



Equity markets remained under pressure last week as a lack of progress on a US bank rescue package as well as further weak global economic data weighed on sentiment. While markets did get a short-term fillup as the UK Government launched its Asset Protection Scheme, a move that helped 'ring-fence' the toxic assets in RBS, this was very much seen to have been a unilateral move, at a time when the markets really require a more co-ordinated pan-national plan to try and restore confidence in the banking sector. Markets received little comfort from the economic data out of the US which saw the housing and labour markets continue to fall at a rapid pace, while the worlds second largest economy Japan, fell further in recession, thereby raising concerns about growth in the broader Asian region. The coming week will see equity markets focus squarely on the economic data releases with key PMI and ISM readings all due for release from the major economic regions, central bank meetings in the UK and Europe, and perhaps most significantly the US Non-Farm Payroll number on Friday. With uncertainty still holding the upper-hand in these markets, investors will be cautious ahead of the key pay-roll data and accordingly we see the markets trading within their newly formed lower ranges until later in the week when the central bank meetings and jobs data in particular will determine whether they move to lows.

## TRADING IDEAS, EARNINGS & PREVIEWS

### AIB / IL&P

AIB released full year results this morning with the main headline figures as guided in the recent IMS. EPS for the year was 66.5c and net income fell to €767m from €1.95bn in 2007. The fall in profitability was due to the increase in impairment provisions, increasing to 1.37% of the loan book or €1.822bn. Core tier1 capital ratio was slightly better than market estimates at 5.8% and guidance for capital once the government's capital is injected is 8.4%. Loan quality continues to deteriorate, with criticised loans increasing to 11.7% at year end compared to 7.6% at the half year. On funding, customer deposits increased by 22% during the year and the loan to deposit ratio has fallen from 1.57x to 1.4x. Management have guided at the end of December, €40bn was held in qualifying liquid assets that could be used funding purposes with €9bn of the fund used at that stage. The did guide that since the start of 2009, AIB has been sourcing more short-terms funds and increasing the use of collateralised funding sources. The outlook guided for management is for another difficult year with the possibility impairments will raise further during the course of the year.

Irish Life & Permanent (IPM) release full year results on Wednesday morning. The market is expecting EPS for the full year of €1.30 and impairment charge of 13bps (€53m) for the full year. As was announced previously no final dividend will be paid. In the life business, operating profit is expected to be €285m, a fall of 18% yoy. On the outlook going forward, we are expecting an up-date on impairments. The outlook for economic growth, house prices and unemployment have all deteriorated since IPM last guided on bad debts and the risk is for management to guide them higher than the current 60-80bps over the next 3-years. Of particular focus in the loan book will be the Buy-to-Let book in the UK and the level of non-performing loans. Other details of importance will be the growth in the deposit book of the bank and further details on the deposit transactions with Anglo Irish Bank. We don't expect any surprises in the results on Wednesday, but guidance on impairments and funding will be key.

**Fundamental View:** We are reiterating our call on Tullow. The company is heading into what is likely to be a transformational year for the UK based oil explorer. Tullow's balance sheet is strengthened by the recent successful financing efforts, as well as £400m from a well supported equity raising. In the coming quarters we are expecting the results of drilling on promising prospects in Uganda and Ghana. In Ghana, we are expecting continued testing on Jubilee, and nearby promising prospects. Meanwhile, discoveries in Uganda are of sufficient size to justify commercialization, with the bulk of the identified prospects still to be drilled. Tullow has said that it expects Uganda to become a top 50 global oil producer.

**Next Catalyst:** Tullow's drilling campaign remains the key catalyst for the share price. Results from Tweneboea, a neighboring prospect to Jubilee, are expected towards the end of February, start of March. Tullow has a 49.95% working interest in the Tweneboea prospect, versus a 36.4% stake in the Jubilee field, Tweneboea potentially holds 500-750m barrels of oil, compared with an estimated 1-1.2bn for Jubilee.

