

About Women and Money

EQUITY

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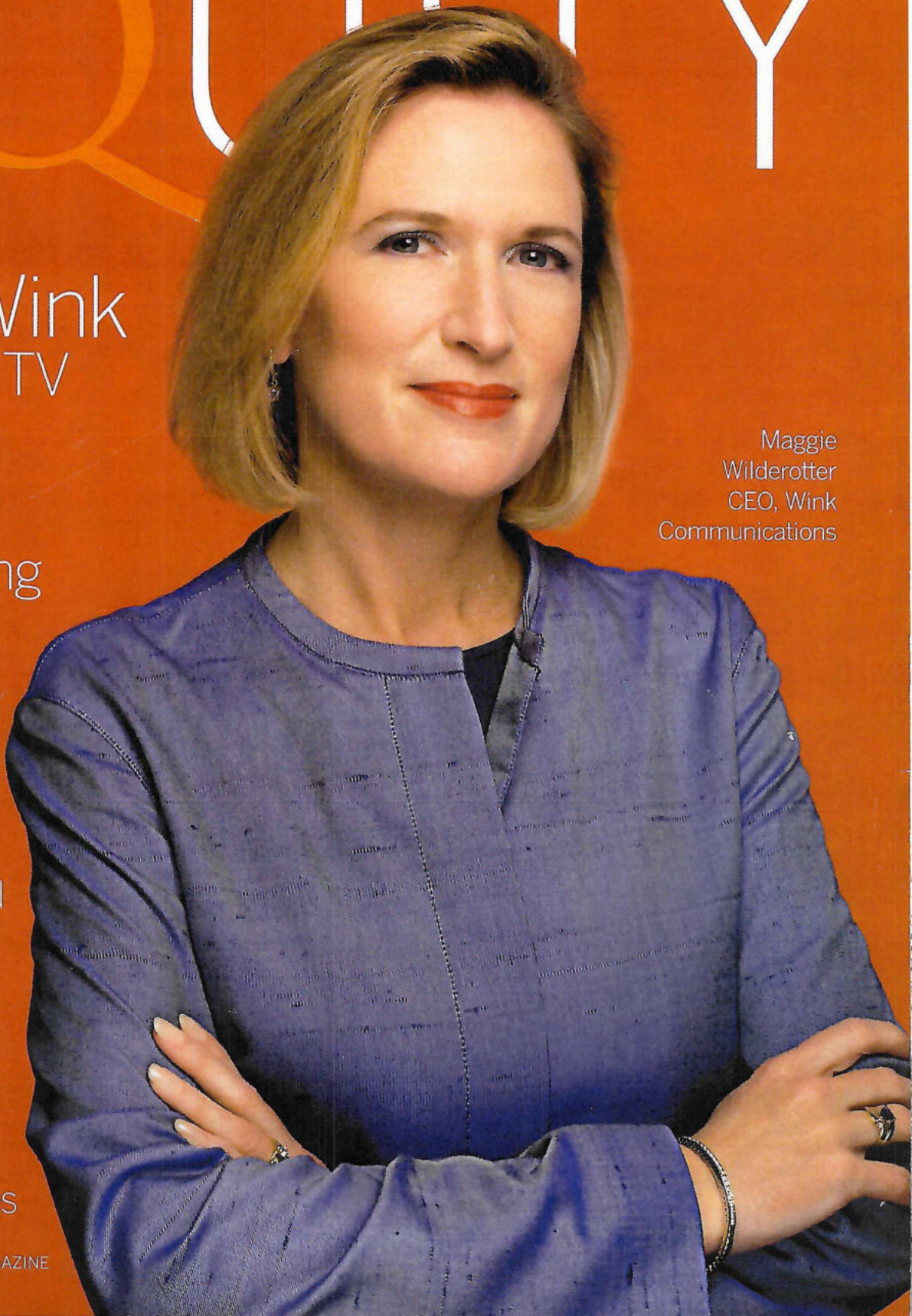
Maggie
Wilderotter
CEO, Wink
Communications

What's Up
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Investing in
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Interview
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A SUPPLEMENT TO WORTH MAGAZINE



TRIM EQUITY



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How are women-led companies doing? Up 58 percent over the last 12 months. The Equity Index presents 25 smart female CEOs and the outlook for their companies' stocks.

BY JIM MELLOAN ASSOCIATE REPORTER **BOBBIE GOSSAGE**



Woman bosses are out there—

rising to the top of large companies, founding their own, and stepping in to run mid-size firms. They come to their jobs as CEOs equipped with degrees in medieval history, mathematics, and business administration. Some spring from blue chip corporations like AT&T and IBM; others go into their garages and come out with companies.

