

US EQUITY RESEARCH

13-Jun-25

DIGITAL REALTY TRUST INC

Solid global pipelines to fuel growth

Company Overview

Digital Realty is a leading global provider of data centre, colocation, and interconnection solutions to a spectrum of industries, such as cloud, content, financial, network, and IT. The company's global data centre platform, Platform DIGITAL, offers low-latency connections and high-speed data transfer for high-density colocation deployments. The company has also been enhancing its global footprint via strategic M&As over the years.

Investment Overview

Leading player in the data centre industry. Digital Realty is the second largest data centre provider in the world, with c.11% market share in the colocation market, following Equinix's c.13%. Its portfolio comprises over 300 data centres spread across 25+ countries worldwide. The company generates 52%, 32%, 10%, and 6% of its annualised base rent from North America, EMEA, APAC, and Latin America, respectively. Digital Realty's acquisition-driven growth strategy, coupled with the industry's high retention rate feature, reinforces the company's long-term global positioning.

Rich buildable capacity to support future growth. Digital Realty has been expanding its global reach via acquisitions over the years, with number of metros increased from 30 in 2015 to the current 50+. The company has a 2,760MW of existing capacity and 3,500 buildable capacity as of 1Q25. The company is guiding for USD3-3.5bn of capex for FY25, supporting expected EBITDA growth of 8%, 11%, and 13% in FY25, FY26, and FY27F, respectively.

Strong customer ecosystem driven by diversified customer base. Digital Realty boasts one of the most interconnected ecosystems, serving over 5,000 customers and facilitating more than 200,000 total interconnections within its facilities. Among their customers, 37% are from the cloud sector, 17% from the network sector, 15% from the content sector, and 12% from the financial sector in terms of ARR. The company has been able to acquire more than 100 new logos per quarter since 1Q20, which further strengthens its ecosystem within their campus.

Maintain BUY with TP of USD213. Our TP is based on FY25 28x EV/EBITDA, higher than its historical average of 22x, on its strong global expansion capabilities. The target multiple is largely in line with its major peer.

Risks

Foreign exchange rate risk. Around 45% of Digital Realty's revenue is contributed by markets outside of America.

Customer in-sourcing. Hyperscale cloud providers – the largest existing tenants of data centres – may opt to move all or significant data centre servers in-house.

Analysts:

Andy YU | dbsvkhk@dbs.com

Sachin MITTAL | groupresearch@dbs.com

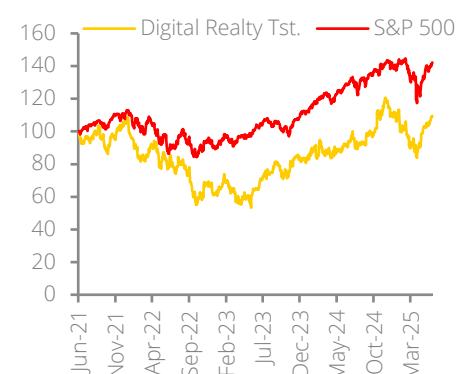
Key Financial Data

Bloomberg Ticker	DLR US
Sector	Real Estate
Share Price (USD)	176.53
DBS Rating	BUY
12-mth Target Price (USD)	213.00
Market Cap (USD\$b)	60.6
Volume (m shares)	1.9
Free float (%)	99.9
Dividend yield (%)	2.8
Net Debt to Equity (%)	61.0
Fwd. P/E (x)	114.5
P/Book (x)	2.9
ROE (%)	2.0

Closing Price as of 12 Jun 2025

Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance (indexed)



Source: Bloomberg

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Financial Summary (USD M)

FY Dec	FY2021A	FY2022A	FY2023A	FY2024F	FY2025F
Sales	4,428	4,692	5,477	5,591	5,878
% y/y	13.4	6.0	16.7	2.1	5.1
Gross Profit	2,530	1,112	1,201	3,308	3,281
% y/y	119.6	-56.0	8.0	175.4	-0.8
EBITDA	2,412	2,167	2,750	2,914	3,178
% y/y	10.3	-10.2	26.9	6.0	9.0
Net Profit (Loss)	1,681	337	908	484	491
% y/y	538.5	-79.9	169.4	-46.7	1.4
FCF	-819	-984	-1,891	-324	-996
CAPEX	-	2643	3526	1488	2180
EBITDA Margin (%)	54.5	46.2	50.2	52.1	54.1
Net Margin (%)	38.0	7.2	16.6	8.7	8.4
ROA (%)	4.6	0.9	2.1	1.0	1.3
ROE (%)	9.4	1.9	5.0	2.6	3.0
Tax Rate (%)	4.0	7.7	7.4	9.1	13.1

Source: Refinitiv

Valuation Metrics

FY Dec	FY2021A	FY2022A	FY2023A	FY2024F	FY2025F
P/E	26.7	140.4	52.9	125.0	122.2
P/B	2.6	2.6	2.6	3.0	2.8
Dividend Yield	2.9	3.1	3.1	2.8	2.8
EV/EBITDA (x)	28.5	31.7	25.0	26.3	24.2
FCF Yield %	-	-2.1	-3.9	0.4	-1.3

Source: Refinitiv

Credit & Cashflow Metrics

FY Dec	FY2021A	FY2022A	FY2023A	FY2024F	FY2025F
Debt / Equity	0.7	1.0	0.9	0.9	0.9
Net Debt / Equity	0.7	0.9	0.8	0.8	0.8
Debt / Assets	0.4	0.4	0.4	0.4	0.4
Net Debt / Assets	0.4	0.4	0.4	0.4	0.4
EBITDA / Int Exp	8.2	7.2	6.3	6.5	7.6
Debt / EBITDA	5.6	7.8	6.5	6.1	5.6
ST Debt / Total Debt (%)	0.0	0.0	0.0	0.0	0.0
[Cash + CFO] / ST Debt	-	-	-	-	-
Receivables Days	97.1	108.8	116.1	-	-
Days Payable	-	-	-	-	-
Inventory Days	-	-	-	-	-

Source: Refinitiv

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Target Price & Ratings History



#	Date of Report	Closing Price	12-m Target Price	Rating
1	25 Jul'24	147.37	183.00	BUY
2	11 Nov'24	182.85	213.00	BUY

Source: DBS

Analysts: Andy YU
Sachin MITTAL

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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DBS REGIONAL RESEARCH OFFICES

HONG KONG

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

SINGAPORE

DBS Bank Ltd

Contact: Andy Sim
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
e-mail: groupresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: William Simadiputra
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanukul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: DBSVTresearch@dbs.com
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