

## Prologis, Inc.

# 4Q23: meets on solid quarter & maintains 2024 guidance in line with Street

Maintain Rating: BUY | PO: 148.00 USD | Price: 126.86 USD

## PLD delivered another solid quarter with in line results

PLD's 4Q23 results and 2024 guidance was largely in line with expectations given the update provided at its [December investor Day](#) (see report). Portfolio occupancy continues to be resilient at elevated levels, outperforming the broader market and expected to remain relatively stable by yearend. We maintain our Buy rating based on its high-quality global platform, attractive multi-year earnings prospects & low leverage.

## Net absorption forecasted to be up +30% Y/Y

PLD has seen customer sentiment improving over the past few weeks and healthy proposal volumes. PLD's indicators are trending in line with historical levels except for utilization, which declined as retailers destocked into holiday season and stronger-than-expected (online) sales in 4Q. Rebuild in inventories, lack of new supply starting 2H24 and persisting supply chain disruptions could positively impact 2024 demand.

## Supply/demand dynamic supports rent growth outlook

4Q market rents were flat to modestly up across PLD's markets except for SoCal, which drove the overall -90bp Q/Q decline. PLD is forecasting modestly positive rent growth in line with inflation in 2024 and stronger growth in 2025-26 to reach its 4-6% 3-year CAGR. Improving port volumes in SoCal and current conflicts impacting East Coast ports could drive higher overall West Coast demand. See our [expert call takeaways](#) for more.

## Potential to surprise on upside from capital deployment

PLD has stabilized 81% of its \$16.6bn development starts over the past five years. We view its target for higher development stabilizations Y/Y as a positive read through to demand. 46% of this target has been preleased, 300-400bp above average. We see potential upside to earnings growth from its capital deployment strategy given the company has \$4bn in liquidity to deploy opportunistically if pricing & macro stabilizes.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
FFO / Share (Reported)	4.15	5.16	5.60	5.52	6.40
GAAP EPS	3.83	4.14	3.02	2.31	3.22
FFO / Share Change (YoY)	9.5%	24.3%	8.5%	-1.4%	15.9%
DPS	2.52	3.16	3.48	3.72	3.95
FFO / Share (Normalized)	4.09	4.61	5.10	5.62	6.41
AFFO / Share	4.36	5.00	4.95	4.89	5.54
<b>Valuation (Dec)</b>					
P/FFO (Reported)	30.6x	24.6x	22.7x	23.0x	19.8x
GAAP P/E	33.1x	30.6x	42.0x	54.9x	39.4x
Dividend Yield	2.0%	2.5%	2.7%	2.9%	3.1%
EV / EBITDA	44.5x	36.2x	27.0x	26.7x	22.8x
P/FFO (Normalized)	31.0x	27.5x	24.9x	22.6x	19.8x
P/AFFO	29.1x	25.4x	25.6x	25.9x	22.9x
NAV / Share	148.94	128.19	130.57	147.62	NA

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Timestamp: 18 January 2024 01:01AM EST

18 January 2024

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### Stock Data

Price	126.86 USD
Price Objective	148.00 USD
Date Established	15-Dec-2023
Investment Opinion	B-1-7
52-Week Range	96.64 USD - 137.52 USD
Mkt Val (mn) / Shares Out (mn)	120,118 USD / 946.9
Free Float	99.7%
Average Daily Value (mn)	470.72 USD
BofA Ticker / Exchange	PLD / NYS
Bloomberg / Reuters	PLD US / PLD.N
ROE (2023E)	5.4%
Net Dbt to Eqty (Dec-2022A)	0%
ESGMeter™	High

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).**

Key Terms: bp: basis points; CAGR: compound annual growth rate; FFO: funds from operations; NAV: net asset value; NOI: net operating income; Q/Q: quarter over quarter; YTD: year to date; Y/Y: year over year

