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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8278 ↑	82	1.00%	14.1	-12.02%
FTSE 100	6132 ↑	30	0.49%	13.2	-1.42%
DAX 30	7439 ↑	9	0.12%	14.2	12.77%
DOW	13289 ↑	247	1.90%	15.2	6.63%
NASDAQ	2563 ↑	63	2.50%	26.1	6.12%
S&P	1464 ↑	31	2.19%	15.9	3.21%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3645	0.6775	157.6200
Dollar	1.3645	1.0000	2.0138	115.5400
Sterling	0.6775	2.0138	1.0000	232.6800
Interest Rates (%)	4.0000	5.2500	5.7500	0.5000
Oil (Nymex)	73.5100			

This Week's Research
 Cadbury Schweppes
 CRH
 IL&P

Today's Research
 Aer Lingus

Breaking News

Aer Lingus (€2.43) H1 results announced Stuart Draper

- Results announced : This morning, Aer Lingus announced its results for the 6 months ended 30/06/07. EBITDAR and operating profit of €56.5m and €2.6m respectively were slightly ahead of consensus forecasts of €54m and -€3m. Largely driven by H1 interest income of €18.3m, underlying net profit of €14.6m was achieved, 10% lower than H1 2006.
- Yields stronger : The main features of the results were strong average fares and ancillary revenue growth, offset by higher fuel costs and a disappointing lack of progress in relation to cost savings. Short haul fares were 2.7% higher year on year, with long haul fares rising by 10.2%. Ancillary revenue per passenger increased to €11.47, from €5.82 for H1 2006, driven by the introduction of new checked baggage charges.
- Costs higher : However, per passenger fuel costs were 21% higher year on year, increasing the total H1 2007 fuel bill by 28%. 57% of the airline's H2 2007 fuel requirements are now hedged at the equivalent of \$62 per barrel. However, excluding fuel, other per passenger costs increased by 5.1%. While the airline re-iterated its previous guidance for "mid teen % growth" in operating profit, greater progress in the achievement of cost savings will be necessary to generate earnings upgrades. Given the recent threat of industrial action, which has cost €3.5m to date, and the airline's unionised workforce, our current BUY recommendation assumes that there will be no earnings upgrades in the foreseeable future from the achievement of greater than expected cost savings.
- Major upside : As a result, we re-iterate our current forecasts for 2007 EBITDAR and operating growth of 9% and 5% respectively to €200m and €80m. Given the volatility of network airline profits and their different capital structures, EV/EBITDAR is viewed as the most useful valuation metric. Given that the network airlines have historically traded in the 5x to 6x forward EV/EBITDAR range, we consider 5x as a fair multiple for Aer Lingus. Based on 2007 EBITDAR of €200m and current net cash of c.€790m, this gives a value of €3.38 for each of the 529m shares in issue, which provides the basis for our current 12 month price target of €3.25 (34% upside). Downside is limited by the €690m estimated value of the airline's 23 pairs of Heathrow slots, which when combined with current net cash gives net asset value per share of €2.80 : BUY.

Breaking News

DSG International reports 6% rise in sales

DSG International reported group like for like sales that grew by 6% in the 16 weeks to August 18th. The company said that the good sales growth was due to increased sales of flat panel televisions and laptops. Like for like group margins however fell by 0.6% driven by promotional activity in the UK to reduce computer hardware stock levels. The group said it was pleased with the performance of its electricals business in the UK & Ireland and the Nordics as sales were boosted by poor weather conditions, possibly bringing forward consumer spending. The group pointed out that it was cautious on its outlook due to a decrease in discretionary spending in the UK as a result of successive interest rate hikes. DSG said it had completed £39.7m of its recently announced £100m share buyback programme.

Diageo reports full-year profit in line with expectations

Diageo reported fiscal FY 2007 net profit that fell 22% to £1.49bn and in line with analyst expectations. Prior-year earnings of £1.91bn included a one-time tax credit of £315m. Revenue for the year rose by 3% to £7.48bn, led by growth in the US and Latin of America. Diageo said it expects 9% operating profit growth for 2008 versus 8.7% for 2007. The company said that European sales improved in the second half of the year as it reversed cuts in its marketing budget in the region. Diageo's CEO Paul Walsh said he would rather buy drink brands than make a 'transformational' acquisition and is considering bidding for Absolute vodka, made by Vin & Sprit AB, which is being sold by the Swedish government. Diageo also commented that it does not plan on selling the Guinness brand.

Ryanair announces extension of buyback programme

Ryanair said that further to its previous announced share buyback programme that any ordinary shares, which it buys back between 30th August and September 19th, being the last day prior to its annual general meeting, will be repurchased under an irrevocable non-discretionary programme executed by its broker Davy. Davy will make its trading decisions in relation to Ryanair's shares repurchased under the buyback programme independently of, and uninfluenced by, Ryanair.

Business Press

- Profits up 33% at IL&P (IT)
- FBD shares fall 4% as insurer reports fall in profits (IT)
- Glanbia interim gains exceed €1bn (IT)
- Why insurance is a risky business (II)

Investment Press

- US earnings prospects: For Wall Street, the summer has brought sunny days marred by dark clouds of foreboding. Yet if earnings estimates and a buoyant stock market are anything to go by, the effect on profits is expected to be pretty minimal

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