

Digital Realty Reports First Quarter 2019 Results

4/25/2019

SAN FRANCISCO, April 25, 2019 /PRNewswire/ -- **Digital Realty** (NYSE: DLR), a leading global provider of data center, colocation and interconnection solutions, announced today financial results for the first quarter of 2019. All per-share results are presented on a fully-diluted share and unit basis.

Highlights

- Reported net income available to common stockholders of \$0.46 per share in 1Q19, compared to \$0.42 in 1Q18
- Reported FFO per share of \$1.92 in 1Q19, compared to \$1.61 in 1Q18
- Reported core FFO per share of \$1.73 in 1Q19, compared to \$1.63 in 1Q18
- Signed total bookings during 1Q19 expected to generate \$50 million of annualized GAAP rental revenue, including \$9 million from Ascenty (at 100% share) and a \$7 million contribution from interconnection
- Reiterated 2019 core FFO per share outlook of \$6.60 - \$6.70

Financial Results

Digital Realty reported revenues for the first quarter of 2019 of \$815 million, a 5% increase from the previous quarter and a 9% increase from the same quarter last year.

The company delivered first quarter of 2019 net income of \$121 million, and net income available to common stockholders of \$96 million, or \$0.46 per diluted share, compared to \$0.15 per diluted share in the previous quarter and \$0.42 per diluted share in the same quarter last year.

Digital Realty generated first quarter of 2019 adjusted EBITDA of \$483 million, a 4% increase from the previous quarter and a 6% increase over the same quarter last year.

The company reported first quarter of 2019 funds from operations of \$417 million, or \$1.92 per share, compared to \$1.54 per share in the previous quarter and \$1.61 per share in the same quarter last year.

Excluding certain items that do not represent core expenses or revenue streams, Digital Realty delivered first quarter of 2019 core FFO per share of \$1.73, a 3% increase from \$1.68 per share in the previous quarter, and a 6% increase from \$1.63 per share in the same quarter last year.

Leasing Activity

"In the first quarter, we signed total bookings expected to generate \$50 million of annualized GAAP rental revenue, including \$9 million from Ascenty along with a \$7 million contribution from interconnection," said Chief Executive Officer A. William Stein. "We delivered solid execution against our strategic plan, extending our global platform, strengthening our balance sheet and capitalizing on our competitive advantages to capture robust and diverse enterprise demand across geographic regions. Given the resiliency of our business and our balance sheet, we believe we are well positioned to continue to deliver sustainable growth for customers, shareholders and employees, into the second half of 2019 and beyond."

The weighted-average lag between leases signed during the first quarter of 2019 and the contractual commencement date was two months.

In addition to new leases signed, Digital Realty also signed renewal leases representing \$116 million of annualized GAAP rental revenue during the quarter. Rental rates on renewal leases signed during the first quarter of 2019 rolled down 6.9% on a cash basis and up 7.1% on a GAAP basis.

New leases signed during the first quarter of 2019 are summarized by region and product type as follows:

	Annualized GAAP		GAAP Base Rent per Square Foot	Megawatts	GAAP Base Rent per Kilowatt
	Base Rent (in thousands)	Square Feet			
North America					
Turn-Key Flex	\$13,578	109,551	\$124	11.3	\$100
Powered Base Building	4,854	51,615	94	—	—
Colocation	5,322	22,743	234	1.7	261
Non-Technical	206	69,486	3	—	—

Total	\$23,960	253,395	\$95	13.0	\$121
Europe (1)					
Turn-Key Flex	\$5,168	34,461	\$150	3.2	\$136
Colocation	1,264	2,261	559	0.3	314
Non-Technical	32	369	86	—	—
Total	\$6,464	37,091	\$174	3.5	\$153
Asia Pacific (1)					
Turn-Key Flex	\$3,196	15,716	\$203	1.5	\$178
Non-Technical	83	1,646	50	—	—
Total	\$3,279	17,362	\$189	1.5	\$178
South America (1)	\$8,622	N/A	N/A	N/A	N/A
Interconnection	\$7,460	N/A	N/A	N/A	N/A
Grand Total	<u>\$49,785</u>	<u>307,848</u>	<u>\$109</u>	<u>18.0</u>	<u>\$132</u>

Note: Totals may not foot due to rounding differences.

