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Contact Details:

Email : research@dbb.ie
info@dbb.ie

Tel : +353 1 633 3800
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6104 ↑	8	0.13%	11.0	-1.52%
FTSE 100	4910 ↓	-27	-0.54%	13.5	2.00%
DAX 30	4317 ↓	-3	-0.08%	15.0	1.44%
DOW	10456 ↓	-14	-0.14%	19.5	-3.03%
NASDAQ	1990 ↑	1	0.04%	15.6	-4.73%
S&P	1173 ↑	1	0.07%	21.0	-3.26%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3011	0.6952	138.2400
Dollar	1.3011	1.0000	1.8712	106.2800
Sterling	0.6952	1.8712	1.0000	198.8500
Yen	138.2400	106.2800	198.8500	1.0000

This Week's Research
HBOS
Bank of Ireland
Ryanair

Today's Research
Iona

Today's Recommendations

Breaking News

Smart Telecom launches Cork WiFi network

Smart Telecom yesterday announced the launch of a WiFi network service in Cork City in a joint venture with the city council. Smart says the 'MeshHopper' system is the first publicly accessible metropolitan area wireless network in Ireland. MeshHopper is essentially a wireless network which allows you to avail of high speed internet access without having to plug into a socket. The new network will cover a 1.5 square kilometre area of Cork city centre and has the capability of allowing roaming data within the entire coverage area. This means that the user can roam within the entire area without losing their Internet signal. Smart said it will be accessible by the public via credit card on any wireless compatible device such as Laptops and PDAs.

NRA in talks to buy West Link bridge

The National Roads Authority is in talks with the Government over possibility of buying out the West Link bridge from NTR. NRA chief executive Fred Barry confirmed the authority was now involved in discussions with the Government on a buy-out, as it was a matter that needed a Ministerial decision. Mr Barry also said that it would take until 2008 or 2009 before tolling at the West Link bridge could be done electronically, with devices fitted to every vehicle passing through. In terms of discussions concerning tolls, he added that the NRA favoured the use of variable tolls as a way of managing the traffic flow, but the authority would not favour no tolls, at any hour of the day.

Change of CEO at Prudential

Insurance group Prudential PLC has announced the departure of chief executive Jonathan Bloomer. The company said Bloomer would step down on May 5 2005, and named Mark Tucker, chief financial officer at HBOS, as his replacement. Bloomer ran into heavy criticism last year after launching a surprise rights issue to fund expansion in the UK. The move was widely seen as a strategic U-turn, as Prudential had previously prioritised expansion overseas.

Iona (\$4.08) Major discount to peers Stuart Draper

- **Entry level :** The weakness of the Iona share price over the past 2 months has created an attractive entry price for investors. With 36.4m shares in issue and \$56.4m in cash, Iona's enterprise value (EV) is currently \$92m.
- **Sector discount :** Given that the company generated \$68m in sales for 2004, \$37.3m of which were maintenance sales, its EV to sales and EV to maintenance sales multiples are currently 1.4x and 2.5x respectively. This compares with current sector average multiples for the integration software sector of 1.9x (26% discount) and 4.7x (47% discount) respectively.
- **Takeover target :** If the public equity market continues to value Iona at such a significant discount to its peers, then the company may have some potential as an attractive financial acquisition target.
- **Software consolidation :** Consolidation has already started in the software sector as a result of the recent bids of SAP and Oracle for Retek. The initial bids were at EV/Sales multiples of 2.3x and 2.5x respectively, and were then increased to 3.1x and 3.2x respectively.
- **Major upside :** With Iona still trading at an EV/Sales multiple of 1.4x 2004 sales, there is likely to be major share price upside in the event of a takeover approach. Another valuation method used for valuing financial acquisition targets is the net present value of the future free cash flows resulting from the recurring maintenance revenue stream of the acquired company.
- **Maintenance revenue :** On this basis, every \$1m of maintenance revenue would appear to financially support a takeover price of \$5m, so Iona's \$37.3m of maintenance revenue in 2004 could support an EV of \$186.5m and hence a total takeover price of \$6.67 per share : **BUY**.

Business Press

- Surprise inflation rise in US rattles markets (FT)
- Petrol futures rise as blast hits BP refinery in Texas (FT)
- Mulvey to chair talks between union and B of I (IT)
- KBC will 'not be buying any Irish bank' (IT)
- Alltracel boosted by drug trial data (IT)

Investment Press— Lex

- **WM Morrison:** At first glance, the argument behind WM Morrison's giant acquisition of Safeway is still clear. But dig a little deeper, and Morrison's attractions become less enticing.



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