Dolmen Daily

DOLMEN STOCKBROKERS

Thursday 25th March 2010

CONTENTS

IRISH PAPERS TODAY

Bank chief says State must invest €9bn to keep Anglo afloat *(The Irish Times)*

Keeping Anglo open is "the least worst option" *(The Irish Times)*

EU pushes BoI to offload UK assets *(Irish Independent)*

INTERNATIONAL PAPERS TODAY

Darling ducks deficit challenge (*Financial Times)*

Adviser on state banks caught up in FSA swoop (*Financial Times)*

Saudis crack al Qaeda ring (*The Wall Street Journal)*

Market View — Analyst: Stephen Taylor

European equity markets are slightly higher this morning despite a weak close in the US overnight. Yesterday's fall in the US marked only the second decline in 12-days. We continue to recommend looking to buy the dips in markets in our two preferred sectors of technology and basic resources. We also like healthcare as a defensive play with GlaxoSmithKline, Pfizer and Abbot Labs some of our preferred names. Again further positive corporate developments have been evident in markets. Yesterday, coffee retailer Starbucks approved it first ever quarterly dividend. Announcements such as this confirm our view that the outlook for corporates is continuing to improve as the global economy improves. As for today the main focus will be on the EU summit which is taking place today. With Portugal's credit rating downgraded by Fitch yesterday, an increased focus is to be placed around peripheral Europe. While equity markets are shrugging off the current sovereign debt concerns, the €uro is not and has this morning fallen to a 10-month low against the US dollar. We continue to remain short the €uro-dollar currency pair as in the short-term with the improving outlook for the US economy against a backdrop of lower growth for Europe, we expect the €uro continue to underperform. Elsewhere, UK retail sales are expected to show some improvement in February following a disappointing reading in January. Weekly jobless claims will also be important with a slight week on week improvement anticipated.

UK Budget — **Analyst** Oliver Gilvarry

Chancellor Darling released his last Budget yesterday before the UK General Election. The market was worried it would be a pre-budget give away, but it didn't turn out that way. The Chancellor increased spending by a net £1.4bn, less than feared. He also reduced his estimated for the amount the UK will have to borrow over the next number of years, but the budget deficit for 10/11 will be 11.8% of GDP. Stronger than expected tax receipts in Dec, Jan and Feb helped the deficit for 09/10 to come in better than expected at £167bn. Specific policies in the budget included an increase in duty on alcohol, but the move on cider was less than expected and is a positive for **C&C**. Stamp duty thresholds for first time buyers was doubled to £250k, which will give some support to the UK housing market a positive for the likes of **Lloyds Banking Group**. The Chancellor believes 90% of first time buyers will avoid paying stamp. UK banks got away much better than what was feared with the budget not imposing any specific taxes on the banks. Relief on pensions will be hit from 2011, which is a negative for Life Insurance companies but a lot of this move has been already priced in. A Green Investment Bank is to be set up with £2bn of equity with half of this raised by assets sales by the Government and the remainder raised by private equity. The new bank will look at promoting low carbon energy project to cut Co_2 emissions, which is positive for renewable energy companies.

United Utilities — **Previous Close** 542p — **Analyst** Oliver Gilvarry

United Utilities issued a Trading Update this morning. CEO Philip Green commented the group is on track to deliver a sound underlying financial performance for the year ending 31st of March. He sees the group well prepared for the new regulatory environment for 2010-2015 with a strong balance sheet allowing headroom to cover the financing needs up to early 2012.

Ryanair: Buy — **Previous Close** €3.46 — **Target** €4.30 — **Analyst** Edward Keeling

This morning we note more positive comments coming from the travel sector. In a trading update Thomas Cook has indicated that summer bookings have continued to pick up across all major markets. In the UK recent bookings have improved strongly and the winter programme is now 91% sold. Meanwhile Air Berlin has said this morning it expects 2010 sales will rise markedly and that it expects to grow more strongly than the overall market. Recent sector news continues to point towards a strong fare performance for Ryanair over its fourth quarter. Ryanair will next update the market at its full year results announcement on June 1st.

BoI: Buy — **Previous Close** €1.35 — **Target** €1.50 — **Analyst** Oliver Gilvarry

Reports in the Irish Independent this morning on BOI indicate it could be forced to dispose its JV with the UK Post Office by the European Commission (EC). The JV has been a strong deposit gathering unit for the group with £8bn of deposits as of September 2009. This was 44.4% of UK deposits and 10.7% of the group's total deposits. The JV will be a growth area for the group as it is moving towards offering more banking services over the next number of years. A difficultly in forcing such a disposal is the long term contract the bank signed with the UK Post Office in recent years, but such speculation on what the EC will force on the Irish banks in return for the State Aid they have received increases the uncertainty in the Irish banking system ahead of next weeks announcement.