(1) Based on quarterly average exchange rates during the three months ended March 31, 2019.

Investment Activity

During the first quarter of 2019, Digital Realty closed the previously announced joint venture with Brookfield Infrastructure, an affiliate of Brookfield Asset Management, one of the largest owners and operators of infrastructure assets globally. Brookfield invested approximately \$700 million in exchange for approximately 49% of the total equity interests in the joint venture which owns and operates Ascenty, the leading data center provider in Brazil.

During the first quarter of 2019, Digital Realty closed the previously announced 30-year ground lease with Jurong Town Council for two adjacent land parcels in Singapore totaling three acres for an upfront payment of approximately \$6 million. These parcels are located less than one block from the company's existing Loyang Way data center, and are expected to support the development of up to 40 megawatts of critical power. Commencement of development will be subject to market demand and delivery will be phased to meet future growth requirements upon build-out and lease-up of the company's existing Loyang Way data center.

As previously disclosed, MC Digital Realty, a 50/50 joint venture between Mitsubishi Corporation and Digital Realty, reached an agreement during the first quarter of 2019 to acquire a five-acre land parcel in Tokyo. The site is located at the center of the Inzai data center cluster, one of the highest-density areas in Japan with a well-established utility and connectivity infrastructure, and home to leading global cloud providers and financial institutions. Demolition of the existing structure on the site will begin immediately after closing and data center development is expected to commence in 2020, subject to planning approvals. The initial facility is expected to deliver up to 35.6 megawatts of total IT capacity. The Tokyo land parcel acquisition is expected to close later this year and is subject to customary closing conditions.

Digital Realty participated in Megaport's March 2019 equity offering, investing approximately \$2.6 million to maintain a 7.3% ownership stake.

Balance Sheet

Digital Realty had approximately \$10.3 billion of total debt outstanding as of March 31, 2019, comprised of \$10.2 billion of unsecured debt and approximately \$0.1 billion of secured debt. At the end of the first quarter of 2019, net debt-to-adjusted EBITDA was 5.5x, debt-plus-preferred-to-total enterprise value was 31.2% and fixed charge coverage was 3.6x. Pro forma for de-consolidation of the Ascenty joint venture with Brookfield and settlement of the \$1.1 billion forward equity offering, net debt-to-adjusted EBITDA was 5.1x and fixed charge coverage was 4.1x.

During the first quarter of 2019, Digital Realty closed an €850 million (approximately \$970 million) Euro-denominated green bond offering of seven-year senior unsecured notes at 2.500%. In February 2019, Digital Realty raised an additional €225 million (approximately \$256 million) of Euro-denominated green bonds due 2026.

During the first quarter of 2019, Digital Realty redeemed all of its outstanding 5.875% senior notes due 2020. Approximately 70% of the notes were purchased through a tender offer at a tender price of \$1,022.81 per \$1,000 principal amount, while the remaining 30% were redeemed through a call notice delivered in accordance with the terms of the indenture governing the notes.

During the first quarter of 2019, Digital Realty also issued £150 million (approximately \$200 million) of pounds

sterling-denominated 3.750% guaranteed notes due 2030 as additional notes under the indenture dated October 17, 2018, under which Digital Realty previously issued £400,000,000 (approximately \$530 million) of its 3.750% guaranteed notes due 2030.

Separately, Digital Realty closed an offering of 8,400,000 shares of 5.850% Series K Cumulative Redeemable Preferred Stock (including 400,000 shares from the partial exercise of the underwriters' over-allotment option) at a price of \$25.00 per share, generating gross proceeds of approximately \$210 million.

Subsequent to quarter-end, Digital Realty redeemed all 14.6 million shares of its 7.375% Series H Cumulative Redeemable Preferred Stock.

