Dolmen Daily

DOLMEN STOCKBROKERS

Tuesday 3rd February 2010

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IRISH PAPERS TODAY

Anglo may sell €1bn property portfolio
(The Irish Times)

EU backs Greek austerity package
(The Irish Times)

BoI plans to generate €350m through bond exchange deal
(Irish Independent)

INTERNATIONAL PAPERS TODAY

UK seeks French defence entente (*Financial Times)*

BP warns of slow recovery (*Financial Times)*

Senate open to Volcker plan (*The Wall Street Journal)*

Market View — Analyst : Stephen Taylor

European equity markets are broadly flat this morning following three straight days of gains for the FTSE. The economic environment is continuing to improve as seen with positive results from US house builder DR Horton and the 1% monthly increase in pending home sales out of the US yesterday. In addition, after the US market closed last night, News Corp reported a strong set of results that beat expectations both on the top and bottom line sending their shares higher in late trade. Credit Default Swap spreads on Greece, Spain, Portugal and Italy are easing today as the market awaits the European Commission's assessment of Greece's budgetary plans to cut its ballooning deficit. As we have maintained we are comfortable with the global economic outlook that should be supportive of equity markets. Sovereign debt risk does remain and is the one outlier that poses risks at the moment. As for today the main focus will again be on data out of the US. The ADP employment report will provide a key read across for Friday's all important non-farm payrolls report. The ISM services figure will also be closely watched as it represents c. 80% of US GDP. With a clear improvement in manufacturing data in the US any stronger than expected reading on the services side today will be supportive of equity markets. On the earnings front, Pfizer and Time Warner are both due to report results before the US market opens. After hours Cisco and Visa will also report quarterly results.

Paddy Power : Partygaming Q4 — **Yesterday's Close** 2380p — **Analyst** Edward Keeling

Partygaming released its Q4 results this morning and the group has posted revenue of $132.2m for the period. This is up 32% year on year and ahead of consensus estimates of $127m. Excluding the acquisitions made during 2009, revenue was up 12% year on year. The company referenced strong performances from its casino and sporting betting divisions. Its sports division benefitted from both an increase in turnover and an increase in gross win margins due to operational improvements and perhaps more importantly, favourable sporting results. The board has indicated that trading since January has been in-line expectations and the board is confident about the full year outlook.

Aviva : Buy — **Yesterday's Close** 398p — **Price Target** 520p — **Analyst** Oliver Gilvarry

Standard Life issued new business results for 2009. Sales of Life and Pension products in the UK increased by 38% in Q4, full year revenues were £14.7bn compared to the £13.7bn expected. Management have stated 2010 has started with good momentum in many business areas. The capital position of the group remained unchanged from the end of December 2008 at £3.5bn. In Ireland the group experienced a 21% fall in sales yoy based on constant currency. In the group's SIPP business, assets under management increased by 36% to £11.8bn. Management continue to see good growth in this area with customer accounts increasing by 27% yoy. This has a positive read through for IFG after the recent acquisition of James Hay. The strong sales figures in Life and Pensions are a positive and provide a read through for Aviva ahead of tomorrow's sales figures.

Irish Financials — **Analyst** Oliver Gilvarry

Bank of Ireland (BOI) announced an exchange offer yesterday for existing Lower Tier 2 debt. The exchange covers five Lower Tier 2 issues and holders are being offered a new Lower Tier 2 bond. The new bond pays a coupon of 10% with a final maturity of the 12th of Feb 2020. The exchange ratio on the five bonds is between 70.25% and 79.5% of the notional amount of the bond. The offer deadline is the 11th of February with an announcement of the results of the exchange at or around 4.00pm. Settlement of the transaction will occur on the following day. Holders of the bonds subject to the offer will receive accrued interest on the settlement date. The rationale for the deal is to realise a once off gain for the bank, improving Tier 1 capital. a 50% take up on the exchange would give a gain to the bank of €367m before tax and on a 25% take up would give a pre-tax gain of €110m Based on end of September figures, . In capital terms, 50% take up would add 0.36% to equity tier 1 of the bank and a 25% take up will add 0.11%. Both figures ignore the impact of tax.

Microsoft
Buy

Current Price : $28.40

Price Target : $35.00

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Analyst: **Stephen Taylor**

3rd February 2010

- **Results released :** Last Thursday, Microsoft reported a strong set of fiscal second quarter results that were well ahead of expectations. The group posted a 14% increase in revenue to $19.02bn compared to consensus of $17.8bn. Operating income increased by 43% to $8.51bn with EPS rising by 57% to $0.74, also well ahead of consensus of $0.59. Windows 7 was the main driver of the outperformance in Microsoft's results. Microsoft did not provide any specific earnings guidance, however did reiterate that it expects operating expenses to be in the range of $26.2bn - $26.5bn. Recently appointed CFO Peter Klien pointed out that Microsoft did not see enterprise spending growth in the quarter. However Klien pointed out that he expects a recovery to occur in the second half of the year.

