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1. COMPANY: KERRY GROUP PLC

1.1 INTRODUCTION

BUY
BEST SP

Price: €92

Price Target: €100

Price Target Potential: 8.6%

Price Target Period: 6

KERRY GROUP PLC is a leading international food corporation. Established in 1972, Kerry has enjoyed phenomenal success from its incorporation to its entry in American and Asia-Pacific markets

In 2000, they began investing in new technology platforms and have looked at ways of impactful use of technology in their business ever since.

Their main business areas are Dairy & Savory, Ingredients & Flavors and Taste & Nutrition. They generated a revenue of Euro 6.4 billion in FY 2017. Their business module is to combine their foundational values of authentic taste and technologies with innovative processes and applications based on culinary insights to provide taste and nutritional solutions to customers through various channels. They supply mainly to retailers and players of the food service industry. They reach consumers through global and regional retailers, chains, independent operators and emerging brands.

They want to explore new occasions in which their products can be used, new channels of distribution and a possible new customer base through which they can formulate future strategic and marketing plans.

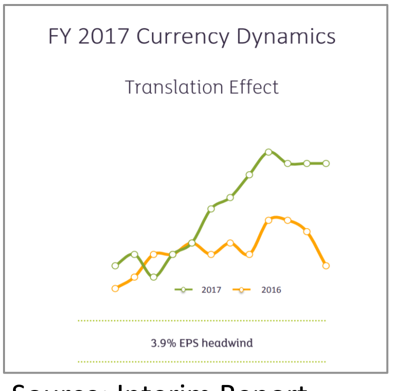
They enjoy a better market position compared to their competitors in savory and dairy products, being ranked as the best in the world. Their cereal & sweet and beverage business is the best in Europe and globally respectively in terms of market position. They look to prioritize growth in Taste & Nutrition, focusing on authentic taste and nutritional value, expanding into developing markets and the food service industry.

1.2 MACRO ECONOMIC SITUATION

Like many companies around the world, the macro-economic outlook for Kerry Group is somewhat uncertain. In the coming six months Kerry Group are likely to be impacted by decisions regarding BREXIT, U.S. trade tariffs and a possible increase in interest rates in Europe. For Kerry Group's outlook to be positive, with regard to this competition, their exposure to such economic challenges has to be low relative to that of the Irish Stock Exchange companies in general. We are confident that in general, Kerry Group's exposure to these main challenges is low relative to the Irish Stock Exchange companies.

BREXIT

While news of Britain's decision to leave the EU resulted in a drop in Kerry Group's share price, this loss was recovered within a week. The share price fell further during the following 6 months, but those losses too have been recovered, and Kerry Group has enjoyed strong and sustained growth since January 2017. We believe that this reflects investor confidence in Kerry Group's ability to withstand the challenges that BREXIT brings with it.



Source: Interim Report

The three main challenges that BREXIT poses for Kerry Group are as follows; a drop in the price of sterling, a decrease in labour availability (coupled with an increase in cost for this labour) and the introduction of tariffs between the United Kingdom and other markets. Kerry Group is Ireland's biggest exporter, and the United Kingdom accounts for 30% of Kerry Group's exports. Furthermore, many exports from Ireland are shipped from Ireland to other European markets over the United Kingdom "landbridge". Kerry Group's exposure to BREXIT is not insubstantial, but it is worth considering the following mitigating factors:

1. Kerry Group has considerable manufacturing capacity within the UK for the manufacture of goods sold mostly within the UK. These goods will not be subject to tariffs when sold within the UK, however in the case of the UK leaving the customs union of the EU, competitors' goods may be – this may lead to protection of Kerry Group's price points and an increase in volume sold.

2. There is currently a lot of uncertainty over how the BREXIT negotiations will go. This uncertainty has already been priced into the price of Sterling and Kerry Group's share price. It's quite likely that the BREXIT negotiations will continue into a two-year handover phase, if this transpires it's unlikely that BREXIT will impact Kerry Group further than it already has.

