Moneybag$

C&C loses its fizz again

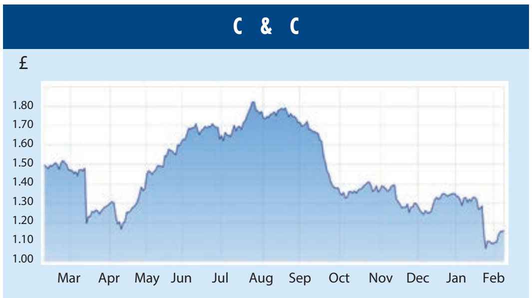
THE HAPLESS C&C shareholders have suffered more than their fair share of upsets and disappointments over recent decades. The latest is a shock profit warning that reflects very poorly on CEO Roger White. And, despite the price falling, the shares are still not low enough to attract in the bottom feeders.

Roger White

C&C flew high and then crash landed during the Maurice Pratt Celtic Tiger era. This was followed by the hyped arrival of the Scottish & Newcastle trio and a spate of CEOs over the last four years, with the odd accounting irregularity and software disaster in its UK distribution thrown in for good measure.

It did look as if chairman Ralph Findlay had finally steadied the ship in 2024, forecasting trading profits of €100m by the financial year to the end of February 2027 (albeit a target well short of the €121m C&C achieved in the last pre-pandemic year to February 28, 2020).

The profit warning issued on January 23, however, confirms that not only will the current year to February 2026 show no progress on the previous 12 months, but it will instead deliver operating profits falling back from €77m to between €70m and €73m, a mid-point €5.5m reduction on last year. Moreover, the company is expecting that this figure will be repeated next year, leaving it a full €28.5m short of the 2027 target.



This means that C&C's bottom line will be just on €50m short of what it achieved six years ago.

White – who was appointed as CEO in January 2025, following in the footsteps of Stephen Glancey, David Forde, Paddy McMahon and (acting CEO) Findlay – was supposed to bring a whole new emphasis to the group. When C&C released last year's results in May 2025, he had been in the hot seat for just five months but he nevertheless confirmed: "We are confident about the prospects in the longer term and remain committed to achieving our target of €100m of operating profit."

He did, however, abandon the February 2027 deadline, instead committing to getting there "over the medium term". It would have been nice of him to make it clear to shareholders that he had jettisoned the previous deadline.

White previously ran the AG Barr group, which operates in a totally different sector of the trade, specialising in soft drinks and best known for its Irn-Bru. The main outlet for these products is clearly not the pub but convenience stores and supermarkets.

Oddly, C&C brought in White after selling off its Finches soft drinks business a couple of years ago. Moreover, big beer operations such as Heineken are starting to focus on soft and energy drinks, while Carlsberg spent €3.9bn buying in Britvic.

In his review on May 28 last, White advised: "Our two leading brands, Tennent's and Bulmer's, gained market share and we see future growth opportunities for both."

He added that C&C's UK distribution operation, Matthew Clarke Bibendum (MCB), "continues to deliver positive momentum, achieving consistently improved service levels, growing its customer base by 8%, and providing a great range of value".

According to White at the time: "We are developing plans to grow sustainably whilst delivering on our financial targets, pre-increased long-term share over value."

The half-year figures for the six months to August 31, 2025, published last October, were not too bad and, although net revenue was down 4% to €86m, the group had lost the Budweiser distribution business in Ireland, which accounted for quite a chunk of the revenue fall. Despite the drop in revenue, operating profits were still up 4% in the half-year to €41.9m, while trading margins rose 40 basis points to 5.1%.

White, by then 10 months in CEO role, advised: "Current trading is in line and full-year earnings expectations are maintained."

He continued: "We have made good initial progress in our programme to simplify and improve our core business process… We are well prepared for the all-important festive trading period and whilst we expect challenging economic conditions to persist, we remain committed to delivery of our full-year earnings targets."

Investors really dislike being advised that everything in the garden is rosy before being hit with a shock profit warning. On January 23, only three months after shareholders were told C&C remained committed to hitting its full-year earnings target, White confirmed: "Overall trading is below the board's expectations."

