



**Unlocking Value: A Case Study Analysis of Valuation Methods and Investment
Strategies in KKR and GIP's Acquisition of CyrusOne**

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Preface

This is a case study focusing on a real Merge and Acquisition case. I chose this topic after taking the advanced finance courses Private Equity & Venture Capital in Asia and Emerging Markets and Corporate Transaction Financial and Valuation Modeling in Fall 2023. Therefore, this topic covers all important financial analysis methods learned during the undergraduate study. This topic includes qualitative analysis regarding the companies and the transaction itself, and quantitative financial modeling and analysis to make the transaction analysis more convincing.

Acknowledgement

In this sector, I would like to show my sincere gratitude to the Business faculty Professor David Hunsaker for giving me instructions and feedback for the thesis, and Professor David Yu, for his insightful; feedback, invaluable courses and valuation-related materials provided. Additionally, I want to extend my appreciation to my friends for their support and encouragement. Lastly, I am thankful for pursuing my studies at NYU Shanghai, where I have benefited a lot from a vibrant and diverse academic community, and enriching learning experiences that have profoundly influenced my future growth and development.

Abstract

This thesis aims to present a comprehensive analysis of investment strategies and valuation methods in the acquisition realm, in the context of private equity and venture capital (PEVC). The thesis will discuss a real-world business acquisition case -- acquisition of CyrusOne by KKR and GIP. Technically, the thesis deployed a variety of valuation methodologies, including Discounted Cash Flow (DCF), Comparable Companies Analysis, Precedent Transactions Analysis, and Leveraged Buyout (LBO) Analysis in the evaluation of the target company. It also discussed the strategic considerations driving investment decisions, including target business analysis, stakeholders analysis, deal structure analysis, and the post-acquisition integration processes etc. By utilizing academic resources, market data, and company's reports, this case study aims to provide useful insights for scholars, business insiders, and investors interested in topics like financial analysis, valuation, and M&A activities in the PEVC realm. Ultimately, this research contributes to the decision-making in investment activities, offering practical examples for meticulous investment decision-making and value assessment strategies in today's business environments.

Keywords

Financial Statement Analysis, Mergers and Acquisitions (M&A), Private Equity (PE), Venture Capital (VC), Financial Modeling, Discounted Cash Flow (DCF) Analysis, Comparable Company Analysis, Precedent Transaction Analysis, Leveraged Buyouts (LBOs), Due Diligence, Post-Acquisition Integration, Risk Assessment, Deal Structuring & Optimizations

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1. Introductions

1.1 Topic Significance

Merge and Acquisition (M&A) in Private Equity and Venture Capital (PEVC), plays a crucial role in reshaping and fostering business and industries. PEVC helps innovative industries grow by injecting dynamic capital, promising the growth of the business. One example can be the rapid development of advanced technology in the recent decades, we can see the significant role of PEVC in many successful companies in the technology industry, Uber, Apple, SpaceX, Doordash, Airbnb, etc... Considering about the developing trend of high-tech, artificial intelligence and the exploding needs for technology revolution and data management, this thesis will focus on a famous acquisition transaction targeting on a data center real estate company. Various case analysis perceptions such as industry analysis, transaction situation analysis, risk analysis, deal structure analysis, as well as intricate valuation methods are explained in this thesis passage to illustrate PEVC's decision making process in a real-world investment scenario. The comprehensive financial statements, financial metric predictions, key assumptions, comprehensive valuation data, and additional company's information are all included in appendix at the end of this thesis. A reader can use those materials to help understanding the key analysis and conclusions covered in the passage.

1.2 Background Information

CyrusOne (NASDAQ: CONE) announced on March 25, 2022, the completion of its acquisition by KKR and Global Infrastructure Partners (GIP) at a total price of approximately \$15 billion (or \$90.50 per share). CyrusOne (or "the company") became a private company, and its common stock has been requested to be delisted from Nasdaq, effective on the deal's

completion day as well. This transaction was the largest acquisition in the data center industry by that time. The two experienced private equities companies planned to help CyrusOne to expand its global markets based on its current leading position in the US and European regions.

2. Literature Review

There are two books that serve as useful resources in the financial analysis and valuation part of this case study. Key financial models were designed following the instructions in the below two books. In addition, regarding this case understanding, some first-hand information posted by the companies were also deployed in the paper.

3. Qualitative Analysis

3.1 Business Overview

3.1.1 Target: CyrusOne

Established in 2012 in Dallas, CyrusOne (NASDAQ: CONE) is a leading global real estate investment trust (REIT) specializing in design, construction and operation of high-performance data centers worldwide. The Company's more than 50 data centers provide mission-critical facilities that ensure the continued operation of IT infrastructure for approximately 800 customers, including approximately 200 Fortune 1000 companies (CyrusOne).

As a leader in hybrid-cloud and multi-cloud deployments, CyrusOne operates in a cycle of measurement, analysis, improvement, and control, offering colocation, hyperscale, and build-to-suit environments that help customers enhance the strategic connection of their essential data infrastructure and support sustainability goals. Key clients of CyrusOne are from over 17 industries and several global locations, while the largest revenue is still in the US. Eager to

develop overseas, CyrusOne has expanded its business into Europe since 2019 because of the great potential for further development in this business sector in Europe.

3.1.2 Acquirer: KKR

Kohlberg Kravis Roberts & Co. L.P. (KKR) is a leading global investment firm that provides asset management as well as capital markets and insurance solutions. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing experts, and providing support in the operations of portfolio firms. KKR sponsors investment funds that invest in private equity, credit and real assets and has strategic partners that manage hedge funds. As one of the world's largest alternative asset managers, it had \$470.6 billion in total assets under management, including \$357.4 billion in fee-earning Assets Under Management (AUM), at the end of 2021.

3.1.3 Acquirer: Global Infrastructure Partners

Established in 2006, Global Infrastructure Partners (GIP) is a global leading independent infrastructure fund manager that makes equity and debt investments in infrastructure assets and businesses. GIP focuses on the energy, transport, digital infrastructure, and water/waste sectors in both the Organization for Economic Co-operation and Development (OECD) and select emerging market countries. Headquartered in New York, GIP has another 9 offices in the US, Australia, India, and Hong Kong. GIP manages over US \$81 billion, and its funds own 48 portfolio companies that have combined annual revenues of US \$40 billion by 2021.

3.2 Industry Overview (Target)

CyrusOne is in the midstream of Data Center industry, providing IT infrastructure and personalized IT operations solutions for clients from different background. The demand to data

storage has been increasing in the past ten years in a global range. “In 2010, U.S. research firm IDC determined that 1.2 zettabytes (1.2 trillion gigabytes) of new data had been created globally, a 50% increase from the previous year” (United States International Trade Commission). It also estimated an annual amount of data produced of 35 zettabytes by 2020, which has been reached by 2018. In 2020, data creation reached approximately 59 zettabytes. As more companies are entering the market, severe competition led to a decrease in overall price.

The midstream of one industry is strongly correlated to the whole industry chain. First, the data center’s upstream is the technology providers and producers covering crucial products like Liquid Cooling System, Cloud Server, Smart NIC, etc.. And data center’s downstream are its users, mainly Cloud Computing companies, Internet Companies, and Financial Institutions. In 2021, information technology and financial services sectors comprised approximately 67% and 13% of CyrusOne’s total client profile. With the rapid development of Artificial Intelligence, the demand for data has increased significantly in the Information Industry and Financial Industry. Because CyrusOne is a REIT, we also need to take real estate into consideration. While in around 2021, there were no major changes in the real estate sector, both in the US and Europe.

