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## **Kingspan**

High growth in low energy

November 2011

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## Executive Summary

- Kingspan is among the best positioned companies to capitalise on the ongoing structural shift towards a low energy building materials solution that is evident today in global construction markets. The group's central focus on insulation is particularly attractive as 1) insulation is a core element within all energy efficiency building solutions, 2) it is the most cost effective means by which to improve the heating performance of buildings and 3) it can be included both at the new build stage and as part of refurbishment projects.
- More stringent regulatory standards continue to be a key driver in the increased penetration of insulation products such as those produced by Kingspan. European directives require that all new buildings must be "nearly zero energy buildings" by 2020 placing an obligation on the governments of member states to ensure that these targets are met. While at a less advanced stage than Europe, the US is also recognising the need for, and benefits from, low energy construction methods given buildings are estimated to currently account for 40% of the total energy consumed in America.
- The acquisition of CRH's European insulation business in 2010 ranks among the largest deals to date for the company, yet the balance sheet remains in rude good health post the transaction with forecast net debt to EBITDA of 1.7x at December 2011. We continue to see the group remaining in the role of acquirer with headroom of c.€434m post a US\$200m (€139m) private placing in August 2011 and net debt forecast to be lowered by 37% over the next two years, absent any further acquisitions.
- We are updating our forecasts ahead of the company's IMS scheduled for 14 November. Our largest changes are to our revenue assumptions with full year growth of +23% now expected in FY11, compared to +20% previously. At the earnings level our changes equate to a 2% uplift for FY11 and 5% for FY12.
- Kingspan currently trades on an FY12 PE of 15.1x and EV/EBITDA of 9.0x. This is modestly ahead (6%) of our peer group on a PE basis; however a significant premium exists when considering EV/EBITDA multiples (9.0x compared to peer average of 5.4x). Valuation comparisons between Kingspan and a peer group are made difficult given that none of these peers provide as 'clean' a play on the structural growth of higher performance insulation products as that of Kingspan and as such this is reflected in the premium rating that Kingspan supports and which we view as justified based on its market positions and balanced product positioning across the insulation spectrum. On this basis, we consider that Kingspan warrants inclusion as a core holding in all sustainable investment portfolios.

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	2009A	2010A	2011F	2012F	2013F
<b>Revenue (€m)</b>	1126	1193	1472	1564	1690
<b>EBITA (€m)</b>	67	72	86	102	124
<b>Pre tax profit (€m)</b>	57	56	64	84	108
<b>EPS, dil, adj (c)</b>	25.7	30.9	35.7	42.2	52.8
<b>Dividend per share (c)</b>	0.0	10.0	11.5	13.2	15.9
<b>PE (x)</b>	23.3	24.2	17.9	15.1	12.1
<b>EV/EBITDA (x)</b>	11.3	12.8	10.5	9.0	7.4
<b>Dividend yield (%)</b>	0.0%	1.3%	1.8%	2.1%	2.5%
<b>EBITDA interest cover (x)</b>	9.4	11.9	10.1	11.0	13.6
<b>Net debt/EBITDA (x)</b>	1.6	1.2	1.7	1.2	0.8
<b>Gearing (%)</b>	28%	19%	29%	23%	15%

## Overview

Kingspan manufactures a range of products for the construction industry including insulated panels and boards, raised access floors, off-site build solutions and energy efficient technologies. In recent years the Group has repositioned itself to take advantage of the growing energy efficiency agenda that has emerged across developed economies.

The group's largest single market is the UK, accounting for 42% of revenues in H1 2011. Ireland has diminished in importance to the group in recent years reflecting expansion internationally and the extent to which the Irish construction market has contracted. In FY11, we expect Ireland to represent only c.4% of group revenues. Kingspan is well represented beyond Ireland and the UK with a strong footprint across Western and Central Eastern Europe (combined 35% revenues) and a more modest, but growing, presence in North America (13%) and Australasia (4%).

## Strategy

Kingspan has a strong track record for innovation which has been used to expand its product line up beyond the manufacture of steel structures where the group has its origins. Specifically, the group's product range has been expanded to position Kingspan as an integrated solutions provider to the construction industry.

The group has been at the forefront of new product development to capitalise on the increase in regulatory standards relating to energy performance within the construction sector. Key legislation includes the EU's Energy Performance of Buildings Directive (2010/31/EU) from which national policies such as Ireland's Building Energy Rating (BER) system have been established. In North America, the regulatory landscape is less advanced; however moves towards higher frameworks, such as those set out under International Energy Conservation Codes, continue to be steadily advanced.

Development has been achieved through a mix of organic growth and acquisitions. The group entered the Access Floors market through acquisitions in the UK and US. Other high profile transactions include the acquisition of CRH Insulation Europe (CIE) for €107m (net of disposals) in late 2010 and US based Metecno for \$115m in 2008.

Geographical expansion has been undertaken based on targeting markets in which 1) there is a significant move towards sustainable building solutions and 2) the company can achieve a top two position within a realistic timeframe. Kingspan's core business remains insulation (panels and boards) where it is the market leader in the UK and Ireland, CEE, Canada and Australasia and is growing its market share in other markets, including Germany and the Benelux. On a medium term view, the group has ambitions to expand into Central and South America, and in Europe further east towards Russia.

## Bull Points

*Sustainable construction increasingly in focus;* Government policies increasingly recognise the need to better manage energy requirements which includes improving the energy performance of both new and existing buildings. Kingspan has positioned itself (both in terms of products and markets) to take advantage of the growing importance of the “energy agenda” in governments’ policies.

*Geographical spread diversifies earnings base;* Kingspan’s spread of operations beyond Ireland & the UK diversifies the group’s earnings base and offers higher future growth potential from larger markets such as the Americas and Australasia. In H1 2011, the group generated 53% of total revenues from markets outside of Ireland (5%) and the UK (42%). The group has attained critical mass in North America (13% revenues), a market where it is estimated that over 40% of all energy consumed is from the built environment.

*Penetration still low;* The current level of penetration of rigid board insulation solutions shows that significant future growth opportunities exist. The Irish and UK markets have the highest penetration rate at present at 35-40% of the total market. The opportunity is more interesting in mainland Europe where penetration has only reached low single digit percentages and is forecast to grow by up to 5x fold over the next five years.

## Bear Points

*New build reliance;* Kingspan products are weighted towards the new build segment which accounts for 75+% of total revenues. In the current economic climate, difficulties in accessing finance and a lack of confidence among developers / builders is likely to act as a restraint on the level of new build projects undertaken in many of the group’s markets.

