

Traders Update

TUESDAY 5TH JUNE 2007



Brief Market Comment

Equity markets got exactly what they wanted last week with virtually all the economic data releases supporting the belief that the US economy is in better shape than some observers give it credit for. The key non-farm payroll figure came in slightly ahead of forecasts, while the Fed's preferred measure of US inflation, the Core PCE Deflator, came in at 2%, or exactly on the Fed's target. While revised first quarter US GDP growth came in weaker than expected, and the Shanghai stock market fell 6.5% following a hike in Chinese share stamp duty, the markets largely ignored both events and continued to move to multi-year highs. The weaker momentum we referred to last week has been reversed somewhat this week as the weight of money continued to find a home. With bonds out of favour and M&A talk still a dominant theme, equities remain the investment of choice. Key events this week will be the ECB meeting on Wednesday, with 0.25% increase anticipated, and the Bank of England on Thursday with a further rate hike a possibility.

Current Trading Ideas

Ryanair

Current: €5.42
 Target: €6.00
 P/E 07 19.85
 Div Yield 07 0.00%
 Next Results 05/07/07
 Move on week 1.31%

BUY

This morning, **Ryanair** announced its results for the year ended 31/03/07. Net profit and eps of €401m and 26c respectively were c.2% ahead of the consensus forecasts of €393.5m and 25.5c, and were yoy increases of 33% and 32%. The strong growth was driven by 22% passenger growth to 42.5m passengers, a 40% increase in ancillary revenues and a 7% increase in the average fare. The airline is forecasting further 22% passenger growth to 52m over the next 12 months, which should ensure similarly strong ancillary revenue growth, boosted by increased excess baggage charge revenue. However, the airline also stated that "shareholders should remain cautious and conservative" as the average fare could fall by "up to 5%", which would imply eps growth of only 5% to 27.3c for the year ending 31/03/08. Given Ryanair's track record over the past 5 years of consistently issuing overly conservative guidance and given the buyback and cancellation of €300m of the airline's shares starting this Thursday, our view is that the airline will still generate a current year eps of at least 30c. As a result, we re-iterate our BUY recommendation at current levels, even though we lower our 12 month price target from €6.50 to €6, which is based on 20x current year eps, to take account of the company's new guidance issued this morning for current year yield erosion of "up to 5%".

C&C

Current: €11.85
 Target: €13.50
 P/E 07 18.57
 Div Yield 07 2.27%
 Next Results 13/07/07
 Move on week 0.82%

BUY

Recent AC Nielsen market share data for the UK LAD market showed Magner's share of the LAD market increasing to 1.8% on a moving annual total basis in March from 1.7% in February. This keeps **C&C** on target to achieve its stated goal of a 2.5% market share by the end of February 2009, providing the basis for our current year eps forecast of 67.5c, and our 12 month price target of €13.50, based on 20x current year eps. As a result, our view is that the current sub €12 share price represents an attractive entry level for medium term investors. The group also recently announced the sale of its soft drinks division to Britvic for €249.2m, representing the attractive exit multiple of 19.2x operating profit of €13m after central costs. With €150m of the proceeds being applied to increase the group's share buy-back programme, starting this month, from €150m to €300m, the disposal should be largely earnings neutral, and should provide more capital to fund the group's high growth cider business. The disposal also provides the strategic benefits of increased group focus on this growth opportunity, as well as making the business a potentially cleaner takeover target.

Taylor Woodrow

Current: £4.48
 Target: £5.00
 P/E 07 11.26
 Div Yield 07 3.48%
 Next Results 02/07/07
 Move on week 2.68%

BUY

Last week, **Taylor Woodrow** (TW) held an EGM to pass a resolution enabling the company to implement a nil premium merger with George Wimpey (GW). The proposed merger will result in TW shareholders owning 51% of the combined entity, and GW shareholders owning the remaining 49%. Substantial synergies of c.£100m per annum will be generated from combining TW's land bank with GW's build cost efficiency. Such synergies would result in a theoretical eps enhancement for TW of 12% in 2008 from 41p to 46p, and an eps enhancement of 22% in 2009 from 45p to 55p. This provides the basis for our initial 12 month price target for TW of £5, which is based on 9x 2009 eps of 55p. Given TW's superior land-bank potential, there is a high probability of either Persimmon making a competing bid for TW or else waiting for the combined Taylor Wimpey group to be formed and then bidding for the combined group.

