DOLMEN DAILY

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8695 ↑	213	2.51%	14.1	-7.58%
FTSE 100	6300 ↑	50	0.80%	13.2	1.28%
DAX 30	7534 ↑	60	0.81%	14.2	14.21%
DOW	13463 ↑	101	0.75%	15.2	8.02%
NASDAQ	2576 ↑	22	0.87%	26.1	6.65%
S&P	1472 ↑	6	0.44%	15.9	3.80%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3700	0.6730	163.1200
Dollar	1.3700	1.0000	2.0355	119.0400
Sterling	0.6730	2.0355	1.0000	242.2900
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	78.2100			

This Week's Research

Ryanair & Taylor Wimpey
Ryanair
AIB

Today's Research

C&C Group

Breaking News

Royal Bank of Scotland first half profit beats expectations

Royal Bank of Scotland (RBS) reported underlying profit in the six months to the end of June that rose by 11% to £5.1bn and ahead of the £5.04bn consensus. RBS raised its interim dividend by 25% to 10.1p. The bank said that income grew by 8% to £14.7bn while its cost to income ratio improved to 41.4% from 41.9%. Impairment charges fell by 2% to £871m, although its net interest margin declined to 2.42% from 2.45% a year earlier. Profits at the group's US banking arm Citizens fell by 7% in sterling terms to £752m, however operating profit was up 2% before the impact of the weak dollar. Insurance profits fell by 27% to £255m as the unit suffered a net impact of £125m from claims related to floods across Britain in June. RBS pointed out that it remains confident it can continue to deliver sustainable organic growth in income, profit and EPS.

British Airways posts solid first quarter results

British Airways (BA) reported first quarter profits that rose by 75% year on year to £269m and ahead of expectations. The airline said that profits were boosted by cost control, with employee costs falling by 8.3% and its fuel bill declining by 5.2%. Revenue fell by 2.4% to £2.2bn, while its operating margin rose to 12% from 9.2% putting the group on track to generate a targeted 10% margin over the full financial year. BA lowered its full year revenue guidance slightly to 4% growth from 5% previously to reflect weakness in the dollar and operational problems at its Heathrow base. BA also raised its fuel and oil costs bill and now expects it to rise to £120m on the previous year, £20m worse than previous guidance.

Irish commercial property sees increase in rents

The release of the latest IPD index for the second quarter showed that Irish commercial property saw healthy rental increases of 7.5% quarter on quarter. Office rents rose at their strongest pace since the fourth quarter of 2001 with a 5.5% increase when compared with the same period last year. Retail rents also remain robust with strong year on year growth of 7.8% reported. Yields were relatively flat as capital appreciation was broadly in line with rental growth. Average commercial property yields were 4% in the second quarter down from 4.05% in the first quarter.

Breaking News

C&C (€6.37) Downgrading from BUY to NEUTRAL Stuart Draper
Target : €6.50 (03/08/07 ; previously €9.35, issued 16/07/07)

- Another warning : This week, C&C issued its second profit-warning in less than 3 weeks. The company announced that its trading performance deteriorated at such a rate during the second half of July that it now expects operating profit for the 6 months ending 31/08/07 to be c.35% lower year on year. It also announced that as a result of the impact of the poor weather on summer recruitment and increased competition, there is now a degree of uncertainty with respect to the H2 outlook for the cider division. This uncertainty will be clarified at the group's H1 results' announcement on 10/10/07.
- Profits downgrade : In the meantime, we now estimate that full year cider operating profit will be 18% lower than last year at €155.4m, which is based on flat full year cider turnover of €518m at the previously assumed 30% operating margin. Including €15.3m from international spirits & liqueurs and €2m from distribution gives total group operating profit of €172.7m, which after a net interest charge of €15.1m and tax of €21.3m at a 13.5% effective tax rate, gives an after tax profit of €136.3m, 31% lower than last year's pro forma €196.8m.
- Eps downgrade : Assuming the remaining €35m H1 buyback and the €150m H2 buyback result in an average full year buyback price of €7.50, then the number of shares in issue falls from 331.1m as at 28/02/08 to 291.1m as at 28/02/08, giving an average number of shares in issue of 311.1m for the year ending 28/02/08, which would imply a current year eps of 43.8c, 12% lower than last year's eps, excluding soft drinks, of 49.7c.
- Recommendation downgrade : Previously, we had considered a 15% discount to the current year sector average peer multiple of 20x fair to reflect C&C's flat current year growth prospects. However, a further 10% discount now appears appropriate given the prospects for falling profits this year. As a result, our new price target of €6.50 is based on 15x current year eps of 43.8c. With insufficient 2% upside to this price target and uncertainty over the level of full year dividend as a result of the decline in profitability, we now downgrade our C&C recommendation from BUY to NEUTRAL. The major risk of this discount to peers narrowing significantly in the near term is the greater than average probability of C&C being involved in corporate activity, either through becoming a takeover target itself following its recent soft drinks division disposal, or else from the disposal of its spirits and liqueurs business : **NEUTRAL**.

Business Press

- ECB chief signals interest rate rise (IT)
- ISEQ shows signs of recovery (IE)
- Shake up at Unilever to see jobs and US brands axed (FT)
- Tax take up despite fall-off in property (II)

Investment Press

- Buying Bear Stearns: How low can you go? Bear Stearns stock has been mauled, down about 20 per cent since early June and underperforming its rivals, who have also been roughed up badly over the past few weeks.

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