

Equinix: 79 consecutive quarters of revenue growth

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Christopher Gannatti, CFA

Global Head of Research

Companies reporting their quarterly results always offers new, potentially eyebrow raising, details. It caught our eye when we saw that 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 Index¹.

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

- Is there a group of companies sitting there 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, can we draw any conclusions about industry, valuation, or something else?

While this isn't the most technical of analyses to perform, 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

Source: Bloomberg, with universe of companies being the S&P 500 Index as of 4 November 2022. GICS stands for Global Industry Classification Standard.

Historical performance is not an indication of future performance and any investments may go down in value.

It also made sense, since Equinix is in the Equity Real Estate Investment Industry, to screen for only companies within this Industry to indicate how unique or similar Equinix's track record is relative to companies that are more similar.

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. 5 companies do however sit at 9 consecutive quarters.

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

Source: Bloomberg, with universe of companies being the S&P 500 Index as of 4 November 2022.

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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 30 September 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' then 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 now in. 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, this stood out, in that many companies are not raising their full year outlooks. Many companies in the digital infrastructure space responsible for running data centres 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 rates².

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 increased both list prices and renewal rates³.

1 Source: <https://investor.equinix.com/> accessed on 7 November 2022.

2 Source: Savitz, Eric J. "Equinix Stock Rallies on Higher Cash Flow Outlook." Barron's. 3 November 2022.

3 Source: Savitz, 3 November 2022.

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