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EPS & Ratings — We downgrade EPS for JCDecaux (JCD), TF1, and M6. The former two downgrades are material and driven by the top line; the M6 downgrade is less significant and driven by costs. Despite this, we upgrade TF1 to Buy with a price target of €9.4 per share; downgrade M6 to hold, with a price target of €14.5; we leave our rating on JCD unchanged at hold, price target €11 (see Fig. 1). **Marc L Sugarman / p7**

Data Summary

	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
Ticker	Old	New	Old	New	Old	New	Old	New
AIRA.DU	1H	1H	Dh1.50	Dh1.50	Dh0.11	Dh0.11	Dh0.11	Dh0.11
ANA.MC	1M	1M	€101.00	€101.00	€3.99	€3.99	€4.04	€4.04
AZN.L	2M	2M	£25.00	£25.00	US$5.38	US$5.38	US$5.19	US$5.19
BG.L	1M	1M	£11.00	£12.50	p68.1	p73.7	p74.3	p78.8
BNG.MI	2M	2M	€5.50	€5.50	€0.85	€0.85	€0.81	€0.81
BRBY.L	2M	2M	£3.40	£3.40	p27.4	p27.4	p29.1	p29.1
CNA.L	2M	2M	£2.65	£2.60	p20.8	p20.9	p21.8	p22.3
DB1Gn.DE	1M	1M	€58.00	€58.00	€3.86	€3.86	€4.08	€4.08
EGIS.BU	1M	1M	Ft16,500	Ft16,500	Ft2,229	Ft2,229	Ft2,449	Ft2,449
ENEI.MI	1H	1H	€5.00	€5.00	€0.53	€0.53	€0.59	€0.59
FER.MC	1H	1H	€40.00	€40.00	€2.18	€2.18	€2.03	€2.03
GDRB.BU	2M	2M	Ft33,600	Ft33,600	Ft2,629	Ft2,629	Ft2,681	Ft2,681
HGGH.L	3M	3M	£0.82	£0.82	p7.9	p7.9	p9.2	p9.2

See Appendix A-1 for Analyst Certification and important disclosures.

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Data Summary (continued)

	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
Ticker	**Old**	**New**	**Old**	**New**	**Old**	**New**	**Old**	**New**
KPRO.KW	1M	1M	KD0.698	KD0.737	KWf44	KWf44	KWf55	KWf55
LMI.L	2H	2H	£9.00	£9.00	US¢-41.9	US¢-41.9	US¢-51.8	US¢-51.8
SHP.L	1M	1M	£12.00	£12.00	US$1.00	US$1.00	US$0.94	US$0.94
STL.OL	3M	3M	NKr100.00	NKr100.00	NKr8.33	NKr8.33	NKr10.28	NKr10.28
THYAO.IS	1H	1H	YTL12.04	YTL12.04	NA	YTL3.85	NA	YTL4.63
TPK.L	1H	1H	£4.00	£4.00	p84.3	p84.3	p90.1	p90.1
UBI.MI	1H	1H	€13.50	€12.80	€0.65	€0.60	€0.85	€0.82
UBSN.VX	1H	1H	SFr14.00	SFr21.00	SFr-0.09	SFr0.15	SFr1.39	SFr1.51
VCTX.L	3M	2M	£4.00	£5.25	p23.2	p20.1	p42.7	p42.1

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Global Data Services

Daily Earnings Changes Report - Europe & CEEMEA

Company Changes 11-May-2009

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Company / Bloomberg Ticker	EPS 2009	EPS 2010	EPS 2011	P/E 2009	P/E 2010	P/E 2011	Rating/ Risk	Target Price	Last Price	ETR	2010 Div Yield	Market Cap (M)	Explanation
Anglo American AAL LN	USD												**We have increased our earnings forecasts and TP to reflect our copper price changes.**
- New	**1.44**	**1.30**	**1.91**	**16.8**	**18.7**	**12.7**	**2M**	**GBP 17.00**	GBP 16.02	6.1%	0.0%	GBP 21,090	
- *Old*	1.11	1.13	1.95	21.8	21.5	12.4	2M	GBP 11.50				USD 31,882	
- *Change*	29.6%	15.3%	-2.2%	-22.8%	-13.3%	2.2%							Covered by Johan U Rode +44-20-7986-3943 (Note: Last Actual FY 2008)
Antofagasta ANTO LN	USD												**We have increased our earnings forecasts and TP to reflect our copper price changes.**
- New	**40.4**	**58.0**	**88.5**	**23.2**	**16.2**	**10.6**	**3M**	**GBP 5.50**	GBP 6.20	-3.2%	4.3%	GBP 6,113	
- *Old*	27.6	26.4	75.8	34.0	35.5	12.4	3M	GBP 4.50				USD 9,241	
- *Change*	46.7%	119.8%	16.7%	-31.8%	-54.5%	-14.3%							Covered by Jon H Bergtheil +44-20-7986-4453 (Note: Last Actual FY 2008)
BG BG/ LN	GBP												**Raising TP and estimates to reflect better-than-forecast 1Q09 results.**
- New	**73.7**	**78.8**	**83.0**	**15.0**	**14.0**	**13.3**	**1M**	**GBP 12.50**	GBP 11.04	14.3%	1.2%	GBP 37,093	
- *Old*	68.1	74.3	79.1	16.2	14.9	13.9	1M	GBP 11.00				USD 56,073	
- *Change*	8.2%	6.1%	4.8%	-7.6%	-5.7%	-4.6%							Covered by David J Thomas +44-20-7986-4030 (Note: Last Actual FY 2008)
BHP Billiton BLT LN	USD												**We increase our target price and estimates following revisions to our commodity prices.**
- New	**177.6**	**126.8**	**153.8**	**12.9**	**18.1**	**14.9**	**2M**	**GBP 16.00**	GBP 15.15	6.3%	4.4%	GBP 92,840	
- *Old*	181.9	122.6	161.2	12.6	18.7	14.2	2M	GBP 11.60				USD 140,346	
- *Change*	-2.4%	3.4%	-4.6%	2.4%	-3.3%	4.8%							Covered by Johan U Rode +44-20-7986-3943 (Note: Last Actual FY 2008)
Centrica CNA LN	GBP												**We lower our forecasts and TP in line with Centrica's statements, as well as adjusting for changes in the British Energy and SPE deal.**
- New	**20.9**	**22.3**	**24.6**	**11.5**	**10.8**	**9.8**	**2M**	**GBP 2.60**	GBP 2.41	13.1%	5.6%	GBP 12,342	
- *Old*	20.8	21.8	23.1	11.6	11.1	10.5	2M	GBP 2.65				USD 18,658	
- *Change*	0.7%	2.4%	6.8%	-0.7%	-2.3%	-6.3%							Covered by Peter Atherton +44-20-7986-3912 (Note: Last Actual FY 2008)
Enel ENEL IM	EUR												**Marginal update on numbers reflecting more detailed information made available regarding FY08 data**
- New	**0.53**	**0.59**	**0.59**	**7.9**	**7.2**	**7.2**	**1H**	**EUR 5.00**	EUR 4.21	30.5%	11.5%	EUR 26,029	
- *Old*	0.53	0.59	na	7.9	7.2	na	1H	EUR 5.00				USD 35,336	
- *Change*	0.0%	0.3%		0.0%	-0.3%								Covered by Alberto Ponti +44-20-7986-4074 (Note: Last Actual FY 2008)
ENRC ENRC LN	USD												**Downgrade rating. We continue to like the long term story but, the stock is trading close to our mid-cycle valuation suggesting limited upside near term. Raise TP to reflect higher peer multiples.**
- New	**0.40**	**0.41**	**0.58**	**24.8**	**23.8**	**16.9**	**2M**	**GBP 7.20**	GBP 6.50	11.8%	0.8%	GBP 8,364	
- *Old*	0.40	0.41	0.58	24.8	23.8	16.9	1M	GBP 6.00				USD 12,644	
- *Change*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							Covered by Liam Fitzpatrick +44-207-986-4557 (Note: Last Actual FY 2008)
Ferrexpo FXPO LN	USD												**No changes in forecasts, TP increased to reflect higher peer multiples in our valuation**
- New	**0.25**	**0.12**	**0.03**	**8.9**	**17.9**	**78.4**	**2H**	**GBP 1.65**	GBP 1.47	15.2%	0.6%	GBP 864	
- *Old*	0.25	0.12	0.03	8.9	17.9	78.4	2H	GBP 0.60				USD 1,306	
- *Change*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							Covered by Liam Fitzpatrick +44-207-986-4557 (Note: Last Actual FY 2008)
FST Quantum Minerals FQM LN	USD												**We increase our EPS estimates and target price due to the copper forecast increase**
- New	**2.65**	**3.52**	**7.22**	**17.0**	**12.8**	**6.2**	**2M**	**GBP 31.50**	GBP 29.74	6.3%	0.4%	GBP 2,280	
- *Old*	2.03	1.49	6.28	22.1	30.1	7.2	2M	GBP 21.30				USD 3,446	
- *Change*	30.1%	135.7%	14.9%	-23.1%	-57.6%	-12.9%							Covered by Jon H Bergtheil +44-20-7986-4453 (Note: Last Actual FY 2008)

