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Research Reports MARKET WEEK **How Analysts Size Up Companies**

Edited by Anita Peltonen

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Barron's

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Acco Brands

-- ABD-NYSE

Outperform

-- Price 24.46 on Oct. 12

by Barrington Research

Office-products maker Acco sees third-quarter sales of approximately \$495 million [versus] \$499 million in '06.[earnings before interest, taxes, depreciation and amortization] . . . We're lowering our EPS estimate to \$1.77, from \$1.87. With full-year 2007 EPS still expected to grow 26% . . . ABD's making good progress on merger integration . Price target [cut to] 30, from 32.

Adtran

-- ADTN-NNM

Sector Perform

-- Price 22.36 on Oct. 16

by Pacific Crest

Adtran [a provider of networking and communications equipment] reported Q3 revenue of \$123.8 million, versus our estimate of \$124.3 million, but in line with ADTN's preannounced guidance of sequentially flat. Reported EPS of 31 cents was 3 cents above our estimate and ADTN guidance. ADTN expects Q4 revenue to be down sequentially, but up over very weak 4Q06 . . . Adtran shares are trading [above] 18 times our '08 EPS estimate. . . . We prefer investments in the sector with stronger exposure to secular trends.

Bankrate

-- RATE-NNM

Outperform

-- Price 48.82 on Oct. 16

by RBC Capital Markets

Shares currently trade at 14 times 2008 Ebitda and 25 times EPS, a reasonable but not overly inexpensive multiple versus the range of 10 times to 16 times over the past 12 months. . . . advertisers are spending more on Bankrate than they did this time last year, or even in 1H07. . . . We continue to believe that RATE has among the best fundamentals in the small-cap Internet space. [Yet] we believe the easy money may have been made, [thus, we reduce] our rating from Top Pick to Outperform. Target: 59.

Forest Laboratories

-- FRX-NYSE

Sell

-- Price 38.23 on Oct. 16

by W.R. Hambrecht

Target: 35. Sequentially lower sales of Lexapro [a depression and anxiety drug] and sliding [prescription] share have been confirmed . . . [The recently announced] results -- where the top line came up short, up just 8% year/over/year, along with . . . 50-basis-point margin erosion -- we believe reflect the deteriorating fundamentals we've long expected. What's worse . . . is the apparent absence of a strategic plan to revive growth. . . . Cash flow is positive, with \$2.4 billion . . . but this bloated former cruise ship . . . is simply not moving forward.

General Electric

-- GE-NYSE

Long-Term Buy

--Price 41.03 on Oct. 16

by Hilliard Lyons

GE reported 3Q EPS of 54 cents, compared to 47 cents last year. EPS from continuing operations rose 9%, to 50 cents from 46 cents, but this included \$568 million of after-tax restructuring charges, or 6 cents a share, implying 22% growth otherwise. GE has exited subprime-mortgage business and written down . . . its remaining portfolio. . . . Momentum in Infrastructure segment appears to be in early stages. Global revenue continues to grow. Recent acquisitions of faster-growing, high-margin businesses add to our conviction. Based on its historic valuation and current prospects, we believe GE warrants a premium to the Standard & Poor's 500. Our two-to-three-year 53 target results from assuming sustained double-digit EPS growth . . . a 20% premium valuation to the S&P.

Medtronic

-- MDT-NYSE

Outperform

-- Price 50 on Oct. 16

by Bear Stearns

Target: 60. We are lowering our fiscal-year '08 sales and EPS estimates to \$13.1 billion (+7%) and \$2.55 (+6%), from \$13.5B (+10%) and \$2.71 (+12%) after MDT's ICD [implantable cardioverter-defibrillator] lead recall. We expect an approximately \$200 million F2Q08 negative sales impact from pulling inventory . . . Our FY09 sales and EPS estimate also move down to \$14.6B (+11%) and \$2.95 (+16%), from \$15.1B (+11%) and \$3.12 (+15%). We're lowering price target to 60 for year-end '08 from 65 by applying a 20 times P/E multiple to our new \$2.95 FY09 EPS estimate. MDT's ICD recall is likely to delay a market rebound until [calendar] '08 and to pressure growth.

U.S. Geothermal

-- UGTH-OTCBB

Buy

-- Price 3.48 on Oct. 16

by Pacific Growth

Initiating with Buy . . . based on USG's position as [a] leader of emerging geothermal developers and [its] proven reserves. We favor geothermal, based on its cost-competitiveness with fossil fuels, its "green" attributes, ability to meet renewable-portfolio standards, and ability to generate valuable production-tax credits. We have assigned an [approximately] \$4.60-a-share fair value to USG's first 65 megawatts of development. We think U.S. Geothermal's potential 135 megawatts of additional resources is currently worth about \$1.70. . . . In an industry [with] many small wildcatters with unproven resources, we favor players with well-studied and developed resources such as USG. Market-cap: \$186 million.

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