



DAILY COMPANY NOTE — C&C See page 2 for full details

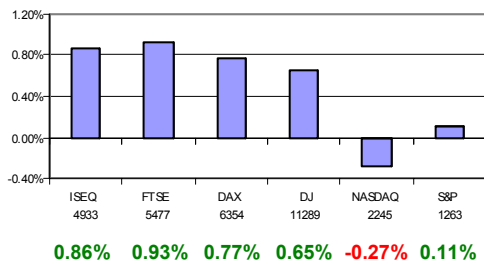
Daily Market Comment

Yesterday's Summary : Irish shares finished in positive territory yesterday as ECB president, Jean-Claude Trichet, accompanied the widely expected 25 basis points interest rate hike with indications to markets that borrowing rates will not be raised further any time soon. The ISEQ closed 0.86% higher at 4,932.56. After falling to below the €15 level in early morning trade, CRH staged a decent comeback with a gain of 3.5% to €15.66. Irish financials had a mixed performance as Bank of Ireland added 2.8% to €5.48 and AIB recovered 1.8% to €9.58. Conversely, IL&P and Anglo Irish Bank lost 0.6% to €5.66 and 0.3% to €6.05 respectively.

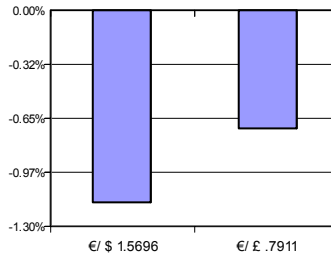
Overnight News: In Japan, the Nikkei fell for the 12th straight session, down 0.2% at 13,237.89 with investor sentiment still suffering on record high oil prices. In China, the benchmark Shanghai Composite Index closed down by 1.24% at 2,669.89, with coal producers hit hard amid rumours the government will announce a new resource tax scheme this weekend.

Breaking News : Bradford & Bingley has said announced that TPG has dropped plans to inject £179m after Moody's said it would cut the group's debt ratings by two levels. However Bradford & Bingley has said it is well funded and it will continue with the capital raising announced June 2 through an enlarged rights offer. Glanbia has indicated in a trading statement for the six months ended 28 June, that the group has had a good first half performance with all divisions performing broadly to expectations. The group did say however that global dairy prices and demand are somewhat weaker when compared with the exceptional growth of 2007, but that they look set to remain above historical trends. Meanwhile, media reports have suggested that HBOS, UK's biggest mortgage bank, may sell its Australian Bankwest unit. The reports indicate that National Australian Bank may bid for the bank.

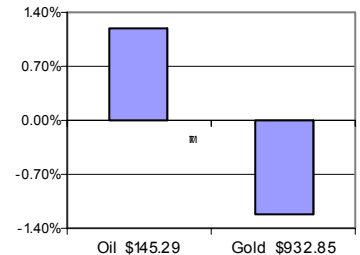
Equity Indices change on day



Currency daily % change



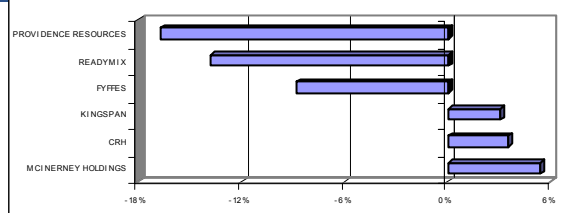
Oil/Gold daily % change



News

- "Monthly mortgage to rise by €39"-(The Irish Times)
- "Weakening dairy product prices hits company"-**Donegal Creameries**-(I.T)
- "Aer Lingus investors left reeling by massive losses"-**Aer Lingus**-(I.I)
- "IAWS plans for hiestand acquisition facing legal block"-**IAWS**-(I.I)
- "**McInerney** drops €7.4m in value after 73% of its shares are sold"-(I.I)

ISEQ Performers/Losers 03/07/08



Market Themes and Movers

All quiet on the Western Front: Market activity is likely to be subdued today as a result of the July 4th US holiday. As expected yesterday market action was dominated by economic data. The ECB hiking by a quarter of a percent was a non-event as the market was fully pricing it in. However, Jean-Claude Trichet's comments were surprisingly dovish. The ECB president comments were a significant step back from his previous rhetoric, he said that he had a neutral view on rate moves going forward. It would appear that the ECB is working under the premise that yesterday's hike has anchored inflation, and that further rate hikes wouldn't be required in the short term. At least, that is what the markets chose to believe, a further hike in 2008 has been virtually priced out. Euro bonds rallied and the Euro lost significant ground against the dollar on the comments. There was very little surprising from the US employment data figures, although the unemployment rate ticked up to 5.5%. The ISM figure did deliver disappointment though, with a reading of 48.2 versus 51 expected.



