

3i Group plc

17:15 14 Nov 2019

FTSE 100 closes lower as China data and trade worries weigh

- FTSE 100 closes down 58 points
- US stocks lower
- Eurozone economy grew 0.2% in the third quarter
- The annual housing supply in England amounted to 241,130 net additional dwellings in 2018-19, up 9% year-on-year

5.20pm: FTSE closes lower

FTSE 100 closed in the red on Thursday as global markets headed south after weak Chinese industrial production data combined with more trade worries spooked investors.

The UK's premier share index finished down over 58 points at 7,292.

The mid-cap FTSE 250 was also lower, shedding nearly 58 points at 20,231.

Over on Wall Street, shares also slipped. The Dow Jones Industrial Average lost around 64 points at 27,719 while the S&P 500 shed over six points.

"The sharp decline in industrial production highlights the reason for global growth fears, with a lack of demand forcing producers to ease supply," said Joshua Mahony, senior market analyst at IG.

"Unfortunately, while we had previously expected to see the US and China meet in Chile this weekend, it feels as if that phase one trade deal remains some way from completion."

Big cap miners made up some of the biggest Footsie fallers, with silver giant Fresnillo (LON:FRES) down nearly 3% at 636.40p and Antofagasta (LON:ANTO) off 2.8% at 861.60p.

1.00pm: Germany dodges recession

The Footsie was modestly lower in the lunchtime trading session, with the fall entirely due to some big dividend payers going ex-dividend.

London's big-caps index was down 11 points (0.2%) at 7,340; ex-dividend stocks wiped almost 16 points off the index.

Eurozone growth clocked in at 0.2% quarter-on-quarter (q/q) in the third quarter, which was in line with expectations.

"Germany put in a better performance than expected and dodged the recession many had forecast. German GDP grew 0.1% q/q although this followed a worse than expected 0.2% decline in Q2. Meanwhile, France fared relatively well with GDP growing 0.3% q/q while Italy continued to lag with a 0.1% q/q gain," reported Rupert Thompson, the head of research at wealth management firm, Kingswood.

Olivier Konzeoue, an FX sales trader at Saxo Markets, said the Eurozone GDP release "didn't paint a different picture this morning".

Price: 1121.5

Market Cap: £10.91 billion

1 Year Share Price Graph



Share Information

Code: III

Listing: LSE

52 week High Low
1189 808.6

Sector: Investments and investor services

Website: www.3i.com

Company Synopsis:

As a world leader in private equity, we work with talented management teams to develop businesses that have potential for significant growth.

action@proactiveinvestors.com

"The Eurozone economy has been slowing but leading indicators have recently stopped sliding as German GDP also illustrated earlier this morning with a slight beat. More than data, headline risk is driving markets today, translating in a risk-off tone following Trump's latest tweets," he added.

"Markets are focused on gauging what tomorrow holds for the common zone, global risks and developments on the trade front. US/China talks are therefore closely monitored as is the UK general election and its associated future implications for Brexit," he added.

It's been a busy day for housebuilding sector watchers, what with the RICS survey (see below) coming out overnight and the Office for National Statistics (ONS) releasing data on the UK housing supply.

The annual housing supply in England amounted to 241,130 net additional dwellings in 2018-19, up 9% year-on-year, the ONS revealed.

The 241,130 net additions in 2018-19 resulted from 213,660 new build homes, 29,260 gains from a change of use between non-domestic and residential, 5,220 from conversions between houses and flats and 940 other gains (caravans, houseboats etc.), offset by 7,940 demolitions.

"Whilst the latest net housing supply numbers are to be welcomed as a positive increase on previous periods, scratch the surface a little and you'll see that we are still an annual 87,000 new homes short of the Government's own new build target," noted Michael Stone, the chief executive of new homes specialist, Stone Real Estate.

"An archaic and overly democratic planning system, an overly precious approach to the less desirable parts of our green belt, and a seeming apathy from the Government on solving the issue, all contribute to a net deficit in terms of the housing we actually need as a nation. Isn't it time for a Housing Tsar with real power and that's apolitical?" Stone asked.

Housing net additions data out today show +241k for England last year.

Average net supply for last 5 years: +208k

Average household formation rate for last 5 years: +178k

— Ian Mulheirn (@ianmulheirn) November 14, 2019 10.45am: 3i leads the Footsie lower after cautious outlook statement After sliding a bit further following disappointing UK retail sales figures, the FTSE 100 has stopped the rot but remains in the red.

London's index of leading shares was down 30 points (0.4%), with investment leviathan 3i Group plc (LON:III) leading the retreat, following its half-year results in which management said it was cautious in its review of new investment opportunities.

