



Results analysis: Cordiant Digital Infrastructure

CORD's operational performance is supporting an NAV uplift and an increased dividend...

Update
27 June 2024

- Cordiant Digital Infrastructure (CORD) has released its financial results for the year ending 31/03/2024. Over the year, CORD saw its NAV per share increase by 7.8%, and a total return of 9.3% based on the ex-dividend opening NAV. CORD has no formal benchmark.
- Over the course of the year, the trust completed purchases of Speed Fibre, an Irish fibre provider in October 2023 and Norkring Belgie, a Belgian towers company in January 2024. This takes the total number of portfolio companies from three to five, split across a mix of towers, data centres, fibre networks and sensors.
- The biggest contributor to performance was Emitel. This was primarily a result of a value uplift due to new contract wins and growth in the recurring cash flow. Emitel also benefitted from a currency translation effect, a change in net debt due to a refinancing and from a change in the discount rate. Speed Fibre also contributed positively to performance due to an increase in earnings resulting from new business wins and better cost control.
- CRA was a slight detractor as, while underlying revenue growth contributed positively, this was offset by an increase in the discount rate and forex headwinds. Hudson Interxchange saw increased revenue which narrowed losses, though still detracted.
- CORD announced an increase in the dividend of 5% to 4.2p per share. Dividend cover, as measured by the managers' adjusted funds from operations figure, increased to 1.6x primarily due to an increase in operational revenue.
- The discount widened from 28.3% at the beginning of the period to 48% at year end, despite strong operational performance, though the increase in the NAV will have had an effect on this. The board has allocated £20m to a share buyback programme. In the year to 31/03/2024, £5.4m had been spent on 7.3m shares which added 0.4p per share to NAV.
- Gearing remains largely unchanged at c. 39% of gross assets (64% of NAV) on a look through (i.e. consolidated) basis, with approximately £168m of liquidity across both the trust and underlying businesses.

Analysts:

Ryan Lightfoot-Aminoff
Ryan@keplerpartners.com



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

- Chairman Shonaid Jemmett-Page stated “The underlying strengths of [CORD] and our portfolio, the growth in the sector and the attractiveness of our core markets together lead the Board to look forward to the year ahead with confidence”.

Kepler View

We believe these results demonstrate another encouraging year for **Cordiant Digital Infrastructure (CORD)**. The managers have delivered strong performance, aided by good operational revenue and contract wins from the portfolio's two largest holdings, Emitel and CRA. This was somewhat offset by unfavourable foreign exchange movements, through CRA in particular, though Emitel notably benefitted from this factor which regardless, is arguably temporary.

The portfolio has grown from three to five companies, CORD having completed acquisitions of Speed Fibre and Norkring Belgie in the year.



This, in our opinion, has helped to diversify some of the concentration risk of the portfolio as well as supporting the income generation, therefore the dividend cover. Speed Fibre also benefitted NAV performance after an increase in its value due to a rise in revenues and profits following new business wins and good cost control. As Norkring was owned for under two months in the period it has not been revalued.

The increase in operational revenue that has come from both the new holdings, and better performance of the existing holdings has contributed to an improved dividend outlook. The managers use adjusted funds from operations (AFFO) to calculate dividend cover. Underlying revenues grew over 50% from the previous year, and whilst there were increased costs for capex and financing, AFFO still increased by 13% to take dividend cover to 1.6x. We note this doesn't account for growth capex though this is arguably non-recurring and will support future revenue growth. This has allowed the managers to announce a 5% increase in the dividend to 4.2p per share. This is the second time the dividend has been increased in the trust's short history and we believe adds to the investment case.

The trust had liquidity of c. £167.7m at the year end, of which £62.8m was at the trust level, with £59.1m in undrawn facilities and the remainder at the holding level. Total net debt increased to £585.1m, from £552.9m at the interim statement on 30/09/2023. This means gearing has increased slightly from 38% at the interim statement to 38.9% on a GAV basis (or 63.7% of NAV), though this remains below the maximum level of 50% of GAV (100% of NAV). The managers argue their gearing positioning and interest cover is substantially stronger than their competitors, both other infrastructure investment trusts and towers companies.

Despite the encouraging performance, the discount on the shares widened to 48%, compared to c. 28% at the beginning of the year. We believe this could represent an attractive entry point for long-term investors if the operational portfolio continues to show resilience and improving revenues and market sentiment changes, with rate cuts a potential catalyst for this. The board began its £20m buyback programme in the year, with £5.4m spent so far on 7.3m shares at an average discount of 37.6% which was accretive to NAV, adding 0.4p per share.

[Click here to read the FY report on RNS](#)

[Click here to read our latest research on CORD](#)

[Click here to add CORD to your watchlist](#)



Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

