



Tuesday 18th November 2008

**DAILY COMPANY NOTE — Kingspan** See page 2 & 3 for full details

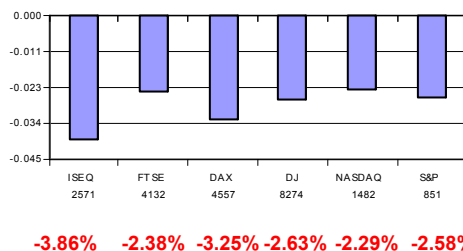
**Daily Market Comment**

**Yesterday's Summary :** Worries over the state of Bank of Ireland dominated Monday's trading on the ISEQ. Bank of Ireland's share price plummeted 23.5% to below €1 for the first time since 1991. It closed at €0.83 on the back of strong volume. Anglo Irish Bank also fared poorly, closing down 13.9% at €1.11. Outperforming its peers was Irish Life & Permanent which actually gained 0.7% to close marginally up at €1.56. Elsewhere, Kingspan's share price fell by 11.5% to close at €3.27, as it gave cautious guidance in its interim management statement.

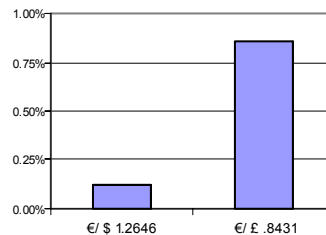
**Overnight News :** Renewed global economic gloom weighed heavily on US indices late in yesterday's session. This was mainly fuelled by proceedings in Japan, which announced it had officially entered recession as it reported two successive quarters of negative GDP growth. Fears over further heavy job cuts also weighed indices down, as Citigroup announced that it intends to cut 52,000 jobs. Dow: -2.6% at 8,274, NASDAQ: -2.3% at 1,482, S&P 500: -2.6% at 851.

**Breaking News :** **FBD Holdings** has reported its interim management statement in which it sees full year earnings 10% below market consensus. The company said it sees increased short term fluctuations in investment returns. **Lonmin**, the worlds third biggest platinum producer, has reported that full year revenues rose by 15% to \$2.23bn, while its full year EPS of \$2.91 came in ahead of analyst expectations of \$2.05. **Easyjet** reported full year pre-tax profits of £123 million. The airline said the outlook remains "very difficult and highly uncertain", and also announced that its fuel bill is expected to increase by another £100 million this year.

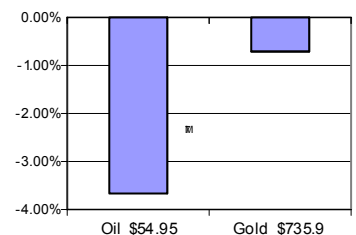
**Equity Indices change on day**



**Currency daily % change**



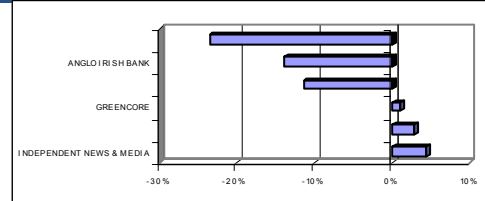
**Oil/Gold daily % change**



**News**

- "Pressure mounts on government to step in as Bol shares drop below €1"-(I.I)
- "Kingspan forecasts a 33pc drop in profits amid construction slump"-(I.I)
- "Citi to cut 52,000 more jobs"-(Financial Times)
- "Paulson's hedge fund moves into depressed securities"-(Financial Times)
- "HSBC paves a pathway in deepening loan crisis"-(The Wall Street Journal)

**ISEQ Performers/Losers 17/11/08**



**Market Themes & Movers**

**UK inflation registers sharp decline :** The UK Office for National statistics have announced consumer prices rose by 4.5% year on year, which is compared with 5.2% the previous month, representing the biggest monthly decline in inflation in at least 11 years. This was a larger than expected fall in inflation with economists' expecting a year on year increase of 4.8%. The biggest contributor to the fall was transport, which alone subtracted 0.5 percentage points from the annual rate. Despite the rate of inflation now exceeding the Bank of England's 2% target for a 13th month, the UK Central Bank Governor Mervyn King has said that the economy is probably in recession and policymakers will further cut interest rates in a bid to stimulate economic growth. Inflation is now seen as yesterday's problem with the Bank of England forecasting inflation will slow below the government's 1% lower limit, unless it reduces the benchmark interest rate from the current 3%. With oil and food prices tumbling down from record highs, Inflation expectations have been slashed, with many economists now beginning to worry about a deflationary environment.



