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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7993	↓ -3	-0.03%	11.0	8.55%
FTSE 100	6046	↑ 2	0.03%	13.5	7.60%
DAX 30	6031	↑ 2	0.04%	15.0	11.52%
DOW	11217	↓ -23	-0.21%	19.5	4.02%
NASDAQ	2361	↑ 1	0.06%	15.6	7.07%
S&P	1309	↓ -3	-0.19%	21.0	5.14%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2196	0.6964	143.5700
Dollar	1.2196	1.0000	1.7508	117.7200
Sterling	0.6964	1.7508	1.0000	206.1300
Yen	143.5700	117.7200	206.1300	1.0000
Oil (Nymex)	67.9400			

This Week's Research
Fyffes
Petroceltic
Vodafone

Today's Research
C&C Group

Today's Recommendation

C&C Group (€5.75) Advertising to slow growth Stuart Draper

- Management meeting : Following our recent meeting with management, we are this morning re-iterating our current NEUTRAL recommendation for C&C Group, being of the view that the shares are quite fairly valued at a current rating of 18.1x consensus forward eps of 31.7c.
- Advertising costs : During C&C's current financial year, it is expanding distribution of Magners to the principal population centres of England and Wales. In conjunction with this, a massive media campaign is being undertaken which will cause a trebling of the company's advertising costs. Capital expenditure of €100m will also be required over the next 3 years to double the group's cider production capacity.
- Slowing growth : The AC Nielsen data for the Great Britain on-trade cider market to January 2006 on a 3 month annualised basis showed Magners' share of the long alcoholic drink (LAD) market in Scotland at 2.9% and in London at 1.2%. If the market starts to accept that the upside for these market shares could be capped at c.4%, then the shares could be at risk for a pe de-rating given the absence of a second growth product for when Magners' sales growth starts to slow.
- UK ban : From summer 2007, smoking in enclosed public places is to be banned in the UK. As the experience of the Irish on-trade has shown, following the introduction of an identical ban here in March 2004, UK on-trade sales can be expected to fall by c.5% as a result of the ban.
- Soft drinks : The pricing pressure being faced by C&C's soft drink business was evident in the group's H1 results, with the margin of this division falling by 2.4% to 10.3%. Its sales fell by 1% year on year, and the outlook for the carbonated soft drinks market remains weak.
- Fairly valued : Heineken, Diageo and Pernod-Ricard all trade at between 16x and 16.5x consensus forward earnings. Even though C&C's near term earnings growth is stronger, it is difficult to justify a premium of more than 10% to reflect this, particularly given the reliance of the group's earnings growth on a single product. Therefore, at 18.1x consensus forward earnings per share of 31.7c, our view is that C&C shares are quite fairly valued at current levels, and we continue to see greater upside elsewhere on the Irish market. There are also higher dividend yields paid elsewhere than the c.2.5% which C&C is currently yielding : **NEUTRAL**.

Breaking News

Vodafone reveals restructuring

Vodafone announced on Thursday that it would split into three new business units in a restructuring plan aimed at keeping its position as the world's leading mobile telecommunications group. The three divisions will comprise Europe; New Businesses and Innovation; and Central Europe, Middle East, Asia Pacific and Affiliates. "This new structure is an important step forward for the group as it is aligned with our evolving strategy and addresses the different priorities across the group," Vodafone chief executive Arun Sarin said in the release.

EasyJet passenger numbers

EasyJet carried 2.75 million passengers in March, up 7.1 percent from a year earlier. EasyJet's load factor was slightly ahead of expectations at 86.3 percent, down from exceptionally high loads of 91.1 percent the year before when Easter fell in March, it said. EasyJet said its total revenue for the 12 months to the end of March was up 17.7 percent at 1.4 billion pounds.

Positive data for Elan and Novartis' MS drugs

Elan said patients in a phase III trial of Tysabri showed significant improvements in quality of life. The data follows previously reported improvements in measures of disability progression, relapse rate and an MRI scan. The results are being presented this week at a neurology conference in California. Elsewhere in the sector Novartis revealed upbeat data for its FTY720 treatment of MS. The development of this drug may provide some competition for Elan's Tysabri drug as it can be taken orally as opposed to the current, less attractive injection method.

Quinn Direct increases stake in Horizon

Insurance group Quinn Direct has increased its stake in IT services group Horizon Technology to 6.55% and it now holds 5,320,140 ordinary shares in the Company.

Business Press

- Cowen pledges State will hold its Aer Lingus stake (II)
- Conroy gold hunt boost as prices soar (II)
- Trinity Biotech to raise \$24m (II)
- Ryanair loses bid to have pilots' claims struck out (IT)

Investment Press

- Merck: Four cases is hardly a statistically significant number and this week's Vioxx verdict does not do much to help investors quantify Merck's legal liability - with analysts' estimates ranging from \$5bn to over \$10bn. After all, Merck is likely to face thousands of cases over the next few years or so.



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