EQUINIX INC
Form 10-K
February 22, 2019

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

FORM 10-K

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____________ to _____________

Commission file number 000-31293

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

Delaware	77-0487526
(State of incorporation)	(IRS 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)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $34.2 billion. As of February 21, 2019, a total of 80,865,431 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III – Portions of the registrant's definitive proxy statement to be issued in conjunction with the registrant's 2019 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the registrant's fiscal year ended December 31, 2018. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be a part of this report on Form 10-K.

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PART I
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ITEM 1. BUSINESS

The words "Equinix", "we", "our", "ours", "us" and the "Company" refer to Equinix, Inc. All statements in this discussion that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding Equinix's "expectations", "beliefs", "intentions", "strategies", "forecasts", "predictions", "plans" or the like. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Equinix cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the risk factors discussed in this Annual Report on Form 10-K. Equinix expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in Equinix's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

Overview

Equinix, Inc. connects more than 9,800 companies directly to their customers and partners across the world's most interconnected data center and interconnection platform. Platform Equinix® combines a global footprint of state-of-the-art International Business Exchange™ (IBX®) data centers, a variety of interconnection solutions, unique business and digital ecosystems and expert support. Today, businesses leverage the Equinix interconnection platform in 52 strategic markets across the Americas, Asia-Pacific, and Europe, the Middle East and Africa ("EMEA"). Equinix operates as a real estate investment trust for federal income tax purposes ("REIT").

We elected to be taxed as a REIT for federal income tax purposes beginning with our 2015 taxable year. As of December 31, 2018, our REIT structure included all of our data center operations in the United States ("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").

Careful, steady expansion has been key to Equinix's growth strategy since our founding, as we seek to offer our customers interconnection opportunities ahead of demand. In April 2018, Equinix purchased the 1.6 million-square foot Infomart Building™ in Dallas, including its operations and tenants, where we had already been operating four Equinix data centers. In the same month, we closed our acquisition of Australian data center provider Metronode and its 10 data centers.

In September 2018, Equinix named Charles Meyers President and Chief Executive Officer of the Company. Meyers also joined Equinix's Board of Directors. Meyers succeeded Peter Van Camp, who had served as interim CEO since January 2018. Upon Meyers' appointment as CEO, Van Camp resumed his role as Executive Chairman of the Equinix Board of Directors, a position he has held since 2005. Meyers joined Equinix in 2010 as President, Equinix Americas, leading our most profitable region through a time of significant growth and strong operating performance. Meyers then served as the Chief Operating Officer at Equinix, where he led the Global Sales, Marketing, Operations and Customer Success teams. For the past year, he was President, Strategy, Services and Innovation (SSI) leading Equinix's strategic business teams including Corporate Strategy, Technology Innovation, Product Management and Engineering. Under Meyers' leadership, SSI worked to optimize our position as a cloud enabler, identify key growth areas, and evolve our offerings in response to market, competitive and technology trends.

Industry Background

The internet is a collection of numerous independent networks interconnected to form a network of networks. Users on different networks communicate with each other through interconnection between these networks. For example, when a person sends an email to someone who uses a different provider for his or her connectivity (e.g. Comcast versus AT&T), the email must pass from one network to the other to get to its final destination. A data center provides a physical point at which that interconnection can occur.

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To accommodate the rapid growth of internet traffic that was occurring in the early years of the internet, an organized approach for network interconnection was needed. This was the start of the network era, when networks gained mutual advantage by exchanging data traffic on interoperable platforms. The exchange of traffic between these networks became known as peering, which is when networks agree to trade traffic at relatively equal amounts, often at no charge to the other party. At first, government and nonprofit organizations established places where these networks could peer with each other. These points were known as network access points, or NAPs. Over time, many NAPs became a natural extension of carrier services and were run by companies such as MFS (now a part of Verizon Business), Sprint, Ameritech and Pacific Bell (the latter two now part of AT&T).

Ultimately, these NAPs were unable to scale with the growth of the internet, and the lack of "neutrality" by the carrier owners of these NAPs created a conflict of interest with the participants. This created a market need for network-neutral interconnection points that could accommodate the rapidly growing demand to increase performance for enterprise and consumer users of the internet, especially with the rise of important content providers such as AOL, Microsoft, Yahoo! and others. In addition, the providers, as well as a growing number of enterprises, required a more secure and reliable solution for direct connection to a variety of telecommunications networks, as the importance of their internet operations continued to grow. These were the seeds of the connected era, when peering expanded exponentially among new players, and access to information anytime and anywhere became the norm.

To accommodate internet traffic growth, the largest networks left the NAPs and began connecting and trading traffic by placing private circuits between each other. Peering, which once occurred at the NAP locations, was moved to these private circuits. Over the years, these circuits became expensive to expand and could not be built quickly enough to accommodate traffic growth. This led to a need by the large carriers to find a more efficient way to peer. The multi-tenant or colocation data center was introduced to meet this need. Today, many customers satisfy their requirements for peering through data center providers like Equinix because this strategy permits them to peer with the networks within one location, using simple, direct and secure connections. Their ability to peer within a data center or across a data center campus, instead of across a metro area, has increased the scalability of their operations while decreasing network costs.

The interconnection model has further evolved over the years to include new offerings, as the collaborative landscape of the interconnected era imposes new demands for connectivity that facilitates more scalable interactive and real-time digital interconnections. Enterprises are becoming increasingly interdependent and cloud- and digital-enabled, and to compete they need real-time data exchange and reliable, instant connections between and across any given digital ecosystem. Starting with the peering and network communities, interconnection has been used for new network solutions, including carrier Ethernet, multiprotocol label switching (MPLS), virtual private networks (VPNs), and mobile services, in addition to traditional international private line and voice services. The data center industry is working to keep up with the rapid digital transformation of today's businesses, and it continues to evolve with a set of new network offerings (such as SDN, blockchain and 5G) where interconnection is often used to solve any challenge using both physical and virtual networks, across geographic boundaries.

In addition, the enterprise customer segment is also evolving. In the past, most enterprises opted to keep their data center requirements in-house. However, current trends are leading more enterprise chief information officers (CIOs) to either outsource their data center requirements, and/or extend their corporate wide area networks (WANs) into carrier-neutral colocation facilities where there are dense ecosystems of network, cloud and IT service providers, and business partners that enterprises can directly and securely interact with in real-time.

The following are macro, technology and regulatory trends that are forcing enterprises and service providers across all industries to rethink their IT architectures to decrease complexity and cost, and seize new opportunities to compete successfully as digital businesses:

- Digital business transformation is becoming a global phenomenon. According to IDC, by 2021 at least 50% of global GDP will be digitized, and growth in every industry will be driven by digitally enhanced offerings, operations and relationships. Interconnection becomes a key building block for digital business along that journey because real-time interactions between people, things, locations, clouds and data are critical in a digital age.

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Urbanization is increasing in the majority of metros worldwide. Today, about 55% of the world's population lives in urban areas, and that will grow to 68% by 2050, according to the United Nations. With so many people so close together, digital services must be increasingly concentrated and close to users, so companies can deliver the connectivity their users expect. Interconnection brings applications, data, content and networking into proximity in these densely populated areas. It allows companies to deliver on their service promises, even as demand keeps growing.

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- Cybersecurity has increased in frequency, scope and complexity in our more closely connected world. In fact, a large-scale cybersecurity breach is one of the most serious risks facing companies today. Ernst & Young projects the global cost of cybersecurity breaches will reach $6.0 trillion by 2021. Companies need to strengthen their defenses, even as they increase their vulnerability by distributing their data across a variety of sources and users. To do that, businesses need their security controls to be distributed as well, leveraging interconnection out at the edge where most traffic exchange is happening. The direct, private nature of interconnection also increases data protection and lowers the risk of being compromised.

- Data Compliance has become a mandate among businesses around the world. The digital economy may be global, but more countries are regulating the data at the heart of the digital economy and prescribing enhanced rules around personal data protections (e.g., GDPR). But remaining compliant is about more than following the rules. In a Thompson Reuters survey, 69% of respondents said successful compliance efforts can drive up business efficiency and effectiveness by enabling greater focus on value-added activities. The need to address compliance drives interconnection because it enables companies to link their data storage, analytics and clouds in the same business region. That data can stay proximate, and local if required by regulations, but still be accessed globally to meet business requirements.

- Business Ecosystems are becoming the life-blood of digital business. Gartner predicts that by 2021, the number of organizations using a mix of intermediaries will more than double, and that active engagement by these organizations with industries in ecosystems outside their native industry will nearly triple. The reason is that digital trade flows are creating global business and data processes that involve an increasing variety of customers, partners and employees. Interconnection securely and efficiently connects all the players in all these business ecosystems, as those ecosystems expand in depth and number.

Other trends that we see impacting our customers' IT strategies include:

- The need for businesses and organizations to create a "digital edge" - where commerce, population centers and digital ecosystems meet. A more geographically distributed IT infrastructure is needed to support the digital operations that now cover every global region and every aspect of today's global businesses.

- The growth of "proximity communities" that rely on immediate physical colocation and interconnection with strategic partners and customers. Examples include financial exchange ecosystems for electronic trading and settlement, media and content provider ecosystems, and ecosystems for real-time bidding and fulfillment of internet advertising.

- The Internet of Things (IoT), big data infrastructures, artificial intelligence (AI) and the emergence of 5G high-speed mobile and wireless networks, which are creating unprecedented quantities of data that fuel digital business.

- The accelerating adoption and ubiquitous nature of cloud computing technology services, in particular hybrid/multiclouds, along with enterprise cloud service offerings such as Software-as-a-Service (SaaS), Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) and security and disaster recovery services.

- The continuing growth of consumer internet traffic from new bandwidth-intensive services (e.g., video, voice over IP, social media, mobile data, gaming, data-rich media), Ethernet and wireless services, as well as new devices (e.g., wearables, home assistances, AR/VR headsets). These devices and services also increase the requirements for anytime, anywhere and any device interconnection out at the edge to improve the performance, security, scalability and reliability of interconnecting people, locations, clouds, data and things.

- Significant increases in power and cooling requirements for today's data center equipment. New generations of servers and storage devices continue to concentrate processing capability and the associated power consumption and cooling load into smaller footprints; and many legacy-built data centers are unable to accommodate these new power and cooling demands. The high capital costs associated with building and maintaining "in-sourced" data centers creates an opportunity for capital savings by leveraging an outsourced colocation model.

Industry analysts project the compound annual growth rate of the global carrier neutral colocation market to be approximately 8.4% between 2018 and 2022.

Equinix Value Proposition

Equinix's global platform for digital business offers these unique value propositions to customers:

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- Reach Everywhere

With Platform Equinix, enterprises and service providers can deploy digital infrastructure anywhere they need to be. Customers are quickly and easily able to place applications, data, security and networking controls next to users, clouds and networks in major metros globally. With one global partner, our customers are able to reduce complexity and accelerate time to market while relying on the consistency of a proven worldwide interconnection and data center leader.

- Interconnect Everyone

Businesses operating on Platform Equinix will be able to discover and reach anyone on demand, through one connection to the world, by directly connecting physically or virtually to customers, partners, providers and between their points of presence. This gives our customers the capabilities to reach everyone they need to from one place and to simplify, scale and dynamically adapt their digital infrastructures to keep pace with rapidly changing business demands.

- Integrate Everything

On Platform Equinix, our customers are able to activate their digital edge through leading technology tools, partners and services. By leveraging software controls and expert advisors, service providers and enterprises can dynamically design, implement and manage their digital edge. They can also secure, view, control and manage hybrid IT environments to seamlessly scale digital integration across their business.

More than 9,800 companies, including a diversified mix of cloud and IT service providers, content providers, enterprises, financial companies, and network and mobile service providers, currently operate within Equinix IBX data centers. These companies derive specific value from the following elements of the Equinix platform offering:

- Interconnection leadership: The global digital economy's demands for fast, secure business collaboration creates a need for interconnection across Equinix's global platform. As this digital journey intensifies, businesses are creating new commerce and collaboration models to compete. Success in this fast-moving world can be facilitated by a single interconnection platform for digital business that is connected physically and virtually around the world. Companies that can deploy an interconnected digital infrastructure can connect broadly and securely scale the integration of their business at the digital edge.
- Cloud access and expertise: Equinix is home to more than 2,900 cloud and IT service providers and a variety of secure routes to the efficiencies, performance and cost-savings of the cloud. The Equinix Cloud Exchange Fabric™ ("ECX Fabric") offers on-demand access to multiple cloud providers from multiple networks, enabling customers to design scalable cloud services tailored to their needs at a given moment. In 2018, Equinix undertook the next phase in the evolution of Platform Equinix to achieve the direct physical and virtual connection of its IBX data centers around the world. This advance enables our customers to connect on demand to any other customer from any Equinix location, equipping digital businesses to scale their operations rapidly across the largest markets globally. On the ECX Fabric, customers do not have to be in the same IBX data center as their cloud provider(s); they can remotely access cloud services as if they were physically close to the provider. Equinix Professional Services for Cloud experts enable our customers to successfully deploy a mix of private, public, hybrid and multicloud environments over a global interconnected cloud fabric to best fit their business and customer requirements.
- Comprehensive global solution: With 200 IBX data centers in 52 markets in the Americas, EMEA and Asia-Pacific, Equinix offers a consistent, interconnected global solution.
- Premium data centers and expertise: Equinix IBX data centers feature advanced design, security, power and cooling, and data center infrastructure management (DCIM) elements to provide customers with industry-leading visibility and reliability, including average uptime of 99.9999% globally in 2018. Equinix Professional Services offers practical guidance and proven solutions to help customers optimize their data center architecture.
- Dynamic interconnected business ecosystems: Equinix's network- and cloud-neutral model has enabled us to attract a critical mass of networks and cloud and IT services providers, and that, in turn, attracts other businesses seeking to interconnect within a single location or across metros. This local ecosystem model leverages lower networking costs and optimizes the performance of data exchange. At the same time, the ECX Fabric enables private access to remote business ecosystems in regionally distributed IBX data centers to further reduce long-distance networking costs and deliver high performance. As Equinix grows and attracts an ever-more diversified base of customers, the value of

Equinix's IBX interconnected data center offering increases.

