

## CONTENTS

**Market View** : We do not expect any rate hikes out of the Fed until at least the second half of 2010

**Tullow Oil** : Successful Ghana drilling update

**Sovereign Credit Ratings** : UK & US have resilient AAA ratings according to Moody's

**FTSE Miners** : Xstrata announces \$2.4bn impairment provision

**Tesco** : Trading update indicates International division remains key area of growth

**Company Note** : Independent News & Media

**Market Movers**

## IRISH PAPERS TODAY

NIB to cut 150 jobs and 25 branches  
*(The Irish Times)*

An Post to lay off over 1,300 staff in next three years  
*(The Irish Times)*

Dollar climb sends gold tumbling after record highs  
*(Irish Independent)*

## INTERNATIONAL PAPERS TODAY

Top banks urged to help small businesses *(Financial Times)*

Blackberry maker seals China distribution deals *(Financial Times)*

U.K.'s Darling mulls extra tax on bank bonuses  
*(The Wall Street Journal)*

## Market View

**Analyst : Stephen Taylor**

European equity markets are slightly weaker this morning adding to yesterday's losses and slightly lower closes in the US and Asia overnight. The dollar is also continuing to strengthen following Friday's better than expected nonfarm payrolls figure which in the short-term is weighing on riskier asset classes such as equities and commodities. Comments from Federal Reserve Chairman Ben Bernanke yesterday did however firmly rule out any interest rate hikes in the short-term with Bernanke pointing out that the US economy continues to face significant headwinds and that inflation is likely to remain subdued. We do not expect any rate hikes out of the Fed until at least the second half of 2010. Stimulus measures continue to remain the main theme in global economies at the moment with the Japanese government unveiling an \$81bn stimulus package overnight amid signs that recovery in the economy is beginning to fade. The announcement comes on the back of the Bank of Japan's decision to release a \$110bn credit program to help increase lending in the economy. Overall we continue to see stimulus measures and low interest rates remaining in the medium term and this is a positive read across for equity markets. As for today it is relatively quiet on the economic and corporate front with the main focus being on Industrial production figures out of Germany and the UK.

**Tullow Oil** : Successful Ghana Drilling Update

**Analyst** Stephen Taylor

Tullow Oil released a successful drilling update this morning which means that the company maintains its high exploration and appraisal rate in Ghana. The Odum 2 well which is located in a field to the east of Jubilee encountered 20 metres of net pay in two intervals. The company gave no update on the Mahogany 2 drill other than that the operator (Kosmos) and its block partners are still drilling. An announcement on the latter had been expected at the end of November.

**Sovereign Credit Ratings** : US & UK have resilient AAA ratings **Analyst** Edward Keeling

Moody's investors has made comments in relation to the US and the UK's credit ratings. Despite indicating that both have resilient AAA ratings, Moody's did acknowledge that their public finances are deteriorating considerably and may therefore test the AAA boundaries. Looking forward the credit rating agency noted that neither are stretched beyond the point of no return.

**FTSE Miners** : Xstrata announces \$2.4bn impairment provision **Analyst** Stephen Taylor

Following a fair value review of its assets, Xstrata have announced that it intends to include a \$2.4bn impairment provision in this years' accounts. The majority of the impairment stems from the company's nickel operations in Canada which it will wind down. Nickel has been one of the worst performing commodities this year with the market struggling with high inventory levels. The remainder of the provision is linked to zinc and copper plants in North American which will also be shut down. The impairment provision, is not surprising considering the performance of Nickel this year and as the provision is mostly non cash we don't foresee any adverse reaction to the news. Xstrata is due to hold a Investor Seminar today where more details of the provision will be discussed.

