



TUESDAY 12th NOVEMBER 2007

DAILY COMPANY NOTE - See page 2 for full details

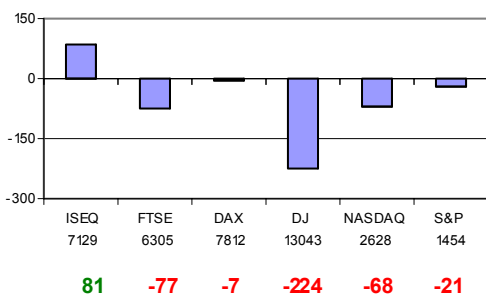
Daily Market Comment

Friday's Summary : After what could only be described as a torturous week for the ISEQ, Friday finally brought some relief as investor came back into the market. The Banks regained some of the lost ground despite a report from Goodbody stock downgrading earnings outlook on all Irish banks. In the UK, Mitchell & Butlers again helped boost the market with talk that they are about to split the company into an operating company and a property company. In the US markets closed down for a third day running as the technology sector again weighed on indices after Qualcomm reported results below expectations.

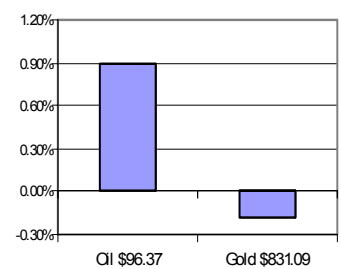
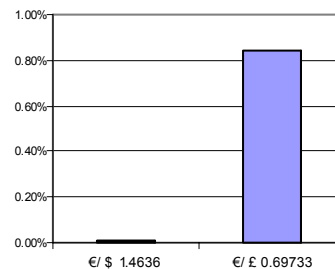
Overnight News : BHP Billiton unveiled details of \$3.7bn in cost savings and earnings increases it believes a takeover of rival Rio Tinto would deliver, in a move designed to increase pressure on its target to enter into talks. BHP's also unveil plans for a \$30bn share buyback should it successfully complete the deal.

Breaking News : DCC posted a 17.6% rise in underlying first-half profit after strong growth in its energy and electrical retail units, and raised its full-year growth forecast. Operating profit excluding exceptional items and amortisation rose to €51.6m in the six months to the end of September, beating consensus of €49.2m. DCC said it expected growth in full-year underlying operating profit in the high teens percent, up from a previous forecast of low double digits.

Equity Index's change on day



Currency daily % change Oil/Gold daily % change



Paper Headlines

- Profit at burger chain up nearly 49% – **McDonalds**- (Irish Times)
- Anglo take risk to reassure its public doubters - **Anglo Irish Bank** - (Irish Times)
- Boeing lose out as Airbus wis €21bn plane orders from Emirates— **Boeing** - (Irish Examiner)
- Carlsberg ready for long battle with S&N— **Carlsberg** - (Financial Times)

Market Themes and Movers

Bank denies rumours to stop share price slide : Last Friday after the markets closed Barclays denied a market rumour that it is about to announce an asset write-down of up to \$10bn. A Barclays spokesman said there was no substance to the rumours and that Barclays chief executive John Varley is not preparing to resign, and that the bank is preparing an emergency rights issue. Barclays share price had fallen 21% since Citigroup reported that they expect subprime losses of \$11bn. The share price opened up on Monday post the comments

Carry trade unwinds : High-yielding currencies were on the end of a severe thumping on Friday as equity market turmoil caused a retreat from carry trade positions. The carry trade, where low-yielding currencies such as the yen are sold to fund higher-yielding purchases, is a risky strategy, as yield-based gains can be wiped out instantly by volatile price swings. The dollar fell 3.4 % to Y110.88 on the week amid rising concerns that the market turmoil would weaken the US economy and force the Federal Reserve into further interest rate cuts.

With oil near \$100 a barrel, some think the future is Bio: Global financial firms are muscling into renewable fuels with commodity funds and underlying indexes based on bio-energy feed stocks as crude oil prices rise and interest in ethanol grows. Big funds are becoming more creative, sophisticated and diversified. With crude at close to \$100 a barrel, the future is in bio-energy. I With more biofuel funds being launched in the meantime, open interest in sugar, corn and oilseeds has risen in recent years.