JCDecaux	EUR												**Raising target price to reflect sector rerating and lowering estimates to reflect the downgrade to guidance post 1Q results.**
DEC FP													
- New	**0.16**	**0.23**	**0.34**	**68.1**	**46.7**	**32.2**	**2M**	**EUR 11.00**	EUR 10.85	1.4%	0.0%	EUR 2,401	
- Old	0.25	0.33	0.44	43.4	33.0	24.7	2M	EUR 10.00				USD 3,259	
- Change	-36.3%	-29.3%	-23.2%	56.9%	41.3%	30.2%							Covered by Catherine T O'Neill +44-20-7986-8053 (Note: Last Actual FY 2008)
Kazakhmys	USD												**Raising rating as KAZ trades at discount to peers & has substantial gearing to recovery; raising EPS on increase in copper price forecast; raising TP on EPS increase and rise in market value of ENRC.**
KAZ LN													
- New	**0.65**	**0.98**	**1.70**	**15.4**	**10.3**	**5.9**	**1M**	**GBP 8.35**	GBP 6.63	28.1%	1.6%	GBP 3,549	
- Old	0.40	0.97	2.46	25.1	10.4	4.1	2M	GBP 3.96				USD 5,364	
- Change	62.3%	1.2%	-30.9%	-38.4%	-1.2%	44.7%							Covered by Jon H Bergtheil +44-20-7986-4453 (Note: Last Actual FY 2008)
Kuwait Projects	KWD												**Updated NAV based on updated comparables, post 1Q headline results. Target raised accordingly.**
KPROJ KK													
- New	**44**	**55**	**67**	**11.6**	**9.3**	**7.6**	**1M**	**KWD 0.737**	KWD 0.510	49.3%	6.0%	KWD 589	
- Old	44	55	67	11.6	9.3	7.6	1M	KWD 0.698				USD 2,032	
- Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							Covered by Hasnain Malik +971-4-509-9745 (Note: Last Actual FY 2008)
M6	EUR												**Lowering rating as expected total return no longer justifies a Buy; raising target price to reflect market rerating; lowering estimates to reflect updated cost assumptions.**
MMT FP													
- New	**1.07**	**1.05**	**1.11**	**13.5**	**13.8**	**13.2**	**2H**	**EUR 14.50**	EUR 14.55	5.8%	6.2%	EUR 1,876	
- Old	1.18	1.14	1.20	12.3	12.7	12.1	1H	EUR 12.33				USD 2,547	
- Change	-9.1%	-8.2%	-8.1%	10.1%	8.9%	8.8%							Covered by Marc L Sugarman +44-20-7986-4263 (Note: Last Actual FY 2008)
New World Resources	EUR												**No changes in forecasts, TP increased to reflect higher peer multiples in valuation**
NWR LN													
- New	**0.14**	**0.23**	**0.29**	**30.0**	**18.7**	**14.8**	**2M**	**GBP 4.20**	GBP 3.86	9.8%	1.6%	GBP 1,018	
- Old	0.14	0.23	0.29	30.0	18.7	14.8	2M	GBP 2.80				USD 1,539	
- Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							Covered by Dimitris Karydas, CFA +44-20-7986-3921 (Note: Last Actual FY 2008)
Norsk Hydro	NOK												**Updating EPS Forecasts for recent quarterly results data and copper price increase. TP increased on higher peer multiples**
NHY NO													
- New	**0.13**	**2.07**	**2.19**	**264.2**	**16.0**	**15.2**	**3M**	**NOK 25.00**	NOK 33.20	-24.7%	0.9%	NOK 41,432	
- Old	0.17	1.56	2.23	199.3	21.3	14.9	3M	NOK 21.00				USD 6,415	
- Change	-24.6%	32.8%	-2.0%	32.6%	-24.7%	2.0%							Covered by Jon H Bergtheil +44-20-7986-4453 (Note: Last Actual FY 2008)
Rio Tinto	USD												**Changing risk code as refinancing options open up; raising TP on increased NPV premium (20% from 0%) & higher PE multiple; lowering ests on higher A$ offsetting higher 09/10 copper prices.**
RIO LN													
- New	**324.8**	**312.5**	**372.4**	**14.0**	**14.6**	**12.2**	**1M**	**GBP 36.00**	GBP 30.10	21.8%	3.1%	GBP 39,994	
- Old	348.3	329.3	442.4	13.1	13.8	10.3	1H	GBP 25.30				USD 60,459	
- Change	-6.8%	-5.1%	-15.8%	7.3%	5.4%	18.8%							Covered by Johan U Rode +44-20-7986-3943 (Note: Last Actual FY 2008)
TF1	EUR												**Raising rating and target price to reflect our expectation that it can trade on recovery multiples; lowering estimates to reflect profit warning.**
TFI FP													
- New	**0.17**	**-0.13**	**0.21**	**44.5**	**nm**	**37.0**	**1H**	**EUR 9.40**	EUR 7.76	23.1%	1.9%	EUR 1,656	
- Old	0.59	0.30	0.65	13.1	25.5	11.9	2H	EUR 6.30				USD 2,248	
- Change	-70.7%	-142.3%	-67.7%	240.9%		209.3%							Covered by Marc L Sugarman +44-20-7986-4263 (Note: Last Actual FY 2008)
Turk Hava Yolla	TRY												**Initiating coverage as Buy. THY benefits from location of Istanbul, relatively low-cost labour, strong growth potential of nearby economies and a relatively young fleet.**
THYAO TI													
- New	**3.85**	**4.63**	**3.98**	**2.2**	**1.8**	**2.1**	**1H**	**TRY 12.04**	TRY 8.40	52.5%	9.2%	TRY 1,470	
- Old	na	na	na	na	na	na		na				USD 938	
- Change													Covered by Osman Memisoglu +90-212-319-4770 (Note: Last Actual FY 2008)

UBS	CHF												**Raising target price and estimates to reflect our view that we are past the worst in outflows and revenue hits.**
UBSN VX													
- New	**0.15**	**1.51**	**1.85**	**118.7**	**11.6**	**9.4**	**1H**	**CHF 21.00**	CHF 17.47	20.2%	2.9%	CHF 51,232	
- Old	-0.09	1.39	1.71	nm	12.5	10.2	1H	CHF 14.00				USD 46,155	
- Change	261.4%	8.2%	8.3%		-7.6%	-7.7%							Covered by Jeremy Sigee +44-20-7986-4203 (Note: Last Actual FY 2008)
Unione Banche Italiane	EUR												**Lowering target price and estimates to reflect 1Q09 results**
UBI IM													
- New	**0.60**	**0.82**	**0.95**	**17.8**	**13.1**	**11.3**	**1H**	**EUR 12.80**	EUR 10.66	24.3%	3.8%	EUR 6,813	
- Old	0.65	0.85	1.02	16.5	12.6	10.5	1H	EUR 13.50				USD 9,249	
- Change	-7.5%	-3.8%	-6.8%	8.1%	3.9%	7.3%							Covered by Azzurra Guelfi +44-20-7986-4174 (Note: Last Actual FY 2008)
Vedanta	USD												**Lowering rating due to strong recent performance; lowering target post detailed review of cost structure & detailed peer group comparison; EPS upgrades reflect higher copper price forecast.**
VED LN													
- New	**114.5**	**45.8**	**61.5**	**17.1**	**42.7**	**31.8**	**3M**	**GBP 11.00**	GBP 12.94	-13.4%	1.1%	GBP 3,600	
- Old	113.8	3.7	38.1	17.2	na	51.3	1M	GBP 12.30				USD 5,442	
- Change	0.6%	1,146.9%	61.3%	-0.6%		-38.0%							Covered by Jon H Bergtheil +44-20-7986-4453 (Note: Last Actual FY 2008)
Victrex	GBP												**Upgrade to Hold on basis that volumes will have reached trough, and weak sterling and Invibio growth should drive sharp recovery next year even without a recovery in volumes.**
VCT LN													
- New	**20.1**	**42.1**	**57.0**	**26.1**	**12.4**	**9.2**	**2M**	**GBP 5.25**	GBP 5.24	3.7%	4.2%	GBP 435	
- Old	23.2	42.7	59.4	22.6	12.3	8.8	3M	GBP 4.00				USD 658	
- Change	-13.5%	-1.3%	-4.1%	15.7%	1.3%	4.3%							Covered by Sophie Jourdier +44-20-7986-4535 (Note: Last Actual FY 2008)
Xstrata	USD												**Rating upgraded as we believe XTA is the most primed diversified to the recovery trade. We increase our forecasts and TP on higher copper prices.**
XTA LN													
- New	**0.50**	**0.32**	**0.62**	**21.3**	**33.6**	**17.0**	**2M**	**GBP 7.50**	GBP 7.03	6.8%	0.6%	GBP 20,604	
- Old	0.04	0.06	1.16	270.7	180.3	9.1	3M	GBP 3.59				USD 31,148	
- Change	1,170.0%	436.7%	-46.3%	-92.1%	-81.4%	86.2%							Covered by Liam Fitzpatrick +44-207-986-4557 (Note: Last Actual FY 2008)

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Global Market Data

	Price	Performance					12 Month		
	11-May-09	1 Day	1 Week	1 Month	QTD	YTD	High	Low	Score *
World Indices									
EuroStoxx600	226.4	-1.6%	0.5%	8.9%	16.6%	1.6%	375.2	169.4	28
Nikkei 225	9,452.0	0.2%	5.3%	5.4%	13.2%	6.7%	14489.4	7055.0	32
NASDAQ 100	1,731.2	-0.4%	-1.8%	4.8%	11.6%	9.8%	2549.9	1268.6	36
S&P 500	909.2	-2.2%	0.2%	6.2%	12.1%	0.7%	1426.6	676.5	31
UK - FTSE 100	4,435.5	-0.6%	4.5%	11.3%	12.1%	0.0%	6376.5	3512.1	32
USD Exchange Rates									
EUR/USD	1.358	-0.5%	1.3%	2.9%	2.6%	-3.0%	1.6	1.2	32
GBP/USD	1.512	-0.8%	0.6%	3.0%	4.5%	3.5%	2.0	1.4	22
USD/JPY	97.6	-1.0%	-1.4%	-2.7%	-1.0%	7.5%	110.5	87.3	44
Commodities									
Gold ($/oz)	914.9	0.0%	1.4%	3.7%	-1.3%	3.5%	1001.7	705.0	71
Oil ($/bbl)	58.6	0.0%	7.6%	12.2%	21.2%	31.5%	145.3	33.9	22

* Score (current price - 52 week low price)/(52 week high price - 52 week low price). A score of 100 would indicate that the current price is trading at its 52 week high. A score of 0 would indicate that the current price is trading at its 52 week low.

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French Media Owners

Shifting Shares

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- **EPS & Ratings** — We downgrade EPS for JCDecaux (JCD), TF1, and M6. The former two downgrades are material and driven by the top line; the M6 downgrade is less significant and driven by costs. Despite this, we upgrade TF1 to Buy with a price target of €9.4 per share; downgrade M6 to hold, with a price target of €14.5; we leave our rating on JCD unchanged at hold, price target €11 (see Fig. 1).
- **Trying to Look Through The Cycle** — 2009E network EBIT margins for TF1 are negative, for M6 20.6%, and EBITDA margins for JCD are 17.9%. Mid-cycle we expect TF1's network to achieve 10% margins, possibly higher as the leading media owner by revenues in France. M6 margins look unsustainably high. JCD's divisional guidance (which looks sensible) implies 25% group margins.
- **Shifting Shares** — M6 outperformed TF1 44% this year, and in 1Q, TF1 network's advertising fell 27% compared to 11% for M6. TF1's 10-15% CPM price premium could have been wiped out 1Q with M6 raising prices and TF1 seeing price deflation. The three-year audience differential between the two has not been as significant as would be expected, and TF1's audience share is three times that of M6. We expect TF1, despite management, could take share back at some stage. Meanwhile JCD's competitors are over-levered, and JCD looks set to sustain market share gains.
- **Valuation & risk** — We value TF1 at 14x P/E mid-cycle margins; M6 16x, (reflecting its net cash); and JCD at 18x for its growth potential. For TF1, our concern is that management has no track record in TV; for M6 our downgrade could be early if TF1 continues to implode; meanwhile JCD looks exorbitant on current multiples.

Acciona (ANA.MC)

Acciona Q109 preview

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Buy/Medium Risk	**1M**
Price (11 May 09)	€80.75
Target price	€101.00
Expected share price return	25.1%
Expected dividend yield	3.8%
Expected total return	**28.9%**
Market Cap	€5,132M
	US$6,966M

	2008	**2009E**	**2010E**
EPS new(€)	5.67	3.99	4.04
EPS Old(€)	5.67	3.99	4.04
EPS Growth	-44.1	-29.7	1.4
P/E	14.2	20.3	20.0
EV/EBITDA	7.1	10.4	10.6
Consensus Data	na	5.36	4.61

Price Performance (RIC: ANA.MC, BB: ANA SM)



- **Endesa likely to be the biggest support for ANA results, but at the NP level** — Endesa result (€509mn NP Q109 announced last week) will be consolidated as discontinued asset for sale.
- **Renewables likely to show weak performance** — Despite higher installed base we expect weak performance from the Energy division due to: i) lower power prices in Spain impacting revenues and ii) lower load factors in the sector in Spain than in Q108. Spain still explains c. 70% of the Energy division EBITDA (2.6GW from a total of 4GW are located in Spain with variable remuneration linked to power prices)
- **Infrastructure and Real Estate likely to continue their weak trend** — We expect Infrastructure EBITDA to fall by 1% yoy (1Q09E +€44mn) and Real Estate EBITDA to drop by 19% yoy (1Q09E +€17mn). The other businesses should also be weak in line with the assets under management decrease.
- Weak results which we think will not be a positive catalyst — Results to be released on the 13th of May.

