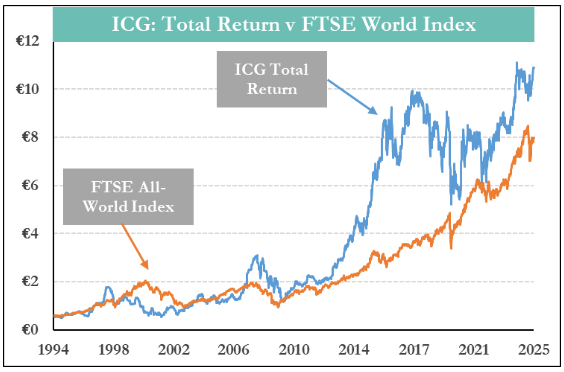
Irish Continental Group

Date: 11th July 2025

Summary View | Ticker: IR5B ID | Price: €5.70



It has been tough going for ICG over the past 8 years with after-tax earnings only modestly higher in 2024 compared to 2016. A weaker sterling exchange rate following the mid-2016 Brexit vote, operational problems with the Ulysses in 2018 and the delayed delivery of the new build W.B. Yeats in 2019 were followed by Covid-19 in March 2020 and Brexit implementation in December 2020.

Brexit has had a prolonged impact with management highlighting that volumes on its Ireland-UK ferry routes are at *circa* 80-85% of 2019 levels (including the impact of the Holyhead port shut-down in late-2024). For a business with a high fixed cost base, the impact on earnings has probably been severe.

Good management, however, rarely let a crisis go to waste. With Brexit came the return of duty-free sales, which are estimated to account for €23-24 million of operating earnings in 2024 (33-35% of the total). And the winning of a concession on the Dover-Calais route in mid-2021 reflected its more reliable service compared to the incumbants at the time; and a more competitive cost base allowed ICG to quickly build market share on this route (24% in freight and 22% in car/passenger traffic by end 2024). An ongoing share buyback programme has lowered the share count by 15% since 2016 (and by 38% since 2011) adding considerable value for shareholders.

These actions have driven strong growth over the 5-year period since 2019 despite the challenges; car volumes up 76%, passenger numbers up 99%, Ro-Ro freight volumes up 145% and adjusted earnings per share up 47%. Pre-tax & interest returns on capital employed were a high 16.6% in 2024 and, with the benefits of leverage, returns on shareholders' funds were an attractive 19%.

There is more to come. With dominant positions on the key Ireland-UK and UK-France maritime routes the group is strongly positioned to benefit from any recovery in volumes on both the Ireland-UK and Dover-Calais shipping routes and the potential migration of lost Ro-Ro freight traffic to Northern Irish ports back to the Republic of Ireland ports. And the recent UK and EU agreement (legal agreement to follow in early 2026) to drop the majority of border checks on food trade and pet travel should be a key catalyst in this regard.

Davy Stockbrokers is forecasting €0.41 of earnings for 2025 representing a 16% uplift on 2024 numbers and placing the shares on 14 times those earnings and in line with the long-term average. ICG retains its place in the **Lump-sum Growth Portfolio**.

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A Common Framework for Assessing Companies

The common framework for assessing risk in companies used by GillenMarkets includes understanding:

- **The business risk:** the risk that the business model has deteriorated and that past levels of profitability are unlikely to be achieved again in the future.
- **The financial risk:** the risk of inappropriate financing and debt levels, which exposes the company to failure and investors to a potential total loss.
- **The valuation risk:** the risk of overpaying for the shares, which will lower the future returns.

All the data for analysing Irish Continental Group have come from the company's recent Annual Reports & presentations, discussions with management and Davy Stockbrokers research.

Business Risks

Background to the Company

Irish Continental Group was established in 1972 as an Irish-Scandinavian joint venture to provide a direct ferry link between Ireland and Continental Europe. The group was transformed in 1992 when it acquired the B&I Line, which increased its maritime activities to include key sea links with the United Kingdom and added the container and port-operation divisions.

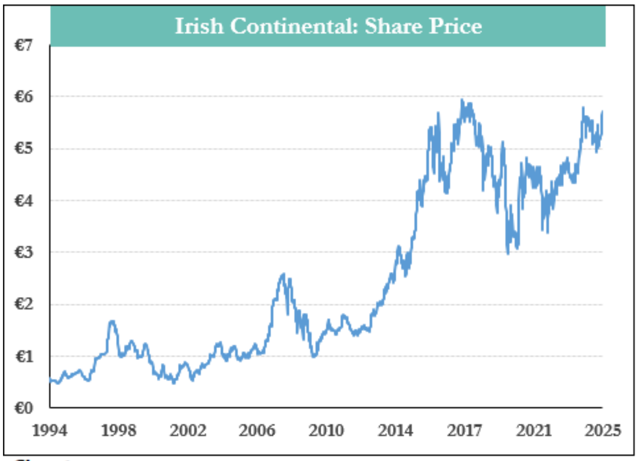

Chart 1

Today, the group operates both a Ferries Division involved in the transport of cars, passengers and freight from Ireland to the UK, the UK to France, and from Ireland to France, and a Container & Terminal Division which transports container units from Belfast, Dublin and Cork to Continental Europe (Rotterdam & Antwerp) and manages terminal facilities at the Dublin and Belfast ports.

Irish Continental Group first listed on the Irish Stock Exchange in 1988. Today, the group has 160 million shares in issue and, at the latest share price of €5.70, has a market capitalisation of €912 million.

Management and Governance

Irish Continental Group's Board of Directors is made up of four non-executive directors and two executives, the group's CEO and CFO. The average tenure of the Board members is 16 years which includes the chairman's tenure of 37 years and the CEO's tenure of 38 years. Board members also have shareholdings in ICG. Excluding the CEO and CFO, the Chairman and

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independent Board members hold a combined 4.8 shares valued at €27.4 million. Daniel Clague, a director since 2021, is the only director without a shareholding.

Eamonn Rothwell has been a director of the company since 1987, and CEO since 1992. Compensation amounted to €4.5 million in 2024 made up of €736,000 of base salary, €35,000 relating to benefits/pension, €1.47 million of share grants and €2.23 million of share options. Eamonn is ICG's largest shareholder with a total of 31.4 million shares (19.6% of total shares outstanding) currently valued at *circa* €179 million.