3.3 Situation / Drivers Analysis & Synergy

3.3.1 CyrusOne’s Performance was Below Expectation

Despite the promising perspective of the data-center industry, CyrusOne (the company) itself has had unsatisfying performance during the past few years. In 2020, partially due to the influence of COVID 19, the decrease in data center space demands led to total net sales growth dropping from 19.5% in FY2019 to 5.3% in FY2020, and Earnings per Share (EPS) in FY2019 and FY2020 are \$0.37 and \$0.35 respectively. The company also had a terrible cash flow,

keeping at a significant negative Cash Flow before Debt Paydown from FY2018 to FY2020.

Given the terrible financial situation, it is impossible for the company to achieve a global-leading position in the data center market. And expanding business into the European market increased the uncertainty of the company's financials. Therefore, the company had great potential, but needed a good operation and management to play its value in the data center industry and better serve the clients in various industries.

3.3.2 CyrusOne, KKR and GIP's Incentives

Although CyrusOne operated in global locations, the major revenue still came from the domestic US market. Because KKR and GIP have adequate experience in operating global companies, cooperation with the two capital firms can expedite the process of CyrusOne's expansion overseas.

“This transaction begins an exciting new chapter for CyrusOne as we continue our global expansion with the benefit of significant resources and expertise that KKR and GIP are able to provide to the Company and its customers,” said Dave Ferdman, Co-Founder and President and Chief Executive Officer of CyrusOne. “We are very well positioned to capitalize on the acceleration in growth opportunities driven by strong underlying secular demand trends and create substantial value for all of our stakeholders.”

For KKR, because GIP is an expert in investing and managing infrastructure assets, cooperating with GIP can save their time and resources for investigation and operation.

“We see significant opportunity ahead for CyrusOne to build on its market leading position and impressive track record of delivering state of the art data

center solutions around the globe, at a time when the world is increasingly dependent on them, at a rapid pace,” said Waldemar Szlezak, Partner at KKR. “We look forward to leveraging our global experience investing behind digital infrastructure to, together with GIP, support CyrusOne’s continued growth, and are excited to get started.”

Data center as part of the digital industry, takes a very small portion of GIP’s overall portfolio. Hence, completing the acquisition of CyrusOne can help GIP further diversify its portfolio and will help with future expansion in this sector. Moreover, GIP can be considered a smaller funds manager compared to KKR, so establishing a relationship with KKR will bring GIP fame and reputation, which might help GIP make fundraising easier in the future. In addition, KKR is famous for its impressive LBO and MBO deals, it usually helps the target company to achieve satisfying growth to pay for the debt borrowed in the early stage of the deal. Then KKR will exit the company in ways like making the target company listed, and investors receive considerable returns.

3.4 Deal Structure Analysis

The KKR Funds and the GIP Funds have committed to contribute, or cause to be contributed, to Parent an aggregate amount in cash equal to \$7,047,217,376 (the “equity commitment”, \$7 million), subject to the terms and conditions set forth in the equity commitment letters provided by such funds to Parent, dated as of November 14, 2021 (the “equity commitment letters”). In addition, debt financing was in an aggregate amount of \$12.0 billion, consisting of a U.S. short tenor loan facility in principal amount of up to \$4.0 billion, a U.S.

balance sheet loan facility in an aggregate principal amount of \$5.0 billion, an EU balance sheet loan facility in an aggregate principal amount of up to \$1.5 billion in euros and a U.S. revolving loan facility in an aggregate principal amount of up to \$1.5 billion. The equity commitment is subject to reduction on a pro rata basis. Namely if the total amount required to complete the deal is less than the financing provided, the equity commitment will be reduced accordingly. The key participants in this transaction will be introduced in the next section.

3.5 Market Analysis and Competitive Positioning Effects

As early as in 2019, CyrusOne (the company) had already reached out to over 15 potential acquirers to discuss selling the company. After August 2019, the company stepped into non-disclosure agreements with 11 potential acquirers including KKR and Party A, B, C, D...J (not specified according to Proxy Statement, and Party A is CyrusOne's competitor). In August and September 2019, several media outlets published articles saying that CyrusOne had a potential sale. However, the news was later disputed by Jim Cramer, the CEO of CyrusOne at that time, in an interview with CNBC Television. In that interview Jim, standing for CyrusOne, said that CyrusOne had no plan for sale, and they had a positive perspective for the data center industry. However, at that time, the company had already had rounds of discussions with several potential buyers mentioned above. From this perspective, the CEO was trying to stabilize the company in the financial markets and hid the company's real intention from the public. In early 2021, the news of Blackstone's acquisition of QTS Realty Trust, Inc. helped CyrusOne and KKR & GIP to accelerate their discussion regarding the acquisition. The company felt the pressure from its potential opponent, and confirmed its intention to cooperate with private equity to grow the company one step further.

3.6 Stakeholders Analysis

3.6.1 CyrusOne's Board & Shareholders

On August 11, 2021, Party I (a potential bidder for CyrusOne, name not disclosed) submits an unsolicited, preliminary, non-binding indication of interest letter to CyrusOne's board proposing to acquire CyrusOne at a price of \$80.0 in cash per share of common stock, they later decrease the offer price again to \$77.0. CyrusOne's board and shareholders were not satisfied with the offering prices, and revoked Party I's access to this deal. After that, Party C proposed a price of \$85.0 per share, and the board did not agree until KKR & GIP offered the purchase price of \$90.5 per share. Before this final price was offered, KKR and GIP also offered other prices, while they were rejected by the board.

3.6.2 Financial Advisors

Experienced financial advisors played an important role in the process of this big transaction. Morgan Stanley & Co. LLC and DH Capital, LLC acted as financial advisors to CyrusOne, and Cravath, Swaine & Moore LLP, Venable LLP and Eversheds Sutherland (International) LLP acted as its legal counsel. Guy Metcalfe from Morgan Stanley was the Managing Director & Global Chairman of Real Estate since 2013 and had sufficient experiences of over 20 years in this sector.

Goldman Sachs & Co., Barclays, Wells Fargo Securities, LLC, Citigroup and J.P. Morgan acted as financial advisors to KKR and GIP, with KKR Capital Markets leading the structuring on the financing. Kirkland & Ellis LLP and Dentons (UK & Europe) acted as legal counsel to the acquiring consortium and KKR, and Paul, Weiss, Rifkind, Wharton & Garrison LLP acted as legal counsel to GIP.

3.7 Risks & ESG & Governance

3.7.1 Sustainable Data Center Infrastructure

CyrusOne put efforts to increase the emphasis on water conservation in the data center industry to provide competitive energy efficiency without wasting water while also benefiting local wildlife and biodiversity. In 2020, CyrusOne expanded this effort to its flagship data center in Carrollton, Texas, a region which was experiencing high water stress. This started with a 67% reduction in the facility's onsite water consumption from the prior year and followed by the purchase of Water Restoration Credits to exceed the remaining consumption, providing benefits to regional wildlife and the local community (CyrusOne 2021 Sustainability Report).

