



Friday 23rd May 2008

DAILY COMPANY NOTE — Hewlett-Packard See page 2 for full details

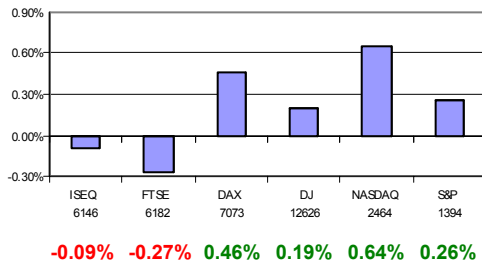
Daily Market Comment

Yesterday's Summary : Better than expected UK retail sales and US weekly jobless claims wasn't enough to prevent Irish shares finishing in negative territory yesterday, with the ISEQ closing down 0.09% at 6,145.89. Bank of Ireland was the outperforming Irish financial, as investors appeared to conclude that the recent sell off was overdone. It gained 1.1% to €8.15, while Anglo Irish and AIB lost 2.6% to €8.60 and 0.6% to €13.02 respectively. With oil prices pulling back from their recent record highs of \$135 a barrel, Ryanair climbed 4.4% to €2.69. Ahead of their AGM today Irish Life & Permanent added 0.1% to €10.86.

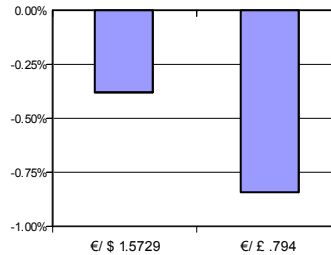
Overnight News : In Japan, the Nikkei 225 index gained 0.2% to close at 14,012.20, as investors picked up bargains after U.S. equities rebounded and a weaker yen boosted interest in exporters. The benchmark Shanghai Composite Index closed down 0.36 percent at 3,473.09, led by metals stocks, with overall sentiment remaining weak following the Sichuan earthquake.

Breaking News : CRH has announced the completion of the first phase of its investment in My Home Industries, the privately owned cement company in Hyderabad India, which takes the Irish building materials giant shareholding to 45%. The second phase, which will complete the remaining 5% will take place over the next three months. CRH have also announced that they bought back 128,475 of their own ordinary shares at prices between €23.81 and €24.35. The Irish Association of Investment Managers has said it does not think it is appropriate for Jim Flavin to continue his role as executive chairman of DCC. Zurich Fiancial have raised their target for new business at its global life insurance sector by 40%. Total Produce has agreed to buy controlling stakes in two Dutch companies, Haluco and Nedalpac. Total Produce will pay €9.5m for 60% holdings in the companies.

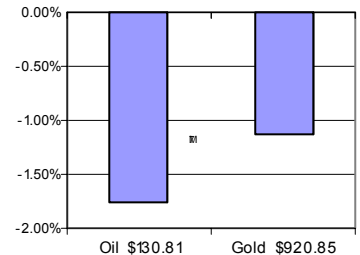
Equity Indices change on day



Currency daily % change



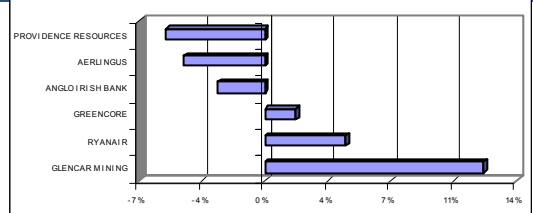
Oil/Gold daily % change



News

- "Irish Life pips main rival to become the top fund manager"-**IP&M**-(I.I)
- "Cider sales worry hits drinks giant C&C"-**C&C**-(Irish Independent)
- "Elan agm told of strong market share"-**Elan**-(The Irish Times)
- "UBS rights issue to raise slightly more than expected"-**UBS**-(The Irish Times)
- "House buying remains a 'priority'"-(Irish Examiner)

ISEQ Performers/Losers 22/05/08



Market Themes and Movers

US Existing Home Sales : The National association of Realtors will issue a report on US existing home sales today and expectations are for a fall in April to a record low. Economists are forecasting a decline of 1.6% to a 4.85 million annual rate, the lowest level since comparable records began in 1999. The US housing market is in an extremely difficult environment as the high number of defaults on subprime mortgages prompted lenders to restrict the availability credit, while falling property values have encouraged potential buyers who are still able to get financing delay purchases. Existing home sales account for about 85% of the US housing market, while new home sales account for the rest.