3. Consumer Goods sold in the United Kingdom account for only a small portion of Kerry Group's revenues. Should BREXIT negotiations result in a hard BREXIT, we are confident that Kerry Group's globally diversified presence will mitigate negative effects relative to the companies of the Irish Stock Exchange, who in general, are more exposed to the negative effects of BREXIT.

EXPECTED INCREASE IN INTEREST RATES

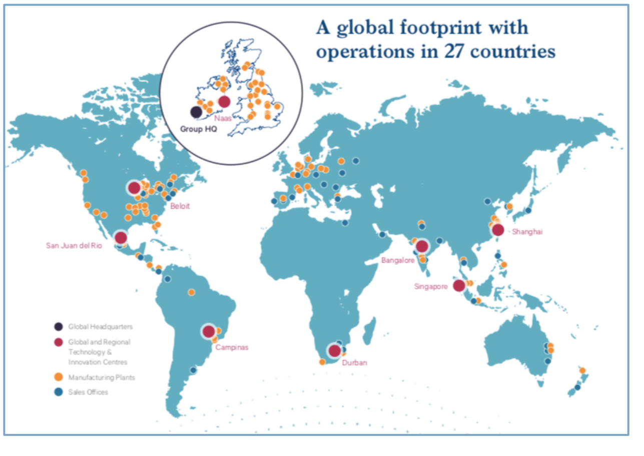
Kerry Group's debt profile is healthy. Their current Debt/EBITDA is 1.4 and has reduced over the recent years. Their level of debt compared to their net worth has been reduced substantially over the last five years, their operating cashflows cover their debt, and earnings (EBIT) are substantially higher than their interest payments. Standard and Poors rate Kerry Group's outlook as stable, and their rating is at BBB+, Moody's also rate Kerry Group's outlook as stable and have given them a rating of Baa2.

The vast majority of Kerry Group's debt results from the sale of senior notes. While the company holds ca. €13m debt in the form of bank loans and bank overdrafts, they hold €1,728m debt in the form of senior notes. Of the €1,728m senior note debt, only €307.5m is due to mature within the next five years, with €1,441 due to mature more than five years into the future.

With regard to financing future growth, and exposure to a change in interest rates, we are satisfied that Kerry Group has sufficient flexibility to efficiently react to changing circumstances as they arise. Furthermore, their position relative to that of the other Irish Stock Exchange companies is healthy.

US TRADE TARIFFS

Uncertainty around trade arrangements with the United States is another concern for Kerry Group. Trade in North and South America accounts for 53% of Kerry Group's revenue. This revenue is generated almost wholly from the sale of ingredients, rather than consumer foods. Kerry Group's exposure to volatile changes in import and export tariffs is cause for concern. Their exposure is likely to be higher than that of the Irish Stock Exchange companies in general.



Source: Annual Report

1.3 INDUSTRY

Source: Annual Report

The global food and beverage market is worth about €8 billion and is not strongly consolidated. Kerry Groups main competitors in the Food and Beverage, Taste and Nutrition market are Kraft Foods, General Mills, ConAgra, Nestlé and within Ireland Glanbia.

