

Digital Realty reports second quarter 2022 results

July 28, 2022

AUSTIN, Texas, July 28, 2022 /PRNewswire/ -- **Digital Realty** (NYSE: DLR), the largest global provider of cloud- and carrier-neutral data center, colocation and interconnection solutions, announced today financial results for the second quarter of 2022. All per share results are presented on a fully diluted basis.



DIGITAL REALTY

Highlights

- Reported net income available to common stockholders of \$0.19 per share in 2Q22, compared to \$0.45 in 2Q21
- Reported FFO per share of \$1.55 in 2Q22, compared to \$1.78 in 2Q21
- Reported core FFO per share of \$1.72 in 2Q22, compared to \$1.54 in 2Q21
- Signed total bookings during 2Q22 expected to generate \$113 million of annualized GAAP rental revenue, including a \$12 million contribution from interconnection
- Updated 2022 core FFO per share outlook to \$6.75 - \$6.85; Reiterated 2022 constant-currency core FFO per share outlook of \$6.95 - \$7.05

Financial Results

Digital Realty reported revenues for the second quarter of 2022 of \$1.1 billion, a 1% increase from the previous quarter and a 4% increase from the same quarter last year.

The company delivered second quarter of 2022 net income of \$63.9 million, and net income available to common stockholders of \$53.2 million, or \$0.19 per diluted share, compared to \$0.22 per diluted share in the previous quarter and \$0.45 per diluted share in the same quarter last year.

Digital Realty generated second quarter of 2022 Adjusted EBITDA of \$611 million, a 1% increase from the previous quarter and a 1% increase over the same quarter last year.

The company reported second quarter of 2022 funds from operations of \$452 million, or \$1.55 per share, compared to \$1.60 per share in the previous quarter and \$1.78 per share in the same quarter last year.

Excluding certain items that do not represent core expenses or revenue streams, Digital Realty delivered second quarter of 2022 core FFO per share of \$1.72, compared to \$1.67 per share in the previous quarter, and \$1.54 per share in the same quarter last year.

Leasing Activity

In the second quarter, Digital Realty signed total bookings expected to generate \$113 million of annualized GAAP rental revenue, including a \$12 million contribution from interconnection.

"Demand for data center solutions continued to be strong through the second quarter, with healthy contributions from both hyperscale and enterprise segments," said Digital Realty Chief Executive Officer A. William Stein. "Customers are seeking to secure the capacity they require in advance of availability, as over half of our record development schedule is pre-leased, and tight conditions in many markets around the world are resulting in an improving pricing environment and rising occupancy."

The weighted-average lag between new leases signed during the second quarter of 2022 and the contractual commencement

date was thirteen months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$173 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the second quarter of 2022 rolled up 3.4% on a cash basis and up 5.3% on a GAAP basis.

New leases signed during the second quarter of 2022 are summarized by region as follows:

	Annualized GAAP				
	Base Rent (in thousands)	Square Feet	GAAP Base Rent per Square Foot	Megawatts	GAAP Base Rent per Kilowatt
The Americas					
0-1 MW	\$15,583	63,303	\$246	6.0	\$217
> 1 MW	15,537	137,937	113	14.1	92
Other ⁽¹⁾	1,566	63,467	25	—	—
Total	\$32,686	264,707	\$123	20.1	\$129
EMEA ⁽²⁾					
0-1 MW	\$18,301	71,568	\$256	6.4	\$238
> 1 MW	43,760	347,280	126	34.0	107
Other ⁽¹⁾	171	2,409	71	—	—
Total	\$62,232	421,257	\$148	40.4	\$128
Asia Pacific ⁽²⁾					
0-1 MW	\$1,544	8,591	\$180	0.4	\$322
> 1 MW	5,399	27,157	199	3.0	150
Other ⁽¹⁾	25	327	78	—	—
Total	\$6,968	36,075	\$193	3.4	\$170
All Regions ⁽²⁾					
0-1 MW	\$35,428	143,461	\$247	12.8	\$231
> 1 MW	64,695	512,374	126	51.1	105
Other ⁽¹⁾	1,763	66,203	27	—	—
Total	\$101,886	722,038	\$141	63.9	\$131
Interconnection	\$11,515	N/A	N/A	N/A	N/A
Grand Total	\$113,401	722,038	\$141	63.9	\$131

Note: Totals may not foot due to rounding differences.

(1) Other includes Powered Base Building® shell capacity as well as storage and office space within fully improved data center facilities.

(2) Based on quarterly average exchange rates during the three months ended June 30, 2022.

Investment Activity

During the second quarter, Digital Realty acquired an 8-acre parcel in Dublin for \$6 million, which can support up to 40 megawatts of IT load. Digital Realty also acquired 2.4 acres in Barcelona for \$11 million, which can support up to 15 megawatts of IT load. Lastly, Digital Realty acquired 34 acres in Frankfurt for \$60 million, which can support up to 70 megawatts of IT load.

Also during the second quarter, Digital Realty announced a joint venture with Mivne Real Estate (K.D.) (TASE: MVNE) for entry into the Israeli market. The joint venture, which will operate under the brand name Digital Realty Mivne, will serve as a strategic partnership between Digital Realty and Mivne, a market-leading real estate developer, owner and operator that has developed many large-scale projects across Israel and has an extensive land bank. Digital Realty Mivne expects to develop a multi-tenant data center campus in Petah Tikvah, the primary connectivity hub in Israel. The data center campus will support the development of up to 20 megawatts of IT load. Delivery of the initial phase is anticipated in 2023, subject to customer demand.

Subsequent to the close of the second quarter, Digital Realty acquired 38 acres in Paris for \$11 million and 9 acres in Stockholm for \$43 million.

