EQUINIX INC
Form 10-Q
August 08, 2018

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 000-31293

EQUINIX, INC.
(Exact name of registrant as specified in its charter)

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

One Lagoon Drive, Redwood City, California 94065
(Address of principal executive offices, including ZIP code)
(650) 598-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) Yes ý No ¨ and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

The number of shares outstanding of the registrant's Common Stock as of August 7, 2018 was 79,508,038.

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

	June 30, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$966,308	$1,412,517
Short-term investments	18,199	28,271
Accounts receivable, net of allowance for doubtful accounts of $16,881 and $18,228	616,472	576,313
Other current assets	249,846	232,027
Total current assets	1,850,825	2,249,128
Long-term investments	4,200	9,243
Property, plant and equipment, net	10,378,915	9,394,602
Goodwill	4,870,300	4,411,762
Intangible assets, net	2,440,087	2,384,972
Other assets	525,961	241,750
Total assets	$20,070,288	$18,691,457
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$710,584	$719,257
Accrued property, plant and equipment	269,409	220,367
Current portion of capital lease and other financing obligations	85,263	78,705
Current portion of mortgage and loans payable	75,224	64,491
Current portion of senior notes	150,828	—
Other current liabilities	142,312	159,914
Total current liabilities	1,433,620	1,242,734
Capital lease and other financing obligations, less current portion	1,426,368	1,620,256
Mortgage and loans payable, less current portion	1,317,940	1,393,118
Senior notes, less current portion	8,334,383	6,923,849
Other liabilities	633,450	661,710
Total liabilities	13,145,761	11,841,667
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, $0.001 par value per share: 300,000,000 shares authorized; 79,507,996 and 79,038,062 shares outstanding	80	79
Additional paid-in capital	10,253,155	10,121,323
Treasury stock, at cost; 399,088 and 402,342 shares	(145,632)	(146,320)
Accumulated dividends	(2,960,183)	(2,592,792)
Accumulated other comprehensive loss	(877,994)	(785,189)
Retained earnings	655,101	252,689
Total stockholders' equity	6,924,527	6,849,790
Total liabilities and stockholders' equity	$20,070,288	$18,691,457

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Revenues	$1,261,943	$1,066,421	$2,477,820	$2,015,946
Costs and operating expenses:				
Cost of revenues	651,801	522,203	1,274,231	991,164
Sales and marketing	154,202	141,566	313,978	270,493
General and administrative	210,489	191,355	413,646	372,754
Acquisition costs	30,413	26,402	35,052	29,427
Total costs and operating expenses	1,046,905	881,526	2,036,907	1,663,838
Income from operations	215,038	184,895	440,913	352,108
Interest income	3,958	4,437	8,568	7,529
Interest expense	(134,673)	(119,042)	(260,950)	(230,726)
Other income (expense)	8,866	1,284	5,802	1,621
Loss on debt extinguishment	(19,215)	(16,444)	(40,706)	(19,947)
Income before income taxes	73,974	55,130	153,627	110,585
Income tax expense	(6,356)	(9,325)	(23,115)	(22,718)
Net income	$67,618	$45,805	$130,512	$87,867
Earnings per share ("EPS"):				
Basic EPS	$0.85	$0.59	$1.64	$1.17
Weighted-average shares for basic EPS	79,479	77,923	79,361	75,383
Diluted EPS	$0.85	$0.58	$1.64	$1.16
Weighted-average shares for diluted EPS	79,752	78,508	79,746	76,008
Cash dividends declared per common share	$2.28	$2.00	$4.56	$4.00

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
Net income	$67,618	$45,805	$130,512	$87,867
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment ("CTA") gain (loss), net of tax effect of $5,985, $0, $5,985 and $0	(421,233)	200,983	(275,382)	307,921
Net investment hedge CTA gain (loss), net of tax effect of $0, $0, $1,637 and $0	226,115	(101,847)	153,480	(130,398)
Unrealized loss on available-for-sale securities, net of tax effect of $0, $29, $0 and $(70)	—	(65)	—	(330)
Unrealized gain (loss) on cash flow hedges, net of tax effects of $(11,758), $9,240, $(10,398) and $13,291	35,280	(27,671)	31,200	(39,398)
Net actuarial gain on defined benefit plans, net of tax effects of $(4), $(4), $(10) and $(10)	13	15	21	26
Total other comprehensive income (loss), net of tax	(159,825)	71,415	(90,681)	137,821
Comprehensive income (loss), net of tax	$(92,207)	$117,220	$39,831	$225,688

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2018	2017
	(Unaudited)	
Cash flows from operating activities:		
Net income	$130,512	$87,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	513,248	392,617
Stock-based compensation	92,261	83,948
Amortization of intangible assets	101,651	79,175
Amortization of debt issuance costs and debt discounts and premiums	7,461	15,710
Provision for allowance for doubtful accounts	3,606	7,989
Loss on debt extinguishment	40,706	19,947
Other items	7,998	3,773
Changes in operating assets and liabilities:		
Accounts receivable	(38,441)	(151,900)
Income taxes, net	(22,866)	(33,927)
Other assets	3,536	20,285
Accounts payable and accrued expenses	(24,325)	16,171
Other liabilities	24,288	12,189
Net cash provided by operating activities	839,635	553,844
Cash flows from investing activities:		
Purchases of investments	(54,421)	(26,257)
Sales and maturities of investments	67,164	29,456
Business acquisitions, net of cash and restricted cash acquired	(830,993)	(3,629,654)
Purchases of real estate	(41,782)	(48,580)
Purchases of other property, plant and equipment	(869,968)	(625,814)
Proceeds from sale of assets, net of cash transferred	—	47,767
Net cash used in investing activities	(1,730,000)	(4,253,082)
Cash flows from financing activities:		
Proceeds from employee equity awards	25,860	20,119
Payment of dividends and special distribution	(368,759)	(304,373)
Proceeds from public offering of common stock, net of issuance costs	7,622	2,126,341
Proceeds from senior notes	929,850	1,250,000
Proceeds from loans payable	—	1,059,800
Repayments of capital lease and other financing obligations	(69,856)	(44,460)
Repayments of mortgage and loans payable	(25,415)	(42,305)
Debt extinguishment costs	(20,556)	(11,254)
Debt issuance costs	(11,583)	(40,619)
Other financing activities	580	(900)
Net cash provided by financing activities	467,743	4,012,349
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	(25,840)	16,868
Net increase in cash, cash equivalents and restricted cash	(448,462)	329,979
Cash, cash equivalents and restricted cash at beginning of period	1,450,701	773,247
Cash, cash equivalents and restricted cash at end of period	$1,002,239	$1,103,226

Cash and cash equivalents	$966,308	$1,063,777
Current portion of restricted cash included in other current assets	25,277	28,965
Non-current portion of restricted cash included in other assets	10,654	10,484
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	$1,002,239	$1,103,226

See accompanying notes to condensed consolidated financial statements.

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

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. ("Equinix" or the "Company") and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The condensed consolidated balance sheet data as of December 31, 2017 has been derived from audited consolidated financial statements as of that date. The condensed consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC"), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix’s Form 10-K as filed with the SEC on February 26, 2018. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries, including the acquisitions of the Metronode group of companies from April 18, 2018, Infomart Dallas from April 2, 2018, Itconic from October 9, 2017, the Zenium data center from October 6, 2017, the Verizon data center business from May 1, 2017, and the IO UK data center operating business from February 3, 2017. All intercompany accounts and transactions have been eliminated in consolidation.

Income Taxes

The Company elected to be taxed as a real estate investment trust for federal income tax purposes ("REIT") beginning with its 2015 taxable year. As a result, the Company may deduct the distributions made to its stockholders from taxable income generated by the Company and its qualified REIT subsidiaries ("QRSs"). The Company’s dividends paid deduction generally eliminates the U.S. taxable income of the Company and its QRSs, resulting in no U.S. income tax due. However, the Company's taxable REIT subsidiaries ("TRSs") will continue to be subject to income taxes on any taxable income generated by them. In addition, the foreign operations of the Company will continue to be subject to local income taxes regardless of whether the foreign operations are operated as QRSs or TRSs.

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

The Company's effective tax rates were 15.0% and 20.5% for the six months ended June 30, 2018 and 2017, respectively. The decrease in the effective tax rate for the six months ended June 30, 2018 as compared to the same period in 2017 is primarily due to the reduction of net deferred tax liabilities as a result of a legal entity reorganization in the Company's Americas region during the six months ended June 30, 2018.

The Company’s accounting for deferred taxes involves weighing positive and negative evidence relating to the realizability of deferred tax assets in each tax jurisdiction. After considering such evidence as the nature, frequency, severity of current and cumulative financial reporting losses, and sources of future taxable incomes and tax planning strategies, the Company concluded that valuation allowances were still required in certain foreign jurisdictions. Given the strength of the Company’s operations, combined with certain tax strategies, it is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a significant amount of valuation allowance in certain foreign jurisdictions. Release of valuation allowance would result in recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change based on the profitability that the foreign jurisdictions are able to sustain. The Company will continue to evaluate the release of valuation allowances on a quarterly basis.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Legislation commonly referred to as the Tax Cuts and Jobs Act (“TCJA”), which was signed into law on December 22, 2017, contains many significant changes to the existing U.S. federal income tax laws. Among other things, the TCJA reduces the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018, limits the tax deductibility of interest expense, accelerates expensing of certain business assets and transitions the U.S. international taxation from a worldwide tax system to a territorial tax system by imposing a one-time mandatory repatriation of undistributed foreign earnings. The Company recognized an income tax expense of $6.5 million during the fourth quarter of 2017, which is a provisional amount related to the re-measurement of the net deferred tax assets in the U.S. TRS as a result of the reduced corporate income tax rate. The Company is still analyzing the new tax legislation and assessing the impact as of the end of the current quarter. The Company will conclude whether any adjustments are required to its net deferred tax asset balance in the U.S. when it files its 2017 U.S. federal tax return in the fourth quarter of 2018. Any adjustments to these provisional amounts will be reported as a component of tax expense (benefit) in the reporting period when such adjustments are determined.

Recent Accounting Pronouncements

Accounting Standards Not Yet Adopted

In August 2017, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU was issued to improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements and to simplify the application of the hedge accounting guidance in current GAAP. This ASU permits hedge accounting for risk components involving nonfinancial risk and interest rate risk, requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the hedged item is reported, no longer requires separate measurement and reporting of hedge ineffectiveness, eases the requirement for hedge effectiveness assessment, and requires a tabular disclosure related to the effect on the income statement of fair value and cash flow hedges. This ASU is effective for annual or any interim reporting periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements, including its accounting policies, processes and systems.

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company expects this ASU to impact its accounting for allowances for doubtful accounts and is currently evaluating the extent of the impact that the adoption of this standard will have on its consolidated financial statements, including its accounting policies, processes and systems.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02") and issued subsequent amendments to the initial guidance. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard allows entities to adopt with one of two methods: the modified retrospective transition method or the alternative transition method. The Company currently anticipates adopting the standard using the alternative transition

method, under which the Company will recognize the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings in the period of adoption. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company will adopt the standard on January 1, 2019. The Company plans to elect the practical expedient that it will not reassess whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases or initial direct costs for any existing leases. The Company expects to record a significant increase in assets and liabilities on the consolidated balance sheet at adoption due to the recording of right-of-use assets and corresponding lease liabilities for leases that are accounted for as operating leases. The Company is currently evaluating the extent of the impact that the adoption of this standard will have on its consolidated financial statements, including its accounting policies, processes and systems.

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

Accounting Standards Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") and issued subsequent amendments to the initial guidance, collectively referred as "Topic 606." Topic 606 replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of Topic 606 is that an entity should recognize revenue for the transfer of control of the goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Topic 606 requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. On January 1, 2018, the Company adopted Topic 606 using the modified retrospective approach applied to those contracts, which were not completed as of January 1, 2018, and recognized a net increase to the opening retained earnings of $269.8 million, net of tax impacts. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while the comparative information has not been restated and continues to be reported under accounting standards in effect for those periods.

In adopting the new guidance, the Company elected to apply the practical expedient which allows the Company, when using the modified retrospective method of adoption, to not retrospectively restate contracts with multiple modifications on a modification by modification basis. Instead, the Company will reflect the aggregate amount of all modifications that occur before the beginning of the earliest period presented using the new standard. In addition, where appropriate, the Company elected to apply the practical expedient to account for the new standard under the portfolio approach as the Company reasonably expects that the effects of applying the guidance under the portfolio approach will not differ materially from applying the guidance to individual contracts.

The most significant impacts to the Company from Topic 606 relate to installation revenue and the cost to obtain contracts. Under the new standard, the Company now recognizes installation revenue over the contract period rather than over the estimated installation life as under the prior revenue standard. Under the new standard, the Company is also required to capitalize and amortize certain costs to obtain contracts, rather than expense them immediately as under the previous standard.

The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet from the adoption of Topic 606 was as follows (in thousands):

Balance Sheet	Balance at December 31, 2017	Adjustments due to adoption of Topic 606	Balance at January 1, 2018
Assets			
Other current assets	$232,027	$9,002	$241,029
Other assets [1]	241,750	179,578	421,328
Liabilities			
Other current liabilities	159,914	(16,215)	143,699
Other liabilities [2]	661,710	(63,051)	598,659
Equity			
Accumulated other comprehensive loss [3]	(785,189)	(1,930)	(787,119)
Retained earnings	$252,689	$269,776	$522,465

(1) Includes cumulative adjustments related to cost to obtain contracts, non-current contract assets and deferred tax assets.
(2) Includes cumulative adjustments related to non-current deferred revenue and deferred tax liabilities.
(3) Includes cumulative adjustments related to CTA.

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

The following tables summarize the effects of adopting Topic 606 on the unaudited condensed consolidated financial statement line items (in thousands, except per share data):

Balance Sheets	June 30, 2018	Adjustments	Balances without adoption of Topic 606
Other current assets	$249,846	$(9,675)	$240,171
Total current assets	1,850,825	(9,675)	1,841,150
Other assets	525,961	(183,843)	342,118
Total assets	$20,070,288	$(193,518)	$19,876,770
Accounts payable and accrued expenses	$710,584	$(1,569)	$709,015
Other current liabilities	142,312	15,588	157,900
Total current liabilities	1,433,620	14,019	1,447,639
Other liabilities	633,450	68,038	701,488
Total liabilities	13,145,761	82,057	13,227,818
Accumulated other comprehensive loss	(877,994)	5,716	(872,278)
Retained earnings	655,101	(281,291)	373,810
Total stockholders' equity	6,924,527	(275,575)	6,648,952
Total liabilities and stockholders' equity	$20,070,288	$(193,518)	$19,876,770

Statements of Operations	Three Months Ended June 30, 2018	Adjustments	Balance without adoption of Topic 606	Six Months Ended June 30, 2018	Adjustments	Balance without adoption of Topic 606
Revenues	$1,261,943	$ (2,521)	$1,259,422	$2,477,820	$ (6,357)	$2,471,463
Sales and marketing	154,202	4,376	158,578	313,978	7,678	321,656
Total costs and operating expenses	1,046,905	4,376	1,051,281	2,036,907	7,678	2,044,585
Income from operations	215,038	(6,897)	208,141	440,913	(14,035)	426,878
Income before income taxes	73,974	(6,897)	67,077	153,627	(14,035)	139,592
Income tax expense	(6,356)	1,146	(5,210)	(23,115)	2,520	(20,595)
Net income	$67,618	$ (5,751)	$61,867	$130,512	$ (11,515)	$118,997
Basic EPS	$0.85	$ (0.07)	$0.78	$1.64	$ (0.14)	$1.50
Diluted EPS	$0.85	$ (0.07)	$0.78	$1.64	$ (0.15)	$1.49

Statements of Cash Flow	Six Months Ended June 30, 2018	Adjustments	Balance without adoption of Topic 606
Cash flows from operating activities:			
Net income (loss)	$130,512	$ (11,515)	$118,997
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Income taxes, net	(22,866)	1,708	(21,158)

Other assets	3,536	1,509	5,045
Other liabilities	24,288	8,298	32,586
Net cash provided by operating activities	$839,635	$ —	$839,635

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

The Company also adopted the following standards during 2018, none of which had a material impact to the Company's condensed consolidated financial statements or financial statement disclosures:

Standards	Description	Effective Date and Adoption Consideration
ASU 2017-09 Compensation–Stock Compensation (Topic 718)	This ASU was issued primarily to provide clarity and reduce both diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. This ASU affects any entity that changes the terms or conditions of a share-based payment award. This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718.	January 1, 2018
ASU 2017-07 Compensation–Retirement Benefits (Topic 715)	This ASU was issued primarily to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost. This ASU requires that an employer reports the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic post-retirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable.	January 1, 2018
ASU 2017-05 Other Income—Gains and Losses from the Derecognition of Non-Financial Assets (Subtopic 610-20)	This ASU is to clarify the scope of the non-financial asset guidance in Subtopic 610-20 and to add guidance for partial sales of non-financial assets. This ASU defines the term in substance non-financial asset and clarifies that non-financial assets within the scope of Subtopic 610-20 may include non-financial assets transferred within a legal entity to a counterparty. The ASU also provides guidance on the accounting for what often are referred to as partial sales of non-financial assets within the scope of Subtopic 610-20 and contributions of non-financial assets to a joint venture or other non-controlled investee.	January 1, 2018
ASU 2017-04 Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.	This ASU is to simplify the subsequent measurement of goodwill. The ASU eliminates step 2 from the goodwill impairment test and the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform step 2 of the goodwill impairment test. An entity	The Company elected to early adopt this ASU on a prospective basis, effective January 1, 2018.

	still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.	
ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business	This ASU provides new guidance to assist entities with evaluating when a set of transferred assets and activities is a business. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation.	The Company adopted this standard on a prospective basis, effective January 1, 2018. The adoption of this standard may impact the accounting of future transactions.
ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory	This ASU requires the recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs.	January 1, 2018
ASU 2016-01 Financial Instruments- Overall (Subtopic 825-10)	This ASU requires all equity investments to be measured at fair value with changes in the fair value recognized through net income other than those accounted for under equity method of accounting or those that result in consolidation of the investees. The ASU also requires that an entity present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.	The Company adopted this standard using the modified retrospective method, effective January 1, 2018 and recorded a net increase to retained earnings of $2.1 million.

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2. Revenue

Revenue Recognition

Equinix derives more than 90% of its revenues from recurring revenue streams, consisting primarily of (1) colocation, which includes the licensing of cabinet space and power; (2) interconnection offerings, such as cross connects and Equinix Exchange ports; (3) managed infrastructure solutions and (4) other revenues consisting of rental income from tenants or subtenants. The remainder of the Company's revenues are from non-recurring revenue streams, such as installation revenues, professional services, contract settlements and equipment sales. Revenues are recognized when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services. Revenues by service lines and geographic areas are included in segment information (see Note 11).

Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for IBX data center colocation customers. Non-recurring installation fees, although generally paid upfront upon installation, are deferred and recognized ratably over the contract term. Professional service fees and equipment sales are recognized in the period when the services were provided. For the contracts with customers that contain multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct or as a series of distinct obligations if the individual performance obligations meet the series criteria. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. The transaction price is allocated to the separate performance obligation on a relative standalone selling price basis. The standalone selling price is determined based on overall pricing objectives, taking into consideration market conditions, geographic locations and other factors. Other judgments include determining if any variable consideration should be included in the total contract value of the arrangement such as price increases.

Revenue is generally recognized on a gross basis in accordance with the accounting standard related to reporting revenue on a gross basis as a principal versus on a net basis as an agent, as the Company is primarily responsible for fulfilling the contract, bears inventory risk and has discretion in establishing the price when selling to the customer. To the extent the Company does not meet the criteria for recognizing revenue on a gross basis, the Company records the revenue on a net basis. Revenue from contract settlements, when a customer wishes to terminate their contract early, is generally treated as a contract modification and recognized ratably over the remaining term of the contract, if any.

The Company guarantees certain service levels, such as uptime, as outlined in individual customer contracts. If these service levels are not achieved due to any failure of the physical infrastructure or offerings, or in the event of certain instances of damage to customer infrastructure within the Company's IBX data centers, the Company would reduce revenue for any credits or cash payments given to the customer. Historically, these credits and cash payments have generally not been significant.

As a result of certain customer agreements being priced in currencies different from the functional currencies of the parties involved, under applicable accounting rules, the Company is deemed to have foreign currency forward contracts embedded in these contracts. The Company assessed these embedded contracts and concluded them to be foreign currency embedded derivatives (see Note 5). These instruments are separated from their host contracts and held on the Company's condensed consolidated balance sheet at their fair value. The majority of these foreign currency embedded derivatives arise in certain of the Company's subsidiaries where the local currency is the subsidiary's functional currency and the customer contract is denominated in the U.S. dollar. Changes in their fair values are recognized within revenues in the Company's condensed consolidated statements of operations.

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Contract Balances

The timing of revenue recognition, billings and cash collections result in accounts receivables, contract assets and deferred revenues. A receivable is recorded at the invoice amount, net of an allowance for doubtful account and is recognized in the period when the Company has transferred products or provided services to its customers and when its right to consideration is unconditional. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 45 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that the Company's contracts generally do not include a significant financing component. The Company assesses collectability based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from its customers although in certain cases the Company obtains a security interest in a customer’s equipment placed in its IBX data centers or obtains a deposit. The Company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for which the Company had expected to collect the revenues. If the financial condition of the Company’s customers were to deteriorate or if they became insolvent, resulting in an impairment of their ability to make payments, greater allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of the Company’s reserves. Any amounts that were previously recognized as revenue and subsequently determined to be uncollectable are charged to bad debt expense included in sales and marketing expense in the condensed consolidated statements of operations. A specific bad debt reserve of up to the full amount of a particular invoice value is provided for certain problematic customer balances. An additional reserve is established for all other accounts based on the age of the invoices and an analysis of historical credits issued. Delinquent account balances are written off after management has determined that the likelihood of collection is not probable.

A contract asset exists when the Company has transferred products or provided services to its customers, but customer payment is contingent upon satisfaction of additional performance obligation. Certain contracts include terms related to price arrangements such as price increases and free months. The Company recognizes revenues ratably over the contract term, which could potentially give rise to contract assets during certain periods of the contract term. Contract assets are recorded in other current assets and other assets in the condensed consolidated balance sheet.

Deferred revenue (a contract liability) is recognized when the Company has an unconditional right to a payment before it transfers goods or services to customers. Deferred revenue is included in other current liabilities and other liabilities, respectively, in the condensed consolidated balance sheet.

The following table summarizes the opening and closing balances of the Company's receivables; contract asset, current; contract asset, non-current; deferred revenue, current; and deferred revenue, non-current (in thousands):

	Receivables	Contract asset, current	Contract asset, non-current	Deferred revenue, current	Deferred revenue, non-current
Beginning balances as of January 1, 2018 [1]	$ 576,313	$ 9,002	$ 16,186	$ 71,085	$ 53,101
Closing balances as of June 30, 2018	616,472	9,748	16,010	80,464	48,863
Increase/(decrease)	$ 40,159	$ 746	$ (176)	$ 9,379	$ (4,238)

[1] Includes cumulative adjustments made to these accounts on January 1, 2018 from the adoption of Topic 606.

