Dolmen Daily
DOLMEN STOCKBROKERS
Thursday 14th May 2009

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(The Irish Times)

Top economist says signs of economic recovery unlikely before early 2011
(The Irish Times)

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(Irish Independent)

INTERNATIONAL PAPERS TODAY

Land Securities sees no rebound
(Financial Times)

EU slaps Intel with record fine
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-0.6%	-5.6%
BP	-1.3%	-3.9%
CRH	-4.3%	5.8%
DCC	-2.2%	29.2%
E.ON	-1.5%	-15.5%
HPQ	-2.2%	-5.7%
IL&P	-20.0%	32.7%
INM	-15.9%	-31.5%
J&J	0.3%	-7.8%
JPMorgan	-3.7%	8.0%
Microsoft	-0.7%	1.6%
Vodafone	0.6%	-9.8%

Market View — Analyst : Stephen Taylor

European equity markets are rebounding from earlier losses to trade higher. US and Asian markets closed lower overnight on the back of a disappointing retail sales figure out of the US which showed a month on month decline of 0.4% versus expectations of a flat outcome by economists. We do not view the data as surprising given the continued losses in jobs throughout the US. We expect the trend of weak retail sales will continue for sometime until there is a stabilisation in the US jobs and housing markets. In Europe, there is a continuing rift emerging amongst ECB members in relation to monetary policy and quantitative easing. ECB member and head of the German Bundesbank Alex Weber pointed out that inflationary pressures may see a 'rapid and powerful comeback' and the ECB must be ready to reverse past rate cuts swiftly. Many members would still indicate that interest rates need to remain low for a substantial period of time and may need to be lowered below the current 1% level. We view the rift between ECB members as unhelpful for the European economy and could potentially weigh on the Euro over the short to medium term. As for today, earnings out of US retailers Wal-Mart and Khol's will be closely watched, while jobless claims data will also be in focus.

AIB : Neutral   Current Price (€0.92)   Price Target (€0.95)   Analyst : Oliver Gilvarry

AIB held its AGM yesterday where the main news story was the throwing of eggs at the board by an irate shareholder. Current chairman, Dermot Glesson, admitted mistakes were made in relation to lending decisions on property development in Ireland. He apologised on behalf of the bank to shareholders and stated his decision to retire in July is the correct thing to do. He commented on NAMA stating the bank believes it is a positive step and they will work closely with the government to achieve its implementation. No further details were given on the structure of NAMA or its effect on AIB, just that discussions are on-going. The chairman's comments on how the extra €1.5bn of capital will be raised by the bank was interesting, he said this "will be achieved through the sale of certain assets and other actions, the details of which will be announced when worked through." The sale of assets means Poland and M&T are potentially for sale, but the other actions in our opinion relates to debt re-purchases by the bank. Such re-purchases will include hybrid bank debt such as perpetuity bonds and tier 2 bonds. These are trading at significant discounts to par, especially perpetuity bonds and buybacks of such debt at a discount to its face value provides an exceptional once off gain to the bank, increasing profits. Similar transactions have occurred in other banks such as Barclays, RBS, Lloyds Banking Group and UBS where the debt was bought back by the banks at significant discounts to par, but at a premium to what it was trading prior to the buy-back announcement. We would expect BOI and Anglo Irish Bank to undertake similar transactions over the next number of months.

Prudential : Q1 sales update   Current Price (412p)   Analyst : Oliver Gilvarry

Prudential's first quarter sales were released this morning and the group reported a 5% decline to £697m. On a constant currency basis, sales fell 20% compared to the same period in 2008. Asia and UK sales fell 11% and 6% respectively in the period and US sales performed well increasing by 12%. The weakness of sterling has helped the group when translating foreign sales back into the base currency. The group stated the level of sales in Q1 is similar to Q4 in all geographic regions. As with all insurers, capital preservation is of key focus. The group continues to minimise new business strain and will maximise sales in its most profitable product lines. For example, Prudential has ceded market share in Korea due to returns from the business been lower than required by the group. On capital, the IGD surplus has increased since the end of March by £400m to £2bn and it will increase by a further £800m to £2.8bn once the transfer of the Taiwanese agency business is complete. The increase since the end of March was helped by the issue of hybrid debt of £400m due to the recent improvement in debt markets. On credit quality, the group has maintained a credit reserve of £1.4bn to provide for future defaults. This reserve allows for 80bps of losses per annum over the life of the portfolio. In the first quarter, defaults were 6.5bps of the portfolio.
The focuses of the group for this year will be on capital preservation and to mange the risk profile of the group. The sales figures are in line with expectations and the increase in IGD surplus is a large positive. Add this to the geographic diversification of the group and its significant exposure to the Asian market leaves it well positioned compared to its other UK peers and it is our favoured pick in the sector.