*Regulation can be slow;* The acceptance of the benefits arising from moving towards higher insulation standards is widely acknowledged; yet this does not mean that putting in place the regulation required to achieve higher standards is a seamless process. Given the government support required to enact higher building standards, delays and watering down of initial targets are not always avoidable.

*Input cost inflation;* Kingspan’s business is a heavy user of a number of key inputs including steel and chemicals (MDI). As such the movement in the price of steel and MDI can have a material and direct impact on the group’s trading margin, despite efforts to manage volatility through contracted supply agreements and active inventory management.

## Insulation in focus

Kingspan's strong market positioning and investments in R&D have provided it with an important advantage over other companies that have only more recently recognised the significant opportunities that can be expected from the growing demand for more energy efficient construction solutions. The increasing acknowledgment of the attractiveness of the sustainable energy segment can be seen in a number of initiatives undertaken by other companies operating within the wider construction market. These include -

**October 2011** - YIT, the Finnish quoted construction company, announced the construction of a 'research apartment' adjacent to its HQ in Helsinki which will focus on improving energy efficiency measures in the housing environment.

**August 2011** - Saint Gobain has been among the most active European companies in moving its strategy towards the 'sustainable habitat'. In August 2011, it acquired Solar Gard, a company which produces solar control films that contribute to reduce energy consumption, with the rationale being that the addition of Solar Gard would extend its range of solutions for energy efficient buildings.

**July 2011** - Saint-Gobain also expanded its insulation business with a total investment of c.€140m and which encompassed the construction of a new glass wool facility in Japan and an acquisition in Russia.

**July 2011** - Wienerberger, the world's largest brick producer, started construction of a 'model house' built to comply with all requirements of the EU's Energy Performance of Buildings Directive for 2020 (Directive 2010/31/EU), which includes blocks with integrated thermal insulation which is achieved through the use of rock wool.

**June 2011** - Lafarge, under an existing partnership with the World Wildlife Fund (WWF), committed to a set of second generation targets, that included the allocation of 50% of its research spend out to 2015 on the development of sustainable building products.

**March 2011** - Grafton introduced the new role of director for renewables which follows the company's acquisition of a small distributor to the solar thermals market (Secon Solar, acquired July 2009) and highlights that builders merchants view the renewables segment as an increasingly important area in which to be strongly positioned as evident from the growth in the range of sustainable building solutions being carried.

While competitor efforts in the area of low energy construction solutions (and within it higher performance insulation) has seen additional traction in the past 12 - 24 months it is also the case that Kingspan has continued to push forward with its plans for the next generation of insulation standards. The company currently has a trial plant testing the commercial viability of a new form of low lambda ( $\lambda$ ) insulation which is targeted for launch in 2013-14. This next generation insulation (NGI) is projected to achieve a U value (measure of the rate of heat loss) of 0.1 based on only 80mm of insulation; which compares to the group's current top end insulation product (Kooltherm) requiring 200mm and less efficient competitor offerings based on mineral wool requiring 420mm.

## Regulatory drivers

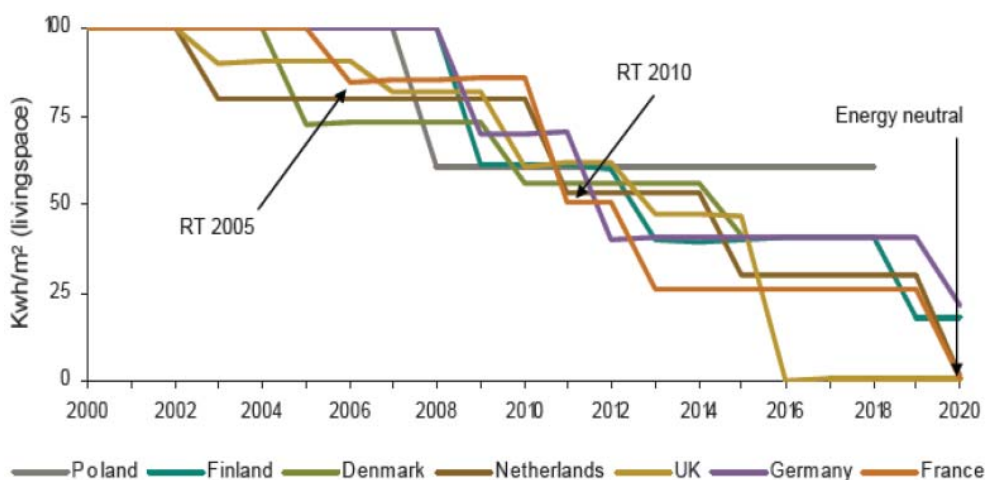
Within the wider construction market Kingspan is in the positive position whereby demand for its products are subject not solely to sector activity, but also to regulatory drivers as governments' move to reach ambitious targets for improved energy efficiency from both the existing built environment and planned new construction projects.

In Kingspan's largest end market of the UK (H1 2011: 42% revenues) there have been a number of government initiatives put in place to improve energy efficiency in buildings in recent years. In 2009, the Carbon Trust set out the objective of retrofitting the UK's existing 1.8m industrial buildings with greater insulation standards. More recently, the UK's Green Deal put forward a framework, expected to be in place by late 2012, under which consumers and small businesses would be incentivised to undertake energy efficiency improvements to their properties and rather than being required to front load the cost it would instead be recouped on an instalment basis on energy bills.

In March 2011, the UK also announced the Renewable Heat Incentive (RHI) which aims to increase the attraction of heat generation from renewable sources by offering domestic and non-domestic property owners benefits akin to a feed-in tariff.

While now small in a group context Kingspan's home market of Ireland (FY11: 4% revenues) has, along with the UK, been among the countries that have moved most quickly to introduce greater efficiency standards for the country's construction sector. The most prominent among these standards has been the introduction of the BER (Building Energy Rating) system in 2009 which made it compulsory for all homes being sold (or rented) to have a certificate outlining their energy performance.

In Mainland Europe, the implementation of regulations towards the EU's 2020 target of energy neutral buildings (as set out in EU Directives (2002/91/EC and later 2010/31/EU) has been mixed with certain countries, such as France, Germany and the Netherlands, tracking ahead of Italy and Poland.



The potential for increased penetration of higher standard insulation products in Europe is a key area of potential growth for Kingspan given that current penetration rates for rigidboard insulation in mainland Europe significantly lags that of the UK and Ireland.

Following the acquisition of CRH's European insulation businesses (CIE) for €107m (net of subsequent disposals) the group's exposure to the market share growth opportunity in Western Europe has been significantly enhanced given that the CIE business is expected to contribute c.€150m or c.32% of the revenue line of Kingspan's insulation boards division in FY12, based on our forecasts.

