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Kingspan sales down 34% due to recession
(The Irish Times)

Paddy Power's €32.8m Aussie punt
(The Irish Times)

Internal ECB wrangling puts pressure on Trichet's truce
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Barclays in \$10bn talks over sale of unit
(Financial Times)

Europe's painful future
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.0%	-1.5%
BP	-1.2%	-4.7%
CRH	3.7%	10.2%
DCC	2.1%	36.8%
E.ON	0.1%	-17.2%
HPQ	2.1%	-3.7%
IL&P	12.5%	63.0%
INM	0.9%	-30.9%
J&J	-0.2%	-8.0%
JPMorgan	4.4%	12.7%
Microsoft	1.6%	3.2%
Vodafone	1.4%	-10.4%

Market View

Analyst : Stephen Taylor

European equity markets are broadly higher this morning following a strong finish in the US and Asia overnight. Markets remain resilient despite some economic data points showing extreme weakness. The weekly jobless claims resumed their upward trend yesterday with claims rising by 32,000 to 637,000. The main reason for the rise related to an increase in autoworker unemployment. The recent bankruptcy filings by Chrysler, and the potential for a similar step by General Motors is likely to cause further job losses. Last night, Nike raised the amount of job cuts that it would be making to 5% from 4% previously. While positive for the company itself in relation to cost containment, it has a negative read through for the global economy. This morning, German GDP figures for the first quarter showed a larger contraction than forecast of 3.8% versus 3.0% expected. The drop was the largest on record since the central bank began keeping quarterly records in 1970. Employment and GDP data are lagging economic indicators, and the market has chosen to completely ignore them, thus far. With earnings multiples on the FTSE, Eurostoxx and S&P 500 now getting more expensive, we remain cautious on equity markets at current levels. As for today's trading the main focus will be on economic data. In the US, CPI figures will be closely watched for any signs of deflation, while Empire manufacturing, capacity utilization and Michigan confidence data will also be in focus. On the earnings front, retailers JCPenny and Abercrombie & Fitch are due to report before the US market opens.

IL&P : Buy **Current Price (€2.56)** **Price target (€3.00)** **Analyst : Oliver Gilvarry**

Ahead of its AGM this morning, Irish Life and Permanent (IPM) released an Interim Management Statement. Sales in Irish Life Assurance for Q1 fell by 41%, but the decline was lower than the overall market and the group increased market share to 37% from 32% at the end of December. Retail investment and savings business has shown the largest decrease as investors are putting available cash on deposit due to the market uncertainties. Corporate pension business continues to be resilient despite being impacted by reduced employment and incomes. Persistency experience for the group was negative by €20m in the first quarter as consumers are facing tougher cashflow conditions due to salary cuts and increased taxes. Management are now guiding negative variance and assumption changes for persistency for the full year and will be behind previous guidance, hitting profitability. Short term investment fluctuations (STIF) in the first quarter were circa €50m negative due to investment market movements.

The main focus in the banking side is on credit quality. Management are now guiding impairments of 160bps over the three year period to 2011. This is at the higher end of guidance provided with the full year results in March. Arrears have moved up from the figures at the end of December. Non performing loans in the Irish mortgage book are now running at 2.6% from 2.0% in December. In the UK arrears are now running at 4.2% from 3.0% in December. On UK arrears, the group is seeing a levelling off of arrears in March with declines in April. The extent and speed of UK interest rate cuts is driving the improvement in arrears. Management believe "the corner has turned for UK arrears and that provisioning will peak in 2009."

On capital, the statement indicates the group remains well capitalised and has received strong interest for a planned securitisation of part of its life in-force business. This will help the group increase its capital ratios without diluting shareholders holdings. On funding, the group stated liquidity conditions have eased in recent weeks but the first quarter was difficult due to outflows on overseas commercial deposits. The group raised €1bn in term funding under the government guarantee this week and the group continues to utilise ECB repo facilities.

As expected, comments were made in relation to the plan to create a new structure for the group. It proposes to seek shareholder's approval to create a new holding company for the group. The plan is to give the group greater flexibility in the future. The new structure is rumoured to have a holding company for the group with three divisions, Permanent TSB, Irish Life Investment Managers and Irish Life. The flexibility this gives the group is to make it easier to sell off the banking arm into a super mutual structure or for the whole group to be moved into this structure. We believe it is more likely for the banking arm to be moved into a super mutual containing part of Irish Nationwide and EBS, creating a third banking force.

The results highlight life sales will be under pressure during 2009 as increased taxes and reduced wages take their toll. Arrears will continue to increase in Ireland due to higher unemployment, but the comments on the UK buy-to-let are positive. IPM still remains our preferred pick in Irish financials due to its lower risk loan book and the large market share it holds in the Irish life market.

