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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9596 ↓	-47	-0.49%	14.1	2.00%
FTSE 100	6650 ↓	-53	-0.80%	13.2	6.90%
DAX 30	8034 ↓	-3	-0.03%	14.2	21.78%
DOW	13635 ↑	22	0.16%	15.2	9.40%
NASDAQ	2627 ↑	0	0.01%	26.1	8.76%
S&P	1534 ↑	3	0.17%	15.9	8.14%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3431	0.6741	165.9000
Dollar	1.3431	1.0000	1.9926	123.4900
Sterling	0.6741	1.9926	1.0000	246.0800
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	69.1000			

This Week's Research
Glanbia
Metro Baltic

Today's Research
Ericsson

Today's Recommendation

Ericsson (SEK27.40) Signs deal with China Mobile Stephen Taylor

- **China Mobile:** Ericsson, the world's largest maker of mobile-network equipment with a c. 40% market share announced on the 10th of June that it had signed a \$1bn deal with China Mobile to extend its GSM coverage. Ericsson will supply China Mobile with radio network equipment as well as technical support and services. On the same date, Sony Ericsson which is Ericsson's mobile phone handset joint venture with Sony also signed an agreement with China Postel Mobile Communications for the delivery of \$600m worth of mobile phones.
- **Results:** On the 26th of April, Ericsson reported first quarter net profit that rose 27% year on year to SEK5.82bn on revenue that rose 7% to SEK42.2bn, both of which were broadly in line with analyst expectations. Ericsson also reiterated that it expects its main network market to grow at mid-single digit levels in 2007 and the market for managed services to grow as much as 10% during the same period. On the 20th of April, the group's mobile joint venture, Sony Ericsson reported first quarter net profit that rose to €254m from €109m a year earlier, while revenue increased by 47% to €2.93bn. The venture's average selling price per phone declined to €134 from €149 as the company added more entry level phones aimed at emerging markets. Sony Ericsson's CEO has previously commented that its push into cheaper phones will not hurt profitability.
- **Acquisitions:** Ericsson has been actively making bolt on acquisitions spending c. \$6bn over the past two years. The company recently completed the acquisition of Tandberg Television for \$1.4bn. Tandberg manufactures and sells television broadcast systems. The Tandberg purchase followed on the heels of Ericsson's \$2.1bn purchase of Redback Networks, a company that makes technology used to deliver voice, video and data through a single pipe. In 2005, Ericsson acquired the majority of Marconi's assets for \$2.3bn laying the foundation for its push into fibre-optic networks.
- **Valuation:** Ericsson is currently trading at 14.2x 2008 earnings which is a c. 20% discount to peers. We feel that this discount is unwarranted due to the company's growth potential and looks set to benefit from the roll out of 3G in China. Ericsson deserves to be trading closer to its peers and believe that a multiple of c. 16x 2008 estimated EPS of SEK1.94 is more appropriate. As a result, we derive a price target of SEK31.04 per share which provides 13% upside to its current share price of SEK27.40. **BUY**

Breaking News

Ryanair maintains guidance but reiterates slowing market

Ryanair launched another seat sale yesterday offering 3 million seats for £10 and maintained its full year earnings guidance despite warning of slowing market conditions. CEO Michael O'Leary told reporters that airlines faced a 'big downturn' in the next 12 months and that the air travel business was 'soft and worsening'. Nonetheless O'Leary said that the company's July and August bookings were beating expectations and that the load factor was 'very strong'. Ryanair also announced that it will appeal the expected blocking of its proposed merger with Aer Lingus which is due to be announced in the first week of July. According to O'Leary an appeal ruling could be delivered within 6 months but will most likely be delayed.

Independent News & Media buys back shares

Independent News & Media announced yesterday that it had completed the buyback of 2.5m shares at €3.64 each. The company labelled the buyback as a 'prudent step' in treasury management to avoid further dilution ahead of the potential conversion of up to 50m New Zealand preference shares which are scheduled to mature in November 2007. This latest buyback follows the repurchase of 1.15m and 7.43m shares in two separate buybacks in May. Independent News is due to issue a detailed trading statement on June 29 confirming its full year guidance of double-digit earnings growth.

Thirdforce appoints non-executive directors

Following its recent merger with MindLeaders, Thirdforce announced the appointment of Carol Clark and Edwin Robinson as non-executive directors of the enlarged company. Clark is the former CEO of Mindleaders while Robinson is an MD at River Cities Capital Funds, a significant investor in MindLeaders prior to the merger. The incumbent non-executives Denis McMahon and Micheal Costello have now resigned from the board.

Business Press

- Cadbury plans to axe 7,800 jobs and drop 'Schweppes' (FT)
- Banks get warning on their exposure to property market (II)
- Central Bank concern over debt (IE)

Investment Press

CVC and Altadis: The battle for Altadis may be about to burst into life. There is speculation that CVC is about to present a firm bid, perhaps with the backing of some banks and even the Singapore government.

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