3.7.2 Recognitions

CyrusOne obtained Three Green Globes Building Designation from The Green Building Initiative (GBI) for its Aurora I and II data centers in suburban Chicago, lauded for CyrusOne's robust monitoring of mechanical and electrical systems.

3.7.3 Sustainable Corporate Governance

Recognizing that sustainability goes beyond environmental topics, CyrusOne discussed embracing equity and inclusion as part of its diversity strategy, supported by company programs like the Women's Resource Group and the CAREEE (Community, Agility, Respect, Enjoyable Workplace, Ethics, and Exceptional Service) Group.

The U.S. Securities and Exchange Commission (SEC) is increasingly focusing on ESG disclosure requirements. The SEC has been exploring regulations for ESG reporting standards and to enhance climate-related disclosures. Institutional investors such as big funds and portfolio managers in the US are increasingly adding ESG into their investment decision-making process. Many institutional investors have been involved in responsible investment in companies focusing

on ESG issues through shareholder activism. Another region where the company actively operates in, Europe, has been at the forefront of sustainable finance regulation with its Sustainable Finance Action Plan. The plan includes the EU Taxonomy Regulation, aiming to establish a classification system for environmentally sustainable economic activities, the EU Disclosure Regulation, requiring financial market participants to disclose ESG-related information (European Union, 2021). Therefore, if the company wants to stabilize its position in the US and the European regions, the two acquirers and the company itself need to make additional efforts to fully follow the regional ESG regulations.

3.7.4 Risks Analysis

The company has several aspects of risk, including the global and local economy, regional policies regarding specific industries, and the company's solvency. Although the deal happened in post-COVID era, the global economy was recovering, and market demand for the data center industry was increasing, we also need to prepare for sudden events like regional political conflicts. In addition, if the company wants to expand its operations in other overseas regions, it need to spend extra money, time, and efforts to make sure their business fulfills the local requirements. As global clients are getting more aware of securities issues, the company needs to invest in the early stage to avoid wasting efforts after being involved in a lawsuit. With the development of global social media, any negative news would bring significant strikes to the company. The company's financial risk has been discussed in the financial analysis section, no complementary information will be added here. The merger deal itself contains risks as well, including acquirers' ability of fundraising, acquirers' commitment, shareholders' opinion changes, etc. In this deal, because the acquirer has a fame and offered satisfying terms on this acquisition, and KKR & GIP are the last two acquirers remained after several rounds of

discussions, we do not need to worry too much about the acquirer side, and can put less attention to the risks of subjective aspects.

4. Quantitative Analysis

4.1 Financial Analysis

CyrusOne kept a stable revenue growth rate in FY2018 and FY2019, while in FY2020, the company's total net sales growth rate dropped to 5.3% from 19.5% compared to the previous year. The company explained the sharp decline was due to the demand and clients decrease during the COVID. Due to the provision of data centers and equipment, the company experienced significant depreciations every year. Earnings before interests and taxes margin (EBIT margin) decreases every year, from 11.5% in FY2018 to 5.4% in FY2020, and by September 30th, 2021, the LTM EBIT margin dropped to 4.7%.

Regarding the company's cash flow situation, the company achieved positive cash flow from operating activities from FY2018 to FY2020, rising from \$303.8 million to \$456.3 million. However, the company used a great portion of money to purchase property and equipment, the portion (CAPEX as % of revenue) was as high as 105% in FY2018, and dropped to 69% in LTM 2021, which is still extremely high. Overall, cash flow before debt paydown kept below zero. And according to a projection, the situation will be more severe in the following years if CyrusOne did not take actions.

The company's quick ratio (current assets / current liabilities) kept in the range of 1.8 to 2.1 in FY2018 to FY2021, indicating that the company had a certain ability to pay current liabilities. But the projected situation in FY2021 is only 0.7, which may result in investors questioning the company's short-term solvency.

4.2 Full Valuation

To determine whether this deal is a good deal in a quantitative way, I performed Discounted Cash Flow (DCF) Valuation, Public Comparable Companies analysis, Precedent Transactions analysis, and a Leveraged Buyout (LBO) analysis. Each method and results will be elaborated in the following paragraphs, and detailed data can be found in Appendix 5 to Appendix 8. The valuation results reveal that CyrusOne's operational issue leads to the company's low growth and value, and the market's attitude to CyrusOne is also less positive compared to its peers in this industry. Because of its solid foundations and potential new strategies to be brought by the two PE firms, the acquirers are expected to receive a considerable return from this investment.

4.2.1 Discounted Cash Flow (DCF) Analysis

DCF analysis is the most used method to calculate the intrinsic value of a target company. I applied the EBITDA method and Perpetuity Method, and the EBITDA method implied a price per share of \$73.03, which is 17% lower to the actual price before announcement day, and 23.9% compared to the agreed transaction price. The negative unlevered free cash flow reflects CyrusOne's problematic operations (Appendix 5). In the WACC calculation, risk free rate equals 10-year US Treasury rate, beta of 0.8 is calculated by comparing historical CyrusOne's stock returns to S&P 500 index (Appendix 5). Perpetuity method does not fit in CyrusOne's situation well, because assumption of the company's growth rate is aligned with revenue projection, which is 5.3% growth rate forever. This rate is larger than the calculated WACC. Therefore, the price per share of \$73.03 will be used as the result from DCF analysis.

4.2.2 Public Comparable Companies Analysis

Because CyrusOne is a REIT primarily focusing on data center, and its business model is wholesale rather than retails or pure cloud service, the following comparable companies are

selected within this industry: NEXTDC Limited, QTS Realty Trust, Inc., Digital Core REIT, Digital Realty Trust, Inc., Mapletree Industrial Trust. To keep aligned with CyrusOne's financial analysis, all financial data used in the comps analysis are trailing twelve months (LTM) data as of September 30th, 2021. While stock price per share is that of the last trading day before announcement (November 12th, 2021). A 25.7x median EV/EBITDA multiple and a 14.0x median EV/Sales multiple as of September 30th, 2021, are calculated from the comps set. Prospective multiples of September 20th, 2022 and 2023 are also calculated as references. CyrusOne has slightly smaller multiples compared to the peers in the selected comps set (Appendix 6).

4.2.3 Precedent Transactions Analysis

Based on the comps set selected, and research about other previous transactions in this industry, four transactions are selected to perform a precedent transactions analysis.

| <i>Announcement Date</i> | <i>Target</i> | <i>Acquirer</i> |
|--------------------------|---------------------------------------|-----------------------------------|
| <i>Jun-07-2021</i> | <i>QTS Realty Trust, Inc.</i> | <i>Blackstone Inc. etc.</i> |
| <i>Oct-29-2019</i> | <i>InterXion Holding N.V.</i> | <i>Digital Realty Trust, Inc.</i> |
| <i>Jun-09-2017</i> | <i>DuPont Fabros Technology, Inc.</i> | <i>Digital Realty Trust, Inc.</i> |
| <i>Sep-06-2016</i> | <i>NEXTDC Limited</i> | <i>Non-Public</i> |

According to CyrusOne's Proxy Statement, Morgan Stanley, as the financial advisor, also picked the transactions listed above for calculation and analysis. Financial data are by the time of each transaction. A 16.8x median EV/Sales multiple and a 31.8x EV/EBITDA multiple are calculated from the transactions analysis.