**Fundamental View:** Trading conditions in the airline sector are likely to remain difficult due to the weak economic climate. Ryanair has two key advantages over its peers, firstly it has a much lower fixed cost base compared to its peers. Secondly, Ryanair has hedged its fuel costs at significantly lower levels than its peers. This will enable it to price its fares aggressively in the coming year, while still experiencing a strong recovery in earnings. In comparison, many of Ryanair's peers are struggling to reduce their cash-burn rates, and will likely be forced to reduce capacity in the coming months. Ryanair is our preferred pick within the Airline sector, and we recommend going long on further weakness. Key levels of support are €2.80 and €2.52

**Next Catalyst:** Ryanair will report its February traffic figures over the coming week and any updates on its fuel hedging activities will be welcomed by the market

### Tullow Oil

Price: 705p

P/E: 37x

Div: 0.8%

Target: 900p

Buy

### Ryanair

Price: €2.93

P/E: 10.5x

Target: €3.65

Buy

### CRH

Price: €15.77

P/E: 7.1x

Div: 4.2%

Target: €22.00

Buy

**Fundamental View:** Speculation persists that CRH is considering a €1bn rights issue. The first thing to point out is that CRH does not require a rights issue at the moment, however it would allow the company to take advantage of market distresses and seek opportunistic acquisitions. The group has the strongest balance sheet in the sector with EBITDA/Interest cover of c. 7x and well ahead of its covenant level of 4.5x. Forecasted net debt / EBITDA is also low at c. 2.38x. The last time CRH announced an equity raising was in 2001 raising funds to pay down debt and fund acquisitions. The group did not require to raise funds at that time also. The equity raising was in the form of a 1 – 4 rights issue issued at 50% discount to its share price. We would view a similar discounted issuance as c. 17% dilutive to EPS if the company was to raise the reported €1bn. An attractive entry is sub €15, due to the next support level at €14.85.

**Next Catalyst:** CRH is due to report full year results on March 3rd. We expect the group to report profit before tax of €1.6bn down from €1.9bn in 2007. The group is also likely to issue a cautious guidance for 2009 however it has previously indicated that it will be a major beneficiary of the US stimulus package.

### C&C

Price: €0.92

P/E: 4.3x

Target: €2.10

Buy

**Fundamental View:** We continue to see value in C&C despite the weak economic environment, and the impact this will have on earnings. C&C are being impacted negatively by a weak consumer, and Sterling. We are expecting stabilization in cider volumes over the next 18 months. Trading in C&C is likely to continue to be volatile and broader market negative sentiment against the stock may persist.

**Next Catalyst:** C&C will release its 2008 trading update on March 3rd. Critically, the new management team, headed by ex-S&N CEO John Dunsmore, will give its first outline of future company strategy. We also expect management to cut the annual dividend payout from the current level of €0.12 per share. Although the operating environment is likely to remain difficult over the coming months, we believe that the market is seriously undervaluing C&C at current levels.

### Paddy Power

Price: €11.35

P/E: 9.9x

Div: 4.9%

Target: €18.00

Buy

Paddy Power released its 2008 full year results this morning and the group's performance was ahead of market expectations. Despite a negative €5m currency effect, EBIT was up 5% at €76m, resulting in a EPS growth of 10% to €1.41. Online gaming continues to grow in importance and represented c.56% of total group's profits. It performed particularly strongly with a 48% increase in operating profit on a constant currency basis and cost cutting measures at this division were considerable ahead of consensus. Trends at its Irish retail businesses continue to deteriorate however with second-half EBIT down 36% year-on-year to €7.8m. Turnover per shop was down c.14% and as a result it is reviewing its expansion process in Ireland, deciding to shift focus to relative growth. In terms of outlook, the board is satisfied with the overall progress in the first two months of the year and it remains confident of the group's prospects.

## Earnings Week Ahead

## Economic Week Ahead

**Mon:** AIB(Prelim),Kingspan(Prelim),PaddyPower(Prelim),HSBC(Final), Premier Foods(Final),Pearson(Prelim),WSP(Prelim), Whitbread(Trade).

