



Friday 19th September 2008

DAILY COMPANY NOTE — ThirdForce See page 2 & 3 for full details

Daily Market Comment

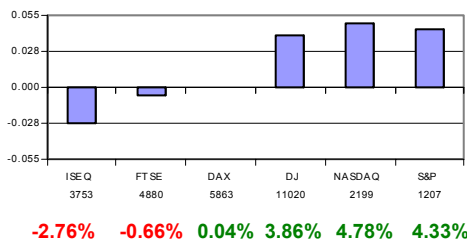
Yesterday's Summary : Banks were at the epicentre of market events once again in yesterday's session, dragging the ISEQ down to close at 3766, down 2.4%. After a decline of 8% in early trading Bank of Ireland recovered to finish the session down 4.6%, Allied Irish Bank was the worst performer of the banks finishing down 13% at €5.22. Ryanair, after giving investors positive guidance at its agm, caused shares to rally briefly before sliding back to finish down 1.6%. Despite central bank intervention and Lloyds TSB's offer to buy beleaguered bank HBOS the London market finished down 32 pts at 4880.

Overnight News : Despite US markets reaching new lows across the board early on in yesterday's session, markets rebounded strongly initially due to news of regulatory intervention on short selling financial stocks, and then by the announcement by the US Treasury that is considering a more comprehensive solution to the financial crisis by constructing a facility whereby the amount of toxic financial instruments present on bank's balance sheets will be dramatically reduced. This led to Wall Street's biggest one day gain since 2002, with the Dow closing up 410pts at 11019.

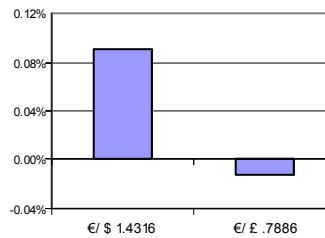
Breaking News: Anglo Irish Bank is considering making a bid for **Irish Nationwide** according to The Irish Times. Anglo has expressed interest in acquiring the building society over the past 10 days. Separately, Anglo's shares surged in early trading this morning as restrictions on short selling Irish financials were imposed leading to a large unwinding of short positions in the stock.

Alitalia the struggling Italian state airline looks to be close to collapse as employee trade unions reject a €400 million bid from Compagnia Aerea Italiana (CAI). Meanwhile **Bank of Ireland** have declined to comment on media reports that suggest it was the possible target of a bid approach from Spain's largest bank Santander.

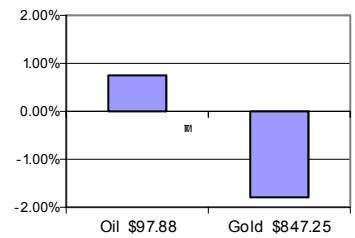
Equity Indices change on day



Currency daily % change



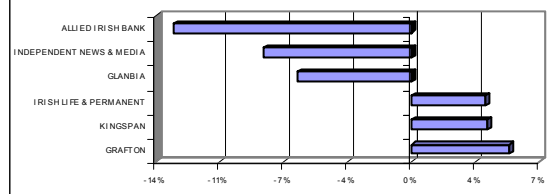
Oil/Gold daily % change



News

- "Regulator to halt 'short selling' by greedy speculators"-(Irish Independent)
- "Lloyds shares sink amid HBOS deal fears"-(Irish Independent)
- "Alitalia on brink of collapse after offer withdrawn"-(Irish Independent)
- "UK market flashes key buy signal"-(Financial Times)
- "Ryanair says it will break even this year if oil stays near \$100 a barrel"-(I.T)

ISEQ Performers/Losers 18/09/08



Market Themes & Movers

Markets soar on new short selling regulations : Irish and UK financials have soared in early trading this morning amid new regulations introduced by both the UK and Irish financial regulators regarding short selling of stocks. The Irish financial Regulator has implemented provisions that ban short selling of stocks on any Irish publicly quoted banks. The regulator refused to say if or when the ban would be lifted, saying in a statement that "these measures will kept under continuous review." It did suggest that these regulations are necessary to ensure the orderly conduct of the market at this time. The measures, effective from midnight Thursday, are consistent with those introduced in the UK where Irish stocks are also listed. Short selling has been allowed in the past, but regulators are worried short sellers have targeted specific stocks during extremely volatile markets, creating fears that banks such as HBOS could collapse. Regulators in the US and other European countries are said to be considering similar moves.

