



Prologis (PLD)

Updated January 22nd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$116	5 Year CAGR Estimate:	9.6%	Market Cap:	\$109.7 B
Fair Value Price:	\$109	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	03/14/2025
% Fair Value:	107%	5 Year Valuation Multiple Estimate:	-1.3%	Dividend Payment Date:	03/28/2025
Dividend Yield:	3.3%	5 Year Price Target	\$160	Years Of Dividend Growth:	10
Dividend Risk Score:	F	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Prologis is the largest industrial U.S. REIT by far, owning about 1.3 billion square feet of real estate in 20 countries. For context, the second-largest U.S. industrial REIT in the sector is Public Storage (PSA), with a market cap of around \$51.8 billion, less than half that of Prologis. The company has a diversified rental collection base, comprising of more than 6,700 individual tenants. Prologis was founded in 1983 and is based in San Francisco, California.

On January 21st, 2025, Prologis released its Q4 and full-year results for the period ending December 31st, 2024. For the period, rental revenues grew by 10.7% to nearly \$1.95 billion. Strategic capital revenues almost doubled to \$254 million. Total revenues grew by 16.4% to \$2.2 billion. Core FFO/share rose by 19% to \$1.50, with stable expenses linked to its strategic capital, despite the segment's revenue growth, leading to an improvement in profitability. Still, higher interest expenses did negatively impacted the bottom line. In fact, interest costs rose by 33% to \$232.2 million reflecting a higher average interest rate and the extra borrowings the company assumed to fund acquisitions over the past four quarters.

Still, Prologis' debt as a percentage of its gross market cap remained healthy at 25.6%. Its weighted average borrowing rate rose sequentially from 3.1% to 3.2%. Finally, Prologis' weighted average remaining lease term was 3.9 years.

Management closed out 2024 with solid results, highlighted by the sale of the Elk Grove data center – a turnkey facility under development – which delivered significant value creation and showcased the end-to-end capabilities of Prologis' platform. They also noted strong post-election leasing activity and ongoing customer conversations, which reinforce their expectation that the market is nearing an inflection point. Thus, following a full-year of no FFO/share growth, the company introduced an optimistic guidance for FY2025. They now expect FFO/share between \$5.65 and \$5.81. We have utilized the midpoint in our estimates, which implies a year-over-year growth of 3%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO/Share	\$2.23	\$2.57	\$2.81	\$3.03	\$3.31	\$3.80	\$4.15	\$5.16	\$5.61	\$5.56	\$5.73	\$8.42
DPS	\$1.52	\$1.68	\$1.76	\$1.92	\$2.12	\$2.32	\$2.52	\$3.16	\$3.48	\$3.84	\$3.84	\$5.64
Shares²	521	526	530	567	631	754	764	811	952	954	954	1200

Over the past five years, FFO/share CAGR was 8.6%, while DPS CAGR was 10.6% over the same period. Prologis has been achieving growth through its strategic acquisition and development of prime logistics properties on a global scale. The COVID-19 pandemic resulted in surging demand for the company's properties, surpassing previous peak market cycles. Prologis expects that robust demand for its properties will persist in the foreseeable future, although we should see relatively short absorption following some lease expiries throughout the rest of the year.

In any case, we anticipate that Prologis can support FFO/share growth of 8% through 2030. The company's growth in its asset base is expected to slow as it won't be making as many property acquisitions. However, with a weighted average debt maturity term of 9.0 years and no significant debt maturities until 2026, Prologis shouldn't face significant issues.

¹ Estimated dates based on PLD's past dividend dates

² Share count is 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.



Prologis (PLD)

Updated January 22nd, 2025 by Nikolaos Sismanis

We also expect equally strong DPS growth over the medium-term, but lower than the most recent hike to be prudent against the ongoing macroeconomic headwinds.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/FFO	21.2	17.5	20.8	18.9	28.1	26.3	31.3	25.2	20.8	21.4	20.3	19.0
Avg. Yld.	2.8%	3.0%	2.0%	2.0%	1.8%	1.8%	1.8%	2.4%	3.0%	3.2%	3.3%	3.5%

Over the past decade, shares of Prologis have traded between 20 and 30 times their underlying funds from operations. The stock's valuation has somewhat normalized from the 2019 to 2021 levels. At 20.3x this year's expected FFO/share, we now find Prologis to be more fairly valued. However, we maintain our fair multiple of 19x, which suggests some valuation headwinds ahead. Investors should demand a higher risk premium in the current environment, given that rates remain elevated. In our view, this multiple better reflects the stock's growth prospects and its unique qualities.

