

Prologis Reports Third Quarter 2023 Results

High-Quality Global Portfolio Continues to Drive Record Results

SAN FRANCISCO, Oct. 17, 2023 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported third quarter results for 2023.

Net earnings per diluted share was \$0.80 for the third quarter of 2023 compared with \$1.36 for the third quarter of 2022. Core funds from operations (Core FFO)* per diluted share was \$1.30 for the third quarter of 2023, compared with \$1.73 for the same period in 2022. Core FFO, excluding Net Promote Income* per diluted share for the third quarter of 2023 was \$1.33 compared with \$1.16 for the third quarter of 2022.

"Our results reflect strong execution by our team and the quality of our global portfolio," said Hamid R. Moghadam, co-founder and CEO, Prologis. "That said, until there is more stability in the economy, negative customer sentiment will weigh on demand. We remain focused on capturing our embedded lease mark-to-market, building out our land bank into a favorable future supply environment, and partnering with our customers to address their most critical pain points."

OPERATING PERFORMANCE

Owned & Managed	3Q23	Notes
Average Occupancy	97.1 %	
Leases Commenced	46.4MSF	42.3MSF operating portfolio and 4.1MSF development portfolio
Retention	76.8 %	

Prologis Share	3Q23	Notes
Cash Same Store NOI*	9.5 %	
Net Effective Rent Change	84.0 %	All-time high; Led by U.S. at 96.6%
Cash Rent Change	54.2 %	All-time high; Led by U.S. at 63.1%

DEPLOYMENT ACTIVITY

Prologis Share	3Q23
Acquisitions	\$66M
Weighted avg stabilized cap rate (excluding other real estate)	4.1 %
Development Stabilizations	\$456M
Estimated weighted avg yield	6.4 %
Estimated weighted avg margin	25.8 %
Estimated value creation	\$118M
% Build-to-suit	10.9 %
Development Starts	\$943M
Estimated weighted avg yield	7.4 %
Estimated weighted avg margin	28.1 %
Estimated value creation	\$265M
% Build-to-suit	72.6 %
Total Dispositions and Contributions	\$486M
Weighted avg stabilized cap rate (excluding land and other real estate)	4.6 %

BALANCE SHEET STRENGTH & LIQUIDITY

"We have worked hard and with discipline to build an industry-leading balance sheet, which we continue to manage prudently," said Timothy D. Arndt, chief financial officer, Prologis. "Incredibly, our balance sheet has only strengthened over the last year in terms of coverage and liquidity, something we're very proud of and allows us to be opportunistic amidst challenging markets."

During the third quarter, Prologis and its co-investment ventures issued an aggregate of \$1.4 billion of debt at a weighted average interest rate of 3.2%, and a weighted average term of 5.9 years.

At September 30, 2023, debt as a percentage of total market capitalization was 22.3%, and the company's weighted average interest rate on its share of total debt was 2.9%, with a weighted average term of 9.5 years. In addition, the company has no significant debt maturities until 2026.

FOREIGN CURRENCY STRATEGY

Prologis hedges its exposure to foreign currency fluctuations by borrowing in the currencies in which it invests and using derivative financial instruments. At September 30, 2023, 96% of Prologis' equity was in USD and forecasted earnings for 2023, 2024 and 2025 were 99%, 99% and 98%, respectively, in USD or hedged through derivative contracts.

PROLOGIS INVESTOR FORUM 2023

Join Prologis leaders for an Investor Forum at the New York Stock Exchange on Wednesday, December 13th. Prologis is at the forefront of one of the most complex and exciting transitions in history - driving innovation and partnering with customers to stay ahead of what's next. We invite you to hear from Prologis' senior management team as they take you inside our business and explore the opportunities shaping its future. [Register now](#) to attend live in New York or via online broadcast.

2023 GUIDANCE

Prologis' guidance for net earnings is included in the table below as well as guidance for Core FFO*, which are reconciled in our supplemental information.