BHP Billiton : Neutral Current Price (1429p) Price target (1200p) Analyst : David Dunk

Rio Tinto's management has reiterated its commitment to the completion of the \$19.5bn Chinalco deal. The deal has come under a lot of criticism since its announcement, particularly in the last couple of weeks. A significant number of institutional investors have expressed their disappointment with the terms of the deal, on the grounds that it is too favourable to Chinalco, at the expense of other shareholders. The deal was negotiated at a time when commodity prices were lower and debt markets were largely closed to Rio Tinto. In the last few months the resurgence in risk appetite and commodity prices has served to undermine the Chinalco deal. We still retain our view that the Chinalco deal is less than likely to be implemented, but an amended deal, with investor participation in the bond issue may succeed. Rio Tinto is likely to trade up modestly on the news, as the implementation of the Chinalco deal would avoid a dilutive rights issue.



Ladbrokes : Management statement **Current Price (209p)** **Analyst : Edward Keeling**

Ladbrokes have released its interim management statement this morning. The group has posted a 34% decline in group profit, largely reflecting an abnormally low gross win margin in March. Management has indicated that profitability suffered as a result of unfavourable Cheltenham festival results. UK retail gross win margin for the period was 17.5% compared with 17.7% last year. Since March however, management have indicated that its UK retail estate has performed in line with expectations. Disappointingly the rate of machine revenue growth has slowed to 1%. However on a positive note cost targets remain on track and the group has reiterated previous guidance that cost growth will not exceed 4%. In terms of egaming, net revenue was down 2% during the period with growth in games offset by weakness in its sportsbook margin. Active players increased 14% during the period with sign-ups growing by 10%. This was negatively effected however by softening yields. The group has warned it is unlikely to achieve its egaming profitability targets.

Paddy Power

Buy

Current Price : €16.00

Price Target : €18.00



DOLMEN STOCKBROKERS

Analyst: Edward Keeling

Friday 15th May 2009

- Online ahead of expectations** : Ahead of its AGM yesterday Paddy Power issued a resilient trading statement. For the first 19 weeks of the year on a constant currency basis, the non retail sportsbook amount staked grew by 31% while gaming and machine is up by 9%. This is better than we had anticipated and it can be attributed to an increased level of recycling (as adverse sporting results benefit customers) and an aggressive acceleration in the amount staked over the previous two months (reflecting a decrease in the amount of race cancellations). This implies that not only is Paddy Power's gaining market share as consumers switch to its unique brand and broad product offering, the sector itself is remaining a resilient engine of growth. Broadband penetration rates continue to support new entrants and the improvements in the infrastructure are allowing for increased volumes and higher levels of liquidity. We believe that the rate of growth for the online sector as a whole, combined with Paddy Power's market share gains, will help offset the expected reduction in average stake per player.

- Irish retail showing some signs of life** : Having reported a 5% decline at its full year results for the first two months of the year, the amount staked in its Irish retail sportsbook rebounded to post a 1% increase for the period. This implies a 7% increase in the amount staked over the previous two months. There is no doubt that Paddy Power's Irish retail exposure is vulnerable to declines in its gross win over the coming year. As unemployment rises and consumer spend decreases, its revenue per shop drop will fall and profitability will suffer. That said, we anticipate Paddy Power will make considerable market share gains over the period. Paddy Power has indicated it will curb expansion here for the foreseeable future, however shop closures from its competitors is set to accelerate. Many independent bookies are now loss making and conditions are set to get even more difficult with the introduction of the betting tax this month. As a result Paddy Power will gain further market share and it will emerge even stronger when markets recover.

- Widening geographical footprint** : In addition to its trading update, Paddy Power announced the acquisition of 51% of Sportsbet, one of Australia's largest corporate bookmakers, which is expected to be completed by the 1st July. Similarly 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 up to 7 times. Paddy Power expects the acquisition to enhance 2009 earnings by 3% and by 6-7% in a full year. We view this strategic step of increasing its geographical footprint as a significant positive and could not rule out further opportunistic acquisitions.

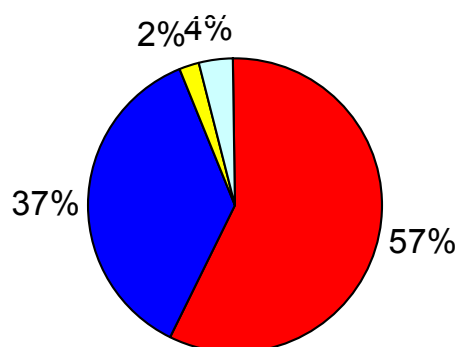
- Upgrade to BUY with price target of €18** : Paddy Power remains our preferred pick from within the gaming sector. With its unique brand, compelling growth opportunities, strong balance sheet (Net Cash position of €96m) and favourable business mix we believe Paddy Power is a long term winner. We acknowledge that over the medium term the company is facing severe headwinds. Unemployment is set to rise dramatically in both of its core markets. However with its strong cash flow and the defensive nature of the industry, we believe Paddy Power will weather the downturn and rebound even stronger when markets recover. Therefore we upgrade the company to BUY with a 12 month price target of €18 based on it trading on a EV/EBITDA multiple of 10x. It is also worth noting that Paddy Power offers a well protected dividend yield of 3.5%.

