



DOLMEN STOCKBROKERS
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IRISH PAPERS TODAY

Oil nears \$113 after Bernanke talk
(The Irish Times)

New store boost sales at Penny's by 23% over 6 months
(The Irish Independent)

Revenues up 10% at Kerry Group
(The Irish Times)

INTERNATIONAL PAPERS TODAY

Banks suspected of tweaking risk measure
(Financial Times)

Regulators hope for Libor packs
(Wall Street Journal)

Italian impasse rekindles eurozone jitters
(Financial Times)

Market View

- Stocks were boosted overnight by strong US economic data points and Ben Bernanke's confirmation that the Fed supported continued easing
- The Fed chairman will continue to provide a defence of his asset purchase programme when he testifies to lawmakers today
- In Italy, the Democratic party leader has indicated he will try to form a minority government and asked all his opponents to back a bare bones five point programme of political reform
- An indication of appetite among investors for the Italian sovereign will be provided when it goes to the bond markets at 10.00 this morning
- Other data points to note are US Durable Goods at 13.30 with -4.7% expected (Prior: +4.6%) while Pending Home Sales are released at 15.00 with 8.2% expected YoY (Prior:4.9%)

Centrica – BUY – TP 403p - Solid FY12 numbers and development plans

- Centrica this morning issued a solid set of FY12 numbers and increased the dividend 6% to 16.4p, in line with market expectations.
- Earnings grew 5% to 27.1p per share (27.0p expected) from a 14% increase in operating profit to £2.74bn (market consensus £2.63bn) and 5% increase in revenue to £23.9bn (consensus at £23.2bn)
- Net debt at 31 December was £4.05bn versus our (CFE estimates) £4.39bn expected, which sees net debt to EBITDA sitting just north of 1x.
- Management has “refreshed [its] strategic priorities to reflect changing market conditions” which on an initial assessment are in line with market expectations.
- We look for the Strategic Update to elaborate on a number of matters, including the planned managerial changes at British Gas, where the departure of MD Phil Bentley has been confirmed. We would also expect updates on investment plans, following the decision not to progress with nuclear new build.

Comment: Centrica has provided a solid set of FY12 numbers with overall cash flow stronger than we had forecast. As expected, management has outlined a three year strategic development plan, which highlights further innovation and integration in existing businesses to deliver better returns. Given relative market dynamics, management sees North America as a more material part of the Group going forward and in upstream activities it will continue to develop its gas portfolio where it sees attractive value. The Strategic Update probably holds few surprises and we reiterate that despite a decent run since mid-November, we believe that Centrica remains the cheapest of the UK Utilities and maintain our BUY recommendation and TP of 403p.



Home Depot:
Strong beat,
company confident
in housing recovery

- Reported Q4 adjusted EPS of \$0.67 (+34% YoY) vs. consensus \$0.64
- Revenue \$18.25bn (+13.9% YoY) vs. consensus of \$17.7bn
- Sales Store Comparable Sales +7.00% vs. consensus +3.9%
- Increased quarterly dividend 34% to \$1.56 p.a. (2.4% yield) – in line with 50% payout ratio
- 2013 EPS guidance 3.4% behind consensus – but ‘conservative’
- The Board authorised \$17bn share buyback programme; expect to buy back \$4.5bn in 2013
- The Board is considering taking on up to \$4bn of additional debt to repurchase shares

Comment: Home Depot, a Core Portfolio stock, reported a robust set of numbers yesterday, which saw the stock rise 5.7% on the day. Q4 was flattered by Superstorm Sandy repairs. The company acknowledged it's 2013 guidance for 3% comp sales growth forecast is conservative. This conservatism is belied by the 34% dividend increase, the \$17bn share buyback authorisation and the potential to take advantage of low financing costs and its strong balance sheet to return additional cash to shareholders. Underlying trends amongst its Pro customers (building contractors) suggest a broadening of the housing recovery, which management believes is still in its early stages. Home Depot trades on 19.3x 2013 EPS, which we believe is justified by its leverage to a US housing rebound, which has considerably further to run.

Gaming Sector:
New Jersey
legalises online
gaming

- Yesterday, the New Jersey Governor signed the state's internet gaming bill into law, making it the third state (after Nevada and Delaware) to pass online gambling legislation, legalising online casino gambling to residents
- People from out-of-state will also be allowed to wager as long as it is consistent with federal law.
- The legislation authorises the 12 casinos in Atlantic City to offer a full portfolio of online gambling products

Comment: Bill A2578 has been in the pipeline for some time, since its predecessor, S490, was vetoed by the NJ Governor over concerns that it did not comprehensively prohibit iGaming from being offered in bars and internet cafes. Although of no direct impact on the Gaming stocks under our purview, including William Hill and Paddy Power, it represents a further step forward in US state legislation towards greater acceptance/regulation of online gaming at state, and possibly federal, level. Currently, William Hill is licenced to offer services to c.150 casinos in Nevada, through the acquisition of three service providers and Paddy Power is in a B2B partnership with the British Columbia Lottery Corporation. Both are positioning themselves for potential greater liberalisation of the North American gaming market.

Pancontinental Oil & Gas - Partner releases prospective resources report

- FAR Limited, Pancontinental's partner in the L6 exploration block offshore Kenya, released the results of a prospective resources report, which was completed using 3D data and internal technical studies conducted by FAR
- Pancontinental holds a 40% interest in the L6 block with partner FAR (60%)
- Three prospects were identified using new 3D seismic data with combined potential for 630m barrels of oil on a gross, un-risked, best estimate basis (252mmbbls to Pancontinental)
- The L6 block has the potential to contain 3.7bn barrels of oil or 10.2TCF gas on a gross, un-risked best-estimate basis

Comment: The FAR report presents significant prospective resource potential and the company has indicated it is now seeking to identify the location of its first exploration well. However, the partners require a farm-in partner before drill planning can commence on block L6. Pancontinental is seeking to farm down over the first half of 2013, with the potential to drill a well on the L6 block sometime in H2 2013.

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Dolmen Stockbrokers Ltd, 75 St. Stephen's Green, Dublin 2, Ireland.



Dublin: 75 St. Stephen's Green, Dublin 2, Ireland. Tel : +353 1 633 3800. Fax : +353 1 633 3856/+353 1 633 3857

CORK: Dolmen House, 45 South Mall, Cork. Tel: +353 21 422 2122.

LIMERICK: Theatre Court, Lower Mallow Street, Limerick. Tel: +353 61 436500.

Email : ireland@cantor.com web : www.cantorfitzgerald.ie