The difference between the opening and closing balances of the Company's contract assets and deferred revenues primarily results from the timing difference between the Company's performance obligation and the customer's payment, as well as business combinations closed during the six months ended June 30, 2018. The amounts of revenue recognized during the six months ended June 30, 2018 from the opening deferred revenue balance was $55.0 million. For the three and six months ended June 30, 2018, no impairment loss related to contract balances was recognized in

the condensed consolidated statement of operations.

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Contract Costs
Direct and indirect costs solely related to obtaining revenue contracts are capitalized as costs of obtaining a contract, when they are incremental and if they are expected to be recovered. Such costs consist primarily of commission fees and sales bonuses, as well as indirect related payroll costs. Contract costs are amortized over the estimated period of benefit on a straight-line basis. The Company elected to apply the practical expedient which allows the Company to expense contract costs when incurred, if the amortization period is one year or less.
The ending balance of net capitalized contract costs as of June 30, 2018 was $176.8 million, which was included in other assets in the condensed consolidated balance sheet. For the three and six months ended June 30, 2018, $17.8 million and $35.3 million of contract costs were amortized, which were included in sales and marketing expense in the condensed consolidated statement of operations.
Remaining performance obligations
As of June 30, 2018, approximately $5.6 billion of total revenues and deferred installation revenues are expected to be recognized in future periods, the majority of which will be recognized over the next 24 months. While initial contract terms vary in length, substantially all contracts thereafter automatically renew in one-year increments. Included in the remaining performance obligations is either 1) remaining performance obligations under the initial contract terms or 2) remaining performance obligations related to contracts in the renewal period once the initial terms have lapsed. The remaining performance obligations also do not include variable consideration related to unsatisfied performance obligations such as the usage of metered power or any contracts that could be terminated without any significant penalties such as the majority of interconnection revenues. The remaining performance obligations include some leasing activities that are insignificant to the Company’s total operations.
The Company elected to apply the practical expedient that allows the Company not to disclose the remaining performance obligations for variable consideration that is allocated to entirely unsatisfied performance obligations or to a wholly unsatisfied distinct good or service that forms part of a single obligation.
3. Earnings Per Share
The following table sets forth the computation of basic and diluted earnings per share ("EPS") for the periods presented (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$67,618	$45,805	$130,512	$87,867
Weighted-average shares used to calculate basic EPS	79,479	77,923	79,361	75,383
Effect of dilutive securities:				
Employee equity awards	273	585	385	625
Weighted-average shares used to calculate diluted EPS	79,752	78,508	79,746	76,008
Basic EPS	$0.85	$0.59	$1.64	$1.17
Diluted EPS	$0.85	$0.58	$1.64	$1.16

The Company has excluded common stock related to employee equity awards in the diluted EPS calculation above of 220,000 shares and 4,000 shares for the three months ended June 30, 2018 and 2017, respectively, and 247,000 shares and 52,000 shares for the six months ended June 30, 2018 and 2017, respectively, because their effect would be anti-dilutive.
4. Acquisitions
2018 Acquisitions
On April 18, 2018, the Company acquired all of the equity interests in the Metronode group of companies ("Metronode") from the Ontario Teachers' Pension Plan Board for a cash purchase price of A$1.033 billion or

approximately $804.2 million at the exchange rate in effect on April 18, 2018 (the "Metronode Acquisition"). Metronode operated 10 data centers in six metro areas in Australia. The acquisition supports the Company’s ongoing global expansion to meet customer demand in the Asia-Pacific region.

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On April 2, 2018, the Company completed the acquisition of Infomart Dallas, including its operations and tenants, from ASB Real Estate Investments (the "Infomart Dallas Acquisition"), for total consideration of approximately $805.6 million. The consideration was comprised of approximately $47.4 million in cash, subject to customary adjustments, and $758.2 million aggregate fair value of 5.000% senior unsecured notes (see Note 8). Prior to the acquisition, a portion of the building was leased to the Company and was being used as its Dallas 1, 2, 3 and 6 data centers, which were all accounted for as build-to-suit leases. Upon acquisition, the Company effectively terminated the leases and settled the related financing obligations and other liabilities related to the leases for approximately $170.3 million and $1.9 million, respectively, and recognized a loss on debt extinguishment of $19.5 million. The acquisition of this highly interconnected facility and tenants adds to the Company’s global platform and secures the ability to further expand in the Americas market in the future.

Both acquisitions constitute a business under the accounting standard for business combinations and, therefore, were accounted for as business combinations using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price is allocated to the assets acquired and liabilities assumed measured at fair value on the date of acquisition.

A summary of the allocation of total purchase consideration is presented as follows (in thousands):

	Metronode	Infomart Dallas
Cash and cash equivalents	$3,206	$17,432
Accounts receivable	8,318	637
Other current assets	9,894	395
Property, plant, and equipment	307,151	362,023
Intangible assets	123,388	61,233
Goodwill	368,550	203,617
Deferred tax assets	4,112	—
Other assets [1]	54,338	—
Total assets acquired	878,957	645,337
Accounts payable and accrued liabilities	(17,104)	(5,056)
Other current liabilities	(2,038)	(2,141)
Other liabilities [1]	(55,581)	(4,723)
Net assets acquired	$804,234	$633,417

(1) In connection with the Metronode Acquisition, the Company recorded indemnification assets of $54.3 million, which represented the seller's obligation under the purchase agreement to reimburse pre-acquisition tax liabilities settled after the acquisition.

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

Intangible Assets	Fair Value	Estimated Useful Lives (Years)	Weighted-average Estimated Useful Lives (Years)
Customer relationships (Metronode)	$123,388	20.0	20.0
Customer relationships (Infomart Dallas)	31,195	20.0	20.0
In-place leases (Infomart Dallas)	19,959	3.6 - 7.5	6.8
Trade names (Infomart Dallas)	9,614	20.0	20.0
Favorable leases (Infomart Dallas)	465	3.6 - 7.5	7.0

The fair value of customer relationships was estimated by applying an income approach, by calculating the present value of estimated future operating cash flows generated from existing customers less costs to realize the revenue. The Company applied discount rates of 7.3% for Metronode and 8.0% for Infomart Dallas, which reflect the nature of the

assets as they relate to the risk and uncertainty of the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of customer relationships include projected revenue growth, probability of renewal, customer attrition rates and operating margins. The fair value of Infomart Dallas' trade name was estimated using the relief from royalty approach. The Company applied a relief

from royalty rate of 1.5% and a discount rate of 8.0%. The fair value of in-place leases was estimated by projecting the avoided costs, such as the cost of originating the acquired in-place leases, during a typical lease up period. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

The fair value of property, plant and equipment was estimated by applying the cost approach, with the exception of land which was estimated by applying the market approach, for the Metronode Acquisition. For the Infomart Dallas Acquisition, the fair values of land, building and personal property were estimated by applying the market approach, residual income method and cost approach, respectively. The cost approach uses the replacement or reproduction cost as an indicator of fair value. The premise of the cost approach is that a market participant would pay no more for an asset than the amount for which the asset could be replaced or reproduced. The key assumptions of the cost approach include replacement cost new, physical deterioration, functional and economic obsolescence, economic useful life, remaining useful life, age and effective age. The residual income method estimates the fair value of the Infomart Dallas building using an income approach less the fair values attributed to land, personal property, in-place leases and favorable and unfavorable leases.

As of June 30, 2018, the Company has not completed the detailed valuation analysis of Metronode or Infomart Dallas to derive the fair value of the following items including, but not limited to: property, plant and equipment, intangible assets and related tax impacts; therefore, the allocation of the purchase price to assets acquired and liabilities assumed is based on provisional estimates and is subject to continuing management analysis.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed. Goodwill is attributable to the workforce of the acquired business and the projected revenue increase expected to arise from future customers after the Metronode and Infomart Dallas acquisitions. Goodwill from the acquisition of Metronode is not amortizable for local tax purposes and is attributable to the Company's Asia-Pacific region. Goodwill from the acquisition of Infomart Dallas is expected to be deductible for local tax purposes and is attributable to the Company's Americas region. Operating results of Metronode and Infomart Dallas will be reported in the Asia-Pacific and Americas regions, respectively.

For the first half of 2018, the Company's results of operations include $24.0 million of revenues and an insignificant net income from operations from the combined operations of Metronode and Infomart Dallas.

Certain Verizon Data Center Assets Acquisition

On May 1, 2017, the Company completed the acquisition of certain colocation business from Verizon consisting of 29 data center buildings located in the United States, Brazil and Colombia, for a cash purchase price of approximately $3.6 billion (the "Verizon Data Center Acquisition"). The addition of these facilities and customers adds to the Company's global platform, increases interconnections and assists with the Company's penetration of the enterprise and strategic markets, including government and energy.

The Company incurred acquisition costs of approximately $24.5 million and $26.4 million during the three and six months ended June 30, 2017, respectively. Acquisition costs incurred for the three and six months ended June 30, 2018 were not significant to the Company's condensed consolidated statements of operations.

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Purchase Price Allocation
The final purchase price allocation is as follows (in thousands):

	Certain Verizon Data Center Assets
Cash and cash equivalents	$1,073
Accounts receivable	2,019
Other current assets	7,319
Property, plant, and equipment	840,335
Intangible assets [1]	1,693,900
Goodwill	1,095,262
Total assets acquired	3,639,908
Accounts payable and accrued liabilities	(1,725)
Other current liabilities	(2,020)
Capital lease and other financing obligations	(17,659)
Deferred tax liabilities	(18,129)
Other liabilities	(5,689)
Net assets acquired	$3,594,686

(1) The nature of the intangible assets acquired is customer relationships with an estimated useful life of 15 years. Included in this amount is a customer relationship intangible asset for Verizon totaling $245.3 million. Pursuant to the acquisition agreement, the Company formalized agreements to provide pre-existing space and services to Verizon at the acquired data centers.

The fair value of customer relationships was estimated by applying an income approach. The Company applied discount rates ranging from 7.7% to 12.2%, which reflected the nature of the assets as they relate to the risk and uncertainty of the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of customer relationships include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

The fair value of property, plant and equipment was estimated by applying the cost approach, with the exception of land which was estimated by applying the market approach. The cost approach is to use the replacement or reproduction cost as an indicator of fair value. The key assumptions of the cost approach include replacement cost new, physical deterioration, functional and economic obsolescence, economic useful life, remaining useful life, age and effective age.

Goodwill is attributable to the workforce of the acquired business and the projected revenue increase expected to arise from future customers after the Verizon Data Center Acquisition. Goodwill is expected to be deductible for U.S. tax purposes and is attributable to the Company's Americas region. The Company's results of operations include the Verizon Data Center Acquisition's revenues of $86.7 million and net income from operations of $27.4 million for the period May 1, 2017 through June 30, 2017. For the three and six months ended June 30, 2018, the Company's results of operations include the Verizon Data Center Acquisition's revenues of $133.3 million and $268.1 million, respectively, and net income from operations of $34.3 million and $70.1 million, respectively.

Other 2017 Acquisitions
In addition to the Verizon Data Center Acquisition, the Company also acquired Itconic and Zenium's data center business in Istanbul during 2017. Acquisition costs incurred for these acquisitions during the three and six months ended June 30, 2018 were not significant to the Company's condensed consolidated statements of operations.

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A summary of the allocation of total purchase consideration is presented as follows (in thousands):

	Itconic	Zenium data center
Cash and cash equivalents	$15,659	$692
Accounts receivable	16,429	198
Other current assets	1,885	6,430
Property, plant, and equipment	65,356	58,931
Intangible assets	101,755	7,900
Goodwill	126,855	21,834
Other assets	4,025	313
Total assets acquired	331,964	96,298
Accounts payable and accrued liabilities	(15,847)	(1,012)
Other current liabilities	(12,374)	(451)
Capital lease and other financing obligations	(30,666)	—
Loans payable	(3,253)	—
Deferred tax liabilities	(3,198)	(2,227)
Other liabilities	(7,515)	(614)
Net assets acquired	$259,111	$91,994

On October 9, 2017, the Company completed the acquisition of Itconic for a cash purchase price of €220.5 million or $259.1 million at the exchange rate in effect on October 9, 2017. Itconic was a data center provider in Spain and Portugal, and also included CloudMas, an Itconic subsidiary which was focused on supporting enterprise adoption and use of cloud services. Itconic’s operating results have been reported in the EMEA region following the date of acquisition.

The nature of the intangible assets acquired from the Itconic acquisition is customer relationships with an estimated useful life of 15 years. The fair value of customer relationships was estimated by applying an income approach. The Company applied discount rate of 16.0%, which reflects the risk and uncertainty of the estimated future operating cash flows. Other significant assumptions include projected revenue growth, customer attrition rates and operating margins. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements. Goodwill is attributable to the workforce of the acquired business and the projected revenue increase from future customers expected to arise after the acquisition.

On October 6, 2017, the Company acquired Zenium's data center business in Istanbul for a cash payment of approximately $92.0 million. The acquired facility located in Istanbul, Turkey has been renamed as the Istanbul 2 ("IL2") data center. IL2’s operating results have been reported in the EMEA region following the date of acquisition. The nature of the intangible assets acquired from this acquisition is customer relationships with an estimated useful life of 15 years.

As of June 30, 2018, the Company has not completed the detailed valuation analysis of Itconic or the Zenium data center to derive the fair value of the following items including, but not limited to: property, plant and equipment, intangible assets and deferred taxes; therefore, the allocation of the purchase price to assets acquired and liabilities assumed is based on provisional estimates and is subject to continuing management analysis. As of June 30, 2018, the Company has updated the preliminary allocation of purchase price for Itconic and Zenium data center from the provisional amounts reported as of December 31, 2017. The adjustments made during the six months ended June 30, 2018 primarily resulted in an increase in property, plant and equipment of $5.2 million and a corresponding decrease in other assets of $5.2 million for Zenium data center acquisition, while the adjustments made for Itconic were not

significant. The changes in fair value of acquired assets and liabilities assumed did not have a significant impact on the Company’s results of operations for the three and six months ended June 30, 2018.

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On February 3, 2017, the Company acquired IO UK's data center operating business in Slough, United Kingdom, for a cash payment of £29.1 million or approximately $36.3 million at the exchange rate in effect on February 3, 2017 ("IO Acquisition"). The acquired facility was renamed London 10 ("LD10") data center. LD10's operating results have been reported in the EMEA region following the date of acquisition. As of December 31, 2017, the Company finalized the allocation of purchase price for the acquisition.

Goodwill from the acquisitions of Itconic, the Zenium data center and IO UK's data center is not deductible for local tax purposes and is attributable to the Company's EMEA region. For the three and six months ended June 30, 2017, the incremental revenues and net loss recorded from the IO Acquisition were not significant to the Company's results of operations. For the three and six months ended June 30, 2018, the Company's results of operations include $22.4 million and $42.1 million of revenues respectively, from the combined operations of Itconic, the Zenium data center and IO UK's data center and an insignificant net income from operations.

Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information has been prepared by the Company using the acquisition method of accounting to give effect to the Verizon Data Center Acquisition as though it occurred on January 1, 2017. The incremental results of operations from the other acquisitions are not significant and are therefore not reflected in the pro forma combined results of operations.

The Company completed the Verizon Data Center Acquisition on May 1, 2017. The unaudited pro forma combined financial information for the three and six months ended June 30, 2017 combine the actual results of the Company and the actual Verizon Data Center Acquisition operating results for the period prior to the acquisition date and reflect certain adjustments, such as additional depreciation, amortization and interest expense on assets and liabilities acquired and acquisition financings.

The Company and Verizon entered into agreements at the closing of the Verizon Data Center Acquisition pursuant to which the Company will provide space and services to Verizon at the acquired data centers. These arrangements are not reflected in the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had the acquisition occurred on the above dates, nor is it necessarily indicative of the future results of operations of the combined company.

The following table sets forth the unaudited pro forma combined results of operations for the three and six months ended June 30, 2017 (in thousands, except per share amounts):

	Three Months Ended June 30, 2017	Six months ended June 30, 2017
Revenues	$1,101,848	$2,157,653
Net income from operations	74,831	124,160
Basic EPS	0.96	1.60
Diluted EPS	0.95	1.58

5. Derivatives and Hedging Activities

Derivatives Designated as Hedging Instruments

Net Investment Hedges. The Company is exposed to the impact of foreign exchange rate fluctuations on its investments in foreign subsidiaries whose functional currencies are other than the U.S. dollar. In order to mitigate the impact of foreign currency exchange rates, the Company has entered into various foreign currency loans which are designated as hedges against the Company's net investment in foreign subsidiaries. As of June 30, 2018 and December 31, 2017, the total principal amount of foreign currency loans, which were designated as net investment hedges, were $3,864.4 million and $3,149.5 million, respectively. The Company also uses foreign exchange forward contracts from time to time to hedge against the effect of foreign exchange rate fluctuations on a portion of its net

investment in the foreign subsidiaries. For a net investment hedge, changes in the fair value of the hedging instrument designated as a net investment hedge, except the ineffective portion and forward points, are recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheet.

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The Company recorded pre-tax net foreign exchange gains of $226.1 million and $151.8 million in other comprehensive income (loss) for the three and six months ended June 30, 2018, respectively, and pre-tax net foreign exchange losses of $101.8 million and $130.4 million in other comprehensive income (loss) for the three and six months ended June 30, 2017, respectively. The Company recorded no ineffectiveness from its net investment hedges for the three and six months ended June 30, 2018 and 2017.

Cash Flow Hedges. The Company hedges its foreign currency translation exposure for forecasted revenues and expenses in its EMEA region between the U.S. dollar and the British Pound, Euro, Swedish Krona and Swiss Franc. The foreign currency forward and option contracts that the Company uses from time to time to hedge this exposure are designated as cash flow hedges under the accounting standard for derivatives and hedging.

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

The following disclosure is prepared on a consolidated basis. Assets and liabilities resulting from intercompany derivatives have been eliminated in consolidation. As of June 30, 2018, the Company's cash flow hedge instruments had maturity dates ranging from July 2018 to March 2020 as follows (in thousands):

	Notional Amount	Fair Value [1]	Accumulated Other Comprehensive Income (Loss) [2] [3]
Derivative assets	$521,072	$ 25,445	$ 21,611
Derivative liabilities	213,800	(8,505)	(12,277)
Total	$734,872	$ 16,940	$ 9,334

(1) All derivatives related to cash flow hedges are included in the condensed consolidated balance sheets within other current assets, other assets, other current liabilities and other liabilities.
(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).
(3) The Company recorded a net gain of $0.4 million within accumulated other comprehensive income (loss) relating to cash flow hedges that will be reclassified to revenues and expenses as they mature in the next 12 months.

As of December 31, 2017, the Company's cash flow hedge instruments had maturity dates ranging from January 2018 to October 2019 as follows (in thousands):

	Notional Amount	Fair Value [1]	Accumulated Other Comprehensive Income (Loss) [2] [3]
Derivative assets	$72,262	$ 2,379	$ 2,055
Derivative liabilities	440,637	(29,777)	(34,311)
Total	$512,899	$ (27,398)	$ (32,256)

(1) All derivatives related to cash flow hedges are included in the condensed consolidated balance sheets within other current assets, other assets, other current liabilities and other liabilities.
(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).
(3) The Company recorded a net loss of $26.7 million within accumulated other comprehensive income (loss) relating to cash flow hedges that will be reclassified to revenues and expenses as they mature over the next 12 months.

During the three months ended June 30, 2018, the amount of net gains from the ineffective and excluded portions of cash flow hedges recognized in other income (expense) was $2.7 million. During the three months ended June 30, 2017, the ineffective and excluded portions of cash flow hedges recognized in other income (expense) were not significant. During the three months ended June 30, 2018, the amount of net losses reclassified from accumulated

other comprehensive income (loss) to revenues was $12.9 million and the amount of net gains reclassified from accumulated other comprehensive income (loss) to operating expenses was $6.8 million. During the three months ended June 30, 2017, the amount of net gains reclassified from accumulated other comprehensive income (loss) to revenues was $10.5 million and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses was $5.6 million.

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During the six months ended June 30, 2018, the amount of net gains from the ineffective and excluded portions of cash flow hedges recognized in other income (expense) was $2.7 million. During the six months ended June 30, 2017, the ineffective and excluded portions of cash flow hedges recognized in other income (expense) were not significant. During the six months ended June 30, 2018, the amount of net losses reclassified from accumulated other comprehensive income (loss) to revenues was $31.3 million and the amount of net gains reclassified from accumulated other comprehensive income (loss) to operating expenses was $16.1 million. During the six months ended June 30, 2017, the amount of net gains reclassified from accumulated other comprehensive income (loss) to revenues was $28.2 million and the amount of net losses reclassified from accumulated other comprehensive income (loss) to operating expenses was $14.6 million.

Derivatives Not Designated as Hedging Instruments

Embedded Derivatives. The Company is deemed to have foreign currency forward contracts embedded in certain of the Company’s customer agreements that are priced in currencies different from the functional or local currencies of the parties involved. These embedded derivatives are separated from their host contracts and carried on the Company’s balance sheet at their fair value. The majority of these embedded derivatives arise as a result of the Company’s foreign subsidiaries pricing their customer contracts in the U.S. dollar. Gains and losses on these embedded derivatives are included within revenues in the Company’s condensed consolidated statements of operations. During the three months ended June 30, 2018, the gain associated with these embedded derivatives was $3.9 million. During the six months ended June 30, 2018, the gains (losses) associated with these embedded derivatives were not significant. During the three months ended June 30, 2017, the gains (losses) associated with these embedded derivatives were not significant. During the six months ended June 30, 2017, the loss associated with these embedded derivatives was $6.8 million.

Economic Hedges of Embedded Derivatives. The Company uses foreign currency forward contracts to help manage the foreign exchange risk associated with the Company’s customer agreements that are priced in currencies different from the functional or local currencies of the parties involved ("economic hedges of embedded derivatives"). Foreign currency forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Gains and losses on these contracts are included in revenues along with gains and losses of the related embedded derivatives. The Company entered into various economic hedges of embedded derivatives during the three and six months ended June 30, 2018 and 2017. During the three and six months ended June 30, 2018 and 2017, the gains (losses) associated with these contracts were not significant.

Foreign Currency Forward and Option Contracts. The Company also uses foreign currency forward and option contracts to manage the foreign exchange risk associated with certain foreign currency-denominated monetary assets and liabilities. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of its foreign currency-denominated monetary assets and liabilities change. Gains and losses on these contracts are included in other income (expense), on a net basis, along with the foreign currency gains and losses of the related foreign currency-denominated monetary assets and liabilities associated with these foreign currency forward contracts. The Company entered into various foreign currency forward and option contracts during the three and six months ended June 30, 2018 and 2017. During the three and six months ended June 30, 2018, the Company recognized net gains of $49.8 million and $47.4 million, respectively, associated with these contracts. During the three and six months ended June 30, 2017, the Company recognized net losses of $22.5 million and $37.2 million, respectively, associated with these contracts.

