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ASX Release

26 July 2017

Asia Pacific Data Centre Group Takeover Proposal

NEXTDC Limited (ASX: NXT) ("NEXTDC" or "the **Company**") is pleased to advise that it has put forward a proposal to Asia Pacific Data Centre Group (ASX: AJD or "APDC") for a conditional offer to acquire all of the ordinary, fully paid, stapled securities of AJD that it does not already own at \$1.85 per security.

Attached is NEXTDC's proposal, including key conditions.

APDC's sole assets are three data centre properties occupied by NEXTDC under long-term lease arrangements: Sydney (S1), Melbourne (M1) and Perth (P1).

NEXTDC has now acquired an 18.6% stake in APDC at a cost of \$38.2m. The initial stake and the follow-on acquisition of APDC will be funded from NEXTDC's existing cash reserves.

NEXTDC had liquidity in excess of \$460m at 30 June 2017, including cash reserves of more than \$360m and an undrawn Senior Corporate Debt Facility of \$100m.

The Company intends to fund its ongoing growth capital expenditure for its existing facilities and planned developments via remaining cash reserves, operating cash flow as well as and upsized senior debt facility under discussion with NEXTDC's relationship bank, National Australia Bank.

NEXTDC CEO Craig Scroggie said: "*In 2015, we advised the market of our change in strategy to own more of our data centre properties over the longer term when we announced that NEXTDC would proceed to develop and own the new data centres for Brisbane (B2) and Melbourne (M2).*

"S1, M1 and P1 are properties well known to us and represent a low risk acquisition for NEXTDC, which can be funded from our existing cash reserves following the successful upsizing of Notes III in May 2017".

ENDS

For more information:

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NEXTDC Investor Centre: www.nextdc.com/our-company/investor-centre



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About NEXTDC

NEXTDC is an ASX200-listed technology company enabling business transformation through innovative data centre outsourcing solutions, connectivity services and infrastructure management software.

As Australia's leading independent data centre operator with a nationwide network of Tier III facilities, NEXTDC provides enterprise-class colocation services to local and international organisations. With a focus on sustainability and renewable energy NEXTDC is leading the industry with award-winning engineering solutions for energy efficiency and NABERS 4.5 star certification.

NEXTDC is extending its leadership in data centre services through the innovative DCIM-as-a-Service software platform, ONEDC®, which enables customers to centrally manage their on-premise and colocated infrastructure; and advanced connectivity services that deliver a range of secure, high-speed interconnections between racks, networks and cloud services.

NEXTDC's Cloud Centre is the online marketplace for the country's largest independent network of carriers, cloud and IT service providers, enabling customers to freely source best of breed suppliers within the NEXTDC Partner community.

NEXTDC is *where the cloud lives®*.

To learn more, visit www.nextdc.com



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Mr Ian Fraser
Independent Chairman
Asia Pacific Data Centre Group
Level 13, 135 King Street
Sydney NSW 2000

26 July 2017

Dear Ian

Asia Pacific Data Centre Group – Takeover Proposal

NEXTDC is pleased to advise that it is prepared to make an offer in relation to the Asia Pacific Data Centre Group (**APDC**) on the basis and conditions set out in this letter (the **Offer**), subject to APDC providing NEXTDC with due diligence access and NEXTDC not becoming aware of adverse information in relation to APDC during the course of its due diligence enquiries.

1. Offer price

The consideration under the Offer will be \$1.85 cash per fully-paid stapled security in APDC (**APDC Security**).

The Offer price represents:

1. 18.2% premium¹ to the \$1.565 closing price for APDC Securities on 1 May 2017, the day before 360 Capital announced its acquisition of a 19.8% stake in APDC; and
2. 15.3% premium to APDC's pro forma net tangible assets per APDC Security as at 30 June 2017.

NEXTDC's Offer price is superior to the \$1.80 per APDC Security offered by 360 Capital on 25 July 2017.

