

Research Recommendation: **BUY - WPP Group (WPP)**

Fundamentals	2007	2008	2009E	2010E
Revenues (£m)	7,476	8,684	8,668	8,976
Pre Tax Profit (£m)	746.8	662.6	860.1	995.3
EPS (p)	56.7	45.1	48.3	54.3
EPS growth	19%	-20%	7%	12%
P/E Ratio (x)	7.1	13.5	13.3	11.8
PEG (x)	0.4	n/a	1.9	1.0
Dividend (\$c)	15.5	15.5	16.3	17.8
Yield (%)	3.8	2.5	2.5	2.8

Stock	WPP Group
Ticker	WPP.L
Market	FTSE 100
12M High	646.0p
12M Low	374.5p
Market Cap.	£8.0bn
Shares out	1254m
Beta vs FT100	1.01

Background

Operates communications services with operations encompassing advertising, media investment management, information and consultancy, public relations and public affairs, healthcare and specialist communications, and branding and identity services.

Technical Commentary

Shares remain in strong primary uptrend since last March. After pause in January, uptrend resumed in Feb, accelerating in March ahead of results.

Fundamental Commentary

Good results (5 Mar) and several target upgrades which could add momentum to shares. Volumes higher at present, accompanying bullish trend.

In a recent ranking of FTSE100 companies with most to gain from GBP weakness, WPP came out in 8th place.

Broker comments

Six brokers (Deutsche Bank, Kepler Securities, Barclays Capital, RBS, JPMorgan Cazenove, Numis Securities) all increased price targets post results (5 Mar). Range now 675-780p.

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Graph: 1 year (daily)



Graph: 3-month (hourly)



Risks

Management could trim FY guidance at its Q1 trading update in April

(5 Mar) Citi ups targets, keeps at Sell

Cuts in communications budgets at large firms/public sector.

ENTRY PRICE 638p

STOP LOSS 606p
(-5.0%)

Bull Points Several positive broker comments and target upgrades post results. Strong uptrend for shares. Earnings abroad and weak GBP.

Bear Points Trading update in April. Some brokers negative. Links to discretionary communication spend in private and public sector