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Offsetting Derivative Assets and Liabilities
The following table presents the fair value of derivative instruments recognized in the Company's condensed consolidated balance sheets as of June 30, 2018 (in thousands):

	Gross Amounts	Gross Amounts Offset in the Consolidated Balance Sheet	Net Consolidated Balance Sheet Amounts[1]	Gross Amounts not Offset in the Consolidated Balance Sheet[2]	Net
Assets:					
Designated as hedging instruments:					
Foreign currency forward contracts designated as cash flow hedges	$ 25,445	$ —	$ 25,445	$ (8,099)	$ 17,346
Not designated as hedging instruments:					
Embedded derivatives	5,233	—	5,233	—	5,233
Economic hedges of embedded derivatives	43	—	43	(43)	—
Foreign currency forward contracts	14,416	—	14,416	(2,266)	12,150
	19,692	—	19,692	(2,309)	17,383
Additional netting benefit	—	—	—	(1,432)	(1,432)
	$ 45,137	$ —	$ 45,137	$ (11,840)	$ 33,297
Liabilities:					
Designated as hedging instruments:					
Foreign currency forward contracts designated as cash flow hedges	$ 8,505	$ —	$ 8,505	$ (8,099)	$ 406
Not designated as hedging instruments:					
Embedded derivatives	2,173	—	2,173	—	2,173
Economic hedges of embedded derivatives	1,160	—	1,160	(43)	1,117
Foreign currency forward contracts	3,220	—	3,220	(2,266)	954
	6,553	—	6,553	(2,309)	4,244
Additional netting benefit	—	—	—	(1,432)	(1,432)
	$ 15,058	$ —	$ 15,058	$ (11,840)	$ 3,218

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

(2) The Company enters into master netting agreements with its counterparties for transactions other than embedded derivatives to mitigate credit risk exposure to any single counterparty. Master netting agreements allow for individual derivative contracts with a single counterparty to offset in the event of default. For presentation on the condensed consolidated balance sheets, the Company does not offset fair value amounts recognized for derivative instruments under master netting arrangements.

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The following table presents the fair value of derivative instruments recognized in the Company's condensed consolidated balance sheets as of December 31, 2017 (in thousands):

	Gross Amounts	Gross Amounts Offset in the Consolidated Balance Sheet	Net Consolidated Balance Sheet Amounts[1]	Gross Amounts not Offset in the Consolidated Balance Sheet[2]	Net
Assets:					
Designated as hedging instruments:					
Foreign currency forward contracts designated as cash flow hedges	$ 2,379	$ —	$ 2,379	$ (2,379)	$ —
Not designated as hedging instruments:					
Embedded derivatives	5,076	—	5,076	—	5,076
Economic hedges of embedded derivatives	325	—	325	—	325
Foreign currency forward contracts	505	—	505	(340)	165
	5,906	—	5,906	(340)	5,566
Additional netting benefit	—	—	—	(490)	(490)
	$ 8,285	$ —	$ 8,285	$ (3,209)	$ 5,076
Liabilities:					
Designated as hedging instruments:					
Foreign currency forward contracts designated as cash flow hedges	$ 29,777	$ —	$ 29,777	$ (2,379)	$ 27,398
Not designated as hedging instruments:					
Embedded derivatives	3,503	—	3,503	—	3,503
Economic hedges of embedded derivatives	20	—	20	—	20
Foreign currency forward contracts	7,547	—	7,547	(340)	7,207
	11,070	—	11,070	(340)	10,730
Additional netting benefit	—	—	—	(490)	(490)
	$ 40,847	$ —	$ 40,847	$ (3,209)	$ 37,638

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

(2) The Company enters into master netting agreements with its counterparties for transactions other than embedded derivatives to mitigate credit risk exposure to any single counterparty. Master netting agreements allow for individual derivative contracts with a single counterparty to offset in the event of default. For presentation on the condensed consolidated balance sheets, the Company does not offset fair value amounts recognized for derivative instruments under master netting arrangements.

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6. Fair Value Measurements

Fair value estimates are made as of a specific point in time based on methods using the market approach valuation method which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities 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.

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

The Company uses the specific identification method in computing realized gains and losses. Realized gains and losses on the investments are included within other income (expense) in the Company’s condensed consolidated statements of operations. The Company's investments in publicly traded equity securities are carried at fair value. Subsequent to the adoption of ASU 2016-01 in the three months ended March 31, 2018, unrealized gains and losses on publicly traded equity securities are reported within other income (expense) in the Company’s condensed consolidated statements of operations. Prior to the adoption of ASU 2016-01, unrealized gains and losses on publicly traded equity securities were reported in stockholders’ equity as a component of other comprehensive income or loss. Upon adoption of ASU 2016-01, the Company recorded a net cumulative effect increase of $2.1 million to retained earnings.

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

The Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis as of June 30, 2018 and December 31, 2017.

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The Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 were as follows (in thousands):

	Fair Value at June 30, 2018	Fair Value Measurement Using Level 1	Level 2
Assets:			
Cash	$640,218	$640,218	$—
Money market and deposit accounts	326,090	326,090	—
Publicly traded equity securities	4,200	4,200	—
Certificates of deposit	18,199	—	18,199
Derivative instruments (1)	45,137	—	45,137
Total	$1,033,844	$970,508	$63,336
Liabilities:			
Derivative instruments (1)	$15,058	$—	$15,058
Total	$15,058	$—	$15,058

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

The Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 were as follows (in thousands):

	Fair Value at December 31, 2017	Fair Value Measurement Using Level 1	Level 2
Assets:			
Cash	$ 985,382	$985,382	$—
Money market and deposit accounts	427,135	427,135	—
Publicly traded equity securities	6,163	6,163	—
Certificates of deposit	31,351	—	31,351
Derivative instruments (1)	8,285	—	8,285
Total	$ 1,458,316	$1,418,680	$39,636
Liabilities:			
Derivative instruments (1)	$ 40,847	$—	$40,847
Total	$ 40,847	$—	$40,847

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

The Company did not have any Level 3 financial assets or financial liabilities as of June 30, 2018 and December 31, 2017.

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7. Leases

Capital Lease and Other Financing Obligations

Stockholm 2 ("SK2") Data Center

In March 2018, the Company acquired the land and building for the SK2 IBX data center for cash consideration of SEK457.9 million or approximately $54.9 million at the exchange rate in effect on March 31, 2018. The Company had previously accounted for SK2 as a build-to-suit arrangement. As a result of the purchase, the prior arrangement was effectively terminated and the financing obligation was settled in full. The Company settled the financing obligation of the SK2 data center for SEK234.5 million or approximately $28.1 million and recognized a loss on debt extinguishment of SEK170.5 million or approximately $20.4 million at the exchange rate in effect on March 31, 2018.

Tokyo 11 ("TY11") Data Center

In February 2018, the Company entered into a lease agreement for the TY 11 IBX data center. Pursuant to the accounting standard for leases, the Company assessed the lease classification of the TY11 lease and determined that the lease should be accounted for as a capital lease. During the three months ended March 31, 2018, the Company recorded a capital lease obligation totaling approximately $¥2,348.5 million, or approximately $22.1 million at the exchange rate in effect on March 31, 2018. The lease has a term of 30 years through February 2048.

Maturities of Capital Lease and Other Financing Obligations

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

	Capital Lease Obligations	Other Financing Obligations [1]	Total
2018 (6 months remaining)	$ 54,909	$ 44,230	$ 99,139
2019	96,780	70,775	167,555
2020	96,862	70,413	167,275
2021	94,966	71,462	166,428
2022	94,676	71,629	166,305
Thereafter	852,403	710,668	1,563,071
Total minimum lease payments	1,290,596	1,039,177	2,329,773
Plus amount representing residual property value	—	457,943	457,943
Less amount representing interest	(535,289)	(740,796)	(1,276,085)
Present value of net minimum lease payments	755,307	756,324	1,511,631
Less current portion	(42,888)	(42,375)	(85,263)
Total	$ 712,419	$ 713,949	$ 1,426,368

[1] Other financing obligations are primarily related to build-to-suit arrangements.

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Operating Leases
Minimum future operating lease payments as of June 30, 2018 are summarized as follows (in thousands):

Years ending:	
2018 (6 months remaining)	$91,781
2019	179,437
2020	169,326
2021	158,203
2022	153,659
Thereafter	1,244,509
Total	$1,996,915

8. Debt Facilities
Mortgage and Loans Payable
As of June 30, 2018 and December 31, 2017, the Company's mortgage and loans payable consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Term loans	$1,354,570	$1,417,352
Mortgage payable and loans payable	45,859	48,872
	1,400,429	1,466,224
Less amount representing unamortized debt discount and debt issuance cost	(9,221)	(10,666)
Add amount representing unamortized mortgage premium	1,956	2,051
	1,393,164	1,457,609
Less current portion	(75,224)	(64,491)
Total	$1,317,940	$1,393,118

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Senior Notes

As of June 30, 2018 and December 31, 2017, the Company's senior notes consisted of the following (in thousands):

	June 30, 2018		December 31, 2017	
	Amount	Effective Rate	Amount	Effective Rate
5.000% Infomart Senior Notes	$750,000	4.40 %	$—	— %
5.375% Senior Notes due 2022	750,000	5.56 %	750,000	5.56 %
5.375% Senior Notes due 2023	1,000,000	5.51 %	1,000,000	5.51 %
2.875% Euro Senior Notes due 2024	875,550	3.08 %	—	— %
5.75% Senior Notes due 2025	500,000	5.88 %	500,000	5.88 %
2.875% Euro Senior Notes due 2025	1,167,400	3.04 %	1,201,000	3.04 %
5.875% Senior Notes due 2026	1,100,000	6.03 %	1,100,000	6.03 %
2.875% Euro Senior Notes due 2026	1,167,400	3.04 %	1,201,000	3.04 %
5.375% Senior Notes due 2027	1,250,000	5.51 %	1,250,000	5.51 %
	8,560,350		7,002,000	
Less amount representing unamortized debt issuance cost	(82,297)		(78,151)	
Add amount representing unamortized debt premium	7,158		—	
	8,485,211		6,923,849	
Less current portion	(150,828)		—	
Total	$8,334,383		$6,923,849	

Infomart Senior Notes

On April 2, 2018, in connection with the closing of the Infomart Dallas Acquisition, the Company issued $750.0 million aggregate principal amount of 5.000% senior unsecured notes in five new series due in each of April 2019, October 2019, April 2020, October 2020 and April 2021, with each series consisting of $150.0 million principal amount, which are collectively referred to as the "Infomart Senior Notes". The Infomart Senior Notes were fair valued as of the acquisition date and the Company recognized debt premium of $8.2 million. Interest on the notes is payable semi-annually on April 2 and October 2 of each year, commencing on October 2, 2018. The Infomart Senior Notes are not redeemable prior to their maturity dates. As of June 30, 2018, debt premium, net of amortization, related to the Infomart Senior Notes was $7.2 million.

2024 Euro Senior Notes

On March 14, 2018, the Company issued €750.0 million, or approximately $929.9 million in U.S. dollars, at the exchange rate in effect on March 14, 2018, aggregate principal amount of 2.875% senior notes due March 15, 2024, which are referred to as the "2024 Euro Senior Notes". Interest on the notes is payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2018. Debt issuance costs related to the 2024 Euro Senior Notes were $11.6 million. As of June 30, 2018, debt issuance costs related to the 2024 Euro Senior Notes, net of amortization, were $10.4 million at the exchange rate in effect on that date.

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

Each series of senior notes is governed by a supplemental indenture between the Company and U.S. Bank National Association, as trustee. The supplemental indenture contains covenants that limit the Company’s ability and the ability of its subsidiaries to, among other things:

- incur liens;

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- enter into sale-leaseback transactions; and
- merge or consolidate with any other person.

The Company is not required to make any mandatory redemption with respect to the senior notes; however, upon the event of a change in control, the Company may be required to offer to purchase the senior notes.

Optional Redemption Schedule

Senior Note Description	Early Equity Redemption Price	First Scheduled Redemption Date	First Scheduled Redemption Price	Second Year Redemption Price	Third Year Redemption Price
2.875% Euro due 2024	102.875%	September 15, 2020	101.438%	100.719%	100.000%

The 2024 Euro Senior Notes provide for optional redemption. Within 90 days of the closing of one or more equity offerings and at any time prior to the first scheduled redemption date listed in the Optional Redemption Schedule, the Company may redeem up to 35% of the aggregate principal amount of the notes outstanding, at a redemption price listed in the Optional Redemption Schedule, plus accrued and unpaid interest to the redemption date, provided that at least 65% of the aggregate principal amount of the notes issued under the supplemental indenture remains outstanding immediately after such redemption(s).

On or after the first scheduled redemption date listed in the Optional Redemption Schedule, the Company may redeem all or a part of the notes, on one or more occasions, at the redemption prices (expressed as percentages of principal amount) set forth in the Optional Redemption Schedule, plus accrued and unpaid interest thereon, if any, if redeemed during the twelve month period beginning on the first scheduled redemption date and at reduced scheduled redemption prices during the twelve or eighteen-month periods beginning on the anniversaries of the first scheduled redemption date.

In addition, at any time prior to the first scheduled redemption date, the Company may redeem all or a part of the senior notes at a redemption price equal to 100% of the principal amount of senior notes redeemed plus the applicable premium (the "Applicable Premium") and accrued and unpaid interest, subject to the rights of the holders of record of the senior notes on the relevant record date to receive interest due on the relevant interest payment date. The Applicable Premium means the greater of:

(1) 1.0% of the principal amount of the 2024 Euro Senior Notes;

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the 2024 Euro Senior Notes at the first scheduled redemption date, plus (ii) all required interest payments due on the 2024 Euro Senior Notes through the first scheduled redemption date computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the 2024 Euro Senior Notes.

Maturities of Debt Instruments

The following table sets forth maturities of the Company's debt, including mortgage and loans payable, and senior notes, gross of debt issuance costs, debt discounts and debt premiums, as of June 30, 2018 (in thousands):

Years ending:	
2018 (6 months remaining)	$37,797
2019	375,349
2020	375,281
2021	540,715
2022	1,569,311
Thereafter	7,064,282
Total	$9,962,735

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Fair Value of Debt Instruments

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

	June 30, 2018	December 31, 2017
Mortgage and loans payable	$1,400,259	$1,464,877
Senior notes	8,485,647	7,288,673

The fair value of the mortgage and loans payable, which were not publicly traded, was estimated by considering the Company's credit rating, current rates available to the Company for debt of the same remaining maturities and terms of the debt (Level 2). The fair value of the senior notes, which were traded in the public debt market, was based on quoted market prices (Level 1).

Interest Charges

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest expense	$134,673	$119,042	$260,950	$230,726
Interest capitalized	3,484	7,999	6,798	14,399
Interest charges incurred	$138,157	$127,041	$267,748	$245,125

Total interest paid, net of capitalized interest, during the three months ended June 30, 2018 and 2017 was $111.6 million and $90.0 million, respectively. Total interest paid, net of capitalized interest, during the six months ended June 30, 2018 and 2017 was $215.3 million and $199.0 million, respectively.

9. Commitments and Contingencies

Commitments

As a result of the Company's various IBX data center expansion projects, as of June 30, 2018, the Company was contractually committed for approximately $0.8 billion of unaccrued capital expenditures, primarily for IBX infrastructure equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX data centers and make them available to customers for installation. The Company also had numerous other, non-capital purchase commitments in place as of June 30, 2018, such as commitments to purchase power in select locations through the remainder of 2018 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2018 and thereafter. Such other miscellaneous purchase commitments totaled approximately $0.8 billion as of June 30, 2018. In addition, the Company entered into lease agreements in various locations for a total lease commitment of approximately $196.6 million, excluding potential lease renewals. These lease agreements will commence between April 2019 and May 2019 with lease terms of 10 to 25 years.

Contingent Liabilities

The Company estimates exposure on certain liabilities, such as indirect and property taxes, based on the best information available at the time of determination. With respect to real and personal property taxes, the Company records what it can reasonably estimate based on prior payment history, assessed value by the assessor's office, current landlord estimates or estimates based on current or changing fixed asset values in each specific municipality, as applicable. However, there are circumstances beyond the Company’s control whereby the underlying value of the property or basis for which the tax is calculated on the property may change, such as a landlord selling the underlying property of one of the Company’s IBX data center leases or a municipality changing the assessment value in a jurisdiction and, as a result, the Company’s property tax obligations may vary from period to period. Based upon the most current facts and circumstances, the Company makes the necessary property tax accruals for each of its reporting

periods. However, revisions in the Company's estimates of the potential or actual liability could materially impact the financial position, results of operations or cash flows of the Company.

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The Company's indirect and property tax filings in various jurisdictions are subject to examination by local tax authorities. The outcome of any examinations cannot be predicted with certainty. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations that would affect the adequacy of its tax accruals for each of the reporting periods. If any issues arising from the tax examinations are resolved in a manner inconsistent with the Company's expectations, the revision of the estimates of the potential or actual liabilities could materially impact the financial position, results of operations, or cash flows of the Company.

10. Stockholders' Equity

Accumulated Other Comprehensive Loss

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

	Balance as of December 31, 2017	Net Change	Cumulative Effect Adjustment	Balance as of June 30, 2018
Foreign currency translation adjustment ("CTA") loss	$ (576,860)	$(275,382)	$ —	$(852,242)
Unrealized gain (loss) on cash flow hedges [1]	(24,191)	31,200	—	7,009
Unrealized gain (loss) on available-for-sale securities [2]	2,124	—	(2,124)	—
Net investment hedge CTA gain (loss) [1]	(185,303)	153,480	—	(31,823)
Net actuarial gain (loss) on defined benefit plans [3]	(959)	21	—	(938)
Total	$ (785,189)	$(90,681)	$ (2,124)	$(877,994)

(1) Refer to Note 5 for a discussion of the amounts reclassified from accumulated other comprehensive loss to net income.

(2) Upon adoption of ASU 2016-01 during the three months ended March 31, 2018, the Company recorded a net cumulative effect adjustment of $2.1 million from accumulated other comprehensive loss to retained earnings.

(3) The Company has a defined benefit pension plan covering all employees in one country where such plan is mandated by law. The Company does not have any defined benefit plans in any other countries. The unamortized gain (loss) on defined benefit plans includes gains or losses resulting from a change in the value of either the projected benefit obligation or the plan assets resulting from a change in an actuarial assumption, net of amortization.

Changes in foreign currencies can have a significant impact to the Company's consolidated balance sheets (as evidenced above in the Company's foreign currency translation loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translated into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. As of June 30, 2018, the U.S. dollar was generally stronger relative to certain of the currencies of the foreign countries in which the Company operates as compared to December 31, 2017. This overall strengthening of the U.S. dollar had an overall unfavorable impact on the Company's condensed consolidated financial position because the foreign denominations translated into less U.S. dollars as evidenced by an increase in foreign currency translation loss for the six months ended June 30, 2018 as reflected in the above table. In future periods, the volatility of the U.S. dollar as compared to the other currencies in which the Company operates could have a significant impact on its condensed consolidated financial position and results of operations including the amount of revenue that the Company reports in future periods.

Common Stock

In August 2017, the Company entered into an equity distribution agreement with RBC Capital Market, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, establishing an "at the market" equity offering program, under which the Company may offer and sell from time to time up to an aggregate of $750.0 million of its common stock in "at the market" transactions (the "ATM Program").

For the first half of 2018, the Company sold 19,100 shares under the ATM Program, for approximately $7.6 million, net of payment of commissions to the sales agents. As of June 30, 2018, the Company had generated net proceeds of $363.3 million under the ATM Program.

Dividends

On May 2, 2018, the Company declared a quarterly cash dividend of $2.28 per share, with a record date of May 23, 2018 and a payment date of June 20, 2018. During the three months ended June 30, 2018, the Company paid a total of $181.8 million in dividends. In addition, the Company accrued an additional $2.8 million in dividends payable for restricted stock units that have not yet vested.

On February 14, 2018, the Company declared a quarterly cash dividend of $2.28 per share, with a record date of February 26, 2018 and a payment date of March 21, 2018. During the three months ended March 31, 2018, the Company paid a total of $187.0 million in dividends. In addition, the Company accrued an additional $2.2 million in dividends payable for restricted stock units that have not yet vested.

Stock-Based Compensation

In the first half of 2018, the Compensation Committee and/or the Stock Award Committee of the Company's Board of Directors, as the case may be, approved the issuance of an aggregate of 546,375 shares of restricted stock units to certain employees, including executive officers, pursuant to the 2000 Equity Incentive Plan, as part of the Company's annual refresh program. These equity awards are subject to vesting provisions and have a weighted-average grant date fair value of $379.83 and a weighted-average requisite service period of 3.56 years. The valuation of restricted stock units with only a service condition or a service and performance condition require no significant assumptions as the fair value for these types of equity awards is based solely on the fair value of the Company's stock price on the date of grant. The Company used revenues and adjusted funds from operations ("AFFO") as the performance measurements in the restricted stock units with both service and performance conditions that were granted in the first half of 2018. The Company uses a Monte Carlo simulation option-pricing model to determine the fair value of restricted stock units with a service and market condition. The Company used total shareholder return (“TSR”) as the performance measurement in the restricted stock units with a service and market condition that were granted in 2018. There were no significant changes in the assumptions used to determine the fair value of restricted stock units with a service and market condition that were granted in 2018 compared to the prior year.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of revenues	$4,607	$3,178	$8,506	$6,089
Sales and marketing	14,108	13,426	25,814	24,398
General and administrative	31,010	29,021	57,941	53,461
Total	$49,725	$45,625	$92,261	$83,948

11. Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Adjusted EBITDA:				
Americas	$293,955	$258,151	$585,504	$456,770
EMEA	170,815	141,622	336,993	271,176
Asia-Pacific	139,234	109,535	261,022	208,936
Total adjusted EBITDA	604,004	509,308	1,183,519	936,882
Depreciation, amortization and accretion expense	(308,828)	(252,386)	(615,293)	(471,399)
Stock-based compensation expense	(49,725)	(45,625)	(92,261)	(83,948)
Acquisition costs	(30,413)	(26,402)	(35,052)	(29,427)
Income from operations	$215,038	$184,895	$440,913	$352,108

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Americas	$618,275	$533,608	$1,220,902	$970,055
EMEA	383,168	322,944	762,798	637,791
Asia-Pacific	260,500	209,869	494,120	408,100
Total	$1,261,943	$1,066,421	$2,477,820	$2,015,946
Depreciation and amortization:				
Americas	$159,922	$124,342	$317,500	$212,269
EMEA	88,492	78,962	181,772	155,130
Asia-Pacific	58,917	51,482	115,627	104,393
Total	$307,331	$254,786	$614,899	$471,792
Capital expenditures:				
Americas	$200,277	$160,679	$347,606	$314,114
EMEA	222,377	151,485	376,768	235,069
Asia-Pacific	97,585	36,408	145,594	76,631
Total	$520,239	$348,572	$869,968	$625,814

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

	June 30, 2018	December 31, 2017
Americas	$4,882,241	$ 4,425,077
EMEA	3,447,595	3,265,088
Asia-Pacific	2,049,079	1,704,437
Total long-lived assets	$10,378,915	$ 9,394,602

The following tables present revenue information disaggregated by service lines and geographic areas (in thousands):

	Three Months Ended June 30, 2018				Six Months Ended June 30, 2018			
	Americas	EMEA	Asia-Pacific	Total	Americas	EMEA	Asia-Pacific	Total
Colocation [1]	$433,895	$293,518	$ 186,172	$913,585	$861,020	$581,579	$ 352,370	$1,794,969
Interconnection	131,720	33,969	31,924	197,613	260,973	68,946	62,693	392,612
Managed infrastructure	18,292	29,731	21,184	69,207	36,827	60,417	43,364	140,608
Other [1]	4,980	2,364	—	7,344	6,059	4,130	—	10,189
Recurring revenues	588,887	359,582	239,280	1,187,749	1,164,879	715,072	458,427	2,338,378
Non-recurring revenues	29,388	23,586	21,220	74,194	56,023	47,726	35,693	139,442
Total	$618,275	$383,168	$ 260,500	$1,261,943	$1,220,902	$762,798	$ 494,120	$2,477,820

[1] Includes some leasing and hedging activities that are insignificant to the Company's total operations.

