

18 March 2010

## Research Recommendation: **BUY - Legal & General (LGEN)**

Fundamentals	2007	2008	2009E	2010E
Revenues (£m)	4,793	5,895	1,138	9,301
Pre-tax Profit (£m)	795	(2,153)	324	869
EPS (p)	11.2	(17.9)	15.2	12.1
P/E Ratio (x)	11.6	n/a	5.5	6.9
PEG (x)	n/a	n/a	n/a	n/a
Dividend (p)	5.97	4.06	3.63	3.99
Yield (%)	4.6	5.3	4.5	5.0

Source: Factset Research

Stock	Legal & Gen
Ticker	LGEN.L
Market	FTSE 100
12M High	88.8p
12M Low	31.2p
Market Cap.	£4,919m
Shares out	5,862m
Beta	1.33

### Background

Provides savings, risk and investment management services such as annuities, long-term savings, life assurance and financial protection products, sold through bank, building society relationships, IFAs and directly.

### Technical Commentary

After several months in wide downtrend, stock has made significant breach of return line and. Gives scope for move up towards 50% retracement level from the Mar 09 low. RSI and momentum moving up nicely. High beta helps in up market.

### Fundamental Commentary

Preliminary FY results: Tues 23 March

Within life assurance sector, results from Aviva (4 Mar), Standard Life (10 Mar) and Old Mutual (11 Mar) pleased market with shares rising steadily. Sector also benefited from Prudential announcing bid for Asian assets of AIG, generating speculation about other sector targets.

### Broker Comments

(17 Feb) LGEN could announce a higher dividend at FY results next month, after growing its capital surplus through savings and rise in assets under management. Oriel Securities maintains Buy recommendation.

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Graph: 1 year (daily)



Graph: 3-month (hourly)



### Risks

FY results next week could fall below expectations and disappoint market leading to broker downgrades.

Sector momentum could be lost.

**ENTRY PRICE** 83.9p

**STOP LOSS** 77.9p  
(-7.1%)

**Bull Points** Strong breakout of 6-month return line. Support from 38.2% retracement level and 100-day moving average. RSI rising. Good volumes.

**Bear Points** FY results could disappoint. Sector momentum could wane. Recent breakout only a few days old.