



August 25, 2005

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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6660	↓ -29	-0.43%	11.0	7.45%
FTSE 100	5275	↓ -25	-0.47%	13.5	9.58%
DAX 30	4916	↓ -2	-0.04%	15.0	15.51%
DOW	10435	↓ -85	-0.81%	19.5	-3.23%
NASDAQ	2129	↓ -8	-0.39%	15.6	1.91%
S&P	1210	↓ -8	-0.66%	21.0	-0.20%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2312	0.6815	135.2200
Dollar	1.2312	1.0000	1.8067	109.8000
Sterling	0.6815	1.8067	1.0000	198.3700
Yen	135.2200	109.8000	198.3700	1.0000
Oil (Nymex)	67.5200			

**This Week's Research**  
Petroceltic  
Tullow Oil  
British Land

**Today's Research**  
Eircom

## Breaking News

### Precinct bid for Jurys falls through

Jurys Doyle says it no longer supports the Precinct consortium's proposal for a €1 billion takeover of the hotel group. In a statement, it says it has terminated the due diligence exercise by Precinct in relation to the company. The hotel group says its board was informed by Precinct on Wednesday that the proposed bank funding support for its proposal has been withdrawn.

### Hilton Group issues strong outlook

Hilton Group has announced upbeat interim results this morning. The results for the first half to June 30 2005 showed pretax profit rising to 201.9 million pounds from 193.7 million a year earlier on revenue of 6.6 billion pounds, up from 5.6 billion in the first half of 2004. Hilton made brief reference to the London bombings which it said had only a short term impact and have not hindered improvement in the second half. Analysts' forecasts had ranged from of 179.9 million-196.4 million. "The outlook for the group remains strong with Ladbrokes and Hilton both enjoying steady growth. The disposal of 18 UK hotel assets is progressing well," said group Chief Executive David Michels in a results statement.

### Oil sets new high

Oil surged to a record \$68 a barrel overnight, on supply concerns due to a growing threat to oil facilities from an Atlantic storm and a large fall in U.S. gasoline stocks. Gasoline stockpiles in the United States slid by 3.2 million barrels in the week to Aug. 19, widening the supply gap from a year ago, the government Energy Administration Agency said. Compounding the fears, a tropical storm is swirling toward Florida, threatening U.S. oil and gas production facilities in the Gulf of Mexico.

## Business Press

- Dana Petroleum plan gets go ahead (IT)
- Trintech reports its first quarterly loss in two years (IT)
- Reubens' approach loses support of Anglo (II)
- Iona boss predicts success (IE)
- Smart Telecom wi-fi doing well (IE)

## Eircom (€1.80)

## Q1 results announced

Stuart Draper

- Results announced : This morning, Eircom announced results for the 3 months ended 30/06/05. Revenue and EBITDA of €399m and €149m respectively had been previously announced with the Meteor acquisition announcement on 25th July, and compare with prior year comparatives of €401m and €154m.
- Rights issue : As a result, the main focus for investors currently is this acquisition and the associated €420m rights issue. Assuming a rights issue price of €1.10, the consensus forward eps for Eircom falls by 25% from 21.4c to 16.1c, and the dividend cover weakens from 1.95x to 1.46x post the deal.
- Discount deserved : This would leave Eircom currently trading at 11.2x forward eps, a 13% discount to the European telecom sector of 12.9x. However, our view is that at least a 10% discount to the sector is warranted given that Eircom's European peers have profitable mobile businesses with significant post paid bases, whereas Meteor is a prepaid mobile operator which has yet to report a profit.
- Falling traffic : Eircom's revenue continues to remain under pressure from significant year on year falls in voice traffic as a result of increased mobile usage. In addition to the line rental price increases of 2004 not recurring this year, broadband revenue growth for Eircom in 2005 and 2006 may not be as strong as current consensus forecasts.
- Broadband competition : Current consensus forecasts are expecting c.300,000 Eircom broadband users by March 2006, but the entry of new competitors into the Irish market, such as Smart Telecom, may present a threat to such broadband revenue growth expectations.
- Interest costs : With net debt of €1.959bn, Eircom's earnings are significantly exposed to the risk of higher interest rates in 2006 and 2007. There is also a voluntary redundancy programme in place over the next two years, which is expected to cost a total of €140m.
- Limited upside : At the end of May, following the 12% fall in the share price over the previous 3 months, we upgraded our Eircom recommendation from SELL to NEUTRAL. Valuing Eircom at a 10% discount to peers generates a fair value per share of €1.87 (4% further upside), based on 11.6x forward eps of 16.1c. With limited further upside to this level, we reiterate this NEUTRAL recommendation at current levels, being of the view that much of the upside from the Meteor deal may already be reflected in the share price : **NEUTRAL**.

## Investment Press— Lex

- BHP Billiton: Chip Goodyear says BHP Billiton makes a lot of things, but crystal balls are not among them. Announcing the mining group's full-year results, however, the chief executive unveiled a chart showing that real commodity prices are at their lowest levels in 200 years. The sense remains that BHP is a super-cycle believer.



DOLMEN SECURITIES

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