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

	Three Months Ended June 30, 2017				Six Months Ended June 30, 2017			
	Americas	EMEA	Asia-Pacific	Total	Americas	EMEA	Asia-Pacific	Total
Colocation [1]	$374,764	$259,684	$ 147,783	$782,231	$674,037	$512,938	$ 286,778	$1,473,753
Interconnection	116,248	23,655	25,781	165,684	217,098	46,006	50,640	313,744
Managed infrastructure	17,005	19,205	21,983	58,193	32,066	36,877	43,859	112,802
Other [1]	1,903	2,037	—	3,940	2,822	5,367	—	8,189
Recurring revenues	509,920	304,581	195,547	1,010,048	926,023	601,188	381,277	1,908,488
Non-recurring revenues	23,688	18,363	14,322	56,373	44,032	36,603	26,823	107,458
Total	$533,608	$322,944	$ 209,869	$1,066,421	$970,055	$637,791	$ 408,100	$2,015,946

[1] Includes some leasing and hedging activities that are insignificant to the Company's total operations.

No single customer accounted for 10% or greater of the Company's accounts receivable or revenues for the three and six months ended June 30, 2018 and 2017.

12. Subsequent Events

On July 26, 2018, the Company entered into an amendment to its existing credit agreement, dated as of December 12, 2017. The amendment provided a senior unsecured term loan in an aggregate principal of ¥47.5 billion or approximately $424.9 million, at the exchange rate effective on July 31, 2018. In connection with execution of this agreement, the Company drew down the full amount of the principal and also prepaid the remaining principal of its existing Japanese yen term loan of ¥43.8 billion or approximately $391.3 million.

On August 8, 2018, the Company declared a quarterly cash dividend of $2.28 per share, which is payable on September 19, 2018 to the Company's common stockholders of record as of the close of business on August 22, 2018.

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Item 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

In April 2018, as more fully described in Note 4 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we completed the acquisition of the Metronode group of companies, for a cash purchase price of A$1.033 billion, or approximately $804.2 million at the exchange rate in effect on April 18, 2018 (the "Metronode Acquisition"). We accounted for this transaction as a business combination using the acquisition method of accounting. The valuation of assets acquired and liabilities assumed are still being appraised by a third-party and as such, the purchase price allocation is not yet complete.

In April 2018, as more fully described in Note 4 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we completed the acquisition of Infomart Dallas for total consideration of approximately $805.6 million (the "Infomart Dallas Acquisition"), consisting of approximately $47.4 million in cash, subject to customary adjustments, and $758.2 million aggregate fair value of 5.000% senior unsecured notes. We accounted for this transaction as a business combination using the acquisition method of accounting. The valuation of assets acquired and liabilities assumed are still being appraised by a third-party and as such, the purchase price allocation is not yet complete.

In March 2018, as more fully described in Note 8 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we issued €750.0 million, or approximately $929.9 million in U.S. dollars, at the exchange rate in effect on March 14, 2018, aggregate principal amount of 2.875% senior notes due March 15, 2024, which are referred to as the "2024 Euro Senior Notes". Debt issuance costs related to the 2024 Euro Senior Notes were $11.6 million.

Overview

Equinix provides global data center offerings that protect and connect the world’s most valued information assets. Global enterprises, financial services companies and content and network service providers rely upon Equinix's leading insight and data centers around the world for the safehousing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. The acquisitions of Infomart Dallas and Metronode expanded the Company's total global footprint to 200 IBX data centers across 52 markets around the world. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and (iii) exchange and outsourced IT infrastructure solutions. As of June 30, 2018, we operated or had partner IBX data centers

in Brazil, Canada, Colombia and throughout the U.S. in the Americas region; Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and the United Kingdom in the EMEA region; and Australia, China, Hong Kong, Indonesia, Japan and Singapore in the Asia-Pacific region.

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Our data centers in 52 markets around the world are a global platform, which allows our customers to increase information and application delivery performance while significantly reducing costs. This global platform and the quality of our IBX data centers have enabled us to establish a critical mass of customers. As more customers choose our IBX data centers, it benefits their suppliers and business partners to colocate with us as well, in order to gain the full economic and performance benefits of our offerings. These partners, in turn, pull in their business partners, creating a "marketplace" for their services. Our global platform enables scalable, reliable and cost-effective colocation, interconnection and traffic exchange that lowers overall cost and increases flexibility. Our focused business model is built on our critical mass of customers and the resulting "marketplace" effect. This global platform, combined with our strong financial position, continues to drive new customer growth and bookings.

Historically, our market has been served by large telecommunications carriers who have bundled telecommunications products and services with their colocation offerings. The data center market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers. More than 350 companies provide data center solutions in the U.S. alone. Each of these data center solutions providers can bundle various colocation, interconnection and network offerings and outsourced IT infrastructure solutions. We are able to offer our customers a global platform that reaches 24 countries with proven operational reliability, improved application performance, network choice and a highly scalable set of offerings.

Our utilization rates were approximately 82% as of June 30, 2018, excluding the data centers recently acquired from Metronode, Infomart Dallas, Itconic and Zenium, and 79% as of June 30, 2017, excluding data centers acquired from the Verizon Data Center Acquisition. Excluding the impact of our IBX data center expansion projects that have opened during the last 12 months and acquisitions mentioned above, our utilization rate would have increased to approximately 84% as of June 30, 2018 and 83% as of June 30, 2017. 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 high power-demand customers. This increased power consumption has driven us to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our IBX data centers, even though we may have additional physical cabinet capacity available within a specific IBX data center. This could have a negative impact on the available utilization capacity of a given IBX data center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

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

Our business is based on a recurring revenue model comprised of colocation and related interconnection and managed infrastructure offerings. We consider these offerings recurring because our customers are generally billed on a fixed

and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues have comprised more than 90% of our total revenues during the past three years. In addition, during any given quarter of the past three years, more than half of our monthly recurring revenue bookings came from existing customers, contributing to our revenue growth. During the three and six months ended June 30, 2018 and 2017, our largest customer accounted for approximately 3% of our recurring revenues. Our 50 largest customers accounted for approximately 39% and 36%, respectively, of our recurring revenues for the three months ended June 30, 2018 and 2017. Our 50 largest customers accounted for approximately 38% and 35%, respectively, of our recurring revenues for the six months ended June 30, 2018 and 2017.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring because they are billed typically once, upon completion of the installation or the professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. However, revenues from installation services are deferred and recognized ratably over the period of contract term. Additionally, revenue from contract

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settlements, when a customer wishes to terminate their contract early, is generally treated as a contract modification and recognized ratably over the remaining term of the contract, if any. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

The largest components of our cost of revenues are depreciation, rental payments related to our leased IBX data centers, utility costs, including electricity, bandwidth access, IBX data center employees' salaries and benefits, including stock-based compensation, repairs and maintenance, supplies and equipment and security services. A 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 that are considered more variable in nature, including utilities and supplies that are directly related to growth in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will generally increase in the future on a per-unit or fixed basis, in addition to the variable increase related to the growth in consumption by our customers. In addition, the cost of electricity is generally higher in the summer months, as compared to other times of the year. To the extent we incur increased utility costs, such increased costs could materially impact our financial condition, results of operations and cash flows. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change, such increased costs could materially impact our financial condition, results of operations and cash flows.

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

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

We expect our cost of revenues, sales and marketing expenses and general and administrative expenses to grow in absolute dollars in connection with our business growth. We may periodically see a higher cost of revenues as a percentage of revenue when a large expansion project opens or is acquired, before it starts generating any meaningful revenue. Furthermore, in relation to cost of revenues, we note that the Americas region has a lower cost of revenues as a percentage of revenue than either EMEA or Asia-Pacific. This is due to both the increased scale and maturity of the Americas region, compared to either the EMEA or Asia-Pacific region, as well as a higher cost structure outside of the Americas, particularly in EMEA. While we expect all three regions to continue to see lower cost of revenues as a percentage of revenues in future periods, we expect the trend that sees the Americas having the lowest cost of revenues as a percentage of revenues to continue. As a result, to the extent that revenue growth outside the Americas grows in greater proportion than revenue growth in the Americas, our overall cost of revenues as a percentage of revenues may increase in future periods. Sales and marketing expenses may periodically increase as a percentage of revenues as we continue to scale our operations by investing in sales and marketing initiatives to further increase our revenue, including the hiring of additional headcount and new product innovations. General and administrative expenses may also periodically increase as a percentage of revenues as we continue to grow our business.

Taxation as a REIT

We elected to be taxed as a real estate investment trust for federal income tax purposes ("REIT") beginning with our 2015 taxable year. As of June 30, 2018, our REIT structure included all of our data center operations in the U.S., Canada, Japan and the data center operations in Europe with the exception of Bulgaria, United Arab Emirates and a portion of Turkey. Our data center operations in other jurisdictions are operated as taxable REIT subsidiaries ("TRSs").

As a REIT, we generally are permitted to deduct from our federal taxable income the dividends we pay to our stockholders. The income represented by such dividends is not subject to federal income tax at the entity level but is taxed, if at all, at the stockholder level. Nevertheless, the income of our TRSs which hold our U.S. operations that may not be REIT compliant is subject, as applicable, to federal and state corporate income tax. Likewise, our foreign subsidiaries continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through TRSs or through qualified REIT subsidiaries ("QRSs").

We are also subject to a separate corporate income tax on any gain recognized from a sale of a REIT asset where our basis in the asset is determined by reference to the basis of the asset in the hands of a C corporation (such as (i) an asset that we held as of the effective date of our REIT election, that is, January 1, 2015, or (ii) an asset held by us or a QRS following the liquidation or other conversion of a former TRS). This built-in-gains tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g., January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset. If we fail to remain qualified for federal income taxation as a REIT, we will be subject to federal income tax at regular corporate tax rates. Even if we remain qualified for federal income taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition

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to taxes owed with respect to our TRSs' operations. In particular, while state income tax regimes often parallel the federal income tax regime for REITs, many states do not completely follow federal rules, and some may not follow them at all.

On March 21, 2018 and June 20, 2018, we paid quarterly cash dividends of $2.28 per share. On August 8, 2018, we declared a quarterly cash dividend of $2.28 per share, payable on September 19, 2018, to the common stockholders of record as of the close of business on August 22, 2018. We expect the amount of all 2018 quarterly distributions and other applicable distributions to equal or exceed the taxable income to be recognized in 2018.

On December 22, 2017, the United States enacted legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA") which contains many significant changes to the existing U.S. federal income tax laws. The TCJA retains the REIT regime, but contains many significant changes which impact REITs' taxable income subject to distribution, particularly those with global operations. We are still analyzing the new tax legislation and assessing its impact. Based on our current assessment, which is subject to further interpretation and guidance on the new tax legislation, we believe we can continue to meet all the REIT compliance requirements in the foreseeable future and the changes are not expected to meaningfully increase our tax liabilities in the U.S., as we will fully distribute our REIT taxable income.

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

Results of Operations

Our results of operations for the three and six months ended June 30, 2018 include the results of operations from the Metronode Acquisition from April 18, 2018, the Infomart Dallas Acquisition from April 2, 2018, the Zenium data center acquisition from October 6, 2017, and the Itconic acquisition from October 9, 2017. Our results of operations for the three and six months ended June 30, 2017 include the results of operations from certain colocation business acquired from Verizon (the "Verizon Data Center Acquisition") from May 1, 2017 and IO UK's data center operating business (the "IO Acquisition") from February 3, 2017.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") and issued subsequent amendments to the initial guidance, collectively referred as "Topic 606." On January 1, 2018, as more fully described in Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we adopted Topic 606. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while the comparative information has not been restated and continues to be reported under accounting standards in effect for those periods. Under the new standard, we recognize installation revenue over the contract period rather than over the estimated installation life as under the prior revenue standard. Under the new standard, we also capitalize and amortize certain costs to obtain contracts, rather than expense them immediately as under the previous standard.

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Three Months Ended June 30, 2018 and 2017

Revenues. Our revenues for the three months ended June 30, 2018 and 2017 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency [1]
Americas:						
Recurring revenues	$588,887	47 %	$509,920	48 %	15 %	16 %
Non-recurring revenues	29,388	2 %	23,688	2 %	24 %	24 %
	618,275	49 %	533,608	50 %	16 %	17 %
EMEA:						
Recurring revenues	359,582	28 %	304,581	29 %	18 %	10 %
Non-recurring revenues	23,586	2 %	18,363	2 %	28 %	21 %
	383,168	30 %	322,944	31 %	19 %	11 %
Asia-Pacific:						
Recurring revenues	239,280	19 %	195,547	18 %	22 %	20 %
Non-recurring revenues	21,220	2 %	14,322	1 %	48 %	45 %
	260,500	21 %	209,869	19 %	24 %	21 %
Total:						
Recurring revenues	1,187,749	94 %	1,010,048	95 %	18 %	15 %
Non-recurring revenues	74,194	6 %	56,373	5 %	32 %	28 %
	$1,261,943	100 %	$1,066,421	100 %	18 %	16 %

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

Americas Revenues. As compared to the three months ended June 30, 2017, revenues for our Americas region for the three months ended June 30, 2018 included approximately $54.6 million of incremental revenues from the Verizon Data Center Acquisition, which closed in May 2017, and the Infomart Dallas Acquisition, which closed in April 2018. Specifically, Americas revenues for the three months ended June 30, 2018 included three months revenue contribution from the Verizon Data Center Acquisition and the Infomart Dallas Acquisition, as compared to two months revenue contribution from the Verizon Data Center Acquisition for the same period in 2017. Our revenues from the U.S., the largest revenue contributor in the Americas region for the period, represented approximately 91% of the regional revenues during both the three months ended June 30, 2018 and 2017. Excluding revenues attributable to the Infomart Dallas and Verizon Data Center Acquisitions, our Americas revenue growth was primarily due to (i) approximately $9.7 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, Toronto, Denver and Washington, D.C. metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $4.2 million of unfavorable foreign currency impact to our Americas revenues primarily due to a generally stronger U.S. dollar relative to the Brazilian Real during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

EMEA Revenues. Revenues for our EMEA region for the three months ended June 30, 2018 included approximately $18.1 million of incremental revenues attributable to the Itconic and Zenium data center acquisitions, which closed in October 2017. Our revenues from the UK, the largest revenue contributor in the EMEA region for the period, represented approximately 30% of the regional revenues during both the three months ended June 30, 2018 and 2017. Excluding revenues attributable to the Itconic and Zenium acquisitions, our EMEA revenue growth was primarily due to (i) approximately $26.6 million of revenues from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dubai, Frankfurt, London, and Paris metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $25.2 million of favorable foreign currency impact to our

EMEA revenues primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The foreign currency impact to EMEA revenues was partially offset by realized cash flow hedge losses.

Asia-Pacific Revenues. Revenues for our Asia-Pacific region for the three months ended June 30, 2018 included approximately $13.9 million of incremental revenues attributable to the Metronode Acquisition, which closed in April 2018. Our revenues from

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Japan, the largest revenue contributor in the Asia-Pacific region for the period, represented approximately 31% and 35%, respectively, of the regional revenues during the three months ended June 30, 2018 and 2017. Excluding revenues attributable to the Metronode Acquisition, our Asia-Pacific revenue growth was primarily due to (i) approximately $7.4 million of revenue generated from our recently-opened IBX data center expansions in the Hong Kong, Sydney and Osaka metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $5.6 million of net favorable foreign currency impact to our Asia-Pacific revenues primarily due to a generally weaker U.S. dollar relative to Japanese Yen and Singapore Dollar during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Cost of Revenues. Our cost of revenues for the three months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Three Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$282,395	43 %	$231,407	44 %	22 %	23 %
EMEA	226,301	35 %	175,455	34 %	29 %	21 %
Asia-Pacific	143,105	22 %	115,341	22 %	24 %	22 %
Total	$651,801	100 %	$522,203	100 %	25 %	22 %

	Three Months Ended June 30,	
	2018	2017
Cost of revenues as a percentage of revenues:		
Americas	46 %	43 %
EMEA	59 %	54 %
Asia-Pacific	55 %	55 %
Total	52 %	49 %

Americas Cost of Revenues. As compared to the three months ended June 30, 2017, cost of revenues for our Americas region for the three months ended June 30, 2018 included approximately $31.3 million incremental cost of revenues from the Verizon Data Center Acquisition and the Infomart Dallas Acquisition. Excluding the impact from these acquisitions, the increase in our Americas cost of revenues for the three months ended June 30, 2018 compared to the three months ended June 30, 2017 was primarily due to (i) $7.3 million higher depreciation expense primarily due to our IBX data center expansion activity; (ii) $5.8 million of higher repair and maintenance, taxes, licenses, insurance, and other cost of sales in support of our business growth; (iii) $2.0 million of higher rent and facility costs due to IBX growth and (iv) $4.2 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,141 Americas cost of revenues employees, excluding those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 1,050 as of June 30, 2017). During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $2.7 million of favorable foreign currency impact to our Americas cost of revenues primarily due to a generally stronger U.S. dollar relative to the Brazilian Real during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. We expect Americas cost of revenues to increase as we continue to grow our business, including results from recent acquisitions.

EMEA Cost of Revenues. Cost of revenues for our EMEA region for the three months ended June 30, 2018 included approximately $10.9 million incremental cost of revenues from the Itconic and Zenium acquisitions. Excluding the impacts from these acquisitions, the increase in our EMEA cost of revenues was primarily due to (i) $11.9 million of higher utilities costs driven by IBX expansions, increased usage and price increases; (ii) $6.1 million of higher office expenses, rent and facility costs, and repair and maintenance primarily due to an increase in expansion activity and usage due to our business growth; (iii) $15.5 million of higher depreciation expense, primarily driven by expansion

activity in Dubai, Amsterdam, Frankfurt and Paris, and (iv) $7.3 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,251 EMEA cost of revenues employees as of June 30, 2018 versus 1,124 as of June 30, 2017), partially offset by a $3.2 million reduction in other cost of sales, primarily due to realized cash flow hedge gains. During the three months ended June 30, 2018, foreign currency fluctuations on our EMEA cost of revenues resulted in approximately $14.1 million of net unfavorable foreign currency impact to our EMEA cost of revenues primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. We expect EMEA cost of revenues to increase as we continue to grow our business.

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Asia-Pacific Cost of Revenues. Cost of revenues for our Asia-Pacific region for the three months ended June 30, 2018 included approximately $8.9 million incremental cost of revenues from the Metronode Acquisition. Excluding the impact from the Metronode Acquisition, the increase in our Asia-Pacific cost of revenues for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to (i) $4.1 million of higher utilities costs, primarily driven by increased rates in Australia and higher usage in Japan and Hong Kong; (ii) $5.9 million of higher depreciation expense, primarily from IBX expansions in Japan, Australia and Hong Kong; (iii) $5.6 million of higher other cost of sales, primarily due to custom service orders and (iv) $2.9 million of higher rent & facility costs due to business growth. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $2.3 million of net unfavorable foreign currency impact to our Asia-Pacific cost of revenues primarily due to a generally weaker U.S. dollar relative to the Japanese Yen and Singapore Dollar during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business, including the impact from the Metronode Acquisition.

Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Three Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$96,554	62 %	$85,740	60 %	13 %	13 %
EMEA	36,544	24 %	36,277	26 %	1 %	(5)%
Asia-Pacific	21,104	14 %	19,549	14 %	8 %	6 %
Total	$154,202	100%	$141,566	100%	9 %	7 %

	Three Months Ended June 30,	
	2018	2017
Sales and marketing expenses as a percentage of revenues:		
Americas	16%	16%
EMEA	10%	11%
Asia-Pacific	8 %	9 %
Total	12%	13%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses for the three months ended June 30, 2018 was primarily due to (i) $9.4 million of incremental amortization expenses from the acquired intangible assets in connection with the Verizon Data Center Acquisition and (ii) $2.3 million of higher compensation costs, including sales compensation, general salaries and stock-based compensation and headcount growth (697 Americas sales and marketing employees, including those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 626 as of June 30, 2017). For the three months ended June 30, 2018, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange rates of the three months ended June 30, 2017. We anticipate that we will continue to invest in Americas sales and marketing initiatives and expect our Americas sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from recent acquisitions.

EMEA Sales and Marketing Expenses. Our EMEA sales and marketing expenses did not materially change during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. For the three months ended June 30, 2018, foreign currency fluctuations on our EMEA sales and marketing expenses resulted in approximately $2.2 million of net unfavorable foreign currency impact to our EMEA sales and marketing expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues.

Asia-Pacific Sales and Marketing Expenses. Our Asia-Pacific sales and marketing expenses did not materially change during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. For the three months ended June 30, 2018, the impact of foreign currency fluctuations on our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the three months ended June 30, 2017. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives and expect our Asia-Pacific sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from the Metronode Acquisition.