ICG
Buy

Current Price : €15.50

Price Target : €17.00 (Previous €16.50)

DOLMEN STOCKBROKERS

Analyst: **Edward Keeling**

Thursday March 25th 2010

- **Full year Results :** ICG released its full year results on Tuesday and its performance was in line with expectations. EBITDA for the period was €50.7m, while its profit before tax was €25m resulting in an eps of €1.03. Revenue was down 24% year on year to €261m and was below expectations of c.€279m. Management cited the most difficult trading conditions seen in Ireland for decades. However with operating costs down an impressive 22%, the group's operating margins were ahead of consensus estimates at 10%. The groups costs performance was helped by lower than anticipated chartering prices in its Containers & Terminals division and a well executed cost cutting programme at its Ferries division. Reflecting strong cashflow generation, it has further reduced its net debt from €48.7m at the start of the year to €21.7m by year end. Furthermore, it is proposing a final dividend of €1 per share which will be paid on 16th June 2010 to shareholders on the register at close of business on 14th May 2010.

- **Ferries Division:** Turnover at its Ferries division was down 19% year on year to €149m, while operating profits were down nearly 50% at €18.1m. Such dramatic declines can be attributed to a substantially weaker freight market and passenger yields. However it is encouraging to note the improving trends. Revenue declined by 15.8% over the second half of the year to €83.5m. This is compared with a 22% fall in the first half of the year to €66m. During the first half of the year passenger and car numbers declined by 9% and 6% respectively. As the year progressed, management noted a gradual improvement in the level of business, assisted by reductions in airline capacity into and out of Ireland. For the latter six months of the year, car and passenger numbers were up 2% and 5% respectively year on year. The total number of sailings operated over the year was broadly unchanged at 4,236. Within the freight segment of its Ferries division, carryings for the year were by 19% to 196,000.

- **Container & Terminal Division:** Not surprisingly the sharp downturn in internationally trade had a strong adverse impact on revenue at its container & terminal division. Turnover fell by 30% to €113m. Again, revenue trends are improving with a decline of 26% to €59m over the second half of the year, compared with 34% experienced in the first six months. Reflecting is flexible operating cost model, operating profit in the division grew 22% to €8.4m.

- **Dividend Policy:** On its dividend policy the group remains reluctant to guarantee any payout policy but they're confident in its ability to return cash to shareholders. They concede that with such a young fleet and no major capex requirements (below depreciation foreseeable future) required over the next decade, the company is being run for cash maximisation. In our view the dividend is secure. It is over two times covered by free cash flow alone and with such proportion of its shareholding taken up by management, the company is likely to favour a strategy of shareholder cash distribution.

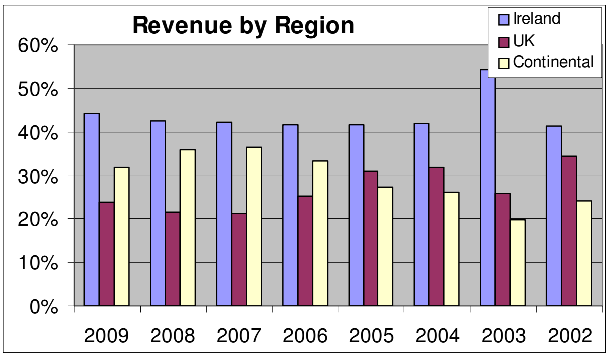
- **Outlook :** In terms of outlook the company has reiterated that the economic environment remains challenging. Freight volumes have continued to fall so far this year due to the effect of additional competing capacity. However from the end of March the company will be reporting against more representative comparative figures. In the passenger market, the competitive threat from air carriers continues although some reductions in capacity are emerging. Overall the company's operational leverage leaves in well placed to benefit from any resumption in trade growth.

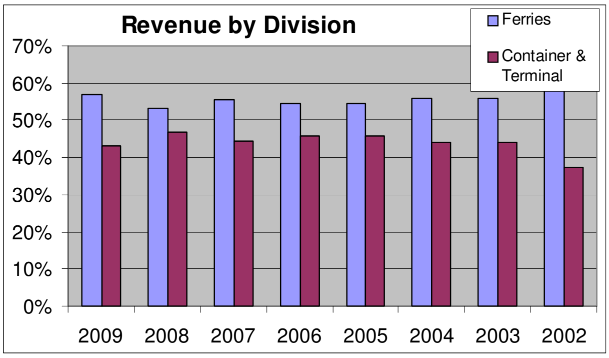
- **Valuation:** We remain positive on ICG. Earnings have almost certainly troughed and with little or no capex requirements over the medium term, the company will be close to debt free by the end of next year. It has a dividend yield of c.6.5% which is close to 2x covered on free cash flow basis. Reflecting better than expected operating margins, tax credits and net debt reduction, we increase our price target to €17.00. This is based on the stock trading on a EV/EBITDA multiple of 8x, in line with its historical average.