4.2.4 Leverage Buyout (LBO) Analysis

LBO is frequently used by Private Equity and Venture Capitals, and it is also a method by which KKR became famous and enlarged its business. The below LBO analysis is partially

based on the actual deal situation, because the detailed agreement between CyrusOne and acquirers was not disclosed, some numbers are based on assumptions. Suppose exit in Year 5 after the transaction, the IRR is 42% and there will be a 4.0x cash return on this investment. The IRR is considered satisfying for a LBO analysis, and the 4.0x cash return on this investment is also considered relatively high. In the context of private equity and LBO transactions, the return is typically calculated as the multiple of cash returned (to investors) compared to the initial capital investment. Given the duration of five years, this return can be considered as an exceptional performance.

The sources of funds consist of \$1,500 millions of Revolving Credit Facility, \$5,000 millions of U.S. Balance Sheet Loan Facility, \$4,000 millions of U.S. short tenor loan facility, and \$6,700 millions of equity financing. Equity contribution took up 35.3% in the whole financing sources (Appendix 8). Entry EBITDA multiple (25.7x) is set equal to the median number from public comparable companies analysis and Exit EBITDA multiple (31.8x) is equal to the median number from precedent transactions analysis to examine a reasonable multiple for selling the company.

5. Discussion

Post Deal Analysis: A new company will be established for this merger use, and the company will be the parent company of CyrusOne. According to CyrusOne's disclosure, "Parent is a Delaware limited partnership that will be controlled by funds affiliated with KKR and GIP that was formed solely for the purpose of entering into the merger agreement and related agreements and consummating the transactions contemplated thereby. Parent has not conducted any business operations other than in connection with the transactions contemplated by the

merger agreement and related agreements. Upon the consummation of the transactions contemplated by the merger agreement and related agreements, the Company will be a wholly owned subsidiary of Parent.” Additionally, there will be a new-established Merger Sub, which does not conduct any business either, but for merger purposes only.

Regarding the management team of CyrusOne, upon the completion of the Merger, Lynn A. Wentworth, David H. Ferdman, Alex Shumate, John W. Gamble Jr., T. Tod Nielsen, Denise Olsen and William E. Sullivan ceased to be directors of the Company. As of the Effective Time, Waldemar Szlezak, Managing Director at KKR, and Will Brilliant, Partner at GIP, became directors of the Company.

6. Conclusion

In conclusion, data centers are a high-potential industry considering the strong development of AI and high demand for data storage and processing. Before the acquisition happened, CyrusOne had already become a leading company in the data center industry as a data-center-focused REIT. It was the company’s lack of experiences exploring overseas markets and management strategies that led to its poor financial performance, especially reflected on cash flow. Therefore, synergizing with strong capitals like KKR and GIP would definitely help CyrusOne in its operations and market expansion strategies. And for the two acquirers, acquiring a promising company like CyrusOne will bring them a guaranteed return on investment, and diversify their portfolio to spread risk. From a broader perspective, properly operating the data centers will contribute to a variety of industries like high-tech, finance, energy, and healthcare. Combining all the advantages above, despite potential risks like global economic downturn and

changes in the real estate industry, this acquisition is still considered a highly favorable transaction.

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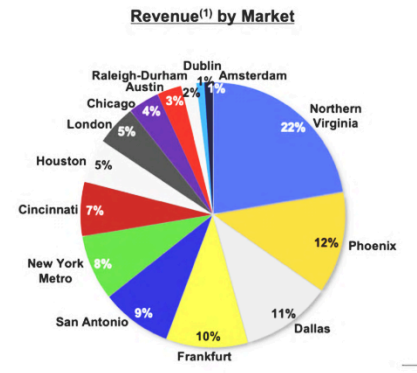
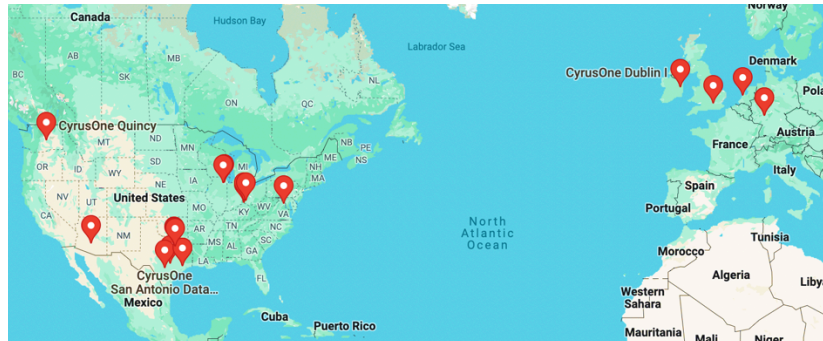
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8. Appendix