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General and Administrative Expenses. Our general and administrative expenses for the three months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Three Months Ended June 30,				% Change			
	2018	%	2017	%	Actual		Constant Currency	
Americas	$140,812	67 %	$116,986	62 %	20	%	21	%
EMEA	46,739	22 %	54,319	28 %	(14)	%	(18)	%
Asia-Pacific	22,938	11 %	20,050	10 %	14	%	12	%
Total	$210,489	100%	$191,355	100%	10	%	9	%

	Three Months Ended June 30,	
	2018	2017
General and administrative expenses as a percentage of revenues:		
Americas	23%	22%
EMEA	12%	17%
Asia-Pacific	9 %	10%
Total	17%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $10.2 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,286 Americas general and administrative employees, including those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 1,048 as of June 30, 2017); (ii) $3.6 million of higher office, rent and facilities costs and taxes, licenses, and insurance expenses in support of our business growth and (iii) $8.5 million of higher depreciation expense associated with the implementation of certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business. During the three months ended June 30, 2018, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates for the three months ended June 30, 2017. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments in improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including these investments in our back office systems, investments to maintain our REIT qualification and recent acquisitions.

EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to (i) $10.8 million of lower amortization expense as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017 and (ii) $2.5 million decrease due to realized cash flow hedge gains, partially offset by an increase of $4.3 million of compensation expenses, including general salaries, bonuses, and stock-based compensation and headcount growth (1,013 EMEA general and administrative employees as of June 30, 2018 versus 724 as of June 30, 2017). For the three months ended June 30, 2018, foreign currency fluctuations on our EMEA general and administrative expenses resulted in approximately $2.3 million of net unfavorable foreign currency impact to our EMEA general and administrative expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to $3.6 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (460 Asia-Pacific general and administrative employees as of June 30, 2018 versus 391 as of June 30, 2017). The impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses for the three months ended June 30, 2018 was not significant when compared to average exchange rates of the three months ended June 30, 2017. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to support our growth, including the impact from the Metronode Acquisition.

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Acquisition Costs. During the three months ended June 30, 2018, we recorded acquisition costs totaling $30.4 million, primarily in the Asia-Pacific and Americas regions, due to our acquisitions of Metronode group of companies and Infomart Dallas. During the three months ended June 30, 2017, we recorded acquisition costs totaling $26.4 million, primarily in the Americas region, due to the Verizon Data Center Acquisition.

Income from Operations. Our income from operations for the three months ended June 30, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Three Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$87,711	41 %	$75,039	40 %	17 %	18 %
EMEA	73,046	34 %	54,927	30 %	33 %	21 %
Asia-Pacific	54,281	25 %	54,929	30 %	(1)%	(5)%
Total	$215,038	100%	$184,895	100%	16 %	12 %

Americas Income from Operations. The increase in our Americas income from operations was primarily due to higher income generated from acquisitions and higher revenues as a result of our IBX data center expansion activity and organic growth as described above as well as lower acquisition costs in the current quarter as compared to the prior year. The impact of foreign currency fluctuations on our Americas income from operations for the three months ended June 30, 2018 was not significant when compared to average exchange rates of the three months ended June 30, 2017.

EMEA Income from Operations. The increase in our EMEA income from operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues, which was primarily due to lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017. Foreign currency fluctuations on our EMEA income from operations for the three months ended June 30, 2018 resulted in approximately $6.7 million of net favorable foreign currency impact to our EMEA income from operations primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Asia-Pacific Income from Operations. Our Asia-Pacific income from operations did not materially change during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. Foreign currency fluctuations on our Asia-Pacific income from operations for the three months ended June 30, 2018 resulted in approximately $2.4 million of net favorable foreign currency impact to our Asia-Pacific income from operations primarily due to a generally weaker U.S. dollar relative to the Japanese Yen and Singapore Dollar during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Interest Income. Interest income was $4.0 million and $4.4 million, respectively, for the three months ended June 30, 2018 and 2017. The decrease in interest income was driven by lower balances of cash, cash equivalents and investments, offset by higher interest yield rates for the three months ended June 30, 2018. The average annualized yield for the three months ended June 30, 2018 was 1.05% versus 0.59% for the three months ended June 30, 2017.

Interest Expense. Interest expense increased to $134.7 million for the three months ended June 30, 2018 from $119.0 million for the three months ended June 30, 2017, primarily attributable to our issuance of €750.0 million 2.875% Euro Senior Notes due 2024 in March 2018 and $750 million 5.000% Infomart Senior Notes in April 2018. The increase was partially offset by lower weighted average interest rates during the three months ended June 30, 2018, as compared to the three months ended June 30, 2017. We capitalized $3.5 million and $8.0 million of interest expense to construction in progress for the three months ended June 30, 2018 and 2017, respectively. We expect to incur higher interest expense going forward in connection with additional indebtedness that we incurred during the first half of 2018.

Other Income (Expense). We recorded net other income of $8.9 million and $1.3 million, respectively, for the three months ended June 30, 2018 and June 30, 2017, which was primarily due to foreign currency exchange gains and losses during those periods.

Loss on debt extinguishment. We recorded a $19.2 million net loss on debt extinguishment during the three months ended June 30, 2018, primarily due to the settlement of financing obligations as a result of the Infomart Dallas

Acquisition. During the three months ended June 30, 2017, we recorded a $16.4 million loss on debt extinguishment as a result of lease amendments in the Asia Pacific and EMEA regions and a lease termination in connection with a real estate property purchase in the EMEA region.

Income Taxes. We operate as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on our taxable income distributed to stockholders. We intend to distribute or have distributed the entire taxable

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income generated by the operations of our REIT and QRSs for the tax years ended December 31, 2018 and 2017, respectively. As such, other than built-in-gains recognized and withholding taxes, no provision for U.S. income taxes for the REIT and QRSs has been included in the accompanying condensed consolidated financial statements for the three months ended June 30, 2018 and 2017.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that may otherwise be considered impermissible for REITs to provide and may hold assets that may not be REIT compliant. U.S. income taxes for the TRS entities located in the U.S. and foreign income taxes for our foreign operations regardless of whether the foreign operations are operated as QRSs or TRSs have been accrued, as necessary, for the three months ended June 30, 2018 and 2017.

Our accounting for deferred taxes involves weighing positive and negative evidence relating to the realizability of deferred tax assets in each tax jurisdiction. It is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a significant amount of valuation allowance in certain foreign jurisdictions. The exact timing and amount of the valuation allowance releases are subject to change based on the profitability that the foreign jurisdictions are able to sustain.

For the three months ended June 30, 2018 and 2017, we recorded $6.4 million and $9.3 million of income tax expense, respectively. Our effective tax rates were 8.6% and 16.9%, respectively, for the three months ended June 30, 2018 and 2017. The decrease in the effective tax rate for the three months ended June 30, 2018 as compared to the same period in 2017 is primarily due to the reduction of net deferred tax liabilities as a result of a legal entity reorganization in our Americas region during the three months ended June 30, 2018.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance of our segments and develop regional growth strategies such as IBX data center expansion decisions. We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges, acquisition costs and gain on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to income or loss from operations. Our adjusted EBITDA for the three months ended June 30, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Three Months Ended June 30,					% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$293,955	49 %	$258,151	50 %	14%	15 %
EMEA	170,815	28 %	141,622	28 %	21%	12 %
Asia-Pacific	139,234	23 %	109,535	22 %	27%	24 %
Total	$604,004	100%	$509,308	100%	19%	16 %

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition and Infomart Dallas Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. The impact of foreign currency fluctuations on our Americas adjusted EBITDA for the three months ended June 30, 2018 was not significant when compared to average exchange rates of the three months ended June 30, 2017.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $12.6 million of net favorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the three months ended June 30, 2018 compared to the three months ended June 30, 2017.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to the Metronode Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. During the three months ended June 30, 2018, foreign currency fluctuations resulted in approximately $3.5 million of net favorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to Japanese Yen and Singapore Dollar during the three months ended

June 30, 2018 compared to the three months ended June 30, 2017.

Six Months Ended June 30, 2018 and 2017

Revenues. Our revenues for the six months ended June 30, 2018 and 2017 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Six Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency [1]
Americas:						
Recurring revenues	$1,164,879	47 %	$926,023	46 %	26%	26 %
Non-recurring revenues	56,023	2 %	44,032	2 %	27%	27 %
	1,220,902	49 %	970,055	48 %	26%	26 %
EMEA:						
Recurring revenues	715,072	29 %	601,188	30 %	19%	8 %
Non-recurring revenues	47,726	2 %	36,603	2 %	30%	19 %
	762,798	31 %	637,791	32 %	20%	8 %
Asia-Pacific:						
Recurring revenues	458,427	19 %	381,277	19 %	20%	16 %
Non-recurring revenues	35,693	1 %	26,823	1 %	33%	29 %
	494,120	20 %	408,100	20 %	21%	17 %
Total:						
Recurring revenues	2,338,378	95 %	1,908,488	95 %	23%	19 %
Non-recurring revenues	139,442	5 %	107,458	5 %	30%	25 %
	$2,477,820	100%	$2,015,946	100%	23%	19 %

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

Americas Revenues. As compared to the six months ended June 30, 2017, revenues for our Americas region for the six months ended June 30, 2018 included approximately $189.4 million of incremental revenues from the Verizon Data Center Acquisition, which closed in May 2017, and the Infomart Dallas Acquisition, which closed in April 2018. Specifically, Americas revenues for the six months ended June 30, 2018 included six months revenue contribution from the Verizon Data Center Acquisition and three months revenue contribution from the Infomart Dallas Acquisition, as compared to two months revenue contribution from the Verizon Data Center Acquisition for the same period in 2017. Our revenues from the U.S., the largest revenue contributor in the Americas region for the period, represented approximately 91% of the regional revenues during both the six months ended June 30, 2018 and 2017. Excluding revenues attributable to the Infomart Dallas and Verizon Data Center Acquisitions, our Americas revenue growth was primarily due to (i) approximately $22.9 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, Toronto, Denver and Washington, D.C. metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $5.1 million of unfavorable foreign currency impact to our Americas revenues primarily due to a generally stronger U.S. dollar relative to the Brazilian Real during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

EMEA Revenues. Revenues for our EMEA region for the six months ended June 30, 2018 included approximately $35.8 million of incremental revenues from the IO Acquisition, which closed in February 2017, and the Itconic and Zenium data center acquisitions, which closed in October 2017. Our revenues from the UK, the largest revenue contributor in the EMEA region for the period, represented approximately 30% and 29%, respectively, of the regional revenues during the six months ended June 30, 2018 and 2017. Excluding revenues attributable to the IO, Itconic, and Zenium acquisitions, our EMEA revenue growth was primarily due to (i) approximately $52.0 million of revenues from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dubai, Frankfurt, London, and Paris metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $71.0 million of favorable foreign currency impact to our EMEA revenues primarily due to a generally weaker U.S.

dollar relative to the Euro and British Pound during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The foreign currency impact to EMEA revenues was partially offset by realized cash flow hedge losses.

Asia-Pacific Revenues. Revenues for our Asia-Pacific region for the six months ended June 30, 2018 included approximately $13.9 million of incremental revenues from the Metronode Acquisition, which closed in April 2018. Our revenues from Japan,

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the largest revenue contributor in the Asia-Pacific region for the period, represented approximately 31% and 34%, respectively, of the regional revenues during the six months ended June 30, 2018 and 2017. Excluding revenues attributable to the Metronode Acquisition, our Asia-Pacific revenue growth was primarily due to (i) approximately $14.2 million of revenue generated from our recently-opened IBX data center expansions in the Hong Kong, Sydney and Osaka metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $15.5 million of net favorable foreign currency impact to our Asia-Pacific revenues primarily due to a generally weaker U.S. dollar relative to Japanese Yen and Singapore Dollar during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Cost of Revenues. Our cost of revenues for the six months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Six Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$547,536	43 %	$410,454	42 %	33 %	34 %
EMEA	452,471	35 %	348,615	35 %	30 %	18 %
Asia-Pacific	274,224	22 %	232,095	23 %	18 %	15 %
Total	$1,274,231	100 %	$991,164	100 %	29 %	24 %

	Six Months Ended June 30,	
	2018	2017
Cost of revenues as a percentage of revenues:		
Americas	45 %	42 %
EMEA	59 %	55 %
Asia-Pacific	55 %	57 %
Total	51 %	49 %

Americas Cost of Revenues. As compared to the six months ended June 30, 2017, cost of revenues for our Americas region for the six months ended June 30, 2018 included approximately $94.5 million incremental cost of revenues from the Verizon Data Center Acquisition and the Infomart Dallas Acquisition. Excluding the impact from these acquisitions, the increase in our Americas cost of revenues for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to (i) $17.7 million higher depreciation expense primarily due to our IBX data center expansion activity; (ii) $2.6 million higher utilities costs, primarily due to increased usage; (iii) $8.3 million of higher repair and maintenance, taxes, licenses, insurance, and other cost of sales in support of our business growth; (iv) $4.8 million of higher rent and facility costs due to new fuel cell leases and IBX growth and (v) $8.6 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,141 Americas cost of revenues employees, excluding those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 1,050 as of June 30, 2017). During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $3.2 million of favorable foreign currency impact to our Americas cost of revenues primarily due to a generally stronger U.S. dollar relative to the Brazilian Real during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. We expect Americas cost of revenues to increase as we continue to grow our business, including results from recent acquisitions.

EMEA Cost of Revenues. Cost of revenues for our EMEA region for the six months ended June 30, 2018 included approximately $25.0 million incremental cost of revenues from the IO, Itconic, and Zenium acquisitions. Excluding the impacts from these acquisitions, the increase in our EMEA cost of revenues was primarily due to (i) $24.2 million of higher utilities costs driven by IBX expansions and increased power usage, primarily due to warmer temperatures requiring increased cooling; (ii) $15.0 million of higher office expenses, rent and facility costs, and repair and maintenance primarily due to an increase in expansion activity and usage due to our business growth; (iii) $34.6

million of higher depreciation expense, primarily driven by expansion activity in Dubai, Amsterdam, Frankfurt and Paris, and (iv) $13.3 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,251 EMEA cost of revenues employees as of June 30, 2018 versus 1,124 as of June 30, 2017), partially offset by a $12.6 million reduction in other cost of sales, primarily due to realized cash flow hedge gains. During the six months ended June 30, 2018, foreign currency fluctuations on our EMEA cost of revenues resulted in approximately $40.1 million of net unfavorable foreign currency impact to our EMEA cost of revenues primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. We expect EMEA cost of revenues to increase as we continue to grow our business.

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Asia-Pacific Cost of Revenues. Cost of revenues for our Asia-Pacific region for the six months ended June 30, 2018 included approximately $8.9 million incremental cost of revenues from the Metronode Acquisition. Excluding the impact from the Metronode Acquisition, the increase in our Asia-Pacific cost of revenues for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to (i) $14.6 million of higher utilities costs, rent and facility costs and repairs and maintenance expense, primarily driven by higher usage in Japan, Australia and Hong Kong; (ii) $11.5 million of higher depreciation expense, primarily from IBX expansions in Japan, Australia and Hong Kong; (iii) $6.1 million of higher other cost of sales, primarily due to custom service orders, and (iv) $2.6 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (815 Asia-Pacific cost of revenues employees as of June 30, 2018 versus 787 as of June 30, 2017). During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $7.3 million of net unfavorable foreign currency impact to our Asia-Pacific cost of revenues primarily due to a generally weaker U.S. dollar relative to the Japanese Yen and Singapore Dollar during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business, including the impact from the Metronode acquisition.

Sales and Marketing Expenses. Our sales and marketing expenses for the six months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Six Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$194,517	62 %	$152,389	56 %	28 %	28 %
EMEA	76,607	24 %	77,948	29 %	(2)%	(10)%
Asia-Pacific	42,854	14 %	40,156	15 %	7 %	4 %
Total	$313,978	100%	$270,493	100%	16 %	13 %

	Six Months Ended June 30,	
	2018	2017
Sales and marketing expenses as a percentage of revenues:		
Americas	16%	16%
EMEA	10%	12%
Asia-Pacific	9 %	10%
Total	13%	13%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses for the six months ended June 30, 2018 was primarily due to (i) $38.1 million of amortization from the acquired intangible assets in connection with the Verizon Data Center Acquisition and (ii) $3.7 million of higher compensation costs, including sales compensation, general salaries and stock-based compensation and headcount growth (697 Americas sales and marketing employees, including those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 626 as of June 30, 2017). For the six months ended June 30, 2018, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange rates of the six months ended June 30, 2017. We anticipate that we will continue to invest in Americas sales and marketing initiatives and expect our Americas sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from recent acquisitions.

EMEA Sales and Marketing Expenses. Our EMEA sales and marketing expenses did not materially change during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. For the six months ended June 30, 2018, foreign currency fluctuations on our EMEA sales and marketing expenses resulted in approximately $6.5 million of net unfavorable foreign currency impact to our EMEA sales and marketing expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the six months ended June 30, 2018

compared to the six months ended June 30, 2017. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues.

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Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to $2.5 million of higher compensation costs, including sales compensation, general salaries and stock-based compensation and headcount growth (299 Asia-Pacific sales and marketing employees as of June 30, 2018 versus 290 as of June 30, 2017). For the six months ended June 30, 2018, the impact of foreign currency fluctuations on our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the six months ended June 30, 2017. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives and expect our Asia-Pacific sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from the Metronode acquisition.

General and Administrative Expenses. Our general and administrative expenses for the six months ended June 30, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Six Months Ended June 30,				% Change		
	2018	%	2017	%	Actual	Constant Currency	
Americas	$276,689	67 %	$225,320	60 %	23 %	23 %	
EMEA	93,589	23 %	107,636	29 %	(13)%	(19)%	
Asia-Pacific	43,368	10 %	39,798	11 %	9 %	5 %	
Total	$413,646	100%	$372,754	100%	11 %	9 %	

	Six Months Ended June 30,	
	2018	2017
General and administrative expenses as a percentage of revenues:		
Americas	23%	23%
EMEA	12%	17%
Asia-Pacific	9 %	10%
Total	17%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $23.1 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,286 Americas general and administrative employees, including those from the Verizon Data Center Acquisition, as of June 30, 2018 versus 1,048 as of June 30, 2017); (ii) $6.9 million of higher office, rent and facilities costs and consulting expenses in support of our business growth and (iii) $16.0 million of higher depreciation expense associated with the implementation of certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business. During the six months ended June 30, 2018, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates for the six months ended June 30, 2017. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments in improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including these investments in our back office systems, investments to maintain our REIT qualification and recent acquisitions.

EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to (i) $21.2 million of lower amortization expense as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017 and (ii) $6.1 million decrease due to realized cash flow hedge gains, partially offset by an increase of $14.0 million of compensation expenses, including general salaries, bonuses, and stock-based compensation and headcount growth (1,013 EMEA general and administrative employees as of June 30, 2018 versus

724 as of June 30, 2017). For the six months ended June 30, 2018, foreign currency fluctuations on our EMEA general and administrative expenses resulted in approximately $6.6 million of net unfavorable foreign currency impact to our EMEA general and administrative expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth.

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Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to $7.0 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (460 Asia-Pacific general and administrative employees as of June 30, 2018 versus 391 as of June 30, 2017). The impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses for the six months ended June 30, 2018 was not significant when compared to average exchange rates of the six months ended June 30, 2017. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to support our growth, including the impact from the Metronode acquisition.

Acquisition Costs. During the six months ended June 30, 2018, we recorded acquisition costs totaling $35.1 million, primarily in the Asia-Pacific and Americas regions, due to our acquisitions of Metronode group of companies and Infomart Dallas. During the six months ended June 30, 2017, we recorded acquisition costs totaling $29.4 million, primarily in the Americas region, due to the Verizon Data Center Acquisition.

Income from Operations. Our income from operations for the six months ended June 30, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Six Months Ended June 30,					% Change	
	2018	%	2017	%	Actual	Constant Currency	
Americas	$189,447	43 %	$156,149	45 %	21 %	22 %	
EMEA	137,149	31 %	99,908	28 %	37 %	20 %	
Asia-Pacific	114,317	26 %	96,051	27 %	19 %	13 %	
Total	$440,913	100 %	$352,108	100 %	25 %	19 %	

Americas Income from Operations. The increase in our Americas income from operations was primarily due to higher income generated from acquisitions, higher revenues as a result of our IBX data center expansion activity and organic growth as described above as well as lower acquisition costs in the current year as compared to the prior year. The impact of foreign currency fluctuations on our Americas income from operations for the six months ended June 30, 2018 was not significant when compared to average exchange rates of the six months ended June 30, 2017.

EMEA Income from Operations. The increase in our EMEA income from operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues, which was primarily due to lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017. Foreign currency fluctuations on our EMEA income from operations for the six months ended June 30, 2018 resulted in approximately $17.7 million of net favorable foreign currency impact to our EMEA income from operations primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Asia-Pacific Income from Operations. The increase in our Asia-Pacific income from operations was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower operating expenses as a percentage of revenues, especially cost of sales. Foreign currency fluctuations on our Asia-Pacific income from operations for the six months ended June 30, 2018 resulted in approximately $5.7 million of net favorable foreign currency impact to our Asia-Pacific income from operations primarily due to a generally weaker U.S. dollar relative to the Japanese Yen and Singapore Dollar during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Interest Income. Interest income was $8.6 million and $7.5 million, respectively, for the six months ended June 30, 2018 and 2017. The average annualized yield for the six months ended June 30, 2018 was 1.05% versus 0.51% for the six months ended June 30, 2017.

Interest Expense. Interest expense increased to $261.0 million for the six months ended June 30, 2018 from $230.7 million for the six months ended June 30, 2017, primarily attributable to our issuance of the €750.0 million 2.875% Euro Senior Notes due 2024 in March 2018 and $750 million 5.000% Infomart Senior Notes in April 2018. The increase was partially offset by lower weighted average interest rates during the six months ended June 30, 2018, as compared to the six months ended June 30, 2017. We capitalized $6.8 million and $14.4 million of interest expense to

construction in progress for the six months ended June 30, 2018 and 2017, respectively. We expect to incur higher interest expense going forward in connection with additional indebtedness that we incurred during the first half of 2018.

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Other Income (Expense). We recorded net other income of $5.8 million and $1.6 million, respectively, for the six months ended June 30, 2018 and June 30, 2017, which was primarily due to foreign currency exchange gains and losses during those periods.

Loss on debt extinguishment. We recorded a $40.7 million net loss on debt extinguishment during the six months ended June 30, 2018, primarily due to the extinguishment of financing obligations as a result of the Infomart Dallas Acquisition and the SK2 land and building purchase. During the six months ended June 30, 2017, we recorded a $19.9 million loss on debt extinguishment as a result of lease amendments in the Asia Pacific and EMEA regions and lease terminations in connection with real estate property purchases in the Americas and EMEA regions.

Income Taxes. We operate as a REIT for federal income tax purposes. As a REIT, we are generally not subject to federal income taxes on our taxable income distributed to stockholders. We intend to distribute or have distributed the entire taxable income generated by the operations of our REIT and QRSs for the tax years ended December 31, 2018 and 2017, respectively. As such, other than built-in-gains recognized and withholding taxes, no provision for U.S. income taxes for the REIT and QRSs has been included in the accompanying condensed consolidated financial statements for the six months ended June 30, 2018 and 2017.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that may otherwise be considered impermissible for REITs to provide and may hold assets that may not be REIT compliant. U.S. income taxes for the TRS entities located in the U.S. and foreign income taxes for our foreign operations regardless of whether the foreign operations are operated as QRSs or TRSs have been accrued, as necessary, for the six months ended June 30, 2018 and 2017.