Bernanke and Paulson to create a new Federal institution : US Treasury Secretary Henry Paulson and George Bush are said to have met with congressional leaders in Washington yesterday, with the aim of passing new legislation that will help ease the current financial turmoil. Under the proposed strategy, American financial companies will be allowed to move their trouble assets from their balance sheets and into a new institution created by the government. The initiative, which may also insure money market funds, is aimed at removing the devalued mortgage linked assets at the root of the credit crisis and perhaps return some stability to the financial markets.



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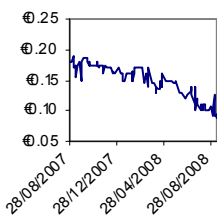
ThirdForce

IEX
e-Learning
Company Profile

ThirdForce is an international e-learning company providing solutions and services to people in education, government, healthcare, hospitality and commercial organisations worldwide. The group purchased MindLeaders in 2007 for \$18m marking its first move into the US e-Learning market.

Fundamental View:

- On Wednesday, ThirdForce released its interim results for the 6-month period ending 30/06/08. The results mark the first full six months that its recently acquired MindLeaders division was incorporated into the company. ThirdForce reported a 4% rise in adjusted operating profit to €804k, while revenue increased by 50% to €13.48m. On a like for like currency basis revenue would have increased by 70% to €15.23m. The group continued to be cash generative producing net cash inflows after capital expenditure, taxation and interest of €319k. In relation to its outlook for the rest of the year, ThirdForce notes that it is well positioned to deal with the current difficult business conditions and that it is continuing to work closely with clients.
- ThirdForce confirmed that its acquisition of MindLeaders has progressed smoothly and that it continues to invest in the business with a focus on improvising sales capability. During the first half of the year the company achieved one of its key objectives of cross-selling products between the US and the UK. In the US, ThirdForce launched its Food Safety product range in March modifying its UK offering for the US and the company pointed out that it is encouraged by its potential, while in the UK, the group introduced its MindLeaders product range.
- ThirdForce's balance sheet remains solid with a net cash position of c. €4.2m a significant improvement on the €5.3m in net debt that the company had at the end of 2006. ThirdForce's net cash position is particularly important given the current dislocation in credit markets. In light of the group's strong balance and intention to grow it reiterated at the results announcement that it continues to assess the market for potential acquisition targets.
- Potential acquisition targets will be limited to smaller purchases due to the current conditions. Management have stated any share based such as MindLeaders is not feasible at the moment due to excessive under-valuation of the share price.

Statistics
Price Performance

Valuation:

- While the environment for all sectors remains difficult it should be noted that one of ThirdForce's closest peers in the US, SkillSoft, recently raised its earnings guidance for a second time this year indicating that demand for products from e-Learning corporates is holding firm. While there is no doubt the company will face challenges during the current slowdown, it has strong growth potential from the integration of MindLeaders with significant cross-selling potential along with its solid balance sheet. ThirdForce currently trades at a significant discount to its peer group on a forecasted 2008 EV/EBITDA basis. Placing ThirdForce on an equivalent multiple of its peer group at 18x generates a 12-month price target €0.18.

Revenue by Division

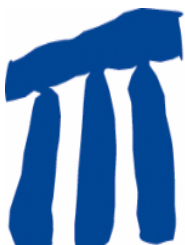

■ ThirdForce 54%

■ MindLeaders 46%

Major Shareholders	%	Peer Group Multiples.		
		Company name	EV/EBITDA 07	EV/EBITDA 08
Patrick McDonagh	24.65%	ThirdForce	8.00	9.00
Richland Ventures	5.40%	SkillSoft	20.0	12.0
Barclays	3.99%	BlackBoard	25.4	26
Johathan Parkes	3.51%			

Shares Outstanding 254.11m

Share Data		Financial Data	2006a	2007a	2008e
Current Price (c)	9.50	Revenue (€m)	16,849	22,819	28,400
Mkt Cap (€m)	24	Gross Profit	12,804	18,654	22,720
Reuters	THF.I	Adj. Operating Profit	1013	2581	2,300
Bloomberg	RTG ID	adj. EPS (c)	0.42	1.27	0.75
Sector	e-Learning	P/E	22.62	7.48	12.7
CEO	Brendan O'Sullivan				
Chairman	Patrick McDonagh				
Website	www.thirdforce.com				





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