RNS Number : 2093U
Cordiant Digital Infrastructure Ltd
27 June 2024

Cordiant Digital Infrastructure (CORD)

27/06/2024

Results analysis from Kepler Trust Intelligence

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 and Norkring Belgie taking the total number of portfolio companies from three to five, split across a mix of asset classes.

The biggest contributor to performance was Emitel. This was primarily a result of new contract wins and growth in cash flow though Emitel also benefitted from currency translation, a change in net debt and a change in the discount rate. Speed Fibre also contributed positively to performance.

CRA was a slight detractor as, while revenues grew this was offset by an increase in the discount rate and forex headwinds. Hudson Interxchange 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 (AFFO), increased to 1.6x.

The discount widened to 48% at year end, despite strong operational performance The board has allocated £20m to a share buyback programme. In the year to 31/03/2024, £5.4m had been spent.

Gearing is c. 39% of gross assets (64% of NAV) on a look through (i.e. consolidated) basis.

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. This was somewhat offset by unfavourable foreign exchange movements, though this is arguably temporary.

The portfolio has grown to five companies. This, in our opinion, has helped to diversify some of the concentration risk of the portfolio and supports income generation. One new holding also supported performance after an increase in its value due to a rise in revenues and profits.

The increase in operational revenue has contributed to an improved dividend outlook. Underlying revenues grew over 50% from the previous year, and whilst there were increased costs for capex and financing, AFFO still increased by 13%. This has allowed the managers to announce a 5% increase in the dividend. This is the second time the dividend has been increased in the trust's short history.

The trust had liquidity of c. £167.7m at the year end. Total net debt increased from £552.9m the interim statement on 30/09/2023 therefore gearing has increased slightly to 38.9% on a GAV basis though this remains below the maximum level of 50% of GAV. The managers argue their gearing positioning and interest cover is substantially stronger than their competitors.

Despite the encouraging performance, the discount on the shares widened to 48% We believe this could represent an attractive entry point for long-term investors with rate cuts a potential catalyst. The board began share buybacks in the year which have been accretive to NAV.

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