Goodbody

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Morning Meeting Wrap

Morning Wrap Stories

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Top 10

	Price	Mkt Cap €	1 Day	1 Week	1 Mth	Ytd	P/E 2011	P/E 2012
Tullow Oil	1329.00	14308	1.0	-3.0	-3.6	5.4	29.9	30.0
CRH	13.39	9627	0.1	-0.8	1.6	-13.6	15.2	10.9
Ryanair	3.77	5576	-0.1	-1.8	3.1	0.0	11.8	10.9
Elan	11.82	5320	3.0	4.4	8.6	106.3	n/a	n/a
Kerry Group	28.25	4962	1.9	0.5	8.0	13.1	14.0	12.6
ARYZTA	36.00	3107	2.5	1.7	6.8	2.9	11.7	10.4
Dragon Oil	4.68	2846	0.0	-4.7	-15.3	-13.0	7.4	8.9
Bank of Ireland	0.08	2350	-2.5	-16.1	-7.1	-79.0	n/a	n/a
Travis Perkins	7.55	2188	-1.7	-9.0	-10.4	-28.6	11.4	10.9
Premier Oil	3.57	1988	-0.8	-5.0	-2.8	-26.8	12.2	7.3

Source: Datastream

Bloomberg: GDSE<GO>

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Indices

	Price	1 Day	1 Week	1 Mth	Ytd
ISEQ	2726.4	0.7	-0.5	1.8	-5.5
FTSE 100	5387.3	-0.3	-2.6	-2.2	-8.7
DAX 30	5701.8	-0.5	-4.8	-3.6	-17.5
CAC 40	2972.3	-0.9	-6.3	-3.0	-21.9
FTSE Eurofirst 300	956.9	-0.5	-2.9	-1.4	-14.7
Nasdaq	2555.3	0.6	-3.5	-3.2	-3.7
S&P 500	1219.7	0.3	-2.8	-1.4	-3.0
Dow Jones Ind	11866.4	0.0	-2.6	-0.3	2.5
Nikkie 225	8401.7	0.3	-1.6	-0.7	-17.9

Exchange Rates

	Current	Px 1 day	1 Week	Px Dec10	Avg Ytd
Stg/Euro	0.840	0.840	0.856	0.857	0.869
US$/Euro	1.305	1.300	1.337	1.342	1.396
CHF/Euro	1.221	1.224	1.235	1.250	1.233
JPY/Euro	101.388	101.335	103.739	108.806	111.335
AUD/Euro	1.306	1.310	1.314	1.309	1.350
Stg/US$	1.553	1.548	1.562	1.566	1.605

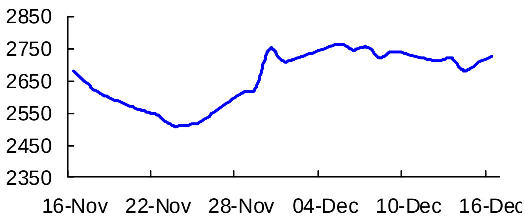
Bonds

	Yld	-1 Day	Yld 1 Wk	Yld 1 Mth	Yld 3 Mth
US 2 Yr	0.23	-0.01	0.01	-0.02	0.05
US 10 Yr	1.86	-0.06	-0.20	-0.17	-0.22
US 30 yr	2.86	-0.07	-0.24	-0.20	-0.48
UK 2 Yr	0.32	-0.06	-0.08	-0.26	-0.22
UK 10 Yr	2.05	-0.06	-0.12	-0.12	-0.44
BD 2 Yr	0.18	-0.04	-0.09	-0.16	-0.35
BD 10 Yr	1.89	-0.04	-0.17	0.08	-0.02
Irish 10 Yr	8.49	-0.21	-0.31	0.39	0.08

Commodities

	Current	1 Day	1 Week	1 Mth	1 Yr
Crude Oil US$/BBL	103.75	-0.59	-3.82	-7.32	12.87
Gasoline C/Gal	251.58	0.02	-4.79	-5.59	8.07
Heating Oil	277.80	-0.70	-3.79	-11.06	12.64
Natural Gas $/MMBTU	3.06	0.00	-7.44	-1.45	-25.46
Gold $/oz	1593.94	1.49	-7.11	-9.90	16.64
Silver Cts/oz	2978.00	3.40	-6.94	-13.56	2.16
Copper US$/MT	7328.75	1.90	-5.95	-4.94	-18.84
Wheat Cts/Bu	586.50	0.34	0.47	-8.50	-22.75
Corn Cts/Bu	575.50	-0.69	-1.54	-10.43	1.86

ISEQ performance



Source: Datastream

Economic View; Disappointing Q3 GDP takes some gloss off the Irish story

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After two consecutive quarters of expansion, Friday's National Accounts data revealed that the Irish economy contracted once again in Q3, with GDP and GNP falling markedly. Irish data can be exceptionally volatile, but the signs of weakness in the numbers are clear to see. On a quarterly basis, both GDP and GNP fell by c.2% (seasonally-adjusted). On an annual basis, GDP fell by 0.1%, while GNP declined by 4.2%. The reason for the large difference here is a familiar one – net exports continue to contribute strongly to growth while domestic demand continues to decline sharply. In Q3, domestic demand fell by 6% yoy, with a particularly large fall in investment in the quarter, although consumption trends also deteriorated (-4% yoy in Q3).

