

EQUINIX INC
Form 10-Q
April 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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)

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Delaware
(State of incorporation)

77-0487526
(I.R.S. Employer

Identification No.)

One Lagoon Drive, Fourth Floor, Redwood City, California 94065

(Address of principal executive offices, including ZIP code)

(650) 598-6000

(Registrant's telephone number, including area code)

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

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of the registrant's Common Stock as of March 31, 2013 was 49,339,902.

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****EQUINIX, INC.****Condensed Consolidated Balance Sheets****(in thousands)**

	March 31, 2013	December 31, 2012
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 685,019	\$ 252,213
Short-term investments	233,289	166,492
Restricted cash	843,478	9,380
Accounts receivable, net	185,163	163,840
Other current assets	58,908	47,826
Total current assets	2,005,857	639,751
Long-term investments	293,751	127,819
Property, plant and equipment, net	3,890,190	3,918,999
Goodwill	1,018,777	1,042,564
Intangible assets, net	191,935	201,562
Other assets	212,423	202,269
Total assets	\$ 7,612,933	\$ 6,132,964
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 248,395	\$ 268,853
Accrued property, plant and equipment	64,643	63,509
Current portion of capital lease and other financing obligations	16,304	15,206
Current portion of loans payable	47,350	52,160
Current portion of senior notes	750,000	
Other current liabilities	139,018	139,561
Total current liabilities	1,265,710	539,289
Capital lease and other financing obligations, less current portion	568,067	545,853
Loans payable, less current portion	179,560	188,802
Convertible debt, less current portion	712,478	708,726
Senior notes, less current portion	2,250,000	1,500,000
Other liabilities	197,966	230,843
Total liabilities	5,173,781	3,713,513
Redeemable non-controlling interests (Note 10)	96,891	84,178
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock	50	49

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Additional paid-in capital	2,627,334	2,583,371
Treasury stock	(36,309)	(36,676)
Accumulated other comprehensive loss	(174,267)	(101,042)
Accumulated deficit	(74,547)	(110,429)
Total stockholders' equity	2,342,261	2,335,273
Total liabilities, redeemable non-controlling interests and stockholders' equity	\$ 7,612,933	\$ 6,132,964

See accompanying notes to condensed consolidated financial statements

Table of Contents**EQUINIX, INC.****Condensed Consolidated Statements of Operations****(in thousands, except per share data)**

	Three months ended March 31, 2013 2012 (Unaudited)	
Revenues	\$ 519,455	\$ 443,245
Costs and operating expenses:		
Cost of revenues	259,268	217,098
Sales and marketing	58,276	46,410
General and administrative	89,685	78,316
Acquisition costs	3,662	675
Total costs and operating expenses	410,891	342,499
Income from continuing operations	108,564	100,746
Interest income	747	691
Interest expense	(60,331)	(52,818)
Other expense	(459)	(154)
Income from continuing operations before income taxes	48,521	48,465
Income tax expense	(12,198)	(13,853)
Net income from continuing operations	36,323	34,612
Net income from discontinued operations, net of tax		199
Net income	36,323	34,811
Net income attributable to redeemable non-controlling interests	(441)	(288)
Net income attributable to Equinix	\$ 35,882	\$ 34,523
Earnings per share (EPS) attributable to Equinix (Note 2):		
Basic EPS from continuing operations	\$ 0.73	\$ 0.74
Basic EPS from discontinued operations		0.00
Basic EPS	\$ 0.73	\$ 0.74
Weighted-average shares	49,029	46,955
Diluted EPS from continuing operations	\$ 0.71	\$ 0.71
Diluted EPS from discontinued operations		0.00
Diluted EPS	\$ 0.71	\$ 0.71
Weighted-average shares	53,480	51,061

See accompanying notes to condensed consolidated financial statements

Table of Contents**EQUINIX, INC.****Condensed Consolidated Statements of Comprehensive Income****(in thousands)**

	Three months ended March 31, 2013 2012 (Unaudited)	
Net income	\$ 36,323	\$ 34,811
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain (loss)	(72,554)	34,312
Unrealized gain on available for sale securities	98	78
	(72,456)	34,390
Comprehensive income (loss), net of tax	(36,133)	69,201
Net income attributable to redeemable non-controlling interests	(441)	(288)
Other comprehensive income attributable to redeemable non-controlling interests	(769)	(1,059)
Comprehensive income (loss) attributable to Equinix	\$ (37,343)	\$ 67,854

See accompanying notes to condensed consolidated financial statements

Table of Contents**EQUINIX, INC.****Condensed Consolidated Statements of Cash Flows****(in thousands)**

	Three months ended	
	March 31,	
	2013	2012
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 36,323	\$ 34,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	100,309	87,875
Stock-based compensation	22,703	19,103
Excess tax benefits from stock-based compensation	(18,990)	
Amortization of debt issuance costs and debt discounts	5,753	8,107
Amortization of intangible assets	6,759	4,929
Provision for allowance for doubtful accounts	813	1,681
Accretion of asset retirement obligation and accrued restructuring charges	1,398	1,053
Other items	2,337	1,241
Changes in operating assets and liabilities:		
Accounts receivable	(24,663)	(19,677)
Income taxes, net	(1,609)	(8,763)
Other assets	(20,222)	12,196
Accounts payable and accrued expenses	(27,996)	(40,535)
Other liabilities	1,266	23,972
Net cash provided by operating activities	84,181	125,993