Weekly Trader

Upcoming Market Opportunities and Events

CANTOR Fitzgerald

Monday, 20th March 2017

Key Themes this Week

Free Trade - Europe Remains Open

German Chancellor Angela Merkel and Japanese Prime Minister Shinzo Abe called for a concerted effort to defend free trade, saying global markets can be both open and fair. Ms Merkel said “Of course we want fair markets, but we don’t want to put up barriers”. Mr Abe said “ Japan wants to be the champion of upholding open systems alongside Germany, though it will be necessary to have rules that are fair and can stand up to democratic appraisal”. Japan is the EU’s second-biggest Asian trading partner after China, and together with the EU accounts for more than a third of global economic output, according to EU data. This development is in stark contrast to Mr Trump’s policies who intends to put America first and introduce barriers to free trade.

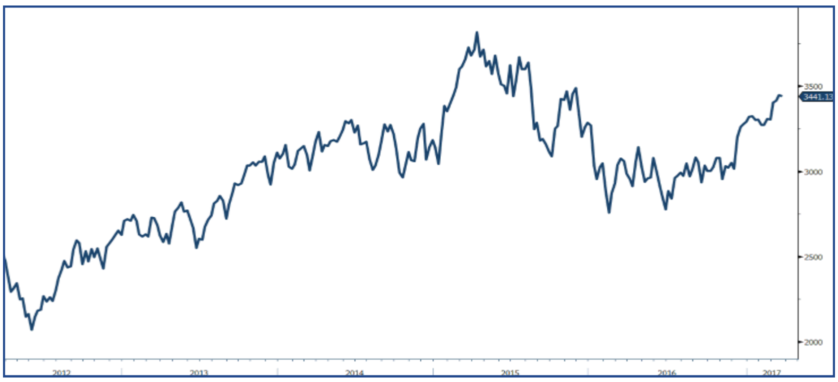
French Election - 1st Televised Debate

5 candidates for the French presidential election will hold a live televised debate this evening ahead of the first round of voting on the 23rd April. Emmanuel Macron is leading the polls currently with Marine Le Pen, of the National Front a close second. Mr Macron hold centrist views and will likely be attacked from both left and right leading opposition this evening. A measure of Marine Le Pen’s success can be gauged in the yield spread of 10 year French government debt relative to Germany debt. This yield differential peaked at 79bps mid-February and has since narrowed 13bps to 67bps as Macron’s lead begins to strengthen helped by Geert Wilder’s underperformance in the Dutch elections too. The French presidential election is the next near term event risk markets will have to navigate.

Europe vs US - European Equities Opportunity

Last week, the Euro Stoxx 600 Index outperformed US equities. The market took the Federal Reserve’s well anticipated 25bps rate hike in its stride, however the main factor which drove European equities higher came from the Dutch election result. Geert Wilders, the far right leader of the Freedom Party underperformed in the elections. This result is a positive read across for the French presidential election next month where Marine Le Pen’s rise is a real political risk markets can’t ignore. We now see greater upside potential in European equities relative to US equities primarily due to valuation differentials over the coming weeks. There is a political risk premium embedded in European equities which we expect to slowly diminish over the coming weeks. The S&P 500 Index currently trades at 18.4x FY17e earning compared to the Euro Stoxx 600 Index at 14.7x.

