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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8381	↓ -46	-0.55%	11.0	13.82%
FTSE 100	6074	↑ 1	0.01%	12.4	8.09%
DAX 30	6119	↑ 2	0.03%	15.0	13.15%
DOW	11852	↓ -15	-0.13%	19.5	9.91%
NASDAQ	2308	↓ -7	-0.31%	15.6	4.67%
S&P	1350	↓ -3	-0.26%	21.0	8.43%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2547	0.6745	149.7800
Dollar	1.2547	1.0000	1.8599	119.3600
Sterling	0.6745	1.8599	1.0000	221.9900
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	57.5900			

This Week's Research
BP
British Land
HBOS

Today's Research
C&C

Today's Recommendation

C&C Group (€11.43) H1 results announced Stuart Draper

- Results announced : This morning, C&C announced results for the 6 months ended 31/08/06. Underlying eps of 28.7c was 6% better than the consensus forecast of 27c, and was a year on year increase of 77%. The expected very strong growth was driven by favourable summer weather both here and in the UK, the launch of the product in 20 of the larger UK population centres, and the soccer world cup.
- Volume growth : These factors drove more than 3 fold volume growth for Magners during the period, which completely dwarfed continued pricing pressure at the group's carbonated soft drinks business, and lower sales from the loss of the former Allied Domecq brands and Fosters' wine brands. As a result, H1 group revenue increased by 27% to €532.1m.
- Marketing costs : To support Magners' UK expansion, a massive media campaign is currently being undertaken which will cause a trebling of the group's advertising costs to €30m this year.
- Growth constraints : In addition to less favourable weather, capacity constraints will limit Magners' volume growth over the next 6 months. The company realises this and is spending €200m to double its cider production capacity. Given the massive upgrade (c.49%) to consensus current year earnings forecasts over the past 5 months, there may be limited scope for further upgrades in the aftermath of these H1 results.
- UK ban : From summer 2007, smoking in enclosed public places will 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. When combined with the absence of a major international soccer tournament, this smoking ban may result in less favourable market conditions for C&C in the UK next summer. The group still also has no second growth market for when Magners' UK sales start to slow.
- Premium valuation : Heineken and Diageo are currently trading at 16.9x and 16.4x 2007 eps. Even though C&C's near term earnings growth is stronger, it is difficult to justify a premium of more than 10% to the top of this range, particularly given the reliance of the group's earnings growth on a single product, and so our current stand-alone 12 month price target of €12 (5% further upside) is based on 18.5x consensus 2007 eps of 65c. Therefore, we would need to see a correction in the share price under €11 to upgrade our recommendation to BUY : **NEUTRAL**.

Breaking News

M&T Q3 results ahead of expectations

M&T Bank, the US bank in which AIB holds a 23.5% stake in, on Wednesday said third-quarter profit rose 10 percent, helped by higher fee income and the acquisition of branches from Citibank. M&T said net income increased to \$210 million from \$191 million a year earlier. Earnings per share rose 13 percent to \$1.85, beating analysts' consensus forecast by a penny. M&T said net interest income was little changed at \$46 million, reflecting the impact of higher short-term interest rates on the spread earned on loans and securities. Average loans and leases rose 5 percent to \$41.7 billion.

Tullow encouraged by Kingfisher-1 exploration well update

Tullow Oil said on Tuesday that initial drilling on the Kingfisher-1 exploration well in Uganda, in which it has a 50 percent stake, had found "encouraging indications of hydrocarbons". Tullow said its 50 percent partner and operator of the Block 3A in Uganda, Heritage Oil, expected to begin production testing within a month and that these would last up to three weeks. The well has been drilled to a depth of 2,125 metres, and wireline logs and formation pressure testing and sampling have evidenced encouraging indications of hydrocarbons.

Petroceltic begins drilling second Algerian well

Petroceltic said yesterday that it has started drilling the second oil and gas well in the Isarene block in Algeria. Drilling of the hole, known as Hassi Tab Tab 2, will take around 4-6 weeks to complete, it said. Algerian state-owned oil group Sonatrach is Petroceltic's partner in the project.

Business Press

- Elan drug likely to net lower returns (IT)
- Island Oil & Gas reports losses (IT)
- United Drug sees healthy outlook on positive trends (II)

Investment Press

- European telecoms: After the bubble burst, US and European telcos were united by their untouchable status. In 2006 a transatlantic gap has re-emerged, with US telcos outperforming their European peers by 11 per cent.



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