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Market Movers

IRISH PAPERS TODAY

Ireland's services sector shrinks at slower pace
(The Irish Times)

Paddy Power in deal for bookie in Australia
(The Irish Times)

Bol buy-back to result in €1bn profit
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Barclays to scrap final salary pensions
(Financial Times)

Quantitative easing loses value
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	0.2%	-7.8%
BP	-2.2%	0.0%
CRH	-0.9%	6.8%
DCC	1.0%	49.0%
E.ON	-3.0%	-11.5%
HPQ	-0.6%	-1.8%
IL&P	-4.1%	111.6%
INM	3.8%	-34.5%
J&J	-0.1%	-6.1%
JPMorgan	-1.5%	7.8%
Microsoft	1.5%	11.8%
Vodafone	-4.9%	-18.6%

Market View

Analyst : Edward Keeling

European equity markets are higher this morning reversing some of yesterday's losses. Despite Bernanke suggesting that the US recession would end this year, his comments that rising budget deficits posed a significant long term threat lead US markets lower overnight. In addition, market sentiment appears to be weakening as investors question the sustainability of the current rally. With equity indices over 30% off their lows, we reiterate our cautious stance at current levels. Looking forward to today, we will be paying close attention to both the BoE and ECB interest rate decisions. While we anticipate both central banks will leave rates unchanged, we expect the ECB to unveil details of its planned covered bond purchases. Investors will be looking for information on the types of covered bonds the ECB plans to purchase and whether national central banks will conduct the operations. Clues on further European rate reductions will also be anticipated. In relation to the Bank of England, Governor Mervyn King will likely update on its quantitative easing policy, but refrain from expanding that plan for now. In the US all eyes will be on the US weekly jobless claims ahead of the all important non-farm payrolls data tomorrow.

Irish Economy : May Exchequer Returns

Analyst : Oliver Gilvarry

The Department of Finance released May's Exchequer Returns yesterday evening. The trend of weakening tax revenues continued with Capital Gains Tax and Stamp Duty falling by 68.6% and 63.5% respectively. The Exchequer Deficit has increased to €10.6bn compared to a deficit of €3.6bn in the same period last year. Tax revenues were down 21% yoy and voted expenditure increased by 3% with the main increase in voted expenditure coming from Social & Family Affairs. Spending in this department increased by 12.75% to €4.04bn, mainly due to the higher levels of unemployment. The national debt has increased significantly following the collapse in tax revenues. The cost of servicing the debt rose by 22% from the same period in 2008 to €1.6bn as the Government borrows to plug the hole caused by the reduction in tax revenues. While the figures are poor, the rate of decline in tax revenues has slowed with the yoy fall now 21% compared to a yoy fall of 24% in April. This was helped by the introduction of the income levy and changes in PRSI that came into effect in May. The Minister for Finance commented after the release that the "scope for further income tax increases is limited." He stated that future budgetary changes will have to be taken on the spending side of the account. Based on the figures in the returns, it seems likely the Government will meet its deficit target of 10.75% of GDP or €18.4bn this year. International bond investors will also take comfort from the Minister's comments on spending cuts and it is likely the next Budget in December will be severe as the State's finances are brought back into line with the new realities facing the economy. Tomorrow at 11.00, Live Register figures will be released and expectations are for a further increase in the unemployment rate from the 11.4% recorded in April.

Tesco : Buy Current Price (360p) Price target (400p) Analyst : Stephen Taylor

WM Morrison has issued a strong trading statement this morning for its first quarter of its financial year. Sales at stores open at least a year increased by 8.2% in the 13-week period to May 3rd. This beat analyst expectations of 7.5% growth. The group also pointed out that it has continued to win market share and that its outlook for the year remains unchanged. The group has benefitted from its focus on fresh and locally sourced food in addition to price cuts and promotions.

Elsewhere, Debenhams has issued a trading statement in addition to announcing details surrounding its capital raising. The group pointed out that profit growth in the 12-week period to May 23rd had at least matched the 11% achieved in the first half of its financial year. The group also announced that it is to raise a gross £323m through a share placing and open offer to existing shareholders. Approximately 40% will be raised through the placing and 60% through shareholders. The proceeds will be used to reduce net debt, provide an opportunity to amend existing debt covenants and improve the group's ability to pursue opportunistic acquisitions of retail assets. The group pointed out that the share sale will be at a limited discount given the level of demand. Overall we view the group's capital restructuring as a positive for the company as it reduces the leverage of the company.

Tesco remains our top pick in the UK retail market given its diversified product offering and growing international exposure. We also expect that the group's personal finance division, Tesco Personal Finance, to be a key focus area for the group over the next number of years. With financial institutions reputations tarnished over the last number of years, we believe that the positive view of the Tesco brand could see a surge in customer accounts over the coming years as the company expands its financial offering.