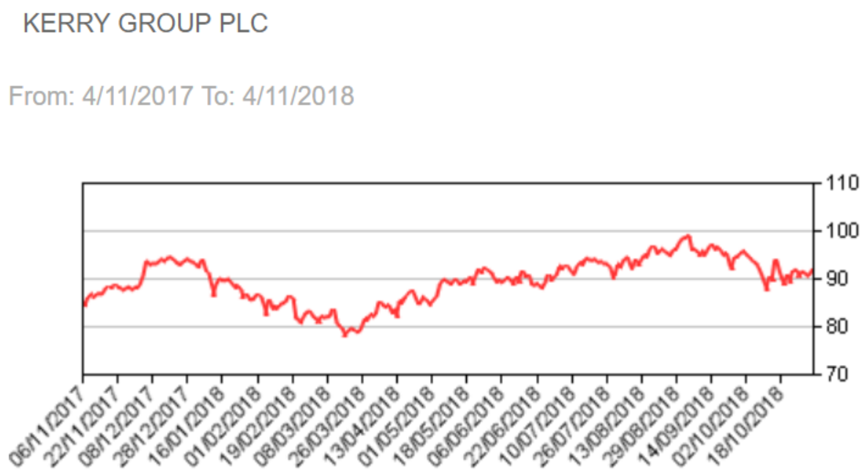
Kerry Group	Kraft Heinz	General Mills	ConAgra	Nestle	Glanbia
Kerry Group develops, manufactures and delivers technology based taste and nutrition solutions for the food, beverage and pharmaceutical industries.	Kraft Heinz manufactures and markets food and beverage products.	General Mills is a manufacturer and marketer of branded consumer foods.	Conagra Brands is committed to providing food.	Nestle is a transnational food and beverage company.	Glanbia is a global nutrition company, grounded in science and nature and dedicated to providing better nutrition for every step of life's journey.
1972	2015	1928	1919	1866	1997

Source: Craft.co

Kerry Group has operations in major retail and service categories. The top 10 companies in each subsection only account for a small fraction of the market. There are a large number of competing companies within the different regions of operation.
Consumer driven change is significant within the industry and has resulted in a number of strategic changes and planning, dictating the commercial focus, such as food sustainability and responsibility of the company, food safety, M&A activity, healthy snacking etc.

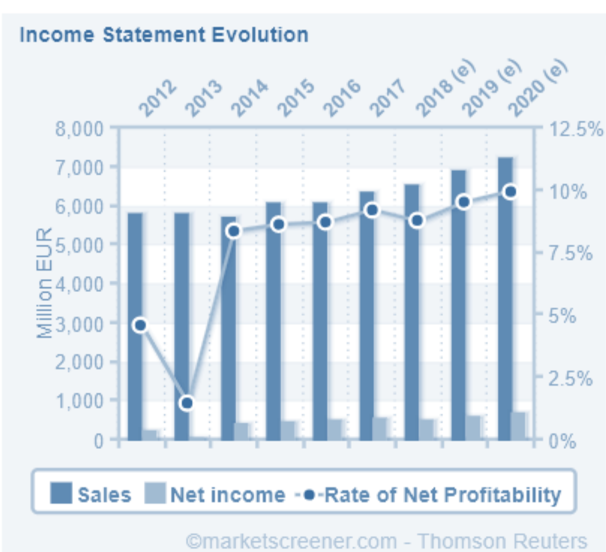
1.4 FINANCIALS

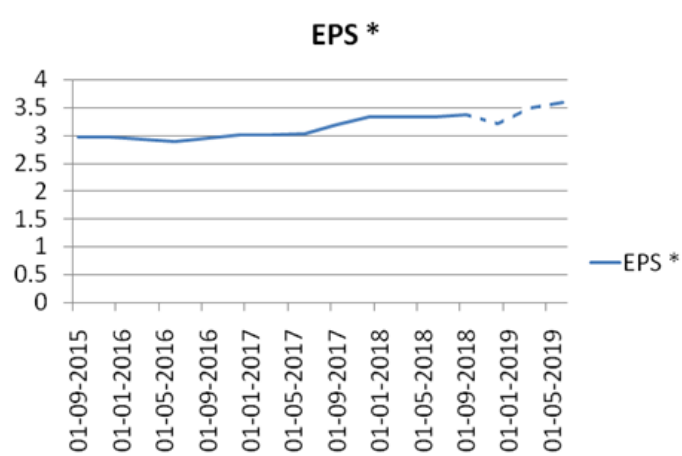
Kerry Group outperformed the food industry in Europe as well the overall return by the Irish market in last one year.