Kingspan: Neutral Current Price (€3.90) Price Target (€3.60) Analyst : Stephen Taylor

This morning, Kingspan has issued a trading statement for the period 01/01/2009 to present. The group noted that trading in the first four months of the year has been particularly difficult, with sales declining by 34% to €350m compared with the same period last year. The group pointed out that the contraction in new building activity was partly offset by improving thermal standards which is an encouraging trend in the residential refurbishment market. Kingspan said that the pace of declines was most pronounced in its Irish and UK markets. Revenue by product segment saw a 30% decline in Insulated panels, 32% decline in insulated boards, Environmental & Renewables sales were down by 39%, Access Floor sales were down by 18% while Off-site sales declined by 70%. In light of the downturn, the company has been focussing on cost containment since the middle of 2007 and in the current year, the fixed cost base has been lowered by an annualised sum of approximately €50m. We view this as a positive step and expect further cost cutting activities from the company. Following Kingpsan's trading statement today we retain our neutral view on the company. Over the long-term, Kingpsan is well positioned to take place in a housing recovery given its product offering and strong balance sheet. However, in the short-term its markets will remain challenging. Kingspan will issue interim results on 24/08/2009.

C&C : Buy **Current Price** (€1.93) **Price Target** (Under Review) **Analyst :** David Dunk

Sabmiller released full year trading results this morning. Sales were in line with consensus expectations of $25.3bn. Net income for the year of $1.88bn was lower than consensus forecasts of $2.03bn. Commenting on the year past, management said that they faced strong headwinds, but managed to deliver resilient underlying results. Sabmiller sees little visibility to the timing of any recovery, although they remain confident on the medium term prospects of the business. Organic lager volumes for the year so far are about level with the previous year. Sabmiller sees input commodity cost pressures continuing into the current year. Today's statement has minimal readthrough for C&C, as C&C released its results earlier in the week.

United Drug: Buy **Current Price** (€1.97) **Price Target** (€4.30) **Analyst :** David Dunk

Celesio has released its Q1 earnings results this morning. Net income was €58m compared to €57.6m for the same period last year. Sales were €5.12bn, down from €5.26bn for last year. First quarter EBITDA was €144.5m, down from €149.9m. Management has reaffirmed its guidance for 2009. While Celesio provides similar services to United Drug, due to the two companies operating in differing geographies, there is very limited read-through from this mornings results.

Paddy Power : Neutral **Price Target** (Under Review) **Analyst :** Edward Keeling

This morning Paddy power released a trading update and despite the economic conditions, the adverse impact of currency fluctuations and unfavorable sporting results, management is satisfied with its progress and momentum. It has reiterated that it remains comfortable with consensus forecasts for the full year and encouragingly for the group, the year on year growth in sportsbook amounts staked has accelerated significantly compared to the first two months of the year. The group has cited an increased level of recycling and easier comparisons considering the amount of race cancellations in the first two months. Less positive however is the impact of unfavorable results. Sportsbook gross win percentage in the period is below its guided range on non-retail with the telephone channel most effected. The groups financial position remains robust with net cash of €96m.

In addition to its trading update, Paddy Power has announced the acquisition of 51% of Sportsbet, one of Australia's largest corporate bookmakers, which is expected to be completed by the 1st July. Similarily to Paddy Power, it focuses on racing and sports through online and telephone channels. The initial consideration payable by Paddy Power will be €27m and this will be satisfied at completion by a cash payment of €26m from Paddy Power's existing cash reserves and the issue of 100,000 Paddy Power shares to Sportsbet shareholders. Under the terms of the acquisition, Paddy Power has a call option, exercisable in either 2012 or 2013, to acquire all of the outstanding shares it does not own, with the exercise price to be determined based on a EBITDA multiple of 5 to 7 times. Overall Paddy Power has said it expects the acquisition to enhance 2009 earnings by 3% and by 6-7% in a full year. We view this strategic step into international markets as a big positive Power and will be reviewing our earnings estimates and price target as a result.

BT Group : Neutral **Current Price** (92p) **Analyst :** Stephen Taylor

BT Group has reported a fourth quarter net loss of £977m, compared to a profit of £426m for the same period last year. The group booked a £1.3bn charge in relation to its global services unit, which sells security, telephone and Internet services to international companies. Adjusted EBITDA declined by 14% to £1.35bn. The group is currently restructuring its global services division and over the long-term represents a core operation for the group. In relation to its outlook for 2009, BT expects revenue to decline by 4%-5% reflecting the continuing trend seen in the fourth quarter. BT has been increasing its focus on cost reduction in part through job cuts with its permanent and contract staff falling by 15,000 to 147,000 in March and for 2009 they expect similar job cuts. This is higher than what analysts had been expecting of 10,000 job cuts this year. The group lowered its final dividend to 1.1p to provide a full year dividend of 6.5p, a decline 59% year on year. BT pointed out that it wants to have a sustainable dividend going forward. In relation to the group's pension funding, it will close to double contributions to £525m a year from £280m for the next three years. BT is currently engaged in a three-yearly pension review to establish the size of its pension deficit which is expected to be between £6bn - £8bn. We will be publishing a detailed note on BT Group next week with update earnings estimates.

