Dolmen Daily
DOLMEN STOCKBROKERS
Tuesday 23rd February 2010

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IRISH PAPERS TODAY

Honohan says those guilty of bank crisis crime must face jail *(The Irish Times)*

IFSC tax yield down 25 per cent last year *(The Irish Times)*

"Unwise" British lenders added o recession in Ireland, Central Bank boss says *(Irish Independent)*

INTERNATIONAL PAPERS TODAY

Looming strikes pile pressure on airlines (*Financial Times)*

US demands Toyota documents (*Financial Times)*

Pressures rise over Greece deficit problem (*The Wall Street Journal)*

Market View — Analyst : Stephen Taylor

European equities are stronger this morning reversing all of yesterday's losses primarily on better than expected earnings results. Kerry Group, Heineken and Carlsberg have all posted strong results today and provided relatively upbeat outlooks. We continue to point out that the outlook for corporate profit is improving as highlighted with the majority of US and European companies reporting results over the last month. While risks do remain primarily surrounding sovereign debt that will continue, we maintain our positive stance on markets for now and continue to advocate buying on weakness. We prefer companies that generate a larger proportion of their revenue outside of Europe and in particular exposure to a recovering US economy and emerging markets. Such companies include; Microsoft, Intel, Siemens, Kerry Group, BHP Billiton and Xstrata. As for today the main focus will be on corporate and economic data out of the US. On the corporate side, there is a host of companies reporting before the US market opens primarily with a retail focus including; Home Depot, Target & Macy's. On the economic front, housing data in the form of Case Schiller is expected to show further improvement, while consumer confidence data and Richmond Fed manufacturing will also be in focus.

CRH: Buy — Previous Close €17.60 — Target €20.50 — Analyst Stephen Taylor

Wolseley has issued a trading statement this morning indicating that it expects group trading profit before exceptional items to exceed current analyst expectations for the full year. The anticipated better than expected result has been primarily driven by better than expected cost efficiencies. In relation to its outlook , Wolseley maintains that the economic environment continues to provide limited visibility and demand is not consistent across its business units. CRH is due to report full year results on March 2nd, where we expect the group to issue a relatively cautious outlook similar to peers, however highlight further cost savings initiatives and strong cash flow generation.

Kerry Group: Buy — Previous Close €22.56 — Target €24.00 — Analyst Oliver Gilvarry

Kerry Group released full year results this morning that were ahead of expectations. EPS for the year was ahead of our estimate of 164.5c at 166.5c. Operating margins for the group increased by 80bps to 9.3% with Ingredients & Flavours at 10.4% (up 90bps) and Consumer Foods at 7.1% (up 40bps). Turnover was down 4.8% to €4.520bn on a like for like basis, but when group volumes are looked at on a continuing business basis they were 2.2% ahead yoy. Continuing business volumes in Ingredients were up 2.9% over the year while Consumer Foods were flat. Following the increase in dividend at the half year, the Board is recommending a final dividend of 17.3c, an increase of 10.9%. Ingredients & Flavours is benefitting from a full year of the "Go-to-Market" programme in the Americas market. Consumer Foods was impacted by the economic downturn in Ireland and the UK. Significant cost control helped the improvement in margins during the year. UK brands performed well offsetting a mixed performance from private label which was impacted by significant promotional activities by major brands in the diary and low fat spreads areas in particular. Frozen ready meals were flat compared to 2008 as the stronger Euro over the year impacted on sales to the UK. Brands in Ireland had a difficult year as consumers moved to private label. Some recovery in the Denny, Galtee and Shaws were seen towards the end of the year. A similar scenario was experienced in Freshways after a very difficult 2009. Management are bullish on 2010 and are guiding EPS in the range of 182 to 185c. They believe their strategies and investment programme will enable sustained margin improvement going forward. We remain buyers of Kerry and see the strong performance delivered in 2009 to be continued in 2010 with improving economic conditions and a better currency outlook giving support.

Beverage Sector: Heineken & Carlsberg Report — Analyst Edward Keeling

Heineken and Carlsberg reported full year results this morning and both posted results that were broadly in line with expectations. Carlsberg's operating profit for the period of 1.64 billion crowns was in line with analysts' estimates and up from 1.39 billion crowns a year earlier. It has continued to take market share, with particularly strong gains in Russia. For 2010 the group is guiding for net profit growth of 20% and it has set a new mid-term operating profit margin target of 20%. Heineken also reported full year 2009 operating profit in line with expectations at €2.1bn reflecting strong organic growth of 18%. Strong African and emerging markets exposure continues to help offset further declines in Western Europe. Net profit was better than consensus forecasts primarily on lower tax and minorities than expected. Going forward the group is anticipating further volume deterioration in some regions reflecting continued down trading. It expects where possible to improve it's pricing, however it expects these price increases will be well below 2009 levels.

Irish Financials **Analyst** Oliver Gilvarry

Reports in the Irish Independent this morning indicate the amounts of loans moving in NAMA may be different than disclosed in September. AIB is reported be moving a maximum of €23bn (€24bn), BOI is to move less than €14bn (€16bn) and Anglo is to move between €30-33bn (€28.4bn). The article also states the European Commission is due to approve NAMA by the end of the week. The Minister for Finance has also indicated the first loans for NAMA may not be moved until March. The approval of NAMA will be a positive, but the market is really waiting for some clarity over the haircuts applied to the loans to appear.

