Morning Wrap

Today's Newsflow

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Equity Research **14 Feb 2025**

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Upcoming Events

Company Events

20-Feb	IRES REIT; FY24 Results Mondi; FY24 Results
21-Feb	Kingspan; FY24 Results

Economic Events

Ireland

17-Feb	Trade Balance
20-Feb	CPI
21-Feb	PPI
	Wholesale Price Index

United Kingdom

18-Feb	ILO Unemployment Rate
19-Feb	CPI
	PPI
	Retail Price Index
	ONS House Price
21-Feb	Retail Sales
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Equity Research +353 1 6419221

Equity Sales +353 1 6670222

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Glanbia Compelling valuation though upcoming FY24 results may be too 14 Feb 2025

Recommendation: Buy
Closing Price:€14.25

Patrick Higgins
+353-1-641 0403
patrick.m.higgins@goodbody.ie

Glanbia reports FY24 results on 26 February for which we forecast adj. EPS growth of 6.5% to 140c. This compares to consensus of 138.6c and company guidance for 5-8% growth. FY24 was a tale of two halves with strong margin-driven growth in H1 (EPS +12.4%) likely offset by a more muted +2% in H2 as a significant rise in whey costs is compounded by the lapping of a strong prior year comparative. By division, we model GPN revenues +2.3% for the year (Q4 +3.9%) and margins +70bps resulting in EBITDA +6.7% to $301m. For NS, we model +4.5% volumes (Q4 +3.4%), M&A +8% and margin +110bps driving EBITDA +22% to $192m.

Outside of FY24 results, key focus areas include: i) the FY25 outlook, particularly on GPN LFL revenues and margins given the uncertain and volatile whey cost backdrop. We model +2.5% GPN LFL revenues and margins of 15.1% (-135bps yoy). On adj. EPS, we model 1.6% growth to 142.5c with a 6% EBITDA decline in GPN offset by 9% growth in NS and the buyback; and ii) further detail on the Group's restructuring and transformation programmes announced in October.

Glanbia shares fell c.17% in 2024 due to concerns around GPN LFL momentum and the GPN margin outlook for H2 / FY25. While the related near-term risks remain, management (& its peers) are clear that new whey supply is expected later in the year which should underpin a strong rebound in margins in FY26 at the latest. As a result, trading on just 10x cal.25 P/E (vs peer avg of c.21x) and 7.8x EV/EBITDA, we see this as a compelling entry point, noting the likely eventual pick-up in momentum and Glanbia's position as the largest global player in the attractive sports nutrition sector and its complementary speciality ingredients portfolio.

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FBD Holdings Expect FY24 PBT €75m; Net cost of €30m from January weather

Recommendation: Buy
Closing Price:€13.20

Denis McGoldrick
+353 1 603 2631
denis.mcgoldrick@goodbody.ie

FBD Holdings plc ('FBD') issued a trading update for the year ended 31 December 2024 yesterday evening after the market close. The company will publish its FY24 Results on Friday 7th March.

FBD notes in the trading statement that it expects PBT of €75m for FY24 (FactSet €54m), ahead of market expectations. A combination of strong business growth, positive underwriting results and increased investment returns are outlined as the key drivers for the performance. The company also says that "underwriting results have benefitted from the overall favourable claims experience in the latter part of 2024."

According to the company, Storm Éowyn which occurred on Friday 24th January, was the "single biggest storm in FBD's history." Earlier in the month, Ireland experienced an exceptionally cold spell with significant levels of snow related damage. While the total number and gross cost of claims from these weather events is still unknown, FBD's reinsurance programme does provide cover for extreme weather events such as these. However, the company expects an overall net cost (including reinstatement premium) of €30m for the January 2025 weather events.

FBD is +26% over the last twelve months and trades at 1.02 TBV. It is positive to see the strong trading results expected for FY24 and a PBT of €75m implies a H2 increase of 134% over H1. Storm Éowyn brought record breaking winds to Ireland and caused significant damage to the western part of the country, an area where FBD has deep customer penetration. However, a combination of the reinsurance program and strong SCR% of 204% (Jun'24), which is well above its target of 150%-170%, should ensure the sustainable dividend policy is maintained.

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Economic view Tariff threat to continue

Dermot O'Leary
+353-1-641 9167
dermot.c.oleary@goodbody.ie

The threat of tariffs being imposed on EU exports to the United States will continue to linger over the coming months despite some relief being expressed in markets about the decision to not immediately impose them. US President Trump yesterday indicated that he has instructed his staff to draw up a list of countries/regions that are judged to be engaged in unfair trade practices with the US. While the memo states that this work should be compete within 180 days, Commerce Secretary Howard Lutnik has stated that the work of his team would be complete by April 1st.

The latest Trump action is consistent with the radical actions that have been taken by his administration in the first few weeks of his Presidency. It has left many regions of the world on tenderhooks and scrambling for ways in which to first avert the threat, but secondly to agree ways to respond if tariffs were to be introduced. The EU will be particularly concerned about the comments that VAT will be considered in the review of trade practices. It too has stated that it would respond to any tariffs that would be introduced.

The pharmaceutical sector was mentioned by the US President in his comments last night, but it appears that this issue may be dealt with separately. This is of particular relevance to Ireland, given the large scale of exports of pharmaceutical products to the US. While it is clear that the Trump administration wants to incentivise onshoring of activity, it is not yet clear how this could be achieved across the board. For now, the threat of tariffs remains. The next step is for the EU to step up to the negotiating table. Ireland's diplomatic efforts with its US counterparts over the coming weeks will be part of that.

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Goodbody, 9-12 Dawson Street, Dublin 2, Ireland
T (+353 1) 6670400 **W** www.goodbody.ie **E** research@goodbody.ie