



May 4, 2006

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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7900	↓ -25	-0.31%	11.0	7.29%
FTSE 100	6010	↓ -72	-1.19%	13.5	6.96%
DAX 30	5969	↓ -82	-1.36%	15.0	10.37%
DOW	11400	↓ -16	-0.14%	19.5	5.72%
NASDAQ	2304	↓ -6	-0.25%	15.6	4.47%
S&P	1308	↓ -5	-0.41%	21.0	5.05%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2597	0.6868	143.8000
Dollar	1.2597	1.0000	1.8337	114.1500
Sterling	0.6868	1.8337	1.0000	208.4800
Yen	143.8000	114.1500	208.4800	1.0000
Oil (Nymex)	72.2800			

This Week's Research
Bank of Ireland
Fyffes

Today's Research
Anglo Irish Bank

Today's Recommendation

Anglo (€13.23) **Preview of H1 results** **Stuart Draper**

- Results preview : Next Wednesday, 10th May, Anglo Irish Bank will announce results for the 6 months ended 31/03/06. We are forecasting profit before tax and eps of €368m and 39c respectively, year on year increases of 19% and 17%. Such earnings growth will be driven by Anglo's usual combination of strong loan growth, stable margins and robust credit quality.
- IFRS accounting : These will be the first set of results reported under Anglo's new IFRS accounting standards, and as a result of loan arrangement fees being spread over the life of loans rather than being recognised up front as they were previously accounted, these new accounting rules will reduce the bank's reported eps by c.4%. At the end of March, Anglo restated its 2005 results under IFRS which reduced its 2005 profit before tax and eps by 3% to €667m and 71c respectively.
- WIP sensitivity : Anglo started its current financial year with work in progress (WIP) of €6 bn and the current year consensus eps forecast of 86c is based on net loan growth of €10 bn. If net loan growth of €12 bn is achieved, then the current year eps would rise by c.3% to 89c. However, even allowing for such an upgrade, Anglo is currently trading at 14.9x 2006 eps of 89c, a 24% premium to the European bank sector average of 12x.
- Premium valuation : Our view is that such a premium may quite fairly value Anglo's stronger than average earnings growth, and may be one of the reasons why the share price has underperformed the ISEQ so far this year (+3% v +7%). As further European interest rate increases over the rest of 2006 continue to push European 5 year bond yields higher (the most important interest rate for Anglo's loan pricing), a slight slowdown in the rate of Irish SME loan growth could take place in 2007.
- Rate risk : If such a slowdown starts to take place, then this could limit further share price upside over the next 12 months as a result of the high rating at which the shares already trade. Ireland accounted for 58% of group profits in the most recent full year results, and Anglo's staff costs are expected to rise by c.30% this year as it recruits more staff to expand further in the UK. Anglo's current price/book rating of 3.7x end September 2006 book value per share is also unattractive for a current year return on equity of c.29%. Therefore, we would need to see the share price back below €13 before considering upgrading our current recommendation to BUY : **NEUTRAL**.

Breaking News

Elan reports better-than-expected results

Elan cut its net loss by more than expected in the first quarter on higher-than-forecast sales and said it was confident revenues from its Tysabri drug would accelerate a return to profitability. Elan posted a net loss of \$0.08 per share for the three months to the end of March, compared with consensus estimates for a net loss for of \$0.21, on revenue of \$127.1m. Revenue for the period came in at \$134.3m. The company said the improved financial performance was due to growth in revenues, continued improvement in operating margins, and the lower comparative impact of costs associated with the Tysabri suspension.

CRH AGM statement

CRH said yesterday that overall trading in the first four months of the year has been favourable with in particular a strong start from operations in the Americas. The company said that the year has also started well on the development front with the completion of over 20 acquisitions for a total cost of €700m. Operations, in Europe Materials, the strong trading patterns evident in Ireland and Finland in the latter months of last year have continued into this year were helped by generally broad-based construction activity in both markets. Following the good overall margin improvement achieved last year, the key challenge for this year is to once again offset the impact of ongoing energy and input cost increases through effective pricing strategies and operational efficiencies.

ICG AGM statement highlights weak passenger traffic

Irish Continental Group said in an AGM statement yesterday that trading in the first quarter was broadly in line with expectations. The company added that the first 17 weeks of the year had seen the continued trend of a weaker passenger market and a stronger freight market. Fuel costs have remained high in the period, Irish Continental said, adding it is recovering some of the increase through fuel surcharges. The company also said it has agreed with The Port of Belfast to develop a container terminal at Herdman Channel in Belfast, which will be operational by autumn 2006.

Business Press

- Ryanair to add German bases (II)
- O'Mahony to lead CRH for two more years (II)
- Record profits at Deutsche Bank (FT)

Investment Press

- BAA/Ferrovial: It would be foolish to expect too much from a company's defence document on day 14 of the formal bid process. BAA, though, really seems to believe its shareholders need very little convincing to turn down the 810p a share offer by Spain's Ferrovial.



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