Air Arabia PJSC (AIRA.DU)

Very Strong 1Q09 Results Encouraging For Rest of 2009

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Buy/High Risk	**1H**
Price (10 May 09)	Dh0.97
Target price	Dh1.50
Expected share price return	54.6%
Expected dividend yield	2.8%
Expected total return	**57.4%**
Market Cap	Dh4,527M US$1,232M

	2008	2009E	2010E
EPS new(Dh)	0.10	0.11	0.11
EPS Old(Dh)	0.10	0.11	0.11
EPS Growth	21.9	10.9	6.6
P/E	10.0	9.0	8.5
EV/EBITDA	2.6	2.1	2.0
Consensus Data	na	0.12	0.13

Price Performance (RIC: AIRA.DU, BB: AIRARABI UH)



- **1Q profitability higher than expected and better than a year ago** — Reported net income of AED103.4m (AED 0.0223/share) beat our forecast of AED76.6m (AED 0.0164/share) although it would appear to be close to the Reuters consensus average of AED106.5m (AED 0.023/share). However, the consensus range was wide (AED77m to AED151m). EPS was an impressive 33% higher than a year ago and represented an increase in the net margin from 20.4% to 22.3%. EBIT of AED55.5m (12.0% margin) beat our forecast of AED43.8m (10.2% margin) and was 74% higher than AED31.9m (8.3% margin) a year ago. This makes Air Arabia the only airline under our coverage that made a profit in 1Q and increased it over last year, whereas the rest of the airline industry is facing increased losses compared with last year due to demand weakness. We are very encouraged by this strong performance in what is the seasonally weakest quarter of the year for Air Arabia.
- **Main reasons for beating forecasts were stronger revenue…** — Revenue grew 21% year on year (vs +12% expected), driven by a 26% increase in passenger volume offset by a 3% decline in average ticket price. We had expected a 9% decline in average ticket price due to increased competition and a fall in fuel surcharges with the oil price. We estimate the unit revenue per available seat-kilometre (RASK) fell by 13% compared to our expectation of -17.5%. We estimate unit cost per ASK (CASK) to have fallen by 17%, hence the increase in underlying margin. Other revenue also beat our expectation and increased by 21% over a year ago. Unit cost per ASK ex-fuel, however, fell by 2%, which was short of our -4.5% expectation. Fuel and labour costs were higher than expected, offsetting some of the better revenue.
- **…and higher interest income** — Interest received on its bank deposit was AED45.3m compared with our forecast of AED31.5m and the same level as a year ago. Its cash balance rose from AED1.77bn at the end of 2008 to AED1.85bn as of end March while available-for-sale investments remained unchanged at AED1.52bn. Operating cash flow doubled to AED69m vs AED34m in 1Q08. Interest income is likely to fall as fixed rate deposits mature and as cash is needed to fund its Airbus order.
- **Outlook statement expected on today's conference call** — Key issues include the sustainability of the strong 1Q results, the outlook for UAE traffic in the current downturn, competitive intensity and Air Arabia's new base strategy (including recently opened Casablanca). Conf call today at 6pm UAE time (3pm UK, 4pm CET,10am EST) dial 8000 440 189 (UAE), 0808 238 0673 (UK-free), +44 (0)1452 569 335 (UK-intl),1-866 655 1591 (US). Conference ID: 98750870.

AstraZeneca PLC (AZN.L)

Brilinta better than Plavix on headline data

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Hold/Medium Risk	**2M**
Price (11 May 09)	£25.20
Target price	£25.00
Expected share price return	-0.8%
Expected dividend yield	6.0%
Expected total return	**5.2%**
Market Cap	£36,481M US$55,148M

	2008	**2009E**	**2010E**
EPS new(US$)	5.10	5.38	5.19
EPS Old(US$)	5.10	5.38	5.19
EPS Growth	16.4	5.5	-3.4
P/E	7.5	7.1	7.3
EV/EBITDA	5.7	4.8	4.7
Consensus Data	na	5.35	5.39

Price Performance (RIC: AZN.L, BB: AZN LN)



- ***Brilinta* (AZD6140) PLATO trial meets primary end point** — The end point was a composite of heart attack, stroke or death from cardiovascular cause. The trial was an 18,000 patient head-to-head comparison with Sanofi-Aventis' *Plavix* added on to aspirin for treating acute coronary syndrome (ACS=unstable angina, acute heart attack). *Brilinta* showed a statistically significant benefit. The trial was powered to detect a 13% risk reduction with 90% confidence. Full data will be presented at the European Society of Cardiology in Barcelona Aug 29- Sep 2. AZN plans to file registration applications in 4Q09. Assuming normal FDA processing launch could be in early 2011.
- ***Brilinta* has additional advantage of reversibility** — *Brilinta* has a 12-hour half life and reversibly blocks ADP receptors on platelets. *Plavix* is an irreversible inhibitor. Patients with ACS who require by-pass surgery could have surgery sooner if *Brilinta* is used vs. the current 5-day wait to allow *Plavix* to wash out.
- **Side effect profile similar to phase II** — The overall side effect profile was in line with that seen in the phase II program where the most notable were bleeding risk (minor bleeds > *Plavix*, major bleeds the same), ventricular pauses (arrhythmia) and breathlessness (6% vs. 2% *Plavix*). PII trial discontinuations were 1-4%.
- **Competition coming** — Cangrelor from The Medicines Company (licensed from AZN) is an IV only reversible inhibitor of platelet aggregation, currently in phase III with very short half life. It may be favoured by Cath labs given the IV formulation and rapid onset and offset.
- **One third of *Plavix* sales for ACS** — Approximately one third of *Plavix* '08 sales of $8bn, or $2.5bn were for ACS, according to Sanofi-Aventis, although the opportunity may be larger if treatment triggered by ACS is not flagged as such by GPs in Rx surveys. *Plavix* loses patent protection in the US in Nov '11.
- **Current CIRA forecast $470m by 2012** — Our current forecasts assume launch in 2011 with sales of $293m/$470m/$548m in '11E/'12E/'13E including a 50% risk adjustment. '12E forecast is 2% of group sales. If clinically meaningful superiority over *Plavix* is confirmed with acceptable safety sales could be 3-4x higher than we forecast. Sales of $2bn in 2012E at group margin would imply 5% upside to '12E EPS, or incremental DCF value of 6-8%. The share price move today (5%) looks about right. Good news but perhaps a little early to re-rate the shares on a higher likelihood of R&D success. Multiple risks remain.

Benetton Group SpA (BNG.MI)

1Q09 Results — First Thoughts

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Hold/Medium Risk	**2M**
Price (11 May 09)	€6.16
Target price	€5.50
Expected share price return	-10.7%
Expected dividend yield	5.4%
Expected total return	**-5.4%**
Market Cap	€1,125M
	US$1,528M

	2007	2008E	2009E
EPS new(€)	0.80	0.85	0.81
EPS Old(€)	0.80	0.85	0.81
EPS Growth	16.3	6.7	-4.1
P/E	7.7	7.3	7.6
EV/EBITDA	4.8	4.9	5.3
Consensus Data	na	na	0.62

Price Performance (RIC: BNG.MI, BB: BEN IM)



- **1Q09 Sales €449m (-3.4% yoy), broadly in line with forecast (Citi €452m)** — 1Q09 sales split as: established markets down 2.7% and emerging markets up 2.0% in constant currency terms.
- **1Q09 EBIT €25m (-47% yoy) (Citi €28m)** — The sharp fall in reported EBIT to €25m, partially reflects a non-recurring delta of c€10m (€6m income in 1Q08 and €4m expense in 1Q09), such that the underlying 1Q EBIT is €29m (1Q08 €41m), representing a margin decline of c230bp.
- **1Q09 net income €18m (-38% yoy) (Citi €16m)** — With PBT of €21m, a lower than expected tax charge of €6m (Citi €7m), net income came in at €18m.
- **Autumn Winter 2009** — As a result of the reorganisation changes currently underway the initial AW09 shipments will now be made at the start of 3Q09 rather than the end of 2Q09.
- **What does it all mean?** — Benetton remains under pressure from multiple angles, with currency pressure on both sales and costs coupled with a poor outlook for retail spending in Italy (c50% of sales). With the prospect of a savings ratio rebuild from c9% currently to c15% (1990s average), we remain cautious over the outlook for 2009.
- **Neutral rating retained** — Our target price of €5.50 is derived by using a FCF approach: this methodology is based on normalised free cash flow generation, including only estimated maintenance capex. We rate the stock Hold/Medium. Risk (2M).
- **Conference call today** — at 16:00 CET. Dial in +39 06 334 85042 (ID code *0).

BG Group PLC (BG.L)

Return of the Seven

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Buy/Medium Risk	**1M**
Price (07 May 09)	£11.14
Target price	£12.50
from £11.00	
Expected share price return	12.2%
Expected dividend yield	1.1%
Expected total return	**13.3%**
Market Cap	£37,429M
	US$56,581M

	2008	2009E	2010E
EPS new(p)	91.8	73.7	78.8
EPS Old(p)	91.8	68.1	74.3
EPS Growth	73.8	-19.8	6.9
P/E	12.1	15.1	14.1
EV/EBITDA	6.2	7.0	6.7
Consensus Data	na	73.9	80.9

Price Performance (RIC: BG.L, BB: BG/ LN)



- **Target Raised; Buy Maintained** — We continue to rate BG as our European oil & gas majors top pick. Following a 'quality' 1Q09 earnings beat, we upgrade our forecasts and raise our target price to £12.50.
- **Seven Key Reasons to Buy** — We highlight seven reasons why we believe BG shares should outperform sector peers: 1) Best-in-class growth; 2) Robust and defensive LNG profits; 3) Greater scope for event catalysts than peers; 4) Value upside right across the resource base; 5) EV/boe metrics not stretched; 6) Exploration successes outside Brazil support medium-term growth; and 7) Ranks #1 in our upstream benchmarking assessment.
- **Rating Deserved** — BG shares continue to trade at a significant premium to the sector – but we see this as appropriate as long as BG continues to be differentiated from its integrated oil major peers.
- **Valuation Upside** — Whilst our SOTP valuation includes an element for the Brazil Santos basin discoveries made thus far, we could see an uplift of more then £1/share as we get more datapoints on recoverable reserves across the basin. There is also value upside for Queensland, Australia gas to LNG, although we feel it too early to ascribe too much value at this stage.
- **Top Pick** — In the context of a sector with little differentiation, BG is the one exception in our view. As 2009 evolves, we expect the attractiveness of BG's defensive earnings, its superior production growth, and positive event risk around exploration and appraisal to further justify its premium rating. Buy.

