



Friday 19th December 2008

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

Daily Market Comment

Yesterday's Summary : The ISEQ closed down 90 points at 2,432 yesterday on the back of further gloomy economic forecasts via weak German IFO business climate statistics. Uncertainty surrounding the Irish Banks continued yesterday resulting in further sell offs across the board, with the exception of Irish Life and Permanent whose shares closed up a marginal 0.7% at €1.47. Anglo Irish Bank was once again the underperformer, as its shares fell 18% to close at €0.32. The construction sector continued to struggle yesterday, due to further sterling weakness. Among them was CRH which closed down 7% at €19.31.

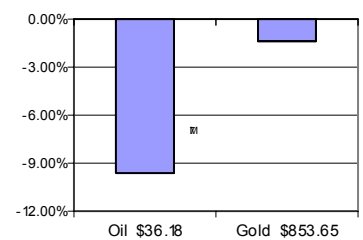
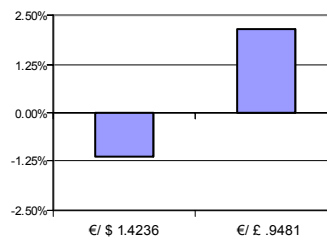
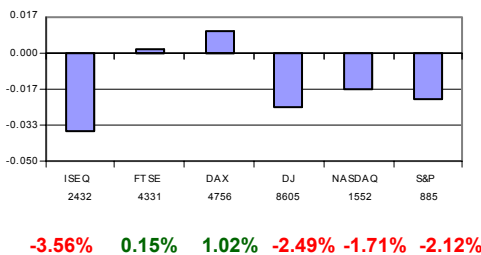
Overnight News : After a choppy start to trading on Wall Street, US stocks dropped lower late last night as S&P threatened to downgrade General Electric from its AAA rating. GE's shares dropped 8.2% to close at \$15.96. Elsewhere, with crude oil dropping significantly below the \$40 threshold, shares in Chevron and Exxon Mobil weighed heavily on the Dow as they both closed down 5%. Dow Jones: -2.5% at 8,605, S&P 500: -2.1% at 885, NASDAQ: -1.7% at 1,552.

Breaking News : **Aer Lingus** is planning to open a base at Gatwick Airport in London next spring, offering short-haul flights to continental Europe, and it will be its first base outside of Ireland. The airline will announce the move in the coming days, possibly at a joint press briefing in Dublin and London early next week to launch its defence document to Ryanair's latest takeover approach. **HSBC, RBS, Nomura and BNP Paribas** are reported to be the largest exposed banks to the Madoff feeder funds as they have lent billions of dollars to assist investors in trebling and quadrupling their bets on Bernard Madoff. **Sterling** has dropped to within 5p of parity with the euro on Thursday as it fell to a fresh low against the single currency for the ninth successive day. Sterling sank to 95.5p against the euro amid speculation the Bank of England will follow the Fed and cut rates close to zero.

Equity Indices change on day

Currency daily % change

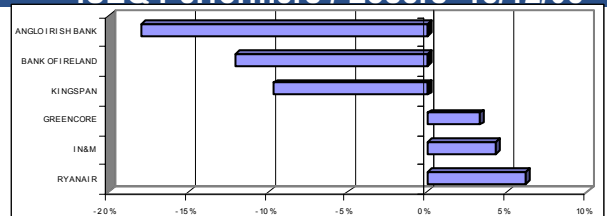
Oil/Gold daily % change



News

- “Career of Anglo’s key man comes to an end”-(The Irish Times)
- “Regulator investigates loans to Anglo directors”-(The Irish Times)
- “Top executives may face axe in €10bn rescue”-(Irish Independent)
- “Sparkling pay deal for new C&C bosses”-(Irish Independent)
- “Sterling nears euro parity”-(Financial Times)
- “ECB moves to foster interbank lending”-(The Wall Street journal)

ISEQ Performers / Losers 18/12/08



Market Themes and Movers

Chairman of Anglo Irish Bank resigns:

