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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7887 ↑	72	0.92%	11.0	7.11%
FTSE 100	6087 ↓	-12	-0.20%	13.5	8.33%
DAX 30	6079	0	0.00%	15.0	12.40%
DOW	11283 ↓	-53	-0.47%	19.5	4.64%
NASDAQ	2330 ↓	-3	-0.13%	15.6	5.67%
S&P	1302 ↓	-6	-0.49%	21.0	4.56%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2415	0.6955	142.8900
Dollar	1.2415	1.0000	1.7851	115.0600
Sterling	0.6955	1.7851	1.0000	205.4200
Yen	142.8900	115.0600	205.4200	1.0000
Oil (Nymex)	72.8800			

This Week's Research
Sterling Energy
GSK

Today's Research
Rank Group

Today's Recommendation

Rank Group (£2.26) Trading statement released Stuart Draper

- **Statement released :** This morning, Rank Group announced a trading statement for the 16 weeks ended 16/04/06. It also announced that it is the early stages of negotiations with a number of interested parties with regard to the sale of its Deluxe Media business. The group's Mecca Bingo hall business in the 16 weeks to 16/04/06 was flat year on year, with a 2% rise in spend per head offsetting a 2% fall in admissions.
- **Trading strongly :** However, its Grosvenor Casino business generated 12% revenue growth during the period, continuing to take advantage of gaming deregulation measures introduced in October 2005, and the group's Hard Rock Café business is also continuing to trade strongly, with like-for-like sales growth of 9% being achieved in company-operated cafes.
- **Bingo admissions :** Despite the recent introduction of a smoking ban in Scotland, bingo hall operator Gala recently confirmed that admissions are continuing to be strong, with extra admissions more than offsetting a small decline in spend per head. Gala owns 27 bingo clubs in Scotland, compared with Rank's 14, and has performed well under private ownership.
- **CEO resignation :** Last month, Mike Smith resigned as Rank CEO, and there has been some speculation that he could lead a private equity approach for Rank. In addition to Gala proving very successful under private ownership, William Hill and Hilton have also both been mentioned as potential acquirers of Rank.
- **Share buyback :** Following the sale of the group's Deluxe Film business for £420m, Rank is currently undertaking a £200m share buyback programme which should continue to provide support for the share price at current levels.
- **Casino growth :** Casino attendances are continuing to grow and are expected to deliver 30% growth over the next 3 years. As a result, group revenue and eps should grow to £830m and 14p respectively in 2006 from £810m and 10p for 2005. Further double digit eps growth to 15.5p would appear achievable in 2007, which given the current gaming sector average rating of 15x 2007 eps would justify a fair value per share of £2.33.
- **Takeover potential :** Therefore, with the share price underpinned at current levels by some attractive earnings growth potential, the downside risk from current levels would now appear limited. With an above average probability of a bid approach in the coming months, we re-iterate our recent **Speculative BUY** recommendation.

Breaking News

BHP Billiton reports record Q1 production

BHP Billiton has announced that it produced record Q1 amounts of nickel, copper, natural gas and aluminum, while third quarter petroleum and iron ore output fell. Development of new production remains pressured by shortages of skilled workers and the rising cost of raw materials, BHP said. During the quarter, the company saw no easing of the industrywide pressures that have been placing constraints on the supply side's response to continued strong global demand for raw materials. U.S. dollar weakness has also added pressure to delivering new projects to budget.

Legal & General Q1 new business beats forecasts

Legal & General showed continued momentum with its first-quarter new-business results, driven by the protection, savings and investment markets in the U.K. U.K. new business increased 28% to £363m from £283m on an annual premium equivalent, or APE, basis. Worldwide new business increased by 27% to £390m APE from £307m. Legal & General's results were considerably ahead of expectations, continuing the positive trend set April 20 by Prudential. Consensus estimates had pointed towards an increase in first-quarter U.K. new business of 9.2% to £309m. The company noted a good performance in the UK in retail protection sales as the housing market showed further signs of recovery and increased activity in the retail pensions market.

AIB sells Ballsbridge site

AIB has announced the sale of its Bank Centre site in Ballsbridge in for €377.7m. AIB said it had sold the site, excluding a new development on the site, in two lots to Hibernian Life and Pensions Ltd and developer Sean Dunne. The properties, consisting of eight adjoining office blocks, will be leased back for a period of 20 years while the initial annual rent of €11.6m will be reviewed every five years. It is anticipated that the cost will be more than offset by savings and by the benefits derived from the use of the capital. AIB said the transaction, expected to be completed during the second quarter of 2006, would generate a profit after tax of about €230m, which will be reinvested in its core banking business.

Business Press

- Kenmare reports \$4.7m pretax profit (IT)
- Smurfit Stone losses increase (IT)
- Irish money flowing into global equities (II)
- Fyffes provides an extra €7.5m for DCC costs (II)

Investment Press

- **Tesco:** Tesco plans to build the "greenest store in the world", the first supermarket made entirely from recycled materials. Shareholders may feel that more of the UK retailer's £2.2bn pre-tax profits should be recycled to them.

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