Dolmen Daily

DOLMEN STOCKBROKERS

Thursday, 19th February 2009

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INTERNATIONAL PAPERS TODAY

Property groups in £3bn call (*Financial Times*)

Austrian banks on firing line (The Wall Street Journal)

DOLMEN DOZEN

Company	1-day %	YTD %
Aryzta	1.0%	-22.2%
BP	-3.0%	-9.0%
CRH	-1.9%	-9.3%
E.ON	-0.7%	-21.1%
HPQ	-0.8%	-6.1%
IL&P	0.6%	-17.5%
INM *	-8.3%	-56.4%
J&J	-0.3%	-6.7%
JPMorgan	-0.6%	-31.8%
Microsoft	0.2%	-6.8%
Paddy Power	2.1%	-20.7%
Vodafone	-0.9%	-7.1%

* We are currently Neutral on IN&M

Market View — Analyst : Stephen Taylor

European equity markets are mixed this morning as concerns around the global economy persist. The FTSE has now declined for five straight days and is approaching a key support level of 3956. With no sign of confidence returning to the banking sector and the US KBW banking index hitting all time lows on a daily basis (down 47% already this year) we continue to believe that risks to equity markets are still to the downside. Yesterday's housing plan from President Barack Obama that the US government will pledge $75bn to help householders meet mortgage payments and reduce foreclosures has done little to boost confidence. With unemployment on the rise even more funds may be required. Our short calls are performing well with BMW, WPP, BASF, Daimler, Siemens and Wolseley all trading to the downside. Thomson Reuters' share price has remained relatively resilient be we expect profit warnings to come in time and the price over the next 12-months to reach our £10.00 price target. A key feature of recent earnings results has been the inability of companies to issue full year earnings guidance. This trend has been seen across all sectors from large cap technology such as Microsoft and Intel to more consumer related companies from Unilever to Puma yesterday. We expect this trend to continue which will increase uncertainty in the market. Focus again today will be on economic data out of the US with the Jobless claims due as well as Philly Fed manufacturing. If Tuesday's Empire State manufacturing figure is anything to go by risks clearly lie to the downside.

BNP Paribas : **Current Price** (€25.65) **Analyst :** Oliver Gilvarry

BNP Paribas reported full year results this morning reporting a Q4 net loss of €1.37bn compared to an estimated loss of €1.36bn. Provisions for risky loans more than tripled in Q4, increasing to €2.55bn compared to the market estimate of €1.95bn. The capital ratios of the bank strengthened since the last released details in September, with Tier 1 increasing to 7.8% from 7.6%. As with other banks who have reported over the last number of weeks, Q4 presented very difficult trading conditions for BNP Paribas. The investment bank had a loss of €2.07bn in Q4 alone and this added to the poor result for the quarter overall. BNP's exposure to emerging markets also resulted in losses with emerging markets retail unit making a €40m loss in Q4 plus the bank booked a €272m provision for its Ukraine operation. As with SocGen's results yesterday, this highlights the pressure Eastern European economies are under. In the announcement this morning, management announced plans to cut risk weighted assets by 20% during 2009, adding further to the process of deleveraging ongoing in the world economy, further reducing the availability of credit. On the Fortis transaction, BNP have started they can do without the deal, but are open to a possible agreement up to the end of February.

Axa : **Current Price** (€10.45) **Analyst :** Oliver Gilvarry

Axa, the second largest insurer in Europe released full year results this morning, reporting a second half loss for the first time in seven years. The loss in the second half was €1.24bn due to the falls in equity markets in the latter half of 2008, but this was still slightly better than the consensus estimate of a loss of €1.76bn. Full year net profit has declined by 83% from the previous year to €923m. Looking at operating profit, which excludes investment volatility affects, it fell by 19% since last year to €4.04bn, but beating investor estimates. Due to the poor performance in 2008, the dividend has been cut by 67% to €0.40 per share. On the outlook for 2009, CEO Henri de Castries said "2009 will be another challenging year" and the company's goal of doubling revenue and tripling earnings between 2004 and 2012 is now "increasingly obsolete."

