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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7976 ↑	33	0.41%	11.0	8.32%
FTSE 100	5876 ↑	15	0.26%	13.5	4.58%
DAX 30	5915 ↑	44	0.76%	15.0	9.37%
DOW	11098 ↑	36	0.32%	19.5	2.92%
NASDAQ	2307 ↑	20	0.88%	15.6	4.62%
S&P	1294 ↑	5	0.36%	21.0	3.95%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1872	0.6815	137.9300
Dollar	1.1872	1.0000	1.7407	116.1900
Sterling	0.6815	1.7407	1.0000	202.3600
Yen	137.9300	116.1900	202.3600	1.0000
Oil (Nymex)	61.0000			

This Week's Research
Vodafone

Today's Research
Kerry Group

Today's Recommendation

Kerry Group (€18.65) 2005 results announced Stuart Draper

- Results announced : This morning, Kerry Group announced its results for the year ended 31/12/05. Profit before tax and earnings per share of €311.86m and €1.316 respectively were slightly ahead of consensus forecasts of €310.5m and €1.31, and were year on year increases of 3% and 7%.
- Margin stabilisation : The results showed some "good margin recovery" in H2, with price increases helping to achieve a stabilisation in the group's trading margin, as some of the higher raw material costs of H1 were successfully passed on. The other factor driving H1 2005 margin erosion of 0.1%, an FX loss of €12m from translating US dollar and sterling profits into Euro, should also reverse in H1 2006.
- H2 acceleration : The company also stated that it was confident of meeting 2006 expectations and is currently seeking acquisition opportunities. 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 can be internally funded as a result of the company's consistent track record of free cash flow generation.
- Acquisition growth : The most recent example of this was the group's August 2005 acquisition of UK ready-made Indian food producer, Noon Group, for £124m, in an expansion of its UK chilled ready-made meals business. Financed through existing lines of credit, the deal should boost group earnings growth as ready-made meal sales continue to grow at a high double-digit rate on a sustained basis. As this was Kerry's only major deal in 2005, there is a high probability of an increased acquisition spend in 2006 which would provide the potential for further earnings upgrades.
- Market positioning : The Noon acquisition, which will make its first full year profit contribution in 2006, also reduces Kerry's dependency on Tesco for chilled ready-made meals as Noon is the number 1 supplier to Sainsbury and Morrison. Kerry is also well positioned to continue to implement price increases because of its branded consumer food products and because of its range of key ingredients.
- Peer discount : Kerry's closest peers, Danisco and Givaudan, currently trade at an average multiple of 15x 2006 eps. Valuing Kerry at the same multiple gives our current 12 month price target of € 21 (13% further upside), which is based on 15x 2006 eps of €1.40 : **BUY**.

Breaking News

RBS to buy back shares as profit jumps

Royal Bank of Scotland beat analyst expectations with a 16 percent rise in 2005 profits on Tuesday, and said it would buy back shares worth up to 1 billion pounds this year. Profit of £8.25 billion beats consensus forecast of £8.1 billion. Income rose 14 percent to 25.57 billion pounds, fuelled by strength in corporate banking and tight control on costs. The dividend increase of 25% is a big positive surprise—they have been raising their dividend by 15% a year for many years.

PartyGaming beats forecasts, CEO to leave

Revenues were \$977.7 million in 2005, compared to \$601.6 million the previous year and a consensus estimate of \$975 million, said the owner of the PartyPoker and PartyCasino websites. In the seven weeks to Feb 18 daily poker revenues increased 9 percent compared to the fourth quarter of 2005, while blackjack revenues fell slightly. Richard Segal announced today that he is to step down after a year in which the group beat forecasts by boosting revenues 63 percent.

Cable & Wireless to cut up to 3,000 UK jobs

British telecoms company Cable & Wireless PLC will cut up to 3,000 jobs over the next five years as part of a restructuring of its UK business that will see it reduce its customer base by 90 percent to 3,000. C&W announced today that concentrating on "fewer, larger customers and reducing complexity in its products, systems and processes, it can set new standards for customers, while at the same time reducing costs".

Taylor Woodrow year profit up 2percent

British housebuilder Taylor Woodrow has reported an increase in annual profit by 2 percent and that it was well placed to benefit from any continued improvement in UK customer confidence.

Business Press

- Vodafone in £23 billion goodwill writedown (FT)
- C&C hopes to double UK market share with Magners (IT)
- AGI Therapeutics shares trade on IEX and AIM (IT)
- Baltimore opts for London listing with AIM move (IT)

Investment Press

FTSE gains on hopes of power consolidation

News from National Power that it had agreed a \$7.3bn deal to buy KeySpan of the US and the attempts to merge Gaz de France with French water group Suez pushed International Power shares to a near-seven year peak.



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