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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7661 ↑	33	0.44%	11.0	4.04%
FTSE 100	5792 ↓	-1	-0.01%	13.5	3.07%
DAX 30	5764 ↑	1	0.02%	15.0	6.58%
DOW	11059 ↑	31	0.28%	19.5	2.56%
NASDAQ	2276 ↑	14	0.63%	15.6	3.22%
S&P	1280 ↑	4	0.35%	21.0	2.81%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1882	0.6833	139.9600
Dollar	1.1882	1.0000	1.7389	117.7700
Sterling	0.6833	1.7389	1.0000	204.7400
Yen	139.9600	117.7700	204.7400	1.0000
Oil (Nymex)	57.6500			

This Week's Research

NBG
BAA
IL&P

Today's Research

Eircom

Breaking News

FDA allows clinical-trial use of Tysabri

The FDA has allowed Biogen and Elan to resume clinical-trial use of Tysabri. The FDA's action raised expectations that the companies will be allowed to resume selling the drug later this year. An FDA advisory committee is scheduled to review Tysabri March 7 to consider whether the benefits of marketing the drug outweigh the risk. Biogen said yesterday that it expects a "major approval" of Tysabri for multiple sclerosis this year. Elan has said previously that it expects to be allowed to resume U.S. marketing this year.

B&B results beat forecasts

Bradford & Bingley on Thursday beat consensus forecasts with an 11 percent rise in 2005 profits after its mortgage sales rebounded to a record level in the second half of last year. B&B, Britain's ninth-biggest bank, said underlying profits before tax rose to £310.1m last year from 280.4m in 2004 and above a consensus forecast of £305.5m. B&B reported record new residential lending in the second half of 2005 to £4.7bn, almost double the £2.7bn in the first half. It said the momentum had continued and it had a strong pipeline of new business early this year.

Measured reaction from markets to Bernanke comments

The Dow Jones Industrial Average pushed up to a new five-year high, as U.S. investor sentiment was buoyed by comments from Ben Bernanke. Bernanke, giving his first congressional testimony as Federal Reserve chairman, said the Fed is likely to keep raising interest rates for a while to prevent inflation. That suggests when the Fed next meets, on March 27-28, it will raise its short-term interest rate target, now 4.5%, a quarter of a percentage point, as it did at the last 14 meetings under the previous chairman, Alan Greenspan.

Today's Recommendation

Eircom (€2.12) Q3 results announced Stuart Draper

- Results announced : This morning, Eircom announced results for the 3 months ended 31/12/05. Revenue of €424m was above the consensus forecast of €400m and was a year on year increase of 6%, due to the first inclusion of Meteor's December sales. However, voice traffic revenue fell by 8% to €121m.
- EBITDA weaker : As a result of this change in the revenue mix, the group's EBITDA of €142m was below the consensus forecast of €154m and was a year on year decrease of 7%. Eircom also noted that it is facing margin contraction from increased competition and increased DSL investment costs. As at 09/02/06, it had 215,000 broadband customers, up from 200,000 as at 31/12/05.
- Meteor subscribers : However, progress is being made at Meteor in line with Eircom's high growth expectations for the mobile business, with subscriber numbers growing to 565,000. Post paid subscribers now constitute 6% of this enlarged subscriber base, accounting for c.12% of the net Q3 subscriber additions.
- Takeover speculation : Further media speculation that major shareholder, Babcock and Brown, is considering an LBO has helped drive a recent share price recovery. However, one potential barrier to a takeover could be the shareholding of the Employee Share Ownership Plan (ESOP), which is c.29%, once its convertible preference shares of €159m are included. This means that the agreement of the ESOP would be necessary for any deal to be successful.
- Recent deals : Earlier this year in the fixed line telecom sector, both Telefonica's takeover of Cesky Telecom and Cable & Wireless' takeover of Energis took place at an EV / 2005 EBITDA multiple of 6.2x. Applying the same multiple to Eircom and including a €36.2m EBITDA contribution from Meteor, would generate a potential takeover price of €2.39 per share, once Eircom's sizeable net debt of €1.502 bn is taken into account.
- Risk / reward : Even though some may argue that a premium is warranted given the growth prospects of the Irish economy, Cesky Telecom is the dominant player in the high growth Czech Republic economy, and it could equally be argued that an offsetting discount is warranted given that Meteor is a prepaid mobile operator which has yet to report a profit, rather than a profitable mobile business with a significant post paid base.
- Take profits : Therefore, even in the event of a successful takeover bid, there may be limited further share price upside from current levels, and so on a risk / reward basis, it may be advisable now to take profits : **NEUTRAL**.

Business Press

- Chadwick buys stake in centuries-old UK firm (IT)
- Ryanair to sell property online (IT)
- Jeyes sale move boost for IWP (II)
- Greencore CEO dismisses farmers €106m cash loss claims (II)

Investment Press

- Oil futures: In 1993, Metallgesellschaft famously lost about \$1.5bn on what was supposed to be a fully-hedged oil position. Unfortunately, the oil market moved from backwardation - when the near-term price is higher than the longer-dated price - to the reverse position, known as contango.



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