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EQUITIES	Close	Change	% +/-	P/E '05	YTD
ISEQ	6498	↓ -33	-0.51%	11.0	4.84%
FTSE 100	4803	↑ 3	0.05%	13.5	-0.22%
DAX 30	4214	↓ -7	-0.16%	15.0	-0.99%
DOW	10393	↓ -78	-0.75%	19.5	-3.62%
NASDAQ	2034	↓ -12	-0.57%	15.6	-2.62%
S&P	1168	↓ -8	-0.64%	21.0	-3.64%

CURRENCIES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.3073	0.6945	134.4000
Dollar	1.3073	1.0000	1.8822	102.7800
Sterling	0.6945	1.8822	1.0000	193.5200
Yen	134.4000	102.7800	193.5200	1.0000

## This Week's Research

## Today's Research Elan

## Today's Recommendations

### Elan (\$26) MS competition increasing Stuart Draper

- **Novartis competition** : Novartis has announced that its oral MS therapy, FTY720, has shown excellent multiple efficacy in a phase II study. Data from the study showed a more than 50% reduction in the relapse rate and a more than 50% reduction in the number of brain lesions detected by MRI scan, as well as a longer time to first relapse. Tysabri's phase II data showed a 55% reduction in the relapse rate.
- **Mid-2005** : One year data from the trial is expected in mid-2005, with Phase III studies also planned to start at that stage. Even though it is likely to be at least 2008 before FTY720 is launched, these initial phase II results are further evidence that Tysabri will not have the MS market all to itself.
- **Market share** : Tysabri will also face competition from Biogen's Avonex, Serono's Rebif, Schering's Betaferon and Teva's Copaxone. We had previously assumed a 30% share of the MS market for the drug, as well as growth in the market of 30% as a result of Tysabri's launch, even though Serono still expects its Rebif drug to be number one in the MS market by 2006.
- **Takeover unlikely** : With regard to the speculation of Elan as a takeover target for Biogen, it is important to note that Biogen Idec and its affiliates are restricted from acquiring Elan until June 2010, and because of a change of control clause in the Tysabri joint venture, it is unattractive for any third party to acquire either company in the meantime.
- **Unattractive valuation** : Having been very positive on Elan's share price for most of the past two years, in recent months we have recommended that clients take some profits. Our analysis suggested that using a ratio of market cap to net present value of revenues to 2007, and a ratio of enterprise value to 2006 sales, Elan appeared overvalued versus peers.
- **High risk** : The other issue which may limit sales of Tysabri initially is the fact that only c.one third of neurologists have infusion capabilities, as the drug is administered by drip rather than by injection. As a result, we continue to see similar share price upside potential elsewhere, for much less downside risk.
- **Trading opportunities** : However, the share price's sensitivity to newsflow, and the vast amount of newsflow likely to be announced over the course of 2005, is likely to continue to generate short term trading opportunities. In this regard, an update on Tysabri's launch is likely to be given in conjunction with Biogen's Q4 results on 07/02 and Elan's Q4 results on 08/02 : **NEUTRAL**.

## Breaking News

### GE Q4 earnings up 18%

General Electric Co on Friday reported that its fourth-quarter profit rose 18 per cent, citing the impact of acquisitions, strong industrial sales and favourable global economic conditions. The industrial, financial and media conglomerate earned \$5.37 billion, or 51 cents per share, in the October-December period, up from \$4.56 billion, or 45 cents a share, a year ago. The results beat the consensus estimates of 50 cents per share. GE reaffirmed its forecast that profits would grow 12 percent to 17 percent this year, while per-share earnings would grow 10 percent to 15 percent. The Company also confirmed that growth should be sustained into 2006.

### CNG announces China deal

CNG Travel Group PLC announced on Friday that it has signed a 3-year agreement with China's Ctrip.com International Ltd under which the hotel and airline ticket consolidator will act as CNG's exclusive distributor in China. CNG said Ctrip will integrate its global stock of 25,000 hotels into its booking engine while CNG will become Ctrip's preferred hotel supply partner for Europe and North America. 'This arrangement gives CNG an important foothold with a significant player in a growing market and allows Ctrip to provide richer hotel content, choice and value for travellers,' said chief executive Finbarr Power. No financial details were disclosed.

### Trintech to de-list from Frankfurt Stock Exchange

Last week Trintech Group Plc announced that it has decided to de-list from the Frankfurt Stock Exchange, following a Board meeting last Thursday. The Company expects that the move will come into force three months after the publication of the revocation of admission by the Frankfurt Stock Exchange, which is expected in February 2005. The Company also re-affirmed its commitment to maintain its listing on the Nasdaq National Market. The Company confirmed that the decision to de-list from the Frankfurt Stock Exchange is intended to concentrate trading in the stock on one market, and reduce the complexity of reporting requirements and the costs of maintaining a dual listing.

## Business Press

- Central banks shift funds away from US (FT)
- Pru plans to placate investors (FT)
- High valuations weigh down shares (WSJE)
- Lynch takes IAWS far from Plunkett deals (IT)
- Bush fails to tackle budget deficit plans (IE)

## Investment Press— Lex

- **Parmalat**: Bankruptcy throws up a surfeit of detail. Parmalat's restructuring documents reveal that its Italcinese subsidiary has 90,000 wheels of Parmigiano and Grana Padano, weighing 3.4m kg, in storage. But for those willing to look at the forest, not the cheese, the disgraced Italian dairy company is bouncing back.



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