



**DAILY COMPANY NOTE — Independent News & Media** See page 2 for full details

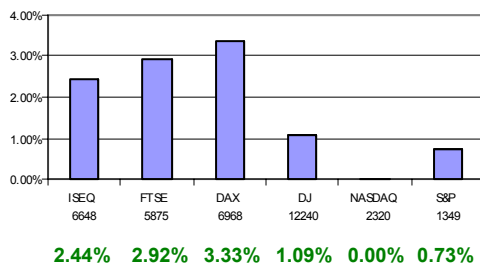
**Daily Market Comment**

**Yesterday's Summary :** After a disappointing start to the morning, markets gathered some positive momentum on the back of the news that Berkshire Hathaway's Warren Buffet offered to reinsure \$800 billion in municipal debt risk from the top three bond insurers. The ISEQ made a respectable rally in the afternoon to finish at 6647.77, up 2.44% on the day. Irish financials moved into positive territory in later stages with Bank of Ireland gaining 32 cent up to €9.80 and Anglo Irish finishing the day up 39 cent to €9.80. CRH and Grafton were also involved in the gains climbing up 96 cent to €24.93 and 20 cent to €5.64 respectively.

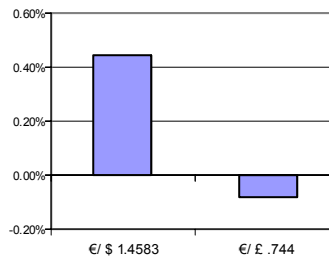
**Overnight News :** Markets in Asia had mixed fortunes overnight with the Hong Kong Hang Seng Index gaining 1.1% to 23,169.55 as stocks rallied into the second session on PetroChina Co. and financials. In Tokyo, the Nikkei 225 Average ended the day 0.4% higher at 13,068.30, after rising as high as 13,240.26 earlier in the day. China's Shanghai Composite dropped 2.4% to end at 4,490.72, as trading resumed for the first time since last Tuesday.

**Breaking News:** Bradford & Bingley, the specialist lender to the UK buy-to-let mortgage market, has reported a 48% reduction in 2007 net profit. The bank revealed a net profit decline of GBP84.5m, from GBP177.7 to GBP93.2m. The UK property company Liberty International has posted its worst results for 15 years as its NAV for the year to Dec.31 fell 7.7% to 1264p from 1369p at the end of September. Smurfit Kappa fourth quarter earnings have beaten market expectations as they posted an EBITDA of €275m, an 8.1% rise in core profit. Elan Corp has also reported fourth quarter results and despite the fact it sees 2008 revenues growing 30%, in the three months to Dec.31 2007, net loss widened to \$83.5m from \$26.5m a year earlier.

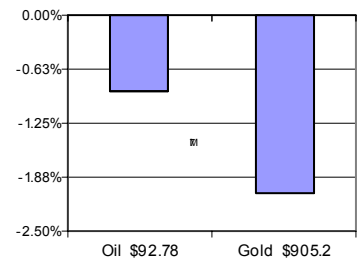
**Equity Index's change on day**



**Currency daily % change**



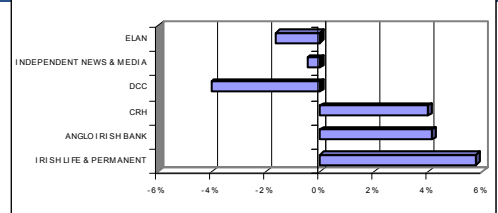
**Oil/Gold daily % change**



**Paper Headlines**

- "Key Yahoo shareholder warms to Microsoft, but at a higher cost"-**Microsoft**-(Financial Times)
- "Ryanair hopes to expand branches"- **Ryanair**-(Irish Examiner)
- "Smurfit to quit Britain if tax levy is introduced"-**Smurfit Kappa**-(Irish Examiner)
- "Credit Suisse well positioned to ride out subprime storm"-**Credit Suisse**-(Irish Independent)
- "Buffet's offer helps soothe US worries"-(The Irish Times)

**ISEQ Performers/Losers 12/02/08**



**Market Themes and Movers**

**Breaking News:** The Bank of England (BOE) released its quarterly inflation report today and it signalled that inflation risks are still a central concern. The inflation forecast suggests that if the BOE met the market expectations of a 4.5% interest level by the end of the year, inflation would overshoot its 2% goal in two years and could potentially rise above the government's upper 3% level. Meanwhile Sweden's central bank, the Riksbank, has surprised European stock markets by raising interest rates by 25 basis points to 4.25% when analyst expectations had been for interest rates to be left at current levels. This interest rate action was in response to an expected inflation rate of 3.4% by March this year. According to the bank, it has an inflation target of 2%.

