



Equinix Inc (EQIX)

Updated November 6th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$916	5 Year CAGR Estimate:	8.5%	Market Cap:	\$86 B
Fair Value Price:	\$823	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	11/13/2024
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	12/11/2024
Dividend Yield:	1.9%	5 Year Price Target:	\$1,266	Years of Dividend Growth:	8
Dividend Risk Score:	B	Retirement Suitability Score:	C	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 268 data centers across 34 countries on 6 continents serving over 10,000 customers. More than half of the data centers are outright owned by Equinix, and these generate 69% of recurring revenues. EQIX reports revenue in several segments, including 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 475,000+ 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 99.99% operational uptime across its global data centers.

Equinix was incorporated on June 22nd, 1998 and made the conversion to a REIT beginning in 2015. The corporation is headquartered in Redwood City, California. It trades under the ticker symbol EQIX on the NASDAQ and its market capitalization is \$86 billion. In 2023, 95% of total revenue was recurring.

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

Equinix announced on July 22nd, 2024, that it will expand into the Philippines by acquiring three data centers from Total Information Management. The company aims to expand its business and capitalize on the rapidly growing Southeast Asia market. The \$180 million all-cash transaction is expected to close in the fourth quarter of 2024.

On October 1st, Equinix announced it signed a new JV with GIC and CPP Investments to raise more than \$15 billion to grow the Equinix xScale data center portfolio. GIC and CPP Investments will own 37.5% of the JV, and Equinix will own 25%.

Equinix reported third quarter 2024 results on October 30th, 2024. For the quarter, the company announced a 7% increase in revenue compared to Q3 2023 to \$2.2 billion. It has thus achieved 87 consecutive quarters of revenue growth. And its AFFO per share increased 11% compared to the previous year quarter to \$9.05.

Equinix continues to expand on its platform and has 57 major projects in development across 35 markets.

Management provided 2024 annual guidance and expects a 7% year-over-year increase in revenues, AFFO to improve by 9% (\$3.338 billion to \$3.378 billion), and AFFO per share to increase by 8% to 10%.

We have thus raised our 2024 AFFO per share estimate to \$35.02, the midpoint of updated guidance.

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	\$35.02	\$53.88
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

Equinix has grown its revenues for the past 21 years in a row, and the company's bottom line has been steadily increasing for more than a decade. Over 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

¹ In millions

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corporation converting to an REIT. In real normal dividend terms, the trust has achieved eight years of consecutive dividend growth.

We expect that Equinix will be able to grow its AFFO per share and dividend concurrently from here on out, at an average rate of 9%. We also expect the share count to increase as it raises capital to fund some growth projects, but for the time being, FFO should cover capex costs due to the low payout ratio. Equinix will achieve growth by expanding its global platform, adding new data centers to its portfolio, and increasing interconnections and other data services.

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	26.2	23.5
Avg. Yld.	3.7%	6.8%	2.0%	1.8%	2.1%	1.9%	1.5%	1.5%	1.7%	1.8%	1.9%	2.1%

The current P/AFFO of 26.2 based on 2024's forecasted AFFO is above the 5-year average of 24.8. We peg fair value at 23.5 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

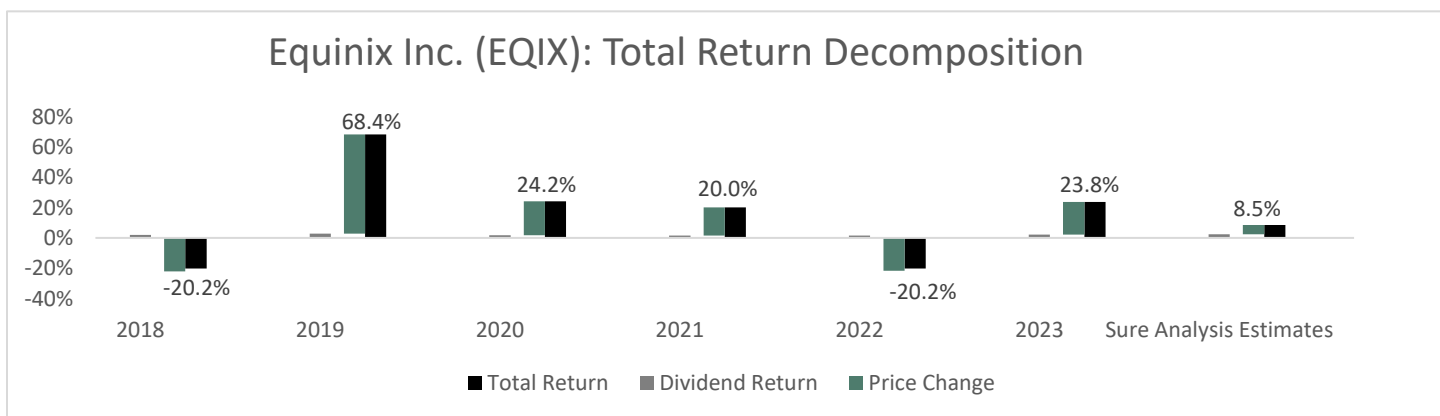
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	55%	128%	46%	43%	44%	43%	43%	42%	42%	45%	49%	49%

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 34 countries and which contains the industry's largest and most active ecosystem of partners in its 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 3.5X, 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 a REIT nine years ago and since then has grown its dividend for 8 consecutive years, which we see continuing. The share price of EQIX has increased by 17% since we rated it a buy in our last research report, in August. We believe the stock now trades above fair value, and forecast annualized total returns of 8.5%. Most of this return will come from growth as the yield is low for a REIT at 1.9%. We rate EQIX as 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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