



May 27, 2005

Contact Details:

Email : [research@dbb.ie](mailto:research@dbb.ie)  
[info@dbb.ie](mailto:info@dbb.ie)

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

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6226 ↑	19	0.30%	11.0	0.46%
FTSE 100	4995 ↑	23	0.47%	13.5	3.76%
DAX 30	4437 ↑	47	1.07%	15.0	4.24%
DOW	10538 ↑	80	0.76%	19.5	-2.28%
NASDAQ	2071 ↑	21	1.03%	15.6	-0.85%
S&P	1198 ↑	8	0.64%	21.0	-1.19%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2527	0.6869	135.1000
Dollar	1.2527	1.0000	1.8229	107.8300
Sterling	0.6869	1.8229	1.0000	196.5700
Yen	135.1000	107.8300	196.5700	1.0000

**This Week's Research**  
Greencore  
British Land  
ThirdForce

**Today's Research**  
Eircom

**Today's Recommendations**

**Eircom (€1.90) FY results announced Stuart Draper**

- Results announced : This morning, Eircom announced results for the year ended 31/03/05. Revenue and earnings per share of €1.6 bn and 14c respectively were largely in line with consensus forecasts of €1.6 bn and 16c. Revenue was 2% lower year on year, whereas the eps result was a major increase on the prior year comparative of 3c.
- Depreciation charge : The main reasons for the difference between the revenue and eps year on year changes were lower depreciation and interest charges, as the EBITDA result of €615m was 2% higher year on year.
- Falling traffic : Eircom's revenue remains 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. Smart launched its broadband offering on 1st February and already has over 20,000 customers.
- 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.
- Mobile risk : Even though there is the potential of Eircom re-entering the mobile sector in 2005, which could lend support to the share price, such a deal may be delayed until more progress is made with regard to broadband roll-out nationwide.
- Fairy valued : Also, at current levels, much of the upside from such a mobile deal may already be reflected in the share price. The shares are currently trading at 10.6x forward earnings per share of 18c, which quite fairly values the company's limited earnings growth prospects.
- Switching opportunity : Therefore, following the 12% fall in the share price over the past 3 months, we now upgrade our Eircom recommendation from SELL to NEUTRAL, but still recommend a SWITCH into Smart Telecom (24p) as providing more value at current levels amongst the Irish telecom stocks : **NEUTRAL**.

**Breaking News**

**Elan predicts Tysabri will return to market**

Elan has reiterated its confidence that its key suspended MS drug, Tysabri, would eventually return to sale. Addressing shareholders at yesterday's AGM Chief Executive Kelly Martin, said the company was working with its research partner, Biogen, to identify what the real dangers of the drug were. Martin said officials from both companies would meet U.S. regulators to discuss the "path forward for Tysabri" once their internal review was complete by late summer. "It's a question of when and what path that takes, not a question of if," he said. He added that, even in "a worst-case scenario" where Tysabri didn't return to sale, Elan still was on course to break even financially in 2006 and would meet debt repayments.

**Abbey PLC: Proposed buy back**

Abbey PLC is to seek shareholder approval to buy back up to 14.99 percent of its issued share capital over an eighteen month period. Abbey said the move would provide shareholders with the flexibility to realise value in respect of all or some of their shareholdings and should stimulate liquidity in the company's shares, and enhances earnings per share. Based on the existing market price of €8.75 per share, Abbey said maximum utilisation of this authority would represent a return of capital of approximately €46.9m. Abbey said its largest shareholder, Gallagher Holdings Ltd, which is interested in approximately 29.83 percent of the existing issued share capital of the company, is understood to be unlikely to participate in any share buy back programme.

**CRH to buy Sanit-Gobain unit**

Saint-Gobain SA said it has agreed to sell its Stradal unit, which produces various concrete products for exterior fittings, to CRH. Saint-Gobain said it is selling Stradal because it sells almost exclusively in France, 'and therefore does not fit into the group's strategy of expanding its international presence.' Financial terms of the sale were not disclosed, but a source close to the matter said Stradal was sold for about €120m, representing about 0.7 times its 2004 sales.

**Business Press**

- European banking giants discuss a €16 billion deal (WSJE)
- Moroccan venture for Dana Petroleum (IE)
- Lucey to take helm at IAWS (IE)
- Kingspan rebuffs break-up rumours (IT)
- Trust raised at South Wharf (IT)

**Investment Press— Lex**

- Barclays: Having helped British consumers to build up more than £1,000bn of debt and made healthy profits along the way UK banks can hardly complain now that some of those loans are turning sour.



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