Balance Sheet

Digital Realty had approximately \$14.3 billion of total debt outstanding as of June 30, 2022, comprised of \$14.1 billion of unsecured debt and approximately \$0.2 billion of secured debt. At the end of the second quarter of 2022, net debt-to-Adjusted EBITDA was 6.2x, debt-plus-preferred-to-total enterprise value was 28.5% and fixed charge coverage was 6.0x. Pro forma for settlement of the \$1 billion forward equity offering, net debt-to-adjusted EBITDA was 5.8x and fixed charge coverage was 6.2x.

During the second quarter of 2022, Digital Realty completed the following financing transactions:

- Amended its Global Senior Credit Agreement to increase the size from \$3.0 billion to \$3.75 billion.
- Entered into an at-the-market (ATM) equity offering agreement of up to \$1.5 billion. The prior program, which had \$577.6 million remaining, was terminated.

2022 Outlook

Digital Realty updated its 2022 core FFO per share outlook of \$6.75-\$6.85 and reiterated its 2022 constant-currency core FFO per share outlook of \$6.95 - \$7.05. The assumptions underlying the outlook are summarized in the following table.

	As of	As of	As of
Top-Line and Cost Structure	February 17, 2022	April 28, 2022	July 28, 2022
Total revenue	\$4.700 - \$4.800 billion	\$4.700 - \$4.800 billion	\$4.650 - \$4.750 billion
Net non-cash rent adjustments (1)	(\$35 - \$40 million)	(\$45 - \$50 million)	(\$50 - \$55 million)
Adjusted EBITDA	\$2.475 - \$2.525 billion	\$2.475 - \$2.525 billion	\$2.450 - \$2.500 billion
G&A	\$410 - \$420 million	\$410 - \$420 million	\$405 - \$415 million

Internal Growth

Rental rates on renewal leases

Cash basis	Flat	Slightly Positive	Slightly Positive
GAAP basis	Slightly positive	Up low-single-digits	Up low-single-digits
Year-end portfolio occupancy	83.0% - 84.0%	83.0% - 84.0%	83.0% - 84.0%
"Same-capital" cash NOI growth (2)	(2.5% - 3.5%)	(2.5% - 3.5%)	(3.5% - 4.5%)

Foreign Exchange Rates

U.S. Dollar / Pound Sterling	\$1.30 - \$1.38	\$1.25 - \$1.35	\$1.15 - \$1.25
U.S. Dollar / Euro	\$1.10 - \$1.15	\$1.05 - \$1.10	\$1.00 - \$1.05

External Growth

Dispositions

Dollar volume	\$0.5 - \$1.0 billion	\$0.5 - \$1.0 billion	\$0.5 - \$1.0 billion
Cap rate	0.0% - 10.0%	0.0% - 10.0%	0.0% - 10.0%

Development

CapEx (3)	\$2.3 - \$2.5 billion	\$2.3 - \$2.5 billion	\$2.2 - \$2.4 billion
Average stabilized yields	9.0% - 15.0%	9.0% - 15.0%	9.0% - 15.0%
Enhancements and other non-recurring CapEx (4)	\$5 - \$10 million	\$5 - \$10 million	\$5 - \$10 million
Recurring CapEx + capitalized leasing costs (5)	\$210 - \$220 million	\$200 - \$210 million	\$200 - \$210 million

Balance Sheet

Long-term debt issuance

Dollar amount	\$1.8 - \$2.0 billion	\$1.8 - \$2.0 billion	\$1.8 - \$2.0 billion
Pricing	1.5% - 2.0%	1.5% - 2.0%	2.0% - 2.5%
Timing	Early & Late 2022	Early & Late 2022	Early & Late 2022

Net income per diluted share	\$1.05 - \$1.10	\$1.05 - \$1.10	\$1.00 - \$1.05
Real estate depreciation and (gain) / loss on sale	\$5.35 - \$5.35	\$5.35 - \$5.35	\$5.35 - \$5.35
Funds From Operations / share (NAREIT-Defined)	\$6.40 - \$6.45	\$6.40 - \$6.45	\$6.35 - \$6.40
Non-core expenses and revenue streams	\$0.40 - \$0.45	\$0.40 - \$0.45	\$0.40 - \$0.45
Core Funds From Operations / share	\$6.80 - \$6.90	\$6.80 - \$6.90	\$6.75 - \$6.85
Foreign currency translation adjustments	\$0.10 - \$0.10	\$0.15 - \$0.15	\$0.20 - \$0.20
Constant-Currency Core Funds From Operations / share	\$6.90 - \$7.00	\$6.95 - \$7.05	\$6.95 - \$7.05

(1) Net non-cash rent adjustments represent the sum of straight-line rental revenue and straight-line rent expense, as well as the amortization of above- and below-market leases (i.e., ASC 805 adjustments).

(2) The "same-capital" pool includes properties owned as of December 31, 2020 with less than 5% of total rentable square feet under development. It excludes properties that were undergoing, or were expected to undergo, development activities in 2021-2022, properties classified as held for sale, and properties sold or contributed to joint ventures for all periods presented.

(3) Includes land acquisitions.

(4) Other non-recurring CapEx represents costs incurred to enhance the capacity or marketability of operating properties, such as network fiber initiatives and software development costs.

(5) Recurring CapEx represents non-incremental improvements required to maintain current revenues, including second-generation tenant improvements and leasing commissions.

Non-GAAP Financial Measures

This document contains non-GAAP financial measures, including FFO, core FFO and Adjusted EBITDA. A reconciliation from U.S. GAAP net income available to common stockholders to FFO, a reconciliation from FFO to core FFO, and definitions of FFO and core FFO are included as an attachment to this document. A reconciliation from U.S. GAAP net income available to common stockholders to Adjusted EBITDA, a definition of Adjusted EBITDA and definitions of net debt-to-Adjusted EBITDA, debt-plus-preferred-to-total enterprise value, cash NOI, and fixed charge coverage ratio are included as an attachment to this document.

