

Current Price: \$142.91
Current Yield: 3.25%



DIGITAL REALTY

Target Price: \$165.44



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Aleksandra Bakun
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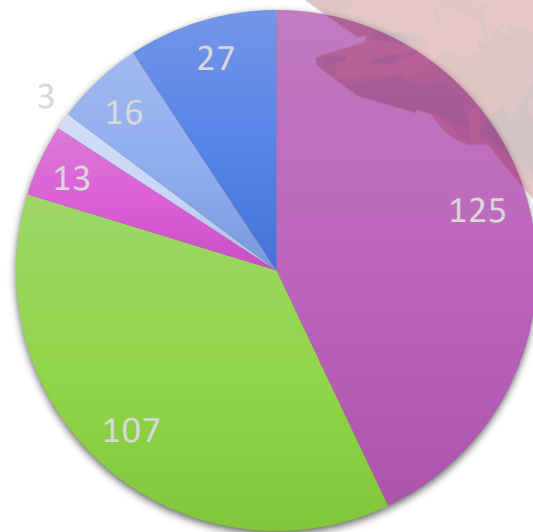
Daniel Voroskolevski
David Mei
David Voroskolevski
Hamza Bin Waheed

Kashish Chhabira
Muhammad Zubair
Nicholas Gondzik
Rafay Siddiqui

Business Model

Data Centers

Total Data Centers 291



■ N. America

■ Europe

■ Asia Pacific

■ Africa

■ Managed Unconsolidated JVs

■ Non-managed Unconsolidated JVs

Products & Services	Description
Data Centers	Dedicated spaces/buildings to house servers
Connectivity	Providing intra and inter data center and internet connectivity
Cloud	Operations for cloud-enabled and privately-supported applications
PlatformDIGITAL	Complete solutions suite

Data Center Type	Description
Colocation (<1 MW)	Small to medium sized operations with quick implementation time. Generally, 2 to 5 years contracts.
Larger Scale (> 1 MW)	Medium to very large sized operations with implementation time in weeks. Generally, 5 to 10+ years contracts.

- Data centers only in metropolitan cities
- No data centers in China. Only unconsolidated JVs in South America
- No significant relation between number of data centers rented by clients and respective revenue



Business Model

Management



A. William Stein

Chief Executive Officer



Andrew Power

Chief Financial Officer



Greg Wright

Chief Investment Officer



Cindy Fiedelman

Chief Human Resources Officer

Projects

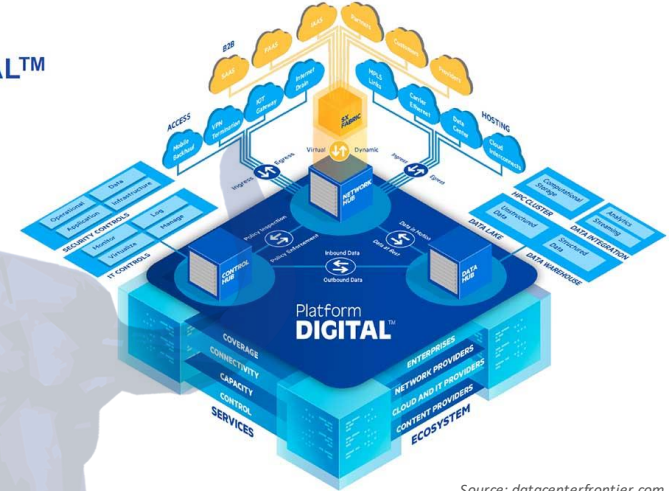
PlatformDIGITAL™ Solution Model

NETWORK HUB consolidates and localizes traffic into ingress/egress points to optimize network performance and cost.

CONTROL HUB hosts adjacent Security & IT controls to improve security posture and IT operations.

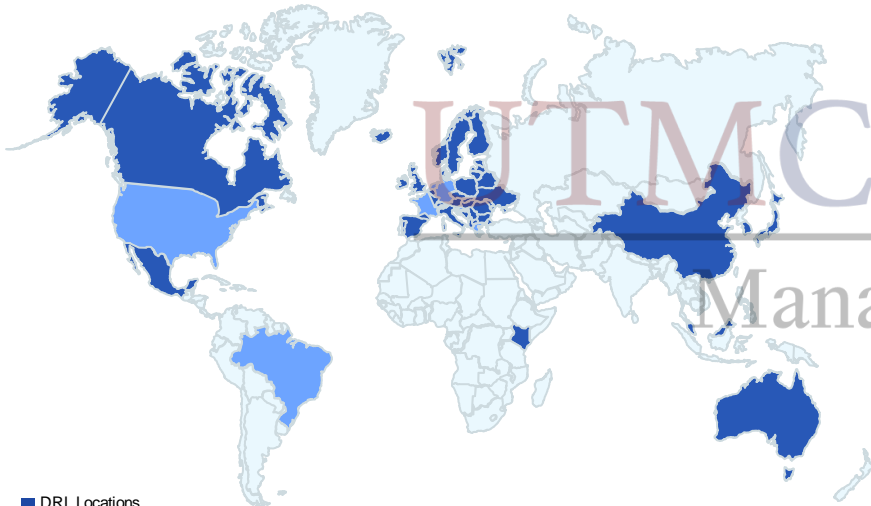
DATA HUB localizes data aggregation, staging, analytics, streaming and data management to optimize data exchange and maintain data compliance.

SX FABRIC adds SDN overlay to service chain multi-cloud and B2B application ecosystems. Connects hubs across metros and regions to enable secure and performant distributed workflows.