2019 Outlook

Digital Realty reiterated its 2019 core FFO per share outlook of \$6.60 - \$6.70. The assumptions underlying this guidance are summarized in the following table.

	As of	As of	As of
Top-Line and Cost Structure	January 8, 2019	February 5, 2019	April 25, 2019
Total revenue	\$3.2 - \$3.3 billion	\$3.2 - \$3.3 billion	\$3.2 - \$3.3 billion
Net non-cash rent adjustments (1)	(\$5 - \$15 million)	(\$5 - \$15 million)	(\$5 - \$15 million)
Adjusted EBITDA margin	57.0% - 59.0%	57.0% - 59.0%	57.0% - 59.0%
G&A margin	6.0% - 7.0%	6.0% - 7.0%	6.0% - 7.0%

Internal Growth

Rental rates on renewal leases

Cash basis	Down high-single-digits	Down high-single-digits	Down high-single-digits
GAAP basis	Slightly positive	Slightly positive	Slightly positive
Year-end portfolio occupancy	+/- 50 bps	+/- 50 bps	+/- 50 bps
"Same-capital" cash NOI growth (2)	+/- 2.0%	+/- 2.0%	-2.0% to -4.0%

Foreign Exchange Rates

U.S. Dollar / Pound Sterling	\$1.20 - \$1.30	\$1.20 - \$1.30	\$1.20 - \$1.30
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U.S. Dollar / Euro	\$1.10 - \$1.20	\$1.10 - \$1.20	\$1.10 - \$1.20
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External Growth

Development			
CapEx	\$1.2 - \$1.4 billion	\$1.2 - \$1.4 billion	\$1.2 - \$1.4 billion
Average stabilized yields	9.0% - 12.0%	9.0% - 12.0%	9.0% - 12.0%
Enhancements and other non-recurring CapEx (3)	\$30 - \$40 million	\$30 - \$40 million	\$30 - \$40 million
Recurring CapEx + capitalized leasing costs (4)	\$145 - \$155 million	\$145 - \$155 million	\$145 - \$155 million

Balance Sheet

Long-term debt issuance			
Dollar amount	\$0.5 - \$1.0 billion	\$1.0 - \$1.5 billion	\$1.5 - \$2.0 billion
Pricing	3.50% - 5.00%	2.50% - 5.00%	2.75% - 3.75%
Timing	Early-to-mid 2019	Early-to-mid 2019	Early-to-mid 2019

Net income per diluted share	\$1.40 - \$1.45	\$1.40 - \$1.45	\$1.65 - \$1.70
Real estate depreciation and (gain) / loss on sale	\$5.15 - \$5.15	\$5.15 - \$5.15	\$5.00 - \$5.10
Funds From Operations / share (NAREIT-Defined)	\$6.55 - \$6.60	\$6.55 - \$6.60	\$6.65 - \$6.80
Non-core expenses and revenue streams	\$0.05 - \$0.10	\$0.05 - \$0.10	(\$0.05 - \$0.10)
Core Funds From Operations / share	\$6.60 - \$6.70	\$6.60 - \$6.70	\$6.60 - \$6.70
Foreign currency translation adjustments	\$0.05 - \$0.15	\$0.05 - \$0.15	\$0.05 - \$0.15
Constant-Currency Core FFO / share	\$6.65 - \$6.85	\$6.65 - \$6.85	\$6.65 - \$6.85

- (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., FAS 141 adjustments).
- (2) The "same-capital" pool includes properties owned as of December 31, 2017 with less than 5% of total rentable square feet under development. It also excludes properties that were undergoing, or were expected to undergo, development activities in 2018-2019, properties classified as held for sale, and properties sold or contributed to joint ventures for all periods presented.
- (3) 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.

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

Non-GAAP Financial Measures

This press release 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 April 25, 2019, a presentation will be posted to the Investors section of the company's website at <http://investor.digitalrealty.com>. The presentation is designed to accompany the discussion of the company's first quarter of 2019 financial results and operating performance. The conference call will feature Chief Executive Officer A. William Stein and 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# 3463240 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 <http://investor.digitalrealty.com>.