Burberry Group PLC (BRBY.L)

Preview: Full-Year Results Due Tuesday, 19 May

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Hold/Medium Risk	**2M**
Price (08 May 09)	£3.86
Target price	£3.40
Expected share price return	-11.9%
Expected dividend yield	3.1%
Expected total return	**-8.8%**
Market Cap	£1,672M
	US$2,527M

	2008	2009E	2010E
EPS new(p)	28.2	27.4	29.1
EPS Old(p)	28.2	27.4	29.1
EPS Growth	7.7	-2.6	6.2
P/E	13.7	14.1	13.2
EV/EBITDA	7.6	7.6	7.2
Consensus Data	na	26.8	27.3

Price Performance (RIC: BRBY.L, BB: BRBY LN)



- **FY sales to March 2009 have been pre-released** — Burberry reported full-year revenues up 7% underlying (constant FX and perimeter), split Retail +14% (including LFL +1% and space contribution +13%), Wholesale +2%, Licensing –8%. Reported sales were up 21% to £1,202m after c14% positive currency impact. In 4Q09, Burberry reported underlying growth of –5%, split Retail +17% (including LFL +3%), Wholesale –21% (Citi –18%), and Licensing –17%.
- **FY09 earnings due Tuesday 19th May** — We expect March 2009 group EBIT of £181m (–3% YoY), split Retail/Wholesale £110m (–5% YoY), including 2H09 gross margins down 750bp reflecting the impact of continued Autumn/Winter inventory clearance and the weight of outlets in total Retail sales (c25%), and Licensing £71m (flat YoY). There should be limited surprise at the PBT level as management already indicated that adjusted PBT (pre-restructuring charge) should be "around the middle range of market expectations" of £162-185m (Citi £174m). We expect adjusted, fully diluted EPS of 27.4p (–3% YoY) and dividend per share of 12p (flat YoY). Year-end net debt is expected to show a broadly cash neutral position, owing to working capital inflow from good receivables management and inventory clearance.
- **Looking at FY10** — Management's confidence in achieving at least flat PBT in FY10 is supported by a material £50m cost efficiency programme (60% opex/40% gross margin). £15-20m of savings have already been identified and an additional £30-35m will stem from the restructuring of Spanish operations (discontinuation of Thomas Burberry line) and UK manufacturing (closure of Rotherham facility). This programme should partly offset sales and gross margins pressures and underpin profitability in FY10E. We expect management to reiterate previous guidance – i.e. average Retail space growth of 10-12% in FY10 (including the Middle East JV), -25% Wholesale underlying growth in 1H10 (including the effects of Thomas Burberry's discontinuation), and Licensing -10 to -15% underlying in FY10.
- **Investment rating** — Burberry's self-help is a clear positive, but the shares look to us unlikely to re-rate further without increased visibility on revenues and gross margins, and a significant reduction in inventories. We also remain concerned about Burberry's geographical exposure, deriving 50% of its Retail/Wholesale revenues from three highly leveraged markets – the US, Spain and the UK. We do not view the product mix to be particularly favourable either (c65% apparel – potentially carrying higher fashion/inventory risk). Hold.
- **Newsflow details** — Results announcement at 7am UK time followed by a presentation at 9am at Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. Live webcast at www.burberryplc.com

Centrica PLC (CNA.L)

A better bad deal

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Hold/Medium Risk	**2M**
Price (11 May 09)	£2.41
Target price	£2.60
from £2.65	
Expected share price return	7.9%
Expected dividend yield	5.4%
Expected total return	**13.2%**
Market Cap	£12,329M
	US$18,638M

	2008	**2009E**	**2010E**
EPS new(p)	21.5	20.9	22.3
EPS Old(p)	21.5	20.8	21.8
EPS Growth	-21.3	-2.5	6.4
P/E	11.3	11.6	10.9
EV/EBITDA	11.5	5.4	5.2
Consensus Data	na	22.1	23.9

Price Performance (RIC: CNA.L, BB: CNA LN)



- **Where we were** — Centrica had agreed to buy 25% of British Energy from Edf at the same prices paid by Edf (774p) for a total cash consideration of £3.1bn.
- **The new deal** — Under pressure from shareholders Centrica has re-negotiated the terms. They will now pay £1.1bn in cash and sell their stake in Belgium utility SPE for £1.2bn, giving a total consideration of £2.3bn for a 20% stake.
- **Implied BE price** — The original deal priced BE at 774p per share. The new "headline price" values it at 728p (-6%). But Edf appears to be over paying for SPE by around £340m. If so, this lowers Centrica's effective cost to 622p.
- **A better deal** — Centrica has extracted a better price and has sold a non-core business for a very good price in our view. The cash outlay has been reduced from £3.1bn to £1.1bn leaving Centrica the capital to pursue other upstream opportunities.
- **But still not ideal use of capital** — Centrica will still be a minority shareholder to Edf (and therefore the French government) in a field (nuclear power) where they have no experience or expertise. And we believe the price is still very full, even taking account of a possible over payment for SPE.
- **Ultimately for this deal to work for Centrica's shareholders** — we estimate the oil price will need to be $80 plus throughout 2010-2020 and BE will need to match its best ever output levels on a regular basis.

Deutsche Boerse AG (DB1Gn.DE)

Strong cost discipline causes Q1 EPS surprises

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Buy/Medium Risk	**1M**
Price (11 May 09)	€53.83
Target price	€58.00
Expected share price return	7.7%
Expected dividend yield	3.9%
Expected total return	**11.6%**
Market Cap	€10,497M
	US$14,250M

	2008	**2009E**	**2010E**
EPS new(€)	5.35	3.86	4.08
EPS Old(€)	5.35	3.86	4.08
EPS Growth	23.0	-27.8	5.6
P/E	10.1	13.9	13.2
EV/EBITDA	7.0	9.1	8.2
Consensus Data	na	4.18	4.63

Price Performance (RIC: DB1Gn.DE, BB: DB1 GR)



- **Q1 09 EPS of €1.11 is 9% ahead of forecast** — DB1 has reported a strong clean set of Q1 09 results. EPS of €1.11 is down 30% yoy but is a 9% beat vs Citi forecast and 8% higher than consensus of €1.02. Key surprise is how strong the cost discipline has been.
- **Costs of €298m 6% better than forecast** — With total revenues falling 18% yoy it is positive that DB1 flexed its expense base down -6% yoy to €298m. This is 6% lower than our forecast and 4% better than consensus. Management made no change to FY09 cost guidance (€1,280m) and so we would caution against too much reliance on such a run-rate. But it is encouraging costs can respond to revenue weakness. A €3m Q1 credit to group share option expenses (vs €30m FY09 budgeted charge) will have helped Q1, but likely to reverse in Q2.
- **Total revenues 2% higher than forecast** — Total revenues of €604m is a 2% beat vs Citi forecast of €591m. The cause is mainly better than expected NII owing to Clearstream's cash balance remaining inflated at €6.6bn and some increase in deposit maturity. With ECB rates lower in Q2 NII may well head lower. Other operating income is also slightly bloated by a €4m exceptional gain on the sale of part of the TCC stake. Stripping this out revenues would be 1% ahead.
- **Closer to the end of the earnings downgrades cycle** — Consensus FY09 EPS is ~€4.20. Citi's FY09 estimate of €3.86 is highly cautious for Xetra and Eurex. With equity markets rising from March and trading activity recovering, it is possible Q1 may mark the low point for revenue generation. A Q1 EPS of €1.11 is therefore a strong run-rate, suggesting consensus EPS may soon rise.
- **Volumes improving in May** — Apr 09 volumes were only flat against March (7.6m Eurex ADV and €93bn of Xetra orderbook value traded). May has shown resurgence with continued sequential improvement m-o-m. Eurex ADVs are up to 8m and German cash equities ADV shows 7% to 8% growth m-o-m.
- **Reiterate Buy, target price €58** — the DB1 share is up over 80% since 09 March lows, outperforming the Dow Jones Global Exchanges index up 65% over the same time. However, we believe this is justified given favourable products bias to derivatives and bond settlement and strong Q1 cost discipline.
- **Conference call at 13.00 GMT** — Dial-in access +44 203 147 4861.

DP World (DPW.DI)

Third-Party Interest Confirmed in DPW

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DPW has confirmed publicly that its ultimate parent is in discussions with an unnamed, regional private equity firm that may result in the acquisition of a minority stake in DPW coming largely from the free float.

Private equity interest confirmed. DPW stock was suspended just before the close on 7 May by NASDAQ Dubai pending a price sensitive announcement on Sunday 10 May 2009. DPW announced on 10 May 2009 that its ultimate majority shareholder (Dubai World) had received an approach from, and is engaged in discussions with, a regional private equity firm which may or may not result in a transaction regarding a minority stake in DP World, coming largely from the free float.

We see few negatives for minority shareholders from the potential interest of a third-party investor that, at a minimum, should provide comfort as to the long-term value of the DPW portfolio. We note with interest the 'largely from the free float' that suggests to us that Dubai World might be prepared to sell some of its holding, perhaps accompanied by a tender offer under which external shareholders could sell shares to the potential investor. The main downside risk for minorities would be an ultimately significant reduction of free float from any transaction(s).

What next? The complexity of the underlying DPW business and the likely extensive due diligence process suggests to us an extended wait for further news. Furthermore, the implication from the public statement that Dubai World might be prepared to sell some of its holding could attract other potential global infrastructure investors and result in an auction situation.

DP World (DPW.DI; US$0.36; 1M)

Egis (EGIS.BU)

Q209 Powers Past Expectations; Russia Strong + FX

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Buy/Medium Risk	**1M**
Price (11 May 09)	Ft14,255
Target price	Ft16,500
Expected share price return	15.7%
Expected dividend yield	0.9%
Expected total return	**16.6%**
Market Cap	Ft110,985M
	US$536M

	2008	**2009E**	**2010E**
EPS new(Ft)	1,492	2,229	2,449
EPS Old(Ft)	1,492	2,229	2,449
EPS Growth	60.3	49.4	9.9
P/E	9.6	6.4	5.8
EV/EBITDA	5.3	3.5	3.0
Consensus Data	na	1,869	1,904

Price Performance (RIC: EGIS.BU, BB: EGIS HB)



- **Q209 Comfortably Beats** — sales +15% to Ft31.0bn, EBIT +86% to Ft4.4bn, and reported EPS +91% to Ft776 (12%, 40% and 34% ahead of consensus). Despite strong FX tailwinds a better than expected performance from Russia (23% $ growth to $62m), 'Other' CIS, and finished form products fully offset weakness in Slovakia/Romania and higher opex. Recent FX trends produced a significant increase in net financial income (Ft2.0bn vs. Ft0.5bn in Q209).
- **1H09 Gives Better Indication of Improving Fundamentals** — Pre-shipments relating to the Polish subsidiary Anpharm, made during Q1, left Q2 sales Ft2.8bn light. Based on 1H09 vs. 1H08 sales growth was +4%, EBIT growth +66% with a consol. margin of 14.9%, and net profit growth +77%. Pre-tax profits excluding FX were up 12% during 1H09. The 260bps of Pharma gross margin expansion was driven by an improving product mix, with FX and production efficiencies also contributing.
- **EPS Sensitivity** — taking into account Q209 the implied upgrade to FY09 consensus is 35% (c15% for CIRA). If we assume the consolidated H109 EBIT margin of 14.9% is maintained through H209 the implied upgrade to consensus is more in the range of 40% (c20% for CIRA). We will update our financial model after the results presentation which takes place on Tuesday morning in Hungary (no dial in details available).
- **Valuation looks too cheap** — Our target price of Ft16,500 is based on a blend of PE and DCF based valuations. A target 9.0x PE multiple to calendarised FY09E earnings (30% discount to peer group ex-Teva versus current discount of 40%) generates a valuation of Ft18,400, and our 12-month DCF value (WACC 14.1%, g=3%) is Ft14,570.

