Morning Wrap

Today's Newsflow

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Equity Research 18 Sep 2025 08:38

Upcoming Events

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C & C Group H1'26 trading update – no change to estimates, with H1 18 Sep 2025 outcome and FY outlook in-line

Recommendation: Hold
Closing Price: £1.62

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C&C provided a H1 FY26 trading update this morning in which it noted revenues are expected to decline 4% yoy, with Group operating profit for the period expected to be in-line with our estimates, in the range of €41.5-42m (GBY €42m). On top-line, the Group note that the H1 decline was due to: i) previously disclosed transfer of control of AB InBev off-trade distribution in Ireland; ii) planned low margin business exits; and iii) lower volumes in MCB (GB Distribution) reflecting softness in national on-trade customers, especially wines and spirits. The Group saw 'solid' revenue growth in the Tennent's and Bulmer's brand with Magners UK in the early stages of recovery after C&C took back ownership of the brand at the start of the year. In terms of profit, the c.3.5% growth at the midpoint reflects a strong focus on cost efficiencies, offset by incremental investment behind its brands and distribution service, range and value. Outside of trading, in a separate update, C&C announced this morning that Andrew Andrea, Chief Financial and Transformation Officer, is stepping down from the board to take up a new role as CFO at Domino's Pizza Group. This will be effective no later than March 2026.

In terms of outlook, despite the uncertain macro backdrop and ahead of the 'all-important' Christmas trading period, the statement notes the Group remains on track to achieved operating profit in-line with market expectations. The Group's previous guidance was for FY26 EBIT to be 'marginally' ahead of FY25, with €100m EBIT outlined as the mid-term ambition for the Group. For FY26, VA consensus is for net revenue of €1,710m, Group EBIT of €80.8m and Group EPS of 12.4c. We currently model Group revenues of €1,714m, EBIT of €79.6m (+3.2% yoy) and EPS of 11.9c.

We see this as a solid update with the H1 outcome and FY outlook in-line with our expectations. That said, with shares up c.40% from April lows (+10% ytd), there may been some disappointment with a simply 'in-line' update. The stock trades on a cal.26 P/E of 14x vs. the EU Beverages average of c.15x, and compares to its last 3-year average discount of 20% and the pre-COVID average discount of c.40%. Overall, with a still uncertain macro / consumer backdrop, particularly ahead of the UK autumn budget, we retain our Neutral stance on the stock. We see little change to our or consensus estimates post todays update.

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Economic view CBI upgrades Irish growth forecasts after a solid H1 outturn

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The Central Bank of Ireland has revised its outlook for the Irish economy, signalling a more optimistic tone in its latest Quarterly Bulletin. It now anticipates Modified Domestic Demand (MDD) - a clean measure of underlying economic activity - to grow by 2.9% in 2025, a notable upgrade from its previous forecast of 2.0%. For 2026, the projection has also edged up slightly, from 2.1% to 2.2%. This upward revision reflects a more resilient domestic economy than previously expected, particularly in the face of ongoing global uncertainty.

As we highlighted at the time of the release of the Q2 national accounts, a number of factors have contributed to the better-than-expected performance that are reflected in the new CBI projections. Investment has been stronger due to a combination of business investment and a bounce in home completions in Q2, leading to an upgrade to its forecast for modified investment growth in 2025 from -0.6% previously to 2.4%. Within this, housing output is contributing positively, but the CBI has downgraded its forecast for completions for both 2026 and 2027. It expects completions to grow to 40K by 2027, well below the government's projections. Another positive factor in the forecasts is the ongoing resilience of consumer spending, which is expected to grow by 2.9% in 2025 (up from 2.6% previously). This is due to the continued growth in employment and earnings and a relatively low rate of inflation. Thirdly, government spending growth has remained high, but the CBI repeats its warnings on the sustainability of this growth in the context of the lack of spare capacity currently.

While the Bank still views the balance of risks as tilted to the downside, it acknowledges that these risks have moderated somewhat. This is largely due to greater clarity around international trade tariffs and the robustness of Irish households and businesses. Since the start of 2025, firms have shown adaptability, and consumer spending has remained steady, helping to cushion the economy from external shocks.

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Bytes Technology H1’26 Trading Update - Positive

Recommendation: Buy
Closing Price: £4.06

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Bytes posted a H1'26 trading update that is substantially in-line with the expected performance outlined in the AGM update on July 1st. That assumed gross profit levels flat y/y and operating profit marginally behind at the time for H1. The group anticipate gross profit of not less than £82m (in line with H1'25) and operating profit of not less than £33m (H1'25 £35.6m). GII amounted to £1.33bn versus £1.23bn in H1'25. Net cash position stands at £82m post payment of £41m of special and final dividends in the period and the repurchase of £25m of shares announced in August. The group note cash conversion follows the usual H2-skew and is in-line with expectations. Of note, the group performance improved through the period noting successful settlement into the new sales structure. The group highlights a strong pipeline heading into H2 and expect continued momentum, but notes the harder comps it will face toward the final months of the calendar year based on the strong Q4 trading last year. The group remains confident on the tailwinds it faces in terms of cloud computing, cyber and AI.

Overall, the update helps to reassure on the sales team changes now working successfully, the growing pipeline and the improving performance into H2. Shares recovered from the lows on AGM update in July but remain 20% off that point. This is another reassuring development, post the buybacks and share purchases by management, that emphasise that the shift to specialised selling is starting to bear some fruit. We wouldn't expect any change in expectations on the FY26 at this stage based on outlook commentary.

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Glanbia Agreement reached to dispose Slimfast US

Recommendation: Buy
Closing Price:€14.15

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Glanbia announced this afternoon that it has agreed to sell SlimFast US to Heartland Food Products Group, with the transaction subject to customary closing conditions. A process is ongoing to divest the brand in remaining jurisdictions. SlimFast, along with DTC asset Body & Fit (sale agreed in August), was designated non-core in February following several years of structural decline in the weight management category.

While the RNS omits detail on proceeds—implying a modest fee—the disposal aligns with prior guidance and follows an impairment earlier this year that suggested a low exit value. Strategically, SlimFast had become a drag on both top-line and margins, particularly amid shifting consumer trends and the rise of GLP-1 therapies. Together with the pending Body & Fit sale, the transaction should add ~80bps to divisional margin, albeit with a modest reduction in absolute EBITDA. This streamlining supports the investment case, allowing Glanbia to focus on high-growth core brands like Optimum Nutrition and Isopure.

Despite the recent recovery post-H1 results, we continue to see significant upside from here, with the shares trading on an undemanding 11.5x cal.26 P/E, underpinned by: i) improving momentum in core PN and H&N divisions; ii) the upcoming CMD on Nov 19th; iii) potential value realisation in the now-segregated DN division; and iv) possible upside from any easing in whey costs as new supply comes onstream

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