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Contact Details:

Email : [research@dsl.ie](mailto:research@dsl.ie)

Tel : +353 1 633 3800  
info@dsl.ie Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9600 ↑	32	0.33%	11.0	2.04%
FTSE 100	6346 ↑	28	0.45%	12.4	2.02%
DAX 30	6876 ↑	2	0.02%	15.0	4.23%
DOW	12666 ↑	5	0.04%	19.5	1.63%
NASDAQ	2471 ↑	1	0.04%	15.6	2.33%
S&P	1448 ↑	1	0.07%	21.0	2.09%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2981	0.6590	156.4100
Dollar	1.2981	1.0000	1.9698	120.5000
Sterling	0.6590	1.9698	1.0000	237.3600
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	58.8800			

**This Week's Research**  
Ryanair  
BP

**Today's Research**  
BHP

**Today's Recommendation**

**BHP (€9.86) \$10 bn increase in share buyback Stuart Draper**  
Target : £11.50 (25/01/07; previously £11, issued 13/12/06)

- Results announced : This morning, BHP Billiton announced its results for the 6 months ended 31/12/06. Net profit of \$6.17 bn was only slightly below the consensus forecast of \$6.3 bn, was within the forecast range, and was a year on year increase of 41%. The H1 dividend per share was increased by 14% to 20c, in line with consensus forecasts, as record Q2 and H1 production were reported in a number of businesses.
- Buyback increase : However, the major surprise was the size of the share buyback increase. With \$1.67 bn of the current \$3 bn buyback programme completed since August 2006, there was some hope that given the group's H1 free cashflow of over \$5 bn, that this \$1.67 bn would be replaced, implying further buybacks of \$3 bn over the next 18 months. However, the buyback programme over the next 18 months has now been increased by an extra \$10 bn, which should provide a major support for the group's share price over the rest of 2007.
- Lower costs : BHP also confirmed that the rate of cost growth had started to slow recently, and that its CEO, Chip Goodyear, would retire by the end of 2007 after 9 years with the group and 5 years as CEO. Even though Goodyear was viewed as a steady hand by markets, news of his retirement should be more than offset by the surprisingly large share buyback increase.
- Earnings growth : Following these H1 results, our view is that the group remains on target to generate full year earnings growth of 35%, with production expected to increase by c.8% per annum over the next 4 years. This will be achieved by its US \$14.4 bn sector leading project pipeline coming on stream.
- Further upside : Over the past 6 years, BHP has traded in a range of between 10x and 19x current year eps. As a result, our view remains that 10x is a worst case multiple, particularly given the group's strong earnings growth prospects, explained above. Our view is also that given that copper and nickel only represent c.one third of group operating profit, that there is the scope for continued buoyancy in iron ore, nickel and precious metal prices to provide a major offset for any current softness in copper and oil prices. As a result, our current year and forward eps forecasts are £1.15 and £1.20 respectively, and our current 12 month price target of £11.50 (17% further upside), is based on 10x current year eps of £1.15 : **BUY**.

## Breaking News

### AerLingus forms partnership with US carrier

Ireland's flagship carrier Aer Lingus and U.S. low-fare airline JetBlue Airways will begin a joint online ticket-booking system in Q3 of 2007, Aer Lingus announced yesterday. The partnership has been "agreed in principle" and will allow customers to make one booking between Ireland and the U.S. and onto a JetBlue flight to 51 destinations across Mexico, the U.S. and the Caribbean. It is expected to be a boost to Aer Lingus revenue and will give them much larger access to U.S. passengers, on a low-cost basis. Aer Lingus said the online partnership is "entirely consistent" with its decision to pull out of the OneWorld Alliance and said it will complement its existing transatlantic business.

### EasyJet Q1 revenue up

Low-cost airline EasyJet said Wednesday it expects pretax profit to increase some 40%-50% this financial year, helped by rising non-ticket revenues and control of non-fuel costs. In a first quarter trading update, EasyJet said it expects a pretax margin improvement in the region of 3% to 4% for the first half of the year. For Q1 to Dec. 31, passenger numbers increased by 9.8% to 8.1m with total revenue per seat rising 4% to £36.79 and total sales increased 14.9% to £366.2m. EasyJets main rival Ryanair also announced its 19<sup>th</sup> base in Dusseldorf and 16 new routes.

### Providence Exploration granted new licences

Providence Resources announced that the Minister for Communications, Marine and Natural Resources has approved the granting of two Petroleum Exploration Licences to Providence and its partners. Standard Exploration Licence 1/07 has been granted in the St. George's Channel Area which contains the "Pegasus" and "Dionysus" prospects and Licence 2/07 has been granted in the Celtic Sea Area which contains the following oil and gas discoveries, "Hook Head", "Ardmore", "Helvick" and "Dunmore".

## Business Press

- BP cut oil forecasts to put safety first (II)
- Lloyds TSB pension deficit may be up to £3bn (FT)
- FTSE 100 hits 6 year high on M&A speculation (FT)

## Investment Press

- Sell signals or indications of the UK property market's strength? This week's £2.13bn purchase of Wilson Bowden by Barratt Developments is the sector's biggest. -

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DOLMEN SECURITIES → Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)  
Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.

Tel : +353 1 633 3800  
Tel : +353 21 422 2122

Fax : +353 1 677 7044  
Fax : +353 21 422 2123

Email : [info@dsl.ie](mailto:info@dsl.ie)  
Email : [cork@dsl.ie](mailto:cork@dsl.ie)

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