Electricite de France (EDF.PA)

Centrica Deal Value-Dilutive, Albeit Only Slightly

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20% stake sale at 6% below purchase price - EDF will sell to Centrica a 20% stake instead of an originally planned 25% for a total consideration of €2.5b. This is a 6% discount to what EDF paid – a difference that, although small, comes despite assurance that any stake sale would be at the same as purchase price. However, Centrica will now participate in the CVR program with a 20% share. Although unlikely to result in an outlay above the original purchase price, this does mean that the value destruction for EDF on that 20% portion will be capped at 6%.

SPE also value-dilutive - EDF has agreed to pay Centrica €1.3b for its 51% stake in Belgian electricity company SPE. This is a 30% premium (14x 2009E EV/EBITDA) over the price bid by EDF to buy the 25% stake from GDFSuez last year. Although majority control usually justifies a 20-30% premium in utility transactions, the fact that power prices are €10-15/MWh lower now than then seems to have been ignored.

Deal consequences – In our opinion, not only do these transactions destroy value for EDF, they also result in lower cash inflows than we had hoped for at a time when the company is looking to execute on disposals to maintain its credit rating. Post these transactions the total proceeds required over 2009-10 from disposals will stand at ca. €7bn, on our estimates. The deal is expected to close in Q3 09. On the positive side, the conclusion of this saga will allow EDF to evaluate its needs more accurately and progress with its disposal program. Given today's news, however, we would be surprised if assets were sold at valuations above what's included in our sum-of-the-parts model and we therefore see scope for disappointment in this respect. We estimate that the transaction will be 5% more EPS dilutive than the previous proposed structure in 2010.

ENEL SpA (ENEI.MI)

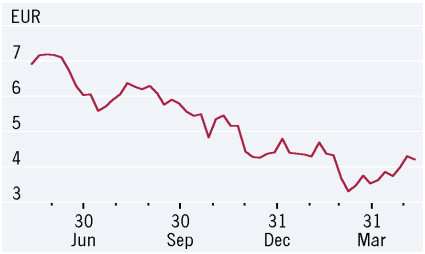
1Q09 Preview

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Buy/High Risk	**1H**
Price (08 May 09)	€4.30
Target price	€5.00
Expected share price return	16.3%
Expected dividend yield	11.4%
Expected total return	**27.7%**
Market Cap	€26,602M
	US$36,113M

	2008	2009E	2010E
EPS new(€)	-0.56	0.53	0.59
EPS Old(€)	0.83	0.53	0.59
EPS Growth	-190.7	194.4	10.9
P/E	-7.6	8.1	7.3
EV/EBITDA	18.8	6.6	6.3
Consensus Data	na	0.58	0.57

Price Performance (RIC: ENEI.MI, BB: ENEL IM)



- **Generation leading the charge** — We expect good performance from the Generation and Renewable division owing to high achieved power prices, good margins on thermal generation and higher hydro production. ENEL is 85% sold forward for 2009, 45% for 2010 and 15% for 2011. While hedges for 10E and 11E could rise, we expect no changes for 09E.
- **A mixed bag for foreign operations** — While we expect the International division to continue growing buoyantly (EBITDA +26%), Iberia and Latam (-4.5%) is likely to reflect a challenging environment, as the 1Q09A results just announced by Endesa have shown.
- **Areas of uncertainty** — Given commodity price declines, we see scope for mark-to-market of hedges to contribute a positive €200-400m (not in our numbers), while we see EBITDA in the Market division falling by 41% (although we acknowledge that these profits are volatile on a quarterly basis).
- **Updating our model** — We have updated our model to reflect the publication of the FY08 results. Our 2009-10E estimates are unchanged, and we introduce forecasts for 2011E.
- **Results details** — ENEL will report 1Q09 results on May 12th with a conference call the same day at 5.30pm CET, dial-in +39 02 8058.811.

Ferrovial (FER.MC)

BAA April Traffic Shows Improved Trend

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Buy/High Risk	**1H**
Price (08 May 09)	€25.10
Target price	€40.00
Expected share price return	59.4%
Expected dividend yield	4.4%
Expected total return	**63.7%**
Market Cap	€3,521M
	US$4,779M

	2007	2008E	2009E
EPS new(€)	5.22	2.18	2.03
EPS Old(€)	5.22	2.18	2.03
EPS Growth	32.6	-58.3	-6.9
P/E	4.8	11.5	12.4
EV/EBITDA	11.4	10.2	8.5
Consensus Data	na	1.12	0.52

Price Performance (RIC: FER.MC, BB: FER SM)



- **April traffic down 2.3% (4-5% LFL)** — with 11.5m pax going through BAA's UK airports. The timing of Easter (Q108) boosted passenger numbers by c2-3%, we estimate, suggesting an underlying fall of nearer 4-5%. The 21% slump in cargo volumes (16-18% Feb-Mar) is notable. YTD numbers are 8.0% lower.
- **Underlying trend more encouraging** — The underlying fall of 4-5% follows an 8-9% fall in March (adjusted for calendar & weather effects) and 6-7% falls in the previous three months. So the April figures certainly provide room for some cautious optimism on pax numbers. BAA notes that taking March & April together reveals a 6-7% decline, in line with the Dec-Feb underlying trend.
- **LHR traffic up 2% in Mar-Apr** — The 2.6% headline rise at LHR means that Mar-Apr has seen an impressive 2.0% increase and also suggests that April has reversed the negative trend of recent months and particularly March, when the underlying trend seemed to deteriorate. The LHR numbers continue to hold up relatively better than at other UK airports due to LHR's greater share of more resilient long-haul traffic as well as rising transfer passengers. Data YTD shows a 4% decline.
- **LGW down a disappointing 3% in Apr despite favourable Easter timing** — The 3% fall at Gatwick airport, despite the holiday timing, is a very disappointing figure. Taking the two-month, Mar-Apr, period, traffic is down just over 10%, with YTD 11.5% lower, implying a slightly less negative trend over the last two months. The capital constraints being suffered by the banks, along with recent poor traffic figures, appear likely to have limited bids for LGW to well below the c£1.7bn RAB (3/09), with press reports suggesting c£1.4bn (8.0x 2008 Ebitda) and the risk probably being to the downside. A FER request to delay or modify the divestment requirement, given the depressed state of asset markets, appears possible, in our view.

Gedeon Richter Rt (GDRB.BU)

FY09 Guidance Given Though Scope For Upgrades Limited

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Hold/Medium Risk	**2M**
Price (08 May 09)	Ft31,700
Target price	Ft33,600
Expected share price return	6.0%
Expected dividend yield	1.8%
Expected total return	**7.8%**
Market Cap	Ft590,808M
	US$2,853M

	2008	**2009E**	**2010E**
EPS new(Ft)	2,428	2,629	2,681
EPS Old(Ft)	2,428	2,629	2,681
EPS Growth	31.6	8.3	2.0
P/E	13.1	12.1	11.8
EV/EBITDA	9.4	8.3	7.2
Consensus Data	na	2,537	2,609

Price Performance (RIC: GDRB.BU, BB: RICHT HB)



- **What's New?** — At this morning's press conference FY09 revenue guidance was given for the first time. Revenue guidance was given on a regional basis (see Figure 1 below) and suggests maybe 1% upside to our current forecast of 7% growth to Ft253bn (implies –ve $/€ growth). We currently forecast an unconsolidated EBIT margin (excluding wholesale and retail activities) of 21.7% versus guidance of 'around 20%'.
- **Conference call at 15.00 BST —** UK: +44(0)20 7138 0825, US::+1 212 444 0481 pass code: 7964509.
- **Underlying EBIT in line with expectations** — Wholesaler rebates across CIS were 3x lower in Q109 (€1-2m) than Q408 (€5m). Other operating income was boosted by a one-off milestone payment relating to RGH-188 (Ft2bn) and we assume the subsidies relating to construction of the biotech plant in Debrecen totaled Ft0.2bn. Excluding these items EBIT would have come in around our forecast of Ft10.2bn (16.7% margin).
- **Q109 Colour —** Pricing erosion in Hungary seems to have abated with volume growth returning. That said, recent reimbursement changes are set to fully offset this going forward. While reported sales in Poland and Romania declined local currency sales growth was 9% and 1% respectively. Romania likely to remain tough with Richter now invoicing in Leu. Sales across CIS -20% in $-terms due to global financial crisis hitting Russia (limited shipments in January), Ukraine and other CIS states. In the US the *Yasmin* profit share more than offset an accelerating decline in API sales due to pricing/competition. Gynaecology products represented 29% of EU, 16% of CIS and 89% of US sales.

Henderson Group Plc (HGGH.L)

Slightly Disappointing Q1 09 IMS*

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Sell/Medium Risk	**3M**
Price (08 May 09)	£0.86
Target price	£0.82
Expected share price return	-4.7%
Expected dividend yield	7.1%
Expected total return	**2.4%**
Market Cap	£708M
	US$1,071M

	2007	2008E	2009E
EPS new(p)	10.0	7.9	9.2
EPS Old(p)	10.0	7.9	9.2
EPS Growth	-9.9	-21.1	15.8
P/E	8.6	10.9	9.4
EV/EBITDA	6.6	7.5	6.4
Consensus Data	10.8	7.2	8.5

Price Performance (RIC: HGGH.L, BB: HGG LN)



- **AUM declines 12% qoq to £43.4bn** — Henderson's AGM and Q1 09 IMS statement shows AUM declining 12% qoq to £43.4bn, composed of £3bn of outflows and 6% negative market movement/FX adjustment.
- **Higher margin outflows of -£0.4bn** — This is an improvement on -£0.9bn at Q4 08 but still slightly disappointing. Citi's forecast for 1H is -£0.6bn. As indicated in our downgrade note of 6 May, US Wholesale suffered Q1 outflows and UK Wholesale saw inflows. Horizon sold a bit better than expected but the key disappointment was the -£0.3bn outflow from hedge funds (AUM only £0.5bn).
- **Institutional outflows of -£0.2bn** — We were optimistic that the Q4 trend of institutional inflows (£1.2bn) would continue, but sadly the group suffered £0.2bn of outflows, due predominantly to cash fund redemptions.
- **Indications of more positive Q2 flows** — Management sought to offset the Q1 disappointment by stating that in April/May clients are "looking to shift back into higher margin products" and they have recorded several mandate wins in the Institutional Fixed Income area.
- **Pearl outflows in line at -£2.4bn** — In addition Pearl has given notice of a further £2.4bn AUM. Negative market movement/FX caused a further -£0.6bn. This is line with our -£.5bn 1H projection. Due to the nature of management agreements, this should not have any material impact on future revenues.
- **Guiding lower on investment income** — Performance and transaction fees together are stated as likely to be significantly lower in 09 yoy but this has been revealed before. Somewhat newer information is that investment income is being guided more significantly lower in 09 due to realisations from the investment portfolio and the sale of the stake in Banco Popolare.
- **Property pipeline falls to £1.8bn** — Property flows in the period were flat. Management indicates modest pipeline investment took place but this was offset by the closure of the Henderson Shop Unit Fund and as a result the total property pipeline reduced from £2.1bn at FY 08 to £1.8bn at Q1 09.
- **Cautious on market reversal, reiterate Sell** – we remain cautious equity markets will reverse from here and therefore advise taking profits in HGG due to its recent outperformance (+47% ytd in 09).
- *CORRECTION NOTE: AUM figure in first bullet amended to correct error in original version.

