

EQUINIX INC  
Form 10-Q  
May 03, 2019

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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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  No  and (2) has been subject to such filing requirements for the past 90 days. Yes  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  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  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

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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

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.001	EQIX	The NASDAQ Stock Market LLC

The number of shares outstanding of the registrant's Common Stock as of May 2, 2019 was 84,070,037.

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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)

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$1,633,844	\$606,166
Short-term investments	13,833	4,540
Accounts receivable, net of allowance for doubtful accounts of \$18,212 and \$15,950	703,835	630,119
Other current assets	274,259	274,857
Total current assets	2,625,771	1,515,682
Property, plant and equipment, net	10,898,210	11,026,020
Operating lease right-of-use assets	1,457,822	—
Goodwill	4,808,085	4,836,388
Intangible assets, net	2,243,106	2,333,296
Other assets	458,097	533,252
Total assets	\$22,491,091	\$20,244,638
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$746,771	\$756,692
Accrued property, plant and equipment	263,141	179,412
Current portion of operating lease liabilities	132,162	—
Current portion of finance lease liabilities	56,024	77,844
Current portion of mortgage and loans payable	72,796	73,129
Current portion of senior notes	300,488	300,999
Other current liabilities	113,969	126,995
Total current liabilities	1,685,351	1,515,071
Operating lease liabilities, less current portion	1,316,522	—
Finance lease liabilities, less current portion	1,166,234	1,441,077
Mortgage and loans payable, less current portion	1,286,749	1,310,663
Senior notes, less current portion	8,067,385	8,128,785
Other liabilities	544,062	629,763
Total liabilities	14,066,303	13,025,359
Commitments and contingencies (Note 9)		
Equinix stockholders' equity		
Common stock, \$0.001 par value per share: 300,000,000 shares authorized; 84,465,156 issued and 84,070,003 outstanding in 2019 and 81,119,117 issued and 80,722,258 outstanding in 2018	84	81
Additional paid-in capital	12,043,056	10,751,313
Treasury stock, at cost; 395,153 shares in 2019 and 396,859 shares in 2018	(144,801 )	(145,161 )
Accumulated dividends	(3,532,915 )	(3,331,200 )
Accumulated other comprehensive loss	(942,365 )	(945,702 )
Retained earnings	1,002,053	889,948
Total Equinix stockholders' equity	8,425,112	7,219,279
Non-controlling interests	(324 )	—

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Total stockholders' equity	8,424,788	7,219,279
Total liabilities and stockholders' equity	\$22,491,091	\$20,244,638
See accompanying notes to condensed consolidated financial statements.		

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EQUINIX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2019	2018
	(Unaudited)	
Revenues	\$1,363,218	\$1,215,877
Costs and operating expenses:		
Cost of revenues	682,030	622,430
Sales and marketing	169,715	159,776
General and administrative	215,046	203,157
Acquisition costs	2,471	4,639
Impairment charges	14,448	—
Total costs and operating expenses	1,083,710	990,002
Income from operations	279,508	225,875
Interest income	4,202	4,610
Interest expense	(122,846 )	(126,277 )
Other expense	(166 )	(3,064 )
Loss on debt extinguishment	(382 )	(21,491 )
Income before income taxes	160,316	79,653
Income tax expense	(42,569 )	(16,759 )
Net income	117,747	62,894
Net loss attributable to non-controlling interests	331	—
Net income attributable to Equinix	\$118,078	\$62,894
Earnings per share ("EPS") attributable to Equinix:		
Basic EPS	\$1.44	\$0.79
Weighted-average shares for basic EPS	81,814	79,241
Diluted EPS	\$1.44	\$0.79
Weighted-average shares for diluted EPS	82,090	79,649

See accompanying notes to condensed consolidated financial statements.

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EQUINIX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three Months Ended March 31,	
	2019	2018
	(Unaudited)	
Net income	\$117,747	\$62,894
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment ("CTA") gain (loss), net of tax effects of \$(10) and \$0	(81,719 )	145,851
Net investment hedge CTA gain (loss), net of tax effect of \$10 and \$1,637	76,850	(72,635 )
Unrealized gain (loss) on cash flow hedges, net of tax effects of \$(2,741) and \$1,360	8,224	(4,080 )
Net actuarial gain (loss) on defined benefit plans, net of tax effects of \$(1) and \$(6)	(11 )	8
Total other comprehensive income, net of tax	3,344	69,144
Comprehensive income, net of tax	121,091	132,038
Net loss attributable to non-controlling interests	331	—
Other comprehensive income attributable to non-controlling interests	(7 )	—
Comprehensive income attributable to Equinix	\$121,415	\$132,038
See accompanying notes to condensed consolidated financial statements.		



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## EQUINIX, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended	
	March 31,	
	2019	2018
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 117,747	\$ 62,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	263,643	256,952
Stock-based compensation	49,023	42,536
Amortization of intangible assets	49,535	50,616
Amortization of debt issuance costs and debt discounts and premiums	2,995	4,099
Provision for allowance for doubtful accounts	4,594	3,281
Impairment charges	14,448	—
Loss on debt extinguishment	382	21,491
Other items	5,157	4,504
Changes in operating assets and liabilities:		
Accounts receivable	(84,350)	(71,275)
Income taxes, net	15,825	(15,381)
Other assets	(7,833)	(6,694)
Operating lease right-of-use assets	41,264	—
Operating lease liabilities	(38,886)	—
Accounts payable and accrued expenses	(11,463)	(35,143)
Other liabilities	(940)	(16,973)
Net cash provided by operating activities	421,141	300,907
Cash flows from investing activities:		
Purchases of investments	(9,297)	(29,265)
Sales of investments	518	28,768
Purchases of real estate	(5,721)	(14,700)
Purchases of other property, plant and equipment	(363,967)	(349,729)
Net cash used in investing activities	(378,467)	(364,926)
Cash flows from financing activities:		
Proceeds from employee equity awards	27,593	25,847
Payment of dividends and special distribution	(204,603)	(186,999)
Proceeds from public offering of common stock, net of issuance costs	1,213,434	—
Proceeds from senior notes	—	929,850
Repayments of finance lease liabilities	(31,158)	(55,787)
Repayments of mortgage and loans payable	(18,334)	(6,599)
Debt extinguishment costs	—	(20,704)
Debt issuance costs	—	(11,583)
Net cash provided by financing activities	986,932	674,025
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	(1,695)	7,903
Net increase in cash, cash equivalents and restricted cash	1,027,911	617,909
Cash, cash equivalents and restricted cash at beginning of period	627,604	1,450,701
Cash, cash equivalents and restricted cash at end of period	\$ 1,655,515	\$ 2,068,610
Cash and cash equivalents	\$ 1,633,844	\$ 2,023,808

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Current portion of restricted cash included in other current assets	11,305	33,460
Non-current portion of restricted cash included in other assets	10,366	11,342
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	\$1,655,515	\$2,068,610

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, 2018 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 22, 2019. 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 Metronode from April 18, 2018 and Infomart Dallas from April 2, 2018. All intercompany accounts and transactions have been eliminated in consolidation.

Derivatives and Hedging Activities

The Company uses derivative instruments, including foreign currency forwards and options and cross-currency interest rate swaps, to manage certain foreign currency exposures. Derivative instruments are viewed as risk management tools by the Company and are not used for speculative purposes. The Company recognizes all derivatives on the Company's condensed consolidated balance sheets at fair value. The accounting for changes in the value of a derivative depends on whether the contract qualifies and has been designated for hedge accounting. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged and there must be documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and the effectiveness assessment methodology. For cash flow hedges, the Company uses regression analysis at the time they are designated to assess their effectiveness. Hedge designations are reviewed on a quarterly basis to assess whether circumstances have changed that would disrupt the hedge instrument's relationship to the forecasted transactions or net investment. The Company uses the forward method to assess effectiveness of qualifying foreign currency forwards that are designated as cash flow hedges, whereby, the change in the fair value of the derivative is recorded in other comprehensive income (loss) and reclassified to the same line item in the condensed consolidated statement of operations that is used to present the earnings effect of the hedged item when the hedged item affects earnings. The Company uses the spot method to assess effectiveness of qualifying foreign currency exchange options that are designated as cash flow hedges, whereby, the change in fair value due to foreign currency exchange spot rates is recorded in other comprehensive income (loss) and reclassified to the same line item in the condensed consolidated statement of operations that is used to present the earnings effect of the hedged item when the hedged item affects earnings, and the change in fair value of the excluded component is recorded in other comprehensive income (loss) and amortized on a straight-line basis to the same line item in the condensed consolidated statement of operations that is used to present the earnings effect of the hedged item. When two or more derivative instruments in combination are jointly designated as a cash flow hedging instrument, as with foreign currency exchange option collars, they are treated as a single instrument. If the hedge relationship is terminated for any derivatives designated as cash flow hedges, then the change in fair value of the derivative recorded in other comprehensive income (loss) is recognized in earnings when the previously hedged item affects earnings, consistent with the original hedge strategy. For hedge relationships discontinued because the forecasted transaction is not expected to occur according to the original strategy, any related derivative amounts recorded in other comprehensive income (loss) are immediately recognized in earnings.

The Company uses the spot method to assess effectiveness of cross-currency interest rate swaps that are designated as net investment hedges, whereby, the change in fair value due to foreign currency exchange spot rates is recorded in other comprehensive income (loss) and the change in fair value of the excluded component is recorded in other comprehensive income (loss) and amortized to interest expense on a straight-line basis.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

From time to time, the Company also uses foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on a portion of its net investment in the foreign subsidiaries. The Company uses the spot method to assess effectiveness of qualifying foreign currency forwards that are designated as net investment hedges, whereby, the change in fair value due to foreign currency exchange spot rates is recorded in other comprehensive income (loss) and the change in fair value of the excluded component is recorded in other comprehensive income (loss) and amortized to interest expense on a straight-line basis.

Foreign currency gains or losses associated with derivatives that are not designated as hedging instruments for accounting purposes are recorded within other income (expense) in the Company's condensed consolidated statements of operations, with the exception of (i) foreign currency embedded derivatives contained in certain of the Company's customer contracts and (ii) foreign exchange forward contracts that are entered into to hedge the accounting impact of the foreign currency embedded derivatives, which are recorded within revenues in the Company's condensed consolidated statements of operations.

For further information on derivatives and hedging activities, see Note 5 below.

**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") 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 26.6% and 21.0% for the three months ended March 31, 2019 and 2018, respectively.

**Assets Held for Sale**

Assets and liabilities to be disposed of that meet all of the criteria to be classified as held for sale as set forth in the accounting standard for impairment or disposal of long-lived assets are reported at the lower of their carrying amounts or fair values less costs to sell. Assets are not depreciated or amortized while they are classified as held for sale.

In January 2019, the Company entered into an agreement to sell its New York 12 ("NY12") data center. The assets of NY12 data center to be divested were classified as held for sale and were included within other current assets in the condensed consolidated balance sheet as of March 31, 2019. When an asset is classified as held for sale, the asset's book value is evaluated and adjusted to the lower of its carrying amount or fair value less cost to sell. Based on the analysis, the Company concluded that it would not recover the carrying value of certain of the NY12 assets.

