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**UBS** : Reports Q1 loss of CHF2bn

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### Market Movers

## IRISH PAPERS TODAY

AIB raises provision for loan impairments to €1.8bn  
*(The Irish Times)*

Glanbia warning over diary markets  
*(The Irish Times)*

Shake up at IL&P paves way for bank unit spin-off  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Obama hints at hopes for recovery  
*(Financial Times)*

Fed chief 'optimistic' of recovery  
*(The Wall Street Journal)*

## DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	7.5%	-2.2%
BP	-1.7%	-16.3%
CRH	0.5%	1.7%
E.ON	0.0%	-20.0%
HPQ	-1.2%	-6.0%
IL&P	6.7%	34.6%
INM *	5.9%	-53.9%
J&J	0.4%	-14.1%
JPMorgan	-8.9%	-2.6%
Microsoft	-1.2%	-0.5%
Vodafone	-0.9%	-12.3%

\* We are currently Neutral on IN&M

## Market View

**Analyst : Stephen Taylor**

European equities are lower this morning following declines in the US and Asia overnight. Yesterday's disappointing drop in US retail sales, its first in two months, and continued decline in producer prices serves as a stark reminder that the current recession is far from over, questioning the scale of the recent strong rally in equity markets. The main areas that showed decline were related to the consumer with electronics, furniture and autos all showing sharp declines. While there are certainly some positives signs on the horizon, the velocity of job losses and likelihood of the unemployment ratesq continuing to move higher will mean that the consumer will remain under pressure for some time. Lack of earnings guidance looks like it will also become a major theme for the current earnings season as seen with Intel last night and Phillips electronics yesterday. As for today's trading US economic data will be the key focus with empire manufacturing, CPI and industrial production figures all set for release.

**IL&P : Buy**    **Current Price (€2.12)**    **Price target (€3.00)**    **Analyst : Oliver Gilvarry**

Reports this morning in the Irish Independent suggest Irish Life and Permanent (ILP) is in the process of restructuring the group. According to the report, the aim of the restructure is to spin off the banking business to unlock value in the life assurance business. The restructuring would see ILP become a holding company and three separate operating companies being formed. The three companies would be the banking, life assurance and asset management divisions. This would be different to the current situation where the bank acts as a holding company for Irish Life, despite the life company being much larger than the bank. The government has indicated its desire for a third banking force in Ireland and this could be in the form of a mutual society. Once the property assets are removed to NAMA from Irish Nationwide and EBS, the creation of a "Super Mutual" combining the banking arm of ILP, EBS and Irish Nationwide would be possible. The banking arm of ILP relies on wholesale funding to a much larger extent than the other Irish banks and this fact has weighed on the share price of the group in the last number of months. A restructure in the form mentioned above would make it easier for the group to move the banking arm into another entity at some time in the future.

**UBS : Posts Q1 loss**    **Current Price (CHF12.44)**    **Analyst : Oliver Gilvarry**

UBS pre-announced Q1 results this morning reporting a loss of CHF2bn. The loss was due to mark-downs on illiquid assets, credit losses and valuation adjustments on the assets moved over to the Swiss National Bank last year, totalling CHF3.9bn. On the outflow of client's funds, the loss to competitors has continued with a net outflow of CHF23bn in Q1. This is significantly higher than expected by the market and is of greater concern than the credit writedowns. The majority of the outflows occurred after the announcement of the settlement with US tax authorities. In the statement, management have guided tier 1 capital will be 10% at the end of March due to the reduction in the size of the balance sheet and risk weighted assets. Cost savings will be introduced this year aiming to achieve savings of CHF3.5-4bn and this will involve reducing employee numbers by 7,500. These results show the problems facing banks worldwide haven't disappeared and issues over the quality of loan books and investment portfolios continue.

**J&J : Buy**    **Current Price (\$51.37)**    **Price target (\$70)**    **Analyst : Stephen Taylor**

Yesterday, Johnson & Johnson (J&J) reported first quarter net income that declined by 2.6% or EPS of \$1.26 beating analyst estimates of \$1.22 per share. Revenue declined by 7.2% to \$15bn slightly missing analyst expectations of \$15.3bn. Despite the continued downturn in economic activity, J&J reiterated its earnings guidance for 2009 and expects to report EPS in the range of \$4.45-\$4.55. J&J has been one of the few companies to provide earnings guidance for 2009. J&J's largest unit, pharmaceuticals, reported revenue that declined by 10.1%, medical-device and diagnostics saw revenue decline by 2.9%, while its consumer segment saw revenue decline by 8.7%. J&J indicated last week that it would eliminate 900 jobs at its pharmaceutical unit. The group began reducing its workforce in 2007 paring as many as 4,400 jobs. We expect J&J revenue to stabilise from 2010 and with costs taken out of the company earnings growth will return. Following J&J's results we reiterate our buy rating on the stock. We will be publishing a detailed note on J&J tomorrow.



