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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7580 ↑	2	0.03%	11.0	2.93%
FTSE 100	5657 ↓	-14	-0.25%	13.5	0.69%
DAX 30	5672 ↑	6	0.11%	15.0	4.88%
DOW	11144 ↑	16	0.14%	19.5	3.35%
NASDAQ	2194 ↑	14	0.62%	15.6	-0.52%
S&P	1267 ↑	5	0.41%	21.0	1.77%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2707	0.6810	143.3400
Dollar	1.2707	1.0000	1.8657	112.7700
Sterling	0.6810	1.8657	1.0000	210.3800
Yen	143.3400	112.7700	210.3800	1.0000
Oil (Nymex)	68.5300			

This Week's Research

Today's Research Kerry Group

Today's Recommendation

Breaking News

BAA to return £1bn to shareholders

Takeover target U.K. airport operator BAA is expected to unveil a £1 bn capital return to shareholders this week as part of its defense against a £8.75 bn hostile takeover bid from a consortium led by Grupo, according to media reports in the UK. BAA executives are working closely on the capital return plan to ensure it doesn't raise the ire of the U.K. Civil Aviation Authority, which has warned that it won't tolerate an over-borrowed company owning airports, The Mail on Sunday reported. The capital return announcement from BAA, which owns seven U.K. airports including London Heathrow, is expected Friday, according to the report. A BAA spokesman declined to comment on the £1bn capital return, noting the company has until May 29 to make changes to its defense strategy.

JP Morgan upgrades British Land price target

JPMorgan has raised its price target for British Land from 1,425 pence to 1,525 pence. The broker cites its confidence in UK property stocks and optimism ahead of the company's full year results tomorrow (Tuesday) as the motives behind the upgrade.

Credit Agricole is 'assessing Alliance & Leicester'

Credit Agricole said this morning that it has acknowledged recent speculation regarding its possible interest in Alliance & Leicester. Credit Agricole said it is assessing Alliance & Leicester, amongst others, but would note that its evaluation is at a preliminary stage. Credit Agricole has not made any proposal to Alliance & Leicester and there can be no certainty that any proposal or offer will be made. The Group said it remains focused on its strong organic growth prospects and incremental acquisitions in Central and Eastern Europe and the Mediterranean basin.

Kerry (€18) Energy costs & dollar limit 2006 growth Stuart Draper

- Growth depressed : In its AGM statement, Kerry Group has confirmed that "energy cost inflation, the weakening dollar and the volatility of raw material prices" have combined to cause the company to now expect to generate only c.4% earnings per share growth in 2006 to €1.37, versus previous consensus market expectations for 7% growth to €1.41.
- Dollar exposure : With the company stating in February that it was "comfortable" with consensus 2006 expectations, it is likely to have been the 7% weakening of the US dollar versus the Euro since then which triggered Friday's lowered guidance. Such a 7% weakening of the dollar reduces Kerry's earnings by c.2% and the strengthening dollar trend back in February may have led management to expect some further dollar strengthening rather than weakening over the course of 2006.
- Impact translational : However, with at least the same portion (c.40%) of Kerry's costs, such as interest, tax and goodwill, US dollar denominated, the FX impact on Kerry Group is purely translational rather than economic. Kerry is also well positioned to continue to implement some offsetting price increases because of its branded consumer food products and because of its range of key ingredients.
- Sell-off overdone : Kerry's closest peers, Danisco and Givaudan, currently trade at an average multiple of 15x 2006 eps. Valuing Kerry at the same multiple, based on a 2006 eps of €1.37 (3% lower than the previous consensus forecast of €1.41), gives a 12 month price target of €20.50 (14% upside). However, Friday's 8% share price fall would appear to have overly discounted such a 3% lowering of consensus 2006 earnings.
- Offsetting acquisitions : The AGM trading update also stated that the group "continues to explore bolt-on acquisition opportunities". Given that the £124m Noon acquisition was Kerry's only major deal in 2005, there is a high probability of an increased acquisition spend this year which would provide the potential for some offsetting earnings upgrades. Even though Kerry's own sustainable organic earnings growth rate is mid single digit, it is able to increase this growth rate to double digit through continuous acquisitions. Such acquisitions are earnings accretive as they can be internally funded out of Kerry's free cash flow generation : **BUY**.

Business Press

- Investors in GSK opting for anonymity (FT)
- Bidders hone Euronext offers (FT)
- Arcelor to study offer (FT)

Investment Press

- NYSE/Euronext: In the struggle for European unity it is often hard to tell who your true friends are. Rarely has that been more true, however, than in the contest for Euronext, which looks set to pit the New York Stock Exchange against Deutsche Börse.



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