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Contact Details:

Email : research@dsl.ie
info@dsl.ie

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

EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7511 ↑	149	2.03%	11.0	1.99%
FTSE 100	5679 ↑	146	2.64%	13.5	1.07%
DAX 30	5678 ↑	132	2.38%	15.0	5.00%
DOW	11098 ↓	-27	-0.24%	19.5	2.92%
NASDAQ	2159 ↓	-14	-0.65%	15.6	-2.11%
S&P	1257 ↓	-5	-0.43%	21.0	0.93%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2793	0.6811	143.6800
Dollar	1.2793	1.0000	1.8780	112.3100
Sterling	0.6811	1.8780	1.0000	210.9300
Yen	143.6800	112.3100	210.9300	1.0000
Oil (Nymex)	71.7600			

This Week's Research

Kerry Group
British Land

Today's Research

Anglo Irish Bank

Today's Recommendation

Anglo (€12.08) Upgrading from NEUTRAL to BUY Stuart Draper

- ISEQ under-performance : Since the start of 2006, Anglo Irish Bank's share price has under-performed the ISEQ by c.8%. (-6% versus +2%). However, following the 12% fall in the share price in the past two weeks, the slowdown in the bank's rate of loan growth which we are expecting this year may now be quite fairly discounted by the current share price.
- Business model : Even though the bank's rate of loan growth and earnings growth over the next 12 months will slow, it will still be significantly stronger than the European bank sector average as a result of Anglo's unique niche business model. This stronger than sector average earnings growth rate of c.15% on a sustainable basis is not fairly discounted by the current share price and as a result, a greater premium to the sector is deserved than the current c.5% premium of 11.6x forward eps.
- Loan growth : Over the 6 months ending 31/03/06, Anglo grew its customer loans by €7.1 bn to €41.2 bn. We are forecasting this loan growth to slow to €5.9 bn over the 6 months ending 30/09/06, which would generate a current year eps of 87c. This would represent year on year earnings growth of 23%, which we forecast to slow to 20% over the year ending 30/09/07. However, this would still generate a forward eps of €1.04.
- High growth : Given the size of the bank's growth opportunity in both the UK and US markets, sustainable average earnings growth of 15% per annum is expected to be achieved over the next 5 years. Such sustainably strong earnings growth means that the high growth / high multiple UK banks such as Standard Chartered (STAN) and HSBC may be more relevant valuation peers for Anglo than the UK mainstream retail banks.
- Peer valuations : Given that STAN and HSBC trade at 14.2x and 12.5x 2007 eps respectively, it appears reasonable that Anglo should trade at 13x forward eps (PEG of 0.87). This generates our new 12 month price target of €13.50 (12% upside), based on 13x forward eps of €1.04. Even though this would rate the shares at a 2007 price/book ratio of 3.4x, Anglo's premium return on equity of 29% would justify such a price/book.
- Recommendation upgrade : At the time of the interim results' announcement, our view was that we would need to see the share price back below €13 before considering upgrading our recommendation to BUY. Now that the share price is below the January placing price of €12.40, we upgrade our Anglo recommendation from NEUTRAL to BUY.

Breaking News

Ryanair: Internet check-in service starts in Ireland

Ryanair yesterday said it introduced its Internet check-in service on all routes from Shannon and Cork and on routes from Dublin to the UK. The Check'nGo service will also be available on all other European routes from Dublin from Monday, 29th May 2006 subject to approval from the Department of Transport. Passengers using the service in Dublin, Shannon and Cork airports will now enjoy fewer queues and more efficient service, Ryanair said.

Kingfisher post 45% drop in Q1 profits

Kingfisher has posted a 45 percent drop in first-quarter profit and said it was still struggling with weak consumer demand in its core home market. Kingfisher said in a statement like-for-like sales fell 2.0 percent in the 13 weeks to April 29, and retail profit nearly halved to £68.4m. The company revealed that the first two months of the quarter were particularly weak as persistent cold weather in Europe delayed the start of the key garden and outdoor season. Like-for-like sales at its DIY retail outlet B&Q fell 8.8 percent, Kingfisher said. However sales over the Easter and (early May) Bank Holiday period were stronger.

Petroceltic operational updates

Petroceltic today announced some operational updates with regard to its Algerian exploration acreage. The drilling contract with Schlumberger, which was awarded last March, has now been signed by all parties. Civil works to prepare the drill locations for the Company's first two wells has commenced. The relevant Schlumberger rig has recently commenced drilling the final well in its current programme for Rosneft on an adjacent licence area. On completion of drilling and testing operations on this well the rig will mobilise to Petroceltic's Isarene block and the estimated spud date for the first its two wells is now confirmed to be no later than mid August 2006. Alf Scott has been appointed Country Manager, Algeria with immediate effect. Petroceltic has opened a new office in Algiers from which it plans to run all its Algerian operations. Petroceltic has invited a number of companies to tender for a 2D seismic data acquisition programme. It is planned that this programme will identify a number of new drilling opportunities for 2007. The company expects to announce the awarding of the contract to the successful tenderer within the next couple of weeks.

Business Press

- Minmet in talks with three groups (IT)
- Paddy Power set to expand UK business beyond London (II)
- Tullow starts output in North Sea's Schooner-10 (II)

Investment Press

- B&B/Eircom: In *Ulysses*, James Joyce compressed his musings on life, the universe and everything into a single day in Dublin. Eircom has similarly packed an awful lot into its short history as a privatised entity.



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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie

Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.

Tel : +353 1 633 3800
Tel : +353 21 422 2122

Fax : +353 1 677 7044
Fax : +353 21 422 2123

Email : info@dsl.ie
Email : cork@dsl.ie

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