Source: datacenterfrontier.com

Acquisitions



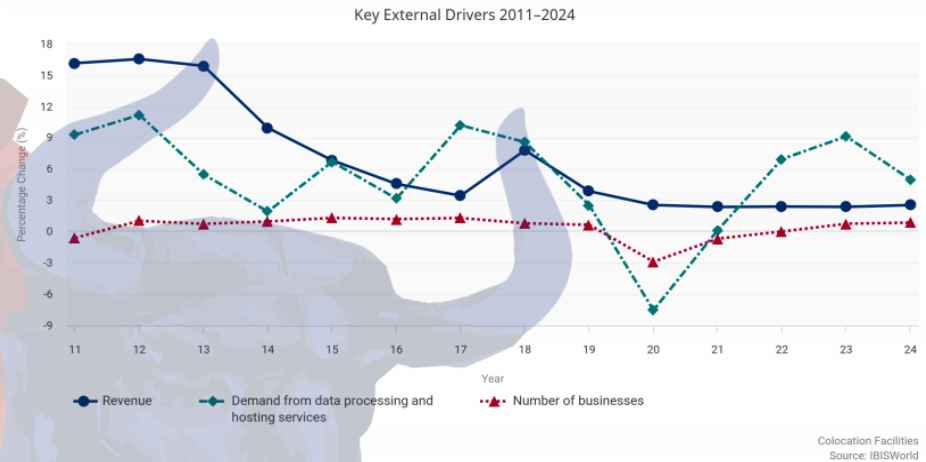
■ DRL Locations
■ DRL Recent Acquisitions

- **Expansion into Netherlands:** On October 29, 2019, Digital Realty Trust acquired Interxion Holding N.V.; expanding the combined company's presence across Europe and Africa.
- **Expansion into Greece:** On November 3, 2020 Digital Realty Trust Establishes Presence in Greece With Acquisition Of Lamda Hellix
- **Expansion into Brazil:** On December 20, 2018, the Operating Partnership and Stellar Participações S.A., a Brazilian subsidiary of the Operating Partnership, acquired Ascenty, a leading data center provider in Brazil
- **Expansion into U.S. Metropolitan Areas:** On September 14, 2017, they acquired DuPont Fabros Technology, Inc., or DFT, in an all-stock merger; enhancing their ability to "meet the growing demand for hyper-scale and public cloud solutions"

Industry

Industry Outlook

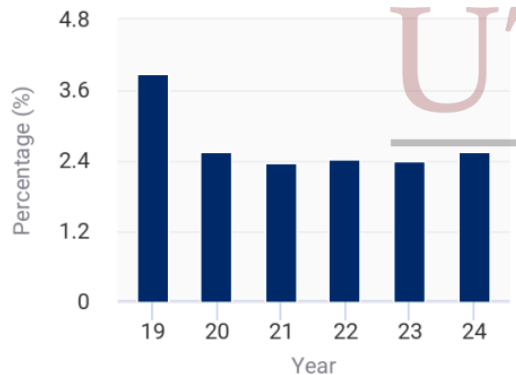
- **Data Processing and Hosting Services:** A large part of the Colocation Facilities industry revenue; hence, the increase in demand for this service will lead to an increase in revenue in the industry.
- **Rising Cost of Electric Power & Sustainability Trends:** As customers are seeking to cut costs because of the increase in energy prices, and are looking to reduce their carbon footprints, they will turn to using colocation facilities.
- **Increase in Percentage of Business Conducted Online:** Expected to rise as companies require room for their server capacity.
- **More Mergers and Acquisitions:** As companies fight for greater market share and geographic spread, more acquisitions will occur.



COVID-19 Impact

Industry Outlook

(2019-2024)



Colocation Facilities
Source: IBISWorld

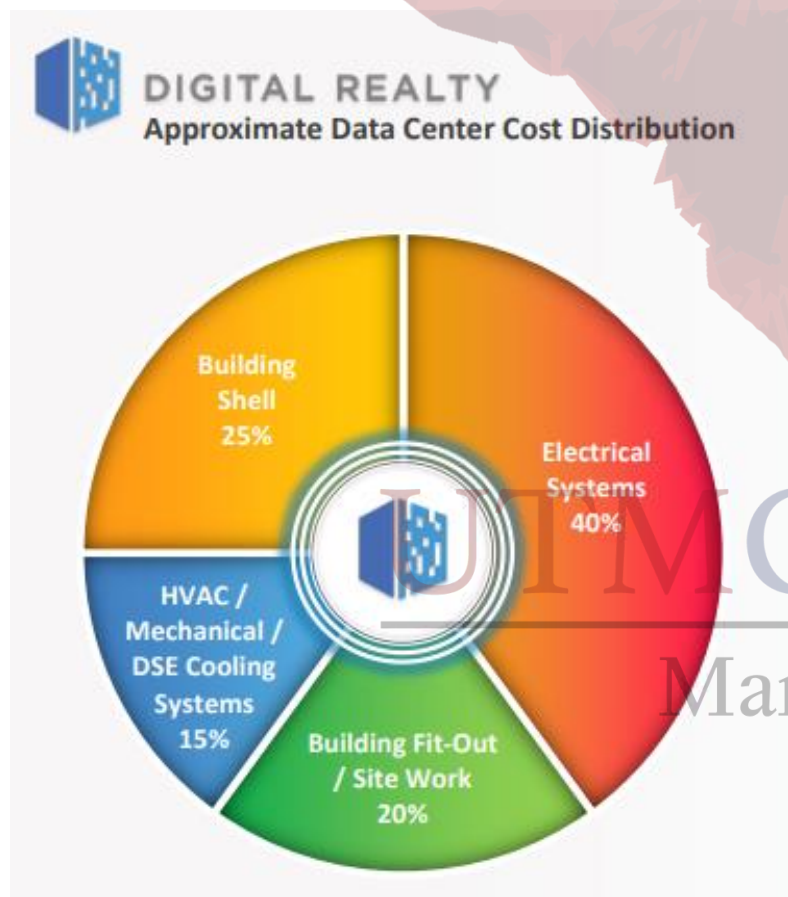
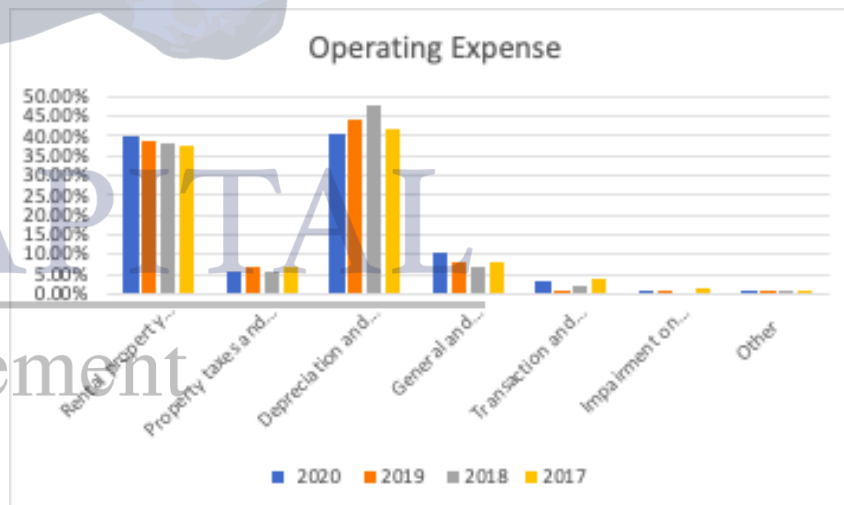
Over the next four years, industry revenue has been forecast to expand at a rate of 2.5% to \$16.3 billion in 2024.

