

Traders Update

MONDAY 24TH SEPTEMBER 2007

Brief Market Comment

The reaction of equity markets said it all as the Federal Reserve Board delivered exactly what was wished for. A 50 basis point cut in the Fed Funds Rate accompanied by a 50 basis point cut in the Discount Rate sent markets higher and to within touching distance of their all time highs. Add in the fact that the Treasury has guaranteed all depositors funds at the troubled Northern Rock and the market felt much more relaxed than it has been for some weeks. The interesting thing to note about the movers last week in the FTSE was that despite a rally of sorts in the banking sector, the real beneficiaries of the Fed generosity were the basic resource stocks and oil which reflected the belief that perhaps a recession has been averted and also by the fact that that oil and commodities continued to hit new highs. Without doubt the move by the Fed is extremely positive for Main Street USA, however concerns remain about certain aspects of global banking system. There are still a lot of unpriced assets to be accounted for and these could still be a banana skin for the markets. For the time being confidence has restored to the markets. With a bit more positive news flow a la Goldman Sachs, from the investment-banking sector, this level of confidence will increase.

TRADING IDEAS, EARNINGS & PREVIEWS

Bol

Current	€12.00
P/E 07	7.3
Div 07	5.9%
Next Event	25/9/07
Target	€17.50

BUY

On Tuesday 25/09/07, Bank of Ireland (BOI) is due to release its interim trading statement and is likely to provide strong reassurance with regards to its current liquidity position. At its last results presentations, BOI stated that its wholesale market funding dependency was 46%, and relative to other international banks, its dependence on the capital markets is minor, and in the context of its overall group earnings, the direct impact of a slower Irish housing market is also quite minor at c. 11%. We are not of the view that the slowdown in the Irish housing market will be so severe that it will cause a major slowdown in overall economic activity, as has been in the case in the US recently. Despite remaining on course to generate double digit earnings growth this year, BOI is currently trading at 7.3x current year eps of €1.62, and is paying a current year dividend yield of 5.9%.

Ryanair

Current	€4.99
P/E 07	16.6
Div 07	0.0%
Next event	5/11/07
Target	€6.00

BUY

At its AGM last Thursday, Ryanair reiterated that it expects passenger volumes to grow by 18% to 50m and deliver profit growth of 10%. Ryanair also said that it is hedged at an oil price of about \$63 a barrel until March while it is unhedged after that. With the rugby world cup now in full swing and given that France accounts for c. 15% of Ryanair's annual passenger numbers, the event should provide a significant boost to yields in the seasonally most important quarter of its financial year. What should also provide an important revenue catalyst for the stock is that last Thursday, Ryanair introduced charges for airport check-in, which is expected to increase ancillary by €0.50 per passenger and has the potential to increase earnings by c. 3%, or €15m. Ryanair also recently announced strong 21% passenger growth for August and a high load factor of 91%. Our current 12-month price target of €6 is based on 20x current eps of 30c, a multiple which is deserved given that the airline is targeting a further doubling of profitability within the next five years.

Tesco

Current	£4.42
P/E 07	17.8
Div 07	2.2%
Next event	2/10/07
Target	£5.00

BUY

The recent Taylor Nelson Sofres (TNS) survey showed that Tesco's share of the UK grocery market rose by 0.3% to 31.7% for the 12 week period ended September 9th and now has almost double the market share of its closest rival in Wal-Mart's Asda. What is also encouraging is that while Tesco has been lowering prices its operating margins have remained stable at 5.9%. Tesco is also expanding into the US and is expected to open its first stores there by the end of 2007. Tesco's initial target area will be on the West Coast between LA and Arizona, which benefits from being the most dense and fastest growing parts of the US. As a result of these growth prospects we believe that Tesco deserves to at least trade in line with its current peer group of 19x. As a result we generate a price target of £5.00 based on 19x 2008 forecasted EPS of 26.5p. What will also underpin Tesco's share price in the medium is that it is currently buying back its own shares up until October 2nd the date of its interim results.

