Results analysis: Cordiant Digital Infrastructure

Despite excellent numbers, CORD may still offer more upside for investors...

Update
23 June 2025

- **Cordiant Digital Infrastructure (CORD) has released its financial results for the year ending 31/03/2025. In this period, the NAV per share rose 7.9%, and the NAV total return was 11.6%, based on the ex-dividend opening NAV. The share price total return was 43.1%.**

- **The NAV per share has now annualised at 11.6% since launch, with dividends reinvested, ahead of the 9% target set at IPO in 2021.**

- **Performance was driven by strong earnings growth, as demonstrated by an EBITDA increase of 9.3%, with this largely attributable to two of the longest standing holdings. Emitel saw EBITDA growth of 13.3% largely as a result of new contract wins, and CRA saw growth of 10.2% with strong growth in the data centre business a notable contributor.**

- **The increase in revenue has supported a hike in the dividend to 4.35p, up 3.6% on the previous year. This is the third dividend increase since IPO, and implies a yield of 4.5% based on the price before the results announcement. Dividend cover has increased from 1.6x to 1.7x on the managers' preferred adjusted funds from operations (AFFO) figure.**

- **An increase in the valuations of Emitel and CRA, through a combination of good free cash-flow generation and a reduction in their discount rates, contributed notably to the overall increase in NAV.**

- **Elsewhere, the repayment of Speed Fibre's loan in the first half of the year led to a valuation uplift over the full period, with total earnings growth of 3.7% also contributing. In the year, the firm announced the acquisition of BT Ireland which is expected to contribute to revenue growth in the future, in line with the trust's buy, build and grow approach.**

- **Hudson Interexchange continues to be a headwind. Revenue growth was positive, albeit at just 3%, and despite better cost control, the firm was still loss making, although those losses narrowed. Ready-for-sale projects are now at capacity, leading to further investment into new data halls to support future profitability. For prudence, the discount rate was increased leading to a valuation write-down.**

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- **Foreign exchange movements were also a slight detractor across the full year, although this has reversed in the period post results.**

- **The company completed the acquisition of DCU in the year, taking the total number of portfolio companies to six which has reduced portfolio concentration. The trust now operates in five geographies across Europe and the US, and is reasonably well diversified across three sectors, fibre (34% of revenue), data centres/cloud (15%) and towers, with the latter subdivided into mobile (12%), digital TV (29%) and digital radio infrastructure (10%).**

- **The two newer assets, DCU and Belgian Towers have geographic and sector overlap. The managers are focussed on increasing synergies between the two to increase future performance contribution, with discussions ongoing for new business.**

- **As discussed in the interim results, CORD successfully refinanced its debt facilities meaning refinancing risk has been pushed back until 2029. The current net debt to GAV is 40.3% (or 65.3% on a NAV basis), considerably below the average of a range of peers in the space.**

- **The discount at the year end narrowed notably, to 32.9% versus a level of 46.7% at the same time last year. It has since narrowed further, to 22.6% before the results publication.**

- **The company has bought back 7.8m shares in a buyback programme started in FY 2024, around 1% of the opening share capital. Both board members and management have been buying shares, now owning c. 2% of the share count.**

- **The managers and board remain conscious of multiple demands on capital, including for further dividend growth and ongoing growth capex required to maintain the trust's buy, build and grow approach, such as through bolt on acquisitions.**

- **Chairman Shonaid Jemmett-Page discussed the balance of these capital requirements, saying: "We maintained our focus on efficient investment in the existing portfolio, through disciplined capex spend, coupled with bolt on acquisitions, where appropriate."**

Kepler View

Cordiant Digital Infrastructure (CORD) has again delivered a strong set of numbers, demonstrating the strengths of the underlying portfolio and their structural drivers. Performance has primarily come from the portfolio's two key assets, Emitel and CRA, which have shown double-digit earnings growth, contributing to a valuation uplift. This has been supported by new business wins and the growth in the data centre business. This not only demonstrates the benefits of having a high-quality customer base, with a high percentage of inflation-linked contracts, but also the benefits of seeking further diversification into the likes of data centres as they see increased demand such as from AI. We believe this result is a testament to the managers buy, build and grow approach, as they have continued to develop the portfolio despite the constraints the past couple of years have put on them as the higher interest rate environment limited some routes to expansion.

This has also helped improve the diversification of the portfolio, which we believe has helped mitigate one of the trust's key risks - concentration. The portfolio now has a broader spread across different asset groups, with a solid and growing allocation to data centres, likely to offer attractive future growth for the trust. Furthermore, the geographic mix has improved, with Belgium and Ireland now featuring in the portfolio, which has also helped diversify the trust's currency exposure.

A third increase in the dividend since IPO is further validation of the success of the managers' approach, in our view. The trust currently yields 4.5%, which appeals in absolute terms, and is also well backed by revenues, with the manager's preferred AFFO metric showing strong coverage, which has also increased over time. Furthermore, these revenues are backed by the structural increase in demand from the likes of cloud computing and increased connectivity which we believe lends support for potential growth in the future.

Performance is now substantially ahead of the trust's 9% IPO goal, with an annualised return of 11.6% with dividends reinvested. Over the long-term, this would be more typical of an equity-like return, therefore by achieving this with a portfolio of real assets, we believe the management team have demonstrated their own skill and the attractions of an investment in this space.

However, this success is arguably not being reflected in the current discount which stands at over 22%, just before the publication of the results. Whilst this has narrowed notably since the beginning of the financial year, following excellent share price returns over the period, we still believe the current discount is more a reflection of weak investor sentiment towards the market more generally, rather than any specific issue with the operational performance of CORD. As such, the current discount could still prove a compelling entry point for long-term investors, in our opinion.

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