- COVID-19 has **increased the need for data centers** and has accelerated the company's operations as people converted to working at home.
- **Data centers were deemed as essential** and therefore, critical personnel is still able to provide services and support for customers.
- As a result of the government restrictions existing in certain areas, **construction activity was delayed**; thereby, impacting scheduled delivery dates.
- Hospitals and research facilities are now requiring IT infrastructure.

Cost Breakdown

Cost Breakdown

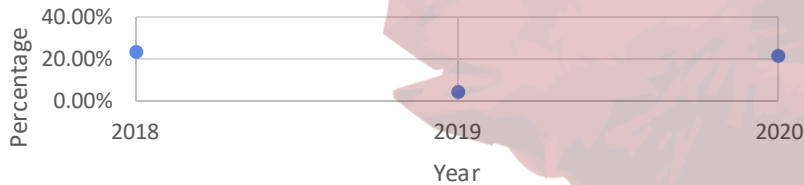
- Negotiating expense pass-through provisions in customer agreements.
- Centralizing functions and optimizing operations.
- Digital Realty Trust is expanding global data center campuses.



Revenue Breakdown

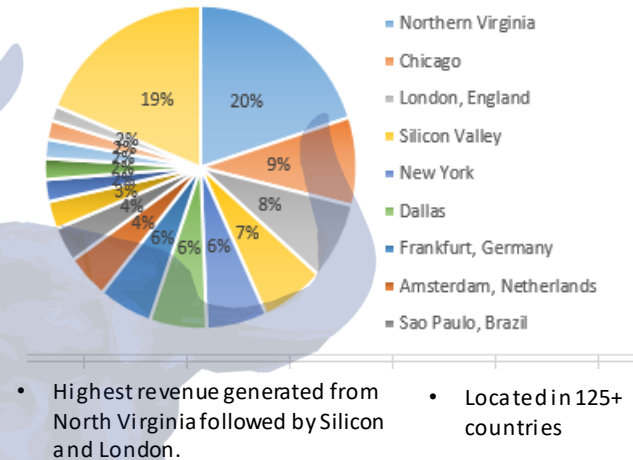
Growth in Revenue

% INCREASE IN REVENUE IN 2020, 2019 & 2018



- There was a revenue **increase** of **21.64%** in **2020**, **5.34%** in 2019 and **23.94%** in 2018
- A trend of growth in the last three years

Revenue by Location



REVENUE BY CUSTOMERS

	Top 10 Tenants	Revenue
1	Fortune 50 Software	9.5%
2	IBM	4.7%
3	Facebook	4.3%
4	Oracle America	2.9%
5	Equinix	2.8%
6	Fortune 25 Investment	2.5%
7	Global Cloud Provider	2.3%
8	LinkedIn	2.1%
9	Cyxta Technologies	2.0%
10	Fortune 500 SaaS Provider	1.9%

- Top 20 tenants account for 48.9% revenue for FYE of December 31, 2020. The tenants consists of some of the most renowned companies in the world.











UTM CAPITAL
Management

IBM



verizon

Competitive Landscape

Company	Description	Key Financials			Customers					
<div>Digital Realty Trust</div> <div></div>	<ul style="list-style-type: none">Second largest data centre REITColocation and InterconnectionStrong development focusRecent Interxion acquisition<ul style="list-style-type: none">Expansion into EMEALower latency serversDevelopment & rental focus (holds 70% of leasing volume in sector)	<table><tr><th>Market Cap</th><th>Price-AFFO</th><th>Dividend Yield</th></tr><tr><td>40.64B</td><td>21.0x</td><td>3.25%</td></tr></table>	Market Cap	Price-AFFO	Dividend Yield	40.64B	21.0x	3.25%		<div></div>
Market Cap	Price-AFFO	Dividend Yield								
40.64B	21.0x	3.25%								
<div>Equinix</div> <div></div>	<ul style="list-style-type: none">Largest data centre REITColocation and InterconnectionMore IT/server management focus rather than developmentOwns a smaller percentage of its data centres than DLR<ul style="list-style-type: none">Is a major customer of DLR	<table><tr><th>Market Cap</th><th>Price-AFFO</th><th>Dividend Yield</th></tr><tr><td>61.42B</td><td>23.1x</td><td>1.67%</td></tr></table>	Market Cap	Price-AFFO	Dividend Yield	61.42B	23.1x	1.67%		<div></div>
Market Cap	Price-AFFO	Dividend Yield								
61.42B	23.1x	1.67%								
<div>Cyrus One</div> <div></div>	<ul style="list-style-type: none">Third largest data centre REITColocation and Peering servicesAlso a development/rental (like DLR)Smaller scale, thus less efficient (latency, coverage)	<table><tr><th>Market Cap</th><th>Price-AFFO</th><th>Dividend Yield</th></tr><tr><td>8.30B</td><td>18.1x</td><td>2.96%</td></tr></table>	Market Cap	Price-AFFO	Dividend Yield	8.30B	18.1x	2.96%		<div></div>
Market Cap	Price-AFFO	Dividend Yield								
8.30B	18.1x	2.96%								