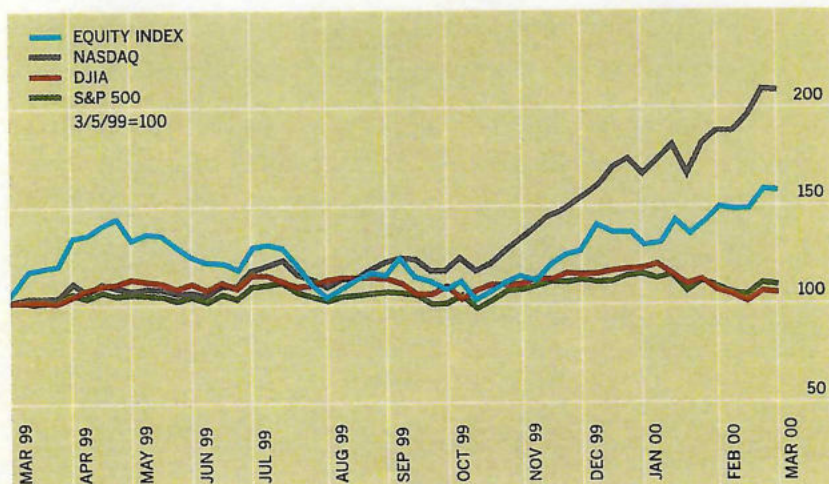
We created the Equity Index as a means of tracking the progress of women-led firms—that is, where the CEO is a woman—through the companies' stock prices. We included the biggest firms. With the smaller ones, our selection was subjective, so that

the Index would reflect a variety of business sectors. We decided to limit our index to 25 firms.

You'd think this would have been easy. But in the weeks spent choosing the companies, the women chiefs were not sitting still. Companies were acquired: Wells Fargo bought brokerage Ragen MacKenzie Group, and Ragen CEO Lesa Sroufe will stay on in a management capacity at Wells Fargo. Softworks, a data storage concern, was bought by EMC, a company in the same business but many times bigger. Softworks CEO Judy Carter now heads EMC's Softworks division as vice-president and general manager. Then, Congress signed a bill that would allow Lockheed Martin to complete its acquisition of satellite firm Comsat, which has been headed by Betty Alewine. Marilyn Marks, chairman and CEO of Atlanta truck-trailer manufacturer Dorsey Trailers, is now "just" chairman. There were some high-profile resignations, too: Jill Barad from Mattel and Diana Brooks from Sotheby's.

In spite of all the comings and goings, there were always more companies to choose from. And in the end, we came up with 25 companies that reflect the ups and downs of American business and the people, in this case women, who lead them.

The folks at Zacks Investment Research in Chicago worked with us on this project, creating the Index from the companies we selected. Many indexes, such as the Standard & Poor's 500, are weighted according to market-capitalization (the number of shares outstanding multiplied by the share price), so the biggest companies have the greatest effect on the index's movement. We realized that



if we were to do that with the Equity Index (EI), we'd essentially be tracking Carly Fiorina's progress at Hewlett-Packard, seasoned with a pinch of Meg Whitman's performance at eBay; the smaller companies' effect would be barely noticeable. So, we opted for a price-weighted index, where it's assumed that we buy one share of each stock. We took the week of March 5, 1999, as our starting point, set the Index at 100, and graphed the performance until March 3, 2000.

We didn't go into this project with preconceptions (and it's pretty safe to say that few people invest in companies because of the gender of the person at the helm). But we admit to being pleased that our index was up 58 percent at the cutoff date and trounced the Dow Jones Industrial Average (up 6 percent), the S&P 500 (up 10 percent), and the Russell 3000, which consists of the 3000 largest publicly-traded companies (up 16 percent). The Index was, however, just a bit better than half as upwardly mobile as the Nasdaq.

What can we make of this generally remarkable performance? Data from Zacks's investment-models product manager Irina Bogatcheva, who charted the Index, suggests some intriguing patterns. Forty-four percent of EI companies are in technology—almost three times the proportion in the S&P 500. Nasdaq's proportion is about 36 percent. The Equity firms also span a wide market capitalization, from \$225 million to \$150 billion, more like the Russell 3000 than the Dow or S&P 500. While the big firms that dominate the Dow and S&P have finally started to slow down after years of tremendous performance, tech stocks continue to roar on, and small-cap companies are picking up steam.

This suggests that women have placed themselves where the action (and price volatility) is. Zacks's Bogatcheva points out that the EI's growth in March and April is due to the IPOs of iVillage, Rhythms NetConnections, and Marimba which had higher valuations than that of the

average EI company trading at the time. Since then, the stock prices of iVillage and Rhythms NetConnections have fallen, while Marimba lost, then regained, nearly two-thirds of its value.

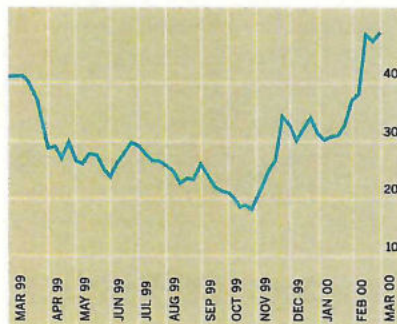
We'll soon put the graph (updated) on the *Equity* Web site (equitymag.com) and invite your observations there and in letters to *Equity*. In the meantime, enjoy the stories told on the following pages. For each company, we show the performance of its stock for the past year and give some information about the CEO and her company—its challenges and its prospects. One thing's for sure: It's apparent that there's no standard woman-to-the-top tale.



AUTODESK, INC.
San Rafael, CA
(Nasdaq: ADSK)
www.autodesk.com
*Chairman/
President/CEO
(since 1992):*
Carol A. Bartz

Next earnings release: Late May

Back in 1982, Autodesk released AutoCAD, the first-ever computer-aided design software program to run on desktop PCs. AutoCAD is still the company's core product—it accounted for 62 percent of 1998 revenues—and the firm is suffering some of the travails of a one-trick pony in a mature industry. CEO Carol Bartz was recruited from Sun Microsystems in 1992, and she succeeded in growing the firm's revenues from \$368 million in 1992 to \$820 million in 1999, making it the fourth-largest software company in the world. But earnings have been spotty. Last year, she let go 10 percent of the workforce, streamlined the company's organizational



ANDREA JUNG, NYSE: AVP

72%
*of Equity
Index
companies
are making
a profit*

structure, and partnered with a VC firm to invest money where everyone's money goes these days—the Internet. Buzzsaw.com, “an Autodesk venture,” is a Web site where builders and architects collaborate on projects. Bartz expects that when Buzzsaw.com goes public in the next couple of years, the market will reward it with a higher valuation than Autodesk's, assuming E-Business remains strong. Autodesk had strong 4th quarter results.



