



Thursday 3rd April 2008

**DAILY COMPANY NOTE — BMW** See page 2 for full details

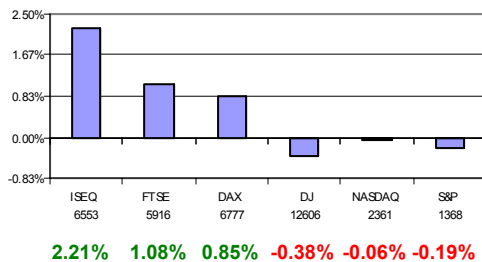
**Daily Market Comment**

**Yesterday's Summary :** The ISEQ continued its recent rally, albeit on low trading volumes, adding 2.21% to finish at 6,553.38. Investor sentiment towards the robustness of the Irish financials business models has been gradually improving and yesterday was no different with AIB gaining 2.1% to €14.47. Anglo Irish Bank rose 0.7% to €9.35 and Irish Life & Permanent soared 3.5% higher to €13.31. With US investor Capital Research revealing it has increased its stake to 4.9%, CRH added 4.5% to 25.50. IAWS gained 2.6% to €15.90 amid news that Swiss baking group Hiestend, in which IAWS has a 32% stake, reported full year results that were ahead of expectations and issued a positive outlook for the year ahead.

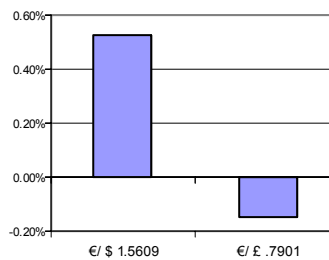
**Overnight News :** In Japan, the Nikkei 225 stock average, marking its third day of gains, closed the session up 1.5% at the day's peak of 13,389.90, on easing worries about the US economy following recent positive economic data and a weakening Yen. In China the benchmark Shanghai Composite Index closed up 2.94% at 3,446.24, with investors awaiting market-friendly policy announcements from the government. Metals stocks led the gains.

**Breaking News :** Waterford Wedgwood, the international luxury lifestyle group, have announced that Mr. Cameron is to step down as Chief Executive and that Mr. David Sculley will replace him on a temporary basis until the board has made a permanent appointment to the post. Ryanair have said it will add 5 new aircraft at its Barcelona Girona base as part of a major expansion that will increase Ryanair's Girona routes to 75 and passenger numbers to 8 million p.a. by 2012. United Drug has announced that it experienced positive trading conditions and revenue growth for the six months to March 31 2008.

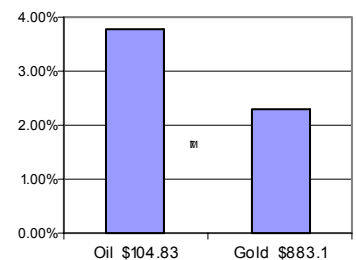
**Equity Indices change on day**



**Currency daily % change**



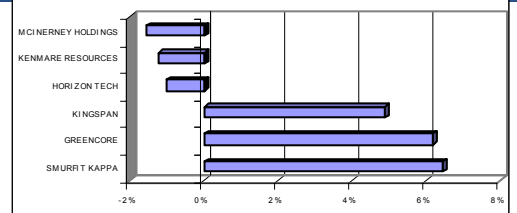
**Oil/Gold daily % change**



**News**

- "Bernanke admits recession possible in US"-(The Irish Times)
- "Cameron resigns from Waterford Wedgwood"-**Waterford Wedgwood**-(I.T)
- "IMF warning gives ECB room to make cut in interest rates"-(I.I)
- "Irish pensions lose €10bn in value"-(Irish Examiner)
- "O'Reilly increases IN&M stake"-**Independent News & Media**-(Irish Examiner)

**ISEQ Performers/Losers 02/04/08**



**Market Themes and Movers**

**European retail sales :** European retail sales unexpectedly declined 0.5% in February, reversing the previous months gains and well below analysts expectations for a 0.2% rise. The fall in retail sales was led by Germany and Spain where they dropped 1.6% and 0.2% respectively. Despite euro zone unemployment being at all time low, soaring food and energy prices have pushed up inflation and eroded consumers purchasing power. This report may apply more pressure on the ECB to consider adjusting European interest rates in order to stimulate economic growth.

**Oil prices steady :** Oil prices have begun to settle around the \$104 a barrel level today, after surging more than \$3 a barrel in the previous session amid the U.S government's report that there was a larger than expected decline in gasoline stockpiles. The EIA have reported that demand for gasoline over the four weeks ended March 28 was 0.5% lower than a year earlier, averaging nearly 9.2 million a day, however it did rise by nearly 1% last week, when compared with the same week last year.



