Daily Note

Views, news and topics from today's markets

CANTOR Fitzgerald

Tuesday, 3rd September 2019

Morning Round Up

Greencore completes the acquisition of Freshtime UK
Greencore has completed the acquisition of Freshtime UK, a supplier of food to go salads, snacks and prepared produce. It's products are distributed primarily in the grocery and convenience channels and the business operates from a single facility in Boston, Lincolnshire. Total consideration for the acquisition comprises an enterprise value of £56m, cash on the acquired balance sheet and a normalised level of working capital. The acquisition will be funded from existing debt facilities. The group expects to remain within its medium term debt range (1.5x-2x EBITDA) following the purchase. Freshtime generated revenues of £66m and a profit before tax of £5.6m in 2018. It holds gross assets of £22m. Management expects the purchase to be neutral for earnings in 2019 and modestly accretive is 2020. We maintain our market perform rating on Greencore. We advise clients to be cautious given Brexit risk.

Providence: APEC given to 9th September to meet terms of contract
Providence Resources has provided an update to the market, advising that a vessel has been mobilised at Barryroe and will commence operations late this week which is the next step in monetising the asset. Providence received government approval in early August to progress with Barryroe. In addition, Providence has given APEC one final extension to September 9th to make the payment as agreed or that management have the right to end exclusivity and consider all legal remedies against APEC for non-performance of contract. If APEC fail to make payment, Providence will have to seek alternative financing which may require a further capital raise.

Ryanair achieves 97% load factor in August
Ryanair has reported a load factor of 97% for August, again displaying its impressive ability to fill its flights. Despite the difficulties with unions again last month, traffic numbers were up 8% to 14.9m. Passengers in the traditional business, Ryanair DAC, grew by 8% and passengers in Laudamotion grew by 20%. Its rolling annual traffic number is now 149.2m. Again we advise clients that we continue to expect weakness in Ryanair's share price over the short term.

Malin Corp releases interim results
Malin Corp released interim 2019 results this morning, reporting that IPEV fair value of assets ended the period at €385m (-5% YoY), groups net cash was €31m (same as last year) and operating expenses declined by €1m to €3.3m for the period. The value of Malin's 9% equity investment in Immunocore fell by €31.9m to €53m. Over the next year, Malin's investee companies have a number of significant milestones including Kymab IPO, drug approvals and trials. Malin have also announced that Darragh Lyons is being appointed as Group CEO, having been CFO. Malin trades at a significant discount to its IPEV fair value of investee assets.

Source: Bloomberg, CF Research September 2019

Key Upcoming Events

06/09/2019 US Nonfarm payrolls
09/09/2019 UK Parliament Prorogued
12/09/2019 ECB Governing Council

Market View

Equity markets have opened lower this morning. The pound was the big mover today, breaking below the $1.20 level relative to the US dollar, the first time it has done so in two and a half years. A key week for Brexit, has seen Boris Johnson confirm he would trigger a general election on October the 14th if lawmakers pass legislation today forcing him to delay Brexit again in the event of a no-deal outcome. Safe haven assets have gained this morning with treasury yields falling, gold rising and the Japanese yen appreciating. Elsewhere, oil has broken below $55 (WTI) as fears over faltering demand has worried investors.

Market Moves

	Value	Change	% Change	% Change YTD
Dow Jones	26403	41.03	0.16%	13.19%
S&P	2926	1.88	0.06%	16.74%
Nasdaq	7963	-10.51	-0.13%	20.01%
Nikkei	20625	4.97	0.02%	3.05%
Hang Seng	25528	-98.70	-0.39%	-1.23%
Brent Oil	58.18	-0.48	-0.82%	8.14%
WTI Oil	54.35	-0.75	-1.36%	19.69%
Gold	1531	1.47	0.10%	19.36%
€/$	1.0946	0.00	-0.22%	-4.54%
€/£	0.9112	0.00	0.22%	1.36%
£/$	1.2013	-0.01	-0.44%	-5.81%

