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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8439	↑ 38	0.46%	14.1	-10.30%
FTSE 100	6315	↑ 12	0.19%	13.2	1.52%
DAX 30	7649	↑ 10	0.14%	14.2	15.94%
DOW	13358	↑ closed	0.00%	15.2	7.18%
NASDAQ	2596	↑ closed	-0.01%	26.1	7.48%
S&P	1474	↑ closed	0.00%	15.9	3.93%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3598	0.6748	156.9600
Dollar	1.3598	1.0000	2.0152	115.4300
Sterling	0.6748	2.0152	1.0000	232.5700
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	#N/A	ND		

This Week's Research
Kingspan

Today's Research
Kerry Group

Breaking News

Kerry (€17.90) H1 results announced **Stuart Draper**
Target : €22 (04/09/07 ; previously €23, issued 27/02/07)

- Results announced : This morning, Kerry Group announced its results for the 6 months ended 30/06/07. Earnings per share of 58.8c was c.3% ahead of the consensus forecast of 56.9c, and was a year on year increase of 7%. Underlying revenue growth of 5.6% was achieved, which was reduced to 3% as a result of the average year on year decline in USD / Euro of 8%. When combined with 0.2% expansion in the trading margin to 7.4%, this generated 6.2% trading profit growth to €172m. The margin expansion was helped by the disposal of lower margin businesses, particularly poultry processing in Ireland.
- Share buyback : When combined with the H1 impact of the group's share buyback programme, this trading profit growth translated into underlying eps growth of 7% to 58.8c. With most of its H1 2007 share buyback of 10.8m taking place in June, most of its positive eps impact will not be felt until H2 2007. This level of buyback represents c.6% of the total shares in issue, and a further buyback of 1.8m shares is expected in H2 2007. As a result, we now upgrade our 2007 eps forecast by 3% from €1.40 to €1.44, representing year on year growth of 7%.
- Pricing power : The company's outlook statement confirmed that notwithstanding higher input costs, the group expects to achieve continued solid organic growth, indicating that some price increases are currently being achieved to offset these higher input costs. As a result, the combination of further low single digit revenue growth combined with some modest operating margin expansion should result in further c.7% earnings per share growth to €1.54 being generated in 2008. Further bolt-on acquisitions in food and ingredients, particularly in the flavours and bio-science sectors, could further boost this currently expected earnings growth.
- New CEO : The company also announced that Stan McCarthy, president and CEO of Kerry Ingredients Americas, has been appointed chief executive designate of the group. He will succeed Hugh Friel, who retires at the end of December.
- Peer discount : Given that Kerry's closest peers, Danisco and Givaudan, are now trading at an average of c.22.6x consensus 2007 eps, Kerry deserves to trade at least at a multiple of 15x 2007 eps, particularly given the group's track record over 20 years of acquisition led earnings growth. As a result, our current 12 month price target of €22 (23% upside) is based on 15x 2007 eps of €1.44 : BUY.

Breaking News

Paddy Power H1 profit more than doubles

Paddy Power reported that first-half operating profit more than doubled today to €40.8m up from €19.6m a year earlier, beating an average forecast of €36.1m in a Reuter's poll. The company said it now expected operating profit for the full year to reach about €68m versus previous guidance of €62m. Turnover in the period, as measured by the amount of money customers staked with Paddy Power, was in line with expectations, rising 13% to €994m. The company was especially pleased with the performance of the UK retail division, which traded profitably compared to a full year loss of €6m in 2006.

Tullow Oil reports drop in profits, issues positive outlook

Tullow Oil reported first half net profit that fell to £36.6m from £95.4m a year earlier. Revenue fell by 8% to £285m. CEO, Aidan Heavy, said that profit was hurt by difficult trading conditions in the UK gas market. Output in the first half of the year rose by 11% to an average of 69,700 barrels of oil equivalent a day. Tullow commented that its exploration program in Ghana had de-risked the group's extensive acreage in the region and with the ongoing success in Uganda, both projects have the ability to produce more than double its reserve base in the coming years.

Standard Life reports 71% rise in operating profit

Standard Life reported first half operating profit on a European Embedded Value (EEV) basis that rose by 71% to £353m and ahead of the £327m expected by analysts. New business profit rose 66% to £151m and was also ahead of the £137m consensus. The insurer stated that profit margins 'improved considerably' to 1.8% from 1.4% as it sold more self-invested pension plans known as SIPPs and forecasted that the market for SIPPs will triple to £100bn by 2011. CEO, Sandy Crombie, commented that the main contributing factor to beating expectations was its new business profit result. Crombie also said that he expects business to maintain its momentum and that the group will have a very good set of results for the full year.

Business Press

- Eastern Europe aids profit surge at Kingspan (IT)
- Average house prices decline 3% this year (IT)
- EU probes role of credit-rating firms (II)
- Chieftan's confidence in Ryanair keeps share prices flying high (II)

Investment Press

- Investment Banks: As brokerage firms tot up the damage from the hurricane that hit Wall Street this summer, investors are braced for messy results. How bad will the news be when firms report earnings in mid-September?

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