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09 January 2020



# HOT OFF THE WIRES THE DAY AHEAD

## HOTW's TRIVIA - ANSWER IN THE PM EDITION

What kind of animal is the emblem of the US republican political party?

## MARKETS

**President Trump moved Wednesday to de-escalate hostilities with Iran, signaling no new U.S. military strikes following an Iranian missile barrage on Iraqi bases housing American and allied military forces that resulted in no casualties.**

Asian markets rebounded sharply and U.S. stocks recovered after shaky pre-market trading, with the Nasdaq closing at a new record and the S&P 500 hitting an intraday record.

U.K. retail sales fell in 2019 for the first time in a quarter of a century, as the threat of a no-deal Brexit and lingering political uncertainty weighed on the nation's already struggling brick-and-mortar stores.

Figures collected by the British Retail Consortium showed total retail sales fell 0.1% last year, compared with a 1.2% rise in 2018. That made it the worst year for sales growth since the trade body began gathering the data 25 years ago and the first year on record to show an overall decline in retail sales.

**Watch For:** No major U.K. data; BOE conference with speakers Mark Carney, Fed's John Williams and ECB's Philip Lane

## LATEST COMPANY NEWS

Please click on the company names or announcement titles to read the full RNS announcements.

## FTSE 100

## INDICES

FTSE 100	7,602	+0.35%
FTSE 250	21,662	+0.05%
All-Share	4,216	+0.30%
AIM All-Share	962	+0.36%
Europe ex-UK	161	+0.23%
S&P 500	3,253	+0.49%
Hang Seng	28,561	+1.68%
Nikkei 225	23,740	+2.31%

## CURRENCIES

GBP/USD	1.31	-0.01%
GBP/EUR	1.18	+0.08%
EUR/USD	1.11	+0.08%

## COMMODITIES

Gold Comp	1,547	-0.61%
Silver Comp	17.91	-1.05%
Brent Crude	65.70	+0.40%

## CAG NEWS & VIEWS

### Updates & Blogs

**Research:** [S&U Update Note – Guidance Re-Iterated](#)

**Research:** [ImmuPharma Quick Reference sheet](#)

**Blog:** [A Brief Look at the IPO Market](#)

[International Consolidated Airlines Group \(IAG.L\) - IAG CEO](#). Willie Walsh has decided to retire as CEO and will stand down on 26th March and retire on 30th June. Luis Gallego, currently Iberia CEO, will succeed him.

[Tesco \(TSCO.L\) - Q3 and Christmas Period Trading Statement](#). In the 19 weeks to 4th Jan 2020 (Q3 + Christmas Period) sales in the UK & ROI increased by 0.2% to £16.8bn. Whilst the UK environment has clearly been challenging, the attractive customer offer and strong operational delivery has enabled it to outperform the market once again. Customers benefited from lower prices - with a typical basket of 21 festive products in the weeks before Christmas being £2.28 cheaper YoY. Booker was named 'Best National Wholesaler' for overall customer satisfaction in November. Whilst the market was subdued, Booker sales grew strongly across the 19-week period, by 3.8% excluding tobacco (3.4% including tobacco).

[Bunzl \(BNZL.L\) - Acquisition](#). Bunzl has acquired Joshen Paper & Packaging, which is based in Cleveland, Ohio and operates from a number of locations across 11 states in the US, is engaged in the distribution of packaging and other goods not for resale to customers operating principally in the grocery sector. Revenue is expected to be c. £225m in 2020. As a grocery business, Joshen's operating margin is below the average for Bunzl's North America business area but Bunzl anticipates that it will realise a number of synergies over the next few years.

