

Prologis, Inc. (PLD)

Real Estate – Industrial REITS

February 5, 2023

Stock Rating

BUY

Investment Thesis

We recommend a BUY rating on Prologis with a target price range of \$130 - \$148, representing potential upside of 5.7% to 20.3% as of the valuation date. Prologis has a strong presence in the industrial REIT market, and we believe the company is well-positioned to drive revenue growth through high occupancy and cap rates.

Drivers of Thesis

- Compared to the sector average occupancy rate of 94.5%, Prologis' ability to achieve occupancy rates of 98.0% will continue to drive revenue growth at a CAGR of 12.6% through the projection period₅.
- Prologis' integration of Duke Realty and capital expenditures support square footage growth in the U.S. at a CAGR of 9.9% through the projected period.
- Continued expansion of strategic capital funds throughout Europe, Asia, Mexico, and Brazil will allow Prologis to tap into emerging markets. Emerging market opportunities support international growth of square footage at a CAGR of 6.8% over the projection period.

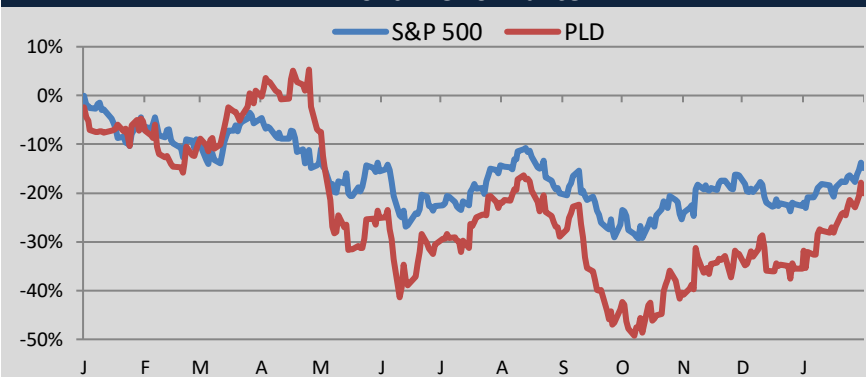
Risks to Thesis

- Since the COVID-19 pandemic, e-commerce growth has declined by 25.3%, which could drop occupancy rates lower than guidance, decrease the demand for logistics facilities, and halt Prologis' expansion of their real estate portfolio.
- With a 35% chance of recession and the Fed battling inflation with rate hikes through the first half of 2023, this could drive consumer spending lower and diminish Prologis' expansion of their international portfolio [12].

Funds From Operations Estimates

Year	2020	2021	2022	2023E	2024E	2025E
FFO	\$3.79	\$4.14	\$5.17	\$5.52	\$5.60	\$7.56
HF est. growth		14.5%	14.5%	14.5%	14.5%	14.5%

12 Month Performance



Target Price

\$130 – \$148

Henry Fund DCF	\$135
Henry Fund DDM	\$130
Relative Multiple	\$148

Price Data

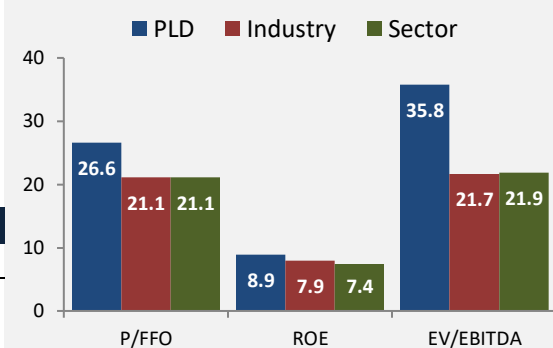
Current Price	\$123
52wk Range	\$98 – 175
Consensus 1yr Target	\$142

Key Statistics

Market Cap (B)	\$124.3
Shares Outstanding (M)	944.4
Institutional Ownership	79.6%
Beta	1.18
Dividend Yield	2.6%
Est. 5yr Growth	44.8%
Price/Earnings (2023E)	38.3
Price/Earnings (2024E)	32.2
Price/FFO (2023E)	26.6x
Price/FFO (2024E)	23.0x

Profitability

Operating Margin	58.1%
Profit Margin	56.2%
Return on Assets (TTM)	3.8%
Return on Equity (TTM)	8.9%

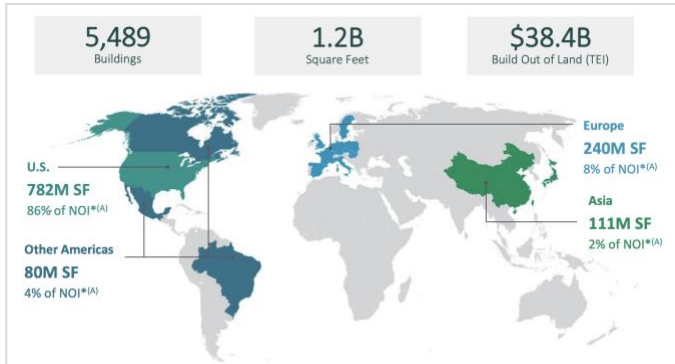


Company Description

Prologis is a global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of September 2022, the company had owned or had investments in, wholly owned or through co-investment ventures, a total of 1.2 billion square feet of real estate in 19 countries. These assets serve a total of 6,600 customers across two major categories: business-to-business fulfillment and consumer fulfillment.

COMPANY DESCRIPTION

Prologis, Inc. operates as an industrial Real Estate Investment Trust (REIT) headquartered in San Francisco, California. The company is focused on serving logistic needs and supporting the expansion of e-commerce through warehouses scattered across North America, Europe, Asia, and other emerging markets. In 2022, Prologis reported 5,495 buildings and a total of 1.2 billion square feet.



Source: Prologis Q4 2022 Supplemental [1]

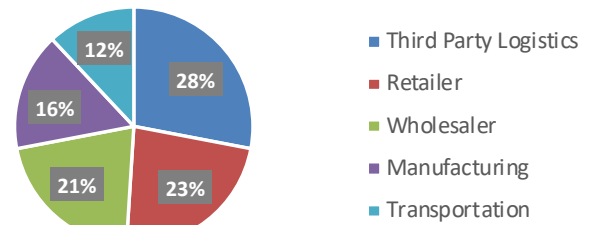
The company has over 6,600 customers consisting of logistics companies, e-commerce businesses, and courier service companies. The company has some degree of customer concentration as the top 25 customers represent 20.5% of their total revenue. The chart below shows the top 10 customers and their respective share of revenue.

Top 10 Customers	% of Net Rent
Amazon	5.3%
Home Depot	1.7%
FedEx	1.3%
Geodis	1.3%
DHL	1.1%
CEVA Logistics	0.9%
UPS	0.8%
GXO	0.7%
DSV Panalpina	0.7%
Maersk	0.6%
Total	14.4%

Source: Prologis Q4 2022 Supplemental [1]

Prologis has higher customer concentration due to the size of their tenants' logistics operations, but the company is diversified in terms of the industries they supply. Many of Prologis' peers have less customer concentration due to their relative size compared to Prologis.

Customer Mix by Industry FY 2022
% of Net Rent



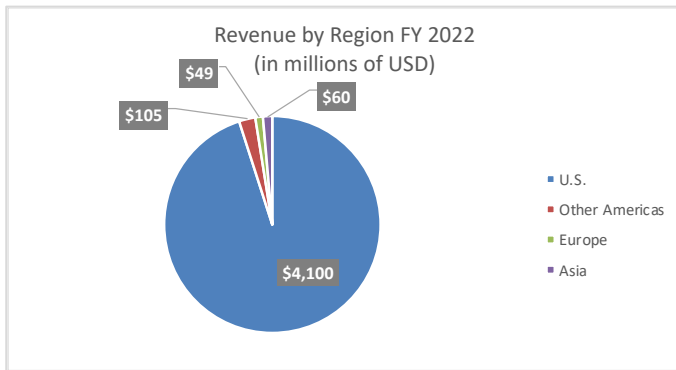
Source: Prologis Q4 2022 Supplemental [1]

Prologis generates most of their revenue from two main segments: Real Estate Operations and Strategic Capital. The company generates most of their revenue in their real estate operations segment. This revenue comes from collecting rent from customers through operating leases. Through the Real Estate Operations segment, the company develops also and acquires real estate

Prologis' strategic capital segment represents the management of unconsolidated co-investment ventures and partnerships with third parties. This is accomplished through nine private, open, and closed-end investment funds consisting of \$92 billion in assets under management, 584 million square feet, 2,695 buildings in 17 countries. Through this segment, Prologis also provides leasing, acquisition, construction, development, and financing services.

Real Estate Operations

In 2022, Prologis' Real Estate Operations segment accounted for 82.2% of their total revenue. Over the past five years, Prologis has deployed over \$15.7 billion toward development and \$9.9 billion toward land. They have also acquired the second largest industrial REIT, Duke Realty Corporation for \$23.2 billion in Q4 of 2022. This segment generates most of its revenue in the U.S. and their American portfolio accounts for 86.0% of the net operating income alone. The following chart shows the geographic breakdown of the company's real estate operations and their respective revenues.



Source: Prologis Q4 2022 Supplemental [1]

Prologis' real estate operations are dominated by U.S. facilities; however, the company has initiated development of over 17.8 million square feet of warehousing space outside the U.S. in 2022. This will enable the company's international real estate operations to grow at a CGAR of 9.7% through the projection period. Prologis' international presence is considerably small compared to their U.S. portfolio, but the company is well-positioned among competitors that have little to no real estate internationally.

Prologis has a variety of logistics warehousing solutions that help accomplish logistical needs of tenants based on location, accessibility, and purpose.

Through gateway, multi-market, city, and Last Touch distribution centers, Prologis' services aim to reach a wide set of consumers efficiently.

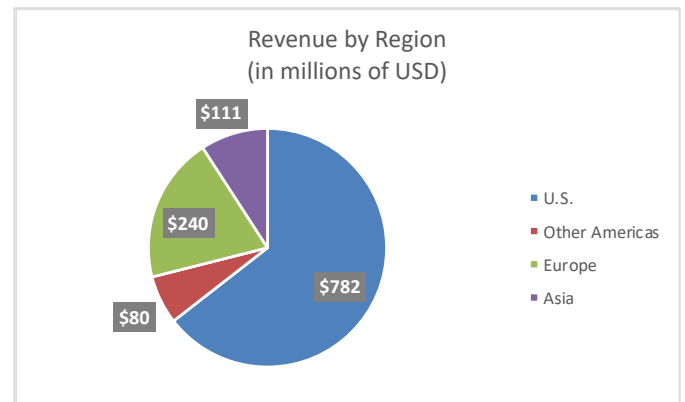
1. Gateway – multi-market facilities with access to major sea and intermodal ports.
2. Multi-Market – larger warehouses located on the outer edge of major urban areas near key transportation hubs.
3. City distribution – small to mid-sized warehouses positioned to provide one to two-day shipping to a large market of consumers.
4. Last Touch – properties aimed to reach large, dense populations within hours to provide faster, efficient delivery from e-commerce providers.

Prologis' wide variety of warehousing and distribution facilities brings the product closer to the consumer. The

key to capturing their customers is strategic positioning and enabling their customers to deliver innovation.

Strategic Capital Segment

The strategic capital segment is an essential element of Prologis' operations. This segment enables Prologis to tap into institutional and private equity capital. Their revenues in this segment are generated through managing third party properties owned through joint ventures or partnerships. At the end of 2022, the company's strategic capital segment has over \$62 billion in third-party assets under management and \$92 billion of total assets under management. The company's three main funds include their Prologis Targeted U.S. Logistics Fund, Prologis European Logistics Fund, and Prologis China Core Logistics Fund. The largest of these funds is currently their Prologis European fund with 160.9 million square feet with a book value of \$17.4 billion of operating buildings. The chart below shows the geographic breakdown of Prologis' Strategic Capital Segment.



