

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 21st May 2018

Key Themes This Week

Markets in need of a catalyst

We have just emerged from a very good earnings season (+26% earnings growth in the US) but since then the market has moved in a fairly limp fashion. What is the cause of this? Here at Cantor we believe there are several factors. Firstly there is the question of whether or not that type of earnings growth is sustainable or have we reached the peak. Secondly, increasing oil and transportation costs, which we have seen a lot of commentary on recent analysts calls, has led to increased fears of increasing margin pressures as we move into the second half of the year. [Recent yield movements](#) have also played their part, spooking equity investors as equity risk premium declines. The major move up in intra-day and intra-week volatility has undoubtedly resulted in some investors sitting on the side-lines. From a longer term perspective, the market has become increasingly cognizant of how old this bull market is and where we currently sit in the cycle. Lastly the ever-present trade worries have also been a factor. Continuing aggravation between the US and some of its major trading partners has not helped. Over the weekend the media reported that the China and US have agreed to put a trade war on hold for now. This could be the catalyst that markets have been looking for to push higher in the near term. However, there were no detailed targets in the statement and Larry Kudlow, a White House economic advisor, stated that "there's a communique between the two countries, that is all".

Update on Cantor Core Portfolio

Our Core Portfolio is up 5.9% vs a benchmark return of 1.8% (up until 16th May). It should also be noted that this performance has been achieved in relatively poor overall markets year to date. European equities are up 1.04% over the equivalent period. S&P 500 is up 1.83% (3.63% in euro terms) while UK equities are up 0.6% (+2.19% in euro terms).

US Tech Update

We continue to like all of our US Tech names from a longer term perspective. However we continuously monitor sector indicators and right now they are telling us that the sector is likely to be weak in the short term. All of the major US Tech names bar PayPal (see inside) are all showing signs of exhaustion in the short term. For clients who are holding these names for their longer term excellent growth potential we recommend no change as there is 15-20% upside left from a 12 month perspective.

However, in the short term, for the more active trading clients we would recommend taking profits. Amazon is currently trading at \$1,575.87. There is some support at \$1,532.35 (-2.76%) and major support \$1,450 (-8%). Amazon's AGM is on the 30th of this month. It is a similar picture for Facebook. We had been [recommending](#) clients to pick it up in the \$150 range and it is up approx. 18% at \$183.04. There is support at \$175-176 (-4.5%) but major support at 172 (-6%), a level which has held multiple times over the past two years. Facebook's AGM is on 31st of this month. We would recommend in the event of retracement, active clients use the major support levels outlined above to buy in again.

This week we cover off on Ryanair full year results, Prudential, Vodafone, Coca Cola, PayPal and the US 2 Year Treasury note.

Major Markets Last Week

	Value	Change	% Move
Dow	24732	-99.34	-0.40%
S&P	2719	-8.93	-0.33%
Nasdaq	7371	-32.32	-0.44%

UK Index	7779	54.24	0.70%
DAX	13078	76.48	0.59%
ISEQ	7096	134.47	1.93%

Nikkei	22,930	171.88	0.76%
H.Seng	31,048	-74.15	-0.24%
STOXX600	395	2.27	0.58%

Brent Oil	78.87	1.75	2.27%
Crude Oil	71.06	0.36	0.51%
Gold	1291	-27.84	-2.11%

Silver	16.4214	-0.25	-1.48%
Copper	305.85	-5.30	-1.70%
CRB Index	443.39	-0.68	-0.15%

Euro/USD	1.1785	-0.02	-1.32%
Euro/GBP	0.8742	-0.01	-0.87%
GBP/USD	1.3481	-0.01	-0.45%

	Value	Change
German 10 Year	0.579	0.02
UK 10 Year	1.5	0.06
US 10 Year	3.0744	0.10

Irish 10 Year	1.019	0.05
Spain 10 Year	1.443	0.17
Italy 10 Year	2.229	0.36

BoE	0.5	0.00
ECB	0.00	0.00
Fed	1.75	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Vodafone