Executive compensation is based on both short-term and long-term incentives. CEO annual bonus for 2025 relates to overall group performance with a focus on EPS, while CFO annual bonus for 2025 is based on achieving several financial targets (75% weight), ESG measures (10%) and personal objectives (15%). Long-term incentive performance metrics include EPS growth, return on capital employed, cash flow generation and relative total shareholder return.

Description of Operations

Ferries Division (Irish Ferries)

The Ferries Division provides passenger & car ferry services and roll-on roll-off ("Ro-Ro") freight services on the short sea routes between Ireland and the UK (Dublin-Holyhead & Rosslare-Pembroke), the UK and France (Dover-Calais) and between Ireland and France (Dublin-Cherbourg). The ferry services trade under the Irish Ferries brand and operate on four routes utilising a fleet of eight vessels, seven of which are currently owned and the eight will be owned by early 2026. Ro-Ro services are for both accompanied (with a driver) and trailer only units on its routes, and it is a time sensitive service.

Irish Continental: Ferry Fleet

Ferries (8)	Built	Age	Cars	Passengers	Beds	Lane metres	Own / Charter	Deployment
Isle of Innisfree	1992	33	600	1,140	78	2,300	Owned	Rosslare - Pembroke
Isle of Inishmore	1997	28	855	2,200	208	2,100	Owned	Dover - Calais
Isle of Inisheer	2000	25	500	589	218	1,950	Owned	Dublin - France
Ulysses	2001	24	1,342	1,875	186	4,100	Owned	Dublin - Holyhead
Dublin Swift	2001	24	251	817	-	-	Owned	Dublin - Holyhead
James Joyce	2007	18	520	1,900	432	2,380	Owned	Dublin - Holyhead
Oscar Wilde	2010	15	1,059	2,000	-	2,300	Owned	Dover - Calais
W.B. Yeats	2018	7	1,216	1,885	1,706	2,800	Owned	Dublin - France
Total			**6,343**	**12,406**	**2,828**	**17,930**		

Table 1

In the past, the group often chartered in/out ships. However, the group prefers to own its ships where they get the opportunity to buy them at decent prices. Ferries have a normal lifespan of *circa* 30-35 years, but they can be sea-worthy for longer if well maintained. The Isle of Innisfree, for example, is now 33 years old and management are happy it will continue in service for at least

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another five years. Indeed, management feels the current 8 ferries are sufficient for the group's needs on a 5-year view, indicating that, all other things being equal, capital expenditure levels are likely to be low over this timeline.

Irish Ferries can operate four crossings a day per ferry between Dublin/Rosslare and Wales (Holyhead and Pembroke) with cruise ferries varying between 3-4 hours per crossing, while its high-speed ferry, Dublin Swift, takes just 2 hours and 15 minutes on the route. Between Dublin and Cherbourg, Irish Ferries offers an overnight service with two ships. The new service between Dover and Calais, which commenced in 2022, offers frequent daily sailings providing connectivity between the UK and Europe.

Indeed, with the addition of the Dover-Calais service in 2022, Irish Ferries can offer straight-through freight services not just from Ireland to the UK but also from Ireland to France. This has enhanced its service to Irish-based freight customers with just a single booking incorporating the Ireland-UK & UK-France services.

Key Slots on Ferry Routes but Still a Cyclical Market

In Ferries, ICG, along with Stena, has control over key sailing times from Dublin to Holyhead and Rosslare to Pembroke. The Holyhead route is significant for freight traffic as it is the shortest route from Ireland to the UK. Berthing rights are protected by contract law allowing the company to operate the fastest routes between Ireland and the UK. The right to dock at strategic times that tourists and freight customers find most appealing gives ICG a significant edge over competitors.

In addition, Stena Line owns Holyhead port, and the location and geography of the port hampers further development. Dublin port is full at this point in time, although further expansion is possible in time. All in all, it is difficult to obtain key sailing times on the key Dublin-Holyhead route. In our view, this provides both Stena and ICG with a competitive advantage on the shortest trading route between the Republic of Ireland and the UK – effectively operating a duopoly. This route is also the quickest and cheapest route for freight traffic destined for the continent when compared to the direct Ireland-France routes (Dublin-Cherbourg, Rosslare-Cherbourg, Rosslare-Le Harve).

ICG first gained a concession on the key Dover-Calais route in June 2021, an opportunity that opened up for the group when P&O reduced capacity on the route during Covid-19 and ceased certain sailings. The Dover-Calais route is the busiest in Europe and, including traffic through the Channel Tunnel, the freight market is 6 times larger and the car market 4 times larger than that of the Republic of Ireland market.

The two other operators on the Dover-Calais route include P&O and DFDS. P&O has been operating a non-unionised, outsourced crew since early 2022 but DFDS remains highly unionised. In ICG's case, a low-cost business model compared to incumbents has allowed it to provide competitively priced car/passenger and freight services. Since initiating operations on the route in late-2021, management puts its share of the Dover-Calais freight traffic at 24% and of the car/passenger market at 22% at end 2024.

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The Dover-Calais route is competitive, and margins are lower than in the group's Irish ferry operations. Nonetheless, with concessions on the route available to just three players – Irish Ferries, P&O Ferries & DFDS – and Irish Ferries probably still having the lowest cost base, there is a high level of visibility of both market share and likely revenues on an annual basis for a long time to come. To date, earnings from duty-free sales have provided the bulk of the earnings on this route with pricing aimed at attracting volume and covering costs. A recent space-sharing agreement with P&O on the Dover-Calais route is expected to lead to efficiencies and improve earnings. For Irish Ferries, the Dover-Calais route was, in effect, a start-up operation.

Revenues & Profits by Division
Year to Dec 2024

Revenues:	**€ m**	**%**
Ferries		
Passengers & Cars	196.5	32.5%
Freight	194.2	32.2%
Chartering & Other	10.8	1.8%
Container & Terminal	202.3	33.5%
Total	**603.8**	**100%**
Operating Profits:		**Margins**
Ferries	54.4	13.5%
Container & Terminal	14.7	7.3%
Total	**69.1**	**11.4%**
Pre-interest & tax Returns (on Net Assets)		
Ferries		**21.5%**
Container & Terminal		**29.8%**

Table 2 ***Source: Annual Report***

While barriers to entry are reasonably robust on both the Ireland-UK and UK-France ferry routes, existing players can still inject pricing competition when they add capacity to a route over and above existing requirements. Often that reflects investment ahead of expected market growth, but capacity still needs to be filled and often that can lead to pricing pressures among the incumbent players. In addition, the demand for freight transport services is subject to the vagaries of the economy, although trade between Ireland and the UK has been growing for many years.