- Improved economics: Customers seeking to outsource their data center operations rather than build their own capital-intensive data centers enjoy significant capital cost savings. Customers also benefit from improved economics because of the broad access to networks and clouds that Equinix provides. Rather than purchasing often costly local loops from multiple transit providers, customers can connect directly to more than 1,800 networks and 2,900 cloud and IT service providers inside Equinix's IBX data centers.
- Leading interconnection insight: After more than 20 years in the industry, Equinix has a specialized staff of industry experts, professional services specialists and solutions architects who helped build and shape the interconnection infrastructure of the internet, and who are now positioned to do the same for digital businesses. This specialization and industry knowledge base offers customers unique expertise and the competitive advantage needed to compete in the global digital economy.
- Lasting sustainability: Energy efficiency and environmental sustainability are a part of everything we do, whether we're building new data centers or upgrading existing facilities. We have committed to design, build and operate our data centers with high energy efficiency standards, and we have a long-term goal of using 100% clean and renewable energy across our global platform.

Our Strategy

Our objective is to expand our global leadership position as the premier network and cloud-neutral data center and interconnection platform for enterprises, cloud and IT services providers, media and content companies, financial services firms, IoT and big data providers, and network and mobile services providers. These are the key components of our strategy:

Improve customer performance through global interconnection. To best succeed in today's digital economy, enterprises around the world must adopt globally interconnected, on-demand digital IT architectures. The business connections forged in Equinix data centers through the power of interconnection are vital to accelerating our customers' businesses. To help companies understand, deploy and benefit from global interconnection, Equinix has created a blueprint for becoming an interconnected enterprise - the Interconnection Oriented Architecture® (IOA®) strategy. Based on work with many Fortune 500 customers, our IOA framework is an engagement model that both enterprises and solution providers can leverage to directly and securely connect people, locations, clouds and data. An IOA strategy shifts the fundamental IT delivery architecture from siloed and centralized to interconnected and distributed. Since the introduction of its IOA strategy, Equinix has created the "IOA Playbook" and "IOA Knowledge Base™," which were developed from our aggregated learnings across more than 600 Equinix customer (enterprise and service provider) deployments. These tools are offered online at no charge to any organization and provide fundamental, repeatable steps that organizations can take to deploy an IOA strategy across common digital workloads. They offer application blueprints for networks, security, data and applications, as well as for various use cases including ecosystems, analytics, content delivery, collaboration, hybrid multicloud and the IoT.

When combined with Equinix's critical mass of network and cloud providers and content companies, the increasing rate of adoption of an IOA strategy by the world's enterprise companies enables Equinix to extend its leadership as one of the core interconnection hubs of the information-driven, digital world. The density of providers inside Equinix is a key selling point for companies looking to connect with a diverse set of networks and deliver the best connectivity to their end customers at the digital edge, as well as to network companies that want to sell bandwidth to companies and efficiently interconnect with other networks. Equinix currently houses more than 1,800 unique networks, including the top-tier networks, which allow customers to directly interconnect with providers that best meet their unique price and performance needs. We have a growing mass of key players in cloud and IT services (Amazon Web Services, AT&T, Google Cloud Platform, Microsoft Azure and Office 365, Oracle Cloud Infrastructure, SAP HANA Enterprise Cloud and SAP Cloud Platform, Salesforce.com, IBM Cloud and VMware Cloud), and in the enterprise and financial/insurance sectors (Anheuser-Busch, Aon, Bloomberg, Deloitte, Ericsson, Ford Motors, NASDAQ, PayPal, Sysco Foods and The Society of Lloyd's) as customers. We expect these customer segments will continue to grow as customers seek to leverage our density of network providers and interconnect directly with each other to improve performance.

Streamline ease of doing business globally. Customers say data center reliability, power availability and network choice are the most important attributes they consider when choosing a data center provider in a particular location.

We have long been recognized as a leader in these areas.

In 2018, more than half of our revenue came from customers with deployments in all three of our global regions, and we expect global solutions to become an increasingly important data center selection criteria as the need for globally interconnected, on-demand digital IT architectures continues to grow. We continue to focus on strategic acquisitions to expand our market coverage and on global product standardization, pricing and contracts harmonization initiatives to meet these global demands.

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Deepen existing ecosystems and develop new ones. As various enterprises and service and content providers locate in our IBX data centers, their suppliers and business partners benefit by doing the same, and they gain the full economic and performance benefits of direct, global interconnection for their business ecosystems. These partners, in turn, pull in their business partners, creating a "network effect" of customer adoption. Our interconnection offerings enable scalable, secure, reliable and cost-effective interconnectivity and optimized traffic exchange, which lowers overall costs and increases flexibility. The ability to directly and globally interconnect with a wide variety of companies is a key differentiator for us and enables companies to create new opportunities within unique ecosystems by working together. We also have efficient and innovative internet and cloud exchange platforms in our IBX sites to accelerate commercial growth within the ecosystems via the network effect.

Expand our product and service portfolio. Our customers' needs for new solutions to help them scale and adopt new technologies inspire us to create new products and services. We recently introduced our Equinix Cloud Exchange Fabric™ to connect our data centers around the world and enable customers to connect on demand to clouds, networks and any other customer from any Equinix location. We also recently introduced Equinix SmartKey™, a global key management and encryption as a service offering to help our customers manage the security requirements of disbursing data across multiple clouds and third-party providers. We will continue to work with our customers to innovate and introduce new solutions to meet their evolving needs.

Expand vertical go-to-market plan. We plan to continue to focus our go-to-market efforts on customer segments and business applications that appreciate the Equinix value proposition of interconnection, reliability, global reach and prime collaboration opportunities within and across ecosystems. We have identified these segments today as cloud and IT services, content and digital media, financial services, enterprises, and network and mobile service providers. As digital business evolves, we will continue to identify and focus our go-to-market efforts on industry segments that need our value proposition.

Accelerate global reach and scale. We continue to evaluate expansion opportunities in select markets based on customer demand. In April 2018, we purchased the 1.6 million-square foot Infomart Building™ in Dallas, including its operations and tenants, where we had already been operating four data centers. Also, in April 2018, we completed our acquisition of Australian data center provider Metronode and its 10 data centers, which expanded our operations into Adelaide, Brisbane, Canberra and Perth, and added scale in Melbourne and Sydney. This acquisition tripled our Australian data center footprint to 15 sites. Careful, steady expansion has been key to our growth strategy since our founding, as we seek to offer our customers interconnection opportunities ahead of demand. As of the end of 2018, Equinix's total global footprint had expanded to 200 data centers in 52 markets in the Americas, EMEA and Asia-Pacific.

We expect to continue to execute our global expansion strategy in a cost-effective and disciplined manner through a combination of acquiring existing data centers through lease or purchase, acquiring or investing in local data center operators, and building new IBX data centers based on key criteria, such as demand and potential financial return in each market.

Our Customers and Partners

Our customers include carriers, mobile and other bandwidth providers, cloud and IT services providers, content providers, financial companies and global enterprises. We provide each company access to a choice of business partners and solutions based on their colocation, interconnection and managed IT service needs. As of December 31, 2018, we had more than 9,800 customers worldwide.

Customers in our five key customer and partner categories include the following:

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Cloud and IT Services	Content Providers	Enterprise	FinServ/Insurance	Network and Mobile Services
Amazon Web Services Box Inc. Cisco Systems Inc. Google Cloud Platform Datapipe IBM Cloud Microsoft Azure NetApp Oracle Cloud Infrastructure Salesforce.com SAP HANA Enterprise Cloud and SAP Cloud Platform VMware Cloud Workday, Inc.	Criteo DirectTV Discovery, Inc. Index Exchange Movile Netflix Priceline.com Thomson Reuters	Anheuser-Busch Aetna BMC Software Ericsson CDM Smith Colony Brands Deloitte DocuSign Ford Motors Ingram Micro Mazda Motor Corp. Smithfield Foods Sysco Foods Weyerhaueser Wing On	Allianz Technology of America Aon Bloomberg Chicago Board Options Exchange Lincoln Financial NASDAQ Options Exchange PayPal The Society of Lloyd's TIAA	AT&T British Telecom China Mobile Lycamobile NTT Communications Siemens Mobility Services T-Systems TATA Communications Verizon Vodafone

Customers typically sign renewable contracts of one or more years in length. Our largest customer accounted for approximately 3% of our recurring revenues for the years ended December 31, 2018, 2017 and 2016. Our 50 largest customers accounted for approximately 38%, 37% and 36% of our recurring revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

Our Offerings

Equinix provides a choice of data center interconnection solutions and platform services primarily comprised of colocation, interconnection solutions and platform services.

Data Center Solutions

Our IBX data centers provide our customers with secure, reliable and robust environments that are necessary to aggregate and distribute information globally. Our IBX data centers include multiple layers of physical security, scalable cabinet space availability, on-site trained staff (24x7x365), dedicated areas for customer care and equipment staging, redundant AC/DC power systems and other redundant and fault-tolerant infrastructure systems. Some specifications of offerings provided by individual IBX data centers may differ based on original facility design or market.

Within our IBX data centers, customers can deploy their equipment and interconnect with a choice of networks, cloud SaaS providers or other business partners. We also provide customized solutions for customers looking to package our IBX offerings as part of their complex solutions. Our colocation offerings include:

Cabinets. Our customers have several choices for colocating their networking, server and storage equipment. They can place the equipment in one of our shared or private cages or customize their space. In certain select markets, customers can purchase their own private "suite" which is walled off from the rest of the data center. As customers' colocation requirements increase, they can expand within their original cage (or suite) or upgrade into a cage that meets their expanded requirements. Customers buy the hardware they place in our IBX data centers directly from their chosen vendors.

Power. Power is an element of increasing importance in customers' colocation decisions. We offer both AC and DC power circuits at various amperages and phases customized to a customer's individual power requirements.

IBXflex®. IBXflex allows customers to deploy mission-critical operations personnel and equipment on-site at our IBX data centers. Because of the proximity to their infrastructure within our IBX data centers, IBXflex customers can offer a faster response and quicker troubleshooting solution than those available in traditional colocation facilities. This space can also be used as a secure disaster recovery point for customers' business and operations personnel.

IBX SmartView™. Equinix IBX SmartView™ offers application programming interface (API) -based DCIM that provides real-time access to environmental and operating information within an Equinix IBX footprint, as if those cages were all on site with the customer. IBX SmartView helps its customers consistently maintain their IBX operations and deployments with alerts and notifications, while enhancing long-term planning with customizable reports.

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Smart Hands Services®. The Equinix Smart Hands service enables customers to use our highly trained IBX data center personnel to act as their hands (or eyes and ears) when their own staff cannot be on-site. Smart Hands technicians offer a range of services, from routine equipment inventory and labeling to more complex installations and configuring. Smart Hands technicians also provide technical assistance and troubleshooting services.

Hyperscale Data Centers. Our integration efforts with the major cloud players have provided us with insight into the evolving architecture of the cloud. Today, a large number of private interconnection nodes for the major cloud players are located in Equinix facilities. In addition, we are in discussions with a targeted set of hyperscale customers to develop capacity to serve their larger footprint needs. We are leveraging the combination of existing capacity and dedicated hyperscale builds to meet these needs in a handful of key markets.

Interconnection Solutions

Our interconnection solutions are evolving to enable high-performance, secure, scalable, reliable and cost-effective interconnection and traffic exchange between Equinix customers across our global platform. These interconnection solutions are either on a one-to-one basis with direct cross connects or on a one-to-many basis through our ECX Fabric or other exchange solutions. In the peering community, we play an important industry leadership role by acting as the relationship broker between parties who would like to interconnect within our IBX data centers or between regionally distributed IBX data centers. Our staff holds or has held significant positions in many leading industry groups, such as the North American Network Operators' Group (NANOG) and the Internet Engineering Task Force (IETF). Members of our staff have published industry-recognized white papers and strategy documents in the areas of peering and interconnection, many of which are used by other institutions worldwide in furthering the education and promotion of this important set of solutions.

Our current interconnection solutions are comprised of the following:

Physical Cross Connect/Direct Interconnections. Customers needing to directly and privately connect to another IBX data center customer can do so through single or multi-mode fiber. These cross connections are the physical link between customers and can be implemented within 24 hours of request.

Equinix Internet Exchange™. Customers may choose to connect to and peer through the central switching fabric of our Equinix Internet Exchange, rather than purchase a direct physical cross connection. With a connection to this switch, a customer can aggregate multiple interconnects over one physical connection with multiple, linked 100-gigabit ports of capacity, instead of purchasing individual physical cross connects.

Equinix Metro Connect. Customers who are located in one IBX data center may need to interconnect with networks or other customers located in an adjacent or nearby IBX data center in the same metro area. Metro Connect allows customers to seamlessly interconnect between IBX data centers at capacities up to 100 Gigabits per second.

Internet Connectivity. Customers who are installing equipment in our IBX data centers generally require IP connectivity or bandwidth access. Although many large customers prefer to contract directly with carriers, we offer customers the ability to contract for IP connectivity and bandwidth access through us from any of the major bandwidth providers in that data center. This bandwidth access is targeted to customers who require a single bill and a single point of support through Equinix for the entire contract for their bandwidth needs.

Equinix Cloud Exchange Fabric™ (ECX Fabric™). The ECX Fabric directly and securely connects distributed infrastructure and digital ecosystems on Platform Equinix via global, software-defined interconnection. It enables businesses to customize their connectivity to partners, customers and suppliers through an interface that provides all the benefits companies have come to expect from "as-a-service" models. This includes real-time provisioning via a portal or API, pay-as-you-go billing increments and the removal of friction in establishing elastic connectivity between metros. The ECX Fabric is designed for scalability, agility and virtualized connectivity. Through a single port, Equinix customers can discover and reach anyone on demand, locally or across metros.

