

# THE ECONOMIC MONITOR

## U.K.

*Professional Edition*

### INSIDE THE REPORT

- Stock recommendations and price targets from top brokerage firms
- Stock Watch and Analysis for **Burberry Group**, **Easyjet** and **Premier Oil**
- Analysis and views on **BHP-Potash** deal
- Economic Indicator Watch along with Graphs
- List of companies earnings which hit and miss the analysts' expectations
- Important Events Scheduled on November 16

### Economic Events & Indicators

- **CPI, RPI and RPI-X (retail prices)**

### Corporate Events

- **Advanced Computer Software Group**, **Cropper (James)**, **Record** interim results
- **Burberry Group**, **Byotrol**, **TalkTalk Telecom Group**, **Trifast**, **Victoria**, **British Land**, **Cable & Wireless Worldwide** H1 results
- **EasyJet**, **Enterprise Inns** final results
- **Premier Oil** H1 trading updates

### Breaking News

- **U.K. economy** needs **quick recovery**: **Cameron**
- **BHP** scraps **Potash** deal, resumes buyback
- **LDC** to opt for spin-off from **Lloyds Banking**
- **RBS** approves project finance sale
- **Lonmin** releases full-year earnings
- **Barclays** lends **Unite Group**
- **Segro** plans to reduce its vacancy rate
- **Invensys** refuses **CSR** takeover

### MARKETS AT A GLANCE

- Britain's top shares fell, led by commodity and bank stocks, as concerns over Europe's sovereign debt problems hit sentiment, while Invensys rose 4.5 percent on bid talk. The **FTSE 100** closed at 5820.41, up by 23.54, or 0.41 percent.
- British **gilt** futures slipped more than half a point to a three-month low, tracking Bunds in anticipation that Ireland may ask the European Union for help to manage its debt. Yield on ten-year gilts was almost 7 basis points higher at 3.261 percent, tightening the spread against Bunds by around 3 basis points to 70.
- The **dollar** drove sterling 0.4 percent lower for the day to \$1.6070. Sterling had fallen as low as \$1.6042 in morning trade.
- **Oil** rebounded above \$85 a barrel, after falling sharply from a more than two-year high last week as investors looked beyond Irish debt worries to signs of a macroeconomic pick-up, but a strong dollar capped gains. ICE Brent futures rose 54 cents to \$86.88.
- **Gold** held near \$1,370 an ounce, steadying after its biggest one-day fall since July 1 in the previous session, as concerns over euro zone sovereign debt levels offset pressure exerted by strength in the dollar. Spot gold was bid at \$1,372.70 an ounce at 1614 GMT, against \$1,366.35 late in New York on Friday.

### STOCK INDICES

INDEX	LAST	CHNG	% CHNG
FTSE 100*	5820.41	23.54	0.41
FTSE Tech Mark 100*	1911.36	1.12	0.06
FTSE Eurofirst 300*	1111.62	7.63	0.69
DAX*	6790.17	55.56	0.82
CAC 40*	3864.24	33.12	0.86
Stoxx Europe 600	272.13	1.95	0.72

\* CLOSING VALUES

### CURRENCIES

INDEX	LAST	PRIOR
Euro (EUR/USD)	1.361	1.3693
U.K. Pound (GBP/USD)	1.6061	1.6136
Japanese Yen (USD/JPY)	82.81	82.44

*All prices are at 11:36 AM EDT*

### FUTURES

	LAST	CHANGE
Crude Oil	85.03	0.15
Natural Gas	3.916	-0.066
Gold, Dec.	1371.8	6.3
Copper (¢), Dec.	391.2	1.4

*All prices are at 11:25 AM EDT*

## STOCK RECOMMENDATIONS BY BROKERAGE HOUSES

BROKERAGE/COMPANY	ACTIONS	RATING
<b>Jefferies</b>		
BT Group	Raises price target to 215p from 191p	--
Vodafone Group	Raises price target to 205p from 175p	Buy
<b>HSBC</b>		
AMEC	Raises price target to 1275p from 1139p	Overweight
Electrocomponents	Raises price target to 325p from 280p	Overweight
National Grid	Raises price target to 615p from 600p	Neutral
<b>RBS</b>		
Imagination Technologies	Raises price target to 484p from 404p	Buy
<b>Deutsche Bank</b>		
Marks and Spencer Group	Raises price target to 430p from 370p	Hold
<b>Execution Noble</b>		
Fuller Smith & Turner	Cuts to sell rating	Sell
Greene King	Raises to buy rating	Buy
Punch Taverns	Raises to buy rating	Buy
<b>Credit Suisse</b>		
Spectris	Raises price target to 1,310p from 1,115p	Outperform
British Sky Broadcasting	Raises price target to 775p from 700p	Neutral
<b>UBS</b>		
Barclays	Cuts price target to 305p from 340p	Neutral
Vedanta Resources	Raises price target to 2500p from 2400p	Neutral
<b>JP Morgan</b>		
BP	Raises price target to 550p from 500p	Overweight
Lonmin	Raises to neutral from underweight, raises price target to 2100p from 1550p	Neutral
<b>Investec</b>		
Rolls Royce Group	Raises price target to 675p from 630p	Buy
<b>Citigroup</b>		
Standard Chartered	Raises target price to 2250p from 2170p	Neutral

*Disclaimer: The views and investment tips expressed by investment experts are their own, and not that of IBTimes or its management. We advise users to check with certified experts before taking any investment decisions.*

## DAILY EARNINGS HITS & MISSES AS ON 15 NOV, 2010

COMPANY	PERIOD	CURRENCY	EPS EST	EPS ACT	DIFFERENCE EPS	REV EST (mln)	REV ACT (mln)	DIFFERENCE REV (mln)
Lonmin	A	USD	0.70	0.70	0.00	1,481.72	1,585.00	103.28
Robert Wiseman Dairies	H1	GBP	21.1	21.33	0.23	451	452.84	1.83

## STOCK WATCH AND ANALYSIS FOR BURBERRY GROUP

\*\*\* The stocks are selected on the basis of forthcoming corporate results or top recommendations by brokers and investment bankers for the day

### Summary of Research

- **Sanford Bernstein** recommends 'Hold' rating on the stock and upgrades price target to 1,000 pence.
- **Credit Suisse** has recommended 'Hold' rating on the stock with a price target of 990 pence.
- **Nomura Securities** sets price target at 964 pence per share and recommends 'Hold' rating.
- **Societe Generale** has recommended 'Outperform' rating on the stock with a target price of 915 pence.

(For numbers please refer the earnings outlook section below)

### Sensitive Information

The global luxury company, Burberry Group will release its H1 results on 16 Nov. In its recently released first half trading update, the company said comparable store sales rose 9 percent in the first half, with mainline stores delivering consistent double-digit sales growth in both quarters. Retail sales increased by 20 percent on an underlying basis against an increase of 24 percent (£294 million) reported a year ago.

Asia Pacific and Europe continued to deliver double-digit comparable store sales growth, with Hong Kong, United Kingdom, Italy and France among the best performing markets while comparable store sales in the Americas region were broadly unchanged from last year.