White's profit warning made it clear that the group would miss the €100m operating profit target for the financial year ending February 28, 2027, by a chunky €28.5m. This kind of carry-on has sunk other CEOs.

For the half-year, Tennent's beer sales in Scotland were actually down 2.8% but, due to a 4.2% price increase, net revenue was up 1.4%, helped by the celebrations covering the 140th year of Tennent's founding back in 1885. Meanwhile, the launch of Tennent's Zero helped to maintain Tennent's trade market share at 38.2%.

It is far from clear whether White's launch of an upmarket beer brand, Tennent's Bavarian Pilsner ("the first in a range of limited edition products"), will deliver. It could be argued that Tennent's drinkers who want to move upmarket would almost certainly get away from Tennent's branding. Moreover, the group already has its successfully established Heverlee Pilsner, which looks like a better candidate to push.

Although C&C has owned the MCB distribution business in the UK for over three years, it was not distributing C&C's Magners cider brand, which was instead carried by Budweiser's distribution arm – which was unlikely to help Magners.

Findlay arranged to take Magners' distribution back on to C&C's own distribution platform and, in the process, the group lost the contract for distributing Budweiser in Ireland. This was a disappointing outcome, although the Irish operation is driven by its Bulmer's Cider, which boasts a 61.6% share of the Irish cider market.

Continued on page 26

Glenveagh building nicely with Nua attraction

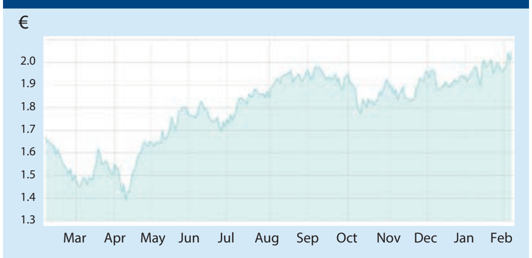
Stephen Garvey

IT IS an achievement for a company the size of Glenveagh Properties – boasting sales touching €1bn – to be the first Irish plc this year to deliver preliminary figures for a December 31 financial year end. Its main competitor, Cairn Homes, published its update five days later but without anything like the same level of detail, in particularly the earnings-per-share figure, probably the most significant statistic for a company's performance. And the results are impressive enough that the question now is if the UK market will be next.

Glenveagh's prompt updating of the market on the company's 2025 performance reflects well on the ongoing financial management taking place under CEO Stephen Garvey. The company installed a new chief financial officer, Conor Murtagh, at the beginning of last year but his predecessor, Michael Rice, had managed to deliver Glenveagh's full-year update even earlier last year, on January 10, 2025.

While good financial control is a positive trait for any business, the prime factors in the case of a house builder are competitively priced site acquisitions and efficient build out. In this regard, Garvey upped his game in 2024, snapping up a number of sites from the winding-down Nama. He almost doubled Glenveagh's net land bank to 20,000 units, buying in 9,000 sites for €285m, an average of only €31,000 per plot. With 70% of these in the Dublin region, where three-bedroom houses are going for the best part of €½m, this represents fantastic value.

GLENVEAGH



Garvey also rationalised the large landbank, offloading less attractive sites that were not optimal from Glenveagh's point of view, taking advantage of the market demand that has built up for residential development land as a result of pressure on contractors by the Land Development Agency (LDA) to deliver on it 5,000-house target over the next three years.

This facilitated Glenveagh selling off €23m worth of sites in 2024, which was up to €55m last year. The company plans to sell another €45m worth of sites this year, a profitable dealing sideline for Glenveagh.

On the build out and delivery of houses in 2024, Garvey pushed the number of completions up by 69% from 1,363 units to 2,309, beating the 2,241 delivered by Cairn that year. In 2025, Garvey upped output by another 11% to 2,568 houses, 29% ahead of Cairn's 2,365 units. Glenveagh plans to deliver 2,750 house completions in the current year.

Having nearly doubled operating profits in 2024, Garvey managed to increase these by a further 9% last year to €144m and return trading margins of 15.6% – a fair bit below Cairn's performance, where operating profits of €169m last year reflected trading margins of 17.8%.

