

CONTENTS

Market View

Wolseley : Announces rights issue

Robert Walters: Full year results

WPP: Posts 2008 revenues ahead of expectations

Ryanair : Traffic figures

Company note : CRH

Market Movers

IRISH PAPERS TODAY

Recession deepened as growth falls 1.5%
(The Irish Times)

Bank of England to buy £75bn in bonds
(The Irish Times)

General Motors may not escape bankruptcy in the US
(Irish Independent)

INTERNATIONAL PAPERS TODAY

UK given £75bn new money
(Financial Times)

Central banks cut rates
(The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	-2.0%	-30.0%
BP	-2.0%	-20.4%
CRH	-7.5%	-9.2%
E.ON	-2.7%	-29.2%
HPQ	-5.5%	-25.4%
IL&P	-6.5%	-47.9%
INM*	9.8%	-66.1%
J&J	-2.9%	-20.3%
JPMorgan	-14.0%	-47.4%
Microsoft	-5.3%	-21.5%
Paddy Power	-1.1%	-9.5%
Vodafone	-3.3%	-14.5%

* We are currently Neutral on IN&M

Market View

Analyst : Stephen Taylor

Bank of England Governor Mervyn King summed it up best yesterday by commenting that 'a recovery will start at a date he cannot predict'. Such uncertainty is likely to continue to weigh on equity markets and until there is some stabilisation in the banking sector the global economy will not recover. As for today, European equity markets are broadly flat after yesterday's significant sell off. Banking shares across the globe remain under pressure as Citigroup became a penny stock at one stage yesterday and the potential of nationalisation is increasing by the day. Concerns surrounding General Motors (GM) is also continuing to weigh on the market. Yesterday in the release of its 10-k annual report, GM's auditors included a statement regarding their concerns around the company's ability to operate as a going concern. Without any pick up in economic activity likely the possibility of the group seeking bankruptcy protection looks likely. All focus today is on the Non-farm payrolls report which is due at 1.30pm. Current market expectations are for a fall off of 650,000 jobs for February. We believe that in actual fact estimates are also lower than this and expect the figure will be in excess of 700,000.

Wolseley : Neutral Current Price (137p) Price target (160p) Analyst : Stephen Taylor

Yesterday we removed Wolseley from our short list following the 47% fall in its share price since our sell recommendation on 08/12/08. We removed the stock due to press speculation that CRH may be interested in acquiring the company. While we thought it was unlikely CRH would make a bid for the whole company (may look at US business) we were concerned that any corporate activity could lead to a rally in the group's share price.

Today however, Wolseley has announced that it plans to raise £1bn in a share sale and that it will look to exit its US based Stock Building Supply unit. The group would not comment if CRH had expressed an interest in the division. Wolseley is to raise £270m by placing shares at 120p with new investors and £781m through a rights issue priced at 40p a share that is fully underwritten. Existing shareholders will be offered 11 new shares for every 5 held. Wolseley has also secured a new €1bn, two-year banking facility available from August 2011 on the condition that the placing and rights offer are successful. Shares in Wolseley have fallen by a further 16% this morning. As the capital raise will help to de-lever the balance sheet we will retain our new neutral rating on the company.

WPP : Sell Current Price (408p) Price target (300p) Analyst : Oliver Gilvarry

WPP the advertising company reported full year results this morning reporting full year net profit of £439m compared to an expected £588m. Operating margins are guided to remain flat in 2009 at 14.3% and revenues are expected to fall 2% on a like for like basis. The second half of 2008 was very weak driven by the financial crisis. The company is guiding the first half of 2009 to be weak with a relative improvement in the second half of 2009. Central and Eastern Europe will remain weak with Russia to continue under extreme pressure. Expectations for Western Europe and the US are poor, but emerging markets such as the Middle East, Asia and Latin America will continue to grow. The majority of the group's revenue is generated from Europe (26%), UK (14%) and the US (40%). With the company guiding these geographic areas weaker the outlook for the company continues to be negative.

Robert Walters : Current Price (80p) Analyst : Oliver Gilvarry

Robert Walters, the international recruitment firm, released final results this morning with full year net income at £12.2m and turnover at £337.3m. Management have guided the current prevailing economic conditions show little sign of improving and is becoming more difficult. Candidate and client confidence has been significantly eroded and recruitment and trading levels have reduced across most markets. As reported previously by Robert Walters, contract business across the world has remained resilient due to the flexibility it provides businesses on staff numbers. Their results included a comment on Ireland highlighting business here has underperformed due to the reliance on the financial services sector.