2023 GUIDANCE

Earnings (per diluted share)	Previous	Revised	Change at M.P.
Net earnings attributable to common stockholders	\$3.30 to \$3.40	\$3.30 to \$3.35	\$(0.025)
Core FFO attributable to common stockholders/unitholders*	\$5.56 to \$5.60	\$5.58 to \$5.60	\$0.010
Core FFO attributable to common stockholders/unitholders, excluding Net Promote Income*	\$5.06 to \$5.10	\$5.08 to \$5.10	\$0.010

Operations

	Previous	Revised	Change at M.P.
Average occupancy	97.00% to 97.50%	97.25% to 97.50%	12.5 bps
Cash Same Store NOI* - PLD share	9.50% to 10.00%	9.75% to 10.00%	12.5 bps

Strategic Capital (in millions)

	Previous	Revised	Change at M.P.
Strategic Capital revenue, excluding promote revenue	\$520 to \$530	\$520 to \$530	-
Net Promote Income	\$475	\$475	-

G&A (in millions)

	Previous	Revised	Change at M.P.
General & administrative expenses	\$380 to \$390	\$390 to \$395	\$7.5

Capital Deployment - Prologis Share (in millions)

	Previous	Revised	Change at M.P.
Development stabilizations	\$2,600 to \$3,000	\$2,600 to \$3,000	-
Development starts	\$2,500 to \$3,000	\$3,000 to \$3,500	\$500
Acquisitions ¹	\$300 to \$600	\$500 to \$800	\$200
Contributions	\$1,250 to \$1,750	\$1,200 to \$1,300	\$(250)
Dispositions	\$800 to \$1,200	\$500 to \$1,000	\$(250)
Net sources/(uses) ¹	\$(750) to \$(650)	\$(1,800) to \$(2,000)	\$(1,200)
Realized development gains	\$300 to \$400	\$425 to \$475	\$100

* This is a non-GAAP financial measure. See the Notes and Definitions in our supplemental information for further explanation and a reconciliation to the most directly comparable GAAP measure.

¹ Excludes the \$3.1 billion portfolio acquisition which closed on June 29, 2023.

The earnings guidance described above includes potential gains recognized from real estate transactions but excludes any future or potential foreign currency or derivative gains or losses as our guidance assumes constant foreign currency rates. In reconciling from net earnings to Core FFO*, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, gains (losses) recognized from real estate transactions and early extinguishment of debt, impairment charges, deferred taxes and unrealized gains or losses on foreign currency or derivative activity. The difference between the company's Core FFO* and net earnings guidance for 2023 relates predominantly to these items. Please refer to our quarterly Supplemental Information, which is available on our Investor Relations website at <https://ir.prologis.com> and on the SEC's website at www.sec.gov for a definition of Core FFO* and other non-GAAP measures used by Prologis, along with reconciliations of these items to the closest GAAP measure for our results and guidance.

OCTOBER 17, 2023, CALL DETAILS

The call will take place on Tuesday, October 17, 2023, at 9:00 a.m. PT/12:00 p.m. ET. To access a live broadcast of the call, please dial +1 (877) 897-2615 (toll-free from the United States and Canada) or +1 (201) 689-8514 (from all other countries). A live webcast can be accessed from the Investor Relations section of www.prologis.com.

A telephonic replay will be available October 17 - October 31 at +1 (877) 660-6853 (from the United States and Canada) or +1 (201) 612-7415 (from all other countries) using access code 13741600. The webcast replay will be posted in the Investor Relations section of www.prologis.com under "Events & Presentations."

ABOUT PROLOGIS

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. At September 30, 2023, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.2 billion square feet (114 million square meters) in 19 countries. Prologis leases modern logistics facilities to a diverse base of approximately 6,700 customers principally across two major categories: business-to-business and retail/online fulfillment.

FORWARD-LOOKING STATEMENTS

The statements in this document that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," and "estimates" including variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to rent and occupancy growth, acquisition and development activity, contribution and disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to earn revenues from co-investment ventures, form new co-investment ventures and the availability of capital in existing or new co-investment ventures—are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and, therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) international, national, regional and local economic and political climates and conditions; (ii) changes in global financial markets, interest rates and foreign currency exchange rates; (iii) increased or unanticipated competition for our properties; (iv) risks associated with acquisitions, dispositions and development of properties, including the integration of the operations of significant real estate portfolios; (v) maintenance of Real Estate Investment Trust status, tax structuring and changes in income tax laws and rates; (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings; (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures; (viii) risks of doing business internationally, including currency risks; (ix) environmental uncertainties, including risks of natural disasters; (x) risks related to global pandemics; and (xi) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document except as may be required by law.

