



Tuesday 23rd September 2008

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

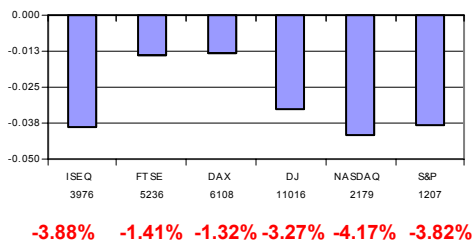
Daily Market Comment

Yesterday's Summary : The theme of financial turmoil dominating equity markets continued into this week as banks dragged global indices lower. This was evident on the ISEQ yesterday as it ended the session down 3.88% at 3976.01. The financials finished considerably lower with Anglo Irish Bank dropping 16% to €4.70 and Bank of Ireland losing 9.8% to €4.69. Irish Life & Permanent bucked the trend closing up 4.27% at €6.40, perhaps benefitting from its relatively low property market exposure.

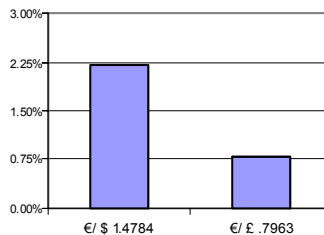
Overnight News : Large volatility was seen in overnight markets across various asset classes. In currencies, the dollar tumbled against a basket of currencies. The decline was especially evident against the Euro where the cross hit a high of 1.4866. This exacerbated the surge in crude oil which spiked to a high of \$130 a barrel, due to shorts closing out positions before expiry of crude's October contract. In contrary to crude's price surge, US equity markets fell sharply in the second half of the session on Wall Street. The Dow closed down 372 pts at 11015, while the S&P 500 fell 48 pts to close at 1207.

Breaking News : Japanese broker dealer **Nomura Holdings** is to buy the Asian operations of Lehman Brothers after outbidding rivals on Monday and also emerged as the front-runner to buy the bankrupt bank's businesses in Europe. Nomura said it would buy Lehman's franchise in Asia Pacific, including Japan and Australia and 3,000 staff. It is likely to pay up to \$525 million for the business. **EU PMI** Services & Manufacturing industries contracted for a fourth month in September as the freeze in credit markets continued leading to European companies reducing production in response to slowing orders. The composite index dropped to 47 from 48.2 in August. **Microsoft** has announced that it plans to buy back up to \$40 billion of its own stock over the next five years. Recent market declines have driven down valuations, making share buybacks a more attractive use of capital.

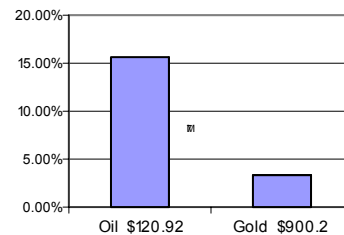
Equity Indices change on day



Currency daily % change



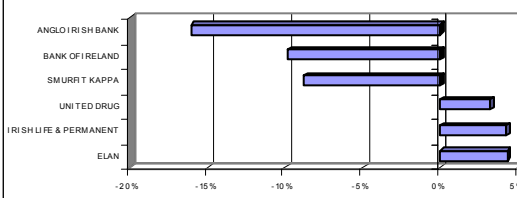
Oil/Gold daily % change



News

- "Goldman and Morgan Stanley end era on Wall St"-(The Irish Times)
- "Oil climbs \$25 a barrel in biggest single-day gain"-(The Irish Times)
- "Regulator weighs up doomsday option with banks"-(The Irish Times)
- "Aryzta beats forecasts for earnings over year by 1.5pc"-(Irish Independent)
- "Microsoft to spend \$40bn on its first share buyback"-(Irish Independent)

ISEQ Performers/Losers 22/09/08



Market Themes & Movers

Goldman Sachs and Morgan Stanley to convert to new model : The Federal Reserve has agreed to convert investment banks Morgan Stanley and Goldman Sachs into bank holding companies. The Fed said the move may become effective immediately. The change in status allows the last two major independent investment banks on Wall Street to take advantage of different accounting rules, which will give them more access to federal funds and may buy them some time to stabilise their funding base by acquiring deposits. Morgan Stanley said it plans to "pursue initiatives to expand the retail banking services it offers its retail clients and build a stable base of core deposits." Despite their new operating status, neither firm will be required to dispose of non-financial assets, such as commodities, that banks are normally prohibited from owning, for at least two years.

