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Market Movers

IRISH PAPERS TODAY

Aer Lingus cabin crew vote in favour of industrial action (*The Irish Times*)

Elan plans to raise \$200m to reduce gross debt by 20% (*The Irish Times*)

Bol is ready to operate without State guarantee (*Irish Independent*)

INTERNATIONAL PAPERS TODAY

Equities fall as markets shun risk (*Financial Times*)

Foreign investors cooler on Brazil (*Financial Times*)

China closes a loophole that let banks lend more (*Wall Street Journal*)

Market View

Analyst: Stephen Taylor

European equity markets are mixed this morning following sharply lower closes yesterday and from the US and Asia overnight. Downbeat commentary from both the Fed and Bank of England yesterday in relation to growth has hurt markets and left questions around profit outlooks for corporates. Also concerning markets is peripheral debt once again with credit spreads among weaker nations beginning to move wider once again. Particularly concerning for Ireland is that 10-year bond yields have jumped to 5.33%, the second highest among euro-zone nations. Also concerning markets is commentary from Cisco CEO John Chambers overnight indicating that customers of the company are becoming more uncertain. Recall that Chambers was one of the first CEOs to warn of the downturn back in late 2007 and his comments carry a lot of weight in the market and will pose questions surrounding corporate spending. On the positive side however, Chambers reiterated that Cisco plans to hire 3,000 people and that the likelihood of a double dip recession is relatively low. As for today the main focus will be on weekly jobless claims out of the US with a slight improvement week on week expected. Employment and housing data remain the key economic numbers to watch.

Greencore: Buy **Previous Close** €1.28 **Target** €1.70 **Analyst** Oliver Gilvarry

Greencore has this morning issued an interim management statement (IMS) which indicated that the company's core divisions continue to perform well. In particular, management were optimistic on the performance of its Convenience Foods division stating that it has had a buoyant summer to date following what was a strong first half in which sales from continuing operations increased by 6.1%. Greencore also noted in its statement that the UK consumer trend of "at home" food consumption continues to support demand for its overall food offering. Year end net debt is anticipated to fall from the €194mln reported at half year and the company expects that the completion of its sale of its Dutch convenience foods business by the end of August. On the whole, the IMS is encouraging but it also displays that the pace of recovery will be gradual. We continue to view the company as an attractive investment, providing a well covered dividend while also facilitating a good opportunity to play a weaker euro against the dollar and sterling.

Cisco: Buy **Previous Close** \$23.73 **Target** Under Review **Analyst** Stephen Taylor

After the US market closed last night Cisco Systems reported fiscal fourth quarter earnings that were slightly disappointing sending its share down c. 7% in after hours trade. EPS came in at 43c compared to 42c expected (whisper number was closer to 45c), while revenue of \$10.84bn was slightly below the \$10.87bn expected. In relation to its outlook, Cisco said that it was seeing 'mixed signals' and 'unusual uncertainty' amongst its customers. That been said the company has added about 2,000 workers and said it will continue to hire and aggressively invest in R&D and marketing. While the company was cautious it still expects sales to increase by 18% - 20% for its fiscal first quarter on a year on year basis. We continue to like Cisco and while earnings estimates may come down slightly, valuation and balance sheet strength (net cash c. \$24bn) should be supportive.

C&C: Buy **Previous Close** €3.07 **Target** €3.90 **Analyst** Edward Keeling

Anheuser-Busch InBev, the world's second largest brewer, has posted second quarter results this morning. Profits for the period were ahead of expectations boosted by the good weather and strong sales in Brazil. Core profit came in at \$3.36bn, 5.6% higher year on year and above expectations of \$3.28bn. Volumes grew 2.1%, in the second quarter, above managements' expectations for Q2 volume in line with the 0.8% growth recorded in the first quarter. A 13.7% surge in beer sales in Brazil and improved sales in UK, offset a 3% fall in the US and a 7.1% fall in Canada. The group repeated it expects Q3 EBITDA growth above first-half levels, and increasing in the fourth quarter.

Aviva: Buy **Previous Close** 366p **Target** 500p **Analyst** Oliver Gilvarry

Prudential reported half year results this morning, beating expectations on operating profit, sales and margins. Operating profit for the half year was £968m with consensus of £746m. Sales on an APE basis also beat coming in at £1.655bn. Sales beat in all divisions except for the minor miss in the UK, with Asia and US sales up 36% and 43% respectively. Margins also remain strong with new business margin better than estimates and remaining flat yoy at 54%. Margins in the different divisions declined after a strong performance in the first half of last year, but the higher sales offset this. The capital position of the group remains strong with the IGD surplus unchanged as of the year end at £3.4bn. The cost of the failed AIA deal was guided to be in the region of £450m by the company a number of months ago and this came in better than expected at £377m, a positive for the group and management. The dividend was also increased by 5% to 6.62p, with further room in our opinion to increase it. Little detail was given in the release on the strategic direction of the group, except that it continues its focus on growing its Asia and US businesses with the UK operation to be focused on sustainable cash generation. The CEO of the group also stated large acquisitions are not on the agenda and the group will not be bidding for AIA again. The results do show the strength of the group and its ability to pay sustainable dividends to investors along with exposure to growth economies in Asia.



