

Irish Economy - Manufacturing output in focus

- Apart from the latest consumer prices data, the domestic focus this morning will be on the manufacturing output figures for September to see if the strong showing in August was sustained in the final month of the third quarter.
- Irish manufacturing production was a lot stronger than expected in August, and a very positive development given the uncertain global economic backdrop. The seasonally-adjusted volume of manufacturing output for the three month period June to August was up 1.2% compared to the preceding three month period. Furthermore, on an annual basis, manufacturing output was up 11.4% in August following a year-on-year fall of 5.9% in July, and the best performance in the year to date.
- In the first eight months of 2011, manufacturing output was 2.1% higher on average than January-August 2010. When compared to the strong performance of the industrial sector in the second half of 2010 and the healthy average growth rate in manufacturing output of 8.3% for last year as a whole, the figures in 2011 to date are somewhat disappointing, and a lot will depend on what happens to the world economy and global demand in the next few months. Although the omens don't look too good on that front at the moment, Ireland's focus on relatively recession-hardy exports such as pharmaceuticals and its improving competitiveness should help it weather the storm better than most.
- Looking at the September data, we are forecasting a year-on-year rise of 8.5% in manufacturing output.

Euro Airlines - Read this and weep

- This morning we have a great yarn for you. Four companies at the heart of the aviation complex have reported Q3 (end September) results. Three of them, Fraport (airports), Amadeus (GDS) and EADS (Airbus), would not exist if the fourth – AFKLM – could not function. Fraport and EADS beat their Q3 expectations and both raised FY guidance. Amadeus also delivered a punchy doubling of EBIT year on year. And AFKLM ? Poor aul AFKLM missed net income estimates by a mere 94% and advised of a full year loss instead of prior expectations of a profit.
- Airlines are the patsys of the aviation complex. They get to paint planes in their logos, have press releases about new routes, reveal their new Dior gunas (Irish for dress) and introduce the latest celebrity chef to passengers. But they consistently, inevitably and regrettably fail to match or exceed their ROCEs. The not so small matter of rewarding shareholders is left to airports, OEMs, IT providers and lessors. That's where the real money is in this industry. Changing that dynamic in favour of airlines requires a sea change in how legacy carriers do business.

Kingspan - Recticel Q3 update; Structural demand for insulation remains high

- Recticel's Q3 update shows group sales higher by +1.3% in the quarter maintaining the trend seen in Q2 (+1.3%). The company reports that raw materials prices have stabilised during Q3 and that selling price increases have largely been passed through - both of which should be supportive of margins.
- Recticel's insulation division (16% group revenues), grew sales by +2.6% in Q3 representing a slowdown on the +23% achieved in H1 (+23% in both Q1 and Q2); however the company does highlight that this growth was achieved against particularly strong prior year comparatives (Q3 2010: +18%). Recticel's Building Insulation sub-segment increased sales +3.6% as it benefited from ongoing structural demand for high performance insulation products due to higher regulations and an increased awareness of the benefits of energy efficiency solutions in construction projects.

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- On Monday (7 November) we published a 21 page report on Kingspan in which we noted that more stringent regulatory standards continue to be a driver in the increased penetration of insulation products such as those produced by Kingspan.
- Kingspan currently trades on an FY12 PE of 14.2x and EV/EBITDA of 8.5x. This is modestly ahead of its peer group on a PE basis; however a significant premium exists when considering EV/EBITDA multiples (8.5x compared to peer average of 5.4x). However, the usefulness of such peer comparisons is questionable given that none of these peers provide as 'clean' a play on the structural growth of higher performance insulation products as that of Kingspan. For example, Recticel's non-insulation business accounts for the majority (84%) of its total revenues. As such we view Kingspan's premium rating as being justified based on its market positions and balanced product positioning across the insulation spectrum.

United Drug – Celesio operating profits down year to date; strategic realignment under way

- Celesio this morning reported revenues of €17.2bn for the first nine months of its financial year (ending 31 Dec), down 1.1% year on year, while EBITDA fell by 18.7% to €413.6m. In Q3 group revenues fell by 2.8% to €5.67bn, below consensus estimates of €5.78bn, while EBITDA was down 23% to 141.9m, the group having previously reported that it would be slightly more than €140m.
- Celesio is currently undergoing a strategic realignment which will see it sell its manufacturer solutions division and focus on developing the core pharmaceutical wholesale business to become an international logistics and service specialist. Having recently expanded in Brazil, the group intends to continue with further expansions outside of Europe, in particular in Latin America and the Middle East.
- These changes being undertaken by Celesio highlight the difficult market conditions that exist in Europe at present as governments tighten spending within the healthcare sector.

Irish Economy - Medium-Term Capital Investment Plan

- The Government's Medium-Term Capital Investment Plan due for publication this afternoon will set out the capital envelopes for each Department for 2012-2016 in light of the outcomes of the Capital Review.
- In its Medium-Term Fiscal Statement released last week the government said there would be a further €7.75bn of spending cuts over the next four years comprising €6.35bn of current expenditure and €1.4bn of capital expenditure.
- In 2012, there will be an overall expenditure reduction of €2.2bn, with €1.45bn on the current side and €0.75bn on the capital side.

