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Markets hit as Germany puts ban on speculative dealing (*The Irish Times*)

Quinn chief steps down (*The Irish Times*)

Market-watchers agree ban on naked short selling futile (*Irish Independent*)

## INTERNATIONAL PAPERS TODAY

German curbs raise tensions in Europe (*Financial Times*)

Lord Davies approached to take over at Lloyds (*Financial Times*)

Violence locks down Bangkok (*The Wall Street Journal*)

## Market View

Analyst: Stephen Taylor

European equity markets have opened up stronger this morning reversing some of yesterday's losses. Continued concerns remain around peripheral European debt in addition to the lack of cohesiveness in Europe. With Germany banning naked short-selling yesterday and other central banks indicating they would not be taking similar steps, questions markets have been asked about the unity within Europe. On the more positive front, the US Federal Reserve have raised their growth forecasts for 2010 and now expect the economy to expand in a range of 3.2% to 3.7% from their previous range of 2.8% to 3.5%. They left their 2011 growth forecast range unchanged at 3.4% to 4.5%. As we have continually pointed out, we remain very positive on the US recovery and we expect the economy to continue to outperform European peers. As a result, we maintain our call for US indices to outperform and recommend increasing exposure to stocks in Europe with a large amount of US exposure. As for today the main focus will be on the Spanish ten-year bond auction that is due to take place this morning. On the data front, UK retail sales are expected to have shown a slight decline month on month. In the US jobless claims will be closely watched, while also in focus will be Philly Fed manufacturing data in addition to leading indicators.

**Bol: Buy**      **Previous Close** €0.89      **Target** €1.20      **Analyst** Oliver Gilvarry

Bank of Ireland (BOI) held its Extraordinary General Court (EGC) yesterday for shareholders to approve its capital raise. Shareholders voted 99% in favour of the share sale and the other resolutions were all passed. The shares are now trading ex-rights this morning, meaning buyers of the shares today will not have any rights attached to those shares. Trading in the rights also starts today allowing investors to buy or sell the rights in the market. We maintain our buy rating on the stock and recommend investors to follow their money in the rights issue. Our price target reflects that the shares are now trading ex-rights.

**C&C: Buy**      **Previous Close** €3.30      **Target** €3.90      **Analyst** Edward Keeling

SABMiller, the world's second largest brewer reported full year results this morning. The London based group posted earnings per share of 161c, slightly lower than market consensus forecasts of 163c. Its Latin American division delivered very strong EBITA growth of 18% through the combination of stronger pricing and lower raw material costs. Europe continued to lag, with EBITA declining by 8% as beer markets across the region contracted under severe economic conditions, compounded by significant excise increases in some key markets. Beer markets in Africa were resilient, while in Asia larger volumes increased by 7%. In terms of outlook, although the economic conditions have begun to improve for some of the group's emerging market businesses, a broader consumer spending recovery is not expected before the second half of the current financial year. This outlook is more cautious than analysts were expecting and the stock is trading 4% lower this morning.

# ICG Buy

**Current Price : €16.00**

**Price Target : €18.50** (Previous €17.00)



**DOLMEN STOCKBROKERS**

**Analyst: Edward Keeling**

Thursday May 20th 2010

**Investment Thesis:** We remain positive on Irish Continental Group (ICG). Its high operating leverage ensures ICG is strongly geared to the improving trends in both the freight and tourism industries (80% of incremental revenues fall to the bottom line). The group boasts a sustainable competitive advantage versus its peers owing to its control of valuable time slots in restricted ports in both Ireland and Wales. Reflecting a very modern fleet, It has little or no capex requirements for the next decade. Therefore, the company is being run for cash maximisation and will be debt free by the end of next year. It has a dividend yield of c.6.5% which is close to 2x covered on a free cash flow basis. In terms of trading for the balance of the year, the weaker euro against sterling and further airspace disruptions will have a significant positive impact on ICG's core business flows.

**Interim Management statement:** Last Tuesday May 13th, ICG posted a strong interim management update covering the period from January 1st to May 8th. Revenue came in at €75.7m, slightly down from €76.2m last year as higher passenger and car revenues were offset by lower freight volumes. Its total passenger numbers were up by 10.4% to 40,500, reflecting the disruption to air travel to and from Ireland. In the roll on roll off freight market, Irish Ferries carried 60,300 units, a reduction of 15% from last year but a continued improvement in trend from the 18% decline experienced in December. In fact in the last four weeks, roll on roll off carryings were down just 4% on the same period in 2009. Management have guided that this market is now showing some signs of growth for the first time in 18 months. The group's balance sheet remains robust with net debt of just €16m, down from €21.7m at December 31st. Liquidity also remains strong with gross cash balances of €25m. In terms of outlook, management have noted continued improvement in trends across all divisions.

