



April 1, 2005

Contact Details:

Email : [research@dbb.ie](mailto:research@dbb.ie)  
[info@dbb.ie](mailto:info@dbb.ie)

Tel : +353 1 633 3800  
Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	5985 ↓	-61	-1.01%	11.0	-3.44%
FTSE 100	4894 ↓	-6	-0.13%	13.5	1.67%
DAX 30	4349 ↑	1	0.03%	15.0	2.18%
DOW	10504 ↓	-37	-0.35%	19.5	-2.59%
NASDAQ	1999 ↓	-6	-0.32%	15.6	-4.30%
S&P	1181 ↓	-1	-0.07%	21.0	-2.59%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2965	0.6867	139.3800
Dollar	1.2965	1.0000	1.8878	107.4900
Sterling	0.6867	1.8878	1.0000	202.9200
Yen	139.3800	107.4900	202.9200	1.0000

## This Week's Research

IFG Group  
RBOS  
Anglo Irish Bank

## Today's Research

Elan

## Today's Recommendations

Elan (\$3.50) **Still too speculative to BUY** Stuart Draper

- 3rd case : The third PML case disclosed yesterday eliminates the best case scenario for Tysabri that it was its particular reaction with Avonex that led to the previous two PML cases. It was the first case detected using Tysabri alone and the first case detected treating a patient for Crohn's disease.
- Wrong diagnosis : The company's credibility is further damaged by the fact that this latest case disclosed is a patient who died in December 2003, who had previously been diagnosed as having died of brain cancer, but this has now been "reassessed" as PML.
- Immunosuppressant theory : As the latest patient was treated with immunosuppressants before and during Tysabri treatment, and as Avonex is an immunosuppressant, it is still theoretically possible that it is Tysabri's reaction with immunosuppressants in general rather than Avonex that causes PML.
- Steroid theory : As the patient in question also had previously been treated with steroids, like the previous two cases, it is also still possible that it is Tysabri's use following steroid therapy that causes PML. However, until Elan can clearly prove one of these two theories true, there remains a high probability of Tysabri having no commercial future, or at best its return to the market being massively delayed.
- Net debt : Elan's other products, including manufacturing revenues, are expected to generate revenues of c.\$480m for 2006. As at 31/12/04, the company had cash and marketable securities totalling \$1.6 bn and total debt of \$2.26 bn. When this net debt of \$660m is added to the current market cap of c.\$1.4 bn, a base case EV/Sales multiple of 4.3x is cheap by comparison with other biotech peers. The consensus fair value estimate for Elan without Tysabri, of c.\$4 per share, would also appear to indicate limited further downside risk.
- Liquidity risk : However, such valuation support could be undermined by further liquidity concerns if Tysabri turns out to have little or no commercial future as Elan has debt of \$1.1 bn due to be repaid in 2008.
- Upside speculative : Therefore, even though existing revenues, the Alzheimer's vaccine and the potential for corporate activity now that the SEC investigation has been resolved all provide support for the share price at current levels, our current **NEUTRAL** recommendation remains in place until the review of the Tysabri clinical trial patients for PML is completed, which is expected to take another 4 weeks.

## Breaking News

### Warner Estate, Anglo Irish jv buys Ashtenne

Britain's Warner Estate Holdings and Anglo Irish Bank Corp agreed on Thursday to buy UK property firm Ashtenne for 169.7 million pounds, including a special dividend. Industrial Funds Ltd, a company set up by Warner Estate and Anglo Irish Bank, said it would pay 470 pence in cash for each Ashtenne share, including a special dividend of 140p which Ashtenne will pay if the offer becomes wholly unconditional.

### Kingspan raises \$200m from debt issue

Kingspan Group said on Thursday that it had successfully negotiated raising \$200 million through a private placement of 10 and 12 year Senior Notes with a group of U.S. investors. The interest rates achieved by this debut issuance were the tightest to date by an Irish corporate, and the placement was significantly over subscribed. The proceeds of the issue have been converted into Euros and will be used to repay existing bank borrowings and for general corporate purposes, the company said. The placement has been facilitated and arranged through Bank of Ireland Corporate Banking with Macquarie Securities (USA) acting as Placement Agent. Bank of Ireland Global Markets controlled and ran the swap auction.

### Non-farm payrolls figures due at 1430 GMT

The major focus for investors today will be on the big batch of US economic data due for release this afternoon, most notably the March US jobs report. Non-farm payrolls are expected to have risen by 221,000 in March, after a 262,000 increase in February. The US jobless rate is forecast to decline to 5.3 pct in March, down from 5.4 pct in the previous month. But average hourly earnings are seen rising by 0.2 pct on the month, having been unchanged in February.

## Business Press

- Compass hit by second shock (FT)
- Electronic bugs cause recall of 1.3m cars by Mercedes (FT)
- Morgan Stanley tumult sparks merger rumours (WSJE)
- Technical error affects 60,000 B of I accounts (IT)
- IAWS details its €64m deal to buy SWS assets (II)

## Investment Press— Lex

- UK House Prices: The signs of subsidence are increasing. UK house prices fell a seasonally adjusted 0.6 per cent in March, according to the Nationwide building society, their biggest drop in a decade.



DOLMEN SECURITIES

Disclaimer: The information in this document has been obtained from sources, which we believe to be reliable. We cannot guarantee its accuracy or completeness. It does not constitute a solicitation for the purchase or sale of any investment. Any person acting on the information contained in this document does so at their own risk. Recommendations in this document may not be suitable for all investors. Individual circumstances should be considered before a decision to invest is taken. Investors should note the following: Past experience is not necessarily a guide to future performance. The value of investments may fall or rise against investors' interests. Income levels from investments may fluctuate. Changes in exchange rates may have an adverse effect on the value of, or income from, investments denominated in foreign currencies.

Dolmen Stockbrokers is a Member of the Irish Stock Exchange, the London Stock Exchange, and is authorised by the IFSRA. Dolmen Stockbrokers is regulated by the IFSRA as a Mortgage Intermediary.

DOLMEN SECURITIES → Website : [www.dolmensecurities.com](http://www.dolmensecurities.com)

Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland.  
45 South Mall, Cork, Ireland.

• Tel : +353 1 633 3800  
• Tel : +353 21 422 2122

• Fax : +353 1 677 7044  
• Fax : +353 21 422 2123

• Email : [info@dbb.ie](mailto:info@dbb.ie)  
• Email : [cork@dbb.ie](mailto:cork@dbb.ie)