

Key Themes This Week

The Week Ahead

Markets were closed on Friday in US and Europe, as well as Monday in Europe. On Monday US equities were mixed (S&P -20bps/Nasdaq +11bps), supported by tech, energy, and communications stocks. Asian markets were mixed overnight on Tuesday with Tokyo down 34bps, and Hong Kong up 2.2%.

Last week, US equity indices were mixed, with the S&P 500 up 69bps, whilst the tech heavy Nasdaq 100 fell 69bps. European markets, however, were broadly positive (+59bps).

Over the week in the US, housing related data was mixed, with pending home sales and mortgage applications better, whilst new home sales and house prices were slightly weaker. Manufacturing related releases showed better Durable Goods Orders, Capital Goods orders, and ISM Manufacturing index showed strength, whilst the Manufacturing PMI, Dallas Fed Manufacturing Activity and Richmond Fed Manufacturing index were weaker. Inflation related indicators such as the Fed's preferred PCE Core Deflator indicator continued to show moderating prices as expected, with higher inventory data likely to reduce prices further. Consumer linked data was mixed with Conference Board Consumer confidence, Continuing Jobless Claims, and Personal Income data pointing to weakness, whereas Personal Spending, Uni. of Michigan Sentiment and Initial Jobless claims pointing to a stronger economy. With the mixed economic picture, the Fed is sensibly continuing to monitor the data before indicating the pace at which they will cut rates. On Friday, Fed Governor Powel highlighted this when he said that good labour market data gave them a chance to take time to become more confident on the inflation trajectory before cutting rates.

In Europe, French CPI data continued to fall faster than expected. Consumer confidence improved in France and Germany, but spending remains disappointing. On the other hand, UK consumption appears to be holding up. Finally, across the EU economic confidence improved slightly. Data continues to be supportive of a rate cut in June. This morning UK Nationwide House prices came out weaker than expected falling MoM by 0.2% vs +0.3% expected.

Oil moved higher on the week, with WTI closing at \$83.17 (+3.15%) and Brent at \$87.48 (+2.4%) with continuing geopolitical concerns in the wider Middle East, tighter supply from Mexico, and inventories at Cushing, the delivery point for benchmark oil futures, at the lowest seasonal level in two years.

Asian markets were mixed last week with Japanese equities falling almost 2%, whilst Hong Kong dropped by 75bps, with the Yen and Yuan little changed over the week and improved Chinese industrial activity data.

This week the US Fed committee members are involved in 9 separate public outings, which after Friday's PCE and personal income data, should provide further insights into potential rate cut timing.

On the economic front, it is a busy week. Amongst the most watched data points, on Tuesday, we have UK credit and mortgage data, various European PMIs and CPIs and US industry order data. On Wednesday, there is EU CPI and US employment data from ADP, both expected to be higher. On Thursday, final French Services and composite PMI is released and US trade and jobless claims are out. Finally on Friday, all eyes will be on US non-farm payrolls and the unemployment rate, whilst in Europe, German and French industrial orders and production are released. Overall, a steady to stronger set of data releases are expected.

Major Markets Last Week

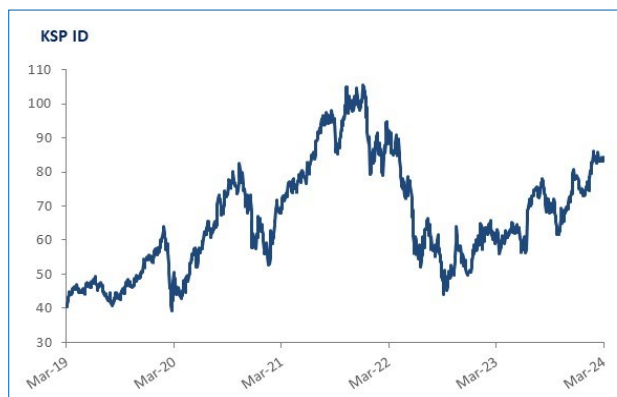
	Value	Change	% Move
Dow	39807	493.73	1.24%
S&P	5254	36.16	0.69%
Nasdaq	18255	-22.37	-0.12%
MSCI UK	20893	80	0.38%
DAX	18492	231.18	1.25%
ISEQ	9957	148.67	1.49%
Nikkei	40168	-720.36	-1.76%
Hang Seng	16511	-124.00	-0.75%
STOXX 600	513	2.81	0.59%
Brent Oil	87.48	2.05	2.40%
Crude Oil	83.17	2.54	3.15%
Gold	2230	64.43	2.89%
Silver	24.96	0.29	1.16%
Copper	4.01	0.00	-0.01%
Euro/USD	1.0865	-0.01	-0.57%
Euro/GBP	0.8552	0.00	-0.12%
GBP/USD	1.2704	-0.01	-0.70%
		Value	Change
German 10 Year		2.30%	-0.03%
UK 10 Year		3.93%	0.01%
US 10 Year		4.32%	0.09%
Irish 10 Year		2.75%	0.01%
Spain 10 Year		3.16%	0.00%
Italy 10 Year		3.68%	0.04%
BoE		5.25%	0.00%
ECB		4.50%	0.00%
Fed		5.50%	0.00%

