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| EQUITIES | Close | Change | % +/-  | P/E '05 | YTD    |
|----------|-------|--------|--------|---------|--------|
| ISEQ     | 7129  | ↓ -23  | -0.32% | 11.0    | 15.03% |
| FTSE 100 | 5521  | ↑ 14   | 0.25%  | 13.5    | 14.69% |
| DAX 30   | 5287  | ↓ -24  | -0.44% | 15.0    | 24.22% |
| DOW      | 10884 | ↑ 60   | 0.55%  | 19.5    | 0.93%  |
| NASDAQ   | 2263  | ↓ -2   | -0.11% | 15.6    | 8.31%  |
| S&P      | 1273  | ↑ 5    | 0.42%  | 21.0    | 5.01%  |

| CURRENCIES  | Euro     | Dollar   | Stg      | Yen      |
|-------------|----------|----------|----------|----------|
| Euro        | 1.0000   | 1.2012   | 0.6782   | 140.0600 |
| Dollar      | 1.2012   | 1.0000   | 1.7709   | 116.5500 |
| Sterling    | 0.6782   | 1.7709   | 1.0000   | 206.4500 |
| Yen         | 140.0600 | 116.5500 | 206.4500 | 1.0000   |
| Oil (Nymex) | 60.8500  |          |          |          |

## This Week's Research

PAREF

## Today's Research

Fyffes

## Breaking News

### Ryanair leaves FY forecasts unchanged

Ryanair reaffirmed year earnings forecasts despite easing fuel prices and said it had signed a 10-year deal for expansion at Brussels Charleroi Airport. Chief Executive Michael O'Leary said Ryanair still expected to deliver a 10 percent rise in net profit for the current year. Ryanair said it had signed a 10-year deal with Belgium to expand at Charleroi airport where it would add five new routes from April next year. Ryanair said the expansion would deliver 250,000 extra passengers to the airport a year, bringing the airline's annual traffic to Charleroi to 2.3 million. Ryanair said in November, when it gave second quarter results, that it expected full year net profit to reach €295m. O'Leary told reporters the company's forecast had not changed.

He also said yields were still expected to be flat in the third quarter and 5 to 10 percent lower in the fourth quarter. O'Leary also said Ryanair expected to announce details of a new base in Europe.

### IAWS increases its holding in Hiestand

IAWS announced yesterday that it has acquired for cash an additional 56,547 ordinary shares representing 10.63% of the Issued Share Capital in Hiestand Holdings A.G, the Swiss gourmet Bakery Company at a cost of €36.6m, bringing its holding to 170,218 shares or 32 per cent of the issued Ordinary Share capital of Hiestand.

### Poste Italiane selects Iona's Artix product

Iona yesterday announced that Poste Italiane Group, a leading provider of express mail, logistics and financial services across Italy has selected Iona's Artix product. Artix will help to integrate and extend Poste Italiane's IT infrastructure with the service management systems of its partner companies.

## Fyffes (€2.13) Actual €80m property surplus Stuart Draper

- **Property revaluation** : In our last Fyffes' note of 30/11/05, we pointed out that the revaluation of the group's properties had the potential to generate a revaluation surplus of at least €50m, and that the results of this revaluation "may even be announced before Christmas." This morning, Fyffes announced that the revaluation of 25 of its Irish and UK properties would generate a revaluation surplus of €80m, or 23c per share. Once tax and de-merger costs are accounted for (c.6c per share), the group's current NAV per share of €1.26 increases to c.€1.43.
- **Separate listing** : Following on from this revaluation, Fyffes is to move these 25 properties, now worth €190m, or €180m net of €10m deferred tax, into a separately quoted property company, Bluestone Properties, which is to have an AIM and IEX listing. With an initial NAV per share of 57c, this move will improve the visibility of the group's property value, particularly as progress is made redeveloping the portfolio to grow NAV per share.
- **Value exposing** : However, a greater benefit of the move may be in exposing the attractive earnings multiples at which the group's core fruit business will then be rated. Even after moving €20m in cash into Bluestone, and paying the necessary tax and de-merger costs of €10m each, Fyffes will still be a very well funded fruit business with a net cash balance of c.€120m.
- **Summing parts** : Previously we had estimated that even if the the potential supply increase following the move to a tariff only EU banana regime in 2006 results in Fyffes' 2006 banana profits falling by 20%, the 2006 group eps would only fall by c.9% to 21c. Following this morning's additional lease costs of c.1c per share, we now reduce this 2006 eps forecast to 20c, and conservatively value this business at a 10% discount to peers, at 10x forward earnings to value it at €2 per share. We then value Bluestone at a 10% discount to NAV, in line with the current UK property sector average, to value it at 51.3c per share, to generate our new 12 month price target for Fyffes of **€2.50** per share (17% further upside).
- **Attractive yield** : It is also worth noting that following the group's exceptional performance in 2005, Fyffes will pay a second interim dividend of 5.72c per share on 03/03/06 to shareholders on the register on 10/02/06. It will also pay a final dividend per share of 5.2c in May 2006 and an interim dividend of c.1.7c in October 2006. This means that investors will be paid a dividend yield of c.5.9% within the next 12 months for waiting for this upside to be achieved : **BUY**.

## Business Press

- US trade deficit hits record \$68bn (IT)
- Greencore wins EU battle (II)
- Fyffes verdict on Wednesday (II)
- Ship deal puts ICG back on even keel (II)

## Investment Press— Lex

- **GUS**: The black art of valuing internet companies has conjured many an arcane multiple. The sheer ingenuity of enterprise value/page click will not easily be forgotten. GUS's latest acquisition, however, could qualify for a brand new one: EV/ market.



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