dollars in millions, except per share/unit data

	Three Months Ended September 30,		Nine Months Ended Septem	
	2023	2022	2023	
Rental and other revenues	\$ 1,778	\$ 1,156	\$ 5,063	\$
Strategic capital revenues	137	595	1,071	
Total revenues	1,915	1,751	6,134	
Net earnings attributable to common stockholders	746	1,014	2,424	
Core FFO attributable to common stockholders/unitholders*	1,238	1,328	4,132	
AFFO attributable to common stockholders/unitholders*	1,017	1,260	3,677	
Adjusted EBITDA attributable to common stockholders/unitholders*	1,619	1,610	5,324	
Estimated value creation from development stabilizations - Prologis Share	118	425	642	
Common stock dividends and common limited partnership unit distributions	829	605	2,485	
Per common share - diluted:				
Net earnings attributable to common stockholders	\$ 0.80	\$ 1.36	\$ 2.61	\$
Core FFO attributable to common stockholders/unitholders*	1.30	1.73	4.34	
Business line reporting:				
Real estate operations*	1.26	1.05	3.60	
Strategic capital*	0.04	0.68	0.74	
Core FFO attributable to common stockholders/unitholders*	1.30	1.73	4.34	
Realized development gains, net of taxes*	0.09	0.10	0.26	
Dividends and distributions per common share/unit	0.87	0.79	2.61	

*This is a non-GAAP financial measure. Please see our Notes and Definitions for further explanation.

in thousands

	September 30, 2023		June 30, 2023	
Assets:				
Investments in real estate properties:				
Operating properties	\$	73,866,759	\$	73,543,219
Development portfolio		4,420,246		4,219,758
Land		3,730,346		3,620,821
Other real estate investments		5,004,234		5,166,622
		87,021,585		86,550,420
Less accumulated depreciation		10,439,374		9,977,207
Net investments in real estate properties		76,582,211		76,573,213
Investments in and advances to unconsolidated entities		9,091,824		9,931,261
Assets held for sale or contribution		797,758		616,571
Net investments in real estate		86,471,793		87,121,045
Cash and cash equivalents		740,841		531,110
Other assets		4,736,775		4,739,886
Total assets	\$	91,949,409	\$	92,392,041
Liabilities and Equity:				
Liabilities:				
Debt	\$	27,578,197	\$	28,129,473
Accounts payable, accrued expenses and other liabilities		6,110,350		6,184,744
Total liabilities		33,688,547		34,314,217
Equity:				

Stockholders' equity	53,635,831	53,465,630
Noncontrolling interests	3,298,296	3,302,401
Noncontrolling interests - limited partnership unitholders	1,326,735	1,309,793
Total equity	58,260,862	58,077,824
Total liabilities and equity	\$ 91,949,409	\$ 92,392,041

in thousands, except per share amounts	Three Months Ended			N
	September 30,		2023	
	2023	2022	2023	
Revenues:				
Rental	\$ 1,777,359	\$ 1,151,846	\$ 5,062,583	\$
Strategic capital	136,848	594,752	1,070,584	
Development management and other	457	4,294	1,055	
Total revenues	1,914,664	1,750,892	6,134,222	
Expenses:				
Rental	416,076	284,707	1,216,568	
Strategic capital	84,069	130,555	306,684	
General and administrative	96,673	87,903	292,097	
Depreciation and amortization	642,010	401,450	1,846,545	
Other	12,342	7,004	31,686	
Total expenses	1,251,170	911,619	3,693,580	
Operating income before gains on real estate transactions, net	\$ 663,494	\$ 839,273	\$ 2,440,642	\$
Gains on dispositions of development properties and land, net	89,030	74,678	273,907	
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	129,584	1,019	158,392	
Operating income	\$ 882,108	\$ 914,970	\$ 2,872,941	\$
Other income (expense):				
Earnings from unconsolidated entities, net	71,365	84,925	217,786	
Interest expense	(181,053)	(63,884)	(466,882)	
Foreign currency and derivative gains and other income, net	67,964	171,832	102,682	
Gains (losses) on early extinguishment of debt, net	-	-	3,275	
Total other income (expense)	(41,724)	192,873	(143,139)	
Earnings before income taxes	840,384	1,107,843	2,729,802	
Current income tax expense	(36,702)	(32,512)	(142,705)	
Deferred income tax expense	(4,541)	(6,157)	(9,836)	
Consolidated net earnings	799,141	1,069,174	2,577,261	
Net earnings attributable to noncontrolling interests	(32,613)	(24,979)	(87,833)	
Net earnings attributable to noncontrolling interests - limited partnership units	(18,901)	(28,731)	(61,150)	
Net earnings attributable to controlling interests	747,627	1,015,464	2,428,278	
Preferred stock dividends	(1,453)	(1,531)	(4,381)	
Net earnings attributable to common stockholders	\$ 746,174	\$ 1,013,933	\$ 2,423,897	\$
Weighted average common shares outstanding - Diluted	951,908	766,372	951,643	
Net earnings per share attributable to common stockholders - Diluted	\$ 0.80	\$ 1.36	\$ 2.61	\$