AIB

Current: €22.54
 Target: €24.50
 P/E 07 11.10
 Div Yield 07 3.54%
 Next Results 6/6/07
 Move on week -0.53%

BUY

Tomorrow, **AIB** will release its H1 2007 trading statement. Given the strong loan growth being generated by the group's Polish and Capital Markets divisions, the bank is less reliant on Irish and UK mortgages than Bank of Ireland (BOI). This was one of the major issues which damaged the BOI share price last week. In line with BOI's recent full year results' announcement, the AIB trading statement should confirm very robust credit quality and a slowing in the level of margin erosion. Our view remains that the current AIB share price fails to take into account the c.€800m increase in value in the group's Polish division since early March, and our current 12 month price target remains €24.50.

British Land

Current: £14.36
 Target: £17.50
 NAV 07 16.82
 Div Yield 07 1.8%
 Next Results 15/08/07
 Move on week 2.82%

BUY

Last week's \$22.2 bn buyout of US REIT, Archstone-Smith, has highlighted the current value contained in the UK REITS. **British Land** (BL) recently announced net asset value (NAV) per share of £16.82 as at 31/03/07, c.1% ahead of the consensus forecast of £16.72, and a year on year increase of 13%. The growth was primarily driven by the group's c.30% exposure to the fast-improving London office market. The company also stated that it would accelerate its portfolio repositioning over the next 12 months to counteract the slowing rental growth of the retail warehousing sector, representing c.20% of the overall portfolio. On a like for like basis, rental income increased by 3.5%, ahead of the overall market's 2.9% gain. With c.3 msf of office development projects delivering over the next 2 years, the vast majority of which is located in the fast-improving London City area, we are still forecasting further 9% NAV per share growth over the next 12 months to £18.33 as at 31/03/08.

This Week's Calendar Events

EARNINGS: TUES (Ryanair, FY06), (United Utilities, FY06), (British Airways, Traffic Figures), (RBS, Trading Statement), (Carphone Warehouse, FY06), WED (AIB, Trading Statement), THUR (Johnson Matthey, FY06),

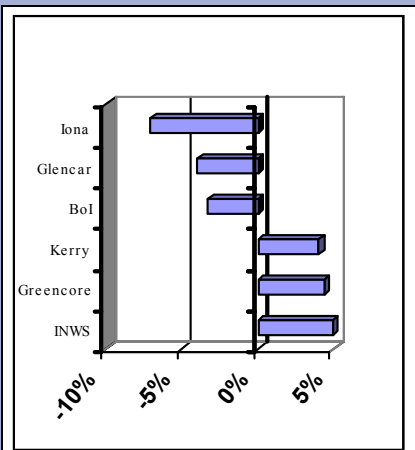
ECONOMIC DATA: Tuesday (Euro-Zone Retail Sales, US ISM Non-Manufacturing), Wednesday (German Factory Orders, ECB Interest Rate Decision, US Nonfarm productivity, Unit Labor Costs), Thursday (BoE Interest Rate Decision, US Jobless Claims), Friday (UK Industrial Production, German Industrial Production, US Trade Balance)

DOLMEN STOCKBROKERS Traders Update

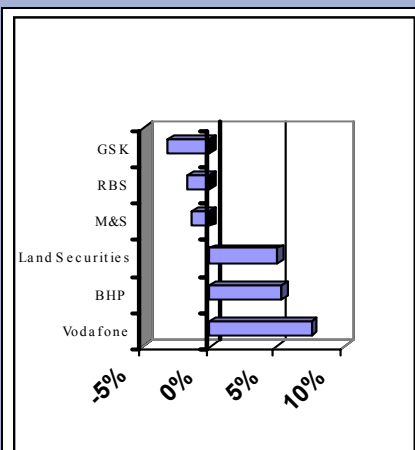
Last Weeks Best/ Worst Performers

25/05/07-01/06/07

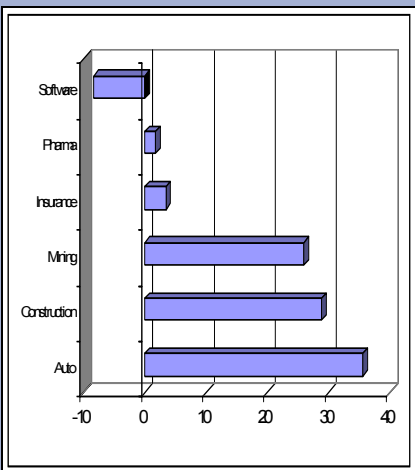
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen

WEEKLY UPDATE

COMPANY	WTD	YTD	RELEVANT NEWS
AIB (€22.54)	-0.53%	-0.36%	Ahead of its trading statement on the 6th of June
Aviva (£8.08)	0.75%	-1.82%	Expects its Taiwan JV to break even in 4/5 years
BP (£5.68)	0.00%	0.62%	As oil prices trade at over \$66 pb
B. Land (£14.60)	2.82%	-16.39%	Reported a FY pretax profits of £1.44bn against £1.5 bn last year
C&C (€12.35)	0.82%	-9.07%	Press reports suggest the company may sell its wine distribution business Findlater Grants
CRH (€37.35)	3.41%	18.67%	Overtook AIB as the largest company by market capitalisation on the ISEQ
Greencore (€4.80)	4.35%	3.85%	Reported 1H EPS of 12.1c, 10% ahead of consensus
GSK (£12.92)	-3.15%	-3.13%	Announced positive results from Pazopanib drug to treat ovarian cancer
Ladbrokes (£4.08)	0.74%	-2.03%	Norwegian government must prove need for gaming limits on Ladbrokes
RBS (£6.32)	-1.71%	-3.39%	Expects 1H earnings to be 'slightly ahead' of expectations
Ryanair (€5.42)	1.31%	-2.11%	Forecasts profit for 2008 to grow at slowest rate in 4 years
Vodafone (£1.63)	7.95%	<u>15.14%</u>	Reported FY EBITDA that rose 1.6% to £11.96bn

DD Unrealised gain YTD	3.23%	ISEQ YTD	5.39%
DD Realised gain YTD	2.71%	FTSE YTD	7.39%
DD Total YTD	5.95%	Average performance	6.39%
Relative performance YTD	-0.45%		

What it says in the 'Sundays'

- "C&C set to sell wine business" **C&C - Sunday Business Post**
- "Goggin defies the doubters" **BOI - Sunday Business Post**
- "CRH to mix cement deal for UK's Tarmac" **CRH - Sunday Times**
- "Here's to Greencore Malt" **Greencore - Sunday Times**
- "House builder is on firm footing" **McInerney - Sunday Times**
- "Under valuation of Greencore property a joke" **Greencore - Sunday Independent**
- "Defends against Africa corruption claims" **Tullow Oil- Sunday Tribune**
- "Shareholders to get €1.4bn" **IL&P- Sunday Tribune**

Recent Corporate Visits

COMPANY	CHANGE ON YEAR	MEETING DATE	RELEVANT NEWS
C&C	-9.07%	9/5/2007	CEO Maurice Pratt said not to expect any news on the two test market until October. Upping their dividend payout ratio close to 50%.
Kingspan	10.44%	9/5/07	Finance Director Dermot Mulvihill told us that only 8% of group earnings are exposed to the Irish new housing market. A buoyant UK market more than offsets this.
Paddy Power	45.75%	2/5/07	Has twice the turnover per shop compared to Ladbrokes. Will not apply for UK casino licences.

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Dividend Yield	P/E
ISEQ	9,963	0.50%	5.10%	1.74%	16.70
FTSE 100	6,677	1.70%	7.35%	3.55%	14.05
DAX	7,988	3.77%	20.88%	2.91%	14.59
DJ	13,650	1.62%	9.73%	2.05%	18.23
S&P 500	1,535	1.89%	8.52%	1.73%	18.05
NASDAQ	2,613	3.11%	8.41%	0.64%	39.37
DJ STOXX 50	3,939	1.93%	7.24%	3.41%	13.87