# iQprofile<sup>SM</sup> Prologis, Inc.

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Rental Revenue	4,148	4,913	6,864	7,716	8,853
Property Net Operating Income (NOI)	3,107	3,707	5,220	5,841	6,591
EBITDA (Adjusted)	3,601	4,423	5,941	6,007	7,035
<b>Net Income (Adjusted)</b>	<b>2,934</b>	<b>3,359</b>	<b>2,874</b>	<b>2,196</b>	<b>3,068</b>
<b>Funds From Operations (FFO)</b>	<b>2,996</b>	<b>4,126</b>	<b>5,324</b>	<b>4,671</b>	<b>5,626</b>
% Change	2.0%	37.7%	29.0%	-12.3%	20.5%
<b>Normalized Funds from Operations (FFO)</b>	<b>2,996</b>	<b>4,126</b>	<b>5,324</b>	<b>4,671</b>	<b>5,626</b>
% Change	2.0%	37.7%	29.0%	-12.3%	20.5%
Fully Diluted Shares (Year Average)	765	811	952	952	952

## Cash Flow Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Funds from Operation (FFO)	2,996	4,126	5,324	4,671	5,626
Capital Expenditure	(499)	(551)	(621)	(632)	(646)
Straight Line Rent / FAS 141	NA	NA	NA	NA	NA
Adjusted FFO	2,497	3,576	4,704	4,039	4,981
Dividends	-1,873	-2,495	-3,250	-3,550	-3,763
Free Cash Flow	624	1,081	1,454	488	1,218
Issue (Purchase) Equity	1	0	0	0	0
Share / Issue Repurchase	1	0	0	0	0
Cost of Dividends Paid	(1,873)	(2,495)	(3,250)	(3,550)	(3,763)
Change in Debt	1038	2735	5477	(2)	186

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Marketable Securities	556	278	0	0	0
Properties at Cost	NA	NA	NA	NA	NA
<b>Total Assets</b>	<b>58,486</b>	<b>87,897</b>	<b>92,508</b>	<b>93,237</b>	<b>93,163</b>
Total Debt	17,715	23,876	28,607	30,955	31,866
<b>Total Liabilities</b>	<b>20,744</b>	<b>30,034</b>	<b>35,546</b>	<b>41,438</b>	<b>46,106</b>
Preferred Stock	0	0	0	0	0
Total Equity	37,742	57,863	56,963	51,799	47,057
Total Equity & Liabilities	58,486	87,897	92,508	93,237	93,163

## Key Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Acquisitions	901	1,403	3,750	912	912
Cap Rate	4.6%	4.3%	3.9%	4.6%	4.6%
Developments	0	0	2,281	5,282	4,514
Cap Rate	NA	NA	NA	NA	NA
Dispositions	(2,098)	(1,235)	(750)	(958)	(800)
Cap Rate	4.3%	4.0%	4.6%	4.8%	4.8%
Same Store Revenue Growth	NA	NA	NA	NA	NA

## Performance Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Invested Capital (ROIC)	NA	NA	NA	NA	NA
Operating Margin	74.9%	75.5%	76.1%	75.7%	74.4%
Interest Cover	13.5x	14.3x	9.1x	7.4x	7.9x

## Company Sector

REITs

## Company Description

Prologis owns, develops, and manages the largest global portfolio of industrial real estate, concentrated in major port markets for global trade, regional distribution markets and large population centers. The portfolio concentration is about 80% in the Americas, 10% in Europe and the remainder in Asia. However, more than 95% of PLD's equity is priced in US\$, mitigating FX risk to earnings. Prologis also operates the largest industrial property fund platform for large institutional investors.

## Investment Rationale

PLD operates the largest global industrial portfolio and property fund business in the most active port and distribution markets in the Americas, Europe and Asia. The platform has real strategic advantages due to its global footprint, tenant relationships, and fund investment platform. We believe PLD's platform and balance sheet position it well to benefit from continued growth in tenant demand and e-commerce expansion. We base our Buy rating on these positives plus valuation.

