



Equinix Inc (EQIX)

Updated February 15th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$875	5 Year CAGR Estimate:	8.6%	Market Cap:	\$78 B
Fair Value Price:	\$786	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	02/27/2024
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	03/20/2024
Dividend Yield:	1.9%	5 Year Price Target:	\$1,210	Years of Dividend Growth:	8
Dividend Risk Score:	B	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Equinix (composed from the words "equality", "neutrality" and "internet exchange") is a real estate investment trust (REIT) which specializes in data centers. The trust operates 260 data centers across 33 countries on 6 continents serving over 10,000 customers. More than half of the data centers are outright owned by Equinix, and these generate 66% of recurring revenues. EQIX reports revenue in a couple of different segments: colocation, interconnection, managed infrastructure and other. The Interconnection Solutions segment allow customers to connect directly, securely, and dynamically within and between other EQIX data centers around the globe. There are currently 460,000+ total interconnections. Customers of EQIX are telecommunications carriers, mobile and network service providers, cloud and IT service providers, digital media and content providers, and financial services companies. Equinix boasts of a 99.99% operational uptime across their global data centers.

Equinix was incorporated on June 22nd, 1998 and made the conversion to an REIT beginning in 2015. The corporation is headquartered in Redwood City, California. It trades under the ticker symbol EQIX on the NASDAQ. The market capitalization is \$78 billion. In 2023, 95% of total revenue was recurring.

On October 25th, 2023, Equinix announced a 25% increase to the dividend to \$4.26 quarterly per share.

Equinix reported fourth quarter 2023 results on February 14th, 2023. For the quarter, the company announced a 13% increase in revenue compared to Q4 2022, to \$2.11 billion. The company has thus achieved 84 consecutive quarters of revenue growth. AFFO per share increased 3% compared to the previous year quarter to \$7.30.

Equinix continues to expand on its platform and has 49 major projects in development across 35 markets.

Management provided 2024 annual guidance and expects a roughly 8% increase in revenues to \$8.84 billion. Guidance also calls for AFFO of roughly \$3.34 billion, a 10.5% increase over 2023. It also estimates AFFO per share to increase by 9% to \$34.95.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
AFFO	\$13.81	\$13.86	\$15.06	\$18.53	\$20.69	\$22.81	\$24.76	\$27.11	\$29.55	\$32.11	\$34.95	\$53.77
DPS	\$7.57	\$17.71	\$7.00	\$8.00	\$9.12	\$9.84	\$10.64	\$11.48	\$12.40	\$14.49	\$17.04	\$26.22
Shares¹	56.5	62.1	70.8	77.6	80.2	84.7	88.4	90.4	91.8	94.0	96.0	110.0

EQIX has grown revenues for 21 years straight, and the company's bottom line has also been on a straight uptrend for many years, over a decade. For the past nine and five years, Equinix has been able to grow its AFFO per share at an average annual rate of 10% and 9%, respectively. Special dividends were paid in 2014 and 2015 due to the corporation converting to an REIT. In real normal dividend terms, the trust has accomplished 8 years of consecutive dividend growth. We expect that they will be able to grow AFFO and dividends concurrently from here on out, at an average rate of 9%. We also expect the share count to continue growing as it raises capital to fund some growth projects, though for the time being FFO should suffice for capex costs as the payout ratio is low. Growth will be achieved as Equinix grows its global platform and continues adding new data centers to its portfolio, as well as increasing interconnections and other data services.

¹ In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/AFFO	14.6	18.9	22.8	23.1	20.0	21.8	28.1	28.3	22.7	23.2	25.0	22.5
Avg. Yld.	3.7%	6.8%	2.0%	1.8%	2.1%	1.9%	1.5%	1.5%	1.7%	1.8%	1.9%	2.2%

The current P/AFFO of 25.0 based on 2024's estimated AFFO is above the 5-year average of 24.8. We peg fair value at 22.5 times AFFO, which would result in a valuation headwind. The valuation is a premium, but we believe EQIX has earned it with such a strong and successful technology focus.