Appendix 1: CyrusOne's Global Operations



Source: CyrusOne, Google Map

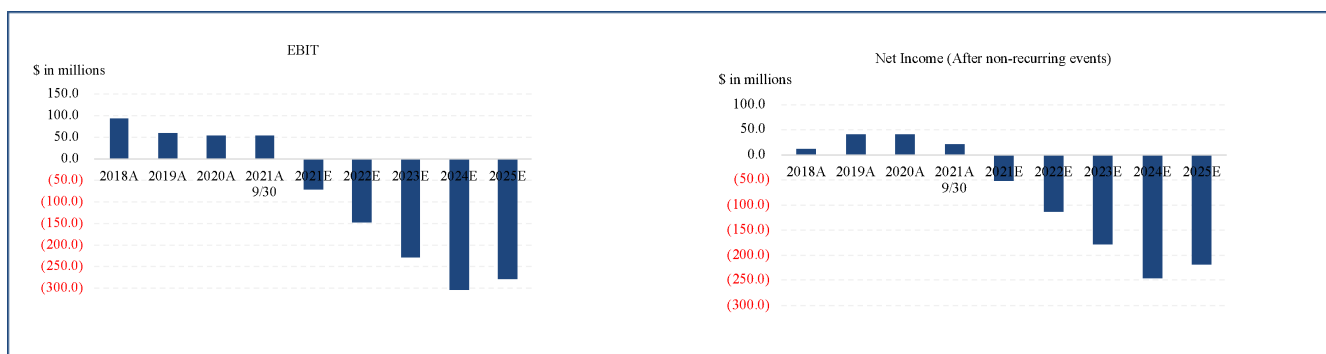
Appendix 2: CyrusOne's Balance Sheet

| Consolidated Balance Sheets (in US\$ millions except per share amounts) | | | | Estimates | | | | |
|--|----------------|----------------|-------------------|----------------|----------------|----------------|------------------|------------------|
| On December 31 | 2019A | 2020A | LTM 2021A 9/30 | 2021E | 2022E | 2023E | 2024E | 2025E |
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | 76.4 | 271.4 | 456.4 | (116.2) | (517.3) | (925.5) | (1,341.2) | (1,789.7) |
| Marketable securities | 135.1 | 67.1 | 30.3 | 67.1 | 67.1 | 67.1 | 67.1 | 67.1 |
| Inventories | | | | | | | | |
| Accounts receivable, net and other | 291.9 | 334.2 | 409.2 | 278.7 | 242.5 | 204.4 | 164.3 | 284.8 |
| Total current assets | 503.4 | 672.7 | 895.9 | 229.6 | (207.7) | (654.0) | (1,109.9) | (1,437.8) |
| Property, plant and equipment, net | 4,686.2 | 5,208.6 | 5,410.5 | 5,596.7 | 5,932.1 | 6,212.1 | 6,433.7 | 6,555.3 |
| Operating leases | 35.1 | 51.9 | | 51.9 | 51.9 | 51.9 | 51.9 | 51.9 |
| Goodwill | 455.1 | 455.1 | 455.1 | 455.1 | 455.1 | 455.1 | 455.1 | 455.1 |
| Other assets | 482.2 | 509.1 | 578.0 | 509.1 | 509.1 | 509.1 | 509.1 | 509.1 |
| Total assets | 6,142.0 | 6,897.4 | 7,339.5 | 6,842.4 | 6,740.6 | 6,674.2 | 6,340.0 | 6,133.6 |
| Liabilities | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | 122.7 | 151.3 | 192.1 | 151.3 | 151.3 | 151.3 | 151.3 | 151.3 |
| Accrued expenses and other | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term debt | 27.4 | 32.0 | 8.6 | 32.0 | 32.0 | 32.0 | 32.0 | 32.0 |
| Unearned revenue | 122.7 | 151.3 | 227.9 | 144.3 | 152.0 | 160.0 | 168.6 | 177.5 |
| Total current liabilities | 272.8 | 334.6 | 428.6 | 327.6 | 335.3 | 343.3 | 351.9 | 360.8 |
| Long-term lease liabilities | 200.2 | 246.2 | 332.5 | 246.2 | 246.2 | 246.2 | 246.2 | 246.2 |
| Long-term debt | 2,894.3 | 3,468.2 | 3,541.8 | 3,468.2 | 3,468.2 | 3,468.2 | 3,468.2 | 3,468.2 |
| Deferred Tax | 60.5 | 53.0 | 41.9 | 53.0 | 53.0 | 53.0 | 53.0 | 53.0 |
| Other long-term liabilities | 279.6 | 237.2 | 189.9 | 237.2 | 237.2 | 237.2 | 237.2 | 237.2 |
| Total liabilities | 3,707.4 | 4,339.2 | 4,534.7 | 4,332.2 | 4,339.9 | 4,347.9 | 4,356.5 | 4,365.4 |
| Stockholders' equity | | | | | | | | |
| Preferred stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Common stock par value + additional paid-in-capital | 3,203.1 | 3,538.5 | 3,953.3 | 3,538.5 | 3,538.5 | 3,538.5 | 3,538.5 | 3,538.5 |
| Treasury stock | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulated other comprehensive income (loss) | (1.2) | (13.7) | (23.2) | (9.6) | (5.5) | (1.4) | 2.7 | 6.8 |
| Retained earnings | (767.3) | (966.6) | (1,125.3) | (1,018.7) | (1,132.3) | (1,310.8) | (1,557.7) | (1,777.1) |
| Total stockholder equity | 2,434.6 | 2,558.2 | 2,804.8 | 2,510.2 | 2,400.7 | 2,226.3 | 1,983.5 | 1,768.2 |
| Total liabilities & stockholders' equity | 6,142.0 | 6,897.4 | 7,339.5 | 6,842.4 | 6,740.5 | 6,674.2 | 6,340.0 | 6,133.6 |
| SUPPLEMENTAL DATA: | | | | | | | | |
| Balance? (Y/N) | Y | Y | Y | Y | Y | Y | Y | Y |

Source: CyrusOne FY2021 10-Q, FY2020 10-K, FY2020 10-Q, Personal Analysis

Appendix 3: CyrusOne's Income Statement

| Consolidated Income Statements (in US\$ millions except per share amounts) | | | | | Estimates | | | | |
|---|--------------|--------------|----------------|-------------------|----------------|----------------|----------------|----------------|----------------|
| Period Ending December 31 | Actuals | | | | | | | | |
| | 2018A | 2019A | 2020A | LTM 2021A 9/30 | 2021E | 2022E | 2023E | 2024E | 2025E |
| Revenue | | | | | | | | | |
| Net Product Sales | 821.4 | 981.3 | 1,033.5 | | | | | | |
| YYY growth (%) | | 19.5% | 5.3% | | | | | | |
| Net Service Sales | | | | | | | | | |
| YYY growth (%) | | | | | | | | | |
| Total Net Sales | 821.4 | 981.3 | 1,033.5 | 1,155.7 | 1,088.5 | 1,146.4 | 1,207.4 | 1,271.6 | 1,339.2 |
| YYY Net Sales Growth (%) | 14% | 19.5% | 5.3% | 13.0% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% |
| Cost of goods sold | | | | | | | | | |
| Cost of goods sold | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| COGS as a % of net sales | 0.0% | 0.0% | 0.0% | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Gross profit | 821.4 | 981.3 | 1,033.5 | 1,155.7 | 1,088.5 | 1,146.4 | 1,207.4 | 1,271.6 | 1,339.2 |
| Gross profit margin (%) | 100% | 100% | 100% | | 100% | 100% | 100% | 100% | 100% |
| Operating expenses | | | | | | | | | |
| Property Exp. | 292.4 | 383.4 | 411.6 | 501.3 | 433.5 | 456.6 | 480.8 | 506.4 | 533.4 |
| Property Exp. as a % of net sales | 35.6% | 39.1% | 39.8% | 43.4% | 39.8% | 39.8% | 39.8% | 39.8% | 39.8% |
| SG&A | 100.2 | 103.7 | 117.6 | 109.2 | 102.8 | 108.3 | 114.1 | 120.1 | 126.5 |
| SG&A as a % of net sales | 12.2% | 10.6% | 11.4% | 9.4% | 9.4% | 9.4% | 9.4% | 9.4% | 9.4% |
| Other operating expense (income), net | 0.0 | 15.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating expense as a % of net | | | | | | | | | |
| Total operating expenses | 392.6 | 502.1 | 529.2 | 610.5 | 536.3 | 564.9 | 594.9 | 626.6 | 659.9 |
| EBITDA | 428.8 | 479.2 | 504.3 | 545.2 | 552.1 | 581.5 | 612.4 | 645.0 | 679.3 |
| EBITDA margin (%) | 52.2% | 48.8% | 48.8% | 47.2% | 50.7% | 50.7% | 50.7% | 50.7% | 50.7% |
| Depreciation and amortization | 334.1 | 417.7 | 449.0 | 491.1 | 621.9 | 728.2 | 840.2 | 958.2 | 958.2 |
| EBIT | 94.7 | 61.5 | 55.3 | 54.1 | (69.7) | (146.7) | (227.8) | (313.2) | (278.9) |
| EBIT margin (%) | 11.5% | 6.3% | 5.4% | 4.7% | -6.4% | -12.8% | -18.9% | -24.6% | -20.8% |
| Other income | 10.0 | 60.0 | 70.0 | 62.1 | 62.1 | 62.1 | 62.1 | 62.1 | 62.1 |
| Interest | | | | | | | | | |
| Interest expense | 94.7 | 82.0 | 57.9 | 61.9 | 57.5 | 57.5 | 57.5 | 57.5 | 57.5 |
| Interest income | | | (0.2) | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net interest expense | 94.7 | 82.0 | 57.7 | 61.7 | 57.5 | 57.5 | 57.5 | 57.5 | 57.5 |
| Earnings before tax (EBT) | 10.0 | 39.5 | 67.6 | 54.5 | (65.1) | (142.1) | (223.2) | (308.6) | (274.3) |
| EBT margin (%) | | | | | | | | | |
| Income tax expense | (0.6) | 3.7 | 3.6 | 10.9 | (13.0) | (28.4) | (44.6) | (61.7) | (54.9) |
| All-in effective tax rate (%) | 0.0% | 16.4% | 8.4% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| Net income from continuing operations | 10.6 | 35.8 | 64.0 | 43.6 | (52.1) | (113.7) | (178.5) | (246.9) | (219.4) |
| Non-recurring events | | | | | | | | | |
| Discontinued operations | 5.0 | 38.4 | 23.7 | | | | | | |
| Extraordinary items | (9.9) | (132.3) | (89.5) | 22.1 | | | | | |
| Other items | 3.1 | 88.3 | 88.4 | | | | | | |
| Total non-recurring events | (1.8) | (5.6) | 22.6 | 22.1 | | | | | |
| Net income (after non-recurring events) | 12.4 | 41.4 | 41.4 | 21.5 | (52.1) | (113.7) | (178.5) | (246.9) | (219.4) |
| Earnings per share (EPS) | | | | | | | | | |
| Basic | 0.12 | 0.37 | 0.35 | 0.18 | (0.44) | (0.97) | (1.52) | (2.10) | (1.87) |
| Diluted | 0.12 | 0.37 | 0.35 | 0.18 | (0.44) | (0.97) | (1.52) | (2.10) | (1.87) |
| Average common shares outstanding | | | | | | | | | |
| Basic | 100 | 112 | 117 | 122 | 117 | 117 | 117 | 117 | 117 |
| Diluted | 100 | 113 | 118 | 122 | 118 | 118 | 118 | 118 | 118 |



