

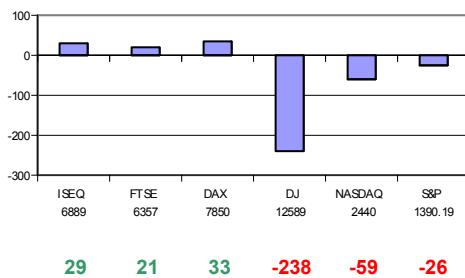
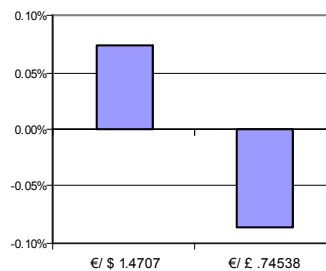
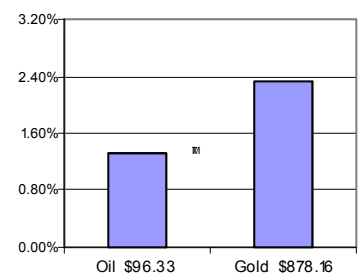

DAILY COMPANY NOTE - BT Group See page 2 for full details

Daily Market Comment

Monday's Summary : The ISEQ closed up yesterday, at 6,889, 29 points higher. AIB finished up 0.9% at €15.29, BOI finished up 2.2% at €10.48 while Anglo was up 2.2% on €10.27. Glanbia was the big winner of the day, closing up 8.5% to €5.10 on the back of a positive trading statement. Ryanair continued its slide, down 4.4% to €3.90. The FTSE was up 21 points to 6357, with miners posting strong gains on the back of record gold prices, while the homebuilders struggled after UBS cut Taylor Wimpey and Persimmon. In the US the Dow Jones closed down 238 points to 12,589 after strong early trading.

Overnight News : Asian markets rebounded from their early lows Wednesday as investors hunted for bargains in recently beaten-down stocks such as Toyota Motor Corp. in Tokyo and Infosys Technologies in Mumbai, while property counters such as Cheung Kong Holdings found favor in Hong Kong on expectations of an interest rate cut. In Tokyo, the Nikkei 225 average closed 0.5% higher at 14,599.16, while in Hong Kong, the Hang Seng index climbed 1.9% to 27,615.85.

Breaking News : Persimmon have confirmed that they expect to post a strong set of results for 2007, despite challenging trading conditions experienced in the latter half of 2007. UK house prices rose unexpectedly in December after three monthly falls in a row. House prices increased 1.3% on the month compared to the analyst's expectation of a fall of 0.5%. Denis O'Brien has increased his holding in Independent News & Media to 15.4% from the 14.5% stake held at the end of last year. Capital have announced that they have purchased an additional 2 million shares in Kingspan, bringing their holdings over the 5% threshold level at just over 10 million shares.

Equity Index's change on day

Currency daily % change

Oil/Gold daily % change

Paper Headlines

- "US fund manager buys €112m stake in Kingspan" - **Kingspan** - (Irish Times)
- "Glanbia expects growth of at least 10%" - **Glanbia** - (Irish Times)
- "EasyJet warnings give Ryanair a bumpy ride" - **Ryanair** - (Irish Independent)
- "O'Brien's INM share breaks 15%" - **IN&M** - (Irish Examiner)
- "Government time running out over Northern Rock" - **Northern Rock** - (Financial Times)

Market Themes and Movers

All eyes on Central Banks : Investors will be watching Central Banks closely on Thursday, with the ECB and BOE due to announce their interest rates and an address by Federal Reserve Chairman Ben Bernanke on the outlook for the US economy and financial markets. The Fed is expected to cut rates when policy makers meet at the end of this month to due to a slump in the housing and financial markets and ease the credit crunch. The ECB is expected to keep its key rate unchanged at 4 percent while the Bank of England is under pressure to cut rates again after UK retailers reported their worst Christmas trading period since 2004. Last month the UK central bank cut rates for the first time in more than two years by 25 basis points to 5.5 percent.

US weakness: US recession fears grew yesterday as Randall Stephenson, chief executive of AT&T, said he is seeing softness in demand for home phone and Internet services. The comments drove AT&T stock down 5.5% for the day and contributed to weakness the overall market. Also, shares of Countrywide Financial, the largest US mortgage lender, plummeted yesterday on rumors, which the company denied, that it was contemplating a bankruptcy filing. Trading was halted, and the company issued a statement denying the rumours. Countrywide shares closed down 28% on the day.