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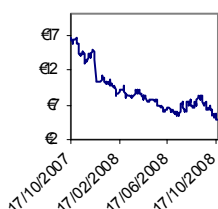
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# Kingspan

**ISEQ**
**Construction**
**Company Profile**

Kingspan Group operates a building products company, which specialises in the British and Irish markets. The group manufactures a range of cladding panels, raised access flooring, insulated systems and environmental containers.

**Statistics**
**Price Performance**

**Revenue by Geography**


- Britain & N. Ireland 55%
- Cent & East Europe 10%
- Western Europe 10%
- Americas 8%
- Rol 15%
- Other 2%

**Fundamental view**

- Yesterday, Kingspan issued an interim management statement covering the period 01/07/08 - 14/11/08. As expected the statement pointed towards continued weakness in the construction sector in particular Ireland and the UK with increased declines seen in September and October. For the 10-month period to 14/11/08 group revenue is down 10% compared to the same period last year. The group pointed out that residential construction in both Ireland and the UK remained weak while activity in the commercial sector slowed markedly. On the positive side, Kingspan noted that activity in the commercial and industrial sectors in Western and Central Europe remained robust, while in the US the sectors in which it operates have displayed more resilience than others. Kingspan also pointed out that while raw material prices had risen substantially in the first 9-months of the year, they have eased somewhat a trend with which we expect will continue and will improve margins for the company.
- As a result of the current difficult environment, Kingspan expects operating profit to fall by c. 33% for the full-year 2008 to c. €157m implying an EPS of €0.69. The group had already reported a 21% decline in operating profit for the first half of 2008 so the downgrade to guidance implies that operating profit for the second half of 2008 will decline by 45%. In relation to 2009, Kingspan anticipates that 2009 is likely to provide even tougher challenges than 2008. As a result we expect 2009 to see continued pressure on profits and forecast a further 35% drop in operating profit to c. €101m with EPS falling to €0.45.
- Net debt for Kingspan currently stands at €330m and the group's financial position remains sound following its agreement in October for a syndicated credit facility of €330m over five years. Kingspan's balance sheet remains one of the strongest in the sector with a net debt to EBITDA of 2.2x and forecasted EBIT to interest cover in excess of 7x.

**Valuation**

- On a long-term view we believe that Kingspan is well positioned given its product range, geographic diversity and strong balance sheet to take part in a recovery in the construction sector. We do however feel that a recovery in residential and commercial property is a 2010 story and retain our neutral rating on the stock. Our price target of €3.60 is based on Kingspan trading at 8x 2009 EPS of €0.45.

Major Shareholders	%	Peer Group Multiples.			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Eugene Murtagh	21.20%	<b>Kingspan</b>	13.0	7.2	-35.71%
Capital Group	10.30%	Rockwool International	6.3	9.7	-35.05%
Invesco	7.94%	SIG Group	2.8	3.2	-12.50%
Generation Inv. Managers	5.40%				

Shares Outstanding 166m

Share Data		Financial Data	2007a	2008e	2009e
Current Price (€)	3.25	Revenue (€m)	1,863	1,620	1,460
Mkt Cap (€m)	539	Operating Profit (€m)	237	157	101
Reuters	KGP.L	EPS (€)	1.11	0.70	0.45
Bloomberg	KSP ID	P/E(x)	2.93	13.00	7.22
Sector	Construction	DPS (€)	0.25	0.25	0.25
CEO	Eugene Murtagh	Dividend Yield	7.69%	7.69%	7.69%
CFO	Dermot Mulvihill				
Website	<a href="http://www.kingspan.com">www.kingspan.com</a>				





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