in thousands	Three Months Ended			Nine
	September 30,		2023	
	2023	2022	2023	
Net earnings attributable to common stockholders	\$ 746,174	\$ 1,013,933	\$ 2,423,897	\$
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	629,402	388,953	1,810,781	
Gains on other dispositions of investments in real estate, net of taxes (excluding development properties and land)	(128,382)	(1,019)	(155,708)	
Reconciling items related to noncontrolling interests	(5,441)	(1,113)	(24,240)	
Our share of reconciling items related to unconsolidated co-investment ventures	98,632	79,633	301,544	
Our share of reconciling items related to other unconsolidated ventures	13,412	5,314	40,847	
NAREIT defined FFO attributable to common stockholders/unitholders*	\$ 1,353,797	\$ 1,485,701	\$ 4,397,121	\$
Add (deduct) FFO defined adjustments:				
Unrealized foreign currency and derivative gains, net	(36,624)	(76,140)	(26,027)	
Deferred income tax expense	4,541	6,157	9,836	
Current income tax expense on dispositions related to acquired tax liabilities	-	72	-	
Our share of reconciling items related to unconsolidated co-investment ventures	(111)	(15,599)	(6,095)	
FFO, as modified by Prologis attributable to common stockholders/unitholders*	\$ 1,321,603	\$ 1,400,191	\$ 4,374,835	\$
Add (deduct) Core FFO defined adjustments:				
Gains on dispositions of development properties and land, net	(89,030)	(74,678)	(273,907)	
Current income tax expense on dispositions	5,037	963	23,610	
Losses (gains) on early extinguishment of debt, net	-	-	(3,275)	
Reconciling items related to noncontrolling interests	27	-	9,359	
Our share of reconciling items related to unconsolidated co-investment ventures	409	1,226	1,780	
Our share of reconciling items related to other unconsolidated ventures	-	655	-	
Core FFO attributable to common stockholders/unitholders*	\$ 1,238,046	\$ 1,328,357	\$ 4,132,402	\$
Add (deduct) AFFO defined adjustments:				
Gains on dispositions of development properties and land, net	89,030	74,678	273,907	
Current income tax expense on dispositions	(5,037)	(963)	(23,610)	
Straight-lined rents and amortization of lease intangibles	(173,990)	(36,688)	(477,798)	
Property improvements	(82,720)	(61,747)	(156,520)	
Turnover costs	(102,957)	(86,697)	(271,011)	
Amortization of debt premium, financing costs and management contracts, net	20,090	3,264	56,912	
Stock compensation amortization expense	57,248	61,670	210,022	

Reconciling items related to noncontrolling interests		13,199		11,587		23,581
Our share of reconciling items related to unconsolidated entities		(35,948)		(33,668)		(90,798)
AFFO attributable to common stockholders/unitholders*	\$	1,016,961	\$	1,259,793	\$	3,677,087

*This is a non-GAAP financial measure. Please see our Notes and Definitions for further explanation.

in thousands	Three Months Ended		Nine Month	
	September 30,		September	
	2023	2022	2023	2022
Net earnings attributable to common stockholders	\$ 746,174	\$ 1,013,933	\$ 2,423,897	\$ 2,423,897
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	(129,584)	(1,019)	(158,392)	(158,392)
Depreciation and amortization expense	642,010	401,450	1,846,545	1,846,545
Interest charges	161,046	63,884	435,044	435,044
Current and deferred income tax expense, net	41,243	38,669	152,541	152,541
Net earnings attributable to noncontrolling interests - limited partnership units	18,901	28,731	61,150	61,150
Pro forma adjustments	(499)	6,756	33,406	33,406
Preferred stock dividends	1,453	1,531	4,381	4,381
Unrealized foreign currency and derivative gains, net	(36,624)	(76,140)	(26,027)	(26,027)
Stock compensation amortization expense	57,248	61,670	210,022	210,022
Losses (gains) on early extinguishment of debt, net	-	-	(3,275)	(3,275)
Reconciling items related to noncontrolling interests	(24,733)	(30,536)	(88,514)	(88,514)
Our share of reconciling items related to unconsolidated entities	142,022	101,228	433,504	433,504
Adjusted EBITDA attributable to common stockholders/unitholders*	\$ 1,618,657	\$ 1,610,157	\$ 5,324,282	\$ 5,324,282

*This is a non-GAAP financial measure. Please see our Notes and Definitions for further explanation.

