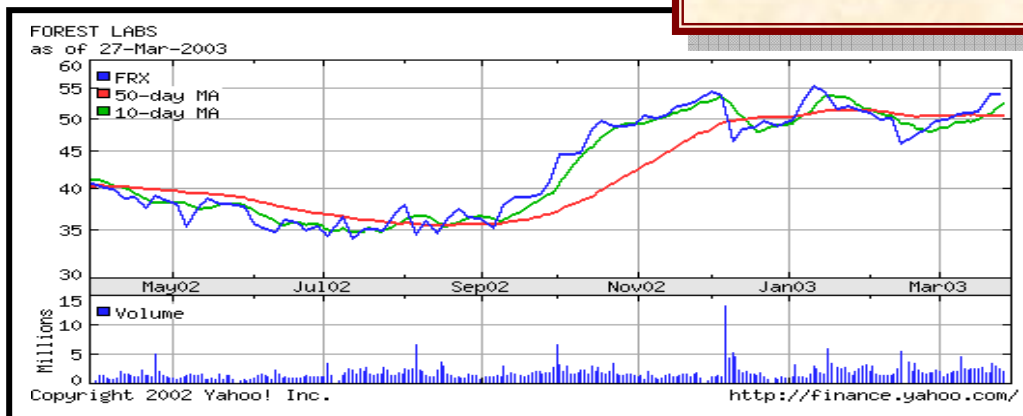


FOREST LABORATORIES, INC.

Recommendation: Buy 300 shares of FRX at market price for the St. John's University Student Managed fund

Analyst:

*-Katherine Mangali
-Khurrum Khan
-Savi Singh*



Price	\$51.79
52 week Range	\$32.12 - \$56.16
P/E (3/04E)	22x
EPS (2004Est)	\$2.19
Beta	.60
Market Cap	\$19.592 billion
Shares Out (Basic)	363,000

Executive Summary

We recommend a buy of 300 shares at market price on Forest Laboratories (FRX). Forest has an attractive pipeline and we believe Memantine (treatment for Alzheimer's) will have a huge impact in the market. It's been approved in Europe and we believe it will be approved in the United States. Historically, FRX has been traded at both a premium and a discount to the specialty pharmaceuticals industry, but, in the past years on average it's traded at a premium. We believe it will continue to trade at a premium because of its business mix (Rx & NRx drugs) and fundamental changes that have reshaped the business (licensing agreements). We believe, given the strength of the antidepressant franchise and the new products in their pipeline, FRX can sustain a premium to its peers. We continue to maintain a premium for its stock given the strength of its products and launches (Memantine, Benicar, and Lexapro). With our 2004 EPS estimate of \$2.19, and a P/E multiple of 22x our target price is \$60.11.

Company Overview

Forest Laboratories, Inc. (and its subsidiaries) develop, manufacture and sell both branded and generic ethical drug products requiring prescription, as well as non-prescription drug products sold over-the-counter which are used for treatment of various illnesses. Its most important products consist of branded ethical drug products marketed directly or "detailed" to physicians, healthcare organizations, drugstore chains and distributors by Forest's sales force. Forest products are heavily marketed in the United States and Western Europe through its independent distributors. Ethical specialty products are marketed by Forest Pharmaceuticals, Forest Therapeutics and Forest Specialty. In the UK, Ireland and selected export markets, products are directly marketed by Pharmax Limited and Tosara Group.

The company actively promotes products in the United States which have a greater potential for growth and which enables its sales force to focus on groups of physicians who may prescribe these drugs. Such products include Celexa (anti-depression), Aerobid and Aerochamber (for respiratory problems), Tiazac (treatment of hypertension and angina) and Infasurf (prevention of respiratory distress in premature infants.)

Regarding competition, there are many companies out there focusing on the manufacture and sale of branded and generic drugs as Forest Lab's. Many of these companies have substantially

stronger financial capital and resources than Forest. In addition, Forest faces competition on licensing agreements as well as marketing opportunities by managed care organizations. For the past three fiscal years, Forest Lab's largest customers include McKesson Drug Company, Cardinal Distributors, Inc. and AmerisourceBergen Corporation accounting a big part in the company's net sales.

Product Developments and Revenue Classification

Lexapro: Forest received a FDA approval letter on January 2002 to market for Lexapro, a single-isomer version for the treatment of depression. Forest anticipates the receipt of the final approval to market the drug by fiscal 2003. This drug was developed by H/ Lund beck, a Danish pharmaceutical firm which licenses the drug to Forest. In February, it reached 6.3% NRx market share; revenues of \$160 million 4QE.

