



Friday 10th October 2008

**DAILY COMPANY NOTE — C&C** See page 2 for full details

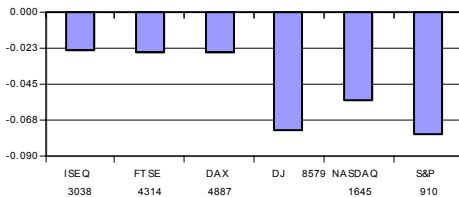
**Daily Market Comment**

**Yesterday's Summary :** The ISEQ finished marginally down yesterday closing 16 points lower at 3,037. C&C Group saw some strong buying despite posting poor interim results and announcing the resignation of its CEO. The stock closed up 7.6% at €1.45. The banks had a mixed day; the strongest gainer was Irish Life & Permanent which surged 11% to close at €3.32. Anglo Irish Bank also posted a positive day closing up 5% at €2.15.

**Overnight News :** US stocks plummeted yesterday evening after a marginally positive opening. The last hour of trading on Wall Street was extreme with the Dow Jones dropping 300 points, while also seeing half the session's volume. Unlike previous sessions yesterday saw a widespread sell off across all sectors. Along with the insurance and banking sectors, shares in GE fell by 31% to close \$4.76. Energy stocks Exxon Mobil and Chevron both fell by approximately 12%. Dow Jones: -679 points to close 8,579. S&P 500: -75 points to close 910.

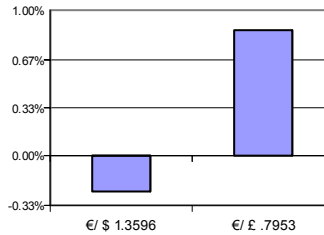
**Breaking News :** **AIG** has drawn down another \$9bn in loans from the US government to meet massive demands for cash from its trading partners as the company scrambles to sell off its assets, according to the WSJ. **General Motors** lost almost a third of its market value on Thursday amid concerns about the carmaker's ability to continue funding its operations. S&P has put GM's credit rating, already deep in junk territory, on review for a further downgrade.

**Equity Indices change on day**

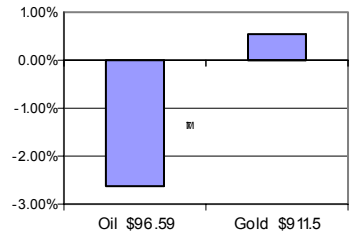


-2.41% -2.55% -2.53% -7.33% -5.47% -7.62%

**Currency daily % change**



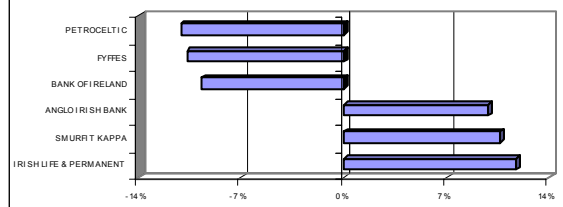
**Oil/Gold daily % change**



**News**

- "C&C shares climb 9% despite profit warning"-(The Irish Times)
- "IMF under pressure to produce global response"-(The Irish Times)
- "High number of completions suggests that market down but not out"-(I.I)
- "UK and Iceland clash on crisis"-(Financial Times)
- "RBS walks a tightrope as UK prepares bank aid"-(The Wall Street Journal)

**ISEQ Performers/Losers 09/10/08**



**Market Themes and Movers**

**G7 meeting in Washington :** Finance ministers and central bankers from the world's economic powers will meet today in Washington and they are facing enormous pressure from financial markets to devise a strategy that might help revive credit markets, which are endangering the world economy. Among the strategies the G7 are rumoured to be prepared to implement is a proposal by UK Chancellor Alistair Darling. He has suggested that nations guarantee lending between banks, a suggestion that US treasury Henry Paulson has not ruled out. Darling wants nations to support lending between banks either by turning central banks into clearing houses for the loans or by having governments back them. Meanwhile, Morgan Stanley has come under pressure as Moodys, the credit rating agency, has placed its A1 long term debt rating on review for a possible downgrade. The recent bankruptcy of Lehman Brothers last month and the emergency sales of Merrill Lynch Bear Stearns have raised concerns that companies like Morgan Stanley that depend on debt markets will run out of financing. Morgan Stanley fell to its lowest level since November 1996 in trading last night, the biggest decline in more than a decade. Despite the fact the New York based has transformed itself into a bank holding company and raised money from outside investors, the market turmoil that toppled Lehman Brothers is threatening to strike again.