- **Windows 7 :** Through the second quarter, Microsoft sold over 60 million Windows 7 licenses making it the group's fastest selling operating system. Revenue at its Windows division increased by c. 70% to $6.9bn highlighting the positive impact that the release of the operating system had on the top line. The main driver of Windows 7 strong sales figure was as a result of strong consumer demand.

- **Technology results :** In general, barring a few negative surprises such as chip maker Qualcomm, results from large cap technology companies have been robust. In particular those companies focussed on the PC market such as Intel and Seagate have reported results that were well ahead of expectations. These results bode well for Microsoft as any further signs of increasing momentum in the PC market will be a positive for Microsoft. Also there is evidence that enterprise spend is beginning to pick up. German software maker SAP reported a solid set of results last week and also indicated that it expects revenue to grow by between 4% to 8% in 2010. In addition both VMWare and EMC Corp also reported strong results and issued positive guidance for this year.

- **Product catalyst :** Windows 7 will continue to be a key driver of Microsoft earnings. The group is also expected to release Microsoft Office 2010 before the end of the first half of the year and will be a further key earnings catalyst for the stock, particularly as we anticipate corporate spending will pick up in the second half of the year.

- **Balance sheet :** Microsoft benefits from having one of the strongest corporate balance sheets in the world with net cash of c. $30bn. This is equivalent to c. $3.40 per share. During the quarter Microsoft repurchased $3.6bn of its own stock and paid out $1.2bn in dividends. In total Microsoft repurchased 125 million shares at an average price of c. $28.80. The strength of Microsoft's balance sheet provides the company with flexibility to make further acquisitions, further step up the pace of its current share buyback program and increase research and development programs into new products.

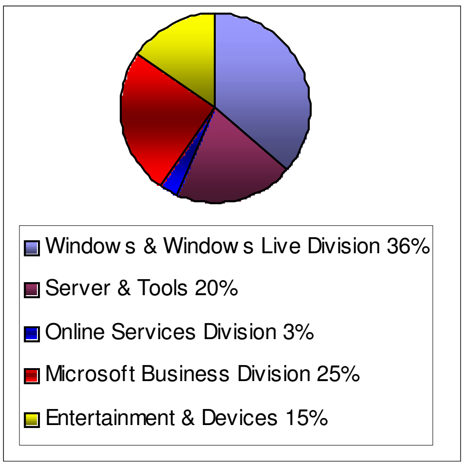
- **Valuation :** Microsoft remains one of our top picks in the technology sector. We believe that the recent weakness in the group's share price should be used as a strong buying opportunity given the positive outlook for the company. Our $35 price target is based on the company trading at 16x fiscal 2011(June) consensus EPS of $2.16. The 16x multiple that we apply to Microsoft is inexpensive when compared to its normalised historical average of 19x and given that Microsoft is in one of its strongest product upgrade cycles in its history.

Descriptive Stats		Shareholders	
Price ($)	28.40	Bill Gates	7.77%
52 Week High	31.50	Steve Ballmer	4.65%
52 Week Low	14.87	Capital Research	4.14%
Bloomberg	MSFT US	Barclays	3.88%
Reuters	MSFT.O	Vanguard Group	3.13%

	FY09	FY10	FY11
Revenue (€m)	58,437	61,135	65,556
EBITDA (€m)	23255	25022	27,338
Operating Profit (€m)	20,693	22,613	24,496
Adjusted EPS	1.63	1.99	2.160
DPS (c)	0.52	0.53	0.54

Company	P/E 10	P/E 11	Div Yield
Microsoft	14.4	13.2	1.85%
Google	19.4	17.0	0.00%
Cisco	15.9	14.0	0.00%
Oracle	15.0	13.3	0.84%
SAP	16.9	15.1	1.50%
Apple	17.8	15.2	0.00%
Research in Motion	14.9	12.7	0.00%

Revenue Fiscal 2Q 2010



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Market Movers

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International Equity Markets

Index	Value	1-Day	YTD
ISEQ	3,015	1.1%	2.0%
FTSE	5,283	0.7%	-2.6%
Dow Jones	10,297	1.1%	-1.3%
S&P	1,103	1.3%	-1.1%
Nikkei	10,371	1.6%	-1.3%
Stoxx 50	2,830	1.3%	-4.6%