As ***Table 2*** highlights, the Ferries Division generated €402 million of revenues for the year ending 2024, or 66% of total revenues split between Passengers & Cars revenues of €196.5 million, Freight revenues of €194.2 million and Chartering & Other of €10.8 million.

The Ferries Division earns higher operating margins compared to the Container & Terminal Division and were 13.5% in 2024 with operating profits of €54.4 million, or 79% of the total. That said, pre-tax & interest returns on net assets in the Ferries Division were 21.5% in 2024 compared to 29.8% for the Containers & Terminal Division, so operating margins are not the full story.

Container & Terminal Division

The Container & Terminal Division offers lift-on, lift-off (Lo-Lo) services under the Eucon brand, while also operating two container terminals, Dublin Ferryport Terminal and Belfast Container Terminal. Goods sent through Lo-Lo container services tend not to be perishable (i.e. time sensitive). In addition, the Dublin Ferryport Inland Depot (located adjacent to Dublin airport) became operational in January 2022. ICG commenced operations here under a 20-year lease with

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the facility being used for remote storage, maintenance and upgrade of empty container boxes. This has released valuable capacity for the handling of containers in the port area.

Eucon is a market leader in the sector and operates chartered container vessels ranging in size from 750-1,000 teu capacity[1], connecting the Irish ports of Dublin, Cork and Belfast with the Continental European ports of Rotterdam (Netherlands) and Antwerp (Belgium). Eucon deploys 4,400 owned and leased containers (equivalent to 8,500 TUEs) and offers palletised, project & temperature-controlled cargo services to Irish and continental importers and exporters from all points in Ireland through Rotterdam and Antwerp and on to over 20 European countries. Import activity into Ireland accounts for 70% of Eucon's revenues.

Irish Continental: Container Fleet

Container Ships (	Built	Age	TEU (20 Ft Equivalent Unit)		Deployment
Ranger	2005	20	803	Owned	Eucon
CT Pachuca	2005	20	750	Owned	3rd Party
CT Daniel	2006	19	868	Owned	3rd Party
Elbcarrier	2007	18	974	Owned	Eucon
Elbfeeder	2008	17	974	Owned	Eucon
Elbtrader	2008	17	974	Owned	Eucon
Thetis D	2009	16	1,421	Owned	3rd Party
CT Rotterdam	2009	16	974	Owned	Eucon
New Ship*				Owned	Eucon
Total Capacity			**7,738**		

Table 3 ** Bought in H1 2025 - details not yet disclosed*

The Containers & Terminals Division handles 45% of all Lo-Lo (Lift on Lift off) freight in Ireland, highlighting the strength given to it by its leases and concessions in key ports.

Long-term Lease at Dublin Port Terminal

In the Container & Terminal division, ICG has a 150-year lease to operate Dublin Ferryport Terminal, which started in 1972 (with 97 years remaining). The port terminal in Dublin provides ICG with control over a 34-acre site in Dublin Port. The site is strategically located within three kilometres of Dublin city centre and within one kilometre of the Dublin Port Tunnel, providing direct access to Ireland's motorway network.

The 27-acre site of Belfast Terminal is secured by a concession from the Belfast Port Authority that has recently been extended to 2032 with the port owner undertaking investment in new port assets during the period.

That said, there is competition for ICG at Dublin Port Terminal (ICG operates the only terminal in Belfast), which keeps pricing keen. For Eucon, its integrated service is difficult to match and

[1]Twenty-foot equivalent unit (TEU) - shipping container with dimensions of 20 feet long, 8 feet wide and 8 feet tall

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explains its 45% share of the all-Ireland Lo-Lo freight market. There is competition, and new capacity can impact pricing. However, the Lo-Lo container market in Ireland is a relatively small one, so that the economics for new entrants are probably unattractive given the lack of a scale opportunity.

As ***Table 2*** highlights, the Container & Terminal Division generated revenues of €202 million in 2024, accounting for 33% of the group's total revenues. As mentioned previously, operating margins are lower in this division and were a lower-than-average 7.3% in 2024, resulting in operating profits of €14.7 million for the year, or 21% of the total. That said, the division made a very healthy 29.8% pre-tax & interest return on net assets employed in 2024.

Market Growth

Freight

While Brexit didn't have a major impact on the total volume of Ro-Ro freight across the all-Ireland maritime routes, it changed the internal composition of those volumes. Prior to Brexit, within Ireland, the Republic of Ireland accounted for 56% of volumes (where Irish Ferries operates) and the Norther Ireland ports 44%. Following Brexit, the numbers are 51% Republic of Ireland and 49% Northern Ireland. The migration of Ro-Ro freight volumes to the Northern Irish ports has been a negative for Irish Ferries.

In addition, approximately 5% of Ro-Ro freight travelled directly from Ireland to continental Europe (ROI-EU), while the other 95% travelled using the land-bridge route (which includes the Ireland to UK routes as well as the Dover-Calais route for goods destined for Europe). Immediately following Brexit, the mix shifted to 20% ROI-EU and 80% the land-bridge route as hauliers eschewed the heightened bureaucracy and delays of the immediate post-Brexit environment. The economics of the direct Ireland-France freight business is not as attractive to Irish Ferries as the land-bridge route *via* Ireland-UK. There's little to stop new entrants on the Ireland-France route, so that pricing is more competitive and returns on invested capital are lower.

As things stand in 2025 that percentage mix has come back to an estimated 16-18% for the direct Ireland-France route and 82-84% for the traditional ROI-UK route (which includes the impact of the Holyhead port shutdown in late-2024). Overall, the effect on Irish Ferries has been negative in terms of volumes and earnings. While it is not clear if the mix will get back to the 95:5 split that we saw pre-Brexit, there are several reasons to believe that volumes into and out of Ireland should migrate back at least towards the old percentages and that business lost to the Northern Irish ports will also migrate back to the Republic of Ireland ports:

1. The EU and UK have recently agreed a deal to significantly reduce the required checks on food shipments and pet travel. Management feels that this should greatly assist in bringing traffic back to the Dublin-Holyhead and Rosslare-Pembroke routes and away from Northern Ireland and the direct Ireland-France routes.