Source: Prologis Q4 2022 Supplemental [1]

This segment is more internationally focused than their real estate operations with only 64.5% of their revenue coming from real estate operations. Prologis is able to diversify their U.S. investments through enhanced access to foreign markets through a variety of funds in China, Japan, Europe, Mexico, and Brazil.

Cost Structure Analysis

Prologis' income statement includes revenues from real estate operations and strategic capital ventures and the

respective operating costs of each segment. Over the past five years, rental expenses have accounted for a total of 25.2% of the rental revenue and strategic capital expenses have been 34.9% of strategic capital revenue. The company generates a higher margin on their real estate operations, but the strategic capital segment is essential to diversification and capturing additional capital and opportunities.

General and administrative costs have been significantly reduced over the past 10 years from 12.7% to 5.5% of their total revenue. In their recent earnings call on January 18, 2023, the CFO stated that G&A will likely increase substantially in the next fiscal year due to increased wages and inflation costs. The chart below shows the amount of revenue generated from each segment and the respective costs associated with each line of business.

Debt Maturity Analysis

Over the past five years, Prologis maintained an average debt-to-equity ratio 45.0%. Debt capital markets have been challenging for many issuers; however, Prologis successfully executed numerous transactions in 2022. Notably, the company has secured over \$1.1 billion in funding at an interest rate below 3.0%. This is mainly attributable to the company's strong liquidity state with over \$4.2 billion in liquid assets and \$20.0 billion in borrowing capacity from open-ended funds (Q4 Earnings). With a strong balance sheet, the company has an A credit rating (Moody's). The acquisition of Duke Realty has significantly expanded the company's balance sheet and enhanced the company's borrowing capacity. The chart below shows the company upcoming debt maturities.

Maturity	Total Debt	Wtd. Avg. Interest Rate	% Fixed
2023	\$32.9 million	3.3%	88%
2024	\$415.4 million	1.1%	61%
2025	\$1.2 billion	3.7%	15%
2026	\$2.0 billion	2.3%	65%
2027	\$3.1 billion	3.3%	59%

Source: Prologis Q4 2022 Supplemental [1]

Given the company's strong balance sheet, access to capital, and liquidity position, Prologis is capable of meeting their debt obligations in 2023 onward. Over the

past five years, the company has an average interest coverage ratio of 8.2. Their ability to borrow at low and fixed rates ensures the company is well positioned to meet obligations. Over the forecasted period, Prologis' cash from operating activities grows at a CAGR of 14.7%, which implies the company will be in a strong position to meet the payments on their debt obligations through 2030.

ESG Analysis

Prologis' Environmental, Social, and Governance risk is negligible, according to Morningstar's Sustainalytics. Prologis ranks very well among comparable REITs.

Company	ESG Risk Rating	Industry Rank
Prologis, Inc.	8.4  Negligible	22 out of 1040
Crown Castle, Inc.	9.9  Negligible	63 out of 1040
American Tower Corp.	10.9  Low	95 out of 1040
Equinix, Inc.	11.3  Low	110 out of 1040
Public Storage	13.1  Low	197 out of 1040

Source: Sustainalytics [9]

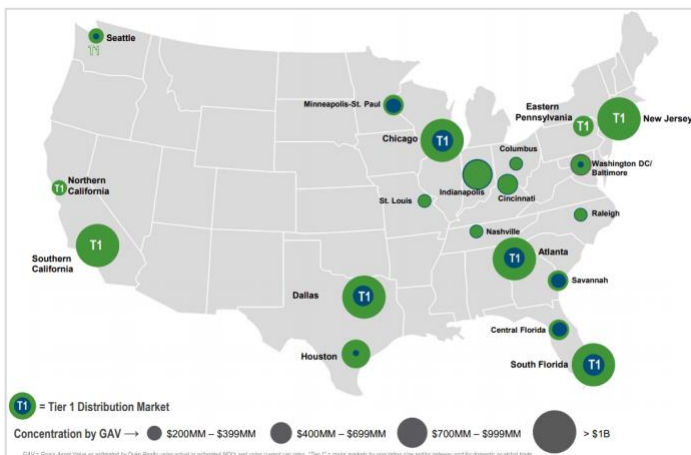
In a recent ESG Roadshow, Prologis highlighted their commitment to ESG. The company has been carbon neutral since 2019 and implements energy efficient innovations in each development, subsequently lowering costs. The company also has roughly 405 MW of solar generating capacity, higher than some utility companies [1]. 311 out of the 6,600 buildings have solar capabilities [1].

The company has also reduced scope 1, 2, and 3 emissions from 2017. Scope 3 emissions include the direct emissions from Prologis operations, scope 2 is indirect emissions from the use of electricity, and scope 3 is other indirect emissions from energy consumption of Prologis customers. Scope 1 and 2 emissions have declined by 1% from 2017 to 2021; however, scope 3 emissions have been reduced by 38.0% driven by building efficiency [9].

RECENT DEVELOPMENTS

Acquisition of Duke Realty – October 2022

In the fourth quarter of 2022, Prologis acquired the second largest industrial REIT, Duke Realty Corporation (DRE). The company was acquired for \$25.1 billion in an all-stock deal at an EV/EBITDA multiple of 34.9 (Reuters). The acquisition brought more than 500 new customers in key markets, 142 million square feet of fully operational logistics buildings in 19 major U.S. markets, 7 million square feet under development, and approximately 17 million square feet of developable land. The acquisition expands Prologis' presence in the U.S. and adds value to the Essentials platform for Prologis. The Essentials platform is built to address supply chain issues. The chart below shows the real estate acquired through the transaction.



Source: Seeking Alpha [10]

At the time of the acquisition, Duke's market cap was \$18.7 billion making it the second largest logistics warehousing REIT in the U.S. The acquisition of Duke Realty Corporation strategically expands the company's presence in key urban areas further supporting greater efficiency and economies of scale.

We think that the acquisition of Duke Realty will be an integrative transaction that will augment Prologis' current real estate portfolio. Duke Realty's extensive portfolio of tier 1 properties in coastal locations will expand Prologis' presence in the market. Duke Realty also has less customer concentration which will introduce new customers in new

industries to Prologis' current portfolio of concentrated tenants.

Fourth Quarter Earnings Report

On January 18, 2023, the company reported Q4 earnings and offered hopeful guidance for 2023 and beyond. Prologis surprised investor with EPS of \$0.63, beating expectation by 3.7% [5]. The company also issued guidance for 2023 estimating EPS to be from \$3.00 to \$3.15 and FFO per share to be anywhere from \$5.40 to \$5.60. Prologis also plans to continue increasing capital expenditures in 2023 despite a record setting year of over \$25 billion, including their acquisition of Duke Realty Corporation. We forecast that capex will not be as aggressive as planned despite the company's ability to secure low-cost, fixed rate debt in a challenging climate.

The company also offered guidance on strategic capital revenue and general and administrative expenses. The company forecasts to earn \$880 million on the low end to \$905 million on the upper end through their strategic capital segment. They expect to experience higher wages and corporate expenses, hence general and administrative expenses are forecasted to be from \$370 million to \$385 million. These expectations were implemented into the valuation

INDUSTRY OVERVIEW

The Industrial Real Estate Investment Trust (REIT) industry is a sector that invests in income-generating industrial properties such as warehouses, distribution centers, and manufacturing facilities. These REITs own and manage industrial properties and generate revenue through rental income. The industry plays a crucial role in the real estate market, providing investors with a way to invest in industrial real estate assets without the need for direct property ownership. The demand for industrial real estate has increased in recent years due to the growth of e-commerce and the need for modern warehousing and distribution facilities. The industry is subject to several market factors including economic growth, changes in

consumer behavior, interest rates, and demand for warehousing space.

A few important metrics for REITs include capitalization rates and occupancy rates.

Capitalization Rates

Cap rates, also known as capitalization rates, are an important measure of the performance and value of industrial real estate investment trusts. Cap rates are calculated as the ratio of a property's net operating income (NOI) to its market value or purchase price.

For industrial REITs, cap rates are an important factor in determining the value of their properties and their overall portfolio. They provide a measure of the return that can be expected on a property based on its income-generating potential. Higher cap rates generally indicate a lower value or lower expected returns, while lower cap rates suggest a higher value or higher expected returns.

In addition, cap rates play a significant role in the investment decisions of industrial REITs. When evaluating potential acquisitions or development projects, industrial REITs will often consider the expected cap rate of the property. Cap rates in the current market are on the rise, as they typically risk with interest rates and inflation. This poses a risk for companies evaluating investment opportunities as the expected cap rate may seem inflated.

Cap rates are a critical measure of the value and performance of industrial REITs, playing a crucial role in investment decisions, and asset pricing.

Occupancy Rates

Occupancy rates are a key metric for REITs that measure the amount of space that is being occupied by tenants. Despite market tightness, Prologis has ended the year with an occupancy rate of 98.2%, above the industry average of 94.5% [4]. Prologis' elevated occupancy rate is partly driven by their acquisition of Duke Realty Corporation, which brought an additional 500 customers to the company. Per their Q4 earnings call, the company states that the

acquisition of Duke only added 30-40 basis point to their overall occupancy. Prologis has shown a strong history of high occupancy with a five-year historical average of 96.8%. The company expects occupancy to drop slightly in 2023 to a low of 96.5% to a high of 97.5%.

Occupancy rates also provide important information about market trends and the broader economy. A decline in occupancy rates in a particular market may indicate a slowdown in economic activity or a shift in demand towards other warehousing solutions. Conversely, an increase in occupancy rates may indicate a growing demand for industrial real estate and a stronger economy.

Occupancy rates are a critical measure of the performance and demand for industrial REITs, playing a crucial role in revenue projections and investment decisions.

Urban Locations

Access to real estate in key locations connects both cap rates and occupancy rates. As e-commerce platforms and courier services increasingly aim to deliver in the shortest period possible, access to densely populated areas is imperative.

The location of warehouses is an imperative key to success for industrial real estate investment trusts (REITs) because it directly affects their cap rate and occupancy. The location of a warehouse affects its accessibility and its ability to serve its target market. In turn, this drives higher rental income and demand.

A warehouse located in a prime location, close to major transportation hubs and urban centers, is more appealing to industrial REIT customers. This is because it can serve a larger market of tenants and provide convenient access to transportation and distribution networks. These factors increase the demand for the property driving higher NOI and thus cap rate. There has been a shift toward urban industrial developments as many logistics companies have promised customers the fastest possible turnaround from the moment of placing an order.

In summary, the location of warehouses is an important factor in the success of industrial REITs because it affects their cap rate and occupancy. By selecting prime locations, industrial REITs can increase their rental income and demand for their properties which further drives growth in an innovative market.

COMPETITION



Sources: References [1, 15, 16, 17 & 18]

Big Players

There are few large players in the industrial REIT industry. The largest player is Prologis, by a wide margin. Many of the competitors in the industry have operations focused largely on U.S. real estate; however, Prologis has established real estate operations and strategic capital funds in foreign countries. This entails significant risk for the company such as foreign exchange risk and political risk.

