Jordan: Good afternoon, everybody. Welcome to DuPont Fabros Technology's NAREIT presentation for 2016. With me today, CEO, Christopher Eldredge and to his right, CFO, Jeff Foster. I'm Jordan Sadler, KeyBanc Capital Markets. I will pass it to Chris to go through a little bit of an intro on DFT and maybe catch everybody up on the status in NAREIT and how business has been going, and then we will open it up for questions, and feel free to keep it interactive.

Christopher: Thanks, Jordan. I appreciate the introduction. My name is Chris Eldredge. I am the president and CEO of DFT. I have been in this role for about 15 months. What I would like to do is give you a brief overview of DFT and talk about some recent developments.

Who is DFT? DFT is the only pure-play publicly traded provider of wholesale data center services. We just recently announced the transaction this week with QTS of the sale of our NJ1 Data Center for 125 million. At present time, we have 267 megawatts of critical load under management and over 3 million square feet of space. Our portfolio as of our last earnings call was 98% leased. The vast majority of our revenue comes from investment grade clients. Our performance over the last 12 months has been outstanding.

Let's talk about some of the highlights. 2015 was a record year for us at DFT with 46.7 megawatts of critical load leased. In fact, in the fourth quarter of 2015, we set a record for the top leasing quarter in company history with 32.4 megawatts of critical load leased. How do we follow that up? In the first quarter of 2016, we set another record with 33.1 megawatts of critical load leased. Over the last two quarters, we leased 65.5 megawatts of critical load. Over the trailing 12 months, we leased 77.6 megawatts of critical load. Pretty impressive results.

What is driving the growth? It is the cloud, storage and compute rolling 2x year over year. Storage and compute growing 2x year over year. SQL database growing 5x year over year. If we would have spoken about a year and a half ago, I would have told you that enterprises were reluctant to migrate any type of database to the cloud, but you are seeing it happen and it is real. Hyper-scale cloud providers announcing they are going to double CAPEX in 2016.

Over the top video, the way we consume and watch content is very different in years past. Whether it is YouTube, Netflix, downloading a video off the Internet, it has changed dramatically.

A statistic that I like to talk about in a lot of the meetings that I have had today is the hyper-scale cloud providers announcing they are going to double CAPEX in 2016. One of our stated goals is to be the largest enabler of cloud. What are we doing to support that growth? We have a number of developments underway. Let's talk about Chicago first. CH2 Phase II is scheduled to come online actually this quarter for an additional 6.3 megawatts of critical load. We are following that up in the third quarter of 2016 with an additional 11.3 megawatts of critical load. We call it CH2 Phase III. The vast majority of that facility has already been preleased.

Let's talk about Northern Virginia which is our top market. We have ACC7 Phase III which is scheduled to come online this quarter for an additional 11.9 megawatts of critical load. We are following that up in Q4 with ACC7 Phase IV for an additional 7.8 megawatts of critical load. That completes the build out of ACC7 for 41.6 megawatts of critical load. We are also working on new markets specifically Phoenix and Toronto.

What are our goals for 2016? Obviously, we want to continue the strong leasing momentum and lease up capacity as quickly as it comes online. We want to acquire land in those two new markets [Portland and Toronto] and start development. Why are we still bullish on the future here at DFT? I think the results speak for themselves, 77.6 megawatts of critical load leased over the last 12 months.

I like to talk about our 3Ps. First is our people. We have the best team in this space, the highest quality workforce, our product, our data centers. If any of you have an opportunity to tour one of our facilities, I think you should take advantage of it. We built the highest quality data centers in North America. There is a reason why our customers lease from us time and time again. If you look at our facilities, we house some of the leaders in global technology in our data centers such as Microsoft and Facebook.

Last is profit. We have the highest EBITDA margins in the space and the lowest G&A, and what does that mean? For every dollar of revenue we bring in, it translates into the industry's best bottom line results. Those are key characteristics to being a great company. We believe DFT is a great company. With that, I will throw it over to Jordan for questions.

Jordan: Thanks, Chris. Maybe just kick it off on the leasing front. You talked about the record level of activity you guys have seen following the company since your IPO and the pace has picked up pretty dramatically. The number you just threw out of 77 megawatts leased last 12 months, very big in the context of your history.

How should we think about the next 12 months and just where are we in the cycle in terms of demand?

