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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9968 ↓	-13	-0.13%	11.0	5.96%
FTSE 100	6357 ↓	-55	-0.86%	12.4	2.19%
DAX 30	6942 ↓	-41	-0.59%	15.0	5.23%
DOW	12738 ↓	-48	-0.38%	19.5	2.21%
NASDAQ	2518 ↑	5	0.21%	15.6	4.27%
S&P	1458 ↓	-2	-0.14%	21.0	2.77%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3097	0.6717	158.7800
Dollar	1.3097	1.0000	1.9503	121.2100
Sterling	0.6717	1.9503	1.0000	236.3900
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	60.0700			

This Week's Research
C&C
Elan
Wolseley

Today's Research
Aviva

Today's Recommendation

Aviva (£8.43) **2006 results preview** **Stuart Draper**
Target : £9 **(17/01/07 ; previously £8.50, issued 02/06/06)**

- Results preview : This day week, 1st March, Aviva will announce its results for the year ended 31/12/06. The consensus forecast is for operating profit before tax of £3.3 bn, representing a year on year increase of 14%, with the full year dividend per share being increased by 9% to 29.8p. The main driver of the growth will have been 16% year on year growth in life and pension new business premiums to £26.852 bn.
- International growth : Aviva is guiding further strong 15% sales growth for 2007, driven by particularly strong international sales growth. This international sales growth will be boosted by the group's August 2006 acquisition of US life insurer, AmerUs Group, for \$2.9 bn in cash, with the initial contribution of AmerUS to the group's 2006 sales results showing 21% year on year growth, helped by the introduction of new products.
- Track record : The US market is the world's largest savings market, with strong growth potential as a result of its ageing population. Aviva has an excellent acquisition track record, and with a further c.1000 life companies in the US, there is the potential for further earnings growth from bolt-on deals within this market. The AmerUs deal should boost 2007 eps by c.2%.
- Distribution owner : In addition to being a top 5 player in the high growth US indexed annuity market, Aviva will benefit from AmerUs owning much of its own distribution. Also, with the US currently only contributing 4% of Aviva's international life and pension sales, the AmerUs deal will significantly improve Aviva's current under-representation in that market.
- Dividend growth : Despite this US expansion, Aviva remains committed to continuing to grow its dividend, increasing its H1 2006 dividend by 10% to 10.8p. The consensus forecast is that Aviva will pay a 2007 full year dividend of 32p per share, representing a yield of c.3.8% on the current share price.
- Further upside : Given that Aviva's 2007 return on embedded value of 15% is forecast to be c.10% stronger than the UK sector average, its price to embedded value (EV) should trade at a similar premium. Therefore, our current 12 month price target of £9 (7% further upside), is based on 1.7x 2006 EV per share of £5.30. However, the equity market strength of the past 6 months should help generate further strong double digit EV per share growth in 2007, creating further upside potential for the share price. Aviva shares will also pay investors a dividend yield of c.3.8% for waiting for this upside to be achieved : **BUY**.

Breaking News

Polish bank BZ WBK Q4 profits below market expectations

Poland's BZ WBK posted a 59% jump in Q4 net profit due to high demand for loans and a fast-growing mutual funds business, but the rise was below market forecasts because of higher costs. The mid-sized lender controlled by AIB said on Thursday its net profit reached 164.8m zlotys in the October-December period, raising its full-year earnings by 47% to 758.2m zlotys. The average forecast in a Reuters survey of 9 analysts called for the bank to earn 181m zlotys and 774m, respectively. Costs at the bank rose to 393m zlotys in the October-December period compared to 319.1m a year earlier. Q4 net interest income rose by 16% to 282.2m zlotys, which was above the 264m seen in the Reuters poll. Net income from fees and commissions jumped by 36% to 273.6m zlotys.

DCC announces planned board changes

DCC announced yesterday that Jim Flavin will take over the chairman's role and, for a three-year transition period, will be an executive chairman with primary responsibility for strategy development. He succeeds Alex Spain who retires on June 30. The company also said Tommy Breen, chief operating officer, will be promoted to the position of group managing director. In this role, he will take on significant elements of Jim Flavin's current chief executive responsibilities and should have primary responsibility for day-to-day operational matters.

Hanson's 2006 profit up 12%

Hanson PLC beat market expectations by posting a 12% rise in full-year pretax profit and said the rise was due to a 'strong finish' in its North American aggregates division and additional property profits. The groups full-year profits rose to £480.8m from £429.3m a year ago, on a 11.2% rise in turnover from continuing operations, excluding joint-ventures and associates, to £4.13bn. Hanson said it expects further progress in 2007 with capital investment in new plant and equipment expected to increase by around £100m and an encouraging pipeline of potential acquisitions, especially in North America.

Business Press

- Heineken profits fizz by 87% to €778m (II)
- Wimpey sees the end of US problems (FT)
- Aer Lingus Siptu workers set for dispute move (IT)

Investment Press

- Mining balance sheets: Investors were underwhelmed by Anglo American's latest share buy-back pledge. Then again, shares in Anglo's rivals, BHP Billiton and Rio Tinto, were marked down on Wednesday.



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