Name	Market Cap (\$B)	Revenue (\$M)	Gross Margin	Net Margin
Prologis	\$ 122,459	\$ 5,974	44.4%	56.3%
Rexford	\$ 11,815	\$ 453	42.8%	28.2%
EastGroup	\$ 7,478	\$ 409	40.8%	38.5%
First Industrial	\$ 7,096	\$ 476	44.9%	56.8%
Terreno	\$ 4,975	\$ 222	51.8%	39.2%

Source: FactSet [5]

The chart shows that Prologis is the main player in the industrial REIT industry with over 6,600 customers and 782 million square feet in the U.S. alone.

Name	Revenue	Buildings	Square Feet (M)	Revenue per Sq. ft.
Prologis	\$ 5,974	5,495	1,200.0	\$ 4.98
Rexford	\$ 453	357	42.5	\$ 10.65
EastGroup	\$ 409	248	56.0	\$ 7.30
First Industrial	\$ 476	421	64.8	\$ 7.35
Terreno	\$ 222	252	15.4	\$ 14.41

Source: FactSet [5]

The nearest competitor, Rexford Industrial Realty, falls short in terms of revenue, market capitalization, and square feet, but the company captures a higher revenue per square foot of industrial space. Prologis falls short in terms of revenue per square foot because of the size of their real international real estate operations. When decomposing revenue, it becomes clear that Prologis can generate higher revenue per square foot in the U.S. than any other location by an average of 68%, but the diversification benefits and access to emerging markets creates enhanced opportunities for the company.

Their exposure to international real estate creates an economic moat for the company because if the U.S. industrial real estate market performs poorly, Prologis is safeguarded by unconsolidated, co-investment ventures in foreign countries. Although the U.S. market has shown strength with higher occupancy rates by more than 75 basis points compared to the portfolio, sole exposure to the U.S. market entails greater risk than the international operations of Prologis.

Threat of Entry – MEDIUM

As large logistics company aim to be closer to the customer and promising one- to two-day shipping, the threat of entry has risen. These large customers need warehousing space in downtown, urban, and metropolitan areas, and these properties come at a cost for developers.

Prior to the paradigm shift, many warehouses located outside central locations were common; hence, the barriers to entry were relatively low. Land outside urban areas is plentiful and less stringent upon zoning restrictions. With higher barriers to entry, the existing

players in the industry are relatively safeguarded as customer efficiency has become key.

Power of Buyers – LOW

Buyers of industrial warehousing space are relatively price insensitive as rental costs are a very low portion of those company's overall logistics costs. As per S&P Global, these costs range from 5% - 10% of a given company's total logistics costs. Buyers of warehousing space prioritize price locations over the costs of warehousing [4].

PEER COMPARISONS

Rexford Industrial Realty: -0.4% YTD

Rexford Industrial Realty (REXR) is a self-administered and self-managed real estate investment trust. It engages in owning and operating industrial properties in infill markets. The company was founded in 2013 and headquartered in Los Angeles, CA. Most of its properties are concentrated in Southern California, one of the strongest and largest industrial market in the nation. Their portfolio consists of 42.5 million square feet of owned industrial space all located in the Southern California Area^[15]. For FY 2022, the company experienced average occupancy of 98.7% and a cap rate of 6.4% across their portfolio^[15]. Compared to all the peer comparisons in the industrial REIT group, Rexford's portfolio of tenants is diverse as they serve large industries such as warehousing and transportation to construction and mining companies¹⁵. The following chart shows the companies concentration of tenants.

Industry	% of Net Rent
Warehousing / Transportation	23%
Wholesale Trade	22%
Manufacturing	20%
Tech Services	8%
Retail Trade	7%
Other	20%

Source: Rexford 2023 Investor Presentation ^[15]

In FY 2022, Rexford's 2022 market rent growth was roughly 10.0% and the company has a weighted average

remaining lease term of 4 years¹⁵. A shorter lease term gives the company more room to increase rental income as previous leases expire.

EastGroup Properties: +9.2% YTD

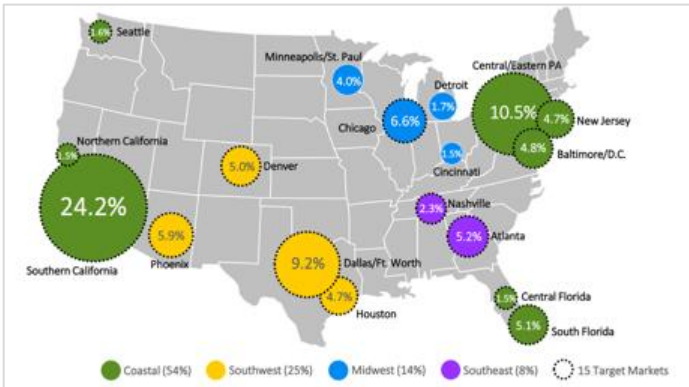
EastGroup Properties, Inc. (EGP) is an internally managed industrial REIT which engages in the development, acquisition, and operation of industrial properties⁵. The company's roots in industrial properties began in 1969 long before many other peer comparisons. The company's portfolio of properties includes 43.3 million square feet of industrial property that is currently leases at an average occupancy of 98.2% for the twelve months ending December 2022^[16]. Their portfolio has a weighted average lease term of 4.4 years, and their same store rent growth was 8.9%^[16]. The chart below shows EastGroup's portfolio of industrial space across the U.S.



Source: EastGroup Properties Q4 2022 Supplement^[16]

First Industrial Realty: +5.8% YTD

First Industrial Realty Trust, Inc. (FR) engages in the ownership, management, acquisition, sale, development, and redevelopment of industrial real estate⁵. The company's portfolio includes bulk warehouses, regional warehouses, research and development spaces, and light industrial properties. FR's portfolio consists of 62.9 million square feet of industrial space scattered across large markets in the U.S. as evidenced by the chart below.



Source: First Industrial Realty Presentation^[17]

The chart above depicts the cities and their respective share of net rental income, with Southern California generating the most net rental income. In FY 2022, the company experienced an average occupancy of 98.8% and 9.6% growth in same-store net operating income¹⁷. As of September 2022, the company had 15 new developments under construction and expects to add 3.7 million in square feet before the end of 2023^[17].

Terreno Realty Corporation: +9.2% YTD

Terreno Realty Corporation (TRNO) is a real estate company which acquires, owns, and manages industrial realty properties across the U.S. The company invests in several types of industrial real estate including warehouses, distribution centers, flex spaces, and research and development spaces⁵. The company is the smaller in term of square footage as their portfolio contains a total of 15.3 million square feet and 252 buildings^[18]. The map below shows their portfolio across the U.S. and the share of net rent that each city generates.



Source: Terreno Realty Corporation Q1 2023 Earnings Supplemental^[18]

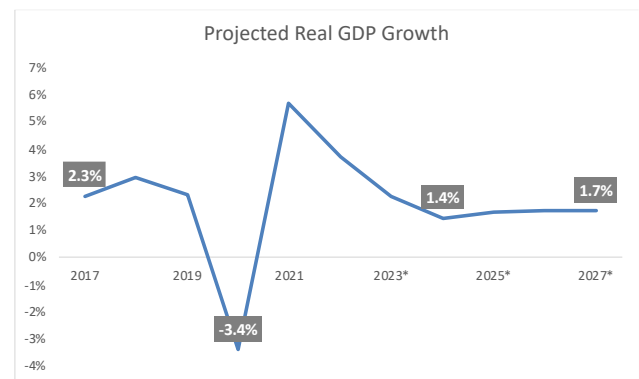
In FY 2022, the company achieved 10.6% same-store NOI growth and an average occupancy of 98.7% for the year^[18].

ECONOMIC OUTLOOK

Generally, the industrial REIT market does well in times of economic growth and prosperity, but the industry has experienced elevated growth due to the expansion of e-commerce sales, which was fueled due to the global COVID-19 pandemic.

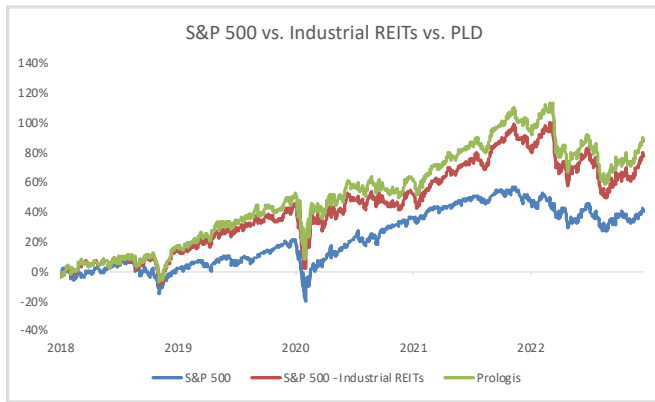
GDP Growth

Overall, the industrial REIT industry relies on gross domestic production because the amount of activity in and near major shipping ports. Being located near importing and exporting operations is key for Prologis. With international operations, Prologis is well-positioned to be more resistant to economic headwinds such as a decline in exports. The chart below shows the forecasted real GDP growth to 2027.



Source: Statista^[7]

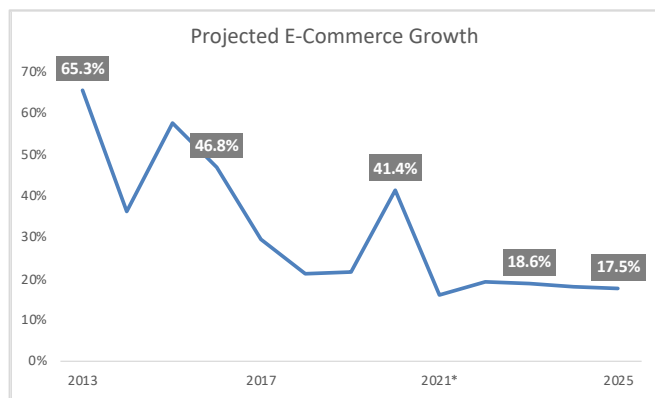
GDP growth took a downturn to -3.4% in 2022, along with the rest of the market. After a sharp recovery in 2021, GDP growth looks very dismal from 2022 onward. This is not a positive outlook for industrial REITs because the positioning of assets is focused near ports. In the past five years, exports have accounted for roughly 11.7% of the United States' GDP. The following chart shows the five-year historical performance of the S&P 500, S&P 500 – Industrial REITs Sub-Industry, and Prologis.



Source: Yahoo Finance [13]

From the chart, the industrial REIT sub-industry and Prologis were more resilient to the COVID-19 pandemic and recovered at a higher rate than the rest of the market. Due to the pandemic, the growth in e-commerce soared which offset the negative overall impact of the global outbreak.

E-Commerce Growth



Source: Statista [7]

From the last chart, the boom in e-commerce enabled the industrial REIT industry to flourish during a time where market returns were rather dismal. The outlook on e-commerce growth is much slower following the COVID-19 pandemic, but it is still estimated to grow at elevated rates in the projection period. This will continue to enable the industry to experience above-average market returns.

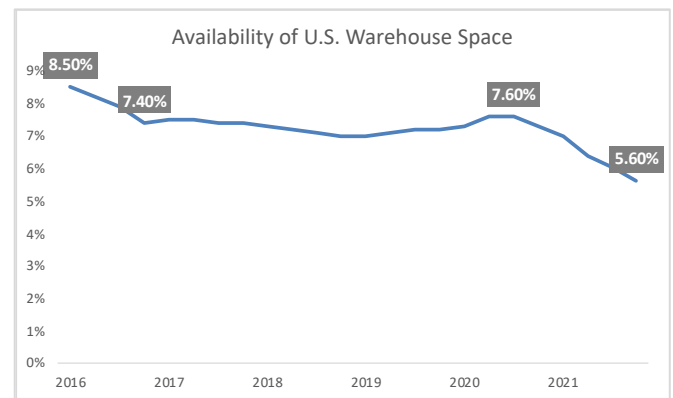
Interest Rates



Source: FRED [8]

With the Federal Reserve aggressively fighting elevated inflation levels with rate hikes expected throughout 2023, this hinders the industrial REIT industry, especially Prologis. The forecasted revenue is primarily driven by the expected expansion of real estate square footage and strategic capital. With interest rates on the rise, capital deployment towards additional warehousing square footage will be constrained. Although the company has a strong balance sheet, the company will be unable to allocate funds at the same rate as they have in the past.