AVON PRODUCTS, INC.
New York, NY
(NYSE: AVP)
www.avon.com
President (since 1998) and CEO

(since 1999): Andrea Jung
Next earnings release: Late April

Last September, Avon announced it would meet neither its own sales goals for the year nor analysts' expected earnings. The market greeted the news by sending Avon's stock down 27 percent that day. Five weeks later CEO Charles Perrin—a former



Duracell chief Avon had selected over several women from its own ranks a year and a half before—resigned, and Avon named President and COO Jung as the new CEO. Jung's challenge is to increase Avon's sales and efficiency in the wired 21st century, while maintaining the brand's identification with its three million direct-sales representatives, the Avon ladies (there are a few Avon gentlemen as well). To that end, she has announced a new avon.com site that Avon will build in partnership with IBM to come online by June. The site will allow sales reps

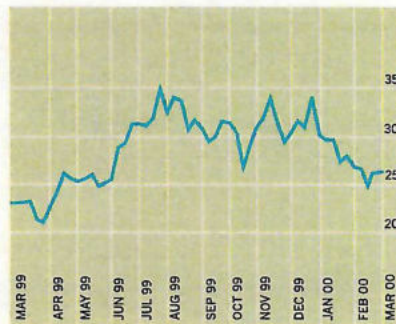
to create personalized Web pages; they'll be able to sell online as well as through direct contacts. Jung will also increase advertising spending by nearly 50 percent to \$80-90 million for this year. Avon's business, Jung said on CNBC last November, “is about women touching women. If we add high touch to high tech, we have an advantage that most other companies can't talk about.”



BRADY CORPORATION
Milwaukee, WI
(NYSE: BRC)
www.bradycorp.com
President/CEO (since 1994):
Katherine M. Hudson

Next earnings release: Mid-May

Signs that say “Caution” or “Flammable” are among the most visible of the products that Brady makes. Aside from safety signage, the \$471 million company produces industrial labels and label-makers, bar-code scanners, lenses and filters for cell phones and pagers, and similar effluvia of the industrial world. When Katherine Hudson came to Brady in 1994 after 24 years at Eastman Kodak, she found a corporate culture steeped in secretiveness. She was determined to “change ‘no’ to ‘yo’” and occasionally led employees in a “yo” cheer. She also vowed to grow profits by 15 percent annually, an ambitious increase over its traditional 8 to 10 percent. There were two setbacks, however: first, a legal dispute with a key supplier, which Brady eventually bought out; and second, 1998's Asian financial crisis, which slowed sales growth, caused a dip in earnings, and cut the stock price in half. Last Sep-



tember, the firm started allowing distributors to buy products through its Web site, which has had good results. In February and March, Brady bought two firms and appeared to have lost out to Tyco International in acquiring a third. Earnings for the past four quarters are up 25 percent over the previous four, well above Hudson's target, yet analysts seem to expect Brady to slow down; they forecast 10 percent earnings growth for fiscal 2000, which ends in July.



CHARMING SHOPPES, INC.
Bensalem, PA
(Nasdaq: CHRS)
Chairman (since 1997) and President/CEO (since 1995): Dorrit J. Bern

Next earnings release: Early June



Dorrit Bern has engineered a classic turnaround at Charming Shoppes. When it recruited her as CEO from Sears in August 1995, the stock was on a three-year downhill tear, from a 1993 high of \$19.50 to \$4.63—it finally bottomed out at \$2.13 in November 1995. She cut 100 corporate jobs, closed 290 stores, and brought the bulk of production back home from overseas—shipping delays from distant foreign plants mean death in the fast-moving fashion business. Charming's original chains are Fashion Bug and Fashion Bug Plus, stores targeting low-to-middle-income women 20 to 45, and located mainly in strip malls. Over the past eight months the firm expanded its presence in the plus-size apparel category by acquiring Modern Woman and Catherines Stores. Charming returned to profitability in 1998 after

two down years, and 1999's third-quarter earnings of six cents a share were double what analysts expected. Sales for the past holiday season were up 21 percent over the previous year, and store sales were up 11 percent. Analysts have warmed to this stock recently; now two-thirds of them recommend it.



COMPUTER TASK GROUP, INC.
Buffalo, NY
(NYSE: TSK)
www.ctg.com
Chairman/CEO
(since 1994):
Gale S. Fitzgerald

Next earnings report: Early May
Computer Task Group provides information technology services to companies with large and complex information systems. Gale Fitzgerald came to the company from IBM in 1991; as CEO, she led a push to forge closer relationships with CTG clients—getting CTG to take more responsibility for overall IT strategy in



many cases. Several factors hurt the stock's performance last year: Despite the fact that only 15 percent of its business was Y2K-related, CTG was lumped in with many companies doing Y2K work, whose prospects after the millennium-change were uncertain. A lot of CTG's customers held off doing any new IT spending until after the new year anyway, including IBM, its top customer. The company was forced to take a \$8 million charge last April to pay a judgment against it for pulling out of a job done for the court system in Palm Beach County, Florida. And small-cap stocks, in general, just weren't getting respect last year. The stock mysteri-

ously spiked more than five points, or 34 percent, in mid-January, possibly on takeover rumors. (CTG's Yahoo! message board is worth a look—it's populated by unusually cranky employees and associates of the company.) 1999 earnings were down 31 percent from 1998. In a CNBC interview on December 30, Fitzgerald said she was looking forward to getting through the new year and starting to focus on adding value to companies again.