Accordingly, the Company recorded an impairment charge of \$14.4 million during the three months ended March 31, 2019, reducing the carrying value of such assets to the estimated fair value less cost to sell.

**Recent Accounting Pronouncements**

**Accounting Standards Not Yet Adopted**

In June 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company will adopt this new ASU on January 1, 2020. 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 condensed consolidated financial statements.

Accounting Standards Adopted

In August 2017, FASB issued ASU 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 adopted ASU 2017-12 on January 1, 2019 using the modified retrospective approach. For cash flow hedges existing on the date of adoption, the Company recognized the cumulative effect of the change on the opening balance of accumulated other comprehensive income (loss) with a corresponding adjustment to the opening balance of retained earnings for amounts previously recognized in earnings related to ineffectiveness. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases and issued subsequent amendments to the initial guidance, collectively referred to as "Topic 842." Topic 842 replaces the guidance in former ASC Topic 840, Leases. The new lease guidance increases transparency and comparability among organizations by requiring the recognition of 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 future obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use ("ROU") 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. Topic 842 allows entities to adopt with one of two methods: the modified retrospective transition method or the alternative transition method.

On January 1, 2019, the Company adopted Topic 842 using the alternative transition method. Therefore, results for reporting periods beginning after January 1, 2019 are presented under Topic 842, while comparative information has not been restated and continues to be reported under accounting standards in effect for those periods. The Company recognized the cumulative effects of initially applying the standard as an adjustment to the opening balance of retained earnings in the period of adoption.

In adopting the new guidance, the Company elected to apply the package of practical expedients permitted under the transition guidance which allows the Company not to reassess (1) whether any expired or existing contracts contain leases under the new definition of a lease; (2) lease classification for any expired or existing leases; and (3) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842. The Company also elected to apply the land easements practical expedient which permits the Company not to assess at transition whether any expired or existing land easements are, or contain, leases if they were not previously accounted for as leases under Topic 840.

Upon adoption of Topic 842, the Company also elected to adopt the practical expedient which allows the Company to combine qualified non-lease and lease components by underlying class of asset based, on predominance, as a lessor. Occasionally, the Company enters into revenue contracts with customers for data center and office spaces, which contain both lease and non-lease components. In general, lease and non-lease components related to the use of space and services provided in a data center, which share the same pattern of transfer, will be combined and accounted for under ASC 606, Revenue from Contracts with Customers. Lease and non-lease components related to the use of

office space, which share the same pattern of transfer, will be combined and accounted for under Topic 842. Lease components which are not classified as operating leases do not qualify for the practical expedient. Non-lease components, which do not have similar patterns of transfers, such as professional services and goods for resale, are also excluded from combination.

Adoption of the standard had a significant impact on the Company's financial results, including the (1) recognition of new ROU assets and liabilities on its balance sheet for all operating leases; and (2) de-recognition of existing build-to-suit assets and liabilities with cumulative effects of initially applying the standard as an adjustment to the retained earnings. The cumulative effect of the changes made to its consolidated January 1, 2019 balance sheet from the adoption of Topic 842 was as follows (in thousands):

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Balance Sheet	Balances at December 31, 2018	Adjustments due to adoption of Topic 842	Balances at January 1, 2019
<b>Assets</b>			
Other current assets	\$ 274,857	\$ (15,949 )	\$ 258,908
Property, plant and equipment, net	11,026,020	(293,111 )	10,732,909
Operating lease right-of-use assets	—	1,468,762	1,468,762
Intangible assets, net	2,333,296	(23,205 )	2,310,091
Other assets	533,252	(63,468 )	469,784
<b>Liabilities</b>			
Current portion of operating lease liabilities	—	144,405	144,405
Current portion of finance lease liabilities	—	70,795	70,795
Current portion of capital lease and other financing obligations	77,844	(77,844 )	—
Other current liabilities	126,995	(6,455 )	120,540
Operating lease liabilities, less current portion	—	1,312,262	1,312,262
Finance lease liabilities, less current portion	—	1,165,188	1,165,188
Capital lease and other financing obligations, less current portion	1,441,077	(1,441,077 )	—
Other liabilities	629,763	(88,272 )	541,491
<b>Equity</b>			
Retained Earnings	889,948	(5,973 )	883,975

## 2. Revenue

## Contract Balances

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

	Accounts receivable, net	Contract asset, current	Contract asset, non-current	Deferred revenue, current	Deferred revenue, non-current
Beginning balances as of January 1, 2019	\$ 630,119	\$ 9,778	\$ 16,396	\$ 73,142	\$ 46,641
Closing balances as of March 31, 2019	703,835	9,753	16,543	76,240	45,401
Increase/(decrease)	\$ 73,716	\$(25 )	\$ 147	\$ 3,098	\$(1,240 )

The difference between the opening and closing balances of the Company's accounts receivable, net, contract assets and deferred revenues primarily results from revenue growth and the timing difference between the satisfaction of the Company's performance obligation and the customer's payment. The amounts of revenue recognized during the three months ended March 31, 2019 from the opening deferred revenue balance was \$44.1 million.

## Remaining performance obligations

As of March 31, 2019, approximately \$7.2 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 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 above include revenues to be recognized in the future related to arrangements where the Company is the lessor.



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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## 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 March 31,	
	2019	2018
Net income	\$117,747	\$62,894
Net loss attributable to non-controlling interests	331	—
Net income attributable to Equinix	\$118,078	\$62,894
Weighted-average shares used to calculate basic EPS	81,814	79,241
Effect of dilutive securities:		
Employee equity awards	276	408
Weighted-average shares used to calculate diluted EPS	82,090	79,649
EPS attributable to Equinix:		
Basic EPS	\$1.44	\$0.79
Diluted EPS	\$1.44	\$0.79

The Company has excluded common stock related to employee equity awards in the diluted EPS calculation above of 469,000 shares and 238,000 shares for the three months ended March 31, 2019 and 2018, 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 Metronode from the Ontario Teachers' Pension Plan Board for a cash purchase price of A\$1.034 billion or approximately \$804.6 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.

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 \$804.0 million. The consideration was comprised of approximately \$45.8 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. During the three months ended March 31, 2019, the Company completed the detailed valuation analysis of Metronode and Infomart Dallas to derive the fair value of assets acquired and liabilities assumed and finalized the allocation of purchase price for Metronode and Infomart Dallas. For the Metronode Acquisition, the adjustments made during the three months ended March 31, 2019 primarily resulted in a decrease in deferred tax

liability and goodwill of \$4.2 million and \$3.7 million, respectively. No purchase price allocation adjustments were made during the three months ended March 31, 2019 for the Infomart Dallas Acquisition.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

For the Metronode Acquisition, the adjustments made from the provisional amounts reported as of June 30, 2018 primarily resulted in a decrease in property, plant and equipment, other assets, other liabilities and deferred tax assets of \$10.1 million, \$10.0 million, \$9.7 million and \$4.1 million, respectively, and an increase in goodwill, intangible assets and deferred tax liabilities of \$41.6 million, \$4.8 million and \$31.3 million, respectively. The adjustments for the Infomart Dallas Acquisition made from the provisional amounts reported as of June 30, 2018 primarily resulted in a decrease in goodwill of \$6.2 million and an increase in intangible assets of \$4.6 million. 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 any reporting periods prior to March 31, 2019.

A summary of the final 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	9,421	395
Property, plant, and equipment	297,092	362,023
Intangible assets	128,229	65,847
Goodwill	410,188	197,378
Other assets <sup>(1)</sup>	44,373	—
Total assets acquired	900,827	643,712
Accounts payable and accrued liabilities	(17,104 )	(5,056 )
Other current liabilities	(2,038 )	(2,141 )
Deferred tax liabilities	(31,281 )	—
Other liabilities <sup>(1)</sup>	(45,851 )	(4,723 )
Net assets acquired	\$ 804,553	\$ 631,792

In connection with the Metronode Acquisition, the Company recorded indemnification assets of \$44.4 million, <sup>(1)</sup> 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)	\$ 128,229	20.0	20.0
Customer relationships (Infomart Dallas)	35,860	20.0	20.0
In-place leases (Infomart Dallas)	19,960	3.6 - 7.5	6.8
Trade names (Infomart Dallas)	9,552	20.0	20.0
Favorable leases (Infomart Dallas)	475	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 8.2% for Infomart Dallas, which reflected the nature of the assets as they relate to the risk and uncertainty of the estimated future operating cash flows. Other assumptions used to estimate the fair value of customer relationships included 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 8.2%. 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.

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(Unaudited)

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.

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 deductible for local tax purposes and is attributable to the Company's Americas region. Operating results of Metronode and Infomart Dallas have been reported in the Asia-Pacific and Americas regions, respectively.

For the three months ended March 31, 2019, the Company's results of operations include \$27.2 million of revenues and insignificant net income from operations from the combined operations of Metronode and Infomart Dallas.

#### 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 the value of investments in its 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 debt obligations, which are designated as hedges against the Company's net investments in foreign subsidiaries. As of March 31, 2019 and December 31, 2018, the total principal amounts of foreign currency debt obligations designated as net investment hedges were \$4,113.0 million and \$4,139.8 million, respectively.

The Company also uses cross-currency interest rate swaps to hedge a portion of its net investment in its European operations. As of March 31, 2019, U.S. Dollar to Euro cross-currency interest rate swap contracts with a total notional amount of \$750.0 million were outstanding, with maturity dates in April 2022, January 2024 and January 2025. At maturity of each outstanding contract, the Company will receive U.S. Dollars from and pay Euros to the contract counterparty. During the term of each contract, the Company receives interest payments in U.S. Dollars and makes interest payments in Euros based on a notional amount and fixed interest rates determined at contract inception. The Company did not have any cross-currency interest rate swaps outstanding as of December 31, 2018.

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(Unaudited)

The effect of net investment hedges on accumulated other comprehensive income and the condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018 was as follows (in thousands):

Amount of gain or (loss) recognized in accumulated other comprehensive income:

	Three Months Ended March 31,	
	2019	2018
Foreign currency debt	\$63,914	\$(74,272)
Cross-currency interest rate swaps (included component) <sup>(1)</sup>	15,515	—
Cross-currency interest rate swaps (excluded component) <sup>(2)</sup>	(2,590 )	—
Total	\$76,839	\$(74,272)

Amount of gain or (loss) recognized in earnings:

	Three Months Ended March 31,		
	2019	2018	
	Location of gain or (loss)		
Cross-currency interest rate swaps (excluded component) <sup>(2)</sup>	Interest expense	\$4,163	\$—
Total	\$4,163	\$—	

<sup>(1)</sup> Included component represents foreign exchange spot rates.

<sup>(2)</sup> Excluded component represents cross-currency basis spread and interest rates.

**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 contracts that the Company uses to hedge this exposure are designated as cash flow hedges. As of March 31, 2019 and December 31, 2018, the total notional amounts of these foreign exchange contracts were \$874.4 million and \$760.9 million, respectively.

