

Monday, 23<sup>rd</sup> May 2017

## Morning Round Up

### Terror attack kills 22 in Manchester

At least 22 people were killed in a suicide bombing at a pop concert packed with children in the northern English city of Manchester. This is the worst terror events since the London bombing in 2005. According to news reports a further 60 were injured in the attacks with many children among the victims. "This has been the most horrific incident we have had to face in Greater Manchester and one that we all hoped we would never see." said Greater Manchester Police Chief Constable Ian Hopkins. This incident is currently being treated as a terrorist threat. Prime Minister Theresa May's Conservative Party and the opposition parties saying they will suspend all activities ahead of the upcoming election on the 8th of June. May will chair a meeting of the government's Cobra emergency committee, which brings together ministers and security officials, at 9 a.m. in London. "We are working to establish the full details of what is being treated by the police as an appalling terrorist attack," May said in an emailed statement.

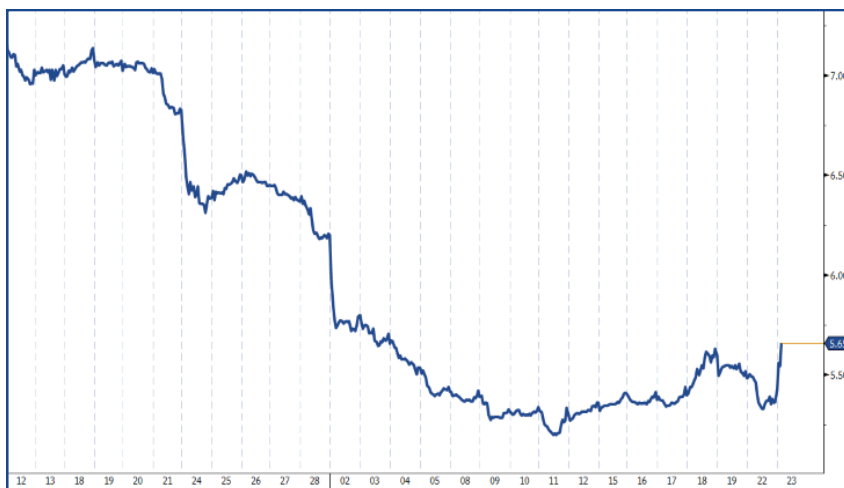
### Merkel highlights weak Euro

Yesterday, Chancellor Angela Merkel said the "the euro is too weak and that's because of ECB policy and so German products are cheap in relative terms". She also said "a lower oil price contributes to Germany's trade surplus, reducing the cost of imports to Europe's largest economy. If oil were 50 percent more expensive then we'd soon have a lot more imports". This drove EURUSD to fresh new highs of £1.1260. There are many variables behind the recent upward move in EURUSD included capital flows into Europe, speculation the ECB may begin to taper its QE programme ahead of expectations, and dovish comments from Fed members.

### Greece back in the headlines

Greek bonds came under pressure today after the country's creditors failed to reach a deal on debt relief. This leaves European finance ministers under pressure to finish negotiations before a crucial repayment deadline in July. Seven hours of talks between Germany, Greece and the IMF came to nothing as the IMF called for further detail on debt relief options for Greece. The IMF has consistently argued that Greece's debts are unsustainable and substantial easing is needed in the longer term. The Germans have been loath to even contemplate the issue. Yields on Greece two year bonds jumped 0.25% to reach 5.4%, which is their highest level this month.

### Greek 2 year yield - price chart



### Key Upcoming Events

25/05/17 - OPEC meeting  
08/06/17 - UK General Election  
13/06/17 - Fed Meeting

### Market View

Asian markets sold off this morning as more Trump news and the UK bombing caused risk-off sentiment to decline. It emerged that Mr Trump has asked intelligence chiefs to publicly deny any collusion between Russia and his campaign. This, combined with some remarks from Angela Merkel, pushed EURUSD up \$1.1243. Elsewhere, oil consolidated a 4 day gain in advance of the OPEC meeting on Thursday where expectations are for the production cuts to be extended. Market focus today will be on German, European and US PMI data

### Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	20895	89.99	0.43%	5.73%
S&P	2394	12.29	0.52%	6.93%
Nasdaq	6134	49.92	0.82%	13.94%

Nikkei	19,613	-65.00	-0.33%	2.61%
Hang Seng	25,360	-31.14	-0.12%	15.27%
Brent Oil	53.44	-0.43	-0.80%	-5.95%
WTI Oil	50.72	-0.41	-0.80%	-5.58%
Gold	1262	1.13	0.09%	9.96%

€/\$	1.1227	-0.0010	-0.09%	6.75%
€/£	0.8656	0.0012	0.14%	1.42%
£/\$	1.297	-0.0030	-0.23%	5.11%

	Yield	Change
German 10 Year	0.38%	-0.022%
UK 10 Year	1.09%	-0.005%
US 10 Year	2.23%	-0.026%

Irish 10 Year	0.84%	-0.024%
Spain 10 Year	1.60%	-0.021%
Italy 10 Year	2.12%	-0.023%