Source: CyrusOne FY2021 10-Q, FY2020 10-K, FY2020 10-Q, Personal Analysis

Appendix 4: CyrusOne's Cash Flow Statement

| Consolidated Statements of Cash Flows (in US\$ millions except per share amounts) | | | | | | | | | |
|--|------------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Period Ending December 31 | Actuals | | | | Estimates | | | | |
| | 2018A | 2019A | 2020A | LTM 2021A 9/30 | 2021E | 2022E | 2023E | 2024E | 2025E |
| Cash flows from operating activities | | | | | | | | | |
| Net income | 12.4 | 41.4 | 41.4 | 21.5 | (52.1) | (113.7) | (178.5) | (246.9) | (219.4) |
| Depreciation and amortization | 334.1 | 417.7 | 449.0 | 491.1 | 621.9 | 728.2 | 840.2 | 958.2 | 958.2 |
| Stock-based compensation | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating expense (income), net | 0.0 | 15.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other expense (income), net | 0.0 | (49.0) | (23.9) | 14.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred income taxes | | | | | | | | | |
| Changes in operating working capital | | | | | | | | | |
| Changes in inventory | | | | | | | | | |
| Changes in accounts receivable | (80.2) | (74.2) | (58.0) | (119.5) | 4.5 | (17.5) | (18.5) | (19.5) | (20.5) |
| Changes in accounts payable | 3.0 | (0.8) | 39.0 | 59.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Changes in accrued expenses | | | | | | | | | |
| Changes in unearned revenue | 34.5 | 15.6 | 8.8 | 35.9 | (7.0) | 7.7 | 8.1 | 8.5 | 9.0 |
| Net changes in working capital | (42.7) | (59.4) | (10.2) | (23.7) | (2.5) | (9.9) | (10.4) | (10.9) | (11.5) |
| Total cash from operating activities | 300.8 | 365.7 | 466.3 | 503.8 | 567.3 | 604.7 | 651.3 | 700.4 | 727.3 |
| Cash flows from investing activities | | | | | | | | | |
| CAPEX [Purchase of property and equipment] | (865.7) | (876.4) | (910.5) | (798.5) | (958.9) | (1,009.9) | (1,063.7) | (1,120.2) | (1,179.8) |
| % of revenue | 105% | 89% | 88% | 69% | 88% | 88% | 88% | 88% | 88% |
| Proceeds from property and equipment sales and incentives | 0.0 | 1.3 | 0.5 | 4.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Business acquisitions, net of cash acquired | (462.8) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sales and maturities in marketable securities | 0.0 | 199.0 | 144.1 | 151.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Purchases of marketable securities | (12.6) | (3.8) | (6.5) | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total cash from investing activities | (1,341.1) | (679.9) | (772.4) | (642.4) | (958.9) | (1,009.9) | (1,063.7) | (1,120.2) | (1,179.8) |
| Cash flows from financing activities | | | | | | | | | |
| Issuance of common stock | 699.6 | 357.2 | 325.7 | 407.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend Payment | (181.1) | (210.4) | (236.2) | (249.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Common Stock Repurchase | (5.2) | (9.3) | (8.7) | (9.7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceed from revolving credit facilities | 688.3 | 656.7 | 763.7 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Proceeds from unsecured term loan | 1,300.0 | 0.0 | 1,100.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Proceeds | 0.0 | 1,197.4 | 948.7 | 937.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short-term borrowings (repayments) | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long-term borrowings (repayments) | (1,556.9) | (1,585.4) | (2,369.6) | (614.9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Principal repayments of finance leases | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Principal repayments of financing obligations | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total cash from financing activities | 944.7 | 406.2 | 523.6 | 470.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Foreign Currency effect on cash, cash equivalents, and restricted | (0.4) | 2.7 | 4.1 | (3.0) | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| Total change in cash and cash equivalents | (93.0) | 94.7 | 211.6 | 329.1 | (387.6) | (401.1) | (408.2) | (415.7) | (448.4) |
| SUPPLEMENTAL DATA: | | | | | | | | | |
| Cash flow before debt payoff | (1,037.7) | (311.5) | (312.0) | (141.6) | (387.6) | (401.1) | (408.2) | (415.7) | (448.4) |

Source: CyrusOne FY2021 10-Q, FY2020 10-K, FY2020 10-Q, Personal Analysis

Appendix 5: Discounted Cash Flow Analysis

| Cost of Capital | | | |
|---------------------|-------|--------------------|----------|
| Risk Free Rate | 1.60% | Debt LTM 2021/9/30 | 3,882.9 |
| Market Risk Premium | 5.70% | Stock Price | 85.45 |
| Beta | 0.80 | Shares Outstanding | 122 |
| Cost of Equity | 6.16% | Equity Value | 10,424.9 |
| Cost of Debt | 1.59% | Net Debt | 3,426.5 |
| | | Minority Interest | 0 |
| WACC | 4.99% | Enterprise Value | 13,851.4 |

