

Weekly Trader

Upcoming Market Opportunities and Events

CANTOR
Fitzgerald

Monday, 10th September 2018

Key Themes This Week

The week ahead

US Trade policy continues to anchor global growth expectations as President Trump ups the ante with China this week. Markets are braced for the introduction of 25% tariffs with a further \$200bn of Chinese imports into the US. Over the weekend, President Trump stated that he may impose tariffs on the remaining \$267bn in Chinese imports, which would escalate it further.

President's Trumps tough on China approach has been a successful strategy so far. The biggest casualty has been US farmers, which President Trump extended a \$12bn aid package to in the aftermath of retaliatory Chinese tariffs targeting agricultural products. However, with the next round of tariffs set to hit the US consumer, the President's strong on China message may begin to weaken as the effects of the policy will hit a much wider demographic, making aid packages difficult to execute. This increased pressure may push the President to get China back to the table.

It is still unclear how the administration will introduce the next wave of tariffs. We would expect new tariffs to be introduced in tranches as was the case with the first \$50bn. However, the administration could choose to implement the full \$200bn at 25% in one go.

As rhetoric increases between the political classes of both nations, the effects of policy will be felt by businesses and consumers. It remains to be seen which side will crack under the pressure first. The recent announcement made by President Trump to hit the remaining \$267bn of trade has left Beijing comparatively quiet and conciliatory on the matter. The US side is beginning to get frustrated with the lack of progress. Chinese trade data for August showed a record high trade surplus with the US, coming in at \$31.05bn, flying in the face of the US ambition to reduce the trade surplus. No progress has been made on the intellectual property front either as US officials wait to see the impact on the consumer through monthly inflation figures over the coming months.

Meanwhile, Beijing is upping its efforts with US businesses. Officials have invited senior bankers to a round table meeting on US-Sino relations scheduled at short notice for the 16th of September. The Chinese intend to hold this type of meeting on a semi-annual basis going forward with a view to align interests between US and Chinese businesses and maintain opposition to trade restrictions.

We are watching two major issues facing Europe this week. Firstly Brexit, the EU is expected to issue new instructions to its Brexit negotiator, Michel Barnier, in a conciliatory move to ease pressure on Theresa May and help close a deal with the UK. The EU's remaining 27 members leaders are set to meet in an informal summit this month in what should shape the European message on Brexit.

Finally, the fallout from Swedish elections over the weekend saw the ruling parties fall short of a majority, as the Eurosceptic far-right Sweden Democrats made gains. European political uncertainty is set to continue as the governing Social Democrat's and their centre left coalition attempt to form a government which will require some support from the centre right parties.

This week we cover off on Vodafone, Ryanair, DCC, AIB, and DCC

Major Markets Last Week

	Value	Change	% Move
Dow	25669	356.18	1.41%
S&P	2850	16.85	0.59%
Nasdaq	7816	-22.78	-0.29%

UK Index	7608	-34.33	-0.45%
DAX	12343	-15.38	-0.12%
ISEQ	6748	61.22	0.92%

Nikkei	22,199	341.57	1.56%
H.Seng	27,598	-338.55	-1.21%
STOXX600	384	-1.26	-0.33%

Brent Oil	72.1	-0.51	-0.70%
Crude Oil	66.01	-1.19	-1.77%
Gold	1188	-5.29	-0.44%

Silver	14.8069	-0.19	-1.27%
Copper	269.35	-5.90	-2.14%
CRB Index	413.5	-8.37	-1.98%

Euro/USD	1.141	0.00	0.00%
Euro/GBP	0.8960	0.00	0.26%
GBP/USD	1.2735	0.00	-0.28%

	Value	Change
German 10 Year	0.315	0.00
UK 10 Year	1.247	-0.01
US 10 Year	2.8641	-0.01

