

EQUINIX: 79 CONSECUTIVE QUARTERS OF REVENUE GROWTH

Christopher Gannatti — Global Head of Research

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Companies reporting their quarterly results always leads to the opportunity to learn new, potentially eyebrow-raising details. It caught our eye when we saw that the company Equinix, which focuses on the real estate underpinning our world's digital infrastructure, indicated it had increased revenues over 79 consecutive quarters.

That means that Equinix has increased its revenues, quarter-to-quarter, for just about 20 years.

Additionally, Equinix made the statement that this was the longest quarterly streak of revenue increases of any company included in the [S&P 500 Index](#).¹

To say the least, this piqued our curiosity to find out more:

- Is there a group of companies sitting at about 70 consecutive quarters or something close to that? How truly unique is 79 quarters in a row, given today's environment?
- If we looked at the top 10 companies ranked by consecutive quarters of revenue [growth](#), could we draw any conclusions about the industry, [valuation](#) or something else?

While this isn't the most technical of analyses to perform, at the same time, it's also nearly impossible to have any intuition until you look at the data.

Looking at figure 1:

- Equinix and Salesforce are the clear leaders of the pack, delivering 79 and 76 quarters of consecutive revenue growth, respectively. Costar Group and ServiceNow appear in the next cohort, with 53 and 44 consecutive quarters of revenue growth, respectively. Then, there is a big drop to get to the rest of the top 10.
- Since Equinix is in the equity real estate investment industry, a natural question is whether this industry is strongly represented in the top 10. As of the current data, it does not appear to be the case, with only Equinix and Healthpeak Properties.
- Salesforce and ServiceNow are the two representatives from the software industry.
- It is very interesting to see Salesforce with a [price-to-sales ratio](#) of less than 5.0.

Figure 1: The Top 10 Companies in the S&P 500 Index, Ranked by Consecutive Quarters of Increasing Revenue

Company Name	Consecutive Quarters of Increasing Revenue	GICS Industry Name	Price-to-Sales Ratio
EQUINIX INC	79	Equity Real Estate Investment	7.83
SALESFORCE INC	76	Software	4.71
COSTAR GROUP INC	53	Professional Services	14.87
SERVICENOW INC	44	Software	10.49
VERTEX PHARMACEUTICALS INC	14	Biotechnology	9.07
VERISIGN INC	13	IT Services	13.82
FACTSET RESEARCH SYSTEMS INC	12	Capital Markets	8.44
HEALTHPEAK PROPERTIES INC	11	Equity Real Estate Investment	6.41
SIGNATURE BANK	10	Banks	2.91
ANALOG DEVICES INC	10	Semiconductors & Semiconductor Equipment	6.66

Source: Bloomberg, with the universe of companies being the S&P 500 Index as of 11/4/22. Companies listed subject to change.

Since Equinix is in the equity real estate investment industry, it also made sense to screen for only companies within this industry to see how unique or similar Equinix's track record is compared to theirs.

Within figure 2:

- Equinix and Healthpeak Properties are carried over as the leaders from figure 1.
- Once the top 10 companies are accounted for, all of the others are below 10 consecutive quarters of increasing revenue. Five companies do, however, sit at nine consecutive quarters.
- WisdomTree has the [WisdomTree New Economy Real Estate Fund \(WTRE\)](#), so we also wanted to check to see if any of the firms in figure 2 were included in that strategy. While Equinix focuses on data centers, Alexandria Real Estate Equities focuses on essential life sciences real estate, so both have a clear tilt toward innovation and supporting different megatrends with the proper infrastructure. The other companies, as of this writing, did not qualify as constituents of the [CenterSquare New Economy Real Estate Index](#), which [WTRE](#) is designed to track after fees and expenses.

So, even within the equity real estate investment industry, Equinix has delivered quite a unique result.