Christopher: I mean each market is unique in itself, but if you take a look at the cycle, I think we are at the very early stages. I have been asked these questions in a number of meetings today. I think we are in the first inning. I played college basketball, not baseball. I could use a basketball analogy, but we are at the very early stages. When you look at the migration to cloud, it is starting to happen. It is happening quicker than we even anticipated. When you look at some of the applications that typically would have been in a smaller data center facility, 1 or 2 cabinets, those applications aren't even going to those smaller facilities. They are going directly to the cloud.

If you look at AWS, the business is already $10 billion. It has grown faster than a traditional business. You look at Microsoft, there was an article that came out last week that their board said, "You need to accelerate your cloud strategy." I mean when you look at the hyper-scale guys, there are three major providers: Google, Microsoft, and Amazon. You look at the results and you look at the rate that they are growing at, they are growing at 70 or 80% year over year. We believe we are at the very early stages.

To answer the second part of your question, we had two great quarters. I mean record leasing, we continue to break records. Do I think we can do 33 megawatts each quarter? I think that is going to be a challenge. Why do I think that? It is because we have to build and bring this inventory online. Do I think we are going to have solid leasing going forward? Absolutely. A lot of it is predicated on how quickly we can bring the infrastructure online. When you build a data center, it is a process. It takes anywhere between 12 and 15 months to build a data center from the ground up. You have to acquire land. You have to build the shell. You have to order all the components, the mechanical and electrical components, but we are very bullish on the future. We think we are going to be very successful going forward.

Jordan: As a follow up, as a result of the accelerated pace of leasing that you have done as well as your peers, the rate of take up has outpaced the rate of new construction. We have seen quite a bit of preleasing. We look at your portfolio. You discussed how much you have under construction, but I think of all of that product, you still only have maybe 30 megawatts available in total delivering through next year. My question there is with all of this preleasing which is like a record level of preleasing in this industry, are we going to run out of capacity to feed the beast if you will?

Christopher: If you look at what we are doing from a development standpoint, I did not talk about some of the developments we have going on for 2017. We announced on our last earnings call that we are bringing on ACC9 which is an additional 14.4 megawatts of critical load. That is scheduled to come online in the third quarter of 2017. What we are trying to do is take a look at how we could accelerate the development of that facility and bring it online quicker to meet that capacity. Obviously, you have to take a look at your ROI to make sure you can get strong returns in order to continue to do that, but we are evaluating that. I do believe that we do have enough capacity to meet that demand and there is competition in the markets. When you think about some of my competitors that are bringing on capacity, you know what? We think there is enough for all of us to do well. If you look at some of my peers, there was one that recently announced some preleasing. I think we are in a very good position.

Jeff: Jordan, let me just add to that. I mean I think the risk does exist. It is probably very real in Chicago where we have three megawatts left to lease until probably the end of '17 when we can bring the third Chicago building online. In Ashburn, we have far more that we can lease so it is [inaudible 00:10:03] in Ashburn.

Jordan: You have now sold New Jersey as you mentioned, I would love to hit on that for a second, but the other market we have and spent a lot of time on is Northern California where you are now out of space and I think you are out of land as well. Will you look to procure additional land there or is that market tapped out for now?

Christopher: That is a great question. We are always looking to procure more land in those markets. If you look at Santa Clara, it is really hard to find a good parcel of land. We announced the prelease that is scheduled to come online in the third quarter of 2017 for 16 megawatts. The reason why we were able to do this, we had an additional five acres of land. The development team did a great job on designing that data center. It is about 150,000 square foot facility that we are putting on a pretty small piece of land.

When you look in that market, it is just hard to find 15 or 20 acres right now. I mean the 49er stadium took down a lot of that land. Santa Clara is a great market in Northern California because it has its own power company. Power is cheaper in Santa Clara with Santa Clara power than it is going up to San Jose and some other markets. We think there is an opportunity for a lot of that traffic that is going to happen in that market to migrate to the Pacific Northwest. That is why we are accelerating the delivery of our Portland, Oregon facility and trying to bring that into 2018. We are hoping and we are betting on the fact that a lot of those customers are going to migrate to that part, but if there is an opportunity to acquire land in that market, we would take a look at it, but we have been looking and we really have not found anything.

Jordan: Maybe Mr. Foster, we will bump it over to you on NJ1 and just the ramifications from the balance sheet and earnings perspective.