## FTSE 250

[Rathbones \(RAT.L\) - FuMA Update](#). Total FUMA at 31 December were £50.4bn, up 14.3% from £44.1bn at December 2018. The FTSE 100 Index increased 12.1% and the MSCI WMA Private Investor Balanced Index increased 13.1% over 2019. £43bn in the Investment Management business, up 11.7% from £38.5bn at December 2018 and £7.4bn in the Unit Trusts business, up 32.1% from £5.6bn at December 2018. Total net inflows across the group in 2019 were £0.6bn (2018: £8.5bn). 2018 net inflows included the impact of the £6.8bn acquired from Speirs and Jeffrey. Gross organic inflows in Investment Management totalled £3.3bn (2018: £3.8bn) in spite of weaker investor sentiment. Gross outflows totalled £3.9bn (2018: £2.7bn). The last quarter of 2019 saw the exit of some lower margin mandates following the integration of Speirs & Jeffrey and additional outflows as some pension and other institutional mandates were repositioned by trustees. 2019 net inflows in Unit Trusts of £943m (2018: £543m) were particularly strong against a difficult market backdrop for asset managers.

[Dunelm \(DNLM.L\) - Q2 Trading Update](#). Total LFL sales increased by 5% in Q2, reflecting strong growth across the total retail system, especially given the strength of the comparative period (Q2 FY19 total LFL 10.8%). Total

**Research:** [S&U Update Note - Steadily Upwards](#)

**Research:** [Randall & Quilter Quick Take – Strength to Strength](#)

**Consensus Analysis:** [SIG Consensus in Detail](#)

**Research:** [S&U Trading Update: Resilient Performance](#)

**Research:** [Ince Group: Full Year Results](#)

**Blog:** [IHT Review: Short-Lived Relief?](#)

**Consensus Analysis:** [SIG - Consensus in Detail](#)

**Research:** [Randall & Quilter Update Note - Ramping, & Quickly](#)

**Consensus Analysis:** [SIG - Consensus in Detail](#)

**Research:** [S&U Update Note – Positive Results Overall](#)

**Research:** [S&U Update Note – Positive Trading Update](#)

**Research:** [Ince Group: Acquisition of Ince UK & Placing](#)

**Research:** [S&U Update: Prudence and Sense](#)

**Research:** [S&U - Aspen Decision Positive](#)

**BLOG:** [MiFID II Outlook](#)

**Blog:** [When macro and micro diverge](#)

**Blog:** [Housing Crisis, What Housing Crisis?](#)

**Research:** [S&U Reaction Note](#)

**Research:** [S&U Update: Reassuring AGM Statement](#)

**Blog:** [Whither Forecasts?](#)

**Blog:** [Government Housing Policy – Not All Bad for the Builders](#)

**Blog:** [UK Housing: A Different Question, A Different Solution](#)

**Blog:** [UK House Builders and Cash](#)

## **Initiations**

[Ince Group Initiation Note \(2017\)](#)

[Randall & Quilter Initiation Note \(2018\)](#)

growth, including the benefit of new stores, was 6.2%. Total LFL sales for H1 increased by 5.6% with total growth of 6%. Gross margin improved by c.110bps in Q2, mainly due to sourcing gains and lower product markdowns during the period. The Group continues to be highly cash generative. Expectations for the full year remain unchanged.

[Marks & Spencer \(MKS.L\) - Q3 Trading Statement](#). Trading reflects ongoing progress of transformation strategy. UK LFL revenue slightly up, driven by improved quarter in both main businesses. Food business maintains momentum of H1 with positive LFL revenue and further improvement in volumes, with standout performance in the 2-week Christmas period as customers responded to sharper value and more relevant innovation. Clothing & Home improved run rate from H1 reflecting strong initial customer reception of Autumn ranges with signs of continuing recovery in core Womenswear, offset by underperformance in Menswear and Gifting. Decisive actions to drive trade in-season including improved availability, a reduction in options and improving value helped reduce the value of stock into sale by 12%. Full year guidance unchanged, although gross margins expected to be around lower end of guidance, largely offset by cost reduction programme.

[Mitchell's & Butlers \(MAB.L\) - Q1 Trading Statement](#). The group traded well over the core three-week festive period, with LFL sales growth of 5.6%, including strong performances on all of the key festive days. Overall sales have strengthened over the period since its last update with LFL growth of 3.5%, with particularly strong food sales growth. Total sales have increased by 2.7% over the full year to date.