Telephone and webcast replays will be available after the call until May 31, 2019. 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# 10129308. The webcast replay can be accessed on Digital Realty's website.

About Digital Realty

Digital Realty supports the data center, colocation and interconnection strategies of more than 2,300 firms across its secure, network-rich portfolio of data centers located throughout North America, Europe, Latin America, Asia and Australia. Digital Realty's clients include domestic and international companies of all sizes, ranging from cloud and information technology services, communications and social networking to financial services, manufacturing, energy, healthcare, and consumer products.

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Consolidated Quarterly Statements of Operations

Unaudited and in Thousands, Except Share and Per Share Data

Three Months Ended

	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Rental revenues	\$585,425	\$555,816	\$541,073	\$534,556	\$530,925
Tenant reimbursements - Utilities	102,569	102,641	105,822	100,084	98,576
Tenant reimbursements - Other	55,868	53,090	57,282	55,639	51,503
Interconnection & other	68,168	63,803	62,760	61,770	61,373
Fee income	1,921	2,896	1,469	2,343	1,133
Other	564	21	518	527	858
Total Operating Revenues	\$814,515	\$778,267	\$768,924	\$754,919	\$744,368
Utilities	\$124,334	\$122,108	\$127,239	\$115,470	\$112,230
Rental property operating	130,620	133,024	118,732	114,852	113,410
Property taxes	37,315	32,098	34,871	27,284	35,263
Insurance	2,991	2,412	2,653	2,606	3,731
Depreciation & amortization	311,486	299,362	293,957	298,788	294,789

General & administration	51,976	38,801	40,997	44,277	36,289
Severance, equity acceleration, and legal expenses	1,483	602	645	1,822	234
Transaction and integration expenses	2,494	25,917	9,626	5,606	4,178
Impairment of investments in real estate	5,351	—	—	—	—
Other expenses	4,922	1,096	1,139	152	431
Total Operating Expenses	\$672,972	\$655,420	\$629,859	\$610,857	\$600,555
Operating Income	\$141,543	\$122,847	\$139,065	\$144,062	\$143,813
Equity in earnings of unconsolidated joint venture	\$9,217	\$9,245	\$8,886	\$7,438	\$7,410
Gain on sale / deconsolidation	67,497	7	26,577	14,192	39,273
Interest and other income	21,444	1,106	(981)	3,398	(42)
Interest (expense)	(101,552)	(84,883)	(80,851)	(78,810)	(76,985)
Tax benefit (expense)	(4,266)	5,843	(2,432)	(2,121)	(3,374)
Loss from early extinguishment of debt	(12,886)	(1,568)	—	—	—
Net Income	\$120,997	\$52,597	\$90,264	\$88,159	\$110,095
Net income attributable to noncontrolling interests	(4,185)	(1,038)	(2,667)	(2,696)	(3,468)
Net Income Attributable to Digital Realty Trust, Inc.	\$116,812	\$51,559	\$87,597	\$85,463	\$106,627
Preferred stock dividends, including undeclared dividends	(20,943)	(20,329)	(20,329)	(20,329)	(20,329)
Net Income Available to Common Stockholders	\$95,869	\$31,230	\$67,268	\$65,134	\$86,298
Weighted-average shares outstanding - basic	207,809,383	206,345,138	206,118,472	205,956,005	205,714,173
Weighted-average shares outstanding - diluted	208,526,249	207,113,100	206,766,256	206,563,079	206,507,476
Weighted-average fully diluted shares and units	217,756,161	215,417,085	214,937,168	214,895,273	214,802,763
Net income per share - basic	\$0.46	\$0.15	\$0.33	\$0.32	\$0.42
Net income per share - diluted	\$0.46	\$0.15	\$0.33	\$0.32	\$0.42

