Dolmen Daily
DOLMEN STOCKBROKERS
Friday 20th February 2009

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IRISH PAPERS TODAY

AIB raises bad debt forecast to €1.8bn
(The Irish Times)

State hires Bacon for 'bad bank' role
(The Irish Times)

AIB says earnings to come in at half the level expected
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Nestlé claims low-cost strategy can achieve 5% growth in sales

(*Financial Times)*

Irish 'builders' bank is razed by scandal
(*The Wall Street Journal)*

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	1.2%	-23.8%
BP	1.2%	-10.5%
CRH	-1.1%	-14.2%
E.ON	2.7%	-22.3%
HPQ	-7.9%	-13.5%
IL&P	-0.6%	-24.0%
INM *	9.1%	-56.4%
J&J	0.2%	-6.5%
JPMorgan	-4.2%	-34.7%
Microsoft	-1.2%	-7.9%
Paddy Power	-0.7%	-20.8%
Vodafone	-1.0%	-10.2%

* We are currently Neutral on IN&M

Market View — Analyst : David Dunk

European equity markets are all weaker this morning following on from a weak performance from the US overnight. Most European indices are currently trading down about 2-3%. The Dow Jones index breached its November lows, trading down to 7,448 at one point, before closing at 7,466. This compares with an intraday low of 7,449 on the 21st of November. The main drivers of equity market weakness are concerns over lack of progress with various stimulus plans. The market is looking for more action, as opposed to just talk. There was also renewed concern surrounding the fate of the large US brokers, with the KBW bank index trading down to 1992 levels. Bank of America and Citigroup both traded down about 14% on concerns of nationalisation. It has been reported that some large US financial institutions are in talks with the US government regarding the possibility of further capital injections as an alternative to nationalisation. The main economic data for today was the PMI trading for the EU region at 9am. The market was expecting a reading of 42.5 for the Services index, but the actual figure came in at 38.9, weaker than expected. This is considered to be a key indicator of economic activity within the Eurozone.

Prudential : **Current Price** (270p) **Analyst :** Oliver Gilvarry

Prudential Plc released full year 2008 new business sales today. The company has also given an update on Prudential capital ratios and details of an investment in Taiwan. Group sales were ahead of consensus at 5% for the full year at £3.024bn. Both the UK and US were better than expected, while Asia was in line with expectations. In Asia, Q4 sales were very different depending on the geographic area. South Korea, India and Hong Kong suffered fall in sales between 9 - 35% in local currency terms. In China, Indonesia and Taiwan, sales increased quarter on quarter.
Over the last number of days Prudential shares have fallen on concerns over its capital positions. The market was expecting the IGD capital surplus between £800m and £1bn, but the figure disclosed for the end of the year was £1.7bn before allowing for final dividend. The capital figure composes £1.4bn at the end of December plus an extra £300m of capital released from UK With-Profits Funds. Prudential has also taken a 9.95% stake in China Life insurance of Taiwan for £45m. The transaction also includes Prudential transferring the majority of its assets and liabilities of its agency distribution businesses in Taiwan for the nominal sum of TW$1. The transaction will improve IGD capital by £800m once complete. The release today was much better than expected in terms of sales and capital, but the large increase in the IGD surplus and how it was achieved will be a key question for investors. The figures remove any concerns over the dividend in the group for the moment and the large increase in capital figures means any capital raise in the future will be for acquisition related reasons rather than problems with solvency ratios.

CRH : **Buy Current Price** (€15.59) **Price target** (€22.00) **Analyst :** Stephen Taylor

Lafarge, the Paris based cement maker and peer of CRH has reported disappointing full year 2008 results. It has posted a full year net profit of €1.598bn, down from €1.909bn in 2007 and well below analyst expectations of €1.874bn. Its debt has surged 94% to €16.8bn, mainly related to the acquisition of Orascom Cement for €8.8bn in 2007. The company has said it will ramp up cost cuts, slash capital expenditure by 40%, aim for at least €1bn in disposals and take action on working capital in an attempt to improve its cash flow in 2009. Furthermore, in an attempt to shore up its balance sheet and in line with expectations, the company has announced a €1.5bn rights issue which will be voted on at its extraordinary general meeting on March 31st which is fully underwritten. Lafarge's two main shareholders, Bruxelles Lambert and NNS Holding, have both agreed to subscribe to €500m worth of shares. All together the company will engage In a €4.5bn package of assertive measures to strengthen its financial structure. For CRH the first thing to point out is that it does not require a rights issue at the moment. The group has the strongest balance sheet in the sector with EBITDA/Interest cover of c. 7x, well ahead of its covenant level of 4.5x. Forecasted net debt / EBITDA is also low at c. 2.38x. The last time CRH announced an equity raising was in 2001 raising funds to pay down debt and fund acquisitions. The group did not require to raise funds at that time also. The equity raising was in the form of a 1 – 4 rights issue issued at 50% discount to its share price. We would view a similar discounted issuance as c. 17% EPS dilutive to EPS if the company was to raise the reported €1bn. CRH is due to report full year results on March 3rd.

