



October 16, 2006

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8461 ↑	4	0.05%	11.0	14.90%
FTSE 100	6157 ↑	36	0.59%	12.4	9.58%
DAX 30	6174 ↑	13	0.22%	15.0	14.15%
DOW	11961 ↑	13	0.11%	19.5	10.92%
NASDAQ	2357 ↑	11	0.47%	15.6	6.89%
S&P	1366 ↑	3	0.20%	21.0	9.69%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2508	0.6744	149.6500
Dollar	1.2508	1.0000	1.8546	119.6100
Sterling	0.6744	1.8546	1.0000	221.8100
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	58.5700			

## This Week's Research

## Today's Research Kingspan

## Today's Recommendation

## Breaking News

### IAWS announces largest ever acquisition

This morning IAWS announced the acquisition of US-based specialty baked goods company Otis Spunkmeyer Holdings Inc for approximately \$340m and additional milestone payments up to a maximum of \$25m. IAWS has bought Otis Spunkmeyer from private equity firm of Code Hennessy & Simmons and Otis Spunkmeyer's current management team. The acquisition will increase IAWS' sales in US by 200% to over \$530m. It is expected to be earnings enhancing from end of October, the scheduled date of completion. For the year to Dec 31, Otis generated revenue of \$336m, EBITDA of \$48m and operating profit of \$29.1m.

### Petroceltic finance director steps down

On Friday Petroceltic announced that Philip O'Quigley, Finance Director, has stepped down from the board of the Company to pursue other business opportunities.

### Ovoca Gold reports positive drilling results

Ovoca Gold has announced exceptionally high silver grades over much greater thickness than was originally modelled at the Zone 1 ore body at its Goltsovoye Project in Eastern Russia. All the intersections are at least 500 grammes per tonne higher than the minimum planned stope grade of 300 grammes per tonne, the company said. Drilling is now in progress on Ore Zone 2. Results for the full program will be announced soon after they are compiled and available.

### Kingspan (€16.45) Limited upside post H1 upgrades Stuart Draper Target : €17 (16/10/06 ; previously €14.25, issued 23/08/06)

- **Insulation growth** : Last month, Kingspan announced very strong results for the 6 months ended 30/06/06. Earnings per share of 40.4c was c.14% stronger than the consensus forecast and was a year on year increase of 32%. The main driver of the strong growth was 33% profit growth from the insulation products business, with 17% insulation panels sales growth, 10% insulation boards sales growth, and significant year on year margin expansion to 15.9% from 11.5%.
- **Structural growth** : However, 25% profit growth was also achieved from the group's structural business, helped by a full 6 month contribution from Century Homes, 17% sales growth, and expansion in the operating margin to 11% from 10.3%. 61% profit growth was achieved from access flooring, driven by 27% sales growth and margin expansion from 7.6% to 9.6%.
- **Recent upgrades** : As a result, since the announcement of the H1 results last month, the consensus 2006 eps forecast has been increased by c.10% to 83c, representing year on year growth of 26%. Given such a sizeable upgrade recently to consensus forecasts, there may be limited potential for further upgrades in the short term, which could limit share price upside.
- **Growth rate** : Also, given the more limited scope for margin expansion in 2007, this growth rate should slow to a more sustainable rate of c.15% in 2007, generating a 2007 eps of 95c. Both of these forecasts are significantly higher than the current consensus forecasts for 2006 and 2007 eps of 80c and 89c respectively. Higher input costs within the building materials' sector driven by higher commodity prices, will also limit the scope for further margin expansion in 2007.
- **Premium valuation** : Therefore, our current 12 month price target of €17 is based on a 20% premium to this 15% growth rate (peg ratio of 1.2x), or a multiple of 18x 2007 eps of 95c. With limited further upside to this level, we would recommend waiting for a share price correction to c.€15.50 before considering upgrading our recommendation again to BUY. The dividend yield paid by Kingspan of only c.1% is also unattractive by comparison with the yields paid elsewhere : **NEUTRAL**.

## Business Press

- Murtaghs make hard call to keep funding Smart (IT)
- Vodafone move criticised (FT)
- BHP in bonus dispute (IT)

## Investment Press

- **Bancassurance**: Bancassurance - merging banks and insurers - was the height of financial fashion in the 1990s but today the word is almost taboo.



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