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**Intel** : Results well ahead of expectations

**JP Morgan** : Q3 earnings released today

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## IRISH PAPERS TODAY

Anglo affair described as "PR disaster" for Ireland  
(*The Irish Times*)

ERSI calls for 20% child benefit cut and welfare freeze  
(*The Irish Times*)

EBS selling €1bn bonds not covered by state guarantee  
(*Irish Independent*)

## INTERNATIONAL PAPERS TODAY

RBS eyes sell-off of 300 branches  
(*Financial Times*)

Deep job cuts "give US groups an edge"  
(*Financial Times*)

Moody's questions losses at Spanish banks  
(*The Wall Street Journal*)

## Market View

Analyst : Stephen Taylor

European equity markets are strong this morning following blockbuster results and guidance from Intel that is providing comfort in relation to the outlook for the third quarter earnings season. In addition export data out of China overnight also came in ahead of expectations providing further evidence that the global economy is emerging from recession. Exports declined by 15.2% to \$115.9bn its slowest decline in nine months. Expectations were for a 21% decline. In August exports declined by 23.4%. Both Intel's results and China's better than expected exports provides us with further confidence in relation to the global recovery and reiterate that the technology and mining sector represent the plays for recovery. As for today the focus will again be on economic data and corporate earnings. On the economic front UK unemployment is expected to show an increase to 8% from 7.9% while in the US retail sales figures for September will be in focus with sales expected to increase 0.2% month on month. In addition minutes from the Federal Reserve's September meeting will be closely watched for any comments on the outlook for the economy and exit strategies in relation to its quantitative easing program. On the corporate front, JPMorgan is due to report third quarter earnings (preview below) and it will be the first of the major investment banks to post results.

**Intel : Buy**    **Current Price** : (\$20.49)    **Price Target**: (\$21.00)    **Analyst** : Stephen Taylor

After the US closed last night, Intel reported third quarter earnings that were well ahead of expectations, while guidance also surpassed consensus. The group reported net profit of \$1.86bn or \$0.33 a share, down from \$2.01bn or \$0.35 a share last year. Expectations were for earnings of \$0.28 per share. Intel's gross margin increased to 57.6% from 54.5%. In relation to its outlook for the fourth quarter Intel expects revenue to be in a range of \$9.7bn - \$10.5bn compared to expectations of \$9.5bn. For the fourth quarter the group expects gross margins to come in a range of 59% to 65% also beating analyst expectations. The group pointed out that the strong results were due to consumer led demand with back to school sales exceeding expectations. Following Intel's results we reiterate our positive stance towards the technology sector.

**JP Morgan : Buy**    **Current Price**: (\$45.66)    **Price Target**: (\$53.00)    **Analyst** : Oliver Gilvarry

JPM report at midday and begin the Q3 earnings season for US banks. EPS consensus for Q3 is 51c with net profit expected to be \$2.139bn. Capital market revenues will remain strong due to Investment Banking and trading, but some fall off Q2 record levels is likely. Asset quality in retail books will be of key focus with a continued deterioration expected in the retail portfolios and Commercial Real Estate (CRE) books. Charge offs on JPM own credit card portfolio will begin to show signs of slowing in Q3 and should hit 10%, up from 9% in the previous quarter. For the other banks reporting this week, Citi and Bank of America, comments by JPM on CRE will be focused on. We expect credit losses to continue rising in those areas over the next number of months, but JPM has only limited exposure to CRE compared to its peers. On capital, in Q2 JPM reports equity tier 1 of 7.7%, we expect this to increase closer to 7.9% in this quarter and the bank retains a strong capital position compared to its peers. We believe the results today will be slightly better than expectations and we remain positive on JPM and its remains our preferred play in the US banking sector. The bank is trading at 1.2x BV, which an undemanding valuation. In our opinion, due to its better credit risk profile and strong capital position the bank should trade at a greater premium than its peers. We believe a 1.4x BV multiple is more justified giving a price target of €53.

**C&C: Neutral**

**Current Price**: €2.75

**Analyst** : David Dunk

Punch Taverns reported its full year results this morning and the UK's largest pub group posted profit before tax of €160m, down 39% from the previous year and in line with consensus estimates. However post exceptionals, the group posted a loss of £176m, reflecting impairment charges on the value of its pub estate. Net debt for the group has been reduced by an impressive £1bn since the beginning of the year. This results in nominal year end net debt of £3.47bn, representing a multiple of 6.7x full year EBITDA. Trading since the year end has continued in line with management's expectations and while the group is confident of its longer term prospects of the group, it remains cautious over the short term due to lack of visibility on its trading outlook. This statement is in line with C&C's update last week where management indicated that trading conditions in August and September remain challenging.

