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How Analysts Size Up Companies

The following companies are subjects of research reports issued recently by investment firms. Many of the reports listed may be purchased from Investext, a division of Thomson Financial Services, in New York (800-662-7878), or are available on line from the Investext or Pipeline databases or through Dow Jones News/Retrieval. Share prices at the time the report was issued and the date of the report are in parentheses.

Airways (AAIR-NNM)

by John G. Kinnard

(7 7/8, Nov. 3)

-- Buy. Airways is a provider of low-fare, non-stop jet services between Orlando and 17 cities. Although it is too early to draw any definitive conclusions, it appears that the Airways operating strategy is working well.

Altron (ALRN-NNM)

by Prudential Securities

(29, Nov. 7)

-- Buy, High Risk. Altron reported impressive year-to-year gains in sales and margins for its third quarter. During the quarter (ended Sept. 30), earnings rose 50% to 36 cents per share from a year-earlier 24 cents.

American Greetings (AGREA-NNM)

by McDonald & Co.

(31 3/4, Nov. 3)

-- Despite indications of sluggish retail sales in October, the core domestic greeting card business continues to hold up well. Plusmark continues to benefit from market share gains at the expense of Cleo (Gibson Greetings) and the consumer businesses -- Acme Frame and Magnivision -- are recording strong revenue growth due to the addition of new stores. Weak segments remain CreataCard, Canada and Mexico. The greeting-card business has defensive characteristics that could enable the shares to outperform the consumer group if the economy shows signs of stumbling in the fourth quarter. Buy.

American Home Products (AHP-NYSE)

by NatWest Securities

(88 1/2, Oct. 31)

-- Hold. American Home's just reported third-quarter earnings per share show that the company is well on its way to merging its operations with those of American Cyanamid. Nonetheless, the company is still in transition and, in 1996, American Home is likely to face generic competition for one of its key products, Premarin.

Audio King (AUDK-NNM)

by Piper Jaffray

(3, Oct. 30)

-- Market Performer. Moderating business conditions, limited geographic diversification and increased competition from Best Buy and Circuit City limit near-term growth opportunities.

Barrett Resources (BRR-NYSE)

by Petrie Parkman

(23 5/8, Nov. 3)

-- Buy. The July 1995 merger of Barrett and Plains Petroleum created a premier, gas-oriented independent with exciting growth prospects.

BMC Software (BMCS-NNM)

by Chicago Corp.

(35 5/8, Oct. 31)

-- BMC's valuation is compelling at 12.3 times calendar 1996 earnings after adjusting for cash. We think the stock may be due for a bounce.

Cato (CACOA-NNM)

by Johnson Rice

(6 1/8, Nov. 6)

-- Buy. Cato is well-capitalized and a top performer in the weak women's apparel category. In our opinion, the company will be a survivor, and, as competitors struggle, Cato will have an opportunity to gain market share.

CBR (CBRB-NNM)

by J.P. Morgan

(BF 11 7/8, Nov. 14)

-- CBR's shares are not currently trading on fundamentals. Its valuation is being driven by the December 1996 put warrants issued by Heidelberger (Market Performer, DM 880) exercisable at a price of BF 11 3/4. Although we believe the share are currently overvalued on fundamentals, existing shareholders who own the put warrant have little incentive to sell and therefore the shares are unlikely to decline below BF 11 3/4. Our 12-to-18 month price target is BF 11 3/4, giving a total return of 3%. Market Performer.

Chiquita Brands (CQB-NYSE)

by C.J. Lawrence

(16 1/4, Nov. 9)

-- Hold. In some ways we can understand Chiquita's lofty valuation-operating income did jump 77% in the quarter. But the Street continues to forget about Chiquita's debt. At about $1.6 billion, it is highly unlikely that Chiquita will make money in its second half, despite decent earnings in its first half.

Digicon (DGC-AMEX)

by Robotti & Eng

(6, Nov. 7)

-- Digicon shares appear cheap with little downside risk and plenty of upside potential. While the companywide re-engineering progresses during fiscal 1996 (ending in July), operations are profitable and setting the stage for growth.