DEPARTMENT 56, INC.
Eden Prairie, MN
(NYSE: DFS)
www.department56.com
Chairman/CEO
(since 1996):

Susan Engel
Next earnings release: Mid-April
Department 56 designs, imports, and distributes collectibles such as the Village series—handcrafted porcelain and ceramic houses and accessories modeled on Dickensian, nostalgic, or generally wintry themes; it also sells holiday and other home decorations. After a stint as CEO of Champion Products, Sara Lee's sportswear division based in North Carolina, Susan Engel came to Department 56 in 1994. The stock has taken three hits in the past year: in June, because glitches in a new enterprise-wide computer system caused salespeople to miss calls to their gift-store distributors—they were busy straightening out orders that had gone awry—revenues suffered; in October, because the third-quarter earnings report brought the news that everything wasn't fixed—



CARLY FIORINA, NYSE: HWP

36%
of Equity
Index
companies
are located
in Northern
California

24% of Equity Index CEOs had a hand in founding their companies

CANDICE CARPENTER, NASDAQ: IVIL



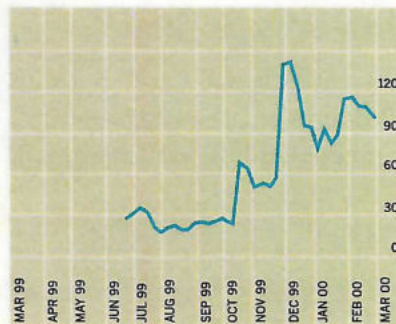
many duplicates were returned; and in February, because the year-end earnings report missed analyst estimates by 15 percent. With that report, Engel said that this year would be "a rebuilding year with our dealers"; she's making amends by offering discounts to them this year. She also hopes to boost sales by linking some new designs with other brands—the Village series now includes a Ford dealership and a Harley-Davidson plant. The stock is now at a mere five times earnings; it has long been the number one holding in both of value-investor Donald Yacktmann's downtrodden funds. But even at this price, none of the three analysts (down from eight a couple of months ago) tracked by Zacks who follow it, recommend buying it.



DIGITAL ISLAND, INC.
San Francisco, CA
(Nasdaq: ISLD)
www.digisle.net
Chairman/CEO
(since 1998):
Ruann F. Ernst

Next earnings release: Late April

While it's certainly true that one can receive data from the other side of the world via the Web, sending it from a server in St. Louis to a PC in St. Petersburg often takes longer than people like. Companies like Digital Island exist to speed things along. This "global E-business delivery network" helps distribute content for such entities as *The Wall Street Journal's* online edition and Time Warner's broadband Road Runner cable modem service. It also has agreements with local delivery systems like Rhythms NetConnections



for smooth transmissions over the "last mile" to customers' businesses. CEO Ernst spent ten years at Hewlett-Packard, where she initiated that firm's forays into Internet banking and E-commerce. Digital Island's stock more than doubled, shooting up from \$70 to \$145 on December 8 and 9, after the firm announced an agreement to deploy up to 5,000 Sun Microsystems servers equipped with Inktomi content-delivery software. Digital Island also announced that both Sun and Inktomi would make equity investments in the company. The firm is expected to lose money in the foreseeable future as it continues to build its network.



eBAY, INC.
San Jose, CA
(Nasdaq: EBAY)
www.ebay.com
President/CEO
(since 1998):
Meg Whitman
Next earnings

release: Late April

Web companies are notorious for bleeding cash, but eBay was profitable after six months in business. The secret? Vigorish. As an Internet



auction house that brings buyers and sellers together, eBay has no inventory; its costs are limited largely to customer support and increasing network capacity. Founder Pierre Omidyar started with a free service in September 1995, but by the following February, he decided to charge a listing fee and take a cut of the selling price, just to pay his Internet service provider. By March, the company was making a profit. Omidyar quit his day job and the following year sold a chunk of the busi-

ness to a venture capital firm. Whitman, a Princeton economics grad and Harvard MBA who had managed the Mr. Potato Head and Teletubbies lines for Hasbro, came on board as CEO in February 1998. As the leader in the concept, eBay benefits from a virtuous-circle network effect, where buyers attract sellers who attract more buyers. As a result, meat-space flea markets have seen a significant decrease in customers, and many sellers on the system have also quit their day jobs. eBay now gets about six percent of each sale; that added up to \$225 million in revenues for 1999 and \$11 million in profits. The market rewarded eBay's acumen shortly after it went public in September 1998, sending the stock up tenfold to around \$150 by the following March. It's mostly stayed in that range, at around 2000 times earnings, ever since.



