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Aviva: AXA increases its dividend by 38%

Barclays: French Peer Soc Gen reports full year results

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Market Movers

IRISH PAPERS TODAY

Tension at top EU level over Greek budget cuts
(The Irish Times)

BOI changes its year-end so it can raise fresh capital
(The Irish Times)

Bol alter its fiscal year to aid €2.5bn fundraising
(Irish Independent)

INTERNATIONAL PAPERS TODAY

Russia threat to pull TNK-BP licence
(Financial Times)

Threat to TNK-BP gas licence
(Financial Times)

UK data highlight frail upturn
(The Wall Street Journal)

Market View

Analyst : Stephen Taylor

European equity markets are slightly weaker this morning falling for the first time this week. Earnings in general are continuing to surprise to the upside with Hewlett-Packard (HP) reporting better than expected profit and more importantly sales after the US closed last night sending its shares 1% higher. As a result of the better than expected quarter, HP also raised its full year EPS and sales guidance. The group benefited from strong demand for PCs and Printers and geographically China continued to see growth. Importantly for Microsoft, CEO Mark Hurd commented that he expects businesses to replace their PCs in the second half of 2010. Microsoft is widely expected to release its new Office platform in June and this is likely to be a key catalyst for corporates to refresh their PCs and add Windows 7. In addition, Swiss industrial company ABB reported better than expected earnings this morning and while cautious in the short-term, the company said it remains confident in its medium term targets. Both HP and ABB are cyclical companies and their earnings provide us with further confidence in the improving outlook for the global economy. As for today the main focus will be on economic data out of the US. Weekly jobless claims are expected to show a week on week improvement. For the US recovery to continue its momentum, a turn in the jobs market is critical and these figures will be closely watched. In addition, US leading indicators and Philly Fed manufacturing data will also be in focus. On the earnings front, Dell is expected to report after the US market closes.

Aviva: Buy **Previous Close** 377p **Target** 520p **Analyst** Oliver Gilvarry

AXA released full year results this morning beating consensus estimates on net profit. As a signal to the market on the group's confidence over its capital position, it increased its dividend by 38% to 55c compared to 50c expected. Solvency was also higher than expected with the group reporting a ratio of 171%. The Embedded Value (EV) of the group is much stronger than expected at €30.4bn or €13.40 per share. Revenues in the Life and Savings unit rose to €1.1bn. The combined ratio in the Non Life business was a disappointment reporting a ratio of 99%. Ireland UK combined ratio was over 100%. Management believe the group will benefit from favourable trends in the insurance and asset management markets. The higher than expected increase in dividend by the group and the improvement in EV are all positive for the sector. We still remain positive on the Insurance sector and expect it to perform strongly over the next number of months. Two of our preferred plays are Aviva and Prudential.

Barclays: Buy **Previous Close** 302p **Target** 415p **Analyst** Oliver Gilvarry

SocGen released full year results this morning and beat estimates. Net income for Q4 was €221m, compared to consensus of €127m. The beat was helped by the JV the group has created with Credit Agricole on Asset Management. The group had pre-announced results in January announcing further write-downs on MBS due to more aggressive loss assumptions on US subprime and prime loans. Management made very positive comments on impairments going forward as the losses on legacy assets should be much lower than in 2009. They also see 2010 marked by a sharp rebound in the group's performance. Dividend is to be reduced to 25c for 2009 from €1.20 a year earlier. The comments from management on the outlook for this year and lower level of impairments are a positive, but the underlying trends in SocGen seem weaker than its peers. The lower than expected dividend payout also is bad signal to the market on management's view of capital. In the sector we still prefer Barclays.

Paddy Power: Ladbrokes FY09 Results **Previous Close** €23.63 **Analyst** Edward Keeling

Ladbrokes reported full year results this morning and the group posted profits ahead of consensus estimates. Owing to a strong e-gaming performance and more favourable sporting results over the last quarter, pre tax profit for the full year was £191m, down 33% from last year, but ahead of market expectations of £235m. Despite the bad weather resulting in the postponement of various sporting calendars. Operating profit for the for the new year is so far above 2009 levels. However, the composition of such is negative with most of result driven by cost cutting, while net revenue is down 4.6% year to date. This explains why despite a strong set of 2009 earnings, the stock is trading over 3% lower this morning.