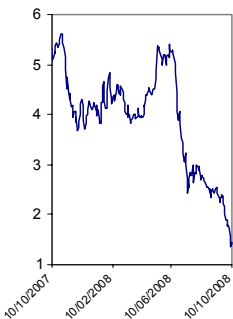
Dolmen Securities  
75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)  
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)

**ISEQ**
**Beverages**
**Company Profile**

The Group's principal activities are producing, marketing and selling cider, spirits, liquors, distributing spirits, wine and beer. The Group is best known for Bulmers which is marketed in Ireland and marketed internationally under the Magners brands. The company also produces and markets spirits, most notably Carolans.

**Statistics**
**Price Performance**


- Cider 86%
- Spirits & Liqueurs 13%
- Other 1%

**Fundamental View**

- This morning C&C released its interim results for the 6 months ended 31st August 2008. The statement is broadly negative, as expected. Revenue for the period was €302.4m, down 13.2%. Operating profit was €66.5m for the period, down 0.7%. EPS came in at €0.17 compared to €0.175 for the same period last year. Cider volumes declined 12%, while spirits volumes increased 4%.
- In previous notes we warned of the need for C&C to reduce its level of dividend payments. Today the company has announced its cutting its dividend by 56%, from €0.27 to €0.12. We consider this move prudent given the previously high payout ratio, the difficult operating environment, and the prospect of declining earnings in the near future. The dividend cut was anticipated by the market, and contributed to the sell-off in recent weeks. Based on the most recent close, C&C still trades on an attractive 8.4% yield.
- C&C has launched a review of its UK operations, with the aim of restoring revenue growth. Taking into account the poor weather over the last two summers and a weak economic climate, C&C's performance in the UK has been disappointing, and the company acknowledges this. Non-executive director Philip Lynch will head a sub-committee of the board to assist management in this review.
- CEO Maurice Pratt has announced his resignation. A replacement has not yet been selected, and Mr. Pratt will continue in his role as CEO until that time. In our view the selection of a new CEO is critical, as the company requires a significant change in strategy in our view, and we are hopeful that the new appointee will be an external candidate.

**Next catalyst**

- Following on from today's interim results, the next catalysts for C&C should relate to the appointment of a new CEO, as well as results of the UK strategy review. Industry data is expected to continue its negative trend. In our last note we highlighted the possibility of a takeover bid for C&C. Given the current state of credit markets, the likelihood of a bid has decreased substantially. Further negative Sterling weakness will negatively impact C&C.

**Valuation**

- We are maintaining our neutral rating on C&C. We are reducing our 12 month price target to €1.80 and our current year EPS estimate to €0.231. There is significant amount of uncertainty regarding the future strategy to be pursued by C&C.

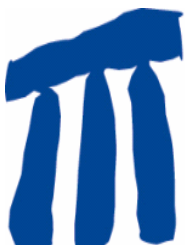
**Chart view: C&C**

Support Primary: N/a  
 Support Secondary: N/a  
 Resistance Primary: €2.19  
 Resistance Secondary: €3.48

Price remains heavily dominated by its long term downtrend, and momentum remains to the downside. However, with high volume returning to the stock some upside risk is possible as buyers return to the market.

Major Shareholders		Peer Group Multiples			
Morgan Stanley	9.8	Company name	P/E 08	P/E 09	EPS Growth 08-09
Invesco	7.0	C&C	6.2		
Causeway	6.6	Heineken	10.1	9.1	10.0%
Janus Capital	6.0	Carlsberg	9.3	8.0	16.4%
Shares Outstanding 312.9m ln					

Share Data		Financial Data		
		Feb-08	Feb-09	Feb-10
Current Price (€)	1.43	Revenue (€m)	842	580
Mkt Cap (£m)	450	PBT (€m)	171	105
Reuters	GCC.I	EPS (€)	0.29	0.23
Bloomberg	GCC ID	P/E(x)	4.9	6.2
Sector	Beverages	DPS (€)	0.27	0.12
CEO	Maurice Pratt	Yield	18.9%	8.4%
CFO	Brendan Dwan			
Website	<a href="http://www.candcgroupplc.ie">www.candcgroupplc.ie</a>			





## Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only 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 issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. 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. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report 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.

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.

## 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 issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and 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. Stuart Draper, David Dunk and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and David Dunk & Stephen Taylor 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 SECURITIES LTD