



DAILY COMPANY NOTE — C&C See page 2 for full details

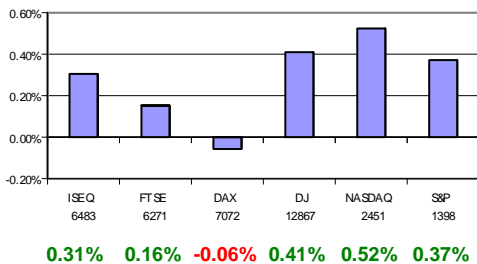
Daily Market Comment

Yesterday's Summary : Despite US markets having a weak session the night before and European and UK interest rates being left on hold, the ISEQ crept into positive territory yesterday, closing 0.31% higher at 6,482.66. Ahead of its full year results announcement this morning, C&C was one the best performers, soaring 4.8% to €4.72. Among the financials, Irish life & Permanent was the biggest gainer, adding 3.9% to finish at €11.33. With its Polish subsidiary Bank Zachodni reporting a better than expected decline in Q1 net profits, AIB gained 0.4% to 14.05. Smurfit Kappa advanced 2.5% to €8.58 ahead of its first quarter results today.

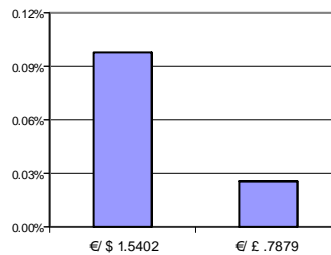
Overnight News : In Japan, the Nikkei 225 Stock Average ended down 2.1% at 13,655.34, after investors were unnerved by Toyota's earnings outlook , while a stronger yen dampened sentiment for exporters. In China, the benchmark Shanghai Composite Index closed down 1.19 % at 3,613.49, in cautious trade ahead of the release of the April consumer price index.

Breaking News : Irish paper packaging maker Smurfit Kappa has reported a profit before tax of €61.6m, compared with a €42.4m loss a year earlier. However the stock is trading 5.5% lower this morning, as the company warned that a weak dollar and slowing demand, will put greater than expected pressure on margins this year. American International Group has reported its record \$7.8bn first quarter loss, eclipsing the \$5.3bn loss it recorded in the fourth quarter. The giant insurer also announced that it would raise \$12.5bn in capital to replenish its balance sheet. French cement major Lafarge SA, the world's second largest cement maker, has emerged the frontrunner in the race to acquire the ready-mix concrete business of engineering and construction major Larsen & Toubro. BG have said that discussions in relation to their proposed \$14.70 per share offer for Origin are still ongoing.

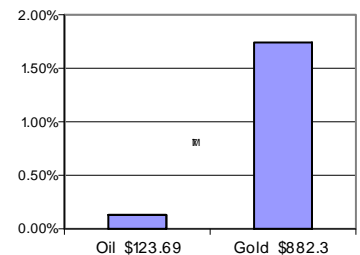
Equity Indices change on day



Currency daily % change



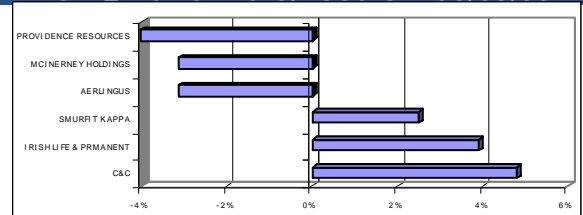
Oil/Gold daily % change



News

- "Downturn in house building to hit profits at Grafton"-**Grafton**-(Irish Times)
- "AIB's Polish unit shows 6.7% fall in Q1 profits"-**AIB**-(The Irish Times)
- "Shocking fall in long-haul seat sales at AerLingus"-**AerLingus**-(I.I)
- "ECB inflation warning fuels speculation rates will not fall"-(I.I)
- "Diageo maintains profit forecast"-**Diageo**-(Irish Examiner)

ISEQ Performers/Losers 08/05/08



Market Themes and Movers

The Pound Declines on Bets of Future Rate Cuts : The Bank of England announced yesterday that they will be keep the benchmark interest rates on hold at 5% and now with market futures pricing a in 75% chance of the Bank of England cutting borrowing rates at the next Monetary Policy meeting, the pound is heading for its first weekly decline in a month. The UK currency dropped to 79.15 pence per euro this morning, from 78.78 pence yesterday and after falling 1.2 pence since May 2. The Bank of England decided to leave interest rates on hold yesterday, as the central bank faces a delicate balancing act between preventing inflation reaching its upper limit of 3%, currently at 2.5%, and stimulating the slowing British economy.