3i Group - huge multiple expansion on its main investment Action (non-food discount retailer)..

Sep '11 8.3x EBITDA vs latest 18.2x - 20.3x EBITDA <https://t.co/tXj5GQKot8> pic.twitter.com/CnfwuM3LM

— Buy High Sell Low (@high_sell) November 14, 2019
3i's shares were down 4.8%.

Offsetting this was a 5.2% increase for fellow Footsie constituent Burberry Group plc (LON:BRBY) after its interims this morning.

"Burberry's recently chequered performance is being erased, as a very strong showing across the piece is enough to prevent pressure on margins tainting the entire outlook," said Richard Hunter at interactive investor.

"The main culprit for Burberry's additional cut to forecast gross margins is the current unrest in Hong Kong, an important

market for the group. The fact that Hong Kong finds itself in a technical recession given the disruptions is a blow to Burberry's trading in the region, where it is more profitable than most. In addition, as the company continues its transformation, it has needed to discount prices on older lines more deeply, as well as ploughing more resources into investing in product quality. More broadly, the ramifications from Brexit remain unquantifiable and, given recent economic data, there are also signs that the economy in China is slowing as a result of the current spat with the US, another important market for the group," Hunter added.

"However, overall there are any number of positives emanating from the update," he conceded.

In other news, the net balance of surveyors reporting that house prices had risen over the last three months fell to -5 in October, from -3 in September, according to the Royal Institution of Chartered Surveyors (RICS).

A value of -5 means that for every 100 surveyors who were polled, the number who said prices had risen was five lower than the number who said they had fallen.

Economists had expected a reading of -3.

"The latest survey feedback continues to suggest that both buyer and seller activity remains in a holding pattern, hampered by political and economic uncertainty. Given the upcoming general election next month, it appears unlikely that these trends will pick-up to any meaningful extent over the remainder of this year," predicted Simon Rubinsohn, RICS's chief economist.

"The picture remains very different on the lettings side however, with tenant demand gathering momentum over recent months. This is running against an increasingly tight supply backdrop for rental properties and seems set to squeeze the pace of rental growth higher going forward," he added.

Following the release of the data, Taylor Wimpey PLC (LON:TW.), up 1.0%, was the pick of the housebuilding sector, closely followed by Barratt Developments PLC (LON:BDEV), which was up 0.9%.

9.45am: Retail sales fell in October, confounding expectations of a small increase
UK retail sales figures for October came in lower than expected, nipping sterling's rally against the dollar in the bud.

The FTSE 100 fell a bit further on the release of the retail sales data, sliding to 7,313 - down 38 points (0.5%) - from 7,322 just before the release.

UK Retail Sales Oct - Full Report <https://t.co/i6KXEsYr11> pic.twitter.com/RY4OoVBGfl

— LiveSquawk (@LiveSquawk) November 14, 2019

In the three months to October 2019, the quantity bought in retail sales increased by 0.2% when compared with the previous three months, according to the Office for National Statistics (ONS).

The ONS noted that the growth rate was the lowest since April 2018.

Retail sales fell by 0.1% month-on-month, confounding expectations of a 0.2% increase.

Year-on-year growth was unchanged from September's 3.1% rate but was below the consensus forecast of 3.7%.

"Retail sales have lost momentum recently, with three-month-on-three-month growth in volumes slowing to just 0.2% in October, the lowest rate since April 2018, when bad weather disrupted spending," commented Samuel Tombs, the chief UK economist at Pantheon Macroeconomics.

"In October, the weakness was broad-based, with food store sales down 0.2% month-to-month, non-food store sales down 0.3%, and non-store sales 0.2% lower. A 1.5% rebound in motor fuel sales supported the headline number. The overall weakness was surprising, given the strong improvement of the CBI, BRC and BDO measures of retail sales in

October; for now, a recovery in the official measure in November looks like a good bet," he added.

8.30am: Subdued start

The FTSE 100 opened fairly flat as the China-America trade stalemate continued.

Positive rumblings from the US camp were nixed by reports of fresh snags as Washington and Beijing attempt to hammer out a phase-one accord.

The blue-chip index was hit by ex-dividend mark-downs for Bunzl (LON:BNZL), GlaxoSmithKline (LON:GSK), Royal Dutch Shell (LON:RDSA), and Sainsbury (LON:SBRY), which wiped almost 16 points and sent the UK benchmark into reverse gear.

Falling 7 points at the open to 7,344.14, the Footsie resisted the pull of Wall Street, which continued its gravity-defying ascent to new records.