The new ECX Fabric capabilities are now available in the Americas, EMEA and APAC regions, including Amsterdam, Atlanta, Chicago, Dallas, Denver, Dublin, Düsseldorf, Frankfurt, Geneva, Helsinki, Hong Kong, London, Los Angeles, Manchester, Melbourne, Miami, Milan, Munich, New York, Osaka, Paris, São Paulo, Seattle, Silicon Valley, Singapore, Stockholm, Sydney, Tokyo, Toronto, Washington, D.C. and Zurich.

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Equinix Performance Hub®
The Equinix Performance Hub places corporate IT resources in IBX data centers connected to many networks and clouds near large user populations. Performance Hub solutions can be implemented gradually, without closing or moving out of existing data centers. Performance Hub allows companies to efficiently deploy resources at the edge, closest to their end-users, enabling an affordable, low-risk approach to improving network performance and reducing costs. This distributed, connectivity-driven approach to data center computing has been shown by Gartner, 451 Group, and many enterprise customers to provide dramatic benefits in application and network performance, as well as in business and IT agility.

Equinix Data Hub®

Equinix Data Hub is an extension of the Equinix Performance Hub framework and is a data center solution that addresses enterprise demand for real-time analytics, IoT, data collection and data protection. Data Hub empowers organizations to build a globally optimized data platform located in strategic data centers around the world and maintain full control over business-critical data for any and all security and compliance demands. Data Hub use cases include cloud integrated tiered storage, big data analytics infrastructures and data protection and replication.

Platform Services

Our platform services offer the expertise and tools to help companies create and grow as digital businesses. Our experienced professionals are supporting leading global companies in their digital transformation projects and know which strategies, systems, and IT services and architectures best support business goals in a variety of industries, leveraging existing and emerging technologies.

Equinix SmartKey™. SmartKey is a global SaaS-based, secure key management and cryptography service offered on cloud-neutral Platform Equinix. It provides a secure encryption key service that simplifies data and applications access management across on-premises and hybrid/multicloud infrastructures, whether they are inside or outside of an Equinix IBX data center.
Cloud Consulting Services. Many companies are migrating to a hybrid or multicloud environment as the cloud's cost advantages and flexibility are critical in an era of rising electronic collaboration and user expectations. Equinix's Professional Services for Cloud are designed to facilitate cloud migration with a detailed assessment, design and implementation process that gives customers a faster, smoother path to the cloud. The 2,900 cloud and IT service providers and 1,800 network service providers within Equinix's network help our experts tailor cloud deployments to individual business needs and maximize their cloud performance, savings and security while ensuring future resilience and agility.
Network and IOA Transformation Services. While digital transformation creates new revenue streams, it also creates congestion and performance issues for an organization's legacy network. The growth in data, applications and locations that must be served by a digital enterprise, plus the reduction in latency required by real-time applications, all put stress on legacy IT infrastructure. Equinix's Professional Services for network and IOA transformation helps companies plan and build their future network and infrastructure architectures and get ready to tackle the challenges of digital business today and tomorrow.
Global Solutions Architects
Equinix Global Solutions Architects (GSAs) are committed to helping companies deploy their IT infrastructures in ways that best serve their business needs and fully exploit the advantages offered by Equinix's global interconnection platform. Equinix's GSAs have decades of combined experience in cloud deployments, facility operations, business analytics and network design and operations. They work as extensions of our customers' IT and technology teams, helping to efficiently deploy high-performance solutions, advising them on service provider choices, and designing IT architectures.
Solution Validation Centers

Solution Validation Centers (SVCs) allow customers to test and fine-tune their IT infrastructure, network, cloud and data center rollouts in a real-world environment before full build-out and deployment. Customers can measure how their applications perform when they move off legacy systems, spot and address unforeseen technical barriers, and optimize various infrastructure components, network connections and applications. Our SVCs operate in 18 strategic markets globally, helping companies reduce risk and maximize their IT investments.

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Equinix Marketplace
Marketplace is a service for customers that helps them innovate and grow their business by connecting them to rich industry ecosystems and qualified buyers and sellers within our IBX data centers and in the surrounding markets.
Equinix Customer Portal
The Customer Portal offers 24/7 access to our customer care personnel, so customers can report problems, schedule shipments or order Smart Hands services at any time of the day or night. Equinix conducts a significant number of its transactions with its customers via this portal.
Business Continuity Trading Rooms
Trading infrastructure is mission-critical for financial firms worldwide, and our Business Continuity Trading Rooms (BCTRs) ensure that trading does not stop, even if primary operations are knocked off-line or are disabled. A BCTR backs up our customers' trading operations in one of our secure data center facilities, right down to telephone services and multiple desktop monitors. BCTR offerings are protected with backup generators and uninterruptible power supply to guarantee reliability and deliver peace of mind.

Sales and Marketing

Sales. We use a direct sales force and channel marketing program to market our offerings to global enterprises, content providers, financial companies, and mobile and network service providers. We organize our sales force by customer type, as well as by establishing a sales presence in diverse geographic regions, which enables efficient servicing of the customer base from a network of regional offices. In addition to our worldwide headquarters located in Silicon Valley, we have established an Asia-Pacific regional headquarters in Hong Kong and an EMEA regional headquarters in Amsterdam. We also operate a network of sales offices to deploy our field sales and support teams in our major markets across all three regions.
Our sales team works closely with each customer to foster the natural network effect of our IBX model, resulting in access to a wider potential customer base via our existing customers. As a result of the IBX interconnection model, IBX data center participants often encourage their customers, suppliers and business partners to also locate in our IBX data centers. These customers, suppliers and business partners, in turn, encourage their business partners to locate in our IBX data centers, resulting in additional customer growth. This network effect significantly reduces our new customer acquisition costs. In addition, large network providers, cloud providers or managed service providers may refer customers to Equinix as a part of their total customer solution. Equinix also focuses the selling by our vertical sales specialists on supporting specific industry requirements for network, mobile, and media and content providers, financial services, cloud computing, systems integrators and enterprise customer segments.
The Equinix channel program adds an ecosystem of system integrators and service providers, from managed network to cloud services. They help our customers design and deploy the right cloud and IT solutions needed to reach their customers, employees and supply chains. Our channel partners understand how to leverage and integrate the advantages of the Platform Equinix global footprint, high performance connectivity options and global supply-chain ecosystems to deliver solutions that meet our customers' performance, reliability and cost requirements.
Marketing. To support our sales efforts and to actively promote our brand in the Americas, Asia-Pacific and EMEA, we conduct comprehensive marketing programs. Our marketing strategies include active public relations and ongoing customer communications programs. Our marketing efforts are focused on major business and trade publications, online media outlets, industry events and sponsored activities. Our staff holds leadership positions in key networking organizations, and we participate in a variety of internet, enterprise IT, computer and financial industry conferences, placing our officers and employees in keynote speaking engagements at these conferences. We also regularly measure customer satisfaction levels and host key customer forums to ensure customer needs are understood and incorporated in product and service planning efforts. From a brand perspective, we build recognition through our website, external blog and social media channels by sponsoring or leading industry technical forums, by participating in internet industry standard-setting bodies and through advertising, paid social media and online campaigns. We continue to develop and host industry educational forums focused on peering technologies and practices for ISPs and content providers.

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Our Competition

While a large number of enterprises own their own data centers, many others outsource some or all of their requirements to multi-tenant data center (MTDC) facilities, such as those operated by Equinix. We believe that the outsourcing trend is likely to accelerate in the coming years. The global MTDC market is highly fragmented. It is estimated that Equinix is one of more than 1,200 companies that provide MTDC offerings around the world, ranging in size from firms with a single data center in a single market to firms in over 20 markets. Equinix competes with these firms which vary in terms of their data center offerings, including:

Colocation Providers

Colocation data centers are a type of MTDC that can also be referred to as "retail" data center space. Typically, colocation data center space is offered on the basis of individual racks/cabinets or cages ranging from 500 to 10,000 square feet in size. Typical customers of colocation providers include:

- Large enterprises with significant IT expertise and requirements
- Small and medium businesses looking to outsource data center requirements
- Cloud and network service providers
- Electronic trading, digital payments and financial services companies
- Internet application providers
- Major internet content, entertainment and social networking providers
- Shared, dedicated and managed hosting providers
- Mobile and network service providers
- Content delivery networks

Full facility maintenance and systems, including fire suppression, security, power backup and HVAC, are routinely included in managed colocation offerings. A variety of additional services are typically available, including remote hands technician services and network monitoring services.

Providers in addition to Equinix that offer colocation both globally and locally include firms such as COLT and NTT.

Carrier-Neutral Colocation Providers

In addition to data center space and power, colocation providers also offer interconnection. Some of these providers, known as network or carrier-neutral colocation providers, can offer customers the choice of hundreds of network service providers or ISPs to choose from. Typically, customers use interconnection to buy ethernet or internet connectivity, perform financial exchange and settlement functions or perform business-to-business e-commerce.

Carrier-neutral data centers are often located in key network hubs around the world, such as New York, Ashburn, Va., London, Amsterdam, Singapore and Hong Kong. Two types of data center facilities offering carrier-neutral colocation are used for many network-to-network interconnections:

- A Meet Me Room (MMR) is typically a smaller space, generally 5,000 square feet or less, located in a major carrier hotel and often found in a wholesale data center facility.
- A carrier-neutral data center is generally larger than an MMR and may be a stand-alone building separate from existing carrier hotels.

Providers in addition to Equinix that we believe could be defined as offering carrier-neutral colocation include CoreSite, Digital Realty Trust, Global Switch, Interxion and Telehouse.

Wholesale Data Center Providers

Wholesale data center providers lease data center space that is typically offered in cells or pods (i.e., individual white-space rooms) ranging in size from 10,000 to 20,000 square feet or larger. Wholesale data center offerings are targeted to both enterprises and colocation providers. These data centers primarily provide space and power without additional services like technicians, remote hands services or network monitoring (although other tenants might offer such services).

Sample wholesale data center providers include Digital Realty Trust and Global Switch.

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Managed Hosting Providers

Managed hosting services are provided by several firms that also provide data center colocation solutions. Typically, managed hosting providers can manage server hardware that is owned by either the hosting provider or the customer. They can also provide a combination of comprehensive systems administration, database administration and sometimes application management services. Frequently, this results in managed hosting providers "running" the customer's servers, although such administration is frequently shared. The provider may manage such functions as operating systems, databases, security and patch management, while the customer will maintain management of the applications riding on top of those systems.

The full list of potential services that can be offered as part of managed hosting is substantial and includes services such as remote management, custom applications, helpdesk, messaging, databases, disaster recovery, managed storage, managed virtualization, managed security, managed networks and systems monitoring. Managed hosting services are typically used for:

- Application hosting by organizations of any size, including large enterprises
- Hosted or managed messaging, including Microsoft Exchange and other complex messaging applications
- Complex or highly scalable web hosting or e-commerce websites
- Managed storage solutions (including large drive arrays or backup robots)
- Server disaster recovery and business continuity, including clustering and global server load balancing
- Database servers, applications and services

Examples of managed hosting providers include: AT&T, CenturyLink, NaviSite, Rackspace, SunGard and Verizon Business.

Unlike other providers whose core businesses are bandwidth or managed services, we focus on neutral interconnection hubs for cloud and IT service providers, content providers, financial companies, enterprises and network service providers. As a result, we do not have the limited choices found commonly at other hosting/colocation companies. We compete based on the quality of our IBX data centers, our ability to provide a one-stop global solution in our Americas, EMEA and Asia-Pacific locations, the performance and diversity of our network- and cloud-neutral strategy, and the economic benefits of the aggregation of top network, cloud and business ecosystems under one roof. We expect to continue to benefit from prevailing industry trends, including the need to create a “digital edge”, the growth of proximity communities, the increasing adoption of IOT, AI, 5G cloud computing, the continued growth of internet traffic and the increased power and cooling requirements of new generations of IT equipment.

Our Business Segment Financial Information

We currently operate in three reportable segments comprised of our Americas, EMEA and Asia-Pacific geographic regions. Information attributable to each of our reportable segments is set forth in Note 17 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Employees

We had 7,903 employees as of December 31, 2018. We had 3,480 employees based in the Americas, 2,751 employees based in EMEA and 1,672 employees based in Asia-Pacific. Of those employees, 3,773 employees were in engineering and operations, 1,429 employees were in sales and marketing and 2,701 employees were in management, finance and administration.

Available Information

We were incorporated in Delaware in June 1998. We are required to file reports under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission ("SEC"). The SEC maintains an internet website at http://www.sec.gov that contains reports, proxy and information statements and other information.

You may also obtain copies of our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, and any amendments to such reports, free of charge by visiting the Investor Relations page on our website, www.equinix.com. These reports are available as soon as reasonably practical after we file them with the SEC. Information contained on our website is not part of this Annual Report on Form 10-K.

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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;
- 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 December 31, 2018, our total indebtedness (gross of debt issuance cost, debt discount, and debt premium) was approximately $11.4 billion, our stockholders' equity was $7.2 billion and our cash, cash equivalents, and investments totaled $0.6 billion. In addition, as of December 31, 2018, we had approximately $1.9 billion of additional liquidity available to us from our $2.0 billion revolving credit facility. Some of our debt contains covenants which may limit our operating flexibility. In addition to our substantial debt, we lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements, some of which are accounted for as operating leases. As of December 31, 2018, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $2.0 billion, which represents off-balance sheet commitments.
Our substantial amount of debt and related covenants, and our off-balance sheet commitments, could have important consequences. For example, they could:

- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt and in respect of other off-balance sheet arrangements, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;
- increase the likelihood of negative outlook from our credit rating agencies;
- make it more difficult for us to satisfy our obligations under our various debt instruments;
- increase our cost of borrowing and even limit our ability to access additional debt to fund future growth;

- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;
- limit our operating flexibility through covenants with which we must comply, such as limiting our ability to repurchase shares of our common stock;

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- 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;
- 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

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• 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.

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 an 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 12 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K 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;

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

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets may affect the market value of our common stock.

Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management's attention from other business concerns, which could seriously harm our business.

If we are not able to generate sufficient operating cash flows or obtain external financing, our ability to fund incremental expansion plans may be limited.

