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EQUITIES	Close	Change	% +/-	P/E '04	YTD
ISEQ	6444 ↑	24	0.38%	11.0	3.97%
FTSE 100	4800 ↑	17	0.35%	13.5	-0.28%
DAX 30	4212 ↑	3	0.08%	15.0	-1.03%
DOW	10506 ↓	-112	-1.05%	19.5	-2.57%
NASDAQ	2071 ↓	-22	-1.05%	15.6	-0.88%
S&P	1177 ↓	-10	-0.86%	21.0	-2.85%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3121	0.7003	135.0700
Dollar	1.3121	1.0000	1.8727	102.9700
Sterling	0.7003	1.8727	1.0000	192.8700
Yen	135.0700	102.9700	192.8700	1.0000

This Week's Research

Anglo Irish Bank
Greencore
AIB
Paddy Power

Today's Research

Eircom

Today's Recommendations

Eircom (€1.90) Downgrading to SELL Stuart Draper

- **Falling traffic :** During the 6 months ended 30/09/04, Eircom's revenue fell 3% to €802m, as a result of increased access revenues from February's line rental price increases and increased broadband revenues, being more than offset by a significant year on year fall in voice traffic because of increased mobile usage.
- **High expectations :** In addition to the line rental price increases not recurring this year, broadband revenue growth for Eircom in 2005 and 2006 may not be as strong as current consensus forecasts. Current consensus forecasts are expecting c.300,000 Eircom broadband users by this time next year.
- **Broadband competition :** The entry of new competitors into the Irish broadband market, such as Smart Telecom, may also present a threat to such broadband revenue growth expectations. Smart Telecom will launch its broadband offering on 1st February, and expects to be available to over 1m Eircom customers by June 2005.
- **ARPU threat :** In addition to weaker than expected broadband revenue growth, an aggressive pricing challenge from competitors could result in some loss of customers and line rental revenues to broadband competitors.
- **Interest costs :** With net debt of almost €2 bn, Eircom's earnings are significantly exposed to the risk of higher interest rates later this year and in 2006. There is also a voluntary redundancy programme in place over the next two years, which is expected to cost a total of €140m.
- **Mobile risk :** Even though there is a risk of Eircom re-entering the mobile sector in 2005, which could lend further support to the share price, such a deal may be delayed until more progress is made with regard to broadband roll-out nationwide.
- **Fully valued :** Also, at current levels, much of the upside from such a mobile deal may now largely be reflected in the share price. The shares are now trading at 11.4x consensus forward earnings per share of 16.7c, which quite fully values the company's limited further earnings growth prospects. Therefore, at a share price of €1.90, we now downgrade our Eircom recommendation to **SELL**.

Breaking News

McInerney Trading Update

McInerney Holdings PLC said its growth plan continued in line with strategy in 2004 and is ahead of target. The group said it is experiencing strong demand in its sector of the housing market. In a trading update for the year ending Dec 31 2004 ahead of full year results due 17th February, the group said total private house completions for the group (Ireland, UK and Spain) increased by almost 10 percent to 1,619 in 2004, compared to 1,481 at year end 2003. Private house completions in Ireland increased from 969 in 2003 to 1,101 in 2004. The group is now operating on 31 private housing sites in Ireland compared to 30 sites a year ago. A strong performance was recorded in the UK with house completions increasing to 500 in 2004 from 447 in 2003. The UK land bank now stands at over 1,800 plots compared to approximately 1,200 at end 2003. In addition, the group has options on some 400 plots. The group now has 30 private housing sites operational in UK compared to 17 sites a year ago.

Goodyear Aviation gets 5-yr contract to supply Ryanair

Ryanair announced yesterday that it has signed a major five-year contract with the Goodyear Nederland BV Aviation Tires for the supply of tires and tire maintenance. The Ryanair contract, which carries an option for an additional five years, includes the delivery of new tires and the repair and overhaul of aviation tires for the airline's fleet of 66 Boeing 737-800 jet aircraft. Ryanair also has firm aircraft orders for 96 new planes and up to 123 options to be delivered up to 2009. Michael Hickey, Ryanair's director of engineering said, "We are delighted to have entered into this exclusive initial five-year agreement with Goodyear ... (and to) have secured an efficient long-term low-cost agreement for a quality product, which will enable us to support our existing and growing Boeing 737-800 fleet".

Business Press

- Sainsbury chief scents recovery (FT)
- Nigerian boost for Providence (II)
- McEnery retires from Kerry Group (IE)
- Haran appointed to BOI board (IE)
- ECB holds rates at 2% (IE)

Investment Press— Lex

- **Reuters:** Reuters' trading statements are notable for their brevity if nothing else. But Thursday's select few phrases offer encouragement. Guidance for a first-quarter decline of 1.5 per cent in recurring revenues was better than expected.



DOLMEN SECURITIES

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