Irish 10 Year	0.84	0.00
Spain 10 Year	1.432	-0.02
Italy 10 Year	3.088	-0.01

BoE	0.75	0.00
ECB	0.00	0.00
Fed	2.00	0.00

All data sourced from Bloomberg

Opportunities this week

CFI Research Team

Vodafone

Closing Price: £1.65



- VOD has traded down recently due to several issues including [EM exposure](#) and an expected [high CapEx spend](#) associated with 5G.
- Acquisition of Liberty Global (LG) assets, Vodafone has proven ability to drive synergies
- Next generation network (NGN) coverage across Europe. Strategy to compete on quality to protect margins
 - ◇ 54mln marketable homes through owned network (largest in Europe)
 - ◇ 60mln marketable homes through strategic NGN wholesale
 - ◇ 160mln marketable homes total fixed line marketable homes
- FY18 dividend covered by free cash flow after spectrum. Yield projected to grow above 7%. Free Cash flow guided to be at least €5.2 in FY19 (FY18 €5.4bn)
- Operating efficiency delivering faster EBITDA growth than revenues in 20 markets
- Three consecutive years of EBITDA margin improvement at 30.8%. Guiding 1-5% underlying EBITDA growth
- Continued pricing pressure in Spain and Italy, Iliad to enter Italian market. LG deal and Indian merger expected to be the source of catalyst looking forward
- Guidance from [new management team](#) an important factor in the coming months. At current levels it represents very good value.
- Currently trading at 12M lows where we would expect to find support at 165GBP. Expected to recover back above 200 GBP with resistance at 203 GBP and a consensus price target of 217 GBP (30.9% upside)

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	45618.3	46418.7	47296.9
EPS (€)	0.11	0.13	0.15
Price/ Earnings	16.79x	14.79x	12.51x
Div Yield	7.83%	8.21%	7.72%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
VOD LN	-11.21%	-15.95%	-29.6%

Source: All data & charts from Bloomberg & CFI

Ryanair

Closing Price: €13.53



- We continue to advise clients to pick up Ryanair at these levels. The stock has been quite volatile over the past two weeks with elevated swings on little news.
- A lot of progress has been made between various unions and management.
 - Following mediated talks with Forsa, Irish pilots have voted unanimously in favour of accepting the CLA.
 - Italian pilot union voted in favour of a similar agreement.
 - Discussions with UK, German and Spanish pilot unions are ongoing with hope that the successful framework utilized in Italy and Ireland will help to speed up talks.
- Last week Ryanair reported 9% traffic growth for August last week. This included 5% at Ryanair and 0.5m customers at Laudamotion. Despite being below the 7% full year guidance, it remains strong given 550 flight cancellations due to strikes and ATC disruption.
- Progress with Laudamotion has continued with Ryanair confirming it will double its fleet from 9 to 18 aircrafts next summer.
- Q3/18 results in December will be pivotal as investors look at the effect of strikes on fares and if there is any change to profit guidance for the year.
- With the [necessary tailwinds](#) still in place we expect Ryanair to return to double digit earnings growth and multiple expansion post the current financial year, which he have guided to be choppy.
- At present the stock is trading at both a discount to history and to low cost carrier peers.

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	7840.3	8804.3	9509.2
EPS (€)	1.08	1.21	1.38
Price/ Earnings	12.23x	10.98x	9.64x
Div Yield	0.57%	0.49%	0.76%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
GFTU LN	1.65%	-18.30%	-10.1%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

CFI Research Team

DCC

Closing Price: £68.45



- DCC is hosting a CMD on Sept 13th which we expect to go well.
- It has generally been [range bound](#) with [solid results](#) failing to see the share price [push higher](#). Brexit uncertainty has been a headwind.
- We had encouraged clients to pick up DCC during its lows in March after it traded down due a tick up in yields and general volatility. It remains a consensus pick for the market with 10 buys, 2 holds and 0 sells.
- It traded up from £65.35 at our original call to £75.69, representing a 16.8% gain in just over a month and a half. However it has since declined 4.28% to £68.20, representing 24.3% upside to consensus price target of £84.79
- It should be noted that street price target has moved up from £82.68 to £84.79 over the same time frame
- Full year results were strong with no changes to already positive guidance.
 - FY19 EPS growth +16%
 - FY19 EBITDA growth of 7.31%
 - FY19 Dividend growth of 11% (current dividend is 1.9%)
- Acquisitions moves in the [US](#), [German](#) and [Asia Pac](#) LPG market have significant longer term growth potential.
- Historically management has taken its time when buying assets in a new region. We would expect asset purchases in all these regions to escalate over the coming years. Net debt/EBITDA figure of 1.1x and £963m in cash.
- In the US and Asia Pacific regions in particular, the LPG sectors is a [very fractured sector](#) which is ripe for consolidation.