Kuwait Projects Company - KIPCO (KPRO.KW)

1Q Headline: Better Than Forecast Underlying, Still Buy

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Buy/Medium Risk	**1M**
Price (10 May 09)	KD0.530
Target price	KD0.737
from KD0.698	
Expected share price return	39.1%
Expected dividend yield	4.6%
Expected total return	**43.7%**
Market Cap	KD612M
	US$2,112M

	2008	**2009E**	**2010E**
EPS new(KWf)	21	44	55
EPS Old(KWf)	21	44	55
EPS Growth	-95.9	107.1	25.1
P/E	25.0	12.1	9.7
EV/EBITDA	12.6	19.8	15.6
Consensus Data	na	40	50

Price Performance (RIC: KPRO.KW, BB: KPROJ KK)



- **1Q Headlines Broadly in Line, Underlying Better** — Revenues: KD113.4m vs. our KD115.9m estimate. Net profit KD9.2m vs. our KD9.9m est. "FX Revaluation loss" of KD6m due to 6% appreciation of USD vs KD in 1Q. Stripping this out would imply significantly better profit than we estimated. Outlook statement is no more than cautiously optimistic: "looking forward, we expect the recovery of the local economy to have a positive effect on our results". A more bullish tone would have been consistent with strong results ex FX reval loss.
- **Strip out FX Reval Loss?** — We believe it is legitimate to consider net profit performance after stripping most of this FX reval loss. FX gains/losses are accounted for differently depending on whether the assets/liabilities affected are monetary or non-monetary. Kipco has net debt denominated in USD of c500m. FX gains/losses on monetary items are booked through the P&L. FX movements on non-monetary assets, e.g. Showtime and others, are booked to reserves (based on book value). If the economic value of USD non-monetary assets is broadly similar to USD net debt (we think it is probably a little lower) then much of the reported FX reval loss can be rightly considered accounting noise. (In future, Kipco should disclose FX losses/gains for comparability.)
- **Reiterate Buy, Updated NAV of KD0.737** — The current share price has c30% downside to sum of quoted stakes plus net debt, 3% downside to end 08 book net asset value, 4% upside to the sum of quoted stakes and all other assets at book and 39% upside to our estimate of fair value using quoted comparables for Kipco's largest subsidiaries (see below for detailed NAV split).

Lonmin PLC (LMI.L)

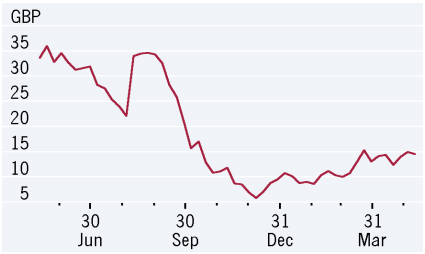
Timely Rights Issue

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Hold/High Risk	**2H**
Price (08 May 09)	£16.22
Target price	£9.00
Expected share price return	-44.5%
Expected dividend yield	2.8%
Expected total return	**-41.7%**
Market Cap	£2,560M
	US$3,870M

	2008	**2009E**	**2010E**
EPS new(US¢)	290.2	-41.9	-51.8
EPS Old(US¢)	290.2	-41.9	-51.8
EPS Growth	42.7	-114.5	-23.6
P/E	8.5	-58.5	-47.3
EV/EBITDA	4.1	-232.7	-216.4
Consensus Data	na	-1.6	49.6

Price Performance (RIC: LMI.L, BB: LMI LN)



- **H1 09 results** — EBITDA came in at a $51m loss (Citi -$31m loss, Consensus -$18m loss) and PAT at a $97m loss (Citi -$10m, Consensus -$23m). No interim dividend. Citi is currently forecasting a full-year loss of $66m. H2 now looks more positive than our original assessment.
- **Costs on the mend** — Cost per PGM ounce produced at R6956 was 26.7% higher than the first half of 2008 but was 1% down on the preceding 6 months to Sept-08 and is set to reduce further as the benefits of the restructuring program kick in during H2. Monthly cost trends are now improving steadily.
- **Cost guidance** — Lonmin had previously forecast total 2009 Rand-based gross operating costs for the full year to increase, but at a slower rate than South African inflation. New guidance is for these total costs to actually be lower than the 2008 total, in spite of the big wage increases in the interim.
- **Production** — Guidance is maintained at 700,000oz for this year. We believe that Lonmin has now turned the corner and expect substantial productivity and cost improvements. Furthermore H1 losses were incurred at a platinum price of $947/oz; current spot is 21% higher at $1150/oz.
- **Assessment** — We rate LMI Hold/High Risk because of the past operational problems but we would need to seriously assess the early signs of productivity progress.
- **Rights issue** — 2 for 9 at £9.00 raising $457m. Use of proceeds primarily to reduce debt. LMI had net debt of $449m at 31/3/09 and has $975m of committed facilities in place, with $575m of these comprising new facilities. A good time for a rights issue, even if not desperately needed, in our opinion.

Shire Pharmaceuticals (SHP.L)

Small Decrease for Vyvanse: All Eyes on GSK Impact

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Buy/Medium Risk	**1M**
Price (11 May 09)	£8.55
Target price	£12.00
Expected share price return	40.4%
Expected dividend yield	0.9%
Expected total return	**41.2%**
Market Cap	£4,790M
	US$7,242M

	2008	2009E	2010E
EPS new(US$)	1.28	1.00	0.94
EPS Old(US$)	1.28	1.00	0.94
EPS Growth	40.5	-22.4	-5.9
P/E	10.1	13.0	13.8
EV/EBITDA	12.7	9.9	9.7
Consensus Data	na	0.98	0.98

Price Performance (RIC: SHP.L, BB: SHP LN)



- ***Vyvanse* Market Share (TRx) -6bps to 11.5% for w/e 1 May** — NRx (new Rx) share -6bps to 12.2%. We forecast 2009 revenues of $535m (cons. $546m); this assumes 7% ADHD market growth in the US, 7% pricing and an exit-09 TRx share of 13%, vs. 10% in '08 (53% of required share gains already achieved). Our $1.1bn peak sales forecast in 2015 is based on a market share of 15%, market growth of 4-6% and pricing of 7-8% per annum (guidance is for peak sales of $1.5-2.0bn).
- ***Adderall XR* Erosion Profile Continues to Flatten** — TRx share declined only -41bps to 10.0% for the week ending 1 May, with NRx share -43bps 10.6%. This compares to -116bps and -124bps respectively for the week ending 24 April. Volume erosion now stands at -48% versus the 13-week TRx average prior to the entry of generics. Note, however, our assumptions are for rapid revenue erosion; -47% to $579m in 2009E (volume -60%, -70-85% from April, pricing +20%), -83% to $100m in 2010 and -90% to $10m in 2011E.
- **GSK Co-Promote Deal Now in Play** — The *Vyvanse* co-promotion deal in adults commenced 1 May, doubling the *Vyvanse* sales force to >1,200 reps. We look for this to drive Rx; weekly market share gains currently average +9bps YTD with 4bps required to get to our forecast (6bps to get to cons. at $546m). With the recent expansion of the adult segment (30-40% of Rx) by Shire and J&J, the ADHD market is posting 4-week and 13-week growth of 7% and 9%, respectively, with 13-week growth of 13% excluding *Adderall XR*.
- **EPS Sensitivity to *Adderall XR* erosion profile** — We estimate that $10m of incremental sales or shortfall (97% gross margin and taxed at 30%) adds/subtracts $0.01 to our non-GAAP EPADS forecasts in 2009-11E.
- **FY09 Non GAAP EPADS Guidance $2.74-3.14 —** This is based on avg. YTD FX rates (€/$ 1.31 and £/$ 1.45). CIRA is at the middle of this range at $2.99, with consensus at $3.00.
- **BUY Maintained** — We think Shire is well positioned to face industry challenges, with a portfolio of patent-protected growth drivers (46% of product sales) and an internal pipeline generator in the shape of its speciality biologics business, HGT. HGT is expected to grow from 15% to 28% of sales by 2013 and drive operating EBITDA margin expansion to 34-36% vs. <30% currently. We intend to update our forecasts post the 1Q09 results.

StatoilHydro ASA (STL.OL)

1Q09 Results – Initial Reaction

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Sell/Medium Risk	**3M**
Price (08 May 09)	NKr140.70
Target price	NKr100.00
Expected share price return	-28.9%
Expected dividend yield	6.0%
Expected total return	**-22.9%**
Market Cap	NKr448,643M
	US$69,462M

	2008	**2009E**	**2010E**
EPS new(NKr)	13.44	8.33	10.28
EPS Old(NKr)	13.44	8.33	10.28
EPS Growth	-14.0	-38.0	23.4
P/E	10.5	16.9	13.7
EV/EBITDA	2.0	3.7	3.3
Consensus Data	na	10.38	13.70

Price Performance (RIC: STL.OL, BB: STL NO)



- **Results** — 1Q09 Net Income was NKr3.7bn. With FX moves again materially skewing results at the Net level we focus on Operating Profit, where a Clean result of NKr36.0bn was 17% ahead of consensus – echoing beats from peers.
- **Upstream** — EP Norway Clean EBIT of NKr29.7bn was 10% ahead of consensus, with better-than-expected production (1583kboed Vs 1567kboed cons.) and liquids realization (+$1.60/bbl), plus a 45kboed positive lifting effect. Group entitlement production of 1934kboed rose by 2.4% YoY – 2% ahead of consensus.
- **Downstream** — The major positive surprise was Natural Gas (NKr5.0bn Vs NKr2.9bn cons.) due to solid volumes (13.2bcm Vs 12.5bcm est.) and an exceptional Gross Margin (NKr0.74/scm Vs NKr0.50/scm est.) – we do not expect this level of unit profitability to be sustained as the year progresses. M&M at NKr1.6bn beat on a larger-than-anticipated oil trading result.
- **Cash Flow** — Free cash flow was NKr(11.6)bn. As a consequence, gearing rose from 21.3% at end-08 to 24.2% at end-1Q09.
- **Investment Thesis** — As the 'beta' play in the integrated space, StatoilHydro has been a strong performer with the European equity market and oil prices testing six-month highs. We retain the view that the shares are exposed on valuation, both absolute and relative, and retain a Sell (3M) rating. Near-term we see some risk around 20th May ex-div with the prospective yield set to drop sharply given low visibility on the prospective payout relating to FY09 earnings.

