the securities were purchased as compared to interest rates at March 31, 2011.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the fair value and gross unrealized losses related to two available-for-sale securities with an aggregate cost basis of $56,993,000, aggregated by type of investment and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2011 (in thousands):

	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or more	
	Fair value	**Gross unrealized losses**	**Fair value**	**Gross unrealized losses**
U.S. government and agency obligations	$ 56,991	$ (2)	$	$

While the Company does not believe it holds investments that are other-than-temporarily impaired and believes that the Company s investments will mature at par as of March 31, 2011, the Company s investments are subject to the currently adverse market conditions. If market conditions were to deteriorate, the Company could sustain other-than-temporary impairments to its investment portfolio which could result in additional realized losses being recorded in interest income, net or securities markets could become inactive which could affect the liquidity of the Company s investments. As securities mature, the Company has reinvested the proceeds in U.S. government securities, such as Treasury bills and Treasury notes, of a short-term duration and lower yield in order to meet its capital expenditure requirements. As a result, the Company expects to recognize lower interest income in future periods.

Accounts Receivable

Accounts receivables, net, consisted of the following as of (in thousands):

	March 31, 2011	**December 31, 2010**
Accounts receivable	$ 215,127	$ 210,919
Unearned revenue	(95,945)	(90,753)
Allowance for doubtful accounts	(4,975)	(3,808)
	$ 114,207	$ 116,358

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The Company generally invoices its customers at the end of a calendar month for services to be provided the following month. Accordingly, unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers in advance in accordance with the terms of their contract.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Current Assets

Other current assets consisted of the following as of (in thousands):

	March 31, 2011	December 31, 2010
Restricted cash, current	$ 60,236	$
Deferred tax assets, net	22,793	38,696
Taxes receivable	17,822	6,857
Prepaid expenses	16,125	17,810
Other receivables	2,420	4,779
Foreign currency forward contract receivable	1,069	
Other current assets	5,812	3,515
	$ 126,277	$ 71,657

Restricted cash, current has increased as a result of the Paris 4 IBX Financing (see Note 8).

Property, Plant and Equipment

Property, plant and equipment consisted of the following as of (in thousands):

	March 31, 2011	December 31, 2010
IBX plant and machinery	$ 1,576,807	$ 1,524,559
Leasehold improvements	854,809	826,540
Buildings	452,779	395,752
Site improvements	308,233	307,933
IBX equipment	298,571	263,995
Computer equipment and software	120,941	114,263
Land	93,003	89,312
Furniture and fixtures	17,156	15,602
Construction in progress	255,954	128,535
	3,978,253	3,666,491
Less accumulated depreciation	(1,097,127)	(1,015,538)
	$ 2,881,126	$ 2,650,953

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $118,075,000 and $117,289,000 at March 31, 2011 and December 31, 2010, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $31,533,000 and $29,235,000 as of March 31, 2011 and December 31, 2010, respectively.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill and Intangible Assets

Goodwill and intangible assets, net, consisted of the following as of (in thousands):

	March 31, 2011	December 31, 2010
Goodwill:		
Americas	$ 408,730	$ 408,730
EMEA	360,545	345,486
Asia-Pacific	20,601	20,149
	$ 789,876	$ 774,365
Intangible assets:		
Intangible asset customer contracts	$ 159,343	$ 156,621
Intangible asset favorable leases	18,626	18,285
Intangible asset others	3,486	3,483
	181,455	178,389
Accumulated amortization	(32,581)	(27,444)
	$ 148,874	$ 150,945

The Company s goodwill and intangible assets in EMEA (see Note 11), denominated in British pounds and Euros, goodwill in Asia-Pacific, denominated in Singapore dollars, and certain intangible assets in Americas, denominated in Canadian dollars, are subject to foreign currency fluctuations. The Company s foreign currency translation gains and losses, including goodwill and intangibles, are a component of other comprehensive income and loss.

For the three months ended March 31, 2011 and 2010, the Company recorded amortization expense of $4,273,000 and $1,388,000, respectively, associated with its intangible assets. The Company s estimated future amortization expense related to these intangibles is as follows (in thousands):

Year ending:	
2011 (nine months remaining)	$ 12,642
2012	16,817
2013	16,768
2014	16,510
2015	16,097
2016 and thereafter	70,040
Total	$ 148,874

Other Assets

Other assets consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Restricted cash, non-current	$ 38,467	$ 4,309
Debt issuance costs, net	32,418	34,066
Deposits	31,656	24,604
Deferred tax assets, net	17,653	16,955
Prepaid expenses, non-current	10,211	9,597
Other assets, non-current	5,097	1,361
	$ 135,502	$ 90,892

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted cash, non-current has increased primarily as a result of the Paris 4 IBX Financing (see Note 8).

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Accounts payable	$ 17,216	$ 12,585
Accrued compensation and benefits	35,937	53,259
Accrued taxes	21,708	15,707
Accrued interest	19,335	25,456
Accrued utilities and security	17,795	18,346
Accrued professional fees	4,233	3,786
Accrued repairs and maintenance	3,210	2,894
Accrued other	14,102	13,821
	$ 133,536	$ 145,854

Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Deferred installation revenue	$ 33,049	$ 31,149
Customer deposits	13,107	12,624
Accrued restructuring charges	2,690	3,089
Deferred recurring revenue	3,259	2,349
Deferred tax liabilities	993	993
Deferred rent	591	585
Foreign currency forward contract payable	328	58
Asset retirement obligations	453	445
Other current liabilities	1,104	1,336
	$ 55,574	$ 52,628

Other Liabilities

Other liabilities consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Deferred tax liabilities, net	$ 95,145	$ 103,717
Asset retirement obligations, non-current	48,931	46,322
Deferred rent, non-current	45,960	43,705
Deferred installation revenue, non-current	20,715	19,488
Deferred recurring revenue, non-current	4,580	4,897
Customer deposits, non-current	4,290	4,206
Accrued restructuring charges, non-current	3,760	3,952
Other liabilities	2,606	2,473
	$ 225,987	$ 228,760

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company currently leases the majority of its IBX data centers and certain equipment under non-cancelable operating lease agreements expiring through 2035. The IBX data center lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease. In addition, the Company has negotiated some rent expense abatement periods for certain leases to better match the phased build-out of its centers. The Company accounts for such abatements and increasing base rentals using the straight-line method over the life of the lease. The difference between the straight-line expense and the cash payment is recorded as deferred rent.