2. Due diligence access

NEXTDC is prepared to make the Offer subject to:

- APDC providing NEXTDC with access to: (i) due diligence information and (ii) APDC management, financiers and auditors, as reasonably requested by NEXTDC, for a period of not less than two weeks (the **Due Diligence Period**) commencing not later than 31 July 2017, to enable NEXTDC to conduct due diligence enquiries in relation to APDC, which a reasonable purchaser of APDC would typically conduct, including in respect of APDC's assets, liabilities and financing arrangements.
- In the period from the date of this Offer to the end of the Due Diligence Period, no matter, event, change, condition, circumstance, information or thing (**Change or Information**) occurs, is announced, becomes likely to occur or becomes known to NEXTDC which in alone or in aggregate with any other Change or Information, would result in condition (c) (**No material adverse change of information**) of the Offer conditions (in the Annexure to this letter) not being satisfied.

¹ Before taking into account the \$0.0243 per security distribution announced on 26 June 2017



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3. Offer conditions

The Offer will be subject to a 50.1% minimum acceptance condition, as well as a number of other conditions, as set out in the Annexure to this letter.

4. Funding

NEXTDC has sufficient cash reserves to fund the consideration payable should the Offer proceed.

5. Next Steps

We propose the following next steps:

- APDC provides NEXTDC with access to due diligence information.
- NEXTDC commits to completing due diligence within two weeks of being provided access.
- Subject to a satisfactory due diligence outcome, NEXTDC makes a further announcement of its formal Offer and promptly serves its Bidder's Statement and dispatches documentation to APDC securityholders.

We are confident that should due diligence be forthcoming promptly and that it is satisfactory that NEXTDC will be able to proceed with the Offer.

Yours sincerely

A handwritten signature in black ink, appearing to read "D. Flynn".

Doug Flynn
Independent Chairman

NEXTDC (ASX: NXT)
www.nextdc.com



ANNEXURE

1 OFFER CONDITIONS

(a) Minimum acceptance

At the end of the Offer Period, NEXTDC has relevant interests in at least 50.1% of the APDC Securities (on a fully diluted basis).

(b) Parity of information

Before the end of the Offer Period, APDC (or its officers, employees or agents) does not provide any information relating to APDC which is not "generally available" (as defined in the Corporations Act) to a Third Party for the purposes of enabling that party to make a Competing Proposal (**Due Diligence Information**) without also promptly (in any event within 2 Business Days) providing that Due Diligence Information to NEXTDC and announcing to ASX any Inside Information which forms part of the Due Diligence Information.

(c) No material adverse change of information

Between the Proposal Date and the end of the Offer Period, no matter, event, change, condition, circumstance, information or thing (**Change or Information**) occurs, is announced, becomes likely to occur or becomes known to NEXTDC which in alone or in aggregate with any other Change or Information, would result in and/or would reasonably be likely to:

- (i) result in the diminution in the consolidated earnings before interest and tax of APDC, taken as a whole, by at least \$500,000 in any financial year for APDC against what they would reasonably have been expected to have been but for such Change or Information;
- (ii) adversely affect the preparedness of a financier to APDC (acting reasonably) to advance monies or otherwise provide financial accommodation or adversely affect the amount of such advance by an amount in excess of \$2 million as compared to what would otherwise have been the case but for such Change or Information; or
- (iii) result in the valuation of any Property (or Properties in aggregate) being reduced by at least \$2 million against what they would have reasonably have been expected to have been but for such Change or Information; or
- (iv) result in a material adverse effect on the business, assets, liabilities, financial position or performance, profitability or prospects of APDC.

(d) Index out

Between the Proposal Date and the end of the Offer Period (each inclusive), the S&P ASX 200 does not close below 10% for 5 or more consecutive trading days.

(e) Break fee

Between the Proposal Date and the end of the Offer Period, APDC does not agree (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than NEXTDC or an associate, or forgo any amount to which it would otherwise be entitled, in connection with that a proposal by that person for:



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- (i) a takeover bid for, or scheme of arrangement proposed by, APDC, under the Corporations Act;
 - (ii) the acquisition by that person or an associate of substantially all the assets and operations of APDC; or
 - (iii) any transaction having a similar economic effect.