**Company Presentation:** Post ICG's trading update, we met with the group's CEO Eamonn Rothwell and Finance Director Gearoid O'Dea. The company is very confident going into the key Summer selling season. Ticket prices are showing continued strength with average fares over 7% higher. Demand for Ferry transport was already showing renewed strength prior to the airspace disruption, with foot passengers 18% higher before any flight disruptions. Management believe that a 15% reduction in European airline capacity has helped reverse the structural shift away from ferry transport.

**Costs:** The company has reiterated its commitment to a no fuel hedging policy. It remains comfortable with what the company describes as a natural hedge. It believes that if oil prices move considerably higher, this will be accompanied by improved economic fundamentals and that this will ultimately be reflected in top line revenue growth. It does however have agreements in place with its Freight customers which allow it to pass on surcharges in the event of rising fuel prices. Notwithstanding further increase in the price of oil, the group is confident it can keep overall costs broadly flat year on year.

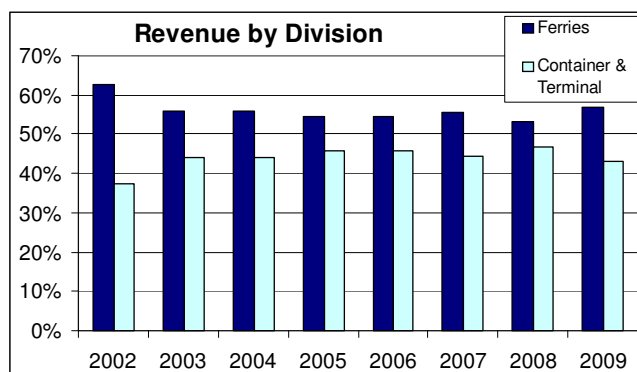
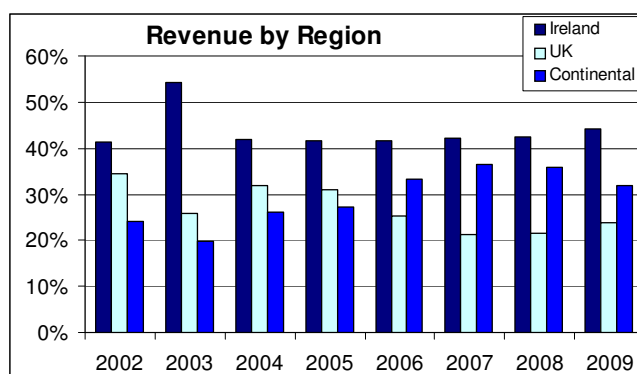
**Pride of Bilbao:** In relation to its "Pride of Bilbao" vessel, (P&O recently announced it won't be renewing its charter), management have guided they have three options. It could be sold and considering the current market value for similar ships, we would expect this move to have a very favourable once off cash impact. Other than this, the group is confident there is sufficient demand to charter it out to a different shipping operator or it would be happy to operate the vessel itself on an alternative route.

**Valuation:** ICG's current valuation is very attractive when compared with its peers and considering the potential rebound in economic activity. It currently trades on a EV/EBITDA multiple of below 7x, lower than its long term historical average of 8x. Reflecting better than expected revenue trends (We are now assuming FY 10 revenue growth of 3% versus 1.5% previously) we are increasing our price target to €18.50, up from €17.00. This is based on the stock trading on an EV/EBITDA multiple of 8x, in line with historical averages.

Descriptive Stats		Shareholders	
52 Week % Ch	44.50%	Moonduster	24.92%
52 Week High	€17.50	Eamonn Rothwell	16.00%
52 Week Low	€9.20	Artemis Inv. Mgt.	5.84%
Reuters	ICG_u.l	AIB	2.87%
Bloomberg	IR5A ID	Irish Life Inv.	2.84%
Market Cap	€397m	Gartmore Inv.	1.34%
Net Debt	€16m	Garoid O'Dea	0.72%

	FY08	FY09	FY10e
Revenue €m	343	261	270
EBITDA	66	51	56
Operating Profit	42	27	32
EPS €	1.62	1.03	1.14
DPS	1.00	1.00	1.00
P/E	9.63	15.15	13.68
Div Yield	6.41%	6.41%	6.41%

