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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9275	↓ -134	-1.43%	11.0	-1.42%
FTSE 100	6116	↓ -56	-0.90%	12.4	-1.68%
DAX 30	6640	↓ -75	-1.12%	15.0	0.66%
DOW	12234	↓ -34	-0.28%	19.5	-1.84%
NASDAQ	2404	↓ -12	-0.49%	15.6	-0.46%
S&P	1403	↓ -4	-0.26%	21.0	-1.07%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3176	0.6737	155.0800
Dollar	1.3176	1.0000	1.9561	117.6400
Sterling	0.6737	1.9561	1.0000	230.1500
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	62.0000			

This Week's Research
McInerney RBS
Kerry Group
IL&P

Today's Research
Aviva

Today's Recommendation

Aviva (£7.80) 2006 2% miss over-reaction Stuart Draper
Target : £9 (17/01/07 ; previously £8.50, issued 02/06/06)

- Results announced : Aviva's share price fell by 5% yesterday after it announced results for the year ended 31/12/06. The group reported full year gross operating profit of £3.245 bn, a year on year increase of 12%. However, not helped by a very weak equity market backdrop, the market chose to focus on the fact that the result was £55m (c.2%) lower than the consensus forecast of £3.3 bn. The main driver of the growth was the 16% growth in life and pension premiums to £26.852 bn.
- 2007 growth : Yesterday's 5% share price fall would appear to have been an over-reaction to such a 2% miss, and the group's upbeat outlook for relatively strong 2007 UK sales growth and improving non-UK life margins would not appear to be fairly discounted now by the group's current share price. Aviva is guiding further strong 15% sales growth for 2007, driven by particularly strong international sales growth. This international sales growth will be boosted by the group's August 2006 acquisition of US life insurer, AmerUs Group, for \$2.9 bn in cash, with the initial contribution of AmerUS to the group's 2006 sales results showing 21% year on year growth, helped by the introduction of new products.
- Track record : The US market is the world's largest savings market, with strong growth potential as a result of its ageing population. Aviva has an excellent acquisition track record, and with a further c.1000 life companies in the US, there is the potential for further earnings growth from bolt-on deals within this market. The AmerUs deal should boost 2007 eps by c.2%.
- Dividend growth : Despite this US expansion, Aviva remains committed to growing its dividend, yesterday announcing a 10% increase in its 2006 dividend per share to 30p. Further 10% growth in 2007 to 33p would provide a 2007 dividend yield of 4.2% on the current share price. **It is worth noting that the ex date for the group's final dividend per share of 19.18p (2.5% yield on current share price) is next Wednesday, 7th March.**
- Further upside : Given that Aviva's 2007 return on embedded value of 14% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Our current 12 month price target of £9 (15% upside) would rate the shares at 1.6x 2006 EV per share of £5.73, a 7% premium to the current sector average : **BUY.**

Breaking News

Flow rate from Kingfisher well exceeds expectations

Tullow and Heritage Oil have concluded the testing of three intervals of the Kingfisher-1A exploration well in Block 3A in Uganda and have showed a cumulative flow rate of 9,773 barrels per day (b/d) of oil. Last November, Tullow and Heritage reported stable test flows of 4,120 b/d of light and sweet oil, with an API gravity of 30°. Therefore the resulting cumulative maximum flow rate is 13,893 b/d from the Kingfisher well. The cumulative maximum flow rate for the Kingfisher well has surpassed expectations. A higher capacity rig capable of drilling deeper is being secured as Tullow Oil previously stated the current rig was unable to explore past a depth of 3,195 metres.

C&C director purchases 30,000 shares post trading statement

C&C director Philip Lynch has purchases 30,000 shares in the company at a price of €10.75. This was seen in the market as a vote of confidence for the companies outlook after the stock share price tumbled by almost 10% post its pre close trading update on Wednesday. Even though the full year ending 28/02/07 turnover growth for Magners of c.225% was lower than some forecasts as a result of H2 capacity constraints to supply the off trade, it appears that the major disappointment was in relation to the outlook for the year ending 28/02/08. The company stated that it expects operating profits over the next 12 months to grow by 15-25%.

US manufacturing report ahead of analysts expectations

The struggling US manufacturing sector rebounded in February as factories trimmed inventories and boosted output for a broad range of goods, the Institute of Supply Management reported yesterday. The ISM index of national industrial activity rose to 52.3 from 49.3 in January. Any reading over 50 indicates expansion, so the report suggests the industrial economy is picking up steam after shrinking in two of the past three months. The figure was better than the average Wall Street estimate of 50%.

Business Press

- Irish independent only national daily to gain sales (II)
- RBS announce profit of £9.19bn (II)
- ISEQ falls further but sell-off slows (IE)
- Strong hand for online gambling after US debacle (FT)

Investment Press

- European telecoms: While companies across Europe are reporting record results and raising dividends, life is still nasty and brutish for incumbent telecoms operators.



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