**Tesco** : Buy Yesterday's Close 436p Target Price Under Review **Analyst** Stephen Taylor

Tesco has this morning issued a trading up date for the thirteen week period ending 28<sup>th</sup> November. Group sales excluding petrol increased by 8.8%. UK like for like sales came in at 2.8% for the period and were slightly below expectations of 3%. Tesco's International division continues to remain a key growth area for the company with sales increasing by 12%. Growth in Asia was particularly strong at 18.9%, with continued momentum from its acquired stores in Korea and new store openings across the regions. European sales grew by 5.7%. Tesco reiterated its earnings outlook for the year commenting that the business is trading in line with expectations. Tesco remains our preferred play in the UK retail sector given its geographical diversity. In addition we believe that Tesco Bank can be a significant driver of earnings over the coming years.

# Independent News & Media

**Buy** (8th December 2009)

**Current Price : €0.10**

**Price Target : €0.16**



**DOLMEN STOCKBROKERS**

Analyst: **Oliver Gilvarry & Stephen Taylor**

• **Restructuring** : The restructuring of Independent News & Media (INM)'s debt has been fully approved by its shareholders, bondholders and banks. The restructuring was principally related to the inability of INM to repay a €200m subordinated bond. This has provided INM with time to further deleverage its balance sheet, however this has had a significant dilutive effect on shareholders and placed a number of restrictions on the company going forward. **Restrictions include** the non-payment of dividends unless net debt / EBITDA falls below 3x and group lenders having a 'change of control clause' allowing current lenders to declare borrowings due immediately if a single party gains a 35% control of INM. Post restructuring the bondholders in the group will retain an equity interest of at least 47.7% and potentially more depending on the acceptance of existing shareholders in relation to the current rights issue. While the restructuring of INM has had a highly dilutive effect we are recommending shareholders to take up their rights and view the stock as long-term recovery play.

Descriptive Stats	Shareholders*		
Price (€)	0.10	Anthony O'Reilly	15.05%
52 Week High	0.33	Denis O'Brien	13.43%
52 Week Low	0.6	FBD Insurance	3.29%
Bloomberg	INMID	Marathon Asset MGMT	2.69%
Reuters	INMEI	Clear Channel	1.61%

	FY08	FY09	FY10
Revenue (€m)	1,478	1,270	1,333
EBITDA (€m)	361	230	250
Operating Profit (€m)	280	180	200
Adjusted EPS	0.12	0.02	0.015
DPS (c)	0.48	0.00	0.00

Company	P/E 09	P/E 10	Div Yield
INM	5.0	8.3	0.00%
Daily Mail	11.0	10.0	3.50%
Trinity Mirror	8.8	9.2	0.00%
Johnson Press	7.0	8.0	0.00%

• **Equity effect of restructuring :**

- 1). 723m new shares issued to bondholders with an effective price of €0.17 in return for transfer of €123m in €200m bond claim
- 2). 1.94bn shares issued via 59 for 50 rights issue to raise €92m at 5c a share
- 3). Total amount of shares outstanding will increase to c. 3.5bn shares from 840m pre-restructuring

• **Balance Sheet** : As a result of the restructuring we estimate that net debt for the group (including asset sales outlined below) will fall by c. €350m to c. €950m by the end of 2010. Approximately €460m of this net debt is non-recourse to INM, however is consolidated on INM's balance sheet due to its 32.2% stake in Australia News & Media company APN. The current equity value of APN is c. €275m. Under the terms of the restructuring INM's banks have agreed to a 4.5 year extension to bank facilities.

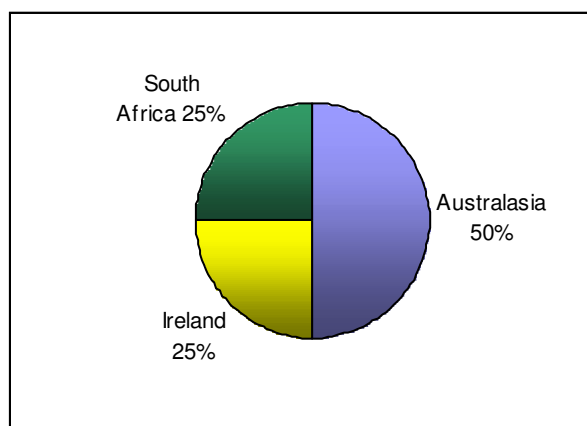
• **Asset Sales** : In order to reduce debt, INM has embarked on a number of asset sales to raise funds to pay down debt. The asset sales are listed below :