- Strong FY18 results in conjunction with CEO, Vittorio Colao, stepping down
- Liberty Global transaction offers significant opportunity for synergies
- Converged services and cross selling provides growth potential along with AMAP region
- Competition in Italy and Spain remains intense with new entrant Iliad causing price pressure in Italy
- Colao is most definitely a loss to the leadership team, however Nick Read, who has been groomed for the role, should continue the current strategy with minimal disruption
- Mixed sectorial outlook. Headwinds include increasing rates while a rotation into defensive names would be a tailwind
- Currently trading at 12M lows where we would expect to find support at 190 GBp.
- Expected to recover back above 200 GBp with resistance at 203 GBp and a consensus price target of 232 GBp (+20.1% upside)

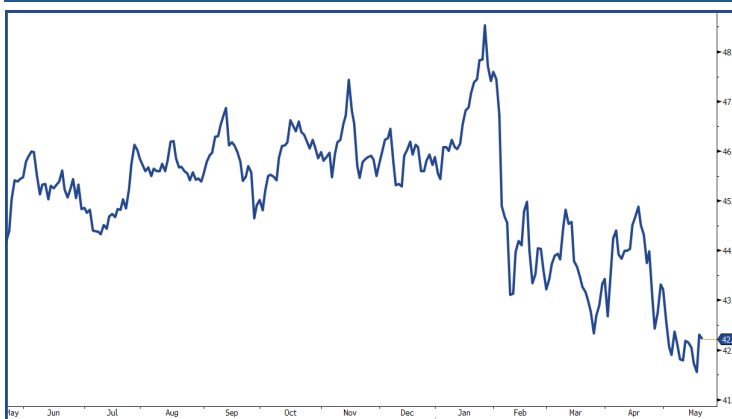
Key Metrics	2018e	2019e	2020e
Revenue (€Mn)	46136.4	46709.9	47475.2
EPS (€)	0.12	0.13	0.16
Price/ Earnings	19.21x	17.26x	14.16x
Div Yield	6.79%	7.15%	6.61%

Share Price Return	1 Mth	3 Mth	YTD
VOD LN	-5.11%	-4.21%	-16.5%

Source: All data & charts from Bloomberg & CFI

Source: All data & charts from Bloomberg & CFI

Coca Cola



- We have been keeping an eye on Coca Cola's price action lately post its recent Capital Markets Day in December.
- The CMD was initially received well by analysts
 - 4-6% organic sales growth target (currently at 3%)
 - 7-9% EPS growth (0 in FY17, 10% in FY18)
 - Focus on revenue, cash flow & EPS growth
 - Moving to a more streamlined model that should be able to deal with an increasingly health conscious customer.
 - Focus on EM growth & no-calorie drinks such as flavoured water.
 - Halfway through \$3.8bn of a cost saving program
- 8-9% earnings growth, 2.2x PEG ratio and 10-15% discount to 5 & 10 year P/E
- **This is a short term trading call. The sector is still facing considerable headwinds.**
- Has recently seen some upgrades from major houses with \$49.88 now the consensus price target (18.1% upside).
- We would expect it to trade back to the top of the recent range at \$44-\$46 representing 10-12% upside.

Key Metrics	2018e	2019e	2020e
Revenue (\$mn)	31982.4	33208.3	34499.6
EPS (\$)	2.10	2.27	2.44
Price/ Earnings	20.1x	18.59x	17.31x
Div Yield	3.62%	3.94%	4.22%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
KO US	-5.33%	-5.96%	-7.80%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

Prudential



- De-merging of M&G Prudential, European insurer and asset manager, expected to unlock shareholder value through balance sheet optimisation
- Strongest organic growth prospects amongst UK insurers with EM exposure through leading Asian business
 - Top 3 position in 9 of 12 Life markets in Asia
 - Achieving +15% growth in operating profit
 - Market leading asset management arm Eastspring Investments
 - Asian demographics offer significant long-term growth opportunity in Life and Health Insurance as a large middle class emerges
- Increasing interest rates supports reinvestment income
- Sector rotation should add support relative to the market if risk off sentiment increases
- Rising regulatory costs particularly in the US
- Trading in an upward trend channel since mid-2016
- Support at the 50 day moving average 1840 GBp,
- Consensus price target of 2115 GBp (+10% Upside)

Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	63231.3	65974.8	60209.0
EPS (£)	1.46	1.62	1.79
Price/ Earnings	13.22x	11.93x	10.83x
Div Yield	2.61%	2.87%	3.04%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
PRU LN	5.69%	4.46%	0.81%

