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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7482	↑ 52	0.70%	11.0	1.61%
FTSE 100	5715	↑ 33	0.58%	13.5	1.70%
DAX 30	5524	↑ 63	1.15%	15.0	2.13%
DOW	10880	↑ 33	0.30%	19.5	0.90%
NASDAQ	2263	↑ 20	0.88%	15.6	2.64%
S&P	1273	↑ 5	0.37%	21.0	2.29%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2092	0.6891	140.0700
Dollar	1.2092	1.0000	1.7547	115.8100
Sterling	0.6891	1.7547	1.0000	203.1800
Yen	140.0700	115.8100	203.1800	1.0000
Oil (Nymex)	63.4200			

This Week's Research

INWS
Adidas

Today's Research

Kerry Group

Breaking News

Kingspan trading statement

Kingspan said that it expects growth in full-year operating profit and earnings in 2005 to be in line with current market expectations. The group also reiterated that it did not expect a slowdown in the UK construction sector to have a significant impact on the overall business and that new UK building regulations, and other company initiatives, would provide a platform for growth in 2006. New measures to make buildings more energy efficient and save on carbon emissions will come into effect in the UK from April 2006, benefiting businesses such as Kingspan.

Aviva management changes

Aviva announced yesterday that it is to reshuffle its management structure. Patrick Snowball, head of its general insurance unit, has been appointed to lead both the UK life and non-life businesses. The combined UK operations together account for nearly half of Aviva's operating profit. Philip Scott, 51, head of Aviva's international life operations, will be responsible for all of the group's overseas operations including its general insurance businesses outside Britain. Aviva's overseas general insurance operations, largely based in Ireland, Canada and the Netherlands, accounted for around 17 percent of Aviva's operating profit at the half year.

HBOS appoints new CEO

HBOS said today that Chief Operating Officer Andy Hornby would replace James Crosby as chief executive in July. Hornby, who joined the bank in 1999, will take over when Crosby leaves the bank on July 31. HBOS also said Benny Higgins, head of retail banking at rival Royal Bank of Scotland, is joining HBOS to head its retail businesses. It said Higgins would join as soon as possible.

Kerry Group (€18.73)

Attractively valued

Owen Turner

- **Attractively valued:** The share price of Kerry Group has fallen by almost 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 its 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 (9% 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 the achievement of such 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 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 because of its range of key ingredients.

Business Press

- IL&P sees buoyant years ahead aided by low rates (II)
- EasyJet to enter Italian market (IT)
- Teeling quits as non-executive director of metals group Minco (IT)
- House prices to rise 8% in 2006 (IE)

Investment Press— Lex

- **Equities:** The problem with being a prophet of doom is that you spend a lot of time feeling foolish when the world doesn't actually come to a nasty end. Can equity markets confound the pessimists once again in 2006?



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