Descriptive Stats		Shareholders	
Year to date	-33.68%	David Power	9.25%
52 Week High	€25.00	Deutsche Bank	4.05%
52 Week Low	€9.45	John Corcoran	3.15%
Reuters	PAP.I	Bank of America	3.10%
Bloomberg	PWL.ID	Fidelity Mgmt	3.06%

	FY08	FY09e	FY10e
Revenue €m	2,134	2,078	2,252
Pre Tax profit	79	58	62
EPS €	1.36	1.10	1.20
DPS	0.54	0.54	0.54
P/E	9.88	14.55	13.33
Div Yield	4.02%	3.38%	3.38%

Peer Analysis	P/E 09	P/E 10	Div Yield
William Hill	9.6	10.2	4.20%
Ladbrokes	9.9	10.2	6.30%

2008 Operating Profit by Division



■ Online

■ Irish Retail

■ UK Retail



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,558	2.6%	11.4%
FTSE	4,363	0.7%	-1.2%
Dow Jones	8,331	0.6%	-5.1%
S&P	893	1.0%	-1.1%
Nikkei	9,265	1.9%	4.6%
Stoxx 50	2,354	-0.2%	-3.5%

Sector Performances

Sector	Index	1-Day	YTD
Construction	213	1.8%	6.1%
Technology	163	1.2%	7.4%
Oil & Gas	286	-1.1%	7.9%
Financials	169	1.3%	14.6%
Retail	205	0.3%	11.6%
Food & Drink	235	0.0%	1.1%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	58.6	1.0%	10.7%
Copper	202.7	-0.2%	41.3%
Gold	926.5	0.0%	5.0%
Silver	14.0	0.1%	24.2%
Wheat	593.3	0.7%	-6.7%
Cattle	82.8	0.4%	-3.7%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.364	0.3%	-2.9%
€/£	0.895	-0.2%	-6.9%
£/\$	1.524	0.5%	3.8%
\$/JPY	95.81	0.5%	4.8%
€/JPY	130.66	0.8%	2.1%
€/SFR	1.506	0.0%	0.7%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	153.1	-6.3%	-15.6%
High Yield	937.9	0.4%	-10.3%
Financials	129.6	1.2%	7.6%
BoI	319.4	2.0%	35.8%
AIB	321.7	6.2%	54.2%
RBS	178.7	8.5%	30.5%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.7%	0.4%	0.2%
3-Month	1.3%	1.4%	0.9%
1-Year	1.4%	1.3%	0.9%
2-Year	1.7%	2.0%	1.3%
5-Year	2.6%	3.1%	2.4%
10-Year	3.5%	3.8%	3.2%

Date Company Region Event

Date	Company	Region	Event
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
15/05/2009	COMMERZBANK AG	AGM	DE
15/05/2009	Irish Life & Permanent F	AGM	IE
15/05/2009	Abercrombie & Fitch Co	Q1	US
18/05/2009	Aeroports de Paris SA	TRAFFIC	FR
18/05/2009	Ark Therapeutics Group	TRADE	GB
18/05/2009	Cranswick PLC	PRELIM	GB
18/05/2009	Greentech Energy Syst	AGM	DK
18/05/2009	BG Group plc	AGM	GB
18/05/2009	Big Yellow Group PLC	PRELIM	GB
19/05/2009	Bank of Ireland	PRELIM	IE
19/05/2009	DCC PLC	PRELIM	IE
19/05/2009	Home Depot Inc	Q1	US
19/05/2009	Hewlett-Packard	Q2	US
19/05/2009	AIR France-KLM	Q4	FR
19/05/2009	Cairn Energy PLC	TRADE	GB
19/05/2009	Renovo Group Plc	INTERIM	GB
19/05/2009	Burberry Group PLC	PRELIM	GB
19/05/2009	Vodafone Group Plc	PRELIM	GB
19/05/2009	Marks and Spencer Gro	PRELIM	GB

Date Event Region Estimate

Date	Event	Region	Estimate
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 (M	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	--
20/05/2009	Bank of England Minutes	UK	--
20/05/2009	MBA Mortgage Applications	US	--
20/05/2009	Minutes of April 29 FOMC M	US	--
20/05/2009	Retail Sales (MoM)	UK	--

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