Travis Perkins PLC (TPK.L)

Rights Issue Announced

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Buy/High Risk	**1H**
Price (08 May 09)	£7.54
Target price	£4.00
Expected share price return	-46.9%
Expected dividend yield	0.0%
Expected total return	**-46.9%**
Market Cap	£925M
	US$1,399M

	2008	**2009E**	**2010E**
EPS new(p)	121.6	84.3	90.1
EPS Old(p)	121.6	84.3	90.1
EPS Growth	-18.9	-30.6	6.8
P/E	6.2	8.9	8.4
EV/EBITDA	5.9	7.9	7.1
Consensus Data	na	77.5	76.6

Price Performance (RIC: TPK.L, BB: TPK LN)



- **Rights issue** — The group has announced a rights issue to raise approximately £300 million to strengthen its balance sheet.
- **Terms of the equity raising** — Around 85.9 million new shares will be issued via a fully underwritten 7 for 10 rights issue at 365p per new share. The issue price represents a 38% discount to the TERP based on Friday's closing share price.
- **Rationale** — The funds will primarily be used to pay down debt and thereby substantially increase its financial headroom. A stronger balance sheet should improve the group's flexibility during the recession, allow it to exploit the recovery and enhance its access to and cost of capital in the future.
- **Financial effects** — Net debt at the end of March was £984m, which will reduce to c.£590m giving gearing of c.40-45% at the end of 2009.
- **Current trading** — while tough, overall trading has been ahead of the Board's expectations. In the first four months of 2009, group revenue is down by 13.6% and 14.4% like-for-like. Retail performed particularly well with like-for-like down by only 3.1% – Wickes had a good Easter. Merchanting saw like-for-like sales down by c.19% with gross margin erosion being limited.
- **Overview** — Travis Perkins is a well managed company operating in a structurally attractive industry. A strengthened balance sheet improves its position to manage through the recession and exploit potential opportunities.

Turk Hava Yollari AO (THYAO.IS)

A Growth Stock With Value Multiples

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Buy/High Risk	**1H**
Price (08 May 09)	YTL8.45
Target price	YTL12.04
Expected share price return	42.5%
Expected dividend yield	9.1%
Expected total return	**51.6%**
Market Cap	YTL1,479M
	US$944M

	2008	**2009E**	**2010E**
EPS new(YTL)	6.48	3.85	4.63
EPS Old(YTL)	na	na	na
EPS Growth	327.2	-40.7	20.3
P/E	1.3	2.2	1.8
EV/EBITDA	2.8	2.5	2.1
Consensus Data	na	3.25	2.86

Price Performance (RIC: THYAO.IS, BB: THYAO TI)



- **Initiating Coverage** — We initiate coverage of Turkish Airlines (THY), the sixth largest airline in Europe, with a Buy/High Risk (1H) rating as our DCF driven 12-month target price of TL12.04 implies an upside of 43% (52% cum-dividend). The company benefits from the geographic location of Istanbul, the availability of relatively low-cost labour, the strong growth potential of nearby economies (especially in Middle East and Africa), the company's relatively young fleet and Star Alliance membership.
- **Impressive Growth** — THY posted a 15% passenger (pax) and 13% revenue passenger kilometers (RPK) growth in 2008 vs. a year ago. In comparison, the average growth posted in 2008 by the Association of European Airlines (AEA) was -1.6% in pax and 1.2% in RPK. We believe Star Alliance membership which began in April 2008 and relatively higher growing regional economies in Middle East and Africa have contributed significantly to the growth in 2008. We expect CAGR pax growth of 8.5% in 2008-2011E.
- **Attractive Valuation** — We estimate that current valuation implies EV/EBITDAR of 3.3x and 3.1x on 2009 and 2010 estimates, respectively, suggesting a discount of 36% and 26% vs. major European carriers. We feel this discount is unjustified as our European Airlines analyst, Andrew Light, expects most of THY's peers in Europe to actually post losses in 2009. Note that at our 12-month target price, the stock would still only trade at 2009E and 2010E EV/EBITDAR of 3.8x and 3.5x, respectively.

UBS (UBSN.VX)

Turning The Corner

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Buy/High Risk	**1H**
Price (11 May 09)	SFr17.18
Target price	SFr21.00
from SFr14.00	
Expected share price return	22.2%
Expected dividend yield	0.0%
Expected total return	**22.2%**
Market Cap	SFr50,382M
	US$45,389M

	2008	**2009E**	**2010E**
EPS new(SFr)	-6.05	0.15	1.51
EPS Old(SFr)	-5.97	-0.09	1.39
EPS Growth	-59.3	102.4	923.8
P/E	-2.8	116.8	11.4
Consensus Data	na	1.10	1.78

Price Performance (RIC: UBSN.VX, BB: UBSN VX)



- **Private Bank Flows Recovering** — Wealth management flows troughed in Oct08 after the Lehman default (-SFr30bn), recovered in Jan09 (+SFr4bn), slipped back in Feb/Mar09 on the US tax dispute (-SFr10bn), but are now indicated to have been better again in April, and we expect further improvement from here.
- **Investment Bank Revenues Healthier** — Equities revenues are back at decent levels (SFr1.4bn in 1Q). Fixed income is still affected by legacy items, but an underlying SFr1.5-2.0bn in 1Q looks quite encouraging. Origination and advisory revenues remain decent too.
- **Legacy Risks Much Reduced** — Most problem assets have now been transferred to the Swiss National Bank, and the remaining exposures well marked down (monolines of $4.5bn held at 37% of face, leveraged loans of $3.3bn held at c75%). Exposure to the regular credit cycle should be limited.
- **Capital & Leverage Improving** — The tier 1 ratio remains at 11.0%, after 1Q losses and pro forma for the Pactual sale, a little low but probably good enough for now. A US-GAAP asset/equity ratio of 34x continues to look stretched (versus US peers 15-20x). The Swiss leverage ratio is nearly at its 3% target.
- **Buy The Shares** — We upgraded UBS to Buy a few weeks ago, and reiterate that view. We think the PB outflows and IB revenue hits are past their worst, and we should now be closer to normal operating results and capital rebuild. We raise 2010E EPS 8% and target price from SFr14 to SFr21 (14x 2010E).

Unione Banche Italiane (UBI.MI)

Coping With a Difficult Environment

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Buy/High Risk	**1H**
Price (11 May 09)	€10.66
Target price	€12.80
from €13.50	
Expected share price return	20.1%
Expected dividend yield	4.2%
Expected total return	**24.3%**
Market Cap	€6,813M
	US$9,249M

	2008	**2009E**	**2010E**
EPS new(€)	1.33	0.60	0.82
EPS Old(€)	1.33	0.65	0.85
EPS Growth	-11.2	-54.9	36.3
P/E	8.0	17.8	13.1
Consensus Data	na	0.60	0.74

Price Performance (RIC: UBI.MI, BB: UBI IM)



- **NII Is Stronger** — NII was the main positive surprise of these results. Management say that deposit NII could suffer again in 2Q, but should then stabilise in 2H09. Volume growth was stronger than the sector average, mainly in retail and small business loans, while showing decreased large corporate exposure. We expect NII to decline by 9% YoY in 2009.
- **Commissions Decline To Slow** — UBI says that commissions will remain weak, due to both asset management and also banking fees (lower volumes), but falling less than -22% YoY. We forecast a c15% decrease in 09. UBI has c50% of AUM in mutual funds, and in April has seen inflows (but possibly in lower-margin bond and liquidity funds).
- **Some Surprises in Costs?** — Operating costs are down 2.6% YoY, and management indicate that UBI remains very focused on costs and has the potential for more cost savings, although these are not quantified. We expect costs to fall c4% YoY, benefiting from a single IT platform, lower staff costs, and branch rationalisation.
- **Confirming Guidance on Asset Quality** — Total gross NPLs grew 8% QoQ. UBI indicated it had not seen a major increase in inflows in 1Q, but economic conditions remained challenging. Sofferenze coverage eased QoQ (from 53.9% in 4Q08 to 52.7% in 1Q09), while the Incagli coverage was stable at 16.1%. UBI confirmed previous guidance of <85bp in 2009.
- **Upcoming Events** — UBI is awaiting regulatory approval for the tender offer on its hybrids, expected by July. We calculate that this could result in c20bp of additional core tier 1, due to capital gains. Any further news on costs could be a positive. UBI should present a new business plan by year-end.
- **Lowering Estimates and Target Price** — We have lowered our estimates by 7% in 2009E mainly due to weaker commission income and higher taxes. We have left our bad debt provisions unchanged at 81bp of loans. We lower our target price to €12.80 from €13.50, reflecting our estimate changes.
- **A Defensive Player** — We are lowering our estimates for UBI, but remain positive on the stock. Our preference remains for banks with a solid balance sheet, safer business mix and with a strong capital position. UBI trades at a discount to the European bank sector (1x P/BV vs 1.4x for the sector).

Victrex PLC (VCTX.L)

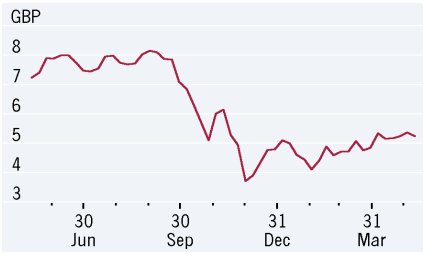
Past the worst of the downgrades

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Hold/Medium Risk	**2M**
from Sell/Medium Risk	
Price (11 May 09)	£5.18
Target price	£5.25
from £4.00	
Expected share price return	1.4%
Expected dividend yield	3.5%
Expected total return	**4.9%**
Market Cap	£430M
	US$650M

	2008	2009E	2010E
EPS new(p)	47.8	20.1	42.1
EPS Old(p)	47.8	23.2	42.7
EPS Growth	6.4	-58.0	109.6
P/E	10.8	25.8	12.3
EV/EBITDA	6.6	12.3	6.6
Consensus Data	na	21.7	37.4

Price Performance (RIC: VCTX.L, BB: VCT LN)



- **Three profit warnings later** — Victrex 1H09 PEEK volumes fell 40%. We get the full details on 19th May. March was the worst month with volumes roughly 60% beneath 1H08 levels. Our EPS expectation for 2009 has reduced from 54p in October 2008 before we made our first material downgrade to 20p today. The traditional PEEK business may have fallen into a small loss making position in 1H, but Invibio is still generating strong profits.
- **Demand hit trough levels** — In March, de-stocking affected all key end markets simultaneously (auto, industrial, electronic). We believe the probability of a further demand deterioration is low but the pace of recovery may be slow.
- **Pricing and currency favourable** — Unlike other plastics we do not anticipate PEEK prices to be undermined by weak demand. Victrex has kept underlying prices unchanged for 10 years and we see no reason for this strategy to change. Reported prices are actually still on an upward trend given sterling weakness and faster growth of higher-priced Invibio grades.
- **Invibio very strong in 1H09** — Revenues grew 50% yoy to £17.6m. This business is high margin. We find out exactly how high next week when Victrex will separate out Invibio's operating profit for the first time. It is likely that Invibio will have accounted for nearly 100% profits in H1.
- **Upgrade to Hold** — Demand may 'bump along the bottom' for a while but we do not think it will worsen from recent levels. Notwithstanding, we estimate Invibio and weak sterling guarantee profit recovery in 2010. The balance sheet is ungeared. With the worst of the profit warnings behind us we now feel comfortable to bring our target price back within our DCF fair value range of 500p-550p.

