Dolmen Daily

DOLMEN STOCKBROKERS

Friday, 30th January 2009

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(The Irish Times)

Potential buyer of Waterford meets union
(The Irish Times)

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(Irish Independent)

UK PAPERS TODAY

Trichet warns on bank hoarding
(*Financial Times)*

Ford says move to draw $10.1bn from credit lines is just prudence
(Financial Times*)*

DOLMEN DOZEN

Aryzta	0.5%	-14.6%
BP	-1.0%	-5.3%
CRH	-6.2%	1.2%
E.ON	-2.2%	-9.4%
HPQ	-4.0%	-1.0%
IL&P	-13.2%	9.8%
INM	-13.6%	-33.3%
J&J	-0.5%	-2.6%
JPMorgan	-8.1%	-19.3%
Microsoft	-2.5%	-9.5%
Paddy Power	-5.8%	-19.4%
Vodafone	-2.8%	-4.6%

Market View — Analyst : Stephen Taylor

Equity markets dropped yesterday on the back of some weaker than expected economic data out of Europe and the US. The German unemployment rate increased twice as fast as expected to 7.8% from 7.6% in December. In the US durable goods orders fell for a fifth straight month, continuing jobless claims increased to record levels while sales of new homes declined by 14%. The fall off in demand for new homes pushed inventory levels to a record 12.9 months. With the housing market being the primary cause of credit problems this is especially concerning given that the 30-year fixed mortgage rate in the US remains at elevated levels at 5.33%. Housing Inventory needs to come down before the 'bad assets' on bank balance sheets retain any sort of value. With such weak economic data we expect equity markets to remain volatile with risks to the down side. On the positive side short calls work well in such a market. A sector that we have consistently maintained a negative stance towards is the autos sector. We see both BMW and Daimler being the most at risk to the current downturn and recommend selling shares in both companies into strength. Our other short calls on Wolseley, BASF, Thomson Reuters and WPP are working well and we continue to see all of these stocks outperforming to the downside. For today there is a raft of economic and corporate newsflow. On the economic side Euro-Zone CPI will be key with the inflation rate expected to fall to 1.4% from 1.6% in December. ECB president Jean Claude Trichet maintains that March will be the next 'important' meeting for the ECB with the likelihood now that the central bank will leave rates on hold at 2.0% at its February meeting next Thursday. We continue to believe that the ECB is overly concerned with price stability and are behind the curve on interest rate policy and expect further rate cuts. US fourth quarter GDP will also be closely watched with the market expecting an annualised decline of 5.5% which would be its largest contraction since 1982. On the corporate side 'Big Oil' will be the main focus with both Chevron and Exxon Mobil due to report before the US market opens while on the consumer side Procter & Gamble is also due to release earnings.

Ryanair : **Buy** **Current Price** (€3.03) **Price target** (€3.45) **Analyst :** Edward Keeling

On Monday morning Ryanair will release its third quarter results and we are anticipating a tough quarter for the airline. Notwithstanding the deteriorating consumer environment, with 80% of its fuel requirements hedged at $124 a barrel, Ryanair's gains from the collapsing oil price will have been limited. Furthermore, the continuing strength of the euro versus the pound will have undermined the c.45% of its total revenue which is sterling denominated. As a result we are forecasting an operating loss of €130m. Perhaps the most significant variable going into results will be its average fare. Despite the current environment, Ryanair is determined not to compromise its growth strategy. The market will be intently focused on its passenger yields and by how much the low cost carrier had to reduce ticket prices in order to maintain a high load factor. We are forecasting a 14% decline in average fares, while expecting another impressive ex fuel unit cost reduction of 5%. Aside from its operating performance, the group's outlook will be key. We expect low visibility on forward bookings and would be cautious with respect to the management's guidance. Nevertheless, we take comfort from easyJet's recent first quarter results on the 22nd of January, which showed a significant flight to value, and reiterate our Buy recommendation on the stock.

BHP Billiton: **Neutral** **Current Price** (1211p) **Price target** (1200p) **Analyst :** David Dunk

Rio Tinto has announced that it will sell a potash project in Argentina and the Corumba iron ore mine in Brazil. Brazilian miner Vale will purchase the assets for $1.6bn. Rio is struggling to reduce its $39bn debt burden following the acquisition of Alcan in 2007. The company has pledged to reduce debt levels by $10bn in the current year. Mining asset sales are difficult in the current environment. Although the price achieved is significantly below that expected in more normal times, the news will be welcomed by shareholders.

