Dolmen Daily

DOLMEN STOCKBROKERS

Wednesday 11th, March 2009

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IRISH PAPERS TODAY

EBS Chairman and Finance Chief quit after poor results. *(The Irish Times)*

Recession set to last three years says Ulster Bank *(The Irish Times)*

Huge vote of confidence as HP creates 500 new jobs

(Irish Independent)

INTERNATIONAL PAPERS TODAY

Output fall adds to UK woes (*Financial Times)*

Fed may open spigot wider—Securities purchases, additional loans could be in mix to counter crisis
(*The Wall Street Journal)*

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.3%	-26.6%
BP	3.0%	-15.0%
CRH	2.7%	-18.4%
E.ON	-4.4%	-34.2%
HPQ	5.9%	-25.5%
IL&P	24.1%	-48.6%
INM *	-18.2%	-74.5%
J&J	2.5%	-20.1%
JPMorgan	22.6%	-38.2%
Microsoft	8.8%	-15.2%
Paddy Power	2.9%	-9.9%
Vodafone	5.0%	-14.4%

* We are currently Neutral on IN&M

Market View — Analyst : Stephen Taylor

European equity markets are slightly weaker this morning following yesterday's strong gains that were led by financials. Comments from Citigroup's CEO that the bank was having its best quarter since the third quarter of 2007 and that it had been profitable in January and February was the catalyst for the move. There is also speculation that the Obama administration plans to use capital injections as an incentive to get US banks to sell securities to private investors with the investors receiving federal loans to buy the assets. We would view such a move as a positive development as it involves a private sector solution and should help to shore up bank balance sheets which will enable them to lend. On the macro front economic news continues to be dismal. The 26% drop in Chinese exports for the month of February released last night highlights the globalised nature of the economic downturn and indicates that a recovery is still some way off. It is a relatively quiet day on the economic and corporate side today with the main focus being factory orders which are out of Germany and due at 11am.

Quantitative Easing: — **Analyst :** Oliver Gilvarry

The UK becomes the first Western economy to implement Quantitative Easing (QE) with an auction today at 12.00. The total amount of gilt purchases will be £2bn and the target is for 7 gilts in the 5-10 year area. The Bank of England (BOE) will pay for the gilts by printing new money, increasing the money supply. The purchase of the gilts today is broken into two parts, the first is a non-competitive auction and the participants place offers with the amount of gilts they wish to sell. The amount allocated will then be announced at 13.00. The second auction is a competitive auction where offers to sell different gilts will be dependent on the attractiveness of the offer compared to the market yield. The results of the second auction will be released after 14.45. The relatively small size of the auctions should ensure the success of the first UK QE auction. The aim of QE is to decrease longer term interest rates, kick-start the economy and prevent deflation taking hold. The size of the programme at first is £150bn, but comments from the BOE indicate this will move higher if required.

Tullow : **Buy** **Current Price** (791p) **Price target** (900p) **Analyst :** David Dunk

Tullow released full year results for 2008 this morning. The company had already announced production and financial expectations for the year. Oil & Gas output was down 9% to 66,660 barrels of oil equivalent per day for 2008. Earnings per share for the year were £0.3049, slightly ahead of our expectations. The company had reserves of 825m barrels at the end of the year, up from 551m. Overall these results were in-line with expectations. Tullow has said that Tweneboa has the potential to contain 1.4bn barrels of reserves, and 1.8bn for Jubilee. Tullow dramatically increased its staff numbers during the year, reflecting the success of ongoing operations. Tullow gave some details on future developments in Uganda. The company is currently looking at a phased development plan for the region, which it expects to present to the Ugandan government later this year. The final phase of this plan would involve a 1,300km pipeline to the Indian Ocean. We are somewhat disappointed today, at the level of detail provided by Tullow on the development of assets in Uganda, and to a lesser extent Ghana. However, we retain our favourable view towards Tullow and will release an update in the coming days, with a review of our NAV, taking into account recent events and discoveries.

Aer Lingus : **Buy** **Current Price** (€0.66) **Price target** (€1.73) **Analyst :** David Dunk

Aer Lingus released preliminary results for 2008 this morning. Full year revenue was €1.36bn, up from €1.28bn for the previous year. The company has reported a profit before tax, and once off items of €21.2m. However, after tax and exceptional items, the company has reported a loss of €107.8m. Critically the company is reducing its guidance for 2009, from an expected profit to an operating loss. One-time items losses amounted to €140.9m, and were largely relating to restructuring costs. The company finished the year with €653.9m of net cash, down from €757 at the end of 2007. The company expects to finish 2009 with net cash of €430-400m. For the remainder of the year, Aer Lingus has hedged 72% of its fuel requirements at greater than $115 per barrel of jet fuel, and 22% of 2010 requirements at $120. Given the current level of energy prices, this will be a major drag on company performance in the coming year. We will release a review on Aer Lingus in the coming days, with negative bias.