All data sourced from Bloomberg

Opportunities this week

Kingspan

Closing Price: €84.46



Given the expectation that wider industry conditions are on an upwards trend and the fact that Kingspan continues to have a highly leveraged balance sheet from which to grow, we are taking the opportunity to reiterate our BUY rating on the stock. Furthermore, based on a multiple-comparative valuation, we are increasing our price target to €94.10, up from €76.20 previously, which implies 11% upside supporting our recommendation.

With an annualized PE of 22.3x and an EV/EBITDA of 14.8x, Kingspan is trading at an average 9% discount to its five-year historical average multiples. Additionally, on a peer comparative basis, the premium the stock is trading to its peers is 11% less than it has traded over the past five years. We believe the stock can justifiably trade in line with its historical averages as is implied in our increased price target.

The next catalyst for the stock is the company's Q1'24 trading update on the 26/04. While there are no publicly available estimates for Kingspan's quarterly sales figures, the release should provide the market with a solid indication on whether the group can perform in line with its expectations for the full year. There have been consistent upgrades to sell-side estimates over the past few months which have the market pencilling in 7% earnings growth FY24, driven by a 5% uplift in the group's revenues.

Kingspan has been in the headlines recently in relation to the European Commission's investigation into its attempted takeover of Primo in 2020. In mid-March, the Commission announced that its preliminary view was that Kingspan did intentionally provide misleading/incorrect information at the time of the attempted deal that was subsequently abandoned. Following the announcement, Kingspan released a statement acknowledging preliminary conclusion noting that while it did not agree with the Commission, it intended to continue its full co-operation with the investigation. The potential fine is estimated at c.1% of the group's turnover, as such, the exposure is not material.

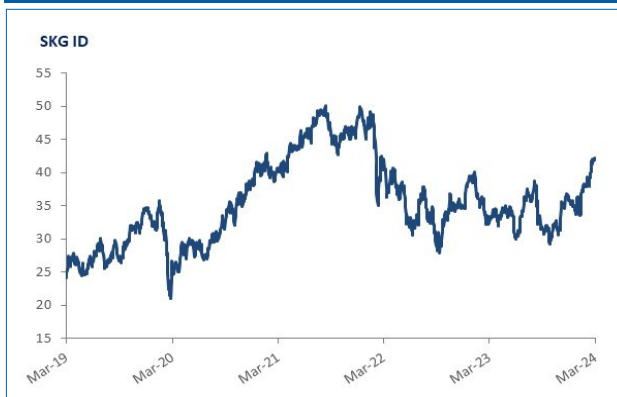
Key Metrics	2024e	2025e	2026e
Revenue (€'bn)	9.0	9.4	10.0
EPS (€)	4.10	4.51	5.78
Price/ Earnings	20.54x	18.68x	14.57x
Div Yield	0.72%	0.80%	1.04%

Share Price Return	1 Mth	3 Mth	1 YR
KSP ID	-0.64%	7.81%	40.23%

Source: All data & charts from Bloomberg & CFI

Smurfit Kappa

Closing Price: €42.27



Last week, we issued an updated [research note](#) on Smurfit Kappa reiterating our BUY recommendation while increasing our price target to €47.50, up from €45.20 previously, which implies 12% upside for investors.

The upcoming combination of Smurfit Kappa and Westrock which is expected to be completed in July will form Smurfit Westrock, the largest paper & packaging company in the world. This pre-empted additional consolidation in the industry, with Mondi's offer to acquire DS Smith announced in February. As we opined following the initial negative market reaction to the merger, in our view, the strategic rationale for the deal is compelling. Management expects the complementary business mix and unrivalled geographic footprint of the two companies to be over 20% accretive to earnings in the first full year after synergies are achieved. Thus, the success of the merger in the eyes of the market will likely come down to the execution of the synergy plan to deliver the stated "in excess of \$400m" savings at the end of that period, albeit requiring \$235m in one-off cash costs.