Eurostoxx 50 - Price Chart



Major Markets Last Week

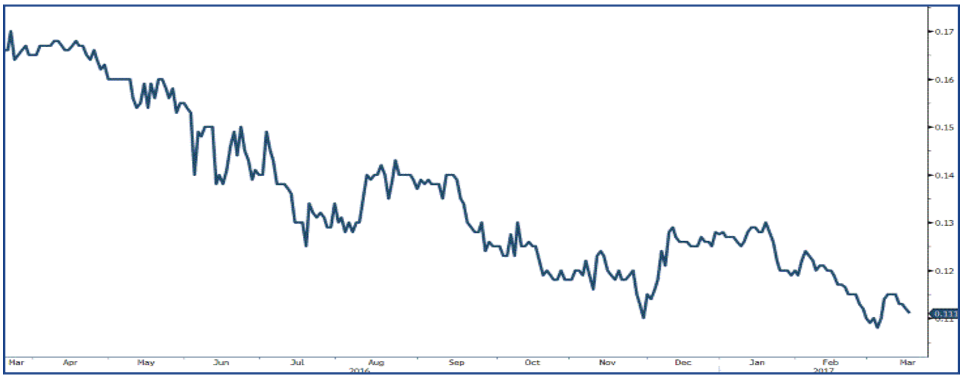
	Value	Change	% Move
Dow	20915	11.64	0.06%
S&P	2378	5.65	0.24%
Nasdaq	5901	39.27	0.67%
UK Index	7414	46.74	0.63%
DAX	12068	77.64	0.65%
ISEQ	6727	58.83	0.88%
Nikkei	19,522	-83.02	-0.42%
H.Seng	24,502	672.32	2.82%
STOXX600	378	3.23	0.86%
Brent Oil	51.41	0.06	0.12%
Crude Oil	48.28	-0.12	-0.25%
Gold	1233	28.87	2.40%
Silver	17.4184	0.44	2.58%
Copper	267.7	5.15	1.96%
CRB Index	434.19	2.50	0.58%
Euro/USD	1.0759	0.01	1.00%
Euro/GBP	0.8671	0.00	-0.55%
GBP/USD	1.2407	0.02	1.54%

	Value	Change
German 10 Year	0.44	-0.03
UK 10 Year	1.25%	0.01
US 10 Year	2.49%	-0.13
Irish 10 Year	1.14%	-0.02
Spain 10 Year	1.87%	-0.03
Italy 10 Year	2.35%	-0.01
BoE	0.25%	0.00
ECB	0.00%	0.00
Fed	1.00%	0.25

Independent News & Media – Results Preview

Closing Price: 10.8c

Will Heffernan | Investment Analyst



Key Metrics	2016e	2017e	2018e
Revenue (€Mn)	321	311	301
EPS (€'c)	2.5	2.4	2.4
P/E	4.4 x	4.58 x	4.48 x
Div Yield	0.00%	0.00%	0.00%

Share Price Return	1 Mth	3 Mth	YTD
INM	-6.4%	-12.8%	-14.5%

Source: Bloomberg

Independent News and Media release full year results for 2016 tomorrow after a quiet period for the stock. Revenue in H1 was €161.6mn while profit before tax was €18.5mn. H1 underlying EBIT was 3.1% and 7.3% when you include the Grabone acquisition. There was a once off margin gain of 50bps with margins rising to 10.9%. From a historical perspective H2 revenues have consistently being slightly larger than H1 so this bodes well for full year release. Estimates for total revenue for 2016 to be €324m, implying H2 revenues of €162.4mn. Operating profit is expected to be approx. €41.8m for the full year with EPS coming at 0.025c. Cash on the balance sheet, currently at €65mn is expected to rise to €80mn by the end of 2016.

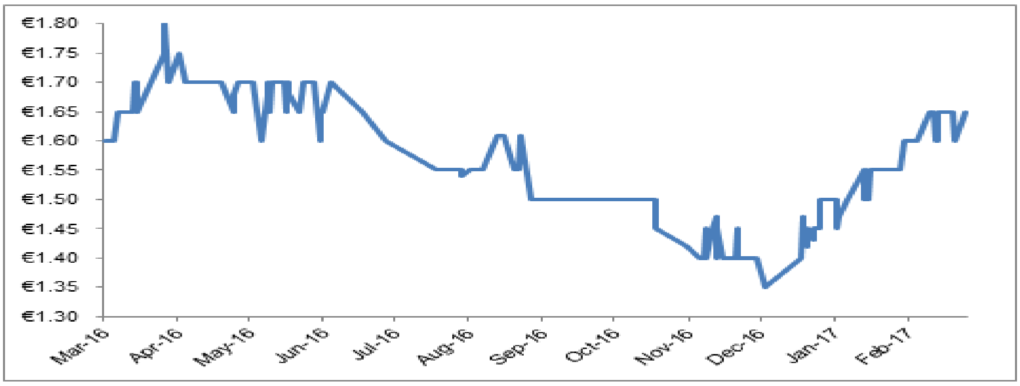
The share price in INM has trended down recently due to the structural decline of the print media business and negative sentiment towards the sector. However we still believe that INM represents a good potential return and is far from a value trap. The amount of cash on the balance is approx. 40% of its market cap and could rise to 50% with this week's results release. How this cash is used is an integral factor in INM's future development. In short it could be used for further acquisitions, payment of a dividend or share buy-backs.