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2. The UK land-bridge is the cheapest transport route for goods going to Continental Europe, with the estimated total cost of transport being roughly half that of sailing directly to Europe.
3. Irish Ferries's winning of the Dover-Calais concession means that it can offer a single-ticket freight service from Ireland to France *via* the UK land-bridge, something its main competitor in freight, Stena, cannot offer.
4. The weather on the Irish Sea is more predictable and the route is shorter, giving greater reliability and visibility over transport times throughout the whole year. The sailings on the Irish Sea are also more frequent.
5. The EU is introducing an Emissions Trading Scheme the costs of which ferry companies will seek to pass on to customers. The UK is being excluded from the Emissions Trading Scheme as it is no longer in the EU, meaning that only 50% of the scheme's costs will be applied to companies using the land-bridge to access Continental Europe, *versus* 100% for those going straight to Europe. The increase in costs for companies using ROI-UK lines will be "single-digits", while it is expected to be "double-digits" for ROI-EU lines.

In early July 2025, Stena announced the cessation of its ferry services from the Rosslare-Cherbourg route, in effect, saying that it, too, believes that the future is on the Dublin-UK land-bridge routes.

Table 4 includes the volume statistics for the Dover-Calais route[2], and highlights that Ro-Ro freight volumes remain 15% below pre-covid, pre-Brexit levels. Freight traffic from Ireland is down over this 5-year period but Brexit has had a larger impact on freight and passenger traffic from the UK to France. For Irish Ferries, the winning of the concession on the Dover-Calais route has seen it grow its overall freight traffic by 145% in the past five years.

Ferries Division	2019 Market ex Dover-Calais	2019 Market inc. Dover-Calais	2020	2021	2022	2023	2024	Growth 2019-2024
Cars								
Market Volume (000s)	777	5,430	2,319	1,671	4,131	4,611	4,688	-13.7%
Irish Ferries Volume (000s)	401	401	137	204	573	646	707	76.3%
Irish Ferries - Market Share	51.6%	7.4%	5.9%	12.2%	13.9%	14.0%	15.1%	
Passengers								
Market Volume (000s)	2,934	24,071	11,222	8,480	16,582	19,022	19,261	-20.0%
Irish Ferries Volume (000s)	1,541	1,541	519	668	2,315	2,782	3,062	98.7%
Irish Ferries - Market Share	52.5%	6.4%	4.6%	7.9%	14.0%	14.6%	15.9%	
Ro-Ro Freight								
Market Volume (000s)	1,043	5,033	4,749	4,438	4,390	4,277	4,286	-14.8%
Irish Ferries Volume (000s)	313	313	336	290	697	724	767	145.0%
Irish Ferries - Market Share	30.0%	6.2%	7.1%	6.5%	15.9%	16.9%	17.9%	

Table 4 Source: Irish Ferries

Car/Passenger Markets

The decline in the Ireland-UK and UK-France car/passenger markets has been greater reflecting the initial impact of Covid-19, the impact of Brexit on the UK economy and perhaps the increased

[2] And Dover-Calais route volume numbers include the port Tunnel freight & car/passenger traffic

cost of visiting Ireland. As ***Table 4*** highlights, car volumes are down 14% over the past five years while passenger numbers are down a more significant 20%. For Irish Ferries, this negative backdrop has been more than compensated for by market share gains that came with the winning of the concession on the Dover-Calais route. Car and passenger volumes for Irish Ferries are up over the past five years by 76% and 99%, respectively.

Brexit also had a silver lining. It opened up duty-free services for Irish Ferries on both its Dublin-UK and Dover-Calais routes. Management has indicated that earnings from duty-free sales in 2024 were in the order of €23-24 million and slightly skewed to the Dover-Calais route.

Containers & Terminals Division

The Eucon container service is a price-sensitive service and, as ***Table 5*** highlights, the 7.5% decline in volumes handled in the past five years (2019 to 2024) reflects Irish Ferries's decision to cut back service in response to weak pricing (probably reflecting excess capacity in the market).

Irish Ferries terminal operations were always a solely Irish-based service. While Irish Ferries handles 45% of overall freight volumes through Irish ports, volumes have grown just 6% in the past five years (when you combine the Dublin and Belfast port operations) with a decline in volume throughput at Belfast Terminal made up by 14% volume growth through Dublin Port Terminal.

Containers & Terminal Division	2019	2020	2021	2022	2023	2024	Growth 2019-2024
Container Freight (Lo-Lo)							
Irish Ferries Volume (000s)	343.4	316	346.6	322.6	275.5	317.8	-7.5%
Irish Ferries - Growth	4.8%	-7.9%	9.6%	-6.9%	-14.6%	15.4%	
Terminal Activity - Dublin							
Irish Ferries Volume (000s)	190.6	177.1	203.9	194.7	192.8	217.5	14.1%
Irish Ferries - Growth	4.4%	-7.1%	15.1%	-4.5%	-1.0%	12.8%	
Terminal Activity - Belfast							
Irish Ferries Volume (000s)	130.2	115.3	131.6	124.9	119.6	121.9	-6.4%
Irish Ferries - Growth	2.1%	-11.4%	14.1%	-5.1%	-4.2%	1.9%	
Container & Terminal Activity - Combined							
Irish Ferries Volume (000s)	664.2	608.7	682.1	642.2	587.9	657.2	-1.1%
Irish Ferries - Growth	4.2%	-8.4%	12.1%	-5.8%	-8.5%	11.8%	
Irish Ferries - Market Share	47%	44%	44%	44%	46%	45%	

Table 5 ***Source: Irish Ferries***

For the Container & Terminal Division as a whole, volumes were down 1.1% over the 2019 to 2024 period reflecting the lower volumes and weaker pricing in Eucon's lo-lo activities.

Geographic Presence

Table 6 displays the breakdown of Irish Continental's revenues by where the bookings originated. Ireland is the largest source of revenues, accounting for €189.8 million of the group's total revenues, or 31.4%.

The UK is the second-largest geography by revenue, generating €180.8 million in 2024 or 29.9% of the total. The Netherlands (16.7%), Belgium (6.2%) and France (4.6%) provided the majority of the balance of revenues in 2024. In 2024, the 'Other' revenue line included any country that generated revenues of €10 million or less.