| Discounted Cash Flow Analysis (in US\$ millions except per share amounts) | | | | | | | | | |
|--|----------------|----------------|----------------|--------------------|------------------|----------------|----------------|----------------|----------------|
| Period Ending January 31 | Actuals | | | Estimates | | | | | |
| | 2018A | 2019A | 2020A | LTM 2021A 09/30 | 2021E | 2022E | 2023E | 2024E | 2025E |
| Unlevered Free Cash Flow | | | | | | | | | |
| EBIT | 94.7 | 61.5 | 55.3 | 54.1 | (69.7) | (146.7) | (227.8) | (313.2) | (278.9) |
| + Depreciation & Amortization | 334.1 | 417.7 | 449.0 | 491.1 | 621.9 | 728.2 | 840.2 | 958.2 | 958.2 |
| Deferred Taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | | | | | | | | | |
| - Changes in Working Capital | (42.7) | (59.4) | (10.2) | (23.7) | (2.5) | (9.9) | (10.4) | (10.9) | (11.5) |
| + Capital Expenditures | (865.7) | (876.4) | (910.5) | (798.5) | (958.9) | (1,009.9) | (1,063.7) | (1,120.2) | (1,179.8) |
| - Taxes | (0.6) | 3.7 | 3.6 | 2.9 | (21.0) | (36.4) | (52.6) | (69.7) | (62.9) |
| Total Unlevered Free Cash Flow | (393.6) | (341.5) | (399.6) | (232.5) | (383.3) | (382.2) | (388.2) | (394.6) | (426.1) |
| Net Present Value Calculation | | | | | | | | | |
| Period | | | | | 0.13 | 1.13 | 2.13 | 3.13 | 4.13 |
| Discounted Cash Flow | | | | 4.99% | (380.9) | (361.8) | (350.0) | (338.8) | (348.5) |
| Total Net Present Value | | | | | (1,780.1) | | | | |

Source: Bloomberg, Personal Analysis

Appendix 6: Public Comparable Companies Analysis

| Operating Statistics | | | | | | | | | | | | | | | |
|----------------------------|---------|-----------------|---------|---------|-----------------|---------|---------|-----------------|---------|-----------------|-----------------|-----------------|---------------------|---------------------|-----------------|
| | 21A LTM | Sales | 23E LTM | 21A LTM | EBIT | 23E LTM | 21A LTM | EBITDA | 23E LTM | Net Income | | | EPS | | |
| Company | \$MM | 22E LTM \$MM | \$MM | \$MM | 22E LTM \$MM | \$MM | \$MM | 22E LTM \$MM | \$MM | 21A LTM \$MM | 22E LTM \$MM | 23E LTM \$MM | 21A LTM \$/share | 22E LTM \$/share | 23E LTM \$MM |
| CyrusOne | 1,155.7 | 1,088.5 | 1,146.4 | 54.1 | (69.7) | (146.7) | 545.2 | 552.1 | 581.5 | 612.4 | 645.0 | 679.3 | (\$0.09) | (\$0.72) | (\$1.24) |
| NEXTDC Limited | 246.1 | 291.0 | 362.4 | 35.6 | 54.7 | 50.0 | 124.3 | 153.3 | 174.1 | 124.3 | 153.3 | 174.1 | (\$0.05) | \$0.02 | (\$0.06) |
| QTS Realty Trust, Inc. | 583.3 | 670.8 | 771.4 | 73.1 | 83.8 | 96.4 | 262.0 | 295.1 | 339.4 | 262.0 | 36.9 | 42.4 | \$3.40 | \$0.48 | \$0.55 |
| Digital Core REIT | 70.5 | 71.9 | 73.3 | 52.7 | 36.0 | 36.7 | 52.7 | 43.1 | 44.0 | 31.8 | 21.6 | 22.0 | \$0.03 | \$0.02 | \$0.03 |
| Digital Realty Trust, Inc. | 4,480.4 | 5,376.5 | 6,451.8 | 878.1 | 1,075.3 | 1,290.4 | 2,352.3 | 2,688.2 | 3,225.9 | 699.1 | 1,075.3 | 1,290.4 | \$2.46 | \$3.79 | \$4.55 |
| Mapletree Industrial Trust | 520.3 | 624.4 | 749.2 | 357.7 | 437.1 | 524.5 | 357.8 | 374.6 | 449.5 | 202.5 | 243.5 | 292.2 | \$0.09 | \$0.11 | \$0.13 |

| Comparable Companies Analysis | | | | | | | |
|---|---------------------------------|-----------------------|----------------------------|---------------|------------------|-------------------|-------------------------|
| (in US\$ millions except for per share price) | | | | | | | |
| Company | Balance Sheet as of Sep-30-2021 | | | | | | |
| | Stock Price per Share \$ | Shares Outstanding MM | Market Capitalization \$MM | Net Debt \$MM | Preferred Equity | Minority Interest | Enterprise Value 21 LTM |
| CyrusOne | \$85.45 | 122.0 | 10,424.9 | 3,426.5 | 0.0 | 0.0 | 13,851.4 |
| NEXTDC Limited | \$11.7 | 514.7 | 6,016.8 | 676.3 | 0.0 | 0.0 | 6,693.1 |
| QTS Realty Trust, Inc. | \$78.0 | 77.1 | 6,012.3 | 1,633.0 | 407.4 | 142.0 | 8,194.7 |
| Digital Core REIT | \$0.6 | 1123.90 | 708.1 | 344.2 | 0.0 | 144.0 | 1,196.3 |
| Digital Realty Trust, Inc. | \$154.0 | 283.80 | 43,710.9 | 15,464.8 | 731.7 | 533.2 | 60,440.6 |
| Mapletree Industrial Trust | \$2.7 | 2200.50 | 5,941.4 | 1,047.4 | 0.0 | 0.0 | 6,988.8 |

| Comparable Companies Analysis | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| (in US\$ millions except for per share price) Company | E.V. / Sales | | | E.V. / EBIT | | | E.V. / EBITDA | | |
| | 21A LTM x | 22E LTM x | 23E LTM x | 21A LTM x | 22E LTM x | 23E LTM x | 21A LTM x | 22E LTM x | 23E LTM x |
| CyrusOne | 12.0x | 12.7x | 12.1x | 256.0x | -198.7x | -94.4x | 25.4x | 25.1x | 23.8x |
| NEXTDC Limited | 27.2x | 23.0x | 18.5x | 188.0x | 122.4x | 133.9x | 53.8x | 43.7x | 38.4x |
| QTS Realty Trust, Inc. | 14.0x | 12.2x | 10.6x | 112.1x | 97.7x | 85.0x | 31.3x | 27.8x | 24.1x |
| Digital Core REIT | 17.0x | 16.6x | 16.3x | 22.7x | 33.3x | 32.6x | 22.7x | 27.7x | 27.2x |
| Digital Realty Trust, Inc. | 13.5x | 11.2x | 9.4x | 68.8x | 56.2x | 46.8x | 25.7x | 22.5x | 18.7x |
| Mapletree Industrial Trust | 13.4x | 11.2x | 9.3x | 19.5x | 16.0x | 13.3x | 19.5x | 18.7x | 15.5x |
| Summary | | | | | | | | | |
| Median | 14.0x | 12.2x | 10.6x | 68.8x | 56.2x | 46.8x | 25.7x | 27.7x | 24.1x |
| High | 27.2x | 23.0x | 18.5x | 188.0x | 122.4x | 133.9x | 53.8x | 43.7x | 38.4x |
| Low | 13.4x | 11.2x | 9.3x | 19.5x | 16.0x | 13.3x | 19.5x | 18.7x | 15.5x |