Source: All data & charts from Bloomberg & CFI

US 2 Year Treasury



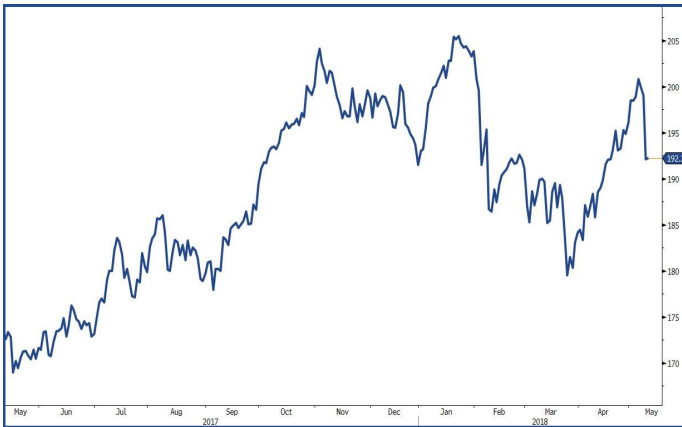
Current Issue		Next Auction	
ISIN	US9128284J61	Auction Date	22/05/2018
Issue Date	30/04/2018	Expected Yield	2.61%
Maturity Date	30/04/2020		
Coupon	2.375%		
Frequency	S/A		
Price	\$99.2063		

- The current yield on a US 2 year Treasury note is 2.55%.
- That has moved up from 1.89% at the start of the year and 1.28% in September 2017.
- This has been driven by several factors
 1. Heightened expectations of inflation driven by a tick-up in commodity prices
 2. Acceleration in growth expectation at the start of the year sparked by US tax reform
 3. Expectations of an move up in the Fed hiking cycle
- The 2 year yield is now only 53bps behind the 10 year yield. It is ahead of the current est. for FY18 S&P 500 div yield of 2.1%. It should also be noted the current earnings yield on the S&P 500 4.8%, just 225bps above the 2 year.
- We have been monitoring technical and positioning data which is telling is that some retracement in the US 2 year yield is due.
- We would recommend clients to pick up the US 2 year treasury at current levels.
 - 2018 has seen the [return of volatility](#) in a [big way](#)
 - The US 2 year acts as diversifying element in a portfolio
- **This trade is recommend strictly for clients with dollar exposure (forward rates imply hedging costs are not likely to decline any time soon) and who are willing to hold it to maturity.**

Opportunities this week

CFI Research Team

PayPal



Key Metrics	2018e	2019e	2020e
Revenue (\$'Mn)	15370.5	17789.3	20829.1
EPS (\$)	2.34	2.81	3.27
Price/ Earnings	34.83x	28.93x	24.89x
Div Yield	0.00%	0.00%	0.00%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
PYPL US	1.79%	1.05%	7.57%

Source: All data & charts from Bloomberg & CFI

- Last week media reports indicated that PayPal is [buying iZettle](#), a Swedish payment start-up for \$2.2bn.
- iZettle offers ecommerce services to small businesses and individuals and was reportedly seeking a valuation of \$1.1bn in its listing.
- This should help PayPal compete with Square on in-store payments, an area in which it has traditionally lagged.
- PayPal and its social payments app Venmo are 2 of the top three most downloaded financial services apps in the US and account for approx. 40% of all payment app downloads (nearly 2x its largest competitor). Strong Q1 results reaffirmed this trend with significant payment volume growth over both platforms.
- [Recent partnerships](#), including with Apple, Visa, JPM and Baidu ensure that the platform is becoming the online payment method of choice.
- It had sold off due to the recent [eBay news](#) which in our opinion was an over-reaction.
- Other short term headwinds include an general uptick in market volatility, which would affect the higher beta Tech sector the most, and potential new entrants (some media speculation has hinted at Amazon). We do not expect these to be material over the longer term.
- Earnings growth for FY18 is 23% while for FY19 & 20 it is 20.4 and 16.2% respectively.
- PayPal have an analyst day on the 24th of this month