Celexa: A successful drug by Forest marketed in 2002 for the treatment of depression. A sale for this drug in 2002 fiscal year were \$1,087,794,000 and has achieved a 17.2% share of total prescriptions for antidepressants in the SSRI/SNRI category. In February has 8.5% of the NRx market; revenues \$355 million 4QE.

Benicar: In December 2001, Forest agreed a co-promotion with Sankyo Pharma for the marketing of Benicar, an angiotensin blocker discovered and developed by Sankyo Pharma for the treatment of hypertension, to the United States. The product was commercially launched in the United States in May 2002. The co-promotion agreement entails detailing the product together to physicians, hospitals, manages care organizations and others over a six year period. In February, 3.7% of NRx market; reporting 121,000 total prescription.

Lercanidipine: Forest entered into a licensing agreement with Recordati (a privately held pharmaceutical company in Milan, Italy) to develop and market Lercanidipine in the United States for the treatment of hypertension. Forest optimistically anticipates to eventually marketing this drug as a stand alone antihypertensive product, as well as a complimentary to other treatment such as Benicar.

Acamprosate: Forest entered to a Distribution, Marketing, Trademark License and Supply Agreement with Lipha in October 2001 to market this drug to the United States for the treatment of alcohol addiction.

Memantine: Forest entered into a licensing agreement with Merz Co. for the exclusive rights to market Memantine to the United States for the symptoms treatment of Alzheimer's disease. Forest is preparing a New Drug Approval (NDA) submission for the treatment of moderate to severe Alzheimer's disease based on studies conducted and completed in fiscal 2003.

Neramexane: In March 2001, Forest entered into a second agreement with Merz Co. to develop this newly patented drug for the treatment of various central nervous system disorders.

Dexloxyglumide: Forest ended a license arrangement in August 2000 with Rotta Research Laboratorium for the exclusive rights to develop and market this drug to the United States for the treatment of constipation-prone irritable bowel syndrome.

Aerospan: Forest entered into a supply and distribution agreement with 3M Pharmaceutical Division for the long-term supply and manufacturing of Aerospan, an active ingredient in Aerobid which is Forest's product for the treatment of asthma.

R&D Facility: In fiscal 2000, Forest acquired a 100,000 square foot and 20,000 square foot facility in Commack, New York solely for Research and Development purposes.

Termination of R&D Program: Forest terminated its program for ALX-0646 in fiscal 2002, a compound being studied for the treatment of headaches and ML-300 for the treatment of anti-inflammatory. These two studies were terminated as a result of efficacy problems encountered during the drug developmental process.

Industry Analysis

Total global pharmaceutical sales grew by 12% in 2001, to \$364 billion, according to estimates by IMS Healthcare and Standard & Poor's expects growth to moderate to 9% over the 2002-2006 periods. U.S based pharmaceutical companies posted sales of some \$200 billion in 2002, up 12% from 2001. About 73% of 2001 sales were from U.S. customers, with foreign sales of U.S. manufacturers accounting for the rest. North America accounted for 50% of the world pharmaceutical market in 2001. It is not only the largest but also the fastest growing of the world's major pharmaceutical markets, with compound annual growth in expenditures projected

at about 10% - 11% over the 2002-2006 periods. The U.S. is expected to remain the largest and fastest amount the world's top 10 major drug markets over the foreseeable future.

The product cycle of nearly all prescription drugs follows a stable long-term pattern. In the U.S, after the average 10-year period of discovery, development, testing and review by the Food and Drug administration (FDA), a branded ethical drug will have a commercial life of about a decade, following a fairly predictable path. With advanced technology, industry experts believe that several thousand new drug types may be discovered over the next 20 years. Bringing a drug to the market may take several years. It may also take several years of sales to build-up in major markets in the U.S. and elsewhere before a drug reaches its full commercial potential. At this point, new competition in the form of rival drugs similar in action may enter the market, or major customers may replace the drug with less expensive compounds.

After about eight to 10 years on the market, a prescription drug's patent expires. Generic drugs – the chemical equivalents of a branded drug – usually appear immediately and prices begin to fall, once this happens the profitability of the branded drug disappears rapidly, particularly in the U.S. Generic drug companies don't incur the same high costs of research and development government approval, and advertising as the primary producers do, so they can afford to offer consumers discounted prices. In the U.S., the price of a newly generic drug is 25%-50% lower than that of the brand-name version. Also, as numerous competitors enter the field for a given drug, prices of popular generic drugs drop even further. Recently, the FDA granted a 180-day period of marketing exclusivity to generic manufacturers who successfully challenges branded drugs patents and wins FDA approval, however, original producers often develop controlled-release formulations or pediatric versions of their branded drugs, which allows them to extend the drugs' patent life.