Vodafone

Buy



DOLMEN STOCKBROKERS

Previous Close : 139p

Price Target : 155p (previous 150p)

Analyst: Stephen Taylor

18th February 2010

• **Results released** : On February 4th, Vodafone issued its third quarter trading statement covering the three month period to December 31st. Total group revenue increased by 10.3% to £11.5bn beating analyst expectations of £11.3bn. Organic service revenue declined by 1.2%, marking a 1.8% improvement on the previous quarter. Vodafone continued to generate strong free cashflow during the quarter. As a result of the better than expected performance Vodafone raised its bottom end of its operating profit forecasts from £11.0bn - £11.8bn to £11.4bn - £11.8bn. As a result of its strong cash flow generation, Vodafone also increased its free-cash flow forecast by £500m for the full year to between £6.5bn - £7bn. The group also maintained that it is on track to deliver a further £1bn in cost savings (on top of £1bn already achieved) by 2012.

• **Inflection Point** : Stabilisation was seen across all of Vodafone's businesses as the improved economic environment has started to have a positive impact on its operating performance in what we believe is an inflection point for the group. In Europe, service revenue fell by 3.2%, a 1.4% improvement on the second quarter. Italy continued to show growth during the third quarter, while trends in the UK and Germany improved, in addition to a stable performance in Spain. In Africa and Central Europe, service revenue declined by 0.5%, a 3.4% which was an improvement on the previous quarter with a particularly strong performance in Turkey which showed an increase of 12.9%. Asia Pacific and Middle East saw service revenue increase by 10.4%, with India posting a 13.8% increase.

• **Data & Fixed Line** : Vodafone continues to focus on increasing its exposure to growth areas in data and fixed line broadband. Group data revenue exceeded £1bn for the first time, marking a 17.7% increase year on year. Data as a percentage of total group service revenue in Europe was 11%, increasing for the sixth consecutive quarter. In addition, on January 15th Vodafone began to sell Apple's iPhone that should further boost data revenue growth over the coming year. On the first day of sales, Vodafone said that it had delivered 50,000 phones to customers. Fixed line revenue grew by 10% to £862m in the quarter with strong broadband growth seen in Germany, Italy and Spain.

• **Capex Fears** : There is concern among some market commentators that rising data growth is going to lead to a significant increase in Capital expenditure that will impact cashflow. We believe that these concerns are overdone and do not take account of the positive revenue effects from higher data revenue growth will have on cashflow. In addition, Vodafone has a number of stakes in subsidiary companies including Verizon Wireless and Vivendi's SFR that could be sold in the event of significant Capex requirements.

• **Reiterate Buy Rating** : We believe that Vodafone represents an excellent defensive play in what is likely to remain a turbulent equity market. Our price target of 155p is based on the stock trading at 10x fiscal 2011 consensus forecasted EPS of 15.5p. Vodafone also offers an attractive well covered dividend yield of c. 5.6%. Next Catalyst : Peers reporting include : Deutsche Telekom & France Telecom (25th Feb), Telefonica (26th Feb).

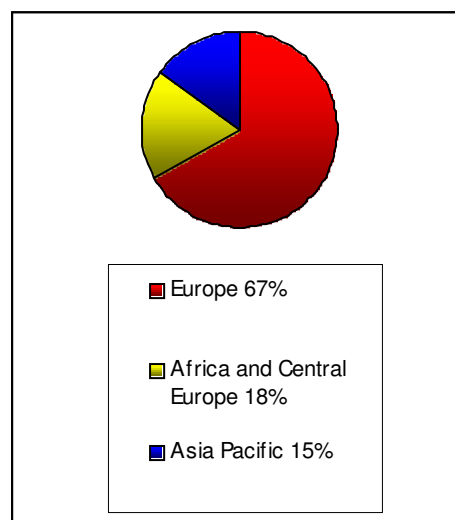
• **Telefonica** : While Vodafone remains our top telecom stock pick, for clients looking for exposure to a Euro denominated company we recommend Spain's Telefonica (owner of O2). Its shares have been under pressure due to concerns around its Venezuelan business due to the devaluation of the currency. We believe that the recent pull back in its shares are overdone and view the company's valuation as attractive.

Descriptive Stats		Shareholders	
Price (p)	139	Blackrock Inc	6.53%
52 Week High	145	Axa	4.60%
52 Week Low	111	Legal & General	4.42%
Bloomberg	VOD LN	M&G Investment	1.87%
Reuters	VOD.L	Norges Bank	1.74%

	FY09	FY10	FY11
Revenue (£m)	41,017	43,833	44,546
EBITDA (£m)	14,490	14,668	14,783
Operating Profit (£m)	10,193	11,600	11,800
EPS(p)	17	15.00	15.5
DPS (p)	8	8.20	8.40

Company	P/E 10	P/E 11	Div Yield
Vodafone	9.1	9.0	5.60%
Telefonica	9.4	8.8	5.80%
France Telecom	9.2	8.9	8.00%
Deutsche Telekom	13.5	12.8	8.00%
BT Group	8.1	7.5	2.90%
Verizon	12.4	11.6	6.50%
AT&T	11.4	10.6	6.60%

