



Friday 21st November 2008

DAILY COMPANY NOTE — Astrazeneca See page 2 & 3 for full details

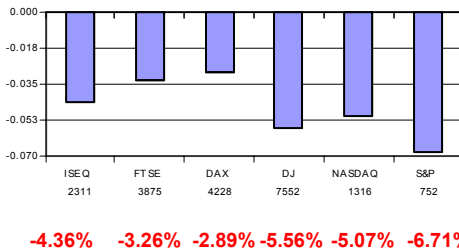
Daily Market Comment

Yesterday's Summary : Further speculation over government and private equity investment in the Irish banks dominated market proceedings yesterday on the ISEQ in a choppy trading session. Irish Life and Permanent underperformed its peers significantly, as it fell 20% to close at €1.15. Both Anglo Irish Bank and Bank of Ireland were marginally lower, after rallying in early trade. They closed down 0.5% and 3.8% at €0.92 and €1.01 respectively. Bucking the trend, McInerney climbed 9.5% to close at €0.23. ISEQ: -105 points at 2,311.

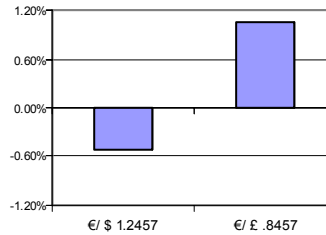
Overnight News : After an early rally on Wall St, US stocks sold off sharply yesterday evening. The S&P 500 broke through its April 2002 low and currently trades at its lowest level in 11 years. Weak initial jobless claims weighed heavily on the markets, coupled with growing concerns over the financial health of General Motors and Ford. Citigroup continued its decline, dropping another 26.4% to close at \$4.71. Dow Jones: -5.6% at 7,552, NASDAQ: -5.1% at 1,316, S&P 500: -6.71% at 752.

Breaking News : Dell reported third quarter revenues of \$15.16bn and a third quarter EPS of 37 cent – ahead of expectations. **United Drug** reported full year results this morning. Net profit came in ahead of analysts' forecasts at €50.2 million, despite the company saying it sees a more difficult economic climate ahead. Adjusted FY EPS was 25.7 cent, also ahead of market consensus. **Astrazeneca** has announced 1,400 job cuts across Europe as it revealed it had won a reprieve in the battle over its blockbuster asthma drug Pulmicort with a generic rival. The redundancies announced Thursday are in addition to the 7,600 announced in July last year.

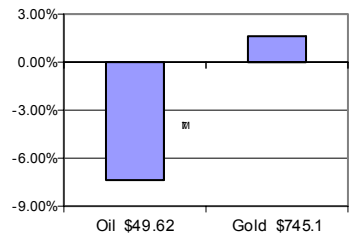
Equity Indices change on day



Currency daily % change



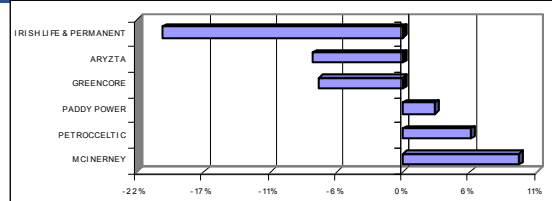
Oil/Gold daily % change



News

- “Mergers to be expected in bank sector, says Lenihan”-(The Irish Times)
- “US congress refuses loan to troubled car sector”-(The Irish Times)
- “Fear stalks the world’s economies”-(Financial Times)
- “L&G supports Barcalys capital raising through gritted teeth”-(F.T)
- “Citi gets no lift as prince adds to his holdings”-(The Wall Street Journal)

ISEQ Performers/Losers 20/11/08



Market Themes & Movers

Bank of Ireland confirms investor interest : Bank of Ireland has confirmed it has received unsolicited approaches from a number of parties wishing to make an investment in the group. However the Irish bank has indicated that no decision on these approaches have been made and that it will keep its shareholders informed as appropriate. Meanwhile, Irish finance minister Brian Lenihan has confirmed he has been in communication with Irish banks about reform measures in a bid to shore up credit supply in the economy. In addition L:enihan has indicated that there has been “informal approaches” by several potential private investors. The Irish government was one of the first European countries to respond to the credit crisis with a guarantee for bank liabilities worth some €440bn, but it has not bailed out or nationalised any banks as of yet. It did confirm this morning however that reports of consolidation among the the country’s four major banks following its meeting with them, is “simply not true”. The Department of finance has reaffirmed that it is still in the process of approving the business plans of the six financial institutions covered under the two year guarantee scheme.