Market Trends

The pharmaceutical industry is a dynamic sector, besides strong underlying growth in demand from an aging population, industry prospects re also enhanced by rising investments in R&D. Also, advancements in cutting-edge technology should generate new products in the years ahead. As part of the effort, leading drug companies are moving aggressively to from partnerships with smaller biotech companies to develop new generations of drugs. The industry has also become

more marketing savvy, with greater utilization of direct-to-direct marketing, including the use of the Internet.

U.S expenditures for prescription drugs advanced 17% to \$154 in 2001; however the pace of drug spending growth is expected to slow to an average of 11.7% annually between 2003 and 2007. The slowdown is attributable to greater use of less expensive generic drugs and projected slowing in the growth of disposable income. For the leading branded pharmaceutical companies, average sales growth is expected to slow to the high single digits over 2003-2005 from the 12% average annual gain posted during the five years through 2001. This expected deceleration largely reflects the effect of substantial numbers of patent expiration and relatively lean new drug pipelines. Annual earning in the industry in 2003-2005 will probably be around 8%-10% because of stringent expense controls and merger-related cost synergies, down from the 14% annual gains seen during 1996-2001.

For several years there has been relative pricing stability within the industry, however prices paid by consumers in 2001 and 2001 were notably higher, driven by inflation in both the branded and generic sectors of the market. IN August 2002 prices paid by consumers were 4.9% higher than the year before, as compared with an increase of only 1.8% in the overall CPI. The average retail price of a prescription sold by a pharmacy was \$49.84 in 2001, up 10.1% from the year before. Higher prices often are the principal factor in increased drug sales.

Three world wide trends – the aging of the baby boom generation, the lengthening of average life expectancy and a rising incidence of chronic diseases – bode well for pharmaceutical consumption over ht coming years. People over the age of 65, comprise of the bulk of persons with chronic conditions, currently represents 13% of the U.S. population, and account for more than one-third of total consumption of prescription medicines. Globally, the over 60 population is forecast to rise from over 600 million in 2000 to more than one billion by 2020. The over 65 segment of the U.S. population expected to expand by about 31% from 2001 to 2015. Baby boomers provide the impetus for the steady expansion in overall U.S. consumer spending during the past two decades. As they age, baby boomers will also provide ea huge marketing opportunity for prescription drugs over the next few decades. Drugs specifically targeting conditions such as heart disease, stroke, depression, arthritis, cancer, impotence, and Alzheimer’s disease should show the strongest growth.

Direct-to-consumer spending continues to grow, DTC advertising of pharmaceuticals totaled \$2.8 billion in 2001 representing a 3.5 fold increase from 1996. DTC has been highly successful in promoting pharmaceutical brand recognition in competitive markets; e.g. Claritn, Vioxx, Zocor and Viagra. While DTC efforts have been highly successful, the bulk of the industry marketing efforts are directed towards the physicians.

Another significant trend includes and increases in R&D spending; in 2001, spending increased 16.6%, by comparison the average annual growth in industry R&D expenditures was 11.3% over 1995-2000 periods. Pharmaceutical companies rank among the nation's highest spenders on R&D, with R&D outlays representing a close to 18% of total industry sales in 2001, compared with less than 5% of sales for overall U.S. industry.

Analysis of Competitive Forces

The pharmaceutical industry is highly competitive as the sale of products, research for new or improved products and development and application of competitive controlled release and other drug formulation and delivery technologies. Other substantial barriers include economic, regulatory and legal obstacles stand in the way of potential new competitors. Also, the life-cycle process can take 10-15 years and cost more than \$800 million. Obtaining patent on a drug may be another obstacle. To enable manufacturers to earn a satisfactory rate of return, most countries have patents for new drugs. Patents are usually for 20 years from the application date. The pharmaceutical business is relatively immune to changes in general economic activity. Demand for medicine, is tied to health of the populace, which has remained relatively constant over the years.

Drug pricing is also relatively inelastic, in the sense that a given patient won't change his level of demand based on price, particularly when an alternate therapy isn't available. Also, because governmental entities or other third parties reimburse the cost of most drugs, price is usually not an issue. However, demand for certain therapeutic categories, such as cough/cold preparation often fluctuates markedly with the seasons. Other factors also affect the pricing of new pharmaceuticals. These include the relative efficacy of a given drug versus its rivals, the size of its market, the competitive landscape and cost incurred in the drug's development. Drug prices also vary between large-scale buyers and individual customers. Hospital chains and other institutional and managed care customers usually pay well below list price, because of heavy discounting and negotiated arrangements.

