

## Company ideas: Italy and France

The below laggard stocks are the result of a top down screen only. These are stocks that look good value to us and that may have been dragged down, perhaps unjustly, by a distaste for the country.

Look for laggards (vs their own sector) that may have been pulled down because of their country of residence

We have screened for stocks which *broadly* meet the following criteria:

- Underperformed the market and sector year-to-date
- 2011E PE relative to the market below its 10-year average
- 2011E PE discount to sector
- 2011E price-to-book relative to sector below 110%
- Market cap greater than €2.5bn

Table 5: French laggards – stocks that may have been dragged down – perhaps unjustly 'with' the country

Name	Sector	Mkt Cap (EUR bn)	Price (LC)	Upside to PT	UBS rating	YTD relative perf to market (EUR)	YTD relative perf (ppts) to sector (EUR)	P/E 2011E rel to 10yr ave	P/E 2011E rel to sector	P/BV 2011E rel to sector	Div Yield % 2011E
Alstom	Cap Goods	9.3	32.21	18%	Neutral	-37%	-54%	83	78	104	2.7
CNP	Insurance	7.8	13.11	11%	Neutral	-26%	-20%	67	77	87	6.1
Soc Gen	Banks	28.2	36.15	60%	Buy	-25%	-11%	61	70	78	5.8
CASA	Banks	22.3	10.03	12%	Neutral	-22%	-7%	57	61	55	7.5
TOTAL	Energy	84.4	37.62	12%	Buy	-20%	-13%	80	96	98	6.0
Bouygues	Cap Goods	10.8	31.56	-5%	Sell	-17%	-33%	67	74	59	5.2
GDF Suez	Utilities	59.9	26.49	8%	Buy	-16%	-2%	93	110	73	5.8
BNP Paribas	Banks	57.5	48.95	33%	Buy	-16%	-1%	63	68	93	5.0
Sanofi-Aventis	Pharma	65.0	48.29	1%	Neutral	-16%	-15%	53	73	45	5.5
TF1	Media	2.5	11.70	9%	Neutral	-13%	-17%	63	113	83	6.1
France Telecom	Telecoms	42.3	16.23	-1%	Neutral	-11%	-11%	89	90	92	8.6
Kleppierre	Real Estate	4.7	25.42	24%	Buy	-10%	-10%	60	84	87	5.1
Vivendi	Media	23.9	19.56	2%	Neutral	-10%	-14%	67	78	51	7.1
St. Gobain	Cap Goods	18.9	35.96	3%	Buy	-9%	-25%	114	96	50	2.9
Vinci	Cap Goods	21.3	39.25	22%	Buy	-5%	-20%	100	94	83	4.1
Capgemini	Software	5.2	33.74	22%	Buy	1%	-3%	59	80	48	2.9
STMicroelectronics	Semis	6.2	6.99	-10%	Neutral	4%	-21%	66	88	50	3.1
L'Oréal	HHold & Pers	49.3	84.48	10%	Buy	4%	-4%	81	114	83	2.3
Renault	Autos	12.9	43.62	1%	Buy	15%	-26%	100	73	55	0.0

Source: UBS estimates

Table 6: Italian laggards – stocks that may have been dragged down – perhaps unjustly 'with' the country

Name	Sector	Mkt Cap (EUR bn)	Price (LC)	Upside to PT	UBS rating	YTD relative perf to market (EUR)	YTD relative perf (ppts) to sector (EUR)	P/E 2011E rel to 10yr ave	P/E 2011E rel to sector	P/BV 2011E rel to sector	Div Yield % 2011E
Intesa SanPaolo	Banks	26.8	2.12	42%	Buy	-35%	-21%	67	87	59	6.9
UniCredit	Banks	30.7	1.59	26%	Neutral	-32%	-18%	72	93	53	6.2
MPS	Banks	5.8	0.87	15%	Neutral	-32%	-18%	74	97	42	0.0
Mediaset	Media	5.1	4.46	28%	Buy	-25%	-30%	60	89	n/a	7.9
Finmeccanica	Cap Goods	5.2	8.96	0%	Neutral	-23%	-40%	42	48	35	4.9
Eni	Energy	56.5	15.59	28%	Buy	-16%	-9%	73	84	77	6.5
Telecom Italia	Telecoms	12.9	0.97	29%	Buy	-14%	-15%	71	79	45	5.9
Enel	Utilities	35.1	3.74	20%	Buy	-11%	2%	51	71	79	7.1
Fiat*	Autos	16.2	13.27	28%	Buy	24%	-17%	102	158	113	1.6

Source: UBS estimates. Notes: \* Fiat is included despite missing a number of criteria given our analyst's view that the market may be underestimating the value in Fiat Spa post de-merger.