Analysis of nominal GDP is important for Ireland's debt dynamics. While the volume of GDP will still grow on an annual basis in 2011, nominal GDP will be down. This has important implications for growth in tax revenues for example and for debt/GDP and deficit/GDP ratios. The major reason for a falling nominal GDP this year is down to trade, with import prices rising strongly, mainly on the back of higher energy prices, which may reverse next year.

Going into 2012, the challenges for the Irish economy remain daunting. While Ireland has been described by some as the poster boy of austerity of late, Friday's disappointing GDP will take the gloss off the Irish story somewhat.

Home…

Petroceltic; Approval of Enel farm-in

Recommendation; Buy
Closing Price: £ 0.08

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The much anticipated and long awaited approval by the Algerian Council of Ministers of the sale of a 18.4% stake in the Isarene permit from Petroceltic to Italian utility Enel, was finally granted over the weekend. Formal completion of the transaction will now take place within five days, post which agreed payment of exploration back-costs ($36.75m) and a 49% share in the costs associated with the recently completed appraisal campaign (c$67m) will be paid to Petroceltic within thirty days. In total, Petroceltic will receive in excess of $103m with a potential bonus payment (up to $75m), contingent in part on ultimate field reserves, paid after the Decaration of Commerciality, which is currently anticipated to occur in Q312. While the latter is clearly material in its own right (we currently assume a bonus payment of $37.5m), the significance of this morning's announcement is that the pending cash injection of c$103m ensures that Petroceltic is now fully funded beyond 2012.

One obvious application of the cash will be to repay any funds drawn-down from the $30m Macquarie loan facility. That facility was granted in exchange for 15m warrants (2.3bn shares outstanding as of June) at a price of 4.52p with the option of a further 25m warrants should the facility be drawn down. Beyond that, management has publicly stated its desire to add to the portfolio with Egypt and Tunisia the apparent regions of interest. The level of funds available for M&A will in part depend on the terms agreed in the farm down of a further 18.4% interest to an operator, an event likely to occur post submission of the Development Plan in January. That event is the obvious next catalyst for the share price.

Given a successful conclusion to the appraisal campaign, terms in any future farm-down are likely, in our view, to exceed those agreed with Enel, even if those terms take the shape of a 'carry' on development costs, rather than another cash injection. As of today, however, the removal of any lingering uncertainty over the Enel payment should be broadly welcomed by the market this morning and thus help to bridge the gap between the share price and our total risked NAV of 11.9p.

Home…

CRH; Back to basics

Following the inclusion of CRH in the FTSE 100 on Friday, the focus should return to fundamentals and what is the fair value for the stock. We believe that 2012 is going to be another year of limited earnings progression. This reflects subdued growth in the US (a modest recovery in residential / non-residential markets offset by weakness in highways) and declines in Europe.

Given that any material recovery in CRH's earnings has been postponed until 2013, we are cautious on paying up for the stock. Based on 20 year average multiples (EV/EBITDA 6.4x and PE 12.4), we derive a fair value of 1100c.

Overall, while recognising the strengths of CRH versus its peer group (balance sheet, US exposure and a good dividend yield), we believe the positive technicals around FTSE inclusion has pushed the share price beyond fair value. As a result, we reiterate our SELL recommendation on the stock.

Recommendation; Sell
Closing Price: € 13.39 / £ 11.55

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Home…

DCC; NWF's energy business is behind expectations

In a trading statement for the six months to the end of November, NWF (a specialist distributor of agricultural and distribution businesses) management has guided that results will be in line with expectations. However, this is due to the food business being ahead, offsetting weakness in the fuel business.

Given the well documented warm weather, this statement comes as no surprise to us. In interim results released at the start of November, DCC management guided that both operating profit and eps for FY12 (to March end) will be circa 5% behind last year (versus our expectations for a 7% decline). This was under the assumption of a "normal winter".

Recommendation; Buy
Closing Price: € 18.52

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Gaming Sector; 888 releases pre-close and raises FY11 guidance

This morning, 888 released a pre close trading update in which it stated that further to its November 1st IMS, trading remains very strong, particularly in casino and poker. For this reason the group expects FY11 clean EBITDA to be significantly ahead of market expectations. Current Bloomberg consensus is for FY11 EBITDA of $39.8m.