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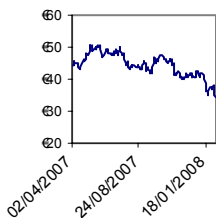
# BMW

**Stephen Taylor      Short**
**Current                      €36.55**
**Target                        €34.00**
**Stop-Loss                    €38.20**
**DAX**
**Autos**
**Company Profile**

The Group's principal activity is to develop, manufacture and sell a range of cars and motorcycles. The Group's activities are carried out through three business segments: Automobiles, Financial services and Motorcycles. The Automobile segment develops, manufactures, assembles and sells BMW and MINI brand cars, off-road vehicles and spare parts and accessories.

**Fundamental view :** Following BMW's 18% gain since 17/03/2008 we are reinitiating our short trading call on the company. Our last short trading call on BMW proved to be profitable with the shares falling from €40 to €34.71 before we advised taking profits. We believe that BMW is one of the most exposed to the current downturn in global economic activity given that it operates primarily in the luxury end of the autos market. A clear indication of that slowdown was reflected in BMW's disappointing US auto sales for March (BMW generates c. 25% of its revenue in the US) which showed a further 5.4% decline. Of particular concern for BMW was the 41% fall in the group's sport-utility vehicle sales although this was somewhat offset by strong sales in the group's mini brand which increased by 18%. BMW's year to date sales in the US have now fallen by 9.2% to 68,529. BMW was not the only car manufacturer to report sharp declines in US sales during March with Porsche and Daimler also following suit. Not only is the slowing global economy and weak \$ a problem for BMW, rising commodity prices is also putting pressure on raw material costs and will therefore squeeze margins at the group even further. On an EV/EBITDA valuation measure, BMW trades at a premium to its peer group at 5.2x versus 4.6x for the sector, a rating that we feel is undeserved in the current economic environment.

**Next catalyst :** The next major catalyst for BMW is on 29/04/2008 when the group is due to report its first quarter results. We expect the group to report a 5% drop in EPS to €0.97 with revenue increasing by 5% to €12.6bn. We also expect BMW to issue a cautious outlook given the slowing global economy. With our expectation that BMW's shares will trade lower over the coming weeks we would look to take profits on the trade at €34 just above the primary support level on the stock. We also recommend that with will all short trading ideas **clients place a guaranteed stop-loss in case of corporate activity** surrounding a company. For BMW we recommend placing the stop-loss limit at €38.20 slightly above its key resistance level.

**Statistics**
**Price Performance**

**Chart view: BMW**

Support Primary: €33.89  
 Support Secondary: €30.93  
 Resistance Primary: €38.12  
 Resistance Secondary: €40.10

Medium-term trend is negative with stock continuously failing to hold onto any gains made. The recent 18% rally from the March low should be viewed as an opportunity to exit any long position/initiate a short position. Chart outlook only becomes positive with a break above the €40 area. More weakness expected.

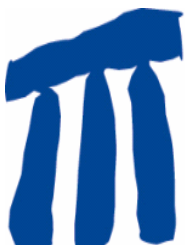
**Profit by Region**


- Automobiles 80%
- Financial Services 18%
- Motorcycles 2%

Major Shareholders	%	Peer Group Multiples			
Stefan Quandt	17.40%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Johanna Quandt	16.70%	<b>BMW</b>	8.70	7.93	9.76%
Susanne Klatten	12.50%	Daimler	9.2	8.1	13.81%
Templeton Global	2.46%	Fiat	9.7	7.70	15.05%
Harris Associates	1.34%	Volkswagen	15.1	13.7	10.98%

Shares Outstanding                      602m

Share Data		Financial Data	2007	2008e	2009e
Current Price (€)	36.55	Revenue (€m)	56018	57,049	59354
Mkt Cap (€m)	23205.37m	Profit Before Tax (€m)	3,873	3,833	4,276
Reuters	BMWG.DE	EPS (c)	4.78	4.20	4.61
Bloomberg	BMW GY	P/E(x)	7.65	8.70	7.93
Sector	Autos	DPS (c)	1.06	1.15	1.36
Chairman	Norbert Reithofer	Dividend Yield %	2.90%	3.15%	3.72%
CFO	Michael Ganal				
Website	<a href="http://www.bmwgroup.com">www.bmwgroup.com</a>				





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