DOLMEN DAILY

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EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	9558	↑	201	2.15%	11.0	1.59%
FTSE 100	6413	↑	48	0.76%	12.4	3.09%
DAX 30	7153	↑	79	1.11%	15.0	8.43%
DOW	12485	↓	-89	-0.71%	19.5	0.17%
NASDAQ	2459	↓	-18	-0.74%	15.6	1.82%
S&P	1439	↓	-10	-0.66%	21.0	1.45%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3467	0.6809	160.6600
Dollar	1.3467	1.0000	1.9778	119.2900
Sterling	0.6809	1.9778	1.0000	235.9400
Interest Rates (%)	3.7500	5.2500	5.2500	0.4800
Oil (Nymex)	62.0100			

This Week's Research

Ladbrokes
ICG

Today's Research

ICI

Breaking News

United Drug purchases Belgian pharmaceutical packaging division

United Drug has purchased the pharmaceutical and healthcare packaging division of Belgium's Budelpack Group for an undisclosed sum. Budelpack Hamont packages drugs for a number of international manufacturers in Europe and employs about 140 people. The purchase is United Drug's first move into continental Europe as part of its strategy to develop an international business. United Drug's CEO, Liam Fitzgerald, said at the end of February that the company has about €150m to spend on acquisitions.

Hiestand reports a 15% rise in full year 2006 net profit

Hiestand Holding in which IAWS holds a 32% stake reported a full-year rise in net profit of 15% to CHF36.7m, helped by sharply higher revenue of CHF516.1bn, mainly due to strong growth throughout Europe. The company proposed a CHF18-a-share dividend, up from CHF15 a year earlier. Hiestand maintained its goal of generating revenue of CHF1bn by 2010.

Consortium yet to begin due diligence on ICG

Irish Continental Group said that the consortium of One51 and the Doyle Group who are considering a bid for the company have yet to begin due diligence. The consortium said on April 4th that they may make an offer of at least EUR20 per share, which would top the €18.50 per share bid by Irish Continental's management, through its bidding vehicle, Aella. The independent directors of ICG said they continue to be available to engage with the One51 consortium, but at present the Aella offer was the only one they have received.

Today's Recommendation

ICI (£5.37) Risk / reward attractive Stuart Draper

- Net cash : This week, S&P revised its outlook on UK based Imperial Chemical Industries (ICI) from stable to positive, following a significant improvement in the group's balance sheet. This improvement follows net disposal proceeds of c. £1.5 bn over the past 6 months, which has helped the group's pension deficit to halve over the past 2 years, leaving it on course for a net cash position of c.£350m as at 31/12/07.
- Strengthened operations : ICI is the largest paint producer in the UK, owning brands such as Dulux and Glidden. It also holds top 3 market positions in key countries in Europe, North America and Asia. Asia Pacific already accounts for c.27% of the group's full year sales of £5.9 bn, with these emerging markets generating the strongest sales growth globally for both paints and adhesives. The group's operating profit is split c.51% paints, 49% adhesives, with significant operating profit contributions from specialty starch, specialty polymers and electronic materials being included with the adhesives grouping. According to S&P, "cash flow generation is expected to pick up over the next few years, owing to strengthened business operations, expected cost savings from restructurings and a decline in legacy costs from past divestment activities".
- Earnings growth : As a result, the group's EBITDA is forecast to grow by c.8% per annum from £660m for 2007 to £710m for 2008 to £770m for 2009. By comparison with peers, an EV/EBITDA multiple of 9x appears reasonable on a stand-alone basis for ICI. Based on 2007 EBITDA of £660m and year end net cash of £350m, this generates a fair value of **£5.26** for each of the 1,195.06m shares currently in issue. When combined with a current year dividend yield of c.1.7%, this limits the downside risk for investors from current levels in the event that a takeover approach for ICI fails to take place in 2007.
- Takeover potential : However, following receipt of the c.£1 bn of sale proceeds from the Quest disposal, ICI will move into a net cash position of c.£350m by year end 2007. This gives the takeover speculation contained in last week's Financial Times an above average probability of taking place, as does the fact that one of the rumoured bidders, Akzo Nobel, recently sold its Organon pharmaceutical business to Schering-Plough for €11 bn. If this €11 bn were spent acquiring ICI, it would facilitate a takeover offer at **£6.26** per share, which would value ICI at an EV/EBITDA multiple of 10.8x, a 20% premium to the stand-alone fair value multiple of 9x stated above : **BUY**.

Business Press

- Providence placing raises almost €26m (II)
- Broker confidence helps Xstrata break ahead of the mining pack (FT)
- Ryanair planning low-cost service to US cities (IT)
- Irish-listed firm gets US approval for drug trial (IT)

Investment Press

- Sainsbury survives: It says something about the febrile condition of the UK stock market that, as the private equity bid for Sainsbury collapsed, shares in Marks and Spencer rose.

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