EXODUS COMMUNICATIONS
Santa Clara, CA
(Nasdaq: EXDS)
www.exodus.net
President and CEO (since 1998):
Ellen Hancock

Next earnings release: Late April

Exodus is in the business of hosting and monitoring other companies' Web sites. Clients include DuPont, Hewlett-Packard, eBay, and even Yahoo!. According to CEO Hancock, it's six times more expensive for a company to manage its own Web site than it is to outsource it to a company like Exodus. Hancock spent 29 years at IBM and had brief tenures as both chief operating officer at National Semiconductor and



chief technology officer at Apple. The company currently has 14 Internet data centers in the U.S. and one in London, with four more planned. It is building and acquiring too much to show a profit, but 1999 revenues of \$242 million were more than four and a half times 1998's, and the stock is now at more than 15 times the price of a year ago.



GOLDEN WEST FINANCIAL CORP.
Oakland, CA
(NYSE: GDW)
Co-Chairman/Co-CEO (since 1963):
Marion Sandler
Next earnings

release: Mid-April

Marion Sandler and her husband, Herbert, bought a small bank with two branches in Oakland and Castro Valley, California, in 1963, two years after they were married and built it into the nation's third-largest savings & loan, now with more than \$38 billion in assets and more than



\$3 billion in revenues. The Sandler have always run the firm as a team. The firm, which specializes in adjustable-rate mortgages, is well-regarded on Wall Street for having come through the S&L scandal of the 1980s unscathed and for having one of the lowest cost structures in the business. Many branch employees are part-timers without benefits, and visitors to headquarters encounter no receptionist, only a telephone with which they may announce themselves. Earnings have grown at a 9.5 percent clip over the past ten years and are expected to be in the double digits through 2004.



HEWLETT-PACKARD COMPANY
Palo Alto, CA
(NYSE: HWP)
President/CEO (since 1999):
Carly Fiorina

Next earnings release: Mid-May

"I believe that you create speed by doing it, not by talking about it," Carly Fiorina told Diane Sawyer last fall. The venerable hardware firm best known for its calculators and printers found it difficult to get up to Internet speed in recent years, so last July it hired Fiorina, a first-time out-

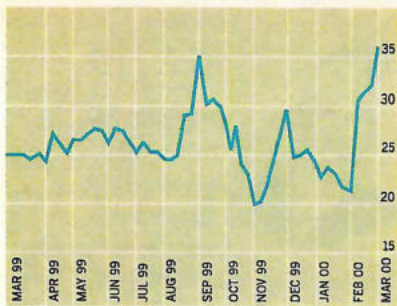


sider CEO, to rev its engines. She has since reorganized divisions, redesigned the logo, bought a second Gulfstream jet, and suggested that as many as 25 percent of HP's 84,000 employees might not be able to stand the new pace. A new E-services business will develop Internet-related products, including E-speak, a "buying agent," that can scour the net for products that meet detailed specifications. Fiorina has teamed HP with Swatch to develop a smart watch that recognizes its owner. By November, skeptical investors had driven HP's price down almost 40 percent, but it fully recovered and began reaching new highs in January.



IMPATH, INC.
New York, NY
(Nasdaq: IMPH)
www.impath.com
President/CEO (since 1993):
Anu D. Saad
Next earnings

release: Mid-April
Impath collects and interprets data about cancer. So far, it has accumu-



lated more than 520,000 case histories. The firm combines various advanced technologies and medical expertise to identify a cancer, predict its likely progression, and suggest the best and most cost-effective treatment. In 1998, the firm provided information on 28 percent of breast-cancer patients. CEO Saad is a Ph.D. with a background in medical research, recruited from the faculty of Cornell University's Medical College. Revenues grew an average of 56 percent annually from 1995 through 1998, while earnings grew at a 41 percent clip. Impath pursues an acquisition strategy, buying firms or parts of firms that help it shore up realms of medical knowledge where it has been lacking. Analysts (of which there are quite a few for a small-cap company—the cancer business gets a lot of attention) expect earnings to grow 29 percent over the next five years, versus 23 percent for the medical outpatient industry and 13 percent for the S&P 500. The company's last earnings report was positive (a 52 percent increase in revenues from last year). In February alone, the stock climbed 42 percent.

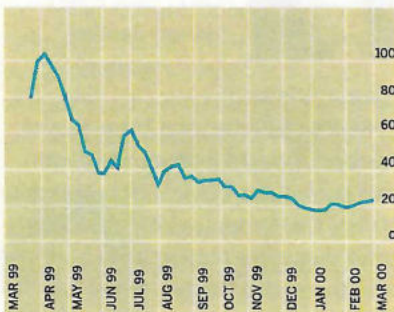


iVILLAGE, INC.
New York, NY
(Nasdaq: IVIL)
www.ivillage.com
Co-Chairman/CEO (since 1995):
Candice Carpenter
Next earnings

report: Late April

iVillage is the quintessential Internet stock. The network of Web sites targeted to women burned through \$169 million over its five-year life and has yet to show a profit. It had a spectacular IPO last March, more than

tripling its offering price at the end of its first day trading, but has since drifted down to as much as 25 percent below the offering price. Its CEO is fending off lawsuits from two ex-employees who contend they were lured away from comfortable old-media jobs with promises of scads of stock-option gumdrops and, then, fired and turned away with empty pockets. But Carpenter and company are doing a lot of things right. Fourth-quarter 1999 revenues increased 80 percent over the third quarter to \$19.3 million; \$16.3 million of that was from advertising and sponsor-

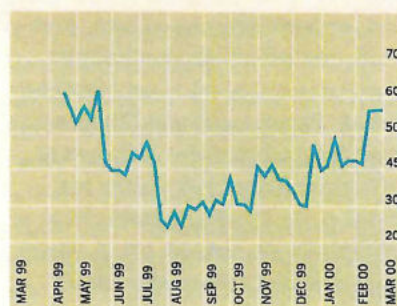


ship, a 98 percent increase over the third quarter. Membership went from 2.7 million in the third quarter to 4.2 million in the fourth. Analysts had expected a loss of \$1.24 a share, but the actual loss was just \$1.04 a share. Some analysts believe that losses may have peaked in the third quarter.