Autos Valuation Weekly

April Sales in Europe – All Mixed Up

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- **Vehicle sales down 12%: ('Haves' up 4.4%; 'Have-nots' down 32%)** — The distinction between car markets which 'have' scrappage schemes (notably Germany, France, Italy) and those which do not, underlines the precarious nature of European recovery. Even though the UK (mid-May) joins the 'Haves', the concentration of demand in low-value small cars has so far left larger and upscale vehicles in the grip of price wars.
- **Usual suspects ahead** — We think investors will place especial value on companies showing industrial outperformance in a year when the whole industry is essentially profitless. So good news that VW (+150bps) and Fiat (+120bps) are again ahead, and probably not just due to the geographical incidence of incentives. Current losers appear to be upscale DAI and BMW, each down around 120bps in share. Auto stocks have responded well to the prospect of volume gains, but some of this must be vulnerable if we see a 'W' shaped end-market progression in Europe, as scrapping schemes mature or are withdrawn.
- **Global context** — March global sales ran at around 56m light vehicles annualised. April looks to be >57m, mostly on the improved European performance (up 1m to 13.4m SAAR) as the US market slipped back to 9.3m (from 9.9m). Brazil was down 9.5%, China up a strong 33% and India up 9% YoY.

Figure 1. Estimated April 2009 W European Market Share by Manufacturer, Units and % share

	Sales in Big 5 Markets ('000)			Estimated W EU Market Share		
Manufacturer	**Apr,09**	**Apr,08**	**% Chg**	**April 09E**	**Apr 08A**	**Chg (bp)**
BMW Group	43.4	63.4	-31.6%	4.8%	6.0%	-120bp
Daimler	46.1	67.3	-31.5%	4.7%	5.9%	-124bp
Fiat Group	105.4	97.0	8.7%	9.6%	8.4%	+123bp
PSA	124.2	138.2	-10.1%	12.8%	13.2%	-36bp
Renault	83.6	92.5	-9.6%	8.4%	8.6%	-21bp
VW Group	215.1	207.4	3.7%	22.0%	20.5%	+154bp
Ford	96.6	92.9	4.0%	8.7%	8.0%	+70bp
GM	85.2	90.7	-6.1%	9.5%	9.5%	-1bp
Total Market	**953.2**	**1019.3**	**-6.5%**			

Source: SMMT, KBA, ANFIA, ANFAC, CCFA and Citi Investment Research and Analysis

German Country Research

Transferring coverage

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- With this note we transfer coverage of SMA Solar Technology AG (S92G.DE; €51.77; 2H) and centrotherm PV AG (CTNG.DE; €32.06; 1H) to Vidya Anant.

German Utilities

1Q09 Preview

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- **Common Factors** — EON and RWE are likely to suffer from: weaker sterling and weaker oil price on the E&P business. But higher achieved power prices, particularly in Germany, are likely to offset most of this. We think EON and RWE will not revise the recently announced guidance for FY09 earnings (EPS down c10% for EON, flat for RWE).
- **EON** — EON (EONGn.DE; €24.54; 1H) has to prove recent acquisitions are performing better than shown in FY08 results in our view. But the situation in Spain is still tough so there could be room for small disappointment there, while good margins in generation in Italy should be supportive. In Russia, recent Fortum 1Q results show profitability is improving, which bodes well for EON.
- **RWE** — For RWE (RWEG.DE; €58.50; 2H) focus likely remains on when the Essent deal will be completed and potential upside on earnings from the deal. Trading is as always the wild card in the deck but other divisions such as Energy should show gradual/stable growth.
- **EON or RWE?** – The recent outperformance of EON vs. RWE is likely to continue in our view. Even after the rally, EON trades at Adj. P/E 10E of 7.6x and yields 7% vs. RWE 10.6x and 6.1%. If we see recovery in the Italian and Russian businesses these could be positive catalysts for EON, plus any update on the disposal process would further boost the share price of EON in our view.
- **Results Details** — EON results out on 13 May, conference call at 3pm CET, +49 69 2222.3455; RWE results out on 14 May, conference call at 3pm CET, +49 69 2549.9350.

Hearing Aid Manufacturers

April Volume Data Shows Further US Recovery

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- **6.3% volume growth in April 09** — Data from the Hearing Industries Association shows US volume growth of 6.3% in April, an acceleration on the 5.1% reported in Q1 09. While no detail is given regarding the growth in private units versus government sponsored devices, it is clear that the recovery seen in early 2009 has continued.
- **Hearing aid rally may be overdone** — Both Sonova and William Demant have rallied strongly since March when the February data demonstrated a market recovery, however we feel the rally may be overdone. Sonova now trades on a 2010E PE of 15.6x, despite consensus forecasts of 5.6% earnings growth CAGR 08-11E. William Demant trades on 2010E PE of18x, with consensus earnings growth of 13%. We believe the expectation of a market recovery is fully priced in, potentially leading to downside surprise. We reiterate our Sell recommendations on both stocks.

Industrial Country Overview

London

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- **Euro Area** — ECB council members comment on some improving signs for the economy
- **France** — Industrial activity continued to fall for a seventh consecutive month in March
- **Italy**— Industrial production likely plunged again in March
- **Norway** — Core inflation likely declined in April, although headline inflation headed higher
- **UK** — The press are continuing to focus on MPs' expenses
- **US** — No significant economic data are released today
- **Australia** — Today's survey of business conditions provides more evidence that the magnitude and extent of the economic downturn is moderating

Italy

Industrial Production Plummeting Faster

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- **Industrial output fell by a larger-than-expected 4.6% MM in March** (consensus: -2.0%; citi: -3.4%). Moreover, the **February reading was revised down** from a previously reported -3.5%MM to -4.6% MM. This leaves the first quarter down by 9.9% QQ (not annualized), deteriorating further from the contraction seen in Q408 of -8.4% QQ, and confirmed that the recession has deepened in the first months of this year.
- The March result may have been distorted by an "over-adjustment" for the Easter effect in the seasonal adjustment procedure. If so, the decline may be partially reversed in April. Together with some stabilization – albeit at historical low levels – of some business survey indicators, this may lead to a **small monthly rise for industrial production in April** – the first since April 2008.
- However, all coincident and leading indicators for the manufacturing sector suggest that any improvement at this stage is likely to be temporary and that **the contraction in the industrial sector is unlikely to end any time soon.** Even allowing for some further improvements in the manufacturing PMI in May and June, the level of this indicator (the most reliable in tracking industrial activity) would still be consistent with a drop in industrial production of around 5% QQ in Q2 (Figure 1).
- This is even more worrying given that the current recession is already the **most severe among all previous downturns** of the past 40 years (Figure 2). The level of industrial output in March 2009 was back to the levels prevailing in 1987.
- The current main drag on manufacturing activity remains the external sector: imports from outside the EU – normally a good indicator for short-term developments in industrial production – collapsed by 6% MM in March and business expectations on future exports remain extremely weak. **We do not expect positive QQ growth rates in industrial production to be seen before early 2010.**
- Today's data raises the **downside risk on our already below-consensus forecast for Q1 GDP,** due out on Friday. We expect a decline of 2.5% QQ – versus median expectations of -1.8%. The lower-than-expected industrial output figure points to a reading for GDP growth closer to -3.0% QQ.

Small Mid Cap Research

Transferring coverage

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- With this note we transfer coverage of 3i Infrastructure Plc (3IN.L; £0.96; 1L) to Mike Pinkney
- We transfer coverage of QinetiQ (QQ.L; £1.37; 1M) to Jeremy Bragg
- We transfer coverage of Telecity Group Plc (TCY.L; £2.72; 1H) to Michael J Williams.

South Africa Macro View

A Balanced Cabinet, but Questions over Split of Economic Mandates

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- President Jacob Zuma announced his new cabinet on Sunday. The choice of ministers contained few surprises and generally reflected a balance between different forces within the ANC that have backed the President in recent years. Mr. Zuma, however, did not merely reward supporters, but also opted for diversity, openness and institutional experience.
- National Planning Commission head Trevor Manuel and his successor as Finance Minister, Pravin Gordhan – both regarded as fiscal pragmatists – are likely to retain important roles in economic policy formulation. They may have to compose, though, with a more interventionist push from the Economic Development and Trade and Industry Ministries.
- Time will be needed for investors to assess whether the new cabinet maintains the generally prudent macro policy stance of its predecessor, but improves on the latter's failings in micro management and service delivery. President Zuma has repeatedly stated he will not tolerate under-performance, but he may still have to compose with intra-ANC political factions.

Support Services

Transferring coverage

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- With this note we transfer coverage of the following stocks to Adrian Cattley:
- Aggreko PLC (AGGK.L; £5.66; 2M)
- Bunzl PLC (BNZL.L; £5.07; 2L)
- Michael Page Group (MPI.L; £2.65; 1H)
- Capita Group PLC (CPI.L; £7.00; 2M)
- Xchanging plc (XCH.L; £1.98; 1M)

Turkey Macro Flash

Unidentified inflows continue to pick up the slack in financing

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- At USD 1.0 billion, the current account gap in March came in slightly narrower than the consensus (USD 1.3 billion) but closer to our projection (USD 1.1 billion). The March outturn, which is much lower than the deficit seen in the same month of 2008 (USD 4.3 billion), brings the 12-month deficit to USD 30.5 billion from USD 33.8 billion in February.
- In parallel, the 12-month non-energy current account surplus in March has reached USD 6.1 billion from USD 4. 9 billion in February. The sharp turn around in the non-energy current account deficit since the second half of 2008 underscores that slowing economic activity is beginning to rein in imports.
- The following are worth highlighting on the capital account front. *First*, compared to the same period last year, FDI inflows were weaker by USD 1.4 billion. *Second*, at around USD 2.1 billion, errors and omissions remain a large source of financing. *Third*, the rollover ratio for the private sector stood at 54% in March; well below the figure seen in the same month of 2008 (246%).

Figure 1. Turkey – Current Account, Actual and as Forecast, March 2009 (US Dollars in Billions)

March 2009	Actual	Citi Forecast	Market Forecast	Previous Release
Current account (US$ billion)	-1.0	-1.1	-1.3	0.0
Merchandise trade (BoP definition)	-1.2	-1.2	…	0.5
Services	0.6	0.5	…	0.4
Income	-0.5	-0.6	…	-1.1
Transfers	0.1	0.2	…	0.1

Source: Central Bank of the Republic of Turkey, Bloomberg and Citi Investment Research and Analysis

Valuation Spreadsheet

Awaiting Centrica IMS/AGM for British Energy Update

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- **Centrica Will Release an IMS on Monday Morning 11 May 09** - Followed by their AGM starting at 2pm. Of key interest will be an update on the proposed British Energy transaction with EdF, from which Centrica undertook to get increased value from EdF during their results announcement in February.
- **Should a Deal be Announced on Monday We See 3 Possible Scenarios** - (1) No significant improvement in the deal - negative for Centrica; (2) EdF substantially improves deal (£500 million+) - good short term for shares but minority stake still long term negative for Centrica; (3) Centrica walks away - good for shares, with Centrica then likely to pursue better value E&P opportunities.
- **Other Points of Interest Include -** Progress with VPC **-** Centrica now controls at least 24%; and an update on business conditions as the retail business tries to offset under pressure upstream operations.

Appendix A-1

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Data current as of 31 Mar 2009	**Buy**	**Hold**	**Sell**
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% of companies in each rating category that are investment banking clients	47%	43%	36%

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