Our accounting for deferred taxes involves weighing positive and negative evidence relating to the realizability of deferred tax assets in each tax jurisdiction. It is reasonably possible that within the next 12 months, positive evidence will be sufficient to release a significant amount of valuation allowance in certain foreign jurisdictions. The exact timing and amount of the valuation allowance releases are subject to change based on the profitability that the foreign jurisdictions are able to sustain.

For the six months ended June 30, 2018 and 2017, we recorded $23.1 million and $22.7 million of income tax expense, respectively. Our effective tax rates were 15.0% and 20.5%, respectively, for the six months ended June 30, 2018 and 2017. The decrease in the effective tax rate for the six months ended June 30, 2018 as compared to the same period in 2017 is primarily due to the reduction of net deferred tax liabilities as a result of a legal entity reorganization in our Americas region during the six months ended June 30, 2018.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance of our segments and develop regional growth strategies such as IBX data center expansion decisions. We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges, acquisition costs and gain on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to income or loss from operations. Our adjusted EBITDA for the six months ended June 30, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Six Months Ended June 30,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$585,504	50 %	$456,770	49 %	28 %	29 %
EMEA	336,993	28 %	271,176	29 %	24 %	12 %
Asia-Pacific	261,022	22 %	208,936	22 %	25 %	21 %
Total	$1,183,519	100 %	$936,882	100 %	26 %	22 %

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition and the Infomart Dallas Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. The impact of foreign currency fluctuations on our Americas adjusted EBITDA for the six months ended June 30, 2018 was not significant when compared to average exchange rates of the six months ended June 30, 2017.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues. During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $34.5 million of net favorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to the Euro and British Pound during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

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Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. During the six months ended June 30, 2018, foreign currency fluctuations resulted in approximately $9.0 million of net favorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to Japanese Yen and Singapore Dollar during the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Non-GAAP Financial Measures

We provide all information required in accordance with GAAP, but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, we use non-GAAP financial measures to evaluate our operations.

Non-GAAP financial measures are not a substitute for financial information prepared in accordance with GAAP. Non-GAAP financial measures should not be considered in isolation but should be considered together with the most directly comparable GAAP financial measures and the reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures. We have presented such non-GAAP financial measures to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what management believes to be our core, ongoing business operations. We believe that the inclusion of these non-GAAP financial measures provides consistency and comparability with past reports and provides a better understanding of the overall performance of the business and ability to perform in subsequent periods. We believe that if we did not provide such non-GAAP financial information, investors would not have all the necessary data to analyze Equinix effectively. Investors should note that the non-GAAP financial measures used by us may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as those of other companies. Investors should therefore exercise caution when comparing non-GAAP financial measures used by us to similarly titled non-GAAP financial measures of other companies.

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

In addition, in presenting adjusted EBITDA and AFFO, we exclude amortization expense related to acquired intangible assets. Amortization expense is significantly affected by the timing and magnitude of our acquisitions and these charges may vary in amount from period to period. We exclude amortization expense to facilitate a more meaningful evaluation of our current operating performance and comparisons to our prior periods. We exclude accretion expense, both as it relates to asset retirement obligations as well as accrued restructuring charge liabilities, as these expenses represent costs which we believe are not meaningful in evaluating our current operations. We exclude stock-based compensation expense, as it can vary significantly from period to period based on share price, the timing, size and nature of equity awards. As such, we, and many investors and analysts, exclude stock-based compensation expense to compare our operating results with those of other companies. We also exclude restructuring charges. The restructuring charges relate to our decisions to exit leases for excess space adjacent to several of our IBX data centers, which we did not intend to build out, or our decision to reverse such restructuring charges. We also exclude impairment charges related to certain long-lived assets. The impairment charges are related to expense recognized whenever events or changes in circumstances indicate that the carrying amount of long-lived assets are not recoverable. We also exclude gain or loss on asset sales as it represents profit or loss that is not meaningful in evaluating the current or future operating performance. Finally, we exclude acquisition costs from AFFO and adjusted EBITDA to allow more comparable comparisons of our financial results to our historical operations. The acquisition

costs relate to costs we incur in connection with business combinations. Such charges generally are not relevant to assessing the long-term performance of the company. In addition, the frequency and amount of such charges vary significantly based on the size and timing of the acquisitions. Management believes items such as restructuring charges, impairment charges, gain or loss on asset sales and acquisition costs are non-core transactions; however, these types of costs may occur in future periods.

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Adjusted EBITDA

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income from operations	$215,038	$184,895	$440,913	$352,108
Depreciation, amortization, and accretion expense	308,828	252,386	615,293	471,399
Stock-based compensation expense	49,725	45,625	92,261	83,948
Acquisition costs	30,413	26,402	35,052	29,427
Adjusted EBITDA	$604,004	$509,308	$1,183,519	$936,882

Our adjusted EBITDA results have improved each year and in each region in total dollars due to the improved operating results discussed earlier in "Results of Operations", as well as the nature of our business model consisting of a recurring revenue stream and a cost structure which has a large base that is fixed in nature also discussed earlier in "Overview".

Funds from Operations ("FFO") and AFFO

We use FFO and AFFO, which are non-GAAP financial measures commonly used in the REIT industry. FFO is calculated in accordance with the standards established by the National Association of Real Estate Investment Trusts. FFO represents net income (loss), excluding gain (loss) from the disposition of real estate assets, depreciation and amortization on real estate assets and adjustments for unconsolidated joint ventures’ and non-controlling interests’ share of these items.

We use AFFO to evaluate our performance on a consolidated basis and as a metric in the determination of employees’ annual bonuses beginning in 2015 and vesting of restricted stock units that were granted beginning in 2015 and that have both service and performance conditions. In presenting AFFO, we exclude certain items that we believe are not good indicators of our current or future operating performance. AFFO represents FFO excluding depreciation and amortization expense on non-real estate assets, accretion, stock-based compensation, restructuring charges, impairment charges, acquisition costs, an installation revenue adjustment, a straight-line rent expense adjustment, a contract cost adjustment, amortization of deferred financing costs and debt discounts and premiums, gain (loss) on debt extinguishment, an income tax expense adjustment, recurring capital expenditures and adjustments for unconsolidated joint ventures' and noncontrolling interests’ share of these items and net income (loss) from discontinued operations, net of tax. The adjustments for installation revenue, straight-line rent expense and contract costs are intended to isolate the cash activity included within the straight-lined or amortized results in the condensed consolidated statement of operations. We exclude the amortization of deferred financing costs and debt discounts and premiums as these expenses relate to the initial costs incurred in connection with debt financings that have no current or future cash obligations. We exclude gain (loss) on debt extinguishment since it generally represents the write-off of initial costs incurred in connection with debt financings or a cost that is incurred to reduce future interest costs and is not a good indicator of our current or future operating performance. We include an income tax expense adjustment, which represents the non-cash tax impact due to changes in valuation allowances, uncertain tax positions and deferred taxes that do not relate to current period’s operations. We deduct recurring capital expenditures, which represent expenditures to extend the useful life of its IBX data centers or other assets that are required to support current revenues. We also exclude net income (loss) from discontinued operations, net of tax, which represents results that may not recur and are not a good indicator of our current future operating performance.

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Our FFO and AFFO for the three and six months ended June 30, 2018, and 2017 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	$67,618	$45,805	$130,512	$87,867
Adjustments:				
Real estate depreciation	221,029	175,387	443,884	334,801
(Gain) loss on disposition of real estate property	878	(1,460)	5,884	(2,098)
Adjustments for FFO from unconsolidated joint ventures	—	28	—	56
FFO	$289,525	$219,760	$580,280	$420,626

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
FFO	$289,525	$219,760	$580,280	$420,626
Adjustments:				
Installation revenue adjustment	840	6,939	2,999	11,614
Straight-line rent expense adjustment	1,664	1,015	3,965	3,424
Contract cost adjustment	(4,384)	—	(7,739)	—
Amortization of deferred financing costs and debt discounts and premiums	3,362	4,130	7,461	15,710
Stock-based compensation expense	49,725	45,625	92,261	83,948
Non-real estate depreciation expense	35,267	29,241	69,364	57,816
Amortization expense	51,035	50,158	101,651	79,175
Accretion expense (adjustment)	1,497	(2,400)	394	(393)
Recurring capital expenditures	(42,206)	(37,869)	(77,437)	(60,541)
Loss on debt extinguishment	19,215	16,444	40,706	19,947
Acquisition costs	30,413	26,402	35,052	29,427
Income tax expense adjustment	(7,827)	674	(6,255)	3,483
Adjustments for AFFO from unconsolidated joint ventures	—	(5)	—	(12)
AFFO	$428,126	$360,114	$842,702	$664,224

Our AFFO results have improved due to the improved operating results discussed earlier in "Results of Operations," as well as due to the nature of our business model which consists of a recurring revenue stream and a cost structure which has a large base that is fixed in nature as discussed earlier in "Overview."

Constant Currency Presentation

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the U.S. dollar against major international currencies such as the Euro, British Pound, Japanese Yen, Singapore Dollar, Australian Dollar and Brazilian Real. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Our constant currency calculation does not take into consideration our existing hedging activities. 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 six months ended June 30, 2017 are used

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as exchange rates for the six months ended June 30, 2018 when comparing the six months ended June 30, 2018 with the six months ended June 30, 2017).

Liquidity and Capital Resources

As of June 30, 2018, our total indebtedness was comprised of debt and financing obligations totaling $11.5 billion consisting of (a) $8,560.4 million of principal from our senior notes, (b) approximately $1,511.6 million from our capital lease and other financing obligations, and (c) $1,402.4 million of principal from our mortgage and loans payable (gross of debt issuance cost, debt discount, plus debt premium).

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of the current portion of our debt as it becomes due, payment of expenses related to our REIT integration activities, payment of regular dividends and completion of our publicly-announced expansion projects.

In March 31, 2018, we issued €750.0 million 2.875% Euro Senior Notes due 2024. On April 2, 2018, we completed the Infomart Dallas Acquisition for a purchase price of approximately $805.6 million, which was funded with approximately $47.4 million in cash and $758.2 million aggregate fair value of 5.000% senior unsecured notes. On April 18, 2018, we completed the Metronode Acquisition for a cash purchase price of A$1.033 billion or approximately $804.2 million at the exchange rate in effect on April 18, 2018. As of June 30, 2018, we had $988.7 million of cash, cash equivalents and short-term and long-term investments, of which approximately $532.5 million was held in the U.S. We believe that our current expansion activities in the U.S. can be funded with our U.S.-based cash and cash equivalents and investments. In addition to our cash and investment portfolio, we have additional liquidity available to us from our $2.0 billion revolving facility and the ATM program as described below.

As of June 30, 2018, we had 43 irrevocable letters of credit totaling $62.7 million issued and outstanding under the revolving facility. As a result, we had a total of approximately $1.9 billion of additional liquidity available to us under the revolving facility.

In August 2017, we entered into an equity distribution agreement to sell up to $750.0 million of common stock in at the market ("ATM") offerings. During the first half of 2018, we sold 19,100 shares under the ATM Program, for approximately $7.6 million, net of payment of commissions to the sales agents. As of June 30, 2018, we had generated net proceeds of $363.3 million under the ATM program.

Besides any further financing activity we may pursue, customer collections are our primary source of cash. While we believe we have a strong customer base, and have continued to experience relatively strong collections, if the current market conditions were to deteriorate, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity. Additionally, we may pursue additional expansion opportunities, primarily the build out of new IBX data centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions. While we expect to fund these plans with our existing resources, additional financing, either debt or equity, may be required, and if current market conditions were to deteriorate, we may be unable to secure additional financing or any such additional financing may only be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

Sources and Uses of Cash

	Six Months Ended June 30,	
	2018	2017
	(dollars in thousands)	
Net cash provided by operating activities	$839,635	$553,844
Net cash used in investing activities	(1,730,000)	(4,253,082)
Net cash provided by financing activities	467,743	4,012,349

Operating Activities. Cash provided by our operations is generated by colocation, interconnection, managed infrastructure and other revenues. Our primary use of cash from our operating activities includes compensation and

related costs, interest payments, other general corporate expenditures and taxes. Net cash provided by operating activities increased from the six months ended June 30, 2017 to the six months ended June 30, 2018 primarily due to improved operating results offset by timing of payments of our purchases and increases in cash paid for cost of revenues, operating expenses, interest expense and income taxes.

Investing Activities. The net cash used in investing activities for the six months ended June 30, 2018 was primarily due to capital expenditures of $870.0 million as a result of our expansion activity, business acquisitions of approximately $831.0 million,

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primarily related to the Metronode Acquisition, purchase of investments of $54.4 million, and purchases of real estate of $41.8 million, partially offset by proceeds from sales and maturities of investments of $67.2 million. The net cash used in investing activities for the six months ended June 30, 2017 was primarily due to business acquisitions of approximately $3.6 billion, primarily the Verizon Data Center Acquisition, capital expenditures of $625.8 million as a result of our expansion activity, purchases of real estate of $48.6 million, partially offset by proceeds from asset sales of $47.8 million.

In the second quarter of 2018, we completed the acquisitions of Metronode and Infomart Dallas. We also expect our IBX expansion construction activity will increase from 2017. If the opportunity to expand is greater than planned and we have sufficient funding to pursue such expansion opportunities, we may further increase the level of capital expenditure to support this growth as well as pursue additional business and real estate acquisitions or joint ventures.

Financing Activities. The net cash provided by financing activities for the six months ended June 30, 2018 was primarily due to the issuance of €750.0 million 2.875% Euro Senior Notes due 2024, or approximately $929.9 million in U.S. dollars, at the exchange rate in effect on March 14, 2018 and proceeds from employee awards of $25.9 million, partially offset by dividend distributions of $368.8 million, repayments of capital lease and other financing obligations of $69.9 million, repayments of mortgage and loans payable of $25.4 million, payment of debt extinguishment costs of $20.6 million, and payment of debt issuance costs of $11.6 million. The net cash provided by financing activities for the six months ended June 30, 2017 was primarily related to funding the Verizon Data Center Acquisition; we borrowed the full amount of our €1.0 billion Term B-2 Loan, or approximately $1.1 billion at the exchange rate in effect on January 6, 2017, issued $1.25 billion of 5.375% senior notes due 2027 and sold 6,069,444 shares of common stock in a public offering for net proceeds of $2.1 billion. Other financing activities included dividend distributions of $304.4 million, debt issuance costs of $40.6 million, repayments of capital lease and other financing obligations of $44.5 million and repayments of mortgage and loans payable of $42.3 million, and partially offset by proceeds from employee awards of $20.1 million. Going forward, we expect that our financing activities will include repayment and refinancing of our existing debt and incremental financings needed to support expansion opportunities, additional acquisitions or joint ventures, and the payment of our regular cash dividends.

Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements expiring through 2065. The following represents our debt maturities, financings, leases and other contractual commitments as of June 30, 2018 (in thousands):

	2018 (6 months)	2019	2020	2021	2022	Thereafter	Total
Term loans and other loans payable [1]	$37,797	$75,349	$75,281	$390,715	$819,311	$3,932	$1,402,385
Senior notes [1]	—	300,000	300,000	150,000	750,000	7,060,350	8,560,350
Interest [2]	213,564	412,925	396,524	379,182	349,314	883,665	2,635,174
Capital lease and other financing obligations [3]	99,139	167,555	167,275	166,428	166,305	1,563,071	2,329,773
Operating leases [4]	91,781	179,437	169,326	158,203	153,659	1,244,509	1,996,915
Other contractual commitments [5]	1,165,436	142,587	42,468	21,341	19,921	147,134	1,538,887
Asset retirement obligations [6]	—	12,353	2,886	3,879	11,406	66,214	96,738
	$1,607,717	$1,290,206	$1,153,760	$1,269,748	$2,269,916	$10,968,875	$18,560,222

(1) Represents principal and unamortized mortgage premium only.

(2) Represents interest on mortgage payable, loans payable, senior notes and term loans based on their respective interest rates as of June 30, 2018, as well as the credit facility fee for the revolving credit facility.

(3) Represents principal and interest.

(4) Represents minimum operating lease payments, excluding potential lease renewals.
(5) Represents off-balance sheet arrangements. Other contractual commitments are described below.
(6) Represents liability, net of future accretion expense.

In connection with certain of our leases and other contracts requiring deposits, we entered into 43 irrevocable letters of credit totaling $62.7 million under the revolving credit facility. These letters of credit were provided in lieu of cash deposits. If beneficiaries of the letters of credit were to draw down on these letters of credit triggered by an event of default under the lease, we will be required to fund these letters of credit either through cash collateral or borrowing under the revolving credit facility. These contingent commitments are not reflected in the table above.

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We had accrued liabilities related to uncertain tax positions totaling approximately $108.3 million as of June 30, 2018. These liabilities, which are reflected on our balance sheet, are not reflected in the table above since it is unclear when these liabilities will be paid.

As of June 30, 2018, we were contractually committed for $763.1 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided in connection with the work necessary to complete construction and open these IBX data centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2018 and thereafter, is reflected in the table above as "other contractual commitments."

We had other non-capital purchase commitments in place as of June 30, 2018, such as commitments to purchase power in select locations and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during 2018 and beyond. Such other purchase commitments as of June 30, 2018, which total $775.8 million, are also reflected in the table above as "other contractual commitments."

Additionally, we entered into lease agreements in various locations for a total lease commitment of approximately $196.6 million, excluding potential lease renewals. These lease agreements will commence between April 2019 and May 2019 with lease terms of 10 to 25 years, which are not reflected in the table above.

On October 13, 2017, we entered into an agreement to purchase certain real property in Sydney, Australia, for a purchase price of A$110.0 million or approximately $86.7 million at the exchange rate in effect on October 13, 2017, subject to certain closing conditions, which is not reflected in the table above. The transaction was closed on August 2, 2018.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the accounting policies, assumptions, estimates and judgments to ensure that our condensed consolidated financial statements are presented fairly and in accordance with U.S. GAAP. Management bases its assumptions, estimates and judgments on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results may differ from these assumptions and estimates, and such differences could be material. Critical accounting policies for Equinix that affect our more significant judgment and estimates used in the preparation of our condensed consolidated financial statements include accounting for income taxes, accounting for business combinations, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption "Critical Accounting Policies and Estimates" in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2017.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

There have been no significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the six months ended June 30, 2018 as compared to the respective risk exposures and procedures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2017, other than factors discussed below.

Foreign Currency Risk

To help manage the exposure to foreign currency exchange rate fluctuations, we have implemented a number of hedging programs, in particular (i) a cash flow hedging program to hedge the forecasted revenues and expenses in our

EMEA region, (ii) a balance sheet hedging program to hedge the re-measurement of monetary assets and liabilities denominated in foreign currencies, and (iii) a net investment hedging program to hedge the long term investments in our foreign subsidiaries. Our hedging programs

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reduce, but do not entirely eliminate, the impact of currency exchange rate movements and its impact on the consolidated statements of operations.

We have entered into various foreign currency loans and senior notes. As of June 30, 2018, the total principal amount of foreign currency loans and senior notes was $4,565.0 million, including $3,210.4 million denominated in Euro, $651.5 million denominated in British Pound, $394.6 million denominated in Japanese Yen and $308.5 million denominated in Swedish Krona. As of June 30, 2018, we have designated $3,864.4 million of the total principal amount of foreign currency loans and senior notes as net investments hedges against our net investments in foreign subsidiaries. For a net investment hedge, changes in the fair value of the hedging instrument designated as a net investment hedge, except the ineffective portion and forward points, are recorded as a component of other comprehensive income in the consolidated balance sheets. We did not record any ineffectiveness during the six months ended June 30, 2018.

Fluctuations in the exchange rates between these foreign currencies (i.e. Euro, British Pound, Swedish Krona and Japanese Yen) and the U.S. Dollar will impact the amount of U.S. dollars that we will require to settle the foreign currency loans and senior notes at maturity. If the U.S. Dollar would have been weaker or stronger by 10% in comparison to these foreign currencies as of June 30, 2018, we estimate our obligation to cash settle the principal of these foreign currency loans and senior notes in U.S. dollars would have increased or decreased by approximately $456.5 million respectively.

The U.S. dollar strengthened relative to certain of the currencies of the foreign countries in which we operate during the six months ended June 30, 2018. This has significantly impacted our condensed consolidated financial position and results of operations during this period, including the amount of revenues that we reported. Continued strengthening or weakening of the U.S. dollar will continue to have a significant impact to us in future periods.

With the existing cash flow hedges in place, a hypothetical additional 10% strengthening of the U.S. dollar for the six months ended June 30, 2018 would have resulted in a reduction of our revenues and operating expenses including depreciation and amortization expense by approximately $71.1 million and $74.4 million, respectively.

With the existing cash flow hedges in place, a hypothetical additional 10% weakening of the U.S. dollar for the six months ended June 30, 2018 would have resulted in an increase of our revenues and operating expenses including depreciation and amortization expense by approximately $88.5 million and $90.7 million, respectively.

Interest Rate Risk

We are exposed to interest rate risk related to our outstanding debt. An immediate 10% increase or decrease in current interest rates from their position as of June 30, 2018 would not have a material impact on our interest expense due to the fixed coupon rate on the majority of our debt obligations. However, the interest expense associated with our senior credit facility and term loans, that bear interest at variable rates, could be affected. For every 100 basis point increase or decrease in interest rates, our annual interest expense could increase by a total of approximately $12.5 million or decrease by a total of approximately $4.7 million based on the total balance of our primary borrowings under the Term A loan facility and the Japanese yen term loan as of June 30, 2018. As of June 30, 2018, we had not employed any interest rate derivative products against our debt obligations. However, we may enter into interest rate hedging agreements in the future to mitigate our exposure to interest rate risk.

Item 4. Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented certain internal controls related to the adoption of ASC 606, Revenue from Contracts with Customers, to ensure we adequately

evaluated our contracts and properly assessed the impact of the new revenue recognition standard on our financial statements to facilitate its adoption effective January 1, 2018.