Management have previously committed to an M&A approach, with the possibility of buying up local regional titles and/or a major digital asset, possibly in the UK. With sterling's recent deprecation the probability that this asset is UK based has increased. There has been very little development from the M&A perspective, perhaps due to pending ruling on the Celtic Media Group takeover. Management are also awaiting further developments regarding the recent application to the High Court for permission to carry out a capital reduction and cancellation of authorized shares. This would allow them to write of €1.1bn of historic losses and eliminate a legacy deficit. This is crucial to any future potential payment of a dividend. Lastly some clarity regarding the recent pension scheme announcement in November would also be welcome. Management announced that the company will no longer contribute to their DB scheme. INM has agreed to continue to pay its agreed commitment of €8mn per annum and removes its exposure to discount rates while also contributing to a healthier cash position.

If you leave aside the structurally declining print business, INM has some other strings to its bow that make it attractive. It has a large and efficient distribution system that delivers its publications to innumerable destinations each day. Diversification within this business through the signing of distribution deals with third parties will surely add value. Online growth has been quite impressive with some recent numbers indicating that online growth may be getting to a point that would offset the decline in the print business. From a valuation perspective it currently trades at FY2016 P/E of 4.36x making it one of the cheapest stocks in Europe. From ex-cash P/E perspective that drops to approx. 2.2x. That valuation allied with the level of cash, stable historic revenues and debt free status, leads us to believe the current price undervalues INM to a large extent.

One 51 – Solid update for 2016 Closing Price: €1.65

Will Heffernan | Investment Analyst



Key Metrics	2016	2015
Revenue (€mn)	433.9	360
EPS (€'c)	11.04	6.98
EBITDA (€mn)	55.2	36.1
Profit (€mn)	16.1	18.4

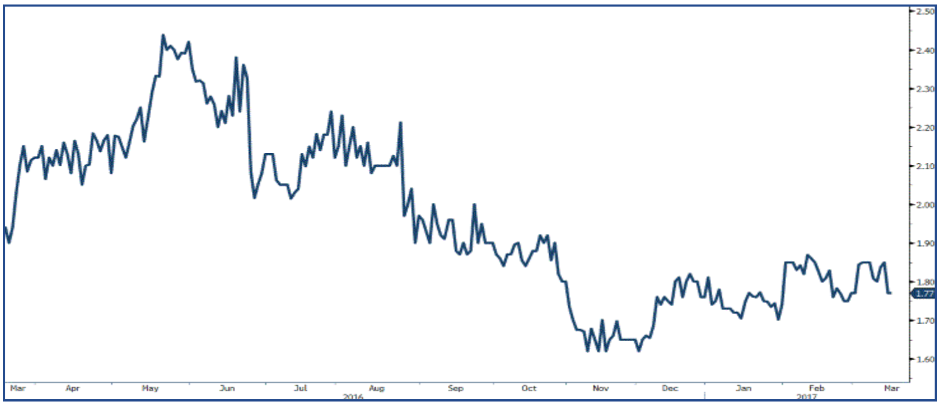
Share Price Return	1 Mth	3 Mth
One 51	22.2%	3%