From the supplier point of view – a price increase may be because of a more expensive drug mix, as well as more aggressive pricing strategies to compensate for sale erosion on patent-expired drugs. Also, pharmaceutical companies may raise drug prices because of the cost of new drug development.

It usually takes several years for sale build-up in major markets in the U.S and elsewhere before a drug reaches its full commercial potential. At that point new competition in the form of rival drugs similar in action may enter the market, or major customers may opt to replace the drug with less expensive compounds in the same therapeutic class; which is known as “therapeutic substitution”. Also, after patents expire, generic drugs enter the market, and as mentioned above usually the profitability of the branded drug generally erodes immediately.

Analysis of Strategies

Forest employs different strategies to get a competitive edge over other firms. As mentioned in the company overview the company actively promotes its products through its subsidiaries which enable the company to have a greater potential for growth. It also shares the marketing cost with its partners e.g. Benicar was developed by Sankyo, and it is being marketed jointly by Sankyo and Forest in the U.S. Also, product drives growth within this industry and Forest is constantly on the move to improve its product and thus increases sales and capture market share e.g. Lexapro – the end result of Lexapro 10mg has shown to be as effective as 40mg of Celexa and to have less of certain side effects.

Forest's success in obtaining a continuing pipeline of products is based on the appeal of its drug development and its sales and marketing strengths. Forest does not create new molecules (cost \$800mm) principally because of the cost and the high risk of failure. But it is also because there is a large amount of innovative drug discovery and development activity being conducted by foreign companies and whose products are available for partnership with companies like Forest's skill. Some companies (e.g. Sankyo & Merz) need a partner to take their invention through approval and then market it. This puts Forest's at a competitive edge, because it does not produce molecules, however it is able to license products, thus reducing its risks and improving its products. For some products and some companies, Forest is a desirable partner because of their record, size and their flexibility and their rapid decision making process.

Also, because Forest is so much smaller, they can market a drug with a \$200MM potential provided its developmental and promotional budget is in scale with its potential. For the pharmaceutical leviathan the overhead to even look at such a drug would consume its potential. Large pharmaceutical leviathan requires blockbuster blockbusters to make a percentile difference in their profit and loss. At least five Leviathans reviewed and rejected Celexa before Forest acquired the product, and thus resulting in a \$1.1 billion in sale over the year, increasing the growth from a 14.2% -17.0% in the depression market.

Return on equity is viewed as a key measure of management's effectiveness in the pharmaceutical industry. (Net earning as a % of the average of stockholders equity)

2001	2000	1999	1998	1997
23.7%	20.4%	13.8%	11.4%	5.9%

The industry's average ROE of more than 25% ranks among the highest of all industries. As you can see Forest's ROE has been steadily improving over the past 5 years and the companies' management effectiveness' is close to being ranked among the highest within their industry.

Relative Valuation – we compare Forest's absolute P/E with the absolute P/E of its peer group as this is a common parameter for valuing specialty pharmaceutical companies. We choose 2004 as our reference year as we believe the specialty pharmaceutical stocks typically trade one year forward (due to their well-regulated FDA product development path leading to earnings visibility). As of March 11th, 2003 – we find the peer group (industry) average traded at a P/E ratio of 15x (increase to 18x – March 29th). FRX current P/E, which is 37.9, is trading a significant premium to its peers.



Comparative Returns

■ FRX ■ S&P 500

As we see from chart Forest is out performing the S&P in terms of comparative returns.

Ratio Analysis

	1998	1999	2000	2001	2002
Solvency					
Current Ratio	2.55	3.41	2.79	3.95	3.68
Quick Ratio	3.83	2.55	2.05	2.77	2.61
Cash Ratio	1.3	0.97	1.23	1.7	1.41
Receivables TO	10.3	9.53	9.51	10.16	13.47
Inventory TO	1.26	1.03	1.21	1.07	1.07

Solvency ratios determine how the company meets its short-term obligations. It tells the liquidity of the company within the next 12 months. An interesting ratio in this category is the quick ratio since it adjusts the current ratio more precisely as inventory (least liquid asset) is subtracted. All ratios seem pretty consistent (with some yearly fluctuation) but the overall short-term health of the company seems steady. Also, notice that receivable turnover has increased over the years signaling a faster rate of converting account receivables to cash. Inventory turnover seems pretty consistent from 2001 and 2001 since its due mainly to the increasing demand of its main product Celexa.