Dolmen Squawk Box

Same story, different decade. Ten years ago this week stocks in UK utility companies continued to benefit from their reputation as safe havens, with water and certain energy stocks holding up well in the face of a market-wide selloff



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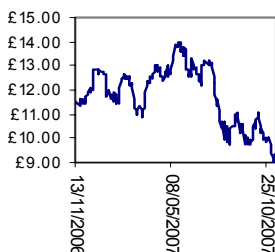
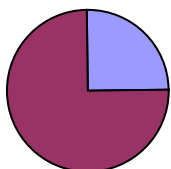
Punch Taverns

Target £12.75

Current £9.36

FTSE
Leisure
Company Profile

The Group's principal activity is operating public houses under either the leased model or as directly managed by the Group. The leased model involves the granting of leases to tenants who operate the pub as their own business. Pubs that are directly managed involve the employment of a manager to operate each managed pub and the Group receives all revenues generated by the pub and is responsible for costs. At 19-Aug-2006, the Group has more than 9,200 pubs across the UK.

Statistics
Price Performance

Segmental breakdown


■ Leased 75%
■ Managed 25%

Recent results : Last Thursday Punch Taverns, the leading pub company in the UK with an estate of over 9,200 pubs reported full year results for the year ended 18/08/2007. Pretax profit before exceptional items came in at £281.7m, up from £249.6 million last year and slightly ahead of market expectations. Sales grew to £1.7bn from £1.55bn, while net profit was £278.4m, compared with £246.8m a year earlier.

Disappointing Summer : Management stated that the wettest British summer on record had reduced the company's profit by about £7m, but since then, growth has been slow but steady. Despite the slowdown, CEO Gills Thorley said he is still expecting sales and profit growth in the first half and is confident of meeting expectations for the current year. Thorley said the slowdown was the result of a number of factors outside the company's control, such as the smoking ban and poor weather. He commented in September that the company had not seen any significant impact from the UK smoking ban. A ban on smoking in pubs and restaurants was implemented in England on July 1. Wales and Northern Ireland introduced similar bans earlier in the year, while Scotland has had a ban in place since March 2006. On Thursday he stated that it would need a full year's trading under the smoking ban to establish any long term trends, however he commented that its Scottish pubs had returned to growth after a full year's trading under the smoking ban.

Shareholder value : Post the results the company commented at the investor conference call that they have not rule out converting their current structure into a REIT, however management stated that at the moment the market is not in a state where it is worth doing. On top of this there has been positive news flow in the sector recently with rumours that JP MacManus has been building a stake in UK peer Mitchells & Butlers.

Further upside : In the month before Punch Taverns released its full year results the share price was down 13.7% and is down 35% from its high of £14.21 in May. As a result Punch Taverns is now trading at 11x 08 earnings of £0.85 a share. This is a 62% discount to the sector average despite generating eps growth in line with peers. Added to this Punch Taverns has good visibility over future earnings with c.75% of 2008 EBITDA expected to be generated from the defensive leased business. We therefore view Punch Taverns as the most attractively valued company in the sector and initiate coverage with a 12 month price target of £12.75 (35% upside) which is based on 15x 2008 earnings of £0.85 a share.

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 07	P/E 08	EPS Growth 08-09
Goldman Sachs	8.98%	Punch Taverns	10.9	10.1	10.33%
M&G Invest	6.95%	Whitbread	20.16	17.61	14.45%
Lansdowne Partners	6.01%	Mitchells & Butler	20.5	17.8	14.90%
AlliancBernstein	5.63%				
Shares Outstanding	265.99m				

Share Data		Financial Data	2007a	2008e	2009e
Current Price (£)	9.36	Revenue (£m)	1,546	1,594	1,624
Mkt Cap (£m)	2,489	PBT (£m)	282	305	331
Reuters	PUB.L	EPS (£)	0.84	0.86	0.93
Bloomberg	PUB LN	P/E(x)	11.1	10.9	10.1
Sector	Leisure	DPS(£)	0.15	0.17	0.19
CEO	Giles Thorley	Yield	1.63%	1.83%	2.04%
Finance Dir	Phil Dutton				
Website	www.punchtaverns.com				





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