- Anglo Irish Bank (Anglo) was in the news again this morning for the wrong reasons. It was announced that the former CEO and Chairman of Anglo Sean Fitzpatrick had borrowed €87m on normal commercial terms, according to the bank. The loan to Sean Fitzpatrick was repaid prior to Anglo’s financial year end with funds borrowed from another bank and as such avoiding disclosure in the annual accounts. After Anglo’s year-end on the 30th of Sept the debt owed to the other bank was repaid from monies borrowed from Anglo by Fitzpatrick. This process occurred repeatedly over a number of years until 2008.
- The transaction is not illegal, but Fitzpatrick commented that it was “inappropriate and unacceptable from a transparency point of view”. He has since resigned and a new chairman, Donal O’Connor, has been appointed.
- The Irish Finance minister has commented that Anglo remains covered by the Irish Government guarantee and the “Government will ensure financial stability within Ireland and will continue to take all necessary measures to ensure that systemically relevant institutions, such as Anglo Irish Bank, remain sound and viable”. Anglo’s share price reacted negatively to the news and fell by as much as 40% in early trades. It has since recovered later and is currently down 18%.



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Icade

Target:
€69.00
Current:
€56.90
Euronext
Property

Company Profile

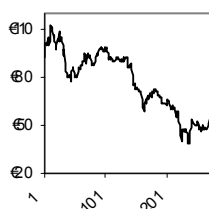
Icade's principal activity is to operate as a property development company. The group is involved in construction, development and maintenance of housing units, commercial property and public and healthcare facilities. The group constructs individual houses, apartments, office buildings, shopping centres, hospitals and other government utility buildings.

Fundamental view

- Last week French property group Icade issued a statement indicating that its Board of Directors have instructed the group's Chairman and CEO Serge Grzybowski to explore the possibility of a potential disposal of its entire housing segment to one or more investors at survey value which stands at €2.9bn. The number of houses included in the sale would be c. 34,000. The statement indicated that the sale would be aimed in particular at social investors. The company pointed out that it will distribute 50% of the capital gains from the disposal to shareholders in accordance with French rules for REITs (Real Estate Investment Trust). The group indicated that the remainder of the consideration will leave it with further leeway as opportunities arise in the French commercial property sector for 2009 when it believes the sector will hit a low in valuations.
- We believe that a French state agency such as Societe Nationale Immobiliere (SNI) which is a wholly owned subsidiary of Icade's largest shareholder, state run bank Caisse des Depots (62%), may be the most likely suitor for Icade's housing unit. French President Nicholas Sarkozy recently announced plans to build 100,000 social housing units in France which increases expectations that a state agency including SNI may be a potential investor. We believe that the if a sale goes through at the survey value of €2.9bn, this would generate a capital gain of c. €1.1bn of which 50% or €550m would be distributed to shareholders within 2 years. The dividend per share paid to shareholders would represent c. €11 per share.

Statistics

Price Performance



Valuation

- The level of leverage experienced in the US, UK, Spain and Ireland did not emerge in France and as a result we expect smaller falls in property values there on average in the region of 5% in 2009 and a further 5% fall in 2010, which will result in Icade's NAV falling to c. €99.60 (does not include sale of housing unit). We believe that the current negative sentiment toward property stocks is likely to continue for the foreseeable future and apply a discount to NAV of 30% in generating our price target of €69. With 22% upside to our price target from current levels we maintain a buy rating on the company. It is worth noting that the share price in Icade has risen by 14% since it made the announcement on its housing segment last Friday. In the short-term we may see some weakness in Icade's shares until we get a full confirmation that it has received official offers for the housing segment.

Revenue by Division



- Property Investment 24%
- Property Development 62%
- Services 14%

Major Shareholders	%	Peer Group Multiples.			
Caisse Des Depots	61.58%	Company name	P/E 08	P/E 09	EPS Growth 08-09
New Ireland	3.15%	Icade	21.3	21.2	-0.39%
European Investor	1.70%	Unibal	12.3	11.6	6.03%
Compagnie Fonciere	1.57%	Klepierre	7.3	7.2	1.39%

Shares Outstanding 49.19m

Share Data	Financial Data	2007	2008	2009
Current Price (c)	Revenue (€m)	1,482	1,598	1,558
Mkt Cap (€m)	Operating Profit (€m)	333	289	307
Reuters	EPS	0.78	2.58	2.59
Bloomberg	P/E(x)	70.49	21.31	21.23
Sector	DPS (c)	3.25	3.62	4.10
CEO	Dividend Yield	5.91%	6.58%	7.46%
Website		www.icable.fr/fo/en/category/icable.do		





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