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

The effect of cash flow hedges on accumulated other comprehensive income and the condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018 was as follows (in thousands):

Amount of gain or (loss) recognized in accumulated other comprehensive income:

	Three Months Ended March 31,	
	2019	2018
Foreign currency forward contracts	\$10,965	\$(5,441 )

Amount of gain or (loss) reclassified from accumulated other comprehensive income to income:

	Three Months Ended March 31,	
	2019	2018
	Location of gain or (loss)	



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Foreign currency forward contracts	Revenues	\$9,861	\$(18,415)
Foreign currency forward contracts	Cost of revenues	(5,329 )	9,323
Total		\$4,532	\$(9,092 )

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

During the three months ended March 31, 2019 and 2018, the amounts of net gain or loss attributable to excluded components of cash flow hedges recognized in other comprehensive income and net income were not significant. As of March 31, 2019, the Company's cash flow hedge instruments had maturity dates ranging from April 2019 to March 2021 and the Company recorded a net gain of \$30.3 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, 2018, the Company's cash flow hedge instruments had maturity dates ranging from January 2019 to December 2020 and the Company recorded a net gain of \$21.4 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.

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 U.S. Dollar.

**Economic Hedges of Embedded Derivatives.** The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with the Company's customer agreements that are priced in currencies different from the functional or local currencies of the parties involved ("economic hedges of embedded derivatives"). Foreign currency forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date.

**Foreign Currency Forward Contracts.** The Company also uses foreign currency forward 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. As of March 31, 2019 and December 31, 2018, the total notional amounts of these foreign currency contracts were \$1,686.4 million and \$1,500.4 million, respectively.

The following table presents the effect of derivatives not designated as hedging instruments in the Company's condensed consolidated statements of operations (in thousands):

Amount of gain or (loss) recognized in earnings:

		Three Months Ended March 31,	
	Location of gain or (loss)	2019	2018
Embedded derivatives	Revenues	\$907	\$(2,445)
Economic hedge of embedded derivatives	Revenues	(57)	) 530
Foreign currency forward contracts	Other income (expense)	8,351	(4,120)
Total		\$9,201	\$(6,035)

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## Fair Value of Derivative Instruments

The following table presents the fair value of derivative instruments recognized in the Company's condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019		December 31, 2018	
	Assets (1)	Liabilities (2)	Assets (1)	Liabilities (2)
Designated as hedging instruments:				
Cash flow hedges				
Foreign currency forward contracts	\$46,383	\$ 373	\$38,606	\$ 865
Net investment hedges				
Cross-currency interest rate swaps	12,925	—	—	—
Total designated as hedging	59,308	373	38,606	865
Not designated as hedging instruments:				
Embedded derivatives	4,998	1,890	4,656	2,426
Economic hedges of embedded derivatives	—	557	525	180
Foreign currency forward contracts	13,047	244	29,287	6,269
Total not designated as hedging	18,045	2,691	34,468	8,875
Total Derivatives	\$77,353	\$ 3,064	\$73,074	\$ 9,740

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

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

## Offsetting Derivative Assets and Liabilities

The Company presents its derivative instruments and the accrued interest related to cross-currency interest rate swaps at gross fair values in the condensed consolidated balance sheets. 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 or the accrued interest related to cross-currency interest rate swaps under master netting arrangements. The following table presents information related to these offsetting arrangements as of March 31, 2019 and December 31, 2018 (in thousands):

Gross Amounts Offset in Consolidated Balance Sheet					
	Gross Amounts	Offset in the Balance Sheet	Net Amounts	Gross Amounts not Offset in the Balance Sheet	Net
March 31, 2019					
Derivative assets	\$86,391	\$	—\$ 86,391	\$ (6,001 )	\$80,390
Derivative liabilities	7,891	—	7,891	(6,001 )	1,890

December 31, 2018

Derivative assets	\$73,074	\$	—	\$73,074	\$(6,517)	)	\$66,557
Derivative liabilities	9,740	—		9,740	(6,517)	)	3,223

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## 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. Publicly traded equity securities are measured at fair value with changes in the fair values recognized within other income (expense) in the Company's condensed consolidated statements of operations.

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 March 31, 2019 and December 31, 2018.

The Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 were as follows (in thousands):

	Fair Value at March 31, 2019	Fair Value Measurement Using	
		Level 1	Level 2
Assets:			
Cash	\$830,918	\$830,918	\$—
Money market and deposit accounts	602,927	602,927	—
Publicly traded equity securities	2,231	2,231	—
Certificates of deposit	211,601	—	211,601
Derivative instruments <sup>(1)</sup>	77,353	—	77,353
Total	\$1,725,030	\$1,436,076	\$288,954
Liabilities:			
Derivative instruments <sup>(1)</sup>	\$3,064	\$—	\$3,064

- (1) Amounts are included within other current assets, other assets, others current liabilities and other liabilities in the Company's accompanying condensed consolidated balance sheet.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 were as follows (in thousands):

	Fair Value at December 31, 2018	Fair Value Measurement Using	
		Level 1	Level 2
<b>Assets:</b>			
Cash	\$ 486,648	\$486,648	\$—
Money market and deposit accounts	119,518	119,518	—
Publicly traded equity securities	1,717	1,717	—
Certificates of deposit	2,823	—	2,823
Derivative instruments <sup>(1)</sup>	73,074	—	73,074
<b>Total</b>	<b>\$ 683,780</b>	<b>\$607,883</b>	<b>\$75,897</b>
<b>Liabilities:</b>			
Derivative instruments <sup>(1)</sup>	\$ 9,740	\$—	\$9,740

<sup>(1)</sup> 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 March 31, 2019 and December 31, 2018.

## 7. Leases

The Company determines if an arrangement is or contains a lease at inception. The Company enters into lease arrangements primarily for data center spaces, office spaces and equipment. The Company recognizes a ROU asset and lease liability on the condensed consolidated balance sheet for all leases with a term longer than 12 months. The leases have remaining lease terms of 1 year to 47 years. As of March 31, 2019, the Company recorded finance lease assets of \$996.9 million, net of accumulated amortization of \$430.9 million, within the property, plant and equipment, net.

ROU assets represent the Company's right to use an underlying asset for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are classified and recognized at the commencement date. ROU liabilities are measured based on the present value of fixed lease payments over the lease term. ROU assets consist of (i) initial measurement of the lease liability; (ii) lease payments made to the lessor at or before the commencement date less any lease incentives received; and (iii) initial direct costs incurred by the Company. Lease payments may vary because of changes in facts or circumstances occurring after the commencement, including changes in inflation indices. Variable lease payments are excluded from the measurement of ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Since most of the Company's leases do not provide an implicit rate, the Company uses its own incremental borrowing rate ("IBR") on a collateralized basis in determining the present value of lease payments. The Company utilizes a market-based approach to estimate the IBR for each individual lease. The approach requires significant judgment. Therefore, the Company utilizes different data sets to estimate IBRs via an analysis of (i) yields on our outstanding public debt; (ii) yields on comparable credit rating composite curves; (iii) sovereign curve rates; and (iv) historical difference in yields on the curves of our secured and unsecured rated debt. The Company also applies adjustments to account for considerations related to (i) tenor and (ii) country credit rating that may not be fully incorporated by the aforementioned data sets.

The majority of the Company's lease arrangements include options to extend the lease. If the Company is reasonably certain to exercise such options, the periods covered by the options are included in the lease term. The depreciable lives of certain fixed assets and leasehold improvements are limited by the expected lease term. The Company has

certain leases with an initial term of 12 months or less. For such leases, the Company elects not to recognize any ROU asset or lease liability on the condensed consolidated balance sheet. The Company has lease agreements with lease and non-lease components. The Company elects to account for the lease and non-lease components as a single lease component for all classes of underlying assets for which the Company has identified lease arrangements.



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(Unaudited)

## Lease Expenses

The components of lease expenses are as follows (in thousands):

	Three Months Ended March 31, 2019
Finance lease cost	
Amortization of right-of-use assets <sup>(1)</sup>	\$20,086
Interest on lease liabilities	27,523
Total finance lease cost	47,609
Operating lease cost	51,639
Total lease cost	\$99,248

<sup>(1)</sup> Amortization of right-of-use assets is included with depreciation expense, and is recorded within cost of revenues, sales and marketing and general and administrative expenses in the condensed consolidated statements of operations.

## Other Information

Other information related to leases is as follows (in thousands):

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$26,604
Operating cash flows from operating leases	49,262
Financing cash flows from finance leases	31,158
Right-of-use assets obtained in exchange for lease obligations:	
Finance leases	\$16,307
Operating leases	28,987
Weighted-average remaining lease term - finance leases <sup>(1)</sup>	14 years
Weighted-average remaining lease term - operating leases <sup>(1)</sup>	13 years
Weighted-average discount rate - finance leases	10 %
Weighted-average discount rate - operating leases	4 %

<sup>(1)</sup> Includes lease renewal options that are reasonably certain to be exercised.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## Maturities of Lease Liabilities

Maturities of lease liabilities under Topic 842 as of March 31, 2019 are as follows (in thousands):

	Operating leases	Finance leases	Total
2019 (9 months remaining)	\$ 136,590	\$ 113,850	\$ 250,440
2020	192,859	158,582	351,441
2021	179,696	157,629	337,325
2022	172,042	158,349	330,391
2023	156,559	159,578	316,137
Thereafter	1,162,046	1,601,646	2,763,692
Total lease payments	1,999,792	2,349,634	4,349,426
Plus amount representing residual property value	—	18,654	18,654
Less amount representing interest	(551,108 )	(1,146,030 )	(1,697,138 )
Total	\$ 1,448,684	\$ 1,222,258	\$ 2,670,942

For the year ended December 31, 2018, the Company's operating lease, capital lease and other financing obligations under ASC Topic 840 are summarized as follows (in thousands):

	Capital Lease Obligations	Other Financing Obligations <sup>(1)</sup>	Total Capital Lease and Other Financing Obligations	Operating Leases
2019	\$ 103,859	\$ 80,292	\$ 184,151	\$ 187,280
2020	97,326	73,266	170,592	179,515
2021	95,414	73,672	169,086	166,159
2022	94,954	73,856	168,810	158,115
2023	95,463	69,423	164,886	147,677
Thereafter	878,755	722,496	1,601,251	1,130,494
Total minimum lease payments	1,365,771	1,093,005	2,458,776	1,969,240
Plus amount representing residual property value	—	389,643	389,643	—
Less amount representing interest	(602,026 )	(727,472 )	(1,329,498 )	—
Present value of net minimum lease payments	763,745	755,176	1,518,921	1,969,240
Less current portion	(43,498 )	(34,346 )	(77,844 )	—
Total	\$ 720,247	\$ 720,830	\$ 1,441,077	\$ 1,969,240

<sup>(1)</sup> Other financing obligations are primarily related to build-to-suit arrangements.

The Company entered into agreements with various landlords primarily to lease data center spaces which have not yet commenced as of March 31, 2019. These leases will commence between fiscal years 2019 and 2020, with lease terms of 5 to 29 years and a total lease commitment of approximately \$273.7 million.