BHP Billiton: **Neutral Current Price** (1142p) **Price target** (1200p) **Analyst :** David Dunk

Anglo American has reported full year earnings of $5.2bn, compared to $6.26bn expected by analysts. Excluding exceptional items, EPS was $4.36, compared to $4.89 expected. The company has suspended dividend payments, in an effort to strengthen its balance sheet. The company will cut 19,000 jobs, a process that has already begun. The outlook for the company remains poor, with management noting that the severity of economic downturn is difficult to overstate.
Elsewhere, it has been reported that Rio Tinto's independent directors are gauging support for a potential rights issue, as an alternative to the Chinalcoa deal. The company may be looking to raise as much as $12.5bn from a rights issue.

C&C

Buy

Current Price : €1.00

Price Target : €1.60

DOLMEN STOCKBROKERS

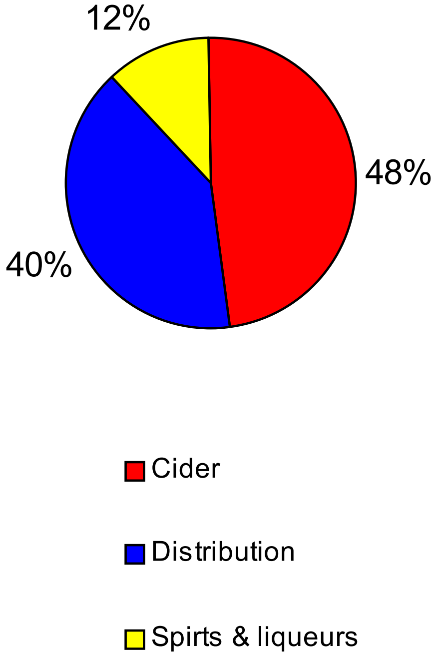
Analyst: **David Dunk**

Descriptive Stats		Shareholders	
Year to date	-33%	Morgan Stanley	10.5%
52 Week High	5.59	Causeway Capita	7.8%
52 Week Low	0.74	Invesco	7.0%
Bloomberg	GCC ID	Deutsche Bank	3.2%

	FY07	FY08	FY09e
Revenue	842	502	453
Operating Profit	-666	93	74
EPS	0.29	0.22	0.19
DPS	0.27	0.115	0.06
P/E	3.4	4.5	5.4
Div Yield	27.0%	11.5%	6.0%

Peer Analysis	P/E 08	P/E 09	Div Yield
Carlsberg	9.8	8.2	1.7%
Heineken	11.9	10.0	2.8

2008 Revenues by Product



- C&C announced yesterday details of a series of initiatives designed to reduce the cost base of C&C. The initiatives will involve a reduction in headcount, and restructuring of its Irish operations. The company is facing difficult trading conditions in its key markets, as well as the negative impact from sterling weakness. In addition Magners in the UK has lost market share in the UK to Heineken subsidiary Scottish & Newcastle.

- 120 employees will be impacted by the cost savings programmes, which is expected to be finalised by June of the current year. This follows on from 150 job cuts last year. The move is likely to save the company €5-6m annually. The headcount reduction is likely to focus on the Clonmel manufacturing facility. The company will also restructure its Irish sales force, as well as merging its Dublin office into one consolidated location.

- On Tuesday, Heineken released trading results for the full year 2008. For Heinieken, profit declined significantly, mainly due to impairment charges. Net Income was €209m over the period, compared to €807m from the previous year. Heineken wrote down goodwill relating to its Russian, Indian and UK assets of €757m. After taking into account the impairment to goodwill, net income figures were still below analyst expectations. The UK was one of the weaker regions for Heineken. However performance of cider sales was relatively strong for Heineken, with volume increases of 6.5% compared with overall decline in the UK of 5.5%. Heineken is the main competitor of C&C in the UK cider market through its Scottish & Newcastle business.

- Carlsberg also posted its results on Tuesday. Q4 net income rose to 124m Kroner versus 37m Kroner, for the same quarter of the previous year, mainly driven by acquisitions. The company notes that it is "resilient but not immune to economic recession". The company does not expect to increase sales over the course of the current year. Carlsberg is guiding for net income of 3.5bn Kroner for 2009.

- The next major catalyst for C&C is likely to be the trading update on March 3rd. The key focus here will be on the management update on strategy, as it will be the first such update form the new management. Management's strategy for the UK market is of critical importance, given the market share loss in the last two years. Guidance for the current year is likely to be conservative, reflecting the difficult trading environment. C&C is likely to cut its dividend payout levels further, from the current level of €0.12 per share.