## Stock Data

Average Daily Volume

3,710,571

## Quarterly Earnings Estimates

	2022	2023
Q1	1.09A	1.22A
Q2	1.11A	1.83A
Q3	1.73A	1.30A
Q4	1.24A	1.26E



## Price objective basis & risk

### Prologis, Inc. (PLD)

Our \$148 PO for PLD is based on our forward 12-month NAV estimate. The estimate reflects the value of PLD's global platform and balance sheet offset by trade war concerns. We apply a 4.1% cap rate to our forward 12-month NOI forecast of \$6.26B to calculate our NAV. We view a slowdown in global trade and economic growth, operating conditions below our expectations, and heightened geopolitical tensions as downside risks to our PO. Tightening in credit markets could also weigh on access to capital, borrowing costs, and portfolio real estate values. Upside risks to our PO are better-than-expected operating conditions, an improved global trade outlook, and downward pressure on cap rates around the globe.

## Analyst Certification

I, Camille Bonnel, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Agree Realty Corp	ADC	ADC US	Joshua Dennerlein
	Alexandria Real Estate Equities	ARE	ARE US	Joshua Dennerlein
	American Homes 4 Rent	AMH	AMH US	Jeffrey Spector
	Americold Realty Trust	COLD	COLD US	Joshua Dennerlein
	AvalonBay Communities Inc	AVB	AVB US	Joshua Dennerlein
	Boston Properties	BXP	BXP US	Jeffrey Spector
	Brixmor Property Group	BRX	BRX US	Jeffrey Spector
	COPT Defense Properties	CDP	CDP US	Camille Bonnel
	Cousins Properties Inc.	CUZ	CUZ US	Camille Bonnel
	EastGroup Properties	EGP	EGP US	Jeffrey Spector
	Empire State Realty Trust	ESRT	ESRT US	Camille Bonnel
	Equity Residential	EQR	EQR US	Jeffrey Spector
	Essential Properties	EPRT	EPRT US	Joshua Dennerlein
	Federal Realty	FRT	FRT US	Jeffrey Spector
	Invitation Homes Inc	INVH	INVH US	Joshua Dennerlein
	Kimco Realty	KIM	KIM US	Jeffrey Spector
	Kite Realty Group	KRG	KRG US	Jeffrey Spector
	Phillips Edison & Company	PECO	PECO US	Jeffrey Spector
	Prologis, Inc.	PLD	PLD US	Camille Bonnel
	Public Storage, Inc.	PSA	PSA US	Jeffrey Spector
	Regency	REG	REG US	Jeffrey Spector
	Rexford Industrial Realty	REXR	REXR US	Camille Bonnel
	Sabra Health Care	SBRA	SBRA US	Joshua Dennerlein
	Simon Property	SPG	SPG US	Jeffrey Spector
	Ventas, Inc.	VTR	VTR US	Jeffrey Spector
	Welltower	WELL	WELL US	Joshua Dennerlein
<b>NEUTRAL</b>				
	Acadia Realty Trust	AKR	AKR US	Jeffrey Spector
	CubeSmart	CUBE	CUBE US	Jeffrey Spector
	EPR Properties	EPR	EPR US	Joshua Dennerlein
	Equity LifeStyle Properties	ELS	ELS US	Jeffrey Spector
	Essex Property Trust, Inc.	ESS	ESS US	Joshua Dennerlein
	Extra Space Storage, Inc.	EXR	EXR US	Jeffrey Spector
	Getty Realty Corp.	GTY	GTY US	Joshua Dennerlein
	Highwoods Properties	HIW	HIW US	Camille Bonnel



## US - REITs Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	InvenTrust Properties	IVT	IVT US	Jeffrey Spector
	Kilroy Realty Corporation	KRC	KRC US	Camille Bonnel
	Macerich	MAC	MAC US	Jeffrey Spector
	OMEGA Healthcare	OHI	OHI US	Joshua Dennerlein
	Realty Income	O	O US	Jeffrey Spector
	Retail Opportunity Investments Corp.	ROIC	ROIC US	Jeffrey Spector
	SL Green Realty	SLG	SLG US	Camille Bonnel
	Sun Communities	SUI	SUI US	Joshua Dennerlein
	UDR, Inc.	UDR	UDR US	Joshua Dennerlein
	Veris Residential Inc	VRE	VRE US	Joshua Dennerlein
	Vornado Realty	VNO	VNO US	Camille Bonnel