Ryanair : Buy Current Price (€2.95) Price target (€3.65) Analyst : David Dunk

Aer Lingus released traffic figures this morning. Load factor increased 5.3% on the month, with short haul at 77.5%, 5.4% up, and 64.3% for long haul, up 4.2%. Capacity declined 9.2% on the year for short haul, and 20.7% on the year for long haul. Passenger numbers were down 8.4% in total for February of this year, compared with last year. Air-France also released traffic figures this morning. Total traffic was down 2.6%, while load factor was down 1.2% to 74.3%. Ryanair CEO said yesterday that he expects rival Aer Lingus to post a loss for 2008. He also stated that he regretted taking a stake in Aer Lingus. Ryanair remains our preferred pick in the sector.

CRH

Buy

Current Price : €15.00

Price Target : €19.00



DOLMEN STOCKBROKERS

Analyst: **Stephen Taylor**

Friday 6th March 2009

• **Results:** Last Tuesday, CRH announced full year results for the period ending 31/12/08. The group reported a 14% decrease in operating profit to €1.63bn and in line with management guidance in September 2008 and January 2009. There was a lower decrease in EPS which fell 11% to 233c due to the group's share buyback program and a lower effective tax rate. CRH's EPS figure beat consensus estimates of 229c. The group increased its final dividend by 1% to 48.5c providing a total dividend for the year of 69c, an increase of 1.5% and was covered 3.4x just below its previously stated target of 3.5x. The company said the outlook for 2009 is 'extremely challenging' and that it will ensure its businesses are strongly positioned through additional cost reduction and cash generation measures.

• **Rights issue :** In conjunction with its full year results, CRH also announced details of its rights issue. The company is planning to raise €1.238bn from a 2 for 7 rights issue at €8.40 representing a 39.3% discount to the theoretical ex-rights price (TERP) based on the closing price of the group's share price of €15.40 on March 2nd. €500m of the proceeds will be used to make an early repayment of borrowings under existing facilities. The remaining €738m together with the extension of maturity of debt totalling €670m will be used to pursue acquisition opportunities. CRH will likely be able to pick up attractive assets from some of its overleveraged peers including Lafarge and Wolseley.

• **Geographic performance:** Operating profit at CRH's European division declined by 5% or €57m to €1,049. Acquisitions during 2007 and 2008 contributed an incremental €73m of operating profit, while organic operating profit declined by €130m. For 2009, the group expects European materials activity levels in Ireland and Spain to fall with less severe declines expected in Finland and Portugal while Switzerland is expect to perform robustly. In the US, operating profit declined by 19% or €188m to €792m. The weaker than expected \$/€ exchange rate accounted for €60m of the decrease. In US dollar terms, operating profit declined by 13%. For 2009, CRH expects that the recently approved federal economic stimulus package which includes a strong infrastructure component favouring road and highway maintenance spending to contribute positively to volumes in 2H09. Residential and commercial volumes are expected to face further erosion.

• **Balance sheet:** Despite the fall in profitability, EBITDA/net interest cover remained strong at 7.8x for the year and well above the group's comfort range of 6-6.5x and covenant level of 4.5x.

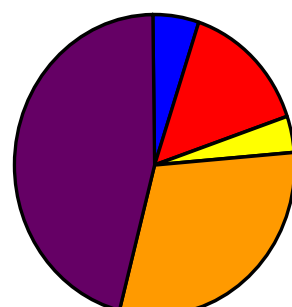
• **Retain Buy rating :** CRH remains the strongest company in the European construction sector due to its underleveraged balance sheet. The group's rights issue will further reduce debt and also enhance the company's ability to make earnings enhancing acquisitions as its peers sell assets to reduce their leveraged balance sheets. Our new price target of €19 is based on the stock trading at 14x 2010 EPS. The group also provides an attractive dividend yield of 4.6%.

Descriptive Stats		Shareholders	
Price (€)	15.00	Bank of Ireland	5.10%
52 Week High	23.33	UBS	4.96%
52 Week Low	12.49	Fidelity	4.10%
Bloomberg	CRH.LN	Capital Research	3.71%
Reuters	CRH.I	Franklin Templect	0.82%

	FY08	FY09	FY10
Revenue (€m)	20,887	20,500	20,410
EBITDA (€m)	2,665	2,400	2,350
EPS (c)	233.1	136.00	135.00
DPS (c)	69	70	70
P/E	6.4	11.0	11.1
Div Yield	4.60%	4.67%	4.73%

Peer Analysis	P/E 09	P/E 10	Div Yield 09
CRH	11.0	11.1	
Lafarge	6.1	5.8	6.00%
Saint Gobain	6.3	6.5	5.48%
Vulcan Materials	27.3	19.3	5.40%
Wolseley	14.6	8.4	0.00%