**Tues:** C&C(Trade),CRH(Final),Admiral(Prelim),JohnWood Grp(Prelim), Standard Chartered(Prelim), Bayer(Q4), Scharz Pharma(Q4), MBIA(Q4).

**Wed:** Dragon Oil(Prelim), Glanbia(Prelim), Irish Life(Prelim), Credit Agricole(Q4), France Telecom(Q4), Adidas(Q4), Holcim(Q4), ITV(Final), Sportingbet(Q2).

**Thurs:** Air Berlin(Traffic),Aviva (Prelim), Arriva(Prelim), Michael Page(Prelim).

**Fri:** WPP (Final), Robert Walters(Prelim), Rathbone Brothers(Prelim).

**Mon:** EU,UK & Ger PMI(09:00), UK M4 & Consumer Credit (09:30), US PCE Core. US ISM Manuf(15:00), US Constr.Spending(15:00).

**Tues:** UK PMI Constr(09:30), EU PPI (10:00), US Pending Home Sales(15:00).

**Wed:** Irl Live Register& Unemployment(11:00), Ger&EU PMI Services(09:00), EU Retail Sales(10:00),US MBA MgageApps(12:00),US ADP Employ(13:15) Feds Beige Book(19:00).

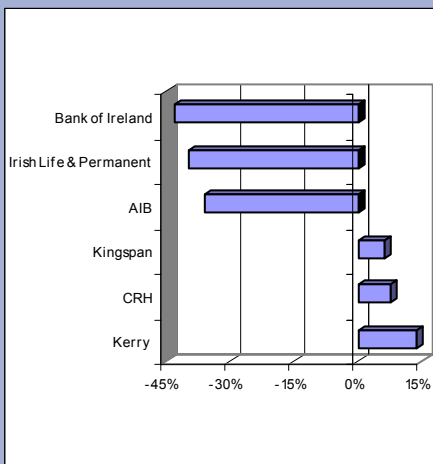
**Thurs:** EU GDP(10:00), BoE Rate Decision(12:00), ECB Rate Decision(12:45), US Initial Jobless Claims (13:30)

