

Thursday, 16th May 2019

Morning Round Up

KBC posts strong earnings beat

KBC released numbers this morning confirming a strong start to the year. Underlying performance saw revenues marginally lower than Q118 at €1.86bn (est. €1.84bn) and net income well ahead of estimates at €430mln (est. €380mln). Earnings are down on Q1 18 due to variability in its one-off items, a gain in Q1 18 of €56mln compared to a loss in Q1 19 of €69mln. Overall the bank performed well, with total lending up 1% on Q4 and 5% on Q1 19. An adjusted cost income ratio of 57%, indicates there is more room to reduce costs, while regulatory FL CET 1 was strong at 14.7%. The bank produced a very encouraging return on equity of 14.5%. Despite slowing economic data in Europe, management believe this to be temporary and are expecting a rebound in 2020. Relating to its Irish unit, it recognised a €12mln release on improving property prices, resulting in a profit of €14mln for the quarter.

GVC shares rise on Q1 update

GVC has said that the triennial review (UK regulatory changes) is having less of an effect on the business than it had originally anticipated. Its Q1 update, released this morning, confirmed that it expects a £15m Ebitda benefit from 2020 compared to previous guidance. Along with this is sees an additional £15m of cost synergies recognized in 2020 due to an accelerated migration of Ladbrokes Coral U.K brands onto the GVC platform. CEO, Kenneth Alexander, cited an excellent start to the year with strong momentum across the divisions continuing into the second quarter. Along with this, it was confirmed that full year Ebitda guidance for FY19 is inline with market expectations.

Thomas Cook raises debt to maintain survival

Thomas Cooks share price has fallen by 20% this morning after it revealed it had secured a rescue loan worth £300m in order to survive the winter period. However, receiving the cash will be predicated on the progress made in selling its airline. If it does so, the new loan will be made available for 9 months from October. Further to this, it confirmed that its net debt had jumped by 40% over the past year. This mornings release confirmed that a £245m EBIT loss in H1 and that it was expecting to post a larger loss in H2 than it had in 2018. Management noted that Brexit has been leading UK passengers to delay booking their summer holidays. This is another signalling that the airline industry is in a process of consolidation. While it is taking longer than most have envisaged, it is likely to accelerate during the Winter months. While this will hurt the major airlines (Ryanair, EasyJet, IAG etc.) profitability in the immediate term, it is highly beneficial over the longer term. EasyJet (H1/19) and Ryanair (FY19) will report results on Friday and Monday respectively.

Thomas Cook one year stock price



Source: Bloomberg, CF Research May 2019

Key Upcoming Events

23/05/2019 EU Parliament Elections
01/06/2019 Chinese Tariff Deadline
28-29/06/2019 G20 Summit

Market View

US markets advanced yesterday as president Trump offered markets some encouragement by delaying decision on auto tariffs. However, optimism was short lived as he then named Huawei on a national security export blacklist. China was higher despite the US move against Huawei, while Japan was weaker. Europe has opened lower this morning, considering weak US and Chinese data as well as increased uncertainty relating to trade. Trade remains the most important driver of sentiment this week as we await a response from Beijing to its latest move against the Chinese telecoms giant. On the data front, US housing data will be closely watched.

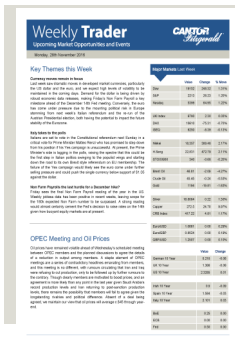
Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	25648	115.97	0.45%	9.95%
S&P	2851	16.55	0.58%	13.73%
Nasdaq	7822	87.65	1.13%	17.89%
Nikkei	21063	-125.58	-0.59%	5.24%
Hang Seng	28299	30.71	0.11%	9.49%
Brent Oil	72.07	0.30	0.42%	33.96%
WTI Oil	62.33	0.31	0.50%	37.26%
Gold	1297	0.79	0.06%	1.15%
€/\$	1.121	0.00	0.08%	-2.24%
€/£	0.8738	0.00	0.19%	-2.80%
£/\$	1.283	0.00	-0.12%	0.60%

	Yield	Change
German 10 Year	-0.114	-0.02
UK 10 Year	1.039	-0.03
US 10 Year	2.3591	-0.01
Irish 10 Year	0.472	-0.02
Spain 10 Year	0.911	-0.04
Italy 10 Year	2.71	-0.0370

Source: Bloomberg, CF Research May 2019

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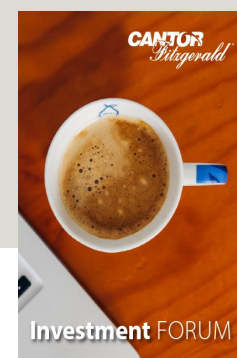
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Issuer Descriptions: (Source: Bloomberg)

Historical Recommendation:

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