Operating Perf.	1998	1999	2000	2001	2002
Total Asset TO	0.7	0.73	0.99	0.81	0.8
Net Fixed Asset TO	0.69	0.8	7.46	8.58	9.85
Equity TO	0.63	0.67	1.07	1.11	0.7

Operating performance ratios determine how much assets and equities are generated per dollar of sales. Looking at the chart above, it entails a consistent total asset turnover and an increasing net fixed asset turnover. The equity turnover has decreased from 2001 to 2002 largely due to the company's ability to operate without a substantial amount of debt.

Operating Profit.	1998	1999	2000	2001	2002
Gross Profit Margin	0.76	0.75	0.75	0.78	0.79
Operating Profit Margin	0.02	0.06	0.15	0.25	0.3
Net Profit Margin	0.09	0.14	0.13	0.18	0.22

Operating profitability ratios indicate the margin between the revenues, EBITDA and Net income from the total expenses. Over the years, Forest shows increasing profit margins signaling solid financial capabilities of the company to meet expenses and profit from the sales. Note that the primary driver of this growth is sales of its products.

Risk Analysis	1998	1999	2000	2001	2002
Financial					
- Total Debt	1.8	0.17	0.21	0.15	0.17
Return on Assets	0.05	0.09	0.1	0.15	0.17
Return on Equity	0.06	0.1	0.13	0.18	0.21
Du Pont Analysis	0.08	0.10	0.16	0.18	0.22

Risk Analysis determines the company's risk level based on its total debt obligations. Forest does not have any long-term debt which makes their risk level (in terms of debt) minimal.

Return on assets measure profit per dollar of assets and Return on Equity measures how well the stockholders fared during the years. Return on Equity usually signals leverage by the company. Looking at the company's ROE and ROA, there is a growing trend for the past five years which tells how much profit is generated from its assets and stocks on hand.

DuPont analysis is an efficient way of breaking down ROE in three different parts; operating efficiency (Profit Margin), asset use efficiency (Total Asset Turnover), and financial leverage (equity Multiplier.) The DuPont Analysis numbers generated above shows an increasing pattern over the years.

Valuation:

Relative Valuation:

Current Price (as of 3/28/03): \$52.99

Trailing P/E: 38x

EPS (Estimate 2004): \$2.19

Forward P/E: Current Price/ EPS (2004) = 24.6x

Expected P/E (2004): 27.5x

Target Price: EPS (2004) * P/E (2004) = \$60.22

Absolute Valuation: Intrinsic Value

Rate of Return: CAPM

$$\begin{aligned} &= R_f + B[R(M) - R_f] \\ &= 3.94 + .6(10 - 3.94) \\ &= 7.58\% \end{aligned}$$

Multiple Cash Flow Model:

Assuming a growth rate of 14% (2004), 13% (2005) and 10% (2006)

$$\begin{aligned} \text{Cash Flow 1} &= (\text{Net Income} + \text{Non Cash Expenses}) - \text{Capital Expenditures} \\ &= (630,162 + 19,332) - 480,000 \\ &= \$0.466 \end{aligned}$$

$$\text{CF2 } (0.466 * 1.14) = \$0.533$$

$$\text{CF3 } (0.533 * 1.13) = \$0.600$$

$$\text{CF4 } (0.600 * 1.10) = \$0.660$$

CF5: Assuming a growth rate of 13% (2005) and 10% (2006)

$$2003 = \$1.75$$

$$2004 = \$2.19$$

$$2005 = (2.19 * 1.13) = \$2.48$$

$$2006 = (2.48 * 1.10) = \$2.76$$

$$\begin{aligned} \text{Price} &= \text{P/E (2006)} * 2.76 \\ &= 34.5 * 2.76 = 93.84 \end{aligned}$$

$$= \$93.84 \text{ (in 3 years)}$$

$$\begin{aligned} &= 0.466 / (1.0758) + 0.533 / (1.0758)^2 + 0.6 / (1.0758)^3 + 0.66 / (1.0758)^4 + 93.84 / (1.0758)^4 \\ &= 0.433 + 0.461 + 0.482 + 0.493 + 70.0 \\ &= \$71.90 \end{aligned}$$

Explanation of Valuation

Our **EPS (2004)** was based on projections set forth in the Income Statement. Biggest driver for the EPS is the forecasted future sales of highly anticipated drugs Lexapro and Memantine. Sales were estimated based on industry estimates, company estimates and our estimates.

Forward P/E is calculated by dividing the current price with estimated EPS for 2004. Forward P/E gives what the likelihood of future P/E a year from now.

Expected P/E is our estimates of what the P/E will be in 2004. We considered various factors, such as the expected increase in Price and earnings; the current P/E for Forest is in a premium relative to its competitors and the healthcare industry; and the range between the current P/E and the forward P/E.

