Morning Wrap

Today's Newsflow

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Equity Research **15 Oct 2025**

09:10

Upcoming Events

Company Events

15-Oct	Entain; Q325 Trading Update
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Economic Events

Ireland

15-Oct	Trade Balance
22-Oct	PPI
	Wholesale Price Index

United Kingdom

16-Oct	Construction Output
	Trade Balance
	Manufacturing Production
22-Oct	CPI
	Retail Price Index
	ONS House Prices

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Entain Solid Q3 update; FY guidance maintained

Recommendation: Buy
Closing Price: £8.39

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Entain released a trading update for the Q3'25 period this morning. Overall group NGR (including its 50% stake in BetMGM) was +6% (+7% constant currency). Online NGR excluding BetMGM increased by +5% (+6% cc). Online Sports NGR increased by 1% cc YoY, with online wagers +5% cc and margin -50bps. Retail Sports NGR increased by 7% YoY (wagers +1%, margin +110bps). Online Gaming NGR increased by 9% cc, with Retail NGR declining by 2%. On outlook, FY guidance has been maintained with Online NGR growth of 7% cc/5% reported; and Adjusted EBITDA of £1.1bn to £1.15bn (GBYf: £1,139m).

Divisionally UK&I NGR was +8% (cc) (Online +15%, Retail +2%). Within Online, Sports NGR was +19% and Gaming NGR was +14%. International was +1% (cc) (Online +1% cc, Retail +6% cc). Within International, Brazil NGR declined by -11% cc due to adverse sports margins with volumes +14% cc. while Australia NGR declined by 6% cc, again due to adverse sports results. Double-Digit Online NGR growth was delivered by Georgia, New Zealand, Spain, Canada, Austria, and Greece. Entain CEE performed well with +10% cc (Online +9% cc, Retail +11%).

Overall, this this a solid update from Entain. Momentum remains strong, notwithstanding some unfavourable sporting results in the quarter. Performance in the UK continues to impress, while Brazil is disappointing at a headline level, volume growth remains very strong. The key takeaway is the reiteration of FY guidance, while performance in its must-win markets continues to impress. In terms of numbers, we don't anticipate any making any changes post today's update. 2025 has been a strong year for the group, across both core Entain and BetMGM (as evidenced in yesterday's update). UK tax risk is likely to remain an overhang for the sector until budget day. Beyond that, the Entain story is going from strength to strength, with a strong growth trajectory, improving cash generation, and deleveraging. Reiterate BUY.

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Rank Group Strong Q1; FY expectations unchanged

Recommendation: Buy
Closing Price: £1.30

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Rank has this morning released a trading update for Q1 25/26. Group LFL NGR increased by 9% YoY to £210.2m. The group delivered growth across all business units with Digital (+13%) and Grosvenor venues (+8%) leading the way. On outlook, management expects to deliver FY26 operating profit in line with current expectations. On UK taxes, CEO John O’Reilly notes that Rank is engaged with the Treasury on the implications of tax changes on the viability of its venues, employment levels, future investment and the customer.

Grosvenor venues LFL NGR grew by 8% to £102.7m, driven by strong performance in table gaming (+3%) and a step up in performance from the Victoria Casino on London's Edgware Road following a £15.0m refurbishment. Mecca venues LFL NGR increased by 5% with visitor numbers down 1% YoY and spend per visit +6% on a LFL basis. Enracha venues also grew with LFL NGR +5% YoY. Digital LFL NGR was +13% (UK +15%, Spain -1%). The Spanish figure down due to platform capacity issues, however these are being addressed with the launch of a new bingo platform and the business is expected to return to growth in Q2. Within UK Digital, Grosvenor grew by 31% LFL NGR growth YoY, with Mecca +9%. It continues to expect a total of 850 incremental machines to be added to Grosvenor venues before the end of H1 25/26.

