By multex.com

The Internet Analyst℠

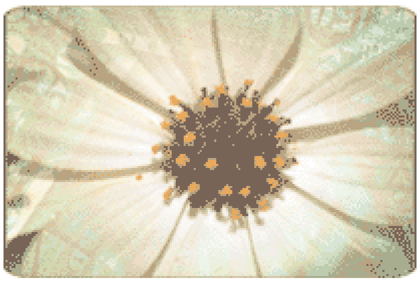
Exclusive financial data on Internet companies and executives

Print Edition

Issue #75

August 31, 2000

1. Strong Buys



Are E-Tailers Making a Comeback?

By Paul DeMartino

The Internet Analyst℠ *combed through research submitted to the Multex.com database this week, looking for Strong Buys. In order to be included in this column, a stock must receive a firm's highest rating, and the valuation methodology must be included in the report.*

ALLOY ONLINE (ALOY): On Aug. 23, U.S. Bancorp Piper Jaffray reiterated its STRONG BUY on the shares of ALLOY ONLINE. ALLOY is a Web site geared toward Generation Y, which is made up of 10- to 24-year-olds. It is based around content, community, and commerce; it is, in effect, a portal and e-tailer with news and commentary relevant to its targeted group. The "e-tailer" label might have been behind the stock's recent decline – ALLOY shares dropped 40% from July 25 to Aug. 25, when it closed at $7.56. U.S. Bancorp believes that the slide was unwarranted. For one thing, it expects the company to achieve profitability later this year. In addition, ALLOY recently inked two deals that should help its brand image. First, it is going to start marketing books aimed at Gen Y under the ALLOY name. Second, it has partnered with PEPSICO (PEP) and YAHOO! (YHOO) for a seamless selling partnership. The brand will be featured at both of those companies' Web sites, so that Gen Yers can click through to ALLOY's products. U.S. Bancorp calls the current price weakness a buying opportunity, but the firm lowered its price target for the shares to $25 from $36 because of price weakness in the e-tailing group – one of the hazards of using a relative valuation, like the price-to-sales metric used here. The firm projects losses of $1.12 a share in 2000 and $0.97 a share in 2001. Research on the company was accessed 677 times during the week of Aug. 14 to 20, and 11 new reports were contributed to the Multex.com database.

IN THIS ISSUE

CYBERIAN OUTPOST (COOL): C.E. Unterberg Towbin reiterated its STRONG BUY rating on the shares of computer e-tailer CYBERIAN OUTPOST on Aug. 23. The report was largely a reaction to Forrester Research's ratings of online retailers, which placed CYBERIAN OUTPOST at the top of its list based on customer feedback and test purchases. C.E. Unterberg was also surprised to discover that CYBERIAN OUTPOST was the cost leader in its space C.E. Unterberg notes that CYBERIAN's primary competitors, BUY.COM (BUYX) and EGGHEAD.COM (EGGS), have had to abandon their low-cost strategy and raise prices. CYBERIAN OUTPOST, on the other hand, has stuck to its strategy of emphasizing service and has gained a relative advantage in price. C.E. Unterberg calls the stock's recent price weakness unwarranted and finds the company attractive using various metrics, including enterprise-value-to-sales and enterprise-value-to-gross-profit. C.E. Unterberg expects

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The Internet Analyst℠ Magazine by Multex.com
Publisher: . . . . .Lauren Keyson
Publishing Assoc. . . . . .Eric Lopkin
Managing Editor: . . . . .James C. Condon
Senior Editor: . . . . .Paul DeMartino
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TIA's premier date: April 1, 1999

Next

CYBERIAN OUTPOST to have losses of $0.87 a share in 2000 and $0.22 a share in 2001. The firm's 12-month target price for the shares is $20. The stock closed at $3.81 on Aug. 25. Research on CYBERIAN OUTPOST was downloaded 242 times during the week of Aug. 14 to 20, and 13 new reports added to the Multex.com database.

BLUE MARTINI SOFTWARE (BLUE): Thomas Weisel Partners initiated coverage of BLUE MARTINI SOFTWARE with a STRONG BUY on Aug. 21. BLUE MARTINI is a provider of scalable e-commerce software that comes in modules, each with a specific purpose. For instance, a company could choose to purchase the product management module and integrate it with the mobile wireless module and the data-warehousing module, while foregoing the Web site module. Thomas Weisel, a co-manager of BLUE MARTINI's July 25, 2000 IPO, says that the company has built both a strong product and a strong sales force, which adds up to a sustainable first-mover advantage. Thomas Weisel projects losses of $0.64 a share in 2000 and $0.18 a share in 2001. Its 12-month price target for the stock is $100, based on a price-to-sales multiple. BLUE MARTINI closed at $51.50 on Aug. 25.