BNP Paribas — **Analyst :** Oliver Gilvarry

The continuing saga over the takeover of Fortis by BNP Paribas rumbles on with a further change to the deal. Under the original deal, BNP agreed to purchase all of Fortis's Belgium insurance business for €5.5bn. The deal was struck down by a Belgium courts as it was not put before Fortis shareholders for approval. Under the new deal, BNP will buy a smaller part of the insurance business and agree to take on more of the toxic assets in Fortis Bank that caused a large part of the problems in the group. The Belgium Government will receive 121m BNP shares as part of the deal and BNP will become the largest bank by deposits in Euro-Zone. Shares in Fortis have been suspended until an up-dated shareholder circular is released ahead of shareholders voting on the new deal on the 11th of February, when this takeover story may finally end.

Independent News & Media

Neutral

Analysts: Oliver Gilvarry
Stephen Taylor

Price : €0.29 Target : €0.45

- **Market update :** Last Monday, Independent News & Media (INM) issued a market update covering its 2008 financial year and provided guidance for the coming year. For the year ended 31/12/08, INM expects to report total group revenue of €1.4bn which would represent a fall of 3% on 2007. It expects operating profit to fall to €275m from €349m last year implying an EPS of €0.12, a year on year fall of €0.07. For 2009 the group does not foresee any improvement in global advertising conditions, and is forecasting that total publishing advertising revenue to contract by c. 4%-6% on 2008, with circulation revenues forecasted to be flat to marginally up on 2008. INM expects overall group revenue to be marginally down on 2008 in constant currency terms. As a result the company forecasts operating profit to fall by up to 10% and provided a range of €240-€270m.We believe that these estimates are overly optimistic and foresee advertising revenue falling by 15%.

- **APN :** INM confirmed that following unsolicited expressions of interest for its 39.1% stake in APN which it received on October 31st the continued deterioration in credit markets had made it difficult for interested parties to put together a fully-financed bid for APN at an appropriate level for the group. While APN is a core asset of INM we would have viewed a sale as a positive as it would have significantly delevered the balance sheet.

- **Balance sheet :** In the current environment strength of balance sheet is of critical importance. A sale of APN would have reduced net debt to €600mn from €1.4bn and reduced refinancing risk. INM has since engaged a number of parties to advise on the marketing of a private subordinated bond. If successfully issued, INM will use the proceeds to meet the maturity in May 2009 of its €200m 5.75% senior bond. INM has confirmed that it is currently compliant with its banking covenants and aims to achieve a net debt / EBITDA of 3.0x.

- **Cash preservation :** INM's focus in the current environment is to preserve cash. As a result the group is cutting its final dividend for 2008. The 2007 dividend paid in cash was €60.2m. The group also intends to reduce capital expenditure for 2009 to c. €30m, a reduction of over 50% on 2008 levels. We view this as a positive as the continued dislocation in credit markets makes cash preservation a key priority.

- **Asset sales :** INM also indicated that as part of its plans to deleverage it has identified non-core potential asset divestitures in order to achieve its net debt / EBITDA target of 3.0x. The company pointed out that that the assets are non-strategic in nature. INM will also focus on eliminating loss-making businesses. The group expects the divestitures to take place within 12-months and cash proceeds to be used to reduce debt. Press speculation suggests that assets such as German online consumer portal, Veriox, its 20% stake in Cashcade, an operator of online gaming websites may be sold along with its outdoor advertising business in South Africa. There is also speculation that it may sell its loss making UK Independent division.

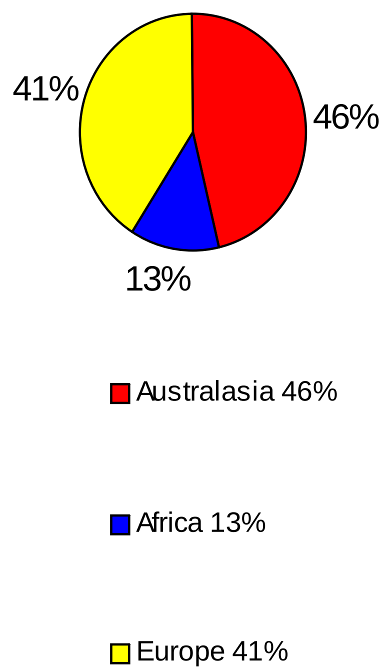
- **Rating downgrade :** In light of INM's inability to sell APN we are downgrading our rating on the company to neutral. Given the highly leveraged nature of its balance sheet currently we will need to see further information on asset sales along with the refinancing of its €200m bond due in May before we could become more positive on the stock. Our new price target of €0.45 is based on the group trading at 5x 2009

Descriptive Stats		Shareholders	
Price	€0.28	Anthony O'Reilly	29.76%
52 Week High	2.37	Denis O'Brien	26.33%
52 Week Low	0.16	Clear Channel	4.94%
Bloomberg	INM ID	BIAM	2.96%
Reuters	INME.I	Tweedy Browne	1.51%
Shares Outstanding	839.6m		
Mkt Cap	€230.1m		