Analysts at **Societe Generale** say that "We estimate Burberry is poised to generate the most dynamic growth in the luxury-goods sector thanks to an acceleration in capital-expenditure spending, strong retail expansion and the development of new categories". Analysts also said that current valuation levels leave little room for upside in the stock price.

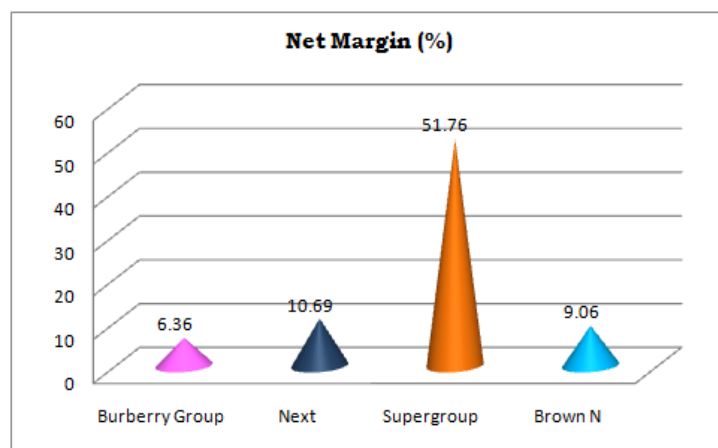
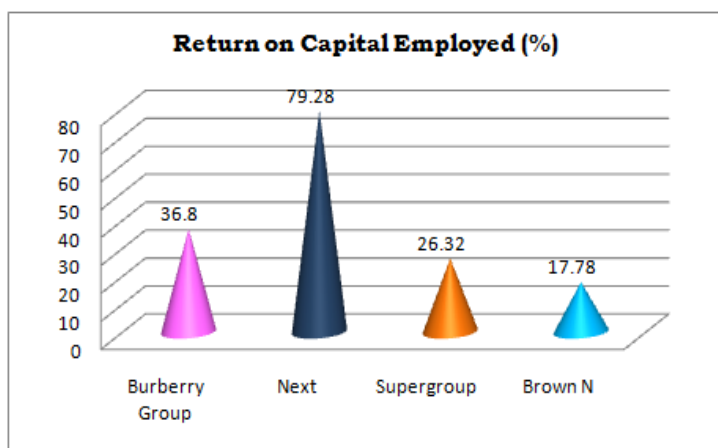
U.S. consultancy firm **Bain & Co**, predicted growth in the luxury sector to slow down by 3-5 percent next year after a 10 percent rebound in 2010. After a months-long rally, several major European luxury stocks fell partly on the back of the report and profit-taking.

Bain said it expected growth in the luxury sector to run out of steam as the basis for comparison became higher and currency fluctuations could hamper tourist flows. The consultancy firm predicted in April that global luxury sales would grow only 4 percent in 2010. Sales in Europe, whose luxury brands account for around 75 percent of the global market, are seen up 6 percent this year, fuelled by shoppers from emerging markets.

Below is the summary of sector comparisons in terms of price earnings, earnings per share, dividend per share, dividend yields, return on equity and price-to-book ratio. The table explains how the company is performing against its peers/competitors in the sector.

Name	Period	PE	Est. PE	EPS	DPS	Currency	Payout	Div Yld	ROE	P/Book	P/Sales
	(months)							(%)	(%)		
<b>Burberry Group</b>	12	53.40	23.92	0.19	15.56	GBP	82.74	1.55	13.79	7.41	3.42
<b>Sector average (Mean)</b>		16.63	14.67	0.40	13.07	GBP	22.77	1.92	41.37	6.34	1.57
<b>Sector median</b>		10.65	10.54	0.11	0.92	GBP	11.66	1.82	19.59	2.45	0.58
<b>No of Constituents: 10</b>											
<b>Burberry Group</b>	12	53.40	23.92	0.19	15.56	GBP	82.74	1.55	13.79	7.41	3.42
<b>Next</b>	12	10.46	9.96	1.89	80.00	GBP	42.44	3.73	272.53	29.39	1.15
<b>Supergroup</b>	12	11.15	32.55	1.27	0.00	GBP	0.00	0.00	71.78	11.16	8.05
<b>Brown N</b>	12	10.84	10.54	0.23	12.72	GBP	55.73	4.56	19.59	2.45	1.13
<b>JD Sports Fashion</b>	12	7.87	7.23	0.88	20.56	GBP	23.32	2.67	30.82	2.69	0.49
<b>French Connect</b>	12	-	15.85	-0.26	1.11	GBP	-4.27	2.09	-35.02	0.72	0.24
<b>Jacques Vert</b>	12	6.06	5.94	0.03	0.72	GBP	27.78	4.59	21.23	1.29	0.26
<b>Alexon Group</b>	12	-	6.53	-0.13	0.00	GBP	0.00	0.00	-	-	0.15
<b>Moss Bros</b>	12	-	-	-0.06	0.00	GBP	0.00	0.00	-17.12	0.66	0.17
<b>Theo Fennell</b>	12	-	19.52	-0.02	0.00	GBP	0.00	0.00	-5.26	1.28	0.68

Notes: Est - Estimated; DPS - Dividend per Share; ROE - Return on Equity; P/Book - Price-to-Book ratio; P/Sales - Price-to-Sales Ratio (Stocks are ranked according to the market capitalization figures)



## EARNINGS EXPECTATIONS ON BURBERRY GROUP

EPS (Pre Except) (GBP, Minor)	FY MAR-2011	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
	Confirm Date	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013
<b>Credit Suisse</b>	11/11/2010	--	33.45	41.87	50.49	55.43
	<b>Confirm Date:</b>	--	19/5/2010	11/11/2010	11/11/2010	11/11/2010
	<b>Previous Estimate:</b>	--	32.41	41.86	48.44	53.47
<b>Investec Securities (UK)</b>	5/11/2010	27.45	34.40	44.30	55.40	62.70
	<b>Confirm Date:</b>	5/5/2009	20/5/2010	5/11/2010	5/11/2010	5/11/2010
	<b>Previous Estimate:</b>	28.30	32.10	37.50	50.00	56.20
<b>Nomura Securities</b>	11/11/2010	30.70	34.70	43.23	52.17	59.91
	<b>Confirm Date:</b>	21/4/2009	13/5/2010	11/11/2010	11/11/2010	11/11/2010
	<b>Previous Estimate:</b>	30.02	34.20	41.60	50.10	57.50
<b>Sanford Bernstein</b>	12/11/2010	--	33.04	41.94	51.57	59.3
	<b>Confirm Date:</b>	--	14/5/2010	12/11/2010	12/11/2010	19/8/2010
	<b>Previous Estimate:</b>	--	33.00	41.90	51.60	59.20
<b>Societe Generale</b>	9/11/2010	22.50	33.30	38.30	47.30	52.30
	<b>Confirm Date:</b>	21/4/2009	21/5/2010	9/11/2010	9/11/2010	9/11/2010
	<b>Previous Estimate:</b>	19.5	--	38.00	47.00	47.50

## Earnings Outlook

The group expects full-year pretax profit to be in the upper half of market forecasts. Analysts were disappointed after the company released its trading updates for the first six months which showed that it did not upgrade for the forecast after strong second-quarter sales.

