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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9536	↓ -348	-3.52%	11.0	1.36%
FTSE 100	6286	↓ -149	-2.31%	12.4	1.05%
DAX 30	6820	↓ -208	-2.96%	15.0	3.38%
DOW	12216	↓ -416	-3.29%	19.5	-1.98%
NASDAQ	2408	↓ -97	-3.86%	15.6	-0.31%
S&P	1399	↓ -50	-3.47%	21.0	-1.36%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3215	0.6746	#N/A
Dollar	1.3215	1.0000	#N/A	118.6100
Sterling	0.6746	#N/A	1.0000	#N/A
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	61.4600			

This Week's Research
McInerney
Kerry Group

Today's Research
IL&P

Today's Recommendation

IL&P (€21.50) Full year results announced **Stuart Draper**
Target : €23 (15/12/06 ; previously €19.50, issued 08/03/06)

- Results announced : This morning, Irish Life & Permanent (IL&P) announced a very strong set of results for the year ended 31/12/06, David Went's last set of results as chief executive. Operating profit and earnings per share of €529m and €1.78 respectively were significantly consensus forecasts of €515m and €1.69, and were year on year increases of 26% and 32%. The main reason for the stronger eps growth was a lower tax charge within the life business.
- Banking margin : At the banking division, loan book growth of 28% was achieved and credit quality remained excellent, with the increase in bad debts lower than loan book growth. The bank's net interest margin fell from 1.29% to 1.19%, which was less margin erosion than consensus forecasts (1.16%), helped by a greater than expected increase in current account balances.
- Life growth : Life sales in Ireland grew by a very strong 33%, helped by maturing SSIA's. With c.half of the SSIA's maturing over the next 3 months, the outlook remains buoyant for further strong life sales growth of c.20% in 2007. This strong life sales growth is also being achieved against a favourable margin outlook as higher margin products such as property bonds make up a greater portion of the life sales product mix.
- SOTP valuation : Valuing the group's banking business at 12x upgraded 2007 eps of 63c to reflect its continued strong growth gives a per share value of €7.56, valuing the group's life business at 1.9x 2007 embedded value per share of €6.95 to reflect its above average future growth prospects gives a per share value of €13.21, and valuing the group's 30% interest in Allianz Ireland at 11x 2007 eps of 20c (a discount to FBD's current 12x), gives a per share value of €2.20. Summing these 3 different parts gives a per share value for the group on a stand-alone basis of €22.97, and our current price target of €23.
- Further upside : Our current 12 month price target of €23 (7% further upside), is based on the above sum of the parts analysis, and when combined with a current year dividend yield of c.3.5%, provides sufficient further upside from current levels to justify re-iterating our current BUY recommendation. Given the group's change of leadership this year and its previously stated willingness to be part of a larger European financial services group, there is also an above average probability of further takeover speculation over the next 12 months : **BUY**.

Breaking News

C&C expecting operating growth of 15-25% for 2007-08

C&C announced today in its trading statement that turnover from continuing operations is expected to rise by around 25%. Turnover growth in the cider division for the period is expected to be in excess of 80%. CEO Maurice Pratt said that going forward enhancing their position in Great Britain was their primary focus but he also added that the group will also carry out a structured market test for Magners in two European markets. Based on these plans, it expects operating profit growth from continuing operations, to be in the range of 15%-25% for 2007-2008. Even though this guidance is in line with our forward EPS forecast of 65c, it is c.8% below the previous consensus forecast of 71c per share.

HBOS 2006 profit up 19%, ahead of forecasts

HBOS unveiled a 19% increase in full-year profit, helped by strong sales of savings and investment products, and from its international division. HBOS said pretax profit for the year to December 31 2006 came in at €5.706bn, up from €4.8bn last year. The group also benefited from a strong performance at its overseas operations, where profits surged 34% to €820m. However, HBOS' unveiled a rise in bad debts, with the impairment charge rising 9% on the year to €1.742bn, fuelled by a continued increase in lending arrears. Net operating income rose 9% to €11.991bn, outpacing growth in operating expenses, which was up 6% at €4.9bn.

World equity markets tumble

World equity markets tumbled yesterday after China's benchmark stock index was jolted by its biggest decline in a decade. The DJ Industrial Average fell 415.3, or 3.3%, to 12216.96, tumbling into negative territory for the year. The US markets were also jolted by a report from the Commerce Department that January durable-goods orders fell 7.8% to a seasonally adjusted \$203.90bn. The 8.8% drop yesterday in China's Shanghai Composite Index follows a massive run-up in Chinese share prices since mid-2005. Despite its size, the plunge only erased gains accumulated over the previous six trading days. Emerging markets took big hits after the Shanghai slide.

Business Press

- Irish exchange loses more than €4bn in value (IT)
- Kerry Group profits fall 26% despite rise in sales (IT)
- BP under pressure over Kovykta field (FT)

Investment Press

- Corporate profits: The biggest question facing global equity investors is whether corporate profits will decline from their current, abnormally high, levels relative to capital employed and GDP.



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