Funds From Operations and Core Funds From Operations

Unaudited and in Thousands, Except Per Share Data

Reconciliation of Net Income to Funds From Operations (FFO)	Three Months Ended				
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Net Income Available to Common Stockholders	\$95,869	\$31,230	\$67,268	\$65,134	\$86,298
Adjustments:					
Non-controlling interests in operating partnership	4,300	1,300	2,700	2,700	3,480
Real estate related depreciation & amortization (1)	307,864	295,724	290,757	295,750	291,686
Unconsolidated JV real estate related depreciation & amortization	3,851	3,615	3,775	3,722	3,476
(Gain) on real estate transactions	—	(7)	(26,577)	(14,192)	(39,273)
Impairment of investments in real estate	5,351	—	—	—	—
Funds From Operations	\$417,235	\$331,862	\$337,923	\$353,114	\$345,667
Funds From Operations - diluted	\$417,235	\$331,862	\$337,923	\$353,114	\$345,667
Weighted-average shares and units outstanding - basic	217,039	214,649	214,289	214,288	214,009
Weighted-average shares and units outstanding - diluted (2)	217,756	215,417	214,937	214,895	214,803
Funds From Operations per share - basic	\$1.92	\$1.55	\$1.58	\$1.65	\$1.62
Funds From Operations per share - diluted (2)	\$1.92	\$1.54	\$1.57	\$1.64	\$1.61

Reconciliation of FFO to Core FFO	Three Months Ended				
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Funds From Operations - diluted	\$417,235	\$331,862	\$337,923	\$353,114	\$345,667

Adjustments:

Termination fees and other non-core revenues (3)	(14,445)	(21)	(518)	(3,663)	(858)
Transaction and integration expenses	2,494	25,917	9,626	5,606	4,178
Loss from early extinguishment of debt	12,886	1,568	—	—	—
Severance, equity acceleration, and legal expenses (4)	1,483	602	645	1,822	234
Loss on FX revaluation	9,604	—	—	—	—
Gain on contribution to unconsolidated joint venture, net of related tax	(58,497)	—	—	—	—
Other non-core expense adjustments	4,922	1,471	2,269	152	431
Core Funds From Operations - diluted	\$375,682	\$361,399	\$349,945	\$357,031	\$349,652
Weighted-average shares and units outstanding - diluted (2)	217,756	215,417	214,937	214,895	214,803
Core Funds From Operations per share - diluted (2)	\$1.73	\$1.68	\$1.63	\$1.66	\$1.63

(1) Real Estate Related Depreciation & Amortization:

Three Months Ended

	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Depreciation & amortization per income statement	\$311,486	\$299,362	\$293,957	\$298,788	\$294,789
Non-real estate depreciation	(3,622)	(3,638)	(3,200)	(3,038)	(3,103)
Real Estate Related Depreciation & Amortization	\$307,864	\$295,724	\$290,757	\$295,750	\$291,686

(2) For all periods presented, we have excluded the effect of dilutive series C, series G, series H, series I, series J, and series K 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 G, series H, series I, series J, and series K preferred stock, as applicable, which we consider highly improbable. See above for calculations of diluted FFO available to common stockholders and unitholders and the share count detail section of the reconciliation of core FFO to AFFO for calculations of weighted average common stock and units outstanding.

(3) Includes lease termination fees and certain other adjustments that are not core to our business.

(4) 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				
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Core FFO available to common stockholders and unitholders	\$375,682	\$361,399	\$349,945	\$357,031	\$349,652
Adjustments:					
Non-real estate depreciation	3,622	3,638	3,200	3,038	3,103
Amortization of deferred financing costs	4,493	3,128	3,066	2,953	3,060
Amortization of debt discount/premium	760	971	902	882	875
Non-cash stock-based compensation expense	7,592	5,609	5,823	8,419	5,497
Straight-line rental revenue	(15,979)	(11,157)	(10,511)	(8,489)	(10,266)
Straight-line rental expense	1,235	2,052	2,482	2,669	2,547
Above- and below-market rent amortization	6,210	6,521	6,552	6,794	6,666
Deferred tax expense	(15,397)	(8,835)	(1,783)	(1,137)	(216)
Leasing compensation & internal lease commissions (1)	3,581	(5,160)	(5,153)	(5,647)	(5,047)
Recurring capital expenditures (2)	(38,059)	(47,951)	(22,500)	(34,447)	(27,328)
AFFO available to common stockholders and unitholders (3)	\$333,740	\$310,215	\$332,023	\$332,066	\$328,543
Weighted-average shares and units outstanding - basic	217,039	214,649	214,289	214,288	214,009
Weighted-average shares and units outstanding - diluted (4)	217,756	215,417	214,937	214,895	214,803
AFFO per share - diluted (4)	\$1.53	\$1.44	\$1.54	\$1.55	\$1.53
Dividends per share and common unit	\$1.08	\$1.01	\$1.01	\$1.01	\$1.01
Diluted AFFO Payout Ratio	70.5 %	70.1 %	65.4 %	65.4 %	66.0 %

