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How Analysts Size Up Companies

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Daisytek (DZTK-NNM)

by First Albany (4.79, Feb. 13)

Neutral. The major issue continues to be the heavy cost burden associated with its new growth initiatives, coupled with other issues, which highlights our concern that management is taking on too much at one time. The good news is that management appears to be streamlining its focus on a small number of key initiatives; however, it will be a few quarters before the related cost burdens are removed . . . The big news was the company's indication that it will slow its growth in order to focus more on profitability and cash flows.

MBNA (KRB-NYSE)

by Lehman Brothers (16.50, Feb. 19)

2-Equal Weight. MBNA reported managed net credit-loss data for January. The net credit-loss rate increased 41 basis points, to 5.59% from 5.18%. The increase was largely the result of continued economic weakness and a denominator effect from seasonal payment activity . . . The company noted that it expects charge-offs to decline in the second half . . . We are revising our fiscal 2003 earnings-per-share estimate to $1.60 from $1.75 and lowering our price target to 23 from 30.

Penn National Gaming (PENN-NNM)

by Fulcrum Global Partners (15.86, Feb. 12)

We believe the recent weakness in the shares, which have traded down in sympathy with the rest of the gambling group, is unwarranted given (1) the company's focus on slot revenue, which historically has better withstood economic slowdowns than table revenue; (2) the impressive results from its recent (and continuing) expansion at Charles Town Races in West Virginia; (3) the pending completion of the accretive Hollywood Casino acquisition; and (4) the potential for gambling proliferation in Pennsylvania. Overall, given the stability of its slot operations and the company's growth prospects, we believe the recent weakness provides for highly attractive entry points . . . We reiterate our Buy rating and price target of 21.

Northeast Pennsylvania Financial (NEPF-NNM)

by Cohen Brothers (15.46, Feb. 20)

We are initiating coverage with a Market Perform. We believe this company is fairly valued given its current level of efficiency and profitability. The company is in the process of replacing its chief financial officer who recently departed to pursue other interests. We think the loss of Pat Owens leaves a hole in management, and it could be difficult for the company to implement its cost-reduction and revenue-enhancement program until a new CFO is hired.

3D Systems (TDSC-NNM)

by A.G. Edwards (8.90, Feb. 19)

Downgraded to Sell from Hold. The recent announcement of revenue shortfall, the suspension of the CFO, bank-loan negotiations and the suggestion that an equity infusion might be necessary could raise concerns that go beyond the likely loss for the quarter and full year.

Wynn Resorts (WYNN-NNM)

by Thomas Weisel Partners (13.94, Feb. 13)

There is a perception that Macau will prove to be a much bigger market than Street estimates assume, and the dramatic growth in gambling wins for 2002 lends support to that view . . . Mr. [Steve] Wynn has argued that the presence of Vegas operators in Macau could double high-end play on the Las Vegas Strip . . . We have a Buy rating and 12-month price target of 18 (based on a multiple of eight times discounted 2006 estimated earnings before interest, taxes, depreciation and amortization).

La-Z-Boy (LZB-NYSE)

by Morgan Keegan (20.09, Feb. 12)

Market Perform. The company continues to experience weak demand trends, driven by declining consumer confidence and exacerbated by competition from imports. We are lowering our fiscal 2003 EPS estimate from $1.71 to $1.66, and lowering our 2004 estimated EPS from $1.81 to $1.70, factoring in a slower recovery in the furniture industry and gradually increasing competition in La-Z-Boy's core upholstery segment from imports from the Far East.

East West Bancorp (EWBC-NNM)

by FTN Financial Securities (32, Feb. 12)

While the present environment for bank stocks is unfavorable, we are reiterating our Outperform rating given recent price compression . . . The bank is an excellent long-term holding and we continue to recommend the shares, especially given the recent pullback . . . We are comfortable with a valuation of 17 times our 2003 estimate of $2.27 per share.

LTX (LTXX-NNM)

by Soundview Technology (4.57, Feb. 12)

We initiate coverage with a Neutral rating and a 12-month price target of $5.25 . . . The company faces attractive growth opportunities; nonetheless, given the current lack of visibility and lack of diversification among the company's customer base, we expect the stock to be a market performer.

Riverstone Networks (RSTN-NNM)

by Pacific Growth Equities (2.01, Feb. 19)

Equal Weight. We estimate cash burn this quarter will be $20 million to $23 million and that net cash at the end of the quarter will be close to $200 million, or $1.53 per share. We estimate the burn from operations will be less than $15 million, down from $17 million last quarter, and that Riverstone will pay $8 million for the acquisition of Pipal Systems. While it has consistently reduced cash burn in recent quarters, we believe the company will be challenged to achieve break-even earnings in fiscal 2004 with its current cost structure.

CEC Entertainment (CEC-NYSE)

by RTX Securities (25.95, Feb. 19)

We continue to believe CEC's dominant market position within the restaurant and entertainment market for children, its long-term annual EPS growth potential of 10% to 15%-plus, and strong free cash-flow generation present an attractive investment opportunity for long-term holders at current levels. Therefore, we are reiterating our Buy recommendation with a target price of 33.

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