# Johnson & Johnson

Current Price : \$60.85

Price Target : \$68.00

**BUY**



**DOLMEN STOCKBROKERS**

**Analysts :** Stephen Taylor

**Date :** 14/10/2009

- Yesterday Johnson & Johnson (J&J) reported a solid set of third quarter results and while revenue was a slight disappointment, the company was able to raise full year 2009 earnings guidance thanks to increased cost savings initiatives. Net profit increased to \$3.35bn or \$1.20 per share compared to \$3.31bn or \$1.17 per share last year, beating consensus on the EPS by \$0.07. Revenue declined by 5.3% to \$15.1bn missing expectations by \$100m. As a result of the EPS beat, J&J raised its full year EPS guidance to \$4.54 - \$4.59 from \$4.45 - \$4.55 previously. Included in the cost savings was a 8.2% drop in sales, marketing and administrative expenses to \$4.77bn, while research expenses declined by 13.1% to \$1.62bn. J&J had previously announced in April that it was cutting 900 jobs due declining drug sales from generic makers.

## Divisional Breakdown

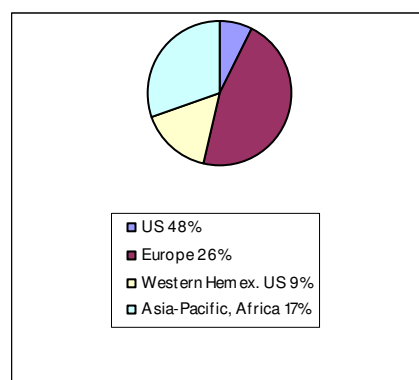
- J&J's key growth division, **Medical Devices and Diagnostics**, showed sales growth of 2.3%. Primary contributors to the growth included Ethicon's surgical care and aesthetics products. The group's orthopaedic joint reconstruction, spine, and sports medicine businesses in addition to Ortho-Clinical Diagnostics professional products put in strong performances. Growth was partially offset by lower sales in its Cordis franchise as a result of increased competition in the drug-eluting stent market.
- Sales at the group's **Pharmaceutical** division declined by 14.1% over the quarter to \$5.3bn. US sales were hardest hit, falling 19.2% while international sales fell by 7.1%. Falling sales of TOPAMAX an anti-epileptic and a treatment for migraine, and RISPERDAL an antipsychotic medication were hit by increased generic medication competition. On the positive front REMICADE, treatment of a number of immune mediated inflammatory diseases put in a strong performance during the quarter. Several other of the group's pharmaceutical products put in robust performances including PREZISTA, a treatment for HIV, Velcade, a treatment for myeloma, and RISPERDAL, an antipsychotic medication.
- Sales at J&J's **Consumer** division fell by 2.7% to \$4bn with a 1.1% operational increase following a negative currency impact of 3.8%. Contributing to the operational sales growth included Dabao skin care products, Aveeno skin care products, Splenda no calorie sweetener, Le Petit Marseillais beauty care products and Listerine antiseptic mouth rinse. The acquisition of Vania Expansion SNC also contributed to growth during the quarter.
- Like all of the large US blue chip companies that we like, J&J's balance sheet is strong and due to its strong free cash flow generation its expected net cash at the end 2009 is c. \$7bn.
- Despite the slight revenue miss due in part to disappointing sales at its pharmaceutical division, the investment thesis at J&J remains in tact. We believe that the stock is an ideal investment for investors looking for long-term capital growth and providing a reasonable well covered dividend yield in excess of 3%. With the stock trading at less than 12.5x 2010 earning and c. 7% growth expected, the valuation of the company is undemanding. With significant costs taken out of the business the company will benefit from strong operating leverage as revenue growth returns in 2010. Our price target of \$68 is based on the stock trading at 14x 2010 consensus EPS of \$4.89.

| Descriptive Stats |        | Shareholders    |       |
|-------------------|--------|-----------------|-------|
| Price (c)         | 60.85  | State Street    | 4.68% |
| 52 Week High (c)  | 67.48  | Barclays Global | 4.12% |
| 52 Week Low (c)   | 46.25  | Vanguard        | 3.48% |
| Bloomberg         | JNJ US | Fidelity        | 1.65% |
| Reuters           | JNJ.N  | Bank of NY      | 1.56% |

