

Cordiant Digital Infrastructure (CORD)

02/12/2024

Results analysis from Kepler Trust Intelligence

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. The share price total return was 38.9%.

The NAV uplift was primarily driven by operational performance and a reduction in discount rates. Emitel saw a 6.4% value uplift, due to increased revenue inflation-linked contracts, whilst CRA rose by 4.5% due to discount rates, a pickup in revenue from a recent bolt on acquisition, and its inflation-linked contracts. Speed Fibre rose by 34.2% following the repayment of a debt facility and a reduction in the discount rate. The company also saw revenue increase of 4.3%.

Currency was a headwind, with sterling strength detracting 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 increased to 1.8x primarily due to an increase in earnings.

Post-results, the trust announced the intention to acquire a stake in DCU, alongside a local investor and another Cordiant vehicle. This will take the portfolio to six companies, subject to completion.

The discount narrowed in the period though remains wide versus the historic average. Share buybacks have continued, and individuals within the team have also made sizeable purchases.

During the period, as previously announced, the managers refinanced their debt facilities, allowing for consolidation at a company level and additional liquidity. There is now undrawn cash available at both the fund and the portfolio level. Gearing is now at 38.1% on GAV basis, 71% of which is fixed.

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 improved through the debt refinancing, which has removed the near-term refinancing risk, providing a strong base to operate from.

The strong returns have been driven by underlying operational performance. The two largest positions contributed to strong aggregate portfolio EBITDA growth. This has led to NAV growth ahead of target. We believe this operational performance is testament to the managers' full ownership approach.

Post period end, the acquisition of DCU was announced, subject to completion. This will help diversify the portfolio, whilst also increasing the allocation to high growth potential area of data centres.

The discount narrowing significantly in the period, giving strong share price gains, but remains wide versus historic levels. As such, we believe it could prove an opportunity for long-term investors.

Finally, the trust announced a comfortably covered dividend of 2.1p. Considering the strong underlying performance, we believe the board is in a good position going forward.

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