Kerry Group: **Buy Current Price** (€14.55) **Price target** (€20.50) **Analyst :** Oliver Gilvarry

Nestle, the Swiss food company reported full year results and is guiding sales growth at the lower end of its target range for 2009 as it becomes more difficult to pass price increases onto consumers. For 2008, EPS was better than expected at CHF4.87 compared to market estimates of CHF4.79 and full year sales of CHF109.9bn increased through organic growth by 8.3%. The dividend for the year was increased by 15% to CHF1.40 and guided sales growth for 2009 is 5%. A reason for the pressures faced by Nestle is due to the move by consumers from branded goods to cheaper private label. For Kerry Group, its convenience food division has a mixture of branded and private label products, positioning it better for the move in consumer preferences than Nestle. This move in consumer demand also benefits Greencore, who generated a large part of its profits from private label products.
With Kerry Group reporting results on the 24th of February, we remain positive on the stock following these results and the current share price of €14.55 represents a good entry level.

Heinz: Buy Current Price ($32.63) **Price target** ($44.00) **Analyst :** Stephen Taylor

Yesterday, H.J. Heinz reaffirmed its EPS forecast for 2009 of $2.87-$2.91. Analysts had expected the group to report EPS of $2.89. The group did not provide specific guidance for 2010 however it did say that it expects top and bottom line growth for 2010 on a constant currency basis. Heinz pointed out that European Ketchup sales had dropped in Belgium and Netherlands, while increased pasta sales were being fuelled by the downturn. Heinz is due to report fiscal third quarter results on February 24th. We had previously advised clients to hold off buying shares in Heinz until after the results. Given Heinz's comments yesterday this has reduced the risk of a profit warning and we now recommend clients buy shares in Heinz at current levels with its share price trading at close to a 52-week low. Shares in Heinz provide a dividend yield c. 5.1% which we expect to remain safe despite many companies cutting dividends.

Grafton: Neutral Current Price (€1.36) **Price target** (€2.45) **Analyst :** Stephen Taylor

Travis Perkins, the UK building and construction retailer, has reported a 46% drop in full year pretax profit to £261m. It has suspended dividends until "earnings prospects for the Group are more positive" and it is continuing with cost saving measures including a reduction of at least £125m in net debt in 2009. On a positive note, it has succeeded in gaining market share as competitors struggle to survive and sales at its Wickins chain continues to outperform. Overall, we remain cautious on the sector and would not anticipate a recovery in the short term to medium term.

Ladbrokes: Current Price (195p) **Analyst :** Edward Keeling

This morning Ladbrokes reported a resilient set of 2008 results, with operating profit, excluding High Rollers, coming in at £243.8m, up from £241m the previous year. A good UK Retail performance saw gross win increase by 4.7% to £773.9m. eGaming net gaming revenue rose by 20% to £172.2m, an increase of 20% from last year. Cash generated by operations was £414.7m and the final dividend was maintained at 9.05p, giving a full year dividend slightly ahead of consensus forecasts of 14.15p. The main positive surprise came from its telephone high rollers division. Operating profit came in at £80m, 40% higher than managements' guidance. In terms of current trading, the group has said that gross win is up 1% year to date and considering the unfavourable weather conditions so far in 2009, this is an impressive result. Management has also stated it remains comfortable with consensus expectations for 2009, but has acknowledged that difficult trading conditions persist. We remain cautious on the stock and are not convinced by the Managements' outlook. We will be issuing a detailed note on Ladbrokes over the coming days.

HP : Buy Current Price ($34.08) **Price target** ($48.00) **Analyst :**Stephen Taylor

Last night, Hewlett-Packard (HP) reported first quarter net profit that fell by 13% to $1.85bn and in line with analyst expectations. HP unsurprisingly reduced its earnings forecast for 2009 to $3.76 - $3.88 from $3.88 - $4.03 previously while it expects revenue to decline by 2% - 5%. The group's CEO commented that the forecast is based on the assumption that things will not improve this year. The biggest drag on earnings was the 19% decline in PC revenue to $8.79bn that accounts for about a third of group earnings largely driven by sales of lower-priced notebooks. On a positive not HP has increased its share of the global market to 19.6% while Dell saw its share drop to 13.7% from 14.6%. Service revenue at the group more than doubled to $8.75bn as its recent acquisition of EDS accounted for the majority of the increase. HP is one of the most diversified technology companies geographically and operationally. While the environment will be extremely difficult for the company for 2009 we believe that HP will be able to whether the downturn and continue to increase its market share. We reiterate our buy rating on HP.