Target Price is calculated by multiplying EPS (2004) with P/E (2004). This is what we believe the price of the stock will be a year from now.

Rate of Return is determined using CAPM. This is what we expect to get back from our investment with Forest's. CAPM took into account the risk through Beta, which is the risk of the stock relative to the market.

Multiple Free Cash Flow Model as Intrinsic Value

Since Forest does not provide dividends, we used a CF model. Growth rates are determined through our own estimates, comparison of yearly financials, company's estimates and industry estimates. We have optimistic three-year growth rates for Forest because of the expected sales of its products.

CF1 was determined by using the 2003 expected CF, which is net income for 2003 plus depreciation (non-cash expense) minus capital expenditures. The proceeding CF's were determined using its growth rates.

CF5 is the expected price of the stock three years from now and it was calculated by taking 2006's EPS and multiplying it with 22 (assuming it is closely the same P/E.)

CF1 through CF5 were discounted using the appropriate growth rates and we came up with an intrinsic value of \$71.90.

Risk Factors

Financially, drug manufacturing is a high risk business; for every 5,000 compounds discovered, only one ever reaches the pharmacist's shelf. The odds against making a profit are steep as well: less than a third of marketed drugs actually achieve enough commercial success to recoup their R& D investment.

Risks for stock prices are related to : the risks of product launch, delays for their near-term key product launches (i.e. Memantine for Alzheimer's ; Aerospan for asthma (FDA deemed approvable; and Oxycodone / ibuprofen for pain; and lercanidipine for hypertension – both already file NDA) the continued increase cost of sales force expansion and retention (being able to hold their market share within the depression franchise) and the risk associated with product development failures (having to call a drug off the shelf).

General risks associated to the pharmaceutical industry include: product development risk; commercial risk from new or existing competition; patent risk (generic drug approvals); personnel retention risk; and product delays. If the impact to Forest from any of these factors are greater than we expect, the stock will have trouble achieving its target price, however if the product development/ licensing activities are stronger than we expect the stock price may exceed our target price.

Investment Drivers

A product - Depression Franchise – this is what drives Forest's growth.

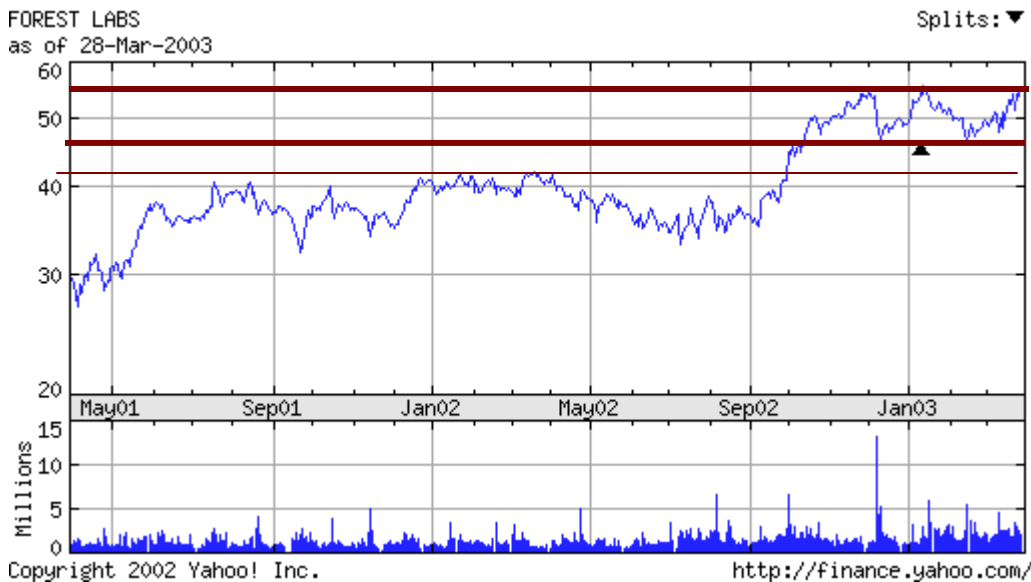
R& D drives the business – given the limited patent lives of ethical pharmaceuticals, cultivating new pharmaceutical products is crucial to survival in this business. Drug makers that have consistently spent large sums on research and development, from which they've reaped a steady stream of successful products, have grown to be industry leaders – R&D is the lifeblood of the pharmaceutical industry. Over the past two decades, the industry's R&D expenditures rose sharply – 30.3 billion in 2001, up from 26.0 billion in 2000 and \$4.1 billion in 1985. R&D drives the innovation of new products thus driving sales.

