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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7382 ↑	10	0.14%	11.0	0.24%
FTSE 100	5652 ↓	-29	-0.51%	12.4	0.60%
DAX 30	5459 ↓	-55	-1.01%	15.0	0.94%
DOW	10925 ↓	-121	-1.09%	19.5	1.31%
NASDAQ	2100 ↓	-33	-1.57%	15.6	-4.76%
S&P	1239 ↓	-11	-0.91%	21.0	-0.47%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2576	0.6904	146.1600
Dollar	1.2576	1.0000	1.8214	116.2000
Sterling	0.6904	1.8214	1.0000	211.6500
Yen	146.1600	116.2000	211.6500	1.0000
Oil (Nymex)	71.9200			

**This Week's Research**  
Standard Life  
INWS

**Today's Research**  
Kerry Group

**Today's Recommendation**

## Breaking News

### Fitch affirms WW's IDR at 'CCC'

Yesterday Fitch affirmed Waterford Wedgwood's rating at 'CCC' and Short Term 'C'. The agency has downgraded the senior secured debt rating to 'B-' from 'B'. The Mezzanine notes have been downgraded to 'CC'/RR6 from 'CCC'/RR5. Fitch said that while it expects operating losses to narrow in FY07, the latest restructuring will likely not to be sufficient to restore profitability at WW, let alone contribute to generate positive net free cash flow in the foreseeable future.

### Ifo report raises rate expectations

Germany's business confidence unexpectedly jumped to a 15-year high in June, according to the latest Ifo report, and increase the chances of more rate hikes from the ECB before the end of the summer. The Ifo business confidence index rose to 106.8, the highest since February 1991. The report said the business climate in manufacturing had brightened. Survey participants were more satisfied with their current business situation and also appraised their six-month outlook more favorably than in the previous month, the Ifo said. However, expectations in the exports sector were slightly less optimistic than in May. In retailing, the business climate index rose clearly and it improved slightly in construction, the report said.

### Trinity Biotech completes acquisition

Trinity Biotech has completed the previously announced acquisition of bioMerieux's coagulation product line for \$51.9m. Trinity has paid \$40m on closing and will pay a maximum of \$6.4m after 12 months and a maximum of a further \$5.5m after 24 months. Of the payments, \$5.5m is contingent on the achievement of certain milestones for the product line during the remainder of 2006. Following the merger of Trinity's existing Biopool and Amax coagulation product lines with the bioMerieux product line it is estimated that Trinity's share of the worldwide coagulation market will be 13 percent. Trinity will be discontinuing various existing coagulation products and this will result in a one-off inventory write-off of \$5.8m.

### Kerry (€17.20) Starts buying back its shares Stuart Draper

- Buy back : Kerry Group has started buying back its own shares, with an initial purchase of 250,000 shares at €17.05. The current programme enables 2.8m shares to be repurchased, representing 1.5% of the total number of shares in issue. The 250,000 shares repurchased so far are being held as treasury shares, reducing the number of shares in issue to 187.1m.
- Technical support : In addition to providing some reassurance that the shares are attractively valued at current levels, with Kerry's average volume at c.150,000 shares per day, the repurchase of a further 2.55m shares should provide a significant technical support for the price in the weeks ahead.
- Impact translational : At its AGM last month, Kerry 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% eps growth in 2006 to €1.37, versus previous consensus market expectations for 7% growth to €1.41. With every 7% weakening of the US dollar versus the Euro reducing reported earnings growth by c.2%, most of the lowered guidance was caused by the US dollar weakening since February. However, with at least the same portion of Kerry's costs as its revenues (c.40%), US dollar denominated, the FX impact on Kerry is purely translational, and not economic.
- Sell-off overdone : Kerry's closest peers, Danisco and Givaudan, currently trade at an average multiple of 14.5x 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 (16% upside). The 11% fall in the share price since 19/05/06 would appear to have overly discounted 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

- Aer Lingus staff will get 3% pay rise after IPO (IT)
- Oil leaps over fraud in banker's fear list (FT)
- Fears over surge in high risk mortgages (FT)

## Investment Press

- Euronext/NYSE: In the wrestle to consolidate an industry, the New York Stock Exchange is ahead, but only on points. Its bid, currently worth €72 per share, has been accepted by Euronext and is above Deutsche Börse's €70 alternative.



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