

The World's Highest-Paid Athletes

Dennis Rodman meets Emily Post

December 16, 1996

\$4.95 (Canada \$5.95)

Forbes

Gilbert
Amelio's
grand
scheme
to rescue
Apple



“One day,
everything
Bill Gates
has sold
you will
become
obsolete.”



India comes back

BUY INDIA. That's the advice of Julian Robertson, head of immensely successful \$8 billion (assets) Tiger Management.

Investors have run away screaming from India because of political instability—three governments in as many weeks this summer, for example. As a result, says Robertson, it's arguably the cheapest market in Asia.

The easiest way to buy India is through the closed-end Morgan Stanley India Investment Fund (\$306 million, assets). Trading on the NYSE at around \$8.75, slightly above its \$8.34 net asset value, Tiger thinks the stock can hit \$20, almost a triple, within two years.

Here's why. Average price/earnings ratios at Indian companies are at a five-year low of 9 times 1997 earnings; that's down from a high of 40 times in 1992. Rock-bottom, says Robertson.

The fund's manager, Vinod Sethi, believes the six-month-old government will continue to bring interest rates down—they are now around 17%, down from 19.5%. Furthermore, India's entrepreneurial middle class—250 million and counting—will help spark the economy.

But the fund is highly volatile. Last year it lost 37%; year-to-date it's down 6.1%, but still well ahead of the three other India funds. Buy it and hold on.

—CAROLINE WAXLER

year and 10.4% next, yet its stock trades at just 12 times earnings.

—STEPHEN S. JOHNSON

Blocked call

INVESTORS are mad about cellular communications companies nowadays. One they should be chary of is Cellular Technical Services Co., whose shares trade at around \$18 on Nasdaq.

Based in Seattle, the \$12.6 million (1995 sales) company has a market capitalization of about \$430 million. Manuel Asensio, who runs his own hedge fund, advises shorting the stock. At 18 times expected 1996 sales, the shares look mighty rich for a company that has eked out profits in only two of its five years as a public company. The shares are borrowable.

Cellular Technical shifts its focus around quite a bit. A year ago its business was cell phone rentals and providing billing data to local carriers. This year CTSC has high hopes for its Blackbird product, which it installs on cell sites around the country to block cellular phone fraud.

But Blackbird's future is limited as long as it is based on analog rather than digital technology. The company says a digital version is in the works, but digital phones are now produced with fraud preventers built in.

One of CTSC's main customers, AirTouch, has just begun to add digital technology in several major markets. This could be a blow to CTSC—an estimated 40% of this year's revenues should come from AirTouch. CTSC is also the subject of a lawsuit from a former cell hardware assembler, Reon International Corp., for misappropriation of technology. Reon is asking for \$10 million and half of future revenues.

CTSC's IPO was underwritten by Whale Securities. A former CTSC board member, Lawrence Howard, was previously a managing director of Whale and until recently was vice chairman of Presstek, a printing company whose stock trades at 189 times earnings. Five CTSC board members and management, including the chief executive, have been

In the wringer

THE GLOBAL MARKET has been an unforgiving place for Whirlpool Corp., the \$8.8 billion (estimated 1996 sales) home appliance giant. The stock, which recently traded on the NYSE at \$49.50, is overpriced. Sell if you own it, consider shorting it if you do not.

Whirlpool tried to keep growth high by moving into foreign markets. This worked for a while: From 1990 to 1994 operating earnings grew an average of 4.5% per year, to \$397 million.

But in early 1995, with Europe in recession, Whirlpool's sales hit a wall. Consumers put off big-ticket purchases; when they did buy, it was lower-margin items like stripped-down dishwashers. Whirlpool—which does half its European manufacturing in Italy—is also suffering from a strong lira. Currency translations may cut \$50 million—14%—off operating profits. Delays in the construction of new plants in China will account for operating losses of \$126 million since 1994.

The result: Earnings per share fell from \$4.40 in 1994 to \$2.80 in 1995. In January management predicted an earnings rebound this year based on a restructuring that cut 3,200 jobs and will save \$150 million annually, pretax, by 1997.

No way. Merrill Lynch analyst Jonathan Goldfarb thinks Whirlpool will be lucky to earn \$2.35 per share in 1996 and maybe \$3.10 in 1997. Only two Whirlpool units are performing well: the Brazilian operation, which will con-



tribute about \$1.25 per share—over half the total—and North America, where pretax earnings may grow 28% this year.

Trading at 21 times 1996 estimates, the stock is dear. Profitability is below average—Goldfarb expects pretax margins of only 2.4% this year and 3.1% in 1997. As a comparison, Maytag should do 9.3% pretax this

busy exercising options and selling shares. One is the chief engineer who left in September, citing differences with management. A secondary offering of stock in July was canceled.

Bulls on CTSC are good at pumping its stock price. One tactic: to release the same news twice—such as when CTSC snared a chunk of the San Francisco market. The stock has gone from \$11 in January to around \$21 in early November. Sell it. —C.W.

