

Market Preview

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Sky in bid limbo but revenues still growing; Trinity Mirror update to be another media focus in week ahead

Sky PLC (LON:SKY) has been in limbo since the end of last year, when Rupert Murdoch's 21st Century Fox Inc. (NASDAQ:FOX) made an offer for the 60.9% of the company it doesn't already hold, with the deal always going to be politically controversial.

As expected, the regulatory approval process for the deal has been lengthy, and is yet to be resolved - with a referral to the Competition & Markets Authority only finally announced last month.

But as the acquisition drags on, Sky is continuing its business as usual, and a first quarter trading update on Thursday likely to illustrate this.

Nicholas Hyett, equity analyst at Hargreaves Lansdown thinks Sky's revenues are still growing, albeit more slowly than previously, with its full year numbers reasonable.

However, the ever-increasing cost of football rights has seen costs rise, putting profits under pressure, and should the Fox deal fall through, investors will hope that Sky's new, more flexible sports packages can maximise the return on its most valuable but also most burdensome asset.

Express deal interest for Trinity Mirror

Elsewhere in the media sector, newspapers group Trinity Mirror PLC (LON:TNI) will deliver a trading update on Monday, with any news on the talks to buy all of Richard Desmond's Northern & Shell publishing assets, which includes tabloid rivals the Daily Express and The Star - announced last month - sure to be a focus..

In its last update at the end of July, Trinity Mirror said it expected adjusted results for the year to be in line with expectations, and confirmed that like-for-like revenues in July were expected to have fallen by 8%, slightly better than the 9% decline seen in the first half..

The outlook comments then noted that whilst the economic environment, in particular for print, was proving more challenging than anticipated, but the group continues to believe that its strategy will meet their objective to deliver sustainable growth in revenue, profit and cash flow over the medium term.

Defence budgets eyed by BAE Systems

BAE Systems PLC (LON:BA) will deliver a trading update on Tuesday, with investors keen to hear any more news about an extension to the Eurofighter order from Qatar as the defence group awaits more news on UK and US defence budgets.

Analysts at UBS believe that BAE's organic growth will remain around low single digits at group level over 2017-19 although the group's US defence sales should grow at 7-8% organically as the Army's modernisation share of the US budget grows faster than other areas.

However the Swiss bank's analysts think sentiment could weigh on BAE shares until the UK discloses potential budget cuts in January 2018.

Share Information

MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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Better to travel for WH Smith

Full year numbers from books to stationary retailer WH Smith Plc (LON:SMWH) should mirror the group's pre-close update which saw its Travel business continue to grow, but with its exposure to the struggling UK high street and uncertain UK consumer market, outlook comments will be key.

In a preview, Nicholas Hyett, equity analyst at Hargreaves Lansdown noted that WH Smith's Travel business has grown steadily over the last ten years, with selling books, newspapers and snacks at railway stations and airports now accounting for 47% of its revenue, compared to just 26% in 2007.

However, while Travel has been flourishing, the High Street retail business has had a rougher ride, with online retailers eating into its traditional books and stationary business, with revenues down by about a third since 2007.

Despite those headwinds a rigid focus on efficiencies and cost control has kept profits in the division moving in the right direction, and investors will be hoping this continues.

Pub blues for Marston's

It's been a tough year for Marston's plc (LON:MARS) shares, which are down over 20% so far, although the whole pub sector generally has been subdued as UK consumer sentiment remains affected by the Brexit uncertainties, while costs have increased with inflation and national minimum wage changes.

While other pub groups have seen sales decline, Marston's has so far fared better with its last update showing like-for-like sales growth in the destination and premium pUBS division.

The market will, therefore, be seeking some reassurance in terms of current trading outlook in an update on Tuesday, with future expansion plans and especially any comments on future dividend payments also eyed.

Ted Baker still in fashion

First half numbers from fashion firm Ted Baker PLC (LON:TED) on Tuesday are expected to continue its track record of double-digit growth, reflecting the resilience of its balanced model, according to analysts at Liberum Capital.

They noted that the group has evolved to significantly reduce its reliance on pure Retail, while investment into its IT systems infrastructure leaves it well primed in a world where bricks-and-mortar and online are becoming increasingly blurred.

The Liberum analysts think the peak of the firm's investment cycle has been reached and they now see an inflection point, with EBIT margins to start to rise, and free cashflow should increase materially.

Recruitment reviews from Hays and Page

Staffing group Hays plc (LON:HAS) and Pagegroup PLC (LON:PAGE) will both issue trading updates in the coming week, with the recruitment sector having remained buoyant so far in spite of concerns over the impact of Brexit on the UK jobs market.

In a recent note, UBS upped its stance for Hays to 'buy' from 'neutral' as it looks for a 'margin break-out ahead' from the group.