It is important to note, however, that Glenveagh has been increasingly active under what it calls its partnership model. This involves selling houses to or building houses for local councils and approved housing bodies such as Tuath, as well, of course, as the LDA.

Glenveagh's sales within this partnership segment increased from an irrelevant €17m in 2023 to €238m in 2024, while there was a further 60% increase last year to €381m, boosted by building 337 units for the LDA in Cork's docklands and building units for Fingal Council in Coolock and Donabate.

In fact, Glenveagh's own development completions last year actually fell 10% from 1,650 in 2024 to 1,490, while completions under its partnership model rose 63% from 659 units in 2024 to 1,078 units last year.

The average sale proceeds from Glenveagh's partnership projects yielded €353,000 for dwelling units, not much less than the company's own sales average of €365,000 (€414,000 including VAT).

The big benefit of doing business with the LDA, voluntary housing associations and local authorities is that there is little or no sales risk involved. As Glenveagh is currently making on average €56,000 per unit from its total housing output, it is clear that the partnership output is almost as profitable as its private housing sales.

Another factor that should benefit Glenveagh is the fact that it has developed a unique vertically integrated house-building model. Garvey saw this as an essential factor to produce houses more efficiently. The output was scaled up with the acquisition of Harmony Timber Solutions (HTS) in September 2022 for €6.9m. HTS was turning over €6.9m at the time and made a trading profit of €1.3m.

To further boost its output of timber frame and light-weight steel frames for house building, Garvey bought the huge 400,000 sq ft former Braun factory in Carlow, with plans to increase production in this division (named Nua) to 2,500 housing frameworks a year.

Computer-generated 3D design models are used to produce preform steel frames for the houses, while pre-programmed sawing technology is used to cut timber into the required shapes and sizes to produce the timber frames. The overall impact will be a significant increase in productivity.

According to Garvey, only five years ago it could have taken two years to go from house design to completed home, whereas Glenveagh can now do it in 20 weeks. The company's most recent designs are faster to manufacture and have led to a more efficient design approval process so that the whole production and construction process of building homes can be optimised.

Glenveagh's shares have almost

Continued on page 26

"I see now that I should've disclosed that I used Grok AI to finish the presentation."

Stocks & Shares

C&C continued from page 24

C&C former CEO Stephen Glancey walked away back in January 2021 without notice but with a €3m exit package. David Forde stepped down in 2023 on foot of a €25m exceptional software accounting charge associated with MCB distribution business, walking away with €1.9m settlement. Paddy McMahon (who had also been CFO) then exited after just one year as a result of a €17m accounting adjustment covering the preceding four years, taking with him a €1.3m payoff.

RATIONALISATION

Findlay took on the CEO job at the start of 2025 to add to his chairmanship role. He restructured the group's apple growers' contracts on to more realistic terms and rationalised the then 25-depot distribution operation, closing depots in Edinburgh, Glasgow, Somerset, Crawford and Tipperary.

In London, meanwhile, he moved C&C out of its congested depot in east London to an outer orbital site beyond west London and closed down the group's expensive Regent's Park administration office.

These moves dramatically improved the efficiency of C&C's distribution business, which maintained turnover at just on €1.4bn in the year to February 2025 but doubled operating profits to €31m, returning trading margins of 2.3%, which is not bad at all for a third-party distribution operation.

Unfortunately, C&C no longer discloses divisional returns for Ireland, Scotland, England and international, which is a shame as it leaves shareholders unable to see where the real returns are being generated.

In the year to February 2025, although branded sales fell 5% to just on €300m, operating profits were more than maintained at €46.1m and trading margins were up to 15.4%.

With investors having been encouraged to look forward to the €100m Findlay had forecast for next February, it is unclear how it all went wrong, yet again. It is hard to look past White, however, whose background in the soft drinks industry has left him ill-equipped for running a beer and cider company.

Ironically, C&C sold its own soft drinks division two years ago, which White could surely have invigorated.

Ralph Findlay

C&C's shares hit a peak of £11 back in 2007 but sunk down to £1.50 during the pandemic, recovering to nearly £3 in early 2021. Ever since, however, the price has been sliding and is currently down at a miserable £1.15, with the company now only worth £429m.