**Angela Ahrendts**, Chief Executive Officer, said that the momentum at Burberry continues, with 21 percent revenue growth and a material improvement in the gross margin in the first half. The company currently expects adjusted profit before tax for the full year to be in the top half of market expectations. He also said "Continued product innovation, digital and customer service initiatives, coupled with the recent acquisition of our Chinese retail operations, underpin our confidence in delivering long-term sustainable growth."

Burberry expects about 25 percent increase in H2 selling space, of which about 15 percent is China and about 10 percent increase in H2 underlying wholesale revenue excluding China.

**Sanford Bernstein** expects Burberry to report a revenue of £1399 million for the FY 2011 with an EPS of 41.94 pence. Earnings before taxes are estimated at £266 million with a dividend of £14 per share. The company's net debt would remain at £253 million for the full year. The broker downgrades revenue and net debt for FY 2011 and FY 2012 while upgrades net profit and capital expenditure for FY 2011 and 2012

**Credit Suisse** projects the company's revenue for FY 2011 will be at £1492 million and £1674 million for FY 2012. The broker expects the company to report a Net profit of £185 million for FY 2011 and £223 million for FY 2012. EPS is forecasted at 41.87 and 50.49 pence per share for FY 2011 and 2012 respectively. The net debt for the full year is estimated at £252 mln with a book value of 164.81 pence per share. The broker upgrades Revenue, Net profit and EPS while downgrades EBIT and Pretax profits for FY 2011 and FY 2012.

**Nomura Securities** estimates the company to report a revenue of £1382 million with a net profit of £188 million for the FY 2011. EPS is projected at 43.23 pence per share with a dividend of 17.37 pence. Capital Expenditure is estimated at £210 million with a Net debt of £202 million. The broker also expects revenue of £261 million and £341 million for the Q1 and Q2 respectively.

**Societe Generale** expects that the company to report a revenue of £1500 million for the FY 2011 with a dividend of 17.5 pence per share. Profit per share is forecasted at 38.30 pence per share.

## REVENUE AND EPS PERFORMANCE FOR BURBERRY GROUP

Revenue Performance (USD MLN)											
Revenue	2007	2008	2009	2010	2011	EPS	2007	2008	2009	2010	2011
Q1 Jun	--	--	--	229.00	291.00	Q1 Jun	--	--	--	--	--
Q2 Sep	392.00	449.10	539.10	572.40	673.00	Q2 Sep	0.111	0.149	0.170	0.129	--
Q4 Mar	458.30	546.30	662.40	707.50	--	Q4 Mar	0.136	0.156	(0.187)	0.055	--
FY	850.3	995.4	1,201.50	1,279.90	--	FY	0.247	0.305	(0.014)	0.184	--
Percent Change						Percent Change					
Q1 Jun	--	--	--	--	27.07%	Q1 Jun	--	--	--	--	--
Q2 Sep	10.45%	14.57%	20.04%	6.18%	17.58%	Q2 Sep	2.13%	34.68%	13.81%	-23.94%	--
Q4 Mar	18.12%	19.20%	21.25%	6.81%	--	Q4 Mar	19.27%	14.39%	-220.08%	129.56%	--
FY	14.46%	17.06%	20.71%	6.53%	--	FY	10.89%	23.60%	-104.56%	1424.23%	--

\*\*Percent Change is calculated on Period over Period

## STOCK WATCH AND ANALYSIS FOR EASYJET

\*\*\* The stocks are selected on the basis of forthcoming corporate results or top recommendations by brokers and investment bankers for the day

### Summary of Research

- **Societe Generale** recommends 'Outperform' rating on the stock and downgrades price target to 575 pence.
- **Macquarie Research** has recommended 'Outperform' rating on the stock with a price target of 560 pence.
- **Commerzbank Corporates & Markets** sets price target at 500 pence per share and recommends 'Buy' rating.

(For numbers please refer the earnings outlook section below)

### Sensitive Information

Budget airliner, EasyJet will report its final results for the financial year 2010. In November the company announced October 2010 Traffic Statistics and said it carried 8.6 percent more passengers in October and reported 1.4 percentage points increase in load factor. For the trailing twelve months ended October 2010, passengers carried increased 8.1 percent to 49.12 million from 45.42 million and load factor improved 1.4 percentage points to 87.1 percent from 85.7 percent in the year earlier period.

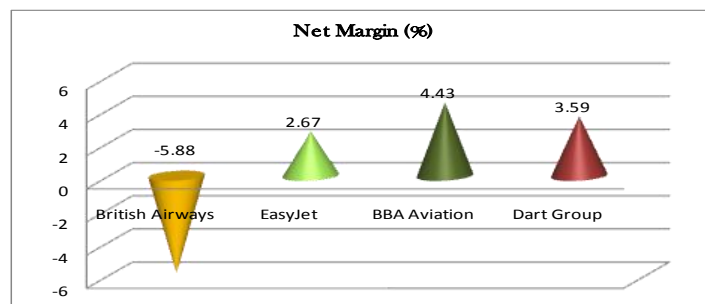
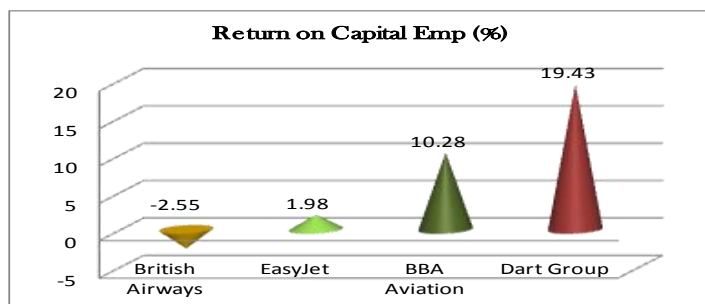
In addition to this, EasyJet settled brand dispute with **Stelios** in October. EasyJet signed an agreement with its founder and largest shareholder **Stelios Haji-Ioannou**, allowing the no-frills carrier to keep using the Stelios-owned brand name, ending a two-year dispute. The deal would mean EasyJet white label services related to passenger travel, such as car hire and hotels, would likely be preceded by the slogan 'brought to you by EasyJet' and not the 'easy' prefix. The agreement will allow EasyJet to use the brand for 50 years, with a minimum commitment of 10 years in return for an annual royalty payment of 0.25 percent of EasyJet's revenues, to be paid to Stelios, who owns 37 percent of the company. The payment will be capped at 3.9 million pounds and 4.95 million pounds for the first two years of the agreement.

