



## Brief Market Comment

Last week saw the release of market friendly economic data but also the return to the thorny issue of sub-prime lending. The combination of both of these was to spark a run in global markets that saw the Dow and S&P hit all time highs and the FTSE and Dax touch 7 year highs. The economic releases saw inflation readings that were in-line with forecasts and a better than expected Philly Fed reading which supported the view that manufacturing activity was still relatively strong. Crucially, as well as this interest rate friendly data, Fed Chairman Bernanke addressed the issue of sub-prime lending and advised that delinquencies would continue, there would be no spill-over into the prime market. With no negative surprises in any of the above and the continued spate of take-over talk increased by the actual bids for Hanson and Reuters, equity markets broke out of their recent trading ranges to the highs mentioned above. With very little in the way of economic data scheduled for release this week, there appears to be little to halt the markets new-found momentum. The excess liquidity we have referred to over the last few weeks continues to dominate markets, however some degree of consolidation at these higher levels would be healthy before any further advance higher.

## Current Trading Ideas

### DCC

Current: €25.52  
Target: €27.00  
P/E 07 14.62  
Div Yield 07 1.93%  
Next Results 13/11/07

### BUY

Following **DCC's** sale of its Sandyford site for €40m and assuming that it raises at least a further €250m after taxes and disposal expenses, from the sale of its 49% stake in Manor Park, a sizeable surplus capital position will be generated, creating the potential for a major share buyback programme or special dividend for shareholders. This translates into a potential surplus capital position, which can be conservatively estimated at €3 for each of the group's 80.37m shares in issue. Deducting this surplus capital from the current DCC share price of €25.52, leaves the shares rated at 13.3x consensus eps of €1.69 for the year ending 31/03/08. Given that DCC has delivered compound earnings growth of 17% per annum over the past 10 years from its ability to successfully integrate bolt-on acquisitions, such a forward multiple does not fairly value the strength of the group's earnings growth. Our current 12 month price target for DCC's enterprise value of €24 is based on 14x current year eps of €1.72. When account is taken of the group's surplus capital of €3 per share, explained above, an overall 12 month group share price target of €27 is generated

### C&C

Current: €12.53  
Target: €13.50  
P/E 07 19.63  
Div Yield 07 2.15%  
Next Results 31/08/07

### BUY

Last week's AC Nielsen market share data for the UK LAD market showed Magner's share of the LAD market increasing to 1.8% on a moving annual total basis in March from 1.7% in February. This keeps **C&C** on target to achieve its stated goal of a 2.5% market share by the end of February 2009, providing the basis for our current year eps forecast of 67.5c, and our 12 month price target of €13.50, based on 20x current year eps. The group also recently announced the sale of its soft drinks division to Britvic for €249.2m, representing the attractive exit multiple of 19.2x operating profit of €13m after central costs. With €150m of the proceeds being applied to increase the group's share buy-back programme, starting in June, from €150m to €300m, the disposal should be largely earnings neutral, and should provide more capital to fund the group's high growth cider business. The disposal also provides the strategic benefits of increased group focus on this growth opportunity, as well as making the business a potentially cleaner takeover target

### Grafton

Current: €11.66  
Target: €14.00  
P/E 07 12.81  
Div Yield 07 1.61%  
Next Results 13/09/07

### BUY

Last week's Irish retail sales figures for March showed a very strong performance in the "hardware, paints and glass" category, the key proxy for DIY sales. The category showed year on year sales growth and price inflation of 17.9% and 3.4% respectively. **Grafton** has the leading share of the Irish DIY market, and helped by the release of SSIA's is well positioned to profit from continued buoyancy in Irish DIY sales. Our view is that 15x forward eps is a fair rating for Grafton, given that the median multiple at which Travis Perkins, BSS Group and SIG are currently trading, and given Grafton's prospects for continued double digit earnings growth in 2007 and 2008. As a result, our current 12 month price target of €14 is based on 15x consensus 2008 eps of 93c

### British Land

Current: £14.29  
Target: £17.50  
NAV 07 £16.72  
Div Yield 07 1.6%  
Next Results 22/05/07

