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## NEXTDC LIMITED (NXT)

### Software & Services

#### Buy

**NXT A\$11.51**
**TARGET PRICE A\$16.17**

NEXTDC is an exciting ASX 100-listed technology company enabling business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software. As the leading independent data centre operator with a nationwide network of Tier III and Tier IV facilities in the Australian market, they provide world-class colocation services to local and international organisations. With a focus on sustainability and renewable energy, we deliver our customers industry leading solutions that champion the best energy efficiency ratings in the country, and NABERS 5-star certification.

#### Company Data

Number of shares	456.7M
Market Capitalisation	\$5,343M
Free float (%)	99.3%
12-month high/low	\$14.05/\$6.39
Average Daily Turnover (\$m)	31.8713
% S&P/ASX200	0.29%
DDM Ranking	148
% All Ordinaries	0.25%
GICS Industry Group	Software & Services

Source: FactSet, Barclay Pearce Capital

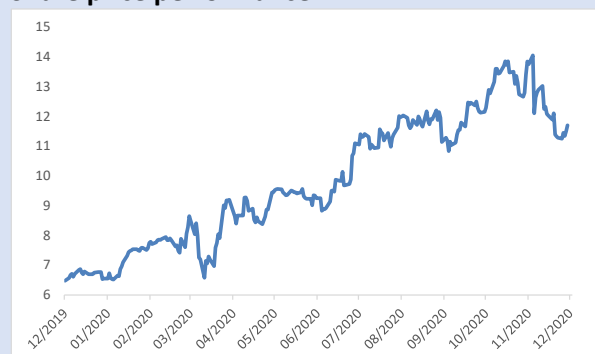
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	205.2	248.3	305.4	380.4
EBITDA (\$M)	104.6	128.8	167.2	220.7
Reported NPAT (\$M)	-45.2	-11.0	12.2	31.9
Adjusted NPAT (\$M)	-11.7	-5.5	16.9	40.1
Reported EPS (c)	-12.6	-0.8	4.4	9.2
Adjusted EPS (c - FD)	-3.3	-0.7	3.6	9.1
Adjusted EPS growth (%)	13.8	-78.0	-602.0	151.5
Adjusted P/E (x)	-359.2	-1,630.7	324.9	129.1
Dividend (c/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	-0.7	-0.2	0.8	1.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

#### Share price performance



Source: FactSet, Barclay Pearce Capital

## FY20 AGM Addresses

On 13 November 2020, NEXTDC LIMITED (ASX:NXT) announced its AGM addresses with the following highlights:

- NXT have experienced a strong start to FY21, already achieving major milestones for the business.
- The guidance NXT have provided in FY21 reflects the company's expectation for further solid data centre services revenue growth of between 21% and 25% over that seen in FY20.
- The top end of that guidance represents a \$250 million data centre services revenue stream with strong growth in recurring data centre services revenue, underpinned by long-term customer contracts.
- This includes over 17MW of contracted capacity that had yet to commence billing as at 30 June 2020.
- The completion of S2 and P2, new public cloud availability zones at M2, changing workplace environments and evolving organisational operating processes are also expected to drive strong ongoing demand for connectivity services which represented 8.1% of our recurring revenue in FY20.
- Furthermore, NXT are on track to deliver growth in underlying EBITDA in the range of 20% to 24%, now increasingly driven by the performance of our second-generation facilities as customer utilisation ramps up.
- As far as forward investments are concerned, NXT have seen industry demand continue to increase across the region and don't expect that to slow down.
- NXT will continue development in line with customer demand to realise these opportunities for further growth.
- With two major capital works projects underway at M2 and S3, we expect to invest up to \$400m million in new infrastructure and fitting out new data halls to meet customers' growth requirements for additional capacity.
- NXT also continue to benchmark our operational excellence against global standards.
- NXT are in the process of obtaining Uptime Tier IV certification for both S2 and P2 as well as Gold Operational Sustainability.
- NXT also continue to take the lessons we learned from NABERS 5-Star certifications for S1 and M1 and apply them to our operational 2nd generation facilities.
- Conversely, the ongoing maintenance of the 1st generation facilities continues as we retrospectively apply all of the lessons and improvements that have been learned during the 2nd generation builds and the 3rd generation designs.
- Our company continues its disciplined expansion, and we remain focussed on developing our people, our systems and our processes to take full advantage of the exponential opportunities ahead.
- NXT will also continue to invest on exploring opportunities for regional expansion.
- NXT have offices in Singapore and Tokyo where NXT continue to work with key customers and talk to respective governments about potential expansion in the region.

## Valuation

We are initiating on NXT with a 12-month price target of \$16.17 and a Buy recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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