Adjusted EBITDA. We use Adjusted EBITDA attributable to common stockholders/unitholders ("Adjusted EBITDA"), a non-GAAP financial measure, as a measure of our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net earnings.

We calculate Adjusted EBITDA by beginning with consolidated net earnings attributable to common stockholders and removing the effect of: interest charges, income taxes, depreciation and amortization, impairment charges, gains or losses from the disposition of investments in real estate (excluding development properties and land), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other items, such as, amortization of stock based compensation and unrealized gains or losses on foreign currency and derivatives. We also include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire or stabilize during the quarter and to remove NOI on properties we dispose of during the quarter, assuming all transactions occurred at the beginning of the quarter. The pro forma adjustment also includes economic ownership changes in our ventures to reflect the full quarter at the new ownership percentage.

We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view our operating performance, analyze our ability to meet interest payment obligations and make quarterly preferred stock dividends on an unleveraged basis before the effects of income tax, depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. While all items are not infrequent or unusual in nature, these items may result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

We calculate our Adjusted EBITDA, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our Adjusted EBITDA measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our Adjusted EBITDA measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

While we believe Adjusted EBITDA is an important measure, it should not be used alone because it excludes significant components of net earnings, such as our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements, contractual commitments or interest and principal payments on our outstanding debt and is therefore limited as an analytical tool.

Our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies in both the real estate industry and other industries. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation to Adjusted EBITDA from consolidated net earnings attributable to common stockholders.

Business Line Reporting is a non-GAAP financial measure. Core FFO and development gains are generated by our three lines of business: (i) real estate operations; (ii) strategic capital; and (iii) development. The real estate operations line of business represents total Prologis Core FFO, less the amount allocated to the strategic capital line of business. The amount of Core FFO allocated to the strategic capital line of business represents the third-party share of asset management fees and transactional fees that we earn from our consolidated and unconsolidated co-investment ventures less costs directly associated with our strategic capital group and Net Promote Income. Realized development gains include our share of gains on dispositions of development properties and land, net of taxes. To calculate the per share amount, the amount generated by each line of business is divided by the weighted average diluted common shares outstanding used in our Core FFO per share calculation. Management believes evaluating our results by line of business is a useful supplemental measure of our operating performance because it helps the investing public compare the operating performance of Prologis' respective businesses to other companies' comparable businesses. Prologis' computation of FFO by line of business may not be comparable to that reported by other real estate companies as they may use different methodologies in computing such measures.

Calculation of Per Share Amounts

in thousands, except per share amount	Three Months Ended		Nine Months	
	Sept. 30,		Sept.	
	2023	2022	2023	2022
Net earnings				
Net earnings attributable to common stockholders	\$ 746,174	\$ 1,013,933	\$ 2,423,897	\$ 2,423,897
Noncontrolling interest attributable to exchangeable limited partnership units	19,054	28,792	61,497	61,497
Adjusted net earnings attributable to common stockholders - Diluted	\$ 765,228	\$ 1,042,725	\$ 2,485,394	\$ 2,485,394
Weighted average common shares outstanding - Basic	924,395	740,719	924,228	740,719
Incremental weighted average effect on exchange of limited partnership units	23,627	21,230	23,615	21,230
Incremental weighted average effect of equity awards	3,886	4,423	3,800	4,423
Weighted average common shares outstanding - Diluted	\$ 951,908	766,372	951,643	766,372
Net earnings per share - Basic	\$ 0.81	\$ 1.37	\$ 2.62	\$ 3.27
Net earnings per share - Diluted	\$ 0.80	\$ 1.36	\$ 2.61	\$ 3.24

in thousands, except per share amount	Three Months Ended		Nine Months	
	Sept. 30,		Sept.	
	2023	2022	2023	2022
Core FFO				
Core FFO attributable to common stockholders/unitholders	\$ 1,238,046	\$ 1,328,357	\$ 4,132,402	\$ 4,132,402
Noncontrolling interest attributable to exchangeable limited partnership units	1,000	1,000	3,000	3,000

partnership units	239	153	592	
Core FFO attributable to common stockholders/ unitholders - Diluted	\$ 1,238,285	\$ 1,328,510	\$ 4,132,994	\$ 3,014
Net Promote Income	(30,720)	440,133	505,345	4
Core FFO attributable to common stockholders/ unitholders, excluding Net Promote Income - Diluted	\$ 1,269,005	\$ 888,377	\$ 3,627,649	\$ 2,517
Weighted average common shares outstanding - Basic	924,395	740,719	924,228	7
Incremental weighted average effect on exchange of limited partnership units	23,627	21,230	23,615	
Incremental weighted average effect of equity awards	3,886	4,423	3,800	
Weighted average common shares outstanding - Diluted	951,908	766,372	951,643	7
Core FFO per share - Diluted	\$ 1.30	\$ 1.73	\$ 4.34	\$
Core FFO per share, excluding Net Promote Income - Diluted	\$ 1.33	\$ 1.16	\$ 3.81	\$