Revenue Fiscal 2Q 2010





International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,953	1.9%	-0.8%
FTSE	5,277	0.6%	-2.6%
Dow Jones	10,309	0.4%	-1.1%
S&P	1,100	0.4%	-1.4%
Nikkei	10,307	2.7%	-2.0%
Stoxx 50	2,762	1.5%	-7.0%

Sector Performances

Sector	Index	1-Day	YTD
Construction	258	2.4%	-6.7%
Technology	192	1.7%	4.6%
Oil & Gas	321	-0.1%	-3.1%
Financials	206	2.1%	-7.5%
Retail	249	1.3%	2.2%
Food & Drink	307	1.3%	0.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	77.3	0.4%	-4.5%
Copper	325.9	0.6%	-4.8%
Gold	1,106.8	-1.1%	0.6%
Silver	16.1	-0.3%	-6.6%
Wheat	509.3	-2.0%	-8.2%
Cattle	92.2	0.0%	2.6%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/\$	1.361	-1.2%	5.6%
€/£	0.868	-0.4%	2.1%
£/\$	1.567	-0.8%	3.6%
\$/JPY	91.260	1.2%	2.3%
€/JPY	124.160	0.0%	8.1%
€/SFR	1.467	0.0%	1.2%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	89.7	-1.3%	30.9%
High Yield	508.0	-2.4%	18.7%
Financials	96.2	-5.1%	42.0%
BoI	230.5	-1.9%	-4.2%
AIB	248.4	-2.0%	-8.2%
RBS	168.2	-3.2%	22.7%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.3%
1-Year	1.1%	0.9%	0.5%
2-Year	1.5%	1.6%	1.1%
5-Year	2.5%	3.0%	2.7%
10-Year	3.4%	3.9%	3.8%

Date	Company	Region	Event
18/02/2010	Chesapeake Energy Corp.	US	Q4
18/02/2010	Ameren Corp.	US	Q4
18/02/2010	Apache Corp.	US	Q4
18/02/2010	CBS Corp.	US	Q4
18/02/2010	Noble Energy	US	Q4
18/02/2010	The NASDAQ OMX Grp	US	Q4
18/02/2010	Wal-Mart Stores	US	Q4
18/02/2010	Axa SA	FR	FINAL
18/02/2010	Cap Gemini SA	FR	FINAL
18/02/2010	Schneider Electric SA	FR	FINAL
18/02/2010	Pernod Ricard SA	FR	INTERIM
18/02/2010	Societe Generale	FR	Q4
18/02/2010	Daimler AG	DE	FINAL
18/02/2010	Swiss Reinsurance Company Ltd	CH	FINAL
18/02/2010	ABB Ltd	CH	FINAL
18/02/2010	Kingfisher PLC	GB	Q4 TRADE
18/02/2010	Ladbroke PLC	GB	PRELIM
18/02/2010	Reed Elsevier PLC	GB	Q4
18/02/2010	BAE Systems PLC	GB	Q4
18/02/2010	EasyJet PLC	GB	AGM
19/02/2010	JCPenney	US	Q4
19/02/2010	PG&E Corp.	US	Q4

Date	Event	Region	Estimate
18/02/2010	Public Sector Net Borrowing	UK	--
18/02/2010	M4 Money Supply (MoM)	UK	--
18/02/2010	Euro-Zone Consumer Confidence	EC	--
18/02/2010	Producer Price Index (MoM)	US	--
18/02/2010	Initial Jobless Claims	US	--
18/02/2010	Philadelphia Fed.	US	--
18/02/2010	Leading Indicators	US	--
19/02/2010	Producer Prices (MoM)	GE	--
19/02/2010	ECB Euro-Zone Current Account	EC	--
19/02/2010	Retail Sales (MoM)	UK	--
19/02/2010	Consumer Price Index (MoM)	US	--
22/02/2010	Chicago Fed Nat Activity Index	US	--
22/02/2010	Dallas Fed Manf. Activity	US	--
23/02/2010	IFO - Business Climate	GE	--
23/02/2010	IFO - Expectations	GE	--
23/02/2010	S&P/CaseShiller Home Price Ind	US	--
23/02/2010	Consumer Confidence	US	--
23/02/2010	Richmond Fed Manufact. Index	US	--
23/02/2010	ABC Consumer Confidence	US	--
24/02/2010	GDP s.a. (QOQ)	GE	--
24/02/2010	Government Spending	GE	--
24/02/2010	Imports	GE	--

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