Peer Analysis	EV/EBITDA 10	EV/EBITDA 11	Div Yield
DFDS	7.6	5.9	1.92%
Attica	17.3	11.3	2.30%
Finnlines	9.5	4.8	0.40%





### International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,109	0.0%	0.1%
FTSE	5,158	-2.8%	-4.0%
Dow Jones	10,444	-0.6%	0.2%
S&P	1,115	-0.5%	0.0%
Nikkei	10,187	-0.5%	-4.9%
Stoxx 50	2,619	-2.9%	-10.9%

### Sector Performances

Sector	Index	1-Day	YTD
Construction	254	-3.8%	-7.4%
Technology	194	-3.1%	6.1%
Oil & Gas	307	-3.1%	-6.6%
Financials	195	-3.5%	-11.1%
Retail	254	-2.4%	4.2%
Food & Drink	323	-1.8%	5.7%

### Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	69.9	0.7%	-13.9%
Copper	296.0	-2.4%	-10.3%
Gold	1,193.8	-2.6%	8.4%
Silver	18.1	-4.0%	7.2%
Wheat	469.3	0.3%	-17.0%
Cattle	91.5	0.0%	4.2%

### Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.242	1.7%	-13.3%
€/£	0.860	1.0%	2.6%
£/\$	1.444	0.8%	-11.2%
\$/JPY	91.710	-0.6%	1.8%
€/JPY	113.850	1.1%	17.4%
€/SFR	1.428	2.0%	3.8%

### 5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	114.2	8.3%	60.8%
High Yield	559.6	8.1%	28.0%
Financials	153.0	7.2%	107.7%
BoI	278.4	3.5%	13.9%
AIB	301.8	1.2%	11.3%
RBS	193.1	5.3%	41.1%

### Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.3%
3-Month	0.7%	0.7%	0.5%
1-Year	1.1%	1.1%	0.8%
2-Year	1.3%	1.4%	1.1%
5-Year	2.1%	2.5%	2.4%
10-Year	3.0%	3.6%	3.4%

Date	Company	Region	Event
20/05/2010	Air Berlin PLC	DE	Q1
20/05/2010	WestLB AG	Q1	DE
20/05/2010	Mothercare PLC	PRELIM	GB
20/05/2010	Investec Plc	PRELIM	GB
20/05/2010	Audi AG	AGM	DE
20/05/2010	Kenmare Resources PLC	AGM	IE
20/05/2010	Total Produce Plc	AGM	IE
20/05/2010	Trinity Biotech PLC	AGM	IE
21/05/2010	United Utilities Plc	PRELIM	GB
21/05/2010	Total SA	AGM	FR
21/05/2010	National Bank of Greece SA	AGM	GR
21/05/2010	Alliance Trust PLC	AGM	GB
21/05/2010	British Airways PLC	Q4	GB
24/05/2010	Wolseley	INTERIM	UK
25/05/2010	C&C Group	FINAL	IE
25/05/2010	Greencore Group	INTERIM	IE
25/05/2010	Marks and Spencer Group PLC	PRELIM	GB
25/05/2010	Glanbia	EGM/AGM	IE
25/05/2010	Readymix	AGM	IE
26/05/2010	National Bank of Greece SA	Q1	GR
26/05/2010	Trintech Group PLC (IRE)	Q1	IE
27/05/2010	Costco Wholesale Corp.	Q3	US

Date	Event	Region	Estimate
20/05/2010	Producer Prices (MoM)	GE	--
20/05/2010	Retail Sales Ex Auto	UK	--
20/05/2010	Initial Jobless Claims	US	--
20/05/2010	Continuing Claims	US	--
20/05/2010	Philadelphia Fed.	US	--
20/05/2010	Leading Indicators	US	--
21/05/2010	BOJ Target Rate	JN	--
21/05/2010	GDP s.a. (QOQ)	GE	--
21/05/2010	IFO - Business Climate	GE	--
21/05/2010	Total Business Investment	UK	--
21/05/2010	M4 Money Supply (MoM)	UK	--
21/05/2010	PMI Services	EC	--
24/05/2010	BOJ Monthly Report	JN	--
24/05/2010	Chicago Fed Nat Activity	US	--
24/05/2010	Existing Home Sales	US	--
24/05/2010	Existing Home Sales MoM	US	--
25/05/2010	GDP (QoQ)	UK	--
25/05/2010	Government Spending	UK	--
25/05/2010	Imports	UK	--
25/05/2010	S&P/CS Composite-20 YoY	US	--
25/05/2010	Richmond Fed Manu Index	US	--
25/05/2010	Consumer Confidence	US	--

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