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EQUITIES	Close	Change	% +/-	P/E '06	YTD
ISEQ	7425	↓ -35	-0.46%	11.0	0.83%
FTSE 100	5672	↓ -21	-0.37%	13.5	0.95%
DAX 30	5349	↓ -82	-1.51%	15.0	-1.10%
DOW	10667	↓ -213	-1.96%	19.5	-1.07%
NASDAQ	2248	↓ -54	-2.35%	15.6	1.92%
S&P	1261	↓ -24	-1.83%	21.0	1.32%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2236	0.6875	140.4000
Dollar	1.2236	1.0000	1.7789	114.7200
Sterling	0.6875	1.7789	1.0000	204.1100
Yen	140.4000	114.7200	204.1100	1.0000
Oil (Nymex)	68.3500			

## This Week's Research

## Today's Research Inditex

## Breaking News

### Elan announces FDA review date

Biogen and Elan Corporation announced today that they have received notification from the U.S. Food and Drug Administration (FDA) that the Peripheral and Central Nervous System Drugs Advisory Committee will review Tysabri for the treatment of multiple sclerosis (MS) on March 7, 2006. On September 26, 2005 the companies announced that they submitted to the FDA a supplemental Biologics License Application for Tysabri. Subsequently, the FDA designated Tysabri for Priority Review. Based on the FDA's designation of Priority Review for Tysabri in MS, the companies anticipate action by the Agency approximately six months from the submission date, or by late March 2006.

### Wolseley trading statement

British building and plumbing supplier Wolseley said today that group sales for the five months to the end of December rose around 25 percent over the same period in 2004, fuelled by acquisitions. Wolseley said trading profit rose 20 percent in the period and it had purchased an additional five distribution businesses for approximately 14 million pounds since its last update in November. The group said it was well positioned for further growth as the U.S. business had made a strong start to the year but business in Europe remained slow.

## Today's Recommendation

### Inditex (€27) Potential for special dividend Owen Turner

- Group Profile: Inditex is one of the worlds largest fashion distributors, with eight sales formats – with Zara, Pull and Bear, Massimo Dutti, and Bershka among the company's most well-known brands - spread across 2,692 stores in 60 countries worldwide.
- Q3 results: Aggressive expansion coupled with cost controls helped Inditex post a 28 per cent increase in net profits for the nine months to the end of October, ahead of expectations. The company said net profit for the February 1 to October 31 period was €520.5m, up from €407.4m a year earlier. Total sales rose 20 percent to €4.65bn. Growth was buoyed by the opening of 323 stores during the first nine months of the year, compared with 241 store openings a year earlier.
- Improving margins: Inditex also said that on the back of good product management it had reduced its cost of sales by 1.4 percentage points, to give a gross margin of 57 per cent. This represented the company's third consecutive quarter of decreasing costs. Its cost control is particularly impressive given the company's aggressive expansion strategy.
- Special dividend: Speaking after the results in December, management at Inditex said that they are 'comfortable with a no cash, no debt position'. This is in line with the view that the company will distribute a proportion of the company's cash to shareholders by way of a generous dividend policy, which could see the payout ratio increase from 30 per cent to 60 per cent. This could double the company's dividend yield to 3.5% - 4%. The exact details of the company's dividend policy should accompany the FY results release, due on March 29th.
- Valuation: Inditex shares now trade on a 21x 2005/06 P/E falling to 18.8x in 2006/07. This compares to Swedish company, H&M, Inditex's closest peer, which trades on 2005e and 2006e P/Es of 24x and 21x. The 15% discount that Inditex trades at compared to H&M would appear unjustified given the superior earnings growth of Inditex. Our price target of €29 is based on 20.1x 06/07 consensus eps of €1.44. **BUY**

## Business Press

- Man Utd profits hit by falling media revenues (FT)
- Ireland set to heat up (FT)
- Barrick chief says gold price will keep rising (FT)
- SSIA's should be used to pay off debts (IE)

## Investment Press— Lex

- European banks: These are halcyon days for Europe's lenders. Investment banks such as UBS and those with an exposure to capital markets, such as Barclays, are reaping record profits from trading, advisory and asset management operations. Plain old lending, however, is also enjoying a revival.



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