2. The Sell Report

divine interVentures

More Information Is Required

By Aram Fuchs

If there ever was a report that I would recommend investors totally ignore, it would be DIVINE INTERVENTURES' results for the second quarter. The Chicago-based Internet incubator, in typical Internet fashion, reported increased revenue as well as increased expenses and losses. Right now, however, the income statement and balance sheet of DIVINE INTERVENTURES give no hint as to the future viability of the company.

That's because the potential value of the company lies in its equity investments in start-up Internet companies. So, in order to truly value a share of DIVINE, you have to figure out the value of the 52 companies in which it has invested, take the percentage of the company that DIVINE INTERVETNTURES owns, add those numbers up and divide by the number of shares outstanding.

How can you value these private companies? The short answer: You can't do this with any precision with publicly available information. Only one of the 52 companies, SEQUOIA SOFTWARE (SQSW), is public and thus obligated to release quarterly financial statements. Therefore, you have to value these companies on the basis of metrics that simply have not been reliable indicators of future success. Some of the metrics that DIVINE uses are:

- Market size
- Implied market capitalization from the last round of private financing
- Simple multiple of revenue

Sell-side analysts used all of these metrics when valuing money-losing B2C companies, and each of the metrics ended up misleading the analysts and investors. In fact, as readers of Sell Report should know, very few of these B2C plays have turned out to be good investments.

So what should an investor do? An investor has three options to consider when looking at whether or not to buy DIVINE INTERVENTURES.

- Trust management's ability to find winners in the intensely competitive B2B and Web infrastructure sector.

- Perform exhaustive field research on as many of DIVINE's investments as possible, and try to determine the value yourself.

- Ignore DIVINE INTERVENTURES altogether and invest only in companies whose balance sheets and income statements give you some sort of indication of their viability.

Regular Sell Report readers probably realize that I think No. 3 is the wisest course of action. DIVINE INTERVENTURES may have incredible potential. But it's impossible to tell from the data that it chooses to release to the public. If one has to ignore the income statement, it's best to ignore the company.

Aram Fuchs is the CEO of Fertilemind.net, an independent Internet equity research and consulting firm. At the time of publication, he did not have any interest in the securities mentioned in this article. Mr. Fuchs frequently buys and sells securities that are the subject of his articles, both before and after publication.

3. The Independent View

The Four Business Models of the Web

By Greg A Kyle
President and CEO of Pegasus Research

Since the beginning of 1999, over 400 Internet companies have completed initial public offerings in the United States, each promising to have a unique vision and a compelling business model that is substantially different from its competitors. However, the reality is a little different. Granted, the Internet is still in its infancy, but the basic revenue models of the Web are already largely defined.

In general, there are four basic business models defining Internet companies:

- Advertising-based

- E-commerce, or transaction-based

- Subscription-based

- Service-based.

In the advertising business model, companies sell "real estate" on their various Web pages for a set fee, or sponsorship, or for a charge that is based on the number of people that either visit that page and see the ad (impressions) or actually click on the ad (click-throughs). This is the basic model used by all major portals or content aggregators, including YAHOO! (YHOO), LYCOS (LCOS), ABOUT (BOUT) and others.

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The advertising model is really no different on the Internet than it is in the world of traditional media. Companies offer compelling content in an effort to attract the most viewers, and, they hope, the advertisers with big budgets who want to attract those readers. In the U.S., online advertising is still in its early stages, with companies spending $9.2 billion advertising on the Internet in 2000. By 2004, online ad spending is expected to reach $28.6 billion or 8.9% of total U.S. ad spending.

In the e-commerce or transaction-based model, some companies sell items through their virtual storefront (Web site) much like a traditional retailer. Other companies provide a forum or platform where buyers and sellers can meet, or they license software that facilitates online commerce. Examples of the new breed of e-tailers include AMAZON.COM (AMZN) EGGHEAD.COM (EGGS), and DRUGSTORE.COM (DSCM). Matching buyers and sellers on the Internet, are companies like EBAY (EBAY), PRICELINE.COM (PCLN), ARIBA (ARBA) and COMMERCE ONE (CMRC). E-brokers such as CHARLES SCHWAB (SCH), E*TRADE (EGRP) and AMERITRADE HOLDING (AMTD) also employ transaction-driven models.

