

## Alert: Elan Corporation, plc ADR (nyse: ELN)

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Closing Price: \$16.52

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### Marketocracy Alert: The FDA Re-Approves Tysabri

We are issuing this alert because Elan Corp. (nyse: ELN) fell 13% to \$16.52 today after the FDA re-approved Tysabri. You read that right. The FDA re-approved Tysabri and Elan's stock tanked.

Today's sell-off created another buying opportunity for shares in Elan -- perhaps one of the last before the prospects for Tysabri become clear. Tysabri has proven its effectiveness. The FDA Advisory Panel voted unanimously to re-approve Tysabri and the FDA approval has been received -- a few weeks earlier than anticipated. Insurance companies have already approved paying for the \$23,000 per year treatment. How often can you buy a biotech stock with all these risks already resolved at a 13% discount? I believe today's sell-off is not something to fear, but something to take advantage of.

**Recommendation:** (based on your portfolio)

**If you do not already own ELN:** Buy some at the current price.

**If you currently have a small position in ELN:** Add to your position.

**If ELN is already a big position:** if ELN represents a lot more than 10% of your portfolio you may have an opportunity to trim the position back on this run up.

### My Take on What Happened Today

It is typical for Wall Street to buy on the rumor and sell on the news. Elan's stock had already jumped 24% from \$12.70, the day the FDA Advisory Panel voted unanimously to recommend Tysabri's re-approval back in March. And recently the stock had risen another 23%, hitting another 52 week high today at \$19.42. So, when the FDA announced today that they were re-approving Tysabri, even the staunchest Elan bear had already admitted that Tysabri would be back on the market. So, sell on the news. But there is more.

After the FDA announced Tysabri's return to market a Wall Street analyst downgraded their rating on Elan to market underperform, highlighting the risk management program to investors as if this was a surprise. In reality the risk management program was proposed by Elan's marketing partner, Biogen IDEC (nasdaq: BIIB) to the FDA months ago and therefore was only a surprise to investors not following the situation.

These may have been the same analysts that issued a negative report on Elan on the eve of the FDA Advisory Panel meeting, as if they were proclaiming that nothing the Panel could say or do could change their opinion. Even after the Advisory Panel voted unanimously to recommend re-approval and the stock jumped over 24% in 30 minutes, they refused to change their negative opinions. They had to admit that Tysabri would now be

approved but they shifted their argument to how much revenue Tysabri would generate and how the risk of PML would scare doctors and patients from even trying Tysabri.

Now these analysts seem to think that the risk management program will be so much effort for doctors and patients to go through, that it will keep them from using Tysabri altogether. Have they ever talked to someone with multiple sclerosis? There are MS patients that have stopped taking all other MS drugs for over a year, willing to suffer relapses and all of the severe complications from MS, just so they could have the opportunity to use Tysabri when the FDA re-approved it. They are not going to let a risk management program stop them from using a drug that has proven to be so effective.

Elan's management will be webcasting a call tomorrow at 8:30am EST to talk about Tysabri's U.S. reintroduction and the re-approval by the FDA. Hopefully, they'll shed more light on some of these issues.

The analyst downgrade came in the midst of today's big market drop which probably added fuel to the fire. Investors are skittish, worried and uncertain of the market because the Fed seems to be worried and uncertain too. Add to that the fear being generated by a downgrade and you can see why the stock dropped. I'll be writing more about the Fed and Elan in this month's Marketscope.

This is an opportunity to use that fear and uncertainty as an opportunity to buy shares in Elan before Tysabri hits the market and the real revenue potential becomes clear. For more details on my opinion of Tysabri's revenue potential, read one of our previous Research Alerts on Elan.

## **Previous Articles/Reports/Alerts by Marketocracy on Elan:**

[Marketocracy Alert: Elan 3/8/06 \(click here to read\)](#)

[Marketocracy Alert: Elan 2/28/06 \(click here to read\)](#)

[Marketocracy Alert: Elan 1/23/06 \(click here to read\)](#)

[Marketocracy Alert: Elan 1/4/06 \(click here to read\)](#)

[Marketocracy Research Report: Elan 12/16/05 \(click to read\)](#)

[Monotherapy will Double Elan - Forbes 9/28/05 \(click here to read\)](#)

[Betting On Elan's Second Resurrection - Forbes 6/17/05 \(click here to read\)](#)

# Explanations and FAQs

## What is Marketocracy's Research Process?

We look for stocks that we think can double within the next 2 to 3 years. For most stocks, there are only a handful of big issues that can drive a double and even great investors rarely have all the pieces of the investment puzzle. The secret to good stock research is to frame the right questions and then ask the people best qualified to answer them.

At Marketocracy, our m100 members -- those with the 100 best investment track records -- help us pick stocks, identify the issues, and frame the right questions. Recently, I asked the broader Marketocracy community if they could help me understand a piece of the investment puzzle on Elan and Tysabri. I heard back from members that were physicians, multiple-sclerosis patients, nurses, lab technicians, industry executives, scientists, etc. Together, they helped give me a 360 degree view and made me comfortable making Elan the largest position in the portfolio.

This research process is a concept that has worked well for me at Firsthand Funds and I am confident it will work even better at Marketocracy where the talent base is broad enough to research and find great investments in every corner of the market. I invite you to join Marketocracy and contribute to our team research process.

## What's your Target Price?

We don't have a target price. If you want one you can double the current price as a proxy. We don't use a target price to indicate a "true value" or "sell price." We expect a price range with a stock *likely* to double within a 2-3 year window.

## What's your Buy Price?

Our opinion is based on the current price and situation of the company and the market at the time we issue it. Things change. If the price drops below the current price is it because it is a better buy or did something change to cause the price to drop in value? We don't believe in setting a static buy price.

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## Our Investment Philosophy

*Always Field the Best Team*

### ***No One Style Works all of the Time...***

The sectors and styles that did well last year are unlikely to do as well this year. Why? Because opportunities to outperform the market come to fruition when the market finds them and starts to put capital into them. This causes prices to go up, thereby delivering above-market returns to early investors, while at the same time reducing the opportunity to outperform in the future. Opportunities to outperform the market are always temporary – at least you hope so, otherwise your excess returns would never materialize.

### ***...But There's Always Something Outperforming***

The market is never uniformly bad. It is often the case

that the same factors that hurt one group of companies benefit others. No matter what the future brings, some areas of the economy will do better than average and some will do worse.

### ***The Right Team at the Right Time***

The key to outperforming the market over the long-term is the ability to adapt as sectors and styles come in and out of favor. The m100 are the most skilled stock pickers we can find for the areas of the market that are performing well. By reevaluating the m100 each month, the group constantly adapts to take advantage of the best opportunities to outperform the market.