Aer Lingus**Previous Close** €0.90**Analyst** Edward Keeling

Cabin crew at Aer Lingus announced yesterday afternoon that they have voted to take industrial action in response to the airlines restructuring measures. The trade union IMPACT, voted 96% in favour on a turnout of 67%. Cabin crew will engage in work-to-rule under the terms of their existing contracts from the 25th August and not adhere to changes the company has tried to introduce as part of a cost-cutting programme. The union balloted members for industrial action after management introduced new rosters. They say the rosters go beyond what was agreed to in Greenfield plan proposals. The union has indicated however that the action will have no impact on flights schedules in and out of Ireland. As long as management don't take disciplinary action, this will remain the case. Aer Lingus has said it is at a loss to understand why another ballot was necessary, but that it welcomes the decision by Impact Cabin Crew to work to their contracts and in particular the public confirmation by Impact that all cabin crew will work to the agreed 850 flight hours per year. Management have said that these elements have always been an intrinsic part of the overall Greenfield cost saving plan. The group continues to be party to the arbitration process however it will continue to gradually phase in the agreed productivity levels so that it can realign the cost base of the Company. Overall Aer Lingus has managed to implement its radical cost restructuring plan without any severe industrial action. This is in contrast to other airlines across Europe and has meant the group has felt the full benefit of the rationalisation process. Any significant staff disruption to come would undermine some of the benefits of the restructuring plan. Nonetheless the disagreements appear to be minor for the moment and the airline remains on course to deliver on the majority of its stated goals.

Cablevision Systems

Buy

Current Price : \$26.29

Price Target : \$30.00



DOLMEN STOCKBROKERS

Analyst: Stephen Taylor
12th August 2010

• **Initiating coverage** : Today we are initiating coverage of Cablevision with a buy rating and price target of \$30.00 that is based on 16x 2011 consensus EPS. While the stock is not cheap, expected earnings growth is c. 28% over each of the next two years that would place the company on a PEG ratio if our price target is hit of still only 0.6x. Cablevision has best in sector EBITDA margins of c. 36%, while EBITDA to total assets has been consistently moving higher increasing to 29% last year.

• **Company description** : Cablevision is a leading telecommunications, media and entertainment company based in the US. The group's operations include a full suite of advanced digital television, voice and high-speed internet services, local media and programming properties in addition to television networks. Cablevision operates one of the largest cable clusters in the US passing more than 5 million households and businesses in the New York Metropolitan areas. Cablevision operates in three main segments including telecommunications, Rainbow and Newsday. The group's telecommunications services include; cable television, branded video, high speed data, voice residential and commercial services. Rainbow consists of Rainbow National Services in addition to other programming. The group's Newsday segment consists of a number of newspapers in addition to various internet properties.

• **Recent results** : Cablevision reported a solid set of second quarter results on August 5th with strong growth generated across its two main business segments; telecommunications and Rainbow. Total revenue for the period increased by 5.8% to \$1.802bn beating analyst expectations of \$1.77bn. Adjusted operating cash flow increased by 9% to \$677.5m. Encouragingly the average monthly revenue per basic video customer increased to \$149.2 during the period up from \$139.69 last year. Cablevision benefits from having one of the strongest networks providing services to the affluent New York area. The average rate per customer for larger rival Comcast is \$128.

• **Increased subscribers** : Cablevision added 75,900 new customers over the second quarter. The breakdown was as follows; 2,900 video customers, Digital TV customers increased by 21,100, 27,000 internet subscribers and 24,900 new phone customers.

• **Share buyback program** : On the same day that it agreed to acquire Bresnan Communications for \$1.365bn, Cablevision announced that its board of directors had authorised the repurchase of \$500m of the company's own shares. During the quarter, Cablevision repurchased c. 1.1m shares at an average price of \$25.12 marking a total value of \$27.7m. On the conference call following the results the company indicated that it will continue to repurchases shares and with c. \$470m worth of shares to repurchase this should provide support for the stock.