- Despite the extremely difficult trading conditions facing C&C, particularly in its UK market, the company is significantly undervalued at current levels. Volumes are likely to decline into the coming fiscal year, but stabilise thereafter. C&C's balance sheet remains strong, with net debt of just €250m, which the company is likely to reduce further. We retain our buy rating, but lower our price target to €1.60, reflecting further consumer weakness and adverse moves in the Sterling exchange rate.

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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,170	-0.2%	-10.2%
FTSE	4,018	0.3%	-11.3%
Dow Jones	7,466	-1.2%	-14.9%
S&P	779	-1.2%	-13.8%
Nikkei	7,416	-1.9%	-16.3%
Stoxx 50	2,115	-0.2%	-16.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	182	0.0%	-14.3%
Technology	147	-2.3%	-6.3%
Oil & Gas	275	0.2%	1.0%
Financials	117	0.3%	-25.9%
Retail	191	2.0%	3.0%
Food & Drink	222	3.0%	-5.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	39.5	14.0%	-20.3%
Copper	148.8	2.3%	1.9%
Gold	974.7	-1.0%	10.9%
Silver	13.9	-2.5%	25.1%
Wheat	531.0	1.5%	-14.7%
Cattle	84.8	2.2%	-5.8%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.267	1.1%	9.9%
€/£	0.887	0.6%	7.2%
£/$	1.429	0.6%	2.9%
$/JPY	94.20	0.4%	-3.4%
€/JPY	119.37	1.6%	6.8%
€/SFR	1.487	0.7%	0.2%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	168.0	-6.3%	-1.3%
High Yield	1,064.7	-2.9%	5.5%
Financials	142.5	-1.1%	25.4%
BoI	533.0	1.8%	133.3%
AIB	486.7	10.8%	149.8%
RBS	183.0	-0.4%	25.9%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	1.0%	0.3%
3-Month	1.9%	2.6%	1.3%
1-Year	2.0%	1.9%	1.4%
2-Year	2.1%	2.2%	1.6%
5-Year	2.9%	3.0%	2.5%
10-Year	3.5%	3.7%	3.1%

Date	Company	Region	Event
23/02/2009	ICON Plc	IE	Q4
23/02/2009	Associated British Foods	GB	TRADE
23/02/2009	Hammerson PLC	GB	PRELIM
24/02/2009	Forest Oil Corporation	US	Q4
24/02/2009	Heinz Co.	US	Q3
24/02/2009	Home Depot Inc	US	Q4
24/02/2009	Macy's, Inc.	US	Q4
24/02/2009	Deutsche Boerse AG	GE	PRELIM
24/02/2009	Kerry Group PLC	IE	PRELIM
24/02/2009	Volvo AB	SE	TRAFFIC
24/02/2009	Thomson Reuters PLC	GB	Q4
24/02/2009	Novartis AG	CH	AGM
25/02/2009	CMS Energy Corp.	US	Q4
25/02/2009	Limited Brands	US	Q4
25/02/2009	The Washington Post Co	US	Q4
26/02/2009	Dell, Inc.	US	Q4
26/02/2009	Gap Inc.	US	Q4
26/02/2009	King Pharma.s	US	Q4
26/02/2009	Kohls Corporation	US	Q4
26/02/2009	The NASDAQ OMX Grou	US	Q4
26/02/2009	Dexia SA	BE	Q4
26/02/2009	Allianz SE	GE	Q4

Date	Event	Region	Estimate
20/02/2009	PMI Manufacturing	GE	--
20/02/2009	PMI Services	GE	--
20/02/2009	PMI Manufacturing	EC	--
20/02/2009	PMI Services	EC	--
20/02/2009	Retail Sales (MoM)	UK	--
20/02/2009	Consumer Price Index	US	--
21/02/2009	Retail Sales(Volume)	IR	--
21/02/2009	PPI (MoM)	IR	--
24/02/2009	IFO - Business Climate	GE	--
24/02/2009	Euro-Zone Current A/c	EC	--
24/02/2009	Total Business Investment	UK	--
24/02/2009	Industrial New Orders SA	EC	--
24/02/2009	S&P/CaseShiller Home	US	--
24/02/2009	Consumer Confidence	US	--
24/02/2009	House Price Index MoM	US	--
24/02/2009	Richmond Fed Manufact. Ind	US	--
24/02/2009	Bernanke Report	US	--
25/02/2009	GDP s.a. (QOQ)	GE	--
25/02/2009	Imports	GE	--
25/02/2009	Exports	GE	--
25/02/2009	GDP (QoQ)	UK	--
25/02/2009	Government Spending	UK	--

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DOLMEN SECURITIES LTD

75 St. Stephen’s Green, Dublin 2, Ireland.	Tel : +353 1 633 3800/1890 400 300	E-mail: info@dsl.ie
45 South Mall, Cork, Ireland	Tel : +353 21 422 2122	E-mail: cork@dsl.ie
Theatre Court, Mallow St, Limerick, Ireland.	Tel : +353 61 436 500	E-mail: Limerick@dsl.ie