Preferred buy

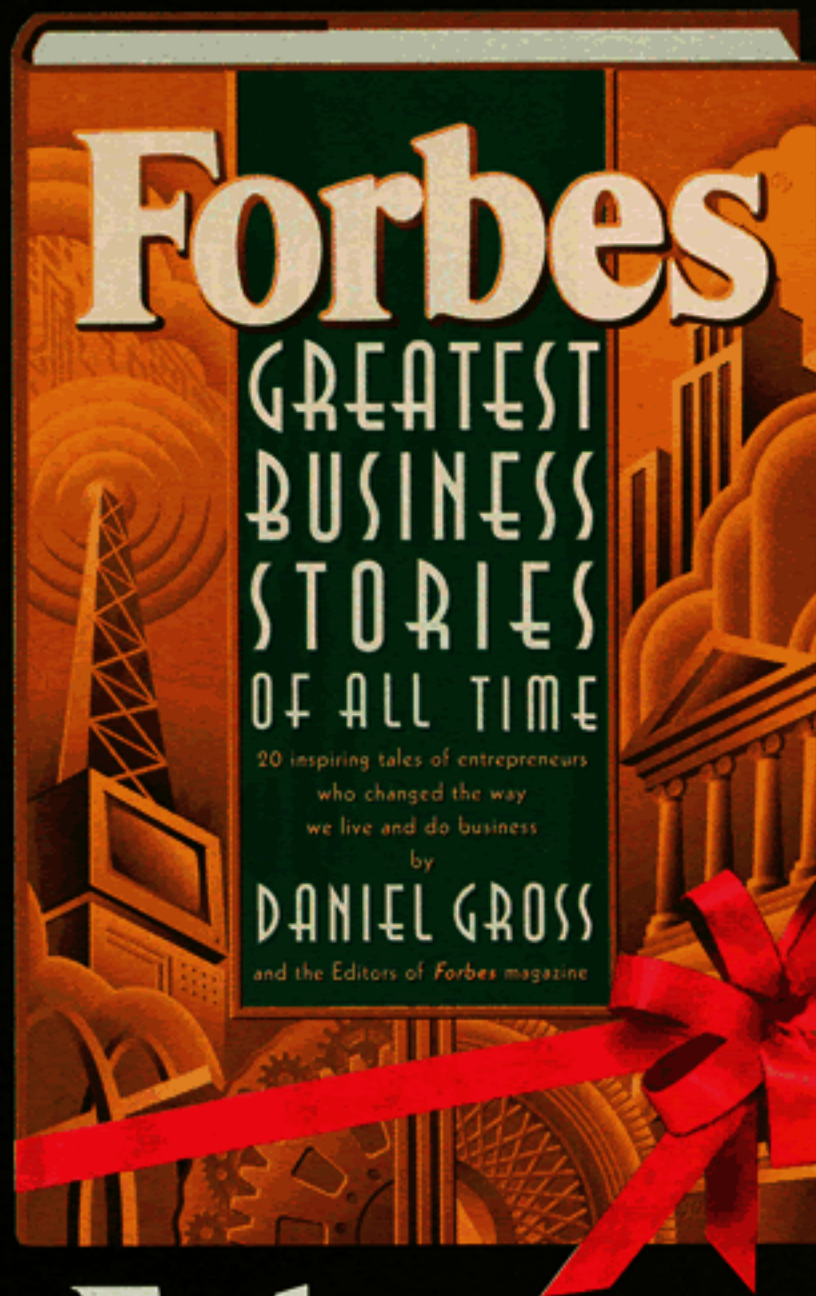
INVESTORS LOOKING for yield may want to invest in convertible debt issued by one of the nation's real estate investment trusts. REITs are publicly traded vehicles that pool capital for investment in real estate.

There are some 50 convertible REIT issues that are fairly liquid, with a \$2.6 billion market value. REIT stocks have benefited from a countrywide real estate boom—they've gone up 22.9%, year-to-date. Convertible REITs have risen 15.6%; the issues are convertible into the underlying common but carry higher yields. They are senior to the stock in the case of a bankruptcy.

Anand Iyer, head of Salomon's global convertibles group, likes FelCor Suite Hotels' \$151 million preferred issue. Irving, Tex.-based FelCor is the largest owner of Embassy Suite hotels in the U.S. Hotels are among the fastest-growing assets in real estate today. The issue yields 7.1%, can't be called for 4½ years, and if the REIT's common dividend is raised, the convertible holders get bumped, too. FelCor preferred, which trades around \$27.25, is convertible when the common stock hits \$32.25; it recently traded at \$34.63.

Iyer's other pick is Las Vegas developer Oasis Residential. The \$104 million convertible preferred yields 9.5% and can't be called until 2001. The Las Vegas market for both single- and multifamily homes is booming. The convertible recently traded at \$23.75, while the common stock was at \$21.38; the conversion price is \$24.63. Both issues trade on the NYSE. —S.S.J. ■

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