MARIMBA, INC.
Mountain View, CA
(Nasdaq: MRBA)
www.marimba.com
President/CEO (since 1996): Kim Polese
Next earnings
release: Mid-April

Kim Polese's tremendous media presence has served as a kind of Rorschach test, revealing the preoccupations and neuroses of folks who cover the high-tech world. First, her gender, youthful good looks, and visionary speaking style made her the darling of the Internet press; there was a later backlash as people came to realize that a lot of people didn't understand what Marimba did—and her frequent speeches rarely shed light on that topic. Then, Marimba and its core



product, Castanet, became associated with the short-lived "Push" craze, even though the only thing it had in common with notorious content-pushers like PointCast was the idea that it would be providing its wares over the Internet in a steady stream rather than on a per-request basis. Marimba is really a software company—it allows clients, many of them Fortune 500 companies, to receive constant upgrades to software applications via the Internet whenever they turn the applications on. The firm had a spectacular IPO last April but then drifted down with many Internet companies in a summer selloff. Shares jumped 25 percent on January 19 after posting stronger-than-expected revenues (\$31 million) for 1999, and analysts expect the firm to show a very unNet-like profit this year.



MARTHA STEWART LIVING OMNIMEDIA
New York, NY
(NYSE: MSO)
www.marthastewart.com
Chairman/CEO

(since 1996): Martha Stewart
Next earnings release: Unknown

Martha Stewart kicked off her IPO last October by serving scrambled eggs, brioche, and freshly-squeezed



orange juice at the New York Stock Exchange. The market reacted in the giddy fashion that has become almost de rigueur for new issues in the past year, sending the \$18 offering up to \$49.50 before closing the day at \$35.46. The price of \$27.81 on March 3 is a mere 139 times earnings for the past 12 months. Martha's empire has four segments: publishing, which includes two magazines, 27 books, and a newspaper column, accounting for 65 percent of revenues in the first nine months of 1999; TV and radio; merchandising, most notably the deal with Kmart, which sold more than \$1 billion worth of Martha goods last year; and Internet and direct commerce, which represented 13 percent of revenues, up from five percent for the same period in 1998. By early March, the company had still not posted 1999 earnings, but that figure and this year's are expected to be depressed as the firm continues to spend to build its Web site. Looking out over five years, analysts see earnings growing at 20 percent, versus 15 percent for the publishing industry.



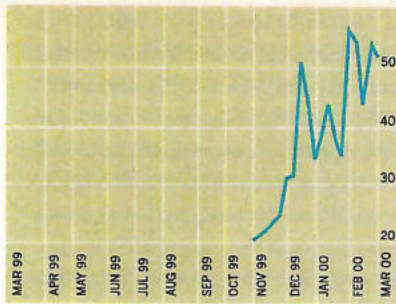
NETCREATIONS, INC.

New York, NY
(Nasdaq: NTCR)
www.netcreations.com

*Chairman/
President/CEO*

(since 1995): Rosalind Resnick
Next earnings release: April 25

NetCreations had its IPO in November and filed its first quarterly earnings report, which was positive, in February. The stock is so hot, it's already exceeded (and pulled back from) the 12-month price target set by its own lead underwriter. The company provides opt-in e-mail marketing services to direct marketers. That means it maintains lists of the e-mail addresses of more than six million Internet users who have visited one of about 200 partner sites and have let it be known that they wouldn't mind receiving promotional e-mails about at least one of more than 3,000 topics of interest. Net-



Creations rents these lists to more than 1,500 clients, and under its new "opt-in alliance" program, each partner site gets to e-mail to two addresses for each single address it contributes to the compendium. NetCreations was already making a profit before it went public—\$2.9 million on \$11.6 million in sales over the last 12 months for a cushy 25 percent margin. But the current price puts it at 225 times that profit, and the volatility, plus scant analyst coverage, suggests that it's difficult to figure out how to put a value on NetCreations' future business.



PC CONNECTION, INC.

Merrimack, NH
(Nasdaq: PCCC)
www.pcconnection.com

*Chairman/CEO
(since 1982):*

Patricia Gallup

Next earnings release: Late April

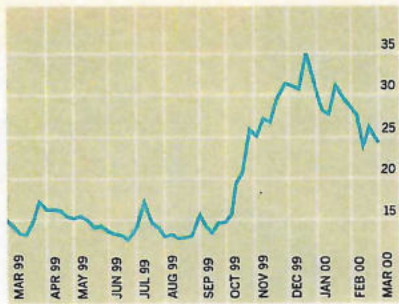
Patricia Gallup and vice-chairman David Hall started their computer direct-marketing firm in 1982 with \$8,000 cash, the sum of their combined savings. The New Hampshire skinflints didn't believe in borrowing—Patricia didn't even have a credit card. The company quietly grew for the next 17 years, emphasizing full support service, even for people who admitted they hadn't bought their computer from PC Connection, and trademarking the promise "Everything Overnight." Before it went public in March 1999, it had become New Hampshire's largest private employer. In 1999, PC Connection increased earnings 44 percent over 1998 to \$1.41 a share, while sales grew 44 percent to just over a billion dollars.