Dolmen Daily

Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	2,174	-0.7%	-7.3%
FTSE	4,007	-0.7%	-8.9%
Dow Jones	7,556	0.0%	-13.9%
S&P	788	-0.1%	-12.7%
Nikkei	7,558	0.3%	-14.7%
Stoxx 50	2,118	-0.1%	-12.9%

Sector Performances

Sector	Index	1-Day	YTD
Construction	182	-0.2%	-9.9%
Technology	150	0.2%	-2.5%
Oil & Gas	274	-0.9%	3.2%
Financials	117	0.6%	-21.5%
Retail	188	-0.6%	3.6%
Food & Drink	215	-0.4%	-4.6%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	34.6	-0.9%	-27.3%
Copper	145.5	0.8%	4.0%
Gold	984.9	1.5%	10.4%
Silver	14.3	2.0%	25.1%
Wheat	523.0	-0.9%	-15.9%
Cattle	82.9	-1.5%	-7.1%

Currency Exchange Rates

Commodity	Index	1-Day	YTD
€/$	1.253	-0.4%	9.3%
€/£	0.882	-0.2%	7.8%
£/$	1.421	-0.2%	1.7%
$/JPY	93.79	1.5%	-3.2%
€/JPY	117.52	1.1%	6.4%
€/SFR	1.476	0.3%	0.2%

5Yr Credit Spreads

Commodity	Index	1-Day	YTD
Invest Grade	171.9	-6.3%	-4.9%
High Yield	1,096.2	-1.3%	4.6%
Financials	144.1	2.0%	19.5%
BoI	523.5	18.9%	110.5%
AIB	439.3	11.3%	111.9%
RBS	183.8	0.7%	34.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	1.3%	0.9%	0.3%
3-Month	1.9%	2.6%	1.2%
1-Year	2.0%	1.9%	1.4%
2-Year	2.1%	2.3%	1.6%
5-Year	2.8%	3.0%	2.5%
10-Year	3.5%	3.7%	3.0%

Date	Company	Region	Event
19/02/2009	Kingfisher	GB	Q4 TRADE
19/02/2009	BAE Systems	GB	PRELIM
19/02/2009	Ladbrokes	GB	PRELIM
19/02/2009	Travis Perkins	GB	PRELIM
19/02/2009	Shire	GB	FINAL
19/02/2009	Axa	FR	FINAL
19/02/2009	BNP Paribas	FR	FINAL
23/02/2009	ICON Plc	IE	Q4
23/02/2009	Associated British Foods	GB	TRADE
23/02/2009	Hammerson PLC	GB	PRELIM
24/02/2009	Forest Oil Corporation	US	Q4
24/02/2009	Heinz Co.	US	Q3
24/02/2009	Home Depot Inc	US	Q4
24/02/2009	Macy's, Inc.	US	Q4
24/02/2009	Deutsche Boerse AG	GE	PRELIM
24/02/2009	Kerry Group PLC	IE	PRELIM
24/02/2009	Volvo AB	SE	TRAFFIC
24/02/2009	Thomson Reuters PLC	GB	Q4
24/02/2009	Novartis AG	CH	AGM
25/02/2009	CMS Energy Corp.	US	Q4
25/02/2009	Limited Brands	US	Q4
25/02/2009	The Washington Post Co	US	Q4

Date	Event	Region	Estimate
19/02/2009	Public Sector Borrowing	UK	--
19/02/2009	M4 Money Supply (MoM)	UK	--
19/02/2009	Producer Price Index	US	--
19/02/2009	Initial Jobless Claims	US	--
19/02/2009	Philadelphia Fed.	US	--
20/02/2009	PMI Manufacturing	GE	--
20/02/2009	PMI Services	GE	--
20/02/2009	PMI Manufacturing	EC	--
20/02/2009	PMI Services	EC	--
20/02/2009	Retail Sales (MoM)	UK	--
20/02/2009	Consumer Price Index	US	--
21/02/2009	Retail Sales(Volume)	IR	--
21/02/2009	PPI (MoM)	IR	--
24/02/2009	IFO - Business Climate	GE	--
24/02/2009	Euro-Zone Current A/c	EC	--
24/02/2009	Total Business Investment	UK	--
24/02/2009	Industrial New Orders SA	EC	--
24/02/2009	S&P/CaseShiller Home	US	--
24/02/2009	Consumer Confidence	US	--
24/02/2009	House Price Index MoM	US	--
24/02/2009	Richmond Fed Manufact. Ind	US	--
24/02/2009	Bernanke Report	US	--

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