This is another positive update from Rank, with continued growth trends across the business, in particular its two largest segments, Grosvenor Venues and Digital. In terms of forecasts, we recently upgraded and as such do not anticipate any headline changes following today’s release. While near term sentiment is likely to be dictated by UK tax risk, this should not distract from the solid operational momentum. The group will host a Capital Markets Event focused on the Grosvenor business on October 22nd.

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Diageo Read-across from LVMH Q3'25 trading update

Recommendation: Buy
Closing Price: £17.71

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LVMH has reported its Q3'25 trading with group organic sales +1%, a beat vs. Bloomberg consensus -0.7%, with yoy growth in the US and domestic China markets. In Wines & Spirits, organic sales also came ahead of expectations at +1% vs. Bloomberg -3.2%. The improved W&S momentum vs. the -7% organic in H1 was due to a sequential improvement in Champagne and Wines (Q3 +7% organic vs. H1 +2%) helped by some US Champagne re-stocking. Cognac & Spirits trends remain subdued (Q3 -6% organic vs. H1 -15%), especially in the key US and China markets (albeit with some China VSOP re-stocking in Q3).

DGE owns 34% of LVMH Wines & Spirits and this holding has been a drag on group net income (FY25 Associate contribution -53% yoy to c.5% shareholder net income). While it is still early to call an inflection, the positive data-point here around W&S, and an incrementally positive read for wider Chinese luxury consumption/demand, despite signs of still subdued Spirits end-markets in US and Europe, should boost sentiment for DGE and the International Spirits sector. DGE shares are now -30% ytd leaving it trading on just 13x cal.26 P/E and 10.5x EV/EBITDA. We don't expect an inflection in overall Spirits demand in the near term (though Guinness at 10% group sales is likely to remain robust), with Q1 FY26 organic sales for DGE likely to reman soft (c.-2%). However even if FY organic sales don't improve much from the +1.7% delivered in FY25, we believe the renewed focus on costs and self-help should organic EBIT delivery back towards mid-single digits (GBYe +4.0%).

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Wickes Group Positive D&I Visit – Self Help and Leverage to an Upturn

Recommendation: Buy
Closing Price: £2.21

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Wickes' presentations and store visit yesterday made a persuasive case that its Design and Install (D&I) offering, which has recently begun to recover sales growth, is now benefitting from new technology and store layouts, now rolled out across the network, and this self-help can win market share and improve profitability, as well as leaving Wickes well-placed to leverage on any recovery in overall market demand for kitchens and bathrooms (and the newer activities in Solar and EV charging and ultimately a large heat pump opportunity).

Wickes has refreshed both the instore design software tools and the software used to manage its installation partners and process (the latter the first major update of twenty-year old systems). The instore merchandising of bathrooms in particular has been modified (more space devoted to fittings options alongside the main room sets) and ongoing survey and social listening work allows Wickes to fit its style offerings to market demand. Instore designers have powerful design and visualisation tools to convert customers' ideas into fully planned and costed designs, which mesh with the national network of installers where the new systems more quickly and accurately match projects with local installers. The whole process from a customers' idea to a realised project is quicker, with less scope for delay or divergence. This ought to help Wickes continue to gain market share and also boost profitability and cash conversion.

The presentation also covered the expanding training of instore staff in the sale of solar + battery systems (where Wickes name and buying power is a strong benefit in a fragmented but growing market) which are a natural market for Wickes. EV Chargers aren't such a clear match with customer journeys at Wickes, but the currently nascent heat pump market is seen as ultimately the largest opportunity for the group.

Overall, we came away with a positive impression of Wickes D&I activity, both in self-help for market share and margin gains, and leverage to the incipient recovery in demand linked to housing transactions and consumer confidence for larger projects which Wickes' own survey data suggests. Trading on C. 10x PE and 5x EV/EBITDA FY26E, we remain a buyer of Wickes for its unique market position and recovery prospects as consumer confidence and housing transactions pick up.

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