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EQUITIES	Close	Change	% +/-	P/E '07	YTD
ISEQ	8536 ↑	42	0.49%	11.0	15.92%
FTSE 100	6183 ↑	16	0.27%	12.4	10.03%
DAX 30	6248 ↑	5	0.07%	15.0	15.52%
DOW	12128 ↑	11	0.09%	19.5	12.47%
NASDAQ	2345 ↓	-11	-0.46%	15.6	6.33%
S&P	1377 ↑	0	0.03%	21.0	10.63%

CURRENCIES & RATES	Euro	Dollar	Stg	Yen
Euro	1.0000	1.2563	0.6693	149.7000
Dollar	1.2563	1.0000	1.8763	119.1400
Sterling	0.6693	1.8763	1.0000	223.5600
Interest Rates (%)	3.2500	5.2500	4.7500	0.4800
Oil (Nymex)	59.3500			

**This Week's Research**  
BG Group  
BP

**Today's Research**  
Elan

**Today's Recommendation**

## Breaking News

### Paddy Power eyeing gaming websites in EU

Yesterday Paddy Power stated that it was considering the launch of a new casino in Ireland after the Irish government in July said it would regulate the industry. It is also considering the introduction of gaming websites in Italy, Spain and Poland. Paddy Power is seeking potential new markets after starting a German-language website in April and are looking at the possibility of introducing other European-language websites. The European Union this month told France, Italy and Austria to open up gambling to foreign companies in a bid to boost competition. Paddy Power's plans will depend on the type of licenses available in each country. Online gambling companies such as 888 and PartyGaming also want to expand in Europe after laws were passed in the US this month aimed at shutting down internet gaming.

### AIB to sell another 25 bank branches

AIB is to proceed with the sale and leaseback of another 25 bank branches in Leinster and Munster after getting a top price for 12 of its leading branches. The second tranche of buildings includes six in the Dublin, 8 in Cork, 1 in Kilkenny, 2 in Waterford, 2 in Wexford, 2 in Wicklow and 4 in Tipperary. Sherry Fitzgerald expects to secure over €100 million for the 25 retail investments. As in the first block of branches to be sold, AIB is to sign 20-year leases with break options in year 15. Both the AIB and Bank of Ireland plan to offload further branches to release dormant capital for their core banking businesses. UK banks have been using the same strategy for years.

### CPL Resources results likely to exceed expectations

CPL Resources announced yesterday that the company has continued to perform strongly since June 30, and that results for the six months to December 31 are likely to exceed current market expectations. Trading has been strong across most sectors of the group's business. The Group's permanent placement business has continued to perform well, and demand remains buoyant for temporary and contract employees. Current trading conditions indicate that the business will continue to perform well over the coming months.

## Business Press

- Smart creditors hold meeting. (IT)
- Ryanair purchases \$80 simulators. (IE)
- Starbucks brews up China expansion. (FT)

### Elan (\$15.51) Q3 results show going nowhere fast Stuart Draper

- Q3 results : This morning, Elan announced its results for the 3 months ended 30/09/06. Net loss and loss per share of \$117m and \$0.27 respectively were significantly larger than the Q3 2005 loss and loss per share of \$67.1m and \$0.16. The loss per share of \$0.27 was also worse than the consensus Q3 2006 loss per share of \$0.23 expected, largely as a result of lower revenues from its injectable antibiotic, Maxipime, because of supply shortages.
- Tysabri update : Q3 revenue of \$123.3m was lower than the consensus forecast of \$149m, and was a year on year decrease of 4%. The Q3 net sales result of \$8.1m achieved by Tysabri will also not be sufficient to drive any upgrades, and represents a slower level of sales uptake than would have originally been expected prior to the drug's 2004 approval.
- 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 not a BUY at current levels. There are currently 4 competing drugs on the MS market, Avonex, Betaseron, Rebif and Copaxone.
- 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 is that there are other share prices elsewhere offering similar upside potential to Elan, from current levels, for taking much less risk : **NEUTRAL**.

## Investment Press

US Defence: Frustration may be spreading on many fronts in the war on terror. For now, however, investors in defence contractors have not shared the pain. Over the past 12 months, returns in US aerospace and defence shares have beaten the broader market by 10 percentage points



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