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	Industrial Production Apr
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Equity Research +353 1 6419221

Equity Sales +353 1 6670222

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Glenveagh Properties Trading update in line

Recommendation: Buy
Closing Price: €1.07

Shane Carberry
+353-1-6419118
shane.carberry@goodbody.ie

Glenveagh Properties has released a solid trading update this morning re-iterating both its FY23 guidance to deliver EPS of 7.5-8p (GBS: 7.5p) and its FY24 guidance to deliver an ROE of 15% (GBS: 14%). From a divisional perspective, the key points from the release are:

- **Suburban demand "strong" -** On the Suburban side of the business, underlying demand has remained "strong". The Group now has 1,150 units either sold, signed or reserved for FY23, a significant increase from the 803 units as at March 1st. The Group also notes that "significant progress" has been made on the planning side of the Suburban division in particular, increasing its confidence on unit delivery in FY 2024 and beyond.

- **Urban "proceeding to plan" –** As expected, there is little new to update near-term from this segment of the business with it "proceeding to plan". However, it is notable that there are ongoing negotiations with State agencies on some its prospective Urban developments for delivery in FY24 onwards.

- **Partnerships still expected to deliver in FY24 –** Despite the Group awaiting full planning for both of the sites within the Partnerships division, the Group remain "on track" to generate revenue and profits in FY24 from the division. Full planning approval is expected on the Oscar Traynor Road site by Q3 (853 units) whilst a date is yet to be officially set for decision on the judicial review against the site in Ballymastone.

Overall, we believe this is a solid update from Glenveagh with the key point of note for us being the re-iteration of FY23 (which was rebased in January) & FY24 guidance. We foresee limited changes to our forecasts, which are at the lower-end of the guided range, at this stage.

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Irish Banks CBI increases CCyB to 1.5%, consistent with a balanced risk profile

John Cronin
+353-1-641 9187
john.cronin@goodbody.ie

Ronan Dunphy
+353-1-641 9072
ronan.dunphy@goodbody.ie

The Central Bank of Ireland (CBI) yesterday published its first bi-annual Financial Stability Review (FSR) of the year, which, from a banking sector viewpoint, contained little by way of surprise.

Firstly, the CBI proceeded with its previously announced intention to raise the CCyB by 50bps to 1.5% (effective from June 2024) and reiterated its view that a CCyB of 1.5% is the rate "*that will be set when risks are neither elevated nor subdued*". In this regard, the CBI also yesterday published an addendum to its June 2022 '*Framework for macroprudential capital*' that provides further detail on its strategy for setting the CCyB. While helpful in outlining its approach to CCyB formulation, the addendum is understandably short on quantitative metrics that would trigger a change in the rate, although it does note the following as typical features of an environment that would prompt an increase in the CCyB to a level greater than 1.5%: i) evidence of higher-risk credit dynamics; ii) overheating pressures in domestic/global economies; and iii) stretched asset valuations/risk taking behaviour. Notably, a sample CCyB dashboard (which is intended only as a guide to support decision-makers) published yesterday did not indicate undue levels of systemic risks – and, furthermore, in yesterday's analyst briefing the CBI representatives emphasised that, despite three successive 50bps increases in the CCyB, observers should not assume that the rate is on an upward trajectory from here and that a 1.5% rate is deemed to be appropriate as we sit here today in the context of prevailing macro-financial conditions. Separately, in relation to the O-SII buffers, it is worth noting that these are reviewed annually with the next review due in November 2023 (and we would not be surprised to see increases at that point based on the CBI's previous comments regarding the departures of two banks from the domestic banking system).