EasyJet said that it expects to beat its profit expectations for the year following strong summer trading. Chief Executive Carolyn McCall said that the company now expects to deliver a pretax profit for the year to 30 September 2010 slightly ahead of the 150 million pounds (\$239 million) that was the top end of our previous guidance range of 100-150 million pounds. EasyJet also cut its cost estimates for the disruption caused by the eruption of a volcano in Iceland earlier this year to 60 million pounds from its previous forecast of 65 million. However, EasyJet said its operations had been hit by ongoing strike action by air traffic controllers in France, Greece and Spain, which it expects will cost it around 6 million pounds in customer compensation for flights cancelled in September. Below is the summary of sector comparisons in terms of price earnings, earnings per share, dividend per share, dividend yields, return on equity and price-to-book ratio. The table explains how the company is performing against its peers/competitors in the sector. (The table below represents top ten companies based on the market capitalization)

Name	Period	PE	Est. PE	EPS	DPS	Currency	Payout	Div Yld	ROE	P/Book	P/Sales
	(months)							(%)	(%)		
EasyJet	12	20.09	17.38	0.17	0.00	GBP	0.00	0.00	5.45	1.53	0.75
Sector average (Mean)		14.09	16.69	-0.03	5.29	GBP	-3.46	1.95	1.24	1.78	0.49
Sector median		14.64	13.50	0.11	1.23	GBP	0.00	1.47	5.45	1.60	0.41
No of Constituents: 5											
British Airways	12	-	33.17	-0.39	0.00	GBP	0.00	0.00	-23.16	1.60	0.41
EasyJet	12	20.09	17.38	0.17	0.00	GBP	0.00	0.00	5.45	1.53	0.75
BBA Aviation	12	14.64	12.14	0.11	8.56	GBP	75.05	4.29	10.68	1.92	0.80
Dart Group	12	7.55	7.25	0.11	1.23	GBP	11.15	1.47	13.51	1.03	0.27
Air Partner	12	-	13.50	-0.16	16.67	GBP	-103.52	3.97	-0.25	2.82	0.23

Notes: Est - Estimated; DPS - Dividend per Share; ROE - Return on Equity; P/Book - Price-to-Book ratio; P/Sales - Price-to-Sales Ratio (Stocks are ranked according to the market capitalization figures)





## EARNINGS EXPECTATIONS ON EASYJET

EPS (Pre Except) (GBP, Minor)		FY SEP-2010	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
		Confirm Date	Sep 2008	Sep 2009	Sep 2010	Sep 2011	Sep 2012
<b>Commerzbank Corporates</b>	<b>Included</b>	10/11/2010	--	Suppressed	27.61	41.94	49.01
				11.00			
	<b>Confirm Date:</b>		--	15/9/2009	10/11/2010	10/11/2010	10/11/2010
	<b>Previous Estimate:</b>		--	10.56	27.79	42.52	49.65
<b>Davy</b>		2/11/2010	20.9	7.00	26.7	43.3	61.1
	<b>Confirm Date:</b>		25/9/2008	11/11/2009	2/11/2010	2/11/2010	2/11/2010
	<b>Previous Estimate:</b>		25.6	7.20	24.10	--	--
<b>Macquarie Research</b>		11/11/2010	--	--	27.70	42.90	54.90
	<b>Confirm Date:</b>		--	--	11/11/2010	11/11/2010	11/11/2010
	<b>Previous Estimate:</b>		--	--	24.4	42.2	54.2
<b>Panmure Gordon</b>		2/11/2010	18.7	6.79	27.1	49.3	60.1
	<b>Confirm Date:</b>		6/11/2008	16/11/2009	2/11/2010	2/11/2010	2/11/2010
	<b>Previous Estimate:</b>		17.997	9.14	20.8	46.1	57
<b>Societe Generale</b>		12/11/2010	22.8	6.80	27.00	45.90	56.2
	<b>Confirm Date:</b>		14/11/2008	29/7/2009	12/11/2010	12/11/2010	12/11/2010
	<b>Previous Estimate:</b>		25.20	8.10	26.00	45.87	56.23

## Earnings Outlook

EasyJet expects to beat its profit expectations for the year following strong summer trading. **Chief Executive Carolyn McCall** said that the company now expects to deliver a pretax profit for the year to 30 September 2010 slightly ahead of the 150 million pounds (\$239 million) that was the top end of previous guidance range of 100-150 million pounds.

**Credit Suisse** projects the company's revenue for FY 2010 to be at £2,953 million and £3,241 million for FY 2011. The broker expects the company to report a Net profit of £116 million for FY 2010 and £198 million for FY 2011. EPS for FY 2010 and FY 2011 are forecasted at 41.87 and 50.49 pence per share respectively. The net debt for the full year is estimated at £147 million with a book value of 334.70 pence per share.

**Macquarie Research** expects the company to report a revenue of £2,942.95 million for the FY 2010 with an EPS of 27.70 pence. EBIT is estimated at £168.33 mln with a dividend of £9.20 per share. The company's net debt is estimated to be at £35.98 million for full year.

**Commerzbank Corporates & Markets** estimates the company to report a revenue of £2970 million with a net profit of £117 million for the FY 2010. EPS is projected at 27.61 pence per share with a capital Expenditure of £481 million. The broker expects Net debt of £461 million.

## REVENUE AND EPS PERFORMANCE FOR EASYJET

Revenue Performance (USD MLN)											
Revenue	2007	2008	2009	2010	2011	EPS	2007	2008	2009	2010	2011
Q2 Mar	629.50	719.00	892.20	1,032.80	1,170.70	Q2 Mar	(0.072)	(0.031)	(0.103)	(0.204)	(0.139)
Q3 Jun	--	--	--	--	759.20	Q3 Jun	--	--	--	--	--
Q4 Sep	990.20	1,078.20	1,470.60	1,634.00	--	Q4 Sep	0.288	0.373	0.289	0.361	--
FY	1,619.70	1,797.20	2,362.80	2,666.80	--	FY	0.227	0.356	0.194	0.166	--
Percent Change						Percent Change					
Q2 Mar	13.77%	14.22%	24.09%	15.76%	13.35%	Q2 Mar	-85.64%	57.19%	-237.04%	-97.16%	32.03%
Q3 Jun	--	--	--	--	--	Q3 Jun	--	--	--	--	--
Q4 Sep	25.64%	8.89%	36.39%	11.11%	--	Q4 Sep	69.54%	29.63%	-22.63%	25.10%	--
FY	20.75%	10.96%	31.47%	12.87%	--	FY	57.00%	57.01%	-45.42%	-14.36%	--

\*\*Percent Change is calculated on Period over Period

## STOCK WATCH AND ANALYSIS FOR PREMIER OIL

\*\*\* The stocks are selected on the basis of forthcoming corporate results or top recommendations by brokers and investment bankers for the day

### Summary of Research

- **Sanford Bernstein** recommends outperform rating on the stock.
- **Goldman Sachs** cuts price target to 1932p from 2163.6p and recommends the stock neutral rating.
- **Canaccord Genuity** raises the stock price target by 35p to 1,698p and recommends buy rating.
- **GMP Securities** recommends the stock with hold rating.

(For numbers please refer the earnings outlook section below)

### Sensitive Information

The **Observer** newspaper stated today that Korea's **KNOG** has made a bid approach to the oil explorer, soon after the news U.K. based explorer **Premier Oil** shares topped Britain's FTSE 250. The newspaper stated that the discussions with the company were preliminary in nature and no offer has yet been figured out. Premier Oil is one of a clutch of North Sea oil producers with which the Korean state-controlled firm has held discussions, the newspaper added. The company spokesman declined the rumours stating that if any approach had been made, they would have had to make an announcement to the market.