### BUY

**British Land** will announce its results for the year ended 31/03/07 tomorrow. The consensus forecast is for the group's net asset value (NAV) per share to have grown by 13% year on year to £16.72, driven by its 35% exposure to the London office market, with a further 223,000 sq ft at 201 Bishopsgate now pre-let. Even though the rate of price appreciation in the UK commercial property market is expected to be at a slower rate in 2007 than in recent years, with c.2.4 msf of office development projects delivering over the next 2 years, the vast majority of which is located in the fast-improving London City area, we are still forecasting further NAV per share growth over the next 9 months to £18.42 as at 31/12/07. Our current 12 month target price of £17.50 is based on a 5% discount to 2007 year end NAV per share

### Ryanair

Current: €5.29  
Target: €6.50  
P/E 07 20.2  
Div Yield 07 0%  
Next Results 05/06/07

### BUY

Last week's comments the deputy group chief executive of **Ryanair** that the airline's June average fare could be as much as 10% lower year on year has generated another attractive entry level sub €5.50 for medium term investors. Following the previous recent cautious comments from the airline in relation to the current yield environment, there was a consensus move to reduce the current year average fare assumption by 1%, which reduces the consensus eps for the year ending 31/03/08 by 4% from c.33.5c to 32.2c. We were already at 32.5c, on which current 12 month price target of € 6.50 is based using our usual 20x forward eps multiple. The latest re-rating below €5.50 implies attractive upside even in the event of a further 1% reduction in the current year average fare following the airline's full year results' announcement on 5th June. In conjunction with this results' announcement, clearer guidance is likely to be issued concerning the extent of the current yield softness and the removal of this uncertainty could act as a positive catalyst for the share price

## This Week's Calendar Events

**EARNINGS:** Mon (Britvic, I), Tues (Marks & Spencer, FY06), (British Land, FY06), Wed (Experian, FY06), Thur (Cable & Wireless, FY06), (Barclays, FY06), (Daily Mail & General Trust, I) Fri (Smurfit Kappa, Trading),

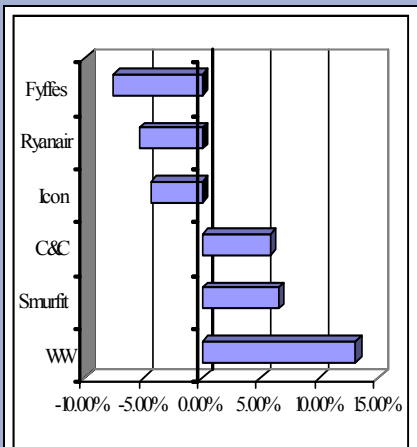
**ECONOMIC DATA:** Tuesday (German ZEW, US Richmond Manufacturing Index), Wednesday (BoE Minutes), Thursday (German GDP, German IFO, US Durable Goods, Jobless Claims and New Home Sales), Friday (UK GDP, US Existing Home Sales)

