DOLMEN DAILY

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Contact Details: Email : research@dsl.ie Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677 4708

EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	9541	↓	-27	-0.28%	11.0	1.41%
FTSE 100	6233	↓	-12	-0.19%	12.4	0.20%
DAX 30	6715	↓	-1	-0.02%	15.0	1.80%
DOW	12319	↑	42	0.34%	19.5	-1.16%
NASDAQ	2402	↑	15	0.62%	15.6	-0.54%
S&P	1407	↑	4	0.27%	21.0	-0.82%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3167	0.6827	154.5200
Dollar	1.3167	1.0000	1.9285	117.2900
Sterling	0.6827	1.9285	1.0000	226.2600
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	58.9100			

This Week's Research
IAWS

Today's Research
Aer Lingus

Breaking News

Alliance Boots board reject takeover offer

Yesterday Alliance Boots, rejected a £9.7bn takeover proposal from a private equity group. Alliance Boots said the 1,000 pence per share offer from Kohlberg Kravis Roberts & Co. and its largest shareholder, Italian billionaire Stefano Pessina, undervalued the business and its prospects. The company's board held an emergency meeting Monday to discuss the friendly approach, lodged after the London Stock Exchange closed Friday. It is believed that Pessina, who has a 15% stake in the company and is executive vice-chairman, did not attend the gathering. Alliance Boots said the board did not believe the approach "reflects the fundamental value of the company or the attractive prospects, opportunities and synergies available to Alliance Boots following the very recent completion of its merger."

Independents UK titles outshine peers

The UK version of the Independent has recorded another year-on-year rise in circulation, according to the latest audited sales figures for the industry, released recently. The sales success comes against a background of falling circulation for almost every other title. The Independent's average daily sale for February was 264,182, an increase of 10.6% since December 2006. At the same time, the paper's share of the quality newspaper market has grown to 12.2%, the highest level since October 1995. In contrast, The Guardian's sales were down 4.8% on the same period last year and The Times also registered a year-on-year fall of 4%.

African Diamonds purchases 35% of Bugeco

African Diamonds has acquired 35% of Bugeco SA, which holds highly prospective primary diamond exploration licences in the Democratic Republic of Congo. There is a joint venture programme with De Beers on these licences, similar to AFD's JV with De Beers in Botswana. The total consideration paid was $1.6m. The key asset of Bugeco is a joint venture with De Beers on 21 licences in the Democratic Republic of the Congo (DRC), covering 807,000 hectares of prospective diamondiferous ground.

Today's Recommendation

Aer Lingus (€2.90) Full year results announced Stuart Draper

- Results announced : This morning, Aer Lingus announced its results for the year ended 31/12/06. EBITDAR and operating profit of €183.8m and €76m respectively were 2% and 4% ahead of consensus forecasts of €180m and €73m, and were year on year decreases of 6.6% and 2%. The slightly lower year on year profitability was as a result of 9.3% short-haul passenger growth being more than offset by a 4.4% fall in long-haul passengers and higher fuel costs.
- Hedging progress : However, good progress has been made in recent months in protecting the airline's 2007 profitability from the effects of higher fuel costs. As at 28/02/07, 92% of its estimated fuel requirements for the 4 months ending 30/06/07 were hedged at an average price of $64 per barrel, and 31% of its fuel requirements for the 6 months ending 31/12/07 were hedged at $60 per barrel. Even though this morning's results stated that there had been some pressure on yields during Q1 2007, the previous 2007 profit guidance was re-iterated.
- February traffic : The airline's February passenger data, announced yesterday, also showed an 8.9% short-haul increase more than offsetting a 4.2% long-haul decline. Crucially, there was evidence of some stability starting to take hold in the airline's load factors, with the short-haul load factor only 0.1% lower and the long-haul factor 0.1% higher year on year.
- Profit recovery : Helped by cost savings, such as those implied by the new staff contracts currently being agreed with the airline's trade unions, the consensus forecasts are for 2007 EBITDAR and operating growth of 9% and 5% respectively to €200m and €80m. For 2004 and 2005, Aer Lingus generated EBITDAR of €215.6m and €183.4m respectively.
- Further upside : Given the volatility of network airline profits and their different capital structures, EV/EBITDAR is viewed as the most useful valuation metric. Given that the network airlines have historically traded in the 5x to 6x forward EV/EBITDAR range, we consider 5.5x as a fair multiple for Aer Lingus. Based on 2007 EBITDAR of €200m and current net cash of c.€620m, this gives a value of €3.25 for each of the 529m shares in issue. As a result, we initiate coverage of Aer Lingus following the announcement of its first set of results as a public company, with a stand-alone 12 month price target of €3.25 (12% upside) : **BUY**.

Business Press

- IAWS considers IPO for its agribusiness firm (IT)
- Software firm predicts good year despite profits fall (IT)
- Bovis thrives amid price boom (FT)
- Fears for subprime fallout as NYSE suspends New Century (FT)

Investment Press

- Commercial Property: Commercial real estate has benefited from excess liquidity, a favourable interest rate environment and strong economic growth, underpinning rents

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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie
75 St. Stephen's Green, Dublin 2, Ireland. ▪ Tel : +353 1 633 3800 ▪ Fax : +353 1 677 7044 ▪ Email : info@dsl.ie
45 South Mall, Cork, Ireland. ▪ Tel : +353 21 422 2122 ▪ Fax : +353 21 422 2123 ▪ Email : cork@dsl.ie

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