

BARRON'S

Research Reports
Research Reports1,061 words
15 April 2002

Barron's

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English

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How Analysts Size Up Companies

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American Electric Power (AEP-NYSE)

by UBS Warburg

(46.18, April 4)

We are initiating coverage with a Buy rating. Beyond its relatively attractive valuation in the current challenging market environment, the rating reflects our belief that it has all the necessary ingredients to become a leading energy merchant. These include: overall scope and scale, low-cost generation portfolio, limited exposure to wholesale market prices, solid risk controls, and focus on further strengthening its balance sheet. Our 12-month price target is \$50 per share, or 13.8 times our \$3.60 projection of 2002 earnings per share.

Gilead Sciences (GILD-NNM)

by Pacific Growth Equities

(35.64, April 1)

Maintain Buy. Bristol-Myers Squibb is warning doctors that some patients taking [its] HIV product Zerit (stavudine or D4T) have developed irreversible and sometimes fatal nerve swelling. . . . Safety concerns around D4T could lead to acceleration of the uptake of Viread, whose safety profile to date has been excellent. As a result, . . . we are increasing our anticipated sales levels. We now anticipate worldwide Viread sales in 2003 of \$132.8 million versus our previous estimate of \$124.6 million.

Enterasys Networks (ETS-NYSE)

by A.G. Edwards

(4.14, April 5)

Downgraded to Sell from Hold. After the April 4th market close, Enterasys finally provided investors with some indication about the December and March quarters' results as well as announced material management changes -- the combination of which will likely be taken very negatively by investors.

Autodesk (ADSK-NNM)

H&R Block

(43.31, April 4)

Autodesk announced fourth-quarter 2002 pro forma EPS of 65 cents, beating both our 51-cent projection and the 55-cent First Call consensus by a wide margin. . . . Considering the economic climate, we view fourth-quarter results as relatively solid. Both EPS and revenue beat our projection by a material amount and both showed substantial sequential improvement and respectable year-over-year growth. We maintain our Buy rating for aggressive, value-oriented investors.

Robert Mondavi Corp. (MOND-NNM)

by Merrill Lynch

(37.25, April 10)

We are reinstating coverage with an Intermediate and Long-term Buy rating. Founded in 1966 and [based] in Oakville, Calif., the company is a producer of premium table wines across a broad spectrum of price points. In fiscal 2001 (ended June), the company sold 9.9 million cases of wine, a 14.3% increase over fiscal 2000. . . . There is no doubt in our minds that the Robert Mondavi brand carries a certain cachet in the marketplace as a luxury wine. By utilizing a portfolio approach the company can take advantage of the Mondavi "halo" to build goodwill with other important brands in the portfolio, such as Woodbridge.

Safeco (SAFC-NNM)

by Lehman Brothers

(32.50, April 9)

We are upgrading the shares of Safeco to 1-Strong Buy from 3-Market Perform. We arrive at our \$40 price target by capitalizing its projected year-end book value by 140%. The stock currently trades at 114% of book value compared with its closest auto-insurer peer, Allstate . . . Reflecting our modestly more optimistic view of the auto-insurance market, we are raising our EPS estimates. For 2002 our EPS rises to \$1.75 from \$1.65 and for 2003, our EPS estimate rises to \$2.40 from \$2.30.

Keyspan (KSE-NYSE)

UBS Warburg

(36.27, April 8)

Shares have rallied sharply over the past six weeks and have pushed through our \$35 price target. As a result of the reduced return potential, we are lowering our rating to Hold from Buy. Our price target of \$35 implies a forward price/earnings ratio of 11.7 times our 2003 EPS estimate, in line with the peer-group multiple. Price appreciation to \$35, when combined with the annual dividend of \$1.78, represents a 1% total return potential.

3D Systems (TDSC-NNM)

by A.G. Edwards

(15.25, April 9)

A low level of order closure prompts us to cut our earnings estimate and downgrade shares to Sell . . . to reflect the delayed earnings recovery and inherent price risk. The stock may be vulnerable to its recent low of about nine to 10 as momentum players exit. Should the stock retreat to that level quickly and the underlying cash generation fundamentals remain unchanged, it is possible our rating downgrade may prove short term.

Veritas DGC (VTS-NYSE)

by SWS Securities

(16.91, April 1)

We reiterate our bullish stance on the prospects of the merger between Veritas and Petroleum Geo-Services, due primarily to the expected benefits for the combined entity from . . . the more efficient marine operations and better

pricing from the more consolidated marine seismic industry. Considering the partial realization of the expected annual merger savings of \$35 million and a lower post-merger tax rate, we expect the combined entity to earn \$1.35 per share in fiscal 2003. We continue coverage with a Strong Buy rating and a new 12-month target of \$27 per share (20 times our fiscal 2003 combined entity EPS estimate of \$1.35).

Cisco Systems (CSCO-NNM)

by Needham & Co.

(14.82, April 10)

Concerns about the outlook for both the service provider and the enterprise sectors have risen recently due to high-profile preannouncements. . . . While we recognize the difficulties of the current environment, We believe that the challenges facing all vendors in these markets only reinforces the importance of Cisco's unparalleled strengths, including a balance sheet that overshadows the rest of the equipment industry. Defensible revenue growth assumptions and reasonable margin assumptions lead to an estimated 25% EPS growth rate from the fiscal 2001 base over the next five years, which supports our \$18 target price. With the share price now offering a 23% gain to our target, we are now able to upgrade our Hold rating to Buy.

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