The FSR contains plenty of other information of relevance in a banking sector context, with the following being some of the key points of note: 1) CBI analysis indicates that Irish banks "*do not share the same mix of vulnerabilities*" as those banks most affected by banking sector turmoil in recent months. Lower exposures to debt securities, diversified deposit bases with significant proportions of insured deposits and high levels of central bank reserves all inform this view. 2) Although shocks to the domestic CRE market "*will have implications*" for domestic banks, the CBI believes that the banking system is now better able to absorb a CRE shock than in the past. It notes that CRE lending is less concentrated in riskier development exposures, LTV ratios are lower (estimated to be 50% on average) and capital levels are well above minimum requirements. However, refinancing risk in a higher rate environment and market liquidity risks "*add to underlying vulnerabilities*" of exposures; 3) The CBI notes that "*domestic banks' loan-deposit franchise leaves them well positioned to benefit from rising interest rates*". It acknowledges that Irish banks have been slow to pass through monetary policy changes to both lending and deposit rates thus far and low deposit betas have a "*particularly strong effect on profits*" given the nature of banks' funding bases – and cautions that an increase in funding costs could undermine profitability and potentially impact the availability and price of credit supplied to the real economy (something we suspect the CBI would rather not see). 4) High inflation and rising interest rates provide headwinds for Irish households, but the CBI notes that financial distress is expected to remain muted under their baseline scenario. Even under a very severe scenario where unemployment rises to 9%, the proportion of households in financial distress rises to 12% (from 8%). Its analysis is similar for non-financial corporates, with significant deleveraging over the course of more than a decade easing financial stability risks substantially.

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Molten Ventures FY23 Preview – Portfolio detail and investment outlook in focus

Recommendation: Buy
Closing Price: £3.00

Gerry Hennigan
+353-1-641 9274
gerry.f.hennigan@goodbody.ie

Having outlined a gross portfolio value at the end of March in the Trading Update last month of c.£1,370m (£1,450m H1'23), a NAV per share of c.775p (837p H1'23), and an underlying fair value decline for the year of c.£287m (£264m for H1'23, £252m on a net basis adjusting for FX), the focus in the FY23 results statement from Molten on the 15th will likely be on 'fair value' detail regarding specific core assets and commentary on valuation and the investment outlook for the current year.

Investment of £138m for the fiscal year, relative to the £311m outlaid for FY22 and an average spend of c.£165m over the period FY18 to FY22, points to cash conservation. In the context of current market sentiment and stated cash on the balance sheet as of March of £23m (access, subject to conditions, to a further £60m via the RCF), that is hardly surprising, placing an emphasis on realisations (£48m), which, based on prior guidance, exceeded investment in H2'23.

Amid evidence of greater valuation stability in both the publicly-listed market and private holdings in the portfolio (Ledger, Isar Aerospace, Satellite VU and Hadean, all of which would appear to have secured additional funding at valuations supportive of Molten's fair value assessment as of September 30th), we expect the tone in the statement next Thursday to continue to strike a balance between investment and realisation.

As stated in our recent report on May 4th, however, a current discount of 61% relative to a guided NAV per share of 775p for March would appear overly penal and largely attributes little credit to a conservative valuation approach in the past or stated commentary in April that "the portfolio remains well funded with over 80% of the Core having more than 18 months of cash runway."

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SSP Group Primed for take-off in North America; positive into CMD

Recommendation: Buy
Closing Price: £2.67

Jason Molins
+353-1-641 9141
jason.molins@goodbody.ie

Ahead of SSP's Capital Markets Day on 21 June, we explore the growth opportunity in North America. Based on a detailed analysis of industry data covering c.90 airports, SSP has significant scope to grow its current share of 10% in a fragmented market (c.40% in independent ownership) with its tailored offerings. Couple this with the continued recovery from COVID, both from a passenger number and spend perspective (in a c.$6.5bn market growing MSD-HSD), underpins the view that North American revenues will be double FY19 levels in FY26 and it will represent >25% of group revenues.

Confidence in this growth trajectory in North America, along with the potential in other markets (especially Rest of World) underpin the c.9% organic sales and c.20% medium-term EBIT CAGR target. This momentum was evident in the recent H1 result when management guided for FY23 pre-IFRS16 EBITDA at the upper end of the guided range (£250-280m versus GBY £286m). In addition, it affirmed guidance for FY24 (pre-IFRS EBITDA £325-375m vs GBY £372m).

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Economic View RICS survey points to a less gloomy picture for the UK housing market in May

Shaun McDonnell
+353-1-641 9127
shaun.mcdonnell@goodbody.ie

The latest RICS survey points to a less gloomy picture for the UK housing market in May, with indices of prices, demand and supply all improving in the month. The new buyers enquiries index rose from -34 to -18, with new instructions to sell at +14 (-2 in April). The price balance rose to -30% (from -39%), with RICS noting that prices in London are now largely steady, a point we have been making in the context of the new homes market recently. It is worth noting though that the very recent increase in mortgage rates will be a headwind for the market in the short-term.

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Goodbody, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland
T (+353 1) 6670400 **W** www.goodbody.ie **E** research@goodbody.ie