Development Portfolio

includes industrial and non-industrial properties, yards and parking lots that are under development and properties that are developed but have not met Stabilization. At September 30, 2023, total TEI for yards, parking lots and non-industrial assets was \$842.7 million and \$811.8 million on an Owned and Managed and Prologis Share basis, respectively. We do not disclose square footage for yards and parking lots.

Estimated Build Out (TEI and sq ft) represents the estimated TEI and finished square feet available for lease upon completion of an industrial building on existing parcels of land.

Estimated Value Creation represents the value that we expect to create through our development and leasing activities. We calculate Estimated Value Creation by estimating the Stabilized NOI that the property will generate and applying a stabilized capitalization rate applicable to that property. Estimated Value Creation is calculated as the amount by which the value exceeds our TEI and does not include any fees or promotes we may earn.

Estimated Weighted Average Margin is calculated on development properties as Estimated Value Creation, less estimated closing costs and taxes, if any, on properties expected to be sold or contributed, divided by TEI.

Estimated Weighted Average Stabilized Yield is calculated on the properties in the Development Portfolio as Stabilized NOI divided by TEI. The yields on a Prologis Share basis were as follows:

	Pre-Stabilized Developments	2023 Expected Completion	2024 and Thereafter Expected Completion	Total Development Portfolio
U.S.	6.2 %	5.6 %	6.8 %	6.4 %
Other Americas	6.9 %	7.5 %	8.1 %	7.9 %
Europe	5.6 %	5.5 %	6.5 %	5.8 %
Asia	5.0 %	5.7 %	5.0 %	5.2 %
Total	6.0 %	5.8 %	6.8 %	6.3 %

FFO, as modified by Prologis attributable to common stockholders/unitholders ("FFO, as modified by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO attributable to common stockholders/unitholders ("AFFO"); (collectively referred to as "FFO"). FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as earnings computed under GAAP to exclude historical cost depreciation and gains and losses from sales net of any related tax, along with impairment charges, of previously depreciated properties. We also exclude the gains on revaluation of equity investments upon acquisition of a controlling interest and the gain recognized from a partial sale of our investment, as these are similar to gains from the sales of previously depreciated properties. We exclude similar adjustments from our unconsolidated entities and the third parties' share of our consolidated co-investment ventures.

Our FFO Measures

Our FFO measures begin with NAREIT's definition and we make certain adjustments to reflect our business and the way that management plans and executes our business strategy. While not infrequent or unusual, the additional items we adjust for in calculating *FFO, as modified by Prologis*, *Core FFO* and *AFFO*, as defined below, are subject to significant fluctuations from period to period. Although these items may have a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term. These items have both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We calculate our FFO measures, as defined below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

These FFO measures are used by management as supplemental financial measures of operating performance and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

We analyze our operating performance principally by the rental revenues of our real estate and the revenues from our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities.

FFO, as modified by Prologis

To arrive at *FFO, as modified by Prologis*, we adjust the NAREIT defined FFO measure to exclude the impact of foreign currency related items and deferred tax, specifically:

- deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
- current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;
- foreign currency exchange gains and losses resulting from (a) debt transactions between us and our foreign entities, (b) third-party debt that is used to hedge our investment in foreign entities, (c) derivative financial instruments related to any such debt transactions, and (d) mark-to-market adjustments associated with other derivative financial instruments.

We use *FFO, as modified by Prologis*, so that management, analysts and investors are able to evaluate our performance against other REITs that do not have similar operations or operations in jurisdictions outside the U.S.

Core FFO

In addition to *FFO, as modified by Prologis*, we also use Core FFO. To arrive at *Core FFO*, we adjust *FFO, as modified by Prologis*, to exclude the following recurring and nonrecurring items that we recognize directly in *FFO, as modified by Prologis*:

- gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;
- income tax expense related to the sale of investments in real estate;
- impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
- gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and
- expenses related to natural disasters.