Geographic Revenues Year to Dec 2024 (€m)		
Ireland	189.8	31.4%
The UK	180.8	29.9%
Netherlands	100.9	16.7%
Belgium	37.2	6.2%
France	27.6	4.6%
Other	67.5	11.2%
Total	**603.8**	**100%**

Table 6

Irish Ferries Growth Track Record

Table 7 displays Irish Continental's growth record over the past 1, 5 & 10 years, and since 1994. Revenues per share have grown at 5.7% compound *per annum* since 1994, while earnings per share have grown at 6.6% compound *per annum* and cashflows at 7.9% compound *per annum*. In addition, on a 10-year view, growth in revenues, earnings and cash flows per share are all strong.

Growth Record (1994 to 2024) Compound *per annum*	1 Year	5 Years	10 Years	Since '94
Revenues p.s.	8.4%	13.9%	8.7%	5.7%
Earnings p.s.*	-0.4%	8.0%	8.6%	6.6%
Cashflow p.s.**	10.5%	12.3%	14.3%	7.9%
Dividend p.s.	5.0%	28.6%	4.0%	12.4%

Table 7 ** pre-exceptional earnings* *** after maintenance Capex*

The 5-year period covers the period from 2019 to 2024 inclusive and just prior to Covid-19 and Brexit, so that it provides a good picture of how the group has coped following these two very disruptive events. Earnings and cash flows fell significantly from the end of 2019 to the end of 2021 and earnings were negative in both 2020 and 2021. The winning of the concession on the Dover-Calais route was a significant positive for the group and saw the group achieve a new earnings peak by 2022.

That said, operating earnings of €69.1 million in 2024 were just 10% ahead of the €62.6 million earned in 2016. Earnings per share were ahead by a similar 10% over the same period, although without the benefit from an 13% reduction in the share count over this same period, EPS growth would have been flat with higher finance charges and a modestly higher tax charge offsetting the growth in operating earnings over this 8-year period.

That, of course, ignores the €57 million of profits earned on the disposals of a number of ferries which are treated as exceptional items but does highlight management's record of buying and selling ferry and container ship assets well. It probably also highlights that management has been conservative in its depreciation of the ships over the years. And while these profits are not included in normal earnings, they boost the balance sheet and intrinsic value of the group.

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On the dividend side, Irish Continental has delivered growth of 12.4% compound *per annum* since 1994. The growth has slowed somewhat over the last ten years, as the company prioritised debt pay-down following share buy-backs and the recent commitment to purchasing new ferries to better position the group for future growth.

Earnings can be Cyclical

Chart 2 (next page) highlights that Irish Ferries has grown earnings per share by 6.6% compound *per annum* since 1994. The freight and car/passenger markets are normally steady with freight in particular showing decent growth characteristics over time. However, history highlights that revenues and earnings are sensitive to the vagaries of the economic cycle.

Earnings declined *circa* 40% between 2007 and 2009 during the Global Financial Crisis. Earnings were impacted in the 2017 to 2019 period by a variety of factors. Weakness in sterling following the Brexit vote in mid-2016 impacted 2017 revenues while technical issues with its Ulysses vessel and the delayed delivery of the W.B. Yeats vessel all impacted earnings during these three years.

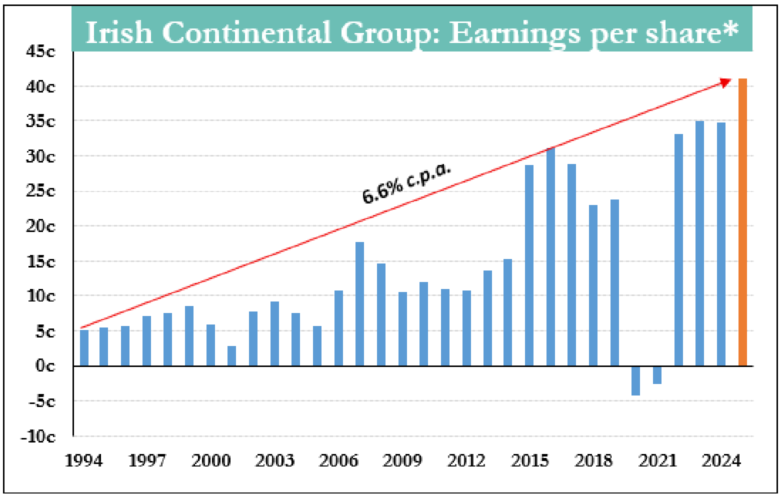

Chart 2 **Source: Annual Reports & GillenMarkets** **** pre-exceptional EPS***

In 2020, the Covid-19 pandemic had a significant impact on operations – with car volumes plummeting *circa* 70% for the year, while supply chain disruptions impacted the Container & Terminals Division. Restrictions continued into 2021, while companies and governments were also not prepared for the last-minute Brexit deal which caused disruption to freight services due to complications with forms and Covid tests required for drivers from the UK going to France (*via* the UK land-bridge[3]).

Oil prices fluctuate significantly from year to year and is a key cost for ICG typically accounting for over 20% of costs. That said, fuel surcharges work well on the freight and container side of the business to offset the impact of rising fuel costs, so that recovering the costs associated with rising fuel prices is solely an issue on the car/passenger side of

ICG: Costs as % of Revenues (2024)	
Depreciation	12.0%
Employee & Labour Charges	18.1%
Fuel Costs	20.5%
Port Charges	23.8%
Other Operating Costs	25.6%
Total	**100.0%**

Table 8

[3] The UK land-bridge refers to the route connecting Ireland and the EU via mainland UK – Dublin – Holyhead and then across the short channel straits.

the business. Oil prices have declined in both 2023 and 2024 and are lower on average again year-to-date in 2025.

Regarding its labour costs, the group operates an outsourced labour model, while still using European labour. The workforce is non-unionised and provides ICG with more flexibility and lowers its cost base when compared to other ferry companies in Europe.

