

Friday, 9th March 2018

Morning Round Up

Korea Summit – Trump to meet rocket man

News that Trump accepted a meeting with Kim Jong Un breaks decades of U.S. diplomatic protocol. Probably the biggest advancements in relations between the two countries along with the North-South Korean summit and the combined Winter games all indicating a softening in Kim Jong Un's outlook on North Korea's place in the world. Trump has tweeted that denuclearisation is on the table along with a statement from South Korea saying Kim has committed to getting rid of nuclear weapons and refrain from missile testing. In typical Trump fashion, his strategy is boom or bust. These meetings could lead to a significant loosening of global geopolitical tensions, but the risk of escalation remains if talks do not go well. US Markets reacted positively over night with US futures indicating a positive open, US Treasuries ticked up with the 10 year at 2.86%, MSCI Asia Pacific index up 0.3% with the Hang Seng up 1.0%, the Japanese yen fell 0.4% to 106.68, and the Nikkei was up 0.5%. Trump's announcement has stolen all the headlines and as a result, the strong Chinese response on tariffs might not be getting the consideration it is due. However, the stabilisation of the Korean peninsula is looking more likely than ever before, while a long road remains ahead for diplomats the removal of the North Korean Threat is a big positive for the global economy.

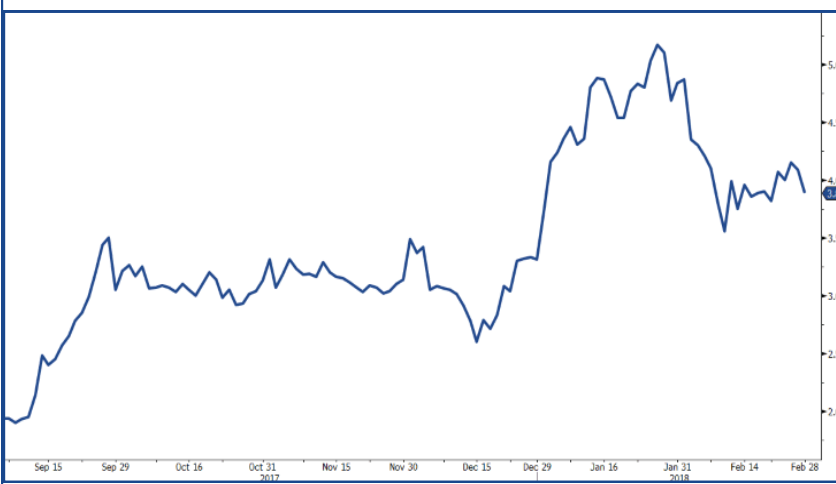
Mixed reaction to ECB meeting and press conference.

In line with expectations, the ECB Governing council amended its tone removing its easing bias from its guidance. The euro reversed a drop to trade 0.1% higher against the dollar, along with German 10 year yields trading as high as 70 bps but returning back down to 63 bps. Markets initially interpreted ECB Governing Council minutes as a switch to a slightly more hawkish tone. The market pull back coincided with Draghi's press conference, which reaffirmed a more dovish tone. There was no major change to guidance on inflation, 2019 expectations were revised down to 1.4% from 1.5%. Draghi mentioned that the first rate hike is not a pressing issue at this time. In summary, the message reads as slow and steady progress.

Oil selling off due to increased US inventories

US inventories were up 2.4mln barrels according to the US Energy Information Administration (EIA) causing an intraday dip of 2.5% drop in prices. Brent is down 3.5% year to date. Cuts from OPEC and Russia have helped tighten up the market over the past year. As well as supply issues oil prices have been highly correlated to equity market lately and weakness in global financial markets, after the resignation of Gary Cohn and Trump's tariff, would also have contributed.

WTI Price Chart



Source: Bloomberg, CF Research March 2018

Key Upcoming Events

09/03/18 US Non Farm Payroll

Market View

Markets were positive overnight as the White House showed some flexibility in its latest tariff programs, implying it might not just be a case of blanket tariff introduction. Asia was also buoyed by the news that Donald Trump has agreed to meet Kim Jong Un in a bid to resolve the nuclear impasse. European equities opened slightly up this morning as a result. Sentiment was also helped by Mr Draghi, who despite removing certain dovish language from his press release, was quite dovish in the press conference. Market focus today will be on US NFP and wage inflation.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	24895	93.85	0.38%	0.71%
S&P	2739	12.17	0.45%	2.44%
Nasdaq	7428	31.30	0.42%	7.60%

Nikkei	21,469	101.13	0.47%	-5.69%
Hang Seng	30,996	341.69	1.11%	3.60%

Brent Oil	63.92	0.31	0.49%	-4.41%
WTI Oil	60.39	0.27	0.45%	-0.05%
Gold	1320	-2.12	-0.16%	1.31%