Our capital expenditures, together with ongoing operating expenses, obligations to service our debt and the cash outlays associated with our REIT distribution requirements, are, and will continue to be, a substantial burden on our cash flow and may decrease our cash balances. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

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

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

Although we currently undertake, and may decide in the future to further undertake, foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. In addition, REIT compliance rules may restrict our ability to enter into hedging transactions. Therefore, any weakness of the U.S. dollar may have a positive impact on our consolidated results of operations because the currencies in the foreign countries in which we operate may translate into more U.S. dollars.

However, if the U.S. dollar strengthens relative to the currencies of the foreign countries in which we operate, our consolidated financial position and results of operations may be negatively impacted as amounts in foreign currencies will generally translate into fewer U.S. dollars. For additional information on foreign currency risks, refer to our discussion of foreign currency risk in "Quantitative and Qualitative Disclosures About Market Risk" included in Item 7A of this Annual Report on Form 10-K.

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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.

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.

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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 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

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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 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.

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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.

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.

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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 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.

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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 our operations and growth, through, for example, the integration of Metronode, Infomart Dallas, Itconic, 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;

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- 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 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

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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 "Accounting Standards Not Yet Adopted" and "Accounting Standards Adopted" sections of Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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 December 31, 2018, our retained earnings were $889.9 million. Although we have generated net income for each fiscal year since 2008, except for the year ended December 31, 2014, we are currently investing heavily in our future growth through the build out of multiple additional IBX data centers, expansions of IBX data centers and acquisitions of complementary businesses. As a result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover the additional overhead needed to scale our business for this anticipated growth. The current global financial uncertainty may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

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

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

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

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

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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. 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.

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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:

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

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

Risks Related to Our Taxation as a REIT

We may not remain qualified for taxation as a REIT.

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

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- 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 quarterly distributions in 2018 and have declared a quarterly distribution to be paid on March 20, 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 our outstanding indebtedness. For a discussion of risks related to our substantial level of indebtedness, see other risks described elsewhere in this Form 10-K.

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

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

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

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at regular corporate income tax rates for our undistributed REIT taxable income, as well as U.S. federal income tax at regular corporate income tax rates for income recognized by our TRSs; 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 forty years.

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

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

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

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

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

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.

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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 ("QRSs") hold following the liquidation or other conversion of a former TRS). This 21% tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g., January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset.

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

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

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

Dividends payable by U.S. corporations to noncorporate stockholders, such as individuals, trusts and estates, are generally eligible for reduced U.S. federal income tax rates applicable to "qualified dividends." Distributions paid by REITs generally are not treated as "qualified dividends" under the Code, and the reduced rates applicable to such dividends do not generally apply. However, for tax years beginning after 2017 and before 2026, REIT dividends paid to noncorporate stockholders are generally taxed at an effective tax rate lower than applicable ordinary income tax rates due to the availability of a deduction under the Code for specified forms of income from passthrough entities. More favorable rates will nevertheless continue to apply to regular corporate "qualified" dividends, which may cause some investors to perceive that an investment in a REIT is less attractive than an investment in a non-REIT entity that pays dividends, thereby reducing the demand and market price of our common stock.

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

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

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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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There is no disclosure to report pursuant to Item 1B.

ITEM 2. PROPERTIES

Our executive offices are located in Redwood City, California, and we also have sales offices in several cities throughout the U.S. Our Asia-Pacific headquarters office is located in Hong Kong and we also have sales offices in several cities throughout Asia-Pacific. Our EMEA headquarters office is located in Amsterdam, the Netherlands and our regional sales offices in EMEA are based in our IBX data centers in EMEA.

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The following table presents the locations of our leased and owned IBX data centers as of December 31, 2018:

	Leased	Owned [1]
Americas	Rio de Janeiro & Sao Paulo, Brazil; Toronto, Canada; Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; Washington D.C. & Ashburn, Virginia; Denver, Colorado; Miami, Florida; New York, New York; Philadelphia, Pennsylvania; Seattle, Washington; Silicon Valley & Los Angeles, California	Chicago, Illinois; Washington D.C., Ashburn & Culpeper, Virginia; Silicon Valley & Los Angeles, California; Rio de Janeiro & São Paulo, Brazil; Atlanta, Georgia; Boston, Massachusetts; Dallas & Houston, Texas; Denver, Colorado; Miami, Florida; New York, New York; Seattle, Washington; Bogotá, Columbia
EMEA	Paris, France; Frankfurt & Munich, Germany; Amsterdam & East Netherlands, the Netherlands; Geneva & Zurich, Switzerland; Dubai & Abu Dhabi, U.A.E.; London & Manchester, United Kingdom; Helsinki, Finland; Dublin, Ireland; Milan, Italy; Stockholm, Sweden; Istanbul, Turkey; Warsaw, Poland; Barcelona, Madrid & Seville, Spain	Paris, France; Frankfurt & Dusseldorf, Germany; London, United Kingdom; Amsterdam, the Netherlands; Dublin, Ireland; Sofia, Bulgaria; Istanbul, Turkey; Milan, Italy; Helsinki, Finland; Lisbon, Portugal; Stockholm, Sweden
Asia-Pacific	Hong Kong & Shanghai, China; Singapore; Sydney, Australia; Tokyo & Osaka, Japan	Shanghai, China; Tokyo, Japan; Adelaide, Brisbane, Canberra, Melbourne, Perth & Sydney, Australia

(1) Owned sites include IBX data centers subject to long-term ground leases.

The following table presents an overview of our portfolio of IBX data centers as of December 31, 2018 [1]:

	# of IBXs	Total Cabinet Capacity [2]	Cabinets Billed	Cabinet Utilization % [3]	MRR per Cabinet [4]
Americas	87	105,900	81,800	77 %	$ 2,389
EMEA	73	113,500	94,700	83 %	1,352
Asia-Pacific	40	57,300	47,500	83 %	1,762
Total	200	276,700	224,000		

(1) Non-financial metrics presented on the table above include Zenium data center, Itconic, and Metronode acquisitions.

(2) Cabinets represent a specific amount of space within an IBX data center. Customers can combine and use multiple adjacent cabinets within an IBX data center, depending on their space requirements.

(3)

The cabinet utilization rate represents the percentage of cabinet space billing versus total cabinet capacity, taking into consideration power limitations.

(4) MRR per cabinet represents average monthly recurring revenue recognized divided by the average number of cabinets billing during the fourth quarter of the year. Brazil, Colombia, Infomart Dallas non-IBX tenant income and Bit-isle MIS are excluded from MRR per cabinet calculations.

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The following table presents a summary of our significant IBX data center expansion projects under construction as of December 31, 2018:

Property	Property Location	Target Open Date	Sellable Cabinets	Total Capex (in Millions)(1)
Americas:				
DA6 phase III	Dallas	Q1 2019	425	$ 23
CH3 phase V	Chicago	Q2 2019	450	15
SE4 phase II	Seattle	Q2 2019	575	30
NY5 phase III	New York	Q3 2019	1,100	33
SP4 phase III	São Paulo	Q2 2020	1,025	59
DA11 phase I	Dallas	Q2 2020	1,975	138
			5,550	298
EMEA:				
FR2 phase VI-A	Frankfurt	Q1 2019	1,250	103
LD4 phase II	London	Q1 2019	1,075	39
LD9 phase V	London	Q1 2019	1,550	72
PA8 phase I (2)	Paris	Q1 2019	875	73
SO2 phase I	Sofia	Q1 2019	350	19
ZH5 phase III	Zurich	Q1 2019	525	51
FR5 phase IV	Frankfurt	Q2 2019	350	25
HE7 phase I	Helsinki	Q2 2019	250	20
LD7 phase I	London	Q2 2019	1,775	120
MD2 phase II	Madrid	Q2 2019	300	15
WA3 phase I	Warsaw	Q2 2019	475	34
SK2 phase VI	Stockholm	Q2 2019	540	35
FR2 phase VI-B	Frankfurt	Q3 2019	2,200	67
LD9 phase VI	London	Q3 2019	900	48
LD10 phase III	London	Q3 2019	1,375	45
ZH5 phase IV	Zurich	Q3 2019	475	25
HH1 phase I	Hamburg	Q4 2019	375	27
MC1 phase I	Muscat	Q4 2019	250	22
PA8 phase II (2)	Paris	Q4 2019	1,300	54
			16,190	894
Asia-Pacific:				
SH6 phase I	Shanghai	Q1 2019	400	31
TY11 phase I	Tokyo	Q2 2019	950	70
HK2 phase V	Hong Kong	Q2 2019	1,000	43
OS1 phase V	Osaka	Q2 2019	475	15
PE2 phase II	Perth	Q2 2019	225	11
HK4 phase II	Hong Kong	Q3 2019	500	34
ME2 phase I	Melbourne	Q3 2019	1,000	84
SL1 phase I	Seoul	Q3 2019	550	5
SY5 phase I	Sydney	Q3 2019	1,825	160
SG4 phase I	Singapore	Q4 2019	1,400	85
HK1 phase XII	Hong Kong	Q1 2020	250	13
TY12 phase I (2)	Tokyo	Q4 2020	950	147
			9,525	698
Total			31,265	$ 1,890

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(1) Capital expenditures are approximate and may change based on final construction details.
(2) Dedicated hyperscale data centers

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the NASDAQ Global Select Market under the symbol of "EQIX." Our common stock began trading in August 2000. As of January 31, 2019, we had 80,761,276 shares of our common stock outstanding held by approximately 278 registered holders. During the years ended December 31, 2018 and 2017, we did not issue or sell any securities on an unregistered basis.

Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on Equinix's common stock between December 31, 2013 and December 31, 2018 with the cumulative total return of (i) the S&P 500 Index, (ii) the NASDAQ Composite Index and (iii) the FTSE NAREIT All REITs Index. The graph assumes the investment of $100.00 on December 31, 2013 in Equinix's common stock and in each index, and assumes the reinvestment of dividends, if any.

Equinix cautions that the stock price performance shown in the graph below is not indicative of, nor intended to forecast, the potential future performance of Equinix's common stock.

Notwithstanding anything to the contrary set forth in any of Equinix's previous or future filings under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended, that might incorporate this Annual Report on Form 10-K or future filings made by Equinix under those statutes, the stock performance graph shall not be deemed filed with the Securities and Exchange Commission and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by Equinix under those statutes.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

*$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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ITEM 6. SELECTED FINANCIAL DATA

The following consolidated statement of operations data for the five years ended December 31, 2018 and the consolidated balance sheet data as of December 31, 2018, 2017, 2016, 2015 and 2014 have been derived from our audited consolidated financial statements and the related notes. Our historical results are not necessarily indicative of the results to be expected for future periods. The following selected consolidated financial data for the five years ended December 31, 2018 and as of December 31, 2018, 2017, 2016, 2015 and 2014, should be read in conjunction with our audited consolidated financial statements and the related notes in Item 8 of this Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K. We completed acquisitions of Metronode and Infomart Dallas in April, 2018, the Zenium data center business in Istanbul and Itconic in October 2017, certain colocation business from Verizon in May 2017, IO UK's data center operating business in Slough, United Kingdom in February 2017 (the "IO Acquisition), certain Paris IBX data centers in August 2016 (the "Paris IBX Data Center Acquisition"), Telecity Group plc in January 2016, Bit-isle in November 2015 and Nimbo Technologies Inc. ("Nimbo") in January 2015. We also completed the acquisition of the 100% controlling equity interest in ALOG Data Centers do Brasil S.A. ("ALOG") in July 2014. We sold solar power assets of Bit-isle in November 2016 and eight of our IBX data centers located in the U.K., the Netherlands and Germany in July 2016. For further information on our acquisitions and divestitures during the three years ended December 31, 2018, refer to Note 3, Note 5 and Note 6 of our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands, except per share data)				
Revenues [1]	$5,071,654	$4,368,428	$3,611,989	$2,725,867	$2,443,776
Costs and operating expenses:					
Cost of revenues	2,605,475	2,193,149	1,820,870	1,291,506	1,197,885
Sales and marketing [1]	633,702	581,724	438,742	332,012	296,103
General and administrative	826,694	745,906	694,561	493,284	438,016
Acquisition costs	34,413	38,635	64,195	41,723	2,506
Impairment charges	—	—	7,698	—	—
Gain on asset sales	(6,013)	—	(32,816)	—	—
Total costs and operating expenses	4,094,271	3,559,414	2,993,250	2,158,525	1,934,510
Income from operations	977,383	809,014	618,739	567,342	509,266
Interest income	14,482	13,075	3,476	3,581	2,891
Interest expense	(521,494)	(478,698)	(392,156)	(299,055)	(270,553)
Other income (expense)	14,044	9,213	(57,924)	(60,581)	119
Loss on debt extinguishment	(51,377)	(65,772)	(12,276)	(289)	(156,990)
Income from continuing operations before income taxes	433,038	286,832	159,859	210,998	84,733
Income tax expense [2]	(67,679)	(53,850)	(45,451)	(23,224)	(345,459)
Net income (loss) from continuing operations	365,359	232,982	114,408	187,774	(260,726)
Net income from discontinued operations, net of tax	—	—	12,392	—	—
Net income (loss)	365,359	232,982	126,800	187,774	(260,726)
Net loss attributable to non-controlling interest	—	—	—	—	1,179
Net income (loss) attributable to Equinix	$365,359	$232,982	$126,800	$187,774	$(259,547)
Earnings per share ("EPS") attributable to Equinix:					
Basic EPS from continuing operations	$4.58	$3.03	$1.63	$3.25	$(4.96)
Basic EPS from discontinued operations	—	—	0.18	—	—
Basic EPS	$4.58	$3.03	$1.81	$3.25	$(4.96)
Weighted-average shares	79,779	76,854	70,117	57,790	52,359
Diluted EPS from continuing operations	$4.56	$3.00	$1.62	$3.21	$(4.96)
Diluted EPS from discontinued operations	—	—	0.17	—	—
Diluted EPS	$4.56	$3.00	$1.79	$3.21	$(4.96)
Weighted-average shares	80,197	77,535	70,816	58,483	52,359
Dividends per share [3]	$9.12	$8.00	$7.00	$17.71	$7.57

(1) On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. The impacts are primarily related to the costs to obtain a customer contract and from the recognition of installation revenue, which are recognized over the contract period, rather than over the estimated installation life as under the prior revenue standard. The consolidated statement of operations for the year ended December 31, 2018 reflected the adoption of Topic 606. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

(2) The higher income tax expense for the year ended December 31, 2014 was primarily attributed to the de-recognition of $324.1 million of net deferred tax assets and deferred tax liabilities in December 2014, when our Board of Directors formally approved our conversion to a REIT and we reassessed the deferred tax assets and deferred tax liabilities of our U.S. operations included in the REIT structure.