Based on what it now expects to earn next year, C&C's shares are trading on a prospective price-earnings multiple of 12 times, which is rather high given the shock profit warning but hardly low enough to encourage any investors to dive in.

Glenveagh continued from page 25

doubled from the price at which they stood when Moneybags noted that "down at just €1.03 [these] are probably undervalued" (see *The Phoenix* 19/5/23). They have since risen to the current €2.05, at which the shares are trading on a trailing price-earnings (p/e) multiple of 10 and a prospective p/e of 9.5

UK POTENTIAL

It is a pity that Garvey doesn't publish the separate operating results for his Nua timber and steel frame operations. With its output running at 2,500 units pa, this is a substantial business in its own right and represents a real point of difference from Glenveagh's house-building competitors.

Investors should know how Nua is performing because, if Garvey has got this model right, he could expand into the UK market as house-building predecessors such as McInerneys and Abbey Homes previously did and where Sean Mulryan and Michael O'Flynn are currently active.

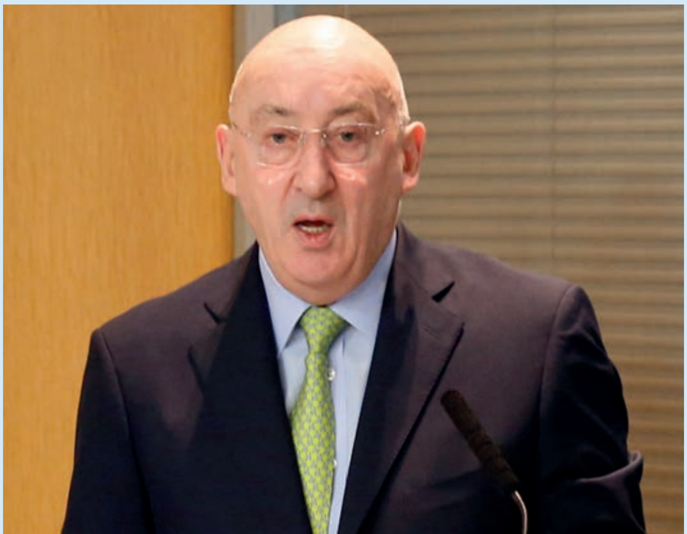
With the support of the UK government, which is eager to dramatically push up housing output, Glenveagh has the scale and track record to take on the challenge, if Garvey is up for it.

In the meantime, there has been an awful lot of churning on Glenveagh's share register, with three of the original big shareholders when the company floated off in October 2017 – Oaktree Capital (16.5%), Wellington group (10.4%) and UBS (3.5%) – long gone. Fidelity is the only early backer remaining reasonably loyal, although over the last 12 months it has reduced its shareholding from 13% to 9.8%.

The Swiss Teleios Capital hedge fund bought an initial 10% stake when the shares collapsed in 2020 and gradually built it up to a peak of 23.16% in March 2025, when it was by far the largest shareholder and, ominously, even put one of its team, Max Steinebach, on Glenveagh's board.

With the share price having doubled, Teleios began to cash in its chips last October and its holding is now down to 16.4%. It is still the largest shareholder but not the threat it had appeared to be last year.

Glenveagh has a solid balance sheet, a solid asset base of a 20,000-unit land bank and is set to deliver 2,750 housing units in this year. With a net borrowing ratio of only 20% and the Government here pumping billions into the housing sector, Glenveagh looks set to prosper over the next few years, driving up earnings and the share price should rise as well.