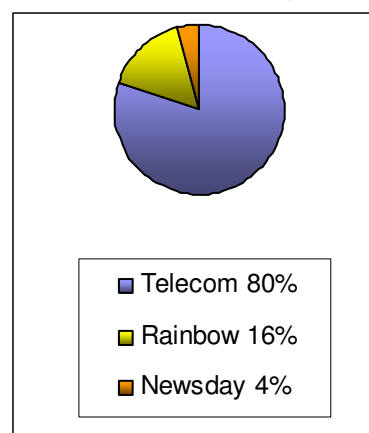
• **Leveraged balance sheet** : Cablevision has a leveraged balance sheet with net debt at the end of the second quarter standing at €10.77bn indicating a debt to equity ratio of 126%. However, the group's debt profile is well spread over a long-period of time and cash generation is strong. Cablevision also generates strong free cash flow with \$431.7m generated in the first half of the year. Net debt / EBITDA currently stands at c. 4x and is expected to fall to c. 3x in the next two years. Fitch recently affirmed Cablevision's debt ratings at BB - suggesting that the group has proven to be resilient amidst persistent competitive pressures in addition to a weak economy.

Descriptive Stats		Shareholders	
Price (\$)	26.29	T Rowe Price	13.27%
52 Week High	28.04	Clearbridge	9.33%
52 Week Low	16.59	Marathon Asset Mgmt	7.54%
Bloomberg	CVC US	Gamco	6.96%
Reuters	CVC.N	Vanguard	3.80%

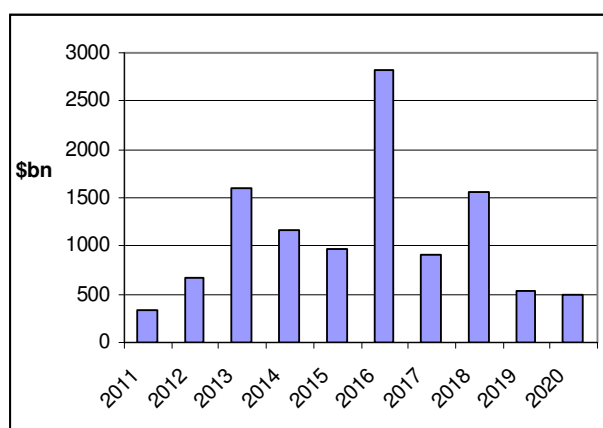
	FY10	FY11	FY12
Revenue (\$m)	7,174	7,601	7,900
EBITDA (\$m)	2,569	2,783	2,903
Operating Profit (\$m)	1,641	1,857	1,956
EPS(\$)	1.47	1.88	2.30
DPS (\$)	0.40	0.53	0.58

Company	P/E 11	EV/EBITDA 11	Div Yield
Cablevision	14.0	6.8	1.90%
Comcast	12.5	5.2	2.00%
DirecTV	12.1	5.9	0.00%
Walt Disney	14.4	7.9	1.02%
News Corp	10.6	6.2	1.10%
Time Warner	12.3	7.1	2.70%
Average	12.7	6.5	1.45%

Revenue Breakdown Q2 2010



Debt Profile Breakdown



Smurfit Kappa Buy

Current Price : €7.65

Price Target : €9.50



DOLMEN STOCKBROKERS

Analyst: Edward Keeling

Thursday August 12th 2010

Q2 Results: SKG posted a strong set of Q2 results yesterday. Materially higher input costs were partly offset by the acceleration of a price recovery in Europe and in Latin America and a significant pick up in demand across all of the group's key markets. The highlights were as follows; revenue of €1,696m was ahead of consensus estimates of €1,614m and 13% higher year on year. With an improved EBITDA margin of 13.0% versus 12.3% last year, EBITDA came in at €221m. This primarily reflects the progress in its European packaging business' performance which was supported by increasing demand growth and further advances in corrugated price recovery. It also delivered a further €25m cost take out and remains on track to deliver on the €300m cost reduction target by the end of 2010. In terms of guidance management now expect to deliver EBITDA growth in the region of 20% for the full year 2010. This implies EBITDA for the full year of c. €890m and is ahead of current consensus of €866m.

European Division: European corrugated volume growth accelerated in Q2 to 5% growth year on year. This up from 3% in the first quarter and excludes additional volumes in the UK from the Mondi asset swap. The demand recovery was particularly strong in Germany, Italy, the UK, France and Scandinavia. Management have indicated that in July, the beginning of Q3, demand for the groups corrugated products has remained firm. However, inputs costs are still rising and further price increases will be required in the second half of the year to compensate for this. Nonetheless the pricing outlook is strong as supply side discipline within the industry continues and inventory levels in the market remain at two year lows.