Risk and Catalysts

Catalysts

Shift towards E-Commerce

Brick and mortar retailers have massively expanded their online presences as a result of the pandemic

Demand for data center space will increase as this trend progresses in the future



A.I. / Cloud based Gaming

AI market is forecasted to grow 17.4% year over year and that industry relies heavily on the datacenter industry

Cloud based gaming requires server room and data centers with large capacity will be the solution



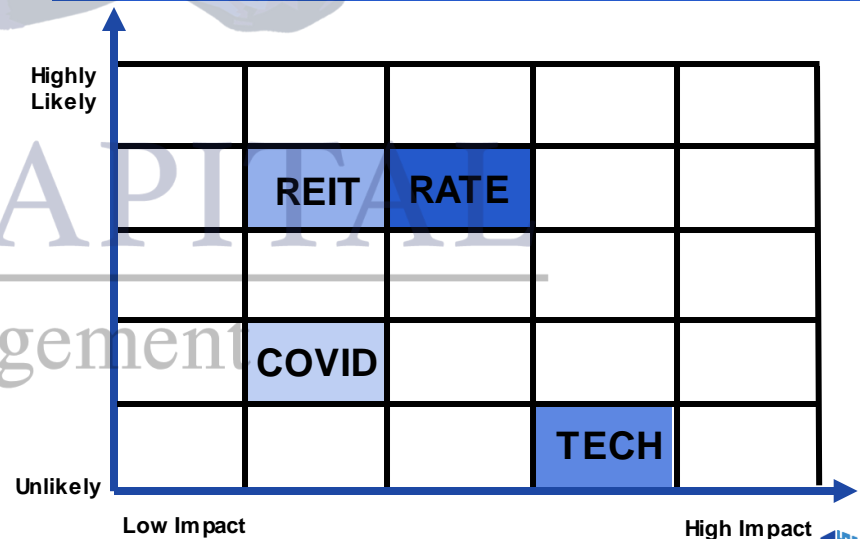
Risks

(COVID) - Duration and spread of disease has been unpredictable creating lots of economic uncertainty

(REIT) - certain requirements such as dividend distribution, number of shareholders need to be met

(TECH) - changes in technology and lack of adaptability poses a threat, especially if companies adopt more internal IT infrastructure

(RATE) - REIT's are highly affected by interest rates, future increases in interest rates will affect collocation REIT's



Financial Analysis



Investment Thesis

Current Price: \$142.91

52-wk High: \$165.49 (Aug 4th, 2020)

52-wk Low: \$124.65 (Mar 3rd, 2021)

DLR 2yr Stock Price Performance

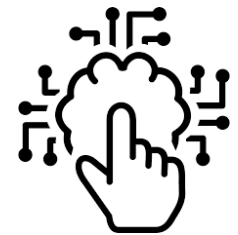


3.25%

Yield

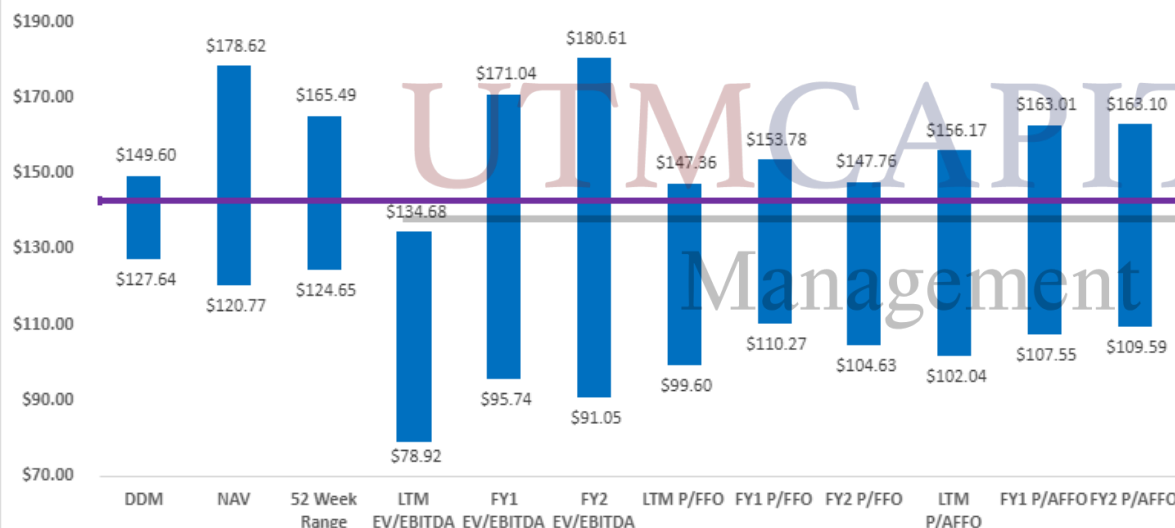


Industry Leader



Digital Economy

Football Field Analysis



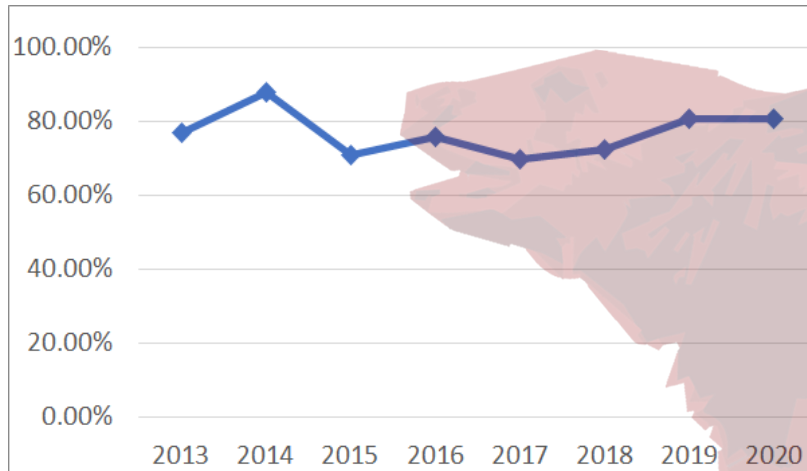
Price	Recommend
<\$130	Strong Buy
\$130-\$140	Buy
\$140-\$160	Hold
>\$160	Sell