4. Derivatives and Hedging Activities

Other Derivatives not Designated as Hedging

The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the foreign currency-denominated assets and liabilities change. 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.

The Company has not designated the foreign currency forward contracts as hedging instruments under the accounting standard for derivatives and hedging. Gains and losses on these contracts are included in other income (expense), net, along with those foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward contracts. The Company entered into various foreign currency forward contracts during the three months ended March 31, 2011 and 2010.

During the three months ended March 31, 2011 and 2010, the Company recorded a net gain of $798,000 and $1,052,000, respectively, which is reflected in other income (expense) on the accompanying condensed consolidated statement of operations, in connection with its foreign currency forward contracts.

5. Fair Value Measurements

The Company s financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 were as follows (in thousands):

	Fair value as of March 31, 2011	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets:				
U.S. government and agency obligations	$ 246,978	$	$ 246,978	$
Cash and money markets	207,471	207,471		
Corporate bonds	435		435	
Asset-backed securities	1,767		1,767	
Foreign currency forward contracts (1)	1,069		1,069	
	$ 457,720	$ 207,471	$ 250,249	$
Liabilities:				
Foreign currency forward contracts (1)	$ 328	$	$ 328	$

(1) Amounts are included within other current assets and other current liabilities in the Company s accompanying condensed consolidated balance sheets.

The fair value of the Company s investments in available-for-sale money market funds approximates their face value. Such instruments are included in cash equivalents. These instruments include available-for-sale debt investments related to the Company s investments in the securities of other public companies, governmental units and other agencies. The fair value of these investments is based on the quoted market price of the underlying shares.

Valuation Methods

Fair value estimates are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors.

The Company considers each category of investments held to be an asset group. The asset groups held at March 31, 2011 were primarily U.S. government securities, cash and money market funds, corporate bonds and asset-backed securities. The Company s fair value assessment includes an evaluation by each of these securities held for sale, all of which continue to be classified within Level 2 of the fair value hierarchy.

The types of instruments valued based on other observable inputs include available-for-sale debt investments in other public companies, governmental units and other agencies. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Short-Term and Long-Term Investments. The Company uses the specific identification method in computing realized gains or losses. Short-term and long-term investments are classified as available-for-sale and are carried at fair value based on quoted market prices with unrealized gains and losses reported in stockholders equity as a component of other comprehensive income or loss, net of any related tax effect. The Company reviews its investment portfolio quarterly to determine if any securities may be other-than-temporarily impaired due to increased credit risk, changes in industry or sector of a certain instrument or ratings downgrades over an extended period of time. The Company determined that these quoted market prices qualify as Level 1 and Level 2.

Derivative Assets and Liabilities. For foreign currency derivatives, the Company s approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities with adjustments made to these values utilizing the credit default swap rates of our foreign exchange trading counterparties. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit risk valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of March 31, 2011, the Company had assessed the significance of the impact of the credit risk valuation adjustments on the overall valuation of its derivative positions and had determined that the credit risk valuation adjustments were not significant to the overall valuation of its derivatives. Therefore, they are categorized as Level 2.

During the three months ended March 31, 2011, the Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis.

6. Related Party Transactions

The Company has several significant stockholders and other related parties that are also customers and/or vendors. The Company s activity of related party transactions was as follows (in thousands):

	Three months ended March 31,	
	2011	2010
Revenues	$ 5,811	$ 5,392
Costs and services	388	393

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of March 31,	
	2011	2010
Accounts receivable	$ 5,465	$ 3,727
Accounts payable	258	234

7. Capital Lease and Other Financing Obligations

Hong Kong 2 IBX Lease

In August 2010, an indirect wholly-owned subsidiary of the Company entered into a lease agreement for rental of space which will be used for its second IBX data center in Hong Kong. Additionally, in December 2010, the Company entered into a license agreement with the same Landlord to obtain the right to make structural changes to the leased space (the Hong Kong 2 IBX Lease). The Hong Kong 2 IBX Lease has a term of 12 years and a total cumulative rent obligation of approximately $40,518,000 (using the exchange rate as of March 31, 2011). Pursuant to the accounting standards for lessee s involvement in asset construction, the Company is now considered the owner of the leased space during the construction phase due to the structural work that the Company is now undertaking, which commenced in January 2011. As a result, in January 2011, the Company recorded a building asset totaling approximately $37,957,000 (using the exchange rate as of March 31, 2011) and a related financing obligation liability totaling approximately $38,069,000 (using the exchange rate as of March 31, 2011).

Maturities of Capital Lease and Other Financing Obligations

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

	March 31, 2011		
	Capital leases	Other financing obligations	Total
2011 (nine months remaining)	$ 9,301	$ 12,952	$ 22,253
2012	12,827	19,216	32,043
2013	12,817	19,933	32,750
2014	13,013	20,577	33,590
2015	13,483	20,880	34,363
Thereafter	103,573	164,348	267,921
Total minimum lease payments	165,014	257,906	422,920
Plus amount representing residual property value		109,986	109,986
Less amount representing interest	(62,949)	(164,663)	(227,612)
Present value of net minimum lease payments	102,065	203,229	305,294
Less current portion	(4,910)	(3,471)	(8,381)
	$ 97,155	$ 199,758	$ 296,913

8. Debt Facilities

Loans Payable

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

	March 31, 2011	December 31, 2010
New Asia-Pacific financing	$ 134,720	$ 120,315
Paris 4 IBX financing	12,101	
	146,821	120,315
Less current portion of principal	(20,204)	(19,978)
	$ 126,617	$ 100,337

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Asia-Pacific Financing

During the three months ended March 31, 2011, the Company received additional advances totaling approximately $22,653,000 under the New Asia-Pacific Financing leaving the amount available to borrow totaling approximately $70,996,000. The outstanding loans payable under the New Asia-Pacific Financing had a blended interest rate of 4.69% as of March 31, 2011. As of March 31, 2011, the Company was in compliance with all financial covenants associated with the New Asia-Pacific Financing.