## German stock list

The below laggard stocks are the result of a top down screen only. These are stocks that that look good value to us and that were left behind in Germany's outperformance.

We have screened for stocks which broadly meet the following criteria:

- Underperformed the market and sector year-to-date
- 2011E PE relative to the market below its 10-year average
- 2011E PE discount to sector
- 2011E price-to-book relative to sector below 110%
- Market cap greater than €2.5bn

Table 7: German laggards -- stocks that look good value and have been left behind in Germany's outperformance

Name	Sector	Mkt Cap (EUR bn)	Price (LC)	Upside to PT	UBS rating	YTD relative perf to market (EUR)	YTD relative perf (ppts) to sector (EUR)	P/E 2011E rel to 10yr ave	P/E 2011E rel to sector	P/BV 2011E rel to sector	Div Yield % 2011E
E.ON	Utilities	43.4	22.78	3%	Neutral	-25%	-12%	92	98	80	5.7
Deutsche Bank	Div Fincs	35.8	38.55	30%	Buy	-18%	-13%	71	83	72	2.6
Merck KGaA	Pharma	13.4	61.66	4%	Neutral	-9%	-8%	55	78	52	2.9
Deutsche Post	Transport	15.5	12.86	24%	Buy	-8%	-12%	98	84	93	4.7
Allianz	Insurance	39.6	87.67	20%	Buy	-5%	0%	80	88	n/a	5.7
Aixtron	Semis	2.5	24.51	14%	Buy	0%	-25%	39	97	170	2.7
Wacker Chemie	Chemicals	6.7	133.90	13%	Neutral	5%	-13%	77	85	107	2.2

Source: UBS estimates.

## UK stock list

The below laggard stocks are the result of a top down screen only. These are stocks that that look good value to us and that were left behind in the UK equity market's modest outperformance.

We have screened for stocks which broadly meet the following criteria:

- Underperformed the market and sector year-to-date
- 2011E PE relative to the market below its 10-year average
- 2011E PE discount to sector
- 2011E price-to-book relative to sector below 110%
- Market cap greater than €2.5bn

Table 8: UK laggards - stocks that look good value and have been left behind in the UK market's outperformance

Name	Sector	Mkt Cap (EUR bn)	Price (LC)	Upside to PT	UBS rating	YTD relative perf to market (EUR)	YTD relative perf (ppts) to sector (EUR)	P/E 2011E rel to 10yr ave	P/E 2011E rel to sector	P/BV 2011E rel to sector	Div Yield % 2011E
BP	Energy	96.8	435.10	21%	Buy	-27%	-20%	51	68	87	5.8
Vedanta Resources	Met & Mining	6.7	2095.00	19%	Neutral	-19%	-32%	91	93	94	1.5
Smith & Nephew	HCare Eq	6.1	585.00	13%	Buy	-8%	-14%	60	78	106	1.9
Prudential	Insurance	17.5	585.50	20%	Buy	-8%	-1%	57	71	274	3.9
G4S	Commf Svs	4.0	241.70	24%	Buy	-7%	-19%	82	68	55	3.4
BAE SYSTEMS	Cap Goods	13.6	334.50	-1%	Neutral	-6%	-22%	60	59	105	5.6
Marks & Spencer	Retailing	7.2	382.40	12%	Buy	-4%	-24%	85	78	105	4.3
Morrison (Wm.)	Food Retail	8.7	273.90	6%	Neutral	-1%	-6%	71	99	75	3.3
Imperial Tobacco	Tobacco	23.5	1944.00	10%	Neutral	0%	-14%	89	85	62	4.8
ENRC PLC	Met & Mining	13.9	909.00	19%	Neutral	0%	-12%	89	80	98	2.4
Next	Retailing	4.6	2079.00	8%	Neutral	0%	-19%	78	65	n/a	3.6
Reckitt Benckiser	HHold & Pers	29.4	3489.00	15%	Buy	5%	-3%	83	92	237	3.5

Source: UBS estimates.