**Fri:** Ger Producer Prices (07:00), UK PPI Input&Output(09:30), US NonFarm Payrolls & Unemployment (13:30).

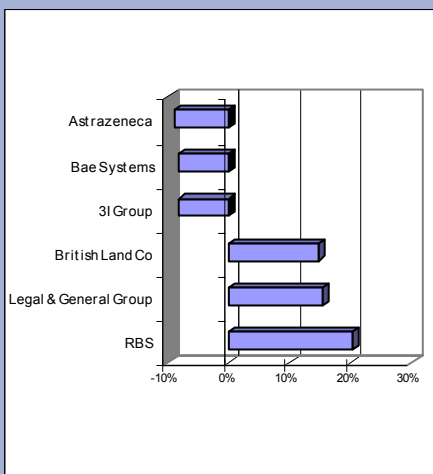
# DOLMEN STOCKBROKERS Traders Update

## Last Weeks Best/ Worst Performers 23/02/09-27/02/09

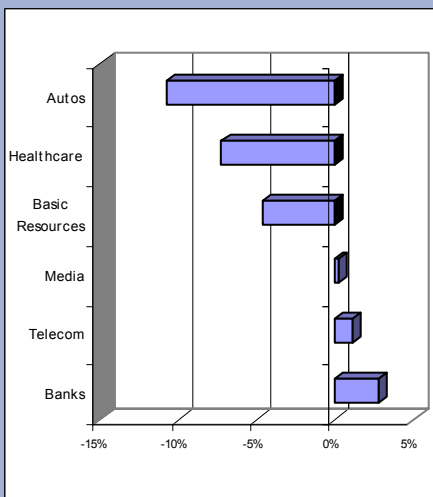
### ISEQ



### FTSE



### Sector changes WTD



## Dolmen Dozen

### WEEKLY UPDATE



Company	YTD	Relevant news
Aryzta	-23.3%	Aryzta will be reporting half year results on the 8th March.
BP	-14.8%	Press reports suggest BP have implemented a pay freeze.
CRH	-8.1%	Ahead of CRH's full year results tomorrow
E.ON	-28.4%	E.On says it is looking to buy back €4.25bn of bonds to make more efficient use of cash.
Hewlett-Packard	-19.0%	HP reports first quarter net income slightly below expectations.
IL&P	-57.3%	Ahead of IL&P's full year results on Wednesday.
IN&M	-65.5%	Concerns over its ability to pay down its debt.
J&J	-14.7%	Johnson & Johnson reports fourth quarter earnings of \$2.71bn, compared with \$2.37bn a year earlier.
JPMorgan	-27.2%	Goldman Sachs adds JP Morgan to conviction buy list.
Microsoft	-16.1%	Microsoft discloses its plans for marketing its next generation windows operating system.
Paddy Power	-16.2%	Paddy Power reports a better than expected set of full year results.
Vodafone	-9.9%	Peer Deutsche Telekom reports fourth quarter loss.

### What it says in the 'Sundays'

Company	Paper	Headline
Irish Financials	S.Tribune	AIB, Bol lodged €6bn with Anglo
BP	S.Tribune	Fitzgerald in line for BP top job
Irish Economy	S. Business Post	ECB issues recapitalisation warning to government
Kerry Group	S. Business Post	Kerry boss is content to build business up steadily
AIB	S. Independent	Billionaire Desmond buys stake in AIB

### Corporate Visits

#### COMPANY

#### PRESENTATION DATE

Irish Life & Permanent	19th March
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## Last Weeks Moves

Equities	Level	Change WTD	Change YTD	Div Yield	P/E09
ISEQ	2074	-11.5%	-11.5%	6.6%	4.1
FTSE 100	3830	-8.6%	-13.6%	6.8%	7.7
DAX	3844	-12.9%	-20.1%	6.8%	14.7
Dow Jones	7063	-10.0%	-19.5%	4.5%	8.6
S&P 500	735	-11.1%	-18.6%	3.9%	10.3
Nasdaq	1378	-10.2%	-12.6%	1.5%	17.9
EuroStoxx 50	1770	-9.9%	-15.0%	7.7%	11.1
Nikkei 225	7568	-2.7%	-14.6%	3.0%	22.5

Sector	Weekly move%	YTD move %
Retail	-0.88	1.57
Oil & Gas	-2.47	-3.46
Personal & Household Goods	-1.09	-4.00
Media	0.221	-6.08
Food&Bev	-1.24	-6.47
Telecom	1.185	-7.25
Basic Resources	-4.60	-7.29
Chemicals	-2.62	-8.79
Travel & Leisure	-2.09	-9.23
Technology	-3.40	-10.82
Industrials	-3.23	-11.04
Healthcare	-7.23	-11.65
Utilities	-3.58	-16.47
Financial Services	-2.15	-18.29
Construction & Materials	-3.64	-19.74
Banks	2.82	-25.41
Autos	-10.69	-25.44
Insurance	-1.93	-30.32

## Commodities

	Current	Change YTD
Crude Oil	\$44.76	0.4%
Gold spot	\$942.35	7.2%

## Exchange Rates

	Current	YTD Change	Year End (est)
EUR-USD	1.267	-13.2%	1.40
EUR-GBP	0.885	-7.4%	0.93
EUR-JPY	123.68	-2.9%	120

## GDP Growth

	2008	2009 (est)
Ireland	-1.70%	-5.00%
Euro Zone	1.20%	-2.00%
UK	1.00%	-2.00%

## Central Bank Interest Rates

	Current	3 month	Year End (est)
Euro Zone	2.00%	1.81%	1.50%
UK	1.0%	2.03%	1.00%
US	0.00% - 0.25%	1.27%	0.0% - 0.25%



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