Ryanair - FY Results

CFI Research Team



Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	7677.0	8475.5	8661.7
EPS (€)	1.22	1.38	1.37
Price/ Earnings	13.14x	11.64x	11.68x
Div Yield	0.57%	0.22%	4.47%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
RYA ID	-2.67%	-6.38%	2.82%

Source: All data & charts from Bloomberg & CFI

News

Ryanair released mixed FY18 results this morning. Headline figures for FY18 were positive, predominately at the upper end or above analyst & our own estimates. Medium term outlook was positive as management highlighted consolidation likely to occur in the near term. However negative earnings guidance for FY19 driven by predicted flat fares and increases in fuel/staff costs have led the stock to open down this morning (it has since rallied by 2.3%). Revenue grew by 8% yoy to €7,151m, above both our estimates of €7,105m and Street estimates of €7,074m. Profit after tax grew by 10% to €1,450m (to the top end of management guidance), below our estimates of €1,460m above Street estimates of €1,438m. Adjusted EPS grew by 16.85% which was slightly below our estimates of 17% and above street estimates of 15.8%. Net margin remained strong at 20%. Traffic grew by 9% to over 130m passenger. Average fares were as expected, down 3% to €39.40. Ancillary spend increased by 4% per passenger (2% previously guided) leading to 13% ancillary revenue growth. Ancillary Revenue now makes up 28% of total revenue, well on the way to reaching the management target of 30% by March next year. MyRyanair membership grew to €43bn. Unit costs fell by 1% as positive fuel hedging was offset by a 3% increase in ex-fuel costs.

Management stated that its guidance for FY19 is “on the pessimistic side of cautious”. Guidance for FY19 profits is negative with an estimated range of €1.25bn to €1.35bn. This is between -13% and -7% negative basic EPS growth for the year relative to FY18. Traffic is expected to grow by 7% to 139m, with a load factor of 95%. Unit costs are expected to rise by 9% due to higher fuel and staff costs. Ex-fuel costs are guided to rise by 6% as staff costs increase by €200m. Fuel is guided to increase by €400m. Ancillary revenue growth should continue. Management sees fares to broadly flat for 2018, however this is heavily dependent on H2 fares. Management expects the industry to consolidate to 5 large airline groups in Europe over the medium term. It highlighted that further M&A opportunity (following on from LaudaMotion) is likely over the next three years, stating it can become a “substantial and profitable group” under the Ryanair Banner over the next 3 years,

Despite €800m being returned to shareholder over the year via buybacks and capex of €1.5bn, net debt at the end of the year was flat, which is a solid result. It was also announced that it intends to restrict voting rights of all non EU shareholders as a precautionary measure in advance of .

Comment

FY18 results were in line with our estimates and generally solid. Revenue, profit, passenger and load factor were all strong. Impressively ancillary revenue growth surprised to the upside driven by a strong Easter period. The most important thing from this announcement was forward guidance. FY19 guidance is negative, however the more medium term outlook remains positive. Both profits and margins will be negatively impacted by higher fuel and staff costs this year. As we have noted consistently this will be felt across the industry and will [lead to consolidation](#). In the announcement, and on a interview with Bloomberg this morning, management (Michael O’Leary) highlighted this will occur in the near term, as higher fuel costs increase speed of [competitor failure](#). It will look to capitalise on this as it sees acquisitions likely in the next three years. Further to this, it remains on track to reach 200m passengers by 2024. It will exercise remaining options on all 210 “Boeing Gamechanger” aircrafts over the next 6 years. These are both larger and more fuel efficient. Importantly in the announcement it confirmed fuel hedging of 90% at \$58 a barrel for FY19. This remains well above the industry norm and provides certainty on costs for FY19.

The difference between our estimates on management guidance for the year was driven by fares. We predicted slightly positive fares for the remainder of the year, management has guided flat for the year. It does however see a 4% rise for the summer (Q2). Regardless, the post FY19 the outlook remains positive. We maintain our Outperform and will update again post reviewing the management statements and analyst call this morning.