In France, Réglementation Thermique 2012 (RT-2012) replaces the previous RT-2005 and effectively requires a more stringent minimum standard of insulation than the earlier standard. RT-2012 is effective since October 2011 for new non-residential planning applications and will come into being for new residential buildings from January 2013 representing the next step towards achieving energy neutral (or positive) buildings by 2020.

The green agenda has also received considerable attention in the US featuring prominently in President Obama's election manifesto and subsequent plans for stimulating construction activity and jobs recovery. Former Vice President (and Presidential candidate) Al Gore has been among the strongest proponents for green initiatives in the US, culminating in his investment firm Generation Investment Management accumulating the largest single institutional shareholding in Kingspan (13% currently).

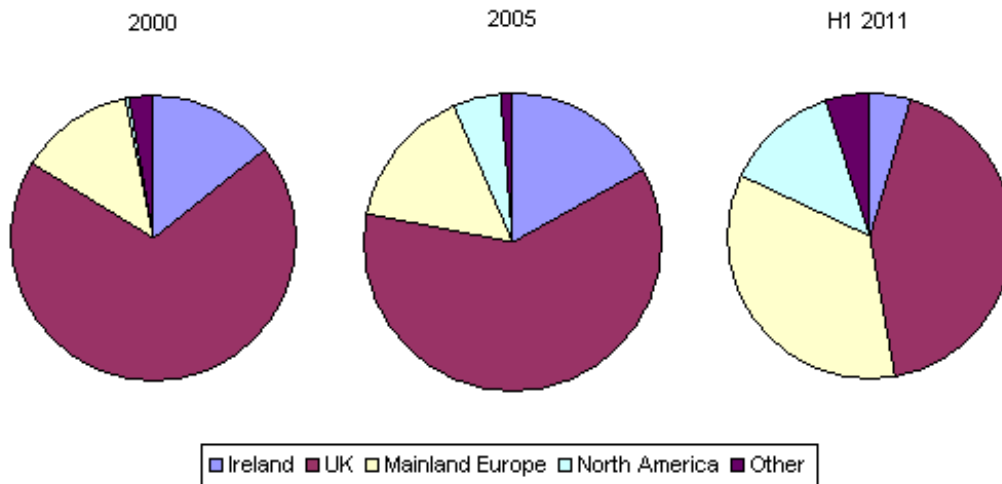
Despite this the US continues to lag Europe in the level of regulation enacted; however a number of individual states have pre-empted future stricter legislation by adopting the 2009 International Energy Conservation Codes, which while a move in the right direction are still on average only half as stringent as European regulations.

Beyond North America and Europe other markets, such as Australia and New Zealand, are also moving towards more energy efficient construction methods and as such Kingspan's current modest presence in this region (Australasia: 4% revenues) can be expected to be a focus for future growth plans.

Developing economies such as Eastern Europe and Russia do not have the same level of frameworks within which to operate; however stricter building codes in these countries and other regions (Asia, Latin America) are slowly being progressed as government's push to upgrade existing building structures to higher standards and the general population seeks to improve the comfort level of their homes.

## Acquisition strategy and financial strength

Over the past decade Kingspan has grown from an Ireland and the UK focused business to one with international exposure as highlighted in the evolution of group revenue shown in the charts below.



Organic expansion has been supplemented by an steady flow of acquisitions, particularly in markets where the group has sought to broaden its geographical exposure, for example into the US (Tate, Metecno), mainland Europe (CIE) and Australia (AIR-CELL).

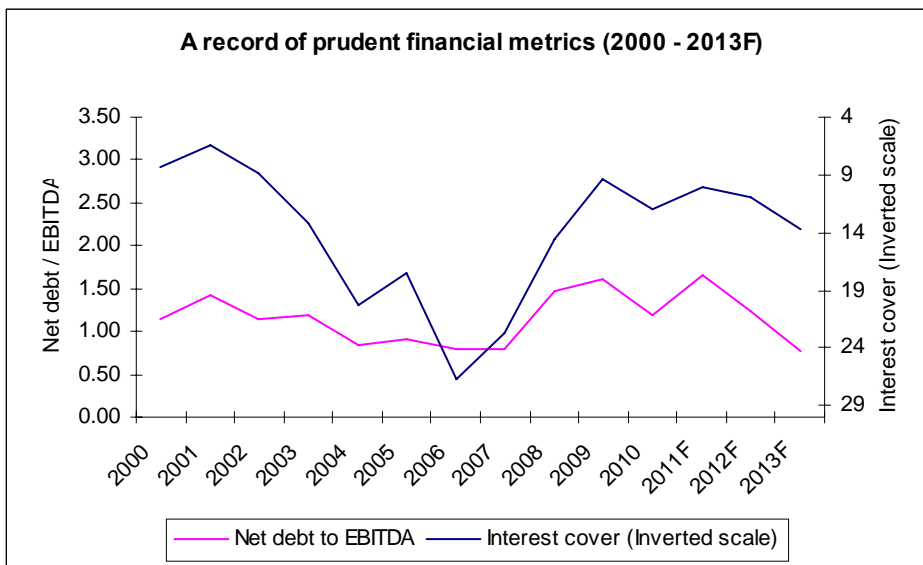
2011 has been a year of integration with bedding down of the CIE transaction that specifically involved 1) the disposal of the Nordic and UK businesses; 2) keeping the German EPS business for the time being; 3) rationalising the Irish unit and 4); the integration of the CIE facility located in Winterswijk, the Netherlands (close to the German border) with the group's existing production facilities in the Netherlands (principally the company's Kooltherm plant in Tiel, the Netherlands).

The significance of the CIE acquisition is best highlighted by considering the insulation boards division product split prior to and post the transaction. Prior to the acquisition the division's products split was broadly Kooltherm 35% and PIR 65%. This mix shifted to Kooltherm 20%, PIR 50% and EPS/other 30% following the transaction providing Kingspan with a wider product spectrum in Western Europe.

With the majority of the integration process/divestments completed and the H1 results showing the CIE business performing to expectations, we are of the view that management retains the appetite for further acquisitions. The group's balance sheet can readily facilitate such action with forecast net to EBITDA of 1.7x at the December 2011 year end.

Management have previously signalled a preference to maintain a leverage profile that has an upper limit on net debt to EBITDA at c.2.0x; however for the 'right transaction' a higher debt multiple would be considered, once management were comfortable that it could move back towards c.2.0x net debt to EBITDA over a relatively short timeframe.

