



# Weekly Traders Update



## **Brief Market View**

The Irish market continues to perform very well with a number of the large cap stocks recording reasonable gains last week. We would look at the second line Irish stocks for good buying opportunities at current levels. Grafton Group, Fyffes, C&C Group (at €5), Independent New & Media, Greencore, Tullow Oil (sub 250p) and DCC are among our preferred plays into year end and Q1 2006.

Financials will remain in focus this week with trading statements from AIB and HBOS due on Tuesday while RBOS issue a trading statement on Thursday morning. We are expecting a positive update from AIB re-affirming Bank of Ireland's strong lending growth indication's in the Irish economy from last week. The UK Banks should also point to improving credit quality and lending growth similar to the updates provided by Alliance & Leicester and HSBC last week. In the UK our preferred picks are Glaxosmithkline, Pearson, William Hill, Tesco, Vodafone, GUS, Next, Legal & General and British Airways. European markets continue to perform very well and our top picks continue to improve, namely Adidas, Deutsche Bank, BMW, BNP Paribas and Inditex.

## **Independent News & Media €2.36**

**Recommendation upgrade:** our view now is that INWS has the potential to outperform the Irish market from current levels, and as a result we upgrade our recommendation again to BUY. Recent results : INWS recently announced its results for the 6 months ended 30/06/05. Pre IFRS, or Irish GAPP eps, of 7.35c, was in line with the forecast range of 7.2c to 7.5c and was an increase of 11% on the H1 2004 eps of 6.6c. Advertising growth: Such double digit year on year earnings growth was primarily driven by strong advertising conditions in the group's key markets. The advertising revenue growth of the publishing division was 12.4% whereas circulation revenue growth was 5.5%. The group are due to update the market on 22nd December when they issue a trading statement. We are expecting good advertising revenue trends and a continued solid performance from their UK and Australian divisions.

## **DCC €16.32**

Following the sharp sell off in the DCC share price we upgraded the stock to Buy on 1st November. The stock has recovered well since then and we feel there is further upside in the share price towards €17 / €17.50 looking into Q1 2006. DCC remains a well diversified business with the following profit split by division: Energy 39%, Healthcare 12%, Foods 10%, IT 21%, Environmental 4%, Other 14%. With regard to the IT division, it is expected that it will contribute less than 15% of group earnings next year and the recent share price movement has reflected that the initial market reaction to the profits warning may have been too pessimistic. A decision on the Fyffes case is expected in the next two weeks.

## **RBOS 1672p**

Trading update due from Royal Bank of Scotland on Thursday. A poor performer in 2005 but has recovered some ground over the past 6 weeks. The trading update should be the catalyst to push the shares above 1700p. We would use any such price strength to exit any trading positions in RBOS as we would expect the shares to trade lower in January with the absence of any news-flow in the run up to the FY2005 results due on 24th Feb 2006.

## **William Hill 514p**

Covered last week in the weekly traders update. The stock is likely to drop out of the FTSE100 in the next two weeks. The changes will announced on Wednesday and will take effect the following week. However the volume and price action would suggest that this has been already reflected in the share price. Betting results have favoured the punter for an unusually long period of time and we are expecting the William Hill Gross Margin to return to the historic averages over the next 3/6 months. The acquisition of the Stanley Leisure betting shops is going according to plan, management have re-affirmed their commitment to a £350m share buy back, the valuation remains undemanding at 12.5x 2006 earnings and the stock is paying a dividend yield of 3.5%.

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