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EQUINIX, INC.

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(Unaudited)

## 8. Debt Facilities

## Mortgage and Loans Payable

As of March 31, 2019 and December 31, 2018, the Company's mortgage and loans payable consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Term loans	\$1,321,371	\$1,344,482
Mortgage payable and loans payable	42,454	44,042
	1,363,825	1,388,524
Less amount representing unamortized debt discount and debt issuance cost	(6,105 )	(6,614 )
Add amount representing unamortized mortgage premium	1,825	1,882
	1,359,545	1,383,792
Less current portion	(72,796 )	(73,129 )
Total	\$1,286,749	\$1,310,663

## Senior Notes

As of March 31, 2019 and December 31, 2018, the Company's senior notes consisted of the following (in thousands):

	March 31, 2019		December 31, 2018	
	Amount	Effective Rate	Amount	Effective Rate
5.000% Infomart Senior Notes	\$750,000	4.40 %	\$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	841,500	3.08 %	859,125	3.08 %
5.750% Senior Notes due 2025	500,000	5.88 %	500,000	5.88 %
2.875% Euro Senior Notes due 2025	1,122,000	3.04 %	1,145,500	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	1,122,000	3.04 %	1,145,500	3.04 %
5.375% Senior Notes due 2027	1,250,000	5.51 %	1,250,000	5.51 %
	8,435,500		8,500,125	
Less amount representing unamortized debt issuance cost	(71,578 )		(75,372 )	
Add amount representing unamortized debt premium	3,951		5,031	
	8,367,873		8,429,784	
Less current portion	(300,488 )		(300,999 )	
Total	\$8,067,385		\$8,128,785	

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

**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 March 31, 2019 (in thousands):

Years ending:

2019 (9 months remaining)	\$ 354,653
2020	373,127
2021	222,777
2022	1,910,324
2023	1,002,462
Thereafter	5,937,807
Total	\$9,801,150

**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):

	March 31, 2019	December 31, 2018
Mortgage and loans payable	\$ 1,369,241	\$ 1,389,632
Senior notes	8,721,018	8,422,211

The fair values of the mortgage and loans payable and 5.000% Infomart Senior Notes, which were not publicly traded, were 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 March 31,	
	2019	2018
Interest expense	\$ 122,846	\$ 126,277
Interest capitalized	9,854	3,314
Interest charges incurred	\$ 132,700	\$ 129,591

Total interest paid, net of capitalized interest, during the three months ended March 31, 2019 and 2018 was \$136.3 million and \$103.7 million, respectively.

**9. Commitments and Contingencies****Commitments**

As a result of the Company's various IBX data center expansion projects, as of March 31, 2019, 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 March 31, 2019, such as commitments to purchase power in select locations through the remainder of 2019 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2019 and thereafter. Such other miscellaneous purchase commitments totaled approximately \$0.9 billion as of March 31, 2019. In addition, the Company entered



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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

into lease agreements in various locations that have not yet commenced as of March 31, 2019. For further information on lease commitments, see Note 7 above.

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.

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.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## 10. Stockholders' Equity

## Stockholders' Equity Rollforward

The following tables provide a rollforward of stockholders' equity for the three months ended March 31, 2019 and 2018 (in thousands):

	Common Stock Shares	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Dividends	AOCI (Loss)	Retained Earnings	Equinix Stockholders' Equity	Net Income	
Balance as of December 31, 2018	81,119,117	\$81	(396,859)	\$(145,161)	\$10,751,313	\$(3,331,200)	\$(945,702)	\$889,948	\$7,219,279	\$-
Adjustment from adoption of new accounting standard update	—	—	—	—	—	—	(5,973)	(5,973)	—	—
Net income (loss)	—	—	—	—	—	—	118,078	118,078	(3)	(3)
Other comprehensive income	—	—	—	—	—	3,337	—	3,337	7	7
Issuance of common stock and release of treasury stock for employee equity awards	360,464	—	1,706	360	27,233	—	—	—	27,593	—
Issuance of common stock for equity offering	2,985,575	3	—	—	1,213,431	—	—	—	1,213,434	—
Dividend distribution on common stock, \$2.46 per share	—	—	—	—	—	(198,933)	—	—	(198,933)	—
Settlement of accrued dividends on vested equity awards	—	—	—	—	284	(387)	—	—	(103)	—
Accrued dividends on unvested equity awards	—	—	—	—	—	(2,395)	—	—	(2,395)	—
Stock-based compensation,	—	—	—	—	50,795	—	—	—	50,795	—

net of estimated  
forfeitures

Balance as of  
March 31, 2019 84,465,156 \$84 (395,153) \$(144,801) \$12,043,056 \$(3,532,915) \$(942,365) \$1,002,053 \$8,425,112 \$0

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

	Common Stock Shares	Stock Amount	Treasury Stock Shares	Stock Amount	Additional Paid-in Capital	Accumulated Dividends	AOCI (Loss)	Retained Earnings	Equinix Stockholders' Equity
Balance as of December 31, 2017	79,440,404	\$79	(402,342)	\$(146,320)	\$10,121,323	\$(2,592,792)	\$(785,189)	\$252,689	\$6,849,790
Adjustment from adoption of new accounting standard update	—	—	—	—	—	—	(2,124)	271,900	269,776
Net income	—	—	—	—	—	—	—	62,894	62,894
Other comprehensive income	—	—	—	—	—	—	69,144	—	69,144
Issuance of common stock and release of treasury stock for employee equity awards	416,512	1	2,957	625	25,221	—	—	—	25,847
Dividend distribution on common stock, \$2.28 per share	—	—	—	—	—	(180,640)	—	—	(180,640)
Settlement of accrued dividends on vested equity awards	—	—	—	—	1,795	(530)	—	—	1,265
Accrued dividends on unvested equity awards	—	—	—	—	—	(2,216)	—	—	(2,216)
Stock-based compensation, net of estimated forfeitures	—	—	—	—	44,691	—	—	—	44,691
Balance as of March 31, 2018	79,856,916	\$80	(399,385)	\$(145,695)	\$10,193,030	\$(2,776,178)	\$(718,169)	\$587,483	\$7,140,551

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

## 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, 2018	Net Change	Balance as of March 31, 2019
Foreign currency translation adjustment ("CTA") loss	\$ (998,603 )	\$(81,726)	\$(1,080,329)
Unrealized gain on cash flow hedges <sup>(1)</sup>	19,480	8,224	27,704
Net investment hedge CTA gain <sup>(1)</sup>	34,325	76,850	111,175
Net actuarial loss on defined benefit plans <sup>(2)</sup>	(904 )	(11 )	(915 )
Accumulated other comprehensive loss attributable to Equinix	\$ (945,702 )	\$3,337	\$(942,365 )

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

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

<sup>(2)</sup> 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 March 31, 2019, 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, 2018. 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 three months ended March 31, 2019 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 March 2019, the Company issued and sold 2,985,575 shares of common stock in a public offering pursuant to a registration statement and a related prospectus and prospectus supplement. The shares issued and sold included the full exercise of the underwriters' option to purchase 389,422 additional shares. The Company received net proceeds of approximately \$1,213.4 million, net of underwriting discounts, commissions and offering expenses.

In August 2017, the Company established an "at-the-market" equity offering program (the "2017 ATM Program") under which the Company may, from time to time, issue and sell shares of its common stock to or through sales agents up to an aggregate of \$750.0 million. For the three months ended March 31, 2018, no sales occurred through the 2017 ATM program. As of December 31, 2018, no shares remained available for sale under the 2017 ATM Program. In December 2018, the Company launched another ATM program, under which it 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 "2018 ATM Program"). As of March 31, 2019, no sales have been made under the 2018 ATM Program.

## Stock-Based Compensation

For the three months ended March 31, 2019, 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 647,243 shares of restricted stock units to certain employees, including executive officers, pursuant to the 2000 Equity Incentive Plan.

These equity awards are subject to vesting provisions and have a weighted-average grant date fair value of \$429.03 and a weighted-average requisite service period of 3.67 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") per share as the performance measurements in the restricted stock units with both service and performance conditions that were granted in the three months ended March 31, 2019.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

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 the three months ended March 31, 2019. 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 2019 compared to the prior year. The following table presents, by operating expense category, the Company's stock-based compensation expense recognized in the Company's condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2019	2018
Cost of revenues	\$5,012	\$3,899
Sales and marketing	13,301	11,706
General and administrative	30,710	26,931
Total	\$49,023	\$42,536

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

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

	Three Months Ended March 31, 2019			
	Americas	EMEA	Asia-Pacific	Total
Colocation <sup>(1)</sup>	\$439,981	\$331,125	\$ 209,665	\$980,771
Interconnection	138,563	37,525	36,696	212,784
Managed infrastructure	21,787	29,088	21,920	72,795
Other <sup>(1)</sup>	5,979	2,499	—	8,478
Recurring revenues	606,310	400,237	268,281	1,274,828
Non-recurring revenues	38,056	34,423	15,911	88,390
Total	\$644,366	\$434,660	\$ 284,192	\$1,363,218

<sup>(1)</sup> Includes some leasing and hedging activities.

	Three Months Ended March 31, 2018			
	Americas	EMEA	Asia-Pacific	Total
Colocation <sup>(1)</sup>	\$427,125	\$288,061	\$ 166,198	\$881,384
Interconnection	129,253	34,977	30,769	194,999
Managed infrastructure	18,535	30,686	22,180	71,401
Other <sup>(1)</sup>	1,079	1,766	—	2,845
Recurring revenues	575,992	355,490	219,147	1,150,629
Non-recurring revenues	26,635	24,140	14,473	65,248
Total	\$602,627	\$379,630	\$ 233,620	\$1,215,877

<sup>(1)</sup> Includes some leasing and hedging activities.

No single customer accounted for 10% or greater of the Company's accounts receivable or revenues for the three months ended March 31, 2019 and 2018.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The Company defines adjusted EBITDA as income from operations excluding 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	
	March 31,	
	2019	2018
Adjusted EBITDA:		
Americas	\$307,838	\$291,549
EMEA	199,072	166,178
Asia-Pacific	153,245	121,788
Total adjusted EBITDA	660,155	579,515
Depreciation, amortization and accretion expense	(314,705 )	(306,465 )
Stock-based compensation expense	(49,023 )	(42,536 )
Impairment charges	(14,448 )	—
Acquisition costs	(2,471 )	(4,639 )
Income from operations	\$279,508	\$225,875

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

	Three Months	
	Ended	
	March 31,	
	2019	2018
Depreciation and amortization:		
Americas	\$166,770	\$157,578
EMEA	84,165	93,280
Asia-Pacific	62,243	56,710
Total	\$313,178	\$307,568
Capital expenditures:		
Americas	\$144,495	\$147,329
EMEA	164,355	154,391
Asia-Pacific	55,117	48,009
Total	\$363,967	\$349,729

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

	March 31,	December 31,
	2019	2018
Americas	\$4,982,068	\$5,010,507
EMEA	3,773,205	3,726,596
Asia-Pacific	2,142,937	2,288,917
Total long-lived assets	\$10,898,210	\$11,026,020

## 12. Subsequent Events

On May 1, 2019, the Company declared a quarterly cash dividend of \$2.46 per share, which is payable on June 19, 2019 to the Company's common stockholders of record as of the close of business on May 22, 2019.

