



February 27, 2007

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9884	↓ -26	-0.26%	11.0	5.06%
FTSE 100	6435	↑ 33	0.52%	12.4	3.44%
DAX 30	7028	↑ 35	0.50%	15.0	6.53%
DOW	12632	↓ -15	-0.12%	19.5	1.35%
NASDAQ	2505	↓ -11	-0.42%	15.6	3.69%
S&P	1449	↓ -2	-0.13%	21.0	2.19%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	#N/A	#N/A	#N/A
Dollar	#N/A	1.0000	#N/A	#N/A
Sterling	#N/A	#N/A	1.0000	#N/A
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	61.3900			

This Week's Research  
McInerney

Today's Research  
Kerry Group

Today's Recommendation

## Breaking News

### Positive news for C&C ahead of Wednesdays trading statement

Figures out in the UK show that cider clearances in 2006 rose by 18% on the prior year while beer was down by 3.2%. The upshot is that cider's market share is up 1.9% to 11.9%, a record and very good news for C&C. Also its UK peer, Scottish and Newcastle released good operating results with particular emphasis on the strength of the UK cider market. The UK cider market is key to the success of C&C and the read through from Scottish and Newcastle is positive for the stock. C&C have a pre-close final trading update on Wednesday that is expected to be bullish. The market is also expecting C&C to announce their plan to expand into a major European market.

### Consolidation in the Building materials sector boosts CRH

Indian cement major Gujarat Ambuja Cements announced today that they exercised a put option to sell an 11% stake in Ambuja Cement India Pvt. Ltd. to Swiss cement major Holcim for \$119m. Following the stake sale, Gujarat Ambuja will hold 22% in Ambuja Cement, or ACIL, with Holcim holding the remaining 78%. This deal follows on from Holcim intended offer for all outstanding shares it doesn't own in its subsidiary St Lawrence Cement and is the latest in latest move by a major player in the market to consolidate. Last week US group Vulcan Materials bid for Florida Rock and Cemex is still trying to acquire Australian group Rinker. Such M&A activity is a positive for building material companies' stock prices.

### Largest leveraged buyout in history launched

Texas power company TXU said yesterday it agreed to be acquired by a group led by private equity firms Kohlberg Kravis Roberts & Co. and Texas Pacific Group for \$31.8-billion in the largest leveraged buyout in history. The investor group will pay \$69.25 per share for TXU, a 15.4% premium over TXU's closing stock price of \$60.02. Including debt, the TXU deal is valued at \$45-billion. The buyout firms are paying 8.5 times EBITDA (earnings before interest, tax, depreciation and amortization) for TXU, compared with an average for the utilities industry of 7.9 times EBITDA.

## Business Press

- Zamano begins trading on IEX (IT)
- Exceptional items behind IWP's €34m loss (IT)
- BskyB facing inquiry over 17% stake in ITV (IT)
- Iran tensions prompt oil rise (IE)

**Kerry (€20.46)** Full year results announced **Stuart Draper**  
Target : €23 (27/02/07 ; previously €19, issued 05/09/06)

- Results announced : This morning, Kerry Group announced its results for the year ended 30/06/06. Revenue and earnings per share of €4.65 bn and 133.9c respectively were slightly ahead of consensus forecasts of €4.56 bn and €1.32, and were year on year increases of 5% and 2%. The slightly better than expected earnings growth was driven by slightly stronger than expected revenue growth, being offset by higher input costs, particularly energy costs.
- Pricing power : However, the company's outlook indicated that some price increases are now being achieved to offset these higher input costs, in line with recent results from peers such as Danone, Unilever and Nestle, which all achieved operating margin expansion in H2 2006. Further business disposals and rationalisations during the course of 2007, such as the poultry division sold at year end, would create the potential for 2008 operating margin expansion of 0.25%.
- Earnings growth : As a result, the combination of further high single digit revenue growth combined with operating margin expansion could result in the current consensus forecasts for 6% earnings per share growth in 2007 and 2008 to €1.40 and €1.48 respectively, being upgraded to c.10% by the end of 2007. Further bolt-on acquisitions in food and ingredients, particularly in the flavours and bio-science sectors, as well as additional investments extending the product range and geographic reach of the group's existing product offering, would help this to be achieved.
- Peer discount : Given that Kerry's closest peers, Danisco and Givaudan, are now trading at an average of 17.5x consensus 2007 eps, any more than a 5% discount for Kerry is excessive, given the group's track record over 20 years of acquisition led earnings growth. As a result, our new 12 month price target of €23 (12% further upside) is based on 16.5x 2007 eps of €1.40. Kerry's share price has risen by 18% since our last BUY note of 05/09/06 : BUY.

## Investment Press

- Cash is alive and kicking: If, as many predict, the days of cash are numbered, nobody has told the companies that make the stuff, or investors. This month the UK's De La Rue, the world's largest private maker of bank notes, raised its trading outlook.

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