

# Quarterly Industry Update

As of March 31, 2017

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 March 31, 2016, the median 52-week share price return of the Colocation industry was 17.3%. Between March 31, 2015 and March 31, 2017, the median EV/EBITDA multiple decreased from 15.0 to 13.8. Furthermore, the median price-to-earnings multiple decreased from 44.7 to 35.1 over the same period.

## Comparable Public Company Key Statistics

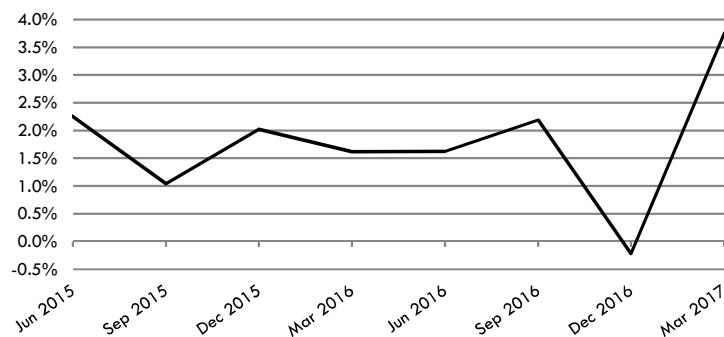
Median 52-Week Return	17.3%	Median EV/Revenue Multiple	5.7x	Median Price/Earnings Multiple	35.1x
Median 3-Year CAGR Return	13.5%	Median EV/EBITDA Multiple	13.8x	Median EV/Gross CF Multiple	25.1x

## Comparable Public Company Market Price Returns As of March 31, 2017

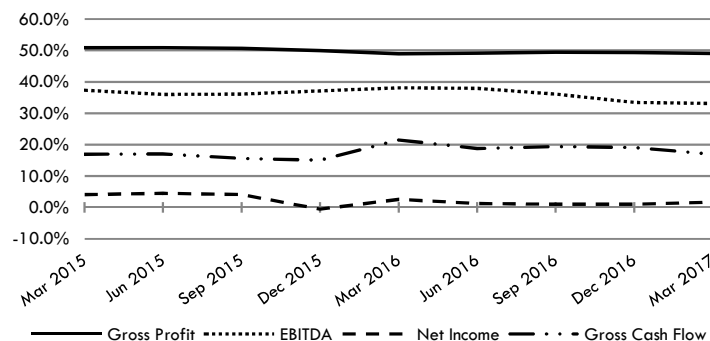
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2016	2015	2014	2013	2012
21Vianet Group, Inc.	-21.7%	-21.7%	-72.5%	-44.2%	-42.4%	-13.5%	-66.8%	36.7%	-34.2%	144.7%	5.0%
Digital Realty Trust, Inc.	8.3%	8.3%	20.2%	27.0%	26.1%	7.5%	29.9%	14.1%	35.0%	-27.6%	1.8%
DuPont Fabros Technology, Inc.	12.9%	12.9%	22.4%	23.2%	27.2%	15.2%	38.2%	-4.4%	34.5%	2.3%	-0.2%
Equinix, Inc.	12.0%	12.0%	21.1%	31.1%	29.4%	20.5%	18.2%	33.4%	27.8%	-13.9%	103.4%
InterNap Corporation	141.6%	141.6%	36.3%	-39.7%	-19.3%	-12.8%	-75.9%	-19.6%	5.9%	8.6%	16.6%
InterXion Holding N.V.	12.8%	12.8%	14.4%	18.4%	18.2%	17.1%	16.3%	10.3%	15.8%	-0.6%	76.7%
Level 3 Communications, Inc.	1.5%	1.5%	8.3%	3.1%	13.5%	17.3%	3.7%	10.1%	48.9%	43.5%	36.0%
Range Resources Corporation	-17.2%	-17.2%	-12.2%	-25.7%	-30.9%	-13.0%	41.5%	-56.6%	-33.4%	33.6%	-0.2%
TRC Companies, Inc.	12.7%	12.7%	65.8%	N/A	N/A	N/A	13.1%	N/A	N/A	N/A	N/A
Windstream Holdings, Inc.	-25.6%	-25.6%	-29.0%	-65.0%	-52.1%	-40.0%	13.8%	-87.0%	3.3%	-3.6%	-29.5%
<b>Median of Industry Public Companies</b>	<b>10.1%</b>	<b>10.1%</b>	<b>17.3%</b>	<b>3.1%</b>	<b>13.5%</b>	<b>7.5%</b>	<b>15.1%</b>	<b>10.1%</b>	<b>15.8%</b>	<b>2.3%</b>	<b>5.0%</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:	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017
EV/Revenues Multiple	5.7x	5.2x	4.5x	4.7x	5.2x	5.2x	5.1x	5.2x	5.7x
EV/EBITDA Multiple	15.0x	13.8x	11.8x	11.9x	13.7x	16.2x	15.9x	15.7x	13.8x
Price/Earnings Multiple	44.7x	25.9x	21.4x	28.7x	27.1x	40.6x	69.2x	51.0x	35.1x
EV/Gross Cash Flows Multiple	21.8x	20.4x	18.4x	20.4x	24.2x	29.3x	27.6x	27.6x	25.1x