Jeff: Sure. Thanks, Jordan. As Jordan and Chris talked about, we sold NJ1 this week to QTS for $125 million. That was a building we decided to sell in January because we saw New Jersey as more of a retail market than a wholesale market. It was a part of our focus at Investor Day was to stay 100% wholesale so it made sense to divest to that asset. We're taking the $125 million that we received from the sale, we were using 100 million of that to redeem what was left of our Series B Preferred Stock that we had a 7 5/8ths dividend rate on. New Jersey itself is an asset for us, threw off about $7 million of EBITDA a year. We will save a little over $7 million in dividend payments a year so net-net, it is neutral to our guidance. It helps de-lever us when you look at preferred and debt together.

In net-net, we have done a lot of cleanup on the balance sheet this year issuing equity of $287 million, so we have been able to take our net debt to EBITDA ratio down this year by 1 turn, and fully fund our five-year strategic plan. Over the five years, we plan to spend about $1.3 billion on data center development. We generate $100 million a year cash from operations after paying all our dividends as a REIT, file that back into developments so over five years, that's 500 million. Our equity raise and our untapped $700 million line of credit allows to say the plan is now fully funded.

Jordan: Any questions from the audience?

Speaker 4: [Inaudible 00:13:45]?

Jordan: I will just repeat the question. You downed a market in New Jersey, what do you think about adding additional markets that you were considering in your original strategic plan?

Christopher: We did not consider Washington in the strategic plan or Seattle. I mean there is not a lot of hydropower in the market left right now so you cannot really get cost-effective power. People lump the Hillsborough market and Seattle into one, so we are actually going into that market. We looked at Dallas during our strategic planning which is a good market, but we needed an option on the West Coast. There is only so much development that we could do keeping that net debt to EBITDA ratio below five. It is a good market, but we decelerated the Oregon build. That initially was supposed to come online in 2019 and we are using some of the proceeds from our equity raise to accelerate development in that market. There is a number of cloud providers out there right now that are looking to go into the Hillsborough market.

We think there is a lot of opportunity and a lot of the stuff we are doing is opportunistic, talking to our customers, talking to potential new customers and listening to them and letting them just lead us where to go. Phoenix is a market that we did a lot of diligence on. We said at our Investor Day we are going to buy land in two markets, but it is really easy to get land in that market. Chandler, which is the market where most of the data center providers are right now, you cannot build data centers there right now so you have to go to Mesa. If anybody in this audience has been in that market, there is a ton of land. There is not as much land in Hillsborough.

The other market that we talked about at our Investor Day is Toronto. That is a market that we are very bullish on. There is just not a lot of competition. There are data sovereignty laws in Canada. Data that originates in country has to stay in country. There is great connectivity options and there are a lot of benefits for customers in that market. We are very bullish on that market. As I mentioned on our last earnings call, we are still on track to deliver a facility in that market in the first quarter of 2018. We will go from three markets to five markets. Jersey for example, we divested ourself from that data center. It is not a wholesale market. When we presented our plan, it was about wholesale. What are three key components of wholesale, you need cost-effective power, you need connectivity, and you need tax benefits for your customers. You do not get that in Jersey. The power cost in Jersey is significantly higher than Northern Virginia.

In the fourth quarter of 2015, there were two opportunities that we thought would close in New Jersey, but we lost those opportunities to Dallas and Ashburn. It is a good retail market and I think QTS is going to do very well with the facility. It is just not a market for us.

Jeff: Let me just clarify one thing. We said at Investor Day; we would actually buy land in 3 markets; Toronto, Portland, and Phoenix; but build in 2; Toronto was a definite and we would pick either Portland or Phoenix. What happened when it came time to buy the land, the demand we were seeing in Portland was so strong and supply there is so limited, that became the clear winner and we decided to forego buying the land in Phoenix.

Jordan: [Keith 00:30:10]

Keith: [Inaudible 00:17:14]?

Jordan: That is a characterization of wholesale versus the other strategies, why be in wholesale?

Christopher: I am very bullish on the hyper-scale cloud providers. Those of you who do not me, I built cloud platforms in my prior life. I lost very badly to the three hyper-scale cloud providers, Microsoft, Google, and Amazon. We are at the very early stages in cloud. I mean there is a show I watch and I am giving an example, it is called Silicon Valley. I do not know if anybody watched it this Sunday night. They have basically a data center in their garage. It has caught fire a number of times. They had to use a fire extinguisher so they have lost some information. There is a character in that show that pulled the plug in that data center and said, "I'm migrating all my infrastructure to AWS."