Key Metrics	2018e	2019e	2020e
Revenue (£'Mn)	15256.4	15504.9	15720.7
EPS (£)	3.70	3.89	4.03
Price/ Earnings	18.41x	17.53x	16.9x
Div Yield	2.00%	2.13%	2.31%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
DCC LN	-0.73%	-5.52%	-8.31%

Source: All data & charts from Bloomberg & CFI

AIB

Closing Price: €4.57



- Opportunity on current weakness, remains our favoured Irish bank based on underlying operating performance
- FY18 Profitability metric compare well across European retail peers
 - * ROA c. 1.40% (SX7P: c. 0.5%)
 - * ROE c. 7.5% – 8% (SX7P: c. 7.97%)
 - * ROTE c. 9.0%
 - * NIM c. 250bps
 - * CIR c. 50%
- Valuations remain attractive relative to sector (retail banks trade at a premium to the wider sector)
 - * P/E (adjusted for excess capital distribution) 9.8x (SX7P: c. 9.34x)
 - * P/B (adjusted for excess capital distribution) 0.74x (SX7P: c. 0.69x)
- Excess capital to be distributed to shareholders once NPE targets achieved (5% of Gross Loans). Management targeting 5% by FY19.
- Dividend yield projected to reach +4% as balance sheet normalises
- Government stake to be sold down is expected to be headwind to capital appreciation
- Sector headwinds are quite strong with the sector currently out of favour
 - * ECB rate path slower than previously anticipated resulting in lower earnings growth expectation
 - * Political uncertainty in both Europe and the UK to constraint growth
- [Cantor price target of €5.28](#) (+xx% upside), consensus price target of €5.23. Current levels of €4.60 represent

Key Metrics	2018e	2019e	2020e
Revenue (€'Mn)	2760.1	2746.4	2799.1
EPS (€)	0.40	0.35	0.36
Price/ Earnings	11.57x	13.08x	12.97x
Div Yield	3.35%	5.76%	7.84%

Source: All data & charts from Bloomberg & CFI

Share Price Return	1 Mth	3 Mth	YTD
AIBG ID	-7.30%	-6.89%	-16.91%

Source: All data & charts from Bloomberg & CFI

Cantor Core Portfolio - In Detail

Performance YTD	%
Portfolio	4.0%
Benchmark	4.6%
Relative Performance	-0.5%
P/E Ratio	19.02x
Dividend Yield	2.6%
ESMA Rating	6
Beta	1.03

Sectors Weights	Portfolio	Benchmark	+ / -
Consumer Discretionary	11%	12%	
Consumer Staples	5%	10%	
Energy	5%	7%	
Financials	24%	18%	
Health Care	5%	13%	
Industrials	22%	12%	
Information Technology	16%	14%	
Telecommunication Services	0%	3%	
Utilities	0%	3%	
Materials	12%	6%	
Real Estate	0%	2%	

FX	Portfolio	Benchmark
EUR	63%	44%
GBP	21%	16%
USD	16%	40%

Currency YTD %	
GBP	-0.67%
USD	3.94%

Benchmark

Weighted Average Contribution

Index	Currency	PE	Outlook	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
STOXX Europe 600	EUR	14	Neutral	60%	-1.2%	-1.5%	374	-0.7%
S&P 500	USD	18	Neutral	40%	13.2%	0.3%	2,872	5.3%
Total				100%				4.6%

