# DOLMEN DAILY

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| EQUITIES | Close | | Change | % +/- | P/E '07 | YTD |
|---|---|---|---|---|---|---|
| ISEQ | 8502 | ↓ | -30 | -0.35% | 11.0 | 15.45% |
| FTSE 100 | 6155 | ↓ | -1 | -0.01% | 12.4 | 9.55% |
| DAX 30 | 6203 | ↑ | 25 | 0.41% | 15.0 | 14.69% |
| DOW | 12002 | ↓ | -9 | -0.08% | 19.5 | 11.31% |
| NASDAQ | 2342 | ↑ | 1 | 0.06% | 15.6 | 6.21% |
| S&P | 1369 | ↑ | 2 | 0.12% | 21.0 | 9.93% |

| CURRENCIES & RATES | Euro | Dollar | Stg | Yen |
|---|---|---|---|---|
| Euro | 1.0000 | 1.2597 | 0.6697 | 149.7400 |
| Dollar | 1.2597 | 1.0000 | 1.8807 | 118.8500 |
| Sterling | 0.6697 | 1.8807 | 1.0000 | 223.5200 |
| Interest Rates (%) | 3.2500 | 5.2500 | 4.7500 | 0.4800 |
| Oil (Nymex) | 56.8200 | | | |

## This Week's Research

## Today's Research

BG Group

## Breaking News

### Anglo announces opening of Chicago office

- Anglo Irish Bank announced on Friday it was expanding its North American business by opening an office in Chicago. The office will be managed by Senior Vice President, Paul Doyle, and will offer clients in Chicago and the Midwest financing options for commercial real estate. Anglo Irish, which has a market capitalisation of €10bn, already has US offices in Boston and New York.

### News Corp aquire stake in Fairfax

- Rupert Murdoch's News Corp. on Friday confirmed it snared a strategic A$360m stake in newspaper publisher John Fairfax Holdings Ltd. News Corp. it paid A$5.20 a share for the 7.5% holding on Thursday, ensuring Mr. Murdoch a central role in next year's consolidation of Australia's multibillion-dollar media sector. Fairfax ended Friday 6.5% higher at A$5.05, valuing the company at A$5.10 billion. While Mr. Murdoch can't buy Fairfax, current laws do allow News Corp. to buy up to 15% of another Australian media company. Mr. Murdoch's move adds to the frenzy of activity in the local media sector as companies position themselves ahead of the introduction of relaxed ownership rules, expected to take effect early in the new year.

### Ryanair publish offer document

- Ryanair today published its hostile takeover plans for Irish rival Aer Lingus and warned the carrier's shareholders they stood to lose money if they didn't accept the offer. Ryanair distributed its 125-page offer document to Aer Lingus shareholders and told them they should accept or decline the offer by Nov. 13. The document detailed Ryanair's buildup of 19.2% of the company, before their shock announcement to the British and Irish stock exchanges.

## Today's Recommendation

**BG Group (£7.03) Q3 results and bid potential Stuart Draper**

- Company profile : BG Group, formerly called British Gas, is a UK natural gas company, consisting of 4 main divisions, exploration and production (E&P), liquefied natural gas (LNG), transmission and distribution (T&D) and power generation (PG). Of these divisions, E&P contributes c.80% of group operating profit, with the remaining 20% split 8%, 7% and 5% across T&D, LNG and PG.
- Q3 results : On Thursday week, 2nd November, BG will report its results for the 3 months ended 30/09/06. The consensus forecasts are for net profit and earnings per share of £335m and 9.8p respectively, representing year on year increases of 9% and 13%. The major driver of the profit growth will be the E&P division where a 25% year on year production increase to 555, 000 barrels of oil equivalent per day (boe/d) is expected to drive similar year on year operating profit growth of c.25%.
- Earnings growth : Such a Q3 result would keep BG on course for a 2006 eps of 51p, representing year on year earnings growth of 21%. Such continued stronger than sector average earnings growth, combined with the group's high quality management, has resulted in the share price trading at an average premium to NAV of 13% since the company's de-merger in 2000.
- Further upside : Using the reasonably conservative assumptions of $41 long term oil and a 10% discount rate, gives a BG Group NAV per share of £6.77, which at a 13% premium gives our current stand-alone 12 month price target of £7.65 (9% further upside). Such a target would value the shares at 15x 2006 eps of 51p, an achievable rating for 2006 earnings growth of 21%. The shares also pay a dividend yield of c.1%. However, further progress in converting new discoveries into proven reserves creates the potential for further NAV per share growth.
- Bid potential : The potential for such NAV per share growth is as a result of the high quality nature of BG's assets. The quality of these assets has led to some speculation that BG may receive a takeover approach from one of the oil majors, with Royal Dutch Shell most frequently mentioned as having the greatest need for BG's above average proven and probable reserve life of 19 years, and as having the largest operational overlap with BG. Such above average probability of receiving a takeover approach is another attractive feature of BG at current levels, and could imply further c.20% upside to our current stand-alone 12 month price target of £7.65 in the event of a takeover approach being made : **BUY**.

## Business Press

- French like our lamb as food exports hit €534m. (II)
- Lufthansa Technik's Irish profits soar 25% to $19m. (IT)
- BP & Shell to report profits fall. (IE)

## Investment Press

Oil services: What happens when your major clients suffer a 25 per cent drop in the price of their main product in the space of 10 weeks? No surprises for guessing that most oil services stocks have been sold off sharply



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