Paris 4 IBX Financing

In March 2011, the Company entered into two agreements with two unrelated parties to purchase and develop a building that will ultimately become the Company s fourth IBX data center in the Paris metro area. The first agreement allowed the Company the right to purchase the property for a total fee of approximately $21,297,000 payable to a company that held exclusive rights (including power rights) to the property and was already in the process of developing the property into a data center and will now, instead, become the anchor tenant in the Paris 4 IBX data center once it is open for business. The second agreement was entered into with the developer of the property and allowed the Company to take immediate title to the building and associated land and also requires the developer to construct the data center to the Company s specifications and hand over the completed data center to the Company in July 2012 for a total fee of approximately $107,462,000. Both agreements include extended payment terms. The Company made payments under both agreements totaling approximately $35,687,000 in March 2011 and the remaining payments due totaling approximately $93,072,000 are payable on various dates through March 2013 (the Paris 4 IBX Financing). Of the amounts paid or payable under the Paris 4 IBX Financing, a total of $14,951,000 was allocated to land and building assets, $3,761,000 was allocated to a deferred charge, which will be netted against revenue associated with the anchor tenant of the Paris 4 IBX data center over the term of the customer contract, and the remainder totaling $110,047,000 was or will be allocated to construction costs inclusive of interest charges. The Company has imputed an interest rate of 5.90% per annum on the Paris 4 IBX Financing and as of March 31, 2011, a total of $12,101,000 was outstanding under the Paris 4 IBX Financing. The Company will record additional construction costs and increase the Paris 4 IBX Financing liability over the course of the construction period. The Paris 4 IBX Financing also required the Company to post approximately $94,734,000 of cash into a restricted cash account as collateral for the developer during the construction period. As a result, the Company s restricted cash balances (both current and non-current) have increased (refer to Other Current Assets and Other Assets in Note 3).

Convertible Debt

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

	March 31, 2011	December 31, 2010
2.50% convertible subordinated notes due April 2012	$ 250,000	$ 250,000
3.00% convertible subordinated notes due October 2014	395,986	395,986
4.75% convertible subordinated notes due June 2016	373,750	373,750
	1,019,736	1,019,736
Less amount representing debt discount	(97,411)	(103,399)
	922,325	916,337
Less current portion of principal		
	$ 922,325	$ 916,337

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Maturities of Debt Facilities

The following table sets forth maturities of the Company s debt, including loans payable, senior notes and convertible debt, as of March 31, 2011 (in thousands):

Year ending:	
2011 (nine months remaining)	$ 10,102
2012	284,053
2013	44,378
2014	434,084
2015	20,190
Thereafter	1,123,750
	$ 1,916,557

Fair Value of Debt Facilities

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

	March 31, 2011	December 31, 2010
Loans payable	$ 155,284	$ 126,958
Senior notes	821,050	816,270
Convertible debt	1,040,782	995,012

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 March 31,	
	2011	2010
Interest expense	$ 37,361	$ 25,675
Interest capitalized	2,624	3,748
Interest charges incurred	$ 39,985	$ 29,423

9. Commitments and Contingencies

Legal Matters

IPO Litigation

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors (the Individual Defendants), and several investment banks that were underwriters of the Company s initial public offering (the Underwriter Defendants). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. These lawsuits have been coordinated before a single judge. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against the Company and the Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the Underwriter Defendants agreed to allocate stock in the Company s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for the Company s initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The parties in the approximately 300 coordinated cases, including the parties in the Equinix case, reached a settlement. It provides for releases of existing claims and claims that could have been asserted relating to the conduct alleged to be wrongful from the class of investors participating in the settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. Two appeals are proceeding before the United States Court of Appeals for the Second Circuit. Plaintiffs have moved to dismiss both appeals.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

Pihana Litigation

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the Internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana s majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately $725,000,000 value of Equinix held by Defendants (a group that includes more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing was submitted with respect to claims against one defendant and plaintiffs renewed request for further leave to amend. On March 23, 2010, the Court entered final Orders granting the motions to dismiss as to all Defendants and issued a minute Order denying plaintiffs renewed request for further leave to amend. On May 21, 2010, plaintiffs filed a Notice of Appeal, and plaintiffs appeal is currently pending before the Hawaii Supreme Court. The Company believes that plaintiffs claims and alleged damages are without merit and it intends to continue to defend the litigation vigorously.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Alleged Class Action and Shareholder Derivative Action

On March 4, 2011, an alleged class action entitled Cement Masons & Plasterers Joint Pension Trust v. Equinix, Inc., et al., No. CV-11-1016-SC, was filed in the United States District Court for the Northern District of California, against Equinix and two of its officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for allegedly misleading statements regarding the Company s business and financial results. The suit is purportedly brought on behalf of purchasers of the Company s common stock between July 29, 2010 and October 5, 2010, and seeks compensatory damages, fees and costs. Defendants have not yet responded to the claims in this action.

On March 8, 2011, an alleged shareholder derivative action entitled Rikos v. Equinix, Inc., et al., No. CGC-11-508940, was filed in California Superior Court, County of San Francisco, against Equinix (as a nominal defendant), the members of the Company s board of directors, and two of its officers. The suit is based on allegations similar to those in the federal securities class action and, allegedly on the Company s behalf, asserts purported state law causes of action against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The suit seeks, among other things, compensatory and treble damages, restitution and other equitable relief, and fees and costs. Defendants have not yet responded to the claims in this action.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

Litigation Summary

The Company believes that while an unfavorable outcome to these litigations is reasonably possible, a range of potential loss cannot be determined at this time. As a result, the Company had not accrued for any amounts in connection with these legal matters as of March 31, 2011. The Company and its officers and directors intend to continue to defend the actions vigorously.