Paddypower : **Buy** **Current Price** (€12.10) **Price target** (€18) **Analyst :** Edward Keeling

Partygaming, owner of PartyPoker.com, reported a 60.8% increase in net income during the year which was in line with expectations. Growth came from the casino and sports area, but the poker side of the business fell 28% yoy. EBITDA was slightly ahead of expectations helped by cost cutting and natural currency hedges. On the issues the company faces with the US Department of Justice no update is available, but they believe they are in the final stages of talks. Management have stated they will look at dividend policy once the issues with the US government are resolved. In 2009, the company is focusing on Italy, France and Spain for new growth opportunities.

INM : **Neutral** **Current Price** (€0.11) **Price target** (€0.45) **Analyst :** Stephen Taylor

Johnston Press reported full year operating profit that declined by 28% to £128m with revenue falling by 12% to £532m. Advertising revenue declined by 17% year on year. Like Independent News & Media, Johnston Press has also cut its final dividend to focus on debt reduction. The group said that it expects 2009 to be an extremely challenging year and revenue for 2009 is already down 39%. Johnston Press' results today highlight the difficulties that the advertising sector is facing. We continue to take a cautious stance towards Independent News & Media as we await details of its debt refinancing.

E.ON

Buy

Current Price : €19.34

Price Target : €31.00

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Analyst: Stephen Taylor

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- **Results:** E.ON released full year results yesterday for the period ending 31/12/2008. The group posted a 7.3% increase in adjusted EBIT to €9.9bn and in line with analyst expectations. Revenue increased by 26% to €86.8bn. Adjusted net income (earnings figure used to determine its dividend) increased by 9% to €5.6bn. The group has raised its dividend by 9% to €1.50 per share resulting in a payout of c. 50% and representing a current dividend yield of 8%. E.ON invested €26.2bn in 2008 more than twice the amount as in 2007 with €16bn going towards the acquisition of operations under E.ON's agreement with Enel and Acciona and its agreement with Statkraft.

- **2009 Outlook :** E.ON pointed out that its outlook for 2009 is subject to 'significantly' more uncertainty than outlooks for previous years. As a result E.ON expects its 2009 adjusted EBIT to match 2008. The group expects adjusted net income to decline by 10% year on year due to higher interest expenses resulting from the increase in debt. E.ON also intends to stand by its current dividend payout ratio of 50%-60% which should mean that its current dividend of €1.50 per share is sustainable.

- **Investment program :** E.ON is to invest €10bn in each of the next three years 2009-2011, €6bn lower than its previous estimate. About one third of investments will go towards updating and replacing networks and power plants in Germany and the UK. The remaining investment has being earmarked for growth projects. The focus will be on expanding the group's generating capacity in the Netherlands, Belgium, Slovakia and Russia. E.ON will continue to invest heavily in renewable energy, a business area that it intends to make a core part of the company. E.ON is already one of the leading players in onshore and offshore wind power in the North Sea and Baltic Sea. The group sees further potential for large-scale solar plants located in sun-rich regions. E.ON also indicated that it is systematically reviewing its portfolio and intends to divest at least €10bn of assets by the end of 2010.

- **Balance sheet :** E.ON benefits a strong balance sheet in the sector with a debt to equity ratio of c. 65%Up to 2008 the group has successfully issued €19bn in bonds through its 2010 funding program. In addition in January E.ON also successfully issued a further €1.75bn in bonds. E.ON's strong balance sheet is also supported by it credit ratings where S&P's long-term rating for the group is A and Moody's is A2 with both agencies confirming their ratings on the group during 2008.

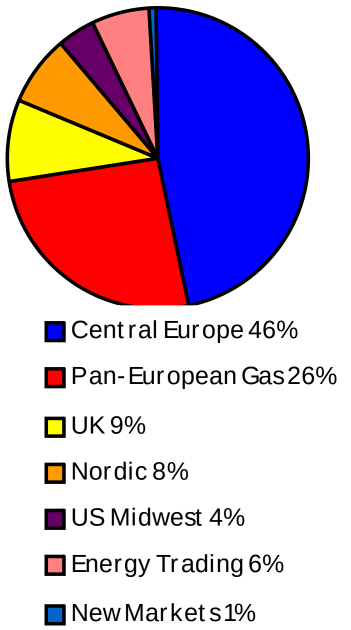
- **Retain buy rating :** Following E.ON's downgrade to guidance yesterday, shares in the company are unlikely to outperform in the short-term. However we believe that given the group's diverse earnings stream, strong cash flow generation and strong balance sheet that shares in the group offer compelling long-term value. Our new 12-month price target of €31.00 is based on the group trading at 10x 2010 EPS of €3.10. Shares in E.ON also provide an attractive dividend yield of c. 8%. E.ON's dividend of €1.50 per share will trade ex on the 7th of May.