Investor Conference Call

Prior to Digital Realty's investor conference call at 5:30 p.m. EDT / 2:30 p.m. PDT on July 28, 2022, a presentation will be posted to the Investors section of the company's website at <https://investor.digitalrealty.com/>. The presentation is designed to accompany the discussion of the company's second quarter 2022 financial results and operating performance. The conference call will feature Chief Executive Officer A. William Stein and President & Chief Financial Officer Andrew P. Power.

To participate in the live call, investors are invited to dial (888) 317-6003 (for domestic callers) or (412) 317-6061 (for international callers) and reference the conference ID# 6453950 at least five minutes prior to start time. A live webcast of the call will be available via the Investors section of Digital Realty's website at <https://investor.digitalrealty.com/>.

Telephone and webcast replays will be available after the call until August 28, 2022. The telephone replay can be accessed by dialing (877) 344-7529 (for domestic callers) or (412) 317-0088 (for international callers) and providing the conference ID# 1684177. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

Digital Realty brings companies and data together by delivering the full spectrum of data center, colocation and interconnection solutions. PlatformDIGITAL®, the company's global data center platform, provides customers with a secure data "meeting place" and a proven Pervasive Datacenter Architecture (PDx™) solution methodology for powering innovation and efficiently managing Data Gravity challenges. Digital Realty gives its customers access to the connected communities that matter to them with a global data center footprint of 290+ facilities in 50+ metros across 26 countries on six continents. To learn more about Digital Realty, please visit digitalrealty.com or follow us on [LinkedIn](#) and [Twitter](#).

Contact Information

Andrew P. Power
President & Chief Financial Officer
Digital Realty
(737) 281-0101

Jordan Sadler / Jim Huseby
Investor Relations
Digital Realty
(737) 281-0101

Consolidated Quarterly Statements of Operations Unaudited and Dollars in Thousands, Except Per Share Data

	Three Months Ended					Six Months Ended	
	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	30-Jun-22	30-Jun-21
Rental revenues	\$767,313	\$751,962	\$763,117	\$773,195	\$768,826	\$1,519,275	\$1,523,370
Tenant reimbursements - Utilities	218,198	224,547	195,340	189,060	169,743	442,745	354,716
Tenant reimbursements - Other	52,688	51,511	58,528	57,666	60,261	104,198	119,589
Interconnection & other	93,338	93,530	89,850	90,983	90,565	186,868	179,626
Fee income	5,072	5,757	4,133	3,255	3,628	10,829	6,054
Other	2,713	15	200	18,977	165	2,728	224
Total Operating Revenues	\$1,139,321	\$1,127,323	\$1,111,167	\$1,133,135	\$1,093,189	\$2,266,644	\$2,183,580
Utilities	\$223,426	\$241,239	\$213,933	\$209,585	\$185,010	\$464,665	\$361,057
Rental property operating	198,076	194,354	205,250	196,743	198,206	392,430	383,939
Property taxes	47,213	46,526	42,673	55,915	42,795	93,738	91,800
Insurance	3,836	3,698	3,507	4,718	5,703	7,534	9,201

Depreciation & amortization	376,967	382,132	378,883	369,035	368,981	759,099	738,714
General & administration	101,991	96,435	103,705	97,082	94,956	198,426	192,524
Severance, equity acceleration, and legal expenses	3,786	2,077	1,003	1,377	2,536	5,863	4,963
Transaction and integration expenses	13,586	11,968	12,427	13,804	7,075	25,554	21,195
Impairment of investments in real estate	—	—	18,291	—	—	—	—
Other expenses	70	7,657	(1)	510	2,298	7,727	2,041
Total Operating Expenses	\$968,950	\$986,087	\$979,669	\$948,770	\$907,561	\$1,955,037	\$1,805,433
Operating Income	\$170,371	\$141,236	\$131,498	\$184,365	\$185,627	\$311,607	\$378,146
Equity in earnings (loss) of unconsolidated joint ventures	(34,088)	60,958	(7,714)	40,884	52,143	26,870	29,112
Gain / (loss) on sale of investments	—	2,770	1,047,011	(635)	499	2,770	334,420
Interest and other income (expense), net	13,008	3,051	(4,349)	(2,947)	10,124	16,059	2,938
Interest (expense)	(69,023)	(66,725)	(71,762)	(71,417)	(75,014)	(135,748)	(150,667)
Income tax (expense)	(16,406)	(13,244)	(3,961)	(13,709)	(47,582)	(29,650)	(55,129)
Loss from early extinguishment of debt	—	(51,135)	(325)	—	—	(51,135)	(18,347)
Net Income	\$63,862	\$76,911	\$1,090,397	\$136,541	\$125,799	\$140,773	\$520,474
Net (income) attributable to noncontrolling interests	(436)	(3,629)	(22,587)	(2,266)	(4,544)	(4,065)	(13,298)
Net Income Attributable to Digital Realty Trust, Inc.	\$63,426	\$73,282	\$1,067,811	\$134,275	\$121,255	\$136,708	\$507,177
Preferred stock dividends, including undeclared dividends	(10,181)	(10,181)	(10,181)	(10,181)	(11,885)	(20,363)	(25,399)
Gain on / (Issuance costs associated with) redeemed preferred stock	—	—	—	—	18,000	—	18,000
Net Income Available to Common Stockholders	\$53,245	\$63,101	\$1,057,630	\$124,094	\$127,371	\$116,346	\$499,777
Weighted-average shares outstanding - basic	284,694,064	284,525,992	283,869,662	283,105,966	281,791,855	284,610,492	281,445,252
Weighted-average shares outstanding - diluted	285,109,903	285,025,099	284,868,184	283,799,538	282,433,857	284,979,709	282,075,611
Weighted-average fully diluted shares and units	290,944,163	290,662,421	290,893,110	290,228,785	289,484,805	290,716,197	289,218,609
Net income per share - basic	\$0.19	\$0.22	\$3.73	\$0.44	\$0.45	\$0.41	\$1.78