2008 Revenue by Geography



- Ireland 5%
- Benelux 15%
- Poland 4%
- Rest of Europe 30%
- Americas 46%



International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,019	-1.4%	-14.3%
FTSE	3,530	-3.2%	-20.0%
Dow Jones	6,594	-4.1%	-24.9%
S&P	683	-4.3%	-24.4%
Nikkei	7,173	-3.5%	-19.0%
Stoxx 50	1,852	-4.7%	-24.2%

Sector Performances

Sector	Index	1-Day	YTD
Construction	159	-5.6%	-21.6%
Technology	132	-2.7%	-14.7%
Oil & Gas	237	-3.7%	-9.7%
Financials	96	-7.0%	-37.4%
Retail	172	-2.7%	-5.8%
Food & Drink	204	-1.4%	-11.5%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	43.6	-3.9%	-13.4%
Copper	165.4	-2.4%	19.1%
Gold	932.4	2.9%	6.8%
Silver	13.1	1.6%	18.2%
Wheat	515.0	-1.5%	-17.1%
Cattle	83.9	-0.9%	-6.0%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/\$	1.254	-1.0%	10.1%
€/£	0.888	-0.4%	7.1%
£/\$	1.412	-0.5%	2.8%
\$/JPY	98.08	-1.1%	-6.8%
€/JPY	122.99	-2.0%	2.6%
€/SFR	1.468	-0.7%	2.0%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	205.8	-6.3%	16.7%
High Yield	1,150.3	3.3%	12.1%
Financials	192.2	18.3%	63.9%
BoI	626.9	-0.4%	155.0%
AIB	597.7	-0.1%	191.7%
RBS	181.2	-4.6%	37.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	0.9%	0.3%
3-Month	1.8%	2.6%	1.3%
1-Year	1.8%	1.9%	1.4%
2-Year	1.9%	2.2%	1.6%
5-Year	2.6%	2.9%	2.5%
10-Year	3.3%	3.6%	3.1%

Date	Company	Region	Event
06/03/2009	Veolia Environnement SA	FR	Q4
06/03/2009	WPP Group	GB	FINAL
06/03/2009	Marshall's PLC	GB	PRELIM
09/03/2009	Aryzta AG	IE	H1
09/03/2009	Continental AG	DE	Q4
09/03/2009	Bovis Homes Group PLC	GB	PRELIM
09/03/2009	BRIT Insurance Holdings	GB	PRELIM
09/03/2009	Cookson Group Plc	GB	PRELIM
09/03/2009	Finnair Oyj	FI	TRAFFIC
09/03/2009	Land Securities Group Plc	GB	SHOLDERS
09/03/2009	Origin Enterprises	IE	INTERIM
10/03/2009	ESI Group SA	FR	Q4 SALES
10/03/2009	E.ON AG	DE	FINAL
10/03/2009	Audi AG	DE	Q4
10/03/2009	Close Brothers Group Plc	GB	INTERIM
10/03/2009	Antofagasta PLC	GB	PRELIM
10/03/2009	Soco International PLC	GB	PRELIM
11/03/2009	JCDecaux SA	FR	FINAL
11/03/2009	Deutsche Lufthansa AG	DE	Q4
11/03/2009	Aer Lingus Group Plc	IE	PRELIM
11/03/2009	Bulgari SpA	IT	Q4

Date	Event	Region	Estimate
06/03/2009	Producer Prices (MoM)	GE	--
06/03/2009	PPI Input NSA (MoM)	UK	--
06/03/2009	PPI Output n.s.a. (MoM)	UK	--
06/03/2009	PPI Output n.s.a. (YoY)	UK	--
06/03/2009	Change in Nonfarm Payrolls	US	--
06/03/2009	Unemployment Rate	US	--
06/03/2009	Consumer Credit	US	--
10/03/2009	RICS House Price Balance	UK	--
10/03/2009	Consumer Price Index (MoM)	GE	--
10/03/2009	Trade Balance	GE	--
10/03/2009	Current Account (EURO)	GE	--
10/03/2009	Imports SA (MoM)	GE	--
10/03/2009	Exports SA (MoM)	GE	--
10/03/2009	Industrial Production (MoM)	UK	--
10/03/2009	Wholesale Inventories	US	--
10/03/2009	ABC Consumer Confidence	US	--
11/03/2009	Total Trade Balance (GBP/MIUK)	UK	--
11/03/2009	Factory Orders MoM (sa)	GE	--
11/03/2009	MBA Mortgage Applications	US	--
12/03/2009	ECB Publishes Mar. Monthly	EC	--
12/03/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	--

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