Share Count Detail	Three Months Ended				
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Weighted Average Common Stock and Units Outstanding	217,039	214,649	214,289	214,288	214,009
Add: Effect of dilutive securities	717	768	648	607	794
Weighted Avg. Common Stock and Units Outstanding - diluted	217,756	215,417	214,937	214,895	214,803

- (1) The company adopted ASC 842 in the first quarter of 2019.
- (2) 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.
- (3) 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.
- (4) For all periods presented, we have excluded the effect of dilutive series C, series G, series H, series I, series J, and series K 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 G, series H, series I, series J, and series K preferred stock, as applicable, which we consider highly improbable. 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

	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Assets					
Investments in real estate:					
Real estate	\$16,988,322	\$17,055,017	\$16,062,402	\$15,969,938	\$15,654,932

Construction in progress	1,584,327	1,621,927	1,464,010	1,323,998	1,470,065
Land held for future development	163,081	162,941	284,962	261,368	236,415
Investments in real estate	\$18,735,730	\$18,839,885	\$17,811,374	\$17,555,304	\$17,361,412
Accumulated depreciation and amortization	(4,124,002)	(3,935,267)	(3,755,596)	(3,588,124)	(3,439,050)
Net Investments in Properties	\$14,611,728	\$14,904,618	\$14,055,778	\$13,967,180	\$13,922,362
Investment in unconsolidated joint ventures	930,326	175,108	169,919	167,306	167,564
Net Investments in Real Estate	\$15,542,054	\$15,079,726	\$14,225,697	\$14,134,486	\$14,089,926
Cash and cash equivalents	\$123,879	\$126,700	\$46,242	\$17,589	\$22,370
Accounts and other receivables (1)	328,009	299,621	308,709	282,287	309,328
Deferred rent	479,640	463,248	454,412	445,766	442,887
Acquired in-place lease value, deferred leasing costs and other real estate intangibles, net	2,580,624	3,144,395	2,734,158	2,823,275	2,928,566
Acquired above-market leases, net	106,044	119,759	135,127	150,084	165,568
Goodwill	3,358,463	4,348,007	3,373,342	3,378,325	3,405,110
Restricted cash	10,130	8,522	8,068	9,443	7,330
Assets associated with real estate held for sale	—	—	—	—	41,707
Operating lease right-of-use assets (2)	660,586	—	—	—	—
Other assets	152,638	176,717	176,355	170,168	169,125
Total Assets	\$23,342,067	\$23,766,695	\$21,462,110	\$21,411,423	\$21,581,917

Liabilities and Equity

Global unsecured revolving credit facility	\$842,975	\$1,647,735	\$590,289	\$466,971	\$952,121
Unsecured term loans	807,726	1,178,904	1,352,969	1,376,784	1,428,498
Unsecured senior notes, net of discount	8,523,462	7,589,126	7,130,541	7,156,084	6,660,727
Secured debt, net of premiums	105,493	685,714	106,072	106,245	106,366
Operating lease liabilities (2)	725,470	—	—	—	—
Accounts payable and other accrued liabilities	922,571	1,164,509	1,059,355	1,031,794	1,012,490
Accrued dividends and distributions	—	217,241	—	—	—