## UNDERPERFORM

	American Assets Trust	AAT	AAT US	Camille Bonnel
	Armada Hoffer Properties	AHH	AHH US	Camille Bonnel
	Camden Property Trust	CPT	CPT US	Joshua Dennerlein
	Douglas Emmett	DEI	DEI US	Camille Bonnel
	Healthpeak Properties, Inc.	PEAK	PEAK US	Joshua Dennerlein
	Hudson Pacific Properties, Inc.	HPP	HPP US	Camille Bonnel
	Kennedy Wilson	KW	KW US	Joshua Dennerlein
	LXP Industrial Trust	LXP	LXP US	Camille Bonnel
	Medical Properties Trust, Inc.	MPW	MPW US	Joshua Dennerlein
	Mid-America Apartment Communities, Inc.	MAA	MAA US	Joshua Dennerlein
	National Storage Affiliates Trust	NSA	NSA US	Jeffrey Spector
	NetSTREIT	NTST	NTST US	Joshua Dennerlein
	NNN REIT Inc	NNN	NNN US	Joshua Dennerlein
	Paramount Group	PGRE	PGRE US	Camille Bonnel
	Peakstone Realty Trust	PKST	PKST US	Joshua Dennerlein
	STAG Industrial	STAG	STAG US	Camille Bonnel
	Tanger Factory	SKT	SKT US	Jeffrey Spector
	WP Carey	WPC	WPC US	Joshua Dennerlein

## RSTR

	Spirit Realty Capital	SRC	SRC US	Joshua Dennerlein
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**IQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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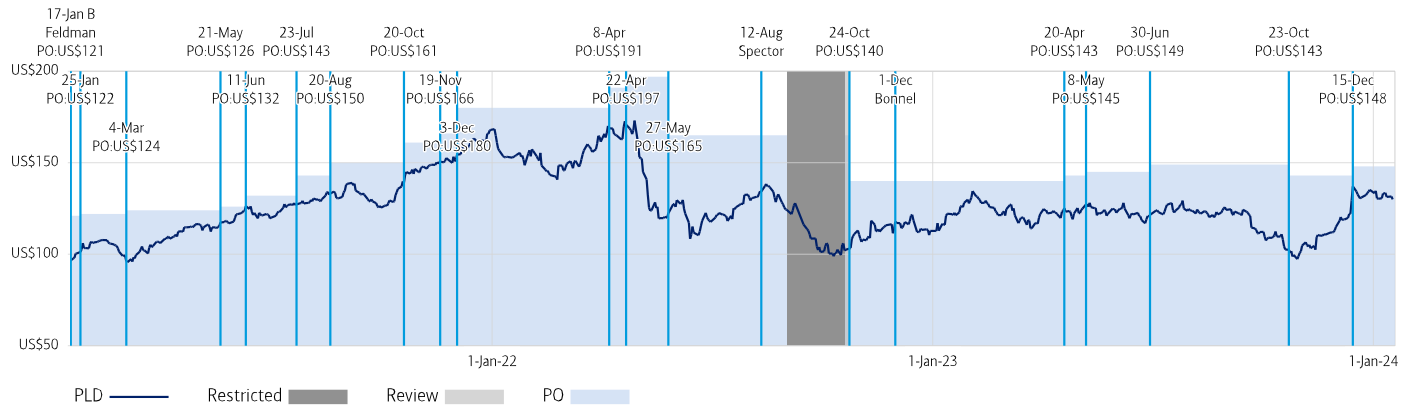
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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	40	46.51%	Buy	33	82.50%
Hold	27	31.40%	Hold	21	77.78%
Sell	19	22.09%	Sell	16	84.21%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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