- 1). July 2009 sold 7.3% stake in Indian newspaper publisher Jargan Prakashan for €21.7m. Currently retains 13.5% stake in the company.
- 2). July 2009 sold full interest in Cashcade for €15.2m.
- 3). December 2009 sold full interest in Veriox for €18.3m (with €2.3m of this to be received during 2010 assuming certain conditions are met).
- 4). Sale of INM outdoor in South Africa expected to be closed by the end of December 2009 for €98m.

• **Recent Trading Update** : On November 26th INM's CEO Gavin O'Reilly reiterated earnings guidance that was provided at the group's most recent trading statement at the end of October. INM expects to report 2009 operating profit in the range of €170m - €190m. INM noted at its trading update that it had seen a stabilisation with revenue for the 43 week period to 23rd October falling by 14% compared with 14.9% for the first half of the year. Like the majority of corporates, INM has been increasing focus on cost savings activities and expects operating costs to be 9% lower year on year, compared to the 7.5% drop achieved during the first half of the year.

• **Valuation** : We view an INM as long-term recovery play. The recent restructuring has given the group breathing space to further deleverage its balance sheet. With revenue figures stabilising and increased cost cutting efforts in place we expect operating margins to return to 15% in 2010. Our price target of 16c is based on the stock trading at 11x 2010 forecasted EPS of 1.5c

## Operating Profit by Geography 1H09




**International Equity Markets**

Index	Value	1-Day	YTD
ISEQ	2,964	-0.8%	25.4%
FTSE	5,311	-0.2%	20.0%
Dow Jones	10,390	0.0%	18.4%
S&P	1,103	-0.2%	22.1%
Nikkei	10,168	1.4%	14.5%
Stoxx 50	2,896	-0.5%	18.7%

**Sector Performances**

Sector	Index	1-Day	YTD
Construction	272	0.1%	1.8%
Technology	176	-0.4%	3.5%
Oil & Gas	320	0.0%	2.6%
Financials	225	-1.2%	2.2%
Retail	244	-0.3%	1.6%
Food & Drink	296	-0.1%	3.8%

**Commodity Prices**

Commodity	Index	1-Day	YTD
Crude Oil	73.9	-2.0%	24.6%
Copper	320.9	-0.9%	123.6%
Gold	1,158.1	-0.3%	31.6%
Silver	18.4	-0.9%	61.2%
Wheat	548.0	-1.8%	-19.4%
Cattle	83.3	0.1%	-8.8%

**Currency Exchange Rates**

Currency	Index	1-Day	YTD
€/\$	1.483	-0.2%	-5.9%
€/£	0.902	0.0%	5.2%
£/\$	1.645	-0.2%	-10.5%
\$/JPY	89.510	-1.1%	2.0%
€/JPY	132.706	-1.4%	-4.0%
€/SFR	1.512	0.1%	-1.1%

**5Yr Credit Spreads**

Product	Index	1-Day	YTD
Invest Grade	78.9	-1.7%	-55.8%
High Yield	484.4	-0.2%	-53.3%
Financials	73.6	0.7%	-38.4%
BoI	246.4	-0.6%	0.5%
AIB	275.7	0.6%	32.3%
RBS	135.0	0.0%	-1.0%

**Money Market Rates**

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.3%	0.9%	0.5%
2-Year	1.8%	1.8%	1.1%
5-Year	2.7%	3.1%	2.6%
10-Year	3.4%	3.8%	3.6%