DIGITAL REALTY

Financial Analysis

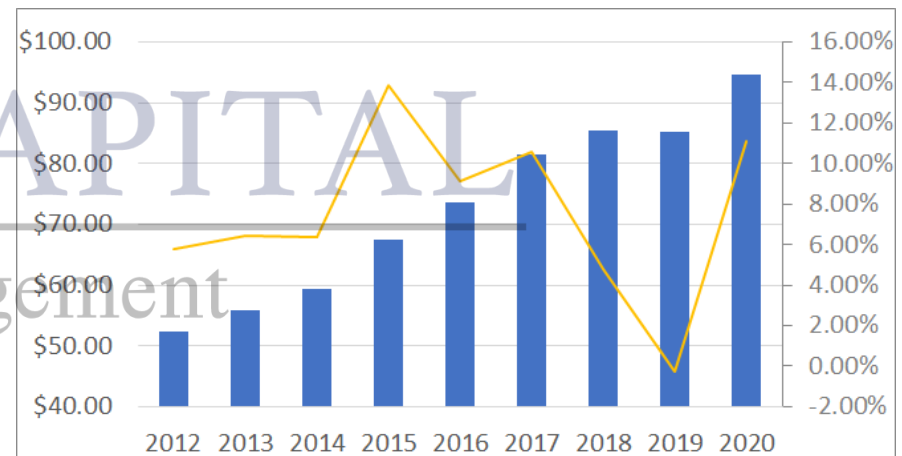
Tenant Retention Ratio



- Historically consistent tenant retention ratio even through economic downturns such as COVID-19
- High tenant retention ratio leads to less tenant turnover which minimizes direct and economic costs
- Historic range between 70%-90%, annual deviation ~5%

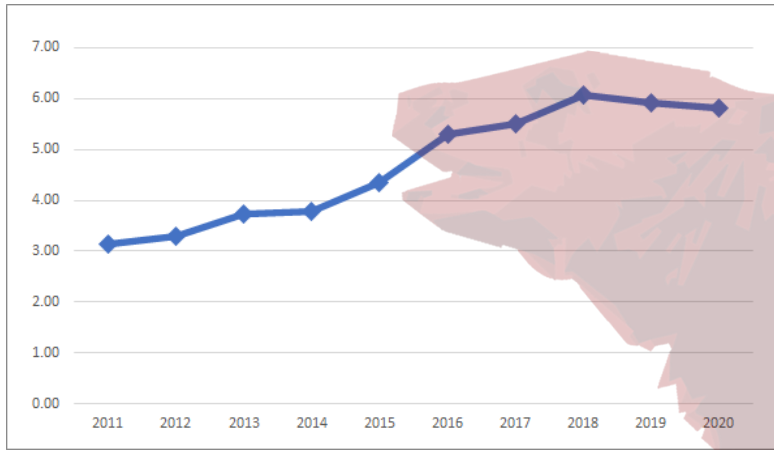
Annualized rent per Net Rentable Sq Foot

- Strong historic growth rate in rent per NRSF is a driving force to the growth in AFFO per share
- Trend is expected to continue due to shift towards digital lifestyle and growth in work-from-home, digital entertainment and ecommerce
- Rent per NRSF nearly doubled in the past 8 years (7.8% CAGR)



Financial Analysis

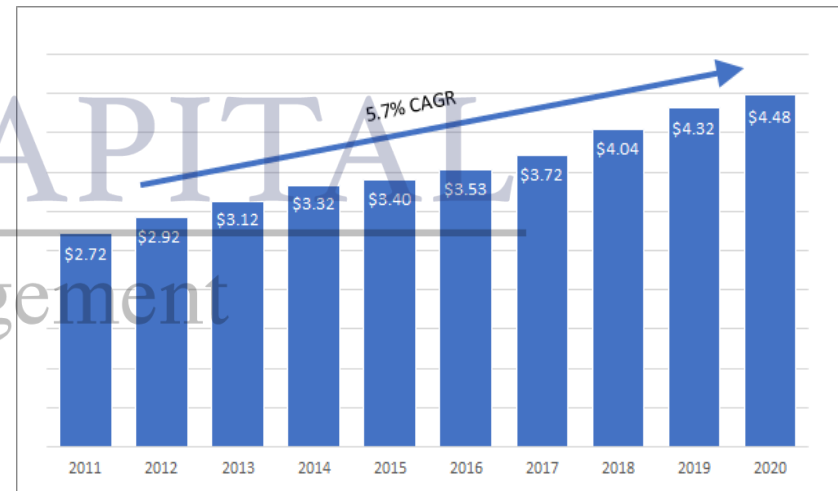
AFFO Per Share



- AFFO per share has been steadily increasing in the last 10 years, totalling almost 100% growth
- Can expect AFFO/share to continue growing at a rate of 5-10% annualized

Dividends Per Share

- Consistently growing dividends for the past 10 years even during economic downturns
- Strong Dividends is indicative of proper corporate management including properly aligned incentives
- Expected ~5.7% CAGR / year



Valuation

Dividend Discount Model

DDM MODEL		
GIVEN:	ROE (5 YEAR AVERAGE)	4.70%
GIVEN:	ADJ. FFO PAYOUT RATIO (5 YR)	70.10%
	G	1.41%
GIVEN:	MOST RECENT DIVIDEND	4.48
	PROJECTED 2021 DIVIDEND	4.54
	SHARE PRICE	\$ 137.89

1) $G = (1 - \text{PAYOUT RATIO}) * \text{ROE}$
RETENTION RATIO

2) $\text{PROJECTED DIV} = \text{PREVIOUS DIV} * (1 + G)$

3) $\text{SHARE PRICE} = \frac{\text{PROJECTED DIV} * (1 + G)}{(\text{ROE} - G)}$

