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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7893	↓ -7	-0.09%	11.0	7.19%
FTSE 100	6037	↑ 27	0.45%	13.5	7.44%
DAX 30	6039	↑ 70	1.18%	15.0	11.67%
DOW	11439	↑ 39	0.34%	19.5	6.08%
NASDAQ	2324	↑ 20	0.87%	15.6	5.38%
S&P	1312	↑ 4	0.34%	21.0	5.40%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2681	0.6850	144.1800
Dollar	1.2681	1.0000	1.8507	113.6800
Sterling	0.6850	1.8507	1.0000	210.3600
Yen	144.1800	113.6800	210.3600	1.0000
Oil (Nymex)	69.9400			

This Week's Research
Bank of Ireland
Fyffes
Anglo Irish Bank

Today's Research
Carphone Warehouse

Today's Recommendation

Carphone Warehouse (336p) High growth potential Owen Turner

- **Company profile:** The business of The Carphone Warehouse Group is split into two separate areas of activity: Distribution and Telecoms Services. Its distribution business involves the operation of retail outlets and the provision of a variety of insurance products for its customers. The Telecoms Services division comprises two businesses, Mobile and Fixed.
- **Q4 update:** In early April CPW updated investors on its fourth quarter trading. The company said it expects to report pretax profit and EPS in line with market expectations for the year to March 31, 2006. The company is expected to report pretax profit of £135m and EPS of 10p in fiscal 2006. It said it had 1,778 stores at the year end and 3.1 million mobile customers. It expects to open a further 250 stores and increase connections by 15% from 2.23 million by March 2007.
- **Broadband rollout:** In the same release CPW unveiled an aggressive plan to offer free broadband Internet to consumers who subscribe to its fixed-line voice packages called 'Broadband Free Forever'. Carphone said it will charge £21 a month for fixed-line voice calls and free broadband Internet, significantly cheaper than packages being offered by existing operators. CPW also announced plans to accelerate the unbundling process to achieve "full local loop unbundling" at 1,000 BT exchanges by May 2007, which would allow it to reach almost 70 per cent of the population in the UK. The company's earnings for 2006-07 will take a hit of £50m from broadband related development costs, but the company has said that it expects its broadband division to contribute a profit of £30m in 2007-08.
- **Outlook:** The company said that it expects to have 3.5 million (which appears to be slightly conservative) residential voice customers by 2009, with over half of those taking broadband. It added that the company will look to offer small-medium sized businesses broadband over the next six months. With an aggressive store expansion strategy and expectations for the continued strong growth in handset sales and mobile connections in Europe the outlook for CPW's retail operations is encouraging. 80% of the group's operating profit comes from its Distribution/retail network.
- **June results:** CPW will report its FY results on June 6 and with numbers unlikely to disappoint focus will centre on comments regarding the broadband rollout. CPW recently said on that, so far, take up for its Free Forever package has been five times greater than expected, and we would expect further elaboration on this at the results.
- **High growth:** Because of the extensive expenditure required in CPW's broadband roll-out over the next 2 years we look to earnings for 2008-09 to appreciate the potential of its Free Forever package. Our price target of 375p is based on 15x March 09 EPS of 25p. Our valuation represents a 10% premium to its peers in the non-food retail sector but we feel it is justified by its superior growth potential. **BUY**

Breaking News

Strong passenger data for Ryanair & BA

Ryanair announced it carried 3.44 million passengers in April 2006. This was 29% more than in April 2005 and represented the airline's highest ever monthly passenger traffic. The airline's load factor came in at 85%, higher than the 81%-82% expected by the market. British Airways also reported strong passenger numbers for April. BA said that economy traffic soared 10.9% and, in total, the airline carried 3.07 million passengers last month - 5% more than in April 2005. BA's load factor for the period was 78.7%, compared with a figure of 74.7% in April 2005.

Air Berlin postpones IPO

German low-cost airline Air Berlin on Thursday said it had postponed its listing on the Frankfurt stock exchange by nearly a week. The company gave no explanation for the move, which will see its shares begin trading on May 11 instead of today, as originally planned. It has been suggested that investors appeared to be finding the price of Air Berlin shares, which has been fixed between €15 and €17.5, too high. The company intends to use the proceeds from its initial public offering to fund expansion in eastern Europe.

Solid results from Kerry peer

Qwest, the flavour and fragrance division of ICI, has reported a solid performance for Q1. Like-for-like sales growth was up 4% year-on-year, while trading profits were up by 22%. More significantly the results reflected strong margin expansion, growing from 8.1% to 9.6%. The improvement was the result of improved product mix which helped offset higher raw material costs.

Business Press

- Euro hits high as market expects rate rise (IT)
- ALB confident in property (IT)
- Air Berlin's low-cost setback bodes ill for Aer Lingus (IT)
- IOG starts to drill in Celtic sea (IT)

Investment Press

- **UK interest rates:** Ask 42 economists a question, the saying goes, and you will get 43 different answers. Not when it comes to UK monetary policy, though. All 42 of those surveyed by Bloomberg last week predicted the Bank of England would hold interest rates at 4.5 per cent for the ninth month in a row. On Thursday the MPC duly obliged.



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