Smurfit Kappa: Buy **Previous Close** €6.44 **Target** €7.15 **Analyst** Edward Keeling

Mondi, the South African paper producer and peer of Smurfit Kappa, has reported a full year eps of 18.7c, in line with its guided range of 16-20c. As indicated by Smurfit Kappa's Q4 update on February 10th, the group has signalled there has been a clear pick up in European trading conditions in the final quarter. It has seen a strong performance from its European uncoated paper and reflecting strong cash generation it net debt has been reduced to €1.5bn. It has also delivered a strong cost management performance, delivering cost savings of €251m, significantly in excess of its target. In terms of guidance, the group has said that incorporating the steady improvement in industrial order volumes, together with some recent price recovery in the European packaging grades, it is well positioned for the year ahead.

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Market Movers

DOLMEN STOCKBROKERS

International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,967	0.0%	0.0%
FTSE	5,352	-0.1%	-0.5%
Dow Jones	10,383	-0.2%	-0.4%
S&P	1,108	-0.1%	-0.6%
Nikkei	10,400	2.7%	-1.8%
Stoxx 50	2,778	-0.5%	-5.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	259	-0.4%	-5.8%
Technology	195	0.2%	5.8%
Oil & Gas	323	-0.2%	-2.0%
Financials	209	0.6%	-5.5%
Retail	246	-1.3%	1.0%
Food & Drink	311	-0.8%	2.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	80.3	0.3%	-0.5%
Copper	332.9	-1.5%	-0.2%
Gold	1,114.3	-0.4%	2.0%
Silver	16.2	-1.2%	-2.6%
Wheat	515.3	2.2%	-7.4%
Cattle	93.2	-0.1%	3.8%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.360	-0.1%	4.7%
€/£	0.878	-0.2%	0.8%
£/$	1.548	0.1%	4.0%
$/JPY	91.150	-0.4%	2.2%
€/JPY	123.930	-0.5%	7.1%
€/SFR	1.463	-0.1%	1.1%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	81.2	-2.5%	19.1%
High Yield	469.7	-2.6%	8.9%
Financials	88.5	-3.0%	29.7%
BoI	230.7	-2.7%	-5.4%
AIB	249.4	-1.3%	-9.3%
RBS	156.4	-3.8%	16.2%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.2%	0.9%	0.5%
2-Year	1.5%	1.6%	1.2%
5-Year	2.6%	3.0%	2.8%
10-Year	3.4%	4.0%	3.9%

Date	Company	Region	Event
23/02/2010	Carlsberg A/S	DK	Q4
23/02/2010	Vallourec SA	FR	Q4
23/02/2010	Continental AG	DE	PRELIM
23/02/2010	Merck KGaA	DE	FINAL
23/02/2010	Dragon Oil PLC	IE	PRELIM
23/02/2010	Kerry Group PLC	IE	PRELIM
23/02/2010	Heineken NV	NL	FINAL
23/02/2010	Addex Pharmaceuticals Ltd	CH	FINAL
23/02/2010	Brammer PLC	GB	PRELIM
23/02/2010	Drax Group Plc	GB	PRELIM
23/02/2010	Morgan Sindall PLC	GB	PRELIM
23/02/2010	Spectris PLC	GB	PRELIM
23/02/2010	Macy's	US	Q4
23/02/2010	Office Depot	US	Q4
23/02/2010	Sears Hldngs Corp	US	Q4
23/02/2010	Target Corp.	US	Q4
23/02/2010	Watson Pharma.s	US	Q4
23/02/2010	Home Depot Inc	US	Q4
24/02/2010	Accor SA	FR	Q4
24/02/2010	Fresenius SE	DE	FINAL
24/02/2010	Iberdrola SA	ES	Q4
24/02/2010	Barratt Developments PLC	GB	INTERIM

Date	Event	Region	Estimate
24/02/2010	GDP s.a. (QOQ)	GE	- -
24/02/2010	Government Spending	GE	- -
24/02/2010	Imports	GE	- -
24/02/2010	Exports	GE	- -
24/02/2010	GfK Consumer Confidence Surve	GE	- -
24/02/2010	Industrial New Orders SA (MoM)	EC	- -
24/02/2010	MBA Mortgage Applications	US	- -
24/02/2010	New Home Sales MoM	US	- -
25/02/2010	Unemployment Rate (s.a)	GE	- -
25/02/2010	Euro-Zone M3 s.a. (YoY)	EC	- -
25/02/2010	Business Climate Indicator	EC	- -
25/02/2010	Euro-Zone Consumer Confidence	EC	- -
25/02/2010	Durable Goods Orders	US	1.50%
25/02/2010	Initial Jobless Claims	US	- -
25/02/2010	House Price Index MoM	US	- -
26/02/2010	GfK Consumer Confidence Surve	UK	- -
26/02/2010	GDP (QoQ)	UK	- -
26/02/2010	Private Consumption	UK	- -
26/02/2010	Government Spending	UK	- -
26/02/2010	Exports	UK	- -
26/02/2010	Imports	UK	- -
26/02/2010	Euro-Zone CPI (MoM)	EC	- -

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