# 2024 Mid-Year Results Briefing

**Key Highlights**

The Digital Core REIT team continued to build momentum in the first half of 2024. We announced a distribution of 1.80 U.S. cents, which we expect to pay on 20 September to unitholders of record as of 1 August. The first-half distribution is down 6% year-over-year, but up 1% sequentially, and the annualised distribution of 3.60 U.S. cents compares favorably to the 3.50 U.S. cents we communicated in our ***Strategically Positioning for the Future*** investor presentation in conjunction with the customer bankruptcy resolution on the first of November of last year.

- In April of this year, we closed on the acquisition of an additional 24.9% interest in our Frankfurt facility, at an agreed value of €470 million, or approximately US$517.0 million, and a six percent discount to appraised value – reflecting our Sponsor's strong support and commitment to our long-term success.

- We also continued to increase our ownership stake in the rest of our portfolio. Over the course of the first half of the year, we repurchased a total of 14.6 million units at an average price of $0.57, or nearly a fifteen percent discount to NAV – demonstrating our commitment to value creation and generating 100 basis points of accretion while adding less than 60 basis points to leverage.

- We ended the first half of the year just below our 35%-40% target leverage range while 93% of our debt is hedged against rising interest rates.

- Shortly after mid-year, we completed the restructuring of our Japan organisation, which we expect will improve the tax-efficiency of our investments in Japan going forward.

**Market & Portfolio Update**

DIGITAL
CORE REIT

Let's turn to our Market & Portfolio Update on page three.

We have seen a tangible tightening in market fundamentals across our core markets, partially driven by the explosion of artificial intelligence workloads. We've seen firsthand evidence of this tightening, as our Sponsor's sales team scrounges for capacity and points opportunities at our portfolio, given limited availability or new development coming online in core markets.

- In Frankfurt, we signed several new leases during the second quarter, generating 630 basis points of positive net absorption, and leasing up substantially all the remaining vacancy on the Frankfurt campus.

- We previously announced that we renewed the lease agreements with both anchor customers on the Frankfurt campus, a AAA-flat and a AA-plus cloud provider, for five years of additional term at a positive 2.0% cash rental reversion, significantly enhancing the duration and stability of this high-quality cash flow stream.

- As you may recall, in early January, we terminated our second-largest customer's lease in Frankfurt as part of the broader transaction to resolve their bankruptcy. We expected to retain the majority of the existing end-user customers, and to crystallise value by re-leasing this capacity at favorable terms. I'm pleased to report that we have retained all the end-user customers, significantly outperforming our underwriting.

- Our experience in Frankfurt gives us cause for optimism in Los Angeles, where we are similarly in the process of taking over operations from the former colocation provider and entering into direct agreements with the end-user customers. In Frankfurt, the turnover was effective in mid-January, whereas in Los Angeles, we won't take over operations until 1 October. We are actively signing direct agreements with the end-user customers in both L.A. properties and enjoying solid momentum to date.

- We do still have some wood to chop over the next 60 days, including landing a few of the largest end-user customers. We don't expect to retain one hundred percent, like we did in Frankfurt, but we are making good progress, and we are cautiously optimistic we will be able to outperform our underwriting in L.A., too.

- In Toronto, we signed one small interconnection contract during the first half, but we also lost one customer, resulting in a 120-basis point drop in occupancy. We did sign one renewal lease and we have another renewal lease out for signature, which gives us some comfort we should be able to stabilise and extend the lion's share of the Toronto rental revenue, but we still need to see a resurgence of demand to backfill the remaining vacancy.

- We are currently in active negotiations to renew all the leases expiring across our portfolio over the next 12 months, except for a 10-megawatt, fully-fitted facility in Northern Virginia.

- This asset was purpose-built as a data center, is water-cooled, and is capable of supporting high-density AI workloads. It's situated on a 32-acre wooded parcel with a 24-megawatt NOVEC sub-station onsite. The property has been occupied and very well maintained by a single-tenant, a AAA-rated leading global cloud provider. It is 20 years old and will likely require some CapEx if the current customer does not, in fact, renew their lease. However, given the severe power constraints in a market with less than one percent vacancy – in addition to the size of the parcel and the access to power – we expect to have multiple options to either re-lease or re-develop this asset if we get it back next year.

**Sustainable Growth**

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

In the immediate term, we remain keenly focused on executing upon the integration and lease-up of the two L.A. properties we will be taking over on the first of October.

We are also focused on preserving liquidity and the flexibility of our balance sheet. Our leverage remains at the low end of our 35%-40% target range. One hundred percent of our debt is unsecured; substantially all our debt is hedged against rising rates; and we own the freehold to 100% of our assets.

We have over US$20 million of cash on our balance sheet, plus over US$300 million of availability on our line of credit, and our weighted average debt maturity is just under two-and-a-half years.

We intend to preserve the flexibility of our balance sheet, while prudently utilising 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.

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 around the globe.

We look forward to capitalising on the favorable fundamentals underpinning our business as well as our unique opportunity set to continue to create durable value for unitholders.