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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6278	↓ -55	-0.87%	11.0	1.30%
FTSE 100	4993	↓ -8	-0.15%	13.5	3.71%
DAX 30	4393	↑ 10	0.22%	15.0	3.23%
DOW	10812	↓ -18	-0.17%	19.5	0.27%
NASDAQ	2068	↓ -4	-0.18%	15.6	-1.03%
S&P	1210	0	-0.03%	21.0	-0.16%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3119	0.6871	137.9100
Dollar	1.3119	1.0000	1.9092	105.1000
Sterling	0.6871	1.9092	1.0000	200.7200
Yen	137.9100	105.1000	200.7200	1.0000

## This Week's Research

CRH  
Elan  
HBOS

## Today's Research

Fyffes

## Today's Recommendations

### Fyffes (€2.25) Full year results announced Stuart Draper

- Results announced : This morning, Fyffes reported results for the year ended 31/12/04. Profit before tax and earnings per share of €94.7m and 19.77c respectively were ahead of the consensus forecasts of €85m and 18c, and were both year on year increases of 32.2%.
- Banana pricing : The main drivers of this 2004 earnings growth were resilient EU banana pricing, year on year Dollar Euro weakness, as well as the first year's contribution from the group's Swedish acquisition, Everfresh.
- Growth rate : However, this growth rate may now slow as a result of additional EU banana price increases and further year on year Dollar Euro weakness no longer being available as major engines of earnings growth in 2005.
- Regulatory risk : The pending EU banana reforms also represent a significant regulatory risk for Fyffes' banana margins. The EU has published proposals to raise the tariff from 7.5c per kg of bananas to 23c per kg, from January 2006. The risk is that as importers such as Fyffes raise prices to recover this higher tariff, it results in lower banana consumption. The current legal case against DCC also adds an element of legal risk to the share price in the short term, and the current high energy prices also increase Fyffes' shipping costs.
- Price move : Following the 20% rise in Fyffes' share price over the past 2 months, its shares are no longer cheap by comparison with international peers, Chiquita and Fresh Del Monte, which trade at an average multiple of 11.9x 2005 earnings. Fyffes is now trading at 10.7x 2005 eps of 21c. Chiquita particularly is currently trading at only 10.5x consensus 2005 eps of \$2.15, even though its earnings growth is forecast to be 18% in 2005, as compared with only 5% for Fyffes.
- Fairly valued : As a result of the Everfresh acquisition being earnings enhancing by at least 3% from 2007, we had previously upgraded our Fyffes' price target. However, at current levels, our view is that this earnings boost is now fairly reflected in the current share price.
- Corporate potential : Therefore in the absence of the corporate activity which has been rumoured in the press in recent times, the shares would now appear fairly valued by comparison with peers on a stand-alone basis : **NEUTRAL**.

## Breaking News

### Lundin Mining Corporation & Arcon to merge

Sweden's Lundin Mining Corp. has said it plans to merge with Arcon International Resources Plc. Lundin mining said the value of the proposed offer is about 93.6 million euros, based the share price of Lundin Mining on March 2 or 0.538 cent per Arcon ordinary share. Among the benefits of the intended deal are that it will create a diversified European base metals producer with aggregate annual zinc production of approximately 152,000 tonnes and lead production of approximately 46,000 tonnes, as well as copper and silver production and a substantial exploration portfolio. It is also hoped that the enlarged group will have combined pro-forma liquid investments of approximately \$45 million.

### Horizon profits up 38 percent in 2004

Horizon Technology Group said its operating profit for the year to the end of December jumped by 38 percent to over 7 million euros, while revenues increased by 12 percent to 281.175 million euros. The group's earnings per share also increased by 22 percent to 8.67 cents. The company said the continued focus on operating costs delivered results, as a percentage of turnover, operating costs excluding goodwill were reduced from 9 percent in 2003 to 8.5 percent in 2004. Commenting on the results, Samir Naji, Horizon's Chairman, said the company's exposure to the Irish economy, where it generate 52 percent of turnover, has been a significant strength during 2004 and is expected to prevail in 2005.

### Moody's revises Elan's outlook to 'negative'

Moody's Investors Service on Tuesday changed its outlook on Elan Corp. to negative from stable, citing by Elan's decision to suspend the marketing of a new multiple sclerosis drug. A negative outlook indicates there is greater chance of a rating downgrade over the next 12 to 18 months. At the same time, Moody's affirmed Elan's senior unsecured "B3" rating. Elan is not facing a near-term default on its debt obligations Moody's said, and the ratings will not be lowered at this time. Elan's longer term viability rests heavily with its multiple sclerosis drug, Moody's said.

## Business Press

- Nymex oil touches \$53 (FT)
- Daimler seeks to save extra €1bn in Mercedes shake-up (FT)
- Greenspan praises US growth, but fears deficit (IT)
- McCanns saw DCC chief as a 'thorn in their side' (IT)
- Medical expert queried Tysabri (II)

## Investment Press— Lex

- Prudential: Credibility is easy to lose and hard to regain. But Prudential has taken a big step towards that goal with Wednesday's results. Profits from new insurance business rose as strongly as promised at the time of the £1bn rights issue that angered investors last October.



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