The company also announced that its E.On Ruhrgas UK E&P, operator of the Huntington project, leasing contract for FPSO Sevan voyageur has been signed with **Sevan production**. FPSO will be installed on Huntington Field in Q4 of 2011 and the production is expected to commence on Q1 2012.

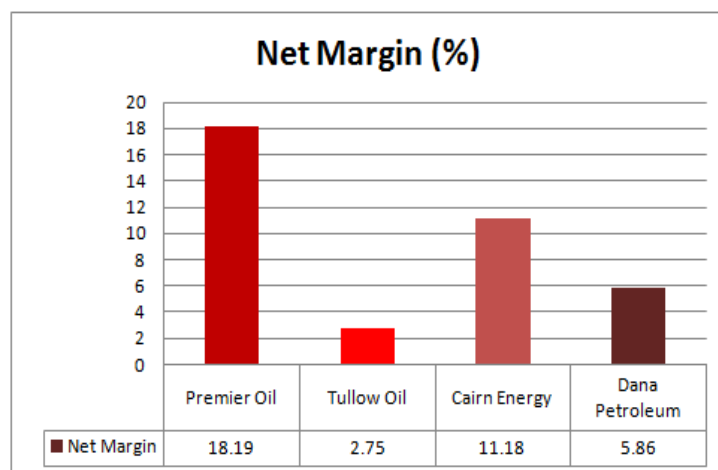
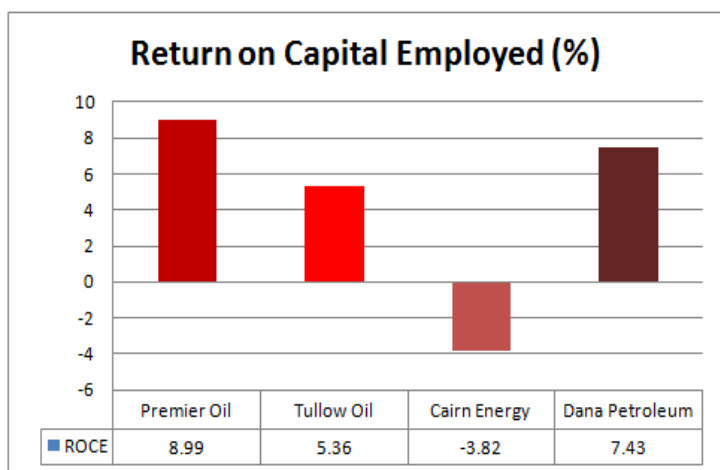
The company is also considering a \$500 million bid for **BP's** gas production business in Pakistan, but the company declined all rumours saying that it was unlikely to bid for BP's Pakistan assets, because it is happy with the growth prospects of its current portfolio.

Sanjeev Bahl, an analyst at **Numis** says "We expect management to provide further detail on development progress at Gajuh Baru and Chim Sao in South East Asia which are key drivers of near term production growth. We retain our positive view on Premier going in to fourth quarter 2010 given the company's exposure to a number of relatively low risk exploration catalysts."

Below is the summary of sector comparisons in terms of price earnings, earnings per share, dividend per share, dividend yields, return on equity and price-to-book ratio. The table explains how the company is performing against its peers/competitors in the sector. (The table below represents top ten companies based on the market capitalization)

Name	Period	PE	Est. PE	EPS	DPS	Currency	Payout	Div Yld	ROE	P/Book	P/Sales
	(months)							(%)	(%)		
<b>Premier Oil</b>	12	20.90	27.37	1.04	0.00	USD	0.00	0.00	11.63	3.48	5.44
<b>Sector average (Mean)</b>		58.59	35.64	n/a	n/a	n/a	5.57	0.92	-55.40	8.00	143.33
<b>Sector median</b>		29.51	24.68	n/a	n/a	n/a	0.00	0.00	-4.16	2.24	14.16
<b>No of Constituents: 79</b>											
<b>Tullow Oil</b>	12	145.07	119.88	0.02	6.67	GBP	356.51	0.54	1.05	4.59	11.98
<b>Cairn Energy</b>	12	116.64	27.64	0.02	0.00	USD	0.00	0.00	0.97	4.36	50.08
<b>Premier Oil</b>	12	20.90	27.37	1.04	0.00	USD	0.00	0.00	11.63	3.48	5.44
<b>Dana Petroleum</b>	12	28.76	-	0.25	0.00	GBP	0.00	0.00	3.44	2.53	4.32
<b>Afren</b>	12	21.97	25.49	-0.03	0.00	USD	0.00	0.00	-2.55	3.00	5.88
<b>Soco International</b>	12	48.93	41.95	0.17	0.00	USD	0.00	0.00	6.70	2.43	14.16
<b>Enquest</b>	12	-	-	-	-	-	-	-	-	2.57	-
<b>Rockhopper</b>	12	-	-	-0.07	0.00	USD	0.00	0.00	-9.67	16.93	-
<b>JKX Oil &amp; Gas</b>	12	8.90	10.73	0.54	5.67	USD	10.45	1.74	21.10	2.23	4.59
<b>BowLeven</b>	12	42.04	-	0.10	0.00	USD	0.00	0.00	-2.39	2.06	-

Notes: Est - Estimated; DPS- Dividend per Share; ROE- Return on Equity;; P/Book- Price-to-Book ratio; P/Sales- Price -to-Sales Ratio Stocks are ranked according to the market capitalization figures Notes: Est - Estimated; DPS- Dividend per Share; ROE- Return on Equity;; P/Book- Price-to-Book ratio; P/Sales- Price -to-Sales Ratio



## EARNINGS EXPECTATIONS ON PREMIER OIL

EPS (Pre Except) (USD, Major)	FY DEC-2010	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
	Confirm Date	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
<b>Canaccord Genuity</b>	29/10/2010	0.97	0.19	0.86	0.89	--
	<b>Confirm Date:</b>	25/02/2009	10/03/2010	29/10/2010	29/10/2010	--
	<b>Previous Estimate:</b>	0.99	0.18	0.88	0.99	--
<b>Credit Suisse</b>	25/10/2010	0.88	0.84	1.11	1.31	2.14
	<b>Confirm Date:</b>	13/03/2009	19/10/2009	25/10/2010	25/10/2010	25/10/2010
	<b>Previous Estimate:</b>	1.25	0.83	1.12	1.65	2.23
<b>GMP Securities</b>	04/11/2010	--	--	1.99	3.58	--
	<b>Confirm Date:</b>	--	--	04/11/2010	04/11/2010	--
	<b>Previous Estimate:</b>	--	--	1.34	2.66	--
<b>Sanford Bernstein</b>	11/11/2010	1.26	0.63	1.27	1.56	--
	<b>Confirm Date:</b>	05/03/2009	09/03/2010	11/11/2010	11/11/2010	--
	<b>Previous Estimate:</b>	--	0.38	0.59	1.46	--

## Earnings Outlook

The company which has recently made successful discovery at its West Rochelle well in the U.K. North Sea is expected to provide its trading and sale updates on Nov 16, 2010. The West Rochelle discovery is a potential tieback to the Scott field in which Premier has a 21.83% interest.

