

Equinix, Inc.

4Q23 Heads Up: EQIX to report tomorrow, 2/14 AMC; call at 5:30pm ET

Reiterate Rating: BUY | PO: 870.00 USD | Price: 849.34 USD

Expect '24 guidance, xScale growth opportunity outlook

EQIX reports 4Q23 earnings on Wednesday, February 14th, AMC. A conference call will follow at 5:30 p.m. ET. We expect EQIX mgmt. to 1) share 2024 guidance, 2) discuss the outlook for global pricing dynamics in 2024+, 3) explain plans to expand the xScale platform, and 4) update the evolving AI-related demand landscape. EQIX remains our **top Data Center pick** (see more in our [2024 Comm Infrastructure Year-Ahead report](#)) as we prefer EQIX for its 1) superior balance sheet, 2) positive business momentum, and 3) limited external funding needs. We reiterate our Buy rating.

2024 guidance will have some moving parts

We remain relatively in-line with the Street on major financial metrics for 2024 (see [Exhibit 1](#)) but believe we will see moving parts associated with 2024 outlook. First, we expect EQIX's 2024 revenue target to reflect upward global customer price adjustments implemented in early 2023 to account for power price increases and supply/demand dynamics. As a reminder, EQIX's long-term revenue growth expectation is 8-10% y/y from 2023-2027.

Anticipating a new 'cabinet equivalents' metric

Enhanced disclosure around EQIX's 'cabinets billing' metric is a possibility for 4Q reporting but we definitely expect it sometime in 2024. EQIX reported a 3Q23 cabinets billing number slightly lower than Street expectations which surprised investors. Importantly, this 'headline' cabs billing was not comparable on a historical basis due to power density per cab. EQIX makes its money on a power basis, not a cabinet basis. Because power density per cabinet has been static for years, the two have been historically interchangeable. This relationship itself is now changing. EQIX noted it has been adding new billable cabs at an average of 5.7 KW's per cab vs. the previous average of 4 KW per cab meaning each new cabinet is more valuable than in the past, even if there are fewer of them. Management has shared that they are working to introduce a new metric that bridges the gap between the legacy 'cabinet' value and the reality that a denser, newer cabinet acquisition can be worth a multiple of a legacy cabinet.

AI training is an upside opportunity for xScale

With 3Q23 earnings, management highlighted it intends to augment its xScale portfolio for large-scale AI training deployments. At the time, AI sales activity was mainly concentrated in the Americas via training, inference and network deployment opportunities. Given EQIX's core retail-centric business inherently 'lives' closer to the enterprise, we believed it is primed to capture AI inference opportunities in time. Further development of its xScale business offering would give EQIX the opportunity to capture large-scale AI training deployments in the nearer-term.

Conference call information

Wednesday, February 14th, at 5:30 p.m. (ET). Dial-in: 1-517-308-9482; Password: EQIX.

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Equity

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Stock Data

Price	849.34 USD
Price Objective	870.00 USD
Date Established	20-Dec-2023
Investment Opinion	B-1-7
52-Week Range	661.66 USD - 859.72 USD
Mrkt Val (mn) / Shares Out (mn)	79,739 USD / 93.9
Free Float	99.7%
Average Daily Value (mn)	338.95 USD
BofA Ticker / Exchange	EQIX / NAS
Bloomberg / Reuters	EQIX US / EQIX.OQ
ROE (2023E)	8.2%
Net Dbt to Eqty (Dec-2022A)	0%
ESGMeter™	High

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Exhibit 1: BofA vs. Consensus estimates (\$mns)