General Electric (GE-NYSE)

by A.G. Edwards

(63 5/8, Nov. 2)

-- We continue to recommend Purchase of GE shares in conservative portfolios. Our 12-month price objective is 70, or approximately 14-14.5 times our preliminary 1997 EPS estimate of $4.80-$4.90 per share, well within the shares' historical range of 11-16 times. At current levels, the shares are trading at a roughly 10% discount to the S&P Composite index, based on 1996 estimates, a very comfortable valuation in our opinion.

ICOS (ICOS-NNM)

by Gerard Klauer Mattison

(5 3/8, Nov. 6)

-- We initiated coverage of this development-stage biotechnology company focused on therapeutics for inflammatory conditions with a Buy rating on Oct. 23 at $5.63. We believe it exhibits many of the characteristics of successful biotechnology companies: an experienced and capable management team led by George Rathmann (founder of Amgen), several products in clinical or preclinical development, two major corporate partnerships and a strong patent portfolio.

Industrial Training Corp. (ITCC-NNM)

by Ferris Baker Watts

(10, Nov. 1)

-- Buy. We estimate that demand for ITCC's products and services will increase as corporations require more training due to downsizing and as multimedia-based solutions continue to gain acceptance. We believe ITCC is underfollowed and undervalued. Our 12-18 month target price is $15-$19.

JetForm (FORMF-NNM)

by Rickel & Associates

(16 7/8, Nov. 13)

-- Strong Buy. JetForm has cornered the high end of the E-forms market and made a convincing move into the Internet market with its Intelligent World Wide Web Forms. Consequently, it is poised to embark on a period of substantial growth that should last into the next millenium.

Lesco (LSCO-NNM)

by Mesirow Financial

(14, Nov. 3)

-- Buy. Through new-store growth, the return of normalized gross margins through price increases and better purchasing and ongoing expense controls, Lesco is well-positioned to achieve long-term sales and earnings growth in excess of 15%.

Levitz Furniture (LFI-NYSE)

by Alex. Brown

(4 1/8, Nov. 6)

-- Neutral. We view as positive Levitz's announcement of Michael Bozic as President and CEO. The former Hills Stores and Sears executive's energetic, driven style should add a needed shot in the arm to the flagging Levitz organization, and his prior success in turning around tough retail situations is welcome. But sales remain tough, especially in California. October comps declined 10.5%, below our estimate of a 6-8% decline.

Meditrust (MT-NYSE)

by Crowell Weedon

(33 1/4, Nov. 7)

-- Meditrust is the largest publicly traded real-estate investment trust and the largest health-care REIT, with a market capitalization of over $1.7 billion, assets of $1.8 billion and equity in excess of $1 billion ($20.54 per share). The company is well-diversified and well-managed. The dividend has been raised every quarter since going public seven years ago and should continue to increase by a half-penny per quarter. We believe the stock could trade in the $37 per share range one year out. Purchase for income-oriented and total-return accounts.

New Germany Fund (GF-NYSE)

by Prudential Securities

(12 1/8, Oct. 26)

-- In our opinion, the economic environment in Germany and Europe overall is one that has traditionally supported good stock market performance -- sustainable growth with low inflation. Prudential Securities's senior international economist, Michael Aho, states that there should be no major surprises, positive or negative. We continue to believe that New Germany Fund is well-positioned for such an environment.

Palmer Wireless (PWIR-NNM)

by Wheat First Butcher Singer

(23 1/8, Nov. 3)

-- Buy. Trading at 12 1/2 times our 1996 operating cash flow estimate of $71 million, while its peer group trades at 14-17 times, the stock represents a compelling value.

Players International (PLAY-NNM)

by Gerard Klauer Mattison

(12 5/16, Nov. 9)

-- Players is currently selling near its 12-month low, having lost almost half its value in the past two months. Consensus estimates have been reduced about 30%. We believe the share price currently discounts this year's earnings shortfall and should yield a strong recovery in fiscal 1997. We continue to recommend Purchase with a 12-month target of 21.

PNC Bank (PNC-NYSE)

by UBS Securities

(27 5/8, Nov. 13)

-- The stage is set for an accelerating earnings recovery story. Buy.

