



February 8, 2007

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9590	↓ -10	-0.10%	11.0	1.93%
FTSE 100	6370	↑ 23	0.37%	12.4	2.39%
DAX 30	6916	↑ 40	0.58%	15.0	4.83%
DOW	12667	↑ 1	0.00%	19.5	1.63%
NASDAQ	2491	↑ 19	0.77%	15.6	3.11%
S&P	1450	↑ 2	0.14%	21.0	2.24%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2989	0.6604	157.4500
Dollar	1.2989	1.0000	1.9667	121.2100
Sterling	0.6604	1.9667	1.0000	238.3800
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	57.7100			

This Week's Research

Ryanair
BP
BHP

Today's Research

GSK

Today's Recommendation

GSK (£13.98) Today's results to drive upgrades **Stuart Draper**
Target : £15 (14/12/06; previously £16.50, issued 31/03/06)

- Results today : Later today, at noon, GlaxoSmithKline will announce its results for the year ended 31/12/06. Given that consensus forecasts in recent months have been reduced to expect 2007 eps growth of only 4% now to 99.7p, today's 2006 results' announcement should result in some upward revisions to 2007 earnings forecasts for the reasons explained below. The consensus forecasts are for 2006 profit before tax and eps of £7,831m and 95.7p respectively, both representing year on year increases of 16%.
- Margin expansion : GSK's eps growth of 15% for Q3 2006 was helped by a stronger than expected operating margin of 35.9%. As a result, there may be some scope for full year 2006 operating margin expansion to 33%, from 31.7% for 2005, to result in some 2007 eps upgrades from lower than expected SG&A expenditure.
- Growth resuming : There is also the potential for the 2007 growth prospects for both Avandia (diabetes) and Advair (asthma) to be revised upwards from current levels, as the ADOPT data showing superiority over metformin has a positive impact on the use of Avandia and Avandamet, and as the publication of TORCH data supports increased use of Advair.
- Further catalysts : Novartis' recently reported strong 31% growth in vaccines sales, partly due to strong market growth, could also set the scene for a stronger than expected vaccines' sales result. Other potential positive catalysts for the GSK share price over the next 5 months include the US approval for Tykerb (breast cancer) in March 2007, a US filing for Cervarix (cervical cancer vaccine) in April 2007, EU approval of Cervarix in June and the approval of Allermist (hay fever) in June.
- Buyback support : The EU pharma sector average is now trading at 16x 2007 earnings, and our view is that no more than a 10% discount is warranted for GSK, given its slightly lower than average 2007 earnings growth. As a result, our current 12 month price target of £15 (7% further upside) is based on 14.4x 2008 eps of £1.05. When combined with a current dividend yield of c.3.4%, this provides a sufficient further total return from current levels to justify re-iterating our current BUY recommendation. In Q4 2006, GSK also increased its share buyback programme from £1 bn to £2 bn per annum over the next 3 years, which provides some downside protection : **BUY**.

Breaking News

BG Group Q4 profit down 18%

BG Group Plc posted an 18% fall in Q4 net profit, excluding non-operating items, after mild weather in Europe and the U.S. pushed down gas prices, but gave a positive growth outlook. BG said that net profit, excluding non-operating items, was £410m. The fall in profit came despite a 5% rise in BG's production of gas and oil. BG has one of the strongest production growth profiles in the oil and gas industry and its performance contrasts with falling output at larger rivals Royal Dutch Shell and BP. BG said it would resume its share buyback programme but only plans to spend 750 million pounds in 2007 compared with 1 billion pounds in 2006.

Bank of Ireland Life sales increase by 26%

New business sales at Bank of Ireland's life and pensions subsidiary increased 26% last year to €441m, with the company attributing the rise in sales to strong growth in its lump-sum investment business. Single premium investment sales at Bank of Ireland Life jumped 73% to €1.55bn. Regular savings products, excluding SSIA's, were up 50% to €22.3m, while single premium pensions increased 22% to €488m. Bank of Ireland Life managing director Brian Forrester said the growth in its regular savings business was testament to a savings ratio in the Republic of about 10%, one of the highest in Europe.

IAWS downplays Hiestand takeover

IAWS has poured cold water on speculation that it is looking to increase their stake in Swiss bakery company Hiestand, whose shares hit a record high on the speculation. Analysts point out that the merger does not necessarily make sense because if IAWS cross the one-third ownership reporting threshold, where they currently a 32% stake, then it would have to put forward a binding offer to the remaining shareholders. Secondly due to the different geographical markets there would be few synergies and finally IAWS have just completed their largest ever acquisition with the \$541m takeover of Otis Spunkmeyer Holdings.

Business Press

- Standard Life Ireland's new business rises 35%. (IT)
- BHP Billiton, surprise resignation of CEO. (IE)
- BA agree deal with trustees on pensions. (FT)

Investment Press

- While equity derivatives revenues are booming, commission rates paid for the more traditional business of making markets in stocks have dwindled



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