Latin America: The overall improving EBITDA performance also reflects the sustained strong contribution of its Latin American operations. This division for the first half of the year posted EBITDA of €92m, representing 23% of total group EBITDA. This was 31% higher than in Q2 2009 and resulted in EBITDA margins of 16.8%. On the demand side, volumes grew by 11% year on year. Geographically, Mexico continues to deliver double digit volume growth, while in the Columbian market, after a slower first quarter, the recovery accelerated strongly in Q2 and the group's prices were materially higher. On the negative side, the Venezuelan market remains challenging and the group's corrugated deliveries were lower year on year. Energy supply shortages negatively impacted activity and earnings in the period.

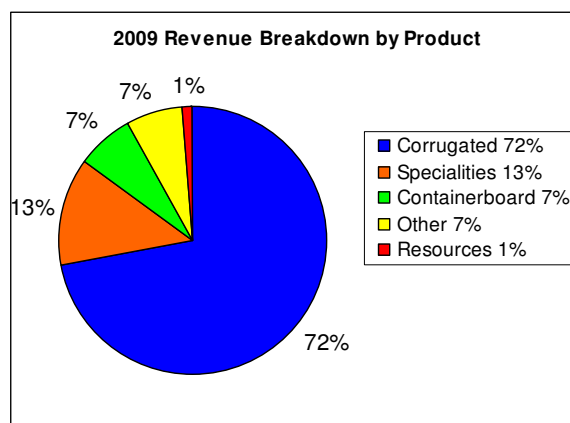
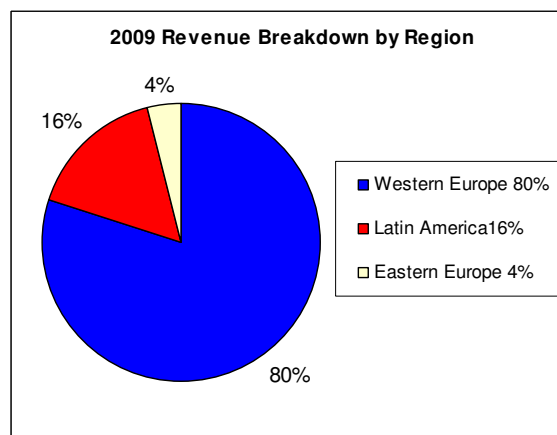
Balance Sheet: At the end of June the group's net debt was €239m higher than the December 2009 level. This primarily reflects working capital outflows of €127m, adverse currency movements of €103m and €56m of cash outflow relating to the asset swap. Nonetheless, we remain confident SKG will have reduced its net debt/EBITDA by year end, down from 4.2x at the end of Q1 and comfortably below covenants of 5.1x. It remains a highly cash generative business and management have a clear strategic focus on debt reduction. Indeed some areas of the market are calling for a return to dividend payouts by 2011/12. It is also worth noting that although the SKG's absolute amount of debt remains a concern the group's debt maturity profile is very favourable, with no significant debt maturing until 2013. Smurfit remains in a strong liquidity position with approximately €457m of cash on its balance sheet at the end of June 2010 and undrawn credit facilities of c. €525m.

Valuation: Smurfit's current valuation is very attractive when compared with its peers and considering the current stage in the industry cycle. It currently trades on EV/EBITDA multiple of 5.6x. This compares with an industry long term historical industry average of 7x and over is a discount of over 10% to its peers. Considering the proven strength of Smurfit's integrated operating model, leading industry margins, favourable industry supply dynamics and strong pricing recovery, we believe a multiple of 6x is more appropriate. This in line with its peers but a discount to historical sector averages reflecting the current risks to European growth. We therefore reiterate our Buy recommendation and price target of €9.50.

Descriptive Stats		Shareholders	
Year to date	24%	Smurfit Kappa FE	24.33%
52 Week High	€8.36	Madisson Dearbc	21.40%
52 Week Low	€4.20	Norges Bank	6.45%
Reuters	SKD.I	Polaris Capital	4.00%
Bloomberg	SKD.ID	Causeway Capita	4.00%

	FY09	FY10e	FY11e
Revenue €m	5,990	6,470	6,987
Operating Profit	348	467	672
EBITDA	866	890	1,048
EPS €	-0.11	0.39	1.27
P/E	N/A	18.72	5.75
DPS	0.00	0.00	0.00
Div Yield	0.00%	0.00%	0.00%

Peer Analysis	EV/EBITDA 10	EV/EBITDA 11
Smurfit Kappa	5.6	4.8
Mondi	6.2	5.5
Stora Enso	7.1	6.4
SCA	7.1	6.2



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