EQUINIX INC
Form 424B5
November 06, 2003
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**The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED NOVEMBER 6, 2003**

**PRELIMINARY PROSPECTUS SUPPLEMENT**
**(To Prospectus Dated October 30, 2003)**

**Filed Pursuant to Rule 424(b)(5)**
**Registration No. 333-109697**

# 3,500,000 Shares

# Equinix, Inc.

## Common Stock

## $ per share

We are selling 3,500,000 shares of our common stock, of which approximately 915,600 shares will be sold to STT Communications, Ltd. or its affiliates pursuant to their contractual right to purchase shares in this offering. We have granted the underwriters an option to purchase up to 525,000 additional shares of common stock to cover over-allotments.

Our common stock is quoted on the Nasdaq National Market under the symbol EQIX. The last reported sale price of our common stock on the Nasdaq National Market on November 5, 2003 was $17.04 per share.

**Investing in our common stock involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement and page 4 of the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|---|---|---|
| Public Offering Price | $ | $ |
| Underwriting Discount | $ | $ |
| Proceeds to Equinix, Inc. (before expenses) | $ | $ |

The underwriters expect to deliver the shares to purchasers on or about November , 2003.

*Sole Book-Runner*
**Citigroup**

*Co-Lead Manager*
**SG Cowen**

**Needham & Company, Inc.**

**Adams, Harkness & Hill, Inc.**

November , 2003

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**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date on the front of this prospectus supplement.**

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**Prospectus Supplement**



**Prospectus**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, using a shelf registration process. Under this shelf process, we may, from time to time, sell the common stock of which this offering is a part. The accompanying prospectus provides you with a general description of the shares of common stock that may be offered. In this prospectus supplement, we provide you with specific information about the shares of our common stock that we are selling in this offering. For a more complete understanding of the offering of our common stock, you should refer to the registration statement, including its exhibits. This prospectus supplement also adds, updates and changes information contained in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus, including the risk factors, together with the additional information described under the headings  Where You Can Find More Information  and  Incorporation by Reference.

Unless the context otherwise requires, the terms  we,  our,  us,  the company  and  Equinix  refer to Equinix, Inc., a Delaware corporation.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*The following information supplements, and should be read together with, the information contained or incorporated by reference in other parts of this prospectus supplement and in the accompanying prospectus. This section contains a general summary of the information contained in this prospectus supplement and the accompanying prospectus. It may not include all of the information that is important to you. You should read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference before making an investment decision.*

**Equinix, Inc.**

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies, systems integrators and the world s largest networks. Through our 13 Internet Business Exchange hubs, or IBX hubs, in the U.S. and Asia customers can directly interconnect with each other for critical traffic exchange requirements. Direct interconnection to our aggregation of networks, which serve more than 90% of the world s Internet routes, allows our customers to increase performance while significantly reducing costs. Based on our network neutral model and the quality of our IBX hubs, we believe we have established a critical mass of customers. This critical mass and the resulting network effect, combined with our improved financial position gained through the completion of a series of acquisitions and related financings at the end of last year, has allowed us to accelerate new customer growth and bookings. As a result of our fixed cost model, we believe this continued growth will drive higher incremental margins and increasing cash returns.

Our network neutral business model is a key differentiator for Equinix in the market. Because we do not operate a network, we are able to offer direct interconnection to the largest aggregation of bandwidth providers and Internet service providers. The world s top tier Internet service providers, and numerous access networks, second tier providers and international carriers such AT&T, British Telecom, Cable & Wireless, Level 3, MCI, NTT, SBC, SingTel and Qwest are all currently located at our IBX hubs. Access to such a wide variety of networks has attracted 7 of the top 10 Internet properties and numerous other customers, including Amazon.com, Electronic Arts, Electronic Data Systems, Fujitsu, Gannett, Google, IBM, MSN, Sony, Washingtonpost.Newsweek Interactive and Yahoo!.

Our products and services are comprised of three types: Colocation, Interconnection, and Managed IT Infrastructure services.

Colocation services include cabinets, power, operations space and storage space for our customers colocation needs.

Interconnection services allow customers to trade network traffic with each other simply and easily without contracting bandwidth through local service providers.

Managed IT infrastructure services allow our customers to leverage our significant telecommunication expertise, maximize the benefits of our IBX hubs and optimize their infrastructure and resources.

This market has historically been served by large telecommunications carriers who have bundled their telecommunications services with their colocation offerings. Within the past six months, two major telecommunications companies have announced their plans to exit the U.S. market in order to focus on their core offerings. We believe we have an advantage in gaining the business of those customers displaced from these telecommunications companies because access to their networks are also available in our IBX hubs. Strategically, Equinix will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service streams.

