

September 30, 2023

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Return on Investment

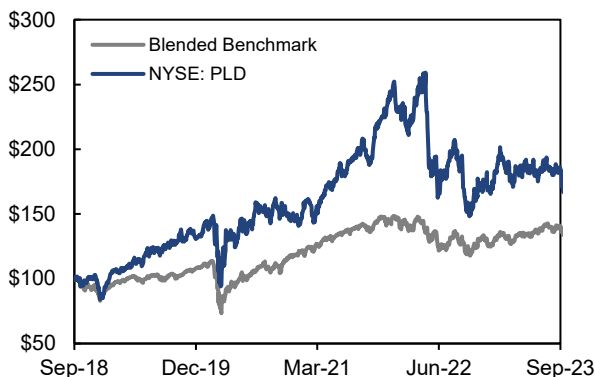
Current Share Price	\$112.21
Target Price	\$131.00
Dividend Yield	3.10%
Implied Return	17%
Conviction Rating	1

Market Profile

52-Week Range	\$98.03 - \$136.67
Market Capitalization (US\$B)	\$107
Net Debt (US\$B)	\$28
Enterprise Value (US\$B)	\$135
Beta (5-Year Monthly)	1.02

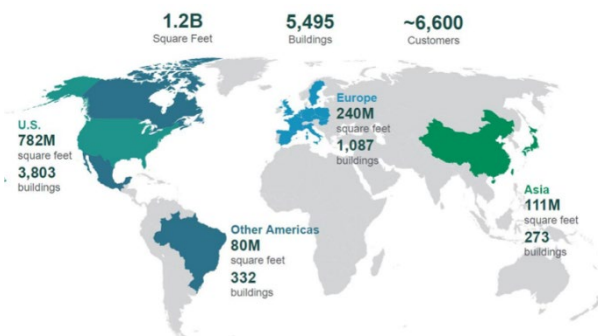
Metrics	2022A	2023E	2024E
Revenue (US\$m)	\$6,285	\$7,131	\$8,026
FFO (US\$m)	\$5,328	\$6,030	\$6,939
AFFO/Share	\$5.16	\$5.60	\$5.57
P/FFO	19.8x	18.3x	18.8x

Historical Trading Performance (Indexed to \$100)



Source: S&P Capital IQ

Figure 1: Geographical Operations Overview



Source: Company Filings

Business Description

Prologis Inc (NYSE: PLD) is a self-managed, self-administered real estate investment trust (REIT) that owns and operates logistics facilities across 19 countries. The Company currently manages 5,563 buildings under its portfolio, amounting to 1.2B leasable square feet (sqft). In addition to operating a portfolio of land and logistics facilities, PLD offers its clients in-house leasing and property management solutions. The Company operates under two main segments: (1) Real Estate and (2) Strategic Capital. The Real Estate segment encompasses rental and development revenues within the U.S., which comprise ~85 - 90% of total annual revenues. The Strategic Capital segment involves international investment conducted by the Company, in conjunction with institutional investors, comprising ~10 - 15% of total annual revenues. The majority of PLD's international investments are funded through two public vehicles (Nippon and Fibra Prologis) and long-term joint ventures with institutional investors.

Industry Overview

The U.S. industrial REIT sector is a highly fragmented industry, with the majority of competition being driven by major industrial REIT companies, private equity industrial firms, and smaller, private institutional industrial investors. The major players within the industry are Terreno Realty (NYSE: TRNO), First Industrial Realty Trust (NYSE: FR), and EastGroup Properties (NYSE: EGP).

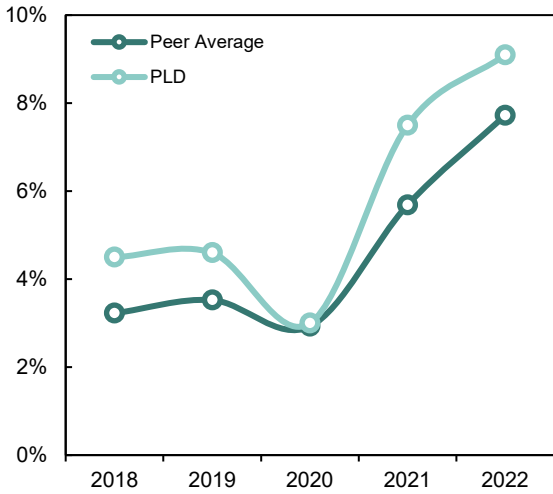
The warehousing industry is experiencing sustained demand and long-term growth at a five-year CAGR of 1.7%. The majority of demand for logistics spaces is being bolstered by three major drivers: (1) supply chain optimization targeted towards nearshoring, (2) increased penetration of e-commerce as a percentage of total retail sales, and (3) increase in product differentiation, supported by growing household demand across the U.S.

(1) Resurgence of Nearshoring: Over the past 10 years, U.S. companies have been capitalizing on nearshoring to optimize supply chain capabilities. The majority of off-shore facilities are moving operations to facilities in Mexico, which enables companies to better service sales centers within the U.S. Given that PLD's operations in Mexico consist of ~228 facilities, the Company is positioned to capitalize on the strong demand within Mexico due to the impacts of nearshoring.

(2) E-Commerce Penetration: E-commerce disruption in the retail sales space remains one of the largest contributors to warehousing demand. Supply chains optimized towards e-commerce use three times the warehousing capacity compared to brick-and-mortar supply chains. This displays the increased need for logistics space to accommodate e-commerce supply chains. E-commerce as a percentage of total retail sales currently sits at ~16% and is set to grow at ~1% annually until 2028.

