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Contact Details:

Email : research@dbb.ie
info@dbb.ie

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

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6153 ↓	-29	-0.47%	11.0	-0.72%
FTSE 100	4945 ↓	-15	-0.31%	13.5	2.73%
DAX 30	4402 ↓	-4	-0.08%	15.0	3.43%
DOW	10279 ↓	-125	-1.20%	19.5	-4.68%
NASDAQ	1947 ↓	-28	-1.40%	15.6	-6.81%
S&P	1162 ↓	-12	-1.00%	21.0	-4.12%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2815	0.6813	138.7400
Dollar	1.2815	1.0000	1.8881	108.2600
Sterling	0.6813	1.8881	1.0000	203.4400
Yen	138.7400	108.2600	203.4400	1.0000

This Week's Research
British Land
Tullow Oil
RBOS

Elan

Today's Research
Iona

Today's Recommendations

Iona (\$3.60) Q1 results announced Stuart Draper

- Q1 results : Iona has announced its results for the 3 months ended 31/03/05. Overall, unlike several of its peers recently, the results were largely in line with the company's previous guidance. Total revenue of \$16.3m was in line with the previous guidance range of \$16m to \$17m, with total expenses of \$16.2m slightly better than the previous guidance range of \$16.5m to \$17.5m.
- New CEO : As a result, a small net income of \$107,000 was generated for the quarter. Iona also announced that its chief operating officer, Peter Zotto, is to replace Chris Horn as chief executive, with Mr. Horn moving to the more back-seat role of non-executive vice-chairman.
- Artix growth : Iona completed 8 Artix transactions during Q1, entering into a strategic marketing relationship with Sun Microsystems. Even though conservative guidance was issued for Q2, that both total revenue and total expenses would be in the \$16m to \$17m range, this Artix product gives the company some medium term growth potential.
- Entry level : Our current view is that the weakness of the Iona share price over the past 2 months has created an attractive entry price for investors. With 36.4m shares in issue and \$54.7m in cash and marketable securities at 31/03/05, Iona's enterprise value (EV) is currently \$76m.
- Sector discount : Given that Iona generated \$68m in sales for 2004, \$37.3m of which were maintenance sales (MS), its EV to sales and EV to MS multiples are currently 1.1x and 2.0x respectively. This compares with current sector average multiples for the integration software sector of 1.9x (42% discount) and 4.7x (57% discount) respectively.
- Takeover target : If the public equity market continues to value Iona at such a significant discount to its peers, then the company may have some potential as an attractive financial acquisition target.
- Software consolidation : Consolidation has already started in the software sector as a result of the recent bids of SAP and Oracle for Retek. The initial bids were at EV/Sales multiples of 2.3x and 2.5x respectively, and were then increased to 3.1x and 3.2x respectively.
- Major upside : With Iona now trading at an EV/Sales multiple of 1.1x 2004 sales, there is likely to be major share price upside in the event of a takeover approach : **BUY**.

Breaking News

Fitch downgrades Waterford Wedgwood notes

Waterford Wedgwood was yesterday on the receiving end of a range of debt downgrades from ratings agency Fitch. The agency said the downgrades reflected "the material deterioration in financial performance in recent months" at Waterford. Fitch also pointed to its expectation that "results are unlikely to improve materially in the next 12-18 months". Referring to the €100 million rights issue recently completed by Waterford, Fitch said the company may need the "further support of its principal shareholders" to fund liquidity over the coming year. Waterford's €165 million mezzanine notes, launched at the end of 2003, have been downgraded from CCC+ to CC. The outlook on the rating is "negative". Fitch has also downgraded the company's senior unsecured debt from B- to CCC and has reduced the rating on its short-term debt from B to C. The rating on Waterford's senior secured debt has been reduced from B+ to B-.

Ryanair plans new base in Germany

Ryanair on Thursday announced it had reached an agreement for a new European hub at Luebeck airport near Hamburg in northern Germany that would handle two million passengers annually. Ryanair said it had reached an agreement airport operator Infratil, which simultaneously announced the purchase of Luebeck airport. "Settlement of the transaction is expected to occur a few months' time," the airline said in a statement. Ryanair said it would invest over 196 million euros in four new Boeing 737 aircraft and create over 200 new jobs in Luebeck.

US Stocks at 2005 lows

US stocks sank on Thursday to their lowest levels in five-and-a-half month on concerns that the economy might be faltering, while chances of a rebound on Friday faded after IBM reported earnings that fell far short of Wall Street's estimates. IBM, the world's largest computer company, posted quarterly results after the market closed and a week ahead of schedule. IBM's disappointment added further pressure to the market, especially tech shares, which were pulled lower by Apple after the computer maker's revenue forecast missed some analysts' expectations.

Business Press

- Daimler shareholders approached over buy-out (FT)
- Call to auction off Woolworths (FT)
- Aer Lingus profits soar (IT)
- Norish sells Belvedere for £2.8m (IT)
- Glazer to launch hostile bid if £800m move fails (II)

Investment Press— Lex

- Apple: It is time for a breather. After their heart-stopping ascent of the past two years Apple shares are facing a welcome reality check. They have fallen 11 per cent in a week. Such a reaction should not detract from Apple's success.



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