MARTHA STEWART, NYSE: MSO

56%

*of Equity
Index
CEOs
also have
the title of
chairman*



Investors greeted these remarkable achievements announced this January with a yawn: The stock price stayed flat just north of \$30 and then began drifting lower. But there had already been a nice runup last fall—it's only been since October that the stock has been able to stay above its offering price of \$17.50. The price-to-earnings ratio now stands at 17, well below the S&P's average of 33 and the Russell 3000's of 28.



PILOT NETWORK SERVICES, INC.

Alameda, CA
(Nasdaq: PILT)
www.pilot.net
*Chairman/
President/CEO
(since 1993):*

Marketta Silvera

Next earnings release: Late April

Marketta Silvera grew up in Finland, so close to the Russian border she was warned by older kids in her neighborhood not to wander to a nearby hill, or the Russians would come and get her (thus, perhaps, being instilled at an early age with a level of paranoia Intel's Andy Grove would find admirable). After 12 years in senior management at Xerox and a couple of brief stints as president of voice-recognition-software firms, Silvera founded Pilot in 1993, billing



EQUITY

it as the first security utility. Many corporations handle their Internet security through a combination of off-the-shelf software and in-house personnel, relying, in part, on whatever security features their Internet service providers have installed. That's an approach that Silvera finds untrustworthy. Her company offers its "Pilot Heuristic Defense" Infrastructure: Corporations pay between \$5,000 and \$30,000 a month and have all their Net communications go through Pilot's facilities. Pilot's security system is constantly being monitored and upgraded in response to newly discovered types of threats, and its services are backed up by security experts. Customers include the American Stock Exchange and General Electric. Revenues for the nine months ended December 31 were \$21.4 million, up from \$12 million in 1998. Pilot expects to start turning a profit in two to three years.



RHYTHMS NET-CONNECTIONS, INC.

Englewood, CO
(Nasdaq: RTHM)
www.rhythms.com
*Chairman/CEO
(since 1997):*

Catherine M. Hapka

Next earnings release: Late May

Catherine Hapka grew up helping her parents with their small wheat farm in Minnesota—by age eight she considered herself well-versed in the mechanics of running a business. As an adult, she built up the data business at U S West, and after a brief stint as president of an online shopping company that was well on its way to bankruptcy before she arrived, the bongo-playing Hapka founded Rhythms NetConnections, a provider of high-speed DSL connections over existing phone lines. In telecomm-speak, Rhythms is a CLEC, a competitive local exchange carrier, which must get cooperation in each market from the line owner, the ILEC (Incumbent LEC), usually a Baby Bell. Rhythms differs from other DSL companies in that it sells service directly



to end users as well as through middlemen. Through its partnerships it can provide network consulting and software hosting as part of one package—all this should allow customers to save money. Rhythms is currently in 39 U.S. markets and plans to be in 70 by the end of the year.



SPRINGS INDUSTRIES, INC.

Fort Mill, SC
(NYSE: SMI)
www.springs.com
*Chairman/
President/CEO*

(since 1998): Crandall Bowles
Next earnings announcement: Early May

Springs Industries' \$2.2 billion in annual sales puts it at number five in our index when ranked by revenue but as a company in the sleepy textile sector, Springs is less than a



household name. Founded by Crandall Bowles's great-great grandfather in 1887, Springs recently completed a decade-long transformation from a supplier of clothing fabrics to a home furnishings manufacturer. It produces much of the Martha Stewart line at Kmart and also has licenses for products adorned with Disney and Pokémon characters. Earnings for the fourth quarter of 1999 came in at

\$1.23 a share, 24 percent better than analysts expected, yet the stock barely budged. Perhaps that's because revenues have stayed flat at \$2.2 billion since 1995, and while the \$3.80 per-share figure for the year was nearly double 1998's \$1.97, it was still quite a bit shy of 1996's peak of \$4.32. Now that the transformation to home décor fabrics and a restructuring of the marketing organization are complete, Bowles's challenge is to do better than the nine percent annual growth analysts forecast over the next five years.



TENNANT COMPANY
Minneapolis, MN
(Nasdaq: TANT)
www.tennantco.com
President/CEO
(since 1999):
Janet M. Dolan

Next earnings release: Early May

Janet Dolan is the first CEO of Tennant who is not a member of the family that founded it in 1870. Tennant designs, makes, and markets floor-cleaning machines and floor coatings. It owns about half of the \$750 million industrial market worldwide; Dolan believes her mission is to cut costs and expand its presence in the \$2 to 3 billion commercial market. Since becoming CEO last April, she's made moves to cut the workforce by 7 percent and has taken a charge of about \$7 million spread over the last two quarters of 1999 to pay severance and early retirement costs. She also oversaw the final phase of a company-wide implementation of SAP's enterprise resource planning system; the company has experienced some prob-



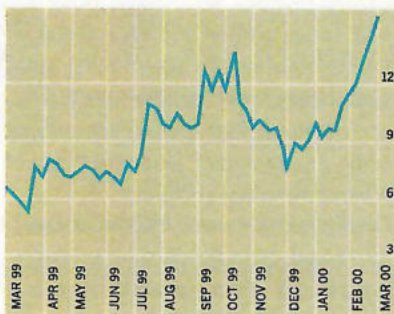
lems switching from a build-to-stock method to the build-to-order way necessary under the new system. The stock currently has a low P/E of 15, and while earnings have been dampened by the workforce-reduction charges and costs associated with the new software system, orders are up, and the booming economy should provide a lot of new floors to clean.