[Card Factory \(CARD.L\) - Trading Update](#). The Christmas trading period was challenging. The general election and weak consumer sentiment ensured that the long-running trend of declining high street footfall was maintained. LFL sales for the eleven months to December declined by -0.6% YoY (FY19: -0.1%). Reflecting the softer Christmas trading period, Card Factory now expects FY adj. underlying EBITDA to be in the range of £81-£83m. Card Factory has also reduced adj. underlying EBITDA guidance for FY21 to £5-£10m due to declining high street footfall, depressed sterling valuation and high cost inflation (in particular wages). Accordingly, the board is reviewing the company's strategy and this will be presented alongside results in April. There will be no special dividend in FY21 and the level of ordinary dividend will be reviewed in line with the new strategy.

\* [SIG \(SHI.L\) - FY Trading Update](#). SIG has made considerable progress in transforming its business. The previously reported actions around pricing continue to deliver improvements in gross margins, and the realignment to a more integrated functional operating model has resulted in a further reduction in operating costs. The

announced disposals of the Air Handling division and Building Solutions business will complete the transition to a robust balance sheet. This progress has been made against a backdrop of challenging market conditions. The Group has been reporting an ongoing deterioration in the level of construction activity in key markets and key indicators continue to point to further weakening, principally in the UK. SIG has also experienced some challenges in sustaining sales rates during a period of considerable and rapid organisational change. This deterioration in sales accelerated during December, with sales per working day in the month around a quarter lower than November. Management initiated several profit protection measures through the autumn to help offset the impact of the challenging market conditions with most of these delivering financial benefit in 2020, not in 2019 as previously expected. As a result, SIG now anticipates underlying PBT for the FY of c. £42m. The key challenge for SIG in 2020 is to deliver a return to top line growth. Management is taking a number of actions to address sales performance which, coupled with profit protection actions taken in recent months and the annualised benefit of the broader transformation, will leave the Group well placed to capitalise on any recovery in trading conditions.

[Galliford Try \(GFRD.L\) - Post-Transaction Completion Trading Update](#). Galliford Try enters the new year with a high-quality order book of £3.2bn and recent significant contract wins including appointments to the YORCivil four-year major framework for Sheffield Council, AMP7 for Yorkshire Water, AMP7 for Southern Water, the A47 and A303 improvement works for Highways England and, in the private sector, the prestigious Project Nash development in central London for the Portman Estate. The completed transaction means Galliford Try is a well-capitalised construction business. As at 31 December the Group's pro forma cash balance was £225m, with average month end cash balances for H2 expected to be in excess of £100m. The underlying construction business continues to perform well and in line with management's expectations for the FY. As previously highlighted, Galliford expects performance to be weighted towards H2 due to both market uncertainty and the settlement of certain claims in H1. Galliford expects to announce HY results and a strategy update on 12 March.

### FTSE Small Cap

[Liontrust Asset Management \(LIO.L\) - Trading Update](#). AuM were £19.1bn at 31 December. Net inflows of £836m in the three months to December and £2,203m for the nine months to December. Acquisition of Neptune completed on 1 October, adding £2.7bn to AuM.

[Hipgnosis Songs Fund \(SONG.L\) - Acquisition of music catalogue](#). Hipgnosis has acquired a music catalogue from Emile Haynie, an award-winning American producer who has collaborated as an Exec. Producer on Kid Cudi's 3-time Grammy nominated album, produced Lana Del Rey's 2012

album 'Born to Die' and collaborated on Adele's US diamond-certified album '25' among others.

\* [Avation \(AVAP.L\) - Transaction of Airbus A321 Aircraft.](#)

Avation has delivered the first of two Airbus A321s, which are being transitioned from a prior operator, to Vietjet Air under an operating lease. The lease term is c. 8 years and the aircraft will be redelivered to Avation following completion of the major airframe maintenance check due on the 12th anniversary of its build date. VietJet Air operates a substantial route network including domestic and international destinations in Thailand, Singapore, South Korea, Taiwan, Malaysia, China, Japan, Hong Kong, Indonesia, India and Myanmar. VietJet Air is an existing customer of Avation.

