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Contact Details:

Email : research@dsl.ie

Tel : +353 1 633 3800
info@dsl.ie Fax : +353 1 677 4708

EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	9953 ↑	42	0.42%	11.0	5.79%
FTSE 100	6444 ↑	25	0.39%	12.4	3.59%
DAX 30	6987 ↑	30	0.43%	15.0	5.91%
DOW	12768 ↑	0	0.00%	19.5	2.44%
NASDAQ	2496 ↑	0	-0.01%	15.6	3.34%
S&P	1456 ↑	0	0.03%	21.0	2.66%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	#REF!	#REF!	157.8500
Dollar	#REF!	1.0000	1.9539	#REF!
Sterling	#REF!	1.9539	1.0000	234.1500
Interest Rates (%)	3.5000	5.2500	5.2500	0.4800
Oil (Nymex)	#N/A	ND		

This Week's Research C&C

Today's Research Elan

Today's Recommendation

Elan (\$14.81) Q4 results announced Stuart Draper

- Q4 results : This morning, Elan announced its results for the 3 months ended 31/12/06. Net loss and loss per share of \$26.5m and \$0.06 respectively were improvements on the Q4 2005 loss and loss per share of \$58.3m and \$0.14. The loss per share of \$0.06 was better than the consensus forecast of a loss per share of \$0.24, but this was largely driven by a \$49.8m gain on an arbitration award.
- Tysabri update : The full year 2006 net sales result of \$38.1m achieved by Tysabri will also not be sufficient to drive any upgrades, and represents a slower level of sales uptake than some would have originally expected prior to the drug's 2004 approval. The figure of 10,000 patients currently signed up for Tysabri, with c.300 more per week being added, is also a lower level of growth than some previous forecasts.
- Sales required : Our view was always that Tysabri would receive approval to return to the market given the unmet MS clinical need for symptom alleviation rather than symptom relief, and impaired function improvement. However, our continued cautiousness in relation to Elan's share price is based on the very high level of Tysabri sales which are necessary to sustain it at current levels. There is still no indication that Tysabri will be approved as a first-choice treatment for categories of MS patients such as "new to drug therapy" patients and "individual benefit-risk" patients.
- Addressable market : The entire MS market is currently worth c.\$4 bn and given that there are some categories of MS patients for which the drug is unlikely to be considered suitable, the addressable market for Elan is unlikely to exceed \$3 bn. Even assuming that Elan achieves 50% of this addressable market, with peak Tysabri sales of \$1.5 bn, then the shares are still not a BUY at current levels. There are currently 4 competing drugs on the MS market, Avonex, Betaseron, Rebif and Copaxone, and consensus forecasts for peak Tysabri sales have recently been downgraded from \$2 bn to \$1.6 bn.
- Debt repayment : With Elan's operating cash burn still running at c.\$250m per annum, there is still a risk that it will have difficulty in repaying the debt of \$1.1 bn due in 2008. Therefore, our current NEUTRAL recommendation remains in place until there is better visibility available that Tysabri's sales will significantly exceed \$1.5 bn. Our view continues to be that there are other share prices elsewhere offering similar upside potential to Elan, for taking much less risk : **NEUTRAL**.

Breaking News

Barclays 2006 profits jump 35%

Barclays reported a 35% increase in full-year profit, with a continued strong performance from its investment banking and international divisions offsetting a downturn at credit card unit Barclaycard. Pretax profit for the year to December 31 2006 came in at £7.1bn, up from £5.28bn the previous year. The improvement reflected a strong performance from investment banking unit Barclays Capital, where profit jumped 55% to £2.2bn on the back of buoyant financial markets. Barclays also benefited from a strong contribution from its overseas operations, where profits rose to £1.27bn, more than double the previous year's £633m. However, profits at credit card unit Barclaycard fell 40% to £382m, held back by a continued rise in bad debts. The total bad debt charge stood at £2.1bn, a 37% increase compared with 2005.

APN posts a 7% rise in annual profit

Independent News & Media takeover target APN has boosted its annual profit by 7%, with the newspaper owner saying it is trading to expectations in the new year. APN, the publisher of 23 daily regional and 100 non-daily papers in Australia and New Zealand, said net profit rose to \$US125.28m in the 2006 calendar year, up from \$149.66m in 2005. The company, which last week agreed to an increased offer from Independent News & Media, said the year had been challenging, particularly in the middle two quarters.

Taylor Woodrow results beat market expectations

Taylor Woodrow beat market forecasts today with a slight decrease in FY profit and said it would focus on improving its UK margins. The company reported £406m in 2006 pretax profit, versus £411m a year earlier. It said in January that full-year results would be at the top end of expectations thanks to solid growth in the UK housing market. The company stated that in North America they achieved an excellent performance in 2006 and they continue to be confident in the prospects for the business in the medium-term but expect to see significant reductions in both operating margin and return on capital employed during 2007.

Business Press

- Bank of Ireland tidies up business in UK (II)
- Lufthansa sees 77% jump in profits (II)
- Latest round of beer mergers could fall flat (FT)

Investment Press

- French banks stumble: France's big banks have re-invented themselves as international players and derivatives houses. But it was their traditional domestic franchises that hurt share prices.



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DOLMEN SECURITIES → Website : www.dolmenstockbrokers.ie
Dolmen House, 4 Earlsfort Terrace, Dublin 2, Ireland. • Tel : +353 1 633 3800 • Fax : +353 1 677 7044 • Email : info@dsl.ie
45 South Mall, Cork, Ireland. • Tel : +353 21 422 2122 • Fax : +353 21 422 2123 • Email : cork@dsl.ie

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