Source: www.One51.com

One 51 reported full year results for 2016 this morning that showed the company continues the recent trend of solid organic growth allied with M&A activity. Group revenue for the period rose 18.6% to €433.9mn. This was driven by strong organic growth and a full year contribution from IPL, the Group's North American Plastics division. Group profit for the year was €17.9mn, up 57.9% from 2015. EBITDA came in at €55.2mn, an increase of 53.1%. EPS rose 58.2% to 11.04c. Revenue within the Plastics division was impacted by FX movements to the tune of €10.8mn. ClearCircle, the umbrella brand for the Group's Irish and UK activities, the recently disposed Irish Metals Recycling business and the continuing Metals South recycling activities in the UK, accounted for €102.8mn in revenue. Along with the disposal of the Irish Metals recycling business, the Group also made the decision to dispose of its SES businesses in Ireland and the UK. This is part of the management's continuing plan to focus its resources on the core Plastics business. These were decent results showing good organic growth and continuing addition of value from M&A. This has been centred around the stated goal of management to focus on the plastic business. The acquisition of Encore along with the recent disposals should ensure that management remains in a position where they can continue to add acquisitions that are higher margin opportunities with good growth paths and clear competitive advantages. We also welcome the commissioning of a food grade packaging facility at their Cork facility which comes at a very buoyant time in the Irish food producing sector. Successful integration of IPL reaffirms management's ability for good execution and integration. Management guided for 2017 trading as solid and in line with expectations. Outperform maintained.

IFG - FY16 results preview Closing Price: €1.75

Stephen Hall, CFA | Investment Analyst



Key Metrics	2016e	2017e	2018e
Revenue (£Mn)	719.3	83.7	90.2
EPS (£'c)	8.6	9.9	11.7
P/E	17.8 x	15.5 x	13.1 x
Div Yield	3.19%	3.45%	3.84%

Share Price Return	1 Mth	3 Mth	YTD
IFG	-4.3%	-2.8%	-0.6%

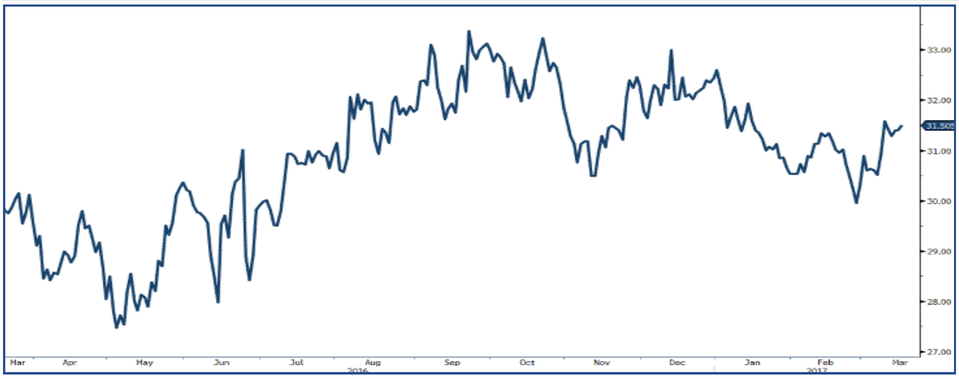
Source: Bloomberg

IFG is due to report FY16 results this Thursday the 23rd March. The stock has struggled since the Brexit referendum and the subsequent 25bps rate cut by the Bank of England in August 2016 which directly impacted James Hay's earnings due to the c. £1.2bn of cash it holds on its pension platform. However, the pension administrator is currently reviewing pricing to offset recent loss in earnings due reduced interest income which could happen as early as April 2017. Key focus for investors will be the number of new SIPPs added, and whether the business is eyeing up an potential back book to acquire similar to the Towry and Capita deals from 2015. While earnings are expected to decline, billable hours are likely to be stronger in Saunderson House due to heightened market volatility in 2016 which likely led to changes in asset allocation as a result of Brexit and Trump's election win in the US. We will be paying close attention to its outlook for new client wins expectations going forward and it whether it has reduced post Brexit. The market is anticipation revenues £79m and 8.6p and currently trades at 17.8x earning and has lagged the broader UK financial sector in recent months.

