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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9305	↑ 68	0.74%	14.1	-1.10%
FTSE 100	6571	↑ 44	0.67%	13.2	5.63%
DAX 30	7921	↑ 120	1.54%	14.2	20.08%
DOW	13422	↓ -5	-0.04%	15.2	7.69%
NASDAQ	2608	↓ 3	0.12%	26.1	7.99%
S&P	1506	↓ -1	-0.04%	15.9	6.16%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3446	0.6711	165.8600
Dollar	1.3446	1.0000	2.0032	123.3800
Sterling	0.6711	2.0032	1.0000	247.1200
Interest Rates (%)	4.0000	5.2500	5.5000	0.5000
Oil (Nymex)	69.5700			

This Week's Research

British Land
 Petroceltic
 Ladbrokes

Today's Research

Anglo Irish Bank
 Taylor Woodrow

Today's Recommendation

TW (£3.64) Asset value limits further downside Stuart Draper

- Asset value : Following the 27% fall in the Taylor Woodrow share price over the past 5 weeks, the shares are now trading close to the group's reported historic net asset value (NAV) per share of **£3.49**. With peers currently trading at c.1.3x historic book value, despite the sector's share price weakness of recent weeks, there would appear to be limited further downside risk for the share price from current levels.
- Trading update : TW's NAV of £2 bn is split between £1,600m for UK housing, £600m for US housing, £90m for Spanish housing, £60m for the UK contracting business (based on 10x profit after tax of £6m), deducting net debt of £350m, and then dividing by the 573m TW shares in issue. Given this week's relatively encouraging comments from the company in relation to its UK business, such as EBIT margins better year on year, reservation rates stable year on year and order book 10% ahead year on year by value and volume, there is a strong rationale for the UK business to trade at a significant premium to NAV.
- Substantial synergies : In the event of the merger with George Wimpey (GW) taking place, substantial synergies of c.£100m per annum will be generated from combining TW's land bank with GW's build cost efficiency. Land costs as a % of revenue are 24.3% at TW, versus 28% at GW, whereas build costs as a % of revenue are 51.4% at GW, versus 55.5% at TW.
- Earnings upgrades : Such synergies would result in a theoretical eps enhancement for TW of 12% in 2008 from 41p to 46p, and an eps enhancement of 22% in 2009 from 45p to 55p. This provides the basis for our current 12 month price target for TW of £5 (37% upside), which is based on 9x 2009 eps of 55p. Even valuing the group's UK business at 1.3x book value and valuing its US and Spanish businesses at book value would generate a worst case value for TW of £4.33 per share (19% upside). When combined with a current year dividend yield of c.4.3%, this provides major upside from current levels.
- Persimmon potential : Both TW and GW have landbanks in excess of 4 years both in the UK and in the US, but TW has a lower priced landbank (£38k per plot versus £47.3k per plot for GW), and also has more strategic land (18k acres versus 15.846k acres for GW). Given this superior landbank potential, there is a high probability of either Persimmon making a competing bid for TW or else waiting for the combined Taylor Wimpey group to be formed and then bidding for the combined group. The TW/GW merger is due to complete next Tuesday (03/07) : **BUY**.

Breaking News

Kingspan issues upbeat trading statement

Kingspan issued a trading statement wherein it said it is confident, given the strong performance in the first six months of the year that operating profit for 2007 will grow in the region of 20% over last year's figure of €194m. The company said its businesses in the UK, Western Europe, Central Europe and the US are all performing strongly, and despite the well anticipated slowdown of the Irish residential market, overall demand for Kingspan products is well ahead in Ireland, reflecting the strength in the non-residential sector. Kingspan commented that its Environmental division has experienced difficult trading conditions in its fuel storage product area in both the UK and Ireland, which had been anticipated, however this has been alleviated by improving performances in its expanding Hot Water Systems and Water Treatment segments.

Oakhill proposes share issue and name change

Oakhill announced that it is to raise a minimum of €10m by way of a share placing and has entered into arrangements to place new ordinary shares in the company at €0.35 per share. The group said that the proceeds of the placing will allow it to make potential acquisitions and take other investment opportunities. Oakhill said that it is its intention to invest or acquire underperforming assets in sectors where the Board has significant experience; including financial services, telecommunications, digital media, print and property. The initial geographic targets will be Ireland and the UK. To mark the group's change in focus, the Board of Oakhill is proying to change its name to Prime Active Capital.

Berkeley Group reports full year profit that rose by 14%

UK homebuilder Berkeley Group reported a 14% rise in annual profit before tax to £188.1m, which was above market expectations of £174.5m. The group said that trading was boosted by a strong market in its core regions of London and the South East, which bodes well for the new financial year. The company commented that challenges still remain for the industry, not least associated with the planning process, and it welcomes the recent announcement that the Office of Fair Trading is to conduct a review into this area.

Business Press

- Guinness is going down well in world markets (II)
- US deal sees CRH total spend for year at €900m (II)
- FBD spends €9m in shares buyback

Investment Press

iPhone: Apple loves control. So far, with the iPhone launch, it has not been disappointed. Apple could hardly have hoped for better reviews or more hype. But, in spite of the frenzy waiting to hit Apple's stores on Friday, the company is taking a risk.

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