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**Our Strategy**

Our objective is to become the premier hub for critical Internet players to locate their operations in order to gain maximum benefits from the choice of networks and partners in the most simple and efficient manner. Key components of our strategy include the following:

*Continue to Build upon our Critical Mass of Network Providers and Content Companies.* We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the Internet. This critical mass is a key selling point since content companies want to connect with a diverse set of networks to provide the best connectivity to their end-customers, and network companies want to sell bandwidth to content customers and interconnect with other networks in the most efficient manner available. Currently, we have over 150 unique networks, including all of the top tier networks, allowing our customers to directly interconnect with providers that serve more than 90% of global Internet routes.

*Leverage the Network Effect.* As networks, content providers and other enterprises locate in our IBX hubs, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a network effect of customer adoption. Our interconnection services enable scalable, reliable and cost-effective interconnection and traffic exchange thus lowering overall cost and increasing flexibility.

*Promote our IBX Hubs as the Highest Performance Points on the Internet.* Our premier IBX hubs offer state of the art design and security, 24 hour / 365 days a year customer service, and high quality power and back-up redundancy with 99.9999% uptime.

*Provide New Products and Services within our IBX Hubs.* We will continue to offer additional products and services that are most valuable to our customers as they manage their Internet and network businesses and, specifically, as they attempt to effectively utilize multiple networks. For example, we offer an automated service to allow customers to easily choose and provision networks, a service that allows backup and recovery of data and a service that allows customers to self monitor their networks.

**Recent Developments**

*Acquisitions and Related Financings.* On December 31, 2002, we completed the acquisitions of i-STT, the Internet infrastructure subsidiary of STT Communications Ltd., and Pihana Pacific, a second Asia-Pacific focused competitor. In connection with the acquisitions, we raised $30.0 million in proceeds through the issuance of a convertible secured note to STT Communications and substantially de-leveraged our balance sheet through the repayment and retirement of outstanding debt. Upon closing the acquisitions, we retired more than $116.0 million of our 13% senior notes, through a combination of cash and equity, and further reduced our credit facility by an additional $8.5 million. As a result of these transactions, STT Communications holds approximately 26% of our outstanding voting stock. In June 2003, we raised an additional $10.0 million through the issuance of convertible secured notes to Crosslink Capital.

*New IBX Addition.* On October 27, 2003, we announced that we had signed a definitive agreement to sublease Sprint s E|Solutions Internet Center in Santa Clara, California, and acquire certain related assets. The 160,000 square foot data center would become our 14th IBX hub, expanding our global footprint to over 1.2 million square feet in five countries. Sprint s Santa Clara center provides a physical infrastructure that is consistent with our industry leading standards, and currently hosts some of the top Internet companies. Consistent with our model of network-neutrality, we will offer a choice of networks in the new center. We may begin placing customers in the center December 1, 2003, subject to the satisfaction of closing conditions and completion of closing under our agreement with Sprint.

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*Credit Facility Amendment.* We are in discussions with our senior lenders to amend the terms of our credit facility. The material terms of the proposed amendment are as follows:

- We agree to prepay the greater of (i) 50% of the gross proceeds from this offering, or (ii) $25.0 million, as a permanent pay down of our outstanding principal balance of $90.5 million as of September 30, 2003;

- The banks would agree to amend the cash sweep provision, which currently commences on March 31, 2004 and which would require us to pay down our principal balance in an amount equal to 50% of any cash on our balance sheet in excess of $20.0 million. This provision would be amended such that it would not commence until March 31, 2005 and would only be triggered on cash amounts in excess of $25.0 million; and

- The banks would agree to extend the term of the credit facility from December 2005 to December 2006. In addition, assuming a prepayment of $30.0 million, the banks would amend the amortization schedule to the following schedule: 2004 $12.0 million; 2005 $12.0 million; 2006 $35.6 million.

This amendment is not required for this offering. If this amendment is not finalized, the existing credit facility will remain in effect.

**Company Information**

Our principal executive offices are located at 301 Velocity Way, Fifth Floor, Foster City, CA 94404 and our telephone number is (650) 513-7000. Our website is located at *www.equinix.com*. Information contained on our website is not part of this prospectus supplement.

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## THE OFFERING

| | |
|---|---|
| Common Stock offered by the Company | 3,500,000 shares |
| Common stock to be outstanding after the offering | 12,920,777 shares* |
| Use of proceeds | We will use the proceeds for general corporate purposes, including repayment of debt, capital expenditures, possible acquisitions of complementary businesses or technologies, and investments. See Use of Proceeds. |
| Dividend policy | Holders of common stock are entitled to receive cash dividends when, and if, declared by our board of directors out of funds legally available. Since inception, we have not paid any cash dividends on common stock and we do not have any present intention to commence payment of any cash dividends. In addition, we are prohibited from paying cash dividends under covenants contained in our current credit agreements. |
| Nasdaq National Market symbol for common stock | EQIX |

* Excludes 3,500,481 shares of common stock issuable upon the exercise of outstanding options as of September 30, 2003, 5,921,275 shares reserved for the conversion of convertible secured notes as of September 30, 2003, 2,834,341 shares reserved for the conversion of issued and outstanding preferred stock and a preferred stock warrant as of September 30, 2003 and 268,561 shares of common stock issuable upon the exercise of outstanding common stock warrants as of September 30, 2003.