Safety, Quality, Competitive Advantage, & Recession Resiliency

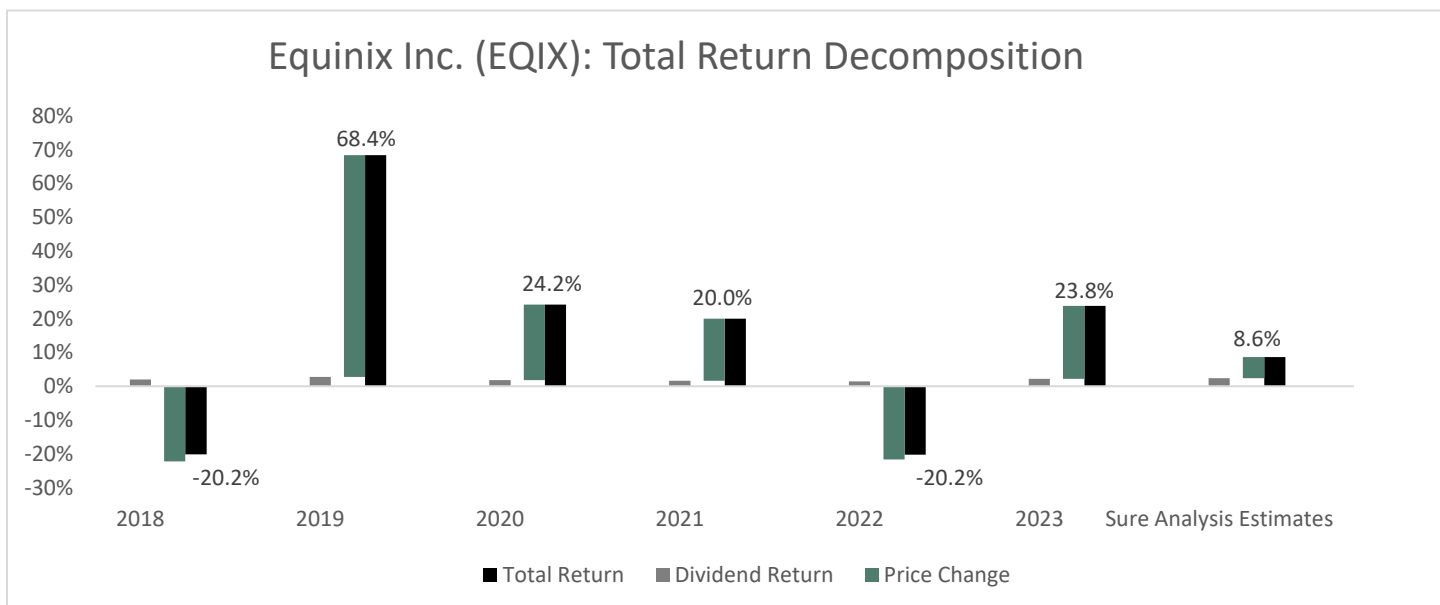
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	55%	128%	46%	43%	44%	43%	43%	42%	42%	45%	49%	49%

The forecasted payout ratio of 49% for 2024 is well covered, and leaves plenty of room for growth. The trust's competitive advantage among the world of data center REITs is its global platform spanning 33 countries and which contains the industry's largest and most active ecosystem of partners in their centers, creating a network effect that improves performance and lowers cost for customers. The trust has an S&P credit Rating of BBB, and a consolidated net debt-to-adjusted-EBITDA of 3.7X, within the 3 – 4X range set by management. EQIX was negatively affected by the Great Recession as net income dipped nearly in half, but the corporation paid no dividend at the time. It took until 2012 to surpass the net income levels seen in 2008. The COVID pandemic had the opposite effect of the Great Financial Crisis on EQIX as technology and data use increased significantly with stay-at-home orders and remote work and school, effectively boosting adjusted funds from operations.

Final Thoughts & Recommendation

Equinix is the largest data center REIT and is well diversified geographically and by revenue segment. EQIX became an REIT nine years ago and since then has grown its dividend for 8 consecutive years, and we see this continuing. While we believe the stock is trading above fair value, forecasted annualized total returns of 8.6% are excellent. Most of this return will come from growth as the yield is low for an REIT at 1.9%. We rate EQIX as a hold for investors interested in growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,444	2,726	3,612	4,368	5,072	5,562	5,999	6,636	7,263	8,188
Gross Profit	1,246	1,434	1,791	2,175	2,466	2,752	2,924	3,163	3,512	3,960
Gross Margin	51.0%	52.6%	49.6%	49.8%	48.6%	49.5%	48.7%	47.7%	48.3%	48.4%
SG&A Exp.	734	825	1,133	1,328	1,460	1,586	1,809	2,043	2,285	2,510
D&A Exp.	482	526	837	1,042	1,227	1,285	1,423	1,656	1,736	1,845
Operating Profit	512	609	658	848	1,006	1,166	1,115	1,120	1,226	1,451
Op. Margin	20.9%	22.3%	18.2%	19.4%	19.8%	21.0%	18.6%	16.9%	16.9%	17.7%
Net Profit	-260	188	127	233	365	507	370	500	704	969
Net Margin	-10.6%	6.9%	3.5%	5.3%	7.2%	9.1%	6.2%	7.5%	9.7%	11.8%
Free Cash Flow	29	27	-94	61	-281	-87	27	-204	685	436
Income Tax	345	23	45	54	68	185	146	109	125	155

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,782	10,357	12,608	18,691	20,245	23,966	27,007	27,919	30,311	32,650
Cash & Equivalents	611	2,229	748	1,413	606	1,870	1,605	1,536	1,906	2,096
Account Receivable	263	292	396	576	630	689	677	682	855	1,004
Total Liabilities	5,512	7,611	8,243	11,842	13,025	15,125	16,373	17,037	18,805	20,140
Accounts Payable	30	50	60	102	97	52	78	84	116	162
Long-Term Debt	3,455	5,194	5,248	8,381	9,814	10,320	10,538	11,604	12,762	13,730
Total Equity	2,270	2,745	4,366	6,850	7,219	8,841	10,634	10,882	11,506	12,490
LTD/E Ratio	1.52	1.89	1.20	1.22	1.36	1.17	0.99	1.07	1.11	1.10

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-3.4%	2.1%	1.1%	1.5%	1.9%	2.3%	1.5%	1.8%	2.4%	3.1%
Return on Equity	-11.0%	7.5%	3.6%	4.2%	5.2%	6.3%	3.8%	4.6%	6.3%	8.1%
ROIC	-4.5%	2.7%	1.4%	1.9%	2.3%	2.8%	1.8%	2.3%	3.0%	3.8%
Shares Out.	56.5	62.1	70.8	77.6	80.2	84.7	88.4	90.4	91.8	94.0
Revenue/Share	46.67	46.61	51.01	56.34	63.24	65.69	67.85	73.39	79.09	87.10
FCF/Share	0.56	0.46	-1.33	0.78	-3.50	-1.03	0.31	-2.26	7.46	4.63

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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