Descriptive Stats		Shareholders	
Price (€)	19.34	E.ON AG	8.99%
52 Week High	45.96	Statkraft	4.20%
52 Week Low	18.16	Capital Research	2.98%
Bloomberg	EOAN GY	Deka Internationa	1.34%
Reuters	EONGn.DE	Fidelity	1.34%

	FY08	FY09	FY10
Revenue (€m)	86,753	86,008	90,066
EBITDA (€m)	13,453	14,699	15,652
EPS (c)	3.01	2.90	3.10
DPS (c)	1.50	1.72	1.87
P/E	6.4	6.7	6.2
Div Yield	7.76%	8.89%	9.67%

Peer Analysis	P/E 09	P/E 10	Div Yield 09
E.ON	**6.7**	**6.2**	**7.76%**
RWE	7.2	6.5	9.10%
GDF Suez	9.5	8.6	5.40%
Enel	5.3	4.3	14.00%
EDF	10.1	9.1	4.44%

2008 Revenue by Geography



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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	1,986	3.6%	-16.9%
FTSE	3,715	4.9%	-17.2%
Dow Jones	6,926	5.8%	-21.1%
S&P	720	6.4%	-20.3%
Nikkei	7,376	4.6%	-16.7%
Stoxx 50	1,920	6.1%	-22.4%

Sector Performances

Sector	Index	1-Day	YTD
Construction	163	6.6%	-20.8%
Technology	138	5.2%	-11.0%
Oil & Gas	250	3.8%	-7.5%
Financials	102	12.7%	-32.8%
Retail	175	4.0%	-5.4%
Food & Drink	205	3.1%	-12.2%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	45.7	-2.9%	-10.3%
Copper	168.5	2.7%	16.9%
Gold	898.2	-2.6%	2.5%
Silver	12.5	-3.1%	12.6%
Wheat	532.8	1.8%	-14.3%
Cattle	82.9	-0.4%	-6.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.268	0.6%	10.3%
€/£	0.922	0.8%	3.5%
£/$	1.375	-0.2%	6.6%
$/JPY	98.67	-0.2%	-7.9%
€/JPY	125.14	0.4%	1.6%
€/SFR	1.472	0.8%	1.3%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	202.6	-6.3%	10.7%
High Yield	1,110.8	-3.0%	7.5%
Financials	199.7	-3.7%	64.5%
BoI	654.7	4.5%	155.3%
AIB	615.4	0.2%	194.5%
RBS	219.7	-2.5%	61.0%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	0.5%	0.3%
3-Month	1.7%	2.6%	1.3%
1-Year	1.8%	1.8%	1.5%
2-Year	2.0%	2.3%	1.8%
5-Year	2.7%	2.9%	2.7%
10-Year	3.3%	3.5%	3.2%

Date	Company	Region	Event
06/03/2009	Veolia Environnement S/	FR	Q4
06/03/2009	WPP Group	GB	FINAL
06/03/2009	Marshalls PLC	GB	PRELIM
09/03/2009	Aryzta AG	IE	H1
09/03/2009	Continental AG	DE	Q4
09/03/2009	Bovis Homes Group PLC	GB	PRELIM
09/03/2009	BRIT Insurance Holdings	GB	PRELIM
09/03/2009	Cookson Group Plc	GB	PRELIM
09/03/2009	Finnair Oyj	FI	TRAFFIC
09/03/2009	Land Securities Group Pl	GB	SHOLDERS
09/03/2009	Origin Enterprises	IE	INTERIM
10/03/2009	ESI Group SA	FR	Q4 SALES
10/03/2009	E.ON AG	DE	FINAL
10/03/2009	Audi AG	DE	Q4
10/03/2009	Close Brothers Group PL	GB	INTERIM
10/03/2009	Antofagasta PLC	GB	PRELIM
10/03/2009	Soco International PLC	GB	PRELIM
11/03/2009	JCDecaux SA	FR	FINAL
11/03/2009	Deutsche Lufthansa AG	DE	Q4
11/03/2009	Aer Lingus Group Plc	IE	PRELIM
11/03/2009	Bulgari SpA	IT	Q4

Date	Event	Region	Estimate
06/03/2009	Producer Prices (MoM)	GE	- -
06/03/2009	PPI Input NSA (MoM)	UK	- -
06/03/2009	PPI Output n.s.a. (MoM)	UK	- -
06/03/2009	PPI Output n.s.a. (YoY)	UK	- -
06/03/2009	Change in Nonfarm Payrolls	US	- -
06/03/2009	Unemployment Rate	US	- -
06/03/2009	Consumer Credit	US	- -
10/03/2009	RICS House Price Balance	UK	--
10/03/2009	Consumer Price Index (MoM)	GE	--
10/03/2009	Trade Balance	GE	--
10/03/2009	Current Account (EURO)	GE	--
10/03/2009	Imports SA (MoM)	GE	--
10/03/2009	Exports SA (MoM)	GE	--
10/03/2009	Industrial Production (MoM)	UK	--
10/03/2009	Wholesale Inventories	US	--
10/03/2009	ABC Consumer Confidence	US	--
11/03/2009	Total Trade Balance (GBP/MI	UK	--
11/03/2009	Factory Orders MoM (sa)	GE	--
11/03/2009	MBA Mortgage Applications	US	--
12/03/2009	ECB Publishes Mar. Monthly	EC	--
12/03/2009	Euro-Zone Ind. Prod. sa (Mo!	EC	--

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