Severance, equity acceleration, and legal expenses (5)	3,786	2,077	1,003	1,377	2,536	5,863	4,963
(Gain) / Loss on FX revaluation	29,539	(67,676)	14,308	33,773	(51,649)	(38,137)	(17,577)
Other non-core expense adjustments	70	7,657	(1)	1,004	2,298	7,727	(16,942)
Core Funds From Operations - diluted	\$499,386	\$484,490	\$486,525	\$479,209	\$445,833	\$983,875	\$927,859
Weighted-average shares and units outstanding - diluted (3)	290,944	290,662	290,893	290,228	289,485	290,716	289,219
Core Funds From Operations per share - diluted (3)	\$1.72	\$1.67	\$1.67	\$1.65	\$1.54	\$3.38	\$3.21
(1) Real Estate Related Depreciation & Amortization	Three Months Ended					Six Months Ended	
	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	30-Jun-22	30-Jun-21
Depreciation & amortization per income statement	\$376,967	\$382,132	\$378,883	\$369,035	\$368,981	759,099	738,714
Non-real estate depreciation	(7,640)	(7,970)	(6,436)	(6,307)	(5,341)	(15,610)	(10,377)
Real Estate Related Depreciation & Amortization	\$369,327	\$374,162	\$372,447	\$362,728	\$363,640	\$743,489	\$728,336

(2) For the fourth quarter 2021, the gain pertains to the contribution of 10 operating data center properties to Digital Core REIT in connection with the listing of Digital Core REIT as a standalone public company traded on the Singapore Exchange in December 2021. For the third quarter 2021, the gain of \$64 million represents Digital Realty's share of a gain recognized by an unconsolidated joint venture from the sale of a portfolio of assets owned by the entity and is included in equity in earnings of unconsolidated joint ventures in our consolidated income statement.

(3) For all periods presented, we have excluded the effect of dilutive series C, series J, series K and series L preferred stock, as applicable, that may be converted into common stock upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series J, series K and series L preferred stock, as applicable, which we consider highly improbable, and the effect of the physical settlement of our September 2021 forward sales agreements. See above for calculations of diluted FFO and the share count detail section that follows the reconciliation of core FFO to AFFO for calculations of weighted average common stock and units outstanding. For definitions and discussion of FFO and core FFO, see the definitions section.

(4) Includes lease termination fees and certain other adjustments that are not core to our business. For the third quarter 2021, includes a \$19 million promote received related to a sale of portfolio of assets within an unconsolidated joint venture. The promote is included in Other revenue in our consolidated income statement.

(5) Relates to severance and other charges related to the departure of company executives and integration-related severance.

Adjusted Funds From Operations (AFFO)
Unaudited and in Thousands, Except Per Share Data

Reconciliation of Core FFO to AFFO	Three Months Ended					Six Months Ended	
	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	30-Jun-22	30-Jun-21
Core FFO available to common stockholders and unitholders	\$499,386	\$484,490	\$486,525	\$479,209	\$445,833	\$983,875	\$927,859
Adjustments:							

Non-real estate depreciation	7,640	7,970	6,436	6,307	5,341	15,610	10,377
Amortization of deferred financing costs	3,330	3,634	3,515	3,625	3,718	6,964	7,256
Amortization of debt discount/premium	1,193	1,214	1,107	1,138	1,166	2,407	2,300
Non-cash stock-based compensation expense	15,799	14,453	15,097	15,082	15,578	30,253	31,675
Straight-line rental revenue	(17,278)	(18,810)	(16,497)	(11,969)	(16,139)	(36,089)	(34,631)
Straight-line rental expense	(2,237)	4,168	5,753	7,862	7,175	1,931	13,884
Above- and below-market rent amortization	196	335	910	1,165	1,857	531	3,994
Deferred tax expense / (benefit)	(769)	(1,604)	(13,731)	2,112	35,522	(2,372)	31,013
Leasing compensation & internal lease commissions	9,411	13,261	9,564	11,142	11,078	22,672	22,120
Recurring capital expenditures (1)	(43,497)	(46,770)	(87,550)	(50,800)	(39,231)	(90,267)	(78,753)
AFFO available to common stockholders and unitholders (2)	\$473,173	\$462,341	\$411,130	\$464,872	\$471,899	\$935,514	\$937,095
Weighted-average shares and units outstanding - basic	290,528	290,163	289,895	289,542	288,843	290,346	288,588
Weighted-average shares and units outstanding - diluted (3)	290,944	290,662	290,893	290,228	289,485	290,716	289,219
AFFO per share - diluted (3)	\$1.63	\$1.59	\$1.41	\$1.60	\$1.63	\$3.22	\$3.24
Dividends per share and common unit	\$1.22	\$1.22	\$1.16	\$1.16	\$1.16	\$2.44	\$2.32
Diluted AFFO Payout Ratio	75.0 %	76.7 %	82.1 %	72.4 %	71.2 %	75.8 %	71.6 %
	Three Months Ended					Six Months Ended	
Share Count Detail	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	30-Jun-22	30-Jun-21
Weighted Average Common Stock and Units Outstanding	290,528	290,163	289,895	289,542	288,843	290,346	288,588
Add: Effect of dilutive securities	416	499	998	686	642	370	631
Weighted Avg. Common Stock and Units Outstanding - diluted	290,944	290,662	290,893	290,228	289,485	290,716	289,219

(1) Recurring capital expenditures represent non-incremental building improvements required to maintain current revenues, including second-generation tenant improvements and external leasing commissions. Recurring capital expenditures do not include acquisition costs contemplated when underwriting the purchase of a building, costs which are incurred to bring a building up to Digital Realty's operating standards, or internal leasing commissions.