(3)

During the year ended December 31, 2015, we paid $10.95 per share of special distribution and $6.76 per share of quarterly cash dividend. During the year ended December 31, 2014, we paid $7.57 per share of special distribution.

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	As of December 31,				
	2018	2017	2016	2015	2014
Consolidated Balance Sheet Data:	(in thousands)				
Cash, cash equivalents and short-term and long-term investments	$610,706	$1,450,031	$761,927	$2,246,297	$1,140,751
Accounts receivable, net	630,119	576,313	396,245	291,964	262,570
Property, plant and equipment, net	11,026,020	9,394,602	7,199,210	5,606,436	4,998,270
Total assets [1] [2]	20,244,638	18,691,457	12,608,371	10,356,695	7,781,978
Capital lease and other financing obligations, less current portion	1,441,077	1,620,256	1,410,742	1,287,139	1,168,042
Mortgage and loans payable, less current portion [1]	1,310,663	1,393,118	1,369,087	472,769	532,809
Senior notes, less current portion [1]	8,128,785	6,923,849	3,810,770	3,804,634	2,717,046
Convertible debt, less current portion [1]	—	—	—	—	145,229
Total stockholders' equity [2]	7,219,279	6,849,790	4,365,829	2,745,386	2,270,131

(1) The company adopted ASU 2015-03 during the year ended December 31, 2015. As a result, debt issuance costs of $35.5 million were reclassified from other assets to debt as of December 31, 2014.

(2) On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. We recorded a net increase to opening retained earnings of $269.8 million as of January 1, 2018 due to the cumulative impact of adopting Topic 606, with the impact primarily related to the costs to obtain a customer contract and from the recognition of installation revenue, which are recognized over the contract period, rather than over the estimated installation life as under the prior revenue standard. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary should be read in conjunction with the financial statements and related notes contained elsewhere in this Annual Report on Form 10-K. 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" and "Risk Factors" elsewhere in this Annual Report on Form 10-K. All forward-looking statements in this document are based on information available to us as of the date hereof 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 2018, as more fully described in Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we sold 930,934 shares of our common stock for approximately $388.2 million, net of payment of commissions to the sales agents and estimated equity offering costs under our ATM program launched in 2017 (the "2017 ATM Program"). As of December 31, 2018, no shares remained available for sale under the 2017 ATM Program. In December 2018, we launched another ATM program, under which we may offer and sell from time to time up to an aggregate of $750.0 million of our common stock in "at the market" transactions (the "2018 ATM Program"). As of December 31, 2018, no sales have been made under the 2018 ATM Program.

In July 2018, as more fully described in Note 11 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we entered into an amendment to our existing credit agreement to add a senior unsecured term loan in an aggregate principal amount of ¥47.5 billion (the "JPY Term Loan"). Concurrent with the closing of our JPY Term Loan, we drew down the full ¥47.5 billion of the JPY Term Loan, or approximately $424.7 million, and prepaid the remaining principal of our existing Japanese Yen Term Loan of ¥43.8 billion, or approximately $391.3 million. We recognized a loss on debt extinguishment of $2.2 million during the third quarter of 2018 in connection therewith.

In April 2018, as more fully described in Note 3 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we completed the acquisition of Metronode 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"). We accounted for this transaction as a business combination using the acquisition method of accounting. The valuation and purchase accounting of this acquisition have not yet been finalized as of December 31, 2018.

In April 2018, as more fully described in Note 3 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we completed the acquisition of Infomart Dallas for total consideration of approximately $804.0 million (the "Infomart Dallas Acquisition"), consisting of approximately $45.8 million in cash, subject to customary adjustments, and $758.2 million aggregate fair value of 5.000% senior unsecured notes. We accounted for this transaction as a business combination using the acquisition method of accounting. The valuation and purchase accounting of this acquisition have not yet been finalized as of December 31, 2018.

In March 2018, as more fully described in Note 11 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we issued €750.0 million, or approximately $929.9 million in U.S. dollars, at the exchange rate in effect on March 14, 2018, aggregate principal amount of 2.875% senior notes due March 15, 2024. We incurred debt issuance costs of $11.6 million related to the 2.875% Euro Senior Notes due 2024.

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Overview

Equinix provides global data center offerings that protect and connect the world's most valued information assets. Global enterprises, financial services companies and content and network service providers rely upon Equinix's leading insight and data centers around the world for the safehousing of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. The acquisitions of Infomart Dallas and Metronode expanded our total global footprint to 200 IBX data centers across 52 markets around the world. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and exchange and (iii) outsourced IT infrastructure solutions. As of December 31, 2018, we operated or had partner IBX data centers in Brazil, Canada, Colombia and throughout the U.S. in the Americas region; Bulgaria, Finland, France, Germany, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates and the United Kingdom in the EMEA region; and Australia, China, Hong Kong, Indonesia, Japan and Singapore in the Asia-Pacific region.

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

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

Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available, taking into account power limitations. Our utilization rates were approximately 81%, as of December 31, 2018, and 80%, excluding the Verizon Data Center, Paris IBX Data Center, Itconic, Zenium data center and IO acquisitions, as of December 31, 2017. Excluding the impact of IBX data center expansion projects that have opened during the last 12 months, our utilization rate would have increased to approximately 83% as of December 31, 2018. 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.

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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. Our largest customer accounted for approximately 3% of our recurring revenues for the years ended December 31, 2018, 2017 and 2016. Our 50 largest customers accounted for approximately 38%, 37% and 36%, respectively, of our recurring revenues for the years ended December 31, 2018, 2017 and 2016.

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 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.

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, 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 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 REIT for federal income tax purposes beginning with our 2015 taxable year. As of December 31, 2018, 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 TRSs.

As a REIT, we generally are permitted to deduct from our federal taxable income the dividends we pay to our stockholders (including, for this purpose, the value of any deemed distributions attributable to anti-dilution adjustments made with respect to our 4.75% convertible subordinated notes prior to their maturity in 2016). 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 QRSs. We are also subject to a separate corporate income tax on any gain recognized from a sale of a REIT asset where our basis in the asset is determined by reference to the basis of the asset in the hands of a C corporation (such as (i) an asset that we held as of the effective date of our REIT election, that is, January 1, 2015, or (ii) an asset held by us or a QRS following the liquidation or other conversion of a former TRS). This built-in-gains tax is generally applicable to any disposition of such an asset during the five-year period after the date we first owned the asset as a REIT asset (e.g., January 1, 2015 in the case of REIT assets we held at the time of our REIT conversion), to the extent of the built-in-gain based on the fair market value of such asset on the date we first held the asset as a REIT asset. If we fail to remain qualified for federal income tax as a REIT, we will be subject to federal income tax at regular corporate tax rates. Even if we remain qualified for federal income tax 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 each of March 21, June 20, September 19, and December 12, 2018, we paid quarterly cash dividends of $2.28 per share. We expect these quarterly and other applicable distributions to equal or exceed the REIT taxable income that we recognized in 2018.

On December 22, 2017, the United States enacted legislation commonly referred to as the Tax Cuts and Jobs Act ("TCJA") which amended U.S. federal income tax laws. The TCJA retained the REIT regime but contained many significant changes that impact a REIT's taxable income subject to distribution, particularly a REIT with global operations. As of the end of 2018, we have finalized the analysis of the major tax impact to our business by the new tax legislation. Based on our current assessment, which is subject to further interpretation and guidance on the new tax legislation, we believe that we can continue to meet all the REIT compliance requirements in the foreseeable future and that the TCJA changes are not expected to meaningfully increase our tax liabilities in the U.S. because we expect to fully distribute our REIT taxable income.

We continue to monitor our REIT compliance in order to maintain our qualification for federal income tax 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 year ended December 31, 2018 include the results of operations from the Metronode Acquisition from April 18, 2018 and the Infomart Dallas Acquisition from April 2, 2018. Our results of operations for the year ended December 31, 2017 include the results of operations of the IO Acquisition from February 3, 2017, the Verizon Data Center Acquisition from May 1, 2017, the Zenium data center acquisition from October 6, 2017 and the Itconic Acquisition from October 9, 2017. Our results of operations for the year ended December 31, 2016 include the results of operations of TelecityGroup from January 15, 2016 and the Paris IBX Data Center Acquisition from August 1, 2016.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") and issued subsequent amendments to the initial guidance, collectively referred as "Topic 606." On January 1, 2018, as more fully described in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we adopted Topic 606. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while the comparative information has not been restated and continues to be reported under accounting standards in effect for those periods. Under the new standard, we recognize installation revenue over the contract period rather than over the estimated installation life as under the prior revenue standard. We also capitalize and amortize certain

costs to obtain contracts, rather than expense them immediately as under the previous standard.
Discontinued Operations
We present the results of operations associated with the TelecityGroup data centers that were divested in July 2016 as discontinued operations in our consolidated statement of operations for the year ended December 31, 2016. We did not have any discontinued operations activity during 2018 or 2017.

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Years ended December 31, 2018 and 2017

Revenues. Our revenues for the years ended December 31, 2018 and 2017 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas:						
Recurring revenues	$2,357,326	46%	$2,062,352	47%	14%	15%
Non-recurring revenues	127,408	3%	110,408	3%	15%	16%
	2,484,734	49%	2,172,760	50%	14%	15%
EMEA:						
Recurring revenues	1,467,492	29%	1,266,971	29%	16%	12%
Non-recurring revenues	95,145	2%	79,285	2%	20%	16%
	1,562,637	31%	1,346,256	31%	16%	12%
Asia-Pacific:						
Recurring revenues	951,684	19%	790,797	18%	20%	19%
Non-recurring revenues	72,599	1%	58,615	1%	24%	23%
	1,024,283	20%	849,412	19%	21%	20%
Total:						
Recurring revenues	4,776,502	94%	4,120,120	94%	16%	15%
Non-recurring revenues	295,152	6%	248,308	6%	19%	18%
	$5,071,654	100%	$4,368,428	100%	16%	15%

Americas Revenues. Revenues for our Americas region for the year ended December 31, 2018 included approximately $210.2 million of incremental revenues from the Verizon Data Center Acquisition, which closed in May 2017, and the Infomart Dallas Acquisition, which closed in April 2018. During both the years ended December 31, 2018 and 2017, our revenues from the United States, the largest revenue contributor in the Americas region for the periods, represented approximately 91% of the regional revenues. Excluding incremental revenues attributable to the Infomart Dallas and Verizon Data Center Acquisitions, growth in Americas revenues was primarily due to (i) $69.3 million of revenues generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Culpeper, Denver, Houston, Miami, Rio de Janeiro, São Paulo, Seattle, Silicon Valley, and Washington, D.C. areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the year ended December 31, 2018, the U.S. dollar was generally stronger relative to the Brazilian real than during the year ended December 31, 2017, resulting in approximately $23.6 million of unfavorable foreign currency impact on our Americas revenues during the year ended December 31, 2018 when compared to 2017 using average exchange rates.

EMEA Revenues. Revenues for our EMEA region for the year ended December 31, 2018 included approximately $52.6 million of incremental revenues from the IO Acquisition, which closed in February 2017, and the Itconic and Zenium data center acquisitions, which closed in October 2017. Our revenues from the U.K., our largest revenue contributor in the EMEA region, represented 30% of regional revenues for both the years ended December 31, 2018 and 2017. Excluding incremental revenues attributable to the IO, Itconic, and Zenium acquisitions, our EMEA revenue growth was primarily due to (i) approximately $73.2 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 year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $54.4 million of net favorable foreign currency impact to our EMEA revenues primarily due to a generally weaker U.S. dollar relative to the Euro and British pound during the year ended December 31, 2018 compared to the year ended December 31, 2017.

Asia-Pacific Revenues. Revenues for our Asia-Pacific region for the year ended December 31, 2018 included approximately $48.0 million of incremental revenues from the Metronode Acquisition, which closed in April 2018. Our revenues from Japan and Singapore, the largest revenue contributors in the Asia-Pacific region for the period, combined represented approximately 60% and 63% for the years ended December 31, 2018 and 2017, respectively.

Excluding incremental revenues attributable to the Metronode Acquisition, our Asia-Pacific revenue growth was primarily due to (i) approximately $59.2 million of revenues generated from our recently-opened IBX data center expansions in the Hong Kong, Melbourne, Osaka, and Singapore metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the year ended December 31,

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2018, the U.S. dollar was generally weaker relative to the Singapore dollar and Japanese yen than during the year ended December 31, 2017, resulting in approximately $7.7 million of net favorable foreign currency impact to our Asia-Pacific revenues during the year ended December 31, 2018 when compared to 2017 using average exchange rates.

Cost of Revenues. Our cost of revenues for the years ended December 31, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$1,113,854	43%	$958,845	44%	16%	18%
EMEA	916,751	35%	749,933	34%	22%	18%
Asia-Pacific	574,870	22%	484,371	22%	19%	18%
Total	$2,605,475	100%	$2,193,149	100%	19%	18%

	Years Ended December 31,	
	2018	2017
Cost of revenues as a percentage of revenues:		
Americas	45%	44%
EMEA	59%	56%
Asia-Pacific	56%	57%
Total	51%	50%

Americas Cost of Revenues. Cost of revenues for our Americas region for the year ended December 31, 2018 included approximately $115.4 million of incremental cost of revenues from the Verizon Data Center Acquisition and the Infomart Dallas Acquisition. Excluding the impact from these acquisitions, the increase in our Americas cost of revenues for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to (i) $10.6 million higher depreciation expense primarily due to our IBX data center expansion activity; (ii) $7.6 million of higher taxes, licenses, insurance, and other cost of sales in support of our business growth; (iii) $5.8 million of higher rent and facility costs due to new fuel cell leases and IBX growth and (iv) $15.5 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,399 Americas cost of revenues employees as of December 31, 2018 versus 1,339 as of December 31, 2017). During the year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $15.1 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 year ended December 31, 2018 compared to the year ended December 31, 2017. We expect our Americas cost of revenues to increase as we continue to grow our business, including results from recent acquisitions.