Crude Oil Rises to a Record for the Fifth Straight Day : Crude oil is set for the largest weekly gain since March last year, as it rose to a record high for a fifth consecutive day. Crude rose to a record near \$125 a barrel on speculation that Nigerian export cuts may curb US supplies during the peak driving season. Attacks by militants on Royal Dutch Shell's Nigerian operations have disrupted output from Africa's largest oil producer, while a government report this week suggests that US fuel stockpiles and refinery output have declined when compared with the same period last year. Perhaps even more disturbing for consumers and business struggling with the commodity's record high prices, were statements from OPEC yesterday which indicated that they feel there is no need to raise output, as the depreciation of the US dollar, not limited supply, is driving oil prices higher.



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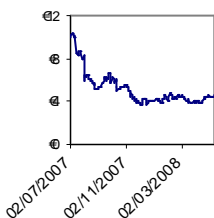
C&C

David Dunk **Neutral**
Target **€5.00**
Previous (10/10/07) **€5.75**
Current **€4.72**
ISEQ
Beverages
Company Profile

The Group's principal activities are producing, marketing and selling cider, spirits, liquors, soft drinks and snack foods and distributing spirits, wine and beer. The Group's operations are carried through its Cider, Distribution, Soft Drinks and Spirits and Liquors. Cider manufactures, markets and distributes Irish cider brands such as Bulmers and Magners.

Fundamental view : C&C released its full year results this morning. Results were broadly in-line with expectations. Revenue for the period was €679m, down 8.1% on the previous year. The company reported a full year EPS of 32.2 cent versus 29.6 cent analyst consensus forecast. The spirit & liqueurs division posted a solid 12.3% growth in sales. However, operating profit declined 5.4%, mainly due to the 27% increase in marketing expenditure. The cider division, which accounts for 86% of company's profits, saw a 11% drop in cider volumes, 4% for Bulmers in Ireland and 16% for Magners in the UK. The company's strategy for the cider division is based on the introduction of Magners draught to the UK, which will be rolled out next week. It is uncertain to what degree the introduction of draught Magners will impact existing bottles sales. Management are guiding for a cannibalization rate of 20%, although this may be on the optimistic side. The margins for draught are approximately 35% lower than bottled, so the company will have to achieve significant growth in market share. Another major obstacle is the competition within the UK premium cider sector. Magners is more expensive than its competitive premium ciders, the UK market is price sensitive, and given the weakness in consumer sentiment Magners is vulnerable to further loss in market share. Magners' main competition in the UK is the Bulmers brand which is produced by Scottish and Newcastle which in turn is a division of Heineken. Given Heineken's superior distribution network, it's no surprise that Magners' biggest decline came from managed pubs, this is a trend we expect to continue.

Next Catalyst: The next catalyst for C&C is the Nielsen trade industry report which is due next Friday. This report should highlight the cider markets performance and C&C's market share. C&C have its AGM in July and its Interim financial statements in August. C&C are continuing to invest in its two European test markets. However we see this as a long term strategy, with no short term catalysts from this area. The weather will be a significant catalyst for C&C over the coming months. A strong summer could lead to a significant boost in sales. We are basing our 12 month price target on sector average multiple of 15.5x the 2008 EPS of €0.322. Our price target of €5.00 implies an upside of 6.4%, and the stock also yields an attractive 5.7%. However given the limited upside, lack of diversification and difficult competitive environment we maintain our Neutral recommendation on the stock

Statistics
Price Performance

Chart View: C&C

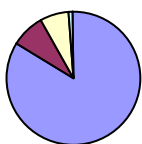
Support Primary: €4.30

Support Secondary: €3.72

Resistance Primary: €4.86

Resistance Secondary: €5.75

Stock is approaching the upper end of its 12-month trading range and a break of €4.86 would suggest there is significant upside to follow. Buy on weakness with the first entry area being the €4.30-€4.50 short-term support base. Note that if the €4.30 level fails to hold then a pull-back towards the €4.05 area should be expected.

Profit by Division


- Cider 84%
- Spirits & Liquors 8%
- Soft Drinks 7%
- Distribution 1%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 08-09
Morgan Stanely Inv. Mgt.	10.29%	C&C	14.7	13.5	8.70%
Janus Capital Mgt.	8.18%	Heineken	22.3	14.4	35.43%
Capital World Investors	7.49%	Carlsberg	23.7	16.9	28.68%
Barclays Global Investors	5.26%				
Deutsche Bank	5.22%				
Shares Outstanding		312.97m			

Share Data	Financial Data	2007	2008e	2009e	
Current Price (p)	Revenue (£m)	4.72	842	548	641
Mkt Cap (£m)	PBT (£m)	1,412	171	153	118
Reuters	EPS (p)	GCC.I	0.29	0.32	0.35
Bloomberg	P/E(x)	GCC ID	16.28	14.66	13.49
Sector	DPS (p)	Beverages	0.27	0.27	0.28
CFO	Dividend Yield	Brendan Dwan	5.72%	4.60%	5.93%
CEO		Maurice Pratt			
Website		www.candcgroupplc.ie			





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