# DOLMEN STOCKBROKERS Traders Update

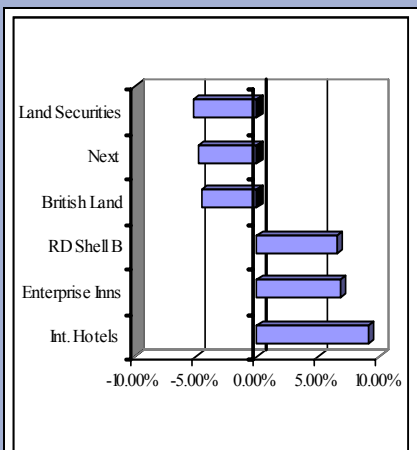
## Last Weeks Best/ Worst Performers

11/5/07-18/5/07

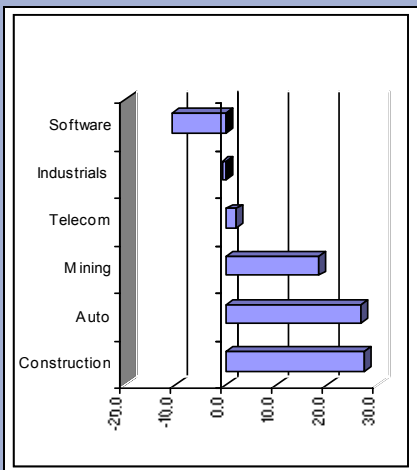
### ISEQ



### FTSE



### Sector change YTD



## Dolmen Dozen

WEEKLY UPDATE

COMPANY	QTD	YTD	RELEVANT NEWS
AIB(€22.40)	0.90%	-0.67%	Ahead of full year results due from peer Bank of Ireland on 31st May 2007
Aviva(£8.37)	11.90%	1.40%	Following rumours of consolidation within the insurance sector
BP(£5.82)	5.43%	2.47%	After oil rose 4% last week to \$64.94 per barrel
British Land(£14.29)	-6.48%	-16.63%	Peer Land Securities said that some of its lesser quality properties suffered a fall in value
C&C(€12.53)	10.20%	-6.84%	Announced the sale of its soft drinks business to Britvic for €249m
CRH(€34.46)	7.69%	9.26%	One of CRH's biggest JV's has been forced into crunch talks with its bank over debts of €190m
Greencore(€4.61)	0.22%	-1.50%	New compensation from the EU on the restructuring of the sugar beet sector
GSK (£14.64)	4.80%	8.85%	Goldman Sachs upgraded the group to neutral from sell
Ladbrokes(£4.21)	4.73%	0.84%	The company's trading statement reiterated its full year 2007 earnings forecasts
RBS(£6.54)	-1.06%	-1.25%	Reported that RBS, Fortis and Santander will present its €70bn bid for ABN Amro.
Ryanair (€5.29)	-9.26%	2.49%	The airline said that average fares for June may decline by as much as 10%
Vodafone(£1.45)	3.57%	2.47%	Ahead of its FY results due on the 29th of May
DD Unrealised gain YTD		3.10%	ISEQ YTD 2.25%
DD Realised gain YTD		2.71%	FTSE YTD 7.10%
DD Total YTD		5.81%	Average Performance 4.67%
Relative performance YTD		+1.14%	

### What it says in the 'Sundays'

"Decision due in months on €500m Elan plant" **Elan - Sunday Business Post**

"Mild downturn forecast for ILP as property jitters continue" **IL&P - Sunday Business Post**

"Aer Lingus in €1bn talks with Airbus" **Aer Lingus - Sunday Times**

"Biotech chief enters ICG fray" **ICG - Sunday Times**

"CRH Buy" **CRH - Sunday Times**

"Clearly undervalued" **CRH - Sunday Independent**

"LRC recommend AIB to change pension scheme" **AIB- Sunday Tribune**

### Recent Corporate Visits

COMPANY	CHANGE ON YEAR	MEETING DATE	RELEVANT NEWS
C&C	-6.84%	9/5/2007	CEO Maurice Pratt said not to expect any news on the two test market until October. Upping their dividend payout ratio close to 50%.
Kingspan	6.13%	9/5/07	Finance Director Dermot Mulvihill told us that only 8% of group earnings are exposed to the Irish new housing market. A buoyant UK market more than offsets this.
Paddy Power	2.47%	2/5/07	Has twice the turnover per shop compared to Ladbrokes. Will not apply for UK casino licences.

# Last Weeks Moves

## Equities

	Level	Change WTD	Change YTD	Dividend Yield	P/E
ISEQ	9,667	0.78%	2.68%	1.79%	16.91
FTSE 100	6,640	1.15%	6.75%	3.54%	17.02
DAX	7,607	1.78%	15.39%	2.88%	14.08
DJ	13,522	1.51%	8.54%	2.09%	18.05
S&P 500	1,518	0.82%	7.04%	1.76%	17.85
NASDAQ	2,545	-0.65%	5.39%	0.66%	38.14
DJ STOXX 50	3,876	0.81%	5.95%	3.20%	15.62

## Sector

	WEEKLY MOVE %	YTD MOVE %
Construction	2.84	27.46
Autos	5.8	26.63
Mining	-0.89	18.31
Chemicals	1.08	16.58
Media	1.75	16.18
Tobacco	1.91	11.65
Personal Goods	0.59	11.32
Technology	4.89	10.75
General Retailers	-1.64	9.33
Food Producers	-0.46	7.82
Beverages	1.22	7.78
Leisure Goods	2.27	7.21
Insurance	0.43	5.33
Banks	-0.2	5.18
Utilities	1.72	5.14
Pharmaceuticals	2.53	4.93
Oil & Gas	4.67	4.93
Telecoms	-0.4	1.9
General Industrials	-0.48	-0.86
Software	-1.4	-10.86

