

Tuesday, 09th July 2019

Morning Round Up

Providence secures funding for drilling at Ballyroe

Providence Resources shares rose by 4% yesterday after management announced that they had received notification of the \$10m transfer from APEC due to hit the company bank account by close of business tomorrow. This notification was issued post the Irish government rejecting the Climate Emergency Bill on Friday, which in essence should pave the way for the drilling of a number of wells at Barryroe later this year. Some analysts value Providence Resources at 45c based on a successful Barryroe outcome. Their shares have traded as high as 20c earlier this year on the back of the APEC transaction announcement before retracing back to 8c on concerns that APEC would renege on the deal as the Climate Emergency Bill had been gaining traction.

BASF cuts full year forecasts

Slowing global growth due to trade conflicts warranted BASF management to cut its earnings forecast. The business experienced much slower industrial production than expected, singling out a slowdown in the global automotive sector as particularly strong. Management quoting a 6% slowdown in the global automotive sector as well as a 13% slowdown in the Chinese automotive sector. Weak developments in North American agriculture were an additional burden. Management are now guiding "considerably lower" EBIT, up to 30% below the prior year. Guidance had been for 1%-10% EBIT growth. Revenues are also being guided lower to a "slight decline" versus prior guidance of 1%-5% growth. The release does not expect a rapid détente in the second half of 2019 and uncertainty remains high.

Ocado maintains sales guidance despite £15m damage from fire

Ocado shares have risen by 5.5% this morning after it maintained its full year guidance in its half year results. This was despite a fire at one of its warehouses in February which resulted in a £15m hit to earnings. The reiteration of its 10%-15% sales growth guidance was a significant positive given the fire cost 2% of sales in H1. Management confirmed it is continuing talks with new potential partners, the execution on current deals and it was positive in its commentary regarding its zoom service. It also confirmed that it expects insurance payments relating to the fire in Andover to provide full indemnity for business disruption experienced over the next few years, including lost sales and cost inefficiencies.

Deutsche Bank begins restructuring

Deutsche Bank announced and began its latest restructuring effort on Sunday. The bank announced staff reductions of 18,000, which will focus on the Investment Banking side of the business. The loss making Equity Sales & Trading unit will be closed while a resizing of its Fixed Income business will see it focus on other areas. Management are targeting a ROTC of 8% by 2022, reducing costs by €6bn and investing €13bn in technology. The stock finished 5.5% lower yesterday and opened a further 4% lower this morning as investors digest the bank's long road ahead.

Danske Bank issue profit warning

Danske Bank cut its profit forecast for full year earnings from 14bn - 16bn DKK to 13bn - 15bn DKK. Management cited margin pressure and challenging market conditions weighing on trading income as headwinds on the revenue side. It also spoke about increased regulatory spend as it tackles money laundering issues.

Key Upcoming Events

23/07/2019 UK PM Announcement
 25/07/2019 ECB Decisions
 30/07/2019 BoJ Decision
 31/07/2019 Fed Decision

Market View

European equity markets have opened up in negative territory with the US set to follow suit this afternoon. The stronger than expected US non-farm payroll data, has led to uncertainty over the Fed's next move. It is likely to remain as so up until Jerome Powell testifies before Congress on Wednesday and Thursday. Investors will be looking for reassurance from Powell that an interest rate cut will be delivered at its next meeting at the end of July. Should he fail to deliver on this cut, both equities and fixed income assets will likely sell off. Elsewhere, the pound remains weak (EURGBP 0.898) as conservative members begin to vote on the next Tory PM.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26806	-115.98	-0.43%	14.91%
S&P	2976	-14.46	-0.48%	18.71%
Nasdaq	8098	-63.41	-0.78%	22.05%

Nikkei	21565	30.80	0.14%	7.75%
Hang Seng	28118	-213.62	-0.75%	8.79%

Brent Oil	63.89	-0.22	-0.34%	18.75%
WTI Oil	57.45	-0.21	-0.36%	26.51%
Gold	1392	-3.07	-0.22%	8.57%

€/\$	1.1202	0.00	-0.11%	-2.31%
€/£	0.8990	0.00	0.33%	0.00%
£/\$	1.2461	-0.01	-0.43%	-2.30%

	Yield	Change
German 10 Year	-0.363	0.00
UK 10 Year	0.713	0.00
US 10 Year	2.0458	0.00

Irish 10 Year	0.144	0.02
Spain 10 Year	0.449	0.01
Italy 10 Year	1.75	-0.0350

Origin Enterprises - Non-core asset sale could lead to share buyback

Closing price €5.04

News

Origin Enterprises has entered into a conditional agreement to dispose of 31 acres of land at South Docklands in Cork to O'Callaghan Properties for a cash consideration of €47.5m. The Cork Docklands area has been designated for future urban development. The agreement is subject to a number of conditions including granting of permission and the relocation of existing operations at a viable cost to Origin Enterprises.

The estimated gain on disposal is approximately €3.5m assuming the full disposal proceeds are realised.

Comment

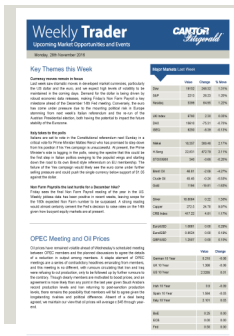
Post a better than expected quarterly trading update released in June, within which management reported that (ytd) revenue increased by 12.5%, volumes increased by 10.9% and that full year earnings per share would be c.52c per share (c.10% growth YoY), we had recommended Origin Enterprises as a "Buy". We are particularly attracted to its high return ratios(c.19%), high dividend yield (c.4.2%) and low valuation multiples (c.9.5x P/E). At a recent capital markets day, Origin management guided for 5-9% operating profit growth for each year over the next 4 years.

This announcement today should further strengthen the groups balance sheet, boost its return metrics further and potentially lead to a one-off return in capital to shareholders via a share buyback.

We raise our July 2020 fair value to €6.65 (based on 11.8x 2020 earnings), which implies 31% upside.

Darren McKinley, CFA | Senior Equity Analyst

Cantor Publications & Resources



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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Origin Enterprises: Origin Enterprises is a focused Agri-Services Group with strategic investments in consumer foods and marine proteins and oils.

Historical Recommendation:

Origin Enterprises: We have an Outperform rating on Origin

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