DOLMEN DAILY

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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7997 ↑	36	0.45%	11.0	8.60%
FTSE 100	6067 ↓	-25	-0.40%	13.5	7.98%
DAX 30	6128 ↑	15	0.24%	15.0	13.31%
DOW	11585 ↑	7	0.06%	19.5	7.43%
NASDAQ	2345 ↑	2	0.10%	15.6	6.33%
S&P	1325 ↓	-1	-0.08%	21.0	6.40%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2676	0.6834	141.7600
Dollar	1.2676	1.0000	1.8543	111.8100
Sterling	0.6834	1.8543	1.0000	207.3400
Yen	141.7600	111.8100	207.3400	1.0000
Oil (Nymex)	69.7700			

This Week's Research
Sterling Energy

Today's Research
C&C Group

Breaking News

Adidas Q1 results beat forecasts

Adidas has reported better than expected first quarter results this morning. Sales grew by 47 percent €2.459bn and beat forecasts of €2.334bn. Q1 operating profit jumped 21 percent to €248m, beating forecasts of €227m. Net profit also beat expectations, coming in at €144m, compared to forecasts of €128m. Order backlog at Adidas was up 12 percent for the period, ahead of expectations of c.9%. At Reebok order backlog was down 14 percent, but was a more encouraging number than the 19-20 percent decline which had been expected. The company was also upbeat in its outlook for the rest of the year, reiterating its 2006 guidance of strong double-digit sales growth and double-digit net income growth. Adidas added that the integration of Reebok remains on track and the group as a whole is well positioned for next month's World Cup in Germany.

Kingspan confirms Hytherm talks

Kingspan has confirmed that it is in talks to buy Ireland and UK-based insulation board manufacturer Hytherm/Xtratherm Group. "Discussions are on-going with a proposed consideration in the region of €85m," Kingspan said in a statement. "However there is no certainty that these discussions will lead to a successful conclusion," the company said, adding that any agreement with the owners would be subject to approval by competition authorities.

Grafton AGM statement

In an AGM statement released yesterday Grafton said trading for the four months to the end of April has been in line with group expectations. It added that the Irish Merchanting business has had an 'excellent start to the year, continuing to benefit from the very favourable economic environment and record levels of activity in the residential construction and repair and maintenance markets.' But Grafton said the UK Merchanting market continues to reflect the softer trading conditions being experienced in the construction sector. It nevertheless expects first half sales in the UK to be up, although like-for-like sales are still seen trailing year-earlier levels.

Today's Recommendation

C&C Group (€6.45) — FY results announced — Stuart Draper

- Results announced : This morning, C&C announced results for the year ended 28/02/06. Underlying eps of 29.9c was c.5% better than the consensus forecast of 28.5c, and was a year on year increase of 15.9%. The growth was driven by the roll-out of Magners in Scotland and London more than offsetting continued pricing pressure at the group's carbonated soft drinks business.
- Costs growing : C&C is currently expanding distribution of Magners to the principal population centres of England and Wales, following its success in London and Scotland. To support this, a massive media campaign is being undertaken which will cause a trebling of the group's advertising costs this year. Capital expenditure of €100m will also be required over the next 3 years to double the group's cider production capacity.
- Growth slowing : Magners' current share of the long alcoholic drink (LAD) market in Scotland is 2.9% and of the London market is 1.2%, according to AC Nielsen data for the Great Britain on-trade cider market. If the market starts to accept that the upside for these market shares is capped at c.4%, then the shares could be at risk from 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 drinks and snacks business was also evident in these full year results, with the operating margin of this division falling by 2.6% to 7.6%. Sales at this division fell by 1.6% year on year, and the outlook for the fizzy drinks market remains weak.
- Premium valuation : 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 18.6x current year eps of 34.7c, our view is that C&C shares are quite fairly valued, and we see greater upside potential elsewhere on the Irish market from current levels : **NEUTRAL**.

Business Press

- Apple Computer wins brand battle (IT)
- United Drug buys UK firm for £7.4m (IT)
- Esot looks at raising stake in Eircom to 30% (IT)
- REO exchanges land sale contracts (IT)

Investment Press

- Europeam mobile roaming: In March the EC proposed that international roaming prices be harmonised to domestic levels. On Monday, four days before the consultation deadline, Vodafone said it would guarantee average retail prices would fall by 40 per cent between mid-2005 and April 2007.

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