



June 26, 2006

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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7302	↓ -31	-0.42%	11.0	-0.84%
FTSE 100	5692	↑ 8	0.14%	12.4	1.30%
DAX 30	5530	↓ -4	-0.07%	15.0	2.25%
DOW	10989	↓ -30	-0.27%	19.5	1.91%
NASDAQ	2121	↓ -2	-0.07%	15.6	-3.80%
S&P	1245	↓ -1	-0.09%	21.0	-0.04%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2515	0.6880	145.7000
Dollar	1.2515	1.0000	1.8188	116.4100
Sterling	0.6880	1.8188	1.0000	211.7500
Yen	145.7000	116.4100	211.7500	1.0000
Oil (Nymex)	70.8700			

This Week's Research

Today's Research Standard Life

Today's Recommendation

Breaking News

IN&M trading statement

Independent News & Media has said it is on track to deliver double-digit full-year earnings growth after trading in the first half of 2006 was in line expectations. The group said it expected revenues to have grown by 3 percent in the first half of the year. Independent News and Media said ad sales are forecast to be up by over 3.5 percent during the period, with circulation expected to be over 3 percent higher than last year.

Kerry announces share buyback

Kerry Group has announced the commencement of a buy back programme of up to 2.8 million ordinary shares, representing approximately 1.5% of the issued ordinary share capital of the Company. The maximum price payable will be limited to no more than 105% of the average daily price at which Ordinary Shares are dealt on each of the 5 dealing days preceding the date of purchase. The shares repurchased will be held as Treasury Shares. The buyback authority under which the programme is being conducted is valid until the 2007 Annual General Meeting.

IL&P trading update

Irish Life & Permanent (IL&P) enjoyed strong trading in the first half of 2006 as mortgage lending continued to grow strongly and said on Friday it was on track to meet its targets for the full year. In a pre-close trading statement, IL&P said its banking business was enjoying exceptional growth, with new lending significantly ahead of last year's record levels, while its life insurance operation had also seen very good first-half trading. On the life side, investment bond, protection and pension sales were significantly ahead of the prior year, it said. For the group as a whole, IL&P is forecasting double-digit percentage earnings growth for the full-year. IL&P said on Friday gross new lending in the first six months of 2006 was expected to increase by almost 50 percent over the first half of 2005, with total loan book growth comfortably in excess of 25 percent year-on-year. The main driver was new residential mortgages in Ireland -- expected to record over €4bn of new lending in the first half, versus 2.5 billion in the same period of 2005.

Business Press

- Viridian wins €6m electricity contract (IT)
- The Aer Lingus deal is getting ready for a very quiet take-off (II)
- GM to shed quarter of workforce this year (FT)

Standard Life (£2.28) Discount creates upside Stuart Draper

- **Reduced range :** Standard Life (SL) has significantly reduced the indicative offer price range for its upcoming IPO on 10th July. The original price range of £2.40 to £2.90 has been lowered to £2.10 to £2.70, and follows the 15% fall in the FTSE insurance sector index between 13/04/06 and 14/06/06. When combined with the preferential offer price discount of 5% being offered, this creates sufficiently attractive upside for eligible members and policyholders.
- **FTSE eligibility :** Assuming that the offer price is set at the mid-point of the lowered price range, and applying a 5% discount, would give an effective cost price per share of £2.28. This would value the shares at a 13% discount to 2006 year end embedded value per share of £2.63. An offer price of £2.40 would give SL a market capitalisation of £4.8 bn at flotation, making the company eligible for the FTSE 100 index.
- **Discount valuation :** SL is now targeting a return on embedded value for 2007 of between 9% and 10%, following the announcement of a pre-tax value of new business of £30m for Q1 2006. This would be a c.30% lower than the UK sector average 2006 return on embedded value of 13.9%. Discounting the current UK sector average price to 2006 embedded value (EV) of 1.4x by 30% would give a price to 2006 EV of 1x. Given that Standard Life has a high quality pension offering and a fast-growing asset management business, the company should not be valued any lower than its 2006 year end EV of £5.269 bn.
- **Attractive upside :** This translates into a 2006 year end EV per share of £2.63, generating our initial 12 month price target of £2.60 (14% upside). SL management has stated that the first dividend of 5.4p for H2 2006 will be paid in May 2007 and that it will pursue a progressive dividend policy. This is expected to represent c.50% of the 2006 full year dividend, implying a dividend yield of c.4.7% on the preferential offer price.
- **Scale-back :** SL has over 5m members and customers eligible for the preferential offer price. Given that they each can apply for shares worth a maximum of £50,000, and SL is planning to raise gross proceeds of £1.3 bn from the IPO, a major scale-back of shares subscribed for should be expected.
- **Upcoming timetable :** The deadline for receipt of application forms for participation in the offer is 10am on 5th July, and the final offer price will be announced by 9th July, with dealings in the shares expected to commence on 10th July : **BUY.**

Investment Press

- **Mittal Steel:** White knights are meant to help see off unwanted approaches from hostile suitors. Arcelor's attempts to remain independent by selling a large minority stake to Russia's Severstal, however, have backfired.



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