	FY07	FY08	FY09
Revenue (€m)	1,673	1,500	1,325
Operating Profit (€m)	349	275	230
EPS (c)	0.19	0.14	0.09
DPS (c)	0.14	0.045	0
P/E	1.5	2.0	3.1
Div Yield		16.07%	0.00%

Peer Analysis	P/E 08	P/E 09	Div Yield 09
INM	**2.0**	**3.1**	**0.00%**
Daily Mail	8.3	8.2	5.00%
Trinity Mirror	1.5	2.2	0.00%
WPP	8.4	8.8	3.50%

Revenue by region 1H 2008



Dolmen Daily

Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,328	-4.8%	-0.6%
FTSE	4,190	-2.4%	-5.4%
Dow Jones	8,149	-2.7%	-7.1%
S&P	845	-3.3%	-6.4%
Nikkei	7,994	-3.1%	-9.8%
Stoxx 50	2,269	-2.3%	-8.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	187	-2.8%	-8.8%
Technology	152	-1.8%	-1.6%
Oil & Gas	274	-0.2%	2.3%
Financials	136	-3.6%	-10.3%
Retail	189	-0.5%	4.5%
Food & Drink	231	-0.2%	0.3%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	41.4	-1.7%	-15.2%
Copper	145.8	-2.6%	3.0%
Gold	908.7	2.4%	4.4%
Silver	12.1	1.5%	10.8%
Wheat	578.0	-2.9%	-5.9%
Cattle	84.3	-0.1%	-5.4%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.295	-1.6%	8.0%
€/£	0.906	-2.0%	5.9%
£/$	1.430	0.4%	2.2%
$/JPY	90.02	-0.3%	1.3%
€/JPY	116.60	-1.9%	9.1%
€/SFR	1.494	-1.5%	0.5%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	156.4	-6.3%	-9.3%
High Yield	1,044.6	3.0%	5.1%
Financials	121.5	6.0%	3.4%
BoI	337.2	-0.8%	40.9%
AIB	262.0	3.8%	28.1%
RBS	137.5	6.2%	-5.4%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.2%	1.3%	0.2%
3-Month	2.1%	2.6%	1.2%
1-Year	2.1%	1.7%	1.2%
2-Year	2.3%	2.1%	1.6%
5-Year	3.1%	3.0%	2.5%
10-Year	3.7%	3.8%	3.1%

Date	Company	Region	Event
30/01/2009	CPL Resources	IE	PRELIM
30/01/2009	Chevron	US	Q4
30/01/2009	Exxon Mobil	US	Q4
30/01/2009	Proctor & Gamble	US	Q2
02/02/2009	Ryanair	IE	Q3
03/02/2009	SAS	SE	Q4
03/02/2009	BP	UK	Q4
03/02/2009	Vodafone	IE	Trading
03/02/2009	DR Horton	US	Q1
03/02/2009	Walt Disney	US	Q1
03/02/2009	Merck & Co.	US	Q4
03/02/2009	UPS	US	Q4
04/02/2009	Prudential Financial, Inc.	US	Q4
04/02/2009	Danske Bank A/S	DK	Q4
04/02/2009	Finnair Oyj	FI	Q4
04/02/2009	Zurich Financial Services	CH	FINAL
04/02/2009	National Grid Plc	GB	TRADING

Date	Event	Region	Estimate
30/01/2009	Euro-Zone Confidence Indicators	EU	n/a
30/01/2009	Durable Goods	US	-2.00%
30/01/2009	Initial Jobless Claims	US	500k
30/01/2009	New Home Sales	US	-2.50%
30/01/2009	German Retail Sales	GE	n/a
02/02/2009	Euro-Zone CPI estimeate	EU	1.60%
02/02/2009	Euro-Zone Unemploymen	EU	7.80%
02/02/2009	US GDP	US	-5.50%
02/02/2009	Chicago PMI	US	35
02/02/2009	Euro-Zone PMI Manu.	EC	34.5
02/02/2009	Personal Income	US	-0.40%
03/02/2009	Personal Spending	US	0.90%
03/02/2009	PCE Core	US	1.70%
03/02/2009	ISM Manufacturing	US	32.5
03/02/2009	Pending Home Sales	US	0.00%
03/02/2009	PPI	EU	-1.00%
04/02/2009	Unemployment Rate	IE	n/a
04/02/2009	Euro-Zone PMI services	EU	n/a
04/02/2009	Retail Sales	EU	n/a
04/02/2009	ADP Employment	US	n/a
04/02/2009	MBA Mortgage Applications	US	n/a
04/02/2009	ISM Services	US	n/a

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