In a note to clients, the Swiss bank's analysts said: "We now expect cyclical upgrades to continue in the near term as indicators remain strong, and see mid-term structural upgrades as a positive price/mix shift (e.g. Germany) drives margins to new highs."

The analysts concluded: "Staffing remains a cyclical industry, but we view Hays as a best-in-class core holding across the sector."

Decent numbers seen from Booker

We already know that Booker Group PLC (LON:BOK) will post a decent set of first half numbers when it reports to the

market on Thursday.

The foods wholesaler achieved sales growth of 4% and 1.3% in the first and second quarters of its current financial year.

Tobacco sales continue to fall as the government brings in more and more red tape regarding the sale of cigarettes and similar products, but that won't bother the markets too much.

The main concern for investors will be the proposed £3.7bn takeover by Tesco PLC (LON:TSCO).

The deal is currently being probed by the competition watchdog and shareholders will be looking for any clues as to how it's panning out so far ahead of the report which is due in December.

Rough time for Provident Financial

It's been a rough summer for doorstep lender Provident Financial PLC (LON:PFG) following August's profit warning, which was its second in as many months.

In light of the second one, the company axed its dividend and initiated a review of its home credit business, which is where the main problems seemed to be.

Investors will be hoping that the initial feedback from this review is starting to filter through so keep an eye out for any updates here.

Perhaps the most focus will be paid to full-year forecasts. Provident lowered its guidance back in August and said it expected to turn a pre-exceptional loss of between £80m and £100m.

Given the less-than-upbeat tone of the board back then, it isn't out of the question that this could take another hit.

Chief executive Peter Crook stepped down immediately after August's warning, so an update on the search for his successor will also be of interest.

Seasonally quiet for Hargreaves Lansdown

Blue chip financial platform Hargreaves Lansdown PLC (LON:HL.) will deliver a Q1 trading update on Wednesday covering the seasonally quiet summer months, although Numis Securities believes that the firm will have been the largest beneficiary of the fallout from the problems for a large number of Barclays Stockbrokers' accounts.

However, in a preview, Numis cautioned that, as well as Barclays clients not being able to log into their accounts, the exit process appears to be delayed, so consequently, they expect a lag between clients choosing to move to HL and the assets actually arriving.

Last year HL added 20,000 clients with net inflows of £1.11bn in the first quarter, and although the Numis analysts do not do quarterly forecasts, they said they expect HL to add 57,240 clients in the first half - an increase of 33% on the 43,000 added at the same stage a year earlier.

They also expect net inflows of £3.0bn for the first half, up 29% on the £2.3bn added in H1 last year.

Significant events expected: Monday October 9:

Trading update: Trinity Mirror PLC (LON:TNI)

Finals: CAPP-XX Limited (LON:CPX), Plant Impact PLC (LON:PIM), YouGov PLC (LON:YOU)

Interims: Centamin PLC (Q3) (LON:CUY), XP Power PLC (Q3) (LON:XPP)

Economic data: BRC retail sales monitor

US Columbus Day holiday - markets open, banks closed

Tuesday October 10:

Trading updates: BAE Systems PLC (LON:BA), Domino's Pizza PLC (Q3) (LON:DOM), easyHotel PLC (LON:EZH), Marston's plc (LON:MARS)

Interims: Ted Baker PLC (LON:TED), LiDCO Group plc (LON:LID), Redstoneconnect PLC (LON:REDS), 1Spatial PLC (LON:SPA), Vedanta Resources PLC (LON:VED)

Finals: Volution Group PLC (LON:FAN)

Economic data: UK industrial, manufacturing production; UK balance of trade

Wednesday October 11:

Trading updates: Countryside Properties PLC (LON:CSP), Dunelm Group PLC (LON:DNLM), Hargreaves Lansdown PLC (LON:HL.), Jupiter Fund Management PLC (LON:JUP), Mondi Plc (Q3) (LON:MNDI), Pagegroup PLC (LON:PAGE), Quiz Plc (LON:QUIZ)

Finals: Proactis Holdings Plc (LON:PHD)

Interims: Vertu Motors PLC (LON:VTU)

Economic data: FOMC minutes published

Thursday October 12:

Trading update: Hays plc (LON:HAS), Sky PLC (Q1) (LON:SKY)

Finals: WH Smith Plc (LON:SMWH)

Interims: Booker Group PLC (LON:BOK), N Brown Group PLC (LON:BWNG)

Ex-dividends: Centrica PLC (LON:CNA), HSBC Holdings PLC (LON:HSBA), Tesco PLC (LON:TSCO)

Economic data: RICS UK housing survey; US weekly jobless claims, US forward PPI data

Friday October 13:

Trading updates: Ashmore group PLC (LON:ASHM), Man Group PLC (LON:EMG), Provident Financial PLC (LON:PFG)

Economic data: US consumer price index, US retail sales

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