Descriptive Stats		Shareholders	
52 Week % Ch	9.66%	Moonduster	24.92%
52 Week High	18.30%	Eamonn Rothwell	9.37%
52 Week Low	9.20%	Irish Life Mgrs	3.96%
Reuters	ICG_u.I	AIB	3.16%
Bloomberg	IR5A ID	Gartmore Invt.	1.44%
Market Cap	€385m	Garoid O'Dea	0.77%
Net Debt	€21.7m	L&G	0.72%

	FY08	FY09	FY10e
Revenue €m	343	262	266
EBITDA	66	51	53
Operating Profit	42	27	30
EPS €	1.62	1.03	1.07
DPS	1.00	1.00	1.00
P/E	9.69	15.24	14.67
Div Yield	6.37%	6.37%	6.37%

Peer Analysis	EV/EBITDA 10	EV/EBITDA 11	Div Yield
DFDS	7.8	6.1	1.60%
Attica	13.1	11.3	1.80%





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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,148	-0.4%	5.0%
FTSE	5,678	0.1%	5.1%
Dow Jones	10,836	-0.5%	3.9%
S&P	1,168	-0.5%	4.7%
Nikkei	10,815	0.4%	2.7%
Stoxx 50	2,904	-0.2%	-1.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	277	-0.9%	0.0%
Technology	213	0.5%	15.4%
Oil & Gas	335	0.1%	1.7%
Financials	222	0.0%	0.1%
Retail	259	-0.1%	6.9%
Food & Drink	324	0.1%	6.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	80.6	-1.6%	-0.6%
Copper	334.6	-1.0%	-0.7%
Gold	1,086.7	-1.7%	-0.5%
Silver	16.6	-2.3%	-1.1%
Wheat	476.0	-0.2%	-14.2%
Cattle	92.9	0.5%	5.9%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.331	-1.4%	7.5%
€/£	0.896	-0.2%	-0.7%
£/$	1.487	-1.2%	8.3%
$/JPY	92.300	2.1%	1.3%
€/JPY	122.870	0.7%	8.8%
€/SFR	1.429	0.1%	4.0%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	72.6	-0.4%	5.9%
High Yield	414.3	-0.8%	-2.7%
Financials	81.9	0.2%	15.9%
BoI	208.8	0.4%	-14.7%
AIB	219.6	-0.6%	-20.6%
RBS	141.8	-3.4%	4.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.6%	0.6%	0.3%
1-Year	1.1%	1.1%	0.6%
2-Year	1.5%	1.6%	1.2%
5-Year	2.4%	2.9%	2.7%
10-Year	3.3%	3.8%	3.8%

Date	Company	Region	Event
25/03/2010	Air Berlin PLC	DE	FINAL
25/03/2010	Loewe AG	DE	FINAL
25/03/2010	Accenture Plc	IE	Q2
25/03/2010	Signet Group PLC	GB	FINAL
25/03/2010	Kingfisher PLC	GB	PRELIM
25/03/2010	Next Plc	GB	PRELIM
25/03/2010	Petropavlovsk PLC	GB	PRELIM
25/03/2010	Premier Oil PLC	GB	PRELIM
25/03/2010	Scisys Plc	GB	PRELIM
25/03/2010	Ted Baker PLC	GB	PRELIM
25/03/2010	United Utilities Plc	GB	TRADE
25/03/2010	ConAgra Foods	US	Q3
25/03/2010	Oracle	US	Q3
25/03/2010	Best Buy Co.	US	Q4
26/03/2010	Hypo Real Estate Holding AG	DE	FINAL
26/03/2010	Koenig & Bauer AG	DE	Q4
29/03/2010	Kenmare Resources PLC	IE	EGM
29/03/2010	Fiat SpA	IT	S/HOLDERS
29/03/2010	Petrofac Ltd	GB	EGM
29/03/2010	Apollo Grp	US	Q2
30/03/2010	Wendel SA	FR	Q4
30/03/2010	McInerney Holdings PLC	IE	PRELIM

Date	Event	Region	Estimate
25/03/2010	GfK Consumer Confidence Surve	GE	- -
25/03/2010	Euro-Zone M3 s.a. 3 mth ave.	EC	- -
25/03/2010	Retail Sales Ex Auto Fuel(MoM)	UK	- -
25/03/2010	Initial Jobless Claims	US	- -
26/03/2010	Total Business Investment(QoQ)	UK	- -
26/03/2010	GDP QoQ (Annualized)	US	- -
29/03/2010	Personal Consumption	US	- -
29/03/2010	GDP Price Index	US	- -
29/03/2010	Core PCE QoQ	US	- -
29/03/2010	U. of Michigan Confidence	US	- -
29/03/2010	Hometrack Housing Survey (MoM	UK	- -
29/03/2010	Net Consumer Credit	UK	- -
29/03/2010	M4 Money Supply (MoM)	UK	- -
29/03/2010	Business Climate Indicator	EC	- -
29/03/2010	Euro-Zone Consumer Confidence	EC	- -
29/03/2010	Personal Income	US	- -
29/03/2010	PCE Deflator (YoY)	US	- -
29/03/2010	PCE Core (MoM)	US	- -
29/03/2010	Consumer Price Index (MoM)	GE	- -
29/03/2010	Dallas Fed Manf. Activity	US	- -
30/03/2010	GDP (QoQ)	UK	- -
30/03/2010	Current Account (BP)	UK	- -

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