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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7887	↓ -29	-0.36%	11.0	7.11%
FTSE 100	5833	↓ -11	-0.19%	13.5	3.81%
DAX 30	5783	↓ -83	-1.42%	15.0	6.94%
DOW	11026	↓ -28	-0.25%	19.5	2.25%
NASDAQ	2311	↓ -4	-0.15%	15.6	4.80%
S&P	1289	↓ -2	-0.16%	21.0	3.55%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2015	0.6855	139.9700
Dollar	1.2015	1.0000	1.7525	116.4600
Sterling	0.6855	1.7525	1.0000	204.1000
Yen	139.9700	116.4600	204.1000	1.0000
Oil (Nymex)	63.3600			

This Week's Research
Vodafone
Kerry Group
Paddy Power

HBOS

Today's Research
Fyffes

Today's Recommendation

Fyffes (€2.04) 2005 results announced Stuart Draper

- Results announced : This morning, Fyffes announced its results for the year ended 31/12/05. Profit before tax and earnings per share of €121.8m and 25.23c respectively were ahead of consensus forecasts of €109m and 23.75c, and were year on year increases of 33.6% and 25.3%. The main driver of the growth was strong 2005 banana prices more than offsetting higher fuel costs.
- Fears overdone : The main driver of the recent share price weakness has been fear that the new EU rules for the European banana market would result in further downgrades to 2006 earnings forecasts. Fyffes had previously stated that the new regime would increase tariff costs by €40m, and the exact same guidance was re-iterated this morning. However, there may be some potential for further information later today helping to remove some of the recent uncertainty as a result of the new regime only coming into effect on 01/01/06.
- Potential offsets : This is because the extra tariff costs are a sector-wide problem rather than a company specific issue, and there may be scope to pass some of them on in the form of price increases. Over the past 12 months, this has been achieved by both Greencore and Kerry. Also, given the fact that both Fresh Del Monte and Chiquita were loss-making in Q4 2005, and that Fresh Del Monte is currently for sale, there is the potential that the new EU regime results in Fyffes and its net cash balance of €160m participating in sector consolidation which results in extra cost efficiencies providing another offset for the extra tariff costs.
- Hidden value : Fyffes has net cash per share currently of 46c and 25 of its Irish and UK properties have a conservative property value per share of 57c. This means that even valuing the fruit (not just banana) business at a conservative rating of 8x earnings, the current share price of €2.04 is implying a sustainable eps of only 12.6c for this business. A fairer estimate of the sustainable eps of this business may be 18c, where the company's eps should recover to in 2007, giving our current 12 month price target of €2.50 (23% upside).
- Attractive yield : The company will also pay a final dividend per share of 5.2c in May 2006 and an interim dividend of c.1.7c in October 2006, providing investors with a dividend yield of 3.4% for waiting for this upside to be achieved : **BUY**.

Breaking News

ECB raises rates and growth forecasts

The European Central Bank has upgraded its forecast for economic growth in the 12-country euro zone amid signs that the nascent recovery in the single currency region is gathering pace. ECB President Jean-Claude Trichet said the guardian of the euro was pencilling in growth of 2.1% in 2006 and 2% in 2007. Previously, the ECB had been forecasting growth of 1.9% both this year and next year. Yesterday's euro area interest increase was the second since December. The evidence suggests that economic activity is improving after the bank raised its key interest rates by a quarter of a percentage point for the second time in three months to 2.5%. Investment was also expected to remain strong, benefiting from an extended period of very favourable financing conditions, corporate balance sheet restructuring and gains in earnings and business efficiency.

Babcock & Brown ups Eircom stake again

Australian investment group Babcock & Brown Capital has become the biggest shareholder in Eircom, which it is considering buying. Babcock and Brown Capital has confirmed that it now holds 253.7 million Eircom shares, representing 23.6% of the company. The new shares were bought at a price of €2.20. B&B has now overtaken the Employee Share Ownership Trust (ESOT) as the biggest shareholder in Eircom. If B&B increased its stake to 29.9%, the move would trigger a mandatory offer for the company.

Rank Group reports 14 percent fall in annual profit

Rank Group have today reported a 14 percent fall in annual profit and said it would spend £200m buying back its shares. The owner of Mecca bingo halls and Hard Rock cafes said it had been unable to sell its Deluxe media division and would consider breaking it up and selling the assets separately. Hard Rock grew revenues and profits as a result of increased contribution from its hotels and gaming interests and the continued improvement of company-owned cafes.

Business Press

- Babcock & Brown looks for Eircom bid partners (IT)
- Deutsche Telecom slashes value of assets in £1.3bn hit (II)
- Interest rates could hit 3.25pc by end of year (II)
- Rebels accuse SkyePharma over warnings on cash crisis (FT)

Investment Press

Investors unnerved by ECB rate rise

- The prospect of further rises in interest rates in the eurozone unnerved both equity markets and bond markets yesterday.



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