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**Intel : Buy**      **Current Price (\$16)**   **Price target (\$21)**      **Analyst : Stephen Taylor**

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Last night, Intel reported a 55% drop in net income to \$0.08 per share beating analyst estimates of \$0.03. Revenue declined by 26.1% to \$7.14bn. The group's key gross margin was also better at 45.6% versus 43.6% consensus. Intel did not provide specific earnings guidance citing economic uncertainty and limited visibility; however for internal purposes it was planning for second quarter revenue to be flat versus the first quarter. The group pointed out that European and Japanese markets continued to show signs of weakness, while US and China showed signs of improvement. We would expect shares in Microsoft to trade lower following Intel's results. While Microsoft is not immune from the current global slowdown we do expect the stock to outperform in the long-term given its relatively diversified business and strong balance sheet with net cash in excess of \$20bn. We recommend holding off increasing exposure to Microsoft until after its earnings report on April 23rd.

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**BHP Billiton : Neutral**   **Current Price (1407p)**   **Price target (1200p)**   **Analyst : David Dunk**

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Rio Tinto released its production results for Q1. The UK/Australian miner saw its iron ore output fall by 15%. Deliveries of iron ore was affected by floods disrupting transportation of the metal. Rio Tinto, similarly to most mining companies has cut back production over the last twelve months, in response to lower global demand. Rio Tinto will have its AGM this morning in London. The key item on the agenda will relate to the proposed deal with Chinalco. The controversial deal would see Chinalco purchase stakes in key Rio Tinto assets, as well as convertible bonds. The deal has garnered a significant amount of criticism from shareholders, pre-empted by the Chinalco deal. In addition, the Australian regulators have concerns over the deal. As a result, Rio Tinto has a "Plan B", which presumably would be a deeply discounted rights issue, as well as asset sales. We expect that shareholder resistance will result in the rejection of the Chinalco deal.

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# Aryzta AG

## BUY

Current Price : €21.30

Price Target : €24.00



**DOLMEN STOCKBROKERS**

Analyst: **Oliver Gilvarry**

Wednesday 15th April 2009

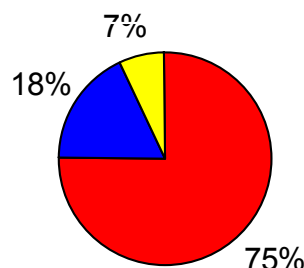
- Aryzta AG released interim results on the 9th of March, for the first time following the merger of IAWS plc and Hiestand AG last year. Despite concerns over the impact of the current recession on Aryzta's business, the interim results were better than expected.
- Operating profit increased by 19.6% and margins increased in all divisions. Food Europe operating margin increased to 11.06% despite the weakness of GBP against the Euro in the period. Food North America increased margins by 54bps to 12.4% with the revenues growing almost 17% organically.
- The lower margin parts of Aryzta that were spun off into Origin plc, reported an increase in margins to 3.86%, an increase of 16bps on the same period in FY08. Underlying growth in this part of the business was weaker, but the Mass-stock purchase in Feb 2008 is performing well as is the Marine protein JV.
- The strong performance in the group benefited from cost control as only part of the increases were due to price increases, mainly in the US market. The opening of the new Grangecastle plant at the end of January, on time and in line with budget, will allow the group bring certain production in house. Fifty percent of the output of the plant will go to the UK and production in house will reduce costs. Another advantage of the new plant is that it gives the group the capacity to move into retail multiples, but any impact from this move will only be felt in first half 2010.
- Management stated in their presentation on the results that the consumer is gripped by fear and they are experiencing this across all customer channels. They view food as defensive and bakery is a everyday low cost to the consumer. Aryzta are following the consumer and moving into new distribution channels to keep the product in front of the consumer.
- The balance sheet of Aryzta remains solid with net debt/EBITDA at the half year at 2.32x compared to covenant levels of 3.5x. Management see net debt decreasing further, but they are happy with it to remain in a range between 2-3x net debt/EBITDA. The maturity profile is excellent with the first maturities in June 2013. Total bank facilities are €1.15bn and only 55% of committed facilities are drawn-down.
- Peers of Aryzta trade at EV/EBITDA multiples of 7.25x, a 6% premium to Aryzta. We estimate EBITDA for FY09 at €351m following the half year results and based on an EV/EBITDA multiple of 7.25x, our 12-month price target is €24.00. With Lion Capital, a large shareholder, selling part of their holding in Aryzta or 5% of the company shares today, weakness in the share price from recent highs is an opportunity to buy the stock.