Closer to home, it was a busy day for corporate news. Shares in Burberry (LON:BRBY) were the day's big winners. They spiked 6.8% after a more than solid trading update and following news it is to hook up with Chinese internet giant Tencent.

Moving down a division, train and bus operator First Group (LON:FGP) chugged into the sidings, falling 3% after its latest progress report.

Proactive news headlines:

Jubilee Metals Group PLC (LON:JLP) shined brighter on Thursday after it swung to a profit in its full-year results. For the 12 months ended 30 June, the AIM-listed firm reported a pre-tax profit of £7.9m compared to a £2.4m loss in the prior year as revenues surged to £23.6m from £14.1m.

Oriole Resources PLC (LON:ORR) has identified targets for a 14 hole drill programme at Bakassi Zone on its Bibemi licence in Cameroon. An initial 1,500 metres of drilling will follow up on a trenching programme that unearthed a best result of 9 metres at 3.14 grammes per tonne gold.

Tissue Regenix Group and lender MidCap Financial Trust have agreed to rejig the terms of a loan deal. The former will immediately repay US\$5.5m of a term loan, while the latter is to defer certain fees due. The balance of the term loan - US\$2m, known as tranche-one - will remain in place. The repaid US\$5.5m will be added to tranche-two, which now totals US\$10.5m.

Bango PLC's (LON:BGO) payment services will now allow phone users to pay their subscription for YouTube TV through their monthly phone bill. YouTube TV is a live streaming service, owned by Google, which allows users to watch live TV from over 70 major broadcasters across different platforms such as TV, mobile and PCs. The service also allows subscribers to stream movies and TV shows on-demand as well as providing cloud storage for their own recorded content on YouTube.

Alba Mineral Resources PLC (LON:ALBA) has flagged the imminent commencement of the first-ever drill programme on the site of the historic Clogau Gold Mine in North Wales. Since its first discovery in the mid-19th century, periodic exploitation of the area has been limited to extracting only the visible precious metal. Alba has said it will use modern exploration techniques designed to maximise the prospects for unearthing new mineralisation.

VR Education Holdings PLC's (LON:VRE) ENGAGE platform has been selected as the basis for Life-saving Instruction for Emergencies (LIFE), a virtual reality (VR) medical training app for doctors and nurses. LIFE, which was developed by VRE in partnership with the University of Oxford, allows healthcare workers to enter a computer-generated hospital through their smartphones or a VR headset so they can practice emergency procedures on virtual patients.

Crossword Cybersecurity PLC (LON:CCS) has launched the first product in its new Nixer range of security and anti-

fraud software applications. Nixer CyberML uses machine-learning to help business deal with security and cybercrime issues such as detecting and dealing with compromised accounts, fraud and distributed denial of service (DDoS) attacks.

Serial entrepreneur David Lenigas is to take over the chair at Australia-focused mining group NQ Minerals PLC (LON:NQMI). The Aussie replaces Brian Stockbridge, who has retired from the board. NQ added it is also in advanced talks to replace on more favourable terms all the debt raised to re-start operations at the Hellyer mine in Tasmania.

Ongoing metallurgical tests continue to underpin the Mina Do Barroso lithium project, according to Savannah Resources PLC (LON:SAV). The junior is working on a definitive feasibility study for the project and this has led to a change in the method of ore processing at the site in Portugal to boost recoveries and potentially the economics of the project.

Avation PLC (LON:AVAP), the commercial passenger aircraft leasing company, has said it is considering Green finance opportunities for growth within its lower emissions aircraft fleet. In a statement, Jeff Chatfield, Avation's executive chairman said: "We believe that Avation will be eligible for green finance initiatives given the efficient nature of half of our fleet and we are willing to explore these as we grow and finance future aircraft from within our order book.

Diversified Gas & Oil PLC (LON:DGOC) has flagged third-quarter production growth of 10%, at 91,100 barrels oil equivalent per day. The rate was higher still in September at 94,400 boepd, representing a 5% rise compared to June (the third month of quarter two).

Enteq Upstream PLC's (LON:NTQ) interim results confirmed significant growth in revenue and earnings, ahead of management expectations. The company generated US\$6.5m of revenue in the six months ended 30 September, versus US\$4.2m in the same period a year before. Earnings (adjusted EBITDA) amounted to US\$1.5m, up from US\$600,000 in the first half of 2018.