This does not apply to a payment by way of remuneration for professional services or to directors of APDC for the discharge of their duties in connection with the Offer.

(f) Regulatory approvals

Before the end of the Offer Period, all applicable regulatory waiting periods (including any extensions) have expired or otherwise been terminated in respect of the Offer or any matter arising from the proposed acquisition by NEXTDC of APDC Securities under the Offer and NEXTDC has obtained on an unconditional basis all approvals, licences, authorisations, authorities, consents, permissions, clearances, grants, confirmations, orders, exemptions, waivers or rulings (together, **Approvals**) required by law or by any Authority as are necessary:

- (i) to permit the Offer to be lawfully made to and accepted by holders of APDC Securities;
- (ii) as a result of the Offer, as a result of the acquisition of APDC Securities by NEXTDC under the Offer or to permit completion of the Offer;
- (iii) for the continued operation of APDC's business and ownership of APDC's assets on substantially the same terms as at the Proposal Date; or
- (iv) to ensure there is no right or power to require the divestiture by NEXTDC of any APDC Securities or material assets, or the divestiture of any material assets of APDC,

and all such Approvals remain in full force and effect as at the end of the Offer Period.

(g) No regulatory action

Before the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by an Authority; and
- (ii) no application is made to any Authority (other than by NEXTDC), or action or investigation is announced, threatened or commenced by an Authority in consequence of or in connection with the Offer,

which:

- (iii) other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act, restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer, the acquisition of APDC Securities under the Offer or any transaction contemplated by the Bidder's Statement (including the implementation of the NEXTDC's intentions expressed in the Bidder's Statement), the Offer or the rights of NEXTDC in respect of APDC or APDC Securities, or requires the divestiture by NEXTDC of any interest in APDC Securities or material assets, or the divestiture of any material assets of APDC; or
- (iv) amends, prejudices or otherwise affects any existing rights (as at the Proposal Date) of, or imposes any obligation on, NEXTDC in respect of APDC Securities or



any debt instruments, mortgages or charges relating to any unit granted over APDC Securities.

(h) Conduct of APDC's Business

Other than as specifically disclosed to ASX prior to the Proposal Date or approved by NEXTDC by written notice to APDC, APDC does not between the Proposal Date and the end of the Offer Period:

- (i) enter into any agreement to acquire or dispose of an asset or a company, trust or other vehicle containing an asset, or an interest therein, having a value in aggregate in excess of \$2 million;
- (ii) enter into, or materially amend, any agreement, joint venture, asset or profit share, partnership or commitment which would require capital expenditure or liability, the foregoing of revenue, the payment of fees or other amounts (including, without limitation, on termination of the agreement) by APDC (or bring forward the time of that requirement) of an amount, or one or more related amounts which are in aggregate, more than \$0.5 million;
- (iii) incur or increase any financial indebtedness (excluding any drawing or redrawing on existing facilities) or issues any indebtedness or debt units for an amount of more than \$1 million in aggregate;
- (iv) enter into, amend, terminate or waive or otherwise forego rights under any Material Contract;
- (v) make any changes to its constitution or other constituent documents or convene a meeting to consider a resolution to make such a change;
- (vi) pass any resolution of its members;
- (vii) do any of the following:
 - A. have the trust terminated;
 - B. effect or facilitate the resettlement of the property of the trust; or
 - C. have any application made in any court for the appointment of a temporary responsible entity in accordance with the Corporations Act;
- (viii) have any claim or claims made or threatened against it, or litigation, arbitration proceedings, prosecution or other legal proceedings commenced against it, involving more than \$2 million in aggregate;
- (ix) waive or compromise any claim or right otherwise than in the ordinary course of business;
- (x) create, or agree to create, any mortgage, charge, lien or other encumbrance over any of its assets, other than liens in the ordinary and usual course of business;
- (xi) be deregistered as a registered managed investment scheme or otherwise dissolved;
- (xii) enter into any corporate transaction which would or would be likely to involve a material change in the manner in which it conducts its business or the nature (including balance sheet classification), extent or value of its assets or liabilities; or
- (xiii) resolve, agree, offer, commit or announce an intention to do any of the things referred to in paragraphs (i) to (xii) above.