To back that up with statistics, 70 to 80% of IT resources are still in-house. There are a lot of companies out there that are in garage-type environments that are in [to-cal 00:18:27] closets. You are going to see a migration to the cloud very quickly. There are opportunities that would have went into a retail cola facility that are not going to do it. You are a startup company. You raise a million dollars.

Are you going to spend your million dollars on servers, and storage arrays, and network? Are you going to go to AWS? Are you going to go to Microsoft with a couple of key strokes it becomes an OPEX? You could use those funds to support other ports of your business.

There are also examples like if you have two cabinets and a colocation facility, just say you are paying 8 grand a month, and you have a bunch of cross connects, total bill is 10 grand. Depending upon the application you are running, you can cut your expense in half. If you are a small business that is $5000 a month migrating to the cloud and I preface that by saying depending upon the application. If it is an application that is spiky in nature, that it has peaks and valleys, there is real cost savings. You look at the way we store data right now, I mean I have had a laptop crash, I lost all my pictures. That is all happening in the cloud. You have enterprises that are announcing that they are closing data centers to migrate infrastructure to the cloud.

One of the things that I stated at our Investor Day is we want to be one of the largest enablers of cloud. If you look at some of our top customers, they are the leaders in cloud. They are having 80% growth rates as they come into our data centers. They are turning power up quickly. I am very bullish. Some of the statistics that I gave you early on, hyper-scale guys announcing they are going to double CAPEX in 2016. You have a company like Amazon that leases 72% of their square footage of data center space. There are a lot of facts out there that show that we are in the very early stages. I mean baseball Statcast, that is all happening in the AWS Cloud, all the statistics that we love with Major League Baseball. The analytics are happening in the AWS Cloud. There are a lot of great examples out there that show that we are in the very early stages. We view it as the cloud providers in our facilities add more new customers, so do we. As they grow, we grow. It is a partnership between us in that.

Speaker 6: [Inaudible 00:20:29]?

Jordan: The hyper-scale cloud players like to build their own cannon, like to build their own facilities. What happens longer term?

Christopher: They have built their own facilities. I spend a lot of time with [la-ver 00:20:51] top customers and they are not data center companies. They are software companies. They are cloud-based companies. If you look at the leasing, they are going to continue to do that. They want to let the experts build the data centers and they want to worry about the infrastructure that they put in it. We are helping them accelerate. From our perspective and their perspective, it is a true partnership. We see them leasing more. I gave you a statistic on AWS. They are not a customer of ours, full disclosure, but they lease 72% of their square footage. Most people would say 50/50 and they're continuing to lease more.

You look at the philosophy and the acceleration that we have seen, Google, Cloud, they call it the GCP platform has announced publicly that they are going into 12 markets. They are looking for capacity across major markets. When you think about that, I mean these companies are looking to lease space from providers like us.

Jordan: One of the obvious differences between you and your public peers as a result of this concentration with focus on wholesale becomes this customer concentration. How do you immunize the risk that the investor or the company from that customer concentration that could develop?

Christopher: I do not think we have been asked that question today in any of our meetings. I am just kidding. It is a pretty common theme. When you look at the customer concentration, for most of you in the audience, you may know we had a bankrupt customer when I first started. It was called Net Data Centers. I went through the bankruptcy process as a new CEO. One of the things that we stated at our Investor Day is we want to add more high credit quality customers.

Who has the highest credit rating in the country? It is our top customer, triple A credit. As the cloud grows, it grows within our facilities. Obviously, we are out there trying to land some new customers. We announced the design 4.0 in our Investor Day presentation which has more flexible redundancy. We go from N to N plus 1 to N plus 2 and 2N. We have flexible densities in that facility. All those are things that customers have told us. With the focus on customer, we feel that when we enter these new markets, we are going to have a great opportunity to add different types of customers.

We hired a new sales lead in November. We are seeing different types of customers coming to our facilities for tours. We added a different type of lease structure. We were 100% tripling that lease. As of our last earnings call, we still were 100% tripling that lease, but, there's customers that would only buy under a full service lease so we introduced a full service lease product. If you look at our pipeline, there's a number of opportunities for full service leases on there so we get the customer concentration, but these cloud providers are going to continue to grow. As they add more new customers, so do we. You know what? I would much rather have a triple A credit customer than a riskier customer. I think if you look at historically, our churn, it has been low and it is going to continue to be low.