Forest's main products that drive growth are Lexapro , Celexa (antidepressants) and Memantine (which is included in 4Q04E earnings).

Forest total Rx growth was 17% in February, continuing recent strong growth trends: up 18% in January and up 24% in December. Dollar-weighted Rx growth was up 51% in February, in line with recent trends: up 51% in January and 48% in December, driven by the strength of Forest's depression franchise.

Technical Analysis

Long Range Chart Analysis for 2 years:



Long range charts provide a perspective on the company trend that is significant.

First of all we can notice that there might be a significant long term trend. For 2 years the company oscillates between \$30 and \$56, and the extreme resistant and support prices are \$56 and \$47. However, we can expect the company to grow indefinitely in the future.

Due to the FRX new drug, Lexapro, the trend has outreach and gone through the Resistant level, and stock holders are being quite bullish about it. Now, we have two scenarios, which are that price will keep on moving up, or this could be the reversal point or bearish level, where stockholders want to sell the FRX stocks.

As Analyzing FRX chart, we can definitely say that it is non-cyclical and doesn't get influenced by the market trend. More, it is hard to find a secondary Resistant and Support level because trend does not show big fluctuations.

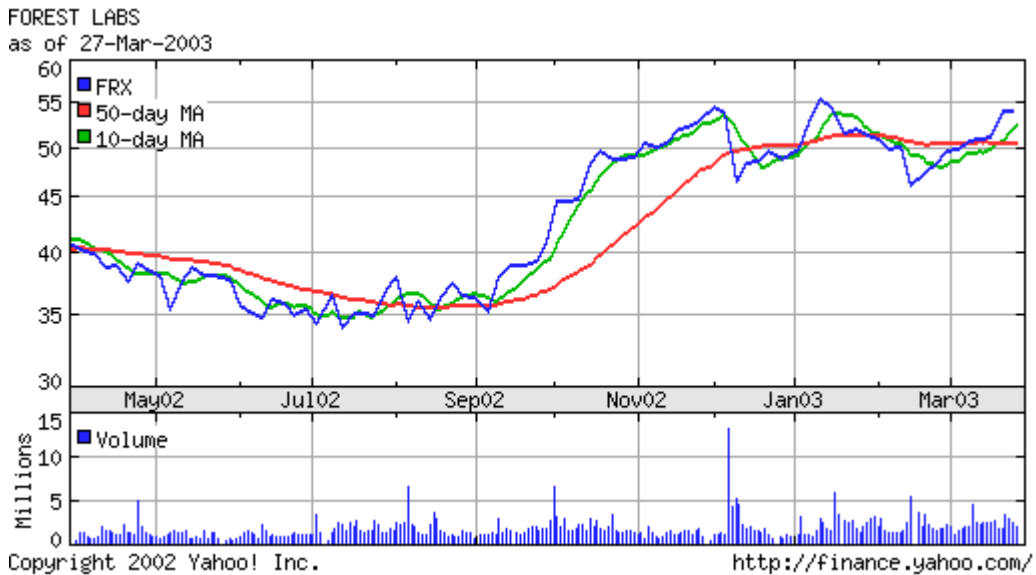
Middle Range Chart for 1 year:



Due to the several splits in the stock, it is very hard to exactly determine the performance against the S&P 500, but for sure, FRX has outperformed against the S&P 500.

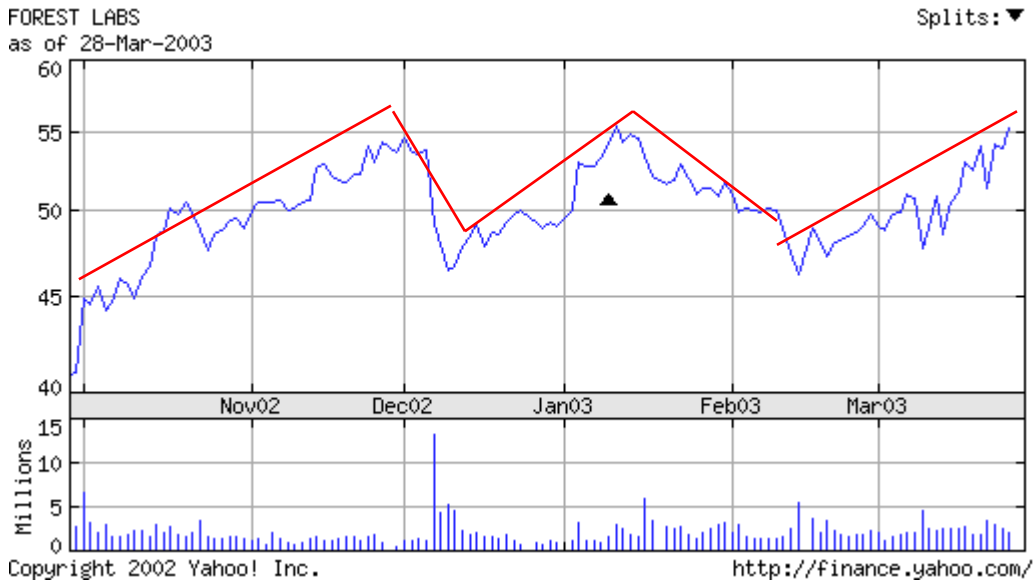
We can also notice that it penetrated the resistant level. We can therefore wonder if it is a reversal point or if the equity will continue to rise. The trend is increasing over last 6 months and is around 45°, which is significant.