On April 18, 2019, the Company completed the acquisition of Switch Datacenters' AMS1 data center business in Amsterdam, Netherlands, for a cash purchase price of approximately €30.6 million or approximately \$34.3 million, at the exchange rate in



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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

effect on April 18, 2019. The operating results of the acquisition will be reported in the EMEA region following the date of acquisition. The valuation of assets acquired and liabilities assumed are still being appraised by a third-party and the purchase price allocation is not yet complete.

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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 March 2019, as more fully described in Note 10 of the Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we issued and sold 2,985,575 shares of common stock in a public equity offering. We received net proceeds of approximately \$1,213.4 million, net of underwriting discounts, commissions and offering expenses.

## 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. Recent IBX openings and acquisitions have expanded our total global footprint to 202 IBX data centers across 52 markets around the world. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and exchange and (iii) outsourced IT infrastructure solutions. As of March 31, 2019, 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.

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

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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 cabinet utilization rates were approximately 80%, as of March 31, 2019, and 80%, excluding data centers acquired from Itconic and Zenium, as of March 31, 2018. Excluding the impact of our IBX data center expansion projects that have opened during the last 12 months, our cabinet utilization rate would have increased to approximately 83% as of March 31, 2019. Our cabinet 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, including but not limited to 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 both the three months ended March 31, 2019 and 2018, our largest customer accounted for approximately 3% of our recurring revenues. Our 50 largest customers accounted for approximately 39% and 38%, respectively, of our recurring revenues for the three months ended March 31, 2019 and 2018.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services 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 the contract term. Additionally, 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. 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.

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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. 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 March 31, 2019, our REIT structure included all of our data center operations in the U.S., Canada, Japan and the data center operations in EMEA 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, which was 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-gain 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 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 20, 2019, we paid a quarterly cash dividend of \$2.46 per share. We expect the amount of all of our 2019 quarterly distributions and other applicable distributions to equal or exceed the REIT's taxable income to be recognized in 2019.

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 months ended March 31, 2019 include the results of operations from the Metronode Acquisition from April 18, 2018 and the Infomart Dallas Acquisition from April 2, 2018.

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## Three Months Ended March 31, 2019 and 2018

Revenues. Our revenues for the three months ended March 31, 2019 and 2018 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three Months Ended March 31,				% Change		
	2019	%	2018	%	Actual	Constant Currency (1)	
<b>Americas:</b>							
Recurring revenues	\$606,310	44 %	\$575,992	48 %	5 %	7 %	%
Non-recurring revenues	38,056	3 %	26,635	2 %	43 %	44 %	%
	644,366	47 %	602,627	50 %	7 %	8 %	%
<b>EMEA:</b>							
Recurring revenues	400,237	29 %	355,490	29 %	13 %	21 %	%
Non-recurring revenues	34,423	3 %	24,140	2 %	43 %	54 %	%
	434,660	32 %	379,630	31 %	14 %	23 %	%
<b>Asia-Pacific:</b>							
Recurring revenues	268,281	20 %	219,147	18 %	22 %	26 %	%
Non-recurring revenues	15,911	1 %	14,473	1 %	10 %	14 %	%
	284,192	21 %	233,620	19 %	22 %	25 %	%
<b>Total:</b>							
Recurring revenues	1,274,828	93 %	1,150,629	95 %	11 %	15 %	%
Non-recurring revenues	88,390	7 %	65,248	5 %	35 %	41 %	%
	\$1,363,218	100 %	\$1,215,877	100 %	12 %	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 March 31, 2018, revenues for our Americas region for the three months ended March 31, 2019 included approximately \$10.6 million of incremental revenues from the Infomart Dallas Acquisition, which closed in April 2018. Excluding revenues attributable to the Infomart Dallas Acquisition, our Americas revenue growth was primarily due to (i) approximately \$18.8 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Dallas, Washington, D.C., Miami, São Paulo, Culpepper, Houston, Seattle and Silicon Valley metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$7.5 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 March 31, 2019 compared to the three months ended March 31, 2018.

EMEA Revenues. Our EMEA revenue growth was primarily due to (i) approximately \$28.5 million of revenues from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, 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 March 31, 2019, foreign currency fluctuations resulted in approximately \$33.1 million of unfavorable foreign currency impact to our EMEA revenues primarily due to a generally stronger U.S. Dollar relative to the Euro and British Pound during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The foreign currency impact to EMEA revenues was partially offset by realized cash flow hedge gains.

Asia-Pacific Revenues. Revenues for our Asia-Pacific region for the three months ended March 31, 2019 included approximately \$16.6 million of incremental revenues attributable to the Metronode Acquisition, which closed in April 2018. Excluding revenues attributable to the Metronode Acquisition, our Asia-Pacific revenue growth was primarily due to (i) approximately \$15.4 million of revenue generated from our recently-opened IBX data center expansions in the Hong Kong, Melbourne and Singapore metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the three months ended March 31, 2019, foreign currency fluctuations

resulted in approximately \$8.2 million of net unfavorable foreign currency impact to our Asia-Pacific revenues primarily due to a generally stronger U.S. Dollar relative to the Australian Dollar and Singapore Dollar during the three months ended March 31, 2019 compared to the three months ended March 31, 2018.



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Cost of Revenues. Our cost of revenues for the three months ended March 31, 2019 and 2018 were split among the following geographic regions (dollars in thousands):

	Three Months Ended March 31,				% Change			
	2019	%	2018	%	Actual	Constant	Actual	Constant
Americas	\$285,659	42 %	\$265,141	43 %	8 %	10 %	8 %	10 %
EMEA	242,454	35 %	226,170	36 %	7 %	15 %	7 %	15 %
Asia-Pacific	153,917	23 %	131,119	21 %	17 %	20 %	17 %	20 %
Total	\$682,030	100 %	\$622,430	100 %	10 %	14 %	10 %	14 %

Three  
Months  
Ended  
March 31,  
2019 2018

Cost of revenues as a percentage of revenues:

Americas	44 %	44 %
EMEA	56 %	60 %
Asia-Pacific	54 %	56 %
Total	50 %	51 %

**Americas Cost of Revenues.** As compared to the three months ended March 31, 2018, cost of revenues for our Americas region for the three months ended March 31, 2019 included approximately \$9.9 million incremental cost of revenues from the Infomart Dallas Acquisition. Excluding the impact from this acquisition, the increase in our Americas cost of revenues for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily due to i) an increase in costs of custom service orders of \$8.0 million and ii) an increase in bandwidth costs of \$3.3 million. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$5.1 million of net 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 March 31, 2019 compared to the three months ended March 31, 2018. We expect Americas cost of revenues to increase as we continue to grow our business, including from the results of recent acquisitions.

**EMEA Cost of Revenues.** The increase in our EMEA cost of revenues was primarily due to (i) \$17.8 million of higher other cost of sales, primarily consisting of costs of custom service orders and realized cash flow hedge losses and (ii) \$10.1 million of higher utilities costs driven by IBX expansions, increased usage and price increases in London, the Netherlands and Frankfurt, partially offset by i) a decrease of \$5.9 million in depreciation expense and (ii) \$3.9 million lower outside services consulting fees. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$18.6 million of net favorable foreign currency impact to our EMEA cost of revenues primarily due to a generally stronger U.S. Dollar relative to the Euro and British Pound during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. We expect EMEA cost of revenues to increase as we continue to grow our business.

**Asia-Pacific Cost of Revenues.** Cost of revenues for our Asia-Pacific region for the three months ended March 31, 2019 included approximately \$11.2 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 March 31, 2019 as compared to the three months ended March 31, 2018 was primarily due to \$11.7 million of higher utilities, rent and facility costs, primarily driven by expansions, higher rates and increased usage in Hong Kong, Japan and Singapore. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$3.9 million of net favorable foreign currency impact to our Asia-Pacific cost of revenues primarily due to a generally stronger U.S. Dollar relative to the Australian Dollar during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. We expect our Asia-Pacific cost of revenues to increase as we continue to grow our business, including from the impact of the Metronode Acquisition.



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Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended March 31, 2019 and 2018 were split among the following geographic regions (dollars in thousands):

	Three Months Ended March 31,				% Change			
	2019	%	2018	%	Actual	Constant Currency		
Americas	\$105,038	62 %	\$97,963	61 %	7 %	8 %		
EMEA	41,202	24 %	40,063	25 %	3 %	10 %		
Asia-Pacific	23,475	14 %	21,750	14 %	8 %	11 %		
Total	\$169,715	100 %	\$159,776	100 %	6 %	9 %		

Three  
Months  
Ended  
March 31,  
2019 2018

Sales and marketing expenses as a percentage of revenues:

Americas	16 %	16 %
EMEA	9 %	11 %
Asia-Pacific	8 %	9 %
Total	12 %	13 %

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to \$5.2 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (720 Americas sales and marketing employees as of March 31, 2019 versus 631 as of March 31, 2018). For the three months ended March 31, 2019, 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 March 31, 2018. We anticipate that we will continue to invest in Americas sales and marketing initiatives and expect our Americas sales and marketing expenses to increase as we continue to grow our business, including from the impact of recent acquisitions.

EMEA Sales and Marketing Expenses. Our EMEA sales and marketing expenses did not materially change during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. For the three months ended March 31, 2019, the impact of foreign currency fluctuations on our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the three months ended March 31, 2018. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues and expect our EMEA sales and marketing expenses to continue to increase as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. Our Asia-Pacific sales and marketing expenses did not materially change during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. For the three months ended March 31, 2019, 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 March 31, 2018. 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 from the impact of the Metronode Acquisition.

General and Administrative Expenses. Our general and administrative expenses for the three months ended March 31, 2019 and 2018 were split among the following geographic regions (dollars in thousands):

	Three Months Ended March 31,				% Change			
	2019	%	2018	%	Actual	Constant Currency		
Americas	\$147,138	69 %	\$135,877	67 %	8 %	9 %		
EMEA	45,342	21 %	46,850	23 %	(3) %	2 %		
Asia-Pacific	22,566	10 %	20,430	10 %	10 %	13 %		

Total \$215,046 100% \$203,157 100% 6 % 8 %

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	Three Months Ended March 31, 2019 2018	
General and administrative expenses as a percentage of revenues:		
Americas	23 %	23 %
EMEA	10 %	12 %
Asia-Pacific	8 %	9 %
Total	16 %	17 %

**Americas General and Administrative Expenses.** The increase in our Americas general and administrative expenses was primarily due to (i) \$4.4 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,371 Americas general and administrative employees as of March 31, 2019 versus 1,252 as of March 31, 2018); (ii) \$3.6 million of higher office, outside service consulting, and rent and facilities costs in support of our business growth and (iii) \$4.4 million of higher depreciation expense associated with the implementation of certain systems, including data management and cloud exchange systems, to improve our billing processes and to support the integration and growth of our business. During the three months ended March 31, 2019, 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 March 31, 2018. We have been investing in our Americas general and administrative functions to scale our business 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 our 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.** Our EMEA general and administrative expenses did not materially change during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The impact of foreign currency fluctuations on our EMEA general and administrative expenses for the three months ended March 31, 2019 was not significant when compared to average exchange rates of the three months ended March 31, 2018. 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.** Our Asia-Pacific general and administrative expenses did not materially change during the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses for the three months ended March 31, 2019 was not significant when compared to average exchange rates of the three months ended March 31, 2018. Going forward, although we are carefully monitoring our spending, we expect our Asia-Pacific general and administrative expenses to increase as we continue to support our growth, including the from impact of the Metronode Acquisition.