CRH

Current:	€28.10
PE 07	11.0
Div 07	2.2%
Next event	3/1/08
Target	€40.00

BUY

Last week CRH announced that it is considering the acquisition of certain Cemex assets in the US and Europe, the consideration for which is expected to be in the range between €2.5 bn and €3.2 bn. The company confirmed that it still has the balance sheet capacity to debt-finance such a transaction, and given its track record of doing so in a disciplined manner that ensures the continuation of strong eps growth, any such deal should result in significant earnings upgrades. CRH also recently announced four US acquisitions for a combined consideration, including debt, of \$350m. Given that the four businesses generated combined 2006 EBITDA of \$53m, the purchase price represents the relatively low historic EV/EBITDA multiple of 6.6x. The 4 businesses are McMinn's Asphalt and Prospect Aggregates in Pennsylvania, Eugene Cand & Gravel in Oregon, Cessford Construction in Iowa, and CYDI in Florida, which is a complementary fit with the group's APAC business acquired last year. Such continued corporate activity has caused the valuations of CRH's peers to move higher this year. In response to these peer valuations, we increased our 12 month share price target for CRH to €40 (41% upside) in June, which values the shares at 14.3x current consensus 2008 eps of €2.80

Kingspan

Current	€16.95
PE 07	15.8
Div 07	1.38%
Next event	18/12/07
Target	€21.00

BUY

Home Information Packs (HIPS) recently became mandatory when selling a three-bedroom home in the UK, following their introduction last month for UK homes of four or more bedrooms. This broadened the application of HIPS to include c.60% of all UK homes and demonstrates the UK government's commitment to energy efficiency, which should benefit Kingspan's insulation board business, which accounts for c.60% of group revenue. Kingspan derives 57% of its revenues from the UK, 19% from mainland Europe and 6% from the US. Ireland accounts for 18%, however Irish residential exposure only accounts for 8% of group revenue (5% New Century homes, 3% insulation). The company recently announced results for the 6 months ended 30/06/07 showing operating profit and eps of €114.2m and 52.7c respectively, which were both yoy increases of 30%. The growth was driven by insulation profit growth of 34% to €78.1m, raised access flooring profit growth of 69% to €12m and offsite and structural profit growth of 13% to €14.2m. Following the results, we upgraded our 2007 eps forecast by 3% to €1.05, and our 12 month share price target to €21, based on 20x (which is in the middle range of peers SIG and Rockwool) 2007 eps of €1.05, implying that the current sub €17 share price provides an attractive entry level.

Week's Events

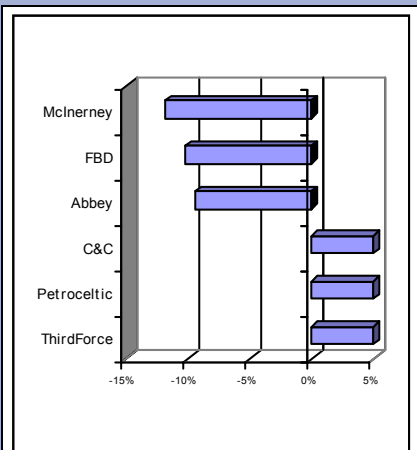
EARNINGS: Mon (IAWS, FY) (Wolseley, FY) Tues (Bank of Ireland, TS) (McInerney, H1) (Greencore, TS) Wed (Barrett Dev, FY) (Sterling Energy, H1) (IN&M, Ex div) Thur (Mitchells & Butlers, H1) (Dana Petroleum, H1) (ThirdForce, H1) Fri (JJB Sports, H1)

ECONOMIC DATA: Tues (German IFO, US Richmond Fed, Consumer Confidence, Existing Home Sales), Wed (UK GDP, US Durable Goods, Trichet Speech), Thurs (Euro-Zone M3, US GDP, New Home Sales), Fri (Euro-Zone Confidence Indicators, US Personal Income & Spending, Core PCE Inflation, Construction Spending, Michigan Confidence).

