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Contact Details:

Email : research@dsl.ie

Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9822	↑ 140	1.44%	14.1	4.40%
FTSE 100	6538	↑ 53	0.82%	13.2	5.10%
DAX 30	7477	↑ 21	0.28%	14.2	13.34%
DOW	13241	↑ 30	0.22%	15.2	6.24%
NASDAQ	2565	↑ 8	0.30%	26.1	6.22%
S&P	1502	↑ 6	0.43%	15.9	5.93%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	#N/A	#N/A	163.0600
Dollar	#N/A	1.0000	1.9871	#N/A
Sterling	#N/A	1.9871	1.0000	238.8600
Interest Rates (%)	3.7500	5.2500	5.2500	0.4800
Oil (Nymex)	63.1900			

This Week's Research
 Bank of Ireland Morrison
 Burren Energy
 Paddy Power

Today's Research
 CRH

Today's Recommendation

CRH (€35.75) Hanson receives takeover approach Stuart Draper
Target : €37 (21/02/07 ; previously €34, issued 02/01/07)

- Bid target : Widely tipped in the past by analysts and the media as a potential bid target because of its status as the sole remaining heavy building materials company in UK ownership, Hanson, the world's largest supplier of sand and gravel for buildings, has received a takeover approach from HeidelbergCement, Germany's largest cement maker. According to the statement, "HeidelbergCement is currently reviewing its options with respect to its interest in Hanson, including the possibility of seeking to acquire the company."
- Sector consolidation : The takeover approach brings consolidation to the European cement sector, which should help re-rate valuations upwards closer to those of the US sector. Even though there are no terms available yet in relation to the potential acquisition, Hanson's share price move to £10.25 values the UK company at 16.5x consensus 2008 eps of 62p.
- Sector re-rating : However, given that such a rating represents an 18% premium to the 14x 2008 eps of €2.64 multiple on which our current 12 month CRH price target of €37 is based, our view is that such a 14x 2008 eps multiple represents a fair stand-alone rating for CRH. As a result, the HeidelbergCement move does not justify an upgrade to our CRH share price target.
- Switching opportunity : Therefore, with only 3.5% further upside to this level and a dividend yield of c.1.7%, we maintain our current CRH price target of €37, but downgrade our recommendation now from BUY to NEUTRAL, recommending a SWITCH into Grafton Group as providing more value at current levels amongst the Irish building material companies.
- Greater upside : Applying a rating of 14x to Grafton's current consensus 2008 eps of 93c would generate a price target of €13 (14% upside). C.50% of CRH's earnings also have a translation exposure to a further weakening of the US dollar versus the Euro, and c.8% of total group operating profit is exposed to the US new housing market, which remains weak currently.
- Earnings growth : CRH completed €2.1 bn of acquisitions during the 12 months ended 31/12/06, including its largest ever deal, the \$1.3 bn APAC acquisition. As these deals start to feed into group earnings in 2007 and as increased synergies start to be generated in 2008, earnings growth of c.10% per annum should be generated over the next 2 years : **NEUTRAL**.

Breaking News

Load factors and fares to remain under pressure for H1

Ryanair warned yesterday that its average fares and load factors are likely to remain under pressure during H1 of its financial year amid a big increase in its airplane fleet. The expansion in total seat capacity over the winter as well as higher airfare taxes in the UK and rising airport charges at Stansted and Dublin is hitting load factors and yields. Yesterday the company reported a 19% rise in April passenger numbers to 4.1m with the load factor down to 85% from 83%. As part of its expansion program, Ryanair took delivery of 27 Boeing 737-800 airplanes over the off-peak winter period. Analysts and the airline itself have said that this sharp rise in seat capacity could hit its yields.

BG reports weak Q1 earnings

BG Group reported weak Q1 earnings as the decline in gas prices and US dollar offset gains in production. Net profit before disposals and other one-off items in the three months to March declined 20% to £448m from £563m last time, while operating profit dropped 14% to £823m from £958m previously. Production grew to 647,000 barrels of oil equivalent per day from 620,000 boepd, raising the total for the three-month period by 4% to 58.2m boe, following the start-up of the Buzzard field in the UK. Weak gas prices and US dollar cut the profits at the Exploration and Production unit by 14% to £626m. The average price it realised for each therm of gas it sold fell to 16.3p from 18.4p previously.

ABN Amro's sale of LaSalle frozen by Amsterdam court

ABN Amro efforts to join with Barclays were dealt a blow yesterday after an Amsterdam court froze the sale of ABN's US unit LaSalle. The decision boosts the chances of a rival bid for all of ABN Amro, but will likely spark a legal war between factions seeking to clinch the Amsterdam-based bank. The freezing of the LaSalle deal could force Barclays to either revise or drop its offer for ABN. The freezing of the sale also opens up the possibility of Bank of America seeking damages from ABN Amro in US courts. The verdict also provides a boost to a rival European banking consortium headed by RBS, which had sought to prevent a hasty sale of LaSalle.

Business Press

- UBS shuts loss-making hedge fund (IT)
- Racing magnates begin buying into CRH shares (II)
- Research on Tysabri pushes Elan shares up 7pc (II)
- Kerry is possible buyer of Danish Danisco flavours (II)

Investment Press

- Shell on a roll: Royal Dutch Shell's latest set of quarterly results has beaten expectations once again, with this performance coming against a tricky backdrop.

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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie

75 St. Stephen's Green, Dublin 2, Ireland.
 45 South Mall, Cork, Ireland.
 Theatre Court, Mallow Street, Limerick, Ireland

• Tel : +353 1 633 3800
 • Tel : +353 21 422 2122
 • Tel : +353 61 436 500

• Fax : +353 1 677 7044
 • Fax : +353 21 422 2123
 • Fax : +353 61 436 599

• Email : info@dsl.ie
 • Email : cork@dsl.ie
 • Email : limerick@dsl.ie



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