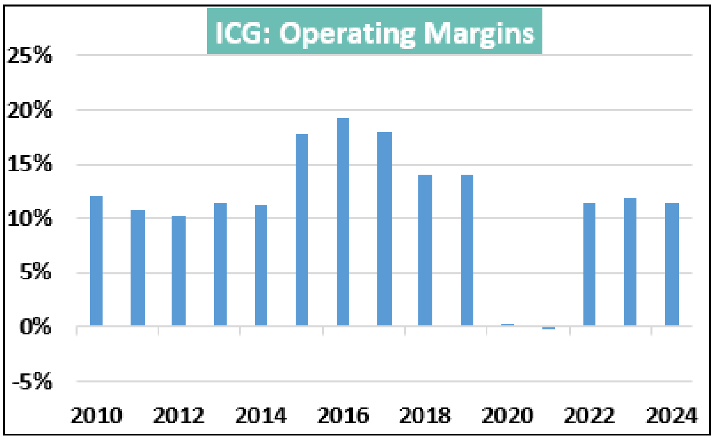

Chart 3

The company also has no control over the port costs (*circa* 24% of costs) which are determined by harbour authorities who operate as regulated monopolies. And the group has a relatively high fixed cost base so that even minor changes in revenues can disproportionately impact on earnings.

For these reasons, and as ***Chart 3*** highlights, ICG's operating margins have varied over time. Looking forward, we do not expect operating margins to reach past highs achieved in the 2015 to 2017 period. The margin structure on the Dover-Calais route is structurally different compared to the routes from Ireland to the UK. The mix of business is different, and margins are lower. But turnaround times are faster, so that volumes are greater and capacity utilisation higher leading to decent returns on capital employed.

Returns on capital employed & equity

Employing capital into ICG's business is often lumpy with a lag between bringing on new ferry and container capacity and achieving optimal utilisation rates, so that returns on capital employed can be erratic. That said, averaged out over an extended period, ICG's returns on capital employed have been strong.

As we can see from ***Table 8***, since 2010, pre-tax & interest returns on capital employed have averaged 17.4%, or 20.0% if we exclude the impact of the Covid-19 pandemic in 2020 and 2021.

In 2024, pre-tax & interest returns on capital employed were 16.6% which we consider to be a strong return in a competitive industry.

Irish Continental Group		
	Returns on Capital Employed	Returns on Equity
2010	15.0%	18.2%
2011	13.0%	16.6%
2012	13.2%	29.6%
2013	16.0%	84.0%
2014	19.8%	55.0%
2015	35.6%	61.1%
2016	33.9%	45.3%
2017	31.7%	29.8%
2018	17.9%	18.5%
2019	13.4%	16.8%
2020	0.2%	-2.9%
2021	-0.1%	-1.9%
2022	16.9%	23.4%
2023	17.2%	22.2%
2024	16.6%	19.3%
Average	**17.4%**	**29.0%**
Average (exc. COVID)	**20.0%**	**33.8%**

Table 8

Returns on shareholders' equity can be boosted by two factors:

- The use of leverage
- The reduction in the equity base

Irish Ferries uses leverage to lease or buy its ferries and container ships. In fact, as we write, Irish Ferries owns all nine of its container ships and will own all eight of its ferries by early 2026.

Since 2011, Irish Ferries has reduced its share count (equity base) by 38% and by 18% since 2018. Both the use of leverage and the reduction in shareholders' equity boost the returns on shareholders' capital.

Irish Ferries's average returns on shareholders' equity has been 29% since 2010, or 33.8% if we exclude the two years impacted by Covid-19. After-tax returns on shareholders' funds in 2024 were 19.3% which we consider to be an excellent return.

Overall, despite the variability in returns on capital and equity, it is clear that ICG is an efficient user of capital, and we will outline management's astute use of capital in the next section which has added considerable value for shareholders over the long-term. Again, these returns exclude the exceptional gains made on ship disposals.

Capital Allocation

Table 9 provides a breakdown of how Irish Continental's management has allocated capital over the period from 2010 to 2024.

Since 2010, the group has generated a total of €899 million of free cash flows (after maintenance capital expenditures). With these cash flows, the group has the choice of: (i) investing in the business through capital expenditure or acquisitions; (ii) returning cash to shareholders through dividends and/or share buybacks; and (iii) paying down debt.

Since 2010, ICG has spent a total of €602 million on new ships, upgraded terminal port equipment and other capital expenditures principally to increase ferry capacity and/or to comply with more onerous ESG regulations. The group has been transitioning to a more environmentally efficient mode of operation at its terminals. The disposal of ferries and container ships brought in €141 million, so that expenditure on new ferries, container ships and port facilities amounted to a net €461 million over this 15-year period.

Uses of Cash 2010 - 2024 (€m)		
Opening Cash/Debt		**-21.7**
Free cash flows		898.7
Strategic capex	-404.5	
Ferry Lease	-197.6	
Asset disposals	141.3	
Investment in the business		**-460.8**
Dividends	-304.8	
Share buybacks	-236.4	
Returns to shareholders		**-541.2**
Translation & Pension		-37.4
Closing net debt		***-162.4***

Table 9 ***Source: Ann Reports***

And there is evidence that the group is astute in buying and selling key assets. For example, the group committed to the new build of the MV W.B. Yeats in late 2015/early 2016 when commodities prices (and, thus, steel prices) were bottoming following a deep bear market in commodity prices that had lasted from 2011 to early 2016. As a result, the group likely obtained excellent value while executing a major upgrade on its fleet.

The second-hand market for ships strengthened post 2015 as ferry operators rushed to get new capacity. As new builds take 2-3 years between order and delivery, the market for second-hand ships strengthened up considerably. Between 2017 to 2019, ICG sold three soon-to-be surplus ships for a combined €89.4 million and €57.3 million above book value – a sign of conservative depreciation policy and good market sense.

More recently, in early 2024 Irish Ferries has committed to purchasing the Oscar Wilde ferry for €89 million and in early 2025 bought the James Joyce ferry from P&O for an estimated €70 million. Given management's track record we can assume that both purchases are at good prices.

Dividends and Buybacks

From 2010 to 2024 inclusive, the group has returned €541 million in cash to shareholders through dividends and buybacks.

Dividends paid out over this period amounted to €305 million, while share buybacks amounted to €236 million including the tender offer in 2012 which returned €123 million to shareholders.

