

# Quarterly Industry Update

As of September 30, 2016

Industry: Colocation



## Industry Summary

Cogent Valuation identified Colocation publicly traded companies, IPOs, and recent M&A transactions within the Colocation industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Over the last year since September 30, 2015, the median 52-week share price return of the Colocation industry was 27.8%. Between September 30, 2014 and September 30, 2016, the median EV/EBITDA multiple decreased from 15.6 to 15.4. However, the median price-to-earnings multiple increased from 45.2 to 69.2 over the same period.

## Comparable Public Company Key Statistics

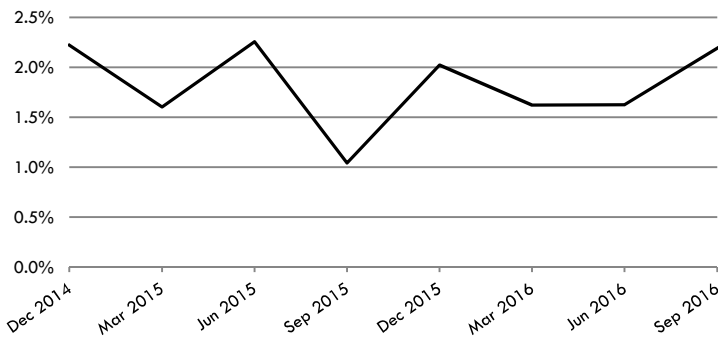
Median 52-Week Return	27.8%	Median EV/Revenue Multiple	5.1x	Median Price/Earnings Multiple	69.2x
Median 3-Year CAGR Return	17.0%	Median EV/EBITDA Multiple	15.4x	Median EV/Gross CF Multiple	27.6x

## Comparable Public Company Market Price Returns As of September 30, 2016

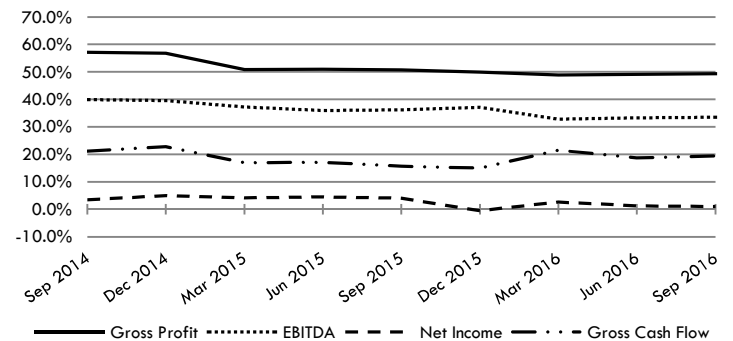
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2015	2014	2013	2012	2011
21Vianet Group, Inc.	-62.4%	-22.1%	-56.5%	-33.5%	-21.6%	-4.8%	36.7%	-34.2%	144.7%	5.0%	N/A
Digital Realty Trust Inc.	28.4%	-10.9%	48.7%	24.8%	22.3%	12.0%	14.1%	35.0%	-27.6%	1.8%	29.4%
DuPont Fabros Technology, Inc.	29.8%	-13.2%	59.4%	23.5%	17.0%	15.9%	-4.4%	34.5%	2.3%	-0.2%	13.9%
Equinix, Inc.	19.1%	-7.1%	31.8%	30.2%	25.2%	32.3%	33.4%	27.8%	-13.9%	103.4%	24.8%
InterNap Corporation	-74.2%	-19.9%	-73.1%	-51.1%	-38.1%	-19.7%	-19.6%	5.9%	8.6%	16.6%	-2.3%
Interxion Holding NV	20.1%	-1.8%	33.8%	14.4%	17.7%	25.1%	10.3%	15.8%	-0.6%	76.7%	N/A
Level 3 Communications, Inc.	-14.7%	-9.9%	6.2%	0.7%	20.2%	15.7%	10.1%	48.9%	43.5%	36.0%	15.6%
Range Resources Corporation	58.2%	-12.5%	23.9%	-25.5%	-20.8%	-8.4%	-56.6%	-33.4%	33.6%	-0.2%	38.1%
TRC Companies Inc.	-10.8%	34.1%	-25.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Windstream Holdings, Inc.	56.1%	8.4%	63.7%	-83.9%	-67.3%	-52.6%	-97.8%	3.3%	-3.6%	-29.5%	-15.8%
<b>Median of Industry Public Companies</b>	<b>19.6%</b>	<b>-10.4%</b>	<b>27.8%</b>	<b>0.7%</b>	<b>17.0%</b>	<b>12.0%</b>	<b>10.1%</b>	<b>15.8%</b>	<b>2.3%</b>	<b>5.0%</b>	<b>15.6%</b>

(Multiple year periods are calculated as the average annual return.)