Figure 2: The Top 10 Companies in the Equity Real Estate Investment Industry in the S&P 500 Index, Ranked by Consecutive Quarters of Increasing Revenue

Company Name	Consecutive Quarters of Increasing Revenue	GICS Industry Name	Weight in WTRE as of 4 November 2022
EQUINIX INC	79	Equity Real Estate Investment	3.99%
HEALTHPEAK PROPERTIES INC	11	Equity Real Estate Investment	0.00%
SBA COMMUNICATIONS CORP	9	Equity Real Estate Investment	0.00%
MID-AMERICA APARTMENT COMM	9	Equity Real Estate Investment	0.00%
PUBLIC STORAGE	9	Equity Real Estate Investment	0.00%
EXTRA SPACE STORAGE INC	9	Equity Real Estate Investment	0.00%
INVITATION HOMES INC	9	Equity Real Estate Investment	0.00%
REALTY INCOME CORP	8	Equity Real Estate Investment	0.00%
BOSTON PROPERTIES INC	7	Equity Real Estate Investment	0.00%
ALEXANDRIA REAL ESTATE EQUIT	7	Equity Real Estate Investment	4.50%

Source: Bloomberg, with the universe of companies being the S&P 500 Index as of 11/4/22. WTRE is the ticker symbol for the WisdomTree New Economy Real Estate ETF, which is focused on specific types of technology-focused infrastructure companies. Companies listed subject to change.

Conclusion: Is Equinix a Bright Spot in an Otherwise Bleak Environment?

The current paradigm we are seeing happen again and again in the software space as companies report their results for the period ended September 30, 2022, goes as follows:

First, the company reports the current results. Many times, there is still growth, and the consensus estimates do get beaten fairly often, though not every time. If stocks traded more based on the “recent past,” the picture would look pretty good.

Second, the company gets into the guidance for the current period—the fourth quarter of 2022, which we are in now. Most companies are indicating a slowing picture and worse results than otherwise expected. There will tend to be a consensus expectation, and, in many cases, companies are guiding expectations even below that level.

Coverage will focus on “moderating growth” or “lowering guidance” as the explanation for a falling share price.

So, when Equinix notably raised its full-year 2022 outlook, it stood out in that many companies are not raising their full-year outlooks. Many companies in the digital infrastructure space responsible for running data centers globally would be talking about energy prices. Equinix has a hedging program in place, so customers are paying more, but they are typically paying energy cost increases that are below the levels they would see if they were transacting at values closer to current market rates.²

Equinix tends to think that long-term revenue growth should be in the range of 8%–10% per year, which is almost exactly where the current year-over-year results were. Equinix also spends about \$2.2 billion a year on capital investments, and they have seen strong returns on this spending as Equinix has been increasing both list prices and renewal rates.³

At WisdomTree, we have a platform of thematic strategies, and we recognize that they each require special infrastructure in order to flourish. The [WisdomTree New Economy Real Estate Fund \(WTRE\)](#) focuses on the more “high-tech” real estate—like that which underpins data centers—that then enables different megatrends to grow and develop. Even in a tough economic environment, are we using or generating less data? Do we require less storage or less processing power? It’ll be interesting to note if other companies in the space see results like Equinix, where even in a tougher economic picture, demand for the service provided remains and even increases.

Christopher Gannatti is an employee of WisdomTree UK Limited, a European subsidiary of WisdomTree Asset Management Inc.’s parent company, WisdomTree Investments, Inc.

As of November 18, 2022, WTRE held 4%, 0%, 0%, 0%, 0% and 4.34% in Equinix, Salesforce, Costar Group, ServiceNow, Healthpeak Properties and Alexandria Real Estate Equities, respectively. Click [here](#) for a full list of Fund holdings. Holdings are subject to change.

¹ Source: <https://investor.equinix.com>, accessed on 11/7/22.

² Source: Eric J. Savitz, "Equinix Stock Rallies on Higher Cash Flow Outlook," Barron's, 11/3/22.

³ Source: Savitz, 11/3/22.

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DEFINITIONS

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Valuation : Refers to metrics that relate financial statistics for equities to their price levels to determine if certain attributes, such as earnings or dividends, are cheap or expensive.

Price-to-earnings (P/E) ratio : Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested.

CenterSquare New Economy Real Estate Index : A weighted index that consists of global stocks of real estate companies that have material direct and/or indirect exposure to technology, sciences and/or ecommerce related business models and meet specific screening requirements that consider factors including growth, valuation and leverage criteria.