Morning Wrap

Today's Newsflow

Select headline to navigate to article

Glenveagh Properties Momentum across the Group leaves FY25 well underpinned

C & C Group FY25 pre-close: Softer UK on-trade weighs on FY25 and 13 Mar 2025 FY26 expectations

Economic view Fall in planning permissions highlight need for action on land availability

Economic view Cooling momentum in the UK housing market ahead of budget measures

Fuller, Smith & Turner Trading update confirms solid momentum, new financing and bolt-on

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Upcoming Events

Company Events

13-Mar	C & C Group; FY25 Trading Update
	Glenveagh Properties; FY24 Results
18-Mar	Travis Perkins; FY24 Results
	Trustpilot Group; FY24 Results
20-Mar	Hostelworld Group; FY24 Results

Economic Events

Ireland

13-Mar	CPI
18-Mar	Trade Balance

United Kingdom

14-Mar	Construction Output
	GDP
	Industrial Production
	Manufacturing Prod.
	Trade Balance
20-Mar	BoE Official Bank Rate

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Glenveagh Properties Momentum across the Group leaves FY25 well underpinned

Recommendation: Buy
Closing Price:€1.49

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Properties has delivered a solid set of FY24 numbers. Having published a detailed trading update in January, the FY24 key financials (Group completions of 2,415 units; Operating Profit growth of 86% to €132m; and EPS growth of 112% to 17c) were already known. The key incremental highlights from today are: i) The Group's closed and forward orderbook has continued to ramp-up, totalling €1.1bn. This is 35% ahead of the prior year and a 16% sequential improvement on the €950m reported in January. Specifically within the Homebuilding segment, the closed and forward orderbook stands at 886 units (an increase on the 703 reported in January) for FY25 completion. This helps underpin the guidance for FY25 homebuilding delivery to "exceed 1,500"; ii) Such is the strength of the orderbook and confidence in the underlying business/market backdrop, the Group re-iterates its FY25 EPS guidance of 19.5c.

Other points of note: i) With the Group on track to deliver over 1,500 units in FY25, it has guided that it is on a trajectory to deliver 1,900 units annually by 2027; ii) The Group expects the enlarged Partnerships segment (i.e. the Partnerships & Urban segments combined) to have recurring annual revenue of c.€400m but notes scope for further growth "as the state pipeline evolves"; iii) As announced in late February, the Group has now commenced construction at the landmark Cork Docklands site following the completion of a forward-fund transaction for 337 units with the LDA; iv) Supply chain integration remains a core part of the Group's strategy noting that it produced timber-frame and light-gauge steel frames for 2,030 new units in FY24 as it scales towards a peak capacity of 2,500 units. Moreover, the Group has signed an exclusive perpetual licence which will enable the production of a low-rise integrated external wall system alongside its timber-frame and Light Gauge Steel at its existing facilities by 2027; v) The Group's €65m buyback is ongoing (€47m complete to date) and it is expected to be concluded around the time of its AGM in May. A further update on capital allocation will then be provided in May.

Overall, this is a solid update from Glenveagh. The Group is now well on track to deliver a 19.5c EPS in FY25 and we will increase our forecast by 2% accordingly (from 19.1c; Cons at 19.4c). The Homebuilding business looks well placed for growth over the coming years with the guidance for units to increase to 1,900 by 2027. The Group is also well placed in Partnerships, expecting to achieve annual revenues of at least €400m over the next few years, with upside bias to that number as further deals in the pipeline crystalise. We don't believe these positive dynamics are reflected in valuation with the stock trading on 1x FY25 NAV.

Home…

C & C Group FY25 pre-close: Softer UK on-trade weighs on FY25 and 13 Mar 2025 FY26 expectations

Recommendation: Hold
Closing Price: £1.48

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C&C have issued a trading statement for FY25 (Feb-YE) expecting FY underlying EBIT to come in at €76-78m, +27-30% yoy, albeit below consensus (€80.5m) and previous guidance of c.€80m, due to softer trading in January and February. Of greater note, EBIT in FY26 is expected to be just "marginally" ahead of the FY25 outturn (vs. VA consensus €90m) due to softer growth and more modest margin expectations in GB Distribution profit recovery. While the statement reiterates management's ambition to restore EBIT to c.€100m, it is now a mid-term goal, with the prior FY27 target date (as last set out in H1'25 results) pushed out by several years. Reflecting this new outlook, we'd expect to see consensus EPS come down

Shares are broadly flat ytd, and prior to today, this left C&C trading on 12.4x cal.25 P/E and 7.8x EV/EBITDA, a c.30% P/E discount to EU Beverages vs. its historical 34% discount. The continued soft environment for the UK on-trade is not unexpected given well-flagged labour cost pressures and subdued Consumer Confidence to date, however the scale of the downgrades suggested today (c.20% in the outer years) is disappointing and will likely see shares sell-off materially. In its markets/ segments, C&C has attractive brands and assets, while cash generation and returns remain robust, however it will likely take some time from here to rebuild investor confidence in the quality and visibility of earnings growth.

