



February 6, 2007

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9568 ↑	77	0.82%	11.0	1.70%
FTSE 100	6318 ↑	7	0.11%	12.4	1.56%
DAX 30	6874 ↓	-12	-0.17%	15.0	4.20%
DOW	12662 ↑	8	0.07%	19.5	1.59%
NASDAQ	2471 ↓	-5	-0.21%	15.6	2.29%
S&P	1447 ↓	-1	-0.10%	21.0	2.02%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2937	0.6592	155.8100
Dollar	1.2937	1.0000	1.9621	120.4400
Sterling	0.6592	1.9621	1.0000	236.3100
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	58.7400			

This Week's Research
 Ryanair

Today's Research
 BP

Today's Recommendation

BP (£5.32) Q4 earnings announced Stuart Draper
Target : £6 (06/02/07 ; previously £6.60, issued 09/10/06)

- **Q4 earnings** : This morning, BP announced its results for the 3 months ended 31/12/06. Net replacement costs earnings of \$3.895 bn was largely in line with the consensus forecast of \$3.868 bn, even though it was a year on year decrease of 22%. The Q4 dividend per share was increased by 10% to 10.325c, bringing the full year dividend to 39.35c. This represents a yield of c.3.8% on the current share price.
- **Q4 production** : The group's production statement last month had already flagged Q4 production of 3.82 mboepd and a Q4 refining margin indicator of \$6.30 / barrel. The two main reasons for the lower Q4 2006 production and margins were the unusually mild northern hemisphere winter and OPEC members limiting output to support the oil price. A lower Q4 tax rate of 25%, versus 32% for Q4 2005, and a lower average number of shares in issue of 19.498 bn, versus 20.793 bn for Q4 2005, mean that the Q4 eps decline of 6% to 20.08c (10.37p) was more benign. Interestingly, the full year 2006 eps of 60.38p represented 20% growth on the 2005 result of 50.23p.
- **Free cashflow** : Later today, at 2pm, BP will also give a presentation with regard to its future strategy, which given the group's significant free cash flow generation, even allowing for lower production growth and increased capex, could facilitate some further share buybacks or other capital distributions.
- **Production growth** : Our view remains that what is not yet discounted by the BP share price is the potential for modest production growth to resume in 2007. BP has a large number of new start-ups coming on stream over the next 12 months, which should result in overall production growth of c.2% being achieved for 2007, on the 3.92 boepd achieved for 2006.
- **New start-ups** : The major new projects which should start to come on stream for BP over the next 12 months are ACG and Shah Deniz in Azerbaijan, as well as Dalia, Rosa, and Greater Plutonia in Angola. These new start-ups in both countries should increase production by 400,000 barrels per day.
- **Attractive upside** : Given the extent of its operations and the spread of its geographic risk, it is reasonable that BP should be rated at a 10% premium to the energy sector average 2007 pe of 10x. As a result, our new 12 month price target of £6 (13% upside) is based on 11x 2007 eps of 55p. BP will also pay a dividend yield of c.4.1% on a quarterly basis for waiting for this upside to be achieved : **BUY**.

Breaking News

Aviva announce increase of 22% in sales

Aviva PLC the world's fifth-largest insurance, said Tuesday that full-year worldwide sales rose 22%, boosted by the November purchase of AmerUS in the U.S. Total new business for the group in the year to Dec. 31 rose to £31.1bn from £25.6bn the previous year. Life and pension sales rose 18% to £26.2bn from £22.2bn, while investment sales rose 48% to £4.9bn from £3.3bn. Aviva's newly expanded business in the U.S. has delivered record sales and strong growth. Aviva completed its acquisition of AmerUs, valuing the U.S. company at around \$3.1bn.

Ryanair to distribute €300m to shareholders

Ryanair is considering making a around a €300m distribution to shareholders in the form of a share buyback program or special dividend. However it may not be as soon as shareholders have expected as Michael O'Leary was quoted "that he would personally be in favour of a share buyback program as the dividend program strikes me as just money wasted". Ryanair's cash pile is expected to hit some €2.3bn by the end of this calendar year and a final decision should be made by the board this year. Ryanair also announced a 2 for 1 share split would come into play from February 26

US Service Sector Index rose again

The Institute for Supply Management's non-manufacturing business activity index rose to 59.0 in January from a revised 56.7 in December, originally reported at 57.1 in December, the ISM reported yesterday in its latest "Report on Business" survey. Last week, the ISM reported that its manufacturing index for January fell to 49.3 from 51.4 in December. Non-manufacturing business activity increased for the 46th consecutive month in January. The prices index decreased 4.5 this month to 55.2.

Business Press

- ECB unlikely to raise rates until March (IE)
- State Street to buy Investors Financial for \$4.5bn (FT)
- Sainsbury begins plotting defence of possible bid. (FT)

Investment Press

- Are public shareholders getting short-changed by private equity? Financial bidders have been crafty at tying up deals without competition.



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