European PMI & UK GDP : Reuters have reported a preliminary estimate of Royal Bank of Scotland's composite index of manufacturing activity and it shows a decline to 51.1 from 51.9 in April. This result is ahead of economists forecasts of 51.5 and is above the all important 50 level which indicates expansion. Meanwhile, the Office for National Statistics has reported that UK Gross Domestic Product rose 0.4% in the three months through March, which is line with expectations and shows the UK economy grew 2.5% from a year earlier. The pound was little changed after the result, trading at 79.53p against the euro.



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Target	\$60.00
Previous (01/11/07)	\$58.00
Current	\$44.93

Hewlett-Packard

Dow Jones

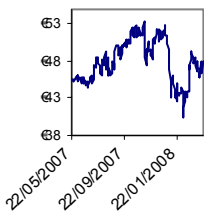
Technology

Company Profile

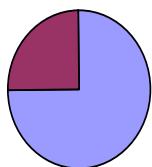
Hewlett-Packard is a technology company that operates in more than 170 countries around the world. The company provides imaging and printing systems, and information technology services for businesses and home. The group's products include laser and inkjet printers, scanners, copiers, faxes, personal computers, work stations and storage solutions.

Statistics

Price Performance



Profit by Division



■ International 67%
■ US 23%

Fundamental view

- Last week, Hewlett-Packard (HP) preannounced a strong set of second quarter results and also raised its full-year 2008 earnings guidance for the second time this year. HP reported a 23% increase in EPS to \$0.80 well ahead of analyst expectations, while revenue increased by 11% to \$28.3bn. The group's operating margin also showed a marked improvement rising by 90bps to 9.2% when compared to the same period last year. As a result of the group's strong earnings, HP raised its profit forecasts and now expects to report full year 2008 EPS of at least \$3.54 up from \$3.50 previously which would represent year on year earnings growth of at least 21%. Recent comments from chip maker Intel that it is now more positive on PC growth than it was a year ago should be taken as a major positive for HP.
- In conjunction with HP's earnings release, the group also announced that it was acquiring Electronic Data Systems (EDS) for \$13.9bn in an attempt to further diversify its product offering and take on IBM in the computer services market. The new revenue will help HP double its sales from services to almost \$40bn about as much as it gets from its personal computer division. The purchase of EDS is the company's largest since its \$18.2bn purchase of Compaq Computer back in 2001. HP expects EDS to be earnings accretive from 2009.
- Along with Microsoft, HP is one of the most diversified technology group's in the world in both its geographic foot print and product offering. International revenue now accounts for close to 70% of group revenue and the company has been increasing its emerging market exposure in particular in the Bric region (Brazil, Russia, India, China) where it generated 10% of its revenue in the second quarter up from 9% in the previous quarter. Revenue growth in the Bric region for the second quarter increased by 26% more than double the pace of overall group revenue growth. Revenue growth at the group's two largest divisions Personal Systems and Technology Solutions were also strong with year on year growth of 16% and 9%, respectively.

Next catalyst

- The next company specific catalyst for HP will be on 19/08/2008 when the group is due to report its third quarter earnings. Hewlett-Packard has historically traded with an earnings multiple in the range of 12x to 18x forward earnings. In light of the group's growth prospects due to its diversified product offering and international exposure we believe that the company deserves to trade at least in the mid point of its historical range at 15x 2009 forecasted EPS of \$3.97 which generates our 12 month price target of \$60.

Chart View: Hewlett-Packard
 Support Primary: \$42.75
 Support Secondary: \$40.00
 Resistance Primary: \$49.97
 Resistance Secondary: \$53.48

Stock has been volatile of late and continues to jump around in a directionless manner. Any weakness will be met by strong support at both \$42.75 and \$40.00. To the upside the only real obstacle is the \$50 area and above here the stock should have little difficulty targeting its \$53.48 multi-year high. Buy on weakness.

Major Shareholders	%	Peer Group Multiples			
Fidelity Management	5.73%	Company name	P/E 08	P/E 09	EPS Growth 08-09
Barclays	4.71%	Hewlett-Packard	12.6	11.3	11.52%
State Street	4.62%	Dell	13.4	12.0	11.67%
Axa	2.45%	Intel	18.9	15.6	21.00%

Shares Outstanding 2465m

Share Data	Financial Data	2007	2008e	2009e
Current Price (\$)	Revenue (\$m)	104,286	114,450	120,521
Mkt Cap (\$m)	PBT (\$m)	10,020	14,468	12,534
Reuters	EPS (\$)	2.93	3.56	3.97
Bloomberg	P/E(x)	15.33	12.62	11.32
Sector	DPS (\$)	0.32	0.34	0.36
CEO	Dividend Yield	0.71%	0.76%	0.80%
CFO				
Website				





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