Market Prices

Equity Markets

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Dow Jones Index	11,780.94	-389.24	-3.2%	12,876.00	-8.5%	1.8%
S&P 500	1,229.10	-46.82	-3.7%	1,370.58	-10.3%	-2.3%
Russell 2000	718.86	-36.41	-4.8%	868.57	-17.2%	-8.3%
NASDAQ	2,621.65	-105.84	-3.9%	2,887.75	-9.2%	-1.2%
Nikkei 225	8,500.80	-254.64	-2.9%	10,891.60	-22.0%	-16.9%
Hang Seng	19,012.55	-1001.88	-5.0%	24,887.58	-23.6%	-17.5%
DJ Euro Stoxx 50	221.34	-5.27	-2.3%	297.73	-25.7%	-19.4%
Dax 30	5,829.54	-131.9	-2.2%	7,600.41	-23.3%	-15.7%
CAC 40	3,075.16	-68.14	-2.2%	4,169.87	-26.3%	-19.2%
FTSE 100	5,460.38	-106.96	-1.9%	6,105.77	-10.6%	-7.5%
ISEQ	2,661.55	-25.71	-1.0%	3,037.89	-12.4%	-7.7%

US Sectors

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
US Regional Banks	46.00	-2.93	-6.0%	56.07	-18.0%	-14.3%
US Investment Banks	53.83	-4.87813	-8.3%	94.98	-43.3%	-39.8%
US Oil	789.91	-44.7721	-5.4%	1,057.01	-25.3%	-2.5%
US Food	317.14	-6.8817	-2.1%	377.93	-16.1%	-6.7%
US Building Materials	263.38	-17.3377	-6.2%	396.16	-33.5%	-30.7%
US Homebuilding	214.38	-13.4459	-5.9%	288.46	-25.7%	-16.3%
US Pharmaceuticals	319.94	-8.6542	-2.6%	340.03	-5.9%	5.2%
US Paper & Forestry	162.77	-5.5241	-3.3%	194.31	-16.2%	-4.4%
US Airline	88.39	-3.27974	-3.6%	126.44	-30.1%	-26.7%

Euro Stoxx

	Last Price	1 Day Change		52 Wk High	% Off High	YTD
Euro Banks	97.62	-3.35	-3.3%	197.88	-50.7%	-39.3%
Euro Oil/Gas	221.34	-5.27	-2.3%	297.73	-25.7%	-19.4%
Euro Food/Bev	324.20	-1.97	-0.6%	343.54	-5.6%	-1.4%
Euro Cons/Materials	213.22	-7.48	-3.4%	302.65	-29.5%	-21.5%
Euro Media	129.94	-3.14	-2.4%	171.85	-24.4%	-19.7%
Euro Healthcare	422.08	-4.31	-1.0%	475.74	-11.3%	6.0%
Euro Basic Materials	455.71	-6.52	-1.4%	656.91	-30.6%	-28.3%
Euro Tech	210.56	-4.45	-2.1%	265.32	-20.6%	-11.3%

Commodities

Sorry, data is unavailable at this time.

Currencies

	Last Price	1 Day Change		Week TD	1 Month	YTD
EUR/USD	1.35	-0.01	-0.6%	-2.0%	-1.0%	+1.1%
EUR/GBP	0.85	-0.00	+0.3%	+1.1%	+2.6%	+0.9%
GBP/USD	1.59	-0.01	-0.3%	-0.9%	+1.5%	+2.1%
USD/JPY	77.66	-0.06	+0.1%	+0.6%	-1.2%	+4.5%

Liquidity Spreads

Sorry, data is unavailable at this time.

Financials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Allied Irish Bank	0.08	0.00	0.0%	0.54	-85.4%	-73.7%	0.00	79.00
Bank of Ireland	0.09	0.00	0.0%	0.50	-81.9%	-75.8%	0.00	45.00
Irish Life & Perm	0.03	0.00	0.0%	1.34	-97.6%	-97.0%	0.00	0.06
M&T Bank	70.57	-3.26	-4.4%	91.05	-22.5%	-18.9%	10.59	10.12
Bank Zachodni	228.00	0.00	0.0%	240.00	-5.0%	6.1%	14.12	12.74
US Regional Banks	46.00	-2.93	-6.0%	56.07	-18.0%	-14.3%	0.00	0.00
European Banks	355.30	-13.87	-3.8%	618.79	-42.6%	-32.9%	0.00	0.00
UK Banks	3383.51	-179.54	-5.0%	5329.14	-36.5%	-28.6%	0.00	0.00

Construction

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
CRH	12.70	0.00	0.0%	17.40	-27.0%	-18.1%	15.34	13.26
Lafarge	27.52	0.00	0.0%	48.76	-43.6%	-41.4%	10.96	9.25
Martin Marietta	72.66	-3.27	-4.3%	95.00	-23.5%	-21.2%	38.34	31.21
Vulcan	29.05	-2.30	-7.3%	48.26	-39.8%	-34.5%	0.00	0.00
Home Depot	37.16	-0.78	-2.1%	39.38	-5.6%	6.0%	15.79	13.85
Wall Mart	58.05	-1.27	-2.1%	59.39	-2.3%	7.6%	12.92	11.83
Cemex	5.91	-0.55	-8.5%	13.08	-54.8%	-53.3%	0.00	0.00
US Bldg Materials	263.38	-17.34	-6.2%	396.16	-33.5%	-30.7%	0.00	0.00
US Homebuilders	214.38	-13.45	-5.9%	288.46	-25.7%	-16.3%	0.00	0.00

