

# STOCK TRADERS PRESS

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Short-Term Report

December 10, 2002

## Update – Strong Buy

**Fremont General (NYSE) FMT \$4.17**

### Company Data

52-Week Range	\$2.98-\$7.90
Market Cap	\$286.7M
Shares Outstanding	75.2M
Book Value	\$5.88
Price/Book	0.65
Average Daily Vol.	269,000
Dividend/Yield	\$0.08/2.10%
Target Price	\$8.00
Target Percentage	90.5%
Stop Price	\$3.50



**Fremont General Corp.** is a holding company, which owns a commercial and industrial bank primarily located in California.

**We continue to be attracted to Fremont General** as an undervalued financial institution. The stock of Fremont General has been weak over the past week whereby the stock has declined to about \$4.00 per share from \$4.30 per share. There have been no fundamental developments which account for this decline. It appears that this price weakness could be the result of year-end tax selling.

The reasons for our attraction toward Fremont General are:

- The company has earned \$0.99 per share for the first nine months of 2002. We expect the company to earn \$0.38 per share for the fourth quarter, resulting in full year earnings of \$1.37. The stock is presently selling at a 3.0x price/earnings multiple. The normal P/E for a bank stock is 8-10x, which would equate into a \$10-\$12 share price for FMT.
- **Most impressive has been the reduction in long-term debt.** During the first nine months the company has reduced long term debt from \$342 million to \$270 million. The company has stated that an additional \$73 million of debt will be paid down by June 30, 2003. This will bring long-term debt down to a modest \$200 million level.
- As of September 30, 2002, Fremont General had a book value of \$5.88 per share and a current dividend of 1.9%.
- FMT has cash of \$2.00 per share.

**QUOTE: “I’ve learned that one should keep his words both soft and tender, because tomorrow he may have to eat them.” -- Unknown**

## Update – Strong Buy

### Silicon Graphics (NYSE) SGI \$1.40

#### Company Data

52-Week Range	\$0.56-\$4.85
Market Cap	\$267.8M
Shares Outstanding	199.8M
Book Value	-\$0.46
Price/Book	N/A
Average Daily Vol.	1.78M
Dividend/Yield	None
Target Price	\$5.00
Target Percentage	257%
Stop Price	\$1.00



**Silicon Graphics** is a leading provider of high-performance solutions for complex data management, video and visualization applications. The company's products deliver advanced 3-D graphics and computing capabilities for engineering and creative professionals.

We continue to recommend Silicon Graphics as an attractive turnaround in the technology industry. Although the stock has risen strongly from our recommendation in October at \$0.76 per share, we believe the stock is quite undervalued in view of the company's broad line of technology.

#### **We are recommending Silicon Graphics for the following reasons:**

- From a financial viewpoint, **the company's position has strengthened considerably whereby Standard & Poor's recently upgraded the company's bond rating.**
- The Company's video and visualization products have gained increasing acceptance outside the scientific community. A major customer over the recent past has been the motion picture industry. The need for high-resolution graphics has dramatically increased as the industry employs more "special effects" and the medium is moving towards digitalization.
- While corporate IT spending has been slow, the company's Government business has been robust. This sector represents 30%-40% of Silicon Graphic's business. **SGI has recently received orders from the U.S. Government for its Early Warning System.**
- **New orders have been secured from India, Malaysia, and Sweden, and new domestic orders have been received from Ford, John Deere, and the National Cancer Institute. Most recently Lockheed Martin has announced a multimillion dollar purchase from Silicon Graphics**
- **SGI has cash of \$1.32 per share.**