Safety, Quality, Competitive Advantage, & Recession Resiliency

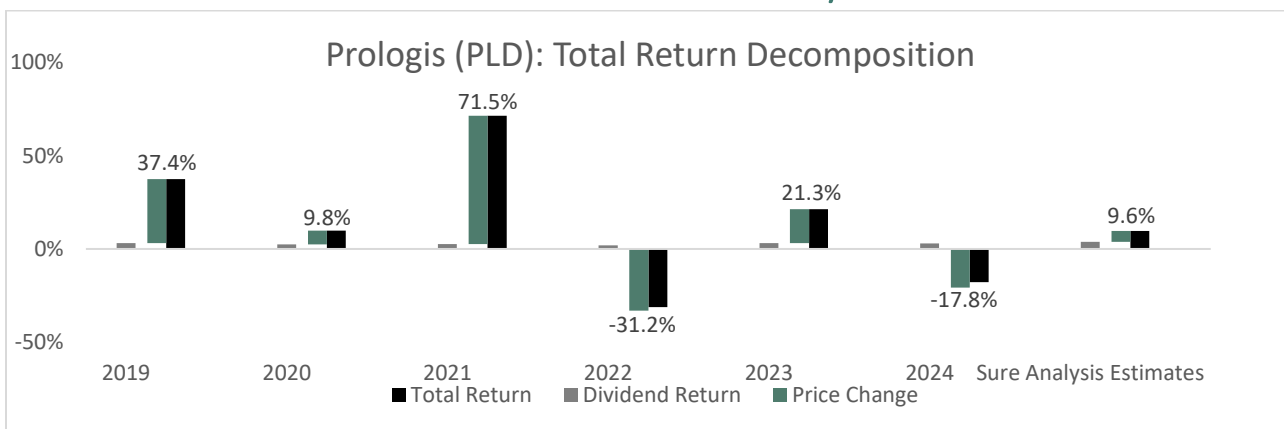
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	68%	65%	63%	63%	64%	61%	61%	61%	62%	69%	67%	67%

Prologis appears to be one of the safest choices amongst REITs during this period of uncertainty in other real estate industries. It features a healthy customer base consisting of huge enterprises that provided essential logistics services during the pandemic. Its occupancy rate remains very strong at 95.6%, and management's encouraging guidance points towards another year of record FFO/share. Also, the company's payout ratio remains healthy at 67%, which could easily support growing dividends in line with FFO/share growth. Further, while the company's low financing costs could keep rising in the current credit environment, we believe that Prologis will manage to retain competitive borrowing rates. Considering that creditors have loose demands based on Prologis' pristine financials, coupled with the company being the largest U.S. REIT in the sector, we find it incredibly unlikely that other REITs could attract cheaper financing than Prologis. Prologis has a unique competitive advantage in that regard.

Final Thoughts & Recommendation

Investors looking to buy into a growing REIT with such a diversified tenant base have limited options nowadays. In our view, Prologis combines growth with numerous operating qualities. We believe that Prologis' current valuation could somewhat constrain the stock's total return prospects. However, we project annual total returns of 9.6% through 2030, driven by our 8.0% FFO/share growth estimate and a 3.3% starting yield, which we expect to sustain positive returns despite any valuation headwinds. As a result, we assign a hold rating to Prologis.

Total Return Breakdown by Year



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.



Prologis (PLD)

Updated January 22nd, 2025 by Nikolaos Sismanis

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2533	2618	2804	3331	4439	4759	5974	8,023
Gross Profit	1836	1893	2047	2412	3269	3511	4465	6,013
Gross Margin	72.5%	72.3%	73.0%	72.4%	73.6%	73.4%	74.7%	74.9%
SG&A Exp.	222	231	239	267	275	293	331	390
D&A Exp.	931	879	947	1140	1562	1578	1813	2,485
Operating Profit	668	771	847	992	1402	1617	2280	3,084
Op. Margin	26.4%	29.5%	30.2%	29.8%	31.6%	34.0%	38.2%	38.4%
Net Profit	1210	1652	1649	1573	1482	2940	3365	3,059
Net Margin	47.8%	63.1%	58.8%	47.2%	33.4%	61.8%	56.3%	38.1%
Free Cash Flow	1417	1687	1804	2264	2937	2996	4126	5,373
Income Tax	55	55	63	75	131	174	135	211

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	30250	29481	38418	40032	56070	58490	87900	93,020
Cash & Equivalents	807	447	344	1089	598	556	278	530
Acc. Receivable	111	85	107	86	189	424	378	326
Goodwill & Int.	268	202	451	314	727	553	1183	1,011
Total Liabilities	11792	10775	12617	13960	19740	20740	30030	35,200
Accounts Payable	556	703	761	705	1143	1253	1712	1,766
Long-Term Debt	10608	9413	11090	11906	16850	17720	23880	29,000
Total Equity	14913	15562	22229	22584	31910	33360	53170	53,120
LTD/E Ratio	0.71	0.60	0.50	0.53	0.53	0.53	0.45	0.55

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.9%	5.5%	4.9%	4.0%	3.1%	5.1%	4.6%	3.4%
Return on Equity	8.2%	10.8%	8.7%	7.0%	5.4%	9.0%	7.8%	5.3%
ROIC	4.1%	5.8%	5.1%	4.2%	3.3%	5.4%	4.9%	3.6%
Shares Out.	547	552	590	655	754	765	812	952
Revenue/Share	4.63	4.74	4.75	5.09	5.88	6.22	7.36	8.43
FCF/Share	2.59	3.05	3.06	3.46	3.89	3.92	5.08	5.65

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.