

Morning Wrap

Today's Newsflow

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Equity Research

25 Apr 2025

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Economic Events

Ireland

30-Apr	ILO Unemployment Rate
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United Kingdom

25-Apr	GfK Consumer Confidence Retail Sales
30-Apr	Nationwide House Prices

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Building Materials LFLs improve as pricing turns positive and volumes trend towards stabilization

Saint Gobain published Q1 results post close yesterday. Group sales increased 3.2% yoy to €11.72bn, broadly in line with consensus estimates of €11.68bn. LFL sales came in at -0.3% (-2.7% in Q424), a beat on consensus expectations of -1.8%. The Group experienced lfl growth in the Americas, Asia-Pacific and Northern Europe offset by continued declines in Southern Europe, Middle East and Africa. Within that, prices increased by 0.8% "supported by disciplined execution in a slightly inflationary cost environment overall". This is the first quarter pricing has been positive since Q423. From a volume perspective, the Group notes that volumes stabilized at comparable working days (down 1.1% at actual working days), representing a clear sequential improvement versus Q424 (-2.6%).

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The key points of note for us geographically are:

Northern Europe: LFL sales in Q125 came in at +2% versus -1.7% reported in Q4 with the Group noting volume growth in all of its main countries. In the Nordics, lfl sales came in at +2.9% (-2.9% in Q4), in the UK & Ireland, lfl sales came in at -0.5% (-1% in Q4) and in Germany & Austria lfl sales came in at +1.6% (-1.2% in Q4).

Southern Europe Middle East & Africa: LFL sales in Q1 remained negative, contracting by 4.9%, a slight improvement versus -6.5% reported in Q424. Lfl sales in France came in at -7% which follows the low-point of -8.8% in Q424. Spain-Italy saw growth at 1.4%, versus -1.4% reported in Q424.

The Americas: LFL sales increased 3%, an improvement on the +1.1% reported in Q424 with the Group noting "a good level of activity once again in North America and good momentum in Latin America". In North America specifically, lfl sales increased 1% driven by prices and good volumes in renovation.

In terms of the outlook, the Group notes that the macroeconomic environment "remains contrasted". In Europe, construction markets are stabilizing and a gradual recovery country-by-country is expected in H2. In the Americas, the Group continues to see a "good level of activity" being maintained in North America. In Asia-Pacific, growth will be mainly driven by India and South-East Asia. The Group has maintained its FY guidance, expecting to deliver an operating margin of "more than 11.0%" (consensus at 11.6%).

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Datalex Launch of DLX Pay

Datalex has announced the launch of a new product called DLX Pay. The product is designed to address “the complexities of airline payment infrastructure and the unique hurdles that airlines and their passengers face”. According to Datalex, DLX Pay “seamlessly connects airlines with an ecosystem of payment providers”.

Importantly, Datalex has also announced that it has signed a launch customer for DLX Pay with Air Transat due to go-live on the product later this year. Commenting on the agreement Air Transat said that it is excited to further strengthen the partnership with Datalex and that “DLX Pay will empower our customers with greater payment choices and flexibility at checkout”.

The launch of a new product in the payments space should not be a surprise to investors given the background of the new management team and their previous comments about bringing new capabilities to current customers. DLX Pay is the first of these products and we view it as a positive development for Datalex especially when you allow for the fact that it has been announced with a launch customer. Datalex’s new capabilities are expected to deepen Datalex’s footprint with existing customers as well as broadening the products appeal to new customers.

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Recommendation: Buy
Closing Price:€0.35

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Irish Banks Revolut to launch mortgage product later this year

The *Irish Times* has this morning reported that Revolut is planning a soft launch of its mortgage product in Ireland later this year. Joe Heneghan, chief executive of Revolut Europe, said “I’d say it would probably be Q3 [third quarter of the year] for the testing and Q4 for the launch in Ireland.” Revolut plans to initially start offering mortgages directly through its app with support from staff over the phone because of the complexity of the underwriting process. The company may “explore” using brokers in the future, Mr. Heneghan said.

Previously Revolut envisaged launching a mortgage product in the first half of this year so the revised timeline suggests it will be 2026 now before the company will be able to make a meaningful impact on the market. Despite its significant customer penetration, it is also noteworthy that Revolut does not have immediate plans to utilise the broker channel for the distribution of its new product. The broker channel accounted for c.45% of total mortgage drawdowns in 2024 and is the favoured channel by First Time Buyers ('FTBs').

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Economic view UK consumer confidence takes a hit in April

There are conflicting pieces of evidence on the state of the UK consumer this morning, but, on balance, caution due to wider economic uncertainty is likely to be the prevailing theme.

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The official retail sales data shows a third consecutive monthly rise in sales, with the March reading coming in well ahead of expectations (+0.4% versus -0.3% expected). This left the volume of sales (excl. fuel) up 2.0% in Q1, the highest annual growth in three years. The improvement was led by non-food sales such as household goods. The volume of food sales continued to decline in Q1. The March reading was likely helped by the unseasonably warm weather.

So far so good, but UK consumer confidence dipped once again in April amid the acute uncertainty around the impact of tariffs on the economy and regulated price increases were implemented (stamp duty, energy, council tax). The headline index for the GfK fell to -23 in April, down from -19 in March. This is the lowest reading since November 2023. All major components experienced a decline. The biggest fall was in expectations for the economy over the coming twelve months falling by 8 points to -37, the lowest since March 2023.

The survey indicates that the UK consumer remains vulnerable despite the improvement in retail sales in Q1. On balance, given the wider economic uncertainty, there is likely to be more scope for rate cuts on the basis of weaker growth, but services inflation remains a concern for policymakers.

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Economic view Annual completions remain at c.30K level

Following a disappointing final quarter for in Q4 2024, new dwelling completions in Ireland increased only modestly in Q1 according to CSO data published yesterday. There were 5,938 units completed in the quarter, leaving the 4-quarter total relatively unchanged at 30,356.

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Apartments were once again the most volatile component of output. Apartment completions grew by 13% yoy in Q1, taking the 4-quarter total to 9K. Scheme housing completions fell by 2% yoy and totalled 16K over the past twelve months. The remainder was made up of one-off housing (5.3K). Six out of eight regions saw growth in completions with just the South-East and the Midlands seeing declines, although the differences are small in scale.

We know from the surge in commencements seen in 2024 that there is a large potential future pipeline of new housing supply. However, as we noted previously, there is large uncertainty about what proportion of these units will be built out over the period to the end of next year.

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