



**DAILY COMPANY NOTE — IONA Technology** See page 2 for full details

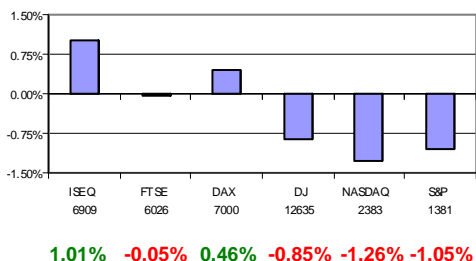
## Daily Market Comment

**Yesterday's Summary :** Another positive trading day for the ISEQ with the index posting a 69 point , or 1% gain. Ryanair was on everybody's radar as the company reported a 27% drop in profit, causing shares to trade 40 cent lower at one point, although they later rallied to close down only 6 cent or 1.67%. The builders performed well, with CRH adding 55 cent to close at €26.90, while Grafton gained 13 cent to close at €5.60. AIB underperformed the financials down 24 cent to €15.07, while Anglo, Bank of Ireland and Irish Life all finished up.

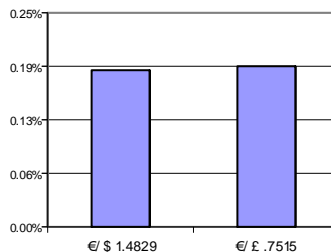
**Overnight News :** Asian indices were mostly lower in over night trading. Japanese share prices closed down 0.8% due to profit taking from the previous day's rally. Investors were in a somewhat cautious state of mind ahead of earnings results from Japanese corporate heavyweights. The Nikkei-225 index lost 114.20 points or 0.8% to finish at 13,745.50. Hong Kong shares lost 0.9% Tuesday, with investors securing gains before the Chinese Spring Festival public holidays.

**Breaking News:** DCC plc has issued a strong interim trading statement, although the company has warned that it expects the translation of sterling denominated profits to result in a €3 million decrease in profits for the year ending 31st March. Readymix have issued a profit warning two weeks ahead of their 2007 full year results. BP have reported a profit of \$2.97bn for the 4<sup>th</sup> quarter compared with \$3.9bn for the same period in 2006, and a dividend increase of 25%. Virgin have released additional details of their proposed takeover bid for Northern Rock, the deal includes a cash injection of £500mln by Virgin and a raising an additional £500mln through rights issue, Virgin is the only remaining bidder.

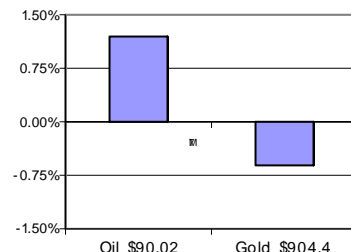
### Equity Index's change on day



### Currency daily % change



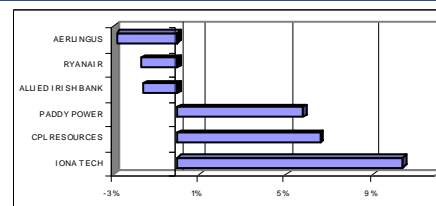
### Oil/Gold daily % change



## Paper Headlines

- "Stamp duty revenue falls by 50%" -(Irish Examiner)
- "Airline warns consumer nerves will hit margins" —**Ryanair**- (Irish Examiner)
- "Payzone shares to be suspended until update" —**Payzone** -(Irish Independent)
- "US banks tightening controls on credit" -(Irish Independent)
- "Olivant pulls out of bidding for Northern Rock" —**Northern Rock** - (Irish Times)

## ISEQ Performers/Losers



## Market Themes and Movers

**Australian rate hike:** The Reserve Bank of Australia lifted rates by a quarter-percentage point to 7% and signaled that additional rate hikes would be necessary to keep inflation contained. The RBA's move contrasts with the stance taken by the Fed and BoE but mirrors the ECB's focus on inflation control. So far the European Central Bank has kept interest rates at 4.0%, although the rhetoric has been relatively hawkish amid signs of slowing economic activity. The ECB's main rate is likely to remain on hold again at its policy meeting on Thursday, while the BoE is widely expected to make a quarter percentage point cut on the same day.

**Platinum nears \$1800:** Platinum hit a new all time high yesterday due to continuing disruption in the South Africa electricity grid. Platinum hit a high of \$1789/oz at one point yesterday, up from \$1759 on Friday. Gold and silver have pulled back from their highs on Friday, but are well placed to increase again. Coal also hit record price levels as production was hit by power cuts and flooding, while snowstorms disrupted mining and transport in China.

