DOLMEN DAILY

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EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	9704	↑	102	1.06%	11.0	3.14%
FTSE 100	6487	↑	46	0.72%	12.4	4.28%
DAX 30	7343	↑	100	1.38%	15.0	11.30%
DOW	12962	↑	153	1.20%	19.5	4.00%
NASDAQ	2526	↑	21	0.84%	15.6	4.60%
S&P	1484	↑	14	0.93%	21.0	4.66%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3566	0.6778	160.6700
Dollar	1.3566	1.0000	2.0011	118.4200
Sterling	0.6778	2.0011	1.0000	236.9700
Interest Rates (%)	3.7500	5.2500	5.2500	0.4800
Oil (Nymex)	63.3800			

This Week's Research

Today's Research

Deutsche Bank

Breaking News

Barclays agrees to buy ABN Amro for €67bn

Barclays has agreed to buy ABN Amro for €67bn in the world's largest-ever financial services deal. The offer amounts to €36.25 per share, and includes 3.225 shares for each share of ABN Amro. The offer is a 33% premium to ABN Amro's closing price on March 16th, the last trading day before takeover talks were announced. Barclays acquisition of ABN Amro, will create a bank with almost 230,000 employees and more than 8,200 branches stretching from India to Brazil. Meanwhile, a consortium comprising of Royal Bank of Scotland, Santander and Fortis said it is examining Barclay's bid 'with interest'. The consortium is expected to meet today as part of plans to forge a rival offer for ABN Amro. In a related deal, ABN Amro has agreed to sell LaSalle Bank to Bank of America for $21bn.

IFG buys Gestinor for €6.6m

IFG announced that, through its subsidiary IFG (Suisse), it has acquired Gestinor for €6.6m. Gestinor is a Swiss financial services company that provides, fiduciary, trust and corporate services and company administration services primarily to private clients and has some 250 companies, trusts and other entities under administration. Gestinor will be integrated into IFG Suisse activities and will operate under IFG's International Trustee and Corporate Services Division. The purchase continues IFG's strategy of acquiring similar businesses across many jurisdictions and will further enhance the group's offering to its clients in Switzerland.

Terra Firma Capital expects rival offer for Alliance Boots

The Financial Times reported that Terra Firma Capital Partners, the buyout fund run by Guy Hands, expects to face a rival bid from Kohlberg Kravis Roberts for its increased bid for Alliance Boots. Terra Firma has teamed up with a UK medical charity, Wellcome Trust, and HBOS to buy Alliance Boots and has offered £11.15p per share trumping KKR's offer of £10.90. The bid gives Alliance Boots a 2007f p/e of 24.3x. If a similar multiple was applied to United Drug which is currently trading with a 2007f p/e of 21.6x, a price target of approximately €5.20 could potentially be realised if a takeover situation was to arise.

Today's Recommendation

Deutsche Bank (€112.64) BUY ahead of Q1 results Stuart Draper
Target : €125 (23/04/07; previously €110, issued 17/10/06)

- Results' preview : Tomorrow fortnight, 8th May, Deutsche Bank (DB) will announce its results for the 3 months ended 31/03/07. We are forecasting net profit and earnings per share of €1.8 bn and €3.42 respectively, year on year increases of 8%. Given the equity market volatility of Q1 2007, the group's relative strength in debt sales, which will have been buoyed by the recent bout of private equity and balance sheet re-leveraging, as well as an easy year on year Q1 M&A advisory comparative of €180m, there is a high probability of these upcoming results beating consensus forecasts.
- Europe's premier : DB's current price to book ratio of 2.2x 2007 book value per share also places it at a c.20% discount to the US investment banks. Such a discount would appear excessive for an investment banking franchise ranked second globally, and for a 2007 return on equity of 20%. DB is Europe's premier broker dealer.
- Attractive yield : The DB CEO has also recently stated that his bank will move to a 50% dividend payout ratio, possibly within 5 years, with the current consensus expectation for a 40% payout ratio in 2007, implying a 2007 dividend per share of €4.10, representing an attractive current year yield of c.3.6%.
- Buyback support : C.75% of DB's 2007 eps is forecast to be generated from its investment banking operations. The investment bank's share price, eps and return on equity will also continue to be supported by a major share buyback programme, with €1.25 bn per annum expected to be spent in 2007 and 2008 buying back its own shares for cancellation.
- Target increased : Our previous price target of €110 was based on 11x 2007 eps of €9.95. Given the recent buoyant capital market conditions, explained above, it is reasonable to increase our eps forecasts by c.3% now to €10.25 and €11.35 respectively for 2007 and 2008, and to roll forward our 12 month DB share price target to €125 (11% further upside), based on the same 11x multiple of forward eps of €11.35.
- Sector discount : The US investment banks are already trading at a sector average of c.11x consensus 2008 eps, with Merrill Lynch and JP Morgan trading at 10.6x and 11.4x 2008 eps respectively. Credit Suisse and UBS are currently rated at 10.5x and 11.3x 2008 eps respectively. DB's share price has risen by **15%** since our last BUY note of 01/11/06 : **BUY.**

Business Press

- Subprime market in UK 'has parallels with US' (FT)
- Kroenke increases his Arsenal Stake to 12.2% (FT)
- Warm weather 'helped' Next sales (FT)

Investment Press

- Private Equity in Asia: Happy hunting ground it isn't. Private equity funds trawling Asia for opportunities to deploy $25bn or so worth of funds are increasingly being frustrated.

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