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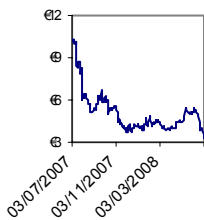
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ISEQ
Beverages
Company Profile

The Group's principal activities are producing, marketing and selling cider, spirits, liqueurs, soft drinks and snack foods and distributing spirits, wine and beer. The Group's operations are carried through its Cider, Distribution, Soft Drinks and Spirits and Liqueurs. Cider manufactures, markets and distributes Irish cider brands such as Bulmers and Magners.

Fundamental view :

- C&C has declined over 30% since our last review, this is compared to a decline in the ISEQ of about 23%. The main update on the company has been an industry data report from Nielsens. Sales for Magners were up 14% yoy for June, and Magners increased its share of the UK off-trade cider market from 7.6% in May to 8% in June. However the Nielsen report has highlighted several vulnerabilities with C&C's market position.
- Firstly, S&N's Strongbow cider, which is a cheaper alternative to Bulmers and Magners was the biggest market share gainer with a 5% increase between June and May. The UK drinks consumer is fairly price sensitive, and the Strongbow increase in market share highlights the vulnerability of Magners to lower costs brands given the recent weakness seen in the UK consumer. Also the level of premiumisation that Magners holds over Bulmers may be declining, with C&C sacrificing pricing in exchange for greater volumes.
- C&C's dividend payout ratio is currently in the region of 80%, the company previously guided that they would not have to cut dividend payments. However the level of payout will impact C&C's ability to invest in its business and the prospect of a dividend cut cannot be ignored. Given the relative financial strength and superior distribution of S&N, C&C is likely to see a declining market share over time.
- C&C's spirits & liqueurs division accounted for 14% of profits for the financial year ending March 08. The current economics for the spirits & liqueurs markets are superior to the cider and beer markets. Consumers of premium brands are typically less price sensitive, also emerging markets continue to see strong demand growth. Given C&C's payout ratio and lack of global presence, the company is poorly positioned to achieve strong growth on an international scale. C&C's balance sheet is in good shape, interest cover is 6x times. Additionally C&C's debt isn't due for refinancing until 2012, and the facility was negotiated at pre-credit crisis levels.

Statistics
Price Performance


- **Next Catalyst:**
- The next catalyst for C&C will be a trading update at its AGM on 11th July. The Nielsen UK on-trade report is due on the 15th of July. Over half the cider division revenues comes from the UK, although hedged, this represents significant headwind to the company if Sterling fails to strengthen in coming years. The current climate of consolidation amongst the spirit majors does raise the possibility of a sale of C&C's spirits division. On the other hand we feel that there is little interest among the beer majors in an acquisition of the Cider brand.
- We are reducing our 12 month price target to €3.50. Our target is based on a multiple of 10x the 2009 EPS of €0.35. This multiple reflects a c.20% discount to the sector. We feel justified in this discount due to C&C's, lack of diversification, difficult competitive environment and limited growth profile.

Chart view: C&C

Key Support: 315
 Primary Resistance: 466
 Secondary Resistance: 570

Negative technical outlook still remains dominant. However, if the price can manage to negate downward momentum, and hold above the support of 315; a reversal in price is due as relative strength indicates that the stock is very oversold. Should this occur initial targets can be placed at 466.

Profit by Region


Major Shareholders	%	Peer Group Multiples.			
BOI Nominees	26.2	Company name	P/E 08	P/E 09	EPS Growth 08-09
Morgan Stanley	9.8	C&C	9.2	8.8	4.34%
Fidelity International	8.1	Heineken	11.3	10.6	6.23%
Janus Capital	7.7	Carlsberg	12.8	11.4	10.63%
Shares Outstanding	312.9mln				

Share Data	Financial Data	Feb-08	Feb-09	Feb-10
Current Price (€)	Revenue (€m)	842	657	680
Mkt Cap (£m)	PBT (€m)	171	122	129
Reuters	EPS (€)	0.29	0.35	0.37
Bloomberg	P/E(x)	11.2	9.2	8.8
Sector	DPS (€)	0.27	0.28	0.28
CEO	Yield	8.3%	8.5%	8.5%
CFO				
Website				





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