We use Core FFO, including by segment and region, to: (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; (v) provide guidance to the financial markets to understand our expected operating performance; and (vi) evaluate how a

specific potential investment will impact our future results.

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties, net of current tax expense, and recurring capital expenditures and exclude the following items that we recognize directly in Core FFO:

- (i) straight-line rents;
- (ii) amortization of above- and below-market lease intangibles;
- (iii) amortization of management contracts;
- amortization of debt premiums and discounts and financing costs, net of amounts capitalized,
- (iv) and;
- (v) stock compensation amortization expense.

We use AFFO to (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; and (v) evaluate how a specific potential investment will impact our future results.

Limitations on the use of our FFO measures

While we believe our modified FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as an analytical tool. Accordingly, these are only a few of the many measures we use when analyzing our business. Some of the limitations are:

- The current income tax expenses that are excluded from our modified FFO measures represent the taxes that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Furthermore, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of logistics facilities are not reflected in FFO.
- Gains or losses from property dispositions and impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our modified FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our modified FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our modified FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The gains and losses on extinguishment of debt or preferred stock that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our obligation at less or more than our future obligation.
- The natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. This information should be read with our complete Consolidated Financial Statements prepared under GAAP. To assist investors in compensating for these limitations, we reconcile our modified FFO measures to our net earnings computed under GAAP.

Guidance. The following is a reconciliation of our annual guided Net Earnings per share to our guided Core FFO per share:

	Low	High
Net earnings attributable to common stockholders (a)	\$ 3.30	\$ 3.35
Our share of:		
Depreciation and amortization	2.86	2.88
Net gains on real estate transactions, net of taxes	(0.60)	(0.65)
Unrealized foreign currency losses (gains), losses (gains) on early extinguishment of debt and other, net	0.02	0.02
Core FFO attributable to common stockholders/unitholders	\$ 5.58	\$ 5.60

(a) Earnings guidance includes potential future gains recognized from real estate transactions, but excludes future foreign currency or derivative gains or losses as these items are difficult to predict.

Market Capitalization equals Market Equity, less liquidation preference of the preferred shares/units, plus our share of total debt.

Market Equity equals outstanding shares of common stock and units multiplied by the closing stock price plus the liquidation preference of the preferred shares/units.

Net Promote Income is promote revenue earned from third-party investors during the period, net of related cash and stock compensation expenses, and taxes and foreign currency derivative gains and losses, if applicable.

Operating Portfolio represents industrial properties in our Owned and Managed portfolio that have reached Stabilization. Assets held for sale, Non-Strategic Assets and non-industrial assets are excluded from the portfolio. Prologis Share of NOI excludes termination fees and adjustments and includes NOI for the properties contributed to or acquired from co-investment ventures at our actual share prior to and subsequent to change in ownership.

Owned and Managed represents the consolidated properties as well as properties owned by our unconsolidated co-investment ventures, which we manage.

Prologis Share represents our proportionate economic ownership of each entity, or property included in our total Owned and Managed portfolio, whether consolidated or unconsolidated.

Rent Change (Cash) represents the percentage change in starting rental rates per the lease agreement, on new and renewed leases, commenced during the period compared with the previous ending rental rates in that same space. This measure excludes any short-term leases of less than one-year, holdover payments, free rent periods and introductory (teaser rates) defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the percentage change in net effective rental rates (average rate over the lease term), on new and renewed leases, commenced during the period compared with the previous net effective rental rates in that same space. This measure excludes any short-term leases of less than one year and holdover payments.

Retention is the square footage of all leases commenced during the period that are rented by existing tenants divided by the square footage of all expiring and in-place leases during the reporting period. The square footage of tenants that default or buy-out prior to expiration of their lease and short-term leases of less than one year, are not included in the calculation.

Same Store. Our same store metrics are non-GAAP financial measures, which are commonly used in the real estate industry and expected from the financial community, on both a net effective and cash basis. We evaluate the performance of the operating properties we own and manage using a "same store" analysis because the population of properties in this analysis is consistent from period to period, which allows us and investors to analyze our ongoing business operations. We determine our same store metrics on property NOI, which is calculated as rental revenue less rental expense for the applicable properties in the same store population for both consolidated and unconsolidated properties based on our ownership interest, as further defined below.

We define our same store population for the three months ended September 30, 2023 as the properties in our Owned and Managed Operating Portfolio, including the property NOI for both consolidated properties and properties owned by the unconsolidated co-investment ventures at January 1, 2022 and owned throughout the same three-month period in both 2022 and 2023.