Kingspan could readily facilitate up to circa €130m spending on acquisitions without surpassing a net debt to EBITDA level of 2.0x, based on our FY12 estimates (assumes 8% EBITDA margin on acquired business). Such an outlay would supplement our existing FY12 EBITDA estimate by c.8%, while still allowing the group to retain a robust capital structure. The graph below highlights the prudent approach to leverage adopted by Kingspan over the past decade with the group at all times operating comfortably within its two principal banking covenants which are 1) maximum net debt to EBITDA of 3.5x and 2) minimum interest cover of 4x.



In August 2011, Kingspan completed a US\$200m (€139m) private placement of 10 year senior notes further improving the group's capital structure and extending the weighted average maturity profile to 5.5 years. Post the August placing the group's available facilities total €650m indicating a theoretical headroom of €434m based on net debt of €217m at the end of June 2011.

We see future investments focusing on the core activities of insulation representing a deepening of product offering and global footprint, rather than an expansion of activities into new segments of the construction sector.

Over the medium to long term we see the potential for the group to become a purer play on the insulation theme and as such would see the group open to considering an exit from Environmental & Renewable and/or Access Floors - both businesses which have the potential to offer greater synergies to companies other than Kingspan. Indeed, we would argue that such a move would further underpin the group's long standing premium rating to the sector which we view as reflecting the attractiveness of the group's strong product offerings and market positions in insulation (both boards and panels).

## Forecast updates

We have adjusted our forecasts ahead of the IMS scheduled for 14 November. Our largest changes are to our revenue assumptions with full year growth of +23% now expected, compared to +20% previously. The revisions at a divisional level are provided in the table below.

Revenue - by division	2011F			2012F		
	<i>new</i>	<i>old</i>	<i>% change</i>	<i>new</i>	<i>old</i>	<i>% change</i>
Insulated Panels	730.7	708.8	3.1%	786.6	758.4	3.7%
Insulation Boards	429.5	428.0	0.3%	463.8	445.1	4.2%
Environ. & Renew.	192.3	180.3	6.7%	202.0	185.7	8.8%
Access Floors	119.9	117.3	2.3%	111.5	126.7	-11.9%
<b>Group</b>	<b>1472.5</b>	<b>1434.3</b>	<b>2.7%</b>	<b>1563.9</b>	<b>1515.8</b>	<b>3.2%</b>

Our trading margin assumptions for FY12 have also been modified; however the changes are minor. Importantly we retain our margin assumptions for the panels and boards divisions, despite expecting that the cost recovery environment will remain challenging into FY12 reflecting excess capacity in certain markets (particularly within CEE) and continued price competition among companies. Our FY11 margin assumptions remain largely unchanged.

EBITA margin - by division	2011F			2012F		
	<i>new</i>	<i>old</i>	<i>change</i>	<i>new</i>	<i>old</i>	<i>change</i>
Insulated Panels	6.2%	6.2%	0.0	6.8%	6.8%	0.0
Insulation Boards	6.6%	6.6%	0.0	6.9%	6.9%	0.0
Environ. & Renew.	2.0%	2.2%	-0.2	4.0%	2.7%	1.3
Access Floors	7.0%	7.0%	0.0	7.2%	8.0%	-0.8
<b>Group</b>	<b>5.8%</b>	<b>5.9%</b>	<b>-0.1</b>	<b>6.5%</b>	<b>6.4%</b>	<b>0.1</b>

At the earnings level our changes equate to a 2% uplift for FY11 and 5% for FY12. Our updated eps estimates are for 35.7c (35.0c) in FY11 and 42.2c (40.3c) in FY12. We also, for the first time, outline our forecasts for FY13. A summary of the key growth trends out to FY13 are provided in the table below.

2013F forecasts	Revenue			EBITA		
	2013F	2012F	<i>v 2012F</i>	2013F	2012F	<i>v 2012F</i>
Insulated Panels	860.3	786.6	9.4%	64.5	53.5	20.6%
Insulation Boards	500.9	463.8	8.0%	40.1	32.0	25.2%
Environ. & Renew.	214.1	202.0	6.0%	10.7	8.1	32.5%
Access Floors	114.9	111.5	3.0%	9.2	8.0	14.4%
<b>Group</b>	<b>1690.2</b>	<b>1563.9</b>	<b>8.1%</b>	<b>124.5</b>	<b>101.6</b>	<b>22.5%</b>

## IMS preview (confirmed 14 November)

Kingspan will on 14 November issue an IMS providing an update on trading to date in H2. The group's H1 results outlined revenue growth of +32% to €736m and trading profit higher by +24% to €44.2m. Excluding the CIE acquisition, the revenue and trading profit growth in H1 was +16% and +17% respectively. We will be looking for trading through to mid November to confirm our updated expectation for +19% growth in the full year trading profit to €85.9m. Key questions -

**Revenue trends** - How have revenue trends in the key UK market evolved in Q3 given sector commentary of a tightening in demand in response to austerity measures? Has order intake in the North American panels business (H1: -8%) shown any notable shift (up/down) as the second half has developed? How does the current level of RFPs /quotations compare with the same period last year?

**Changes to business mix** - Has the H1 trend which saw a growing proportion of volumes being derived from the renovation market (20% in the UK), continued into H2? What mix between new build and RMI does the group see as evolving into 2012? What is the current mix of Access Floors volumes between construction activity into datacenters, low rise offices and high rise offices respectively?

**Inputs equation** - What has been the extent of the benefit from the recent fall back in steel prices given the structure of the group's supply contracts? How have recent chemical prices, particularly MDI, compared with management's expectations? Beyond, steel and chemicals, how have other costs developed versus expectations?

**Market trends** - Is the conversion of the Benelux and German markets towards higher performance insulation boards progressing to plan? Has the previously disclosed "project slippage" in the group's US architectural facades business continued? What is the typical duration of any delays and are there any signs that temporary delays are turning into longer term deferrals or outright cancellations?

**Regulatory drivers** - What does the group see as the major regulatory developments in recent months which act as a direct positive for its products? What is the expected timing for volume demand related to the UK's Renewable Heat Incentive and Green Deal?

**Macro caution** - What is the extent of further cost take measures that could be pursued were market conditions to deteriorate and what proportion of such cuts would be fixed i.e. not volume related? Does the current macro uncertainty push out the timeline for a decision on the construction of new insulation capacity in markets outside of Europe, for example Australia?

**Balance sheet options** - Should shareholders view the recent raising of \$200m from the US private placing market as a prelude to further sizable acquisitions? Does Recticel's insulation business remain a legitimate target for Kingspan? In the US and Australia are there competitor businesses that would be considered a good fit for Kingspan?

