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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	7994 ↑	77	0.97%	11.0	8.56%
FTSE 100	5888 ↑	9	0.16%	12.4	4.80%
DAX 30	5847 ↓	-8	-0.14%	15.0	8.11%
DOW	11370 ↑	18	0.16%	19.5	5.44%
NASDAQ	2172 ↑	12	0.54%	15.6	-1.50%
S&P	1304 ↑	3	0.19%	21.0	4.76%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2831	0.6752	149.9100
Dollar	1.2831	1.0000	1.8996	116.8200
Sterling	0.6752	1.8996	1.0000	221.9000
Interest Rates (%)	3.0000	5.2500	4.7500	0.4800
Oil (Nymex)	69.7100			

This Week's Research
Abbey
CRH

Today's Research
BHP Billiton

Today's Recommendation

BHP (£10.01) Another attractive entry level Stuart Draper

- Recent results : BHP Billiton recently reported 63% year on year growth in net profit for the year ended 30/06/06 to \$10.45 bn, driven by higher base metal prices and production increases. Even though this was in line with the consensus forecast for net profit of \$10.49 bn, the results' announcement caused some short term profit-taking as the share price retraced c.half of its 7% rise over the week ended 22/08/06.
- Cost increases : The main explanations for the profit-taking was a \$1.34 bn increase in group costs and a \$3 bn share buyback programme, which was viewed as a smaller capital distribution than some had expected. However, despite cost increases, we are still forecasting further 18% eps growth to £1.04 for the year ending 30/06/07, and our current 12 month price target of £12.50 (25% upside) is based on 12x eps of £1.04.
- Earnings growth : Following the correction in the BHP share price over the last 3 months, from its closing high of £12.12 on 11/05/06, the shares are now trading at 9.6x eps of £1.04 for the 12 months ending 30/06/07, the very bottom end of the 10x to 19x eps range at which the shares have traded over the past 6 years. This is an excessively low multiple for further 18% earnings growth over the next 12 months.
- Greatest diversification : BHP is the most diversified of the UK mining stocks with no single division contributing more than a third of group operating profit. The steel and base metal divisions contribute 33% and 28% respectively of group operating profit, and the c.20% of group operating profit contributed by the petroleum division gives the group a natural hedge against higher energy prices.
- Production increases : BHP expects to increase production by c.8% per annum over the next 4 years. This will be achieved by its US\$14.4 bn sector leading project pipeline coming on stream. For the 12 months ending 30/06/07, BHP is expecting to expand its production of iron ore, copper, coking coal, oil and nickel by between 6% and 12%. Now accounting for between 15% and 25% of global commodity demand, BHP also gives investors a major exposure to China's expansion as an industrial superpower.
- Further distributions : BHP is forecast to generate operating cash flow of \$63 bn over the next 4 years, which after capex, exploration and dividends, still leaves an additional surplus of \$30 bn to be returned to shareholders either by way of special dividends or further share buybacks : BUY.

Breaking News

Fyffes acquires 3 Danish companies

Fyffes has announced that it has bought the remaining 50 percent of Danish fresh produce company Lembcke for €16.8m. Fyffes also said it had acquired 100 percent of Denmark's Interbanan and Valby Bananimport for a total of €6m. Fyffes said the company would continue under the management of Lars Lembcke, Jens Lembcke and Niels Klem Thomsen. Ole Lembcke will retire as chairman and be replaced by Rory Byrne. Lembcke supplies the retail and wholesale sectors in Denmark and recorded a net profit before tax of €5.8m in 2005. Interbanan and Valby achieved a combined pretax profit of €0.65m last year.

Petroceltic drilling results

Petroceltic said it has completed drilling the ISAS-1 exploration well in Algeria. The hole, which was drilled to its target depth of 2,350 metres, was aiming at about three reservoirs in the Carboniferous, Devonian and Ordovician sandstones. Wireline logs and drilling data have identified hydrocarbon bearing intervals in the Carboniferous and Devonian F2 zones which will now be flow tested. Testing operations, which will start in the next day or two, will take around two weeks, it said. Existing wells near the ISAS prospect, including INE-1, tested gas at rates of up to 4m cubic feet per day.

Tullow Oil shares weaker after Hardman Ugandan update

Shares in Tullow Oil were weaker yesterday in the wake of a drilling update in Uganda from Hardman Resources. Hardman believes it may have found up to 300 million barrels of oil in Uganda but is estimating that recoverable reserves may be as low as 30 million barrels. These figures are at the low end of expectations but it is important to note that the exploration is still at a very early stage and with more exploration to come it is likely to yield further oil discoveries.

Business Press

- Readymix pays €3.7m to Cemex (IT)
- Smart Telecom lays off 18 more staff (II)
- BP's woes mount (FT)

Investment Press

Foster's / InBev / SABMiller: Is Foster's Group a takeover target? Bid speculation pushed the Australian beer and winemaker's shares 9.2 per cent higher on Tuesday. But the biggest daily gain since 1990 says more about Foster's share price underperformance than the chances of a bid from SABMiller or InBev.



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