THERAGENICS CORP.
Buford, GA
(NYSE: TGX)
www.theragenics.com
Chairman/President/CEO

(since 1993): M. Christine Jacobs
Next earnings release: Mid-April

Christine Jacobs is no longer surprised at how willing men are to talk to her about prostate cancer—in her case, it's her business as well as theirs. She joined Theragenics in 1987, as director of sales and marketing, and became CEO six years later. Theragenics' only product so far is TheraSeed—little pellets of radioactive palladium that get implanted into the



prostate of patients in the early stages of cancer. The seeds nuke the cancer, while leaving surrounding tissue relatively unharmed. The procedure takes 45 minutes, and patients can resume normal activity after 72 hours, compared to the hospitalization and weeks of recovery that come with prostate surgery. It's also much cheaper. Revenues have increased an average of 53 percent annually since 1995; earnings have grown 61 percent a year over the same period. The company fell well short of earnings estimates in the

56%
of Equity Index companies are traded on Nasdaq

ROSALIND RESNICK, NASDAQ: NTCR



fourth quarter of 1998, causing the stock price to be cut in half; the problem was an unsuccessful change in marketing strategy. According to Zacks, the three analysts who follow the company expect earnings to grow 30 percent a year over the next five years, compared to 24 percent for the overall drug sector.

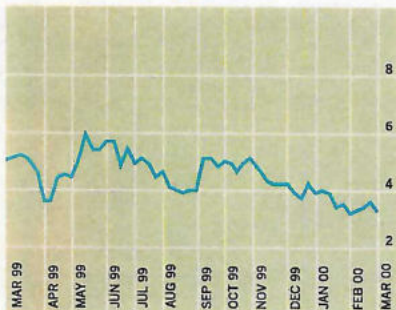


VENTAS, INC.

Louisville, KY
(NYSE: VTR)

President/CEO (since 1999): Debra Cafaro
Next earnings statement: End of March

In May 1998, nursing-home operator and owner Vencor split in two: The spin-off kept the name Vencor and continued to operate the nursing homes, while the parent company took the name Ventas, owning the properties that Vencor operated and planning to become a Real



Estate Investment Trust, paying out at least 95 percent of taxable income annually to shareholders. But by July, new Medicare rules were, in effect, slashing reimbursements to nursing home operators. The hit to Vencor's earnings was worse than anyone feared. Before long, Vencor was delisted from the NYSE, trading over the counter at pennies a share. Vencor, essentially Ventas's sole tenant, also couldn't pay the rent. In March 1999, Ventas brought in Debra Cafaro as CEO to work through this dysfunctional co-dependency. By May, Vencor's CEO Edward Kuntz wailed that the breakup had been a mistake and suggested that the pair get back together. Cafaro's response: no way, but gave Vencor reprieves on the rent several times. Vencor filed for bankruptcy in

September, and Ventas hired Merrill Lynch to help figure out how to restructure Vencor. Ventas itself restructured its billion-dollar debt in January and paid it down by \$50 million. It hopes to make the 1999 dividend payout by September, as it must by law to qualify as a REIT. Some of that may well be in the form of near-worthless Vencor shares.



WARNACO GROUP, INC.

New York, NY
(NYSE: WAC)
www.warnaco.com

Chairman/President/CEO (since 1987):

Linda J. Wachner

Next earnings release: Mid-February

In May of 1998, Linda Wachner spent several hundred thousand dollars to put on an unprecedented show for the financial community at the New York Armory, showcasing Warnaco's apparel brands—including Warner's and Marilyn Monroe underwear, Fruit of the Loom bras, Calvin Klein Accessories for men, and CK Jeans. That turned out to be the high point for Warnaco stock in 1999; it started heading south, and today it languishes around \$11. By most accounts, a lot of Warnaco's woes are due to circumstances beyond Wachner's control. The apparel sector was relatively weak last year, and three of Warnaco's major retail customers, Eaton's, Loehmann's, and Filene's Basement, filed for bankruptcy, while the Upton's chain was closed by its parent company. This resulted in a December warning to analysts that Warnaco's 1999 earnings would be only about \$1.90 a share, as op-



posed to the \$2.42 analysts predicted. However, the same month, Warnaco completed an acquisition of Speedo swimwear maker Authentic Fitness and predicted that the move would help boost 2000 earnings by 25 percent. At its current price, the stock is under seven times 1999 earnings, and only five times estimates for this year.



WINK COMMUNICATIONS, INC.

Alameda, CA
(Nasdaq: WINK)
www.wink.com

President/CEO (since 1997):

Maggie Wilderotter

Next earnings release: Early May

An investment in Wink Communications is a bet that television viewers will want to go interactive. Households with Wink-equipped set-top boxes or televisions see a small icon on the screen with any show using Wink's technology. A click of the remote control brings up a text overlay that enables interaction: Viewers can request coupons, free product samples, or make purchases from adver-



tisers; with TV shows, they can get extra information about the actors or the show, vote in polls, or play along with games. For more about Wink see "Focus on Wink," pages 34 to 41.

Jim Melloan is staff writer and Bobbie Gossage is staff reporter for Equity Magazine.

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