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AUTHORISATION
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RECOMMENDATION (unchanged)

BUY

*See key risks on Page 3.

PRICE

A$2.95

TARGET (12 MONTHS)

A$3.40 (prev. A$3.30)

Expected return	
Capital growth	**15.3%**
Dividend yield	**4.1%**
Total expected return	**19.3%**

Sector

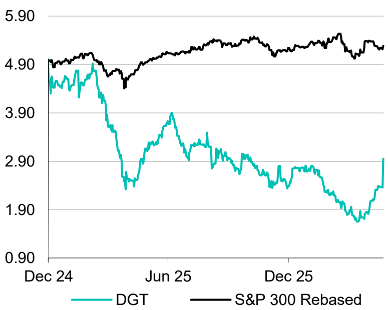
Data Centre REITs

Capital structure & trading data	
Enterprise value	**$3,238m**
Market cap	**$1,633m**
Issued capital	**554m**
Free float	**80%**
Avg. daily val. (52wk)	**$8.7m**
12 month price range	**A$1.60-4.00**

Price performance

	(1m)	(3m)	(12m)
Price (A$)	1.74	2.27	2.85
Absolute (%)	69.5	30.0	3.5
Rel market (%)	67.0	29.1	-4.4

Share price (A$/sh) vs. XKO



Source: IRESS

DIGICO INFRASTRUCTURE REIT (DGT)

No replacement for displacement

Balance sheet capacity with scope to earn

DGT announced the sale of its CHI1 (Chicago) data centre for US$750m, a 5% premium to Nov '24 purchase price, on a 5.8% passing yield. FY26 guidance for A$125m EBITDA reiterated (BPe $125m; VA consensus $129m). Key takeouts:

(1) **Overhang removed, balance sheet scope** – Following completion in 1QFY27, gearing will reduce to 17% on a pro-forma basis (was 36%) with proceeds used to pay down debt (net debt reduced by c.$1bn down to $0.5bn).

(2) **Potential for capital return** – DGT intends to explore capital management initiatives including distributing excess capital through "enhanced distributions in the short term above FFO. We assume upon completion in FY27.

(3) **SYD1 update and plans** – Reached practical completion for the first 15mw of the 20mw upgrade with remaining 5mw to be delivered prior to 30 Jun 26. We see an improved outlook for SYD1 acceleration given associated balance sheet scope and optionality post completion.

Earnings changes

We adjust our FY26-FY28 FFO / share estimates by +0% to +4% to reflect: **(1)** disposal of CHI1 + LAX1&2 (US$821m); **(2)** acceleration of SYD1 development capacity deployment; and **(3)** updated BBSW outlook as at May '26.

Investment thesis: Buy, TP $3.40 (prev. $3.30)

Today's announcement is a clear positive for DGT in removing balance sheet overhang given the substantial level of debt on foot, risk from increasing marginal cost of debt, and ability to fund its SYD1 development expansion which is its best use of capital given company-stated 15% incremental yield on cost. While it is a deviation from potential capital partnering plans (ie partial asset stakes vs. 100% disposal), and should LAX be disposed (BPe end 1QFY27), leaves US operations as sub-scale (Dallas and Kansas remaining), we think the deeply discounted trading price was mostly a reflection of balance sheet concern. Subject to completion, and LAX asset disposals (US$71m book value) which are a drag on the balance sheet (non yielding), the pay down of debt, and usage into SYD1 improves the forward earnings profile which could see upside given the lack of Aus market supply short term.

Earnings estimates

Year ending 30 June	2025	2026e	2027e	2028e
Total Revenue (A$m)	105.2	200.5	272.9	303.7
EBITDA (A$m)	52.9	124.9	146.6	163.0
Funds From Operations (A$m)	39.1	74.9	105.6	113.9
FFO (diluted) (A¢ps)	8.8	13.6	19.1	20.6
AFFO (A¢ps)	8.1	7.6	15.8	17.3
FFO growth (%)		91.5%	41.0%	7.9%
P/E (x)	33.6	21.7	15.5	14.3
Price/CF (x)	51.7	22.7	19.1	14.3
EV/EBITDA (x)	61.2	25.9	22.1	19.9
Dividend (A¢ps)	10.9	12.0	20.0	18.5
Yield (%)	3.7%	4.1%	6.8%	6.3%
Franking (%)	-	-	-	-

Source: Bell Potter Securities estimates

Earnings and Valuation Changes

Increases to FFO / share estimates

We adjust our FY26-FY28 FFO / share estimates by +0% to +4% to reflect: **(1)** disposal of CHI1 + LAX1&2 (US$821m); **(2)** acceleration of SYD1 development capacity deployment; and **(3)** updated BBSW outlook as at May '26.

Our target price increases accounting for these earnings changes, and roll forward of our valuations. Our target price is based on 50 / 50 blend of our SOTP and DCF valuations.