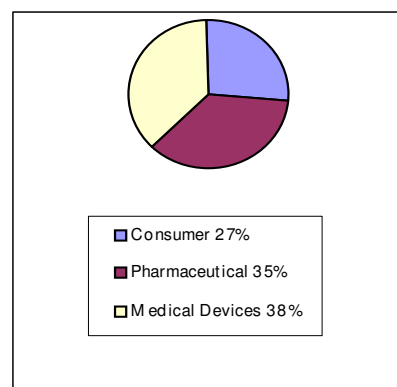
|                        | FY08   | FY09e  | FY10e  |
|------------------------|--------|--------|--------|
| Revenue (\$m)          | 64,470 | 61,500 | 63,878 |
| EBITDA (\$m)           | 19,420 | 19,678 | 20,844 |
| Operating Profit (\$m) | 16,484 | 16,719 | 17,699 |
| EPS (c)                | 4.53   | 4.59   | 4.89   |
| DPS (c)                | 1.79   | 1.94   | 2.06   |

| Peer Analysis     | P/E 09 | P/E 10 | Div  |
|-------------------|--------|--------|------|
| Johnson & Johnson | 13.3   | 12.4   | 3.2% |
| Procter & Gamble  | 13.9   | 14.1   | 3.1% |
| GlaxoSmithKline   | 10.7   | 10.4   | 4.7% |
| Pfizer            | 8.5    | 7.5    | 3.8% |
| Roche             | 14.2   | 12.6   | 3.0% |

## 3Q Geographical Revenue Breakdown



## 3Q Divisional Revenue Breakdown





## International Equity Markets

| Index     | Value  | 1-Day | YTD   |
|-----------|--------|-------|-------|
| ISEQ      | 3,274  | -2.8% | 41.5% |
| FTSE      | 5,154  | -1.1% | 17.6% |
| Dow Jones | 9,886  | 0.2%  | 12.5% |
| S&P       | 1,076  | 0.4%  | 18.8% |
| Nikkei    | 10,077 | 0.6%  | 13.6% |
| Stoxx 50  | 2,879  | -1.2% | 19.3% |

## Sector Performances

| Sector       | Index | 1-Day | YTD  |
|--------------|-------|-------|------|
| Construction | 272   | -1.4% | 1.5% |
| Technology   | 194   | -1.1% | 3.7% |
| Oil & Gas    | 304   | -0.5% | 2.8% |
| Financials   | 232   | -1.4% | 2.3% |
| Retail       | 221   | -1.0% | 1.5% |
| Food & Drink | 270   | -0.4% | 4.0% |

## Commodity Prices

| Commodity | Index   | 1-Day | YTD    |
|-----------|---------|-------|--------|
| Crude Oil | 74.2    | 1.2%  | 29.3%  |
| Copper    | 279.5   | -2.2% | 98.0%  |
| Gold      | 1,064.3 | 0.7%  | 21.1%  |
| Silver    | 17.8    | 0.1%  | 59.3%  |
| Wheat     | 511.3   | 3.4%  | -23.8% |
| Cattle    | 84.7    | -0.7% | -6.2%  |

## Currency Exchange Rates

| Commodity | Index   | 1-Day | YTD   |
|-----------|---------|-------|-------|
| €/\$      | 1.485   | 0.5%  | -6.1% |
| €/£       | 0.933   | -0.2% | 2.3%  |
| £/\$      | 1.592   | 0.8%  | -8.3% |
| \$/JPY    | 89.708  | -0.1% | 1.7%  |
| €/JPY     | 133.251 | 0.4%  | -4.6% |
| €/SFR     | 1.518   | 0.0%  | -1.6% |

## 5Yr Credit Spreads

| Commodity    | Index | 1-Day | YTD    |
|--------------|-------|-------|--------|
| Invest Grade | 94.7  | -1.0% | -47.9% |
| High Yield   | 522.2 | 0.1%  | -50.4% |
| Financials   | 74.9  | -0.5% | -37.8% |
| BoI          | 173.0 | -0.5% | -30.6% |
| AIB          | 176.9 | -0.2% | -13.2% |
| RBS          | 110.3 | -0.5% | -19.0% |

## Money Market Rates

| Rate      | EUR  | UK   | US   |
|-----------|------|------|------|
| Overnight | 0.3% | 0.4% | 0.2% |
| 3-Month   | 0.7% | 0.6% | 0.3% |
| 1-Year    | 1.2% | 0.9% | 0.6% |
| 2-Year    | 1.7% | 1.8% | 1.3% |
| 5-Year    | 2.7% | 3.1% | 2.7% |
| 10-Year   | 3.4% | 3.7% | 3.5% |

