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C&C : Year end trading statement

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Market Movers

IRISH PAPERS TODAY

Paddy Power defies odds as profits rise by 4pc to €79m
(Irish Independent)

C&C denies sale of its spirits side
(Irish Independent)

AIB records first loss in State since founding in 1966
(The Irish Times)

INTERNATIONAL PAPERS TODAY

HSBC pulls back as profit declines
(The Wall Street Journal)

Bleak day for world markets
(Financial Times)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-3.1%	-25.2%
BP	-5.7%	-20.0%
CRH	-5.6%	-18.7%
E.ON	-5.7%	-31.1%
HPQ	-3.3%	-22.7%
IL&P	-6.6%	-47.9%
INM *	-7.0%	-67.9%
J&J	-4.2%	-19.9%
JPMorgan	-7.4%	-32.9%
Microsoft	-2.2%	-18.8%
Paddy Power	4.9%	-11.8%
Vodafone	-3.5%	-12.5%

* We are currently Neutral on IN&M

Market View

Analyst : Oliver Gilvarry

The weakness in equity markets continued after the European close with the DJIA falling 4.2% and S&P 500 down 4.7%, with the S&P now back to 1996 levels. The move out of equities continued into Asia with the Nikkei falling below 7,100 before recovering some ground to the current 7,230. The worries over the financial system and the continuing bailout of financial companies such as AIG will weigh on equity markets as no meaningful economic recovery can begin until the financial system stabilises. Overnight the Reserve Bank of Australia left rates on hold at 3.25% and stated the economy is weathering the downturn better and fiscal and monetary steps taken are sufficient so far to support the economy. Other economic data is light today, the Bank of Canada is due to cut rates to 0.50% at 14.00 and US pending home sales are due to be released at 15.00 with a decrease of 3.5% expected for February. ECB's Weber speaks at 11.00 after the regular Franco-Germany finance and economic meeting followed by Bernanke who testifies before the Senate budget committee at 15:00. The UK taps the bond market today at 10.30 with the issuance of £3.75bn of 2011 gilts to the market. Demand should be strong as the issuance is only two days before a MPC meeting where the market expects another 50bps cut in base rates to 0.50%. There is also a chance the MPC will announce details of Quantitative Easing at Thursday's meeting which would be positive for 10-year gilts.

CRH: Buy **Current Price (€14.76)** **Price target (€22.00)** **Analyst : Stephen Taylor**

CRH has reported its full year results this morning and the group's 2008 performance was in line with expectations and guidance issued in January. In conjunction with the results, and as speculated from various sources recently, the company has announced a 2 for 7 rights issue of 152m new ordinary shares at €8.40 each. This represents a 39.3% discount to the TERP based CRH's closing price yesterday. This implies a theoretical ex-rights price of €13.85 and the company has said it intends to raise €1.238bn net of expenses. €500m of the proceeds will be used to make early repayment of debt, with the remainder €738m to be used to pursue acquisition targets. We view this announcement as a positive as it will ensure the group is well positioned to take advantage of attractively priced assets that will surely come onto the market over the coming months. It will enable CRH to strategically position itself to expand into the downturn. Aside from the rights issue, the group's results were in line with our expectations. Sales revenue was €20,887m, unchanged from last year, while profit before tax was €1,628, down 14% from 2007. The group raised its full year dividend by 1.5% to 69c, resulting in a dividend cover for the year of 3.4x, just below the company's target of 3.5x. Despite lower profitability and with net debt of €6,091m, EBITDA/net interest cover remained comfortable at 7.8x for the year, which is down from 9.4x last year. The group has reiterated that its 2009 outlook remains very challenging, made worse by the severe weather conditions across Europe and America during the months of January and February. In light of this, management has guided that the first half of 2009 is likely to be sharply down on 2008. On a positive note the group is expecting that with lower energy costs, interest rate reductions and the recently agreed stimulus package, activity should improve as the year progresses. Overall we are comfortable with CRH's 2008 results and reiterate our BUY recommendation.

C&C: Buy **Current Price (€1.00)** **Price target (€2.10)** **Analyst : David Dunk**

C&C has released a trading statement for the year ending February 2009. Revenue declined 13% over the year, with adjusted operating profit of c. €90m, in-line with company guidance. The company posted a non-recurring gain on foreign exchange hedging of c. €15m. Management note the strong balance sheet of the company, with Net Debt/EBITDA multiple of 2.1x at the end of the February 2009 fiscal year. The company will take a write-down of €11m relating to inventory and €130m relating to the Clonmel production facility. The company sees sustainable cost benefits of €5m in 2009/10. C&C has launched a new Pear Cider in Ireland and the UK. The company sees potential for the new pear cider to reach 20-30% of its overall cider category. As expected the company is reducing its dividend payout levels. The final dividend will be €0.03 per share, with the company targeting a €0.06 dividend going forward. The company is targeting operating profit of within €5m of 2008/09 underlying performance of €82m. The company is streamlining its executive structure, with Cider excluding UK & Ireland to be under the remit of the head of Spirits & Liqueurs. We see further cost savings from management, and expect the company to stabilise volumes towards the end of the current year. We remain positive on C&C, due to its market valuation, strong balance sheet and cashflow profile. We retain our buy rating, and will issue a more comprehensive review in the coming days.