Operationally, Smurfit Westrock will be majority (c.60%) US based in terms of its revenue streams. Europe will account for approximately one third and Latin America will make up the balance of its business. As such, it is no surprise that management has made the decision abandon its Dublin listing in favour of the New York Stock Exchange. Similar to recent ex-pats, like CRH, this move has the potential to unlock considerable value for investors in the form of higher valuation multiples. With a US-based listing, Smurfit Westrock will likely be benchmarked against a new peer group that tend to command higher multiples than their European counterparts. This opportunity for multiple expansion is further supported by the possibility of US-based index inclusions. This would further expand the group's investor base to a cohort that may be willing to pay a premium for the market leader in the space.

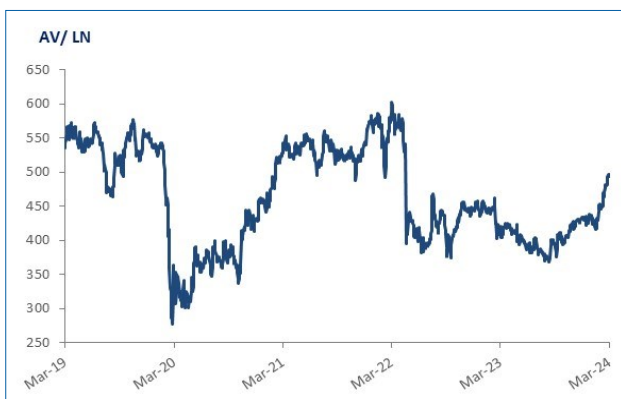
Key Metrics	2024e	2025e	2026e
Revenue (€'bn)	11.5	11.8	12.2
EPS (€)	3.52	3.74	3.86
Price/ Earnings	11.98x	11.3x	10.95x
Div Yield	3.96%	4.15%	4.26%

Share Price Return	1 Mth	3 Mth	1 YR
SKG ID	8.06%	18.02%	29.72%

Source: All data & charts from Bloomberg & CFI

Opportunities this week

Aviva Closing Price: GBp 497



Following a review of Aviva’s new profit targets and its on-going strong execution of strategy, we are upgrading our target price to £5.30 from £4.85 and reiterate our Buy rating.

Last Thursday, Aviva received CMA clearance for its previously announced £460m AIG Life bolt-on acquisition. Also recently, the company released a positive set of FY23 numbers with operating profit 1.7% better than expected on the back of Gross Premiums that grew 11.7% and were broadly in-line with market expectations. Assets Under Management also grew by £8.3bn vs £9.1bn last year in the Asset Management division. In terms of Gross Premiums, both UK/Ireland (+15.7%) and Canada (+6%) showed good growth and performed in line with expectations.

Following the restructuring efforts commenced under CEO Amanda Blanc to focus the business on UK, Ireland and Canada, Aviva continues to execute on its strategic priorities of 1) building a stronger customer brand in its focus areas of Insurance, Wealth and Retirement 2) focusing on targeted, profitable growth, 3) driving cost efficiencies, through simplification and digital technologies, and 4) improving sustainability. The company also announced new and upgraded targets (following the implementation of IFRS 17 reporting standards), with operating profit expected to climb to £2bn by 2026, whilst Solvency II Own Funds Generation (OFG) is expected to come in at £1.8bn by 2026 (upgraded from the previous target of £1.5bn by 2024). The latter is a key driver of value and cash remittances, which underpins Aviva’s sustainable dividend policy. Management also announced a £300m share buyback with the results, continuing the ongoing shareholder return programme.

The target price of £5.30 continues to be based on a blend of PE, P/B and dividend yield. Given superior growth and margin improvement from a lower base vis-a-vis peers, we use a 10x forward EPS multiple, peer average 1.5x book and 7% dividend yield. Including the dividend this target provides 14% total return potential on this defensive name.

Key Metrics	2024e	2025e	2026e
Revenue (£'bn)	23.1	24.3	22.3
EPS (£)	0.52	0.57	0.63
Price/ Earnings	9.48x	8.74x	7.85x
Div Yield	7.69%	8.32%	8.74%