Availability of U.S. Warehouse Space



Source: CBRE [6]

The chart above depicts the decline in the availability of warehousing space in the U.S. Before experiencing rampant growth in e-commerce, the availability of warehouse space hovered above 8.0%. This correlates to

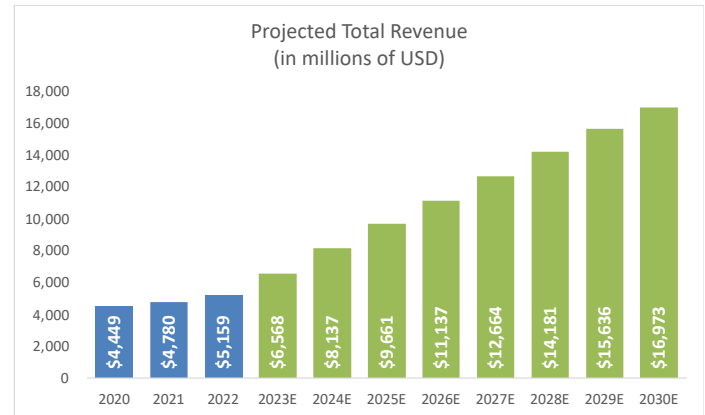
the overall demand for warehousing in the United States. As logistics square footage becomes less abundant, the industrial REIT industry will experience prosperity. This provides the opportunity for companies to continue to develop to meet the needs of the logistics market, but they are currently constrained by economic conditions. Once the Fed eases monetary policy by lowering interest rates, this could cause rampant growth in warehouse availability. Subsequently, this would cause occupancy rates to decline across the industry and force REITs to lower lease rates.

VALUATION

Revenue

Prologis' revenue was broken down by each segment: Real Estate Operations and Strategic Capital. The key assumptions in the real estate operations revenue projection were the growth in revenue per square foot and the growth in square footage. We projected that the company would continue to invest heavily in the U.S., but also assumed that the company would further leverage their growing presence in Europe and emerging markets with their real estate operations. The company also stated that market rent growth exceeded expectations throughout 2022 [4]. With this, it is forecasted that revenue will grow at a compound annual growth rate of 12.7%.

In the strategic capital segment, it is projected that revenue will grow at a CAGR of 12.9%. This high growth is primarily driven by Prologis' investments in international markets, increasing rental rates, and opportunities for above-average growth in emerging markets. The chart below shows the revenue over the projected period including real estate operations and strategic capital.



Cost and Margin Assumptions

The main operating expenses include rental, strategic, G&A, depreciation, and interest expense. Rental expenses have averaged 25.2% of rental revenue over the past five years and we forecasted 24.5% of rental revenue. This is driven by potential synergies from the acquisition of Duke Realty Corporation and Prologis' ability to reduce costs over the historical period.

Strategic capital expenses have varied drastically as a % of strategic capital revenue over the historical period. In 2022, strategic capital expenses were 29.2% of strategic capital revenue; however, this expense was forecasted at the five-year average of 34.9% of strategic capital revenue. This adjustment in the cost of strategic capital is driven by the company's pursuit of more international funds and higher required returns. General and administrative is expected to increase in the projection period due to inflationary pressures on wages and corporate costs. Hence, G&A is forecasted at 6.1% of total revenue compared to last year's 5.5% of total revenue.

Depreciation as a percentage of beginning net investments in real estate jumped 40 basis points, which is mainly attributable to the assets acquired through M&A and Duke Realty's assets. In 2022, net investments in real estate grew by 60.1%. As a result, depreciation in the forecasted period seem elevated. Along with the assets of Duke Realty, Prologis acquired the debt of the company. Coupled with rising interest rates and Prologis' floating-rate debt, interest expense jumped considerably in the projection period. With A-rated credit, a strong balance

sheet, and the ability to borrow at low rates, the elevated interest expense does not obstruct the company's performance considerably. The interest coverage rate floats between 6.8 and 10.2 within the projection period.

Capital Expenditures

Following a record-setting year with development starts of \$4.7 billion, stabilizations of \$2.9 billion, M&A of \$25.3 billion, and land acquisitions of \$3.3 billion, we forecast the company to reduce their capital expenditures significantly throughout the projection period from \$4.8 billion in 2023 to \$4.5 billion in the terminal year. Amid increased interest rates, the company has proven to continue to invest in real estate in the U.S. and internationally through low-cost debt and strong credit. Moving forward, we forecast that the company will be slightly constrained by the rising cost of debt. The company offered the following guidance for capital expenditures in 2023:

- Development stabilizations: \$2.6 billion to \$3.0 billion
- Development starts: 2.5 billion to \$3.0 billion
- Acquisitions: \$300 million to \$600 million

Despite the company's optimistic outlook on capital expenditures, we have forecasted lower capital expenditures over the projection period to maintain healthy cash flows.

Valuation Results

The discounted cash flow and economic profit model yielded a target price of \$145 per share. This is comparable to street estimates of \$142.35. With potential upside of 10.2% from the DCF price, this constitutes BUY rating for Prologis, Inc. This industry has shown some resistance during recessionary periods and despite current market conditions, the company has not slowed capital expenditures and has continued to invest in acquisitions and logistics facilities.

The dividend discount model has returned a price of \$130, which is below the street estimates and the current share price by 1.2%. This share price is driven by conservative

terminal growth of EPS at 3.0% and an elevated cost of equity stemming from an increase in the treasury yield.

Finally, the relative P/FFO model returned a wide price target range of \$140 – \$160. This model included estimates for EPS and FFO per share for Rexford Industrial Realty, East Group Properties, First Industrial Realty Trust, and Terreno Realty Corporation. We found that P/FFO was most accurate in calculating a target share price because funds from operations drives value for REIT investors. The following chart shows a breakdown of the price targets derived from the relative valuation model.

Ratio	Target Price
P/FFO 2022E	\$ 139.23
P/FFO 2023E	\$ 147.82
P/FFO 2024E	\$ 158.69
Average	\$ 148.58

INVESTMENT POSITIVES

- We expect that Prologis will be able to continue to raise same store NOI from 9.0% to 9.75% while maintaining occupancy higher than 97.5%.
- The expected revenues from the acquisition of Duke Realty should contribute to a total of 27.3% revenue growth in 2023 alone.
- Continued strong growth in e-commerce will continue to drive the demand for industrial warehousing space through 2023, assuming the macroeconomic environment improves.

INVESTMENT NEGATIVES

- A sharp incline in supply will erode Prologis' pricing power in the market and will hinder their ability to raise rents 9.0% to 9.75% in 2023.
- A strong decline in the need for industrial space threatens Prologis' ability to maintain occupancy rates above 98%.
- A weak macroeconomic environment where disposable income and consumer confidence continue to decline will prompt less demand for

industrial warehousing space as economic activity slows down.

KEYS TO MONITOR

- Interest rates continue to rise and given the Federal Reserve's plans to hike rates through the first half of 2023, this could reduce e-commerce growth and threaten Prologis' costs of international expansion.
- It is hopeful that the Fed will begin to decrease rates in Q4 of 2023, which would enable Prologis to continue aggressive capital deployment domestically and internationally.
- There is a 65% chance the economy will avoid a recession, and in the event, we do, consumer spending and e-commerce growth will continue to fuel projected at a CAGR of 12.7%.
- If the U.S. falls into a recession, occupancy rates will drop below the company's guidance of 96.5%, causing the projected revenue CAGR to decrease by 2.8%.

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Prologis, Inc.
Revenue Decomposition

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Revenues	4,449	4,780	5,159	6,568	8,190	9,994	11,931	13,929	15,894	17,720	19,297
Growth	33.31%	7.43%	7.92%	27.32%	24.68%	22.03%	19.38%	16.74%	14.11%	11.49%	8.90%
Rental	3,802	4,169	4,314	5,504	6,872	8,392	10,020	11,693	13,332	14,847	16,143
Growth	33.92%	9.65%	3.49%	27.59%	24.85%	22.12%	19.40%	16.70%	14.02%	11.36%	8.73%
Strategic Capital	637	591	824	1,043	1,296	1,581	1,890	2,214	2,540	2,853	3,133
Growth	29.50%	-7.26%	39.48%	26.60%	24.29%	21.94%	19.56%	17.15%	14.72%	12.28%	9.83%
Development Management and Other	11	21	21	21	21	21	21	21	21	21	21
Growth	53.49%	94.93%	1.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue by Region											
U.S.	3,600	3,967	4,100	5,249	6,572	8,042	9,616	11,232	12,811	14,266	15,502
Growth	36.11%	10.19%	3.35%	28.03%	25.19%	22.37%	19.57%	16.81%	14.07%	11.35%	8.67%
Revenue per million sq feet	5.84	6.51	5.24	5.66	6.07	6.47	6.85	7.21	7.52	7.80	8.04
Other Americas	88	99	105	129	157	188	223	261	302	344	388
Growth	-7.53%	12.29%	6.47%	22.85%	21.41%	19.97%	18.53%	17.09%	15.66%	14.22%	12.79%
Revenue per million sq feet	1.31	1.37	1.31	1.47	1.63	1.78	1.93	2.06	2.17	2.27	2.33
Europe	69	56	49	56	63	71	78	86	93	100	106
Growth	55.11%	-19.28%	-11.76%	14.21%	13.04%	11.86%	10.70%	9.54%	8.38%	7.23%	6.09%
Revenue per million sq feet	0.34	0.26	0.20	0.22	0.23	0.24	0.25	0.26	0.27	0.28	0.29
Asia	45	47	60	70	81	92	104	115	126	137	147
Growth	-17.38%	5.75%	26.70%	16.69%	15.30%	13.92%	12.55%	11.19%	9.82%	8.47%	7.12%
Revenue per million sq feet	0.45	0.45	0.54	0.57	0.59	0.62	0.65	0.67	0.70	0.72	0.74
Square Footage (millions)											
U.S.	617	609	782	927	1,082	1,242	1,403	1,559	1,703	1,828	1,928
Growth	32.97%	-1.30%	28.41%	18.55%	16.69%	14.82%	12.96%	11.09%	9.23%	7.36%	5.50%
Other Americas	67	72	80	88	96	105	116	127	139	152	166
Growth	8.06%	7.46%	11.11%	9.68%	9.66%	9.63%	9.61%	9.58%	9.55%	9.53%	9.50%
Europe	200	215	240	259	277	295	311	327	341	354	365
Growth	2.56%	7.50%	11.63%	7.75%	7.07%	6.39%	5.71%	5.04%	4.36%	3.68%	3.00%
Asia	100	105	111	123	136	148	160	171	182	191	199
Growth	7.53%	5.00%	5.71%	11.13%	10.11%	9.09%	8.07%	7.06%	6.04%	5.02%	4.00%
Strategic Capital Revenues											
U.S.	355	172	258	324	398	479	566	653	738	815	880
Growth	311.29%	-51.59%	50.38%	25.40%	22.92%	20.43%	17.94%	15.46%	12.97%	10.49%	8.00%
Other Americas	38	59	104	122	142	163	187	211	237	263	289
Growth	-6.57%	55.60%	76.71%	17.45%	16.38%	15.32%	14.26%	13.19%	12.13%	11.06%	10.00%
Europe	145	250	320	413	522	645	780	921	1063	1199	1319
Growth	-48.92%	72.12%	28.21%	29.05%	26.33%	23.61%	20.89%	18.16%	15.44%	12.72%	10.00%
Asia	99	111	142	184	235	293	359	429	503	576	645
Growth	22.24%	11.35%	28.24%	29.93%	27.37%	24.81%	22.24%	19.68%	17.12%	14.56%	12.00%
Total	637	591	824	1,043	1,296	1,581	1,890	2,214	2,540	2,853	3,133

Prologis, Inc.