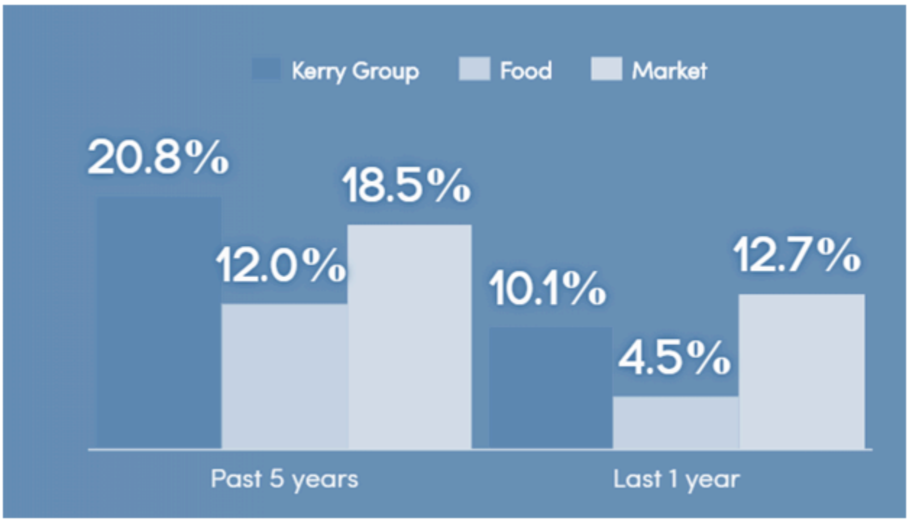
Source:
Irish Stock Exchange

The Europe food market gave the return of 1.4% with the percentage return from Irish market tapped at -8.5%, while in the same time period, Kerry group provided a return of 7.5%. Their major competitors such as Nestle gave the return of -1% and Unilever gave the return of -4.4%. Kerry Group's earnings are expected to grow by 11% yearly and its revenue is expected to grow by 4.9%. Though it is not considered a high growth, however, based on the current growth of European food industry, the growth is decent with a possible boost in future growth. This is also reflected in the EPS ratio which in past have been growing steadily for over 1 year. As a 4.21% rise in profits is expected in the upcoming year. By mid 2019, we are expecting expect Kerry Group’s bottom line to reach €614.94m, a jump from the current trailing-twelve-month €590.10m.With 3.34 EPS in June 2018 from 3.04 EPS in June 2017, we predict the trend to continue for the next six month to 1 year even in the case of Hard Brexit . The group predicts the adjusted EPS growth of 7%- 10% by the end of 2018 on the constant currency basis.





The return on equity for Kerry Group in last three years have been around 15.3%, which is much greater than the average return on equity of European food market which is around 10%. We are expecting this figure be in the range of 18-20% in next 6 months. The past growth of earnings, which was 10.1% in last 5 years, has been good in comparison to the European Food industry average which grew at 4.5% in last 5 years. Kerry Group used its assets more efficiently than the Europe Food industry average last year based on Return on Assets.



Source: Simplywall.st

Kerry Group currently holds High level of physical asset and inventory and debt is covered by short term assets which point out to the fact that the current health of the organization is good. We can also see that Kerry Group is generating sufficient cash to fuel its growth overtime.

Kerry Group boosts the unique business model to deliver strong results in all type of markets and it aims to realigned business positioning to deliver against a cautious consumer outlook.

Strategic Targets (2018-2022)

On average across the 5 years

Growth

Volume Growth		Margin Expansion	
Taste & Nutrition	4% to 6% p.a.	Taste & Nutrition	40 bps p.a.
Consumer Foods	2% to 3% p.a.	Consumer Foods	20 bps p.a.
Group	3% to 5% p.a.**	Group	30 bps p.a.

** Assumes 2% above market growth

Adjusted EPS Growth* 10%+ p.a.