Other Purchase Commitments

Primarily as a result of the Company s various IBX expansion projects, as of March 31, 2011, the Company was contractually committed for $204,816,000 of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers and make them available to customers for installation. In addition, the Company had numerous other, non-capital purchase commitments in place as of March 31, 2011, such as commitments to purchase power in select locations through the remainder of 2011 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2011 and thereafter. Such other miscellaneous purchase commitments totaled $128,635,000 as of March 31, 2011.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Comprehensive Income and Loss

The components of other comprehensive income (loss) are as follows (in thousands):

	Three months ended March 31,	
	2011	**2010**
Net income	$ 25,145	$ 14,199
Unrealized loss on available for sale securities, net of tax of $14 and $64, respectively	(21)	(104)
Unrealized gain on interest rate swaps, net of tax of $0 and $3,469, respectively		4,933
Foreign currency translation gain (loss), net of tax $27 and $242, respectively	50,683	(40,089)
Comprehensive income (loss)	$ 75,807	$ (21,061)

Changes in foreign currencies, particularly the British pound and Euro, can have a significant impact to the Company s consolidated balance sheets (as evidenced above in the Company s foreign currency translation gain or loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translating into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. During the three months ended March 31, 2011, the U.S. dollar weakened against certain of the currencies of the foreign countries in which the Company operates. This has significantly impacted the Company s condensed consolidated balance sheets (as evidenced in the Company s foreign currency translation gain in this period), as well as its condensed consolidated statements of operations as amounts denominated in foreign currencies are generally translating into more U.S. dollars. To the extent that the U.S. dollar weakens or strengthens in future periods, this will continue to impact the Company s consolidated financial statements including the amount of revenue that the Company reports in future periods.

11. Segment Information

During the three months ended March 31, 2011, the Company changed its reportable segments as a result of the incorporation of legal entities in South America and the Middle East. The Company s prior North America segment was re-designated as the Americas segment, which includes both North and South America, and the Europe segment was re-designated as the Europe, Middle East and Africa (EMEA) segment. The change in reportable segments did not impact the Company s prior periods segment disclosures. While the Company has a single line of business, which is the design, build-out and operation of IBX data centers, it has determined that it has three reportable segments comprised of its Americas, EMEA and Asia-Pacific geographic regions. The Company s chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on the Company s revenue and adjusted EBITDA performance both on a consolidated basis and based on these three geographic regions.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company provides the following segment disclosures as follows (in thousands):

	Three months ended March 31,	
	2011	**2010**
Total revenues:		
Americas	$ 232,527	$ 148,556
EMEA	82,039	64,164
Asia-Pacific	48,463	35,929
	$ 363,029	$ 248,649
Total depreciation and amortization:		
Americas	$ 52,700	$ 27,866
EMEA	16,678	14,353
Asia-Pacific	8,957	6,470
	$ 78,335	$ 48,689
Income from operations:		
Americas	$ 47,319	$ 29,601
EMEA	11,471	8,321
Asia-Pacific	12,515	10,060
	$ 71,305	$ 47,982
Capital expenditures:		
Americas	$ 48,878	$ 95,966
EMEA	82,849	39,844
Asia-Pacific	58,339	7,590
	$ 190,066	$ 143,400

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

	March 31, 2011	**December 31, 2010**
Americas	$ 1,746,026	$ 1,764,630
EMEA	707,459	596,609
Asia-Pacific	427,641	289,714
	$ 2,881,126	$ 2,650,953

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

	Three months ended March 31,	
	2011	2010
Colocation	$ 280,735	$ 200,359
Interconnection	54,075	29,232
Managed infrastructure	8,477	7,300
Rental	622	345
Recurring revenues	343,909	237,236
Non-recurring revenues	19,120	11,413
	$ 363,029	$ 248,649

No single customer accounted for 10% or greater of the Company s revenues for the three months ended March 31, 2011 and 2010. No single customer accounted for 10% or greater of the Company s gross accounts receivable as of March 31, 2011 and December 31, 2010.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Restructuring Charges

Switch and Data Restructuring Charge

During the three months ended March 31, 2011, the Company recorded restructuring charges related to one-time termination benefits, primarily comprised of severance, attributed to certain Switch and Data employees as presented below (in thousands):

Accrued restructuring charge as of December 31, 2010 **(1)**	$ 1,035
Severance-related expenses **(2)**	496
Cash payments	(793)
Accrued restructuring charge as of March 31, 2011 **(1)**	$ 738

(1) Included within other current liabilities.
(2) Included in the consolidated statements of operations as a restructuring charge.

As of March 31, 2011, the Company s remaining accrued restructuring charge associated with the Switch and Data Acquisition is expected to be paid out during the second quarter of 2011. The Company anticipates that it will incur additional restructuring charges in connection with the Switch and Data Acquisition related to one-time termination benefits during the second quarter of 2011.

2004 Restructuring Charge

A summary of the activity in the 2004 accrued restructuring charge from December 31, 2010 to March 31, 2011 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2010	Accretion expense	Cash payments	Accrued restructuring charge as of March 31, 2011
Estimated lease exit costs	$ 6,006	$ 100	$ (394)	$ 5,712
	6,006	$ 100	$ (394)	
Less current portion	(2,054)			(1,952)
	$ 3,952			$ 3,760

As the Company currently has no plans to enter into a lease termination with the landlord associated with the excess space lease in the New York metro area, the Company has reflected its accrued restructuring liability as both a current and non-current liability. The Company reports accrued restructuring charges within other current liabilities and other liabilities on the accompanying consolidated balance sheets as of March 31, 2011 and December 31, 2010. The Company is contractually committed to this excess space lease through 2015.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Subsequent Events