Value Driver Estimation

All figures in millions of USD

Fiscal Years Ending Dec. 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:																				
Rental	1,377	1,869	1,559	1,527	1,973	2,220	2,225	2,389	2,832	3,791	4,148	4,913	5,504	6,872	8,392	10,020	11,693	13,332	14,847	16,143
Strategic Capital	138	127	179	220	210	295	374	406	492	637	591	1,040	1,043	1,296	1,581	1,890	2,214	2,540	2,853	3,133
Development Management and Other	19	10	12	14	14	18	19	9	7	11	21	21	21	21	21	21	21	21	21	21
Gains on Real Estate Transactions	-	-	-	-	-	-	-	-	858	717	1,590	1,187	1,250	1,559	1,903	2,271	2,652	3,026	3,373	3,673
Unconsolidated Entities Income	60	32	97	134	159	206	249	298	200	297	404	311	327	344	362	381	402	423	445	468
Rental Expense	(385)	(505)	(452)	(431)	(543)	(569)	(570)	(601)	(734)	(952)	(1,041)	(1,206)	(1,351)	(1,687)	(2,060)	(2,459)	(2,870)	(3,272)	(3,644)	(3,962)
Strategic Capital Expense	(55)	(64)	(89)	(96)	(88)	(129)	(155)	(157)	(185)	(218)	(207)	(303)	(364)	(453)	(552)	(660)	(774)	(888)	(997)	(1,094)
General and Administrative Expense	(195)	(228)	(229)	(248)	(238)	(222)	(231)	(239)	(267)	(275)	(293)	(331)	(401)	(500)	(610)	(728)	(850)	(970)	(1,081)	(1,177)
Depreciation and Amortization Expense	(585)	(740)	(649)	(642)	(880)	(931)	(879)	(947)	(1,140)	(1,562)	(1,578)	(1,813)	(2,417)	(2,854)	(2,929)	(2,998)	(3,064)	(3,127)	(3,190)	(3,254)
Other Expenses	12	23	27	26	25	8	14	15	24	1	1	-	12	36	11	15	64	166	322	529
EBITA	385	523	456	503	632	897	1,046	1,173	2,087	2,447	3,635	3,819	3,625	4,636	6,119	7,753	9,489	11,252	12,949	14,480
Add: Income Tax Expense	2	4	107	(26)	23	55	55	63	75	130	174	135	68	83	110	146	184	223	261	294
Less: Earnings from Unconsolidated Entities	(1)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(5)	(7)	(9)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	(10)	(11)
Add: Tax Shield from Interest Expense	11	12	9	7	7	7	6	5	5	7	6	7	14	22	29	30	31	32	33	34
Less: Tax Shield from Investment in Real Estate	(3)	(7)	(14)	(17)	(17)	(17)	(27)	(19)	-	-	-	-	-	-	-	-	-	-	-	-
Add / Less: Tax Shield from Other Income	(0)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(1)	(0)	(0)	-	(0)	(1)	(0)	(0)	(1)	(4)	(7)	(12)
Add / Less: Tax Shield from Foreign Currency Gains and Losses	(1)	0	1	0	(0)	(0)	1	(3)	1	4	(4)	(6)	-	-	-	-	-	-	-	-
Add: Tax Shield from Gains and Losses from Debt Extinguishment	(0)	0	6	4	2	(0)	2	0	0	4	4	0	-	-	-	-	-	-	-	-
Add: Tax Shield from Impairment	3	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	10	8	106	(35)	10	39	31	40	76	139	172	130	74	96	130	166	204	241	276	305
NOPLAT	375	515	350	538	621	858	1,015	1,134	2,011	2,308	3,463	3,688	3,550	4,539	5,990	7,587	9,285	11,011	12,673	14,174
Invested Capital (IC):																				
Normal Cash	33	36	66	46	35	106	59	45	143	78	73	37	112	34	46	200	519	1,007	1,655	2,439
Net Investments in Real Estate	22,630	23,328	18,255	19,399	24,247	23,361	21,779	29,930	29,787	43,845	45,337	72,587	74,975	76,685	78,207	79,593	80,869	82,125	83,373	84,623
Investments in and Advances to Unconsolidated Entities	2,858	2,196	4,430	4,825	4,756	4,230	5,496	5,745	6,237	7,602	8,611	9,699	10,184	10,693	11,228	11,789	12,379	12,997	13,647	14,330
Operating Assets:																				
Accounts Receivable and Other Assets	1,221	1,294	1,189	1,200	1,515	1,497	1,382	1,776	1,712	2,456	2,853	3,958	4,145	5,168	6,307	7,529	8,790	10,030	11,183	12,177
Lease ROU Assets	-	-	-	-	-	-	-	-	472	487	448	639	1,350	1,380	1,408	1,433	1,456	1,478	1,501	1,523
Operating Liabilities:																				
Accounts Payable and Accrued Expenses	639	612	641	628	713	556	703	761	705	1,143	1,253	1,712	1,882	2,347	2,864	3,419	3,992	4,555	5,078	5,530
Other Liabilities	1,247	1,134	744	626	634	627	660	766	878	1,261	1,328	3,808	2,956	3,685	4,497	5,369	6,268	7,152	7,974	8,684
Total Invested Capital	24,855	25,109	22,557	24,215	29,205	28,011	27,354	35,970	36,296	51,577	54,293	80,761	84,578	86,548	88,426	90,323	92,296	94,453	96,806	99,356
Free Cash Flow (FCF):																				
NOPLAT	375	515	350	538	621	858	1,015	1,134	2,011	2,308	3,463	3,688	3,550	4,539	5,990	7,587	9,285	11,011	12,673	14,174
Change in IC		254	(2,552)	1,659	4,990	(1,194)	(657)	8,616	327	15,281	2,716	26,468	3,817	1,970	1,878	1,897	1,973	2,157	2,353	2,550
FCF		261	2,902	(1,121)	(4,368)	2,052	1,672	(7,482)	1,685	(12,973)	747	(22,779)	(266)	2,569	4,111	5,690	7,312	8,854	10,321	11,624
Return on Invested Capital (ROIC):																				
NOPLAT	375	515	350	538	621	858	1,015	1,134	2,011	2,308	3,463	3,688	3,550	4,539	5,990	7,587	9,285	11,011	12,673	14,174
Beginning IC		24,855	25,109	22,557	24,215	29,205	28,011	27,354	35,970	36,296	51,577	54,293	80,761	84,578	86,548	88,426	90,323	92,296	94,453	96,806
ROIC		2.07%	1.39%	2.39%	2.57%	2.94%	3.62%	4.15%	5.59%	6.36%	6.71%	6.79%	4.40%	5.37%	6.92%	8.58%	10.28%	11.93%	13.42%	14.64%
Economic Profit (EP):																				
Beginning IC		24,855	25,109	22,557	24,215	29,205	28,011	27,354	35,970	36,296	51,577	54,293	80,761	84,578	86,548	88,426	90,323	92,296	94,453	96,806
x (ROIC - WACC)		-6.67%	-7.35%	-6.36%	-6.18%	-5.81%	-5.12%	-4.60%	-3.16%	-2.39%	-2.03%	-1.95%	-4.35%	-3.38%	-1.83%	-0.17%	1.53%	3.18%	4.67%	5.90%
EP		(1,659)	(1,847)	(1,435)	(1,497)	(1,696)	(1,435)	(1,259)	(1,135)	(866)	(1,048)	(1,060)	(3,513)	(2,858)	(1,581)	(147)	1,384	2,938	4,412	5,707
Funds From Operations (FFO):																				
Net Income	(188)	(81)	315	622	863	1,203	1,642	1,643	1,567	1,515	2,934	3,359	2,690	3,277	4,350	5,828	7,404	9,008	10,553	11,946
+ Depreciation	585	740	649	642	880	931	879	947	1,140	1,562	1,578	1,813	2,417	2,854	2,929	2,998	3,064	3,127	3,190	3,254
+ Gains on Real Estate Transactions	-	-	-	-	-	-	-	-	858	717	1,590	1,187	1,250	1,559	1,903	2,271	2,652	3,026	3,373	3,673
- Interest Income	(12)	(23)	(27)	(26)	(25)	(8)	(14)	(15)	(24)	(1)	(1)	-	(12)	(36)	(11)	(15)	(64)	(166)	(322)	(529)
FFO	385	636	937	1,239	1,718	2,126	2,507	2,576	3,540	3,793	6,100	6,359	6,346	7,655	9,171	11,083	13,055	14,995	16,795	18,345