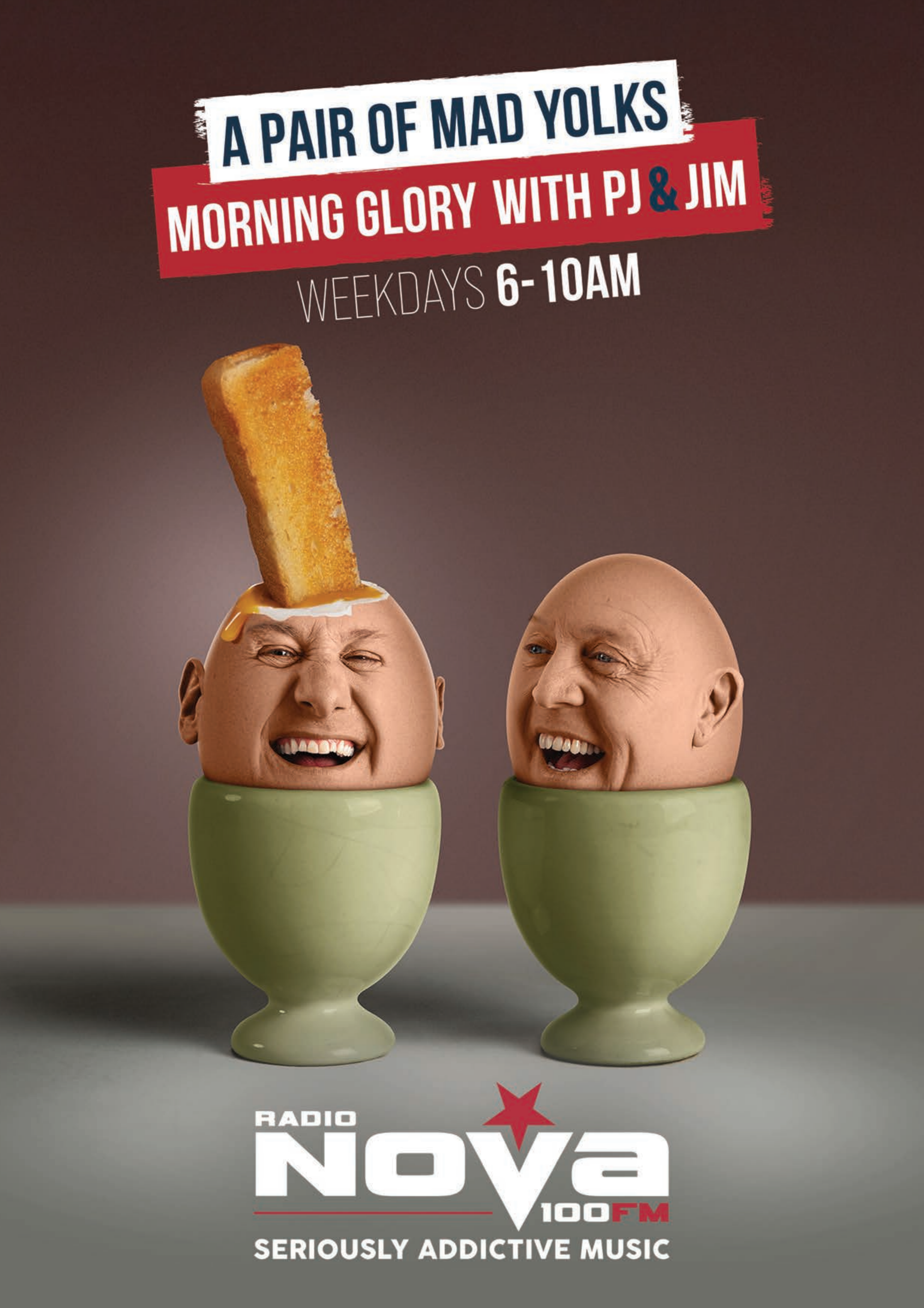


John Mulcahy

The current income from sales relative to site spend is most impressive. In Swords, north Co Dublin, Glenveagh's Furzefield development is selling three-bedroom houses at €500,000, while three-bedroom houses in Folkstown Park in Balbriggan are going for €460,000. In Belcamp in Balgriffin the company's three-bed houses are selling at €535,000 a pop, while at Balmoston in Donabate the three-bed units are going for €480,000.

Outside of the Dublin region, Glenveagh is selling three-bed houses at Maple Woods in Midleton, Co Cork, for €400,000 and for €375,000 at Greville Park in Mullingar.

A little bit of current-cost accounting might not go astray in Glenveagh. Using this model, the builder would have to account for its land bank at current values rather than the €31,000 per plot paid. On this basis, rather than the average €56,000 it reports to be making per house completion, the company would probably be only breaking even. This is an issue the John Mulcahy-chaired Glenveagh board should really consider.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