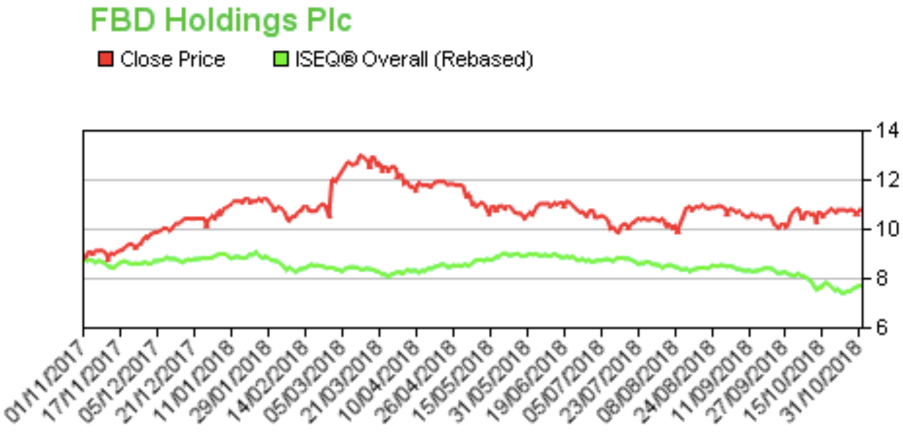
Return

ROACE 12%+	Cash Conversion > 80%

Relative TSR – Outperforming Peers

2. COMPANY: FBD HOLDINGS

FBD HOLDINGS CINTINUES TO GROW AND DISPLAY POTENTIAL FOR INCREASED GROWTHTHROUGH ITS SIMPLE STRATEGY WITH A FOCUS ON FARMERS AND AGRICULTURE



BUY

BEST SP

Price: €10.70

Price Target: €11.00

Price Target Period 6 month

Source:
Irish Stock Exchange

2.1 STRONG POSITION

The company shows a strong position following its half-yearly report for the first two quarters of 2018. FBD has recently announced a capital restructure which secures its position as Irelands only independent insurer.
A disciplined underwriting policy delivers excellent underwriting profits.

2.2 GROWTH

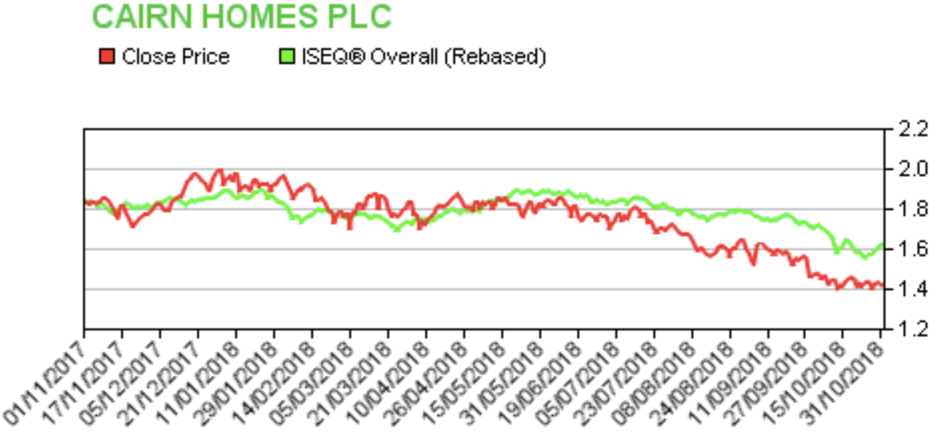
As the Irish economy continues to experience growth across most industries, FBD Holdings is placed in a favourable position to benefit from new customer acquisition and growth of existing customer portfolios. The current P/E ratio is 8.46, which would suggest investors will hold onto shares expecting higher returns. Weather conditions are a concern to the global industry, but FDB has provided sufficient provision through its Catastrophe Property Reinsurance program and has a proven record of being adaptable to climate conditions. By pre-empting harsh and unexpected conditions over the coming winter period, a worst-case scenario is accounted for. A more positive result would only contribute to further positive results. This adaptability will allow FBD to manage potential concerns faced by a “Hard-Brexit”, especially to its farming customer segment. The forward-thinking approach places FBD Holdings in a ripe place for growth and increased share price in the short to medium term. We forecast that FBD Holdings share price will increase and outperform the market over the next 12 months.

