



Tuesday 22nd April 2008

**DAILY COMPANY NOTE — Coca-Cola** See page 2 for full details

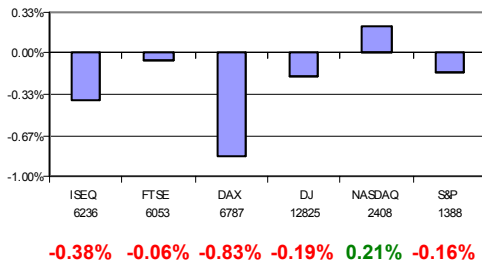
**Daily Market Comment**

**Yesterday's Summary :** With Bank of America announcing first quarter results below analysts expectations and a subdued reaction to the much anticipated Bank of England liquidity easing plan, the ISEQ finished in negative territory for the first time in four sessions, closing down 0.4% at 6,235.54. Ahead of its AGM today, AIB was the biggest loser among the financials. Ireland's largest bank by market capitalisation shed 2.6% to finish at €13.15. Anglo Irish bank recovered some of their recent losses, climbing 2.3% to €8.37. Bank of Ireland lost 0.8% to €9.10. CRH fell 2.1% to €23.78 on reports it could be a potential bidder for the German materials company Xella. Once again IAWS showed its defensive qualities, gaining 2.5% to €16.50.

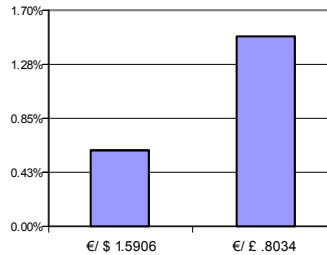
**Overnight News :** Asian stocks fell Tuesday, led by financials and technology companies as disappointing earnings from Texas Instruments and a fresh spike in crude prices to almost \$118 a barrel, weighed heavily on investors. In Japan, The Hang Seng index ended the morning 0.80% down at 24,523.07 on profit taking and weak wall street sentiment. In China the Shanghai benchmark index ended the morning down 3% as high oil prices fuelled fears over global inflation.

**Breaking News :** RBS have announced a European record £12bn rights issue which will cover potential writedowns of up to £5.9bn and restabilise their balance sheets. RBS will offer 11 new shares for every 18 existing shares at 200 pence per share, representing a 46% discount to Monday's closing price. RBS said it plans to keep core tier 1 capital in excess of 6%, which would make it one of Europe's best capitalized banks. Bradford & Bingley has said that demand for buy-to-let mortgages remained strong. AIB has announced it will no longer offer one year discount tracker mortgages for new customers.

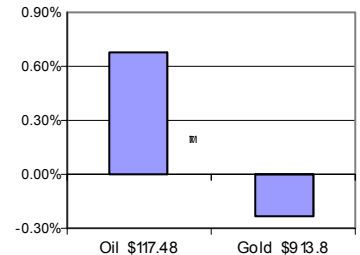
**Equity Indices change on day**



**Currency daily % change**



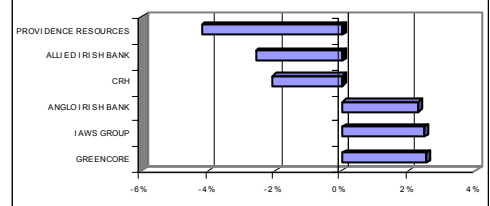
**Oil/Gold daily % change**



**News**

- "Bank of England in £50bn plan to boost liquidity"-(The Irish Times)
- "AIB presses rivals by not changing tracker rate"-AIB-(The Irish Times)
- "UBS owns up to litany of failures before €23.5bn losses"-UBS-(I.I)
- "CRH could be set for record buy"-CRH-(Irish Examiner)
- "Nestle sales rise 6% despite record price increases"-Nestle-(Irish Examiner)

**ISEQ Performers/Losers 21/04/08**



**Market Themes and Movers**

**Yahoo and US existing home sales :** Yahoo will report first quarter earnings today and they will have the chance to show Microsoft that it is worth more than Microsoft's \$44.6bn offering. Market expectations are for the popular internet search engine to post a 12% sales increase to \$1.32bn, but a net income decline of 16% to \$119.3m. Meanwhile the National Association of Realtors will report on US sales of existing homes for March and expectations are for a 2.3% drop to a 4.92 million annual rate, nearing the lowest levels since 1999. Economists have suggested that loan restrictions and the prospect of further price declines have discouraged buyers from the US housing market.