We remain +/- in line with Consensus on 4Q23 and 2024 estimates

	BofAE	4Q23 Cons.	+/-%	BofAE	2023 Cons.	+/-%	BofAE	2024 Cons.	+/-%
Revenue									
Colocation revenue	1,488.8	1,487.1	0.1%	5,785.5	5,783.8	0.0%	6,379.3	6,282.7	1.5%
Interconnection revenue	363.6	359.0	1.3%	1,400.2	1,395.7	0.3%	1,551.0	1,524.7	1.7%
Total recurring revenue	1,997.4	1,991.3	0.3%	7,766.1	7,760.0	0.1%	8,543.4	8,423.8	1.4%
Total revenue	2,122.9	2,112.4	0.5%	8,200.5	8,190.1	0.1%	8,977.6	8,876.3	1.1%
Financial Metrics									
Adjusted EBITDA	926.2	921.9	0.5%	3,707.6	3,703.6	0.1%	4,107.9	4,079.9	0.7%
Adj. EBITDA margin	43.6%	43.6%	0.0%	45.2%	45.2%	0.0%	45.8%	46.0%	-0.4%
Total capex	935.1	935.4	0.0%	2,720.4	2,721.9	-0.1%	3,179.7	3,168.6	0.3%
AFFO	679.7	683.7	-0.6%	3,007.3	3,011.7	-0.1%	3,279.3	3,280.7	0.0%
AFFO/share	7.19	7.25	-0.8%	32.01	32.07	-0.2%	34.64	34.54	0.3%
Customer metrics									
Cabinets billing	289,211	288,765	0.2%	289,211	288,249	0.3%	308,284	303,334	1.6%
MRR per cab	1,732	1,732	0.0%	1,687	1,690	-0.2%	1,779	1,767	0.7%
Utilization (%)	79.7	79.5	0.3%	79.7	79.6	0.2%	80.7	79.5	1.5%

Source: BofA Global Research and Visible Alpha consensus

BofA GLOBAL RESEARCH

Price objective basis & risk

Equinix, Inc. (EQIX)

Our \$870 price objective is based on a target multiple of approximately 25x 2024E AFFO/share. Our target multiple is a premium to the broader average REIT multiple of 18.5x as we believe EQIX's superior AFFO/sh growth, pricing power tailwinds, and competitive moat still merit a similar relative valuation premium to other REITs.

The risks to our price objective are 1) a prolonged downturn in Enterprise IT spending, 2) meaningful exposure to the financial industry, and 3) fluctuating FX rates.

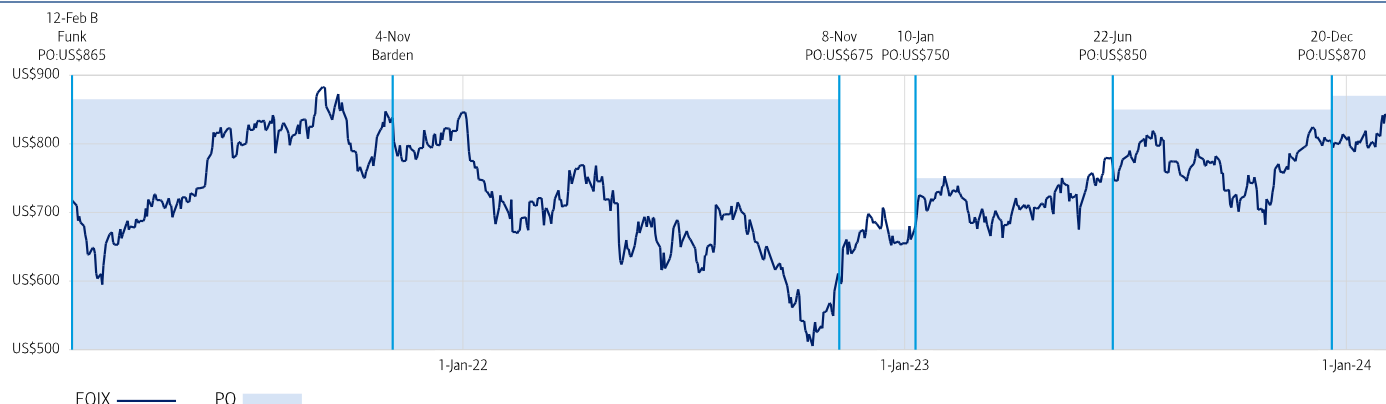
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Equinix (EQIX) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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