On April 25, 2011, Zion RJ Participações S.A. (Zion), a Brazilian joint-stock company controlled by a wholly-owned subsidiary of the Company and co-owned by RW Brasil Fundo de Investimento em Participações, a subsidiary of Riverwood Capital L.P. (Riverwood), completed the acquisition of approximately 90% of the outstanding capital stock of ALOG Data Centers do Brasil S.A. and its subsidiaries (ALOG) (the ALOG Acquisition). Zion paid a total of 155,084,000 Brazilian reais in cash on the closing date, or approximately $95,000,000, to purchase the ALOG capital stock and an additional 36,000,000 Brazilian reais, or approximately $22,000,000, is payable in April 2013, subject to certain post-closing balance sheet adjustments and any claims for indemnification by Zion. In addition, in connection with the closing, Equinix and Riverwood funded an additional 44,913,000 Brazilian reais in cash on the closing date, or approximately $27,500,000, to Zion in order to provide additional funding to ALOG in the future, as well as to cover certain deal expenses. As a result, Equinix has an approximate 52% indirect ownership interest in ALOG. Later in 2011, ALOG intends to provide equity awards to ALOG management that are expected to dilute Equinix s indirect ownership interest in ALOG to approximately 50.1%. ALOG operates two data centers in Brazil, with a third under construction, and is headquartered in Rio de Janeiro, Brazil. ALOG will continue to operate under the ALOG trade name.

Beginning in April 2014 and ending in May 2016, Equinix will have the right to purchase all of Riverwood s interest in Zion at a price equal to the greater of (i) its fair market value and (ii) a net purchase price that implies a compounded internal rate of return in U.S. dollars (IRR) for Riverwood s investment of 12%. If Equinix exercises its right to purchase Riverwood s shares, Equinix also will have the right, and under certain circumstances may be required, to purchase the remaining approximate 10% of shares of ALOG that Zion does not own, which are held by ALOG management.

Also beginning in April 2014 and ending in May 2016, Riverwood will have the right to require Equinix to purchase all of Riverwood s interest in Zion at a price equal to the greater of (i) its fair market value and (ii) a net purchase price that implies an IRR for Riverwood s investment of 8%, declining over time. If Riverwood exercises its right to require Equinix to purchase Riverwood s shares, Equinix will have the right, and under certain circumstances may be required, to purchase the remaining approximate 10% of shares of ALOG that Zion does not own, which are held by ALOG management.

The Company will consolidate the results of ALOG and the ALOG Acquisition will be accounted for using the acquisition method of accounting in accordance with the accounting standard for business combinations. As the Company does not wholly-own ALOG, the Company will reflect a non-controlling interest in its consolidated balance sheets and consolidated statements of operations prospectively. The preliminary purchase price allocation for the ALOG Acquisition is not currently available as the appraisals necessary to assess fair values of assets acquired and liabilities assumed are not yet complete.

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

On April 25, 2011, as more fully described in Note 13 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, Zion RJ Participações S.A., referred to as Zion, a Brazilian joint-stock company controlled by our wholly-owned subsidiary and co-owned by RW Brasil Fundo de Investimento em Participações, a subsidiary of Riverwood Capital L.P., referred to as Riverwood, completed the acquisition of approximately 90% of the outstanding capital stock of ALOG Data Centers do Brasil S.A. and its subsidiaries, referred to as ALOG. This transaction is referred to as the ALOG acquisition. Zion paid a total of 155.1 million Brazilian reais in cash on the closing date, or approximately $95.0 million, to purchase the ALOG capital stock and an additional 36.0 million Brazilian reais, or approximately $22.0 million, is payable in April 2013, subject to certain post-closing balance sheet adjustments and any claims for indemnification by Zion. In addition, in connection with the closing, Equinix and Riverwood funded an additional 45.0 million Brazilian reais in cash on the closing date, or approximately $27.5 million, to Zion in order to provide additional funding to ALOG in the future. As a result, we have an approximate 52% indirect ownership interest in ALOG.

Overview

Equinix provides global data center services that protect and connect the world s most valued information assets. Global enterprises, financial services companies, and content and network service providers rely upon Equinix s leading insight and data centers in 35 markets around the world for the safeguarding of their critical IT equipment and the ability to directly connect to the networks that enable today s information-driven economy. Equinix offers the following data center services: premium data center colocation, interconnection and exchange services, and outsourced IT infrastructure services. As of March 31, 2011, we operated or had partner IBX data centers in the Atlanta, Boston, Buffalo, Chicago, Cleveland, Dallas, Denver, Detroit, Indianapolis, Los Angeles, Miami, Nashville, New York, Philadelphia, Phoenix, Pittsburgh, Seattle, Silicon Valley, St. Louis, Tampa, Toronto and Washington, D.C. metro areas in the Americas region; France, Germany, the Netherlands, Switzerland and the United Kingdom in the Europe, Middle East, Africa (EMEA) region; and Australia, Hong Kong, Japan, China and Singapore in the Asia-Pacific region.

We leverage our global data centers in 35 markets around the world as a global service delivery platform which serves more than 90% of the world s Internet routes and allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global delivery 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 services. These partners, in turn, pull in their business partners, creating a marketplace for their services. Our global delivery platform enables scalable, reliable and cost-effective colocation, interconnection and traffic exchange thus lowering overall cost and increasing flexibility. Our focused business model is based on our critical mass of customers and the resulting marketplace effect. This global delivery platform, combined with our strong financial position, continues to drive new customer growth and bookings as we drive scale into our global business.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their colocation offerings. The data center services market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers with over 350 companies providing data center services in the United States alone. Each of these data center services providers can bundle various colocation, interconnection and network services, and outsourced IT infrastructure services. We are able to offer our customers a global platform that supports global reach to 12 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of services.

Our customer count increased to 4,046 as of March 31, 2011 versus 2,719 as of March 31, 2010, an increase of 49%. This increase was due both to our acquisition of Switch & Data Facilities Company, Inc. in April 2010, which is referred to as Switch and Data or the Switch and Data acquisition, and organic growth in our business. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available taking into account power limitations. Excluding the impact of the Switch and Data acquisition, our utilization rate increased to 79% as of March 31, 2011 versus approximately 76% as of March 31, 2010; however, excluding the impact of our IBX data center expansion projects that have opened during the last 12 months, our utilization rate would have increased to approximately 83% as of March 31, 2011. Including the impact of the Switch and Data acquisition, our utilization rate was 76% as of March 31, 2011. Our utilization rate varies from market to market among our IBX data centers across the Americas, EMEA and Asia-Pacific regions. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market it may limit our ability for growth in that market. We perform demand studies on an ongoing basis to determine if future expansion is warranted in a market. In addition, power and cooling requirements for most customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of power our customers draw from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. This increased power consumption has driven the requirement to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our 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 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 service 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 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, interconnection and managed infrastructure services. We consider these services recurring as 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 the past three years, in any given quarter, greater than half of our monthly recurring revenue bookings came from existing customers, contributing to our revenue growth.