In terms of 2012, the group notes that it will be a year of significant market investment for the group as it attempts to build market share in new regulating markets. This investment, along with gaming duty will have an impact on group profits. However, the group still expects FY12 results to be slightly ahead of current market expectations. (Bloomberg consensus EBITDA for FY12 $39.6m).

Overall, this morning's announcement represents another positive update from 888 in 2011. The strong performance is encouraging for the industry, but we would note it has not always been the best proxy for performance in the sector. In addition, its poker performance is being helped by the introduction of its new platform and software in 2010. The company is due to host a conference call at 10.30am this morning, +44-207-136-6283 passcode: 5489132.

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Airlines; easyJet sees no impact from downturn/Etihad builds stake in Air Berlin

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The easyJet CEO is quoted in a German newspaper over the weekend indicating that the sovereign debt crisis so far doesn't appear to be impacting on their business. The CEO is quoted as saying that people "don't seem to be willing to let events in Brussels ruin their summer holidays…..though of course, that could change one day". The CEO talked about the drive for business customers and its hedging policy.

We are not so convinced that easyJet has much line of sight on its summer traffic as yet, in December, but the sentiment is probably the more important point, highlighting comfort again with the business model as the recession bites.

Speaking of Germany, we note the announcement this morning that Etihad is building a stake in Air Berlin. The Middle Eastern airline already had a 2.99% interest in the German airline, but is subscribing for shares at €2.31 (Friday's close was €2.303) to move it up to the 29.21% level. It has agreed not to make any further purchases nor a public takeover approach for two years (bear in mind 50%+ of EU airlines must be held by EU nationals). There will be a far reaching commercial agreement (including code-sharing) and Etihad has undertaken to arrange a $255m 5 year financing facility for the German airline. Air Berlin estimates that the deal will accrue about €35-40m of anticipated synergies.

There was some speculation on this transaction a few weeks ago, so it shouldn't be a complete surprise for investors. The Air Berlin business model doesn't quite fit the LCC model, with 4 German hubs, long and short haul operations and selling to charters and so on. It has been retrenching recently in Germany, welcomed by Ryanair, so any move to stabilise the business will prove a bit more of a headwind for Ryanair in Germany. In the case of Aer Lingus, Etihad was one of the names linked with the Irish airline in the past to buy the Irish Government's stake. As such, building its stake in the German airline and gaining access to a European network, probably reduces the attractiveness of the Irish airline for it.

Home…

Grafton; Outperforming in a difficult Irish market

Recommendation; Add
Closing Price: € 2.31

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Figures released on Friday showed that the value of Irish building construction activity declined by 15% yoy in the third quarter, which compares to -14% in Q2 and -16% in Q1. The breakdown of the data shows that residential was down 24% in Q3, while the non-residential sector faired a lot better at -9%.

Grafton has already reported that its Irish merchanting sales have declined by 7.7% in the first ten months versus a decrease of 7.2% in the first half. Directionally, both sets of figures show a slight deterioration in the third quarter. Furthermore, while care needs to be taken on direct comparisons, the data does point to significant share gains by Grafton's business in Ireland.

Overall, the construction trends do confirm to us that Grafton's Irish businesses are continuing to outperform in what remains a difficult market. We see this continuing into 2012, as the smaller independents struggle to fund working capital.

Home…

Travis Perkins; Jon Carter to become new Deputy CEO

Travis Perkins has announced this morning that John Carter (currently group COO) has been promoted to the new role of Deputy CEO. This is in line with the new divisional structure of the business and he will now have increased responsibility for a wider group of central functions, including IT and customer development.

This promotion comes as no surprise to us and we see it as the first step in succession planning for the eventual replacement of the current CEO Geoff Cooper (joined the Group in Feb-05).

Recommendation; Add
Closing Price: £ 7.55

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Home…

Cove Energy; BP on safari in East Africa?

UK press reports suggest that BP is eyeing up opportunities in East Africa with particular reference in the reports given to Ophir Energy's interests offshore Tanzania and Anadarko's interests. As we highlighted earlier this month Anadarko management suggested that it is reviewing its options with regard to the sale of a portion of its interest in Area 1 offshore Mozambique. Cove has an 8.5% interest in Block 1, which it is currently in the process of divesting. The move by Anadarko, the field operator, would appear to be largely driven by a reflection of the costs involved in developing an LNG project off the East African coast aimed at utilising the guided 15 – 30 Tcf of gas discovered to date.

Aligning the sale of its interests with another party such as Anadarko would clearly be of benefit to Cove, albeit there is no suggestion as of yet that any of the parties are working in concert.

Recommendation; Add
Closing Price: £ 1.00

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