Share Price Return	1 Mth	3 Mth	1 YR
AV/ LN	10.21%	14.03%	19.46%

Source: All data & charts from Bloomberg & CFI

This Weeks Market Events

Monday	Tuesday	Wednesday	Thursday	Friday
Corporate	Corporate	Corporate	Corporate	Corporate
	Fast Retailing		Volvo Car AB	Samsung Electronics Co Ltd Hon Hai Precision Ind
Economic	Economic	Economic	Economic	Economic
JPN: Tankan Survey (Q1) US: ISM Manufacturing, New Orders & Prices Paid (Mar) US: Construction Spending (Feb)	IRL: AIB PMI (Mar) UK: Nationwide House Prices (Mar) EC/FR/GE: HCOB Manufacturing PMIs (Mar final) UK: Mortgage Approvals (Feb) UK: Manufacturing PMI (March Final) UK: M4 Money Supply (Feb) EU: ECB 1Yr and 3Yr CPI expectations (Feb) UK: Consumer Credit (Feb) GER: CPI (Mar) US: Factory, Durable Goods and Capital Goods Orders (Feb) US: Fed speakers (Williams, Mester, Daly)	EU: CPI (Mar) EC: Unemployment Rate (Feb) US: Mortgage Applications (Mar 29) US: ADP Employment (Mar) US: Services and Composite PMI (Mar Final) US: ISM Services index incl prices, employment and orders (Mar) US: Fed Speakers (Goolsbee, Powel)	EU/IR/GE/FE/UK: Composite and Services PMIs (Mar) UK: New car registrations (Mar) EU: PPI (Feb) IR: Unemployment rate US: Trade balance (Feb) US: Initial and Continuing Jobless Claims (Mar 30/23) US: Fed Speakers (Harker, Barkin, Goolsbee, Mester)	GER: Factory Orders (Feb) FRA: Industrial Production (Feb) UK/GER: Construction PMI (Mar) EU: Retail sales (Feb) US: Non-Farm Payrolls (Mar) US: Unemployment rate (Mar) US: Average Earnings (Mar) US: Labour force participation and underemployment rate (Mar) US: Consumer Credit (Feb) US: Fed speaker s (Musalem, Barkin)

Analyst Conviction List

The Analyst Conviction List highlights the buy-rated stocks that we feel have the greatest potential for share price upside at the current time and where new money purchases could be made. In addition to traditional analytical methods including valuation, industry background and competitive positioning, we also consider ESG factors in our equity research process.

Our Analyst Conviction List is provided below:

Company	FX	Industry	Price when in ACL	Current price	Price target	Div yield	Fwd P/E (x)	3m move	ESG Score (0-100)
Barclays PLC	GBp	Banks	192	183	230	4.4%	5.8	18.0%	88
FedEx Corp	USD	Transportation	242.77	280.13	338.00	1.8%	15.8	11.1%	67
Ryanair Holdings PLC	EUR	Airlines	18.12	21.03	23.40	0.8%	9.6	10.0%	73
Microsoft Corp	USD	Software	336.06	424.57	455.00	0.7%	36.4	14.5%	97
ASML Holding NV	EUR	Semiconductors	737.10	892.20	705.00	0.7%	46.5	34.3%	98
Smurfit Kappa Group PLC	EUR	Forest Products&Paper	45.07	42.27	47.50	3.6%	13.5	19.9%	74
Alphabet Inc	USD	Internet	125.15	156.50	160.00	0.0%	22.2	12.1%	97
Aviva	GBp	Insurance	389	497	530	6.7%	10.5	14.5%	95
GSK	GBp	Pharmaceutical	1458	1709	1875	3.4%	11.0	15.5%	100
Deere & Co	USD	Machinery	354.00	404.14	450.00	1.5%	14.8	0.8%	91
Flutter Entertainment	GBp	Entertainment	13300	15790	18500	0.0%	31.6	14.7%	73
Last Five Closed trades									
			Entry price	Exit price	Profit/(Loss)				
IRES REIT	EUR	REITS	1.13	1.03	-9%				
Cairn Homes	EUR	Home Building	1.04	1.34	29%				
CRH PLC	USD	Building Materials	49.61	66.87	35%				
Volkswagen AG	EUR	Auto Manufacturers	152.56	126.00	-17%	***Exit Value" provided, please see latest note			
TotalEnergies SE	EUR	Oil&Gas	43.41	61.24	41%				

Source: Bloomberg

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Each day we produce a market commentary outlining critical economic and company developments. We leverage off our global network of analysts and investment professionals to provide clients with critical insights from our local teams first thing in the morning.

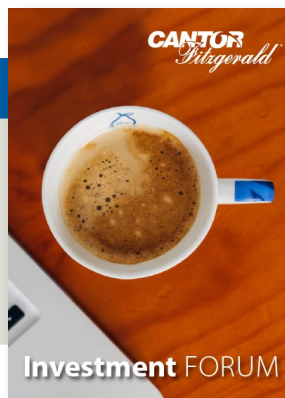
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Each quarter our Private Client and Research departments collaborate to issue a publication which highlights the very best current stock ideas, through our Analyst Conviction List along with the performance of our flagship products and funds, most recent private equity deals and structured product investment opportunities.