Jeff: Let me add onto that. I mean as CFO, I look at the risk of churn not from my big cloud providers who were coming to us constantly with new demands for more space, more space, more power. I think it is going to be more some of our enterprise customers or smaller customers as they might churn some of their applications onto the cloud, that is where I see more of the risk. You have already seen it is not one of our customers, but General Electric announced that they are going to move 32 of their 35 data centers to the cloud. They are one of my peers customers. I think you are going to see more enterprises, more retail type customers start to move their applications to the cloud. You will see that the churn pickup for people who are heavily invested in the enterprise customers because the cloud is such a compelling economic story for them to save cost by moving there.

Jordan: Yes, sir.

Speaker 7: [Inaudible 00:24:48].

Jordan: The typical lease structure and lease rent for data centers.

Speaker 7: [Inaudible 00:24:58].

Jordan: Length.

Christopher: Oh length, we announced 33.1 megawatts of leasing on our last earnings call. The average length of contract was 13.2 years. We are seeing longer term leases.

Jeff: In our entire portfolio, the weighted average remaining lease term is about 6 years. As Chris said, the 13 is drastically higher and that 6 that we are starting to see, people want longer and longer leases. All our leases, they are triple net, but we expect by the end of the year, we will have a mix of triple net and full service lease. If you do not understand, full service like a gross lease, lease in carve outs.

Speaker 8: [Inaudible 00:25:40]?

Christopher: We did a 2% or 3% depending upon the lease.

Jordan: Escalators. M&A, any thoughts on opportunities? You have been one of the few among your peers to participate in that market today too. Thoughts given your history.

Christopher: Yeah. We have been the only operator to grow 100% organically. We are the only operator in this space right now that owns and operates 100% of their data centers. Our focus is to execute our strategic plan. I think we have proven over the last two quarters that we're doing a pretty solid job of that with the 65.5 megawatts of leasing. Would we look at M&A? Yeah, things come across our desk all the time, but there are a few key points obviously to have to be creative for both FFO and AFFO perspective. It would have to give us entry into new markets, wholesale type markets. We want to control the data centers so we are not looking to buy a lease in a data center with some customers. That is just not for us. It is also going to have to help us diversify our customer base. Those are the criteria that we would look for. The last thing is help us enter some of those new markets a little bit quicker.

Jordan: Yes, sir.

Speaker 9: [Inaudible 00:27:02]?

Jordan: International growth opportunity.

Christopher: I mean I spend a lot of time with our customers and they ask me about international growth. I mean there's a couple of ways to do that. We can get a huge prelease and go international. We had international locations in our strategic plan or we could acquire somebody. When you look at our company in the way we are structured, as of the last earnings call, we had 113 employees. It is a lot less than a lot of my peers. If you look at our salesforce, it is significantly less. I highlighted that at the end of my two-minute little presentation about having the lowest G&A in this space and the highest EBITDA mortgages. We felt strategically we needed to walk before we could run.

Our first international expansion is Toronto. We are going to learn a lot from Toronto because even though it's close, it is a different place to do business and it is in the US. There is foreign exchange and different types of currency. It is something that we're not going to rule out. Again, our focus is on North America and executing on that strategic plan.

Speaker 10: [Inaudible 00:28:06]?

Christopher: That is a great question.

Jordan: What are you concerned about in the future?

Christopher: Oh, look at the time, I want to answer your question. The concern that we have right now is not having capacity in those markets when demand comes. Our leasing has definitely accelerated and we are trying to move some of our developments in. Some of these hyper-scale guys, when they come to you it is because they need the capacity and they need it quickly. They are getting better and better at forecasting. My biggest concern is not having inventory in Ashburn or not having inventory in Chicago, and we are doing everything in our power to accelerate them.

Jordan: Anything else? Yes, sir.

Speaker 11: [Inaudible 00:28:49]?

Jordan: Why not just answer him.

Christopher: There is always going to be competition in the marketplace. We really believe in the wholesale model. I gave you those examples about cloud. The reason again that it is a wholesale in my opinion and trying to get more and more of these hyper-scale cloud providers is because they are trying to hedge their bets. They see what we see as those potential applications that are never going to go to a retail data center. Some of the smaller customers that are just going to go directly to the cloud. I mean I gave you a number of examples. I think they are trying to hedge their bets. One of the things that I like to say is hey, there is going to be competition in whatever you do. If there was no competition and I did not have an opportunity to compete everyday, it wouldn't be fun. I am an ex-college athlete and I compete to win. I think we have demonstrated over the last two quarters that we are winning a lot.

Jordan: Okay. Thank you, guys.