## Dolmen Squawk Box

This day four years ago, the ISEQ inched higher, with Ryanair among the gainers, as investors came back to the markets.



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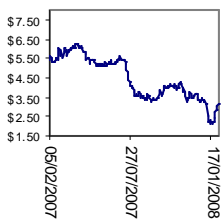
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# IONA Technology

**NEUTRAL**
**Nasdaq**
**Software**
**Company Profile**

The company delivers and supports standards-based middleware solutions, which are used by organisations to make their diverse software components work together. IONA's products assist businesses in building enterprise portals, internet commerce sites, and an assortment of large-scale distributed applications.

**Fundamental view :** Shares of IONA Technology have risen by close to 50% over the last few weeks on the back of considerable takeover speculation. Press reports suggest that a bidder could potentially come from the US or Germany where Software AG has been named as a possible suitor. While bid activity in equity markets has been subdued over the past year due to the credit crunch, there has been a number of large deals within the technology sector, particularly in the software arena. Three major software deals have been agreed over the last six months including SAP's purchase of Business Objects for \$6.8bn announced in October. In November, IBM agreed to buy Canada's Cognos for \$5bn, while last month Oracle agreed to buy BEA Systems for \$8.5bn. IONA's underlying business has struggled due to its heavy reliance on financial services firms and high customer concentration a point that was emphasised by its recent fourth quarter results and marked the group's third earnings miss in a year. On 24/01/2008, IONA reported fourth quarter EPS that fell to \$0.01 from \$0.08 compared with the same period last year. Revenue decreased by 21% to \$18.1bn, which matched its already lowered revenue guidance. The company had said back in October that it expected to report fourth quarter revenue of \$22m. IONA pointed out that the reason for the shortfall was due to weakness in its largest vertical market, financial services sector, which accounts for close to 30% of group revenue. IONA also noted that due to this large condensed exposure it could see some further weakness in 2008. On the positive side, IONA has over \$56bn of cash on its balance sheet representing close to 47% of its market capitalisation. The group also announced that it plans to reduce its workforce by 12% aiming to cut \$8m in annual expenses.

**Statistics**
**Price Performance**


**Next catalyst :** Shares in IONA are currently trading at a 2008 price to earnings ratio of 25.3x and EV/EBITDA of 15x versus the average multiple paid in the three major takeovers in the software sector mentioned above of 24x and 15x respectively. We feel that shares in IONA are close to fully discounting in a takeover. It is possible that if a takeover of the company were to emerge that a buyer could pay higher than the group's current share price, however we would not advise clients to take a position in IONA purely as a takeover play as we would see significant downside risk to the group's share price should an offer for the company not emerge.

**Chart view: IONA Technology**

Support Primary: \$3.20  
 Support Secondary: \$2.90  
 Resistance Primary: \$3.87  
 Resistance Secondary: \$4.39

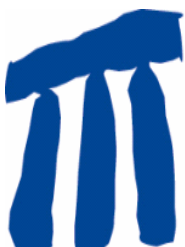
Stock has managed to recoup its losses from early January on solid volume but needs to sustain a move above the \$3.20 area for its recent downtrend break to be maintained and for the chart outlook to remain positive. Strong support at \$2.00.

**Profit breakdown**


- Americas 55%
- EMEA 29%
- Asia 16%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Peninsula Capital	15.20%	<b>iona</b>	<b>25.3</b>	<b>27.4</b>	-7.69%
Chris Horn	6.50%	Oracle	16.4	14.1	14.10%
Goldman Sachs	4.20%	SAP	17.0	15.0	15.85%
Brightfield Capital	2.76%	IBM	13.2	11.6	13.50%
BIAM	2.25%				
<b>Shares Outstanding</b>		<b>36.3m</b>			

Share Data		Financial Data	2007	2008e	2009e
Current Price (\$)	3.29	Revenue (\$m)	77.66	78.40	78.80
Mkt Cap (\$)	119.25m	PBT (\$m)	4.86	7.89	7.65
Reuters	IONA.O	EPS (\$)	0.15	0.13	0.12
Bloomberg	IONA US	P/E(x)	21.93	25.31	27.42
Sector	Software				
CEO	Peter Zotto				
CFO	Christopher Mirabile				
Website	<a href="http://www.iona.com">www.iona.com</a>				





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