Inditex – Poised to benefit from online shift

Closing Price: €31.85

Will Heffernan | Investment Analyst



Key Metrics	2017	2018e	2019e
Revenue (€Bn)	19.3	22.7	25.13
EPS (€)	0.84	1.02	1.51
P/E	31.03 x	26.86 x	23.81 x
Div Yield	2.45%	2.81%	3.23%

Share Price Return	1 Mth	3 Mth	YTD
Inditex	3%	-0.7%	-1.6%

Source: Bloomberg

Inditex reported FY16 results last week that were generally in line with expectations. Revenue grew by 12% YoY to €23.3bn, in line with estimates. Like for like sales were very strong rising 10%, up from 8.5% in 2015. Gross profit was up 10% YoY to €13.3bn. EBIT was in line with expectations at €4.02bn, up 9% YoY. Net income came in at €3.2bn, 10% higher than previous years. Gross margin depreciated from 57.8% to 57%, driven by currency headwinds and a change in sales mix. Cash flow generation was very strong with funds from operations at €4.4bn, 13% higher. Net cash position at the end of the year reach €6.1bn, 15% higher. From an online perspective Inditex launched online sales for all of its concepts in Turkey in October along with Singapore and Malaysia this month. The rollout out of online operations to new markets is expected to increase in 2017. Store openings took place in 56 markets with space growth coming in at 8%. Trading so far in 2017 has also been quite strong with sales from February 1 to March 12 sales up 13% in constant currency terms. Management also guided for 450-500 store openings this year with 150 – 200 smaller stores absorbed by larger outlets closer buy. This level of new space is much lower than peers and is welcome at a time when new store openings are facing pressures due to the growth of online retail.

This was a very solid update from Inditex and was in line with analysts' expectations. The only real negative was margin depreciation which had been expected. Currency headwinds have played a major part in this and these have declining of late. Management has guided for these FX headwinds to have no effect on margins in 2017 which bodes well. The very strong like for like sales numbers differentiates Inditex from its peers who are somewhat reliant on new space growth to drive sales growth. This should ensure that Inditex's capex requirements in the medium term will be significantly less than peers. We believe that these results continue Inditex's historical trend of excellent execution and superior performance at a time when fashion retail is under severe pressure due to the secular shift to online retailing. This reaffirms our case that Inditex's short lead time model is well suited to adapting to the fast paced needs of the online retail consumer. Unlike traditional fashion retailers they do not design and produce a large collection at the start of the season. Instead they commit to a small collection and result on customer feedback in order to amend or expand it. In order to do this it has one of the most efficient design and distribution networks in retail. It can design, produce and ship an entire collection to stores within the space of a fortnight. This has ensured that Inditex stores are consistently stocked with the latest on-trend fashions that are in high demand. The supply chain is exceptionally nimble in terms of both production and design changes. This allows them to charge a higher full price and discount less than their peers, reducing pressure on gross margins over the long run. By chance or by design, this shorter lead time model is much more suitable to the online retail market than the longer lead time model of Inditex's peers. Inditex has managed the move to omni-channel retailing (online & high street) very well and continues to see very good sales growth from its online platforms.

From a valuation perspective it is currently trading at a P/E of 31x, which seems a bit punchy for the retail space. When you assess the company from a FCF point of view it consistently outranks peers in terms of cash generation and sales growth. We believe this premium is justified as no other high street retailer has handled the shift to online as well as Inditex have. Further to this we believe that Inditex is best placed to continue to stay ahead of the pack as the growth in online continues. As previously mentioned, the Inditex model was already set up for frequent, short lead time orders. It just so happens that is exactly what the online markets need as well. We believe that the Inditex can leverage its model to truly exploit the online shift and, unlike its peers, not dilute margins or high street presence as part of the same process. This allied with the groups' ability to access multiple target markets through its various brand leads us to believe it will outperform its peers. We maintain our Outperform rating and believe where it trades currently represents a good buy in point. For a more detailed analysis of Inditex please consult our recent note Inditex - Fast Fashion Innovation.

