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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	5991 ↓	-18	-0.31%	11.0	-3.33%
FTSE 100	4820 ↓	-2	-0.05%	13.5	0.12%
DAX 30	4194 ↑	15	0.36%	15.0	-1.46%
DOW	10219 ↑	206	2.06%	19.5	-5.23%
NASDAQ	1962 ↑	49	2.54%	15.6	-6.06%
S&P	1160 ↑	22	1.97%	21.0	-4.29%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3044	0.6833	139.2100
Dollar	1.3044	1.0000	1.9084	106.7400
Sterling	0.6833	1.9084	1.0000	203.6500
Yen	139.2100	106.7400	203.6500	1.0000

**This Week's Research**  
Citigroup  
Ryanair  
AIB

RBOS

**Today's Research**  
British Land

## Today's Recommendations

### British Land (£8.02) 2 more properties acquired Stuart Draper

- **BL West** : British Land has announced the buyout of the minority interests in its BL West joint venture companies for £50m. These companies were set up in 2000 to acquire 4 London properties, with the intention of ending the JV in 2005.
- **JV acquisition** : With two of the properties having been sold in April 2004, the remaining properties at 1 and 10 Fleet Place, Ludgate EC4, are now owned by British Land. The £50m purchase price was funded from existing cash resources.
- **Entry level** : This strategy of increasing its interests in its properties to 100%, or at least majority, from subordinated, should help close the current valuation gap with peers. Following its c.10% correction over the past 6 weeks, our view is that the current share price of British Land represents an attractive entry level ahead of the company's full year results' announcement on 25th May.
- **NAV discount** : These results are likely to show a net asset value (NAV) per share of £10.90 as at 31/03/05, meaning that the current share price of £8.20 represents a 26% discount to NAV, compared with a current 10% sector discount to NAV.
- **Lease length** : Our view is that such a NAV discount is excessive given that British Land's average lease length of c.16 years is longer than any of the other UK commercial property majors. This means that there is a very low risk to cashflow, with a spread of high quality office and retail tenants.
- **Debt fixed** : The company's funding mix is also low risk, with 87% of its debt fixed or hedged, and with an average maturity of a lengthy 17 years. Our house view is also that there will be no further significant increase in the UK cost of borrowing, with interest rates likely to peak close to current levels.
- **New CEO** : In addition to the upcoming results for the year ended 31/03/05, British Land appointed a new CEO, Stephen Hester, last July, when its split its CEO and Chairman roles, with John Ritblat remaining on as Chairman.
- **Major upside** : As this is Hester's first set of full year results, a clear statement of his future strategy for the UK commercial property company could act as a catalyst in helping to narrow the discount to peers. Our 12 month price target for British Land of £9.80 (22% upside) is based on a sector average discount of 10% to its current NAV per share of £10.90 : **BUY**.

## Breaking News

### US stocks rally on Fed survey, earnings

U.S. stocks rallied on Thursday, with the Dow jumping by its largest amount in two years, as a regional Fed survey eased concerns about slowing economic growth while strong earnings outlooks from several companies buoyed confidence. On top of impressive results from Motorola and Nokia, investors drew further confidence from a report from a report from the Federal Reserve Bank of Philadelphia, The Philly Fed, said its business activity index rose to 25.3 in April from 11.4 in March, more than double the amount economists had forecast. The report, which showed an expansion of factory activity in the Mid-Atlantic region, eased investors' concerns about slowing economic growth. Another positive for stocks was Fed Chairman Alan Greenspan saying on Thursday that the United States does not seem to be heading toward stagflation, the 1970s-style combination of high inflation and lackluster economic growth.

### Google beats Wall Street estimates

Google yesterday posted a quarterly profit nearly six times higher than a year earlier, comfortably beating Wall Street targets as search advertising grew rapidly. More consumers clicked on its search ads, more advertisers moved to the Web in the United States and abroad, and company costs fell, Google said. Google's first-quarter net income rose to \$369.2 million, or \$1.29 a share, from \$64.0 million, or 24 cents a share, a year earlier. Gross revenue nearly doubled to \$1.26 billion from \$651.6 million. The results easily topped Wall Street's average net profit target of 78 cents a share and revenues of \$1.16 billion.

### Ericsson reports solid start to the year

Ericsson reported higher than expected pretax profit and gross margins this morning, a day after Nokia reported surprisingly good results. The world's largest maker of telecoms equipment saw Q1 profit rise 73% in Q1 due to cost cuts and an increase in sales. Net income rose from SEK 2.68bn to SEK 4.64bn beating forecasts of SEK 4bn. Sales gained 12% to SEK 31.5bn; analysts expected sales of SEK 30.5bn.

## Business Press

- Saudis take urgent action to meet world oil demand (WSJE)
- Pernod takeover could hit C&C (IE)
- Minister favours sale of majority stake in Aer Lingus (IT)
- Value of NTR rises by €125m (IT)
- Eircom and Minister in broadband row (IT)

## Investment Press— Lex

- **Nokia**: Technology stocks are volatile beasts. Still, Thursday's five per cent jump in Nokia's share price was pretty odd. The world's leading handset maker seems to have got its act together with a better product mix.



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