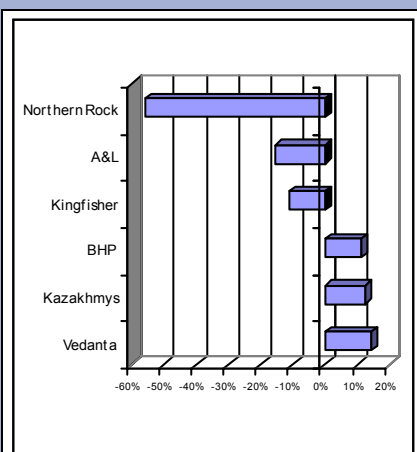
DOLMEN STOCKBROKERS Traders Update

Last Weeks Best/ Worst Performers 14/09/07-21/09/07

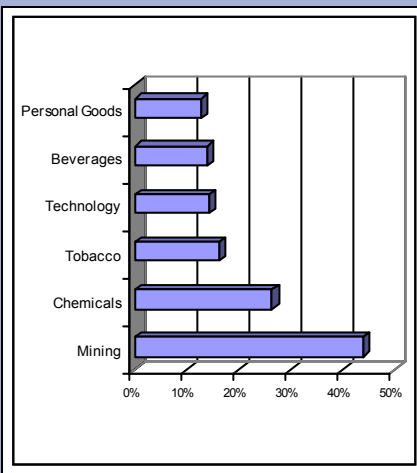
ISEQ



FTSE



Sector changes YTD



Dolmen Dozen WEEKLY UPDATE

Company	WTD	DD Return*	Relevant news
AIB	-1.67%	-21.8%	AIB confirmed it expects no material impact from rise in funding costs
Aviva	1.03%	-10.7%	The company extended the timetable for possible re-attribution of excess capital.
BP	3.68%	+9.1%	Benefits from record high oil prices
CRH	2.53%	-7.0%	CRH said it may purchase \$4.5m in assets from Cemex
Greencore	-4.52%	+2.8%	Ahead of the company's trading statement on Tuesday
GSK	1.28%	+4.3%	GSK said it will increase shipments of Flu vaccines in the US by at least 20%
IL&P	-3.28%	-14.6%	IL&P said that impact of higher borrowing costs will be 'modest' for the company
Ladbrokes	2.07%	+11.9%	A survey in the UK showed that the number of people with gambling addiction hasn't increased since 1999
RBS	-1.50%	-15.2%	ABN Amro said that Barclays bid for it is likely to fail as its price trails the RBS led-group's offer
Ryanair	-1.19%	-6.3%	Reiterated full year guidance of 10% profit growth at their AGM on Thursday
SAP	0.89%	-0.8%	SAP unveiled its new mid-market product range business by design
Vodafone	1.78%	+26.5%	Mobile data revenues grew by 16% in Q1. This was largely driven by the UK and Italy

DD Unrealised gain YTD	-1.40%	ISEQ YTD	-16.26%
DD Realised gain YTD	-2.78%	FTSE YTD	5.31%
DD Total YTD	<u>-4.19%</u>	Average performance	<u>-5.48%</u>

* DD Return (Includes dividends & FX changes since stocks inclusion)

What it says in the 'Sundays'

Company	Paper	Headline
ICG	Sunday Business Post	"One51 to seek backing for new ICG bid"
IN&M	Sunday Business Post	"Indo moves into higher learning"
FBD	Sunday Times	"Low costs put insurer on track "
UTV	Sunday Times	"UTV shops but at the right price"
Irish Banks	Sunday Independent	"Have the Irish Financials hit the floor?"
CRH	Sunday Tribune	"Spending to reach €4bn limit"
Ryanair	Sunday Tribune	"May ground planes over terminal decision"

Recent Corporate Visits

Company	Change on year	Meeting date	Relevant news
Irish Life	-27.57	11/09/07	Irish life told us that the recent turmoil in credit markets will only have a modest impact on margins
FBD	-34.16%	07/09/07	FBD's CEO Philip Fitzsimons told us that he expects the group to increase its share of the Dublin motor insurance market.
AIB	-24.14%	04/09/07	Group CEO Eugene Sheehy said he expects GB to double profit over the next 5 years and he expects Poland to outdo this.

Last Weeks Moves

Equities

	Level	Change WTD	Change YTD	Div Yield	P/E
ISEQ	7,869	+0.6%	-16.4%	2.7%	11.5
FTSE 100	6,457	+2.7%	+3.8%	3.6%	12.2
DAX	7,794	+4.0%	+18.2%	2.9%	13.7
DOW JONES	13,859	+3.1%	+11.2%	2.2%	15.7
S&P 500	1,529	+3.0%	+7.8%	1.9%	16.1
NASDAQ	2,675	+2.8%	+10.8%	0.7%	27.6
EUROSTOXX 50	3,798	+2.7%	+3.4%	3.6%	12.3
NIKKEI 225	16,313	+3.1%	-5.3%	1.3%	39.0