## Commodities

	CURRENT	YTD CHANGE
Crude Oil	\$65.06	0.65%
Gold Spot	\$661.35	3.83%

## Exchange Rates

	CURRENT	YTD CHANGE	YEAR END(E)
EUR-USD	1.3515	2.38%	1.35
EUR-GBP	0.6816	1.20%	0.665
EUR-JPY	161.165	2.56%	145

## GDP Growth

	YEAR END 06	YEAR END07(E)
Ireland	7.70%	6.00%
Euro Zone	2.70%	2.50%
UK	2.90%	3.00%
US	3.00%	2.00%

## Central Bank Interest Rates

	CURRENT	YEAR END(E)
Ireland	3.75%	4.00%
Euro Zone	3.75%	4.00%
UK	5.50%	5.50%
US	4.69%	4.35%

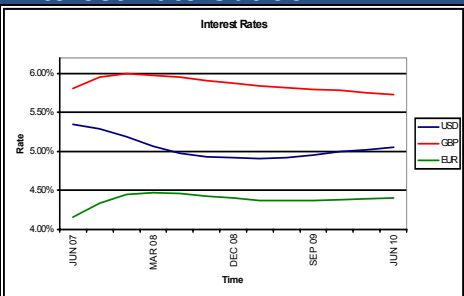
## Credit Market Summary

Spreads tracked equity markets and tightened further this week on the back of favourable earnings releases across sectors. The investment grade and high yield indices closed at 22bps and 199bps respectively. While significant widening is unlikely in the near term, some divergence from the equity markets can be expected given that many of the earnings improvements are driven by shareholder friendly strategies rather than a clear improvement in fundamentals.

## Sector Movements for week ended 18/5/07

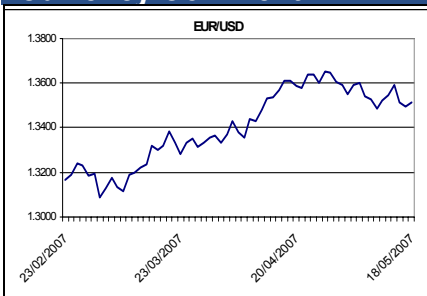
- Last week's takeover speculation in respect of media company Reuters came to fruition as US company Thomson agreed a £8.7bn deal to unite the second and third biggest financial news and data providers behind Bloomberg.
- The fragmented building materials sector also saw consolidation as Germany's Heidelberg Cement acquired the UK's Hanson in an £8bn deal. Other significant corporate activity saw Daimler Chrysler dispose of 80% of its loss making Chrysler division to private equity buyers.
- UK supermarket Morrisons continues to be the subject of takeover speculation with CVC reported to be the latest interested acquirer having failed in its recent bid to acquire Sainsbury's. EMI also remains on the block with Warner Music believed to have once again joined the frame alongside a number of private equity firms. Credit spreads of both companies remain at elevated levels supporting takeover speculation.

## Interest Rate Outlook

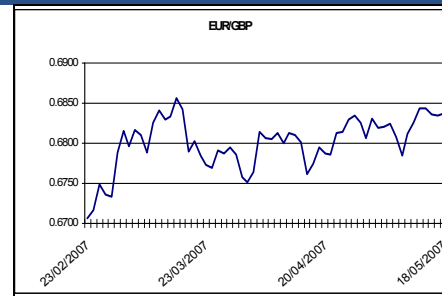


Yields rose in Europe last week as strong numbers continued to come out of Germany. Quarter 1 GDP beat economist estimates while CPI data came in weaker than expected. With little economic data out this week we expected European bonds to consolidate around these levels during the week.

## Currency Comment



The Euro was broadly unchanged last week as the data on continued to be mixed out of the US. While the CPI and leading indicators came in weaker than expected, industrial production beat expectations. This week is light in term of data with durable goods and new home sales the main focus.



The Euro strengthens against GBP last week as retail sales came in weaker than expected out of the UK while CPI data came in as expected. This week traders will look to the ZEW business confidence out of Germany and revised GDP out of the UK for direction.



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