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 as they are billed typically once and upon completion of the installation or 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 longer of the term of the related contract or expected life of the services. Additionally, revenue from contract settlements, when a customer wishes to terminate their contract early, is generally recognized on a cash basis, when no remaining performance obligations exist, to the extent that the revenue has not previously been recognized. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our Americas revenues are derived primarily from colocation and interconnection services while our EMEA and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure services.

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 increase in the future on a per-unit or fixed basis in addition to the variable increase related to the growth in consumption by the customer. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year. To the extent we incur increased utility costs, such increased costs could materially impact our financial condition, results of operations and cash flows. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change, such increased costs could materially impact our financial condition, results of operations and cash flows.

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

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

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

Results of Operations

Our results of operations for the three months ended March 31, 2011 include the operations of Switch and Data, an acquisition that closed on April 30, 2010.

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 British pound, Canadian dollar, Euro, Swiss franc, Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Presenting constant currency results of operations is a non-GAAP financial measure and is not meant to be considered in isolation or as an alternative to GAAP results of operations. However, we have presented this non-GAAP financial measure to provide investors with an additional tool to evaluate our operating results. To present this information, our current and comparative prior period revenues and certain operating expenses from entities 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 for the three months ended March 31, 2010 are used as exchange rates for the three months ended March 31, 2011 when comparing the three months ended March 31, 2011 with the three months ended March 31, 2010). For the three months ended March 31, 2011, our Americas operations consisted of the U.S. operations and Canadian operations which were added through the Switch and Data acquisition.

Three Months Ended March 31, 2011 and 2010

Revenues. Our revenues for the three months ended March 31, 2011 and 2010 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended March 31,				% change	
	2011	%	2010	%	Actual	Constant currency
Americas:						
Recurring revenues	$ 223,389	62%	$ 143,417	58%	56%	n/a
Non-recurring revenues	9,138	2%	5,139	2%	78%	n/a
	232,527	64%	148,556	60%	57%	n/a
EMEA:						
Recurring revenues	74,328	21%	59,445	24%	25%	24%
Non-recurring revenues	7,711	2%	4,719	2%	63%	64%
	82,039	23%	64,164	26%	28%	27%
Asia-Pacific:						
Recurring revenues	46,192	13%	34,374	13%	34%	24%
Non-recurring revenues	2,271	0%	1,555	1%	46%	35%
	48,463	13%	35,929	14%	35%	24%
Total:						
Recurring revenues	343,909	95%	237,236	95%	45%	43%
Non-recurring revenues	19,120	5%	11,413	5%	68%	67%
	$ 363,029	100%	$ 248,649	100%	46%	44%

Americas Revenues. The increase in our Americas revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $60.3 million of additional revenue for the three months ended March 31, 2011. The following table presents our Americas revenues excluding the impact of the Switch and Data acquisition (dollars in thousands):

	Three months ended March 31,		%
	2011	2010	change
Americas:			
Recurring revenues	$ 165,090	$ 143,417	15%
Non-recurring revenues	7,138	5,139	39%
	$ 172,228	$ 148,556	16%

Excluding the impact of the Switch and Data acquisition, the period over period growth in revenues was primarily the result of an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. Additionally, during the three months ended March 31, 2011, we recorded $10.1 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Dallas, New York, Silicon Valley and Washington, D.C. metro areas.

We expect that our Americas revenues will continue to grow in future periods as a result of the ALOG acquisition and continued growth in the recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Chicago and New York metro areas, which are expected to open during 2011 and 2012. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

EMEA Revenues. Our revenues from Germany, the largest revenue contributor in the EMEA region for the period, represented approximately 35% and 37%, respectively, of the regional revenues during the three months ended March 31, 2011 and 2010. Our EMEA revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended March 31, 2011, we recorded approximately $6.3 million of revenue from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Frankfurt, Munich, Paris and Zurich metro areas. For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our EMEA revenues was not significant when compared to average exchange rates of the three months ended March 31, 2010. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Amsterdam, Frankfurt, London and Paris metro areas, which are expected to open during 2011 and 2012. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 40% and 37%, respectively, of the regional revenues for the three months ended March 31, 2011 and 2010. Our Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended March 31, 2011, we recorded approximately $3.1 million of revenue generated from our IBX center expansions in the Hong Kong and Singapore metro areas. During the three months ended March 31, 2011, the U.S. dollar was generally stronger relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the three months ended March 31, 2010, resulting in approximately $3.8 million of favorable foreign currency impact to our Asia-Pacific revenues during the three months ended March 31, 2011 when compared to average exchange rates of the three months ended March 31, 2010. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX center expansions and additional expansions currently taking place in the Hong Kong, Singapore, Sydney and Tokyo metro areas which are expected to open during 2011. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the three months ended March 31, 2011 and 2010 were split among the following geographic regions (dollars in thousands):

	Three months ended March 31,				% change	
						Constant
	2011	%	2010	%	Actual	currency
Americas	$ 117,586	60%	$ 72,073	54%	63%	n/a
EMEA	49,971	26%	41,832	32%	19%	18%
Asia-Pacific	27,019	14%	19,145	14%	41%	30%
Total	$ 194,576	100%	$ 133,050	100%	46%	44%

	Three months ended March 31,	
	2011	2010
Cost of revenues as a percentage of revenues:		
Americas	51%	49%
EMEA	61%	65%
Asia-Pacific	56%	53%
Total	54%	54%

Americas Cost of Revenues. The increase in our Americas cost of revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $41.5 million of additional cost of revenues for the three months ended March 31, 2011. Our Americas cost of revenues for the three months ended March 31, 2011 and 2010 included $45.2 million and $26.4 million, respectively, of depreciation expense, including $15.5 million of depreciation expense from the impact of the Switch and Data acquisition for the three months ended March 31, 2011.