**Date Company Region Event**

Date	Company	Region	Event
08/12/2009	Finnair Oyj	FI	TRAFFIC
08/12/2009	Game Group PLC	GB	TRADE
08/12/2009	H&R Block	US	Q2
09/12/2009	Austrian Airlines AG	AT	TRAFFIC
09/12/2009	Deutsche Lufthansa AG	DE	TRAFFIC
09/12/2009	IG Group Holdings plc	GB	TRADE
09/12/2009	PZ Cussons Plc	GB	TRADE
09/12/2009	Rexam PLC	GB	TRAFFIC
10/12/2009	DS Smith Plc	GB	INTERIM
10/12/2009	Sports Direct Internatio	GB	INTERIM
10/12/2009	Costco Wholesale Corp	US	Q1
10/12/2009	National Semiconductor	US	Q2
10/12/2009	Ciena Corp.	US	Q4
11/12/2009	HMV Group PLC	GB	INTERIM
14/12/2009	Whitbread PLC	GB	TRADE
14/12/2009	Total SA	FR	S/HOLDERS
14/12/2009	Endesa SA	ES	S/HOLDERS
15/12/2009	ESI Group SA	FR	Q3 SALES
15/12/2009	Iberia Lineas Aereas de	ES	TRAFFIC
15/12/2009	Volvo AB	SE	TRAFFIC
15/12/2009	Cadbury PLC	GB	TRADE

**Date Event Region Estimate**

Date	Event	Region	Estimate
08/12/2009	BRC November Retail Sales Mor	UK	--
08/12/2009	RICS House Price Balance	UK	--
08/12/2009	Industrial Production (MoM)	UK	--
08/12/2009	Industrial Production MoM (sa)	GE	--
08/12/2009	ABC Consumer Confidence	US	--
09/12/2009	Nationwide Consumer Confidenc	UK	--
09/12/2009	Trade Balance	GE	--
09/12/2009	Consumer Price Index (MoM)	GE	--
10/12/2009	BOE ANNOUNCES RATES	UK	0.50%
10/12/2009	BOE Asset Purchase Target	UK	--
10/12/2009	Trade Balance	US	-\$38.1B
10/12/2009	Initial Jobless Claims	US	--
11/12/2009	PPI Input NSA (MoM)	UK	--
11/12/2009	PPI Output n.s.a. (MoM)	UK	--
11/12/2009	Import Price Index (MoM)	US	--
11/12/2009	Advance Retail Sales	US	--
11/12/2009	U. of Michigan Confidence	US	--
11/12/2009	Business Inventories	US	--
14/12/2009	Rightmove House Prices (MoM)	UK	--
14/12/2009	Eurozone Employment (QoQ)	EC	--
14/12/2009	Euro-Zone Ind. Prod. sa (MoM)	EC	--

### **Regulatory Information**

Dolmen Securities Limited is regulated by the Financial Regulator. Dolmen Securities Limited is a member firm of the London Stock Exchange. Dolmen Stockbrokers is regulated by the Financial Regulator. Dolmen Stockbrokers Limited is a member firm of the Irish Stock Exchange and the London Stock Exchange.

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes in order to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuer(s) in advance of publication.

Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. The income you get from your investment may go down as well as up. Figures quoted are estimates only, they are not a reliable guide to the future performance of this investment. Investors should be aware that forward-looking statements and forecasts may not be realised.

This report is the property of Dolmen and may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

### **Conflicts of Interest & Share Ownership Policy**

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments / derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in the companies they publish research, views and recommendations on. Accordingly analysts involved in the production of this report may have positions in any securities herein. Dolmen ensures that all staff dealing is undertaken in strict compliance with Dolmen's internal staff dealing procedures. Therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

### **Analyst Certification**

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Oliver Gilvarry, Stephen Taylor and Edward Keeling are responsible for the production of this report. Oliver Gilvarry is Head of Research and Stephen Taylor and Edward Keeling are equity analysts.

### **For US Persons Only**

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.

Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



## **DOLMEN SECURITIES LTD**

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)