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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6750	↓ 19	-0.28%	11.0	8.90%
FTSE 100	5460	↑ 30	0.55%	13.5	13.42%
DAX 30	5100	↑ 18	0.36%	15.0	19.82%
DOW	10720	↑ 45	0.43%	19.5	-0.58%
NASDAQ	2220	↑ 33	1.49%	15.6	6.29%
S&P	1243	↑ 12	0.94%	21.0	2.54%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.1713	0.6832	139.6500
Dollar	1.1713	1.0000	1.7146	119.2000
Sterling	0.6832	1.7146	1.0000	204.3900
Yen	139.6500	119.2000	204.3900	1.0000
Oil (Nymex)	56.3400			

This Week's Research

Grafton Group Smart Telecom
Eircom
Vodafone

Today's Research

Fyffes

Breaking News

FDA agrees to priority review of Tysabri

Biogen Idec and Elan said on Thursday that U.S. regulators have agreed to a priority review of Tysabri. The U.S. Food and Drug Administration's priority designation means the agency is expected to make a decision on the application to resume sales in about six months.

William Hill cuts FY profit expectations

William Hill lowered its full year profit expectations on Thursday, blaming bad sporting results. The announcement followed comments from Ladbrokes' owner Hilton Group and Paddy Power. William Hill lowered its full year expectations for profit before tax to between 230 million pounds and 240 million pounds. Previously it had guided between 240 million and 260 million. William Hill said ultimately the results for the year ending December 27 will depend on sporting results in the next six weeks.

APN on track to meet FY guidance

Independent News & Media said trading at its APN News & Media arm has remained in line with previous guidance. The board of APN continues to believe that, providing current trading conditions continue, the company remains on target to achieve 13-15 percent growth in profit, in line with previous guidance.

New capital structure for Smart Telecom

Following our Smart Telecom note in yesterday's Dolmen Daily, the company's new capital structure, following the recent fund-raising, is as follows. Broadband roll-out debt is currently c.€7m and other bank debt is currently c.€3m, meaning that after the recent €55m fund raising at 20p per share, the company's current net cash position is c.€30m. This is because as part of the €55m fund-raising, €10.8m of the company's debt was converted into equity at 20p per share.

Fyffes (€2.18) Upgrading from NEUTRAL to BUY Stuart Draper

- **Tariff discounted** : The 19% fall in the Fyffes' share price over the past 2 months may have discounted the reduction in the company's 2006 earnings as a result of the introduction of new EU banana reforms in January. However, what may not now be fairly discounted is the company's strong track record of adapting to such regulatory change by sourcing its produce from the most competitive global source available, as well as the increasing diversification of the company's earnings as a result of its expanding pineapple and property development activities.
- **Tariff reduced** : The latest European Commission proposals rejected by the WTO were to raise the tariff from 7.5c per kg of bananas to 18.7c per kg, from January 2006. The risk is that as importers such as Fyffes raise prices to recover this higher tariff, it results in lower banana consumption. However, with the ACP banana exporters originally starting their lobbying at 30c per kg, the ultimate tariff likely to be agreed would appear much more benign than originally feared.
- **Track record** : However, even an 11.2c per kg increase may not destroy much consumption of a fruit as cheaply priced and demand inelastic as the banana. Fyffes also has a strong record of adapting to regulatory change having operated in the regulated UK market prior to establishment of the EU banana regulated market in 1993. During that period, Fyffes acquired fruit importing businesses with dollar banana quota to balance its then largely ACP banana quota.
- **Pineapple diversification** : As a result of Fyffes' investment in its Guatemalan pineapple joint venture, its operating profit dependency on bananas has already reduced to c.60%. As this high margin business is further developed, this banana dependency should further reduce.
- **Property diversification** : Over the past 3 years, Fyffes has generated "once off" gains of €30m by maximising the development potential of its existing surplus property sites. Its 28 acre site in Navan, as well as its existing surplus sites in Belfast and Edinburgh all have strong development potential for both commercial and retail use. As a result, further strong gains from such activity are likely to be achieved over the next 2 years.
- **Cash attraction** : Even assuming a 10% fall in 2006 eps to c.21c as a result of the introduction of the new EU tariff, Fyffes would once again appear attractively valued at 10.4x 2006 eps. Our view is that its net cash position of €160m can help drive a recovery in the share price to €2.50 (15% upside) over the next 12 months as the current uncertainties pass : **BUY**.

Business Press

- Gold climbs to 18 year high (IT)
- Conroy takes hard look at gold find (IT)
- Eircom sags on doubts about Swisscom bid (IT)
- Setanta in TV bidding for Premiership (II)

Investment Press— Lex

- **Man Group**: Many hedge fund managers will be glad to see the back of 2005, what with wobbly debt markets in May and lousy performance across multiple strategies in October. Meanwhile, Man Group of the UK has more reasons than most to be cheerful.



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