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Astrazeneca

Target: 2,700p
Current: 2,459p
FTSE 100
Pharmaceuticals
Company Profile

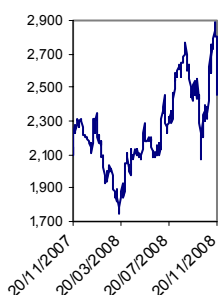
The Group's principal activity is discovering, developing, manufacturing and marketing prescription pharmaceuticals, biologics and vaccines. The Group's operation focuses on six therapeutic areas namely, Cardiovascular, Gastrointestinal, Neuroscience, Oncology, Respiratory and Inflammation, and Infection.

Fundamental view:

- AstraZeneca, the second largest drug maker in the UK, released its results for the third quarter, at the end of October. The results were solid, if not spectacular. Net income increased to \$1.73bn or \$1.20 per share, up from \$1.34bn or \$0.90 per share for the same period last year. The company increased its full year forecasted earnings to \$4.90 - \$5.05 per share, primarily driven by currency movements. UK based AstraZeneca has a Sterling cost base but records revenue in USD. As a result recent Sterling weakness has benefited the company. The company announced plans to cut its cost base, including 11% of its staff by 2010. The company has announced the closure of plants in Spain, Belgium and Sweden. AstraZeneca also announced that it would halt its buyback programme.
- AstraZeneca released the Jupiter test data on the cholesterol drug Crestor earlier this month. The results were broadly positive and should result in lower price pressure from competing generics. Also announced this month was the results of the Zactima Phase 3 studies. The data on the lung cancer treatment was disappointing, with the drug failing to beat rival treatments or show statistical significant progression free survival benefit.
- In a recent ruling, the FDA dismissed AstraZeneca's citizen petition to prevent the approval of Teva's generic Pulmicort, an asthma treatment. The news prompted AstraZeneca to guide towards the bottom end of its forecasted earnings range of \$4.90-\$5.05. AstraZeneca has won a temporary restraining order against Teva launching its drug, pending an appeal.

Next Catalyst:

- The next catalyst for AstraZeneca is the full year results, due on the 29th of January. In addition, continued sterling weakness is beneficial for the company. Pharmaceuticals are a defensive sector, in that their earnings are relatively stable throughout the cycle. However the industry, and AstraZeneca does suffer from its own set of problems. Generic drug makers, that don't have massive research costs are aggressively marketing generics for drugs that have had their patents expire. There is also the issue of a lack of blockbuster drugs in development by the major players, AstraZeneca included.

Statistics
Price Performance


- North America 72%
- Western Europe 28%
- Japan
- ROW

Valuation:

- We are issuing a Neutral rating on AstraZeneca, with a £27.00 price target. We remain overweight the pharmaceutical sector, due to its defensive qualities relative to other sectors. However due to the threat posed by generic drugmakers and the lack of depth in its pipeline, we rate AstraZeneca Neutral. AstraZeneca is currently trading on 7.7x earnings, with a dividend yield of 5.3%.

Major Shareholders		Peer Group Multiples				
Capital Group	4.9	Company name	P/E 08	P/E 09	EPS Growth 08-09	
Axa	4.9	Astrazeneca	8.7	7.7	6.6%	
Barclays	4.3	Glaxosmithkline	10.5	9.6	9.5%	
Shares Outstanding		1446.4mln				
Share Data		Financial Data		Dec-07	Dec-08	Feb-10
Current Price (£)	24.59	Revenue (€m)	29,559	31,826	32,349	
Mkt Cap (£m)	35,566	PBT (€m)	7,983	9,456	10,128	
Reuters	AZN.I	EPS (€)	3.74	4.78	5.10	
Bloomberg	AZN LN	P/E(x)	8.7	7.7	7.2	
Sector	Pharmaceuticals	DPS (€)	1.90	2.05	2.21	
CEO	David R Brennan	Yield	7.7%	8.3%	8.8%	
CFO	Simon Lowth					
Website	www.astrazeneca.com					





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