



July 4, 2005

Contact Details:

Email : research@dbb.ie
info@dbb.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6557	↑ 16	0.24%	11.0	5.79%
FTSE 100	5161	↑ 48	0.93%	13.5	7.21%
DAX 30	4617	↑ 31	0.67%	15.0	8.48%
DOW	10303	↑ 28	0.28%	19.5	-4.45%
NASDAQ	2057	↑ 0	0.02%	15.6	-1.51%
S&P	1194	↑ 3	0.26%	21.0	-1.45%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1934	0.6778	133.2100
Dollar	1.1934	1.0000	1.7596	111.5900
Sterling	0.6778	1.7596	1.0000	196.3600
Yen	133.2100	111.5900	196.3600	1.0000
Oil (Nymex)	58.7500			

This Week's Research

Today's Research Iona

Breaking News

Dollar hits 13-month high versus the Euro

The dollar has hit fresh 13-month highs against the euro today after strong U.S. factory data last week confirmed expectations for the Federal Reserve to keep raising interest rates. An unexpectedly big jump in the Institute for Supply Management's June index showed the manufacturing sector bouncing back from a slowdown, erasing doubts that the Fed will continue to lift rates. The steady rise in U.S. rates has sparked a powerful rally in the dollar this year, driving it up 12 percent against the euro as Europe's struggling economy and political uncertainty have prompted investors to sell out of the single currency.

Travis Perkins moderates FY expectations

Travis Perkins, the builders' merchant and DIY retailer, said trading is set to remain challenging for the rest of 2005 and it has therefore 'moderated' its expectations for the year. In a trading statement, Travis Perkins said group turnover for the first six months, including the effect of the February acquisition of Wickes, was up by 41 percent, but on a like-for-like basis sales were 0.5 percent lower. In the Travis Perkins builders' merchant business (65% of total merchandising turnover) core merchandising sales were up 1.6%. The group said progress on the integration of Wickes is proceeding ahead of schedule. Travis Perkins said although the DIY market is showing signs of recovery, this improvement has been patchy and slower than expected.

From Grafton's perspective the key number is the 1.6% increase in merchandising sales. Grafton will issue its own trading update for the six months ended 30 June on Wednesday.

IL&P board changes & director share purchase

Following the decision to retire as Chief Executive of permanent tsb (as reported 17th May 2005), Brian McConnell has retired from the Board of the Company on the 30th June 2005.

IL&P also revealed that its Group Secretary, Ciaran Long, had increased his holding in the company. Long purchased 31,902 ordinary shares at a price of €14.55 on the 30th June.

Today's recommendation

Iona (\$2.85) Q2 profit warning Stuart Draper

- **Q2 warning** : Iona has warned that its profitability for the 3 months ended 30/06/05 will be below previous market guidance. As recently as 14th June, Iona had re-affirmed its forecast that both Q2 revenue and expenses would be in the \$16m to \$17m range. However, Q2 revenue will now be within a lower \$13.6m to \$14.1m range.
- **CORBA delays** : As a result, Iona now expects to report a Q2 loss per share of between 6c and 8c, compared with a loss per share of 5c for Q2 2004. This is because some of the CORBA transactions that had been expected to close by quarter end, were not achieved on time. Iona will release the full details of its Q2 results on 14th July.
- **Artix potential** : The company still expects at least 2 of the 3 major delayed deals to close in subsequent quarters, with the delays in closing these deals being because of delays in the internal processes of existing customers. However, the percentage of Q2 revenue made up by the company's high potential Artix product grew to 13%, with 11 Artix deals closed during the quarter.
- **Management changes** : After almost a decade with Iona, Dan Demmer recently announced his resignation as chief financial officer. In April, the company announced that its chief operating officer, Peter Zotto, would replace Chris Horn as chief executive, with Mr. Horn moving to the more back-seat role of non-executive vice-chairman.
- **Sector discount** : With 36.4m shares in issue and \$54.7m in cash and marketable securities at 31/03/05, Iona's enterprise value (EV) is currently \$49m. Given that Iona generated \$68m in sales for 2004, \$37.3m of which were maintenance sales (MS), its EV to sales and EV to MS multiples are currently 0.7x and 1.3x respectively. This compares with sector average multiples for the integration software sector of 1.9x (63% discount) and 4.7x (72% discount) respectively.
- **Software consolidation** : Consolidation has already started in the software sector as a result of the bids of SAP and Oracle for Retek. The initial bids were at EV/Sales multiples of 2.3x and 2.5x respectively, and were then increased to 3.1x and 3.2x respectively. With Iona now trading at an EV/Sales multiple of 0.7x 2004 sales, there could be significant upside potential from current levels in the event of a takeover approach : **NEUTRAL**.

Business Press

- Deadline looming for Meteor bids (II)
- Siemens performance drive (FT)
- Google leaps up FT Global 500 ranks (FT)

Investment Press— Lex

- **Curve ball**: Low bond yields might puzzle the world's central bankers, but according to traditionalists they are good news for equities. Low bond yields, the theory claims, make equities relatively attractive, and reduce discount rates boosting the value of future earnings.



DOLMEN SECURITIES

DOLMEN SECURITIES → Website : www.dolmensecurities.com

Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.
45 South Mall, Cork, Ireland.

• Tel : +353 1 633 3800
• Tel : +353 21 422 2122

• Fax : +353 1 677 7044
• Fax : +353 21 422 2123

• Email : info@dbb.ie
• Email : cork@dbb.ie

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies.

Dolmen Stockbrokers is a Member of the Irish Stock Exchange, the London Stock Exchange, and is authorised by the IFSRA. Dolmen Stockbrokers is regulated by the IFSRA as a Mortgage Intermediary.