**Acquisition Costs.** During the three months ended March 31, 2019, we did not record a significant amount of acquisition costs. During the three months ended March 31, 2018, we recorded acquisition costs totaling \$4.6 million, primarily in the EMEA and Americas regions.

**Impairment Charge.** During the three months ended March 31, 2019, we recorded an impairment charge of \$14.4 million in the Americas region as a result of the fair value adjustment for the New York 12 ("NY12") data center, which was classified as a held for sale asset as of March 31, 2019. We did not have any impairment charges during the three months ended March 31, 2018.

**Income from Operations.** Our income from operations for the three months ended March 31, 2019 and 2018 was split among the following geographic regions (dollars in thousands):

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	Three Months Ended March 31,				% Change			
	2019	%	2018	%	Actual	Constant	Currency	
Americas	\$90,011	32 %	\$101,736	45 %	(12)%	(11 )%		
EMEA	105,007	38 %	64,103	28 %	64 %	78 %		
Asia-Pacific	84,490	30 %	60,036	27 %	41 %	46 %		
Total	\$279,508	100%	\$225,875	100%	24 %	29 %		

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Americas Income from Operations. The decrease in our Americas income from operations was primarily due to the \$14.4 million impairment charge on the NY12 data center. The impact of foreign currency fluctuations on our Americas income from operations for the three months ended March 31, 2019 was not significant when compared to average exchange rates of the three months ended March 31, 2018.

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 well as lower cost of revenues, sales and marketing and general and administrative expenses as a percentage of revenues. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$9.0 million of net unfavorable foreign currency impact to our EMEA income from operations primarily due to a generally stronger U.S. Dollar relative to the Euro and British Pound during the three months ended March 31, 2019 compared to the three months ended March 31, 2018.

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 the Metronode Acquisition, as described above, as well as lower cost of revenues, sales and marketing and general and administrative expenses as a percentage of revenues. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$3.1 million of net unfavorable foreign currency impact to our Asia-Pacific income from operations primarily due to a generally stronger U.S. Dollar relative to the Australian Dollar during the three months ended March 31, 2019 compared to the three months ended March 31, 2018.

Interest Income. Interest income was \$4.2 million and \$4.6 million, respectively, for the three months ended March 31, 2019 and 2018. The average annualized yield for the three months ended March 31, 2019 was 1.49% versus 0.90% for the three months ended March 31, 2018.

Interest Expense. Interest expense decreased to \$122.8 million for the three months ended March 31, 2019 from \$126.3 million for the three months ended March 31, 2018, primarily attributable to (i) the reduction in lease interest expense due to the conversion of certain build-to-suit leases to operating leases upon the adoption of ASC 842 and (ii) the utilization of cross-currency interest rate swaps beginning in the first quarter of 2019. During the three months ended March 31, 2019 and 2018, we capitalized \$9.9 million and \$3.3 million, respectively, of interest expense to construction in progress.

Other Income (Expense). We did not record a significant amount of net other expense during the three months ended March 31, 2019. We recorded net other expense of \$3.1 million for the three months ended March 31, 2018, which was primarily due to foreign currency exchange gains and losses.

Gain (Loss) on debt extinguishment. We did not record a significant loss on debt extinguishment during the three months ended March 31, 2019. We recorded a \$21.5 million loss on debt extinguishment during the three months ended March 31, 2018 primarily due to settlement of financing obligations as a result of our SK2 land and building purchase.

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, 2019 and 2018, 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 March 31, 2019 and 2018.

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 March 31, 2019 and 2018.

For the three months ended March 31, 2019 and 2018, we recorded \$42.6 million and \$16.8 million of income tax expense, respectively. Our effective tax rates were 26.6% and 21.0%, respectively, for the three months ended March 31, 2019 and 2018.





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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 excluding 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 March 31, 2019 and 2018 was split among the following geographic regions (dollars in thousands):

	Three Months Ended March 31,				% Change		Actual	Constant Currency
	2019	%	2018	%	%	%		
Americas	\$307,838	47 %	\$291,549	50 %	6 %	7 %		
EMEA	199,072	30 %	166,178	29 %	20 %	29 %		
Asia-Pacific	153,245	23 %	121,788	21 %	26 %	30 %		
Total	\$660,155	100 %	\$579,515	100 %	14 %	18 %		

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to 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 three months ended March 31, 2019 was not significant when compared to average exchange rates of the three months ended March 31, 2018.

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, as described above, as well as lower cost of revenues, sales and marketing and general and administrative expenses as a percentage of revenues. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$16.1 million of net unfavorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally stronger U.S. Dollar relative to the Euro and British Pound during the three months ended March 31, 2019 compared to the three months ended March 31, 2018.

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, and lower cost of revenues, sales and marketing and general and administrative expenses as a percentage of revenues. During the three months ended March 31, 2019, foreign currency fluctuations resulted in approximately \$4.8 million of net unfavorable foreign currency impact to our Asia-Pacific adjusted EBITDA primarily due to a generally stronger U.S. Dollar relative to the Australian Dollar during the three months ended March 31, 2019 compared to the three months ended March 31, 2018.

#### 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 a data center, although we may incur initial construction costs in future periods with respect to additional IBX data centers, and future capital expenditures

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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.

**Adjusted EBITDA**

We define adjusted EBITDA as income or loss from operations excluding 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 March 31,	
	2019	2018
Income from operations	\$279,508	\$225,875
Depreciation, amortization, and accretion expense	314,705	306,465
Stock-based compensation expense	49,023	42,536
Acquisition costs	2,471	4,639
Impairment charges	14,448	—
Adjusted EBITDA	\$660,155	\$579,515

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.

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

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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.

Our FFO and AFFO for the three months ended March 31, 2019, and 2018 were as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Net income	\$117,747	\$62,894
Net loss attributable to non-controlling interests	331	—
Net income attributable to Equinix	118,078	62,894
Adjustments:		
Real estate depreciation	205,649	222,855
Loss on disposition of real estate property	2,346	5,006
FFO attributable to common shareholders	\$326,073	\$290,755

	Three Months Ended March 31,	
	2019	2018
FFO attributable to common shareholders	\$326,073	\$290,755
Adjustments:		
Installation revenue adjustment	1,029	2,159
Straight-line rent expense adjustment	2,378	2,301
Contract cost adjustment	(6,778)	(3,355)
Amortization of deferred financing costs and debt discounts and premiums	2,995	4,099
Stock-based compensation expense	49,023	42,536
Non-real estate depreciation expense	57,994	34,097
Amortization expense	49,535	50,616
Accretion expense (adjustment)	1,527	(1,103)
Recurring capital expenditures	(20,947)	(35,231)
Loss on debt extinguishment	382	21,491
Acquisition costs	2,471	4,639
Impairment charges	14,448	—
Income tax expense adjustment	7,990	1,572
AFFO attributable to common shareholders	\$488,120	\$414,576

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

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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 three months ended March 31, 2018 are used as exchange rates for the three months ended March 31, 2019 when comparing the three months ended March 31, 2019 with the three months ended March 31, 2018).

**Liquidity and Capital Resources**

As of March 31, 2019, our total indebtedness was comprised of debt and financing obligations totaling \$11.0 billion consisting of (a) \$8,435.5 million of principal from our senior notes, (b) approximately \$1,222.3 million from our finance lease liabilities, and (c) \$1,365.7 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 2019, we issued and sold 2,985,575 shares of common stock in a public equity offering and received net proceeds of approximately \$1,213.4 million, net of underwriting discounts, commissions and offering expenses. As of March 31, 2019, we had \$1,647.7 million of cash, cash equivalents and short-term 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 2018 ATM Program as described below.

As of March 31, 2019, we had 43 irrevocable letters of credit totaling \$69.4 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 December 2018, we launched the 2018 ATM Program to sell up to \$750.0 million of common stock in at the market offerings. As of March 31, 2019, no shares had been sold under the 2018 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 and joint ventures. 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**

	Three Months Ended	
	March 31,	
	2019	2018
	(dollars in thousands)	
Net cash provided by operating activities	\$421,141	\$300,907
Net cash used in investing activities	(378,467 )	(364,926 )
Net cash provided by financing activities	986,932	674,025

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 three months ended March 31, 2018 to the three months ended March 31, 2019 primarily due to improved operating results offset by increases in cash paid for cost of revenues, operating expenses and income taxes.

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**Investing Activities.** The net cash used in investing activities for the three months ended March 31, 2019 was primarily due to capital expenditures of \$364.0 million as a result of our expansion activity, purchase of certificates of deposit of \$9.3 million, and purchases of real estate of \$5.7 million, partially offset by proceeds from sales of investments of \$0.5 million. The net cash used in investing activities for the three months ended March 31, 2018 was primarily due to capital expenditures of \$349.7 million as a result of our expansion activity, purchase of certificates of deposit of \$29.3 million, and purchases of real estate of \$14.7 million, partially offset by proceeds from sales and maturities of investments of \$28.8 million.

We anticipate our IBX expansion construction activity will increase from our 2018 levels. 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 three months ended March 31, 2019 was primarily due to sale of 2,985,575 shares of common stock in a public equity offering for net proceeds of approximately \$1,213.4 million and proceeds from employee stock purchase plan of \$27.6 million. The proceeds were partially offset by (i) dividend distributions of \$204.6 million; (ii) repayments of finance lease liabilities of \$31.2 million and (iii) repayments of mortgage and loans payable of \$18.3 million. The net cash provided by financing activities for the three months ended March 31, 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 \$25.8 million. The proceeds were partially offset by (i) dividend distributions of \$187.0 million; (ii) repayments of capital lease and other financing obligations of \$55.8 million; (iii) payment of debt extinguishment costs of \$20.7 million; (iv) payment of debt issuance costs of \$11.6 million and (v) repayments of mortgage and loans payable of \$6.6 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 lease agreements expiring through 2065. The following represents our debt maturities, financings, leases and other contractual commitments as of March 31, 2019 (in thousands):

	2019 (9 months remaining)	2020	2021	2022	2023	Thereafter	Total
Term loans and other loans payable <sup>(1)</sup>	\$54,653	\$73,127	\$72,777	\$1,160,324	\$2,462	\$2,307	\$1,365,650
Senior notes <sup>(1)</sup>	300,000	300,000	150,000	750,000	1,000,000	5,935,500	8,435,500
Interest <sup>(2)</sup>	287,366	389,373	373,073	346,615	276,356	597,351	2,270,134
Finance leases <sup>(3)</sup>	113,850	158,582	157,629	158,349	159,578	1,601,646	2,349,634
Operating leases <sup>(3)</sup>	136,590	192,859	179,696	172,042	156,559	1,162,046	1,999,792
Other contractual commitments <sup>(4)</sup>	1,291,952	159,091	42,002	27,790	19,779	150,394	1,691,008
Asset retirement obligations <sup>(5)</sup>	6,721	3,875	4,019	11,791	5,588	67,503	99,497
	\$2,191,132	\$1,276,907	\$979,196	\$2,626,911	\$1,620,322	\$9,516,747	\$18,211,215

(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 March 31, 2019, as well as the credit facility fee for the revolving credit facility.