Kerry Group

Buy

Current Price : €16.05

Price Target : €19.90



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

- Kerry Group reported full year results last week reporting an increase in full year sales, operating margins, profits after tax and an increase in its final dividend by 12.2%. Few of Kerry's fellow members on the ISEQ will have comparable results in 2009 or 2010. Sales on a Like for Like basis (LFL) increased by 6.3%, but this increase was largely offset when currency moves are taken into account. The move in EUR/USD and especially EUR/GBP resulted in a translation effect of 7%. Operating margins for the group increased by 10bps to 8.5% driven mainly by margin recovery programmes. This programme helped to offset the increased cost of raw materials over the year, which negatively impacted on operating margins by 4%.

- Performance in the individual business areas was strong with operating margins increasing in both by 10bps. Ingredients & Flavours sales revenues increased in 2008 by 7.5% LFL and operating margins increased to 9.5%. The increase in sales was driven almost evenly by volume and pricing during the year. Margins were increased due to volume growth and efficiency programmes. Revenues increased in all geographic areas on LFL basis, with Asia Pacific the strongest at 19.3%, followed by the Americas and Europe at 6.7% and 4.0% respectively. In the Americas, the "Go-to-Market" strategy has been in place for 1-year with an excellent consumer response. "Go-to-Market" is currently being implemented in Asia Pacific and Europe with completion at the end of 2009.

- Consumer foods performed well despite the twin headwinds of the economic slowdown and the depreciation of GBP against EUR. The group saw a move in consumer demand for branded goods to cheaper private label products. Areas such as frozen food performed well due to change in customer demand, but higher input costs offset the increased demand. Frozen foods have underperformed the last number of years in Kerry, but the economic conditions will help increase profitability in this sector of the business. Chilled ready meals experienced little growth year on year and the average spend declined per person. This highlights the strength of Kerry as it is able to move quickly to match consumer demand due to its diversified product range, both branded and private label. On the purchase of Breco, no details were given except the Competition Authority's decision will be appealed.

- The balance sheet of Kerry remains strong as the net debt of the group fell from €1.279bn to €1.164bn and net debt to EBITDA remains low at 2.3x. Financing costs are well covered and has improved during the year from 6.1x in 2007 to 6.7x on an EBITDA to interest basis. FCF generation for 2008 was €227m benefiting from better working capital management, but was negatively hit by a pension contribution of €34m to fund a deficit caused by falling equity markets.

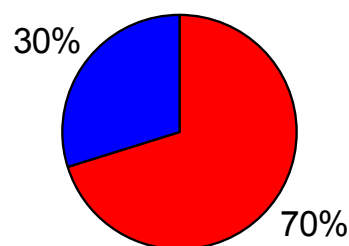
- As we have already stated few Irish companies will report increased dividends and profits for 2008, but Kerry is one of these. Management have guided 2009 earnings will increase in a range between 4% and 7.2% or 160c to 165c. Our previous estimates for 09EPS was 168c, we are now downgrading this estimate to 164.5c due to the weaker economic conditions continuing longer than expected. Kerry's peer group trades at an EV/EBITDA multiple of 7.8x. We believe the stronger management and better product mix Kerry group has deserves a 10% premium to its peer group. Valuing Kerry on an EV/EBITDA multiple of 8.6x results in a 12-month price target of €19.90. The strong balance sheet, good cashflow and diversified product offering of Kerry highlights the attractiveness of the stock and we re-iterate our buy rating.