Revenues are expected to be in-line with FY24 as growth in the Distribution business (GB MCB customers +7% yoy in H2) was offset by Ireland soft drinks disposal, exit of low-margin contract brewing and softer GB Cider sales. Margins in both Branded and Distribution should be up yoy. In Branded, Tennent's has continued to gain value share in the Scottish on- and off-trades and Bulmers has gained share in the Irish on-trade. A Magners relaunch is planned for GB, back under C&C's management, in FY26, amongst other commercial plans. Year-end net debt/EBITDA is 1.0x, in-line with the company's target and despite €51m shareholder cash distributions during the year. Cash generation remains strong with continued returns anticipated for FY26 – a further €15m buyback will commence on 1 May.

Home…

Economic view Fall in planning permissions highlight need for action on land availability

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The number of units granted planning permission fell sharply in Ireland last year, according to new CSO data. A total of 32,401 units were granted permission in 2024, down 21% yoy. The sharpest decline was in Q4 when permissions fell by 38% yoy.

Almost all the decline in permissions last year was due to apartments, specifically apartments in Dublin. In 2024, there were 13K apartments granted planning permission in Ireland, down 39% yoy. 6K of these were granted in Dublin, but this is down from a high of 19K in 2020. There were 19.2K houses granted permission in 2024, down 3% yoy. Compared to apartments, the level of permissions for houses has been relatively stable. However, in both cases, the current run rates are too low for housing output to ramp up to the 50K-60K target set by the government to go some way to addressing Ireland’s housing deficit.

Coming on the back of weaker completions data for 2024 (30K), the data serves as another reminder of the need for government action in relation to land zonings and the provision of utility services. Goodbody published a report on this issue last September, quantifying the extent of the need for increased land zonings in the Eastern part of country in particular.

Home…

Economic view Cooling momentum in the UK housing market ahead of budget measures

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The latest RICS survey data shows the net house price balance fell in February, with just 11% of net respondents reporting higher prices over the last three months - well below the consensus estimate of 20% and the prior two months' readings of 21% and 25% respectively. On the demand side buyer demand also weakened notably in the month, falling to -14% from -1% in January. Similarly, activity, as measured by sales agreed, also fell into negative territory registering a net balance of -13% compared with +2% in January.

The slowdown in February was driven primarily by the upcoming stamp duty measures and the knock-on effects of purchases which were pulled forward to meet the deadline, which has now effectively passed due to the length of the transaction process. This reflects the slowdown seen in the Halifax House Price Index, which dipped -0.1% MoM in February. RICS also notes that some respondents called out the rising cost of living and concerns about the economy, however stamp duty measures remain the driving factor of the slowdown.

Despite this cooling in momentum long term sentiment remains strong, with 47% of net respondents seeing higher prices in 12 months and 32% of net respondents seeing higher activity in 12 months.

Overall, the latest RICS survey is notable weaker, with a sizable role being played by stamp duty changes which may be temporary. We expect prices to continue their modest upward trend once the knock-on effects of the stamp duty changes wash out in the second half of the year.

Home…

Fuller, Smith & Turner Trading update confirms solid momentum, new financing and bolt-on

Recommendation: Hold
Closing Price: £5.22

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Fuller's/FSTA has issued an ad-hoc trading statement this morning confirming their confidence in achieving FY25 (Mar-YE) market expectations (i.e. £39m EBIT, +12% yoy, £25m adj PBT, +20% yoy, adj EPS 30.3p, +24% yoy as per VA) based on solid continuing trading momentum (as despite noted pressures from other on-trade players such as C&C in the space). We had initiated on a Hold earlier this week (see report below), based on the lack of immediate catalysts so this is a pleasant update, both in terms of current trading and further share buybacks to come. Shares have de-rated 30% since Sep-24 with FSTA trading on 16x cal.25 P/E (vs. sector on c.10x) and 7.6x EV/EBITDA (supported by >3% dividend yield).

As management believes the current share price "significantly undervalues" the business, they are commencing a new 1m share buyback program following the completion of the previous post-COVID 6.5m program. A new banking facility of £185m has been agreed until 31 Aug 2028 at an interest rate c.75bp below existing £200m facilities (which were at SONIA +228-295bp). Also announced is the acquisition of the freehold of The White Swan in Twickenham (expected to close on 19 March). A buy-in of the Pension scheme has also been confirmed. Next update will be FY25 results on 11 June.

Home…

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