The company said that it is currently forecasting full-year production towards the top end of guidance at 45,000 barrels of oil per day.

**Sanford Bernestin** estimates that the company will report a profit of \$1.266 and \$1.555 per share for the periods FY 2010 and FY 2011 respectively.

**GMP Securities** says that the net profit forecasts for FY 2010 and FY 2011 are estimated at \$228.8 million and \$411 million respectively. Net Debt for FY 2011 is expected to fall to \$274.8 million from \$363.2 million in FY 2010. The company is expected to report an EPS of \$1.99 and \$3.58 for the periods FY 2010 and FY 2011 with a capital expenditure of \$600 million for FY 2010 and \$ 620 million in FY 2011 respectively.

## REVENUE AND EPS PERFORMANCE FOR PREMIER OIL

Revenue Performance (USD MLN)											
Revenue	2006	2007	2008	2009	2010	EPS	2006	2007	2008	2009	2010
Q2 Jun	196.20	255.50	385.80	213.90	366.80	Q2 Jun	0.364	0.202	0.698	(0.267)	0.536
Q4 Dec	162.60	322.70	269.40	407.20	--	Q4 Dec	0.487	0.181	0.274	1.306	--
FY	402.200	578.200	655.200	621.100	--	FY	0.668	0.383	0.982	1.039	--
Percent Change						Percent Change					
Q2 Jun	31.41%	30.22%	51.00%	-44.56%	71.48%	Q2 Jun	79.88%	-44.34%	245.00%	-138.19%	301.17%
Q4 Dec	-22.61%	98.46%	-16.52%	51.15%	--	Q4 Dec	170.95%	-62.86%	51.75%	375.91%	--
FY	11.91%	43.76%	13.32%	-5.20%	--	FY	71.35%	-42.65%	156.36%	5.76%	--

\*\*Percent Change is calculated on Period over Period



## ANALYSIS AND VIEWS

### BHP scraps Potash deal, resumes buyback

The world's largest mining company **BHP Billiton** restarted a share buyback after scrapping \$40 billion hostile takeover offer for Canada's **Potash Corp** of Saskatchewan Under \$13 billion buyback program, BHP will add \$4.2 billion of its shares.

Investors will be curious to know the future prospects of the company has cash pile when BHP chief executive **Marius Kloppers** fronts the group's annual meeting in Australia on Tuesday.

Industry Minister **Tony Clement** told reporters in Toronto yesterday that he rejected the bid in part because of concern BHP wouldn't bring new expertise or increase production. The government also faced pressure from the province of Saskatchewan, which argued Potash Corp's sale would cut jobs and tax revenue and surrender control of an important resource.

Credit-default swaps on BHP fell 5 basis points to 80 basis points as of 3:28 p.m. in Sydney.

<p><b>BHP</b></p>	<p>"The company believes that the minister of industry would have required additional undertakings beyond those BHP Billiton had already offered which would have conflicted with BHP Billiton's business strategy and been counter to creating shareholder value."</p> <p>Kloppers obtained \$45 billion of loans in September to fund the acquisition, which was opposed by Potash management and some investors. The failed bid will incur a transaction cost of about \$350 million.</p>
<p><b>Tim Schroeders at Pengana Capital</b></p>	<p>The buyback "probably isn't as much as some people had wanted."</p> <p>Scrapping the Potash deal indicates BHP "didn't really have a Plan B or any wriggle room to move forward."</p>
<p><b>Louis Meyer, special situations analyst at Oscar Gruss &amp; Son</b></p>	<p>"This is the realization that there's a low-to-no probability they can get a deal done at this time."</p> <p>"It's not surprising given the roadblocks thrown up, including price and regulatory rejection."</p>
<p><b>Standard &amp; Poor's</b></p>	<p>Standard &amp; Poor's Ratings Services today removed BHP's "A+" rating from creditwatch with negative implications because the withdrawal reduced potential pressure on the company's financial risk profile. The buyback "can be accommodated within the existing 'A+' rating."</p>
<p><b>Freeman Consulting, Research Firm</b></p>	<p>JPMorgan Chase &amp; Co. and nine other banks may lose an estimated \$120 million in advisory fees.</p> <p>In addition to advisory fees, financing banks can get as much as \$190 million to arrange loan.</p> <p>Most of the loan fees may have already been paid.</p>
<p><b>Mark Connelly analyst with Credit Agricole SA</b></p>	<p>"It was the way BHP approached both Potash Corp. and Canada that killed the deal," Mark Connelly.</p> <p>"They turned this into a political issue by being so outright hostile to Canada."</p>
<p><b>Australian Financial Review</b></p>	<p>Kloppers, appointed CEO in May 2007, scrapped his hostile bid for Rio Tinto Group in 2008 and a joint venture with the same company was abandoned last month. He spent \$450 million on the Rio takeover, according to the company. He also outlaid \$75 million on the Rio venture.</p> <p>Anadarko Petroleum Ltd. and Woodside Petroleum Ltd. may be acquisition targets for BHP, UBS AG said Nov. 5. Riversdale Mining Ltd., closely held U.S.-based coal company Drummond Co. and another large-scale potash producer may also be potential targets.</p>
<p><b>Brendan James, a partner at BHP shareholder Perennial Growth</b></p>	<p>"Certainly the best investment is probably in themselves at the moment."</p>
<p><b>James Bruce, portfolio manager at Perpetual Investments</b></p>	<p>"Marius continues to run the company in an extremely efficient manner. The fact that he's been unable to consummate a couple of deals doesn't change our view on his ability to manage the company."</p>
<p><b>Hayden Bairstow, CLSA analyst</b></p>	<p>"Their next target, whenever they go for it, is likely to be smaller than Potash was."</p>