From the News - Monday Headlines

- **US** Warnings that work visa curbs will send jobs abroad
- **Europe** French election takes centre stage
- **UK** May embarks on UK tour to extol Brexit benefits
- **Global** Warnings as G20 leaders drop free trade pledge
- **Currencies** GBP hits three-week high against the dollar on rate hike talk
- **Oil** OPEC and Russia risk a lost decade as shale revolution spreads
- **Ireland** Irish companies unprepared for Brexit, survey shows
- **Vodafone** Merging India unit with rival Idea Ceullar
- **Irish Housing** Market Review by the Central Brank of tracker mortgage markets is due on Thursday

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	**Corporate**	**Corporate**	**Corporate**	**Corporate**
One 51	Mincon. FedEx. INM BMW	N/A	Bovis Homes. IFG. Next.	N/A
Economic	**Economic**	**Economic**	**Economic**	**Economic**
GE PPI. US. Chicago Fed Nat activity Index	UK CPI. UK House Pricing Index	US Mortgage Applications. US Home Sales	US New Home Sales. EC Consumer Confidence	GE Manf PMI. GE Services PMI. EC Comp PMI.

Upcoming Events

27/03/2017 N/A

28/03/2017 Datalex. Ladbrokes. Hostelworld.

29/03/2017 N/A

30/03/2017 N/A

31/03/2017 N/A

27/03/2017 US Dallas Fed Manf. GE Retail Sales.

28/03/2017 US Services PMI. UK Nationwide House Px.

29/03/2017 UK Mortgage Approvals. US Mortgage App.

30/03/2017 EC Consumer Conf. US GDP Price Index.

31/03/2017 CH Manf PMI. EC CPI est.

Cantor in The Media

- Business Behind the Brand—Caterpillar Inc —CEO Ronan Reid— Click here to view
- RFQ Platforms and the Rise of ETFs—Water Technology—Global Co-Head of ETF Sales and Trading Reggie Browne . Click here to view

Current Stock Trading News

From a market trading perspective we are long Daimler, Green REIT, Royal Dutch Shell and Kingspan and the positions remain in the money.

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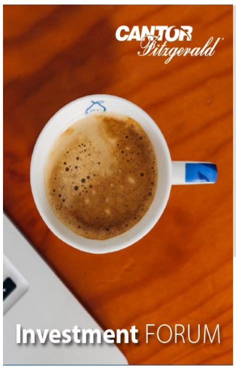

Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Independent News and Media: Independent News & Media PLC (INM) is an international media group.

IFG: IFG Group PLC is a focused financial services company. The Company offers full platform services, pension administration and independent financial advice.

One51: The One51 Group comprises two operating divisions focused on Plastics and Environmental Services.

Inditex - Industria de Diseno Textil, S.A. designs, manufactures and distributes apparel. The company operates retail chains in Europe, the Americas, Asia and Africa .

Historical Record of recommendation

INM: We updated our recommendation to Outperform from Market Perform on 17/05/16.

IFG: We have been positive on IFG"s outlook since 17/05/14 and no changes have been made to the recommendation since then, Cantor Fitzgerald Ireland clients hold a significant portion of IFG stock.

One51: We have an Outperform on rating on One51 since 17/7/15 changing to Outperform from Not Rated

Inditex - We have initiated coverage of Inditex with an Outperform rating, as of 23/01/2016.

None of the above recommendations have been disclosed to the relevant issuer prior to dissemination of this Research.

Date of distribution

The first date of distribution is the same date as this report unless otherwise specified.

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Dublin: 75 St. Stephen's Green, Dublin 2. Tel: +353 1 633 3633.

email : ireland@cantor.com **web :** www.cantorfitzgerald.ie

Twitter : @cantorIreland **Linkedin :** Cantor Fitzgerald Ireland