**ECB closely watching inflation :** The European Central Bank has said today that it is prepared to raise interest rates if needed to bring inflation under control. French central bank Governor Christian Noyer said the ECB could move rates to make sure that inflation fell below 2% in 2009. The ECB has held interest rates for the last 10 months, despite moves by the US Federal Reserve and the Bank of England. Meanwhile, the euro interbank offered rate, or Euribor, rose 1 basis point to 4.82% today, its eight consecutive increase.



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

Website : [www.dolmenstockbrokers.ie](http://www.dolmenstockbrokers.ie)  
 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)

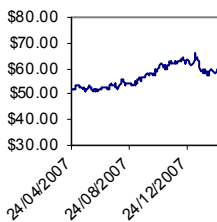
# Coca-Cola

**Dow Jones**
**Beverages**
**Company Profile**

Coca-Cola is the world's largest brand and manufacturer of soft-drinks and syrups. The group enjoys a 50% share in the world's carbonated soft drink market and continues to expand its portfolio of non CSD brands. Key brands include Coca-Cola trademark, Sprite Fanta, Minute Maid, Powerade, Dasani and Nestea

**Fundamental view :** On 16/04/08, Coca-Cola issued a strong set of first quarter results that came in well ahead of expectations boosted by strong overseas growth particularly in high growth emerging markets. First quarter EPS increased by 20% to \$0.67 beating analyst expectations of \$0.63 while revenue climbed by 21% to \$7.38bn. Coca-Cola's gross margin remained flat at 65%. The group also reiterated its long term EPS growth target of in excess of 9% a year. Overall unit case volumes rose by 6% driven by a 7% gain in markets abroad, while unit volumes in the US were flat in what it said was a 'challenging US economy'. The key driver for Coca-Cola is its international markets exposure where it generates c. 76% of its revenues and should keep it well insulated from any further downturn in consumer spending in the US. Coca-Cola repurchased \$309m worth of stock during the first quarter and plans to repurchase up to \$2bn during 2008. Coca-Cola has been increasing its focus on providing a healthier product offering over the last number of years which was emphasised by its \$4.1bn purchase of vitamin drinks group Glaceau in 2007, while it also recently agreed to buy a 40% stake in Honest Tea, the maker of low calorie organic bottled tea. Coca-Cola now controls 10% of the world's bottled tea market. At its earnings release, Coca-Cola pointed out that its new Glaceau division was performing better than it had expected.

**Next catalyst :** Coca-Cola's strong first quarter earnings for 2008 highlight the group's defensive qualities in this current difficult economic environment. In light of Coca-Cola's growth prospects we believe the company deserves to trade at a 10% premium to its peer group at 20x 2009 forecasted EPS of \$3.40 which generates our 12-month price target of \$68. A major catalyst for the group this year is that it is one of the main sponsors of the Beijing Olympics this summer which should further help the rollout of its products in China. **While there is 13% upside for Coca-Cola's share price to reach our \$68 target, we recommend that clients wait for some weakness in Coca-Cola's share price that has outperformed this year and would look for an entry level at close to \$57.**

**Statistics**
**Price Performance**

**Chart view: Coca-Cola**

Support Primary: \$59.65  
 Support Secondary: \$56.49  
 Resistance Primary: \$61.90  
 Resistance Secondary: \$64.32

Chart outlook is positive and there is little reason why generous gains cannot be made. Stock is sitting on strong support in the \$60 area and even a failure at this point would not be overly negative because of the strong support base between \$56 and \$60. Short term momentum indicators have weakened somewhat over the past few weeks and this suggests that some consolidation may be needed before we move higher. Buy on weakness.



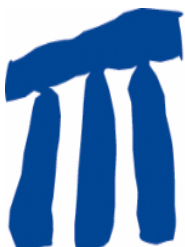
■ North America 26%

■ RoW 74%

Major Shareholders	%	Peer Group Multiples			
Berkshire Hathaway	8.61%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Capital World Invest.	4.22%	<b>Coca-Cola</b>	19.6	17.7	10.75%
Suntrust Banks	3.72%	Pepsi	18.9	17.1	11.00%
State Street Corp	2.89%	Danone	20.8	18.1	15.00%

Shares Outstanding 2324m

Share Data	Financial Data	2007	2008e	2009e
Current Price (\$)	Revenue (\$m)	28,857	32,430	34,393
Mkt Cap (\$m)	PBT (\$m)	8,064	9,063	9,879
Reuters KO.N	EPS (\$)	2.70	3.07	3.40
Bloomberg KO US	P/E(x)	22.29	19.60	17.70
Sector Beverages	DPS (\$)	1.35	1.48	1.62
Chairman E. Neville Isdell	Dividend Yield	2.24%	2.46%	2.69%
CEO Ronald Allen				
Website <a href="http://www.thecoca-colacompany.com">www.thecoca-colacompany.com</a>				





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