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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8086	↓ -32	-0.40%	11.0	9.81%
FTSE 100	5929	↓ -52	-0.88%	12.4	5.53%
DAX 30	5813	↓ -71	-1.21%	15.0	7.48%
DOW	11406	↓ -63	-0.55%	19.5	5.78%
NASDAQ	2168	↓ -38	-1.72%	15.6	-1.70%
S&P	1300	↓ -13	-0.99%	21.0	4.44%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2728	0.6790	147.9800
Dollar	1.2728	1.0000	1.8744	116.2500
Sterling	0.6790	1.8744	1.0000	217.9000
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	67.5000			

**This Week's Research**  
IL&P  
Kerry Group  
Paddy Power

**Today's Research**  
Fyffes

**Today's Recommendation (contd.)**

- Residual valuation : Concerning the residual tropical division, Fyffes has re-iterated current year guidance for EBITA of €20m, implying EBITDA of €25m. Given that peers such as Chiquita and Fresh Del Monte are currently trading at 8.2x and 8.3x 2006 EBITDA respectively, any more than a 20% discount for Fyffes would appear excessive, given that its operating margin is in line with these peers. A rating of 6.5x 2006 EBITDA of €25m would value Fyffes' at € 163m, which including the € 100m in net cash (which is being retained in Fyffes), and the € 90m 40% Blackrock stake, gives a value of € 1.01 per share. (See below table).

	EBITDA (€m)	Multiple	Valuation (€m)
	2006		
Residual	25	6.5	163
Cash			100
Blackrock (40%)			90
Demerged	40	7	280
Total			633
Per Share (€)			1.81

## Breaking News

### ICG H1 results better than expected

Irish Continental Group has reported results for the six months to the end of June this morning. PBT of €2.7m was up 58% from the same period last year and ahead of consensus forecasts of €2m. Earnings per share were 10.6c compared with 6.4c in 2005 and forecasts of 7.5c. In the group's ferries division revenue was €72.3m, with profit at €4.3m. Total passenger numbers in the first half of the year were down 11%, while the total number of cars carried was down 10%. H1 is a seasonally quiet period for IC, with 90 of full year earnings coming from the second half. The company noted that labour cost savings and capacity management have compensated for a demanding trading environment. However the company added that the key July-August period, the peak tourist season, saw continued weak demand.

### PartyGaming first half earnings in line

PartyGaming reported first-half earnings which were in line with market expectations and said it remains confident about its future prospects. EBITDA for the six months to end June came in at \$380m, compared with \$257.7m the year before, with forecasts ranging between \$365.4-394m. As previously announced, revenues increased by 51% to \$661.9m, from \$437.4m the previous year, reflecting continued growth in poker and very strong growth in casino. Earnings per share grew by 42% to 8.8c from 6.2c the year before. The company said that the recent additions of backgammon and an exclusively non-US facing sportsbook should add momentum to its expanding international revenue base. The company said it is seeking to 'broaden its geographic spread aggressively', as well as reduce further its dependence on the US market.

## Today's Recommendation

**Fyffes (€1.66) Another demerger & H1 results Stuart Draper**  
**Target : €1.80 (07/09/06 ; previously €1.70, issued 03/05/06)**

- Another demerger : This morning, Fyffes announced that it plans to demerge its general produce division into a new separately quoted company, which will be 100% owned by Fyffes' shareholders. Fyffes' shareholders will receive 1 share in the new produce company for every 1 Fyffes' share currently held, and there will be no blocking stake held by the separately listed Fyffes' company, as was the case with the Blackrock demerger.

- Demerged valuation : Using a slightly higher rating of 7x 2006 EBITDA of €40m, to account for the greater predictability and lower risk nature of the general produce division's earnings, would then value this division at € 280m, or 80c per share. Therefore, we raise our price target from €1.70 to €1.80, but re-iterate our current NEUTRAL recommendation, as there is insufficient further upside from current levels to justify a BUY recommendation. We recently replaced Fyffes with BHP Billiton (£9.97) in our Dolmen Dozen list of favourite stocks for the remainder of 2006.
- Cash distribution : Our view is that the net cash balance of €100m being left in Fyffes creates the possibility for a cash distribution to shareholders, or a share buyback programme, now that both the property and general produce businesses have been demerged.
- H1 results : This morning, Fyffes also reported results for the 6 months ended 30/06/06. Profit before tax and eps of €39.6m and 7.96c respectively were largely in line with consensus forecasts of €38.1m and 7.4c, and were year on year decreases of 48% and 47%. The major fall in profits was caused by the combination of higher costs in the form of €40m higher tariff costs and €15m higher transport costs, as well as 10% lower average banana prices because of the introduction of the new EU banana market regime this year : **NEUTRAL**.

## Business Press

- Dragon Oil tests Turkmenistan well (IT)
- Remortgaging and first-time buyers drive residential lending (IT)
- Sony hit by fresh delays to PS3 debut (FT)

## Investment Press

- Intel: The world has changed. Intel is finally responding. The chip maker's latest plan to cut 10,500 jobs is a response to the tough pricing environment and market share losses to AMD. But more pain will be required.



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