## ECONOMIC INDICATOR WATCH ON NOV 16, 2010

### CPI monthly (October)

Forecast: 0.2 %, Prior: 0.0 %

### CPI yearly

Forecast: 3.1 %, Prior: 3.1 %

### RPI monthly (October)

Forecast: 0.3 %, Prior: 0.4 %

### RPI yearly

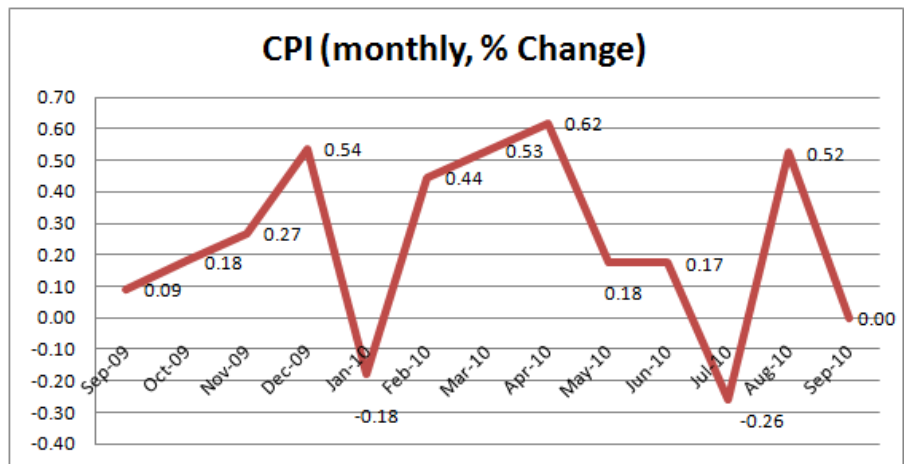
Forecast: 4.6 %, Prior: 4.6 %

### RPI-X (retail prices), monthly (October)

Forecast: 0.2 %, Prior: 0.4 %

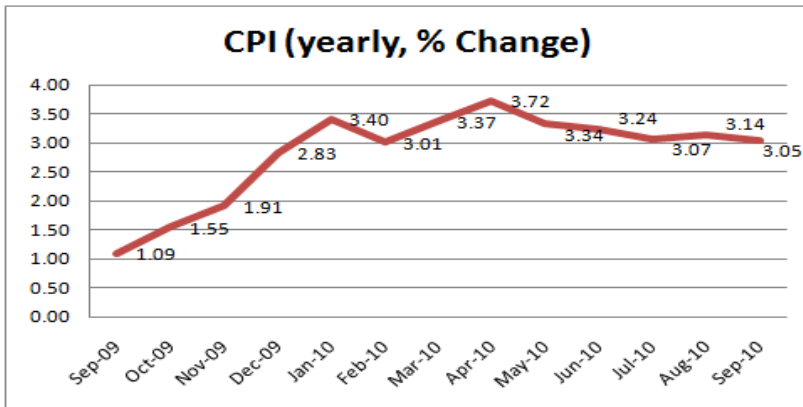
### RPI-X (retail prices), yearly

Forecast: 4.6 %, Prior: 4.6 %



Consumer price inflation rate for the month of October is expected to remain unchanged as predicted by economists, remaining well above the Bank of England's 2 percent target. This could also create further pressure on central bank governor **Mervyn King** to write another letter to finance minister **George Osborne** to explain why CPI is still more than one percentage point above target.

It also expected that October figures will add price pressures on food, fuel and commodity bills, while muted growth, excess capacity and high unemployment will pull in the other direction.



September consumer price inflation was flat on the month, but in line with economists' expectations. Last month figures remained steady at 3.1 percent as expected in September as a drop in transport costs offset a record jump in clothing prices and higher food inflation. The retail price inflation gauge eased less than expected to 4.6 percent in September from 4.7 percent, while CPI inflation eased slightly to 2.7 percent, excluding volatile food and fuel components.

Previous month showed the highest yearly rate of food and non-alcoholic beverages inflation since June 2009 and the highest yearly rate of clothing and footwear inflation since series began in Jan. 1997.

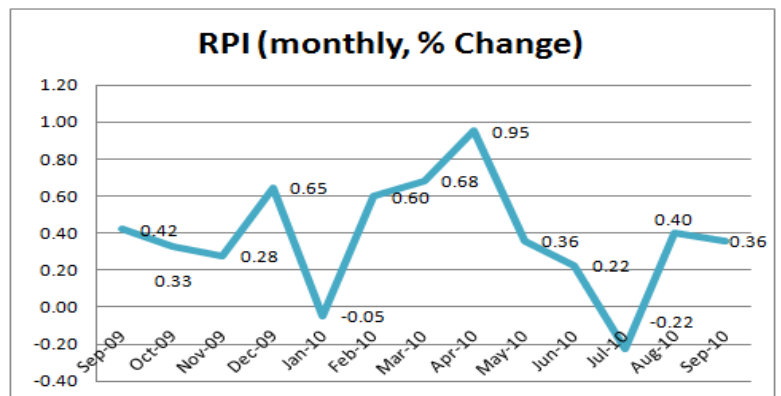
Jonathan Loynes, **Capital Economics** commented on the future outlook based on the past trends. He said that U.K. consumer

prices figures for the month of September were something of a mixed bag. Positive thing was that the headline rate was held up by a further rise in food price inflation, the core (ex. food and energy) rate edged down from 2.8% to 2.7%.

However on negative front the core goods inflation rose from 1.0% to 1.3%, the first rise in seven months. This was driven by a sharp rise in clothing & footwear inflation from -1.7% to +0.9%, the highest rate (and the first positive rate) since 1992.

He said that this could lead to some worries that the constant downward pressure on high street goods prices from cheap imports seen over the last decade or more is finally coming to an end. But he suspect such conclusions would be premature.

He predicts that the rise is a result of some retailers starting to raise their prices ahead of the coming VAT hike - other temporary effects may have played a part too. More generally, the continued pass-through of previous falls in producer prices and import prices, coupled with the spare capacity in the economy, should mean that the underlying trend in core inflation remains downwards for some time yet. Overall, inflation is certainly not making life easy for the MPC. But it is unlikely to prevent the Committee from implementing more quantitative easing if, as looks likely, it decides that the economy requires more support."



"The obstruction has been the persistent upward surprise of inflation. Those upward surprises have become smaller, so there is a growing case for QE, but it is very touch and go as to whether it will come as soon as November," Alan Clarke, U.K. economist, **BNP Paribas** said.

## THE NEXT TRADING DAY

### Economic events

No major economic events scheduled.

### Corporate events

**Advanced Computer Software Group**, a provider of technology solutions to the healthcare and commercial markets will declare its interim results. The company is expected to report a full year revenue of £94 million, up from £30.19 million reported a year ago. Net profit is estimated at £12 million, against £3.17 million reported a year ago. The company is expected to declare a full year profit of £3.20 per share with a capital expenditure of £2.30 million.

**Burberry Group**, the global luxury retailer is expected to release its H1 results. Analysts expect the company to report a full year profit of £41.83 per share, against £35.20 reported a year ago. Revenue is estimated at £1,452.33 million, up from £1,279.90 million reported a year earlier with a Net profit of £178.33 million, against £155.20 million reported a year ago. The company is expected to declare a dividend of £16.45 for the full year, with a capital expenditure increased to £130.20 million from £73.20 million a year ago. The company whose share price is currently trading close to all time highs, is expected to report a strong result following the second-quarter update, with both retail like for like and wholesale up, while pre-tax profits are expected to be at the top end of market expectations.

**Byotrol**, engages in the development, patenting and sale of products based on microbial technology will announce its first half results for FY 2011. The company is expected to report a full year revenue of £3.90 million, against £3.15 million reported a year ago. The company is estimated to report a loss of £1.05 million, against a loss of £2.179 million a year ago. Net debt is expected at £1.40 million with a capital expenditure of £0.10 million for the FY 2011.

**Cropper (James)**, manufacturer and retailer of paper and paper-related products will declare its interim results. Analysts expect the company to report a full year revenue of £82.50 million, up from £76.20 million reported a year earlier. Full year profit is estimated at £17.70 per share, against £21.10 reported a year ago. The company is expected to declare a dividend of £7.5 for the full year with a net debt of £0.70 million.

