

# STOCK TRADERS PRESS

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**Short Term Report** **July 29, 2003**

## **Strong Buy**

**King Pharmaceutical (NYSE) KG \$ 14.98**

### Company Data

52-Week Range	\$9.46-\$21.62
Market Cap	\$3.85B
Shares Outstanding	240.9M
Book Value	\$8.22
Price/Book	1.95
Average Daily Vol.	\$2.09M
Dividend/Yield	None
Target Price	\$21.00
Target Percentage	40%
Stop Price	\$12.00



**King Pharmaceutical is a small, integrated pharmaceutical company that develops, manufactures and markets primarily branded prescription drugs.** The company also has a generic drug capability.

### **We are attracted to King Pharmaceutical for the following reasons:**

- King Pharmaceutical reported second quarter results of a \$.15 per share loss, which included non-recurring charges of about \$.50 per share. Thus, operating results were \$.35 per share, which was about 10% higher than the \$.31 per share, reported in 2002.
- The non-recurring charges were primarily associated with the recent drug purchases from Élan Corp.
- We consider the operating results for the quarter as quite good and reflective of the company's superb management. Unfortunately, the stock declined today as the market focused strictly on the headline number of \$(.15) loss.
- The recent move by the U.S. Government to increase the usage of generic drugs for the Medicare Program is a major plus for the company.
- At the present time, the stock is selling at \$15 per share, which is 9 times estimated earnings of \$1.85 per share. Additionally, the company has a book value of \$8.22 per share and cash per share of \$2.65. We believe these are very conservative valuations.
- **We consider King Pharmaceutical an undervalued drug company, which has a unique niche within the industry.**

## Strong Buy Silicon Graphic (NYSE) SGI \$ 1.14

### Company Data

52-Week Range	\$0.56-\$1.85
Market Cap	\$ 230.9
Shares Outstanding	204.3M
Book Value	\$-0.70
Price/Book	N/A
Average Daily Vol.	\$1.23M
Dividend/Yield	None
Target Price	\$3.00
Target Percentage	163.0%



Silicon Graphics reported fourth quarter results of a loss of \$.18 per share including a non-recurring, non-cash charge of \$.06 per share. Thus, the company reported an operating loss of \$.12 per share, which was better than expected. Additionally, Silicon reported revenues of \$240 million up from \$233 million in the third quarter. This was the first quarterly increase in revenues in over a year.

For the first fiscal quarter ending September 30, 2003, the company is projecting revenues of about \$205 million, which is expected since this is traditionally the slowest sales period for the company.

At the present time, the company has an annual operating expense rate of about \$120 million and the company anticipates that this expense level will be down to at least the \$100 million level. Obviously, we view this as a positive step towards achieving profitability.

The recent announcement that SGI has entered into collaborative agreements with Sun Microsystems and Oracle is a decided plus which will lead to expanded offerings and higher revenues.

The acceptance of the company's newly introduced Altix 3000 systems continues to be high.

While we recognize that Silicon Graphics continues to be a turnaround, we believe that the new initiatives, coupled with management's intention to further reduce operating expenses makes Silicon Graphics an interesting investment.

We continue to recommend SGI as a unique investment for those people who have a risk orientation.

**Quote: If you do not adapt in time, you might as well not adapt at all.**

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