STT Communications, or one of its wholly owned subsidiaries, will purchase approximately 915,600 of the shares to be sold in this offering pursuant to contractual rights granted to STT Communications in connection with our combination and financing transactions in December 2002. Subject to compliance with the Hart-Scott-Rodino Anti-trust Improvements Act of 1976, STT Communications will purchase additional shares of common stock in an amount that allows STT Communications to maintain its current percentage ownership of Equinix of approximately 34% (assuming conversion of all outstanding convertible secured notes and exercise of its outstanding options and warrants).

Unless we specifically state otherwise, all information contained in this prospectus supplement and the accompanying prospectus assumes that the underwriters do not exercise their over-allotment option.

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary consolidated financial data should be read in conjunction with our consolidated financial statements and their related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations. The consolidated statement of operations data for the period from June 22, 1998 (inception) to December 31, 1998 and for the years ended December 31, 1999 to 2002 are derived from, and are qualified by reference to, the audited consolidated financial statements and their related notes. The consolidated statement of operations data for the nine months ended September 30, 2002 and 2003 and the balance sheet data as of September 30, 2003 are derived from our unaudited condensed interim consolidated financial statements and their related notes. The pro forma as adjusted column gives effect to this offering and a proposed repayment on our credit facility in conjunction with this offering as though they had occurred on September 30, 2003. See Capitalization .

| | Period from June 22, 1998 (inception) to December 31, | Years Ended December 31, | | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2002 | 2003 |
| | (dollars in thousands, except per share data) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| Revenues | $ | $ 37 | $ 13,016 | $ 63,414 | $ 77,188 | $ 58,385 | $ 84,788 |
| Costs and operating expenses: | | | | | | | |
| Cost of revenues | | 3,268 | 43,401 | 94,889 | 104,073 | 78,599 | 95,567 |
| Sales and marketing | 47 | 3,949 | 20,139 | 16,935 | 15,247 | 12,168 | 14,210 |
| General and administrative | 902 | 12,603 | 56,585 | 58,286 | 30,659 | 22,735 | 26,350 |
| Restructuring charges | | | | 48,565 | 28,885 | 28,960 | |
| Total costs and operating expenses | 949 | 19,820 | 120,125 | 218,675 | 178,864 | 142,462 | 136,127 |
| Loss from operations | (949) | (19,783) | (107,109) | (155,261) | (101,676) | (84,077) | (51,339) |
| Interest income | 150 | 2,138 | 16,430 | 10,656 | 998 | 961 | 182 |
| Interest expense | (220) | (3,146) | (29,111) | (43,810) | (35,098) | (26,411) | (15,317) |
| Gain on debt extinguishment | | | | | 114,158 | 27,188 | |
| Net loss | $ (1,019) | $ (20,791) | $ (119,790) | $ (188,415) | $ (21,618) | $ (82,339) | $ (66,474) |
| Historical net loss per share: | | | | | | | |
| Basic and diluted | $ (46.32) | $ (159.93) | $ (111.23) | $ (76.62) | $ (7.23) | $ (28.12) | $ (7.52) |
| Weighted average shares | 22 | 130 | 1,077 | 2,459 | 2,990 | 2,928 | 8,837 |
| Pro forma net loss per share (unaudited): | | | | | | | |
| Basic and diluted | | | | | $ (3.33) | | $ (5.39) |
| Weighted average shares | | | | | 6,490 | | 12,337 |

| | As of September 30, 2003 |
|---|---|

| | Actual | Pro Forma As Adjusted |
|---|---|---|
| | (dollars in thousands) | |
| **Balance Sheet Data:** | | |
| Cash, cash equivalents and short-term investments | $ 25,223 | $ 51,413 |
| Accounts receivable, net | 9,393 | 9,393 |
| Property and equipment, net | 347,846 | 347,846 |
| Total assets | 424,386 | 450,576 |
| Debt facilities and capital lease obligations, excluding current portion | 1,404 | 1,404 |
| Credit facility, excluding current portion | 81,038 | 51,209 |
| Senior notes | 29,142 | 29,142 |
| Convertible secured notes | 28,475 | 28,475 |
| Total stockholders equity | 231,559 | 287,569 |
| **Other Financial Data:** | | |
| Net cash used in operating activities | (20,344) | |