3. COMPANY: CAIRN HOMES

CAIRN HOMES PUBLIC LIMITED COMPANY OPERATES IN IRELAND AND PROVIDES CONSTRUCTION SERVICES TO DESIGN AND BUILD HOMES.

3.1 GROWTH

The company has shown strong growth percentages over the previous years. The P/E ratio is .053 in 2018 which is expected to grow in 2019. There has been a consistent growth in revenue over last three years with a 265.4% growth in 1 year along with 27.1m profit which points out to the increase in share prices in future.



BUY

BEST SP

Price: €1.428

Price Target: €1.49

Price Target Period 6 month

Source:
Irish Stock Exchange

3.2 DEMAND

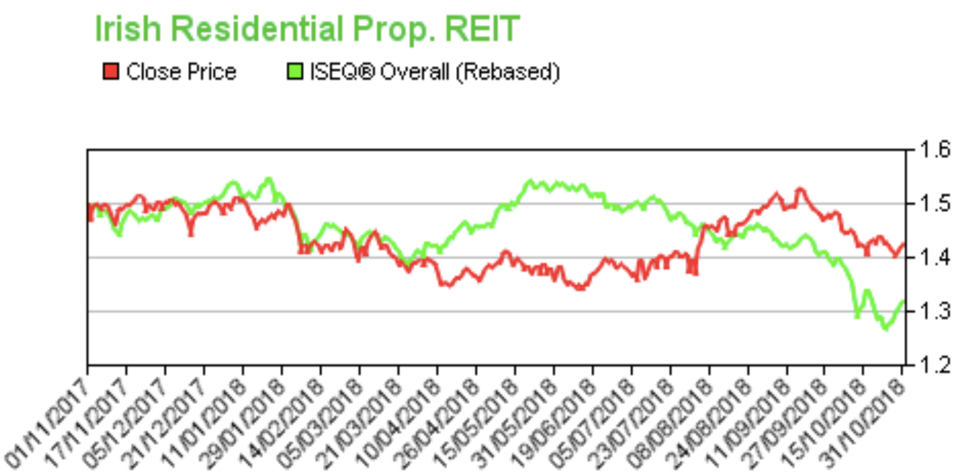
With large international financial companies moving to Dublin as a return in case of Hard Brexit , the demand for new homes remains high. The stocks are undervalued now at about 1.442 and we expect it to bounce back in near future. This is also evident from the fact that though the YTD change percentage is -23.7%, the Interim 6 months result for 2018 shows a profit of €8m the, which is 60% more than the profit of 2017. Cairn Homes' share price is below the future cash flow value, and at the substantial discount. Its earnings growth is expected to exceed the Ireland market average and exceed the low risk savings rate at 1.1%. Also, its cash and other short flow assets cover its short and long term commitment. Cairn Homes' level of debt (32.8%) compared to net worth is satisfactory. The company's insiders have bought around 62,750 shares, which is more than the number of shares sold by them. It shows that insiders have a faith in company's future.

4. COMPANY: IRISH RESIDENTIAL PROPERTIES

IRISH RESIDENTIAL PROPERTIES REIT PLC HAVE HAD A GROWING EPS OVER THE LAST 3 YEARS WITH OVER 10.7% RISE IN H1 OF 2018.

4.1 STRONG OPERATIONS

They have a strong operating performance with a 11% rise in revenue from investment properties and rise in rents which they have been able to capitalize on due to their high occupancy rates.



