



October 13, 2006

Contact Details:

Email : research@dsl.ie
info@dsl.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8457	↑ 75	0.90%	11.0	14.84%
FTSE 100	6121	↑ 48	0.79%	12.4	8.94%
DAX 30	6160	↑ 41	0.67%	15.0	13.91%
DOW	11948	↑ 96	0.81%	19.5	10.80%
NASDAQ	2346	↑ 38	1.64%	15.6	6.39%
S&P	1363	↑ 13	0.95%	21.0	9.46%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2565	0.6749	150.0400
Dollar	1.2565	1.0000	1.8615	119.3700
Sterling	0.6749	1.8615	1.0000	222.2400
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	57.8600			

This Week's Research
BP
British Land
HBOS

Today's Research
Carphone Warehouse

Today's Recommendation

Carphone Warehouse (289p) Correction overdone Owen Turner

- **Turbulent week:** It has been an eventful week for shares in Carphone Warehouse. The stock rallied almost 10 percent on Wednesday on the back of a solid Q2 trading statement and the news that it is to buy AOL's UK customer base, only to see these gains erased yesterday by the news that Vodafone has terminated its UK retail distribution contract with CPW in respect of contract customers.
- **Vodafone announcement:** We feel that yesterday's 14% share price decline in the wake of Vodafone's decision to sign an exclusive distribution agreement with Phones4U appears to be overdone. Changes to consensus estimates indicate that the move will have a negative impact of c.3% on CPW's 2008 earnings.
- **Reaction overdone:** However, CPW said in a statement that it didn't expect the contract loss to have any impact on market forecasts for this or future years. CPW added that less than 10% of its subscription customers (c.150k) are signed up to Vodafone. Vodafone's decision is certainly a negative for CPW and will raise the company's risk profile and give rise to speculation that this could result in other network operators following Vodafone's move. However it is more likely that Vodafone's competitors will see this as an opportunity to compete more aggressively and take market share from Vodafone. Also, surveys indicate that handset type and tariff are more important to customers than network.
- **Q2 statement:** Carphone Warehouse confirmed on Wednesday that it expected its broadband business to run up an operating loss of £70m during the 2007 fiscal year, £20m more than originally forecast. CPW said that higher than anticipated demand for "free" broadband meant the operating loss was higher than expected in the year ending on March 31 2007. It added that it expects pre tax profit for 2007 to be £110m, £10m less than originally forecast.
- **AOL deal:** Also on Wednesday CPW said it has agreed to buy the AOL Internet access business in the UK for £280m in cash to become Britain's third-biggest broadband service provider. The deal is expected to boost 2008 earnings by c.15% or £30-40m. We feel that the AOL deal offers scope for significant upside potential and should offset any fall out from the Vodafone move. Also CPW will become less dependent on its retail business as its broadband operations grows. We maintain our price target of 375p which is based on 15x March 09 EPS of 25p. CPW will announce interim results on November 2. BUY

Breaking News

WW cuts operating losses

Waterford Wedgwood said on Thursday it had cut its operating loss substantially and improved margins in the six months to the end of September. Costs were lower and the sales decline of recent years was halted for the first time since 2001 so that sales were in line with the same period last year, the company said in a statement for its annual meeting. The group reiterated its view from earlier this year that it would return to profitability in 2007 and said it was encouraged by a strong performance in September, especially at Waterford Wedgwood where sales were up 22 percent in the US.

BP buys back 6m shares

BP has announced that on October 12, 2006, it purchased for cancellation 6 million ordinary shares at prices between 572.5p and 580.5p per share.

BOI appoints UK finance director

Bank of Ireland have announced the appointment of Kieran Coleman to the position of Finance Director, UK Financial Services. His appointment is effective from end 2006. Kieran joins from Prudential where he is currently Finance Director for the combined Prudential UK and Europe business.

US stocks rally on upbeat corporate earnings

U.S. stocks rallied on Thursday, as several consumer-oriented companies, including McDonald's reported earnings that topped estimates, driving the Dow to a record high. The Dow climbed 95.57 points, or 0.81 percent, to a record close of 11,947.70. The Nasdaq rose 37.91 points, or 1.64 percent, to close at 2,346.18. The Nasdaq is now only about 29 points within reach of its 2006 high of 2,375.54, set on April 20. The Beige Book, an anecdotal report on economic conditions from the Federal Reserve's 12 district banks, gave stocks an extra boost after it showed U.S. economic activity grew since last month, but not so much as to stir inflation worries.

Business Press

- Bond investors want loan details (FT)
- Inflation falls to 4% as fuel prices ease (IT)
- Ryanair aims to quell scepticism of 'spooked' investors (IT)

Investment Press

- **ITV:** There is only one thing worse than facing a potential hostile bid from private equity and that is having no buy-out interest at all. In this predicament, even a statement by a potential bidder that he has no intention of making an offer is comforting.



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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie
Dolmen House, 4 Earlsfort Terrace, 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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