Figure 5: DGT earnings and valuation changes

	FFO (A$m)			FFO / share (A¢)			DPS (A¢)		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
FY26E	74.9	**74.9**	0.0%	13.6¢	**13.6¢**	0.0%	12.0¢	**12.0¢**	0.0%
FY27E	102.0	**105.6**	3.5%	18.4¢	**19.1¢**	3.5%	16.0¢	**20.0¢**	25.0%
FY28E	111.1	**113.9**	2.5%	20.1¢	**20.6¢**	2.5%	17.0¢	**18.5¢**	8.8%

		Old	New	% Chg
SOTP	*$ / share*	$3.53	**$3.57**	1.1%
DCF	*$ / share*	$3.07	**$3.26**	5.9%
Target Price	*$ / share*	$3.30	**$3.40**	3.0%

Source: Bell Potter Securities estimates

DigiCo Infrastructure REIT (DGT)

BUSINESS OVERVIEW

DigiCo Infrastructure REIT is a data centre REIT diversified by strategy (stabilised, value-add and development) and geography (Australia and North America). Unlike other data centre REITs / operators, DGT's stabilised assets provide it with enhanced yield that allows DGT to pay a distribution above DC-peer average. DGT is an owner, operator and developer, structured as an externally-managed REIT managed by parent entity HMC capital which retains a c.20% stake in DGT.

VALUATION METHOD

Our valuation of DGT is based on 50% SOTP / 50% DCF methodologies. We apply this approach consistently across our real estate coverage universe.

RISKS

Risks to an investment in DGT include but are not limited to:

Tapering of DC hyperscaler capex growth: While AI is expected to boost rapid growth witnessed for DC demand following cloud growth, changes to the capex expectations for the major hyperscalers in particular could have meaningful influence listed-DC share prices.

Balance sheet scope: DGT listed with pro-forma gearing of 35.1% vs. 35-45% target range. Given the disposal of CHI1 and LAX gearing has come back materially to <20% pro-forma.

Leasing: As more operators and financial sponsors target the data centre sector, we see increased competition which could be a headwind to lease up / utilisation expectations.

Technological obsolescence: Rapid advancements in areas like hardware innovation, software optimisation and quantum computing breakthroughs pose a threat to existing assets > capex reinvestment. More energy efficient designs could reduce future DC demand projections, while improvements in transmission might erode the 'location premium' currently enjoyed by some assets / markets.

Concentrated portfolio: DGT has c.47% of assets that are stabilised (CHI1, DAL1, KCM1 and iSeek), with the remainder comprised of brownfield lease-up + capex, and greenfield development. DGT does have a high degree of concentration in its portfolio with SYD1 c.49% of total book value.

RECOMMENDATION (unchanged) **Buy**

PRICE **A$2.95**

TARGET (12 MONTHS) **A$3.40** (prev. A$3.30)

Table 1: Financial summary

Price	**A$ / sh**	**2.95**	
Target price	**A$ / sh**	**3.40**	

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Profit & Loss

Year End 30 Jun	Unit	-	2025	2026e	2027e	2028e
Revenue	**A$m**		**105.2**	**200.5**	**272.9**	**303.7**
Growth %	*%*			*91%*	*36%*	*11%*
Other Income	A$m		0.0	0.0	0.0	0.0
Operating Expenses	**A$m**		**-52.3**	**-75.6**	**-126.3**	**-140.7**
Management EBITDA	A$m		0.0	0.0	0.0	0.0
Group EBITDA	**A$m**		**52.9**	**124.9**	**146.6**	**163.0**
Depreciation & Amortisation	A$m		-7.5	-108.2	-85.5	-83.8
EBIT	**A$m**		**45.4**	**16.7**	**61.0**	**79.1**
Net Interest Expense	A$m		-17.9	-66.7	-41.0	-49.1
FFO Adjustments	A$m		11.6	124.9	85.5	83.8
Profit Before Tax	**A$m**		**39.1**	**74.9**	**105.6**	**113.9**
Tax Expense	A$m		0.0	0.0	0.0	0.0
Funds From Operations	**A$m**		**39.1**	**74.9**	**105.6**	**113.9**
Growth %	*%*			*91%*	*41%*	*8%*
FFO / share	**Ac/sh**		**8.8**	**13.6**	**19.1**	**20.6**
Growth %	*%*			*55%*	*40%*	*8%*
AFFO / share	**Ac/sh**		**8.1**	**7.6**	**15.8**	**17.3**
Growth %	*%*			*-6%*	*108%*	*9%*
DPS	**Ac/sh**		**10.9**	**12.0**	**20.0**	**18.5**
Growth %	*%*			*10%*	*67%*	*-8%*

Cash Flow

Year End 30 Jun		-	2025	2026e	2027e	2028e
NOI	A$m		53.9	150.5	146.6	163.0
Interest Received / (Paid)	A$m		-23.3	-78.9	-61.0	-49.1
Other - Incl. Tax	A$m		-5.2	0.0	0.0	0.0
Operating Cash Flow	**A$m**		**25.4**	**71.6**	**85.6**	**113.9**
Investing Cash Flow	**A$m**		**-3,213.5**	**-170.8**	**1,078.3**	**-78.0**
Financing Cash Flow	**A$m**		**3,613.0**	**-5.9**	**-1,167.2**	**-28.9**
Net Change in Cash	A$m		424.9	-105.1	-3.3	6.9
Cash at Beginning of Period	A$m		0.0	424.9	319.8	316.5
Cash at End of Period	**A$m**		**424.9**	**319.8**	**316.5**	**323.4**
Dividends Paid	A$m		0.0	-93.3	-88.9	-106.9
Change in Debt	A$m		1809.0	86.0	-1078.3	78.0

