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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6941 ↑	80	1.17%	11.0	11.98%
FTSE 100	5486 ↑	63	1.16%	13.5	13.96%
DAX 30	5267 ↑	73	1.41%	15.0	23.74%
DOW	10913 ↑	107	0.99%	19.5	1.20%
NASDAQ	2267 ↑	34	1.54%	15.6	8.53%
S&P	1265 ↑	15	1.22%	21.0	4.35%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1710	0.6776	141.3000
Dollar	1.1710	1.0000	1.7280	120.6000
Sterling	0.6776	1.7280	1.0000	208.4700
Yen	141.3000	120.6000	208.4700	1.0000
Oil (Nymex)	58.4700			

This Week's Research
Fyffes Sterling Energy
IL&P
Fyffes

Today's Research
Kerry Group

Breaking News

A&L to beat forecasts

Alliance & Leicester said its profit this year is set to beat current market forecasts as its revenue has grown while costs have fallen significantly. Alliance & Leicester, the UK's seventh biggest listed bank, said core 2005 operating profit is likely to be ahead of the current consensus market forecast of 506 million pounds, and it was on target to achieve its return on equity target of 20 percent for the year. The bank said group revenues are expected to be slightly higher than last year, and operating costs would be "significantly below" last year's costs of 714 million pounds.

Merrill Lynch places 9.7m BOI shares

Yesterday Merrill Lynch placed 9.7 million shares in Bank of Ireland at €13.18 a share. According to sources close to the situation it was 1.5x oversubscribed by institutions.

ECB: no plans for long series of rate hikes

European Central Bank president Jean-Claude Trichet's comments at yesterday's ECB news conference suggest that further interest rate hikes will be limited, with the next increase likely in March 2006. 'We have not got any...decision to embark on a series of interest rate increases,' Trichet said after the central bank raised rates to 2.25 percent from 2.00 percent.

Ryanair launches new routes from Shannon

Ryanair yesterday announced four new routes from its Shannon base to Manchester, Wroclaw, Rome and Murcia. The four new routes will start on the February 22 next and will each operate three times weekly. To accommodate these 4 new routes, Ryanair will close 2 routes from Shannon to Hamburg and Stockholm from February 22 next.

Kerry (€18.40) Upgrading from NEUTRAL to BUY Stuart Draper

- **Attractively valued :** The share price of Kerry Group has fallen by over 10% since the company announced its interim results at the end of August. Our view is that this leaves the company's shares attractively valued once again by comparison with Kerry's closest peers, Danisco and Givaudan.
- **Peer discount :** These peers currently trade at an average multiple of 14.6x 2006 earnings. Valuing Kerry at the same multiple would generate a price target of €20.50 (11% upside), based on the consensus 2006 eps forecast of €1.41.
- **Price increases :** The recent concerns have been driven by input cost inflation, particularly energy costs, which reduced the H1 margin by 0.1%. H1 2005 energy costs were €8m higher than for H1 2004. However, as we saw last year with Greencore, there is usually a 6 month time lag between higher input costs and the passing on of these higher costs in the form of price increases.
- **Earnings upgrades :** Some evidence of these price increases should be contained in the company's full year results, when they are announced on 1st March. Evidence of such price increases and margin resilience could provide the catalyst for earnings growth upgrades and forecasts of the Irish food company returning to double digit earnings growth.
- **Acquisition growth :** Even though Kerry's own sustainable organic earnings growth rate is mid single digit, it is able to double this growth rate through continuous acquisitions. Such acquisitions can be internally funded as a result of the company's consistent track record of free cash flow generation.
- **Growth categories :** A recent example of this was the group's August 2005 acquisition of UK ready-made Indian food producer, Noon Group, for £124m in an expansion of its UK chilled ready-made meals business. Financed through existing lines of credit, the deal should boost group earnings growth as ready-made meal sales continue to grow at a high double-digit rate on a sustained basis.
- **Well positioned :** The Noon acquisition also reduces Kerry's dependency on Tesco for chilled ready-made meals as Noon is the number 1 supplier to Sainsbury and Morrison. Kerry is also well positioned to implement price increases because of its branded consumer food products and range of key ingredients.
- **Recommendation upgrade :** Therefore, we now upgrade our Kerry recommendation from NEUTRAL to BUY, with a 12 month price target of €20.50 (11% upside), which is based on 14.6x 2006 eps of €1.41 : **BUY**.

Business Press

- Irish firms seek distance from ICG (IT)
- IBOA to hold up BOI cost-cutting (IT)
- Revamped IWP to disappoint investors (IT)
- VoIP service from Smart (II)

Investment Press— Lex

- **European interest rates:** Thursday's interest rate increase by the European Central Bank generated great excitement. But the quarter-point rise can hardly be described as monetary tightening.



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