(3) Represents lease payments under finance and operating lease arrangements, including renewal options that are certain to be exercised.

(4) Represents off-balance sheet arrangements. Other contractual commitments are described below.

(5) 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 \$69.4 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 \$114.9 million as of March 31, 2019. 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 March 31, 2019, we were contractually committed for \$801.3 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 2019 and thereafter, is reflected in the table above as "other contractual commitments."

We had other non-capital purchase commitments in place as of March 31, 2019, 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 2019 and beyond. Such other purchase commitments as of March 31, 2019, which total \$889.7 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 \$273.7 million, excluding potential lease renewals. These lease agreements will commence between fiscal years 2019 and 2020 with lease terms of 5 to 29 years, which are not reflected in the table above.

### 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, 2018.

### 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 three months ended March 31, 2019 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, 2018, 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 reduce, but do not entirely eliminate, the impact of currency exchange rate movements and its impact on the consolidated statements of operations.



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We have entered into various foreign currency debt obligations. As of March 31, 2019, the total principal amount of foreign currency debt obligations was \$4.4 billion, including \$3.1 billion denominated in Euro, \$617.3 million denominated in British Pound, \$417.7 million denominated in Japanese Yen and \$286.3 million denominated in Swedish Krona. As of March 31, 2019, we have designated \$4.1 billion of the total principal amount of foreign currency debt obligations as net investment 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 forward points, are recorded as a component of other comprehensive income (loss) in the consolidated balance sheets. 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 debt obligations at maturity. If the U.S. Dollar would have been weaker or stronger by 10% in comparison to these foreign currencies as of March 31, 2019, we estimate our obligation to cash settle the principal of these foreign currency debt obligations in U.S. Dollars would have increased or decreased by approximately \$489.7 million and \$400.6 million, respectively.

In 2019, we also entered into cross-currency interest rate swaps where we receive a fixed amount of U.S. Dollars and pay a fixed amount of Euros, with a total notional amount of \$750.0 million. The cross-currency interest rate swaps are designated as hedges of our net investment in its European operations and changes in the fair value of these swaps are recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheet. If the U.S. Dollar weakened or strengthened by 10% in comparison to Euro, the amount recorded in accumulated other comprehensive income (loss) related to the cross-currency interest rate swaps would have been approximately \$94.6 million lower or \$77.4 million higher as of March 31, 2019.

The U.S. Dollar strengthened relative to certain of the currencies of the foreign countries in which we operate during the three months ended March 31, 2019. This has 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 impact us in future periods.

With the existing cash flow hedges in place, a hypothetical additional 10% strengthening of the U.S. Dollar for the three months ended March 31, 2019 would have resulted in a reduction of our revenues and operating expenses including depreciation and amortization expense by approximately \$39.4 million and \$37.5 million, respectively.

With the existing cash flow hedges in place, a hypothetical additional 10% weakening of the U.S. Dollar for the three months ended March 31, 2019 would have resulted in an increase of our revenues and operating expenses including depreciation and amortization expense by approximately \$47.2 million and \$46.1 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 March 31, 2019 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 \$12.9 million or decrease by a total of approximately \$5.3 million based on the total balance of our primary borrowings under the Term Loan Facility as of March 31, 2019. As of March 31, 2019, 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 March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. While we implemented certain internal controls related to the adoption of ASC 842, Leases, to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard

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on our financial statements to facilitate the adoption effective January 1, 2019, we do not believe these have had a material effect on our internal control over financial reporting.

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

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

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

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 sometimes do not receive all of the customer contracts associated with our acquisitions in the diligence process, 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 March 31, 2019, our total indebtedness (gross of debt issuance cost, debt discount, and debt premium) was approximately \$11.0 billion, our stockholders' equity was \$8.4 billion and our cash, cash equivalents, and investments totaled \$1.6 billion. In addition, as of March 31, 2019, 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 lease agreements, some of which are accounted for as operating leases. As of March 31, 2019, we recorded operating lease liabilities of \$1.4 billion, which represents our obligation to make lease payments under those lease arrangements.

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, or of a downgrade to our current rating;

• make it more difficult for us to satisfy our obligations under our various debt instruments;

• increase our cost of borrowing and even limit our ability to access additional debt to fund future growth;

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• 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, 2018, 2017 and 2016, we recognized approximately 55%, 55% and 57%, 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. We have 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 to or through sales agents up to established limits. By the end of 2018, we completed sales having aggregate gross proceeds of \$750.0 million, thereby completing a previously authorized program, and subsequently received authorization for up to an additional \$750.0 million. We may also seek authorization to sell additional shares of common stock under the ATM Program once we have reached the current \$750.0 million limit which could lead to additional dilution for our stockholders. Please see Note 10 of the Notes to the 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 and real estate investment trust 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



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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.

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 Part I Item 3 of this Quarterly Report on Form 10-Q.

Our derivative transactions expose us to counterparty credit risk.

Our derivative transactions expose us to risk of financial loss if a counterparty fails to perform under a derivative contract. Disruptions in the financial markets could lead to sudden decreases in a counterparty's liquidity, which could make them unable to perform under the terms of their derivative contract and we may not be able to realize the benefit of the derivative contract.

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. generally accepted accounting principles ("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 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, derivatives and hedging 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. These construction projects expose us to many risks which could have an adverse effect on our operating results and financial condition. Some of the risks associated with these projects include:

- construction delays;
- lack of availability and delays for data center equipment, including items such as generators and switchgear;
- unexpected budget changes;
- increased prices for building supplies, raw materials and data center equipment;
- labor availability, labor disputes and work stoppages with contractors, subcontractors and other third parties;
- unanticipated environmental issues and geological problems; and
- delays related to permitting from public agencies and utility companies.

Additionally, all construction related projects require 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.

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.



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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 finalized 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. The Clean Power Plan was challenged in court and the rule has not been implemented because litigation is ongoing. In August 2018, the U.S. EPA issued a proposed rule that would replace the Clean Power Plan with the "Affordable Clean Energy" rule. Under the Affordable Clean Energy rule, coal-fired power plants will be required to make efficiency improvements to reduce their GHG emissions. The U.S. EPA expects to finalize the Affordable Clean Energy rule in 2019, but the rule will likely be challenged in court, which may delay its implementation. 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. Certain states, like California, also have issued or may enact environmental regulations that could materially affect our facilities and electricity costs. California has limited GHG emissions from new and existing conventional power plants by imposing regulatory caps and by selling or auctioning the rights to emission allowances. Washington, Oregon and Massachusetts have issued regulations to implement similar carbon cap and trade programs, and other states are considering proposals to limit carbon emissions through cap and trade programs, carbon pricing programs and other mechanisms. Some 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, they could have a material adverse effect on electricity costs 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 key executives and qualified personnel, our business could be harmed.

In connection with the evolving needs of our customers and our business, and under the direction of our new chief executive officer, we have undertaken a review of our organizational architecture. To the extent that we make changes to our organizational architecture as a result of that review, there can be no assurances that the changes won't result in attrition, or that any changes will result in increased organizational effectiveness. We must also continue to identify, hire, train and retain key 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 key executives and personnel could cause disruption, harm our business and hamper our ability to grow our company.

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

The global multi-tenant data center market is highly fragmented. It is estimated that Equinix is one of more than 1,200 companies that provide these offerings around the world. Equinix competes with these firms which vary in terms of their data center offerings. 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.

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

We are also in discussions with a targeted set of hyperscale customers to develop capacity to serve their larger footprint needs by leveraging existing capacity and dedicated hyperscale builds. We have announced our intention to seek a joint venture partner for certain of our hyperscale builds. There can be no assurances that we find such partner or that we are able to successfully meet the needs of these customers.

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

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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.

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

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

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

Power outages, 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.

On January 29, 2019, Pacific Gas and Electric Company ("PG&E"), the public utility that serves the area in which some of our facilities are located, filed for bankruptcy protection in the United States Bankruptcy Court for the Northern District of California, San Francisco ("Bankruptcy Court"). PG&E announced that it filed for bankruptcy to facilitate the resolution of liabilities in connection with the 2017 and 2018 Northern California wildfires. It is possible that, during its bankruptcy, PG&E may seek permission from the Bankruptcy Court to reject, i.e., breach, certain burdensome executory contracts, including high-priced power purchase agreements and other agreements under which PG&E procures electricity for distribution to customers like us. It is not certain that PG&E will be able to obtain such relief. Just before the bankruptcy filing, the Federal Energy Regulatory Commission ("FERC") ruled that its approval is required before PG&E may reject any FERC-jurisdictional wholesale power agreements. If PG&E seeks and is allowed to reject power agreements, it is difficult to predict the consequences of any such action for us but they could potentially include procuring electricity from more expensive sources, reducing the availability and reliability of electricity supplied to our facilities and relying on a larger percentage of electricity generated by fossil fuels, any of which could reduce supplies of electricity available to our operations or increase our costs of electricity.

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, 2018, in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, our internal controls over financial reporting were effective. Our ability to manage

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our operations and growth, through, for example, the integration of Metronode, Infomart Dallas, Itonic, and Zenium, 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:

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

- changes in our tax planning strategies or failure to realize anticipated benefits from such strategies;
- changes in income tax benefit or expense; and
- changes in or new GAAP as periodically released by the Financial Accounting Standards Board ("FASB").

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations and financial condition. Although we have experienced growth in revenues in recent quarters, this

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

Our days sales outstanding ("DSO") may be negatively impacted by process and system upgrades and acquisitions. Our DSO may be negatively impacted by ongoing process and system upgrades which can impact our customers' 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 controls, which could require us to make costly changes to our operational processes and accounting systems upon or following the adoption of these standards. For example, we adopted the new lease accounting standard on January 1, 2019, which requires lessees to recognize right-of-use assets and right-of-use liabilities related to operating leases. As a result, we will record significant operating lease obligations on our balance sheet and make other changes in our financial statements, which will have a material effect on our financial statements. We are also implementing a new lease accounting tool, which may impact our accounting and reporting process. This, and other future changes to accounting rules, could have a material adverse effect on the reporting of our business, financial condition and results of operations. For additional information regarding the accounting standard updates, see the "Accounting Standards Not Yet Adopted" and "Accounting Standards Adopted" sections of Note 1 of Notes to Condensed Consolidated Financial Statements in Item I of this Quarterly Report on Form 10-Q.