	Yield	Change
German 10 Year	-0.734	-0.03
UK 10 Year	0.375	-0.04
US 10 Year	1.4792	-0.02
Irish 10 Year	-0.095	-0.03
Spain 10 Year	0.088	-0.04
Italy 10 Year	0.91	-0.0570

Source: Bloomberg, CF Research September 2019

Dalata - Stronger cashflow leads to bump in dividend   Closing price €4.32

News

Dalata Hotel Group (DHG) released interim 2019 results this morning, reporting 12% growth in revenue to €202m, 18% growth in adjusted EBITDA to €60m and 8.4% growth in adjusted earnings per share (pre IFRS 16) to 19.3c. Dividend per share increased by 16.7% to 3.5c. 77% of group revenue is generated in Ireland, with the balance from the UK.

DHG reported that RevPAR declined by 50bps across their 4,478 Dublin hotel rooms, despite 9.8% revenue growth due to additional rooms being added over the past year. Regional Ireland (1,867 rooms) reported 7.5% revenue growth and 0.3% RevPAR growth. The UK (2,445 rooms) reported 23% revenue growth and 3.2% RevPAR growth. Group occupancy increased to 81.3% and the average room rate in interim 2019 was €107.82. Dublin RevPAR was negatively impacted by the Vat increase, reduced number of events in city and additional supply of rooms.

Management used the results to reiterate the UK growth strategy, highlighting that DHG hotel assets fill a significant gap in the market for quality 3 and 4* hotels in the UK market. DHG is adding an additional 2,400 rooms over the next 2.5 years primarily UK driven. Management also announced the acquisition of a development site in Shoreditch London for £30m, to build a £60m hotel with 130-140 rooms.

A further key highlight of DHG's results were the increase in hotel asset value to €1.33bn, c.50% increase in operating cashflow and the return on invested capital of 12%. Managements second half outlook is positive, expecting an improvement in Dublin/Ireland and continued positive growth in the UK.

Comment

We consider todays release to be a fairly solid set of results which beat expectations. Guidance for an improvement of momentum in the second half could imply that demand for 3 and 4* accommodation is as much a structural demand trend toward more affordable business/leisure accommodation as it is cyclical.

DHG continues to outperform the market in most major geographies and the increase in operating cashflow positions them well to organically grow revenue, earnings and dividend through time.

DHG valuations are compelling relative to its solid history of delivering revenue and earnings growth. Given the slightly softer Dublin RevPAR outcome and the recent renewed weakness in sterling we lower our twelve month fair value to €5.50 which still offers significant upside. We look for an opportunity around Brexit to pick shares up below €4.25.

Darren McKinley, CFA | Senior Equity Analyst

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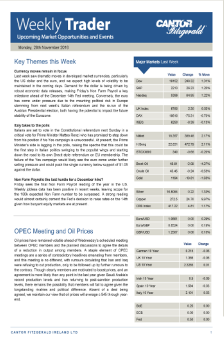

Weekly Trader

On Mondays, we release our weekly note in which we provide a view on equity markets for the coming days, and highlight a number of equities which we believe provide exposure to the important themes unfolding in the markets. Our in-house Investment Committee meets on a weekly basis to craft this strategy, thereby allowing clients to dynamically position portfolios to take advantage of the most up to date market developments.

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Monthly Investment Journal

Each month our Private Client and Research departments collaborate to issue a publication which highlights the performance of our flagship products, funds and our Core Portfolio, including the Green Effects fund, most recent private equity deals and structured product investment opportunities.

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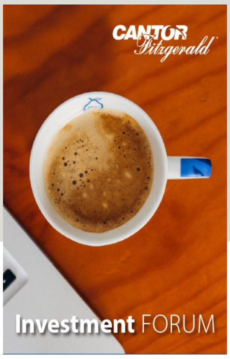

Investment Forum

Through our investment Forum we bring you the latest market news, investment insights and a series of informative articles from our experts.

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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Dalata Hotel Group: Dalata Hotel Group owns and operates as a chain of hotels.

Historical Recommendation:

Dalata Hotel Group: We downgraded Dalata to Market Perform on the 26/02/2019

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