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Subject: *UPDATED* - Analyst Reports Summary Following Pre-Earnings and Stock Offering Announcements
Attach: Analyst Reports.pdf

Analyst Reports Summary Following Pre-Earnings and Stock Offering Announcements

Below are analyst report highlights post the June 9th announcements. Full reports are attached.

LEH: Raise and Write-Downs, But Not a "Capitulation" *New*
(4:06 p.m. - Fox-Pitt Kelton, David Trone)

- * Mgmt does expect a \$2.8 bil. loss in fiscal 2Q08, but this could have been absorbed without a raise, were it not under so much scrutiny lately. If there is a silver lining, the firm will be able to use this now-excess capital to be more offensive.
- * The loss of \$5.14 was bigger than expected because it was able to unload more problem assets than expected.
- * This will be Lehman's first quarterly loss in the credit meltdown, ONLY because this is the first quarter that its hedges have failed to protect them.
- * Despite mgmt's view that the hedging correlation problem was an "aberration", we are worried.
- * We believe the events that are behind Lehman's report will ultimately prove industry-wide, and with Lehman trading well below peer multiples, we view its relative risk/reward as quite attractive.

Larger Than Expected Loss & Capital Raise Leave Many Unanswered Questions *New*
(3:44 p.m. - Bank of America, Michael Hecht)

- * LEH this morning pre-announced a wider than expected loss ... vs. our expectation of a loss of \$276 million (or \$0.50 per share).
- * Lehman remains the most fixed income sensitive firm (across trading and underwriting)...Given our expectation of slowing fixed income sales and trading for the industry over the course of the next few quarters, this will make it difficult for Lehman to show revenue, EPS or ROE improvement...
- * LEH's valuation is above historical averages despite the fact that profitability (ROE) is likely to lag peers as the fixed income environment normalizes.
- * We await more details on total remaining troubled assets in aggregate as well as a L-III or illiquid asset update to help answer the question of whether \$6B in incremental capital raise is sufficient

Greater Than Expected Loss, But More Than in the Stock *New*
(3:06 p.m. - The Buckingham Research Group, James Mitchell)

- * LEH reported a preliminary loss ... much greater than our forecasted loss of \$335m (\$0.60 per share loss)...
- 1 Driving the loss was higher-than-forecasted "marks" on asset sales, poor hedging results, and higher comp.
- 2 Despite the negative results this quarter, there were some positive takeaways:
 - * Balance sheet and leverage reduced...
 - 1 Riskier assets cut...
 - 2 Revenue run rate still solid...
 - * We find it difficult to change our view on the stock for two reasons... First, the valuation is quite attractive trading at 0.9x pro forma book value...[second] the revenue run rate for the franchise continues to look solid.
 - 1 So despite the greater than expected pain this quarter, we are sticking with our Strong Buy rating.

Preannounces Large 2Q08 Loss - Mortgage Centricity Leads to Credit/Capital Electricity *New*
(2:50 p.m. - CreditSights, David Hendler)

- * Overall, we believe the company's moves to de-leverage the balance sheet are positive factors from a ratings perspective.
- * Lehman's Liquidity "Robust", But Industry Under Scrutiny [by ratings agencies]
- * Our view is that Lehman's revenue growth in recent years has largely been sourced from the "new age" products such as structured finance, private equity and leveraged lending deals with financial sponsors versus more strategic deal making... these products have been among the hardest hit in the market turmoil...
- * Lehman's profitability is likely to be materially less going forward than prior peak performance.

Another \$6b Capital Raise
(10:03 a.m. - Citi, Prashant Bhatia)

- * LEH pre-announced a 2Q08 loss of \$5.14 per share. This compares with [our] estimated losses of \$0.26...
- * On the positive side, the \$85b in hard to sell assets was reduced by about \$20b and is now around \$65b... \$65b is still quite large...it will likely keep the stock range-bound near-term (\$28 to \$33) trading between tangible book and book value.
- * Lowering our target price to \$50 (vs \$65 previously)...reflects the proforma impact of the new equity issuance and lower fixed income trading results than we previously forecasted.
- * Reiterate Buy as the worst is behind them, the new capital adds a margin of safety, and the stock is trading at close to tangible BV.

Pre-announces Expected Loss and Capital Raise
(9:48 a.m. - Sandler O'Neill Partners, Jeff Harte)

- * LEH pre-announced a 2Q08 loss of \$5.14 per share. This compares with [our] estimated losses of \$0.26...
- * It is hard to see the positives in a \$2.9 billion loss and a \$6 billion, dilutive capital raise. The modest silver lining is that LEH was able to reduce gross assets by \$130 billion...
- * Key topics for the conference call include: Why are this quarter's mark-downs so much larger than in previous quarters? How much confidence can investors have in currently reported book value?

Pre-Announcement & \$6 Bn Capital Raise
(9:34 a.m. - UBS, Glenn Schorr)

* We see the raise as 25+% dilutive and both were larger than even recent expectations.

* Timing & magnitude put credibility in question & some will likely remain skeptical on adequacy of marks... remaining exposures ...and opacity of a few key exposures...

* [Will] be back post call to address estimates and our price target

Wider-Than-Expected Q2 Loss and Capital Raise, But Question Marks Remain
(9:15 a.m. - Bank of America, Michael Hecht)

* LEH this morning pre-announced a wider than expected loss of \$2.8B (or \$5.14 per share) vs. our expectation of a loss of \$276 million (or \$0.50 per share).

* We await more details on total remaining troubled assets in aggregate as well as a L-III or illiquid asset update to help answer the question of whether \$6B in incremental capital raise is sufficient.

* Details to follow post conference call.

2Q08 Loss - First Take
(8:58 a.m. - Deutsche Bank, Mike Mayo)

* Lehman reported 2Q08 EPS of negative \$5/share (vs. our target of -\$0.59)

LEH to raise \$6 billion of capital, preannounces 2Q2008 results
(8:37 a.m. - Goldman Sachs, William F. Tanona)

* We anticipate the stock's initial reaction will be negative given the size of the loss and the book value deterioration... we would expect the stock to move higher throughout the day [with] investors covering their short positions.

* Our estimates and price target are under review.

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