DOLMEN DAILY

June 28, 2007

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EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	9237	↓	-148	-1.57%	14.1	-1.82%
FTSE 100	6528	↓	-32	-0.48%	13.2	4.93%
DAX 30	7801	↓	-59	-0.75%	14.2	18.26%
DOW	13428	↑	90	0.68%	15.2	7.74%
NASDAQ	2605	↑	31	1.21%	26.1	7.87%
S&P	1506	↑	13	0.90%	15.9	6.21%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3470	0.6724	165.6800
Dollar	1.3470	1.0000	2.0032	122.9900
Sterling	0.6724	2.0032	1.0000	246.3100
Interest Rates (%)	4.0000	5.2500	5.5000	0.5000
Oil (Nymex)	68.9700			

This Week's Research

British Land
Ladbrokes
Petroceltic

Today's Research

Anglo Irish Bank

Breaking News

CRH buys Bluescope's Vistawell for $190m

Australia's largest steel maker, BlueScope Steel Ltd., announced it will sell its Texas-based Vistawall aluminum architectural products unit for $190m to Oldcastle Glass Inc., a unit of CRH Plc. The Melbourne-based company has owned Vistawall since April 2004 when it acquired Butler Manufacturing Co. for $206m. The sale involves Vistawall Group's North American businesses, while BlueScope will continue to own and operate Butler Buildings in North America and China and Vistawall's Chinese businesses.

Greencore loses contract to supply Starbucks

Starbucks has dropped Greencore as supplier of sandwiches to its British cafe empire, a move that removes the group's products from more than 530 outlets in England, Scotland and Wales. Greencore made light of the setback, stating that it had compensated for the entirety of the lost business through four new contracts in Britain to supply Shell's forecourt garages as well as shops trading under the Spar, Londis and Budgen's brands. It is believed that Greencore supplied some 10 million sandwiches per year to Starbucks before the unwinding of its contract last December led to the cessation of supplies in April. This represents some 5% of Greencore's total annual production of 200m sandwiches.

Diageo reiterates guidance of 8% rise in FY profits

Diageo reported today that sales growth had accelerated in the second half of its fiscal year and reiterated its guidance for an 8% rise in full-year organic profit. The global drinks giant said in its full-year trading update that the strong first-half performance in its North America and International regions had continued in the remainder of the year while sales in Europe and Asia Pacific had improved after an increase in marketing spending. Therefore while Diageo's total organic net sales growth in the full year is expected to be higher than in the first half, operating profit growth will be in line with the first half performance of 8%. For the first half the group posted net sales growth of 6%.

Today's Recommendation

Anglo (€14.88) Avoiding the next Northern Rock ! Stuart Draper
Target : €18 (08/03/07 ; previously €17.50, issued 02/02/07)

- Northern Rock : The share price of Anglo Irish Bank fell to a year low for 2007 yesterday of €14.88. One of the main factors appears to have been the fact that UK mortgage bank, Northern Rock (NR), made a change to its business model, involving the sale of some of its commercial loan portfolio.
- Basel II : The rationale for the NR move appears to be that under Basel II, the new capital reserving criteria for banks required to be fully implemented by January 2008, loans secured on residential property with a loan to value of 80% or less, will carry a risk weighting of 35%, versus 50% under Basel I. For a specialist mortgage bank like NR, this makes it more attractive to increase the proportion of residential mortgages on its balance sheet and reduce the proportion of commercial secured loans on its balance sheet, which will continue to be risk weighted at 100%.
- Read-through misplaced : As a result, NR is securitising, or selling on to third parties, £3.1 bn of unsecured and commercial loans, which will release capital from its loan book to fund a share buyback programme. Given NR's focus in recent years on being a highly efficient mortgage lender through the widespread use of securitisation, further securitisation under Basel II to fund a share buyback programme is a logical progression. However, such a move would not be a logical progression for Anglo, which has a very different and significantly higher margin niche business banking model.
- US expansion : The latest commercial property investment report from CBRE Richard Ellis states that it expects investment in commercial property from Irish investors this year to at least match last year's record €11.9 bn, with any supply driven reduction in Ireland being offset by increased investment in the US and Europe, markets where Anglo has been generating strong loan growth in recent years.
- Major upside : Such continued strong loan growth provides the basis for the consensus current year eps forecast of €1.23, representing 31% growth on the prior year comparative of 93.7c. Such continued stronger than sector average earnings growth warrants a premium rating of c.20%, and as a result our current 12 month price target of €18 (21% upside) is based on 12x consensus eps of €1.48 for the year ending 30/09/08, representing further 20% growth. Such sustainably strong growth means that Anglo deserves a premium rating : **BUY**.

Business Press

- Waterford chipping away at losses (FT)
- Ryanair to appeal decision to block Aer Lingus takeover (IE)
- Moves by ICG to identify mystery stake buyer fail (II)

Investment Press

- Big Oil under pressure: What links the world's largest listed company, riots in Tehran, and political attacks on the private equity industry? The curious, and longstanding relationship between politics and Big Oil.

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