Sensitivity Analysis - DDM

		Growth Rate				
		4.65%	4.68%	4.70%	4.73%	4.75%
ADJ FFO PAYOUT	60.10%	163.281	162.4233	161.5752	160.736	159.9057
	65.10%	150.396	149.6043	148.8213	148.0466	147.28
	70.10%	139.349	138.614	137.8868	137.1674	136.4555
	75.10%	129.773	129.0871	128.4083	127.7368	127.0723
	80.10%	121.393	120.7496	120.1132	119.4836	118.8606

2020 - 2013	
ROE STANDARD DEVIATION	2.5%
FFO PAYOUT RATIO STDEV	8%

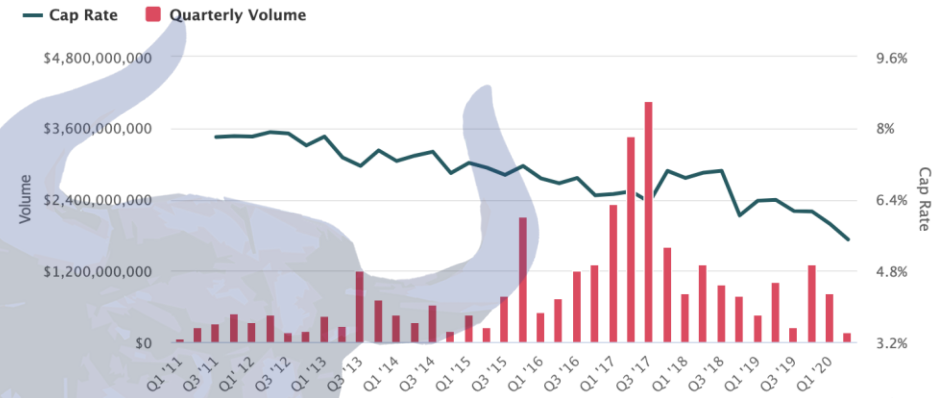
RANGE OF: **\$127 - \$149** (68.2% confidence)
\$118 - \$163 (95.4% confidence)

Valuation

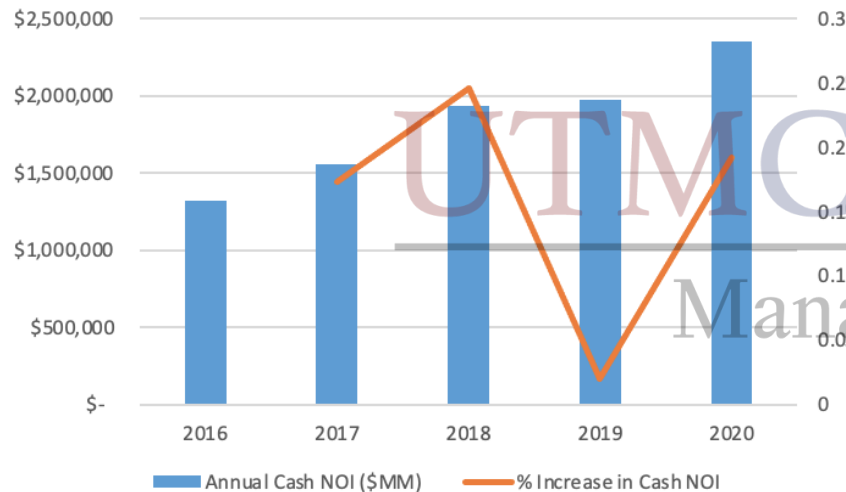
NAV Model Assumptions

- NAV share price of **\$146.80** (\$142.91 - 03/23/2021)
- Assumed a **capitalization rate of 5%** for the colocation industry. Strong historic downward trend (accelerated by COVID-19)
- Forward Cash NOI is expected to be **\$2.76B** based on more conservative **growth of 10%** (5-yr Avg of 16%)
- Favourable long-term trends and reliance for digital infrastructure provides significant upside potential
- Upside target price of \$165.44 (15.7% gain)**

Colocation Capitalization Rate



Annual Cash NOI



Sensitivity Analysis

Average Target:		Capitilization Rate				
\$165.44		4.0%	4.5%	5.0%	5.5%	6.0%
Cash NOI Growth Rate	0.0%	\$ 173.64	\$ 148.79	\$ 128.90	\$ 112.63	\$ 99.08
	5.0%	\$ 184.83	\$ 158.73	\$ 137.85	\$ 120.77	\$ 106.53
	10.0%	\$ 196.01	\$ 168.67	\$ 146.80	\$ 128.90	\$ 113.99
	15.0%	\$ 207.20	\$ 178.62	\$ 155.75	\$ 137.04	\$ 121.45
	20.0%	\$ 218.38	\$ 188.56	\$ 164.70	\$ 145.17	\$ 128.90



DIGITAL REALTY

UTMCAE

Management

Thank you!