EMEA Cost of Revenues. Cost of revenues for our EMEA region for the year ended December 31, 2018 included $41.5 million of incremental cost of revenues from the IO, Itconic, and Zenium acquisitions. Excluding incremental cost of revenues attributable to these acquisitions, the increase in our EMEA cost of revenues was primarily due to (i) $47.3 million of higher utilities costs driven by IBX expansions, increased usage and price increases; (ii) $18.4 million of higher office expenses, rent and facility costs, and repair and maintenance primarily due to an increase in expansion activity and usage due to our business growth; (iii) $49.3 million of higher depreciation and accretion expenses, primarily driven by expansion activity in Amsterdam, Frankfurt, London, and Paris and (iv) $19.7 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and higher headcount growth (1,490 EMEA cost of revenues employees as of December 31, 2018 versus 1,375 as of December 31, 2017), partially offset by an $11.8 million reduction in other cost of sales, primarily due to realized cash flow hedge gains. During the year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $30.0 million of net unfavorable foreign currency impact to our EMEA cost of revenues, primarily due to a generally weaker U.S. dollar relative to the Euro and British pound during the year ended December 31, 2018 compared to the year ended December 31, 2017. 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 year ended December 31, 2018 included approximately $33.2 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 year ended December 31, 2018 was primarily due to (i) $28.4 million of higher utilities costs, rent and facility costs and repairs and maintenance expense, primarily driven by higher usage in Australia, Hong Kong, Japan and Singapore; (ii) $16.1 million of higher depreciation and accretion expense, primarily from IBX expansions in Australia, Hong Kong, Japan and Singapore; (iii) $9.7 million of higher other cost of sales, primarily due to custom service orders, and (iv) $3.9 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and headcount growth (884 Asia-Pacific cost of revenues employees as of December 31, 2018 versus 828 as of December 31, 2017). During the year ended December 31, 2018, the U.S. dollar was generally weaker relative to the Singapore dollar and Japanese yen than during the year ended December 31, 2017, resulting in approximately $3.3 million of net unfavorable foreign currency impact to our Asia-Pacific cost of revenues in 2018. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business, including the impact from the Metronode acquisition.

Sales and Marketing Expenses. Our sales and marketing expenses for the years ended December 31, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$391,386	62%	$349,666	60%	12%	13%
EMEA	152,336	24%	153,811	26%	(1)%	(4)%
Asia-Pacific	89,980	14%	78,247	14%	15%	14%
Total	$633,702	100%	$581,724	100%	9%	8%

	Years Ended December 31,	
	2018	2017
Sales and marketing expenses as a percentage of revenues:		
Americas	16%	16%
EMEA	10%	11%
Asia-Pacific	9%	9%
Total	12%	13%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to (i) $38.1 million of amortization of the acquired intangible assets in connection with the Verizon Data Center Acquisition and (ii) $5.4 million of higher consulting expenses to support our growth. During the year ended December 31, 2018, the impact of foreign currency fluctuations to our Americas sales and marketing expenses was not significant when compared to average exchange rates during the year ended December 31, 2017. We anticipate that we will continue to invest in Americas sales and marketing initiatives and expect our Americas sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from recent acquisitions.

EMEA Sales and Marketing Expenses. Our EMEA sales and marketing expense did not materially change during the year ended December 31, 2018 as compared to the year ended December 31, 2017. During the year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $4.8 million of net unfavorable foreign currency impact to our EMEA sales and marketing expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British pound during the year ended December 31, 2018 compared to the year ended December 31, 2017. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenues. We expect our EMEA sales and marketing expenses to continue to increase as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expense is primarily due to (i) $4.1 million of amortization of the acquired intangible assets in connection with the Metronode Acquisition; (ii) $4.1 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation and headcount growth (306 Asia-Pacific sales and marketing employees as of December 31, 2018, versus 278 as of December 31, 2017) and (iii) $4.4 million of higher bad debt expense, primarily due to customer recovery in the prior year. For the year ended December 31, 2018, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates for the year ended December 31, 2017. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives and expect our Asia-Pacific sales and marketing expenses to continue to increase as we continue to grow our business, including the impact from the Metronode acquisition.

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General and Administrative Expenses. Our general and administrative expenses for the years ended December 31, 2018 and 2017 were split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$554,169	67%	$472,942	63%	17%	18%
EMEA	184,364	22%	195,430	26%	(6)%	(8)%
Asia-Pacific	88,161	11%	77,534	11%	14%	12%
Total	$826,694	100%	$745,906	100%	11%	10%

	Years Ended December 31,	
	2018	2017
General and Administrative expenses as a percentage of revenues:		
Americas	22%	22%
EMEA	12%	15%
Asia-Pacific	9%	9%
Total	16%	17%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $25.8 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,389 Americas general and administrative employees as of December 31, 2018 versus 1,207 as of December 31, 2017); (ii) $18.1 million of higher office, rent and facilities costs and consulting expenses in support of our business growth; (iii) $3.8 million of higher recruiting, training, and travel expenses to support employee development and (iv) $30.2 million of higher depreciation expense associated with the implementation of certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business. During the year ended December 31, 2018, the impact of foreign currency fluctuations to our Americas general and administrative expenses was not significant when compared to average exchange rates for the year ended December 31, 2017. Over the course of the past year, 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 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 qualification for taxation as a REIT and recent acquisitions and to comply with new accounting standards.

EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to (i) $23.1 million of lower amortization expense as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017; (ii) $5.2 million decrease due to realized cash flow hedge gains and (iii) $5.1 million lower outside services consulting expense, partially offset by an increase of $19.6 million of compensation expenses, including general salaries, bonuses, and stock-based compensation and headcount growth (830 EMEA general and administrative employees as of December 31, 2018 versus 807 as of December 31, 2017). During the year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $5.2 million of net unfavorable foreign currency impact to our EMEA general and administrative expenses primarily due to a generally weaker U.S. dollar relative to the Euro and British pound during the year ended December 31, 2018 compared to the year ended December 31, 2017. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expense was primarily due to $9.7 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (482 Asia-Pacific general and administrative employees as of December 31, 2018 versus 453 as of December 31, 2017). For the year ended December 31, 2018, the impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates for the year ended December 31, 2017. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to support our growth, including the impact from the Metronode acquisition.

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Acquisition Costs. During the year ended December 31, 2018, we recorded acquisition costs totaling $34.4 million primarily in the Asia-Pacific and Americas regions, due to our acquisitions of Metronode and Infomart Dallas. During the year ended December 31, 2017, we recorded acquisition costs totaling $38.6 million, primarily in the Americas region, due to the Verizon Data Center Acquisition.
Impairment Charges. We did not have impairment charges during the years ended December 31, 2018 and 2017.
Gain on Asset Sales. During the year ended December 31, 2018, we recorded a gain on asset sales of $6.0 million primarily relating to the sale of a data center in Frankfurt. We did not have any gain on asset sales during the year ended December 31, 2017.
Income from Operations. Our income from operations for the years ended December 31, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$412,610	42%	$363,220	45%	14%	15%
EMEA	312,163	32%	237,854	29%	31%	25%
Asia-Pacific	252,610	26%	207,940	26%	21%	20%
Total	$977,383	100%	$809,014	100%	21%	19%

Americas Income from Continuing Operations. The increase in our Americas income from operations was primarily due to higher income generated from acquisitions, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. During the year ended December 31, 2018, the U.S. dollar was generally stronger relative to the Brazilian real than during the year ended December 31, 2017, resulting in approximately $4.0 million of unfavorable foreign currency impact on our Americas income from continuing operations during the year ended December 31, 2018 when compared to 2017 using average exchange rates.
EMEA Income from Continuing Operations. The increase in our EMEA income from operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues, which was partially due to lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the third quarter of 2017. During the year ended December 31, 2018, the impact of foreign currency fluctuations resulted in approximately $14.5 million of net favorable foreign currency impact to our EMEA income from continuing operations primarily due to a generally weaker U.S. dollar relative to the Euro and British pound during the year ended December 31, 2018 compared to the year ended December 31, 2017.
Asia-Pacific Income from Continuing Operations. The increase in our Asia-Pacific income from operations was primarily due to higher income generated from 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 sales as a percentage of revenues. During the year ended December 31, 2018, the U.S. dollar was generally weaker relative to the Singapore dollar and Japanese yen than during the year ended December 31, 2017, resulting in approximately $3.2 million of favorable foreign currency impact on our Asia-Pacific income from continuing operations during the year ended December 31, 2018 when compared to 2017 using average exchange rates.
Interest Income. Interest income was $14.5 million and $13.1 million for the years ended December 31, 2018 and 2017, respectively. The average yield for the year ended December 31, 2018 was 1.24% versus 0.64% for the year ended December 31, 2017.
Interest Expense. Interest expense increased to $521.5 million for the year ended December 31, 2018 from $478.7 million for the year ended December 31, 2017. The increase in interest expense was primarily attributable to our issuance of the €750.0 million 2.875% Euro Senior Notes due 2024 in March 2018 and $750 million 5.000% Infomart Senior Notes in April 2018. The increase was partially offset by lower weighted average interest rates during the year ended December 31, 2018 as compared to the year ended December 31, 2017. During the years ended December 31, 2018 and 2017, we capitalized $19.9 million and $22.6 million, respectively, of interest expense to construction in progress. We expect to incur higher interest expense in future periods in connection with additional indebtedness that we incurred during 2018 and as a result of the increasing interest rates.

Other Income (Expense). We recorded net other income of $14.0 million and $9.2 million for the years ended December 31, 2018 and 2017, respectively, primarily due to foreign currency exchange gains and losses during the periods.

Loss on Debt Extinguishment. We recorded $51.4 million net loss on debt extinguishment during the year ended December 31, 2018, comprised of (i) $17.1 million of loss on debt extinguishment as a result of amendments to leases impacting the related financing obligations; (ii) $19.5 million of loss on debt extinguishment from the settlement of financing obligations as a result of the Infomart Dallas Acquisition; (iii) $12.6 million of loss on debt extinguishment as a result of the settlement of financing obligations for properties purchased and (iv) $2.2 million of loss on debt extinguishment as a result of the redemption of the Japanese Yen Term Loan. During the year ended December 31, 2017, we recorded $65.8 million net loss on debt extinguishment comprised of (i) $14.6 million of loss on debt extinguishment from the early redemption of the senior notes; (ii) $22.5 million of loss on debt extinguishment from the redemption of term loans under the previously outstanding credit facility; (iii) $16.7 million of loss on debt extinguishment as a result of amendments to leases and financing obligations and (iv) $12.0 million of loss on debt extinguishment from the settlement of financing obligations as a result of properties purchased.

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 QRSs for the years ended December 31, 2018 and December 31, 2017, respectively. As such, other than tax attributable to built-in-gains recognized and withholding taxes, no provision for U.S. income taxes for the QRSs has been included in the accompanying consolidated financial statements for the years ended December 31, 2018 and 2017.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. 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 years ended December 31, 2018 and 2017.

For the years ended December 31, 2018 and 2017, we recorded $67.7 million and $53.9 million of income tax expenses, respectively. Our effective tax rates were 15.6% and 18.8%, respectively, for the years ended December 31, 2018 and 2017. The decrease in the effective tax rate in 2018 as compared to 2017 is primarily due to a release of valuation allowance in the current period as a result of a legal entity reorganization in our Americas region.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance of our segments and develop regional growth strategies such as IBX data center expansion decisions. We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges, acquisition costs and gain on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to income or loss from operations. Our adjusted EBITDA for the years ended December 31, 2018 and 2017 was split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2018	%	2017	%	Actual	Constant Currency
Americas	$1,183,831	49 %	$1,034,694	51 %	14%	15 %
EMEA	698,280	29 %	582,697	28 %	20%	15 %
Asia-Pacific	531,129	22 %	434,650	21 %	22%	21 %
Total	$2,413,240	100%	$2,052,041	100%	18%	17 %

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition and the Infomart Dallas Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above. During the year ended December 31, 2018, currency fluctuations resulted in approximately $9.6 million of net unfavorable foreign currency impact on our Americas adjusted EBITDA primarily due to the U.S. dollar being generally stronger relative to the Brazilian real during the year ended December 31, 2018 compared to the year ended December 31, 2017.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower sales and marketing and general and administrative expenses as a percentage of revenues. During the year ended December 31, 2018, currency fluctuations resulted in approximately $26.6 million of net favorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to the Euro and British pound

during the year ended December 31, 2018 compared to the year ended December 31, 2017.
Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to the Metronode Acquisition, higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. During the year ended December 31, 2018, the U.S. dollar was generally weaker relative to the Singapore dollar and Japanese yen than during the year ended December 31, 2017, resulting in approximately

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$4.4 million of net favorable foreign currency impact to our Asia-Pacific revenues during the year ended December 31, 2018 when compared to average exchange rates during the year ended December 31, 2017.

