3Q23 Business & Operational Update

Thank you for joining us for our third-quarter Operational Update.

Key Highlights

Let's begin with the Key Highlights on page two of our presentation.

Data centre fundamentals and valuations remain firm, despite the somewhat challenging macroeconomic environment. Supply remains constrained across most core global data centre markets, while artificial intelligence has accelerated an already robust demand environment, driving continued improvement in pricing. We are seeing sizable real-time demand requirements driven by AI workloads from startups as well as established players.

On their earnings call this week, Microsoft announced that Microsoft 365 Copilot, your everyday AI companion, will be generally available for enterprise customers next week. According to CEO Satya Nadella, Microsoft expects Copilot will transform the way we work, making us all, *"more creative in Word, more analytical in Excel, more expressive in PowerPoint, more productive in Outlook, and more collaborative in Teams."* And of course, at $30 per seat per month, Microsoft expects the related revenue stream will grow over time.

The rapid progression to successful monetization strategies is one of the features that sets AI apart from previous technology platform shifts, where revenue models have often taken longer to materialize and haven't always accrued to the benefit of first-movers.

The corresponding acceleration in data centre demand has not been lost on investors, and we continue to see a very healthy bid for data centres in the private market. The transaction market has been brisk, and we expect to see several additional trades in the coming days that will be highly supportive of current valuations.

DIGITAL CORE REIT

Turning to Digital Core REIT – our portfolio of stabilised, mission-critical data centre facilities remained almost fully leased at 97% occupied as at 30 September. Headline NPI of $51 million for the nine months ended 30 September was down 3.7% year-over-year, due to a true-up for prior-period customer reimbursements, but cash NPI was up 5.9% year-over-year, primarily due to the burn-off of straight-line rent.

Distributable income of $31.5 million for the nine months ended 30 September was below forecast and down 8.5% year-over-year, almost entirely due to the higher interest rate environment.

We ended the third quarter just below our 35%-40% target leverage range while 72% of our debt is hedged against rising interest rates.

Customer Bankruptcy

Let's turn to our portfolio update on page three.

As you know, our second-largest customer, representing approximately 22% of annualised rent, filed for bankruptcy in June. The customer currently occupies 100% of two shell & core facilities in Los Angeles; 100% of three shell & core facilities in Silicon Valley; and 1.5 megawatts, or 4%, of a fully-fitted facility in Frankfurt.

The customer has remained current on its rental obligations through the month of October, with the exception of June, when they initially filed for bankruptcy. We expect to collect June rent in full as an administrative expense claim through the bankruptcy process.

Under U.S. bankruptcy law, the customer must continue to pay rent throughout the bankruptcy process, unless and until they reject a lease. In the days immediately following the bankruptcy filing in early June, the customer rejected a handful of lease agreements with other providers for facilities that were largely unoccupied. To date, they have neither accepted nor rejected any of their lease agreements with us.

The customer has publicly disclosed that they are running a sale process to find a buyer for their business. At a bankruptcy hearing in late September, they disclosed they were still in discussions with various bidders and making progress with one bidder in particular. Based on the current schedule, they are supposed to announce on Monday whether they will move forward with a sale transaction – although this timeline could conceivably be pushed out a week or two, as the bankruptcy court typically shows flexibility on extending deadlines so long as the debtors are making progress.

At the September hearing, the customer obtained bankruptcy court approval of their disclosure statement summarizing the terms of their proposed reorganization plan and their treatment of creditors' claims. They are currently soliciting votes from creditors on that reorganization plan and the confirmation hearing is currently scheduled for Thursday, 16 November. It's always possible that deadline could be extended as well, but it appears we are approaching the end of the process.

In the press release announcing the customer bankruptcy, we disclosed that if 100% of the annual revenue from this customer were to be eliminated, our DPU would be roughly cut in half. We believe the worst-case scenario is highly unlikely, as these assets are concentrated in core markets, in-place rents are below market, and we would be well-equipped to step into direct agreements with the end-user colocation customers.

However, it's probably not realistic to expect that we will emerge completely unscathed, either. We still don't have perfect visibility into the process, but as represented by the color-coding under the customer footprint table at the upper left on page three of our presentation, we believe the L.A. facilities are most at risk of lease rejection.

Whatever the outcome, we stand prepared to guard against any near-term disruption while capturing long-term upside potential as the opportunity presents itself, and we are confident in our ability to successfully navigate the situation, given the quality of our real estate, the support of our Sponsor, and the strength of their global data centre platform.

Sustainable Growth

Let's turn to page four to discuss the path forward.

Our portfolio is almost fully leased, but we remain keenly focused on backfilling the remaining vacancy from the customer bankruptcy in Toronto and driving additional upside through lease-up of the recently acquired vacancy in Frankfurt. We intend to continue to drive operational efficiency through proactive management of controllable costs.

We are also focused on preserving liquidity and the flexibility of our balance sheet in the current macroeconomic environment. Our leverage remains just below our 35%-40% target range at 34%, and 72% of our debt is hedged against rising rates. One hundred percent of our debt is unsecured, and we own the freehold to 100% of our assets. We have over $10 million of cash on our balance sheet, more than $190 million of availability on our line of credit, and our weighted average debt maturity is over three years.

We intend to preserve the flexibility of our balance sheet, while prudently utilizing our debt headroom over time to continue to execute upon accretive investment opportunities; expand our asset base and enhance our geographic, as well as customer diversification.

The current data centre fundamentals and long-term digital demand trends are highly supportive of our business. In addition, we continue to enjoy strong support from our Sponsor – a leading global data centre owner and operator. We believe our Sponsor acquisition pipeline is unparalleled in the industry, and we have a unique opportunity to source accretive investments in state-of-the-art digital infrastructure across the globe.

In summary, we believe we have a long runway, and a tremendous opportunity to continue to create long-term value for unitholders.