**Record** engages in the provision of currency investment management and currency hedging services will declare its interim results. The company is expected to declare a full year profit of £3.85 down from £5.38 reported a year ago. Full year revenue is estimated at £27.30 million with a dividend of £2 per share.

**TalkTalk Telecom Group** engages in the fixed line voice and broadband telecommunications businesses will release its first half results for FY 2011. Analysts estimate full year revenue of £1,790.51 with a net profit of £115.26 million. EPS is expected at £11.625 with a dividend of £5.377 for the full year. Net debt is expected at £336.98 million with a capital expenditure of £107.43 million for FY 2011.

**Trifast** will declare its H1 results for FY 2011. The company is expected to report a full year revenue of £99 million, up from £85.94 million reported a year ago. Net profit (GAAP) is estimated at £1.60 million, against a loss £2.19 million reported a year ago. The company is expected to declare a dividend of £0.25 per share with a capital expenditure of £1 million.

**Victoria**, will announce its first half results. The company is expected to report full year revenue of £65.30 million with a profit of £13.60 per share. Net debt is estimated at £6 million with dividend of £9 per share for the full year.

U.K.'s second-largest property firm, **British Land** will release its H1 results. The company is estimated to declare a full year profit of £28.18 per share against £28.40 reported a year earlier. Revenue for FY 2011 is expected at £447.72 million, against £337 million reported a year ago. Capital expenditure of £41.47 million is estimated for the full year with a net debt increased to £3,507.32 from £1,550 million a year ago. Analysts expect British Land to report solid gains in the value of its portfolio as the market for prime properties has continued to recover from near cyclical lows last year. Net asset value per share is forecasted to climb to more than 520p from 504p at the end of its last financial year, reflecting both yield compression and rental growth centered on its London office portfolio. The rate of portfolio valuation growth is expected to have slowed, although it is still expected to be worth about £4.4bn. Analysts are predicting the second quarter property valuation to have increased by 1 per cent as compared to 1.4 percent in the previous quarter. The broker Numis said that it is optimistic on the company prospect as it had been active in building its development pipeline, notably the pre-let agreement with UBS for new headquarters at Broadgate and the creation of a joint venture to progress the development of the Leadenhall Building. The broker rate hold recommendation on the stock as they estimate the firm as one of the strongest portfolios in the sector with an attractive dividend yield.

A telecommunications service provider, **Cable & Wireless Worldwide** will release its H1 results. The company is estimated to report a profit £7.552 per share, against £8.80 reported a year earlier. Full year revenue is projected at £2,229.79 with a net profit of £198.61 million. Analysts expect the company to declare a dividend of £4.50 per share with net debt of £10.48 million for the full year.

The company said in July that government spending cuts would put its 2010-11 earnings before interest, tax, depreciation and amortisation at the bottom end of analysts' expectations. Analysts have predicted EBITDA between £452 million and £484 million and said that the company's first-half results might not be as bad as feared. C&W Worldwide said in July that it would not see any new public-sector contracts for six months. But the group said last month that it had maintained all existing government contracts.

**EasyJet** will announce its final results for the year ended September 30, 2010. Analysts estimate the company to announce full year revenue of £2,959.20 million, against £2,666.80 million a year ago. Full year profit per share is expected at £26.903, against £14.06 a year earlier. Capital expenditure is estimated to decrease to £433.54 million from £515 million a year earlier. Budget airline easyJet is also expected to show a strong set of final results, after its pre-close statement highlighted strong trading in the final quarter. Analysts are predicting the company to issue a strategy update following the recent resolution of the 'brand' dispute.

**Enterprise Inns** is expected to declare full year profits of £25.59 per share, against £30.60 a year ago. Full year revenue is projected at £749.92 million, against £818 million reported a year ago.

**Premier Oil**, an independent exploration and production company will release its trading updates for the first half. The company is expected to report a full year revenue of £776.63 million with a net profit of £126.26 million.

## TOP STORIES

### U.K. economy needs quick recovery: Cameron

Prime Minister **David Cameron** is expected to highlight Britain's economic and military strength and close ties with the United States and Europe, soon after visiting China and a G20 summit in South Korea. Stressing the need of the country's economic recovery so as to remain a leading actor on the world stage, he will say that although growth has been strong this year, a slowdown is expected in 2011, largely because of the government's efforts to slash a record budget deficit.

### BHP scraps Potash deal, resumes buyback

The world's largest mining company **BHP Billiton** restarted a share buyback after scrapping \$40 billion hostile takeover offer for Canada's **Potash Corp** of Saskatchewan. Under \$13 billion buyback program, BHP will add \$4.2 billion of its shares. Investors will be curious to know the future prospects of the company has cash pile when BHP chief executive **Marius Kloppers** fronts the group's annual meeting in Australia on Tuesday. *(See analysis and views)*

### LDC to opt for spin-off from Lloyds Banking

LDC plans spin off from banking parent **Lloyds Banking Group**. **Darryl Eales**, chief executive of **Lloyds TSB Development Capital** (LDC) said that the firm was expected to start raising money from third-party investors by 2013, as quoted in the Financial Times. But the company said that it did not have plans to sell LDC.

### RBS approves project finance sale

**Royal Bank of Scotland** agrees project finance sale of a non-core portfolio of about £3.8 billion to the **Bank of Tokyo-Mitsubishi UFJ**. The projected sale is subject to the signing of a legally binding sale and purchase agreement and receipt of regulatory approvals and other consents.

### Lonmin releases full-year earnings

The company achieved its annual sales target despite ongoing processing problems and targeted platinum sales growth of 7.0 percent this fiscal year. The company reported an EPS of 70.2 cents for the financial year to the end of September compared with a loss of 59 cents last year. The company also sold 706,000 ounces of refined platinum compared with guidance of 700,000 ounces and last year's level of 682,955 ounces.

### Barclays lends Unite

Unite has been lent 66 million pounds (\$106 million) by **Barclays Real Estate** so as to build up a 671-bed student accommodation in London, the bank said. Unite's Chief Financial Officer **Joe Lister** said that this is the largest loan to one single asset in the student accommodation sector this year and they are planning to acquire land for over 4,000 beds and our ability to get funding and secure sites quickly demonstrates our robust approach to strengthening our London portfolio.

### Segro plans to reduce its vacancy rate

Segro, an industrial property landlord said that its major focus remains in further improving its occupancy rate, after the challenging market conditions lead a booking reduction in a vacant space. The company which is expecting to reduce its vacancy rate to 15.0 percent by end-2012, stated in its interim management statement that its vacancy rate reduced to 13.4 percent in the quarter to Sept. 30, from 14.0 percent at June 30. The company earned 8.3 million pounds (\$13.4 million) of annualised rental income during the quarter, against 4.1 million in the previous same period.

### Invensys refuses CSR takeover

Invensys has denied reports on CSR takeover speculation after its chief executive said that a deal with Chinese rail group CSR is possible. Ulf Henriksson had earlier said in an interview with the Telegraph that CSR has the possibility of acquiring Invensys, in principle. However, the company denied saying that it had not received any approach nor had any discussions regarding a possible offer for the company or about a strategic partner taking a minority stake.

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