Dolmen Daily

Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,494	-4.5%	6.7%
FTSE	4,331	-2.1%	-2.8%
Dow Jones	8,285	-2.2%	-5.6%
S&P	884	-2.7%	-2.1%
Nikkei	9,094	-2.6%	2.6%
Stoxx 50	2,357	-2.8%	-4.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	210	-3.9%	2.7%
Technology	162	-1.9%	5.3%
Oil & Gas	289	-1.0%	7.1%
Financials	167	-6.6%	9.2%
Retail	204	-1.8%	10.7%
Food & Drink	235	1.0%	1.0%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	58.0	-1.4%	8.3%
Copper	203.1	-2.6%	39.5%
Gold	926.3	0.3%	4.8%
Silver	14.0	-1.4%	21.7%
Wheat	588.8	-0.7%	-8.0%
Cattle	82.5	-0.8%	-4.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.360	-0.4%	-2.9%
€/£	0.897	0.4%	-6.4%
£/$	1.516	-0.8%	3.3%
$/JPY	95.30	-1.2%	4.9%
€/JPY	129.61	-1.5%	2.1%
€/SFR	1.505	-0.2%	0.9%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	153.4	-6.3%	-12.8%
High Yield	933.7	1.2%	-7.0%
Financials	128.1	3.8%	10.1%
BoI	313.3	3.8%	33.2%
AIB	302.8	1.3%	47.5%
RBS	164.6	7.9%	20.0%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.9%	0.4%	0.2%
3-Month	1.3%	1.4%	0.9%
1-Year	1.5%	1.4%	0.9%
2-Year	1.7%	2.0%	1.3%
5-Year	2.7%	3.1%	2.4%
10-Year	3.5%	3.8%	3.2%

Date	Company	Region	Event
14/05/2009	Fortis NV	Q1 TRADE	BE
14/05/2009	KBC Groep NV	Q1	BE
14/05/2009	Credit Agricole SA	Q1	FR
14/05/2009	Vivendi SA	Q1 SALES	FR
14/05/2009	Kingspan Group PLC	TRADE	IE
14/05/2009	Paddy Power PLC	TRADE	IE
14/05/2009	Portugal Telecom SGPS	Q1	PT
14/05/2009	Avis Europe plc	TRADE	GB
14/05/2009	Cookson Group Plc	TRADE	GB
14/05/2009	Thomas Cook Group Pl	INTERIM	GB
14/05/2009	National Grid Plc	PRELIM	GB
14/05/2009	Invensys PLC	PRELIM	GB
14/05/2009	BTG Plc	PRELIM	GB
14/05/2009	BT Group PLC	Q4	GB
14/05/2009	Kohls Corporation	Q1	US
14/05/2009	Nordstrom	Q1	US
14/05/2009	Wal-Mart Stores Inc.	Q1	US
14/05/2009	Agilent Tech. Inc.	Q2	US
15/05/2009	Irish Life & Permanent F	AGM	IE
15/05/2009	Bauer AG	Q1	DE
15/05/2009	Ladbrokes Plc	TRADE	GB
15/05/2009	UTV Media Plc	TRADE	GB
15/05/2009	Total SA	AGM	FR

Date	Event	Region	Estimate
14/05/2009	EU 25 New Car Registration	EC	- -
14/05/2009	ECB Publishes May. Mthly R	EC	- -
14/05/2009	Producer Price Index (MoM)	US	0.10%
14/05/2009	Initial Jobless Claims	US	- -
15/05/2009	GDP s.a. (QOQ)	GE	-3.00%
15/05/2009	Euro-Zone CPI (MoM)	EC	0.40%
15/05/2009	Consumer Price Index (MoM	US	0.00%
15/05/2009	Empire Manufacturing	US	-14
15/05/2009	Total Net TIC Flows	US	- -
15/05/2009	Industrial Production	US	-0.50%
15/05/2009	U. of Michigan Confidence	US	65
18/05/2009	Rightmove House Prices (Mo	UK	- -
18/05/2009	Euro-Zone Trade Balance	EC	- -
18/05/2009	NAHB Housing Market Index	US	- -
19/05/2009	CPI (MoM)	UK	- -
19/05/2009	RPI (MoM)	UK	- -
19/05/2009	ZEW Survey (Econ. Sentime	GE	- -
19/05/2009	ZEW Survey (Econ. Sentime	EC	- -
19/05/2009	Construction Output SA MoM	EC	- -
19/05/2009	Housing Starts	US	- -
19/05/2009	Building Permits	US	- -
19/05/2009	ABC Consumer Confidence	US	- -
20/05/2009	Producer Prices (MoM)	GE	- -

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