Sector

	Weekly move%	YTD move %
Mining	+9.55	+44.1
Chemicals	+2.22	+26.6
Tobacco	+2.25	+16.3
Technology	+3.56	+14.4
Beverages	+4.93	+13.8
Personal Goods	+4.08	+12.8
Autos	+7.81	+9.89
Leisure Goods	+2.69	+9.63
Oil & Gas	+3.59	+9.44
Telecoms	+1.28	+8.66
Construction	+1.83	+6.39
Media	+0.98	+5.61
General Industrials	+5.54	+3.33
Utilities	+1.77	+1.77
Software	+3.02	-0.95
Food Producers	+2.10	-1.34
Pharmaceuticals	+0.90	-3.59
Insurance	+1.76	-5.49
Banks	-1.43	-13.7
General Retailers	-5.19	-15.8

Commodities

	Current	Change YTD
Crude Oil	\$81.73	22.61%
Gold spot	\$729.3	14.47%

Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.407	+6.22%	1.35
EUR-GBP	0.697	+3.28%	0.665
EUR-JPY	162.7	+3.38%	145.0

GDP Growth

	Current	Year End (est)
Ireland	6.00%	5.00%
Euro Zone	2.70%	2.50%
UK	3.00%	3.00%

Central Bank Interest Rates

	Current	Year End (est)
Euro Zone	4.00%	4.00%
UK	5.75%	6.00%
US	4.75%	4.75%

Credit Market Summary

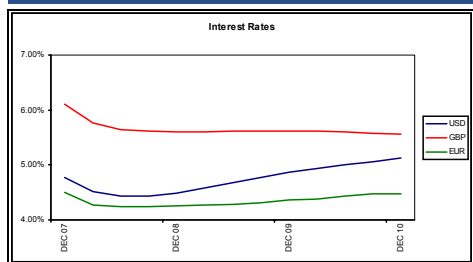
Corporate credit markets had a very busy week, a combination of Fed rate cuts, good US macro data and a credit index roll-over caused spreads to tighten 27% this week to 265bps. This tightening was reflected across the single name universe of credits however we do not believe the Fed rate cut has solved the underlying problem of excessive leverage and loose lending therefore we expect to see spreads widen in the near term, with further negative sub-prime news being the catalyst.

Credit Sector Movements

Airlines: Tighter in the sector – British Airways tightened 22% this week after announcing additional routes to the US from London. Lufthansa also tightened 15% on news of capacity expansion, with an order for 41 new airbus aircraft. Rolls Royce also tightened this week, 5bps (18%), realizing the improvement in spreads from its Fitch rating upgrade last week. BAE also tightened 23% on news of a large Saudi warplane order.

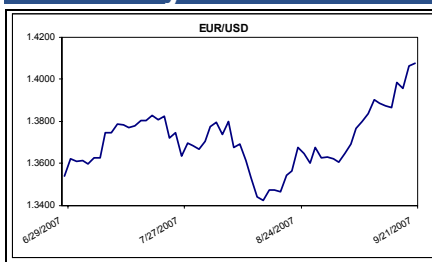
Retail: Mixed in the sector – Sainsbury was the only name to see spreads wider, +7bps on ongoing buy-out rumours. Morrisons also tightened significantly, -19bps (31%) after reporting a 69% increase in profits, attributable to cost cutting. MKS and Kingfisher were also tighter while the biggest mover was Dixons, 26% tighter over the week, 32% tighter than its widest early August point.

Interest Rate Outlook

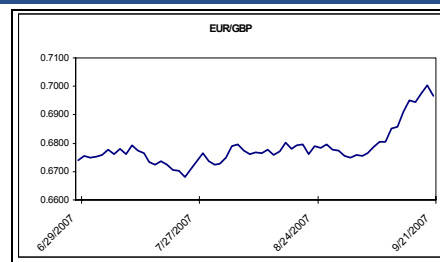


The yield on the US benchmark 10-year treasury rose by 17 basis points over the week on concerns that the Fed's surprise 50 basis point cut in its benchmark rate may push up inflation. With commodity prices continuing to soar and oil trading at record highs inflation is still a key concern for the US. This Friday we will get data on the Fed's preferred inflation measure Core PCE with investor's hoping it will remain below the Fed's target level of 2%.

Currency Comment



The \$ weakened considerably against the € last week to trade at an all time low following the Fed's decision to reduce its benchmark interest rate and discount rate by 50 basis points apiece to 4.75% and 5.25% respectively. The focus will again be in the US this week with housing data due on Tuesday & Thursday and core PCE inflation data due on Friday. Any weakness in the numbers could see the \$ decline again.



The € continues to remain strong against £ and hit the key £0.70 mark during the week as the fallout from the Northern Rock liquidity crisis continued. The focus will be in the UK with the Nationwide house price survey due for release on Thursday and any weakening here could weigh on the £.



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