Sector

	WEEKLY MOVE %	YTD MOVE %
Autos	5.38	35.65
Construction	2.61	28.85
Mining	4.92	25.96
Chemicals	2.76	19.61
Media	1.66	16.23
Tobacco	4.26	15.22
Technology	3.49	15.21
Personal Goods	1.09	13.20
Leisure Goods	3.26	9.70
Telecoms	4.01	9.66
Beverages	2.08	9.49
Utilities	1.97	7.51
Food Producers	0.74	7.32
General Retailers	1.02	6.68
Oil & Gas	1.31	5.77
Banks	0.60	3.92
General Industrials	1.49	3.71
Insurance	0.56	3.44
Pharmaceuticals	-0.52	1.79
Software	3.24	-8.37

Commodities

	CURRENT	YTD CHANGE
Crude Oil	\$64.80	-0.58%
Gold Spot	\$669.94	2.76%

Exchange Rates

	CURRENT	YTD CHANGE	YEAR END(E)
EUR-USD	1.3439	1.79%	1.35
EUR-GBP	0.6785	0.72%	0.665
EUR-JPY	164.07	4.25%	145

GDP Growth

	YEAR END 06	YEAR END07(E)
Ireland	7.70%	6.00%
Euro Zone	2.70%	2.50%
UK	2.90%	3.00%
US	3.00%	2.00%

Central Bank Interest Rates

	CURRENT	YEAR END(E)
Ireland	3.75%	4.00%
Euro Zone	3.75%	4.00%
UK	5.50%	5.75%
US	5.25%	4.75%

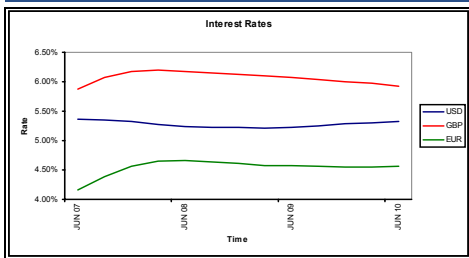
Credit Market Summary

Spreads tightened again this week keeping up with the strong equity markets. Mid-week the stamp duty scare in China caused a slight widening however the tightening trend returned once these concerns were seen as just a blip rather than a trend reversal. The investment grade Itraxx is now trading close to the 20bps barrier while the high yield index broke the 190bps level on Friday when strong macro data out of the US caused spreads to tighten to 188bps, the tightest level seen in the index. There appears to be no stopping this markets cheer.

Credit Sector Movements for week ended 01/06/07

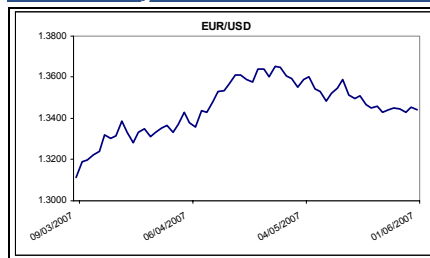
- Automakers: BMW widened 1bps this week, on FT rumours that BMW is 'exploring' the possibility of acquiring the Volvo division of Ford Motors
- Airlines: British Airways with spreads widening 5bps on reports that BA might be the subject of private equity interest – however spreads tightened in 3bps on Friday when the CEO denied rumours of a private equity approach.
- Media: Reed Elsevier was the big mover this week, widening 2bps (4%) this week after Dresdner identified Reed as a likely LBO candidate based on capacity on the balance sheet to assume more debt.

Interest Rate Outlook

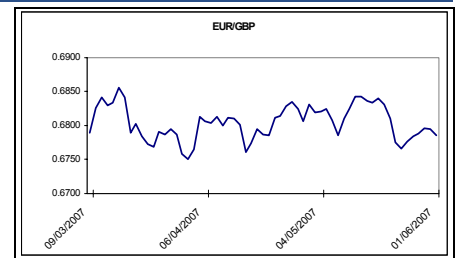


Global bond markets remained weak last week as data out of the US came in stronger than expected. With yield in Europe now pushing on to 4.46%, comments out of the ECB on Wednesday will be closely watched.

Currency Comment



The USD remained supported last week as the economic data from the US came in stronger than expected. However with the data now suggesting the Fed will be on pause traders are turning back to the negative structural problems associated with the USD. With a quite week in terms of data expect the Euro to move higher on the expected interest rate rise on Wednesday.



GBP remained stronger against the Euro last week as traders continued to bet that rates will rise faster in the UK than in the Eurozone. This week all eyes will be on the BoE and ECB rate announcements. We expect a 25bps move from the ECB and no change from the BoE. Any move away from this could cause some volatility. 6750 remains an important level to the downside.



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