- (2) For a definition and discussion of AFFO, see the definitions section. For a reconciliation of net income available to common stockholders to FFO and core FFO, see above.
- (3) For all periods presented, we have excluded the effect of dilutive series C, series J, series K and series L preferred stock, as applicable, that may be converted into common stock upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series C, series J, series K and series L preferred stock, as applicable, which we consider highly improbable, and the effect of the physical settlement of our September 2021 forward sales agreements. See above for calculations of diluted FFO available to common stockholders and unitholders and for calculations of weighted average common stock and units outstanding.

Consolidated Balance Sheets
Unaudited and in Thousands, Except Share and Per Share Data

	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21
Assets					
Investments in real estate:					
Real estate	\$24,065,933	\$23,769,712	\$23,625,451	\$23,384,809	\$23,287,853
Construction in progress	3,362,114	3,523,484	3,213,387	3,238,388	3,270,570
Land held for future development	37,460	107,003	133,683	118,091	143,575
Investments in real estate	\$27,465,507	\$27,400,199	\$26,972,522	\$26,741,289	\$26,701,998
Accumulated depreciation and amortization	(6,665,118)	(6,467,233)	(6,210,281)	(6,159,294)	(5,919,650)
Net Investments in Properties	\$20,800,389	\$20,932,966	\$20,762,241	\$20,581,995	\$20,782,348
Investment in unconsolidated joint ventures	1,942,549	2,044,074	1,807,689	1,292,325	1,119,026
Net Investments in Real Estate	\$22,742,937	\$22,977,040	\$22,569,930	\$21,874,320	\$21,901,374
Cash and cash equivalents	\$99,226	\$157,964	\$142,698	\$116,002	\$120,482
Accounts and other receivables (1)	797,208	774,579	671,721	610,416	630,086
Deferred rent	554,016	545,666	547,385	552,850	539,379
Customer relationship value, deferred leasing costs & other intangibles, net	2,521,390	2,640,795	2,735,486	2,871,622	2,956,027
Goodwill	7,545,107	7,802,440	7,937,440	8,062,914	8,185,931
Operating lease right-of-use assets	1,310,970	1,361,942	1,405,441	1,442,661	1,452,633
Other assets	385,202	420,119	359,459	316,863	365,308
Total Assets	\$35,956,057	\$36,680,546	\$36,369,560	\$35,847,648	\$36,151,220
Liabilities and Equity					
Global unsecured revolving credit facilities	\$1,440,040	\$943,325	\$398,172	\$832,322	\$1,026,368
Unsecured senior notes, net of discount	12,695,568	13,284,650	12,903,370	13,012,790	12,659,043
Secured debt and other, net of premiums	158,699	160,240	146,668	242,427	242,410

Operating lease liabilities	1,418,540	1,472,510	1,512,187	1,543,231	1,545,689
Accounts payable and other accrued liabilities	1,619,222	1,572,359	1,543,623	1,341,866	1,367,240
Deferred tax liabilities, net	611,582	649,112	666,451	725,955	742,127
Accrued dividends and distributions	—	—	338,729	—	—
Security deposits and prepaid rent	341,140	346,911	336,578	341,778	362,606
Total Liabilities	\$18,284,791	\$18,429,107	\$17,845,778	\$18,040,369	\$17,945,483
Redeemable non-controlling interests - operating partnership	41,047	42,734	46,995	40,920	41,490
Equity					
Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized:					
Series J Cumulative Redeemable Preferred Stock ⁽²⁾	\$193,540	\$193,540	\$193,540	\$193,540	\$193,540
Series K Cumulative Redeemable Preferred Stock ⁽³⁾	203,264	203,264	203,264	203,264	203,264
Series L Cumulative Redeemable Preferred Stock ⁽⁴⁾	334,886	334,886	334,886	334,886	334,886
Common Stock: \$0.01 par value per share, 392,000,000 shares authorized ⁽⁵⁾	2,824	2,824	2,824	2,818	2,806
Additional paid-in capital	21,091,364	21,069,391	21,075,863	21,010,202	20,844,834
Dividends in excess of earnings	(4,211,685)	(3,916,854)	(3,631,929)	(4,359,033)	(4,153,407)
Accumulated other comprehensive income (loss), net	(475,561)	(188,844)	(173,880)	(111,560)	31,733
Total Stockholders' Equity	\$17,138,632	\$17,698,207	\$18,004,568	\$17,274,117	\$17,457,656
Noncontrolling Interests					
Noncontrolling interest in operating partnership	\$432,213	\$444,029	\$425,337	\$459,918	\$513,897
Noncontrolling interest in consolidated joint ventures	59,374	66,470	46,882	32,324	192,694
Total Noncontrolling Interests	\$491,587	\$510,499	\$472,219	\$492,242	\$706,591
Total Equity	\$17,630,219	\$18,208,706	\$18,476,787	\$17,766,359	\$18,164,247
Total Liabilities and Equity	\$35,956,057	\$36,680,546	\$36,369,560	\$35,847,648	\$36,151,220

(1) Net of allowance for doubtful accounts of \$37,799 and \$28,574 as of June 30, 2022 and December 31, 2021, respectively.

(2) Series J Cumulative Redeemable Preferred Stock, 5.250%, \$200,000 and \$200,000 liquidation preference, respectively (\$25.00 per share), 8,000,000 and 8,000,000 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively.

- (3) Series K Cumulative Redeemable Preferred Stock, 5.850%, \$210,000 and \$210,000 liquidation preference, respectively (\$25.00 per share), 8,400,000 and 8,400,000 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively.
- (4) Series L Cumulative Redeemable Preferred Stock, 5.200%, \$345,000 and \$345,000 liquidation preference, respectively (\$25.00 per share), 13,800,000 and 13,800,000 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively.
- (5) Common Stock: 284,733,922 and 284,415,013 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively.

**Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization and Financial Ratios
Unaudited and Dollars in Thousands**

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) ⁽¹⁾	Three Months Ended				
	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21
Net Income Available to Common Stockholders	\$53,245	\$63,101	\$1,057,630	\$124,094	\$127,371
Interest	69,023	66,725	71,762	71,417	75,014
Loss from early extinguishment of debt	—	51,135	325	—	—
Income tax expense (benefit)	16,406	13,244	3,961	13,709	47,582
Depreciation & amortization	376,967	382,132	378,883	369,035	368,981
EBITDA	\$515,642	\$576,337	\$1,512,561	\$578,255	\$618,947
Unconsolidated JV real estate related depreciation & amortization	29,023	29,319	24,146	21,293	20,983
Unconsolidated JV interest expense and tax expense	6,708	21,111	15,222	11,008	15,523
Severance, equity acceleration, and legal expenses	3,786	2,077	1,003	1,377	2,536
Transaction and integration expenses	13,586	11,968	12,427	13,804	7,075
(Gain) / loss on sale of investments	—	(2,770)	(1,047,011)	635	(499)
Impairment of investments in real estate	—	—	18,291	—	—
Other non-core adjustments, net	31,633	(48,858)	14,307	(28,745)	(60,308)
Non-controlling interests	436	3,629	22,587	2,266	4,544
Preferred stock dividends, including undeclared dividends (Gain on) / Issuance costs associated with redeemed preferred stock	10,181	10,181	10,181	10,181	11,885
	—	—	—	—	(18,000)
Adjusted EBITDA	\$610,994	\$602,994	\$583,713	\$610,074	\$602,686

(1) For definitions and discussion of EBITDA and Adjusted EBITDA, see the definitions section.

Financial Ratios	Three Months Ended				
	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21

Total GAAP interest expense	\$69,023	\$66,725	\$71,762	\$71,417	\$75,014
Capitalized interest	14,131	14,751	15,328	15,142	11,558
Change in accrued interest and other non-cash amounts	(43,952)	52,324	(37,974)	17,820	(43,604)
Cash Interest Expense ⁽²⁾	\$39,202	\$133,800	\$49,116	\$104,379	\$42,968
Preferred dividends	10,181	10,181	10,181	10,181	11,885
Total Fixed Charges ⁽³⁾	\$93,335	\$91,657	\$97,271	\$96,740	\$98,457

Coverage

Interest coverage ratio ⁽⁴⁾	6.6x	6.1x	6.0x	6.5x	6.1x
Cash interest coverage ratio ⁽⁵⁾	12.6x	4.0x	9.8x	5.4x	10.9x
Fixed charge coverage ratio ⁽⁶⁾	6.0x	5.5x	5.4x	5.8x	5.4x
Cash fixed charge coverage ratio ⁽⁷⁾	10.4x	3.7x	8.3x	5.0x	9.0x

Leverage

Debt to total enterprise value ^{(8) (9)}	27.1 %	25.5 %	20.5 %	24.8 %	23.9 %
Debt plus preferred stock to total enterprise value ⁽¹⁰⁾	28.5 %	26.8 %	21.7 %	26.1 %	25.2 %
Pre-tax income to interest expense ⁽¹¹⁾	1.9x	2.2x	16.2x	2.9x	2.7x
Net Debt to Adjusted EBITDA ⁽¹²⁾	6.2x	6.3x	6.1x	6.0x	6.0x

(2) Cash interest expense is interest expense less amortization of debt discount and deferred financing fees and includes interest that we capitalized. We consider cash interest expense to be a useful measure of interest as it excludes non-cash based interest expense.

(3) Fixed charges consist of GAAP interest expense, capitalized interest, and preferred dividends.

(4) Adjusted EBITDA divided by GAAP interest expense plus capitalized interest (including our pro rata share of unconsolidated joint venture interest expense).

(5) Adjusted EBITDA divided by cash interest expense (including our pro rata share of unconsolidated joint venture interest expense).

(6) Adjusted EBITDA divided by fixed charges (including our pro rata share of unconsolidated joint venture fixed charges).

(7) Adjusted EBITDA divided by the sum of cash interest expense, and preferred dividends (including our pro rata share of unconsolidated joint venture cash fixed charges).

(8) Mortgage debt and other loans divided by market value of common equity plus debt plus preferred stock.

(9) Total enterprise value defined as market value of common equity plus debt plus preferred stock.

(10) Same as (8), except numerator includes preferred stock.

(11) Calculated as net income plus interest expense divided by GAAP interest expense.

(12) Calculated as total debt at balance sheet carrying value, plus capital lease obligations, plus Digital Realty's pro rata share of unconsolidated of joint venture debt, less cash and cash equivalents (including Digital Realty's pro rata share of unconsolidated joint venture cash) divided by the product of Adjusted EBITDA (including Digital Realty's pro rata share of unconsolidated joint venture EBITDA), multiplied by four.