## AIM

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[Nichols \(NICL.L\) - 2019 Trading Statement.](#) Group revenue increased by 3.6% to £147.2m. This performance was delivered across the Group with all three areas of the business showing growth, which once again reflects the benefits of its strong diversified operating model. UK sales totalled £117.7m, 2.7% ahead of the prior year. Within the UK, Vimto brand sales grew by 0.8% against a very strong prior year comparative (12.9%) and in line with the overall soft drinks market (+0.7% Nielsen YTD 30 Nov 2019). Revenue in international markets grew by 7.5% to £29.5m. Sales to the Middle East were £11.6m, an increase of 20.6% in comparison to softer prior year comparatives. The outlook for 2020 remains in line with the Trading Update reported 23 December.

[Naked Wines \(WINE.L\) - Board Changes and Christmas Trading Update.](#)

As previously announced, with the sale of the Majestic businesses completed and Christmas trading behind us, Rowan Gormley, CEO, is retiring from the Group Board as of today. Nick Devlin will take over the Group Chief Executive role with immediate effect. Additionally, Greg Hodder has formally stepped down from the Board with effect from today having handed the Chairman role to John Walden at the conclusion of the AGM in August 2019. Naked's Christmas trading performance for the 10-week period ending 31 Dec 19 was within the range of expectations, with underlying revenue for the continuing business up by 11% on the same period last year. Total gross margin was 1p.p. higher y-o-y as a result of a higher proportion of repeat customer sales. Investment in new customers for the year is expected to be at the lower end of the £20-25m range indicated with the interim results, reflecting disciplined investment to maintain payback at our target of 4x. The lower investment will flow through to higher profit in the year.

## Other

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[John Lewis - Christmas trading update.](#) Gross sales at the John Lewis Partnership were down 1.8% versus last year to

£2,167m. Waitrose & Partners gross sales (excluding fuel) were £1,033m, down 1.3% versus last year (due to shop closures) but up 0.4% on a LFL basis. John Lewis & Partners gross sales were £1,134m, down 2.3% versus last year and down 2.0% on a LFL basis. Waitrose & Partners online sales increased by 16.7% and in the seven days to Christmas online grocery orders were up 23.4%. John Lewis & Partners online sales increased by 1.4%.

#### [Calisen Group Holdings - Expected intention to float.](#)

Calisen, a leading owner and manager of essential energy infrastructure assets, is looking to IPO on the main market of the LSE. The company is a key participant in the government-mandated roll out of 51.2m smart energy meters in homes across the UK. Calisen is looking to raise c. £300m with Credit Suisse, KKR Capital Markets, CitiGroup, HSBC, Barclays and Goldman Sachs to act as joint bookrunners.

\* Capital Access represents this company.

### NEWS ROUND-UP

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[Financial Times](#): Donald Trump signalled that the US would not respond militarily to Iran's attacks on American forces in Iraq, in a bid to de-escalate the crisis in the Middle East.

[The Daily Telegraph](#): In his first press conference since his arrest, Carlos Ghosn compared his arrest on corruption charges to the Japanese bombing of Pearl Harbour and claimed to be the victim of a vast conspiracy.

[The Times](#): Anglo American has made a £386m proposal to buy Sirius Minerals, the North Yorkshire fertiliser mine developer.

[Financial Times](#): Assets managed by global index funds have smashed through the \$10trn level, buoyed by relentless rise of passive vesting.

[Financial Times](#): Iran will not hand over to the manufacturer or to US authorities the flight recorders from the Ukraine International Airlines Boeing 737-800 that crashed.

[The Guardian](#): Ted Baker's bankers have appointed advisers to review the prospects for the business amid fears that the fashion chain will be forced to raise cash.

[The Guardian](#): Poor sales of toys and video games dented the performance of Argos over the Christmas period.

[The Guardian](#): Last year was the worst on record for British retail, with sales falling for the first time in 24 years.

[Financial Times](#): Samsung Electronics projected a fifth straight quarterly decline in profit but that guidance was better than expectations, with analysts forecasting a

rebound this year.

The Times: Investors knocked \$3.1bn off the market value of Walgreens Boots Alliance after it reported another disappointing performance by its British pharmacies.

### **M&A and Fundraising**

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Financial Times: Jingye has received support from regional authorities in China to push through the takeover of the ailing UK steelmaker British Steel.

Financial Times: Tesco's planned sale of its Thai operations will be subject to close scrutiny, Thailand's competition regulator has warned.

Kind regards,

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