Prologis, Inc.
Income Statement

All figures in millions of USD

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Revenues:											
Rental	3,791	4,148	4,913	5,504	6,872	8,392	10,020	11,693	13,332	14,847	16,143
Strategic Capital	637	591	1,040	1,043	1,296	1,581	1,890	2,214	2,540	2,853	3,133
Other	11	21	21	21	21	21	21	21	21	21	21
Total Operating Revenues	4,439	4,759	5,974	6,568	8,190	9,994	11,931	13,929	15,894	17,720	19,297
Operating Expenses:											
Rental Expenses	(952)	(1,041)	(1,206)	(1,351)	(1,687)	(2,060)	(2,459)	(2,870)	(3,272)	(3,644)	(3,962)
Strategic Capital	(218)	(207)	(303)	(364)	(453)	(552)	(660)	(774)	(888)	(997)	(1,094)
General and Administrative	(275)	(293)	(331)	(401)	(500)	(610)	(728)	(850)	(970)	(1,081)	(1,177)
Depreciation	(1,562)	(1,578)	(1,813)	(2,417)	(2,854)	(2,929)	(2,998)	(3,064)	(3,127)	(3,190)	(3,254)
Other	(30)	(22)	(40)	(36)	(45)	(55)	(66)	(77)	(88)	(98)	(107)
Total Operating Expenses Before Gain on Real Estate Transactions	(3,037)	(3,142)	(3,693)	(4,569)	(5,539)	(6,206)	(6,911)	(7,634)	(8,344)	(9,010)	(9,595)
Gains on Real Estate Transactions, net	717	1,590	1,187	1,250	1,559	1,903	2,271	2,652	3,026	3,373	3,673
Operating Income	2,119	3,207	3,468	3,249	4,210	5,691	7,291	8,946	10,576	12,084	13,376
Other Income (Expense):											
Earnings (Losses) from Unconsolidated Entities, net	297	404	311	327	344	362	381	402	423	445	468
Interest Expense	(315)	(266)	(309)	(602)	(947)	(1,260)	(1,303)	(1,346)	(1,388)	(1,431)	(1,472)
Gains (Losses) from Investments in Real Estate upon Acquisition of a Controlling Inte	-	-	-	-	-	-	-	-	-	-	-
Interest and Other Income (Expense)	1	1	-	12	36	11	15	64	166	322	529
Foreign Currency and Derivative Gains	(167)	164	242	-	-	-	-	-	-	-	-
Gains (Losses) on Early Extinguishment of Debt	(188)	(187)	(20)	-	-	-	-	-	-	-	-
Impairment of Other Assets	-	-	-	-	-	-	-	-	-	-	-
Total Other Income (Loss)	(372)	116	223	(263)	(566)	(886)	(907)	(880)	(800)	(664)	(475)
Earnings Before Taxes	1,747	3,323	3,691	2,987	3,644	4,804	6,384	8,066	9,775	11,420	12,900
Current Income Tax Benefit (Expense)	(130)	(174)	(135)	(68)	(83)	(110)	(146)	(184)	(223)	(261)	(294)
Earnings from Continuing Operations / Consolidated Net Earnings	1,617	3,149	3,555	2,918	3,560	4,695	6,239	7,882	9,552	11,159	12,606
Net Earnings (Loss) Attributable to Noncontrolling Interests	(93)	(209)	(191)	(222)	(277)	(338)	(404)	(472)	(538)	(600)	(654)
Net Earnings (Loss) Attributable to Common Stockholders Before Preferred Dividends	1,523	2,940	3,365	2,696	3,283	4,356	5,834	7,410	9,014	10,559	11,952
Preferred Stock Dividends	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
Loss on Preferred Stock Redemption / Repurchase	(2)	-	-	-	-	-	-	-	-	-	-
Net Earnings Attributable to Common Stockholders	1,515	2,934	3,359	2,690	3,277	4,350	5,828	7,404	9,008	10,553	11,946
Weighted Average Shares											
Basic	741	739	786	796	804	809	813	816	819	822	824
Earnings Per Share	2.04	3.97	4.28	3.38	4.08	5.38	7.17	9.07	11.00	12.85	14.50
Dividends Per Share of Common Stock	2.32	2.52	3.16	4.64	5.01	5.37	5.74	6.10	6.44	6.77	7.07
FFO	2,358.53	2,921.05	3,984.44	3,844.94	4,536.46	5,365.92	6,540.61	7,752.14	8,943.43	10,048.30	10,998.52
FFO Per Share	3.18	3.95	5.07	4.83	5.64	6.63	8.04	9.50	10.92	12.23	13.35

Prologis, Inc.

Balance Sheet

All figures in millions of USD

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets											
Total Investments in Real Estate Properties	50,384	53,005	81,623	86,428	90,993	95,443	99,827	104,167	108,550	112,989	117,493
Accumulated Depreciation	(6,539)	(7,668)	(9,036)	(11,453)	(14,307)	(17,236)	(20,235)	(23,298)	(26,425)	(29,615)	(32,870)
Investments In and Advances to Unconsolidated Entities	7,602	8,611	9,699	10,184	10,693	11,228	11,789	12,379	12,997	13,647	14,330
Assets Held For Sale and Notes Backed by Real Estate	1,071	670	531	554	577	601	626	652	680	708	738
Net Investments in Real Estate	52,518	54,618	82,817	85,712	87,955	90,036	92,008	93,900	95,802	97,728	99,691
Cash, Cash Equivalents, and Restricted Cash	598	556	278	853	256	351	1,528	3,955	7,680	12,617	18,592
Accounts Receivable and Other Assets	2,456	2,853	3,958	4,145	5,168	6,307	7,529	8,790	10,030	11,183	12,177
Lease Right-of-use Assets	493	459	844	701	717	731	744	756	767	779	791
Total Assets	56,065	58,486	87,897	91,411	94,096	97,424	101,809	107,400	114,279	122,307	131,251
Liabilities											
Debt	16,849	17,715	23,876	26,891	27,866	28,826	29,778	30,718	31,655	32,572	33,454
Accounts Payable and Accrued Expenses	1,143	1,253	1,712	1,882	2,347	2,864	3,419	3,992	4,555	5,078	5,530
Lease Liabilities	487	448	639	1,350	1,380	1,408	1,433	1,456	1,478	1,501	1,523
Other Liabilities	1,261	1,328	3,808	2,956	3,685	4,497	5,369	6,268	7,152	7,974	8,684
Total Liabilities	19,740	20,744	30,034	33,079	35,278	37,595	39,999	42,433	44,840	47,125	49,191
Capital											
Preferred Stock	64	64	64	64	64	64	64	64	64	64	64
Common Stock and Additional Paid-In-Capital	35,496	35,569	54,075	55,352	56,383	57,183	57,783	58,283	58,783	59,283	59,783
Accumulated Other Comprehensive Income (Loss)	(1,194)	(878)	(444)	(444)	(444)	(444)	(444)	(444)	(444)	(444)	(444)
Distributions in Excess of Earnings	(2,395)	(1,328)	(458)	(1,460)	(2,207)	(2,206)	(1,045)	1,384	5,118	10,113	16,233
Noncontrolling Interests	4,353	4,315	4,626	4,820	5,022	5,232	5,451	5,680	5,918	6,166	6,424
Total Capital	36,325	37,742	57,863	58,332	58,818	59,829	61,810	64,967	69,439	75,182	82,060
Total Liabilities & Equity	56,065	58,486	87,897	91,411	94,096	97,424	101,809	107,400	114,279	122,307	131,251

Prologis, Inc.*Forecasted Cash Flow Statement*

All figures in millions of USD

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Activities								
Net Income (Loss)	2,690	3,277	4,350	5,828	7,404	9,008	10,553	11,946
Add: Depreciation	2,417	2,854	2,929	2,998	3,064	3,127	3,190	3,254
Changes in Working Capital Accounts								
Accounts Receivable and Other Assets	(187)	(1,023)	(1,139)	(1,222)	(1,260)	(1,240)	(1,153)	(995)
Lease ROU Assets	143	(16)	(14)	(13)	(12)	(12)	(12)	(12)
Accounts Payable and Accrued Liabilities	170	465	517	555	572	563	523	452
Lease Liabilities	711	31	27	25	23	23	22	23
Other Liabilities	(852)	730	812	872	899	884	822	709
Net Cash Provided by Operating Activities	5,092	6,317	7,483	9,043	10,689	12,353	13,947	15,378
Investing Activities								
Investments in Real Estate Properties	(4,805)	(4,565)	(4,451)	(4,384)	(4,340)	(4,383)	(4,438)	(4,505)
Investments In and Advances to Unconsolidated Entities	(485)	(509)	(535)	(561)	(589)	(619)	(650)	(682)
Assets Held For Sale and Notes Backed by Real Estate	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(30)
Investments in Noncontrolling Interests	194	202	210	219	228	238	248	258
Net Cash Provided by Investing Activities	(5,118)	(4,895)	(4,799)	(4,751)	(4,727)	(4,792)	(4,869)	(4,958)
Financing Activities								
Proceeds from Debt	3,015	975	960	952	940	937	918	882
Proceeds from Preferred Stock Issuance	-	-	-	-	-	-	-	-
Proceeds from Common Stock Issuance	1,278	1,031	800	600	500	500	500	500
Payments of Dividends	(3,692)	(4,024)	(4,350)	(4,667)	(4,975)	(5,274)	(5,559)	(5,826)
Net Cash Provided by Financing Activities	600	(2,018)	(2,589)	(3,114)	(3,535)	(3,837)	(4,141)	(4,445)
Change in Cash	574	(596)	94	1,178	2,427	3,724	4,937	5,975
Ending Cash Balance	853	256	351	1,528	3,955	7,680	12,617	18,592

Prologis, Inc.*Historical Cash Flow Statement*

All figures in millions of USD

<i>Fiscal Years Ending Dec. 31</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Activities										
Consodliated Net Earnings (Loss)	(30)	353	739	926	1,293	1,761	1,823	1,702	1,617	3,149
Adjustments to Reconcile Net Earnings to Net Earnings										
Straight-Lined Rents and Amortization of Market Leases	(62)	(47)	(43)	(60)	(94)	(81)	(67)	(98)	(126)	(148)
Equity-Based Compensation Awards	32	49	57	54	60	77	76	98	110	113
Depreciation and Amortization	767	664	642	880	931	879	947	1,140	1,562	1,578
Earnings From Unconsolidated Entities, Net	(32)	(97)	(134)	(159)	(206)	(249)	(298)	(200)	(297)	(404)
Distributions And Net Changes In Operating Receivables from Unconsolidated Entitie	7	76	110	106	301	276	310	358	465	426
Amortization of Debt Premiums	21	10	21	(32)	(15)	1	13	17	8	9
Non-Cash Merger, Acquisition, and Integration Expenses	18	-	-	-	-	-	-	-	-	-
Impairment of Real Estate Properties and Other Assets	269	-	-	-	-	-	-	-	-	-
Gains on Dispositions of Investments and Revaluation of Equity Investments	(349)	(716)	(726)	(759)	(757)	(1,183)	(841)	(858)	(717)	(1,590)
Amortization, Net	15	29	23	(1)	(8)	69	(120)	71	161	(173)
Losses / Gains On Early Extinguishment Of Debt, Net	14	277	165	86	(2)	68	3	16	188	187
Deferred Income Tax Expense / Benefit	(22)	(20)	(87)	(5)	(6)	(5)	1	12	1	1
Change in Accounts Receivable and Other Assets	(178)	(13)	(0)	(65)	(106)	37	(73)	(108)	(128)	(329)
Change in Accounts Payable, Accrued Expenses, and Other Liabilities	(6)	(80)	(64)	(8)	27	36	30	115	94	177
Net Operating Cash Flow	463	485	705	963	1,417	1,687	1,804	2,264	2,937	2,996
Investing Activities										
Real Estate Development	(793)	(845)	(1,051)	(1,212)	(1,562)	(1,604)	(1,935)	(1,802)	(1,927)	(2,653)
Real Estate Acquisitions	(254)	(515)	(612)	(890)	(459)	(443)	(999)	(1,006)	(1,239)	(2,320)
Ktr Acquisition, Net of Cash Received	-	-	-	(4,809)	-	-	(46)	-	-	-
Liberty Transaction, Net of Cash Acquired	-	-	-	-	-	-	-	-	(1,665)	-
IPT Transaction, Net of Cash Acquired	-	-	-	-	-	-	-	-	(29)	-
Tenant Improvements and Lease Commissions	(134)	(145)	(134)	(155)	(166)	(153)	(135)	(179)	(221)	(329)
Non Development Capital Expenditures	(81)	(83)	(79)	(83)	(102)	(111)	(93)	(143)	(149)	(170)
Proceeds from Dispositions	1,975	5,410	2,285	2,795	2,826	3,237	2,310	2,332	2,282	4,222
Investments in Unconsolidated Entities	(165)	(1,221)	(740)	(474)	(266)	(250)	(160)	(276)	(386)	(798)
Acquisitions of Controlling Interests	(365)	(679)	(590)	-	-	(375)	-	-	-	-
Return of Investment from Unconsolidated Entities	292	412	244	170	777	209	360	389	257	58
Proceeds from Repayment of Notes Receivable backed by Real Estate	55	-	188	10	203	32	34	-	4	-
Net Investing Cash Flow	530	2,334	(488)	(4,649)	1,252	543	(664)	(685)	(3,074)	(1,990)
Financing Activities										
Proceeds from Issuance of Common Stock	31	1,506	378	90	39	33	7	6	2	1
Repurchase and Retirement of Common Stock	-	-	-	-	-	-	-	-	(35)	-
Repurchase and Redemption of Preferred Stock	-	(483)	(28)	-	-	(13)	-	-	(7)	-
Dividends Paid on Common and Preferred Stock	(568)	(574)	(672)	(805)	(893)	(943)	(1,123)	(1,346)	(1,723)	(1,873)
Noncontrolling Interests Contributions	71	146	468	2,355	2	241	170	12	917	74
Noncontrolling Interests Distributions	(44)	(116)	(315)	(216)	(344)	(208)	(225)	(164)	(362)	(375)
Purchase of Noncontrolling Interests	(142)	(251)	(2)	(3)	(3)	(814)	(76)	(110)	(117)	(153)
Tax Paid for Shared Withheld	-	-	-	-	(9)	(20)	(27)	(22)	(25)	(20)
Debt and Equity Issuance Costs Paid	(11)	(77)	(23)	(32)	(20)	(7)	(17)	(18)	(54)	(23)
Payments on Credit Facilities	9	(93)	(717)	(8)	33	283	(675)	128	(11)	323
Repurchase and Payments of Debt	(1,851)	(6,012)	(4,206)	(3,156)	(2,302)	(3,579)	(4,166)	(3,302)	(6,782)	(2,560)
Proceeds from Issuance of Debt	1,433	3,589	4,780	5,382	1,370	2,420	4,900	3,977	7,825	3,598
Net Financing Cash Flow	(1,072)	(2,366)	(338)	3,608	(2,125)	(2,607)	(1,232)	(840)	(372)	(1,008)
Effect of Foreign Currency Exchange Rate Changes on Cash	3	(63)	(19)	(10)	(0)	16	(11)	6	19	(40)
Net Increase / Decrease In Cash and Cash Equivalents	(75)	390	(140)	(87)	543	(360)	(103)	745	(491)	(42)
Cash and Cash Equivalents, Beginning Of Period	176	101	491	351	264	807	447	344	1,089	598
Cash and Cash Equivalents, End Of Period	101	491	351	264	807	447	344	1,089	598	556