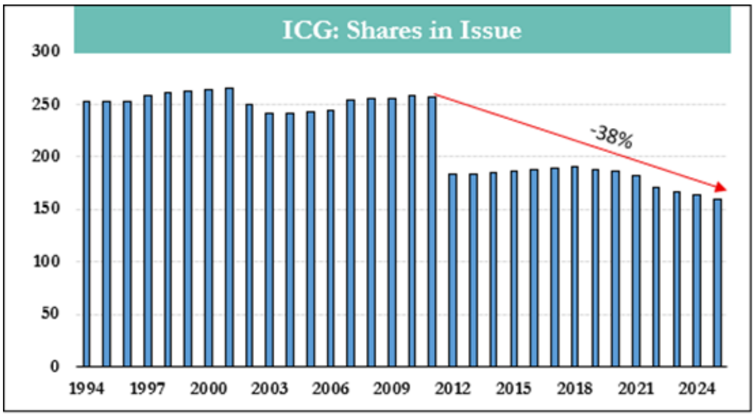

Chart 4 Source: Annual Reports

The group has been buying back shares strategically over the last few years when management views them as undervalued. Since 2010, shares in issue have been reduced by 38% and 16% since 2018.

The €541 million returned to shareholders since 2010 compares to ICG's current market capitalisation of €912 million, or a market value of €370 million at the start of 2010. In other words, ICG has returned 146% of its 2010 opening market value to shareholders over this 15-year period. Overall, we believe the Board is allocating capital efficiently at ICG and in the best interests of shareholders.

Earnings Growth Estimates for 2025 & 2026

Davy Stockbrokers is currently forecasting a 16% uplift in earnings per share in 2025 to €0.41 and additional growth of 13% in 2026 to €0.47 reflecting:

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- A recovery in volumes on the legacy Ireland-UK and French routes back to 2019 pre Covid-19 levels and *circa* 5% growth in the Dover-Calais route along with some pricing improvements on this route where management has indicated that prices are too low.
- Again, the recent agreement between the UK and the EU to drop the need for the majority of border checks on food trade and pet movements is expected to underpin a decent recovery in freight trade in particular but also in car/passenger traffic.
- Low single-digit volume growth and some pricing improvements in the Container & Terminal Division.
- A lower average oil price and dollar exchange rate which lowers fuel costs particularly on the car/passenger side (fuel cost rises and declines are usually passed on to commercial freight customers in both the ferries business and the Eucon containers business).
- A lower hit to earnings from the disruptions to trade at Holyhead which impacted 2024 earnings by *circa* €5-6 million. Holyhead was still not fully functional in Q1 2025 but the impact on earnings in 2025 should be possibly less in 2024.
- A lower share count which should boost earnings on a per share basis. The group has been actively buying back shares again in early 2025 and has the cash flows to continue buying back shares.

ESG Initiatives

A commitment to safeguarding the environment and operating in a sustainable manner is a key part of the company's strategy – and ICG has developed a groupwide environmental framework with the objective of improving the environmental effects of its activities. While transport by sea is one of the most efficient modes of transport, as measured by cargo tonnes per kilometre, these activities still have an unavoidable impact on the environment.

In the design of new ships (W.B. Yeats for example), careful consideration was given to the environmental impacts. The W.B. Yeats ferry, for example, has come equipped with a ballast water[4] treatment system, the latest energy efficient propeller blades and exhaust scrubber systems. The group has also now implemented a Ballast Water and Sediments Management Plan across all its fleet. As we highlighted previously, the group has been investing in exhaust scrubber systems on its fleet to help comply with new fuel regulations, while each ship now has its own Ship Energy Efficient Management Plan. In addition, the implementation of electric rubber-tyred gantry cranes at its terminals will have a positive environmental impact on its operations. In the Dublin Terminal, its cranes are now powered by electricity generated from renewable resources.

A primary issue, of course, is the use of diesel fuel to power ships engines. EU bodies have set targets aiming to reduce the industry's total CO_2 emissions per transport work by 40% by 2030 and overall GHG emissions by at least 50% by 2050 compared to 2008 levels. Currently, however, there is a lack of proven, accessible alternative fuels, particularly for large vessels. The likelihood

[4] Poor management of ballast water systems can damage local biodiversity through transference of non-native marine species.

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that carbon costs will need to be integrated into the business is high going forward. However, for a company like ICG, with a competitive advantage, these costs can be passed on to customers.

With on-board hospitality services, the group looks to improve in key areas: (i) responsible sourcing – increase the use of local suppliers and showcase local produce supporting artisan producers (ii) water conservation and (iii) cleaning and hygiene. The group has already removed single-use plastics and other non-compostable consumables from its restaurants.

Financial Risks

Table 10 presents a breakdown of ICG's financial position at end 2024. At that date, the group had a net debt position of €162 million. The lease obligation principally relates to the agreement to lease the Oscar Wilde ferry with an agreement to purchase it in early 2026.

Post year-end, Irish Ferries has paid its final 2024 dividend, purchased the James Joyce ferry for *circa* €70 million and bought back €23 million worth of its own shares giving us pro-forma net debt of €280 million before H1 2025 operational cash flows reduce that figure.

Annual operational cash flows have been running at an average of €110 million over the last three years, which highlights the scope for a rapid reduction in debts.

Net Debt Summary As at 31-Dec-2024 (€m)	
Cash	41.3
Short-term debt	-7.3
Long-term debt	-89.1
Lease Obligations	-107.1
Net Debt	**-162.2**
Post Y/E Spending	
Ferry purchase	-70.0
Share buybacks	-23.5
Final 2024 Dividend	-24.7
Pro-forma Debt	**-280.4**
Free Cash Flows*	**110.1**
(3-Year Average)	

**after interest and tax & Maintenance Capex*

Table 10

Financial Risk Metrics

Table 11 provides a breakdown of solvency and liquidity ratios to better assist in understanding ICG's financial risks. The group's current ratio compares the company's current assets against its current liabilities and measures its ability to pay its short-term obligations – with a general yardstick of above 1.0. In 2024, ICG's current ratio was 1.0. Another helpful liquidity ratio is the Acid Test ratio – ((cash + market securities + accounts receivables)/current liabilities) which looks at a company's ability to pay its short-term obligations, but it disregards any current assets (such as inventory) that may be difficult to liquidate quickly. ICG's ratio was just below the general accepted level of 1.0 in 2024.

The Altman Z-score is a probability measure used to predict the likelihood of a company getting into financial difficulties in the next two years. The score is calculated using five financial ratios from the balance sheet – profitability, leverage, liquidity, solvency and asset turnover. At the end of 2024, ICG's Altman Z-score was 4.5 and has averaged 4.1 over the last five years – comfortably above the "safe" threshold of 2.99.