## Valuation - Premium warranted

Valuation comparisons between Kingspan and a peer group are made difficult for two primary reasons 1) Within insulation there is no 'clean' peer at the upper end of the insulation curve. Rockwool produces stone wool products which are at the lower end of the performance curve, while Recticel's non-insulation business accounts for the majority (c.85%) of its total revenues and 2) outside of insulation Kingspan's activities comprise not only Access Floors, but also a range of businesses within the smaller Environmental & Renewables division including hot water systems, rain water harvesting and solar thermal systems.

Our selected peer group includes a range of companies that compete with Kingspan in the insulation market either in Europe or the US. A useful snapshot of the types of insulation produced by Kingspan and each company in our selected peer group is provided in the table below. It is worth noting the contribution from insulation activities is small in a group context for a number of Kingspan's peers.

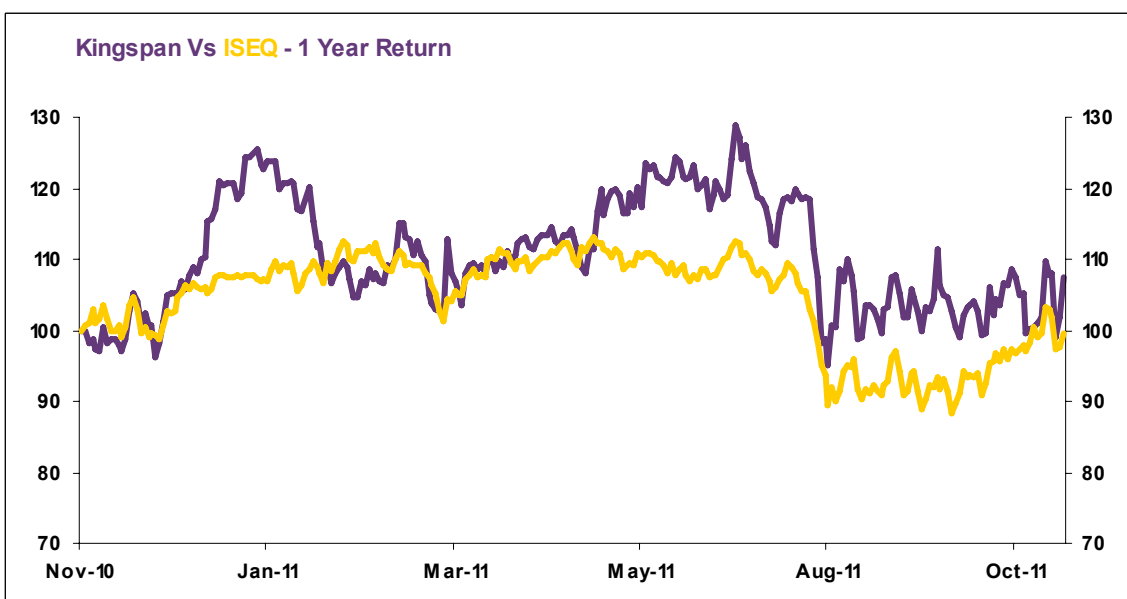
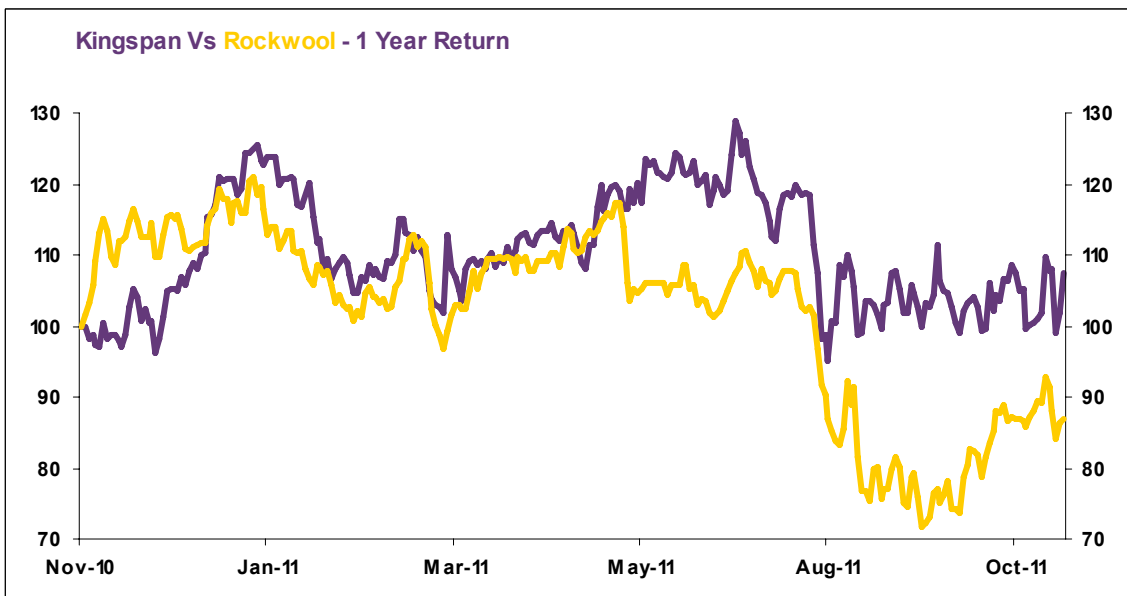
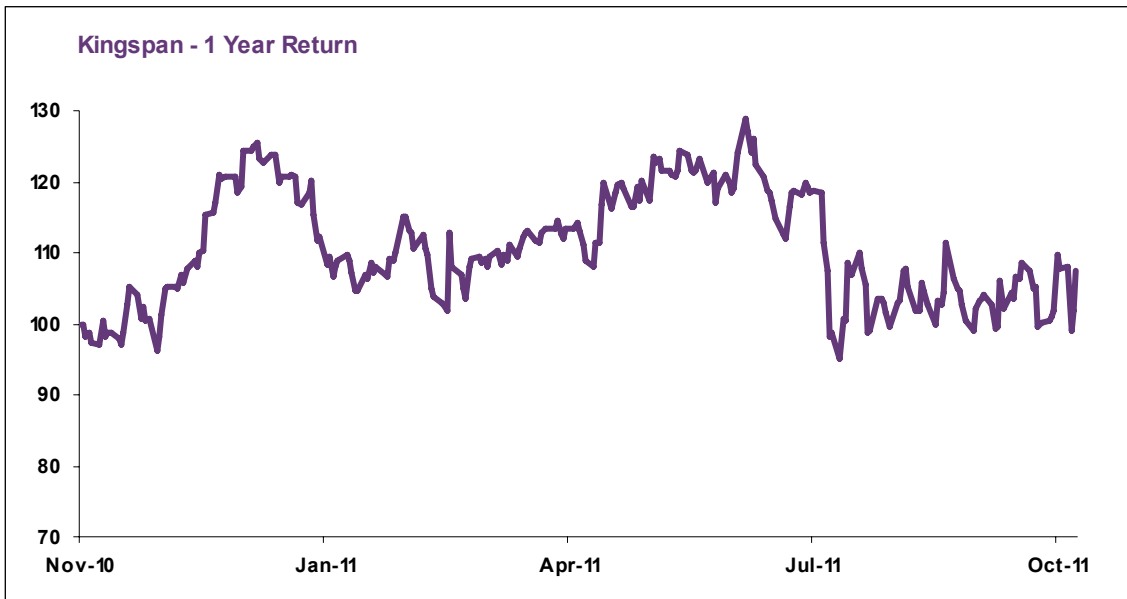
	Glass wool	Stone wool	Expanded Polystyrene (EPS)	Extruded Polystyrene (XPS)	Polyisocyanurate/polyurethane PIR / PUR	Phenolic	Insulation as % group revenues
<b>Kingspan</b>			<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>78%</b>
Rockwool		x					82%
Uralita	x			x			62%
Owens Corning	x		x	x			24%
Recticel					x	x	16%
Saint Gobain	x	x	x	x			< 10%
BASF			x	x	x		<5%
DOW			x	x	x		nm
ThyssenKrupp					x		nm