Stobart Group Ltd (LON:STOB) reported strong first-half growth in revenues and underlying profits (EBITDA) and said that it would suspend the dividend in order to invest in growing its aviation and biomass energy businesses. Stobart Aviation, which owns London Southend Airport, reported 42% growth in passenger numbers to 1.2m in the six months to 31 August as Ryanair and Wizz Air joined easyJet as partners, with revenue climbing 26% to £26.4m and EBITDA up 43% to £4.1m.

Ashley House PLC's (LON:ASH) F1 Modular affordable housing unit continues to grow, the housing and health properties developer said in a trading update. F1 Modular recently delivered two school classroom developments for the Department of Education and is currently completing a 40 apartment extra care facility in Aberdare, South Wales, a social housing scheme in Corby and the Ashley House disabled living scheme in Peterborough.

Investors in Touchstone Exploration Inc (LON:TXP) continue to look forward to results from exploration in the Ortoire block. Touchstone's first exploration well was successfully drilled and it is being prepared to start production testing, meanwhile, the second well is being drilled presently (it is at 4,600 feet). The company's third-quarter update this morning revealed crude sales of 1,729 barrels per day for the three months ended 30 September, and the rate was marked at 1,871 barrels across the nine-month period which reflects a 12% rise against the previous year's comparative.

Gold mines developer Chaarat Gold Holdings Limited (LON:CGH) has raised US\$5.8m through the issue of 12.9m shares at 35p a pop. Shares closed at 34.2p last night. Labro Investments Limited, the provider of a working capital facility to Chaarat, took 2.88m of the shares and consequently reduced the amount owed to it by Chaarat by US\$1.3m to around US\$3.5m.

Verona Pharma PLC (LON:VRP) (NASDAQ:VRNA) announced that its chairman, Dr. David Ebsworth, has notified the company that he has purchased a further 75,000 ordinary shares for a total purchase price of £32,500, at prices between 42p and 45p each and an average price of 43.33p. Following the purchases, the group noted, Dr. Ebsworth will have an interest in the company of 370,387 ordinary shares, representing 0.35% of the issued share capital.

Futura Medical PLC (LON:FUM) said it has published a fireside chat with Professor Wayne Hellstrom, a specialist in diagnosis and treatment of male sexual dysfunction and a member of the company's Key Opinion Leader Advisory Panel. The group said. Hellstrom spoke with its executive director and head of R&D, Ken James on the significant negative effect erectile dysfunction (ED) has on the quality of life, relationships and overall wellbeing of ED sufferers and their partners. The informal chat also includes discussion on Futura's lead product MED2005, a topical glyceryl trinitrate gel for the treatment of ED. Hellstrom is Professor of Urology and Chief of Andrology at Tulane University School of Medicine in New Orleans, and Past President of the Sexual Medicine Society of North America and the International Society of Sexual Medicine.

Keywords Studios PLC (LON:KWS), the international technical and creative services provider to the global video games industry, said it is today hosting a capital markets day and site visit to its largest global facility in Montreal, Canada, for analysts and investors. The event will be hosted by Andrew Day, CEO, and Jon Hauck, CFO, together with members of Keywords Studios' senior management team in Montreal. It added that no new material information will be disclosed on the day, with its next scheduled trading update due in late January 2020. The presentation and a video showing highlights of the day may be viewed on Keywords' website following the event

MaxCyte (LON:MXCT) (LON:MXCS), the global cell-based therapies and life sciences company, announced that its president and chief executive officer Doug Doerfler will present at the 2019 Jefferies London Healthcare Conference, to be held 20-21 November at the Waldorf Hilton Hotel. The presentation will take place at 3:20pm GMT on Thursday, 21 November, and will focus on MaxCyte's position at the forefront of the development of next-generation cell-based medicines through its Life Sciences business and proprietary CARMA platform.

Ariana Resources PLC (LON:AAU), the exploration and development company with gold mining operations in Turkey, said it will be hosting two corporate events in London on Monday 25 November 2019 and will be delivering a presentation at the Mining Capital Conference on Thursday 28 November 2019. An Analyst and Investor Day will take place on Monday 25 November from 9.00am - 6.00pm, followed by a Shareholder Evening, Presentation and Q&A Session at 6.00pm. The events will be hosted by members of the company's management team including Dr. Kerim Sener, managing director, and Michael de Villiers, chairman.

Eurasia Mining PLC (LON:EUA) said on Wednesday that it has received notice to exercise warrants over 1,666,668 ordinary shares at 0.6p each for an aggregate consideration of a cash value of £7,000. Also, the group added that it also received notice to exercise options over 11,000,000 ordinary shares price of 0.6p each for an aggregate consideration of a cash value of £64,200. It noted that the options were exercised by employees and ex-employees of the company, not holding positions as directors, PDMRs or advisors to the board. Christian Schaffalitzky, Eurasia's chairman commented: "The Directors are happy to exercise our right to remove the remaining warrant overhang that has been a concern to some of our shareholders.