Sector Performances

Sector	Index	1-Day	YTD
Construction	269	1.8%	-2.6%
Technology	198	1.0%	7.6%
Oil & Gas	323	0.2%	-2.2%
Financials	214	1.4%	-3.6%
Retail	252	0.8%	2.9%
Food & Drink	307	0.6%	0.7%

Commodity Prices

Commodity	Index	1-Day	YTD
Crude Oil	77.2	3.8%	-3.0%
Copper	309.0	0.2%	-6.5%
Gold	1,114.5	0.8%	2.2%
Silver	16.7	0.5%	-0.1%
Wheat	487.3	2.6%	-9.0%
Cattle	89.9	1.3%	0.1%

Currency Exchange Rates

Currency	Index	1-Day	YTD
€/$	1.396	0.2%	2.5%
€/£	0.874	0.1%	1.8%
£/$	1.597	0.1%	0.8%
$/JPY	90.380	-0.3%	3.1%
€/JPY	126.210	0.0%	5.7%
€/SFR	1.473	0.1%	0.6%

5Yr Credit Spreads

Product	Index	1-Day	YTD
Invest Grade	77.6	-0.5%	10.1%
High Yield	445.5	-1.9%	3.3%
Financials	84.9	-2.0%	19.8%
BoI	215.6	3.5%	-10.1%
AIB	236.1	-0.9%	-14.5%
RBS	134.3	-2.2%	-4.1%

Money Market Rates

Rate	EUR	UK	US
Overnight	0.3%	0.5%	0.2%
3-Month	0.7%	0.6%	0.2%
1-Year	1.2%	0.9%	0.5%
2-Year	1.7%	1.7%	1.1%
5-Year	2.6%	3.1%	2.7%
10-Year	3.4%	3.9%	3.8%

Date	Company	Region	Event
03/02/2010	Axis AB	SE	Q4
03/02/2010	Electrolux AB	SE	Q4
03/02/2010	Scania AB	SE	Q4
03/02/2010	Roche Holding AG	CH	FINAL
03/02/2010	Carpetright PLC	GB	TRADE
03/02/2010	Autonomy Corp Plc	GB	Q4
03/02/2010	Standard Life Plc	GB	Q4 TRADE
03/02/2010	Massey Energy Co.	US	Q4
03/02/2010	Pioneer Natural Resources Co.	US	Q4
03/02/2010	Cisco Systems	US	Q2
03/02/2010	Polo Ralph Lauren Corp.	US	Q3
03/02/2010	Black & Decker Corp.	US	Q4
03/02/2010	Intl. Paper Co.	US	Q4
03/02/2010	ITT Corp.	US	Q4
03/02/2010	National Oilwell Varco	US	Q4
03/02/2010	Pfizer	US	Q4
03/02/2010	Time Warner	US	Q4
03/02/2010	Western Union Co.	US	Q4
03/02/2010	Yum! Brands	US	Q4
04/02/2010	Danske Bank A/S	DK	FINAL
04/02/2010	Deutsche Bank AG	DE	PRELIM
04/02/2010	Enel SpA	IT	PRELIM

Date	Event	Region	Estimate
03/02/2010	Nationwide Consumer Confidenc	UK	70
03/02/2010	PMI Services	GE	51.2
03/02/2010	PMI Services	EC	52.3
03/02/2010	PMI Services	UK	56.5
03/02/2010	Euro-Zone Retail Sales (MoM)	EC	0.40%
03/02/2010	MBA Mortgage Applications	US	- -
03/02/2010	Challenger Job Cuts YoY	US	- -
03/02/2010	ADP Employment Change	US	-40K
03/02/2010	ISM Non-Manf. Composite	US	51
04/02/2010	Factory Orders MoM (sa)	GE	0.20%
04/02/2010	BOE ANNOUNCES RATES	UK	0.50%
04/02/2010	BOE Asset Purchase Target	UK	200B
04/02/2010	ECB Announces Interest Rates	EC	1.00%
04/02/2010	Initial Jobless Claims	US	460K
04/02/2010	Factory Orders	US	0.90%
05/02/2010	PPI Input NSA (MoM)	UK	0.80%
05/02/2010	PPI Output n.s.a. (MoM)	UK	0.30%
05/02/2010	Industrial Production MoM (sa)	GE	0.30%
08/02/2010	Sentix Investor Confidence	EC	- -
09/02/2010	RICS House Price Balance	UK	- -
09/02/2010	BRC January Retail Sales Monitc	UK	- -
09/02/2010	Trade Balance	GE	- -

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