

Tuesday, 12<sup>th</sup> March 2019

## Morning Round Up

### Theresa May wins “Brexit” assurances from EU on eve of crucial vote

UK Prime Minister Theresa May won legally binding “Brexit” assurances from the European Union on Monday in a last ditch attempt to sway rebellious British lawmakers who have threatened to vote down her divorce deal again. Scrambling to plot an orderly path out of the “Brexit” maze just days before the United Kingdom is due to leave on March 29, May rushed to Strasbourg to agree additional assurances with European Commission President Jean-Claude Juncker. “Brexiters” in May's party have accused her of surrendering to the EU and it was not clear if the assurances she agreed would be enough to win over the 116 additional lawmakers she needs reverse the crushing defeat her deal suffered on January 15. May announced three documents - a joint instrument, a joint statement and a unilateral declaration - which she said were aimed at addressing the most contentious part of the divorce deal she agreed in November - the Irish backstop. The immediate reaction was cautious from “Brexit-supporting” lawmakers in her own party and from the Northern Irish Democratic Unionist Party (DUP) which props up her minority government. The DUP said it would study the documents. May was instructed by lawmakers to replace the backstop with alternative arrangements. The opposition Labour Party said she had fallen far short of her promises to parliament. The British government's top lawyer, Attorney General Geoffrey Cox, is due to set out his legal analysis of the assurances ahead of Tuesday's vote. Many “pro-Brexit” lawmakers will wait to see that before deciding how to vote. If she loses the vote, May has said lawmakers will get a vote on Wednesday on whether to leave without a deal and, if they reject that, then a vote on whether to ask for a limited delay to “Brexit”. “Brexit” will pitch the world's fifth-largest economy into the unknown and many fear it will serve to divide the West as it grapples with both the unconventional presidency of Donald Trump and growing assertiveness from Russia and China. Supporters of “Brexit” say that while the divorce might bring some short-term instability, in the longer-term it will allow the United Kingdom to thrive and also enable deeper EU integration without such a powerful reluctant member.

### Aryzta rises on half year results

Aryzta's share price has risen by 10% this morning after releasing a solid set H1/19 results. Headline figures beat expectations, margins held up and guidance for the full year was reiterated. H1/19 revenue fell by 4.2% to €1.71bn, in line with consensus expectations. H1/19 EBITDA fell by 6% to €151.6m, ahead of expectations. H1/19 profit fell by 22.5% to €39.5m, again ahead of expectations. Importantly underlying EBITDA margins showed signs of stabilising at 8.9%, a 10bps decline in the year but an increase from H2/18. Net debt remains relatively elevated at €811m based on a covenant calculation, implying a 2.5x EBITDA. Cash flow was weak with free cash flow declining by €36m as a result of restructuring costs and capital outflows. Management reiterated its guidance for mid to high single digit EBITDA growth (ex disposals), implying a range of €307m-€322m. Hence, a pick up in growth is still required in the second half of the year.

Underlying geographies revealed some positive developments. In Europe, it posted 1.9% organic revenue growth. Switzerland Poland and France all showed improvements. However, insourcing remains an issue in Germany. In North America, organic revenue declined by 1.8% but margins expanded by 40bps. The rest of the world maintained solid growth with organic revenue rising by 6.7%. All in all these were a good set of results for Aryzta as it attempts to deliver on its transformation plan through Project Renew and a focus on the B2B market. Management will host a call at 8.30am this morning.

Source: Bloomberg, CF Research March 2019

## Key Upcoming Events

12/03/2019 Commons vote on Withdrawal Agreement  
 20/03/2019 FOMC Interest Rate Decision  
 21/03/2019 BOE Interest Rate Decision  
 29/03/2019 UK leaves the European Union

## Market View

US markets posted strong gains yesterday, with the NASDAQ finishing 2% higher. Asian stocks continued the theme as markets rebound from last weeks poor performance. Europe has opened positive this morning as Brexit news overnight increases the chances of Prime Minister May's Deal receiving Commons approval later today. Futures point to a positive open in the US this afternoon. The Commons vote this evening will dominate the market's attention today as Mrs May brings her withdrawal agreement back to parliament. On the data front, the UK publishes a range of prints including GDP data and the US publish its Core Inflation data.

## Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25651	200.64	0.79%	9.96%
S&P	2783	40.23	1.47%	11.03%
Nasdaq	7558	149.92	2.02%	13.91%

Nikkei	21504	378.60	1.79%	7.44%
Hang Seng	28921	417.57	1.46%	11.90%

Brent Oil	66.88	0.30	0.45%	24.31%
WTI Oil	57.08	0.29	0.51%	25.70%
Gold	1296	2.27	0.18%	1.02%

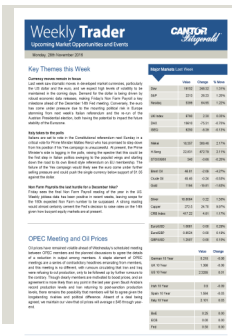
€/€	1.1282	0.0037	0.33%	-1.61%
€/£	0.8533	-0.0018	-0.21%	-5.08%
£/\$	1.3222	0.0072	0.55%	3.67%

	Yield	Change
German 10 Year	0.096	0.027
UK 10 Year	1.235	0.056
US 10 Year	2.666	0.027

Irish 10 Year	0.711	0.019
Spain 10 Year	1.17	0.015
Italy 10 Year	2.548	-0.013

Source: Bloomberg, CF Research March 2019

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