BHP : Buy Current Price (1481p) Price target (Under Review) Analyst : David Dunk

Lonmin, the platinum miner, has announced the results of its recent rights issue. The company has received acceptances for 96.4% of the rights issue, or 33.8 million shares. Lonmin's advisers will now seek to place the remaining shares with investors. The strong support for the rights issue is not surprising given the strong run in mining shares over the last couple of months.



Ryanair : Neutral Current Price (€3.70) Price target (€3.80) Analyst : David Dunk

easyJet has released its passenger numbers for the month of May. Load factor was 83.5%, up from 83.2%, with the 12 month load factor increasing from 83.2% to 85.2%. Passenger numbers increased to 3.95 million, from 3.88 million. Passenger numbers over the 12 month period up to the end of May increased from 40.6 million to 44.5 million. Similar to Ryanair, easyJet is primarily a low fares short haul carrier, and has seen a strong resurgence in passenger numbers in the last year. Air Berlin also released its passenger numbers for May. Load factor declined 3.8% to 77%. Passenger numbers were 2.51 million in May, a decline of 7.7%. Air Berlin also announced the issuance of 6 million new shares. The new shares will represent less than 10% of the enlarged share capital.

IFG Group

Buy

Current Price : €0.82

Price Target : €1.10



DOLMEN STOCKBROKERS

Analyst: **Oliver Gilvarry**

Thursday 4th June 2009

- IFG Group has faced a challenging environment in the last year, especially in relation to its operations in Ireland. In its recent full year results, the group reported full year adjusted before tax profits of €17.2m on revenues of €109.3m. The before tax figure was a decline of €2m on the previous year and the c. €19m decline in revenues was mainly due to the Irish business.
- The largest division is Trustee & Corporate Services (TCS). It reported a profit increase of 26% to €12.2m and on a constant currency basis the increase was 41%. The growth was driven by acquisitions in 2007 and 2008 in Switzerland and the Isle of Man. The group expects the fund administration business to break even in the latter part of 2009, but with the fall in equity markets fees in this area may be lower than previously forecast. In addition the group purchased a corporate service provider in Cyprus during 2008. The group is now in all major well regulated off-shore centres such as Jersey, Isle of Man, Cyprus and Switzerland, leaving it well placed to take advantage of proposed changes in international tax law which could potentially move business from looser regulated countries to these.
- The next largest business is Pensioner Trustee UK which makes up 20% of adjusted operating profit. Profits in the division grew by 7% in 2008 and 23% on a constant currency basis. Its main focus is Self Invested Personal Pension administration (SIPP) allowing individuals administer their own pensions. IFG are one of the main providers of such a service in the UK, but with the recent changes in the UK budget the pace of growth may slow. In the recent Interim Management Statement (IMS) management did state they believe the impact will be limited.
- Financial Services UK is dominated by a fee based advisory business called Saunderson House Ltd. Revenue and profits increased by 19% on a constant currency basis. The group aims to continue to grow the business and plans to build "in addition to and beyond the Legal and Accounting partners in city firms".
- The Irish division faces a number of difficulties and in the IMS it indicated trading conditions continue to be difficult. The group has integrated two pension administration businesses acquired towards the end of 2008 and the focus for the group is on corporate pensions. The aim in the property business is on cost management and the group expects the Irish business to be break-even by the end of the year. This compares to a loss of €900k last year.
- The financial position of the group is stable with the group's debt-to-EBITDA ratio at 1.8x, below the banking covenant set between 2 and 2.5x. Core net debt increased in the last year from €19.4m to €43.9m due to acquisitions and capital expenditure. The next refinancing date for the group is late 2011 and management project net debt to be €20-25m by the end of 2011. With net debt/EBITDA at 1.8x, further debt financed acquisitions seem unlikely in the next year. The dividend has been maintained at 3.63c per share.
- The group generates 80% of earnings in GBP leaving the group very exposed to EURGBP. The group's ability to manage costs and grow business in the UK offset a large part of the depreciation in sterling. With EURGBP set to remain in a range close to 0.88 for the remainder of the year, the currency hit to the group will be lower in 2009 than 2008.
- IFG trades on a 2009 P/E of 4.7x based on our expected EPS of 18c. Unlike many of its peers, IFG has debt and the most appropriate way to value the firm is EV/EBITDA multiples. Its peer group trades at 6.8x EV/EBITDA, but due to the weak Irish business and the impact of sterling on the group, a slight discount to the sector is justified. Valuing the group at 6.1x EV/EBITDA, gives a price target of €1.10. The current share price is a attractive entry level plus the stock has a dividend yield of 4.4%.