Core Portfolio

Weighted Average Contribution

Stock	Currency	Yield*	Hold /Sold	Sector	Weighting	YTD Return (EUR)	Weekly Return	Price	Total Contribution
GLANBIA PLC	EUR	1.7	H	Consumer Staples	5%	0%	0.0%	14.61	0.0%
RYANAIR HOLDINGS PLC	EUR	0.0	H	Consumer Discretionary	5%	-10%	-0.2%	13.42	-0.5%
INDUSTRIA DE DISENO TEXTIL	EUR	3.1	H	Consumer Discretionary	6%	-12%	-0.2%	25.17	-0.7%
LLOYDS BANKING GROUP PLC	GBp	5.7	H	Financials	5%	-9%	0.0%	0.59	-0.5%
BANK OF IRELAND	EUR	2.4	H	Financials	5%	3%	0.1%	7.19	0.1%
ALLIANZ SE	EUR	4.8	H	Financials	5%	-1%	-0.1%	182.2	-0.1%
FACEBOOK INC-A	USD	0.0	H	Information Technology	4%	-8%	-0.3%	163.0	-0.2%
PAYPAL HOLDINGS INC	USD	0.0	H	Information Technology	4%	21%	-0.2%	88.82	1.0%
ALPHABET INC	USD	0.0	H	Information Technology	4%	12%	-0.2%	1178	0.6%
AMAZON.COM INC	USD	0.0	H	Information Technology	4%	67%	-0.2%	1952	2.9%
iShares STOXX Europe 600 Banks ETF	EUR	3.5	H	Financials	5%	-14%	0.0%	15.24	-0.7%
SIEMENS AG	EUR	3.4	H	Industrials	6%	-4%	-0.2%	108.74	-0.2%
VINCI SA	EUR	3.3	H	Industrials	5%	-4%	-0.1%	79.88	-0.2%
SMURFIT KAPPA GROUP PLC	EUR	2.7	H	Materials	6%	29%	0.1%	35.66	1.8%
ALLIED IRISH BANKS PLC	EUR	3.2	H	Financials	4%	-15%	-0.2%	4.59	-0.6%
CRH PLC	EUR	2.4	H	Materials	6%	-5%	-0.2%	27.60	-0.3%
KINGSPAN GROUP PLC	EUR	1.0	H	Industrials	5%	18%	0.1%	42.28	0.9%
ROYAL DUTCH SHELL PLC	GBp	5.6	H	Energy	5%	3%	-0.1%	24.84	0.1%
DCC PLC	GBp	1.9	H	Industrials	6%	-7%	-0.1%	68.10	-0.5%
GLAXOSMITHKLINE PLC	GBp	5.1	H	Health Care	5%	20%	-0.1%	15.22	1.0%
Total					100%		-2.1%		4.0%

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

All data taken from Bloomberg up until 07/09/2018.

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

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

*Red Denotes Deletions

*Green Denotes Additions

*Yields are based on the mean of analyst forecast

From the News - Monday's Headlines

- **Global** Trade war fears scupper Volvo IPO
- **US** Trump threatens \$267bn in new China tariffs
- **Europe** Anti-immigrant party makes substantial gains in Swedish elections
- **UK** Johnson heralds battle for Tory Party future
- **Ireland** Dublin councils reject minister's housing criticism

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
Associated British Foods	Applegreen	N/A	N/A	N/A
Economic	Economic	Economic	Economic	Economic
Japan GDP, UK Construction/ Industrial Production,	France Employment, UK Employment European Sentiment	EA Industrial Production, US PPI	EA (DE & FR) Inflation, BOE Int Rate ECB Int Rate US Inflation	CN Industrial Production, US Industrial Production US Retail Sales, US Consumer Sentiment

Upcoming Events

17/09/2018 N/A

18/09/2018 Fed Ex, Green REIT

19/09/2018 N/A

20/09/2018 Nike

21/09/2018 Providence Resources

17/09/2018 EA inflation final,

18/09/2018 Italian industrial orders,

19/09/2018 UK Inflation, EA Construction, US Housing

20/09/2018 UK Retail Sales, US Philli FED Manufacturing

21/09/2018 EA, German & French PMI, US PMI

All data sourced from Bloomberg

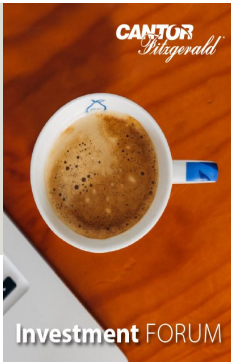
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- AIB:** Allied Irish Banks plc (AIB) attracts deposits and offers commercial banking services. The Bank offers mortgage, automobile, business, plant and equipment purchase, and lease financing loans, investment banking, securities brokerage, asset 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.
- 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.
- Glanbia:** Glanbia plc is an international dairy, consumer foods, and nutritional products company. The Company conducts operations primarily in Ireland, the United Kingdom, and the United States
- Vodafone:** is a mobile telecommunications company providing a range of services, including voice and data communications

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

Historical Record of recommendation

- DCC:** We have an Outperform on DCC as of 17/8/15 changing to Outperform from Not Rated
- Ryanair:** Ryanair was added to the Core Portfolio at inception in and have had an Outperform recommendation since then
- AIB:** We moved our rating from outperform to market perform on the 25/06/2018
- 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



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