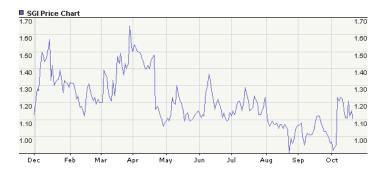
STOCK TRADERS PRESS

A Corporate Communications Corp. Publication ---- All Rights Reserved Short Term Report October 21, 2003

Strong Buy Silicon Graphic (NYSE) SGI \$ 1.09 <u>Company Data</u>

\$0.64-\$1.85 52-Week Range Market Cap \$ 229.5M Shares Outstanding 210.59M Book Value \$-0.81 Price/Book N/A Average Daily Vol. 1.55M Target Price \$3.00 Target Percentage 175.0%



Yesterday, **SGI** reported fiscal 1st **Quarter results** which were much improved over the previous quarter which were disappointing. For the quarter the company reported a net operating loss of \$.11 per share as compared with a loss of \$.12 per share in the previous quarter.

Despite the loss, there were a number of developments, which should lead to profitability this next quarter:

- SGI reported gross revenues of \$218 million, which were higher than anticipated (\$205 million was expected) and increased gross profit margins of 43% up from 40%. Both of these improvements were the results of improved sales of the newly introduced <u>Altix</u> systems.
- SGI management expects higher gross revenues in the area of \$240 million with gross profit margins of 44%.
- The improved outlook is primarily due to the increasing shipments of the Altix systems especially to the commercial market; to companies such as Boeing, Honda Motor and Motorola Inc.
- The outlook for the company's Government business continues to be good. The company announced that NASA will double its capacity of SGI systems, which currently has a major system in place.
- While we recognize that the stock of **SGI** has been a disappointing performer over the past year, it appears that the fundamentals of the company have finally begun to improve.
- We continue to view SGI as a turnaround situation and maintain our target price of \$3-\$4 per share.

" Due diligence is the essence of investing."(VM)