## Median Quarterly Revenue Growth of All Colocation Companies



## Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



## Median Public Company Multiples of the Colocation Industry

Date:	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
EV/Revenues Multiple	6.5x	5.9x	6.1x	5.2x	4.5x	4.7x	5.2x	5.2x	5.1x
EV/EBITDA Multiple	15.6x	14.3x	15.0x	13.8x	11.8x	11.9x	16.4x	16.1x	15.4x
Price/Earnings Multiple	45.2x	35.6x	44.7x	25.9x	21.4x	28.7x	27.1x	40.6x	69.2x
EV/Gross Cash Flows Multiple	24.0x	21.0x	25.3x	20.4x	18.4x	20.4x	24.2x	29.3x	27.6x

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## Industry Initial Public Offerings (dollars in millions, except share prices)

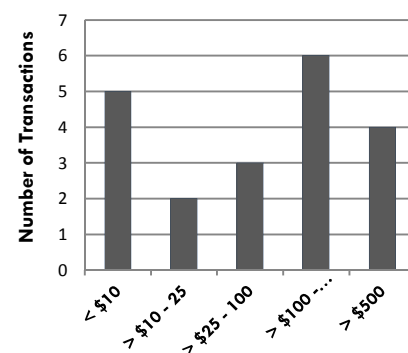
Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
4/21/2011	21Vianet Group, Inc.	\$15.00	13.0	\$195.0	\$110.0	\$16.5	\$79.7	(\$29.1)	(\$38.7)	(\$25.8)
1/27/2011	Interxion Holding NV	\$13.00	20.4	\$264.9	\$631.3	\$269.6	\$268.8	\$100.4	\$22.0	\$139.4
8/7/2008	Rackspace Hosting, Inc.	\$12.50	15.0	\$187.5	\$355.3	\$145.1	\$406.4	\$96.0	\$19.1	\$155.5
10/24/2007	Teledat Group plc	\$4.50	23.6	\$197.1	\$366.0	\$128.0	\$172.0	\$36.3	(\$18.8)	\$69.1
10/18/2007	DuPont Fabros Technology, Inc.	\$21.00	30.5	\$640.5	N/A	N/A	N/A	N/A	N/A	N/A
6/28/2007	Bridgeline Digital, Inc.	\$5.00	3.0	\$15.0	\$9.4	\$2.9	\$9.2	(\$1.0)	(\$2.7)	(\$0.8)
2/7/2007	Switch & Data Facilities Company, Inc.	\$17.00	11.7	\$198.3	\$155.6	\$144.8	\$109.3	\$26.2	(\$13.9)	\$41.5
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$197.1</b>	<b>\$255.4</b>	<b>\$136.4</b>	<b>\$140.7</b>	<b>\$31.3</b>	<b>(\$8.3)</b>	<b>\$55.3</b>

nm: not meaningful

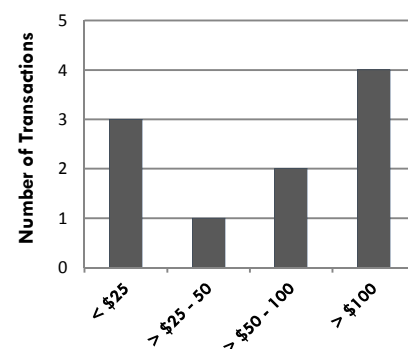
## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/Revenues
8/1/2016	AF-Southeast, LLC	Strome Mezzanine Fund IV	\$24.0	100%	N/A	N/A
4/1/2016	CME Group Inc.	CyrusOne LP	\$130.0	100%	N/A	N/A
1/29/2016	City Lifeline Limited	Redcentric plc	\$6.8	100%	\$5.0	1.4x
1/15/2016	Teledat Group plc	Equinix, Inc.	\$4,065.6	100%	\$532.1	7.6x
11/30/2015	Sanity Holdings	Over the Wire Hldg.	\$2.5	100%	\$0.9	2.7x
10/9/2015	The Telx Group	Digital Realty Trust	\$1,886.0	100%	\$308.7	6.1x
7/1/2015	iGATE Corporation	Cargemini North America	\$4,600.8	100%	\$1,288.1	3.5x
7/1/2015	Cervalis, LLC	CyrusOne LP	\$400.0	100%	\$70.0	5.7x
6/16/2015	Carpathia Hosting, Inc.	Quality Technology Services	\$326.0	100%	N/A	N/A
4/1/2015	Online Tech, Inc.	Carter Validus	\$7.5	100%	N/A	N/A
3/27/2015	RackForce Networks Inc.	TeraGo Networks Inc.	\$25.9	100%	\$8.5	3.0x
3/11/2015	4Degrés Colocation Inc.	Videotron Ltd.	\$27.8	100%	N/A	N/A
9/2/2014	ViaWest, Inc.	Shaw Communications	\$1,200.0	100%	\$168.0	7.1x
7/1/2014	Colo Facilities Atlanta	Zayo Colocation, Inc.	\$52.5	100%	N/A	N/A
3/4/2014	CoreXchange, Inc.	Zayo Colocation, Inc.	\$17.5	100%	N/A	N/A
2/3/2014	RagingWire Data Centers	NTT Communications	\$350.0	80%	\$85.0	5.1x
11/27/2013	Cyber Development Group	N+2, LLC	\$2.4	100%	N/A	N/A
11/26/2013	iWeb Group Inc.	Internap Network Services	\$199.0	100%	\$44.4	4.5x
10/1/2013	Pivot Data Centres Inc.	Rogers Communications	\$150.7	100%	N/A	N/A
9/19/2013	Granite Networks Inc.	Rogers Business Solutions	\$6.1	100%	N/A	N/A
<b>Median of the 20 M&amp;A Transaction Targets</b>			<b>\$91.3</b>	<b>100%</b>	<b>\$77.5</b>	<b>4.8x</b>

Size of M&A Transactions



LTM Revenues Reported



### Definitions of Financial Terms Used in this Quarterly Industry Update:

Enterprise Value (EV): Market Value of Equity + Market Value of Debt - Cash

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Profitability metric sometimes also referred to as operating profit or operating earnings.

Gross Cash Flows: Net Income + Depreciation and Amortization Expense

Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this Quarterly Industry Update.

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