Years Ended December 31, 2017 and 2016

Revenues. Our revenues for the years ended December 31, 2017 and 2016 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas:						
Recurring revenues	$2,062,352	47%	$1,593,084	44%	29%	29%
Non-recurring revenues	110,408	3%	86,465	3%	28%	27%
	2,172,760	50%	1,679,549	47%	29%	29%
EMEA:						
Recurring revenues	1,266,971	29%	1,106,652	31%	14%	15%
Non-recurring revenues	79,285	2%	64,687	1%	23%	23%
	1,346,256	31%	1,171,339	32%	15%	15%
Asia-Pacific:						
Recurring revenues	790,797	18%	717,638	20%	10%	11%
Non-recurring revenues	58,615	1%	43,463	1%	35%	36%
	849,412	19%	761,101	21%	12%	12%
Total:						
Recurring revenues	4,120,120	94%	3,417,374	95%	21%	21%
Non-recurring revenues	248,308	6%	194,615	5%	28%	28%
	$4,368,428	100%	$3,611,989	100%	21%	21%

Americas Revenues. Revenues for our Americas region for the year ended December 31, 2017 included approximately $359.1 million of revenues attributable to the Verizon Data Center Acquisition. During the years ended December 31, 2017 and 2016, our revenues from the United States, the largest revenue contributor in the Americas region for the periods, represented approximately 91% and 92%, respectively, of the regional revenues. Excluding revenues attributable to the Verizon Data Center Acquisition, growth in Americas revenues was primarily due to (i) $34.5 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Dallas, New York, São Paulo, Silicon Valley, Toronto and Washington, D.C. areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the year ended December 31, 2017, the U.S. dollar was generally weaker relative to the Canadian dollar and Brazilian real than during the year ended December 31, 2016, resulting in approximately $11.4 million of favorable foreign currency impact on our Americas revenues during the year ended December 31, 2017 when compared to 2016 using average exchange rates.

EMEA Revenues. As compared to 2016, revenues for our EMEA region for the year ended December 31, 2017 include $47.2 million of incremental revenues from acquisitions including the TelecityGroup Acquisition, which closed on January 15, 2016, the Paris IBX Data Center Acquisition, which closed in August 2016, the IO Acquisition, which closed in February 2017, and the Itconic and Zenium data center acquisitions, which closed in October 2017. Our revenues from the U.K., our largest revenue contributor in the EMEA region, represented 30% of regional revenues for the year ended December 31, 2017 compared to 32% of regional revenues for the year ended December 31, 2016. Excluding the acquisitions, our EMEA revenue growth was primarily due to (i) approximately $62.3 million of revenue from our IBX data centers or IBX data center expansions in the Amsterdam, Dubai, Dublin, Frankfurt, Helsinki, London, Paris and Zurich metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $4.9 million of net unfavorable foreign currency impact to our EMEA revenues primarily due to a generally stronger U.S. dollar relative to the British pound during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Asia-Pacific Revenues. Our revenues from Japan, the largest revenue contributor in the Asia-Pacific region, represented approximately 34% and 35%, respectively, for the year ended December 31, 2017 and 2016. Our

Asia-Pacific revenue growth was primarily due to (i) approximately $42.6 million of revenue generated from our recently-opened IBX data center expansions in the Hong Kong, Osaka and Sydney metro areas and (ii) an increase in orders from both our existing customers and new customers during the period. During the year ended December 31, 2017, the U.S. dollar was generally stronger relative to the Japanese Yen than during the year ended December 31, 2016, resulting in approximately $6.8 million of net unfavorable foreign currency impact to our Asia-Pacific revenues during the year ended December 31, 2017 when compared to 2016 using average exchange rates.

Cost of Revenues. Our cost of revenues for the years ended December 31, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$958,845	44%	$700,544	38%	37%	36%
EMEA	749,933	34%	653,766	36%	15%	15%
Asia-Pacific	484,371	22%	466,560	26%	4%	5%
Total	$2,193,149	100%	$1,820,870	100%	20%	20%

	Years Ended December 31,	
	2017	2016
Cost of revenues as a percentage of revenues:		
Americas	44%	42%
EMEA	56%	56%
Asia-Pacific	57%	61%
Total	50%	50%

Americas Cost of Revenues. Cost of revenues for our Americas region for the year ended December 31, 2017 included approximately $177.4 million of costs of revenues attributable to the Verizon Data Center Acquisition. Excluding the impact from the Verizon Data Center Acquisition, depreciation expense was $273.0 million and $241.6 million, respectively, for the years ended December 31, 2017 and 2016. The growth in depreciation expense was primarily due to our IBX expansion activity. In addition to the increase in depreciation expense, the increase in our Americas cost of revenues for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to (i) $30.4 million of higher utilities, repairs and maintenance, property taxes, and other cost of sales in support of our business growth and (ii) $13.2 million of higher compensation costs, including general salaries, bonuses and stock-based compensation (1,114 Americas cost of revenues employees, excluding the Verizon Data Center Acquisition, as of December 31, 2017 versus 1,023 as of December 31, 2016). During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $7.7 million of net unfavorable foreign currency impact to our Americas cost of revenues primarily due to a generally weaker U.S. dollar relative to the Brazilian real and Canadian dollar during the year ended December 31, 2017 compared to the year ended December 31, 2016.

EMEA Cost of Revenues. As compared to 2016, cost of revenues for our EMEA region for the year ended December 31, 2017 included $36.7 million of incremental cost of revenues attributable to acquisitions, including the TelecityGroup Acquisition that closed on January 15, 2016, the Paris IBX Data Center Acquisition that closed in August 2016, the IO Acquisition, which closed in February 2017, and the Itconic and Zenium data center acquisitions, which closed in October 2017. Excluding cost of revenues attributable to these acquisitions, the increase in our EMEA cost of revenues was primarily due to (i) $25.5 million of higher utilities in support of our business growth; (ii) $16.4 million of higher other cost of sales, including third party and managed service expenses; (iii) $10.7 million of higher depreciation expense and (iv) $7.2 million of higher compensation costs, including general salaries, bonuses and stock-based compensation (743 EMEA cost of revenues employees, excluding TelecityGroup employees, as of December 31, 2017 versus 623 as of December 31, 2016). During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $2.7 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 British pound during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Asia-Pacific Cost of Revenues. The increase in our Asia-Pacific cost of revenues was primarily due to (i) $16.7 million of higher utilities, rent, facility costs, consulting, bandwidth cost, custom service orders and repairs and maintenance costs in support of our business growth and (ii) $3.3 million of higher compensation costs, including general salaries, bonuses and stock-based compensation and headcount growth (828 Asia-Pacific cost of revenues employees as of December 31, 2017 versus 787 as of December 31, 2016), partially offset by a decrease of $3.2 million in depreciation and accretion expenses. During the year ended

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December 31, 2017, the U.S. dollar was generally stronger relative to the Japanese Yen than during the year ended December 31, 2016, resulting in approximately $5.0 million of net favorable foreign currency impact to our Asia-Pacific cost of revenues in 2017.

Sales and Marketing Expenses. Our sales and marketing expenses for the years ended December 31, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$349,666	60%	$230,900	53%	51%	51%
EMEA	153,811	26%	137,887	31%	12%	14%
Asia-Pacific	78,247	14%	69,955	16%	12%	13%
Total	$581,724	100%	$438,742	100%	33%	33%

	Years Ended December 31,	
	2017	2016
Sales and marketing expenses as a percentage of revenues:		
Americas	16%	14%
EMEA	11%	12%
Asia-Pacific	9%	9%
Total	13%	12%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to (i) $75.3 million of amortization of the acquired intangible assets in connection with the Verizon Data Center Acquisition; (ii) $33.1 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation and headcount growth (608 Americas sales and marketing employees, including those from the Verizon Data Center Acquisition, as December 31, 2017, versus 553 as of December 31, 2016) and (iii) $4.1 million of higher consulting expenses to support our growth. During the year ended December 31, 2017, the impact of foreign currency fluctuations to our Americas sales and marketing expenses was not significant when compared to average exchange rates during the year ended December 31, 2016.

EMEA Sales and Marketing Expenses. The increase in the EMEA sales and marketing expense was primarily due to (i) $12.3 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (378 EMEA sales and marketing employees as of December 31, 2017 versus 349 as of December 31, 2016) and (ii) an increase of $1.8 million in depreciation and amortization expense, primarily due to acquisitions made during the current year. During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $2.8 million of net favorable foreign currency impact to our EMEA sales and marketing expenses primarily due to a generally stronger U.S. dollar relative to the British pound during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Asia-Pacific Sales and Marketing Expenses. The increase in the Asia-Pacific sales and marketing expense is primarily due to (i) $6.5 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and a larger average headcount in 2017 as compared to 2016 and (ii) $3.2 million of higher rent expense in support of our growth. For the year ended December 31, 2017, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates for the year ended December 31, 2016.

General and Administrative Expenses. Our general and administrative expenses for the years ended December 31, 2017 and 2016 were split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$472,942	63%	$391,637	56%	21%	20%
EMEA	195,430	26%	228,310	33%	(14)%	(12)%

Asia-Pacific	77,534	11%	74,614	11%	4%	5%
Total	$745,906	100%	$694,561	100%	7%	8%

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	Years Ended December 31, 2017	2016
General and Administrative expenses as a percentage of revenues:		
Americas	22%	23%
EMEA	15%	19%
Asia-Pacific	9%	10%
Total	17%	19%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $35.5 million of higher compensation costs, including general salaries, bonuses, stock-based compensation, and headcount growth (1,207 Americas general and administrative employees, including those from the Verizon Data Center Acquisition, as of December 31, 2017 versus 934 as of December 31, 2016); (ii) $22.9 million of higher depreciation expense associated with certain systems, including revenue, data management and cloud exchange systems, to improve our quote to order and billing processes and to support the integration and growth of our business and (iii) $16.6 million of higher office expense and consulting cost to support our growth. During the year ended December 31, 2017, the impact of foreign currency fluctuations to our Americas general and administrative expenses was not significant when compared to average exchange rates for the year ended December 31, 2016. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments in improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including these investments in our back office systems and investments to maintain our qualification for taxation as a REIT.

EMEA General and Administrative Expenses. The decrease in our EMEA general and administrative expenses was primarily due to (i) $20.8 million of lower amortization expenses as a result of fully amortizing the TelecityGroup trade names during the current period and (ii) $8.4 million of lower consulting expenses which was largely due to the completion of TelecityGroup integration activities in the current period. During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $5.7 million of net favorable foreign currency impact to our EMEA general and administrative expenses primarily due to a generally stronger U.S. dollar relative to the British pound during the year ended December 31, 2017 compared to the year ended December 31, 2016. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expense was primarily due to $5.0 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (453 Asia-Pacific general and administrative employees as of December 31, 2017 versus 358 as of December 31, 2016), partially offset by a $1.3 million decrease in rent, repair and maintenance expense. For the year ended December 31, 2017, the impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates for the year ended December 31, 2016.

Acquisition Costs. During the year ended December 31, 2017, we recorded acquisition costs totaling $38.6 million primarily in the Americas and EMEA regions, of which $28.5 million was related to the Verizon Data Center Acquisition during the year ended December 31, 2017 attributable to the Americas region. During the year ended December 31, 2016, we recorded acquisition costs totaling $64.2 million primarily in the EMEA region due to the acquisitions of Telecity and the Paris IBX Data Center, and to a lesser degree, to the Americas region.

Impairment Charges. During the year ended December 31, 2016, we recorded impairment charges totaling $7.7 million in the Asia-Pacific region relating to assets held for sale. We did not have impairment charges during the year ended December 31, 2017.

Gain on Asset Sales. During the year ended December 31, 2016, we recorded a gain on asset sales of $32.8 million primarily relating to the sale of the LD2 data center in the EMEA region and a parcel of land in San Jose in the Americas region. We did not have any gain on asset sales during the year ended December 31, 2017.

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Income from Operations. Our income from operations for the years ended December 31, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$363,220	45%	$352,180	57%	3%	3%
EMEA	237,854	29%	124,853	20%	91%	85%
Asia-Pacific	207,940	26%	141,706	23%	47%	47%
Total	$809,014	100%	$618,739	100%	31%	30%

Americas Income from Continuing Operations. Our Americas income from continuing operations did not change significantly year over year. While revenues increased as described above, this was largely offset by (i) an increase of $18.6 million in acquisition costs, which was primarily related to the Verizon Data Center Acquisition; (ii) additional amortization of the acquired intangible assets resulted from the Verizon Data Center Acquisition and (iii) higher cost of revenues and sales and marketing expense as a percentage of revenues. The impact of foreign currency fluctuations on our Americas income from continuing operations for the year ended December 31, 2017 was not significant when compared to the year ended December 31, 2016.

EMEA Income from Continuing Operations. The increase in our EMEA income from continuing operations was primarily due to higher revenues as a result of our IBX data center expansion activity and acquisitions, as described above, as well as lower operating expenses as a percentage of revenues, lower amortization costs as a result of fully amortizing the TelecityGroup trade names during the current period and lower acquisition costs incurred for the year ended December 31, 2017. We incurred $9.2 million of acquisition costs during the year ended December 31, 2017, as compared to $54.5 million of acquisition costs during the year ended December 31, 2016, which was primarily related to our acquisition of TelecityGroup. During the year ended December 31, 2017, the impact of foreign currency fluctuations resulted in approximately $6.4 million of net favorable foreign currency impact to our EMEA income from continuing operations primarily due to a generally weaker U.S. dollar relative to the Euro during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Asia-Pacific Income from Continuing Operations. The increase in our Asia-Pacific income from continuing operations was primarily due to higher revenues as result of our IBX data center expansion activity and organic growth as described above and lower cost of revenues as a percentage of revenues. The impact of foreign currency fluctuations on our Asia-Pacific income from continuing operations for the year ended December 31, 2017 was not significant when compared to average exchange rates of the year ended December 31, 2016.

Interest Income. Interest income was $13.1 million and $3.5 million for the years ended December 31, 2017 and 2016, respectively. The increase in interest income was driven by higher cash balances and interest yield rates for the year ended December 31, 2017. The average yield for the year ended December 31, 2017 was 0.64% versus 0.37% for the year ended December 31, 2016.

Interest Expense. Interest expense increased to $478.7 million for the year ended December 31, 2017 from $392.2 million for the year ended December 31, 2016. The increase in interest expense was primarily due to the Term B-2 Loan borrowings of €1.0 billion and the issuance of $1.25 billion of 2027 Senior Notes in March 2017, as well as additional financings such as various capital lease and other financing obligations to support our expansion projects. During the years ended December 31, 2017 and 2016, we capitalized $22.6 million and $13.3 million, respectively, of interest expense to construction in progress.

Other Income (Expense). We recorded net other income of $9.2 million and net expense of $57.9 million for the years ended December 31, 2017 and 2016, respectively, primarily due to foreign currency exchange gains and losses during the periods, including $63.5 million in foreign currency losses recognized in the first quarter of 2016 as a result of completing the acquisition of TelecityGroup.