Descriptive Stats		Shareholders	
Year to date	87.23%	TS Capital	7.43%
52 Week High	2.24	Patrick Joseph Moran	7.22%
52 Week Low	0.28	Nordea Bank	6.66%
Reuters	IFG.L	Richard Hayes	6.61%
Bloomberg	IFD ID	Dexia Bank	6.03%

	FY08	FY09e	FY10e
Revenue €m	109	96	95
Operating Profit	17	15	15
Pre Tax profit	17	15	15
EPS €	0.19	0.18	0.19
DPS	0.04	0.04	0.04
P/E	2.42	4.56	4.32
Div Yield	4.39%	4.39%	4.39%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,852	1.2%	22.0%
FTSE	4,383	-2.1%	-0.7%
Dow Jones	8,675	-0.8%	-1.2%
S&P	932	-1.4%	3.2%
Nikkei	9,669	-0.7%	9.1%
Stoxx 50	2,483	-2.0%	2.1%

Sector Performances

Sector	Index	1-Day	YTD
Construction	222	-3.1%	9.7%
Technology	173	-3.1%	12.8%
Oil & Gas	301	-2.7%	14.1%
Financials	181	-2.5%	20.7%
Retail	210	-1.2%	15.7%
Food & Drink	232	-0.7%	0.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	66.1	-3.5%	23.1%
Copper	221.2	-3.7%	56.7%
Gold	963.1	-1.9%	10.0%
Silver	15.3	-4.0%	35.9%
Wheat	617.5	-7.8%	-1.2%
Cattle	80.8	0.2%	-5.2%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.416	-1.0%	1.7%
€/£	0.868	0.6%	-10.1%
£/\$	1.632	-1.6%	10.8%
\$/JPY	95.99	0.2%	5.8%
€/JPY	135.92	-0.8%	7.5%
€/SFR	1.516	-0.2%	1.5%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	123.1	-6.3%	-31.6%
High Yield	831.8	0.0%	-24.5%
Financials	105.8	0.0%	-11.2%
BoI	313.3	0.0%	28.3%
AIB	303.0	-1.0%	52.6%
RBS	169.0	-0.6%	28.3%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.6%	0.4%	0.3%
3-Month	1.3%	1.3%	0.6%
1-Year	1.4%	1.3%	0.8%
2-Year	1.7%	2.0%	1.3%
5-Year	2.8%	3.4%	2.9%
10-Year	3.7%	4.0%	3.8%

Date	Company	Region	Event
03/06/2009	Laurent-Perrier	FR	Q4
03/06/2009	British Airways	GB	Traffic
03/06/2009	Sportingbet	GB	Q3
04/06/2009	easyJet	GB	Traffic
04/06/2009	WM Morrison Supermar	GB	Q1
04/06/2009	WH Smith	GB	Trade
04/06/2009	Vallourec SA	FR	AGM
04/06/2009	Great Portland Estates I	GB	MEETING
04/06/2009	GAP	US	May Sales
05/06/2009	Lloyds Banking Group	GB	AGM
05/06/2009	Bellway PLC	GB	TRADE
05/06/2009	Carphone Warehouse C	GB	PRELIM
05/06/2009	Aer Lingus Group Plc	IE	S/HOLDERS
05/06/2009	Wendel SA	FR	S/HOLDERS
10/06/2009	Iberdrola SA	ES	S/HOLDERS
10/06/2009	Antofagasta PLC	GB	AGM
11/06/2009	Iberia Lineas Aereas de	ES	Traffic
11/06/2009	Home Retail Group plc	GB	Trade
11/06/2009	France Telecom SA	FR	S/HOLDERS
11/06/2009	National Semiconductor	US	Q4

Date	Event	Region	Estimate
03/06/2009	PMI Services	GE	--
03/06/2009	PMI Services	EC	--
03/06/2009	PMI Services	UK	--
03/06/2009	Euro-Zone PPI (YoY)	EC	--
03/06/2009	Euro-Zone GDP s.a. (QoQ)	EC	--
03/06/2009	MBA Mortgage Applications	US	--
03/06/2009	Challenger Job Cuts YoY	US	--
03/06/2009	ADP Employment Change	US	--
03/06/2009	ISM Non-Manf. Composite	US	--
03/06/2009	Factory Orders	US	--
04/06/2009	Euro-Zone Retail Sales (MoM)	EC	--
04/06/2009	BOE ANNOUNCES RATES	UK	--
04/06/2009	ECB Announces Interest Rate	EC	--
04/06/2009	Initial Jobless Claims	US	--
04/06/2009	Bank of Canada Rate	CA	--
05/06/2009	PPI Input NSA (MoM)	UK	--
05/06/2009	PPI Output n.s.a. (MoM)	UK	--
05/06/2009	Change in Nonfarm Payrolls	US	--
05/06/2009	Consumer Credit	US	--
08/06/2009	Factory Orders YoY (nsa)	GE	--

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