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ICG: Financial Risk Metrics						
	2020	2021	2022	2023	2024	5 Yr Average
Liquidity Ratios:						
Current Ratio	1.23	0.98	1.06	0.55	1.03	1.0
Acid Test Ratio	1.22	0.95	1.02	0.53	0.94	0.9
Solvency Ratio:						
Altman Z-score	3.7	4.3	4.1	4.0	4.5	4.1

Table 11

Overall, ICG's balance sheet remains in good shape. In addition, similar to airplanes, ferries can be sold on if needed, as there is a strong secondary global market in quality ferries. In our view, financial risks in Irish Continental are low.

Defined Benefit Pension Scheme – A Surplus of €52 million

The group still operates a defined benefit pension scheme for 250 members. There have not been any new members to the scheme since 2006. The current surplus on the scheme is a healthy €52 million at end 2024.

In recent years, the group bought back a significant portion of the liabilities in the scheme and remains keen to remove the remaining obligations from its balance sheet. The scheme surplus provides it with flexibility to offer attractive terms to potential buyers of the scheme's liabilities (insurance companies). It's also possible that the group will end up keeping a portion of the pension surplus if or when the liabilities are removed.

Irish Continental's Pension Liability							
€ m	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Pension liability	-266.0	-289.6	-140.8	-140.5	-91.6	-96.9	-80.2
Pension assets	264.3	298.4	139.6	145.8	124.8	135.8	132.0
Net asset/(liability)	**(1.7)**	**8.8**	**(1.2)**	**5.3**	**33.2**	**38.9**	**51.8**

Table 12

Valuation Risks

Chart 5 displays Irish Continental's price-to-earnings ratio over the near 31-year period from late-1994 to July 2025.

As we highlighted, disruptions to operations during the CV-19 pandemic led to negative earnings in 2020 and 2021, hence the gap in the blue line in the chart during this period.

Today, at a price of €5.70, the shares are trading on 14.9 times a weighted average of 2024 earnings and 2025 expected earnings, equivalent to an earnings yield of 6.7%. This current price-to-earnings ratio is in line with the long-term average of 14.9 times.

Quality of Earnings Not Fully Captured

It's worth noting, however, that the price-to-earnings ratio doesn't capture the uplift to intrinsic value that ICG has traditionally added when it sells ferry and/or container ships. Profits on disposals are not captured in adjusted earnings (which we base the price-to-earnings ratio on). Another way of saying this is that ICG is probably over depreciating its ferry and container ships, which depresses adjusted earnings and makes the price-to-earnings ratio look higher than is the case in reality.

Chart 5 **Source: Bloomberg & GillenMarkets**

Valuing ICG off its Asset Base

Enterprise value is a company's market value plus its debt less any cash balances. Afterall, if you were to buy Irish Continental Group in whole at any stage you would have to acquire all the company's shares and repay its debt. ***Chart 8*** provides a breakdown of ICG's enterprise value-to-capital employed ratio since late-1994.

As we can see from the chart, from late-1994 to the mid-2000s, the ratio was much lower than the long-term average. Between 2013 and 2017, investors were willing to pay a much higher enterprise value / capital employed multiple for ICG's shares reflecting a period of strong growth for the group – with the share price going from *circa* €2.00 in early 2013 to a high of €5.93 in late-2017.

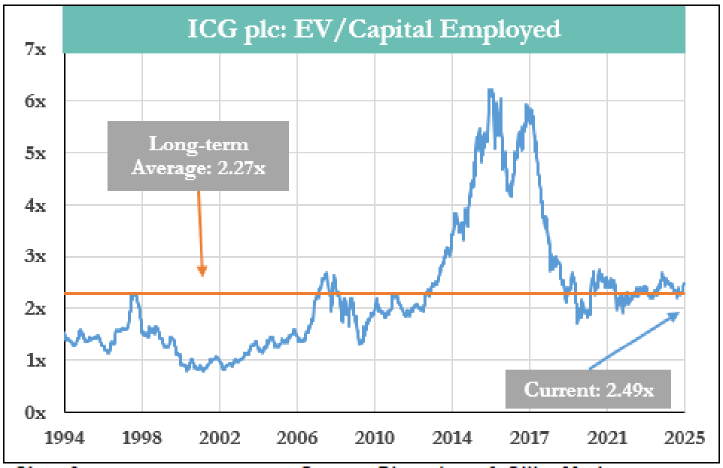

Chart 6 **Source: Bloomberg & GillenMarkets**

At the time of writing, we estimate ICG's current enterprise value at *circa* €1,107 million (market capitalisation plus net debt). The group has capital employed in the business of *circa* €445 million. So, today investors are valuing ICG at an enterprise value / capital employed ratio of *circa* 2.49 times, and modestly ahead of the long-term average.

Overall, valuation risks in ICG look low at present.

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Appendix 1

Irish Continental Group: Analysis of Exceptionals										
Year	EPS GAAP	EPS Norm	Difference	Asset Disposals	Disposal Costs	Employee Benefit Costs	NBV of Vessels Disposed	Gain from Pension Deficit	Other	Total
2010	15.6	12.0	3.6	1.2	-0.1		-0.8		3.2	3.5
2011	11.0	10.9	0.1						0.1	0.1
2012	18.3	10.8	7.5	0.9					6.6	7.5
2013	14.5	13.7	0.8	0.2					0.6	0.8
2014	30.1	15.3	14.8					15.4	-0.6	14.8
2015	28.5	28.7	-0.2						-0.2	-0.2
2016	31.1	31.1	-							-
2017	43.9	28.9	15.0	23.7	-0.2	-0.3	-8.1		-0.1	15.0
2018	30.2	23.0	7.2	7.9	-0.1	-0.1	-0.6			7.2
2019	31.5	23.7	7.8	12.8	-0.3	-0.3	-4.5			7.8
2020	-10.2	-4.3	-5.9						-5.9	-5.9
2021	-2.6	-2.7	0.1						0.1	0.1
2022	33.2	33.1	0.1						0.1	0.1
2023	35.7	34.9	0.8						0.8	0.8
2024	35.6	34.8	0.8						0.8	0.8
Cumulative	**346.3**	**294.0**	**52.3**	**46.7**	**-0.6**	**-0.7**	**-13.9**	**15.4**	**5.3**	**52.3**
Difference		**15.1%**								
Annualised		**1.4%**								

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