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

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

We also 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 March 31, 2019, our retained earnings were \$1.0 billion. 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.

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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 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.

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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 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.

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, carbon emissions impact, 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:

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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

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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 of the Code.

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
- 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 a quarterly distribution in March of 2019 and have declared a quarterly distribution to be paid on June 19, 2019. 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

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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 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; we also pay taxes in the foreign jurisdictions in which our international assets and operations are held and conducted regardless of our REIT status. 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.

The Code limits 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". Although REITs are permitted to make such an election, we do not currently intend to do so. If we so elect in the future, depreciable real property that we hold (including specified improvements) would be required to 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 40 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



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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.

The Code imposes 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.

Our cash distributions are not guaranteed and may fluctuate.

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

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

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

Even if we remain qualified for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and assets, 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 (currently 21%) 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 qualified REIT subsidiaries 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.

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 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 corporate "qualified"

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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 Internal Revenue Service, 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 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 and modifications to the calculation of taxable income, including changes to credits and deductions available to businesses and 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 still uncertain in many respects, 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 guidance in order to assess their effect. 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.

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.

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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	
<u>2.1</u>	<u>Rule 2.7 Announcement, dated as of May 29, 2015. Recommended Cash and Share Offer for Telecity Group plc by Equinix, Inc.</u>	8-K	5/29/15	2.1	
<u>2.2</u>	<u>Cooperation Agreement, dated as of May 29, 2015, by and between Equinix, Inc. and Telecity Group plc.</u>	8-K	5/29/15	2.2	
<u>2.3</u>	<u>Amendment to Cooperation Agreement, dated as of November 24, 2015, by and between Equinix, Inc. and Telecity Group plc.</u>	10-K	12/31/15	2.3	
<u>2.4</u>	<u>Transaction Agreement, dated as of December 6, 2016, by and between Verizon Communications Inc. and Equinix, Inc.</u>	8-K	12/6/16	2.1	
<u>2.5</u>	<u>Amendment No. 1 to the Transaction Agreement, dated February 23, 2017, by and between Verizon Communications Inc. and Equinix, Inc.</u>	10-K	12/31/16	2.5	
<u>2.6</u>	<u>Amendment No.2 to the Transaction Agreement, dated April 30, 2017, by and between Verizon Communications Inc. and Equinix, Inc.</u>	8-K	5/1/17	2.1	
<u>2.7</u>	<u>Amendment No.3 to the Transaction Agreement, dated June 29, 2018, by and between Verizon Communications Inc. and Equinix, Inc.</u>	10-Q	8/8/18	2.7	
<u>3.1</u>	<u>Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.</u>	10-K/A	12/31/02	3.1	
<u>3.2</u>	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant.</u>	8-K	6/14/11	3.1	
<u>3.3</u>	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant.</u>	8-K	6/11/13	3.1	
<u>3.4</u>	<u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant.</u>	10-Q	6/30/2014	3.4	
<u>3.5</u>	<u>Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.</u>	10-K/A	12/31/02	3.3	
<u>3.6</u>	<u>Amended and Restated Bylaws of the Registrant.</u>	8-K	3/29/16	3.1	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6.				

<u>4.2</u>	<u>Indenture for the 2023 Notes dated March 5, 2013 between Equinix, Inc. and U.S. Bank National Association as trustee.</u>	8-K	3/5/13	4.3
4.3	Form of 5.375% Senior Note due 2023 (see Exhibit 4.2).			
<u>4.4</u>	<u>Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	11/20/14	4.1

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Exhibit Number	Exhibit Description	Incorporated by Reference		Exhibit	Filed Herewith
		Form	Filing Date/Period End Date		
<u>4.5</u>	<u>First Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	11/20/14	4.2	
4.6	Form of 5.375% Senior Note due 2022 (see Exhibit 4.5).				
<u>4.7</u>	<u>Second Supplemental Indenture, dated as of November 20, 2014, between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	11/20/14	4.4	
4.8	Form of 5.750% Senior Note due 2025 (see Exhibit 4.7).				
<u>4.9</u>	<u>Third Supplemental Indenture, dated as of December 4, 2015, between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	12/04/15	4.2	
4.10	Form of 5.875% Senior Note due 2026 (see Exhibit 4.9).				
<u>4.11</u>	<u>Fourth Supplemental Indenture, dated as of March 22, 2017 between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	3/22/17	4.2	
4.12	Form of 5.375% Senior Notes due 2027 (see Exhibit 4.11).				
<u>4.13</u>	<u>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.</u>	8-K	9/20/17	4.2	
4.14	Form of 2.875% Senior Notes due 2025 (see Exhibit 4.13).				
<u>4.15</u>	<u>Indenture, dated as of December 12, 2017, between Equinix, Inc. and U.S. Bank National Association, as trustee.</u>	8-K	12/05/17	4.1	
<u>4.16</u>	<u>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.</u>	8-K	12/05/17	4.2	
4.17	Form of 2.875% Senior Notes due 2026 (see Exhibit 4.16).				
<u>4.18</u>	<u>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.</u>	8-K	03/14/18	4.2	



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- 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 04/03/18 4.2
- 4.21 Form of 5.00% Senior Notes due April 2019 (see Exhibit 4.20).

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Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Filing Date/ Period End Date	Filed Herewith Exhibit
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).			
<u>4.26</u>	<u>Form of Registrant's Common Stock Certificate.</u>	10-K	12/31/14	4.13
<u>10.1**</u>	<u>Form of Indemnification Agreement between the Registrant and each of its officers and directors.</u>	S-4 (File No. 333-93749)	12/29/1999	10.5
<u>10.2**</u>	<u>2000 Equity Incentive Plan, as amended.</u>	10-K	12/31/16	10.2
<u>10.3**</u>	<u>2000 Director Option Plan, as amended.</u>	10-K	12/31/16	10.3
<u>10.4**</u>	<u>2001 Supplemental Stock Plan, as amended.</u>	10-K	12/31/16	10.4
<u>10.5**</u>	<u>Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.</u>	10-Q	6/30/14	10.5
<u>10.6**</u>	<u>Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.</u>	10-K	12/31/08	10.32
<u>10.7**</u>	<u>Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.</u>	10-K	12/31/08	10.33
<u>10.8**</u>	<u>Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.</u>	10-K	12/31/08	10.35
<u>10.9**</u>	<u>Switch &amp; Data 2007 Stock Incentive Plan.</u>	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company	2/5/07	10.9
<u>10.10**</u>	<u>Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30, 2010.</u>	10-Q	9/30/10	10.42

<u>10.11</u> **	<u>Form of amendment to existing severance agreement between the Registrant and each of Messrs. Meyers, Taylor and Van Camp.</u>	10-K	12/31/10	10.33
<u>10.12</u> **	<u>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.</u>	10-K	12/31/10	10.34
<u>10.13</u> **	<u>International Long-Term Assignment Letter by and between Equinix, Inc. and Eric Schwartz, dated May 21, 2013.</u>	10-Q	6/30/13	10.51
<u>10.14</u> **	<u>Employment Agreement by and between Equinix (EMEA) B.V. and Eric Schwartz, dated as of August 7, 2013.</u>	10-Q	9/30/13	10.54

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Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/Period End Date	
<u>10.15</u> **	<u>Change in Control Severance Agreement by and between Karl Strohmeyer and Equinix, Inc. dated December 2, 2013.</u>	10-Q	3/31/14	10.51
<u>10.16</u> **	<u>Change in Control Severance Agreement by and between Mike Campbell and Equinix, Inc. dated June 23, 2016.</u>			X
<u>10.17</u> **	<u>2016 Form of Revenue/AFFO Restricted Stock Unit Agreement for executives.</u>	10-Q	3/31/16	10.57
<u>10.18</u> **	<u>2016 Form of TSR Restricted Stock Unit Agreement for executives.</u>	10-Q	3/31/16	10.58
<u>10.19</u> **	<u>2016 Form of Time-Based Restricted Stock Unit Agreement for executives.</u>	10-Q	3/31/16	10.59
<u>10.20</u> **	<u>2017 Form of Revenue/AFFO Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/17	10.35
<u>10.21</u> **	<u>2017 Form of TSR Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/17	10.36
<u>10.22</u> **	<u>2017 Form of Time-Based Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/17	10.37
<u>10.23</u> **	<u>Equinix, Inc. Annual Incentive Plan.</u>	10-Q	3/31/17	10.39
<u>10.24</u> **	<u>2018 Form of Revenue/AFFO Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/18	10.31
<u>10.25</u> **	<u>2018 Form of TSR Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/18	10.32
<u>10.26</u> **	<u>2018 Form of Time-Based Restricted Stock Unit Agreement for Executives.</u>	10-Q	3/31/18	10.33
<u>10.27</u> **	<u>Equinix, Inc. Annual Incentive Plan 2018 Award Agreement for Executive Staff Employees.</u>	10-Q	3/31/18	10.34
<u>10.28</u> **	<u>2019 Equinix, Inc. Annual Incentive Plan.</u>			X
<u>10.29</u> **	<u>2019 Form of Revenue/AFFO per Share Restricted Stock Unit Agreement for Executives.</u>			X
<u>10.30</u> **	<u>2019 Form of TSR Restricted Stock Unit Agreement for Executives.</u>			X

10.31\*\* 2019 Form of Time-Based Restricted Stock Unit Agreement for Executives. X

10.32 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 Participações 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 9/30/14 10.67

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
<u>10.33</u>	<u>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.</u>	10-Q	6/30/16	10.55	
<u>10.34**</u>	<u>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.</u>	10-Q	6/30/16	10.56	
<u>10.35</u>	<u>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.</u>	10-K	12/31/2017	10.40	
<u>10.36</u>	<u>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.</u>	10-Q	8/8/2018	10.35	
<u>10.37</u>	<u>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.</u>	10-Q	8/8/2018	10.36	
<u>10.38**</u>	<u>Relocation Letter Agreement by and between Equinix, Inc. and Charles Meyers dated October 12, 2018.</u>	10-K	2/22/2019	10.37	
<u>21.1</u>	<u>Subsidiaries of Equinix, Inc.</u>				X
<u>31.1</u>	<u>Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
<u>31.2</u>	<u>Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
<u>32.1</u>	<u>Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				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

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Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
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: May 3, 2019

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

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INDEX TO EXHIBITS

Exhibit  
Number Description of Document

10.16\*\* Change in Control Severance Agreement by and between Mike Campbell and Equinix, Inc. dated June 23, 2016.

10.28\*\* 2019 Equinix, Inc. Annual Incentive Plan.

10.29\*\* 2019 Form of Revenue/AFFO per Share Restricted Stock Unit Agreement for Executives.

10.30\*\* 2019 Form of TSR Restricted Stock Unit Agreement for Executives.

10.31\*\* 2019 Form of Time-Based Restricted Stock Unit Agreement for Executives.

21.1 Subsidiaries of Equinix, Inc.

31.1 Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CALXBRL Taxonomy Extension Calculation Document.

101.DEF XBRL Taxonomy Extension Definition Document.

101.LABXBRL Taxonomy Extension Labels Document.

101.PRE XBRL Taxonomy Extension Presentation Document.

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