(i) Restrictions on Distributions

Between the Proposal Date and the end of the Offer Period, APDC does not announce, make, declare or pay any dividend or other form of distribution of profits or capital (whether in cash or in specie), other than a cash dividend or distribution not exceeding 2.43 cents per



calendar quarter per fully paid APDC Security (and a corresponding amount per partly paid APDC Security which reflects the amount paid up on those securities) and accruing at the end of each quarter and declared and paid in the ordinary course.

(j) **No prescribed occurrences**

Between the Proposal Date and the end of the Offer Period, no Prescribed Occurrence occurs.

(k) **Properties**

Between the Proposal Date and the end of the Offer Period (each inclusive), none of the following occur:

- (i) any of the Properties cease to be wholly owned by APDC;
- (ii) a Security Interest is created or arises over any of the Properties;
- (iii) APDC enters into any commitment (including a lease or agreement for lease) in relation to any development, redevelopment or refurbishment project for a new or existing asset where the total project cost exceeds \$500,000 (including incentives) whether or not previously contemplated;
- (iv) any of the Properties (or any interest in any of them) is disposed of, sold or transferred, or is agreed to be disposed of, sold or transferred;
- (v) any of the Properties are destroyed or there is any physical damage to any Property such that the amount or value of the destruction or damage exceeds or would reasonably be expected to exceed \$100,000 after recovery of any insured amounts;
- (vi) APDC incurring or agreeing to incur an amount of capital expenditure in excess of \$100,000 (in aggregate across all the Properties), other than capital expenditure that has been fully and fairly announced by APDC to ASX before the Proposal Date as intended to be incurred or committed or capital expenditure in the day to day operating activities of the business of APDC conducted in the same manner as before the Proposal Date.

2 DEFINITIONS

Unless the context requires otherwise, capitalised terms used in the letter and in this Annexure have the meaning set out below.

ACCC means the Australian Competition and Consumer Commission.

APDC means Asia Pacific Data Centre Group, the stapled entity comprising Asia Pacific Data Centre Holdings Limited (ACN 159 621 735) and Asia Pacific Data Centre Trust (ARSN 161 049 556), and where the context allows, any of its subsidiaries, and/or Asia Pacific Data Centre Limited (ACN 159 624 585) acting as responsible entity of Asia Pacific Data Centre Trust.

A reference to APDC acting in a particular way is taken to include a reference, in relation to Asia Pacific Data Centre Group, or (if applicable) the holders of securities in the Asia Pacific Data Centre Group, acting or agreeing to act in that way.

APDC Security means a fully paid stapled security in APDC.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange operated by ASX Limited (as the context requires).



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ATO means the Australian Taxation Office.

Authority means:

- (a) ASX, ACCC, ASIC, the Takeovers Panel and the ATO;
- (b) a government or governmental, semi-governmental or judicial entity, whether foreign, federal, state, territorial or local;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
- (d) any regulatory organisation established under statute.

Bidder's Statement means the bidder's statement (as well as any supplementary bidder's statement) issued by NEXTDC in connection with the Offer as required by the Corporations Act.

Business Day means any day which is a Business Day within the meaning given by the official listing rules of the Australian Securities Exchange operated by ASX Limited.

Competing Proposal means a transaction or arrangement which is proposed by a Third Party pursuant to which a Third Party will, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) acquire a Relevant Interest in any APDC Securities, as a result of which the Third Party will have a Relevant Interest in 20% or more of the APDC Securities or voting power of more than 20% of APDC;
- (b) otherwise acquire control of APDC within the meaning of section 50AA of the Corporations Act; or
- (c) directly or indirectly acquire, merge with, or acquire (or have the right to so merge with or acquire) a significant economic interest in APDC or all or a significant part of the assets or business of APDC, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, or other synthetic merger or any other transaction or arrangement,

where, for the avoidance of doubt, assets of APDC which have a book value (as recorded in APDC's statement of financial position as at 30 June 2017) of more than \$20 million in aggregate will be taken to be a "significant part" of the assets of APDC for the purposes of this definition.