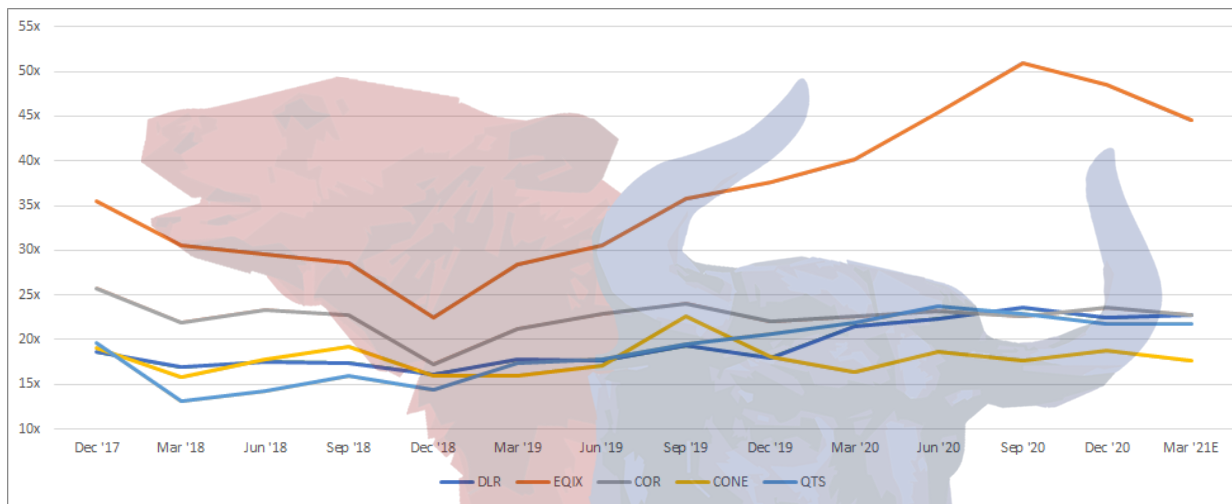
Appendix A

NAV Model – Excel

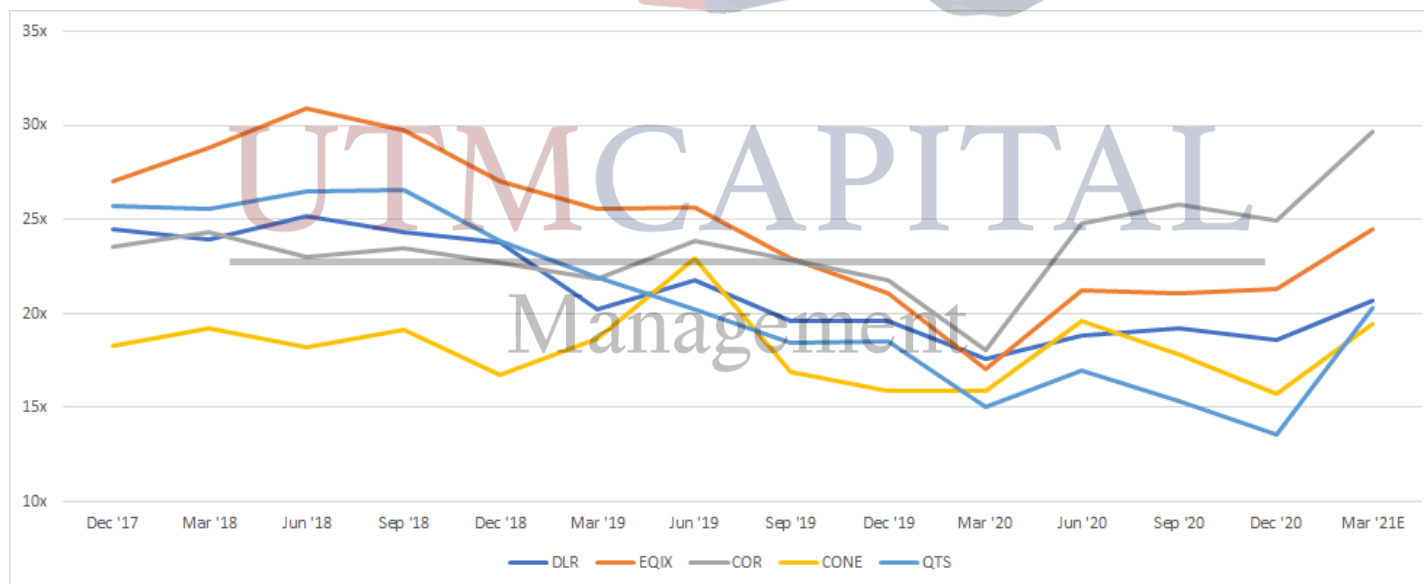
ASSETS:				
Operating Real Estate & Other Income:				
Established Properties by Region:	Nominal Forward NOI:	Economic Cap Rate:	Sensitized Cap Rate:	Implied Value:
Total Cash NOI, Annualized - (3 Month End - Dec 31, 2020)	\$ 2,516,409			
Growth Rate	10.0%			
Forward Total Cash Noi	\$ 2,768,050	5.0%		\$ 55,360,998
Other Assets:				
Construction-in-Progress + Land Held for Development	\$ M			2,995,188
(-) Investment Associated with Backlog				611,392
(x) Market Value Adjustment:	%			120.0%
Market Value of Construction-in-Progress:	\$ M			2,860,555.2
Prestablized Inventory at Cost	\$ M			\$393,647
Cash & Cash-Equivalents:	\$ M			108,501
Accounts Receivable	\$ M			603,111
Other Assets:	\$ M			221,234
Total Market Value of Assets:	\$ M			\$ 59,548,046.2
LIABILITIES & EQUITY:				
Debt & Other Borrowings:	\$ M			13,304,717
(x) Market Value Adjustment:	%			104.5%
Market Value of Debt & Other Borrowings:	\$ M			13,903,429.3
Pro-Rata Portion of JV Debt:	\$ M			574,055
Cost to Complete Backlog	%			471,701
Accounts Payable and Other Accruals	\$ M			1,987,580
Preferred Shares	\$ M			956,250
Security Deposits And Prepaid Rent				371,659
Net Asset Value (NAV):	\$ M			\$ 41,283,371.9
Diluted Shares Outstanding @ NAV per Share:	<i>Millions</i>			281,222
NAV per Share:	<i>\$ as Stated</i>			\$ 146.80
Current Share Price (March 26, 2021)	<i>\$ as Stated</i>			\$ 142.91