Descriptive Stats	Shareholders	
Year to date	22% Kerry Co-Op	23.8%
52 Week High	21.92 AIM Funds	7.2%
52 Week Low	13 Capital Research	5.1%
Bloomberg	KYG ID Prudential Plc	3.5%

	FY07	FY08	FY09e
Revenue	4,788	4,791	4,986
Operating Profit	377	394	414
EPS	1.43	1.54	1.64
DPS	0.198	0.22	0.244
P/E	11.2	10.4	9.8
Div Yield	1.2%	1.4%	1.5%

Peer Analysis	P/E 08	P/E 09	Div Yield
Danisco	15.8	10.1	1.4%
McCormick	14.5	13.5	3.1%

Full Year Segmental Revenue Breakdown



■ Food Ingredients 70.4%

■ Consumer Foods 29.6%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	1,981	-4.5%	-16.2%
FTSE	3,626	-5.3%	-17.9%
Dow Jones	6,763	-4.2%	-22.9%
S&P	701	-4.7%	-22.4%
Nikkei	7,230	-0.7%	-18.4%
Stoxx 50	1,883	-4.7%	-22.8%

Sector Performances

Sector	Index	1-Day	YTD
Construction	157	-4.0%	-23.4%
Technology	132	-3.7%	-13.6%
Oil & Gas	241	-6.2%	-9.6%
Financials	101	-10.0%	-33.0%
Retail	180	-3.3%	-1.7%
Food & Drink	209	-3.5%	-9.8%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	40.2	-10.3%	-19.8%
Copper	151.6	-1.5%	10.9%
Gold	926.1	-1.7%	4.7%
Silver	13.1	-0.3%	12.2%
Wheat	506.0	-3.0%	-18.3%
Cattle	84.0	-2.3%	-5.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.258	-0.7%	10.4%
€/£	0.895	1.1%	6.4%
£/\$	1.405	-1.8%	3.8%
\$/JPY	97.45	-0.2%	-7.2%
€/JPY	122.57	-0.9%	2.5%
€/SFR	1.479	-0.2%	0.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	190.8	-6.3%	9.9%
High Yield	1,109.4	2.3%	8.7%
Financials	159.2	5.3%	38.5%
BoI	619.6	-0.1%	152.3%
AIB	607.1	0.7%	189.3%
RBS	181.1	4.0%	31.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.4%	0.9%	0.4%
3-Month	1.8%	2.6%	1.3%
1-Year	1.8%	1.9%	1.3%
2-Year	2.0%	2.3%	1.6%
5-Year	2.7%	3.1%	2.5%
10-Year	3.4%	3.7%	3.2%

Date	Company	Region	Event
03/03/2009	C&C Group Plc	IE	TRADE
03/03/2009	CRH PLC	IE	FINAL
03/03/2009	Admiral Group Plc	GB	PRELIM
03/03/2009	John Wood Group PLC	GB	PRELIM
03/03/2009	Standard Chartered PLC	GB	PRELIM
03/03/2009	Ashtead Group Plc	GB	Q3
03/03/2009	Bayer AG	GE	Q4
03/03/2009	Schwarz Pharma AG	GE	Q4
03/03/2009	Xilinx, Inc.	US	Q4
03/03/2009	AutoZone Inc.	US	Q2
03/03/2009	MBIA Inc.	US	Q4
04/03/2009	Dragon Oil PLC	IE	PRELIM
04/03/2009	Glanbia PLC	IE	PRELIM
04/03/2009	Irish Life & Permanent Pl	IE	PRELIM
04/03/2009	Trintech Group PLC	IE	Q4
04/03/2009	Credit Agricole SA	FR	Q4
04/03/2009	France Telecom SA	FR	Q4
04/03/2009	adidas AG	GE	Q4
04/03/2009	Holcim Ltd	CH	Q4
04/03/2009	ITV Plc	GB	FINAL
04/03/2009	Avis Europe plc	GB	PRELIM

Date	Event	Region	Estimate
03/03/2009	PMI Construction	UK	--
03/03/2009	Euro-Zone PPI (MoM)	EC	--
03/03/2009	Pending Home Sales MoM	US	--
03/03/2009	ABC Consumer Confidence	US	--
04/03/2009	Live Register (MoM)	IE	--
04/03/2009	Unemployment Rate	IE	--
04/03/2009	Nationwide Consumer Confid	UK	--
04/03/2009	PMI Services	GE	--
04/03/2009	PMI Services	EC	--
04/03/2009	PMI Services	UK	42.5
04/03/2009	Euro-Zone Retail Sales (MoM)	EC	0.00%
04/03/2009	MBA Mortgage Applications	US	--
04/03/2009	ADP Employment Change	US	-522K
04/03/2009	ISM Non-Manf. Composite	US	42.9
04/03/2009	Fed's Beige Book	US	--
05/03/2009	Euro-Zone GDP s.a. (QoQ)	EC	--
05/03/2009	BOE ANNOUNCES RATES	UK	0.50%
05/03/2009	ECB Announces Interest Rati	EC	1.50%
05/03/2009	Nonfarm Productivity	US	--
05/03/2009	Initial Jobless Claims	US	--
05/03/2009	Factory Orders	US	--

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