Moving Average, 10 days and 50 days:



Looking at the 10 days and 50 days moving average, we can confirm that FRX is non-cyclical and does not fluctuate with the time. Averages are tending to be moved with stock price, which tells stock is less risky. Looking at all the three lines, we can not say that those lines will meet together, which is a selling point/price. In conclusion, price is expected to rise more in the near future.

Elliott Wave Principle:



According to the Elliott wave Principle, we can expect that price will go up, doubly in long term, but definitely in short term before it reaches its next wave and starts declining. However, these waves are very small compare to whole price range in the last 5 to 8 years, so we might say that price will keep on moving up with some downward fluctuations.

'Head & Shoulder' and 'Fin Lines Principle':

As we have seen above that price tends to go up rather than decline, so, the theory of 'Head & Shoulders' and 'Fin Lines Principle' do apply to the technical analysis of Forest Laboratory Stocks (NYSE:FRX).

Income Statement

	1998	% D year	1999	% D year	2000	% D year	2001	% D year	2002	% D year	2003*	% D year	2004**	1stQ-03	2ndQ-03	3rdQ-03	4thQ-03	2003*
Net Sales	427086	27.91%	546266	59.78%	872822	34.57%	1,174,527	33.38%	1566626	38.83%	2175011	38%	3000000	455592	518583	579722	621114	2175011
Other Income, Net	47618	63.22%	77722	-65.93%	26479	15.74%	30647	14.85%	35198	11.09%	39100	11.25%	43500	11608	13017	7078	7397	39100
Cost of Sales	104412	30.71%	136477	58.01%	215651	31.73%	284079	30.62%	371061	25.33%	465053	37%	639381.6	98600	104400	122000	140053	465053
COS as % of Sales	24.45%		24.98%		24.71%		24.19%		23.69%		0.21381639		0.2131272	21.64%	20.13%	21.04%	22.55%	21.38%
Gross Profit	322674	27.00%	409789	60.37%	657171	35.50%	890448	34.27%	1195565	46.30%	1749058	35%	2360618.4	368600	427200	464800	488458	1749058
Selling & General Expenses	236370	37.52%	325067	40.25%	455911	13.33%	516662	16.67%	602791	18.69%	715432	46.47%	1047900	154925	184895	177163	198449	715432
SGA as % of sales	55.34%		59.51%		52.23%		43.99%		38.48%		32.89%		34.93%	34%	36%	31%	32%	33%
R&D	79150	-34.76%	51641	36.12%	70292	50.38%	105706	49.28%	157794	29.84%	204883	44.96%	297000	50267	51318	51886	51412	204883
R&D as % of sales	18.53%		9.45%		8.05%		9.00%		10.07%		9.42%		9.90%	11%	10%	9%	8%	9%
Total Expenses	315520	19.39%	376708	39.68%	526203		622368	22.21%	760585	21.00%	920315	46.13%	1344900	205192	236213	229049	249861	920315
EBIT	7154		33081		130968		268080		434980		828743		1015718.4	163408	190987	235751	238597	828743
Taxes	18075	86.06%	33630	33.09%	44759	86.85%	83631	58.10%	132224	50.19%	198581	33.88%	265864.03	39104	45728	55889	57860	198581
Net Income	36697	110.30%	77173	46.02%	112688	90.88%	215096	57.12%	337954	86.46%	630162	25.90%	793354.37	124304	145259	179862	180737	630162
EPS (basic)	0.45	111.11%	0.95	41.05%	1.34	-8.21%	1.23	54.47%	1.90	-8.14%	1.75	25.61%	2.19	0.346	0.404	0.497	0.498	1.745
EPS (diluted)	0.44	104.55%	0.90	42.22%	1.28	-7.81%	1.18	54.24%	1.82	-7.77%	1.68	25.70%	2.11	0.33	0.39	0.48	0.48	1.678565435