Appendix B

P / FFO



P / AFFO



Appendix C

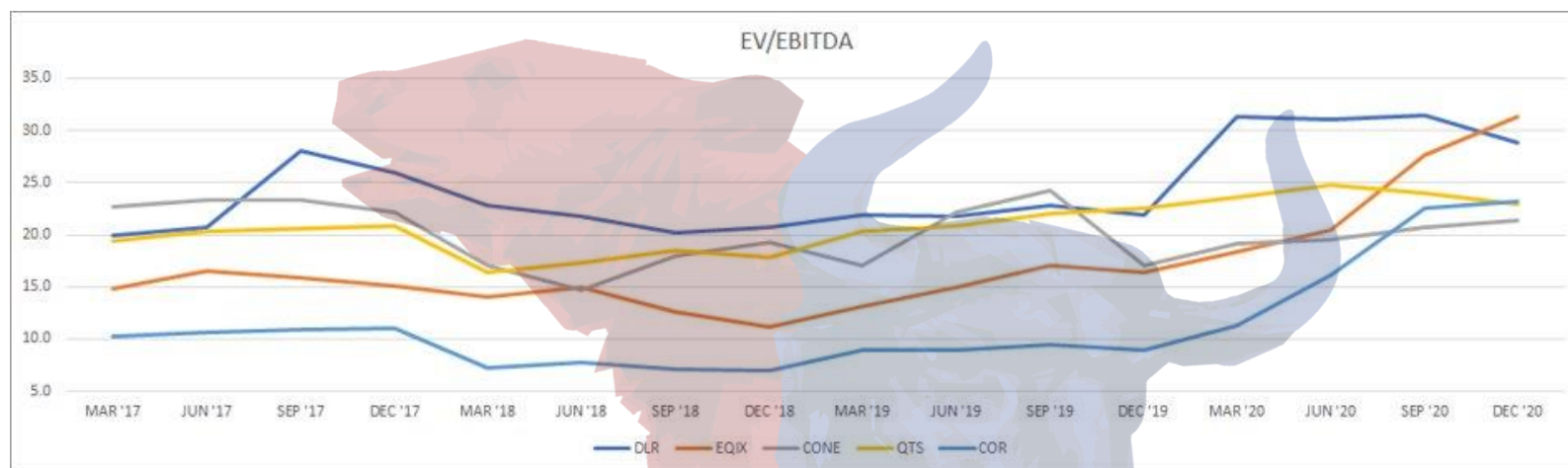
COMPS

Valuation Statistics:													
Company Name	Equity Value	Enterprise Value	Dividend /FFO %:	Leverage (Debt to Total Assets)	Enterprise Value / EBITDA			Price / FFO			Price / AFFO		
					LTM	FY21	FY22	LTM	FY21	FY22	LTM	FY21	FY22
Digital Realty Trust	\$ 35,356.5	\$ 49,166.9	88.9%	41.6%	25.3 x	21.1 x	19.5 x	25.6 x	20.7 x	19.3 x	23.4 x	22.1 x	20.6 x
Equinix	59,352.3	\$ 70,028.3	72.2%	51.6%	24.5 x	22.4 x	20.2 x	45.6 x	34.5 x	30.5 x	27.1 x	24.7 x	22.5 x
QTS Realty Trust, Inc. Class A	5,048.7	\$ 6,991.2	66.2%	49.4%	23.4 x	20.8 x	18.4 x	22.3 x	21.1 x	19.6 x	26.1 x	24. x	22. x
CoreSite Realty Corporation	5,844.6	\$ 7,555.0	92.1%	87.5%	23.3 x	22. x	20.3 x	22.4 x	21.7 x	20.2 x	23. x	22.5 x	21. x
CyrusOne	8,125.7	\$ 11,540.0	48.1%	53.5%	17.8 x	16.7 x	14.9 x	17.3 x	17. x	16. x	17.7 x	17.7 x	16.7 x
AvalonBay Communities, Inc. **	26,522.9	\$ 33,755.1	75.3%	40.3%	23.8 x	25.2 x	24.3 x	21.8 x	23.7 x	22.6 x	23.7 x	26.8 x	24.9 x
Maximum	\$ 59,352.3	\$ 70,028.3	92.1%	87.5%	25.35 x	22.4 x	20.27 x	45.63 x	34.5 x	30.49 x	27.11 x	24.72 x	22.48 x
75th Percentile	33,148.1	45,313.9	85.5%	53.0%	24.55 x	22.01 x	20.23 x	29.59 x	24.27 x	22.26 x	26.33 x	24.18 x	22.13 x
Median	\$ 17,324.3	\$ 22,647.5	73.7%	50.5%	23.36 x	21.11 x	19.49 x	22.41 x	21.08 x	19.58 x	23.38 x	22.51 x	20.99 x
25th Percentile	6,414.9	8,551.2	67.7%	43.5%	23.28 x	20.82 x	18.4 x	22.27 x	20.74 x	19.32 x	22.97 x	22.11 x	20.56 x
Minimum	5,048.7	6,991.2	48.1%	40.3%	17.8 x	16.72 x	14.95 x	17.29 x	16.98 x	15.97 x	17.72 x	17.66 x	16.73 x

	V	d/V	CAP/V	tax rate	Cost of debt	Cost of equity	WACC
Digital Realty Trust	55330.13	27.1%	71.2%	0.095	2.98%	4.29%	3.79%
Equinix Inc	74762.95	18.6%	81.4%	0.283	3.20%	3.69%	3.43%
CyrusOne	7750.04	24.6%	75.4%	0.29	3.20%	5.75%	4.89%
CoreSite Realty	11812.91	31.2%	68.8%	0.15	2.36%	4.45%	4.89%
AvalonBay	34352.89	22.5%	77.5%	0.1	2.97%	4.21%	3.69%

Appendix D

Comps



	Projected EBITDA Growth	Projected FFO Growth	Projected AFFO Growth
Digital Realty Trust	8.33%	7.36%	7.55%
Equinix Inc	10.75%	13.16%	9.98%
CyrusOne	13.16%	9.13%	7.67%
CoreSite Realty	8.62%	7.48%	7.25%
AvalonBay	10.31%	6.33%	5.55%

Company Name	Ticker	Price Change YTD	Price	Mkt Cap	Ent Value	Div Yield
Digital Realty Trust	DLR-US	2.44%	142.91	41,470.5	54,516.1	3.25%
Equinix Inc	EQIX-US	-4.28%	683.63	61,954.3	72,631.3	1.68%
CyrusOne	CONE-US	-5.97%	68.78	8,330.5	11,466.6	2.97%
QTS Realty Trust A	QTS-US	2.49%	63.42	5,062.2	7,004.8	3.15%
CoreSite Realty	COR-US	-2.69%	121.91	5,987.6	7,698.0	4.04%