Management Statements on Non-GAAP Measures Unaudited

Definitions

Funds From Operations (FFO) :

We calculate funds from operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or Nareit, in the Nareit Funds From Operations White Paper - 2018 Restatement. FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from real estate transactions, impairment of investment in real estate, real estate related depreciation and amortization (excluding amortization of deferred financing costs), unconsolidated JV real estate related depreciation & amortization, non-controlling interests in operating partnership and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions and after adjustments for unconsolidated partnerships and joint ventures, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our data centers that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our data centers, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to other REITs' FFO. FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Core Funds from Operations (Core FFO) :

We present core funds from operations, or core FFO, as a supplemental operating measure because, in excluding certain items that do not reflect core revenue or expense streams, it provides a performance measure that, when compared year over year, captures trends in our core business operating performance. We calculate core FFO by adding to or subtracting from FFO (i) other non-core revenue adjustments, (ii) transaction and integration expenses, (iii) loss from early extinguishment of debt, (iv) gain on / issuance costs associated with redeemed preferred stock, (v) severance, equity acceleration, and legal expenses, (vi) gain/loss on FX revaluation, and (vii) other non-core expense adjustments. Because certain of these adjustments have a real economic impact on our financial condition and results from operations, the utility of core FFO as a measure of our performance is limited. Other REITs may calculate core FFO differently than we do and accordingly, our core FFO may not be comparable to other REITs' core FFO. Core FFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

Adjusted Funds from Operations (AFFO) :

We present adjusted funds from operations, or AFFO, as a supplemental operating measure because, when compared year over year, it assesses our ability to fund dividend and distribution requirements from our operating activities. We also believe that, as a widely recognized measure of the operations of REITs, AFFO will be used by investors as a basis to assess our ability to fund dividend payments in comparison to other REITs, including on a per share and unit basis. We calculate AFFO by adding to or subtracting from core FFO (i) non-real estate depreciation, (ii) amortization of deferred financing costs, (iii) amortization of debt discount/premium, (iv) non-cash stock-based compensation expense, (v) straight-line rental revenue, (vi) straight-line rental expense, (vii) above- and below-market rent amortization, (viii) deferred tax expense / (benefit), (ix) leasing compensation and internal lease commissions, and (x) recurring capital expenditures. Other REITs may calculate AFFO differently than we do and, accordingly, our AFFO may not be comparable to other REITs' AFFO. AFFO should be considered only as a supplement to net income computed in accordance with GAAP as a measure of our performance.

EBITDA and Adjusted EBITDA :

We believe that earnings before interest, loss from early extinguishment of debt, income taxes, and depreciation and amortization, or EBITDA, and Adjusted EBITDA (as defined below), are useful supplemental performance measures because they allow investors to view our performance without the impact of non-cash depreciation and amortization or the cost of debt and, with respect to Adjusted EBITDA, unconsolidated joint venture real estate related depreciation & amortization, unconsolidated joint venture interest expense and tax, severance, equity acceleration, and legal expenses, transaction and integration expenses, gain on sale / deconsolidation, impairment of investments in real estate, other non-core adjustments, net, non-controlling interests, preferred stock dividends, including undeclared dividends, and issuance costs associated with redeemed preferred stock. Adjusted EBITDA is EBITDA excluding unconsolidated joint venture real estate related depreciation & amortization, unconsolidated joint venture interest expense and tax, severance, equity acceleration, and legal expenses, transaction and integration expenses, gain on sale / deconsolidation, impairment of investments in real estate, other non-core adjustments, net, non-controlling interests, preferred stock dividends, including undeclared dividends, and gain on / issuance costs associated with redeemed preferred stock. In addition, we believe EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of REITs. Because EBITDA and Adjusted EBITDA are calculated before recurring cash charges including interest expense and income taxes, exclude capitalized costs, such as leasing commissions, and are not adjusted for capital expenditures or other recurring cash requirements of our business, their utility as a measure of our performance is limited. Other REITs may calculate EBITDA and Adjusted EBITDA differently than we do and, accordingly, our EBITDA and Adjusted EBITDA

may not be comparable to other REITs' EBITDA and Adjusted EBITDA. Accordingly, EBITDA and Adjusted EBITDA should be considered only as supplements to net income computed in accordance with GAAP as a measure of our financial performance.

Net Operating Income (NOI) and Cash NOI :

Net operating income, or NOI, represents rental revenue, tenant reimbursement revenue and interconnection revenue less utilities expense, rental property operating expenses, property taxes and insurance expenses (as reflected in the statement of operations). NOI is commonly used by stockholders, company management and industry analysts as a measurement of operating performance of the company's rental portfolio. Cash NOI is NOI less straight-line rents and above- and below-market rent amortization. Cash NOI is commonly used by stockholders, company management and industry analysts as a measure of property operating performance on a cash basis. However, because NOI and cash NOI exclude depreciation and amortization and capture neither the changes in the value of our data centers that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our data centers, all of which have real economic effect and could materially impact our results from operations, the utility of NOI and cash NOI as measures of our performance is limited. Other REITs may calculate NOI and cash NOI differently than we do and, accordingly, our NOI and cash NOI may not be comparable to other REITs' NOI and cash NOI. NOI and cash NOI should be considered only as supplements to net income computed in accordance with GAAP as measures of our performance.

Additional Definitions

Net debt-to-Adjusted EBITDA ratio is calculated using total debt at balance sheet carrying value, plus capital lease obligations, plus our share of unconsolidated JV debt, less unrestricted cash and cash equivalents (including our share of unconsolidated JV cash) divided by the product of Adjusted EBITDA (inclusive of our share of unconsolidated JV EBITDA) multiplied by four.

Debt-plus-preferred-to-total enterprise value is mortgage debt and other loans plus preferred stock divided by mortgage debt and other loans plus the liquidation value of preferred stock and the market value of outstanding Digital Realty Trust, Inc. common stock and Digital Realty Trust, L.P. units, assuming the redemption of Digital Realty Trust, L.P. units for shares of Digital Realty Trust, Inc. common stock.

Fixed charge coverage ratio is Adjusted EBITDA divided by the sum of GAAP interest expense, capitalized interest, scheduled debt principal payments and preferred dividends. For the quarter ended June 30, 2022, GAAP interest expense was \$69 million, capitalized interest was \$14 million and scheduled debt principal payments and preferred dividends was \$10 million.