Prologis, Inc.
Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Revenues:											
Rental	85.41%	87.15%	82.25%	83.80%	83.91%	83.97%	83.98%	83.95%	83.88%	83.78%	83.66%
Strategic Capital	14.35%	12.41%	17.40%	15.88%	15.83%	15.82%	15.84%	15.90%	15.98%	16.10%	16.24%
Other	0.24%	0.43%	0.35%	0.32%	0.26%	0.21%	0.18%	0.15%	0.13%	0.12%	0.11%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Rental Expenses	-21.45%	-21.88%	-20.18%	-20.57%	-20.59%	-20.61%	-20.61%	-20.60%	-20.59%	-20.56%	-20.53%
Strategic Capital	-4.91%	-4.35%	-5.08%	-5.55%	-5.53%	-5.53%	-5.53%	-5.55%	-5.58%	-5.62%	-5.67%
General and Administrative	-6.19%	-6.16%	-5.54%	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%	-6.10%
Depreciation	-35.19%	-33.15%	-30.35%	-36.80%	-34.85%	-29.31%	-25.13%	-22.00%	-19.67%	-18.00%	-16.86%
Amortization	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-0.68%	-0.47%	-0.68%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%	-0.55%
Total Operating Expenses Before Gain on Real Estate Transactions	-68.42%	-66.02%	-61.83%	-69.57%	-67.63%	-62.09%	-57.93%	-54.81%	-52.50%	-50.84%	-49.72%
Gains on Real Estate Transactions, net	16.16%	33.40%	19.87%	19.04%	19.04%	19.04%	19.04%	19.04%	19.04%	19.04%	19.04%
Operating Income	47.74%	67.38%	58.05%	49.47%	51.41%	56.94%	61.11%	64.23%	66.54%	68.19%	69.32%
Other Income (Expense):	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings (Losses) from Unconsolidated Entities, net	6.70%	8.49%	5.20%	4.98%	4.20%	3.63%	3.20%	2.88%	2.66%	2.51%	2.43%
Interest Expense	-7.09%	-5.59%	-5.17%	-9.16%	-11.56%	-12.60%	-10.92%	-9.66%	-8.74%	-8.07%	-7.63%
Gains (Losses) from Investments in Real Estate upon Acquisition of a Controlling I	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest and Other Income (Expense)	0.02%	0.02%	0.00%	0.18%	0.44%	0.11%	0.12%	0.46%	1.04%	1.82%	2.74%
Foreign Currency and Derivative Gains	-3.77%	3.45%	4.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gains (Losses) on Early Extinguishment of Debt	-4.24%	-3.94%	-0.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Impairment of Other Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Other Income (Loss)	-8.38%	2.43%	3.74%	-4.00%	-6.92%	-8.87%	-7.60%	-6.32%	-5.03%	-3.75%	-2.46%
Earnings Before Taxes	39.36%	69.82%	61.78%	45.47%	44.49%	48.07%	53.51%	57.91%	61.50%	64.45%	66.85%
Current Income Tax Benefit (Expense)	-2.94%	-3.66%	-2.27%	-1.04%	-1.02%	-1.10%	-1.22%	-1.32%	-1.40%	-1.47%	-1.53%
Earnings from Continuing Operations / Consolidated Net Earnings	36.42%	66.15%	59.52%	44.43%	43.47%	46.98%	52.29%	56.59%	60.10%	62.98%	65.33%
Net Earnings (Loss) Attributable to Noncontrolling Interests	-2.10%	-4.39%	-3.19%	-3.39%	-3.39%	-3.39%	-3.39%	-3.39%	-3.39%	-3.39%	-3.39%
Net Earnings (Loss) Attributable to Common Stockholders Before Preferred Dividends	34.32%	61.77%	56.33%	41.04%	40.09%	43.59%	48.90%	53.20%	56.71%	59.59%	61.94%
Preferred Stock Dividends	-0.14%	-0.13%	-0.10%	-0.09%	-0.07%	-0.06%	-0.05%	-0.04%	-0.04%	-0.03%	-0.03%
Loss on Preferred Stock Redemption / Repurchase	-0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Earnings Attributable to Common Stockholders	34.13%	61.64%	56.23%	40.95%	40.01%	43.53%	48.85%	53.16%	56.68%	59.55%	61.91%

Prologis, Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets											
Total Investments in Real Estate Properties	1135.11%	1113.69%	1366.38%	1315.81%	1111.07%	955.00%	836.69%	747.87%	682.98%	637.62%	608.87%
Accumulated Depreciation	-147.32%	-161.12%	-151.26%	-174.37%	-174.70%	-172.47%	-169.59%	-167.27%	-166.26%	-167.13%	-170.34%
Investments In and Advances to Unconsolidated Entities	171.27%	180.92%	162.36%	155.04%	130.57%	112.34%	98.81%	88.87%	81.78%	77.01%	74.26%
Assets Held For Sale and Notes Backed by Real Estate	24.12%	14.07%	8.89%	8.43%	7.04%	6.01%	5.25%	4.68%	4.28%	4.00%	3.82%
Net Investments in Real Estate	1183.17%	1147.56%	1386.37%	1304.92%	1073.98%	900.89%	771.15%	674.15%	602.77%	551.50%	516.62%
Cash, Cash Equivalents, and Restricted Cash	13.47%	11.68%	4.66%	12.98%	3.13%	3.51%	12.81%	28.40%	48.32%	71.20%	96.35%
Accounts Receivable and Other Assets	55.34%	59.95%	66.26%	63.11%	63.11%	63.11%	63.11%	63.11%	63.11%	63.11%	63.11%
Lease Right-of-use Assets	11.10%	9.65%	14.12%	10.67%	8.75%	7.31%	6.23%	5.43%	4.83%	4.40%	4.10%
Total Assets	1263.09%	1228.85%	1471.41%	1391.67%	1148.97%	974.82%	853.30%	771.08%	719.02%	690.20%	680.17%
Liabilities											
Debt	379.59%	372.21%	399.69%	409.40%	340.25%	288.43%	249.58%	220.54%	199.16%	183.81%	173.36%
Accounts Payable and Accrued Expenses	25.76%	26.32%	28.66%	28.66%	28.66%	28.66%	28.66%	28.66%	28.66%	28.66%	28.66%
Lease Liabilities	10.97%	9.42%	10.69%	20.55%	16.85%	14.09%	12.01%	10.45%	9.30%	8.47%	7.89%
Other Liabilities	28.41%	27.90%	63.74%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
Total Liabilities	444.73%	435.85%	502.78%	503.60%	430.77%	376.17%	335.25%	304.65%	282.12%	265.94%	254.91%
Capital											
Preferred Stock	1.44%	1.34%	1.07%	0.97%	0.78%	0.64%	0.54%	0.46%	0.40%	0.36%	0.33%
Common Stock and Additional Paid-In-Capital	799.69%	747.34%	905.21%	842.70%	688.47%	572.17%	484.30%	418.44%	369.85%	334.55%	309.81%
Accumulated Other Comprehensive Income (Loss)	-26.89%	-18.45%	-7.43%	-6.75%	-5.42%	-4.44%	-3.72%	-3.18%	-2.79%	-2.50%	-2.30%
Distributions in Excess of Earnings	-53.95%	-27.90%	-7.66%	-22.23%	-26.95%	-22.08%	-8.76%	9.94%	32.20%	57.07%	84.12%
Noncontrolling Interests	98.07%	90.67%	77.44%	73.38%	61.32%	52.35%	45.69%	40.78%	37.23%	34.79%	33.29%
Total Capital	818.35%	793.00%	968.63%	888.07%	718.20%	598.65%	518.05%	466.43%	436.90%	424.27%	425.25%
Total Liabilities & Equity	1263.09%	1228.85%	1471.41%	1391.67%	1148.97%	974.82%	853.30%	771.08%	719.02%	690.20%	680.17%

Prologis, Inc.*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	3.00%
CV Year ROIC	14.64%
WACC	8.75%
Cost of Equity	9.82%

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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DCF Model:

Free Cash Flow (FCF)	\$	(266.0)	\$	2,569.1	\$	4,111.3	\$	5,689.9	\$	7,311.6	\$	8,854.0	\$	10,320.6	
Continuing Value (CV)															\$ 196,114.5
PV of FCF	\$	(244.6)	\$	2,172.5	\$	3,196.9	\$	4,068.6	\$	4,807.7	\$	5,353.6	\$	5,738.4	\$ 109,042.7

Value of Operating Assets:	134135.6
Non-Operating Adjustments	
Excess Cash	242.0
Assets Held for Sale	531.3
Debt	-23876.0
Preferred Stock	-63.9
ESOP	-51.5
Noncontrolling Interest	-4625.8
Value of Equity	106291.6
Shares Outstanding	796.1
Intrinsic Value of Last FYE	\$ 133.52
Implied Price as of Today	\$ 134.32

EP Model:

Economic Profit (EP)	\$	(3,513.47)	\$	(2,858.30)	\$	(1,580.58)	\$	(147.44)	\$	1,384.43	\$	2,937.69	\$	4,411.79	
Continuing Value (CV)															\$ 99,308.83
PV of EP	\$	(3,230.88)	\$	(2,417.00)	\$	(1,229.05)	\$	(105.43)	\$	910.31	\$	1,776.27	\$	2,453.03	\$ 55,217.24

Total PV of EP	53374.5
Invested Capital (last FYE)	80761.1
Value of Operating Assets:	134135.6
Non-Operating Adjustments	
Excess Cash	242.0
Assets Held for Sale	531.3
Debt	-23876.0
Preferred Stock	-63.9
ESOP	-54.6
Noncontrolling Interest	-4625.8
Value of Equity	106288.5
Shares Outstanding	796.1
Intrinsic Value of Last FYE	\$ 133.52
Implied Price as of Today	\$ 134.31