Acquired below-market leases	192,667	200,113	208,202	216,520	225,674
Security deposits and prepaid rent	221,526	209,311	233,667	207,292	207,859
Liabilities associated with assets held for sale	—	—	—	—	1,767
Total Liabilities	\$12,341,890	\$12,892,653	\$10,681,095	\$10,561,690	\$10,595,502
Redeemable non-controlling interests - operating partnership	17,678	15,832	17,553	52,805	49,871

Equity

Preferred Stock: \$0.01 par value per share, 110,000,000 shares authorized:

Series C Cumulative Redeemable Preferred Stock (3)	\$219,250	\$219,250	\$219,250	\$219,250	\$219,250
Series G Cumulative Redeemable Preferred Stock (4)	241,468	241,468	241,468	241,468	241,468
Series H Cumulative Redeemable Preferred Stock (5)	353,290	353,290	353,290	353,290	353,290
Series I Cumulative Redeemable Preferred Stock (6)	242,012	242,012	242,012	242,012	242,012
Series J Cumulative Redeemable Preferred Stock (7)	193,540	193,540	193,540	193,540	193,540
Series K Cumulative Redeemable Preferred Stock (8)	203,423	—	—	—	—
Common Stock: \$0.01 par value per share, 310,000,000 shares authorized (9)	2,066	2,051	2,049	2,047	2,045
Additional paid-in capital	11,492,766	11,355,751	11,333,035	11,310,132	11,285,611
Dividends in excess of earnings	(2,767,708)	(2,633,071)	(2,455,189)	(2,314,291)	(2,177,269)
Accumulated other comprehensive (loss), net	(91,699)	(115,647)	(103,201)	(107,070)	(106,096)
Total Stockholders' Equity	\$10,088,408	\$9,858,644	\$10,026,254	\$10,140,378	\$10,253,851

Noncontrolling Interests

Noncontrolling interest in operating partnership	\$772,931	\$906,510	\$671,269	\$654,261	\$680,400
Noncontrolling interest in consolidated joint ventures	121,160	93,056	65,939	2,289	2,293
Total Noncontrolling Interests	\$894,091	\$999,566	\$737,208	\$656,550	\$682,693
Total Equity	\$10,982,499	\$10,858,210	\$10,763,462	\$10,796,928	\$10,936,544

Total Liabilities and Equity	\$23,342,067	\$23,766,695	\$21,462,110	\$21,411,423	\$21,581,917
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- (1) Net of allowance for doubtful accounts of \$16,910 and \$11,554, as of March 31, 2019 and December 31, 2018, respectively.
- (2) Adoption of the new lease accounting standard required that we adjust the consolidated balance sheet as of March 31, 2019, to include the recognition of additional right-of-use assets and lease liabilities for operating leases. See the filed Form 10-Q for additional information.
- (3) Series C Cumulative Redeemable Perpetual Preferred Stock, 6.625%, \$201,250 and \$201,250 liquidation preference, respectively (\$25.00 per share), 8,050,000 and 8,050,000 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.
- (4) Series G Cumulative Redeemable Preferred Stock, 5.875%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.
- (5) Series H Cumulative Redeemable Preferred Stock, 7.375%, \$365,000 and \$365,000 liquidation preference, respectively (\$25.00 per share), 14,600,000 and 14,600,000 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively. Redeemed April 1, 2019.
- (6) Series I Cumulative Redeemable Preferred Stock, 6.350%, \$250,000 and \$250,000 liquidation preference, respectively (\$25.00 per share), 10,000,000 and 10,000,000 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.
- (7) 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 March 31, 2019 and December 31, 2018, respectively.
- (8) Series K Cumulative Redeemable Preferred Stock, 5.850%, \$210,000 and \$0 liquidation preference, respectively (\$25.00 per share), 8,400,000 and 0 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.
- (9) Common Stock: 208,214,139 and 206,425,656 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization and Financial Ratios

Unaudited and in Thousands

Reconciliation of Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) (1)	Three Months Ended				
	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
Net Income Available to Common Stockholders	\$95,869	\$31,230	\$67,268	\$65,134	\$86,298
Interest	101,552	84,883	80,851	78,810	76,985