Cantor Core Portfolio - In Detail

Performance YTD	%	Sectors	Portfolio	Benchmark	+ / -	FX	Portfolio	Benchmark
Portfolio	5.9%	Consumer Discretionary	10%	11%		EUR	63%	54%
Benchmark	1.8%	Consumer Staples	5%	14%		GBP	21%	26%
Relative Performance	4.1%	Energy	5%	6%		USD	16%	20%
P/E Ratio	20.49x	Financials	24%	15%		Currency YTD %		
Dividend Yield	2.3%	Health Care	5%	9%		GBP	1.58%	
ESMA Rating	6	Industrials	27%	15%		USD	1.79%	
Beta	1.03	Information Technology	12%	9%				
		Telecommunication Services	0%	3%				
		Utilities	0%	3%				
		Materials	12%	15%				
		Real Estate	0%	2%				

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Currency Contribution	Total Contribution
ISEQ 20 INDEX	EUR	17	Neutral	32%	0.7%	0.1%	0.0%	0.2%
UK 100 INDEX	GBP	14	Neutral	26%	4.0%	0.0%	1.7%	0.7%
S&P 500 INDEX	USD	17	Neutral	20%	4.4%	0.0%	1.4%	0.6%
IBEX 35 INDEX	EUR	13	Positive	6%	2.1%	0.0%	0.0%	0.2%
DAX INDEX	EUR	14	Positive	16%	0.6%	0.0%	0.0%	0.0%
Total				100%		0.1%	0.72%	1.8%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold / Sold	Sector	Weighting	Total Return Local	Weekly Return	Currency Contribution	Total Contribution
GLANBIA PLC	EUR	1.5	H	Consumer Staples	5%	-4%	0.1%	0.0%	-0.2%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Industrials	5%	2%	-0.1%	0.0%	0.1%
INDUSTRIA DE DISEÑO TEXTIL	EUR	3.0	H	Consumer Discretionary	6%	-6%	0.0%	0.0%	-0.4%
LLOYDS BANKING GROUP PLC	GBP	6.1	H	Financials	5%	0%	-0.1%	1.6%	0.1%
BANK OF IRELAND	EUR	2.8	H	Financials	5%	5%	-0.1%	0.0%	0.3%
ALLIANZ SE-REG	EUR	4.6	H	Financials	5%	3%	0.0%	0.0%	0.2%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	4%	0.0%	1.8%	0.2%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	6%	0.1%	1.9%	0.3%
ALPHABET INC-CLA	USD	0.0	H	Information Technology	4%	3%	0.0%	1.8%	0.2%
AMAZON.COM INC	USD	0.0	H	Consumer Discretionary	4%	36%	-0.1%	2.4%	1.5%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-2%	0.0%	0.0%	-0.1%
SIEMENS AG-REG	EUR	3.6	H	Industrials	6%	4%	0.1%	0.0%	0.2%
VINCI SA	EUR	3.2	H	Industrials	5%	2%	0.0%	0.0%	0.1%
SMURFIT KAPPA GROUP PLC	EUR	2.6	H	Materials	6%	22%	-0.3%	0.0%	1.3%
ALLIED IRISH BANKS PLC	EUR	3.1	H	Financials	4%	-7%	0.0%	0.0%	-0.3%
CRH PLC	EUR	2.6	H	Materials	6%	5%	0.0%	0.0%	0.3%
KINGSPAN GROUP PLC	EUR	1.2	H	Industrials	5%	11%	0.1%	0.0%	0.5%
ROYAL DUTCH SHELL PLC	GBP	5.9	H	Energy	5%	13%	0.1%	1.8%	0.7%
DCC PLC	GBP	1.8	H	Industrials	6%	-1%	0.0%	1.6%	0.0%
GLAXOSMITHKLINE PLC	GBP	6.1	H	Health Care	5%	15%	0.1%	1.8%	0.9%
Total					100%		-0.3%	0.67%	5.9%

All data taken from Bloomberg up until 09/05/2018.

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

Warning : Past performance is not a reliable guide to future performance

Warning : The value of your investment may go down as well as up.