**Greencore** (Outperform) - Greencore: H1/17 results should alleviate investor concerns

Previous Close: 2.63

**News**

Greencore released an excellent set of H1/17 results which should alleviate many investor's concerns which have caused Greencore's share price to underperform broader equity markets in 2017. This set of results covers the period between October 2016 – March 2017. This was a hugely transformational and busy period for the Group with the integration of Peacock Foods, as well as implementing new capacity additions to support significant business wins in the UK which the market has reacted very favourably to this morning. Overall, it reported Group revenue of £1,010.3m, up 46.1% YoY, Group EBITDA of £79.1m, up 31.2% YoY and Group operating profit of £55.3m, up 27.1% YoY. The Group faced 2% raw material inflation in the UK and 4% increase in labour costs in the UK, however the Group said it has successfully mitigated these costs going forward through multiple cost and innovation initiatives across its operations, which is a positive surprise. In the UK & Ireland, the Group reported organic revenue growth of 10.6%, meaning growth actually accelerated compared to H1/16 and is significantly ahead of the broader food sector. It enjoyed significant capacity additions and commercial launches with its key customers in the UK, highlighting the success of its "sole supply" customer partnership model. Greencore CEO, Patrick Coveney said "the UK consumer remains extremely resilient and Brexit has had no impact on its key categories since the referendum".

**Comment**

Its Peacock Foods acquisition has transformed its end markets and channel position and has given the company a strong growth platform of real scale in the US. Management is confident it can make further progress in FY17 and beyond in this business. It saw strong volume growth of 9% in Peacock Foods on a pro forma basis in the period and good progress with the integration, customer launches and commercial pipeline development in the combined US business according to management. On its outlook for the remainder of 2017, management said it remains confident in its ability to deliver in line with market expectations for FY17. Management didn't comment on the recent acquisition of Advanced Pierre by Tyson Foods, which happens to be Greencore's largest customer, representing c. 10% of sales. Management will likely address the impact of this deal on the analyst call this morning at 8:30am. Ultimately, this set of results should alleviate many investors' concerns such as possible margin compression in the UK and management's ability to manage this, while organic volume growth is actually accelerating. As of last night's close, the stock was trading at just 14.4x, reflecting integration risk of Peacock Foods and risk of margin compression fears. This is a 35% discount to the broader Euro Stoxx 600 Food and Beverage Index at 22.2x. We see significant re-rating potential on the back of this set of results, towards its 3 year average at 16.8x.

Stephen Hall, CFA | Investment Analyst

**Hibernia REIT** (Outperform) - Solid results with developments on track

Previous Close: €1.28

**News**

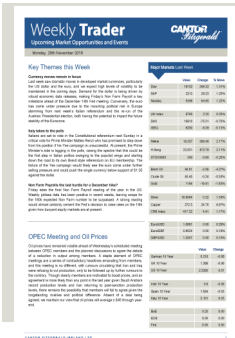
Hibernia REIT released preliminary full year results to March 31st 2017 this morning and were quite solid. Overall value of the portfolio rose 9.9% to €1,167m. This was up 7.4% in H2 alone. The year to date total property return was 14.5% vs the index return of 11.25. Importantly EPRA NAV came in at 146.3c, up 11.9% YoY and ahead of expectations of 143.9c. Net rental income increased by 56.3% to €39.7m. Profit before tax came in at €119m and was well ahead of estimates of €70mn. Contracted rental roll is now at €48.3mn, up 24% from March of last year. 50% of the rental roll is now upward only or capped/collared at the next rent review. This is up from 36%. The average length of leases also increased to 6.7 years to expiry driven by completed developments which have an average expiry of 10.7 years and rents of €49 per sq. ft. Final dividend came in at 1.45 cents per share, bringing the dividend for the total year to 2.2cents.

**Comment**

These results continue to illustrate the healthy nature of the corporate office space within Dublin. Hibernia's management continues to excel in terms of achieving higher than expected rents for new developments. The substantial increase in rental roll and average unexpired term bodes well for the future. The Dublin corporate space sector has realigned itself over the past few years. After a period of substantial asset price appreciation, the story has now changed to one of focused on income growth. Hibernia's continued ability to generate rental roll increases, along with the prospect of completed developments in the next two years, should ensure that income generation is not a problem. All developments remain on track and within budget with approx. 295,000 sq. ft. of Grade A office space due to be completed by mid-2018. Longer term there are five schemes in the pipeline totalling 660,000 sq. ft. Management also guided for continued increases in its dividend on the back of new leases and rent events. Hibernia REIT currently has more developmental risk than some of its Irish peers but so far management has shown the ability to manage the completion of developments very well. We believe that these new developments will be coming on stream at just the right time as Brexit related moves of UK firms should start in H2/17 and act as a further catalyst. We maintain our Outperform.

Will Heffernan | Investment Analyst

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## Regulatory Information

### Issuer Descriptions: (Source: Bloomberg)

**Greencore:** Greencore Group plc manufactures and distributes a diverse range of primary foods and related products, food ingredients and prepared foods to the consumer and industrial sectors

**Hibernia REIT:** Hibernia REIT plc operates as a real estate investment trust. The Company invests in commercial properties including offices, industrial properties, retail stores, warehousing and distribution centers, and other related property assets.

### Historical Recommendation

**Greencore:** We have upgraded our recommendation for Greencore, to Outperform from Not Rated, as of 25/11/2015

**Hibernia REIT:** We have an Outperform rating for Hibernia REIT since 22/08/14 and no changes to the recommendation since then.

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