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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7598 ↑	16	0.21%	11.0	3.18%
FTSE 100	5889 ↓	-1	-0.02%	12.4	4.81%
DAX 30	5682 ↓	-14	-0.24%	15.0	5.06%
DOW	11091 ↓	-135	-1.20%	19.5	2.85%
NASDAQ	2130 ↓	-25	-1.16%	15.6	-3.41%
S&P	1265 ↓	-9	-0.67%	21.0	1.64%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2786	0.6917	145.3800
Dollar	1.2786	1.0000	1.8489	113.6900
Sterling	0.6917	1.8489	1.0000	210.2100
Yen	145.3800	113.6900	210.2100	1.0000
Oil (Nymex)	74.0900			

This Week's Research

Today's Research
Aviva

Today's Recommendation

Aviva (£7.25) US deal would boost growth Stuart Draper

- Major deal : Aviva has confirmed that it is in talks to acquire US life assurer, AmerUs Group, which at c.£1.5 bn would be the company's largest deal since 2000. Aviva recently stated that it was looking to the US market for acquisition opportunities.
- Track record : The US market has c.1000 life companies, is the world's largest savings market and has strong growth potential as a result of the ageing population. In such a market, Aviva's excellent acquisition track record and disciplined capital allocation should ensure that any deal will boost the group's earnings growth prospects. A deal price of £1.5 bn (c.12.8x 2007 eps), would boost Aviva's 2007 eps by c.2%.
- Growth market : In addition to being a top 5 player in the high growth US indexed annuity market, Aviva would benefit from the fact that AmerUs owns much of its own distribution. With only 4% of Aviva's international life and pension sales in the US, such a deal would also significantly improve Aviva's current under-representation in the US market.
- Buying opportunity : Therefore, even though up to half of the purchase price (c.£0.75 bn) may be funded by a share placing, the current resultant share price weakness has generated an attractive medium term entry level in a group with a track record of successful acquisition integration.
- Bid potential : Our current view is also that if this latest takeover approach is unsuccessful, then the end result could be that Aviva itself ends up receiving a takeover approach, particularly following the failed £7.08 per share approach to Prudential earlier this year. This is because the offers confirm Aviva's ambitions of building a global and US presence, and its European exposure may be of interest to either AIG or AXA.
- Stand-alone value : However, even on a stand-alone basis, Aviva's share price would appear to have significant upside potential from current levels as a result of the continued buoyancy of the UK life sector. Given that Aviva's 2006 return on embedded value of 16.8% is 21% stronger than the UK sector average of 13.9%, our view is that its price to embedded value (EV) should trade at a similar premium to the UK sector.
- Attractive upside : Therefore, our current 12 month price target for Aviva of £8.50 (17% upside), is based on 1.6x 2006 EV per share of £5.30. Aviva shares will also pay investors a dividend yield of c.4% for waiting for this upside to be achieved : **BUY**.

Breaking News

Standard Life seen rising on market debut

Shares in Standard Life are set to rise above their 230 pence offer price on their market debut on Monday, when the British insurer will end eight decades of mutual ownership. Estimates of how far the stock would rise ranged widely, however, from a gain of 1.3pct to 233p at the low end to a jump of more than 7pct to 247p at the high end of dealers' predictions.

DCC-AGM Statement

At the AGM Meeting of DCC plc, to be held in Dublin at 11.00 a.m. Jim Flavin, Chief Executive/Deputy Chairman, will state that DCC is pleased with trading results in the first quarter and in particular the continuing pick up in the results of DCC SerCom. The company continues to be active on the acquisition front and it is confident that the recent acquisition of 50% of the William Tracey group of companies, a Scottish recycling and waste management business, and the acquisition announced last Friday of Carlton Fuels, the fast growing north of England based oil distribution business, will prove rewarding. DCC is well positioned to achieve market expectations in the current year.

C&C-profit ahead of expectations

C&C Group PLC said on Friday that both revenue and operating profit, for the first four months of its current financial year, are significantly ahead of its expectations, driving shares in the drink group to a new high. This was primarily down to better-than-expected Magners' sales growth following its UK national roll-out in March and also Bulmers' continuing out-performance of the Irish Long Alcohol Drinks market and the benefit of good early summer weather. The company will revise its forecast when it issues a mid-year trading statement at the end of August.

Business Press

- ESB wins €7.7 contract (IT)
- Construction Sector books growth in activity for June (IT)
- ECB's shift could mean rate hike to 4pct (IE)

Investment Press

- Mittal: Arcelor-Mittal has been on the road promoting the creation of the world's "clear leader in steel". Have investors accepted the argument that the merger will also create value?



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