DOLMEN DAILY

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EQUITIES	Close		Change	% +/-	P/E '07	YTD
ISEQ	9928	↓	13	0.13%	14.1	5.52%
FTSE 100	6571	↑	0	0.01%	13.2	5.63%
DAX 30	7739	↑	0	0.00%	14.2	17.31%
DOW	13507	↑	0	0.00%	15.2	8.37%
NASDAQ	2557	↑	0	-0.01%	26.1	5.87%
S&P	1516	↑	0	0.02%	15.9	6.89%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	#REF!	#REF!	163.0400
Dollar	#REF!	1.0000	1.9832	#REF!
Sterling	#REF!	1.9832	1.0000	240.6300
Interest Rates (%)	3.7500	5.2500	5.5000	0.4800
Oil (Nymex)	#N/A ND			

This Week's Research

ÀIB

Today's Research

Taylor Woodrow

Breaking News

Royal Bank of Scotland consortium bids €71.1bn for ABN Amro

The consortium comprised of Royal Bank of Scotland, Santander and Fortis has bid €71.1bn or €38.40 per share for ABN Amro. The consortium will offer €30.40 per share in cash plus 0.844 new shares in RBS for each ABN share. The offer trumps Barclays agreed takeover of ABN Amro valued at €63bn. The consortium expects aggregate estimated cost savings of €4.23bn and revenue benefits of €1.22bn by the end of 2010. The proposed offer is conditional on ABN Amro shareholders voting against ABN's planned sale of its US unit LaSalle to Bank of America. To fund the deal, RBS plans to issue new shares worth €15bn, raise €6bn of new non-dilutive Tier 1 capital and to finance the remainder from internal resources. Santander plans to raise €9.5bn-€10bn through a rights issue and convertible instruments, while Fortis plans to raise €15bn through a rights issue, raise €5bn of new Tier 1 capital and release up to €8bn of capital.

Vodafone reports rise in full year 2007 EBITDA

Vodafone reported full year 2007 EBITDA that rose to £11.96bn from £11.77bn in 2006. Revenue increased by 6% to £31.1bn. Vodafone's CEO, Arun Sarin said that overall growth prospects for the group remain strong despite expectations that the European market will remain challenging in the current year. Vodafone raised its dividend by 11% to 6.76p. Vodafone pointed out that it is targeting modest increases in dividend per share in the near term until the payout ratio returns to 60% in accordance with the group's current policy. The company also published its forecasts for the full year 2008 where it expects revenue of between £33.3bn-£34.1bn and adjusted operating profit of £9.3bn-£9.8bn.

Blackrock International Land acquires development land

Blackrock International Land announced that it has invested €14.65m to acquire additional properties in Ireland and the UK. In Ireland, Blackrock has acquired 120 acres of land at Corrstown, in north county Dublin, while in the UK it has a acquired a further 1.7 acres directly adjacent to its existing properties in the strategic Thames Gateway east of London.

Today's Recommendation

Taylor Woodrow (£4.60) Attractive further upside Stuart Draper

- EGM today : Today, Taylor Woodrow (TW) will hold an EGM to pass a resolution enabling the company to implement a nil premium merger with George Wimpey (GW). The proposed merger will result in TW shareholders owning 51% of the combined entity, and GW shareholders owning the remaining 49%. Peter Redfern, the current CEO of GW, will become the CEO of the combined entity, with Peter Johnson of TW becoming its new finance director.
- Substantial synergies : In the event of the merger 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 initial 12 month price target for TW of £5 (9% upside), which is based on 9x 2009 eps of 55p. When combined with a current year dividend yield of c.3.4%, this provides sufficient further upside from current levels to justify initiating coverage of TW with a BUY recommendation.
- NAV upside : Given that c.98% of TW 2006 operating profit is housing and that in a bid situation, price/NAV is used as the principal valuation tool, we also value TW in line with the current UK sector average at a price/NAV of 1.5x. Valuing TW's UK asset value of £1,600m and its Spanish asset value of £90m at 1.5x, gives a total of £2,535m. Valuing its US asset value of £600m at a price/NAV of 1x, and its contracting business at 10x after tax profit of £6.5m generates further value of £665m. Combining these 2 values and deducting TW's net debt of £350m, gives group NAV of £2,850m, or £4.97 for each of the 573m TW shares in issue as at 31/12/06, further underpinning our 12 month stand-alone share price target of £5.
- 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 : **BUY**.

Business Press

- Russian threat to BP's Kovyta gas licence (II)
- New deals see Blackrock assets at €430m (II)
- China hits new highs despite fears of bubble (FT)

Investment Press

- Eon's balance sheet: If money really does burn holes in pockets, Wulf Bernotat could probably do with some flameproof trousers right now.

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