From the News - Monday's Headlines

- **Global** US and China step back from the brink
- **US** Trump lashes out after son's campaign meeting is revealed
- **Europe** Political novice emerges as frontrunner to be Italian PM
- **UK** UK has not renewed Roman Abramovich's visa
- **Ireland** Potential for 25,000 new pharma jobs if EU alters patent rules

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Ryanair FY BP AGM	Shell AGM Greencore IMS	M&S Sales & Revenue PayPal AGM BlackRock AGM Soc Gen AGM	Hibernia FY Results Kingfisher Trading Update Wizz Air FY Results Lloyds AGM Deutsche Bank AGM	Bayer AGM
Economic	Economic	Economic	Economic	Economic
N/A	N/A	JP PMI EU PMI UK PPI& Inflation Rate US PMI & New Home Sales US FOMC Minutes	DE GDP UK Retail Sales US House Price Index	DE IFO Expectations US Durable Goods. US Michigan Inflation Expectations US Rig Count

Upcoming Events

28/05/2018 N/A

29/05/2018 Aryzta. Standard Life Aberdeen

30/05/2018 Nokia. Amazon. Chevron. Exxon

31/05/2018 Facebook

01/06/2018 Total

28/05/2018 IT PPI. IE Retail Sales

29/05/2018 UK House Prices. US Home Prices

30/05/2018 DE Retail Sales. FR GDP. EU Sentiment. DE
Inflation Rate US GDP 2nd Est.

31/05/2018 UK Consumer Confidence. FR Inflation Rate. UK
Consumer Credit. EU Inflation Rate. US PCE

01/06/2018 CN Manf. PMI. US NFP.

All data sourced from Bloomberg

Cantor in The Media

- Ireland insulated as Italy's bond yield jumps - The Irish Examiner - Ryan McGrath - Please [click here](#)

Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Bank of Ireland: Bank of Ireland provides a range of banking, life insurance and other financial services to customers in Ireland and United Kingdom

AIB: Allied Irish Banks plc (AIB) attracts deposits and offers commercial banking services. The Bank offers mortgage, automobile, business, plant and equipment purchase, and lease financing loans, investment banking, securities brokerage, asset management and treasury services, and discounts invoices. AIB operates in Ireland, the United Kingdom, and the United States

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

Ryanair: Ryanair Holdings plc provides low fare passenger airline services to destinations in Europe.

ICG: Irish Continental Group plc markets holiday packages and provides passenger transport, roll-on and roll-off freight transport, and container lift on and lift-off freight services between Ireland, the United Kingdom and Continental Europe.

Siemens: Siemens AG is an engineering and manufacturing company. The Company focuses on four major business sectors including infrastructure and cities, healthcare, industry and energy. Siemens AG also provides engineering solutions in automation and control, power, transportation, and medical.

Lloyds: Lloyds offers a range of banking and financial services including retail banking, mortgages, pensions, asset management, insurance services, corporate banking and treasury services.

Allianz: Allianz, through its subsidiaries, provides insurance and financial services.

Facebook: Facebook Inc. operates a social networking site.

PayPal: PayPal operates a technology platform that enables digital and mobile payments on behalf of customers and merchants.

Alphabet: Alphabet provides web based search, advertisement, maps, software applications, mobile operating systems, consumer content and other software services.

Ryanair: Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then

Amazon: Amazon is an online retailer that offers a wide range of products.

Smurfit Kappa: Smurfit Kappa manufactures paper packaging products.

CRH: CRH is a global building materials group.

Kingspan: Kingspan is a global market player in high performance insulation and building envelope technologies.

Royal Dutch Shell: Royal Dutch Shell explores, produces and refines petroleum.

DCC: DCC is a sales, marketing, distribution and business support services company.

GlaxoSmithKline: GSK is a research based pharmaceutical company.

Coca Cola: The Coca-Cola Company manufactures, markets, and distributes soft drink concentrates and syrups. The Company also distributes and markets juice and juice-drink products. Coca-Cola distributes its products to retailers and wholesalers in the United States and internationally.

Vodafone: is a mobile telecommunications company providing a range of services, including voice and data communications.

Prudential plc: Prudential plc is an international company which provides a wide assortment of insurance and investment products and services. Prudential's services include personal and group pensions, equity plans, mortgages, and deposit accounts.

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

Historical Record of recommendation

Vodafone: We have been positive on Vodafone's outlook since 04/02/14 and no changes have been made to this recommendation in the last 12 months

Prudential plc: At present we maintain our "Outperform" rating.

Ryanair: Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then.

PayPal: We added PayPal to our Core Portfolio on the 20/07/15 and have an Outperform outlook on the stock

The Coca-Cola Company: We currently do not have a rating on this stock



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Regulatory Information

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