



Results analysis: Cordiant Digital Infrastructure

CORD's excellent share price returns reflect impressive operational performance...

Update
02 December 2024

- Cordiant Digital Infrastructure (CORD) has released its interim results for the six months ending 30/09/2024. Over the period, CORD saw its NAV per share increase by 3.6%, and a total return of 5.4% based on the ex-dividend opening NAV. CORD has no formal benchmark. The share price total return was 38.9%.
- The NAV uplift was primarily driven by positive operational performance in the underlying portfolio and small reductions in discount rates, reflecting improving conditions. Emitel saw a 6.4% value uplift, due to increased revenue from new TV broadcast contracts, and the benefits of inflation-linked contracts. CRA rose in value by 4.5% primarily due to a reduction in the discount rate, though also from a pickup in revenue from a recent bolt on acquisition, as well as seeing benefits from its inflation-linked contracts. Speed Fibre rose in value by 34.2% following the repayment of a debt facility and a reduction in the discount rate. The company also saw revenue increase 4.3% due to a growth in sales.
- Currency was a performance headwind, with sterling strength detracting 2.5% from NAV over the period.
- The 'Buy, Build, Grow' approach continues, the trust having outlaid growth capex on NAV accretive projects such as the expansion of DAB radio in both Poland and the Czech Republic, new customer connections for Speed Fibre and additional cloud and data centre investment for CRA.
- The board proposed an interim dividend of 2.1p per share which is in line with the recently upgraded target. Dividend cover, as measured by the managers' adjusted funds from operations figure, increased to 1.8x primarily due to an increase in the portfolio's earnings profile.
- In the period post-results, the trust announced the intention to acquire a stake in DCU, a Belgian data centre business, alongside a local infrastructure investor and another Cordiant-managed vehicle. This will take the total portfolio companies to six, subject to expected completion in January 2025.

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- The discount narrowed in the period from 46.7% to 30.5%. However, this level remains wide compared to the trust's historical average. Share buybacks have continued in the period, and individuals within the investment management team have also made sizeable purchases.
- During the period, as previously announced, the managers refinanced their debt facilities into a €200m bond with a maturity date of 2029. This allowed them to consolidate existing debt at a company level, including Speed Fibre's vendor loan note, and has provided additional liquidity to the portfolio. Available cash and undrawn credit facilities total £243.8m of which £177.8m is undrawn both at fund and the portfolio level. Total gearing is now at 38.1% on GAV basis (61.7% NAV), accounting for the proforma purchase of DCU. 71% of all debt is on a fixed interest basis.



- **Chair Shonaid Jemmett-Page reflected on “the excellent performance of our portfolio companies, which offer robust cashflows and strong earnings growth” whilst also highlighting the “focus on efficient investment in the existing portfolio, through disciplined capex spend, coupled with bolt on acquisitions where appropriate”.**

Kepler View

In our opinion, these results represent another solid step forward for **Cordiant Digital Infrastructure (CORD)**. Not only has the underlying portfolio continued to develop, in line with the managers’ ‘buy, build, grow’ approach, but the trust’s liquidity profile has been significantly improved through the refinancing of the debt facilities, which has removed the near-term refinancing risk with nothing due until 2029, as well as increasing the managers’ liquidity sources and providing a strong base for the trust to operate from.

The strong returns in the period have been driven by underlying operational performance. The two largest positions, Emitel and CRA, were key to this, having delivered impressive EBITDA growth of 15.7% and 16.5% respectively. This, alongside solid performance from Speed Fibre, contributed to aggregate portfolio EBITDA growing by 15.2%. This has led to NAV growth of 5.4%, based on the opening ex-dividend NAV, putting performance slightly ahead of the 9% annual target. We believe this operational performance is testament to the managers’ full ownership approach which allows their in-house experts to lever their knowledge and help improve operational performance of their portfolio companies.

Post period end, the acquisition of Datacenter United (DCU), a data centre platform in Belgium, was announced. Subject to expected completion in January 2025, this will help with the ongoing goal of diversifying the portfolio, whilst also increasing the allocation to data centres which have arguably the highest growth potential in the portfolio. We note CORD is invested alongside another Cordiant managed fund and a third-party infrastructure investor, TINC. Together, both Cordiant investments have an equal share to TINC of 47.5%.

The good performance has been reflected in the trust’s rating, with the discount narrowing significantly from 46.7% to 30.5% by the end of the period, representing a share price gain of c. 30.4%. Despite this, the discount is still wide versus the trust’s historic levels. As such, we believe the current level could still prove an opportunity for long-term investors, especially if the management team continue to deliver.

Finally, the trust announced a dividend of 2.1p which is in line with the recently upgraded goal. This was the second time the dividend goal has been increased in the trust’s short life. The dividend was comfortably covered by the managers’ preferred adjusted funds from operations metric at 1.8x. Considering the strong performance of the underlying portfolio, we believe the board is in a good position to at least maintain the dividend going forward, though note there is no guarantee. If the final dividend is maintained, the trust offers a yield of c. 5% based on the opening share price on the day of the results.

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