Reconciliation of Net Operating Income (NOI) (in thousands)	Three Months Ended			Six Months Ended	
	30-Jun-22	31-Mar-21	30-Jun-21	30-Jun-22	30-Jun-21
Operating income	\$170,371	\$141,236	\$185,627	\$311,607	\$378,146
Fee income	(5,072)	(5,757)	(3,628)	(10,829)	(6,054)
Other income	(2,713)	(15)	(165)	(2,728)	(224)
Depreciation and amortization	376,967	382,132	368,981	759,099	738,714
General and administrative	101,991	96,435	94,956	198,426	192,524
Severance, equity acceleration, and legal expenses	3,786	2,077	2,536	5,863	4,963
Transaction expenses	13,586	11,968	7,075	25,554	21,195
Other expenses	70	7,657	2,298	7,727	2,041
Net Operating Income	\$658,986	\$635,734	\$657,680	\$1,294,720	\$1,331,304

Cash Net Operating Income (Cash NOI)

Net Operating Income	\$658,986	\$635,734	\$657,680	\$1,294,720	\$1,331,304
Straight-line rental revenue	(14,105)	(6,530)	(17,127)	(20,635)	(35,734)
Straight-line rental expense	(2,609)	3,646	7,069	1,037	13,819
Above- and below-market rent amortization	196	335	1,857	531	3,994
Cash Net Operating Income	\$642,468	\$633,185	\$649,480	\$1,275,653	\$1,313,383

Forward-Looking Statements

This document contains forward-looking statements within the meaning of the federal securities laws, which are based on current expectations, forecasts and assumptions that involve risks and uncertainties that could cause actual outcomes and results to differ materially. Such forward-looking statements include statements relating to: our economic outlook, our expected investment and expansion activity, our expected physical settlement of the forward sale agreements and use of proceeds from any such settlement, our liquidity, our joint ventures, supply and demand for data center and colocation space, our acquisition and disposition activity, pricing and net effective leasing economics, market dynamics and data center fundamentals, our strategic priorities, our product offerings, available inventory rent from leases that have been signed but have not yet commenced and other contracted rent to be received in future periods, rental rates on future leases, lag between signing and commencement, cap rates and yields, investment activity, the company's FFO, core FFO and net income, 2022 outlook and underlying assumptions, information related to trends, our strategy and plans, leasing expectations, weighted average lease terms, the exercise of lease extensions, lease expirations, debt maturities, annualized rent at expiration of leases, the effect new leases and increases in rental rates will have on our rental revenue, our credit ratings, construction and development activity and plans, projected construction costs, estimated yields on investment, expected occupancy, expected square footage and IT load capacity upon completion of development projects, 2022 backlog NOI, NAV components, and other forward-looking financial data. Such statements are based on management's beliefs and assumptions made based on information currently available to management. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- reduced demand for data centers or decreases in information technology spending;
- increased competition or available supply of data center space;
- decreased rental rates, increased operating costs or increased vacancy rates;
- the suitability of our data centers and data center infrastructure, delays or disruptions in connectivity or availability of power, or failures or breaches of our physical and information security infrastructure or services;
- our dependence upon significant customers, bankruptcy or insolvency of a major customer or a significant number of smaller customers, or defaults on or non-renewal of leases by customers;
- our ability to attract and retain customers;
- breaches of our obligations or restrictions under our contracts with our customers;
- our inability to successfully develop and lease new properties and development space, and delays or unexpected costs in development of properties;
- the impact of current global and local economic, credit and market conditions;
- our inability to retain data center space that we lease or sublease from third parties;
- global supply chain or procurement disruptions, or increased supply chain costs;
- information security and data privacy breaches;
- difficulty managing an international business and acquiring or operating properties in foreign jurisdictions and unfamiliar metropolitan areas;
- our failure to realize the intended benefits from, or disruptions to our plans and operations or unknown or contingent liabilities related to, our recent acquisitions;
- our failure to successfully integrate and operate acquired or developed properties or businesses;
- difficulties in identifying properties to acquire and completing acquisitions;
- risks related to joint venture investments, including as a result of our lack of control of such investments;
- risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements;

- our failure to obtain necessary debt and equity financing, and our dependence on external sources of capital;
- financial market fluctuations and changes in foreign currency exchange rates;
- adverse economic or real estate developments in our industry or the industry sectors that we sell to, including risks relating to decreasing real estate valuations and impairment charges and goodwill and other intangible asset impairment charges;
- our inability to manage our growth effectively;
- losses in excess of our insurance coverage;
- our inability to attract and retain talent;
- impact on our operations and on the operations of our customers, suppliers and business partners during a pandemic, such as COVID-19;
- environmental liabilities, risks related to natural disasters and our inability to achieve our sustainability goals;
- our inability to comply with rules and regulations applicable to our company;
- Digital Realty Trust, Inc.'s failure to maintain its status as a REIT for federal income tax purposes;
- Digital Realty Trust, L.P.'s failure to qualify as a partnership for federal income tax purposes;
- restrictions on our ability to engage in certain business activities;
- changes in local, state, federal and international laws and regulations, including related to taxation, real estate and zoning laws, and increases in real property tax rates; and
- the impact of any financial, accounting, legal or regulatory issues or litigation that may affect us.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance. Several additional material risks are discussed in our annual report on Form 10-K for the year ended December 31, 2021 and other filings with the U.S. Securities and Exchange Commission. Those risks continue to be relevant to our performance and financial condition. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Digital Realty, Digital Realty Trust, the Digital Realty logo, Interxion, Turn-Key Flex, Powered Base Building, and PlatformDIGITAL, Data Gravity Index and Data Gravity Index DGx are registered trademarks and service marks of Digital Realty Trust, Inc. in the United States and/or other countries. All other names, trademarks and service marks are the property of their respective owners.

 View original content to download multimedia: <https://www.prnewswire.com/news-releases/digital-realty-reports-second-quarter-2022-results-301595729.html>

SOURCE Digital Realty