Kingspan currently trades on an FY12 PE of 15.1x and EV/EBITDA of 9.0x. This is modestly ahead (6%) of our peer group on a PE basis; however a significant premium exists when considering EV/EBITDA multiples (9.0x 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 and as such this is reflected in the premium rating that Kingspan supports and which we view as justified based on its market positions and balanced product positioning across the insulation spectrum i.e. from offering conventional EPS insulation through to its highest standard phenolic product in Kooltherm.

Comparisons with SIG are valid for examining the general health of trading in markets in the UK and mainland Europe; however it does not reflect Kingspan's more diverse spread of activities (international markets now represents c.18% (and growing) of Kingspan revenues) and, most crucially, SIG's rating reflects its position as a distributor and fabricator (cutting and shaping) of insulation (including Kingspan products), whereas Kingspan is a producer (and innovator) within the insulation space and also has a direct route to market.

	Share price	PE		EV/EBITDA		Div yld 2011	Net debt EBITDA
		2011	2012	2011	2012		
<b>Kingspan (€)</b>	<b>6.37</b>	<b>17.9</b>	<b>15.1</b>	<b>10.5</b>	<b>9.0</b>	<b>1.8</b>	<b>1.7</b>
Rockwool (DKK)	517.00	19.7	14.2	6.6	5.6	1.9	0.2
Uralita (€)	2.10	53.8	38.2	8.9	8.2	0.9	2.4
Owens Corning (US\$)	28.86	13.2	10.7	6.9	6.2	0.0	2.5
Recticel (€)	4.68	5.8	5.0	2.2	2.1	6.3	1.7
Saint Gobain (€)	32.05	9.3	8.6	5.2	5.0	4.0	1.4
SIG (£)	0.96	10.9	9.2	6.0	5.5	2.4	1.0
<b>Average (incl Kingspan)</b>		<b>18.7</b>	<b>14.4</b>	<b>6.6</b>	<b>5.9</b>	<b>2.5</b>	<b>1.6</b>
<b>Average (excl Kingspan)</b>		<b>18.8</b>	<b>14.3</b>	<b>6.0</b>	<b>5.4</b>	<b>2.6</b>	<b>1.5</b>

	Price	Volume 6m avg	Mkt cap (m) (€ equiv)	Chg % ytd	PE 2011	PE 2012	PE 2013	EV/EBITDA 2011	EV/EBITDA 2012	EV/EBITDA 2013	Div yld 2011	Div yld 2012	Div yld 2013	Price / Book 2011
<b>Kingspan (€)</b>	<b>6.37</b>	<b>156100</b>	<b>1061</b>	<b>-15</b>	<b>17.9</b>	<b>15.1</b>	<b>12.1</b>	<b>10.5</b>	<b>9.0</b>	<b>7.4</b>	<b>1.8</b>	<b>2.1</b>	<b>2.5</b>	<b>1.6</b>
Rockwool (DKK)	517.00	19814	1569	-26	19.7	14.2	12.5	6.6	5.6	5.2	1.9	2.1	2.4	1.3
Uralita (€)	2.10	4970	415	-40	53.8	38.2	19.1	8.9	8.2	7.0	0.9	1.2	3.2	1.3
Owens Corning (US\$)	28.86	1800302	2530	-7	13.2	10.7	8.6	6.9	6.2	5.3	0.0	0.0	0.0	1.0
Recticel (€)	4.68	36075	135	-41	5.8	5.0	4.0	2.2	2.1	2.0	6.3	6.8	7.4	0.5
Saint Gobain (€)	32.05	2698500	17162	-17	9.3	8.6	7.4	5.2	5.0	4.6	4.0	4.4	5.0	0.9
SIG (£)	0.96	1806671	659	-25	10.9	9.2	7.8	6.0	5.5	4.8	2.4	3.2	4.1	0.8
<b>Average (incl Kingspan)</b>				<b>-24</b>	<b>18.7</b>	<b>14.4</b>	<b>10.2</b>	<b>6.6</b>	<b>5.9</b>	<b>5.2</b>	<b>2.5</b>	<b>2.8</b>	<b>3.5</b>	<b>1.0</b>
<b>Average (excl Kingspan)</b>				<b>-26</b>	<b>18.8</b>	<b>14.3</b>	<b>9.9</b>	<b>6.0</b>	<b>5.4</b>	<b>4.8</b>	<b>2.6</b>	<b>3.0</b>	<b>3.7</b>	<b>0.9</b>
BASF	51.32	5527292	47136	-14	8.1	9.2	9.2	5.2	5.4	5.1	4.6	4.7	4.9	1.9
Dow Chemical	28.18	11497761	33303	-17	10.4	9.6	9.6	6.9	6.7	5.9	3.2	3.6	3.9	1.4
Thyssenkrupp	20.87	3772980	10735	-33	11.2	8.6	1.0	5.1	4.3	3.7	2.8	3.8	4.9	0.9