Excluding the impact of the Switch and Data acquisition, our Americas cost of revenues during the three months ended March 31, 2011 was $76.1 million, which represents an increase of 6% from the three months ended March 31, 2010. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation, our Americas cost of revenues did not materially change. We expect Americas cost of revenues to increase as a result of the ALOG acquisition and as we continue to grow our business.

EMEA Cost of Revenues. EMEA cost of revenues for the three months ended March 31, 2011 and 2010 included $15.1 million and $12.9 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in EMEA cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as $1.5 million of higher compensation expense, including general salaries, bonuses and headcount growth (255 EMEA cost of revenues employees as of March 31, 2011 versus 209 as of March 31, 2010) and an increase of $1.8 million in utility costs arising from increased customer installations and revenues attributed to customer growth. For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our EMEA cost of revenues was not significant when compared to average exchange rates of the three months ended March 31, 2010. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the three months ended March 31, 2011 and 2010 included $8.6 million and $6.3 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) $1.9 million in higher utility costs and (ii) an increase of $1.9 million of rent and facility costs. During the three months ended March 31, 2011, the U.S. dollar was generally stronger relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the three months ended March 31, 2010, resulting in approximately $2.1 million of unfavorable foreign currency impact to our Asia-Pacific cost of revenues during the three months ended March 31, 2011 when compared to average exchange rates of the three months ended March 31, 2010. 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 March 31, 2011 and 2010 were split among the following geographic regions (dollars in thousands):

	Three months ended March 31,				**% change**	
	2011	**%**	**2010**	**%**	**Actual**	**Constant currency**
Americas	$ 21,811	65%	$ 11,952	61%	82%	n/a
EMEA	8,438	25%	4,991	26%	69%	67%
Asia-Pacific	3,387	10%	2,525	13%	34%	28%
Total	$ 33,636	100%	$ 19,468	100%	73%	71%

	Three months ended March 31,	
	2011	2010
Sales and marketing expenses as a percentage of revenues:		
Americas	9%	8%
EMEA	10%	8%
Asia-Pacific	7%	7%
Total	9%	8%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was partly due to the impact of the Switch and Data acquisition, which resulted in $3.6 million of additional sales and marketing expenses, including $2.3 million of amortization expense for customer contracts, for the three months ended March 31, 2011.

Excluding the impact of the Switch and Data acquisition, our Americas sales and marketing expenses during the three months ended March 31, 2011 were $18.2 million, which represents an increase of 52% from the three months ended March 31, 2010. This increase was primarily due to (i) $3.8 million of higher compensation costs, including sales compensation, general salaries, bonuses and headcount growth (133 Americas sales and marketing employees as of March 31, 2011 versus 108 as of March 31, 2010) and (ii) $1.1 million of higher bad debt expense, which is partially due to the revenue growth as discussed above and partially due to the growth of the Americas collection team that has initiated additional collection efforts and procedures.

We have been investing in our Americas sales and marketing initiatives to further increase our revenue and we anticipate this increased investment will continue over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased and are expected to continue to increase. Additionally, as a result of the ALOG acquisition, we expect our Americas sales and marketing expenses to increase further. In the long-term, we generally expect Americas sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

EMEA Sales and Marketing Expenses. The increase in our EMEA sales and marketing expenses was primarily due to $2.5 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (86 EMEA sales and marketing employees as of March 31, 2011 versus 58 as of March 31, 2010). For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the three months ended March 31, 2010. We intend to invest further in our EMEA sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our EMEA sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect EMEA sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher advertising and promotion efforts as part of our ongoing effort to gain additional market share. For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the three months ended March 31, 2010. We intend to invest further in our Asia-Pacific sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Asia-Pacific sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

General and Administrative Expenses. Our general and administrative expenses for the three months ended March 31, 2011 and 2010 were split among the following geographic regions (dollars in thousands):

	Three months ended March 31,				% change	
	2011	%	2010	%	Actual	Constant currency
Americas	$ 44,949	72%	$ 29,936	69%	50%	n/a
EMEA	12,156	19%	9,020	21%	35%	32%
Asia-Pacific	5,496	9%	4,199	10%	31%	21%
Total	$ 62,601	100%	$ 43,155	100%	45%	44%

	Three months ended March 31,	
	2011	2010
General and administrative expenses as a percentage of revenues:		
Americas	19%	20%
EMEA	15%	14%
Asia-Pacific	11%	12%
Total	17%	17%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was partly due to the impact of the Switch and Data acquisition, which resulted in $5.8 million of additional general and administrative expenses for the three months ended March 31, 2011.

Excluding the impact of the Switch and Data acquisition, our Americas general and administrative expenses during the three months ended March 31, 2011 were $39.1 million, which represents an increase of 31% from the three months ended March 31, 2010. This increase in our Americas general and administrative expenses was primarily due to (i) $5.8 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (415 Americas general and administrative employees as of March 31, 2011 versus 337 as of March 31, 2010) and (ii) $1.8 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investments in systems.

Over the course of the past year, we have been investing in our Americas general and administrative functions, which has included taking on additional office space to accommodate the headcount growth, as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Americas general and administrative expenses to increase as a result of the ALOG acquisition and as we continue to further scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to $1.7 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (157 EMEA general and administrative employees as of March 31, 2011 versus 119 as of March 31, 2010). For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our EMEA general and administrative expenses was not significant when compared to average exchange rates of the three months ended March 31, 2010. Over the course of the past year, we have been investing in our EMEA general and administrative functions, which has included taking on additional office space to accommodate the headcount growth, as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (130 Asia-Pacific general and administrative employees as of March 31, 2011 versus 115 as of March 31, 2010). For the three months ended March 31, 2011, the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the three months ended March 31, 2010. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the three months ended March 31, 2011, we recorded restructuring charges totaling $496,000 related to one-time termination benefits attributed to certain Switch and Data employees. For additional information, see Restructuring Charges in Note 12 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. We anticipate that we will incur additional restructuring charges in connection with the Switch and Data acquisition related to one-time termination benefits during the second quarter of 2011. During the three months ended March 31, 2010, no restructuring charge was recorded. Our restructuring charges all relate to our Americas region.