We believe the drivers of property NOI for the consolidated portfolio are generally the same for the properties owned by the ventures in which we invest and therefore we evaluate the same store metrics of the Owned and Managed portfolio based on Prologis' ownership in the properties ("Prologis Share").

The same store population excludes properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period (January 1, 2022) and properties acquired or disposed of to third parties during the period. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the reported period-end exchange rate to translate from local currency into the U.S. dollar, for both periods.

As non-GAAP financial measures, the same store metrics have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation of Rental Revenues less Rental Expenses ("Property NOI") (from our Consolidated Financial Statements prepared in accordance with U.S. GAAP) to our Same Store Property NOI measures, as follows:

Three Months Ended

dollars in thousands	2023	2022	Sept. 30 Change (%)
Reconciliation of Consolidated Property NOI to Same Store Property NOI measures:			
Rental revenues	\$ 1,777,359	\$ 1,151,846	
Rental expenses	(416,076)	(284,707)	
Consolidated Property NOI	\$ 1,361,283	\$ 867,139	
<i>Adjustments to derive same store results:</i>			
Property NOI from consolidated properties not included in same store portfolio and other adjustments (a)	(522,505)	(105,111)	
Property NOI from unconsolidated co-investment ventures included in same store portfolio (a)(b)	707,194	672,142	
Third parties' share of Property NOI from properties included in same store portfolio (a)(b)	(571,857)	(543,091)	
Prologis Share of Same Store Property NOI - Net Effective (b)	\$ 974,115	\$ 891,079	9.3 %
Consolidated properties straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(20,068)	(19,274)	
Unconsolidated co-investment ventures straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(12,702)	(13,087)	
Third parties' share of straight-line rent and fair value lease adjustments included in the same store portfolio (b)(c)	10,238	10,299	
Prologis Share of Same Store Property NOI - Cash (b)(c)	\$ 951,583	\$ 869,017	9.5 %

(a) We exclude properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period and properties acquired or disposed of to third parties during the period. We also exclude net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental revenues without regard to one-time items that are not indicative of the property's recurring operating performance. Net termination and renegotiation fees represent the gross fee negotiated to allow a customer to terminate or renegotiate their lease, offset by the write-off of the asset recorded due to the adjustment to straight-line rents over the lease term. Same Store Property NOI is adjusted to include an allocation of property management expenses for our consolidated properties based on the property management services provided to each property (generally, based on a percentage of revenues). On consolidation, these amounts are eliminated and the actual costs of providing property management and leasing services are recognized as part of our consolidated rental expense.

(b) We include the Property NOI for the same store portfolio for both consolidated properties and properties owned by the co-investment ventures based on our investment in the underlying properties. In order to calculate our share of Same Store Property NOI from the co-investment ventures in which we own less than 100%, we use the co-investment ventures' underlying Property NOI for the same store portfolio and apply our ownership percentage at September 30, 2023 to the Property NOI for both periods, including the properties contributed during the period. We adjust the total Property NOI from the same store portfolio of the co-investment ventures by subtracting the third parties' share of both consolidated and unconsolidated co-investment ventures.

During the periods presented, certain wholly-owned properties were contributed to a co-investment venture and are included in the same store portfolio. Neither our consolidated results nor those of the co-investment ventures, when viewed individually, would be comparable on a same store basis because of the changes in composition of the respective portfolios from period to period (e.g. the results of a contributed property are included in our consolidated results through the contribution date and in the results of the venture subsequent to the contribution date based on our ownership interest at the end of the period). As a result, only line items labeled "Prologis Share of Same Store Property NOI" are comparable period over period.

(c) We further remove certain noncash items (straight-line rent and amortization of fair value lease adjustments) included in the financial statements prepared in accordance with U.S. GAAP to reflect a Same Store Property NOI - Cash measure.

We manage our business and compensate our executives based on the same store results of our Owned and Managed portfolio at 100% as we manage our portfolio on an ownership blind basis. We calculate those results by including 100% of the properties included in our same store portfolio.

Stabilization is defined as the earlier of when a property that was developed has been completed for one year, is contributed to a co-investment venture following completion or is 90% occupied. Upon Stabilization, a property is moved into our Operating Portfolio.

Weighted Average Interest Rate is based on the effective rate, which includes the amortization of related premiums and discounts and finance costs.

Weighted Average Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Price.

SOURCE Prologis, Inc.



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<http://prologis.mediaroom.com/2023-10-17-Prologis-Reports-Third-Quarter-2023-Results>