## Income statement

Year ended 31 December	2009A	2010A	2011F	2012F	2013F
<b>Revenue</b>					
Insulated Panels	593.9	638.5	730.7	786.6	860.3
Insulation Boards	215.3	248.2	429.5	463.8	500.9
Environmental & Renewables	168.7	171.7	192.3	202.0	214.1
Access Floors	147.6	134.8	119.9	111.5	114.9
<b>Total revenue</b>	<b>1,125.5</b>	<b>1,193.2</b>	<b>1,472.5</b>	<b>1,563.9</b>	<b>1,690.2</b>
<b>EBITA</b>					
Insulated Panels	26.3	35.8	45.3	53.5	64.5
Insulation Boards	13.5	16.7	28.3	32.0	40.1
Environmental & Renewables	1.8	0.9	3.8	8.1	10.7
Access Floors	25.5	18.6	8.4	8.0	9.2
<b>Total EBITA</b>	<b>67.1</b>	<b>72.0</b>	<b>85.9</b>	<b>101.6</b>	<b>124.5</b>
<b>EBITA Margin %</b>	<b>6.0%</b>	<b>6.0%</b>	<b>5.8%</b>	<b>6.5%</b>	<b>7.4%</b>
Net interest	-6.0	-11.7	-11.9	-12.5	-11.8
Intangible amortisation	-4.4	-4.6	-5.4	-5.0	-4.5
Exceptionals	0.0	0.0	-5.0	0.0	0.0
<b>Profit before tax</b>	<b>56.7</b>	<b>55.7</b>	<b>63.6</b>	<b>84.1</b>	<b>108.2</b>
Tax	-8.7	-6.6	-11.4	-15.1	-20.0
Minority interest	-0.3	-0.4	-0.3	-0.4	-0.6
<b>Attributable profit</b>	<b>47.7</b>	<b>48.7</b>	<b>51.8</b>	<b>68.6</b>	<b>87.6</b>
Dividends	0.0	-16.7	-19.2	-22.2	-26.8
Retained profit / (loss)	47.7	32.0	32.6	46.3	60.8
EPS - reported (cents) basic	28.7	29.2	31.0	40.8	51.9
EPS - reported (cents) diluted	28.3	28.6	30.2	39.8	50.7
<b>EPS - adjusted (cents)</b>	<b>25.7</b>	<b>30.9</b>	<b>35.7</b>	<b>42.2</b>	<b>52.8</b>
DPS (cents)	0.0	10.0	11.5	13.2	15.9

## Segmental information

<b>Revenue - by division</b>	<b>2009</b>	<b>2010</b>	<b>2011F</b>	<b>2012F</b>	<b>2013F</b>
Insulated Panels	593.9	638.5	730.7	786.6	860.3
Insulation Boards	215.3	248.2	429.5	463.8	500.9
Environmental & Renewables	168.7	171.7	192.3	202.0	214.1
Access Floors	147.6	134.8	119.9	111.5	114.9
Group	1,125.5	1,193.2	1,472.5	1,563.9	1,690.2

<b>Revenue - by division (%)</b>					
Insulated Panels	53%	54%	50%	50%	51%
Insulation Boards	19%	21%	29%	30%	30%
Environmental & Renewables	15%	14%	13%	13%	13%
Access Floors	13%	11%	8%	7%	7%
	100%	100%	100%	100%	100%

<b>Revenue - trends (% change)</b>					
Insulated Panels		8%	14%	8%	9%
Insulation Boards		15%	73%	8%	8%
Environmental & Renewables		2%	12%	5%	6%
Access Floors		-9%	-11%	-7%	3%
Group		6%	23%	6%	8%

<b>EBITA - by division</b>					
Insulated Panels	26.3	35.8	45.3	53.5	64.5
Insulation Boards	13.5	16.7	28.3	32.0	40.1
Environmental & Renewables	1.8	0.9	3.8	8.1	10.7
Access Floors	25.5	18.6	8.4	8.0	9.2
Group	67.1	72.0	85.9	101.6	124.5

<b>EBITA - by division (%)</b>					
Insulated Panels	39%	50%	53%	53%	52%
Insulation Boards	20%	23%	33%	31%	32%
Environmental & Renewables	3%	1%	4%	8%	9%
Access Floors	38%	26%	10%	8%	7%
	100%	100%	100%	100%	100%

<b>EBITA margin - by division</b>					
Insulated Panels	4.4%	5.6%	6.2%	6.8%	7.5%
Insulation Boards	6.3%	6.7%	6.6%	6.9%	8.0%
Environmental & Renewables	1.1%	0.5%	2.0%	4.0%	5.0%
Access Floors	17.3%	13.8%	7.0%	7.2%	8.0%
Group	6.0%	6.0%	5.8%	6.5%	7.4%

<b>EBITA - trends (% change)</b>					
Insulated Panels		36%	26%	18%	21%
Insulation Boards		24%	70%	13%	25%
Environmental & Renewables		-51%	333%	110%	33%
Access Floors		-27%	-55%	-4%	14%
Group		7%	19%	18%	23%

## Balance sheet

Year ended 31 December	2009	2010	2011F	2012F	2013F
<b>Non current assets</b>					
Tangible assets	400.0	408.6	483.6	472.6	461.6
Intangible assets	310.3	324.7	324.7	324.7	324.7
Deferred tax assets	3.0	5.6	5.6	5.6	5.6
Financial assets	0.0	1.3	1.3	1.3	1.3
	<u>713.3</u>	<u>740.2</u>	<u>815.2</u>	<u>804.2</u>	<u>793.2</u>
<b>Current assets</b>					
Inventories	110.8	129.0	144.0	159.0	174.0
Trade receivables	203.5	236.3	251.3	266.3	281.3
Other receivables	0.0	1.4	1.4	1.4	1.4
Cash	83.9	104.4	34.3	64.1	108.5
Assets held for sale	19.0	1.7	1.7	1.7	1.7
	<u>417.2</u>	<u>472.9</u>	<u>432.8</u>	<u>492.5</u>	<u>566.9</u>
<b>Total assets</b>	<b>1130.5</b>	<b>1213.1</b>	<b>1248.0</b>	<b>1296.7</b>	<b>1360.1</b>
<b>Current liabilities</b>					
Trade payables	-191.1	-202.7	-202.7	-202.7	-202.7
Other payables	-92.9	-85.2	-85.2	-85.2	-85.2
Deferred consideration	-0.7	-2.8	-2.8	-2.8	-2.8
Debt	-31.9	-14.3	-14.3	-14.3	-14.3
	<u>-316.5</u>	<u>-304.9</u>	<u>-304.9</u>	<u>-304.9</u>	<u>-304.9</u>
<b>Non current liabilities</b>					
Bank debt	-201.1	-213.7	-213.7	-213.7	-213.7
Other debt	-11.9	-2.4	-2.4	-2.4	-2.4
Other payables	-3.8	-7.3	-7.3	-7.3	-7.3
Deferred consideration	-2.6	0.0	0.0	0.0	0.0
Deferred tax	-9.0	-17.8	-17.8	-17.8	-17.8
Grants	0.0	0.0	0.0	0.0	0.0
Minorities	-4.7	-4.9	-5.2	-5.6	-6.2
	<u>-233.1</u>	<u>-246.2</u>	<u>-246.5</u>	<u>-246.9</u>	<u>-247.5</u>
<b>Total liabilities</b>	<b>-549.6</b>	<b>-551.1</b>	<b>-551.4</b>	<b>-551.8</b>	<b>-552.4</b>
<b>Total equity</b>	<b>580.8</b>	<b>662.0</b>	<b>696.6</b>	<b>745.0</b>	<b>807.7</b>
Equity share capital	22.3	22.3	24.3	26.3	28.3
Capital and other reserves	-140.8	-105.7	-105.7	-105.7	-105.7
Retained earnings	699.4	745.3	777.9	824.3	885.1
	<u>580.8</u>	<u>662.0</u>	<u>696.6</u>	<u>745.0</u>	<u>807.7</u>