IronRidge Resources Limited (LON:IRR) said it has allotted and issued 1,732,765 depository interests, including 1,094,432 shares issued at 13.29p each and 638,333 shares issued at 13p each, to Geodrill Limited, as partial satisfaction of invoiced costs to date associated with drilling at the company's lithium projects in Ghana.

AFC Energy PLC (LON:AFC), a leading provider of hydrogen power generation technologies, said on Wednesday that it had received notice that on 12 November 2019, John Rennocks, its non-executive chairman purchased 114,044 ordinary shares in the company at a price of 10.199p each. Following the transaction it added, Rennocks has interests in 114,044 ordinary shares, representing 0.025% of the issued share capital.

6.50am: FTSE 100 called lower

The FTSE 100 is seen starting Thursday slightly lower even though broader market sentiments are improved by the prospect of improving relations between Donald Trump's US government and China.

CFD and spreadbetting firm IG Markets calls the London benchmark about 3 points lower, making a price of 7,336 to 7,339.

Internationally, there's some hope that the trade standoff is thawing albeit such statements are somewhat disposable.

Indeed, only hours ago fresh reports suggested 'snags' in what had been encouraging talks.

"Putting to one side how many times we've heard this before its always instructive in how markets tend to react with optimism that the two protagonists will eventually arrive at some form of positive outcome," said Michael Hewson, an analyst at CMC Markets.

"The reality is that the positive outcome generally gets pushed out to some date somewhere in the future. Let's not forget that as long ago as June we were told that a US, China trade deal was 90% of the way there, and yet since then we've seen new tariffs applied to Chinese goods, albeit with some exemptions, with a new set of tariffs still expected to kick in on December 15," he added.

On Wall Street, equities ended Wednesday positively.

The Dow Jones closed 92 points or 0.33% higher at 27,783 whilst the S&P 500 edged only slightly higher at 3,094. The Nasdaq was, at the same time, just a few points lower at 8,482.

Asian equities, meanwhile, were mostly lower. Japan's Nikkei was down 178 points or 0.76% changing hands at 23,141 and Hong Kong's Hang Seng index dropped 235 points or 0.89% to 26,335.

The Shanghai Composite meanwhile marked 0.14% higher at 2,909.

Around the markets

The pound: US\$1.2831, down 0.16%

Gold: US\$1,466 per ounce, 0.31%

Brent crude: US\$62.75 per barrel, up 1.1%

Bitcoin: US\$8,671, down 0.75%

Significant announcements expected on Thursday:

Interims: Burberry Group plc (LON:BRBY), FirstGroup PLC (LON:FGP), Great Portland Estates PLC (LON:GPOR), Mediclinic International Plc (LON:MDC), National Grid PLC (LON:NG.), NextEnergy Solar Fund Ltd (LON:NESF), Norcros PLC (LON:NXR), Stobart Group Ltd (LON:STOB), Urban Logistics Reit PLC (LON:SHED)

Finals: Tracsis PLC (LON:TRCS)

Trading statements: Bovis Homes PLC (LON:BVS), Grafton Group PLC (LON:GTFU), Genus plc (LON:GNS), QinetiQ Group PLC (LON:QQ.), Regional REIT Ltd (LON:RGL), Safestore Holdings PLC (LON:SAFE), TBC Bank Group PLC (LON:TBCG)

Economic announcements: UK retail sales, EU GDP, US jobless claims

Ex-dividends to knock 15.9 points off FTSE 100 index: Bunzl PLC (LON:BNZL), GlaxoSmithKline PLC (LON:GSK), Royal Dutch Shell PLC A (LON:RDSA), Royal Dutch Shell PLC B (LON:RDSB), J Sainsbury PLC (LON:SBRY)

City Headlines:

Anglo-Australian miner BHP names Mike Henry as new chief executive - Financial Times

Brexit fears drove Tesla's giant factory to Germany - The Times

Poll suggests majority backs renationalising rail network - Sky News

John Lewis Christmas ad features excitable dragon Edgar - The Guardian

Royal Mail strike blocked after postal service wins High Court injunction to halt walkouts - Evening Standard

Nike won't sell directly to Amazon anymore - CNBC

Facebook has shut down 5.4 billion fake accounts this year - CNN

Alibaba's Jack Ma says Singles' Day shopping results miss expectations - Reuters

Google to offer personal banking accounts in partnership with Citigroup - The Guardian

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