Acquisition Costs. During the three months ended March 31, 2011, we recorded acquisition costs totaling $415,000 primarily attributed to our Americas region related to the ALOG acquisition. During the three months ended March 31, 2010, we recorded acquisition costs totaling $5.0 million, primarily related to the Switch and Data acquisition. We expect to incur some additional acquisition costs related to the ALOG acquisition.

Interest Income. Interest income decreased to $215,000 for the three months ended March 31, 2011 from $506,000 for the three months ended March 31, 2010. Interest income decreased primarily due to lower invested balances and yields on invested balances. The average yield for the three months ended March 31, 2011 was 0.09% versus 0.19% for the three months ended March 31, 2010. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a lower interest rate environment, a portfolio more weighted towards short-term U.S. treasuries and from the utilization of cash to finance our expansion activities.

Interest Expense. Interest expense increased to $37.4 million for the three months ended March 31, 2011 from $25.7 million for the three months ended March 31, 2010. This increase in interest expense was primarily due to our $750.0 million 8.125% senior notes offering in February 2010 as well as additional financings such as capital lease and other financing obligations to support our expansion projects and additional advances from our new Asia-Pacific financing. This increase was partially offset by repayments of the Chicago IBX financing in March 2010, the European financing in April 2010, the Netherlands financing in June 2010 and mortgage payable in December 2010. During the three months ended March 31, 2011 and 2010, we capitalized $2.6 million and $3.7 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our new Asia-Pacific financing, although this has been partially offset by repayment of debt and capitalized interest. We may also incur additional indebtedness to support our growth, resulting in further interest expense.

Other-Than-Temporary Impairment Recovery On Investments. During the three months ended March 31, 2011, no other-than-temporary impairment recovery on investments was recorded. During the three months ended March 31, 2010, we recorded a $3.4 million other-than-temporary impairment recovery on investments due to an additional distribution from one of our money market accounts we had previously written down during 2008 and 2009.

Loss on debt extinguishment and interest rate swaps, net. During the three months ended March 31, 2011, no loss on debt extinguishment and interest rate swaps, net was recorded. During the three months ended March 31, 2010, we recorded a $3.4 million loss on debt extinguishment and interest rate swaps, net, which is comprised of (i) a net gain of $4.0 million representing principal discount and the write-off of related debt issuance costs and (ii) a loss of $7.4 million from the termination of an interest rate swap associated with the Chicago IBX financing as a result of repaying and terminating the Chicago IBX financing in March 2010 and the write-off of interest rate swaps associated with the European financing due to these interest rate swaps no longer being effective hedges as a result of repaying and terminating the European financing in April 2010.

Other Income (Expense). For the three months ended March 31, 2011 and 2010, we recorded $2.1 million and $20,000 of other income, respectively, primarily due to foreign currency exchange gains during the periods.

Income Taxes. For the three months ended March 31, 2011 and 2010, we recorded $11.1 million and $8.7 million of income tax expenses, respectively. Our effective tax rates were 30.7% and 37.9% for the three months ended March 31, 2011 and 2010, respectively. We expect cash income taxes during the remainder of 2011 to increase. The cash taxes for 2011 and 2010 are primarily for state income taxes and foreign income taxes.

Non-GAAP Financial Measures

We provide all information required in accordance with generally accepted accounting principles (GAAP), but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, we use non-GAAP financial measures, primarily adjusted EBITDA, to evaluate our operations. We also use adjusted EBITDA as a metric in the determination of employees annual bonuses and vesting of restricted stock units that have both a service and performance condition. In presenting adjusted EBITDA, we exclude certain items that we believe are not good indicators of our current or future operating performance. These items are depreciation, amortization, accretion of asset retirement obligations and accrued restructuring charges, stock-based compensation, restructuring charges and acquisition costs. Legislative and regulatory requirements encourage the use of and emphasis on GAAP financial metrics and require companies to explain why non-GAAP financial metrics are relevant to management and investors. We exclude these items in order for our lenders, investors, and industry analysts, who review and report on us, to better evaluate our operating performance and cash spending levels relative to our industry sector and competitors.

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

In addition, in presenting the non-GAAP financial measures, we exclude amortization expense related to certain intangible assets, as it represents a cost that may not recur and is not a good indicator of our current or future operating performance. We exclude accretion expense, both as it relates to asset retirement obligations as well as accrued restructuring charge liabilities, as these expenses represent costs which we believe are not meaningful in evaluating our current operations. We exclude non-cash stock-based compensation expense as it represents expense attributed to equity awards that have no current or future cash obligations. As such, we, and many investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of our operations. We also exclude restructuring charges from our non-GAAP financial measures. 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, or severance charges related to the Switch and Data acquisition. Finally, we also exclude acquisition costs from our non-GAAP financial measures. The acquisition costs relate to costs we incur in connection with business combinations. Management believes such items as restructuring charges and acquisition costs are non-core transactions; however, these types of costs will or may occur in future periods.

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

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

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

	Three months ended March 31,	
	2011	**2010**
Income from operations	$ 71,305	$ 47,982
Depreciation, amortization and accretion expense	79,525	49,322
Stock-based compensation expense	15,535	14,974
Restructuring charges	496	
Acquisitions costs	415	4,994
Adjusted EBITDA	$ 167,276	$ 117,272

The geographic split of our adjusted EBITDA is presented below (dollars in thousands):

	Three months ended March 31,	
	2011	**2010**
Americas:		
Income from operations	$ 47,319	$ 29,601
Depreciation, amortization and accretion expense	53,482	28,174
Stock-based compensation expense	11,842	11,013