Loss from early extinguishment of debt	12,886	1,568	—	—	—
Tax (benefit) expense	4,266	(5,843)	2,432	2,121	3,374
Depreciation & amortization	311,486	299,362	293,957	298,788	294,789
EBITDA	\$526,059	\$411,200	\$444,508	\$444,853	\$461,446
Unconsolidated JV real estate related depreciation & amortization	3,851	3,615	3,775	3,722	3,476
Severance, equity acceleration, and legal expenses	1,483	602	645	1,822	234
Transaction and integration expenses	2,494	25,917	9,626	5,606	4,178
(Gain) on sale / deconsolidation	(67,497)	(7)	(26,577)	(14,192)	(39,273)
Impairment of investments in real estate	5,351	—	—	—	—
Other non-core adjustments, net	(13,806)	1,471	2,269	(2,984)	431
Non-controlling interests	4,185	1,038	2,667	2,696	3,468
Preferred stock dividends, including undeclared dividends	20,943	20,329	20,329	20,329	20,329
Adjusted EBITDA	\$483,063	\$464,165	\$457,242	\$461,852	\$454,289

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

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) termination fees and other non-core revenues, (ii) transaction and integration expenses, (iii) loss from early extinguishment of debt, (iv) severance, equity acceleration, and legal expenses, (v) loss on FX revaluation, (vi) gain on contribution to unconsolidated joint venture, net of related tax, 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, (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, severance, equity acceleration, and legal expenses, transaction and integration expenses, (gain) loss on real estate transactions, equity in earnings adjustment for non-core items, other non-core adjustments, net, noncontrolling 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, 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, and preferred stock dividends, including undeclared dividends. 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 JV debt, less unrestricted cash and cash equivalents divided by the product of Adjusted EBITDA (inclusive of our share of 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 March 31, 2019, GAAP interest expense was \$102 million, capitalized interest was \$11 million and scheduled debt principal payments and preferred dividends was \$21 million.

Reconciliation of Net Operating Income (NOI) (in thousands)	Three Months Ended		
	31-Mar-19	31-Dec-18	31-Mar-18
Operating income	\$141,543	\$122,847	\$143,813
Fee income	(1,921)	(2,896)	(1,133)
Other income	(564)	(21)	(858)
Depreciation and amortization	311,486	299,362	294,789
General and administrative	51,976	38,801	36,289
Severance, equity acceleration, and legal expenses	1,483	602	234
Transaction expenses	2,494	25,917	4,178
Impairment in investments in real estate	5,351	—	—
Other expenses	4,922	1,096	431
Net Operating Income	\$516,770	\$485,708	\$477,743

Cash Net Operating Income (Cash NOI)

Net Operating Income	\$516,770	\$485,708	\$477,743
Straight-line rental revenue	(15,979)	(11,157)	(10,266)
Straight-line rental expense	1,177	2,107	2,600
Above- and below-market rent amortization	6,210	6,521	6,666
Cash Net Operating Income	<u>\$508,178</u>	<u>\$483,179</u>	<u>\$476,743</u>

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: the Ascenty acquisition and related financings, the joint venture with Brookfield, expected physical settlement of the forward sale agreements and use of proceeds from any such settlement, our expected investment and expansion activity, 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, 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, 2019 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, 2019 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;
- decreased rental rates, increased operating costs or increased vacancy rates;
- increased competition or available supply of data center space;
- 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;
- 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;
- difficulty acquiring or operating properties in foreign jurisdictions;
- 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, including Ascenty;
- difficulties in identifying properties to acquire and completing acquisitions;
- risks related to joint venture investments (including the joint venture with Brookfield), 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;
- environmental liabilities and risks related to natural disasters;
- 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; and
- 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.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance. We discussed a number of additional material risks in our annual report on Form 10-K for the year ended December 31, 2018 and other filings with the 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, Turn-Key Flex and Powered Base Building are registered trademarks and service marks of Digital Realty Trust, Inc. in the United States and/or other countries.

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