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# Quarterly Industry Update

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

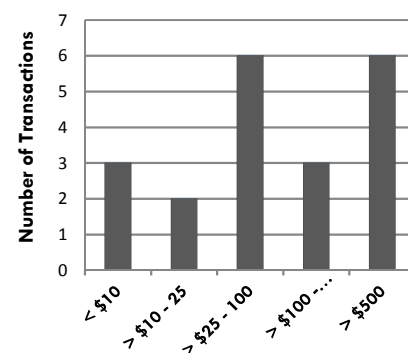
Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
11/1/2016	GDS Holdings Limited	\$10.00	19.3	\$192.5	\$952.9	\$521.3	\$127.3	\$17.7	(\$30.9)	\$42.4
4/21/2011	21Vianet Group, Inc.	\$15.00	13.0	\$195.0	\$110.0	\$16.5	\$79.7	(\$29.1)	(\$38.7)	(\$25.8)
1/27/2011	InterXion Holding N.V.	\$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	Teledy 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)
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$195.0</b>	<b>\$360.7</b>	<b>\$136.6</b>	<b>\$149.6</b>	<b>\$27.0</b>	<b>(\$10.7)</b>	<b>\$55.8</b>

nm: not meaningful

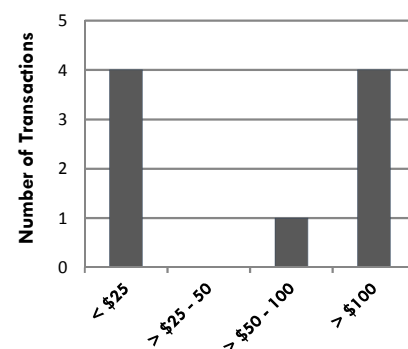
## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/Revenues
2/1/2017	Grande Communications	TPG Capital, L.P.	\$650.0	100%	N/A	N/A
1/31/2017	DC74, LLC	Lumos Networks Corp.	\$29.5	100%	N/A	N/A
10/17/2016	McLean Data Center	Carter Validus Mission Critical	\$85.0	100%	\$6.2	13.7x
10/12/2016	M247 Limited	Metronet (UK) Ltd	\$57.9	100%	N/A	N/A
10/6/2016	Q9 Networks Inc.	BCE Inc.	\$512.8	65%	N/A	N/A
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	Teledy Group plc	Equinix, Inc.	\$4,092.4	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	Cappgemini 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
<b>Median of the 20 M&amp;A Transaction Targets</b>			<b>\$71.5</b>	<b>100%</b>	<b>\$70.0</b>	<b>5.7x</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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