Descriptive Stats		Shareholders	
Year to date	-36.62%	Fidelity Int.	10.24%
52 Week High	€38.26	Invesco	5.20%
52 Week Low	€16.00	Threadneedle	3.12%
Reuters	ARYN.I	Growth Fund of Ame	3.02%
Bloomberg	YZA ID	Columbia Wanger	1.23%

	FY08	FY09e	FY10e
Revenue €m	3,134	3,240	3,243
Operating Profit	245	323	334
Pre Tax profit	218	189	210
EPS €	2.02	2.13	2.31
DPS	0.17	0.35	0.38
P/E	14.65	10.38	9.57
Div Yield	0.58%	1.58%	1.72%

Peer Analysis	P/E 09	P/E 10	Div Yield
Unilever	11.1	10.3	5.30%
Kraft Foods	11.9	11.2	5.40%

Segmental Profit Breakdown



- Food Group
- Origin enterprises
- Associate & JV Operating Profit



### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,414	1.7%	1.8%
FTSE	3,989	0.1%	-10.3%
Dow Jones	7,920	-1.7%	-9.8%
S&P	842	-2.0%	-6.8%
Nikkei	8,743	-1.1%	-1.3%
Stoxx 50	2,279	1.4%	-8.2%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	204	2.9%	-2.0%
Technology	166	1.9%	8.1%
Oil & Gas	256	-0.2%	-3.7%
Financials	156	5.4%	0.4%
Retail	195	-0.4%	6.6%
Food & Drink	214	0.0%	-7.1%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	49.4	-1.3%	-4.6%
Copper	212.9	-0.5%	49.7%
Gold	890.7	-0.3%	0.9%
Silver	12.8	0.0%	12.5%
Wheat	534.0	-0.1%	-15.1%
Cattle	83.8	-0.9%	-2.3%

### Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.326	-0.8%	5.7%
€/£	0.890	-1.1%	7.2%
£/\$	1.489	0.3%	-1.4%
\$/JPY	98.97	-1.1%	-8.0%
€/JPY	131.24	-1.9%	-2.7%
€/SFR	1.510	-0.4%	-1.2%

### 5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	176.5	-6.3%	2.4%
High Yield	1,090.8	-1.6%	6.4%
Financials	151.9	-5.2%	29.7%
BoI	456.2	-8.5%	85.2%
AIB	466.7	-5.0%	127.4%
RBS	189.1	-2.8%	41.1%

### Money Market Rates

Rate	EUR	UK	US
Overnight	1.0%	0.4%	0.3%
3-Month	1.4%	1.6%	1.1%
1-Year	1.6%	1.5%	1.2%
2-Year	1.9%	2.1%	1.4%
5-Year	2.8%	3.2%	2.3%
10-Year	3.5%	3.7%	3.0%

Date	Company	Region	Event
15/04/2009	Kenmare Resources PL	IE	PRELIM
15/04/2009	Rio Tinto PLC	GB	AGM
15/04/2009	Anglo American PLC	GB	AGM
15/04/2009	Abbott	US	Q1
16/04/2009	Experian PLC	IE	TRADE
16/04/2009	Rio Tinto PLC	GB	Q1 OUTPUT
16/04/2009	BP Plc	GB	AGM
16/04/2009	Baxter Intl. Inc.	US	Q1
16/04/2009	Harley-Davidson	US	Q1
16/04/2009	JPMorgan Chase & Co.	US	Q1
16/04/2009	Nokia Oyj	FI	Q1
16/04/2009	Carrefour SA	FR	Q1 SALES
16/04/2009	SABMiller PLC	GB	TRADE
16/04/2009	Saab AB	SE	S/HOLDERS
17/04/2009	BB&T Corporation	US	Q1
17/04/2009	Citigroup Inc.	US	Q1
17/04/2009	General Electric	US	Q1
17/04/2009	Swiss Reinsurance Cor	CH	S/HOLDERS
20/04/2009	Trinity Biotech PLC	IE	Q1
20/04/2009	Alliance Trust PLC	GB	PRELIM
20/04/2009	Sports Direct Internatio	GB	TRADE
20/04/2009	Bank of America Corpor	US	Q1

Date	Event	Region	Estimate
15/04/2009	MBA Mortgage Applications	US	-77%
15/04/2009	Consumer Price Index (MoM)	US	--
15/04/2009	Empire Manufacturing	US	0.20%
15/04/2009	Industrial Production	US	-35
15/04/2009	NAHB Housing Market Index	US	-1.00%
15/04/2009	Fed's Beige Book	US	10
16/04/2009	Total Trade Balance (GBP/M	UK	--
16/04/2009	Euro-Zone CPI (MoM)	EC	0.40%
16/04/2009	Euro-Zone Ind. Prod. sa (Mo	EC	-2.70%
16/04/2009	Housing Starts	US	543K
16/04/2009	Initial Jobless Claims	US	--
16/04/2009	Building Permits	US	549K
16/04/2009	Philadelphia Fed.	US	-32
17/04/2009	Euro-Zone Trade Balance	EC	--
17/04/2009	Construction Output SA MoM	EC	--
17/04/2009	U. of Michigan Confidence	US	58.5
20/04/2009	Rightmove House Prices (M	UK	--
20/04/2009	Leading Indicators	US	--
21/04/2009	Producer Prices (MoM)	GE	--
21/04/2009	CPI (MoM)	UK	--
21/04/2009	RPI (MoM)	UK	--
21/04/2009	ZEWS Survey (Econ. Sentim	GE	--

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