Dolmen Squawk Box

This day five years ago, the ISEQ ended marginally higher buoyed by modest gains in leading banks and Ryanair.



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BT Group

Target
340p
Current
276p
FTSE
Telecom
Company Profile

BT Group provides telecommunications services. The group provides local and long-distance telephone call products and services in the UK, international telephone calls to and from the UK, broadband network solutions and web hosting to corporate customers, network ADSL, ISDN, and IP services to communication companies.

Fundamental view : To offset a decline in fixed line revenue, BT has been increasing its focus on changing its operating mix to expand into new wave services which include BT Global Services integrated products, broadband and converged services. At the group's second quarter results in November, new wave revenue showed a strong increase growing by 10% to £1.9bn and accounting for 38% of total group revenue. BT's continued push to becoming a global leader in networked IT services saw it secure total contract wins of £1.6bn during the second quarter, with £9.2bn achieved over the last 12 months, while the group also said it is on track to launch its next generation broadband services this Spring. A further example of BT's expansion into new wave services can be seen in its recent announcement that all of its BT Vision IPTV customers will be able to receive high-definition television, gaming and movies through Microsoft's Xbox 360 console. BT has not only undergone a change in its product offering over the last number of years but has also undertaken a significant restructuring program with both management changes and reducing its workforce. The group has cut c. 5,000 jobs in each of the past five years and expects to cut the same amount next year. BT also recently said that its restructuring program is slightly ahead of schedule and will add to earnings within two to three years. BT has previously commented that restructuring costs will total £450m. One factor that has previously weighed on BT's share price has been in relation to its pension deficit. However, at its second quarter results the group reported a pension surplus of £1.5bn, up from £1.4bn in the first quarter and compared with a deficit of £2bn for the same period last year.

Next catalyst : On 07/02/08, BT is due to report its third quarter results for 2008. We expect the group to report another strong set of earnings with EPS growing by c. 4% to 5.8p and revenue increasing by 5% to £5.3bn. We also expect BT to reiterate its previous guidance to grow revenue, EBITDA, EPS and dividends for the full-year. BT currently trades at a 2009 forecasted P/E of 10.6x and EV/EBITDA of 5.5x, a discount to its peer group of 14x and 6.8x respectively. While we believe that BT deserves to trade at discount given its lack of international exposure we feel that a multiple of 13x would be more appropriate. As a result, this generates our current price target of £3.40 based on 13x 2009 consensus EPS of 26p. BT shares also provide a current year dividend yield of c. 6% and offers investors a good safe haven play during these current turbulent markets. BT's share price should also be well supported by its current £2.5bn share buyback which it expects to complete by 31/03/09.

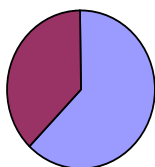
Statistics
Price Performance

Chart view:

Support Primary: 260.75
 Support Secondary: 237
 Resistance Primary: 275
 Resistance Secondary: 281

Medium term price behavior is negative. The stock is attempting to break out of its recent downtrend and a sustained break of the 275 area is needed to achieve this. A move above the 281 area is required before the chart has a positive outlook. Caution is required if the stock fails to hold support at 260.75.

Note : The analyst holds shares in BT Group

Revenue breakdown


■ Traditional 62%
 ■ New Wave 38%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 08	P/E 09	EPS Growth 07-08
Barclays Global	14.02%	BT Group	11.5	10.6	8.33%
Barclays	4.52%	Vodafone	16.3	14.9	9.19%
Brandes	4.14%	Cable & Wireless	31.5	19.2	64.09%
Legal & General	4.04%	France Telecom	13.2	12.7	3.94%

Shares Outstanding 7.9bn

Share Data	Financial Data	2007	2008e	2009e
Current Price (p)	Revenue (£m)	20,223	20,793	21,160
Mkt Cap (£m)	PBT (£m)	2,852	2,542	2,576
Reuters	EPS (p)	23.00	24.00	26.00
Bloomberg	P/E(x)	12.0	11.5	10.6
Sector	DPS(p)	15.10	15.57	16.55
CEO	Yield	5.47%	5.64%	6.00%
Finance director				
Website				





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