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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8161	↑ 111	1.38%	14.1	-13.26%
FTSE 100	6281	↑ 147	2.39%	13.2	0.96%
DAX 30	7458	↑ 82	1.12%	14.2	13.05%
DOW	13308	↑ 181	1.38%	15.2	6.78%
NASDAQ	2597	↑ 38	1.50%	26.1	7.54%
S&P	1471	↑ 20	1.36%	15.9	3.75%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3865	0.6815	157.9700
Dollar	1.3865	1.0000	2.0343	113.9000
Sterling	0.6815	2.0343	1.0000	231.7300
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	78.2300			

This Week's Research
SAP
British Land

Today's Research
Smurfit Kappa

Breaking News

Smurfit Kappa(€15.30) Upgrading to BUY Carl Bourke
Target : €18.50 (12/09/07 ; previously €16.50, issued 15/03/07)

- Price increases : European peers Mondi Packaging and M-Real recently announced plans to increase kraftliner prices. The announcements follow on from Smurfit Kappa (SK) stating that it is raising prices in all its European markets from 1st October. These price increases have been put through to offset higher raw material costs. This will result in some short term margin squeeze but the full benefit will be seen in the 2008 numbers. With no expected increase in industry capacity until 2010 and with demand for packaging remaining strong in Asia and Central Europe we see no problem with Smurfit Kappa being able to push through this and future price increases.
- Recent results : SK recently released results for the 6 months ended 30th June 07. EBITDA increased 28% to €514m yoy with an EBITDA margin of 14.2% compared to 11.5% in 06. Revenue increased 4% to €3,625m.
- Recovery period : 2005 saw one of the worst downturns in the European paper industry. One of the main drivers of the revival was the creation of Smurfit Kappa from the merger of Jefferson Smurfit and Kappa along with an 8% capacity decrease (1.8m tonnes) in Europe. Post the merger Smurfit Kappa became the market leader in Europe with a 23% & 24% share of the European containerboard & corrugated board markets respectively, twice the size of its nearest competitor SCA
- Lock-up period : The pre-IPO owners lock up period of 180 days is nearly up. Private equity companies Madison Dearborn Partner, CVC and Civen control c.46% of the company. All three are long term investors and are unlikely to sell with the current share price significantly below the IPO price.
- Highly leveraged : At December 2006 Smurfit Kappa had a debt to EBITDA ratio of 5.7x. The company has succeeded in reducing this to 3.7x and in a recent statement reiterated that the company is in line to reduce it further to 3x by year end. Interest cover is expected to rise to c.2.5x by year end 07.
- Recommendation upgrade : Smurfit Kappa is currently trading at 10 x 07 earnings falling to 7.3 x 08 earnings. This is at a discount to its European peers who currently trade at c.13x 07 earnings. Therefore we are upgrading our price target from €16.50 to €18.50. This is based on 12x 07 earnings of €1.54 (20% upside to current levels). This price target would imply an EV/ EVITDA multiple of 6.7x versus a current sector average of 7.1x, despite Smurfit Kappa's stronger growth prospects. **BUY**

Breaking News

IAWS announce boardroom changes

IAWS announced today a number of pending Board changes following the IPO of Origin Enterprises. Tom O'Mahony, CEO of Origin Enterprises, will retire from the Board of IAWS Group at its AGM in December, as will non-executive directors Philip Lynch and David Martin. In addition executive director Hugo Kane becomes Chief Operations Officer. The Chairman of IAWS Group plc, Denis Lucey, paid tribute to the contribution of the retiring directors.

European Commission cuts Eurozone forecasts

The European Commission yesterday cut its Eurozone growth forecast for this year to 2.5% from its previous projection of 2.6%. In its latest set of interim economic forecasts, the commission estimated 2007 inflation of 2% compared to 1.9% it projected in its spring forecasts. The commission said the recent market turbulence has increased the downside risks to the euro zone's growth outlook. EU economic and monetary affairs commissioner Joaquin Almunia said in a statement: "The sound economic fundamentals of the European economy will help weather the current financial turmoil." On interest rates, the commission said that following several years of exceptionally favourable financing conditions, the tightening of monetary policy has been reinforced by market turbulence. It noted that, in line with market expectations, futures contracts have only priced in a low probability of a further interest-rate hike.

OPEC to increase output by 500,000 barrels a day

Oil held near a record high over \$78 a barrel today after OPEC's output increase failed to soothe consumers' worries about falling inventories. Saudi Arabia persuaded OPEC to raise oil output by 500,000 barrels per day at a meeting yesterday, in a gesture to consumer nations worried by the economic impact of pricey oil and rapidly diminishing fuel stocks. The move by OPEC, which supplies more than a third of the world's oil, follows months of calls for more supply from top industrialised consumers worried about a supply crunch in the peak demand winter season. The increase comes on top of current OPEC supplies and takes the output target for the 10 members bound by the agreement to 27.2 million bpd.

Business Press

- CPL shows 80% profit increase (IT)
- Investors to pay €65m for stake in Arnotts (II)
- Retailers suffer poor summer (FT)
- JJB sees shares plunge after profit warning (FT)

Investment Press

Chinese inflation: Chinese inflation, which hit a decade high of 6.5 per cent in the year to August, is virtually all about food - specifically meat and poultry.

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