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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

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

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

We have completed numerous acquisitions and expect to make additional acquisitions in the future. These may include (i) acquisitions of businesses, products, solutions or technologies that we believe to be complementary, (ii) acquisitions of new IBX data centers or real estate for development of new IBX data centers or (iii) acquisitions through investments in local data center operators. We may pay for future acquisitions by using our existing cash resources (which may limit other potential uses of our cash), incurring additional debt (which may increase our interest expense, leverage and debt service requirements) and/or issuing shares (which may dilute our existing stockholders and have a negative effect on our earnings per share). Acquisitions expose us to potential risks, including:

- the possible disruption of our ongoing business and diversion of management’s attention by acquisition, transition and integration activities, particularly when multiple acquisitions and integrations are occurring at the same time;
- our potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition or investment;
- the possibility that we may not be able to successfully integrate acquired businesses, or businesses in which we invest, or achieve anticipated operating efficiencies or cost savings;
- the possibility that announced acquisitions may not be completed, due to failure to satisfy the conditions to closing as a result of:
  - an injunction, law or order that makes unlawful the consummation of the acquisition;
  - inaccuracy or breach of the representations and warranties of, or the non-compliance with covenants by, either party;
  - the nonreceipt of closing documents; or
  - for other reasons;
- the possibility that there could be a delay in the completion of an acquisition, which could, among other things, result in additional transaction costs, loss of revenue or other negative effects resulting from uncertainty about completion of the respective acquisition;
- the dilution of our existing stockholders as a result of our issuing stock as consideration in a transaction or selling stock in order to fund the transaction;
- the possibility of customer dissatisfaction if we are unable to achieve levels of quality and stability on par with past practices;
- the possibility that we will be unable to retain relationships with key customers, landlords and/or suppliers of the acquired businesses, some of which may terminate their contracts with the acquired business as a result of the acquisition or which may attempt to negotiate changes in their current or future business relationships with us;
- the possibility that we could lose key employees from the acquired businesses before integrating them;
- the possibility that we may be unable to integrate or migrate IT systems, which could create a risk of errors or performance problems and could affect our ability to meet customer service level obligations;
- the potential deterioration in our ability to access credit markets due to increased leverage;
- the possibility that our customers may not accept either the existing equipment infrastructure or the "look-and-feel" of a new or different IBX data center;
- the possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;
- the possibility that required financing to fund an acquisition may not be available on acceptable terms or at all;

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- the possibility that we may be unable to obtain required approvals from governmental authorities under antitrust and competition laws on a timely basis or at all, which could, among other things, delay or prevent us from completing an acquisition, limit our ability to realize the expected financial or strategic benefits of an acquisition or have other adverse effects on our current business and operations;
- the possible loss or reduction in value of acquired businesses;
- the possibility that future acquisitions may present new complexities in deal structure, related complex accounting and coordination with new partners, particularly in light of our desire to maintain our qualification for taxation as a REIT;
- the possibility that we may not be able to prepare and issue our financial statements and other public filings in a timely and accurate manner, and/or maintain an effective control environment, due to the strain on the finance organization when multiple acquisitions and integrations are occurring at the same time;
- the possibility that future acquisitions may trigger property tax reassessments resulting in a substantial increase to our property taxes beyond that which we anticipated;
- the possibility that future acquisitions may be in geographies and regulatory environments to which we are unaccustomed and we may become subject to complex requirements and risks with which we have limited experience;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX data center;
- the possibility of litigation or other claims in connection with, or as a result of, an acquisition, including claims from terminated employees, customers, former stockholders or other third parties;
- the possibility that asset divestments may be required in order to obtain regulatory clearance for a transaction;
- the possibility of pre-existing undisclosed liabilities, including, but not limited to, lease or landlord related liability, environmental liability or asbestos liability, for which insurance coverage may be insufficient or unavailable, or other issues not discovered in the diligence process; and
- the possibility that we receive limited or incorrect information about the acquired business in the diligence process. For example, we have not received all of the customer contracts associated with Verizon’s colocation business, which affects our visibility into customer termination rights and could expose us to additional liabilities.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows. If an acquisition does not proceed or is materially delayed for any reason, the price of our common stock may be adversely impacted and we will not recognize the anticipated benefits of the acquisition. We cannot assure that the price of any future acquisitions of IBX data centers will be similar to prior IBX data center acquisitions. In fact, we expect costs required to build or render new IBX data centers operational to increase in the future. If our revenue does not keep pace with these potential acquisition and expansion costs, we may not be able to maintain our current or expected margins as we absorb these additional expenses. There is no assurance we would successfully overcome these risks, or any other problems encountered with these acquisitions.

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

We have a significant amount of debt and may need to incur additional debt to support our growth. Additional debt may also be incurred to fund future acquisitions, any future special distributions, regular distributions or the other cash outlays associated with maintaining our qualification for taxation as a REIT. As of June 30, 2018, our total indebtedness (gross of debt issuance cost, debt discount, and debt premium) was approximately $11.5 billion, our stockholders' equity was $6.9 billion and our cash, cash equivalents, and investments totaled $1.0 billion. In addition, as of June 30, 2018, we had approximately $1.9 billion of additional liquidity available to us from our $2.0 billion revolving credit facility. Some of our debt contains covenants which may limit our operating flexibility. In addition to our substantial debt, we lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements, some of which are accounted for as operating leases. As of June 30, 2018, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $2.0 billion, which represents off-balance sheet commitments.

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

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require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt and in respect of other off-balance sheet arrangements, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;

- increase the likelihood of negative outlook from our credit rating agencies;
- make it more difficult for us to satisfy our obligations under our various debt instruments;

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- increase our cost of borrowing and even limit our ability to access additional debt to fund future growth;
- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;
- limit our operating flexibility through covenants with which we must comply, such as limiting our ability to repurchase shares of our common stock;
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity, which would also limit our ability to further expand our business; and
- make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings to the extent we have not entirely hedged such variable rate debt.

The occurrence of any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition.

We may also need to refinance a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of our existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could materially adversely affect our financial condition, cash flows and results of operations.

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

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

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

For the years ended December 31, 2017, 2016 and 2015, we recognized approximately 55%, 57% and 49%, respectively, of our revenues outside the U.S. We currently operate outside of the U.S. in Canada, Brazil, Colombia, EMEA and Asia-Pacific.

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

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

- the costs of customizing IBX data centers for foreign countries;
- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers' councils;
- difficulties in managing across cultures and in foreign languages;
- political and economic instability;
- fluctuations in currency exchange rates;

- difficulties in repatriating funds from certain countries;
- our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business;

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- unexpected changes in regulatory, tax and political environments such as the United Kingdom's pending withdrawal from the European Union ("Brexit");
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- compliance with anti-bribery and corruption laws;
- compliance with economic and trade sanctions enforced by the Office of Foreign Assets Control of the U.S. Department of Treasury; and
- compliance with evolving governmental regulation with which we have little experience.

Geo-political events, such as Brexit, may increase the likelihood of the listed risks to occur. With respect to Brexit, it is possible that the level of economic activity in the United Kingdom and the rest of Europe will be adversely impacted and that we will face increased regulatory and legal complexities in these regions which could have an adverse impact on our business and employees in EMEA and could adversely affect our financial condition and results of operations. In addition, compliance with international and U.S. laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions. These laws and regulations include the General Data Protection Regulation (GDPR) and other data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, economic and trade sanctions, U.S. laws such as the Foreign Corrupt Practices Act and local laws which also prohibit corrupt payments to governmental officials. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our offerings in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and operating results. Our success depends, in part, on our ability to anticipate and address these risks and manage these difficulties.

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

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

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

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

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Sales or issuances of shares of our common stock may adversely affect the market price of our common stock.
Future sales or issuances of common stock or other equity related securities may adversely affect the market price of our common stock, including any shares of our common stock issued to finance capital expenditures, finance acquisitions or repay debt. In August 2017, we established an "at-the-market" stock offering program (the "ATM Program") through which we may, from time to time, issue and sell shares of our common stock having an aggregate gross sales price of up to $750.0 million to or through sales agents. We may also seek authorization to sell additional shares of common stock under the ATM Program once we have reached the $750.0 million limit which would lead to additional dilution for our stockholders. Please see Note 10 of Notes to Condensed Consolidated Financial Statements in Part I Item 1 of this Quarterly Report on Form 10-Q for sales of our common stock under the ATM Program to date.
The market price of our stock may continue to be highly volatile, and the value of an investment in our common stock may decline.
The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.
Announcements by us or others, or speculations about our future plans, may also have a significant impact on the market price of our common stock. These may relate to:

- our operating results or forecasts;
- new issuances of equity, debt or convertible debt by us, including issuances through our ATM Program;
- increases in market interest rates and changes in other general market and economic conditions, including inflationary concerns;
- changes to our capital allocation, tax planning or business strategy;
- our qualification for taxation as a REIT and our declaration of distributions to our stockholders;
- changes in U.S. or foreign tax laws;
- changes in management or key personnel;
- developments in our relationships with customers;
- announcements by our customers or competitors;
- changes in regulatory policy or interpretation;
- governmental investigations;
- changes in the ratings of our debt or stock by rating agencies or securities analysts;
- our purchase or development of real estate and/or additional IBX data centers;
- our acquisitions of complementary businesses; or
- the operational performance of our IBX data centers.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets may affect the market value of our common stock.
Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management’s attention from other business concerns, which could seriously harm our business.
If we are not able to generate sufficient operating cash flows or obtain external financing, our ability to fund incremental expansion plans may be limited.
Our capital expenditures, together with ongoing operating expenses, obligations to service our debt and the cash outlays associated with our REIT distribution requirements, are, and will continue to be, a substantial burden on our cash flow and may decrease our cash balances. Additional debt or equity financing may not be available when needed

or, if available, may not be available on satisfactory terms. Our inability to obtain additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

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

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

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

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

We are a U.S. company with global subsidiaries and are subject to income taxes in the U.S. (although currently limited due to our taxation as a REIT) and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. The U.S. government has also recently changed tax laws in the U.S. and the governments of many of the countries in which we operate are actively discussing changes to foreign tax laws. Although we believe that we have adequately assessed and accounted for our potential tax liabilities, and that our tax estimates are reasonable, there can be no certainty that additional taxes will not be due upon audit of our tax returns or as a result of further changes to the tax laws and interpretations thereof. The nature and timing of any future changes to each jurisdiction’s tax laws and the impact on our future tax liabilities cannot be predicted with any accuracy but could materially and adversely impact our results of operations and financial position or cash flows.

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

We face risks associated with unauthorized access to our computer systems, loss or destruction of data, computer viruses, malware, distributed denial-of-service attacks, or other malicious activities. These threats may result from human error, equipment failure, or fraud or malice on the part of employees or third parties. A party who is able to compromise the security measures on our networks or the security of our infrastructure could misappropriate either our proprietary information or the personal information of our customers or our employees, or cause interruptions or malfunctions in our operations or our customers’ operations. As we provide assurances to our customers that we provide a high level of security, such a compromise could be particularly harmful to our brand and reputation. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. As techniques used to breach security change frequently and are generally not recognized until launched against a target, we may not be able to promptly detect that a cyber breach has occurred, or implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, damage relating to loss of proprietary information, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results. We maintain insurance coverage for cyber risks, but such coverage may be unavailable or insufficient to cover our losses.

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We offer professional services to our customers where we consult on data center solutions and assist with implementations. We also offer managed services in certain of our foreign jurisdictions outside of the U.S. where we manage the data center infrastructure for our customers. The access to our clients' networks and data, which is gained from these services, creates some risk that our clients' networks or data will be improperly accessed. We may also design our clients' cloud storage systems in such a way that exposes our clients to increased risk of data breach. If Equinix were held to be responsible for any such a breach, it could result in a significant loss to Equinix, including damage to Equinix's client relationships, harm to our brand and reputation, and legal liability.

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

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

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

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

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

Any failure of our physical infrastructure or offerings, or damage to customer infrastructure within our IBX data centers, could lead to significant costs and disruptions that could reduce our revenue and harm our business reputation and financial results.

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

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

- human error;
- equipment failure;
- physical, electronic and cyber security breaches;
- fire, earthquake, hurricane, flood, tornado and other natural disasters;
- extreme temperatures;
- water damage;
- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- failure of business partners who provide our resale products.

Problems at one or more of our IBX data centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain customers. As a result, service interruptions or significant equipment damage in our IBX data centers could result in difficulty maintaining service level commitments to these

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customers and potential claims related to such failures. Because our IBX data centers are critical to many of our customers' businesses, service interruptions or significant equipment damage in our IBX data centers could also result in lost profits or other indirect or consequential damages to our customers. We cannot guarantee that a court would enforce any contractual limitations on our liability in the event that one of our customers brings a lawsuit against us as a result of a problem at one of our IBX data centers and we may decide to reach settlements with affected customers irrespective of any such contractual limitations. Any such settlement may result in a reduction of revenue under U.S. GAAP. In addition, any loss of service, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results. Furthermore, we are dependent upon internet service providers, telecommunications carriers and other website operators in the Americas, Asia-Pacific and EMEA regions and elsewhere, some of which have experienced significant system failures and electrical outages in the past. Our customers may in the future experience difficulties due to system failures unrelated to our systems and offerings. If, for any reason, these providers fail to provide the required services, our business, financial condition and results of operations could be materially and adversely impacted.

We are currently making significant investments in our back office information technology systems and processes. Difficulties from or disruptions to these efforts may interrupt our normal operations and adversely affect our business and operating results.

We have been investing heavily in our back office information technology systems and processes for a number of years and expect such investment to continue for the foreseeable future in support of our pursuit of global, scalable solutions across all geographies and functions that we operate in. These continuing investments include: 1) ongoing improvements to the customer experience from initial quote to customer billing and our revenue recognition process; 2) integration of recently-acquired operations such as Itconic, the Zenium data center, Metronode, and Infomart Dallas onto our various information technology systems; and 3) implementation of new tools and technologies to either further streamline and automate processes, such as our fixed asset procure to disposal process, or to support our compliance with evolving U.S. GAAP, such as the new revenue accounting and leasing standards. As a result of our continued work on these projects, we may experience difficulties with our systems, management distraction and significant business disruptions. For example, difficulties with our systems may interrupt our ability to accept and deliver customer orders and may adversely impact our overall financial operations, including our accounts payable, accounts receivables, general ledger, fixed assets, revenue recognition, close processes, internal financial controls and our ability to otherwise run and track our business. We may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. All of these changes to our financial systems also create an increased risk of deficiencies in our internal controls over financial reporting until such systems are stabilized. Such significant investments in our back office systems may take longer to complete and cost more than originally planned. In addition, we may not realize the full benefits we hoped to achieve and there is a risk of an impairment charge if we decide that portions of these projects will not ultimately benefit the company or are de-scoped. Finally, the collective impact of these changes to our business has placed significant demands on impacted employees across multiple functions, increasing the risk of errors and control deficiencies in our financial statements, distraction from the effective operation of our business and difficulty in attracting and retaining employees. Any such difficulties or disruptions may adversely affect our business and operating results.

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

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

results may also adversely affect our future profitability, stock price and stockholder confidence.

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

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

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we do purchase would be subject to high deductibles. Any of the limits of insurance that we purchase, including those for cyber risks, could prove to be inadequate, which could materially and adversely impact our business, financial condition and results of operations.

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

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

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

Environmental regulations may impose upon us new or unexpected costs.

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

Electricity is a material cost in connection with our business, and an increase in the cost of electricity could adversely affect us. The generators that provide electricity to our facilities are subject to environmental laws, regulations and permit requirements that are subject to material change, which could result in increases in generators' compliance costs that may be passed through to us. Regulations recently promulgated by the U.S. EPA could limit air emissions from power plants, restrict discharges of cooling water, and otherwise impose new operational restraints on conventional power plants that could increase costs of electricity. In addition, we are directly subject to environmental, health and safety laws regulating air emissions, storm water management and other issues arising in our business. For example, our emergency generators are subject to state and federal regulations governing air pollutants, which could limit the operation of those generators or require the installation of new pollution control technologies. While environmental regulations do not normally impose material costs upon our operations, unexpected events, equipment malfunctions, human error and changes in law or regulations, among other factors, can lead to violations of environmental laws, regulations or permits, and to additional unexpected operational limitations or costs.

Regulation of greenhouse gas ("GHG") emissions could increase the cost of electricity by reducing amounts of electricity generated from fossil fuels, by requiring the use of more expensive generating methods or by imposing

taxes or fees upon electricity generation or use. The U.S. EPA initially published a regulation in October 2015, called the "Clean Power Plan," that was intended to reduce GHG emissions from existing fossil fuel-fired power plants by 32 percent from 2005 levels by 2030. In October 2017, the EPA proposed to repeal that Clean Power Plan and replace it with another regulation that would address GHG emissions from fossil fuel-fired plant. The EPA has not yet issued a replacement regulation. While we do not expect these regulatory developments to materially increase our costs of electricity, the costs remain difficult to predict or estimate.

State regulations also have the potential to increase our costs of obtaining electricity. While GHG regulation at the federal level is unlikely in the near future, certain states, like California, also have issued or may enact environmental regulations that could materially affect our facilities and electricity costs. California has limited GHG emissions from new and existing conventional

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power plants by imposing regulatory caps and by selling or auctioning the rights to emission allowances. Washington, Oregon and Massachusetts have issued regulations to implement similar carbon cap and trade programs. Some other states limit carbon emissions through the Regional Greenhouse Gas Initiative ("RGGI") cap and trade program. State programs have not had a material adverse effect on our electricity costs to date, but due to the market-driven nature of some of the programs, it could have a material adverse effect in the future. Such laws and regulations are also subject to change at any time.

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

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

On January 19, 2018, our then President and Chief Executive Officer ("CEO"), Steve Smith, resigned from his positions at Equinix. Our Executive Chairman, Peter Van Camp, is serving as interim CEO. While we intend to find a permanent replacement for the CEO role, we cannot make any assurances that we will be able to secure such replacement in a timely manner. Even though we are confident in the interim leadership of Mr. Van Camp, any disruption resulting from Mr. Smith’s departure may adversely impact our customer relationships, employee morale and our business.

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

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

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

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

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

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

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

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

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Power outages, including, but not limited to those relating to large storms, earthquakes, fires and tsunamis, could harm our customers and our business. We attempt to limit our exposure to system downtime by using backup generators and power supplies; however, we may not be able to limit our exposure entirely even with these protections in place. Some of our IBX data centers are located in leased buildings where, depending upon the lease requirements and number of tenants involved, we may or may not control some or all of the infrastructure including generators and fuel tanks. As a result, in the event of a power outage, we may be dependent upon the landlord, as well as the utility company, to restore the power.

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

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

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

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

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

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

Our most recent evaluation of our controls resulted in our conclusion that, as of December 31, 2017, in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, our internal controls over financial reporting were effective. Our ability to manage our operations and growth, through, for example, the integration of Metronode, Infomart Dallas, Itconic, Zenium, and the Verizon Data Center Acquisition, the adoption of new accounting principles and tax laws, and our overhaul of our back office systems that, for example, support the customer experience from initial quote to customer billing and our revenue recognition process, will require us to further develop our controls and reporting systems and implement or amend new or existing controls and reporting systems in those areas where the implementation and integration is still ongoing. All of these changes to our financial systems and the implementation and integration of acquisitions create an increased risk of deficiencies in our internal controls over financial reporting. If, in the future, our internal control over financial reporting is found to be ineffective, or if a material weakness is identified in our controls over financial reporting, our financial results may be adversely affected. Investors may also lose confidence in the reliability of our financial statements which could adversely affect our stock price.

Our operating results may fluctuate.

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

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fluctuations of foreign currencies in the markets in which we operate;

- the timing and magnitude of depreciation and interest expense or other expenses related to the acquisition, purchase or construction of additional IBX data centers or the upgrade of existing IBX data centers;
- demand for space, power and services at our IBX data centers;
- changes in general economic conditions, such as an economic downturn, or specific market conditions in the telecommunications and internet industries, both of which may have an impact on our customer base;

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- charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company's operations;
- the duration of the sales cycle for our offerings and our ability to ramp our newly-hired sales persons to full productivity within the time period we have forecasted;
- restructuring charges or reversals of restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;
- acquisitions or dispositions we may make;
- the financial condition and credit risk of our customers;
- the provision of customer discounts and credits;
- the mix of current and proposed products and offerings and the gross margins associated with our products and offerings;
- the timing required for new and future IBX data centers to open or become fully utilized;
- competition in the markets in which we operate;
- conditions related to international operations;
- increasing repair and maintenance expenses in connection with aging IBX data centers;
- lack of available capacity in our existing IBX data centers to generate new revenue or delays in opening new or acquired IBX data centers that delay our ability to generate new revenue in markets which have otherwise reached capacity;
- changes in rent expense as we amend our IBX data center leases in connection with extending their lease terms when their initial lease term expiration dates approach or changes in shared operating costs in connection with our leases, which are commonly referred to as common area maintenance expenses;
- the timing and magnitude of other operating expenses, including taxes, expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- the cost and availability of adequate public utilities, including power;
- changes in employee stock-based compensation;
- overall inflation;
- increasing interest expense due to any increases in interest rates and/or potential additional debt financings;
- changes in our tax planning strategies or failure to realize anticipated benefits from such strategies;
- changes in income tax benefit or expense; and
- changes in or new GAAP as periodically released by the Financial Accounting Standards Board ("FASB").

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

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

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

We prepare our consolidated financial statements in conformity with U.S. GAAP. A change in these principles can have a significant effect on our reported financial position and financial results. In addition, the adoption of new or revised accounting principles may require us to make changes to our systems, processes and control, which could have

a significant effect on our reported financial results, cause unexpected financial reporting fluctuations or require us to make costly changes to our operational processes and accounting systems upon or following the adoption of these standards. For additional information regarding the accounting standard updates, see "Accounting Standards Not Yet Adopted" and "Accounting Standards Adopted" sections of Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

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

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

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

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

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

As of June 30, 2018, our retained earnings were $655.1 million. Although we have generated net income for each fiscal year since 2008, except for the year ended December 31, 2014, we are currently investing heavily in our future growth through the build out of multiple additional IBX data centers, expansions of IBX data centers and acquisitions of complementary businesses. As a result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover the additional overhead needed to scale our business for this anticipated growth. The current global financial uncertainty may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

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

While we own certain of our IBX data centers, others are leased under long-term arrangements with lease terms expiring at various dates through 2065. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX data centers. Most of our IBX data center leases have renewal options available to us. However, many of these renewal options provide for the rent to be set at then-prevailing market rates. To the extent that then-prevailing market rates or negotiated rates are higher than present rates, these higher costs may adversely impact our business and results of operations, or we may decide against renewing the lease. In the event that an IBX data center lease does not have a renewal option, or we fail to exercise a renewal option in a timely fashion and lose our right to renew the lease, we may not be successful in negotiating a renewal of the lease with the landlord. A failure to renew a lease could force us to exit a building prematurely, which could disrupt our business, harm our customer relationships, expose us to liability under our customer contracts, cause us to take impairment charges and affect our operating results negatively.

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

The presence of diverse telecommunications carriers' fiber networks in our IBX data centers is critical to our ability to retain and attract new customers. We are not a telecommunications carrier, and as such, we rely on third parties to provide our customers with carrier services. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. We rely primarily on revenue opportunities from the telecommunications carriers' customers to encourage them to invest the capital and operating resources required to connect from their centers to our IBX data centers. Carriers will likely evaluate the revenue opportunity of an IBX data center based on

the assumption that the environment will be highly competitive. We cannot provide assurance that each and every carrier will elect to offer its services within our IBX data centers or that once a carrier has decided to provide internet connectivity to our IBX data centers that it will continue to do so for any period of time.