Airlines

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Ryanair	3.60	0.00	0.0%	4.00	-10.0%	-4.5%	12.08	11.46
Ryanair ADR	29.79	-0.13	-0.4%	32.04	-7.0%	-3.2%	13.74	11.74
Easyjet	346.30	0.00	0.0%	479.30	-27.7%	-21.3%	8.34	9.49
Southwest Airlines	8.17	-0.30	-3.5%	13.98	-41.6%	-37.1%	20.48	10.47
JetBlue Airways	4.12	-0.21	-4.8%	7.24	-43.1%	-37.7%	17.76	8.57
US Airlines	88.39	-3.28	-3.6%	126.44	-30.1%	-26.7%	0.00	0.00
European Airlines	50.55	-1.17	-2.3%	85.92	-41.2%	-37.7%	0.00	0.00

Building Materials

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Grafton	2.60	0.00	0.0%	3.88	-33.0%	-24.6%	14.94	13.40
Kingspan	6.02	0.00	0.0%	7.85	-23.3%	-19.6%	17.20	13.81
Travis Perkins	844.00	0.00	0.0%	1139.00	-25.9%	-20.2%	9.66	8.92
SIG	93.45	0.00	0.0%	156.10	-40.1%	-27.4%	10.27	8.99

Food

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Kerry Group	26.45	0.00	0.0%	30.45	-13.1%	5.9%	12.52	11.61
Danisco	0.00	0.00	0.0%	702.00	0.0%	0.0%	23.35	21.36
Givaudan	800.00	0.00	0.0%	1037.06	-22.9%	-18.8%	18.05	15.14
McCormick & Co	48.35	-1.68	-3.4%	51.26	-5.7%	3.9%	17.39	15.60
Int Flavours	53.82	-1.21	-2.2%	66.29	-18.8%	-3.2%	14.33	13.01

Fruit

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Fyffes	0.38	0.00	0.0%	0.45	-15.6%	2.7%	6.55	10.00
Chiquita	8.60	-0.55	-6.0%	17.36	-50.5%	-38.7%	10.79	8.11
Del Monte	24.94	-0.98	-3.8%	28.60	-12.8%	-0.0%	11.75	10.21

Media

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Independent News	0.25	0.00	0.0%	0.66	-62.1%	-50.3%	2.38	2.14
APN News & Media	0.88	-0.01	-1.1%	2.01	-56.2%	-54.5%	6.77	6.29
Fairfax	0.93	-0.01	-0.5%	1.48	-37.5%	-33.9%	8.73	7.97
Jagran Prakashan	110.05	0.05	+0.0%	149.00	-26.1%	-17.0%	15.99	13.41
Daily Mail	411.30	0.00	0.0%	602.50	-31.7%	-28.3%	8.36	7.59
New York Times	6.90	-0.48	-6.5%	11.72	-41.1%	-29.6%	11.17	10.41

Convenience

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Aryzta	34.20	0.00	0.0%	39.13	-12.6%	-2.3%	10.39	9.37
Tim Hortons	48.46	-1.16	-2.3%	52.06	-6.9%	17.5%	21.16	18.50

Pharmaceuticals

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Elan	8.34	0.00	0.0%	8.90	-6.3%	100.9%	0.00	66.69
Elan ADR	10.93	-0.58	-5.0%	12.60	-13.3%	90.8%	25.35	86.04
Biogen Idec	111.24	-2.68	-2.4%	120.66	-7.8%	65.9%	18.90	17.68
Merrion Pharmaceuticals	0.30	0.00	0.0%	3.65	-91.8%	-88.9%	0.00	0.00
UTD Drug	2.12	0.00	0.0%	2.50	-15.2%	1.0%	9.22	8.22

Support Services

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
DCC	17.71	0.00	0.0%	24.20	-26.8%	-25.0%	9.36	8.57
Bunzl	789.00	0.00	0.0%	848.50	-7.0%	9.7%	11.99	11.24
CPL	2.85	0.00	0.0%	3.10	-8.1%	12.6%	10.67	9.19

House Builders

	Last Price	1 Day Change		52 Wk High	% Off High	YTD	Cur PE	Next PE
Abbey	5.15	0.00	0.0%	5.45	-5.5%	1.0%	10.89	11.98
Bovis	455.00	0.00	0.0%	494.60	-8.0%	9.9%	27.41	18.80
Barrat Development	88.00	0.00	0.0%	120.60	-27.0%	-0.7%	12.94	7.93
Persimmon	486.10	0.00	0.0%	525.50	-7.5%	16.6%	14.09	11.07
RedRow	108.70	0.00	0.0%	140.90	-22.9%	-19.8%	13.94	9.71

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