## Cashflow statement

Year ended 31 December	2009	2010	2011F	2012F	2013F
<b>Operating profit</b>	<b>62.7</b>	<b>67.4</b>	<b>80.5</b>	<b>96.6</b>	<b>120.0</b>
Depreciation & amort	40.2	40.2	40.0	41.0	41.0
Working capital	105.2	-29.9	-30.0	-30.0	-30.0
Other non cash items	2.7	-8.1	-5.0	0.0	0.0
<b>Operating cash flow</b>	<b>210.7</b>	<b>69.6</b>	<b>85.5</b>	<b>107.6</b>	<b>131.0</b>
Interest paid	-12.9	-9.6	-11.9	-12.5	-11.8
Tax paid	-10.1	-2.2	-11.4	-15.1	-20.0
Net capex	-45.9	-15.8	-25.0	-30.0	-30.0
<b>Free cash flow</b>	<b>141.8</b>	<b>42.0</b>	<b>37.1</b>	<b>50.0</b>	<b>69.2</b>
Dividends	-0.3	-6.8	-19.2	-22.2	-26.8
Equity issues	0.0	0.0	2.0	2.0	2.0
Acquisitions / disposals	-8.0	-0.2	-90.0	0.0	0.0
Other / translation	1.7	0.6	0.0	0.0	0.0
<b>Net cash inflow / outflow</b>	<b>135.2</b>	<b>35.6</b>	<b>-70.1</b>	<b>29.7</b>	<b>44.4</b>
Opening cash / (debt)	-299.5	-164.3	-128.7	-198.8	-169.1
<b>Year end cash / (debt)</b>	<b>-164.3</b>	<b>-128.7</b>	<b>-198.8</b>	<b>-169.1</b>	<b>-124.7</b>

<i>Kingspan</i>	2009A	2010A	2011F	2012F	2013F
<b>Revenue (€m)</b>	<b>1126</b>	<b>1193</b>	<b>1472</b>	<b>1564</b>	<b>1690</b>
EBITDA (€m)	103	108	120	138	161
<b>EBITA (€m)</b>	<b>67</b>	<b>72</b>	<b>86</b>	<b>102</b>	<b>124</b>
Insulated Panels	26	36	45	53	65
Insulation Boards	14	17	28	32	40
Environmental & Renewables	2	1	4	8	11
Access Floors	26	19	8	8	9
<b>EBIT (€m)</b>	<b>63</b>	<b>67</b>	<b>80</b>	<b>97</b>	<b>120</b>
Pre tax profit (€m)	57	56	64	84	108
<b>Attributable profit (€m)</b>	<b>48</b>	<b>49</b>	<b>52</b>	<b>69</b>	<b>88</b>
<b>EPS, dil, adj (c)</b>	<b>25.7</b>	<b>30.9</b>	<b>35.7</b>	<b>42.2</b>	<b>52.8</b>
Dividend per share (c)	0.0	10.0	11.5	13.2	15.9
<b>Balance Sheet (€m)</b>					
Tangible	400	409	484	473	462
Intangible	310	325	325	325	325
Financial / Other	3	7	7	7	7
Fixed assets	713	740	815	804	793
Working capital	123	163	193	223	253
Net debt	-164	-129	-199	-169	-125
Other liabilities	-91	-112	-113	-113	-114
<b>Shareholders funds</b>	<b>581</b>	<b>662</b>	<b>697</b>	<b>745</b>	<b>808</b>
<b>Cashflow (€m)</b>					
EBITDA	103	108	120	138	161
Working Cap	105	-30	-30	-30	-30
Other	3	-8	-5	0	0
<b>Operating Cashflow</b>	<b>211</b>	<b>70</b>	<b>85</b>	<b>108</b>	<b>131</b>
Less Interest	-13	-10	-12	-13	-12
Tax Paid	-10	-2	-11	-15	-20
Capex	-46	-16	-25	-30	-30
<b>Free Cashflow</b>	<b>142</b>	<b>42</b>	<b>37</b>	<b>50</b>	<b>69</b>
Acquisitions	-8	0	-120	0	0
Dividends	0	-7	-19	-22	-27
Share Issue	0	0	2	2	2
Other	2	1	30	0	0
<b>Debt (Increase)/Decrease</b>	<b>135</b>	<b>36</b>	<b>-70</b>	<b>30</b>	<b>44</b>
<b>Valuation</b>					
PER (x)	23.3	24.2	17.9	15.1	12.1
EV/EBITDA (x)	11.3	12.8	10.5	9.0	7.4
Dividend yield (%)	0.0%	1.3%	1.8%	2.1%	2.5%
Dividend cover (x)	na	2.9	3.1	3.2	3.3
EBITDA interest cover (x)	9.4	11.9	10.1	11.0	13.6
Net debt/(cash)	164	129	199	169	125
Net debt/EBITDA (x)	1.6	1.2	1.7	1.2	0.8
Gearing (%)	28%	19%	29%	23%	15%
Net asset value (cents)	349	398	410	436	470

Share price € 6.37  
Market cap €m 1,061  
EV €m 1,260  
Free float % 77%

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