ScanVec (SVECF-NNM)

by Unterberg Harris

(6 7/8, Nov. 16)

-- Revenue and operating income are projected to increase by over 35% in F96 to $14.6 million and $3 million, respectively. We believe the stock, selling at less than 12 times our fully-taxed $0.60 EPS for F96, is trading at a significant discount to the comparables. We believe the stock holds upside to the 12 level near-term. Buy.

Sodak Gaming (SODK-NNM)

by Gerard Klauer Mattison

(17 3/4, Nov. 8)

-- Our target price remains $30, or just above 20 times our 1996 EPS of $1.45. Over the past three months, Sodak has become an even more compelling investment because of stronger prospects for recurring revenue sources and the large number of significant Indian casino projects expected in the next two years.

Stewart Enterprises (STEI-NNM)

by Chicago Corp.

(34, Nov. 3)

-- Buy. Stewart Enterprises is in the midst of breaking out of its traditional southeastern base with recent acquisitions in the Midwest and West. We foresee an acceleration of earnings growth up to 20% over the next three to five years. Stewart's funeral segment margin has started to show some year-to-year improvement as a function of its integration of the past few years' worth of acquisitions.

Stimsonite (STIM-NNM)

by Mesirow Financial

(9, Nov. 3)

-- Hold. We are lowering our EPS estimates based on third-quarter results that were significantly below our estimates and management's belief that earnings for the fourth quarter should be below last year's strong fourth quarter. Our old EPS estimates for 1995 and 1996 were 56 cents and 87 cents. Our new estimates are 34 cents and 44 cents. We believe the stock will be an Underperfomer in the near term.

Sturm, Ruger (RGR-NYSE)

by Chicago Corp.

(27, Nov. 2)

-- Buy. Evidence exists that earnings trends are improving. The Newport plant is expanding production and castings shipments are improving. We feel that the stock's downside is limited.

Taubman Centers (TCO-NYSE)

by JP Morgan

(9 3/4, Nov. 7)

-- Taubman Centers' level of internally generated growth is good for a real-estate investment trust, especially one with the quality of assets it owns, but is not strong enough to attract significant numbers of REIT buyers. Market Performer.

3D Systems (TDSC-NNM)

by Southcoast Capital

(16 5/8, Oct. 30)

-- Strong Buy. 3D Systems is the world's leading provider of rapid prototyping and manufacturing systems, a relatively new dynamic industry embodying the use of computers and computer-automated equipment to rapidly produce three-dimensional prototypes of objects. We are raising our 1996 EPS estimate to 59 cents a share from 57 cents, and boosting our 1997 EPS estimate to 77 cents from 75 cents.

Top Source Technologies (TPS-ASE)

by Josephthal Lyon & Ross

(8 1/8, Nov. 9)

-- Buy. The company is on the verge of a substantial ramp-up in revenues and earnings resulting from the commercialization of its innovative On-Site Analyzer.

Tylan General (TYGN-NNM)

by Adams, Harkness & Hill

(16, Nov. 13)

-- We believe the pieces are in place for Tylan General to become a substantially larger and more important supplier of components and subsystems to the semiconductor capital equipment industry. With its stock at 12 times our estimated CY96 EPS of $1.36, we are reiterating our Buy recommendation.

Zebra Technologies (ZBRA-NNM)

by GS Securities

(57, Oct. 31)

-- Buy. Zebra's sales are expected to grow significantly faster than the market in 1995 at 40%, and 10%-12% faster than the market at 25%-30% annually over the next five years.

--- WINNER

-- Mirage Resorts (MIR-NYSE)

"Well-positioned for growth." That's how Bear Stearns described Mirage Resorts in a Nov. 14, 1994, report. Back then, the shares were trading at 21. Recently, they were up more than 50%, at around 32. Driving the gain: earnings growth and hope for new projects, notably a $1.1 billion Las Vegas casino the company hopes to open in 1998.

LOSER

-- Capital Gaming (GDFI-OTC)

Another gambling outfit, Capital Gaming International, then trading at 5 1/2, won a buy rating from Ladenburg Thalmann in a Nov. 15, 1994, report, which set a "24-month price target, absent new projects, of $12-$15." That target will be tough to hit; a company unit now is in Chapter 11. The stock recently fetched a bid of 11 cents a share.

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