Prologis, Inc.*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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EPS	\$	3.38	\$	4.08	\$	5.38	\$	7.17	\$	9.07	\$	11.00	\$	12.85	\$	14.50
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Key Assumptions

CV growth of EPS	3.00%
CV Year ROE	15.89%
Cost of Equity	9.82%

Future Cash Flows

P/E Multiple (CV Year)																	11.90
EPS (CV Year)																	\$ 14.50
Future Stock Price																	\$ 172.53
Dividends Per Share	\$	4.64	\$	5.01	\$	5.37	\$	5.74	\$	6.10	\$	6.44	\$	6.77			
Discounted Cash Flows	\$	4.27	\$	4.23	\$	4.18	\$	4.10	\$	4.01	\$	3.89	\$	3.76	\$		95.93

Intrinsic Value as of Last FYE	\$	124.37
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Implied Price as of Today	\$	125.11
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Prologis, Inc.
Relative Valuation Models

Ticker	Company	Price	EPS			P/E 22	P/E 23	P/E 24	FFO			P/FFO 22E	P/FFO 23	P/FFO 24
			2022E	2023E	2024E				2022E	2023E	2024E			
REXR	Rexford Industrial Realty	\$ 61.22	\$ 9.20	\$ 1.06	\$ 1.23	6.65	57.75	49.77	\$ 1.95	\$ 2.14	\$ 2.44	31.39	28.61	25.09
EGP	EastGroup Properties, Inc.	\$ 164.21	\$ 4.16	\$ 3.12	\$ 3.82	39.47	52.63	52.63	\$ 6.95	\$ 7.41	\$ 7.94	23.63	22.16	20.68
FR	First Industrial Realty Trust, Inc.	\$ 52.22	\$ 2.35	\$ 1.24	\$ 1.34	22.22	42.11	42.11	\$ 2.25	\$ 2.39	\$ 2.59	23.21	21.85	20.16
TRNO	Terreno Realty Corporation	\$ 62.54	\$ 2.13	\$ 1.25	\$ 1.33	29.36	50.03	50.03	\$ 1.98	\$ 2.15	\$ 2.29	31.59	29.09	27.31
Average						24.43	50.63	48.64				27.45	25.43	23.31

PLD	Prologis, Inc.	\$126.40	\$4.28	\$3.38	\$4.08	29.6	37.4	31.0	5.1	4.8	5.6	24.9	26.2	22.4
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Implied Relative Value:

P/E (EPS22)	\$ 104.43
P/E (EPS23)	\$ 207.93
P/E (EPS24)	\$ 198.29
P/FFO 2022E	\$ 139.23
P/FFO 2023E	\$ 122.81
P/FFO 2024E	\$ 131.56

Prologis, Inc.
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:		ASSUMPTIONS:
Risk-Free Rate	3.74%	20-Year U.S. Treasury Constant Maturity
Beta	1.18	52-week Beta
Equity Risk Premium	5.15%	Henry Fund Equity Risk Premium
Cost of Equity	9.82%	
Cost of Debt:		
Risk-Free Rate	3.74%	20-Year U.S. Treasury Constant Maturity
Implied Default Premium	0.78%	
Pre-Tax Cost of Debt	4.52%	YTM on company's 10-year corporate bond
Marginal Tax Rate	2%	
After-Tax Cost of Debt	4.42%	
Cost of Preferred Stock:		
Annual Pfd. Dividend	\$ 4.27	
Price of Pfd. Shares	\$ 57.00	
Cost of Preferred:	7.49%	

Market Value of Common Equity:		MV Weights
Total Shares Outstanding	785.67	
Current Stock Price	\$126.40	
MV of Equity	99,309.32	80.13%
Market Value of Debt:		
Short-Term Debt	0.00	
Lease Liabilities	638.81	
Long-Term Debt	23,875.96	
PV of Operating Leases	=	
MV of Total Debt	24,514.77	19.78%
Market Value of Preferred Stock:		
Total Shares Outstanding	2.00	
Price of Pfd. Shares	\$ 57.00	
MV of Preferred	114	0.09%
Market Value of the Firm	123,938.09	100.00%
Estimated WACC		8.75%

Prologis, Inc.
Sensitivity Tables

Risk-Free Rate	DCF		Beta						
	134.32	1.11	1.13	1.16	1.18	1.21	1.23	1.26	
	3.44%	155.13	150.89	146.82	142.90	139.12	135.49	131.98	
	3.54%	151.82	147.71	143.76	139.95	136.29	132.75	129.35	
	3.64%	148.62	144.63	140.79	137.09	133.53	130.10	126.78	
	3.74%	145.51	141.63	137.91	134.32	130.85	127.51	124.29	
	3.84%	142.49	138.73	135.11	131.62	128.25	125.00	121.86	
	3.94%	139.55	135.90	132.38	128.99	125.71	122.55	119.50	
	4.04%	136.71	133.16	129.74	126.44	123.25	120.17	117.19	

DCF		Pre-Tax Cost of Debt						
Dividend Yield	134.32	3.77%	4.02%	4.27%	4.52%	4.77%	5.02%	5.27%
	-0.40%	135.36	135.12	134.88	134.64	134.40	134.16	133.94
	0.60%	135.25	135.01	134.77	134.53	134.29	134.06	133.84
	1.60%	135.15	134.91	134.67	134.43	134.18	133.95	133.73
	2.60%	135.04	134.80	134.56	134.32	134.08	133.84	133.62
	3.60%	134.93	134.69	134.45	134.21	133.97	133.73	133.51
	4.60%	134.81	134.57	134.33	134.09	133.85	133.62	133.40
	5.60%	134.70	134.46	134.22	133.98	133.74	133.51	133.29

CV Growth of NOPLAT	DCF		WACC						
	134.32	7.32%	7.57%	7.82%	8.07%	8.32%	8.57%	8.82%	
	2.25%	181.06	169.28	158.59	148.83	139.89	131.68	124.10	
	2.50%	186.65	174.10	162.74	152.43	143.02	134.40	126.48	
	2.75%	192.85	179.41	167.31	156.37	146.43	137.35	129.04	
	3.00%	199.76	185.30	172.35	160.70	150.16	140.58	131.83	
	3.25%	207.53	191.87	177.94	165.47	154.25	144.10	134.87	
	3.50%	216.31	199.25	184.18	170.77	158.77	147.97	138.20	
	3.75%	226.33	207.60	191.19	176.69	163.79	152.25	141.85	

Strategic Capital Expenses as % of Revenue	DCF		Rental Expenses as % of Revenue						
	134.32	-22.17%	-23.17%	-24.17%	-25.17%	-26.17%	-27.17%	-28.17%	
	-31.93%	142.73	139.88	137.03	134.17	131.32	128.47	125.64	
	-32.93%	142.18	139.33	136.48	133.62	130.77	127.92	125.09	
	-33.93%	141.63	138.78	135.93	133.07	130.22	127.38	124.55	
	-34.93%	141.09	138.23	135.38	132.52	129.67	126.83	124.00	
	-35.03%	141.03	138.18	135.32	132.47	129.61	126.78	123.95	
	-35.13%	140.98	138.12	135.27	132.41	129.56	126.73	123.89	
	-35.23%	140.92	138.07	135.21	132.36	129.50	126.67	123.84	

Normal Cash %	DCF		Equity Risk Premium					
	134.32	0.04	0.05	0.05	0.05	0.05	0.06	0.06
	4.36%	163.40	153.29	144.05	135.59	127.80	120.62	113.97
	4.46%	163.38	153.27	144.04	135.57	127.79	120.60	113.96
	4.56%	163.37	153.25	144.02	135.56	127.77	120.59	113.94
	4.66%	163.35	153.24	144.01	135.54	127.76	120.58	113.93
	4.76%	163.34	153.22	143.99	135.53	127.74	120.56	113.91
	4.86%	163.32	153.21	143.98	135.51	127.73	120.55	113.90
	4.96%	163.31	153.19	143.96	135.50	127.72	120.53	113.89

Cost of Equity	DDM		Dividend Growth					
	125.11	7.75%	8.00%	8.25%	8.50%	8.75%	9.00%	9.25%
	9.52%	128.97	129.13	129.29	129.45	129.61	129.77	129.93
	9.62%	127.47	127.63	127.79	127.94	128.10	128.27	128.43
	9.72%	126.01	126.17	126.33	126.49	126.65	126.81	126.97
	9.82%	124.59	124.75	124.91	125.07	125.23	125.39	125.56
	9.92%	123.22	123.38	123.54	123.70	123.86	124.02	124.18
	10.02%	121.88	122.04	122.20	122.36	122.52	122.69	122.85
	10.12%	120.58	120.74	120.90	121.06	121.23	121.39	121.55

Prologis, Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31		2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Asset-Management Ratios:												
Capital Turnover	Revenue / TSE	0.12	0.13	0.10	0.11	0.14	0.17	0.19	0.21	0.23	0.24	0.24
PPE Turnover	Revenue / Net Investments	0.09	0.09	0.07	0.08	0.09	0.11	0.13	0.15	0.17	0.18	0.20
Financial Leverage Ratios:												
Debt Ratio	Debt / Assets	30.05%	30.29%	27.16%	29.42%	29.61%	29.59%	29.25%	28.60%	27.70%	26.63%	25.49%
Debt-to-Equity Ratio	Debt / Equity	46.38%	46.94%	41.26%	46.10%	47.38%	48.18%	48.18%	47.28%	45.59%	43.32%	40.77%
Interest Coverage Ratio	EBITDA / Int. Expense	7.15	6.49	6.14	5.45	4.61	4.03	4.00	3.93	3.83	3.69	3.53
Debt-to-EBITDA	Debt / EBITDA	11.20	9.04	10.18	9.76	8.62	8.73	8.77	8.70	8.52	8.23	7.87
Profitability Ratios:												
Return on Equity	NI / Beg. TSE	5.81%	8.08%	8.90%	4.65%	5.62%	7.40%	9.74%	11.98%	13.87%	15.20%	15.89%
Net Margin	NI / Total Rev.	34.13%	61.64%	56.23%	40.95%	40.01%	43.53%	48.85%	53.16%	56.68%	59.55%	61.91%
Return on Assets	NI / Total Assets	2.70%	5.02%	3.82%	2.94%	3.48%	4.47%	5.72%	6.89%	7.88%	8.63%	9.10%
Operating Margin	Operating Income / Total Rev.	47.74%	67.38%	58.05%	49.47%	51.41%	56.94%	61.11%	64.23%	66.54%	68.19%	69.32%
Rental Revenue Margin	Rental Rev. / Total Rev.	85.41%	87.15%	82.25%	83.80%	83.91%	83.97%	83.98%	83.95%	83.88%	83.78%	83.66%
Strategic Capital Margin	Statagic Cap Rev. / Total Rev.	14.35%	12.41%	17.40%	15.88%	15.83%	15.82%	15.84%	15.90%	15.98%	16.10%	16.24%
Payout Policy Ratios:												
Dividend Payout Ratio	(Dividend/EPS)	113.47%	63.51%	73.92%	137.27%	122.79%	99.98%	80.07%	67.20%	58.55%	52.67%	48.77%
Dividend Coverage	EPS / Dividends per Share	0.88	1.57	1.35	0.73	0.81	1.00	1.25	1.49	1.71	1.90	2.05
Dividend / FFO		72.88%	63.78%	62.31%	96.03%	88.70%	81.06%	71.35%	64.18%	58.97%	55.32%	52.97%