**Breaking News:** The weekly US crude stockpiles report is due later today and dealers are expecting a fifth consecutive increase in crude stockpile levels. This expectation is in response to the US recent reserve rebuilding strategy that has cooled fears of an insufficient supply. Venezuela's state petroleum company PDVSA has suspended oil supplies to US energy giant ExxonMobil. Such aggressive supply action was a response to ExxonMobil securing international court orders that froze up to \$12 billion in PDVSA assets.



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# Independent News & Media

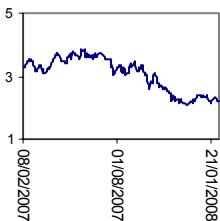
<b>Target</b>	<b>€2.50</b>
<b>Previous</b> (18/09/07)	<b>€3.35</b>
<b>Current</b>	<b>€2.00</b>

**ISEQ**
**Media**
**Company Profile**

The Group's principal activities are printing and publishing national and provincial newspapers in Ireland and New Zealand, national and metropolitan newspapers in the United Kingdom, regional newspapers in Australia and India and metropolitan newspapers in South Africa. It also has radio operations in Australia and New Zealand.

**Fundamental view :** Next month, on 27th March, Independent News & Media (INWS) will announce its results for the year ended 31/12/07. We are forecasting revenue and earnings per share of €1.7 bn and 19c respectively to be announced, representing year on year increases of 3% and 10%, with the revenue growth being driven by 4% advertising revenue growth and 1% circulation growth. Irish advertising revenue is still expected have shown high single digit growth, with strong recruitment and retail advertising more than offsetting the slowdown in property advertising. The latest circulation figures for January 2008 show that the group achieved some strong month on month outperformance versus peers, with The Independent in the UK achieving 10% month on month circulation growth, versus 7%, 3% and 2% for The Guardian, Times and Telegraph respectively. The Sunday Independent also generated impressive month on month circulation growth of 19%. With the group's 2007 restructuring programme now complete and in line with the targets provided at the interim stage, some improvement in the operating margin to c.20% is likely to be shown in the 2007 full year results' announcement. With over 20% of group profits now generated by the South African division, the group also stands to profit from a 2008 recovery in the South African Rand versus the Euro. The group's JPL and online associates also continue to generate strong growth.

**Next catalyst :** In addition to the full year results' announcement on 27th March, the group's final dividend per share of c.9.13c is expected to go ex in mid April, which alone represents a yield of c.4.6% on the current 200.5c share price. With further 10% dividend per share growth expected in 2008 to 15.1c, the expected 2008 dividend represents a yield of 7.5% on the current share price. INWS' stronger than sector average earnings growth of c.10% for 2007 and 2008 also warrants a premium valuation, even though at 9.5x consensus 2008 eps of 21c, the shares continue to trade at a discount of c.20% to the current European newspaper sector average of c.12x. Our current 12 month share price target of €2.50 (25% upside) is based on 12x 2008 eps of 21c. When combined with a current year dividend yield of c.7.5%, this provides a very attractive 12 month total return from current levels, with the above average probability of further major shareholder stake-building providing another potential positive catalyst for the share price.

**Statistics**
**Price Performance**

**Chart view: Independent News & Media**

Support Primary: €2.00  
 Support Secondary: €1.75  
 Resistance Primary: €2.13  
 Resistance Secondary: €2.24

Chart outlook is negative with stock testing longer term support at €2. Momentum is poor and it is important that a support base is formed in this area. A close above €2.24 will break the downtrend and improve the outlook.

**Profit By Sector**


- Ireland 24.3%
- UK 16.5%
- South Africa 14.3%
- Australasia 44.8%

Major Shareholders	%	Peer Group Multiples			
		Company name	P/E 07	P/E 08	EPS Growth 07-08
Sir Anthony O'Reilly	26.60%	<b>Independent News &amp; Media</b>	<b>10.5</b>	<b>10.0</b>	5.26%
Denis P O'Brien	18.06%	Pearson	14.3	13.4	7.95%
Marathon Assest Mgt.	4.78%	Daily Mail Trust	10.1	9.2	5.94%
Bank of Ireland Assest M	2.99%	Trinity Mirror	7.7	7.9	0.01%
Barclays Global Investor	1.90%				
Shares Outstanding	790.22m				

Share Data	Financial Data	2006	2007e	2008e	
Current Price (€)	2.00	Revenue (€m)	1,635.70	1680.67	1727.88
Mkt Cap (€m)	1580.44m	PBT (€m)	265.70	259.97	309.74
Reuters	INME.L	EPS (€)	0.18	0.19	0.20
Bloomberg	INM LN	P/E(x)	11.11	10.53	10.00
Sector	Media	DPS	0.12	0.14	0.15
CEO	Sir Anthony O'Reilly	Dividend Yield%	6.00%	7.00%	7.50%
CFO	DJ Buggy				
Website	www.inmplc.com				





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