€/£	1.2316	0.0004	0.03%	2.59%
€/€	0.8915	0.0000	0.00%	0.39%
£/\$	1.3814	0.0003	0.02%	2.23%

	Yield	Change
German 10 Year	0.65%	0.023%
UK 10 Year	1.50%	0.025%
US 10 Year	2.88%	0.024%

Irish 10 Year	1.06%	0.021%
Spain 10 Year	1.43%	0.020%
Italy 10 Year	2.00%	0.012%

Source: Bloomberg, CF Research Mar 2018

IPL Plastics - Solid FY17 results with bright prospects for 2018

Closing Price - €2.00

News

IPL released full year results this morning that were in line with our estimates and previous management guidance. FY adj. EPS came in at 12.01c, up from 11.04c in 2016. FY revenue came in at €474.4m, up 36% from 2016. FY EBITDA of €70.9m was up 46% yoy and in line with estimates. Overall gross margin was strong at 14.94%. FY EBIT was in line with estimates at €41.6m. Profit for the period was €17.6m, again in line with estimates. Net debt was €233m, implying a net debt/EBITDA of 3.0x. Capex was significant at €43.4m spend in 2017. The major negative from the result was a significant tick up in resin and transport costs, mainly driven by the impact of hurricanes in the US.

Comment

These results were in line with our expectations and reasonably solid. Management stated that its 2018 trading performance continues to be affected by the increased resin and transport costs, which is an obvious negative. However, overall guidance remains positive with management confident in the ability of the business to continue to grow profitably in the future. Based on our past discussions with management, we would share this opinion and believe the next 2-3 years should see significant EBITDA growth for IPL. We are meeting management later today and will update further post that meeting.

William Heffernan | Investment Analyst

INM - FY17 results in line with focus on future strategy

Closing Price - €0.109

News

Independent News and Media (INM) released mixed results for FY17 this morning. Total Revenue of €293.0m was down 9.4% on the prior year. This was driven by a decline in total advertising revenue (-10.6%) and the decline in circulation revenue of 8.4%. The decline in circulation revenue subsequently impacted distribution revenue which decreased by 9.5%. Within total advertising revenues, publishing advertising revenues fell by 13.0%. Digital revenues remained in line with the prior year. Operating costs fell by 6.2%. Profit before tax of €28.5m was down by 31.8% while operating profit was down by 3% on 2016. There was a net exceptional charge of €12.1m which included a €12.7m charge related to the impairment of the Belfast Telegraph masthead, €1.5m severance pay to the former CEO, €1.8m miscellaneous charges, €2.9m retirement benefits accounting adjustment of and a €1m gain on relating to the release of an onerous dilapidations provision. From a Balance Sheet perspective net asset have increased by €13.8m to €76.1m with cash increasing by €6.7m to €91.5m. There was no dividend announced for 2017.

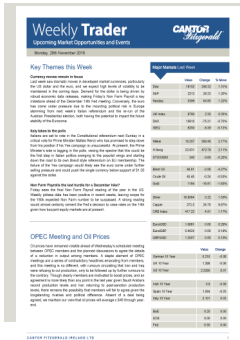
From a governance perspective, a new CEO and four new non-executive directors to the Board were appointed in 2017. A new chairman was appointed to the Board in March this year. Additionally, in November last year, an agreement was signed to acquire Supreme Stationary and certain assets of Hedagon Limited. The release stated that "Board and Management are currently working closely with EY on the development of a strategic plan which will provide a roadmap to the future". It guided that the coming year will be challenging as key revenues face further declines, which is in line with management's guidance from previous years.

Comment

Revenues trends are in line with what was anticipated. The sector is struggling as digitalisations hold increases. We will be meeting management this afternoon with the hope to get further clarity on future strategic plans and potential growth into the future. We maintain our Market Perform rating.

David Fahy | Investment Analyst

Cantor Publications & Resources



Weekly Trader

On Mondays, we release our weekly note in which we provide a view on equity markets for the coming days, and highlight a number of equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meets on a weekly basis to craft this strategy, thereby allowing clients to dynamically position portfolios to take advantage of the most up to date market developments.

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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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Issuer Descriptions: (Source: Bloomberg)

IPL Plastics: IPL Plastics comprises two operating divisions focused on Plastics and Environmental Services. IPL Plastics is a grey market stock and is not listed on a traditional exchange. Client should be aware that are increased liquidity risks associated with trading these type of stocks.

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

Historical Recommendation:

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

INM: We updated our recommendation to Market Perform from Outperform on 19/05/17.

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