Fed's move to deal with crisis : The Bush administration and the Federal Reserve are moving on multiple fronts in an effort to calm financial markets. The Bush administration has asked Congress for unchecked power to buy \$700bn in bad mortgage investments from US financial companies in what is an unprecedented government involvement with financial markets. The move is set to raise US national debt to the highest levels since 1954 and perhaps drive it to above 70% of gross domestic product economists have estimated. Paulson is set to be questioned on the borrowing impact of his plan at a hearing at the Senate Banking committee today.



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Aryzta

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Food
Company Profile

The Group's principal activity is manufacturing and distributing convenience food, and agri and nutrition products. The Group's operations are carried out through two divisions. Food manufactures and distributes convenience food under such brands as Just, Shamrock, Roma, Cuisine de France, La Brea and Carroll Cuisine.

Statistics
Sales by Division


■ Europe ■ America

□ Origin

Fundamental view

- Aryzta released its first set of results since the merger of IAWS and Heistand AG. The results were stronger than expected with EPS beating expectations at €2.022 and revenues stronger than expected at €3.134Bn.
- Aryzta continues to have a strong balance sheet with net debt to EBITDA at 2.15x excluding Origin Enterprises. Also free cash flow increased by 34.4% to €183.5m and management stated the structure of the Aryzta merger conserves cash and leaves the group in a position to add further acquisition through debt. In the future.
- Revenue growth remains strong with Heistand AG increasing revenues by 14.5% for their first 6-months and IAWS increased underlying revenue by 14% on a constant currency basis. Operating margins for IAWS Food group increased by 20bps despite higher input costs from food commodities and fuel.

Valuation

- At the press conference afterwards, management reiterated their aim to double EPS over a 5-year period achieved through organic growth and by acquisition. The strong cash generation of the group plus the loan facilities already in place allows Aryzta to make further purchases, adding to earnings.
- The position of the group in new growth markets in Asia and the Middle East diversifies its FX exposures, and allows it to take advantage of growth in the speciality Bakery market in those areas.
- We estimate EPS for 2009 to grow by 10% to €2.202 and we apply a 16.5x multiple to value the Aryzta at €37.00 per share. The ability of the firm to make further acquisitions, the pass on of increased input costs to customers and the strong balance sheet of the company justify this multiple.

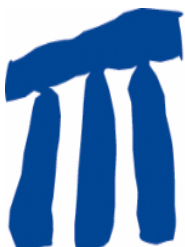
Next Catalyst

- The next catalyst for the company is on the 21st of October when a US peer, Panera Bakeries, reports Q3 results.
- In addition Aryzta is likely to experience increased analyst coverage. Many institutional brokers have yet to initiate research on Aryzta, a factor which is expected to prove positive to the stock, over the coming months.

Major Shareholders	%	Peer Group Multiples			
Fidelity Mgt. & Research	10.40%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Abderhalden Albert	0.40%	Aryzta	16.4	14.9	10.07%
MD Management	0.23%	Unilever	16.1	14.7	9.52%
		Kraft Foods	16.7	15.4	8.44%

Shares Outstanding 78.94m

Share Data		Financial Data	2008	2009e
Current Price (c)	32.80	Revenue (€m)	3,134	3,859
Mkt Cap (€m)	2,589	PBT (€m)	218	240
Reuters	IAW.I	EPS (€)	2.02	2.22
Bloomberg	YZA ID	P/E(x)	16.24	14.77
Sector	Food	DPS (€)	N/a	0.36
Chairman	Denis Lucey	Dividend Yield	N/a	1.10%
CEO	Owen Killian			
Website	www.aryzta.com			





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