Balance Sheet

Year End 30 Jun		-	2025	2026e	2027e	2028e
Cash and Cash Equivalents	A$m		424.9	319.8	316.5	323.4
Other Current Assets	A$m		197.5	134.0	134.7	145.7
Investment Property	A$m		1,417.7	1,726.4	648.1	726.1
Equity Accounted Investments	A$m		0.8	0.0	0.0	0.0
Intangibles	A$m		382.0	376.5	376.5	376.5
Other Non-Current Assets	A$m		2,141.8	2,099.4	2,099.4	2,099.4
Total assets	**A$m**		**4,564.7**	**4,656.1**	**3,575.1**	**3,671.1**
Payables	A$m		88.6	133.7	124.6	163.3
Provisions	**A$m**		**72.3**	**54.8**	**54.8**	**54.8**
Interest Bearing Liabilities	A$m		1,838.8	1,924.8	846.4	924.5
Other Liabilities	**A$m**		**67.1**	**83.6**	**83.6**	**83.6**
Total Liabilities	A$m		2,066.8	2,196.9	1,109.5	1,226.1
Total Shareholders' Equity	**A$m**		**2,497.9**	**2,459.2**	**2,465.6**	**2,445.0**

Key Metrics

Year End 30 Jun		-	2025	2026e	2027e	2028e
Centre EBITDA Growth	%			127.0%	21.4%	9.2%
Comp NOI Growth	%		2.3%	3.4%	3.3%	2.8%

Valuation Data

Year End 30 Jun	Unit	-	2025	2026e	2027e	2028e
FFO	A$m		39.1	74.9	105.6	113.9
FFO / share	**Ac/sh**		**8.8**	**13.6**	**19.1**	**20.6**
Growth %	*%*			*55%*	*40%*	*8%*
P/E Ratio	**x**		**38.2**	**21.7**	**15.5**	**14.3**
3-yr EPS CAGR	**%**		**32.8%**	**20.1%**	**15.0%**	**12.2%**
PEG Ratio	x		1.2	1.1	1.0	1.2
Earnings Yield	%		2.6%	4.6%	6.5%	7.0%
Dividend Yield	**%**		**3.2%**	**4.1%**	**6.8%**	**6.3%**
2-yr DPS CAGR	%		22.4%	15.5%	1.6%	10.6%
CFPS	Ac/sh		5.7	13.0	15.5	20.6
Price / CF	x		58.8	22.7	19.1	14.3
Franking	%		0%	0%	0%	0%
EV / EBITDA	x		61.1	25.9	22.0	19.8
EV / EBIT	**x**		**71.2**	**193.5**	**52.9**	**40.8**
NTA per share	A$/sh		3.84	3.75	3.76	3.72
Premium / (Discount) to NTA	**%**		**-12%**	**-21%**	**-22%**	**-21%**
Share Price	A$/sh		3.36	2.95	2.95	2.95

Performance & Leverage Metrics

Year End 30 Jun		-	2025	2026e	2027e	2028e
EBIT Margin	%		43.2%	8.3%	22.4%	26.1%
Return on Assets	%		0.9%	1.6%	3.0%	3.1%
Return on Equity	**%**		**1.6%**	**3.0%**	**4.3%**	**4.7%**
ROIC	%		1.2%	0.4%	1.7%	2.6%
Payout Ratio	%		124.0%	88.3%	104.8%	89.9%
Effective Tax Rate	%		0%	0%	0%	0%
Net Debt / (Cash)	A$m		1,413.9	1,605.0	530.0	601.1
Net Debt / EBITDA	x		26.7	12.9	3.6	3.7
Gearing	%		37.6%	40.5%	18.4%	20.2%
Interest Cover	x		3.0	1.9	3.6	3.3

Valuation Summary

Valuation Methodology	*Weight*	A$ / sh
SOTP	50%	$3.57
DCF	50%	$3.26
Price Target		**$3.40**

SOTP Components

Portfolio	Stated Cap Rate	BPe Cap Rate	BPe Cap Value
Direct Portfolio	4.93%	5.03%	$2,494m

Corporation	EBIT	Multiple	Value
Funds Management EBIT	-	0.0x	$0m
Property Management EBIT	-	0.0x	$0m
Trading Profits / Other	-	0.0x	$0m
Unallocated Corporate Overhead	-$35m	8.0x	-$281m

Key WACC / DCF Components

Risk Free Rate	4.5%
Equity Risk Premium	6.0%
Beta	1.0
WACC	9.3%
DCF / DDM Terminal Growth Rate	2.5%

Source: Bell Potter Securities estimates

RECOMMENDATION STRUCTURE

BUY	Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.
HOLD	Expect total return between -5% and 15% on a 12 month view.
SELL	Expect <-5% total return on a 12 month view.

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