BUY

BEST SP

Price: €1.43

Price Target: €1.52

Price Target Period 6 month

Source:
Irish Stock Exchange

4.2 GROWTH

This growth is due to a rising demand for housing in Ireland with the Irish economy growing by 7.8% in 2017 combined with population and employment growth. In the event of a hard Brexit, the supply-demand gap in the housing market will be ripe for harvest with Ireland attracting significant investments from multinational corporations thereby generating employment and encouraging immigration into the country. Dublin remains the fastest growing city in Ireland - the Greater Dublin Area generating 67% of Ireland’s corporate tax revenue, and Dublin alone generating 63%.

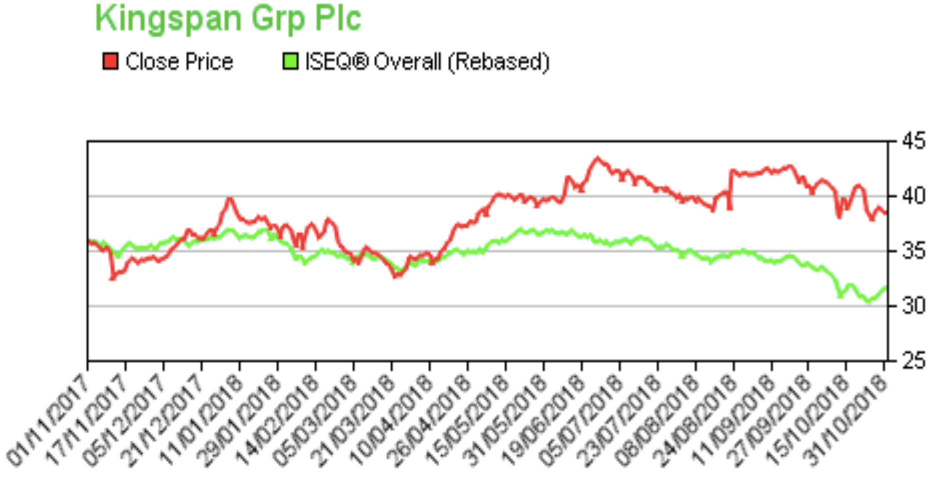
The acquisition of new properties by the company, along with the development of existing I-RES properties in and around Dublin will place them in a favourable position to absorb much of the new housing demands. While significant increases in the interest rates and cost of capital could affect the company’s cash flows, the company has hedged 58% of its interest rate exposure on long-term credit facilities. The company is also not too highly geared reducing, to large extent, high interest costs. All these factors combined, make Irish Residential Properties REIT PLC a safe bet in the coming months.

5. COMPANY: KINGSPAN

KINGSPAN PLC IS WELL POSITIONED FOR GROWTH IN THE SHORT-TO-MEDIUM TERM.

5.1 GROWTH

Over the last 5 years, they have produced revenue growth of 22.3% (CAGR) along with trading profit growth of 29.9% (CAGR). This growth is largely due to the strength of the global economy which has driven construction growth.



BUY

BEST SP

Price: €39.16

Price Target: €40.23

Price Target Period 6 month

Source:
Irish Stock Exchange

5.2 OUT PERFORM THE MARKET

With a focus on building insulation, their performance has a strong correlation with a healthy global construction sector – which we foresee continuing for the duration of the competition. In comparison to most ISEQ stocks, we believe Kingspan is in a good position to outperform the market in the event of a “hard Brexit”. In the 1sthalf of 2018 77% of their revenue was generated outside the UK and Northern Ireland. Further, their manufacturing facilities are based inside and aoutside of the UK so we believe they have ample flexibility within their supply chain to mitigate any disruption and tariffs associated with the UK leaving the common EU market. Risks include continued unrealised currency translation losses if Sterling continues to fall. The group is funded partially through debt in the form of a 5 year revolving credit facility which was secured in 2017 i.e. there are unlikely to be developments on this front which will affect the share price