## Date Company Region Event

| Date       | Company                 | Region | Event     |
|------------|-------------------------|--------|-----------|
| 14/10/2009 | Experian PLC            | IE     | H1 TRADE  |
| 14/10/2009 | Diageo PLC              | GB     | TRADE     |
| 14/10/2009 | Burberry Group PLC      | GB     | H1 TRADE  |
| 14/10/2009 | Acergy SA               | GB     | Q3        |
| 14/10/2009 | Rio Tinto PLC           | GB     | Q3 OUTPUT |
| 14/10/2009 | Xilinx                  | US     | Q2        |
| 14/10/2009 | CSX Corp.               | US     | Q3        |
| 14/10/2009 | Abbott                  | US     | Q3        |
| 14/10/2009 | JPMorgan Chase & Co.    | US     | Q3        |
| 14/10/2009 | W.W. Grainger           | US     | Q3        |
| 15/10/2009 | Nokia Oyj               | FI     | Q3        |
| 15/10/2009 | Carrefour SA            | FR     | Q3 SALES  |
| 15/10/2009 | Iberia Lineas Aereas de | ES     | TRAFFIC   |
| 15/10/2009 | Roche Holding AG        | CH     | Q3 SALES  |
| 15/10/2009 | Ashmore Group Ltd       | GB     | TRADE     |
| 15/10/2009 | Mothercare PLC          | GB     | Q2 TRADE  |
| 19/10/2009 | St Ives PLC             | GB     | PRELIM    |
| 19/10/2009 | L'Oreal SA              | FR     | S/HOLDERS |
| 19/10/2009 | BB&T Corporation        | US     | Q3        |
| 19/10/2009 | Hasbro, Inc.            | US     | Q3        |
| 19/10/2009 | Texas Instruments       | US     | Q3        |
| 19/10/2009 | Zions Bancorp           | US     | Q3        |
| 19/10/2009 | Apple Inc.              | US     | Q4        |

## Date Event Region Estimate

| Date       | Event                          | Region | Estimate |
|------------|--------------------------------|--------|----------|
| 14/10/2009 | Jobless Claims Change          | UK     | 25.0K    |
| 14/10/2009 | ILO Unemployment Rate (3mths)  | UK     | 8.00%    |
| 14/10/2009 | Euro-Zone Ind. Prod. sa (MoM)  | EC     | 0.80%    |
| 14/10/2009 | MBA Mortgage Applications      | US     | --       |
| 14/10/2009 | Import Price Index (MoM)       | US     | 0.20%    |
| 14/10/2009 | Advance Retail Sales           | US     | -2.10%   |
| 14/10/2009 | Business Inventories           | US     | -0.80%   |
| 14/10/2009 | Minutes of Sept. 23 FOMC Meeti | US     | --       |
| 15/10/2009 | ECB Publishes Oct. Monthly Rep | EC     | --       |
| 15/10/2009 | Euro-Zone CPI (MoM)            | EC     | 0.10%    |
| 15/10/2009 | Consumer Price Index (MoM)     | US     | 0.20%    |
| 15/10/2009 | Initial Jobless Claims         | US     | 525K     |
| 15/10/2009 | Empire Manufacturing           | US     | 18       |
| 15/10/2009 | Philadelphia Fed.              | US     | 12       |
| 16/10/2009 | Euro-Zone Trade Balance        | EC     | --       |
| 19/10/2009 | Rightmove House Prices (MoM)   | UK     | --       |
| 19/10/2009 | Construction Output SA MoM     | EC     | --       |
| 19/10/2009 | NAHB Housing Market Index      | US     | --       |
| 19/10/2009 | Producer Prices (MoM)          | GE     | --       |
| 19/10/2009 | Producer Prices (YoY)          | GE     | --       |
| 19/10/2009 | Public Sector Net Borrowing    | UK     | --       |
| 19/10/2009 | M4 Money Supply (MoM)          | UK     | --       |
| 19/10/2009 | Producer Price Index (MoM)     | US     | -0.30%   |

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Dolmen Stockbrokers, 75 St. Stephen's Green, Dublin 2, Ireland.



## **DOLMEN SECURITIES LTD**

75 St. Stephen's Green, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland  
Theatre Court, Mallow St, Limerick, Ireland.

Tel : +353 1 633 3800/1890 400 300  
Tel : +353 21 422 2122  
Tel : +353 61 436 500

E-mail: [info@dsl.ie](mailto:info@dsl.ie)  
E-mail: [cork@dsl.ie](mailto:cork@dsl.ie)  
E-mail: [Limerick@dsl.ie](mailto:Limerick@dsl.ie)