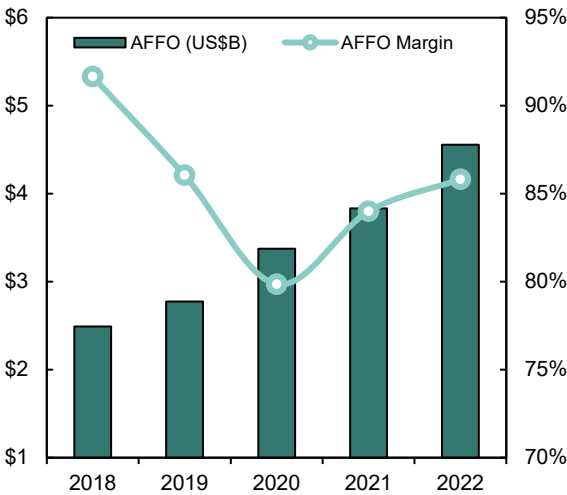
(3) Product Differentiation: The rapid increase in product offerings and change in the product mix has driven a portion of demand for additional warehousing. From 2018 to 2023, the industry's consumer goods product mix increased by ~16%, contributing to expansive warehousing needs.

Figure 2: Same-Store NOI vs Peers



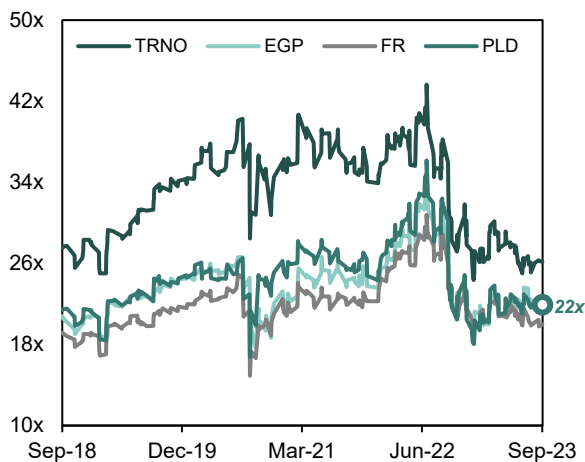
Source: Company Filings

Figure 3: LHS AFFO vs RHS AFFO Margin



Source: Company Filings

Figure 4: P/FFO vs Peers



Source: S&P Capital IQ

Mandate Fit

Quality Management: Hamid Moghadam, PLD’s co-founder, has served as CEO since the Company’s inception in 2011. Moghadam’s notable achievements include successful expansion through acquisitions and geographic growth. CEO and NEO at-risk compensation consists of stock awards and bonuses, representing 100% and 96%, respectively. The board consists of 91% independent directors, with 37% being female. The Company commits to returning value to shareholders, demonstrated through its dividend growth of a five-year CAGR of ~11%.

Competitive Advantage: PLD is a leader in the industrial REIT space as it is the only U.S.-based REIT with operations on a global scale. The Company’s strategy of acquiring assets involves choosing facilities in areas with high barriers to entry, near extensive transport facilities, and in areas with high population density. PLD’s customer base is highly diversified, consisting of retailers, wholesalers, and manufacturers catering to various consumer needs. This results in consistent demand for a wide array of warehousing space. PLD’s top three clients are Amazon (NASDAQ: AMZN), The Home Depot (NYSE: HD), and FedEx (NYSE: FDX). These clients comprise less than 20% of total revenues, depicting diversification in PLD’s customer base. With leasing being a primary source of revenue for industrial REITs, customer retention remains an important competitive factor. PLD possesses a customer retention ratio of 71% versus the peer average of 65%.

Strong Balance Sheet: PLD remains committed to maintaining a strong balance sheet to enable growth through development and acquisitions. PLD holds a Net Debt/EBITDA ratio of 4.8x, below the peer average of 5.0x. The Company’s debt profile consists of a weighted average interest rate of 2.9%, a weighted average term rate of 9.7 years, and only 3.6% of total debt maturing in 2026. The Company’s current net leverage is 21%. In addition to possessing a strong and flexible balance sheet, the Company boasts a best-in-class credit rating of A and A3 from S&P and Moody’s, respectively. PLD’s strong credit rating is accompanied by a fixed charge coverage ratio of 5.6x versus the peer average of 3.4x.

Growing Free Cash Flow: PLD remains an industry leader in same-store NOI growth, representing ~9% in 2022, compared to the peer average of ~8%. The Company increased its FFO by ~24% from 2021 to 2022. More specifically, AFFO has grown at a ~6% CAGR over the past five years, while FFO has grown at a five-year CAGR of ~8%. Current AFFO/Share sits at \$4.67 in comparison to the peer averages of \$4.19. Historically, PLD has allocated ~US\$350mm to capital expenditures to service property improvements, leasing commissions, and tenant improvements. In 2022, PLD allocated US\$500mm to service similar capital expenditure requirements.

Investment Thesis and Valuation

PLD’s target price of US\$131 was derived using a five-year DCF with a WACC of 7.61%. The terminal value was derived using a blend of (1) the Gordon Growth Method, using a terminal growth rate of 1.50% and (2) a P/FFO exit multiple of 20x. PLD is positioned as a global leader in the industrial REIT space, with its competitive and strategic advantages being comprised of its global acquisition strategy and diversified customer base. In addition to this, PLD commits to operating under a low-cost structure, thus enabling warehousing development. This strategy proves to be beneficial when meeting organic growth targets. Finally, PLD’s client-centric approach to leasing provides the Company with strong customer retention and consistent leasing revenues.