Conditions means the conditions to the Offer set out in this Annexure.

Controlled Entity means any company or trust or other entity controlled by APDC and/or in respect of which APDC has directly or indirectly an economic interest of at least 50%.

Corporations Act means the *Corporations Act 2001* (Cth).

Inside Information has the meaning given in section 1042A of the Corporations Act as that meaning applies to APDC Securities.

Insolvency Event occurs, in relation to an entity, if:

- (a) it is a company, an administrator, liquidator or provisional liquidator is appointed to the entity or a resolution is passed or any steps are taken to appoint, or to pass a resolution to appoint, any of those persons to the entity;



- (b) it is a company, an application or order is made for the winding up or dissolution of the entity or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the entity;
- (c) it is a company, a receiver, receiver and manager, trustee, other controller or similar officer is appointed over the assets or undertaking of the entity or any steps are taken to appoint, or to pass a resolution to appoint, any of those persons to the entity;
- (d) it is not a company, any application is made to a court for an order that the entity be declared bankrupt, unless the application is withdrawn, struck out or dismissed within 20 days of it being made; or
- (e) the entity suspends payment of its debts generally or is unable to pay its debts as and when they fall due or is presumed to be insolvent under applicable law, or enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them.

Material Contract means any agreement, contract or other arrangement or instrument to which APDC is a party or any of its respective assets may be bound or subject to, and which:

- (a) imposes obligations or liabilities on any party of at least \$500,000 per annum or \$1 million over the life of the agreement, contract or other arrangement;
- (b) relates to, concerns, or is connected with, the management of APDC; or
- (c) is otherwise material in the context of the businesses, assets or properties of APDC (which for the avoidance of doubt is taken to include any agreement, contract or other arrangement under which APDC borrows or raises funds from any source or otherwise incurs financial indebtedness from a financial institution).

NEXTDC means NEXTDC Limited (ACN 143 582 521) (ASX:NXT) (or an special purpose vehicle bidder of NEXTDC (and, if applicable, any third party investors which NEXTDC may introduce to participate in the Offer), being a trust, company or stapled trust and company).

Offer has the meaning set out in this letter.

Offer Period means the offer period under the Offer.

Prescribed Occurrence means any of the following events:

- (a) APDC converts all or any of the APDC Securities into a larger or smaller number of APDC Securities;
- (b) APDC resolves to reduce its capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any securities;
- (c) APDC:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 2570(1) of the Corporations Act;
- (d) APDC issues APDC Securities or other securities (including a security in only one of the entities comprising APDC and a security in any subsidiary of APDC), or grants an option over



APDC Securities or other such securities, or agrees to make such an issue or grant such an option;

- (e) APDC issues, or agrees to issue, convertible notes or convertible securities;
- (f) APDC disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) APDC charges, or agrees to charge the whole, or a substantial part, of its business or property;
- (h) APDC resolves to be wound up;
- (i) a liquidator or provisional liquidator of APDC is appointed;
- (j) a court makes an order for the winding up of APDC;
- (k) an administrator of APDC is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) APDC executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of APDC.

Properties means the properties directly or indirectly owned by APDC as at the Proposal Date.

Proposal Date means the time on 26 July 2017 that a letter attaching these Conditions is delivered to APDC.

Related Entity has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning in section 9 of the Corporations Act.

Security Interest has the meaning given in section 51A of the Corporations Act.

Subsidiary has the meaning given to that term in the Corporations Act, provided that:

- (a) an entity will also be deemed to be a Subsidiary of a body corporate if it is controlled (within the meaning of that term provided by Pt 1.2, Div 6 of the Corporations Act) by that body corporate; and
- (b) a trust may be a Subsidiary (for the purposes of which a unit or other beneficial interest will be deemed to be a share in the capital of a body corporate) and a body corporate or a trust may be a Subsidiary of a trust.

Third Party means any of the following:

- (a) a person other than NEXTDC or its respective associates; or
- (b) a consortium, partnership, limited partnership, syndicate or other group in which neither NEXTDC, nor any of its respective associates participate.