Loss on Debt Extinguishment. We recorded $65.8 million net loss on debt extinguishment during the year ended December 31, 2017 comprised of (i) $14.6 million of loss on debt extinguishment from the early redemption of the senior notes; (ii) $22.5 million of loss on debt extinguishment from the redemption of term loans under the previously outstanding credit facility; (iii) $16.7 million of loss on debt extinguishment as a result of amendments to leases and financing obligations and (iv) $12.0 million of loss on debt extinguishment from the settlement of financing obligations of properties purchased. During the year ended December 31, 2016, we recorded a $12.3 million loss on debt extinguishment as a result of the settlement of the financing obligations for our Paris 3 IBX data center, a portion of the lender fees associated with the Japanese Yen Term Loan, and the prepayment and termination of our 2012 and 2013 Brazil financings.

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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 years ended December 31, 2017 and December 31, 2016, 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 consolidated financial statements for the years ended December 31, 2017 and 2016.

We have made TRS elections for some of our subsidiaries in and outside the U.S. In general, a TRS may provide services that would otherwise be considered impermissible for REITs to provide and may hold assets that REITs cannot hold directly. 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 years ended December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, we recorded $53.9 million and $45.5 million of income tax expenses, respectively. Our effective tax rates were 18.8% and 28.4%, respectively, for the years ended December 31, 2017 and 2016. The decrease in the effective tax rate in 2017 as compared to 2016 is primarily due to recognition of unrecognized tax benefits related to our tax positions in the U.S. and Brazil as a result of a lapse in statutes of limitations and lower amount of non-deductible expenses within our EMEA operations. This is partially offset by net deferred tax asset remeasurement in the U.S. TRSs due to the corporate income tax rate reduction from 35% to 21% effective January 1, 2018 as a result of the TCJA.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the operating performance of our segments and develop regional growth strategies such as IBX data center expansion decisions. We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges, impairment charges, acquisition costs and gain on asset sales. See "Non-GAAP Financial Measures" below for more information about adjusted EBITDA and a reconciliation of adjusted EBITDA to income or loss from operations. Our adjusted EBITDA for the years ended December 31, 2017 and 2016 was split among the following geographic regions (dollars in thousands):

	Years Ended December 31,				% Change	
	2017	%	2016	%	Actual	Constant Currency
Americas	$1,034,694	51%	$787,311	47%	31%	31%
EMEA	582,697	28%	494,263	30%	18%	17%
Asia-Pacific	434,650	21%	375,900	23%	16%	16%
Total	$2,052,041	100%	$1,657,474	100%	24%	24%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to the Verizon Data Center Acquisition, higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the year ended December 31, 2017, currency fluctuations resulted in approximately $4.5 million of net favorable foreign currency impact on our Americas adjusted EBITDA primarily due to the U.S. dollar being generally weaker relative to the Canadian dollar and Brazilian real during the year ended December 31, 2017 compared to the year ended December 31, 2016.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth as described above and lower operating expenses as a percentage of revenues. During the year ended December 31, 2017, currency fluctuations resulted in approximately $2.1 million of net favorable foreign currency impact to our EMEA adjusted EBITDA primarily due to a generally weaker U.S. dollar relative to the Euro during the year ended December 31, 2017 compared to the year ended December 31, 2016.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to higher revenues as a result of our IBX data center expansion activity and organic growth, as described above, and lower cost of revenues as a percentage of revenues. During the year ended December 31, 2017, the U.S. dollar was generally stronger relative to the Japanese Yen than during the year ended December 31, 2016, resulting in approximately $2.7 million of net unfavorable foreign currency impact to our Asia-Pacific revenues during the year ended December 31, 2017 when compared to average exchange rates during the year ended December 31, 2016.

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.

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

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

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

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Adjusted EBITDA

We define adjusted EBITDA as income 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):

	Years Ended December 31,		
	2018	2017	2016
Income from operations	$977,383	$809,014	$618,739
Depreciation, amortization, and accretion expense	1,226,741	1,028,892	843,510
Stock-based compensation expense	180,716	175,500	156,148
Acquisition costs	34,413	38,635	64,195
Impairment charges	—	—	7,698
Gain on asset sales	(6,013)	—	(32,816)
Adjusted EBITDA	$2,413,240	$2,052,041	$1,657,474

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 consolidated statement of operations. We exclude the amortization of deferred financing costs and debt discounts and premiums as these expenses relate to the initial costs incurred in connection with debt financings that have no current or future cash obligations. We exclude gain (loss) on debt extinguishment since it generally represents the write-off of initial costs incurred in connection with debt financings or a cost that is incurred to reduce future interest costs and is not a good indicator of our current or future operating performance. We include an income tax expense adjustment, which represents the non-cash tax impact due to changes in valuation allowances, uncertain tax positions and deferred taxes that do not relate to current period's operations. We deduct recurring capital expenditures, which represent expenditures to extend the useful life of its IBX data centers or other assets that are required to support current revenues. We also exclude net income (loss) from discontinued operations, net of tax, which represents results that may not recur and are not a good indicator of our current future operating performance.

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Our FFO and AFFO were as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Net income	$365,359	$232,982	$126,800
Adjustments:			
Real estate depreciation and amortization	883,118	754,351	626,564
(Gain) loss on disposition of real estate property	4,643	4,945	(28,388)
Adjustments for FFO from unconsolidated joint ventures	—	85	113
FFO	$1,253,120	$992,363	$725,089

	Years Ended December 31,		
	2018	2017	2016
FFO	$1,253,120	$992,363	$725,089
Adjustments:			
Installation revenue adjustment	10,858	24,496	20,161
Straight-line rent expense adjustment	7,203	8,925	7,700
Contract cost adjustment	(20,358)	—	—
Amortization of deferred financing costs and debt discounts and premiums	13,618	24,449	18,696
Stock-based compensation expense	180,716	175,500	156,149
Non-real estate depreciation expense	140,955	111,121	87,781
Amortization expense	203,416	177,008	122,862
Accretion expense (adjustment)	(748)	(13,588)	6,303
Recurring capital expenditures	(203,053)	(167,995)	(141,819)
Loss on debt extinguishment	51,377	65,772	12,276
Acquisition costs	34,413	38,635	64,195
Impairment charges	—	—	7,698
Net income from discontinued operations, net of tax	—	—	(12,392)
Income tax expense adjustment	(12,420)	371	3,680
Adjustments for AFFO from unconsolidated joint ventures	—	(17)	(40)
AFFO	$1,659,097	$1,437,040	$1,078,339

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

Constant Currency Presentation

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the U.S. dollar against major international currencies such as the Euro, British pound, Japanese yen, Singapore dollar, Australian dollar and Brazilian real. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. 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 year ended December 31, 2017 are used as exchange rates for the year ended December 31, 2018 when comparing the year

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ended December 31, 2018 with the year ended December 31, 2017, and average rates in effect for the year ended December 31, 2016 are used as exchange rates for the year ended December 31, 2017 when comparing the year ended December 31, 2017 with the year ended December 31, 2016).

Liquidity and Capital Resources

As of December 31, 2018, our total indebtedness was comprised of debt and financing obligations totaling approximately $11.4 billion consisting of (a) approximately $8,500.1 million of principal from our senior notes, (b) approximately $1,518.9 million from our capital lease and other financing obligations and (c) $1,390.4 million of principal from our loans payable and mortgage (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 regular dividend distributions and completion of our publicly-announced expansion projects.

On March 14, 2018, we issued €750.0 million 2.875% Euro Senior Notes due 2024. On April 2, 2018, we completed the Infomart Dallas Acquisition for a purchase price of approximately $804.0 million, which was funded with approximately $45.8 million in cash and $758.2 million aggregate fair value of 5.000% senior unsecured notes. On April 18, 2018, we completed the Metronode Acquisition for a cash purchase price of A$1.034 billion or approximately $804.6 million at the exchange rate in effect on April 18, 2018. In July, we drew down the full amount of the JPY Term Loan of ¥47.5 billion, or approximately $424.7 million at the exchange rate effective on July 31, 2018, and prepaid the remaining principal of our existing Japanese Yen Term Loan of ¥43.8 billion or approximately $391.3 million. As of December 31, 2018, we had $610.7 million of cash, cash equivalents and short-term investments, of which approximately $280.1 million was held in the U.S. We believe that our current expansion activities in the U.S. can be funded with our U.S.-based cash and cash equivalents and investments. In addition to our cash and investment portfolio, we have additional liquidity available to us from our $2.0 billion revolving facility and the 2018 ATM Program as described below.

As of December 31, 2018, we had 42 irrevocable letters of credit totaling $68.5 million issued and outstanding under the revolving facility. We had a total of approximately $1.9 billion of additional liquidity available to us under the Revolving Facility.

For the year ended December 31, 2018, we sold 930,934 shares for approximately $388.2 million, net of payment of commissions to the sales agents and equity offering costs under our 2017 ATM Program. As of December 31, 2018, no shares remain available for sale under the 2017 ATM Program. 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 December 31, 2018, no shares have 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

	Years Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net cash provided by operating activities	$1,815,426	$1,439,233	$1,019,353
Net cash used in investing activities	(3,075,528)	(5,400,826)	(2,045,668)
Net cash provided by (used in) financing activities	470,912	4,607,860	(897,065)

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Operating Activities

Our cash provided by our operations is generated by colocation, interconnection, managed infrastructure and other revenues. Our primary use of cash from our operating activities include compensation and related costs, interest payments, other general corporate expenditures and taxes. The increase in net cash provided by operating activities during 2018 compared to 2017 was primarily due to improved operating results combined with incremental operating cash provided by the acquisitions of Infomart Dallas and Metronode in April 2018 and inclusion of full year operating results of the Verizon Data Center Acquisition, offset by increases in cash paid for cost of revenues, operating expenses, interest expense and income taxes. The increase in net cash provided by operating activities during 2017 compared to 2016 was primarily due to improved operating results combined with incremental operating cash provided by the Verizon Data Center Acquisition and other acquisitions in 2017, offset by timing of collections on our receivables and increases in cash paid for cost of revenues, operating expenses, interest expense and income taxes.

Investing Activities

The decrease in net cash used in investing activities during 2018 compared to 2017 was primarily due to the decrease in spending for business acquisitions of approximately of $3.1 billion, primarily due to the Verizon Data Center Acquisition in 2017, partially offset by $717.4 million of higher capital expenditures and $87.3 million of higher purchases of real estate, primarily as a result of expansion activity. The increase in net cash used in investing activities during 2017 compared to 2016 was primarily due to the increase in spending for business acquisitions of approximately of $2.2 billion, primarily related to the Verizon Data Center Acquisition, a decrease in proceeds from asset sales of $803.8 million, $265.4 million of higher capital expenditures and $67.0 million of higher purchases of real estate, primarily as a result of expansion activity.

During 2019, 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

Net cash provided by financing activities during 2018 was primarily due to (i) 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; (ii) borrowing of the JPY Term Loan of ¥47.5 billion, or approximately $424.7 million at the exchange rate effective on July 31, 2018; (iii) sale of 930,934 shares under the 2017 ATM Program, for net proceeds of $388.2 million and (iv) proceeds from employee awards of $50.1 million. The proceeds were partially offset by (i) dividend distributions of $738.6 million; (ii) repayments of capital lease and other financing obligations of $103.8 million; (iii) repayments of mortgage and loans payable of $447.5 million, primarily related to the prepayment of the remaining principal of our existing Japanese Yen Term Loan; (iv) payments of debt extinguishment costs of $20.6 million and (v) payments of debt issuance costs of $12.2 million.

Net cash provided by financing activities during 2017 was primarily due to (i) borrowings under our previously outstanding credit facility of €1,000.0 million, or approximately $1,059.8 million at the exchange rate in effect on January 6, 2017; (ii) the issuance of $1,250.0 million 2027 Senior Notes; (iii) the issuance of €1,000.0 million 2025 Euro Senior Notes, or approximately $1,199.7 million at the exchange rate on September 20, 2017; (iv) the issuance of €1,000.0 million 2026 Euro Senior Notes, approximately $1,179.0 million at the exchange rate on December 12, 2017; (v) borrowings under our Term Loan Facility of approximately $997.1 million on December 12, 2017, at the exchange rate in effect on that day; (vi) the sale of common stock for net proceeds of $2,481.4 million and (vii) proceeds from employee awards of $41.7 million, partially offset by (i) repayment of the entire $500.0 million principal amount of our 4.875% Senior Notes due 2020; (ii) repayment in full of our previously outstanding credit facility of approximately $2,207.7 million in total at the exchange rate on December 12, 2017; (iii) dividend distributions of $621.5 million; (iv) repayments of capital lease and other financing obligations of $93.5 million and (v) debt issuance costs of $81.0 million.

Net cash used in financing activities during 2016 was primarily due to (i) $1,462.9 million repayment of loans payable including repayment of loans assumed in the TelecityGroup acquisition, bridge term loan and revolving credit facility; (ii) $114.4 million repayment of capital lease and other financing obligations and (iii) $499.5 million payment of dividends, partially offset by $1,168.3 million of proceeds from loans payable including proceeds from our previously outstanding credit facility and Japanese Yen Term Loan.

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Debt Obligations

Debt Facilities

We have various debt obligations with maturity dates ranging from 2019 to 2027 under which a total principal balance of $9.9 billion remained outstanding as of December 31, 2018. For further information on debt obligations, see "Debt Facilities" in Note 11 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Capital Lease and Other Financing Obligations

We have numerous capital lease and other financing obligations with maturity dates ranging from 2019 to 2053 under which a total principal balance of $1,518.9 million remained outstanding as of December 31, 2018 with a weighted average effective interest rate of 7.88%. For further information on our capital leases and other financing obligations, see "Capital Lease and Other Financing Obligations" in Note 10 of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX data centers and certain equipment under non-cancelable lease agreements expiring through 2065. The following represents our debt maturities, financings, leases and other contractual commitments as of December 31, 2018 (in thousands):

	2019	2020	2021