Our new IBX data centers require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our IBX data centers is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. Any hardware or fiber failures on this network may

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result in significant loss of connectivity to our new IBX data center expansions. This could affect our ability to attract new customers to these IBX data centers or retain existing customers.

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

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

We derive revenues from contracts with the U.S. government, state and local governments and foreign governments. Some of these customers may terminate all or part of their contracts at any time, without cause. There is increased pressure for governments and their agencies, both domestically and internationally, to reduce spending. Some of our federal government contracts are subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. Similarly, some of our contracts at the state and local levels are subject to government funding authorizations.

Additionally, government contracts often have unique terms and conditions, such as most favored customer obligations, and are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

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

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

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

We may be subject to securities class action or other litigation. For example, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Litigation can be lengthy, expensive, and divert management's attention and resources. Results cannot be predicted with certainty and an adverse outcome in litigation could result in monetary damages or injunctive relief. Further, any payments made in settlement may directly reduce our revenue under U.S. GAAP and could negatively impact our operating results for the period. For all of these reasons, litigation could seriously harm our business, results of operations, financial condition or cash flows.

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

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

Government regulation may adversely affect our business.

Various laws and governmental regulations, both in the U.S. and abroad, governing internet-related services, related communications services and information technologies remain largely unsettled, even in areas where there has been some legislative action. For example, the Federal Communications Commission ("FCC") recently overturned network neutrality rules, which may result in material changes in the regulations and contribution regime affecting us and our customers. Furthermore, the U.S. Congress and state legislatures are reviewing and considering changes to the new FCC rules making the future of network neutrality and its impact on Equinix uncertain. There may also be forthcoming regulation in the U.S. in the areas of cybersecurity, data privacy

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and data security, any of which could impact Equinix and our customers. Similarly, data privacy regulations outside of the U.S. continue to evolve and must be addressed by Equinix as a global company.

Likewise, as part of a review of the current equity market structure, the Securities and Exchange Commission and the Commodity Futures Trading Commission ("CFTC") have both sought comments regarding the regulation of independent data centers, such as us, which provide colocation for financial markets and exchanges. In the past, the CFTC has also considered regulation of companies that use automated and high-frequency trading systems. Any such regulation may ultimately affect our provision of offerings.

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

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

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

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

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

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

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

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

Risks Related to Our Taxation as a REIT

We may not remain qualified for taxation as a REIT.

We have elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our 2015 taxable year. We believe that our organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code of 1986, as amended (the "Code"), such that we will continue to qualify for taxation as a REIT. However, we cannot assure you that we have qualified for taxation as a REIT or that we will remain so qualified. Qualification for taxation as a REIT involves the application of highly technical and complex provisions of the Code to our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of applicable REIT provisions.

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

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income;
- we will be subject to federal and state income tax on our taxable income at regular corporate income tax rates; and

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- we would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which we failed to qualify for taxation as a REIT.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for other purposes. If we fail to remain qualified for taxation as a REIT, we may need to borrow additional funds or liquidate some investments to pay any additional tax liability. Accordingly, funds available for investment and distributions to stockholders could be reduced.

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

We paid quarterly distributions in February and June of 2018 and have declared a third quarterly distribution to be paid on September 19, 2018. The amount, timing and form of any future distributions will be determined, and will be subject to adjustment, by our Board of Directors. To remain qualified for taxation as a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gain) each year, or in limited circumstances, the following year, to our stockholders. Generally, we expect to distribute all or substantially all of our REIT taxable income. If our cash available for distribution falls short of our estimates, we may be unable to maintain distributions that approximate our REIT taxable income and may fail to remain qualified for taxation as a REIT. In addition, our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the payment of expenses and the recognition of income and expenses for federal income tax purposes, or the effect of nondeductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, interest expense deductions limited by Section 163(j) of the Code, the creation of reserves or required debt service or amortization payments.

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

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

Due to the size and timing of future distributions, including any distributions made to satisfy REIT distribution requirements, we may need to borrow funds, sell assets or raise equity, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings.

Any insufficiency of our cash flows to cover our REIT distribution requirements could adversely impact our ability to raise short- and long-term debt, to sell assets, or to offer equity securities in order to fund distributions required to maintain our qualification and taxation as a REIT. Furthermore, the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. This would increase our indebtedness. A significant increase in our outstanding debt could lead to a downgrade of our credit rating. A downgrade of our credit rating could negatively impact our ability to access credit markets. Further, certain of our current debt instruments limit the amount of indebtedness we and our subsidiaries may incur. Significantly more financing, therefore, may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness. For a discussion of risks related to our substantial level of indebtedness, see other risks described elsewhere in this Form 10-Q.

Whether we issue equity, at what price and the amount and other terms of any such issuances will depend on many factors, including alternative sources of capital, our then-existing leverage, our need for additional capital, market conditions and other factors beyond our control. If we raise additional funds through the issuance of equity securities or debt convertible into equity securities, the percentage of stock ownership by our existing stockholders may be reduced. In addition, new equity securities or convertible debt securities could have rights, preferences and privileges senior to those of our current stockholders, which could substantially decrease the value of our securities owned by them. Depending on the share price we are able to obtain, we may have to sell a significant number of shares in order to raise the capital we deem necessary to execute our long-term strategy, and our stockholders may experience dilution in the value of their shares as a result.

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

To remain qualified for taxation as a REIT for U.S. federal income tax purposes, we must satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets and the amounts we distribute to our stockholders. For example, under the Code, no more than 20% of the value of the assets of a REIT may be represented by securities of one or more TRSs. Similar rules apply to other nonqualifying assets. These limitations may affect our ability to make large investments in other non-REIT qualifying operations or assets. In addition, in order to maintain our qualification for taxation as a REIT, we must distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification for taxation as a REIT, we will be subject to U.S. federal income tax

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at regular corporate income tax rates for our undistributed REIT taxable income, as well as U.S. federal income tax at regular corporate income tax rates for income recognized by our TRSs and taxes in the foreign jurisdictions in which our international assets and operations are held and conducted. Because of these distribution requirements, we will likely not be able to fund future capital needs and investments from operating cash flow. As such, compliance with REIT tests may hinder our ability to make certain attractive investments, including the purchase of significant nonqualifying assets and the material expansion of non-real estate activities.

Our ability to fully deduct our interest expense may be limited, or we may be required to adjust the tax depreciation of our real property in order to maintain the full deductibility of our interest expense.

December 2017 amendments to the Code limit interest deductions for businesses, whether in corporate or passthrough form, to the sum of the taxpayer's business interest income for the tax year and 30% of the taxpayer's adjusted taxable income for that tax year. This limitation does not apply to an "electing real property trade or business". We have not yet determined whether we or any of our subsidiaries will elect out of the new interest expense limitation or whether each of our subsidiaries is eligible to elect out, although legislative history indicates that a real property trade or business includes a trade or business conducted by a corporation or a REIT. Depreciable real property (including specified improvements) held by electing real property trades or businesses must be depreciated for U.S. federal income tax purposes under the alternative depreciation system of the Code, which generally imposes a class life for depreciable real property as long as forty years.

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

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

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

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

Our operations include an extensive use of TRSs. The net income of our TRSs is not required to be distributed to us, and income that is not distributed to us generally is not subject to the REIT income distribution requirement. However, there may be limitations on our ability to accumulate earnings in our TRSs and the accumulation or reinvestment of significant earnings in our TRSs could result in adverse tax treatment. In particular, if the accumulation of cash in our TRSs causes (1) the fair market value of our securities in our TRSs to exceed 20% of the fair market value of our assets or (2) the fair market value of our securities in our TRSs and other nonqualifying assets to exceed 25% of the fair market value of our assets, then we will fail to remain qualified for taxation as a REIT. Further, a substantial portion of our TRSs are overseas, and a material change in foreign currency rates could also negatively impact our ability to remain qualified for taxation as a REIT.

December 2017 amendments to the Code have imposed limitations on the ability of our TRSs to utilize specified income tax deductions, including limits on the use of net operating losses and limits on the deductibility of interest expense. Further, these amendments made substantial changes to the taxation of international income. Some of these changes did not contemplate unintended consequences of such reforms on REITs with global operations, and we may be required to recognize income on account of the activities of our foreign TRSs that may not be treated as qualifying income for purposes of the REIT gross income tests that we are required to satisfy.

Our cash distributions are not guaranteed and may fluctuate.

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

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

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

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

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

We will also be subject to a federal corporate level income tax at the highest regular corporate income tax rate (21%, effective January 1, 2018) on gain recognized from a sale of a REIT asset where our basis in the asset is determined by reference to the basis of the asset in the hands of a C corporation (such as (i) an asset that we held as of the effective date of our REIT election, that is, January 1, 2015, or (ii) an asset that we or our QRSs hold following the liquidation or other conversion of a former TRS). This 21% tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g., January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset.

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

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

Restrictions in our credit facility and our indentures may prevent us from satisfying our REIT distribution requirements, and we could fail to remain qualified for taxation as a REIT. If these limits do not jeopardize our qualification for taxation as a REIT but nevertheless prevent us from distributing 100% of our REIT taxable income, we would be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts. See other risks described elsewhere in this Form 10-Q for further information on our restrictive loan covenants.

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

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

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

Dividends payable by U.S. corporations to noncorporate stockholders, such as individuals, trusts and estates, are generally eligible for reduced U.S. federal income tax rates applicable to "qualified dividends." Distributions paid by REITs generally are not treated as "qualified dividends" under the Code, and the reduced rates applicable to such dividends do not generally apply. However, for tax years beginning after 2017 and before 2026, REIT dividends paid to noncorporate stockholders are generally taxed at an effective tax rate lower than applicable ordinary income tax rates due to the availability of a deduction under the Code for specified forms of income from passthrough entities. More favorable rates will nevertheless continue to apply to regular

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corporate "qualified" dividends, which may cause some investors to perceive that an investment in a REIT is less attractive than an investment in a non-REIT entity that pays dividends, thereby reducing the demand and market price of our common stock.

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

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

In addition, the ownership and transfer restrictions could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of our stockholders. As a result, the overall effect of the ownership and transfer restrictions may be to render more difficult or discourage any attempt to acquire us, even if such acquisition may be favorable to the interests of our stockholders.

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

At any time, the federal or state income tax laws governing REITs, or the administrative interpretations of those laws, may be amended. Federal and state tax laws are constantly under review by persons involved in the legislative process, the IRS, the U.S. Department of the Treasury and state taxing authorities. Changes to the tax laws, regulations and administrative interpretations, which may have retroactive application, could adversely affect us. In addition, some of these changes could have a more significant impact on us as compared to other REITs due to the nature of our business and our substantial use of TRSs, particularly non-U.S. TRSs.

In addition, December 2017 legislation has made substantial changes to the Code, particularly as it relates to the taxation of both corporate income and international income. Among those changes are a significant permanent reduction in the generally applicable corporate income tax rate, changes in the taxation of individuals and other noncorporate taxpayers that generally reduce their taxes on a temporary basis subject to "sunset" provisions, the elimination or modification of various deductions (including substantial limitation of the deduction for personal state and local taxes imposed on individuals), and preferential taxation of income derived by individuals from passthrough entities in comparison to earnings received directly by individuals. This legislation also imposes additional limitations on the deduction of net operating losses, which may in the future cause us to make additional distributions that will be taxable to our stockholders to the extent of our current or accumulated earnings and profits in order to comply with the REIT distribution requirements. The effect of these and other changes made in this legislation is highly uncertain, both in terms of their direct effect on the taxation of an investment in our common stock and their indirect effect on the value of assets owned by us. Furthermore, many of the provisions of the new law will require additional

administrative guidance in order to assess their effect. There may be a substantial delay before such guidance is promulgated, increasing the uncertainty as to the ultimate effect of the statutory amendments on us or our stockholders. It is also possible that there will be subsequent legislative amendments proposed with respect to the new law, the effect of which cannot be predicted and may be adverse to us or our stockholders. Our stockholders are encouraged to consult with their tax advisors about the potential effects that changes in law may have on them and their ownership of our common stock.

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We could incur adverse tax consequences if we fail to integrate an acquisition target in compliance with the requirements to qualify for taxation as a REIT.

We periodically explore and occasionally consummate merger and acquisition transactions. When we consummate these transactions, we structure the acquisition to successfully manage the REIT income, asset, and distribution tests that we must satisfy. We believe that we have and will in the future successfully integrate our acquisition targets in a manner that has and will allow us to timely satisfy the REIT tests applicable to us, but if we failed or in the future fail to do so, then we could jeopardize or lose our qualification for taxation as a REIT, particularly if we were not eligible to utilize relief provisions set forth in the Code.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
2.1	Rule 2.7 Announcement, dated as of May 29, 2015. Recommended Cash and Share Offer for Telecity Group plc by Equinix, Inc.	8-K	5/29/2015	2.1	
2.2	Cooperation Agreement, dated as of May 29, 2015, by and between Equinix, Inc. and Telecity Group plc.	8-K	5/29/2015	2.2	
2.3	Amendment to Cooperation Agreement, dated as of November 24, 2015, by and between Equinix, Inc. and Telecity Group plc.	10-K	12/31/2015	2.3	
2.4	Transaction Agreement, dated as of December 6, 2016, by and between Verizon Communications Inc. and Equinix, Inc.	8-K	12/6/2016	2.1	
2.5	Amendment No.1 to the Transaction Agreement, dated February 23, 2017, by and between Verizon communications Inc. and Equinix, Inc.	10-K	12/31/2016	2.5	
2.6	Amendment No.2 to the Transaction Agreement, dated April 30, 2017, by and between Verizon Communications Inc. and Equinix, Inc.	8-K	5/1/2017	2.1	
2.7	Amendment No.3 to the Transaction Agreement, dated June 29, 2018, by and between Verizon Communications Inc. and Equinix, Inc.				X
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/2002	3.1	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/14/2011	3.1	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/11/2013	3.1	
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	10-Q	6/30/2014	3.4	
3.5	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/2002	3.3	
3.6	Amended and Restated Bylaws of the Registrant.	8-K	3/29/2016	3.1	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6.				
4.2		8-K	3/5/2013	4.3	

	Indenture for the 2023 Notes dated March 5, 2013 between Equinix, Inc. and U.S. Bank National Association as trustee			
4.3	Form of 5.375% Senior Note due 2023 (see Exhibit 4.2)			
4.4	Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/2014	4.1
4.5	First Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/2014	4.2
4.6	Form of 5.375% Senior Note due 2022 (see Exhibit 4.5)			
4.7	Second Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	11/20/2014	4.4
4.8	Form of 5.750% Senior Note due 2025 (see Exhibit 4.7)			

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
4.9	Third Supplemental Indenture, dated as of December 4, 2015, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	12/4/2015	4.2	
4.10	Form of 5.875% Senior Note due 2026 (see Exhibit 4.9)				
4.11	Fourth Supplemental Indenture, dated as of March 22, 2017 between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	3/22/2017	4.2	
4.12	Form of 5.375% Senior Notes due 2027 (see Exhibit 4.11)				
4.13	Fifth Supplemental Indenture, dated as of September 20, 2017 among Equinix, Inc. and U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	9/20/2017	4.2	
4.14	Form of 2.875% Senior Notes due 2025 (see Exhibit 4.13)				
4.15	Indenture, dated as of December 12, 2017, between Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	12/5/2017	4.1	
4.16	Supplemental Indenture, dated as of December 12, 2017, among Equinix, Inc. and U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	12/5/2017	4.2	
4.17	Form of 2.875% Senior Notes due 2026 (see Exhibit 4.16)				
4.18	Second Supplemental Indenture, dated as of March 14, 2018, among Equinix, Inc. and U.S. Bank National Association, as trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	3/14/2018	4.2	
4.19	Form of 2.875% Senior Notes due 2024 (see Exhibit 4.18)				
4.20	Third Supplemental Indenture, dated as of April 2, 2018, among Equinix, Inc. and U.S. Bank National Association, as trustee	8-K	4/3/2018	4.2	
4.21	Form of 5.00% Senior Notes due April 2019 (see Exhibit 4.20)				
4.22	Form of 5.00% Senior Notes due October 2019 (see Exhibit 4.20)				

4.23	Form of 5.00% Senior Notes due April 2020 (see Exhibit 4.20)			
4.24	Form of 5.00% Senior Notes due October 2020 (see Exhibit 4.20)			
4.25	Form of 5.00% Senior Notes due April 2021 (see Exhibit 4.20)			
4.26	Form of Registrant's Common Stock Certificate	10-K	12/31/2014	4.13
10.1**	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/1999	10.5
10.2**	2000 Equity Incentive Plan, as amended.	10-K	12/31/2016	10.2
10.3**	2000 Director Option Plan, as amended.	10-K	12/31/2016	10.3
10.4**	2001 Supplemental Stock Plan, as amended.	10-K	12/31/2016	10.4
10.5**	Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.		6/30/2014	10.5
10.6**	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/2008	10.32

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
10.7**	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/2008	10.33	
10.8**	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/2008	10.35	
10.9**	Switch & Data 2007 Stock Incentive Plan.	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company	2/5/2007	10.9	
10.10**	Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30, 2010.	10-Q	9/30/2010	10.42	
10.11**	Form of amendment to existing severance agreement between the Registrant and each of Messrs. Meyers, Smith, Taylor and Van Camp	10-K	12/31/2010	10.33	
10.12**	Letter amendment, dated December 14, 2010, to Change in Control Severance Agreement, dated December 18, 2008, and letter agreement relating to expatriate benefits, dated April 22, 2008, as amended, by and between the Registrant and Eric Schwartz.	10-K	12/31/2010	10.34	
10.13**	International Long-Term Assignment Letter by and between Equinix, Inc. and Eric Schwartz, dated May 21, 2013.	10-Q	6/30/2013	10.51	
10.14**	Employment Agreement by and between Equinix (EMEA) B.V. and Eric Schwartz, dated as of August 7, 2013.	10-Q	9/30/2013	10.54	
10.15**	Restricted Stock Unit Agreement dated August 14, 2013 for Charles Meyers under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	9/30/2013	10.55	
10.16**	Offer Letter from Equinix, Inc. to Karl Strohmeyer dated October 28, 2013.	10-Q	3/31/2014	10.49	
10.17**	Restricted Stock Unit Agreement for Karl Strohmeyer under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/2014	10.50	

10.18**	Change in Control Severance Agreement by and between Karl Strohmeyer and Equinix, Inc. dated December 2, 2013.	10-Q	3/31/2014	10.51
10.19**	2016 Form of Revenue/AFFO Restricted Stock Unit Agreement for executives.	10-Q	3/31/2016	10.57
10.20**	2016 Form of TSR Restricted Stock Unit Agreement for executives.	10-Q	3/31/2016	10.58
10.21**	2016 Form of Time-Based Restricted Stock Unit Agreement for executives.	10-Q	3/31/2016	10.59
10.22**	2017 Form of Revenue/AFFO Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2017	10.35
10.23**	2017 Form of TSR Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2017	10.36
10.24**	2017 Form of Time-Based Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2017	10.37
10.25**	Equinix, Inc. Annual Incentive Plan.	10-Q	3/31/2017	10.39

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
10.26**	2018 Form of Revenue/AFFO Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2018	10.31	
10.27**	2018 Form of TSR Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2018	10.32	
10.28**	2018 Form of Time-Based Restricted Stock Unit Agreement for Executives.	10-Q	3/31/2018	10.33	
10.29**	Equinix, Inc. Annual Incentive Plan 2018 Award Agreement for Executive Staff Employees.	10-Q	3/31/2018	10.34	
10.30	Agreement for Purchase and Sale of Shares Among RW Brasil Fundo de Investimentos em Participação, Antônio Eduardo Zago De Carvalho and Sidney Victor da Costa Breyer, as Sellers, and Equinix Brasil Participaçãoes Ltda., as Purchaser, and Equinix South America Holdings LLC., as a Party for Limited Purposes and ALOG Soluções de Tecnologia em Informática S.A. as Intervening Consenting Party dated July 18, 2014.	10-Q	9/30/2014	10.67	
10.31	Share Purchase Agreement with Digital Realty Trust, L.P., relating to the sale and purchase of shares in TelecityGroup UK LON Limited, Telecity Netherlands AMS01 AMS04 BV, Equinix Real Estate (TCY AMS04) B.V. and TelecityGroup Germany Fra2 GmbH, dated May 14, 2016.	10-Q	6/30/2016	10.55	
10.32**	Letter Agreement dated June 9, 2016, by and between Equinix, Inc. and Eric Schwartz, amending his International Long Term Assignment letter dated May 21, 2013 and Employment Agreement with Equinix (EMEA) B.V. dated August 7, 2013.	10-Q	6/30/2016	10.56	
10.33	Term Loan Agreement dated as of September 30, 2016 among Equinix Japan K.K. as Borrower, the Lenders (defined therein) and Bank of Tokyo-Mitsubishi UFJ, Ltd., as Arranger and Agent.	10-Q	9/30/2016	10.42	
10.34	Credit Agreement dated as of December 12, 2017 among Equinix, Inc. as Borrower, The Guarantors Parties (defined therein), Bank of America, N.A., as Administrative Agent, Lender and L/C issuer, Barclays Bank PLS, Goldman Sachs Bank USA, HSBC Securities (USA) Inc. ING Capital LLC, TD Securities (USA) LLC, and Wells Fargo Bank, National Association as Co-Documentation Agents, the Other Lenders Party (defined therein) and Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., MUFG, and RBC Capital Markets as Joint Lead Arrangers and Joint Book Runners.	10-K	12/31/2017	10.40	
10.35					X

	Consent and First Amendment to Credit Agreement, dated as of June 28, 2018 by and among Equinix, Inc. as Borrower, the Guarantors (defined therein), the Lenders (as such term is defined in the Credit Agreement referred to therein), and BANK OF AMERICA, N.A., as Administrative Agent				
10.36	Second Amendment to Credit Agreement, dated as of July 26, 2018, by and between Equinix, Inc. as Borrower, the financial institutions defined therein, MUFG Bank, Ltd., as Technical Agent and Bank of America, N.A. as Administrative Agent, under that certain Credit Agreement dated December 12, 2017.				X
12.1	Statement of Computation of Ratios	10-K	12/31/2017	12.1	
21.1	Subsidiaries of Equinix, Inc.				X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

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

** Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

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EQUINIX, INC.

SIGNATURES

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

EQUINIX, INC.

Date: August 8, 2018

By: /s/ KEITH D. TAYLOR
Chief Financial Officer
(Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.7	Amendment No.3 to the Transaction Agreement, dated June 29, 2018, by and between Verizon Communications Inc. and Equinix, Inc.
10.35	Consent and First Amendment to Credit Agreement, dated as of June 28, 2018 by and among Equinix, Inc. as Borrower, the Guarantors (defined therein), the Lenders (as such term is defined in the Credit Agreement referred to therein), and BANK OF AMERICA, N.A., as Administrative Agent
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