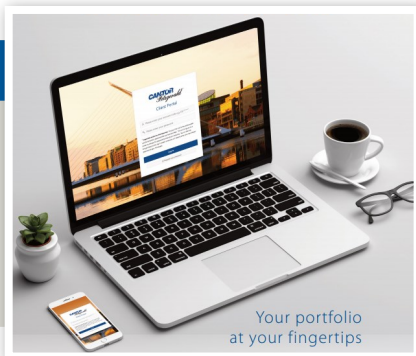
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Regulatory Information

Issuer Descriptions: (Source: Bloomberg)

Barclays PLC

Barclays PLC is a global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management, and investment management services.

FedEx Corp

FedEx Corp. delivers packages and freight to multiple countries and territories through an integrated global network. The company provides worldwide express delivery, ground small parcel delivery, less-than-truckload freight delivery, supply chain management services, customs brokerage services and trade facilitation and electronic commerce solutions.

Ryanair Holdings PLC

Ryanair is one of the largest airlines in Europe. The carrier flies to c.190 destinations, serving more than 30 countries throughout Europe, plus Morocco. It specialises in short-haul routes between secondary and regional airports, operating a fleet of c.300 Boeing 737-800s from 75 bases. Under normal conditions the company flies around 116m passengers annually from airports in Ireland, UK, Belgium, France, Germany, Italy, Spain and Sweden.

Microsoft Corp

One of the world's leading technology companies, Microsoft Corporation develops, manufactures, licences, sells and supports software products. Microsoft also develops video game consoles (e.g. Xbox) and digital music entertainment devices. Its products include the Windows operating system, Office productivity applications and Azure cloud services. It also owns LinkedIn, the business-oriented social network.

ASML Holding NV

ASML Holding N.V. develops, produces and markets semiconductor manufacturing equipment, specifically machines for the production of chips through lithography. The company services clients worldwide.

Smurfit Kappa Group PLC

Smurfit Kappa Group PLC manufactures paper packaging products. The company offers container boards, corrugated containers, and other paper-based packaging products. Smurfit Kappa Group serves clients globally.

Alphabet Inc.

Alphabet Inc. operates as a holding company. The Company, through its subsidiaries, provides web-based search, advertisements, maps, software applications, mobile operating systems, consumer content, enterprise solutions, commerce, and hardware products.

Aviva PLC

Aviva offers insurance and financial services. The company offers property and casualty, life and health, credit, motor and travel insurance, as well as fund management services.

GSK PLC

GSK is a research-based pharmaceutical company that develops, manufactures and markets vaccines, prescription and over-the-counter drugs. With the recent spin off of its Consumer Healthcare division, GSK now operates through two primary segments: Pharmaceuticals and Vaccines, providing products for infections, depression, skin conditions, asthma, heart and circulatory disease and cancer

Deere & Co

Deere & Company manufactures and distributes a range of agriculture, construction, forestry and commercial and consumer equipment worldwide.

Flutter Entertainment

Flutter Entertainment provides mobile and online gambling and gaming services primarily in the UK, Australia, the US and Ireland. The company offers betting on a wide range of sporting events as well as offering online games, including bingo, casino games and poker.

Regulatory Information

Historical record of recommendation

Barclays rating:	Buy; issued 4th May 2023; previous: Buy; 22nd February 2023
FedEx rating:	Buy; issued 22nd March 2024; previous: Buy; 6th September 2023
Ryanair rating:	Buy; issued 19th February 2024; previous: Buy; issued 29th September 2023
Microsoft rating:	Buy; issued 6th February 2024; previous: Buy; 17th November 2023
ASML rating:	Buy; issued 5th July 2023; previous: Buy; issued 20th July 2023
Smurfit Kappa rating:	Buy; issued 27th March 2024; previous: Buy; issued 17th August 2023
Alphabet Inc rating:	Buy; issued 17th November 2023; previous Buy: 9th May 2023
Aviva PLC rating:	Buy; issued 2nd April 2024; previous Buy: 27th June 2023
GSK PLC rating:	Buy; issued 9th August 2023; previous Buy: 2nd February 2023
Deere & Co rating:	Buy; issued 26th February 2024; previous: Buy; issued 28th November 2023
Flutter Entertainment rating:	Buy; issued 25th January 2023; previous: Buy; issued 17th October 2023

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