Source: Refinitive, Personal Analysis

Appendix 7: Precedent Transactions Analysis

| Precedent Transactions (in US\$ millions) | | | Market Value \$MM | Cash \$MM | Net Debt \$MM | Preferred Equity \$MM | Minority Interest \$MM | Enterprise Value \$MM | Earnings \$MM | Sales \$MM | EBIT \$MM | EBITDA \$MM |
|--|--------------------------------|----------------------------|----------------------|--------------|------------------|-----------------------------|------------------------------|-----------------------------|------------------|---------------|--------------|----------------|
| Announcement Date | Target | Acquirer | | | | | | | | | | |
| Jun-07-2021 | QTS Realty Trust, Inc. | Blackstone Inc. etc. | 8,573.1 | 14.7 | 1,914.1 | 407.4 | 118.5 | 11,013.1 | (32.49) | 559.9 | 70.5 | 258.3 |
| Oct-29-2019 | InterXion Holding N.V. | Digital Realty Trust, Inc. | 9,117.2 | 224.4 | 1,638.1 | 0.0 | 0.0 | 10,755.3 | 50.6 | 672.0 | 134.3 | 309.2 |
| Jun-09-2017 | DuPont Fabros Technology, Inc. | Digital Realty Trust, Inc. | 7,176.9 | 45.0 | 1,349.4 | 201.3 | 579.3 | 9,306.9 | 134.2 | 530.0 | 217.4 | 322.7 |
| Sep-06-2016 | NEXTDC Limited | Non-Public | 755.1 | 141.6 | -18.7 | 0.0 | 0.0 | 736.4 | 1.3 | 89.3 | 9.4 | 26.7 |
| Summary | | | | | | | | | | | | |

| Precedent Transactions (in US\$ millions) | | | E.V. / | | |
|--|--------------------------------|----------------------------|------------|-----------|-------------|
| Announcement Date | Target | Acquirer | Sales x | EBIT x | EBITDA x |
| Jun-07-2021 | QTS Realty Trust, Inc. | Blackstone Inc. etc. | 19.7x | 156.2x | 42.6x |
| Oct-29-2019 | InterXion Holding N.V. | Digital Realty Trust, Inc. | 16.0x | 80.1x | 34.8x |
| Jun-09-2017 | DuPont Fabros Technology, Inc. | Digital Realty Trust, Inc. | 17.6x | 42.8x | 28.8x |
| Sep-06-2016 | NEXTDC Limited | Non-Public | 8.2x | 78.3x | 27.6x |
| Summary | | | | | |
| Median | | | 16.8x | 79.2x | 31.8x |
| High | | | 19.7x | 156.2x | 42.6x |
| Low | | | 8.2x | 42.8x | 27.6x |

Source: Refinitive, Personal Analysis

Appendix 8: LBO Analysis

CyrusOne Inc Leveraged Buyout Analysis (\$ in millions, fiscal year ending December 31)

| Transaction Summary | | | | | | | | |
|----------------------------------|------------|--------------------|--------------------|------------|-----------|-------------------------|------------|-----------------|
| Sources of Funds | | | | | | Uses of Funds | | |
| | Amount | % of Total Sources | Multiple of EBITDA | | Pricing | | Amount | % of Total Uses |
| | | | 9/30/2021 | Cumulative | | | | |
| Revolving Credit Facility | \$1,500.0 | 7.9% | 2.8x | 2.8x | L+120 bps | Purchase ValueCo Equity | \$11,674.5 | 61.4% |
| U.S. Balance Sheet Loan Facility | 5,000.0 | 26.3% | 9.2x | 11.9x | L+100 bps | Repay Existing Debt | 3,005.6 | 15.8% |
| U.S. short tenor loan facility | 4,000.0 | 21.1% | 7.3x | 19.3x | L+120 bps | Tender / Call Premiums | 4,000.0 | 21.1% |
| EU Balance Sheet Loan Facility | 1,800.0 | 9.5% | 3.3x | 22.6x | L+100 bps | Financing Fees | 147.6 | 0.8% |
| 2nd Lien | - | - % | - x | 22.6x | NA | Other Fees and Expenses | 172.3 | 0.9% |
| Senior Notes | - | - % | - x | 22.6x | NA | | | |
| Senior Subordinated Notes | - | - % | - x | 22.6x | NA | | | |
| Equity Contribution | 6,700.0 | 35.3% | 12.3x | 34.8x | | | | |
| Rollover Equity | - | - % | - x | 34.8x | | | | |
| Cash on Hand | - | - % | - x | 34.8x | | | | |
| Total Sources | \$19,000.0 | 100.0% | 34.8x | 34.8x | | Total Uses | \$19,000.0 | 100.0% |

| Financing Fees | | | |
|-------------------------------------|-------------|-----------|----------------|
| | Structure 1 | Size | Fees |
| | | | (%) (\$) |
| Revolving Credit Facility Size | | \$1,500.0 | 1.2% \$18.0 |
| U.S. Balance Sheet Loan Facility | | 5,000.0 | 1.2% 60.0 |
| U.S. short tenor loan facility | | 4,000.0 | 1.2% 48.0 |
| EU Balance Sheet Loan Facility | | 1,800.0 | 1.2% 21.6 |
| 2nd Lien | | - | - % - |
| Senior Notes | | - | - % - |
| Senior Subordinated Notes | | - | - % - |
| Senior Bridge Facility | | - | - % - |
| Senior Subordinated Bridge Facility | | - | - % - |
| Other Financing Fees & Expenses | | | - |
| Total Financing Fees | | | \$147.6 |

| | |
|----------------------|-------------|
| Financing Structure: | Structure 1 |
| Operating Scenario: | Base |

| Purchase Price | | Return Analysis | |
|----------------------------------|-------------------|----------------------------|----------|
| Offer Price per Share | \$90.50 | Exit Year | 2026 |
| Fully Diluted Shares | 129.0 | Entry Multiple | 26.4x |
| Equity Purchase Price | \$11,674.5 | Exit Multiple | 31.8x |
| Plus: Existing Net Debt | 2,734.2 | IRR | 42% |
| Enterprise Value | \$14,408.7 | Cash Return | 5.8x |
| Transaction Multiples | | Options | |
| Enterprise Value / Sales | | Financing Structure | 1 |
| LTM 9/30/2021 | \$1,155.7 12.5x | Operating Scenario | 1 |
| 2021E | 1,155.7 12.5x | Cash Flow Sweep | 1 |
| Enterprise Value / EBITDA | | Cash Balance | 1 |
| LTM 9/30/2021 | \$545.2 26.4x | Average Interest | 1 |
| 2021E | 1,046.5 13.8x | Financing Fees | 1 |

| IRR - Assuming 25.7x Entry Multiple | | | | | | |
|-------------------------------------|-------|-----------|-------|-------|-------|-------|
| | | Exit Year | | | | |
| | | 3 | 4 | 5 | 6 | 7 |
| Exit Multiple | 30.3x | 69.2% | 50.8% | 40.7% | 34.3% | 29.9% |
| | 30.8x | 70.2% | 51.5% | 41.2% | 34.7% | 30.2% |
| | 31.3x | 71.3% | 52.2% | 41.7% | 35.1% | 30.5% |
| | 31.8x | 72.3% | 52.8% | 42.2% | 35.5% | 30.8% |
| | 32.3x | 73.3% | 53.5% | 42.7% | 35.9% | 31.2% |
| | 32.8x | 74.3% | 54.2% | 43.2% | 36.2% | 31.5% |

Source: Refinitive, Personal Analysis, CyrusOne Proxy Statement PREM14A