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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 The Investext Group, a division of Thomson Financial Securities Data, at 888-989-8373 or www.tfsd.com, or are available through Dow Jones Interactive. Share prices at the time the report was issued and the date of the report are in parentheses.

Archer Daniels Midland (ADM-NYSE)

by Merrill Lynch (11.97, July 12)

ADM has announced a merger agreement with Minnesota Corn Processors. We are most enthusiastic about the prospect of additional ethanol capacity at a time when California is on the brink of a major shift . . . . to ethanol. At this time, we are not changing our fiscal 2003 (ends June) estimate of 85 cents to 95 cents a share. We continue to like ADM . . . . and feel that the multiple should begin to expand as agronomic conditions in the Midwest continue to improve. Our intermediate-term Buy and long-term Strong Buy opinion remain.

Bowater (BOW-NYSE)

by Deutsche Bank (49.99, July 11)

The company announced that the after-tax gain on two recent timberland sales was overstated by a total of $4.8 million. This restatement stems from a calculation error on the net present value on residual gains in the timber sale structure. We aren't changing our view. We continue to rate Bowater a Strong Buy, among the most attractive stocks in the sector on a valuation basis. While [the error] is embarrassing, there isn't any change in nontimber sales results for either quarter. The company isn't restating any operating results. Moreover, there is no impact on cash flow from the timber sale.

SAP (SAP-NYSE)

by Bear Stearns (19.70, July 12)

Despite our estimate cuts over the past few days, we believe that there is still a risk of further cuts to our estimates. . . . On the basis of 2002 price/earnings ratio, SAP is still trading at a 17% premium to its peer group, at 29.5 times our 2002 earnings-per-share estimate, compared with 25.3 times for the group. . . . Reiterate Sell based on valuation, relative to ongoing execution risks, in addition to fundamental concerns regarding the company's competitive positioning and long-term market opportunity.

Pier 1 Imports (PIR-NYSE)

by SWS Securities (19.16, July 11)

The company announced that June comparable-store sales increased 7.4%, in line with our expectations. . . . We are expecting mid-single-digit comps for July. . . . Management reiterated its fiscal second-quarter 2003 EPS guidance of 19 cents to 21 cents. We are estimating fiscal second-quarter EPS to be 20 cents, compared with 14 cents in the same period last year. We reiterate our Neutral rating, as we believe that the stock is fully valued at these levels.

Juniper Networks (JNPR-NNM)

by W.R. Hambrecht (8.06, July 16)

We are initiating coverage with a Market Underperform rating. . . . We believe that over the long term, Juniper could probably become a powerful leader. . . . However, we feel that given the continuing soft carrier spending environment, it remains quite difficult to predict the intermediate-term outlook and we are uncomfortable with the company's current premium valuation versus other communications equipment vendors.

Knight Ridder (KRI-NYSE)

by Goldman Sachs (58.70, July 12)

As a pure-play newspaper company, Knight-Ridder is particularly exposed to swings in classified-ad revenue. We think this will work to its advantage during the next 12 months, providing potential upside to current earnings estimates. Management's aggressive focus on cost control and margin improvement enhance our confidence in the earnings outlook. With the stock selling at a sharp discount to the group, we think the risk/reward is appealing. We are initiating coverage with a Market Outperformer rating.

Gannett (GCI-NYSE)

by Goldman Sachs (69.85, July 12)

Management's well-deserved reputation for aggressive cost control has translated into financial performance much better than the industry average over the past year. We see potential upside to estimates during the next several quarters from improving broadcast results, continued margin upside in newspaper operations, and leverage from the company's substantial free cash flow. The stock sells at the low end of its historic valuation range (on a P/E basis) compared with the group. We are initiating coverage with a Market Outperformer rating.

New York Times (NYT-NYSE)

by Goldman Sachs (48.15, July 12)

We like the company's attractive collection of franchise assets. Management has delivered on its promise to enhance profitability through aggressive efforts to better control costs. Our concern is that the current valuation of the shares may already give substantial credit for the expected earnings recovery. We are initiating coverage with a Market Performer rating.

Tribune (TRB)

by Goldman Sachs (41.02, July 12)

Its mix of media properties, particularly its cross-ownership platforms in the three largest U.S. media markets, gives it unique appeal. However, as with New York Times, we believe the valuation of the stock seems to already give substantial credit for the anticipated rebound in industry earnings. We are initiating coverage with a Market Performer rating.

3D Systems (TDSC-NNM)

by A.G. Edwards (10.95, July 17)

The rating is changed from Sell to Hold. The second-quarter loss reflects the low level of demand and has prompted a restructuring plan aimed at reducing variable costs and restoring profitability at the current level of demand. The disciplines involved are the same as those applied by current management three years ago; hence, we believe they have a reasonable chance of success. Downside price risk from the 10-to-11 area seems moderate . . . Upside potential is likely to be stalled until firmer signs of turnaround develop.

Teva Pharmaceuticals (TEVA-NNM)

by Investec (64.15, July 17)

Downgrading to Hold. Teva rose 2.8% yesterday against the market and the sector on expectations for Augmentin approval. . . . As the contraction of multiples in the pharmaceutical sector in general and in the generic sector in particular continues, Teva's premium has widened to an all-time high of 70%. The strong Q2 results to be released on July 29 and the Augmentin approval seem to be already priced in at current levels.

Telephone & Data Systems (TDS-NYSE)

by Raymond James (65.20, July 17)

We are downgrading from Buy to Market Perform, as we view shares as fully valued at current levels. TDS reported second-quarter revenue slightly ahead of expectations; earnings before interest, taxes, depreciation and amortization roughly in line; and EPS ahead of estimates, due to investment sales.

Senior Properties Housing Trust (SNH-NYSE)

by Merrill Lynch (14.55, July 12)

Last night [July 11], after the market close, Five Star Quality Care announced that it expects to post a substantial loss for its second quarter, that it has closed one facility during the period and could close additional facilities by the end of 2002. Significantly, Five Star is SNH's largest tenant. . . . We are downgrading our long-term rating from Buy to Neutral, consistent with our current intermediate-term Neutral. We are also adjusting our risk rating on to High from Above Average.

Triad Hospitals (TRI-NYSE)

by S.G. Cowen (40.10, July 15)

Strong Buy. Although acute-care stocks have sold off from recent highs, we think there is ample opportunity for growth. Triad is our top pick. Second-quarter earnings on July 29 could be a positive catalyst. Initial post-merger results exceeded expectations, and the integration process is over. We expect Triad to narrow the valuation gap with its peers as this performance continues.

Lowe's (LOW-NYSE)

by Jefferies & Co. (43.20, July 12)

We are reducing our rating to Hold from Buy. We regard Lowe's as having considerable longer-term investment merit. That hasn't changed. Several other things have changed, however. First, the valuation of home-center co-leader Home Depot has continued to contract, thereby . . . putting a ceiling on upside potential. In addition, we have become concerned over the implication for the home-center chains of a possible stall in rising residential real-estate values.

VeriSign (VRSN-NNM)

by Bear Stearns (4.99, July 11)

Unattractive. Verisign is getting worse where it matters. . . . We remain cautious about the H.O. Systems unit because several of its largest customers -- namely Leap Wireless and Dobson Communications -- are in financial difficulties. We believe these two customers contribute more than 25% of revenue to H.O. Systems. This is an ongoing concern for us.

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