In the U.S., consumers are expected to spend $44 billion shopping online this year, up from $23 billion last year. Within a few years, business-to-consumer e-commerce should reach $165 billion. E-brokers are benefiting from the estimated 10 million investors that are trading online. By 2004, it is expected that 37 million investors, with online assets of more than $3.8 trillion, will be trading online.

In the subscription-based model, companies charge a monthly or annual fee for providing various services including Internet access, Web-site hosting, and premium content. Under this category fall the Internet service providers and Web hosting companies such as EARTHLINK (ELNK), PSINET (PSIX), and EXODUS COMMUNICATIONS (EXDS). Charging for premium-based content are companies like THESTREET.COM (TSCM), HOOVER'S (HOOV) and the Wall Street Journal Interactive, a unit of DOW JONES (DJ).

The most common subscription-based model is providing dial-up Internet access for a monthly fee. However, it is also the business model that is most under attack as free ISPs rapidly gain ground. A number of companies including NETZERO (NZRO) and JUNO ONLINE (JWEB) offer free Internet access, hoping to generate revenue from Internet advertising or e-commerce.

The service-based model is dominated by companies like the Internet consulting firms, or i-builders that charge either fixed or variable fees for consulting, designing and implementing Web strategies. These include companies like RAZORFISH (RAZF), MARCHFIRST (MRCH), and SCIENT (SCNT). Other service-based models include such ad-management and marketing companies as DOUBLECLICK (DCLK), ENGAGE INC. (ENGA) and 24/7 MEDIA (TFSM), as well as Internet investment companies, or incubators, such as CMGI (CMGI) and INTERNET CAPITAL GROUP (ICGE).

Naturally, the lines are often blurred. AMERICA ONLINE (AOL), for example, generates subscription, advertising and transaction revenue. Some subscription-based models, such as DOW JONES's The Wall Street Journal Interactive and THESTREET.COM generate a combination of subscription and advertising revenue. Finally, most Internet software companies generate licensing revenue (the transaction model), but also provide maintenance, training and other consulting services.

Which model will prove to be the best model for Internet companies? Each has its advantages and disadvantages. An advertising-based model can have high margins, but the total market opportunity is likely to remain small compared to e-commerce models. E-commerce, whether on the B2C or B2B side, has greater revenue potential, but the margins can be razor-thin. Service-based models, where revenue growth is often tied to the growth in billable employees, do not have the same scalability as other Internet business models.

Ultimately, the best model will likely be that which focuses on forging strong customer relationships, thereby building customer loyalty and creating a strong customer base. The next step is to leverage that customer base across multiple revenue models. In the end, it's not the revenue model that counts but the revenue diversity that's important. Think of it as building a solid foundation for a strong house.

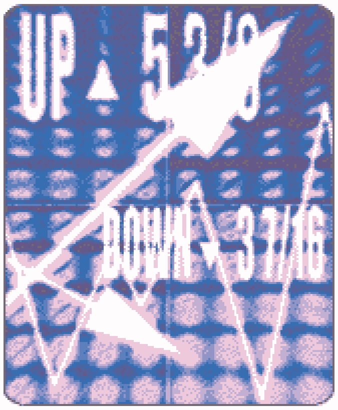
Pegasus Research is an independent research firm that provides unbiased, objective analysis on the emerging Internet economy. For more information, contact Pegasus at (212) 687-1522.

Pegasus Research is a sponsor of The Independent View.

The Basic Business Models of the Web

Advertising	Ecommerce	Subscription	Service
ABOUT.COM (BOUT)	AMAZON.COM (AMZN)	AMERICA ONLINE (AOL)	DOUBLECLICK (DCLK)
CNET NETWORKS (CNET)	BUY.COM (BUYX)	EXODUS COMMUNICATIONS (EXDS)	CMGI (CMGI)
GOTO.COM (GOTO)	CHARLES SCHWAB (SCH)	HOOVER'S (HOOV)	INTERNET CAPITAL (ICGE)
LYCOS (LCOS)	COMMERCE ONE (CMRC)	PSINET (PSIX)	MARCHFIRST (MRCH)
SPORTSLINE.COM (SPLN)	DRUGSTORE.COM (DSCM)	PRODIGY COMMUNICATIONS (PRGY)	RAZORFISH (RAZF)
STARMEDIA (STRM)	E*TRADE (EGRP)	THESTREET.COM (TSCM)	SAPIENT (SAPE)
YAHOO! (YHOO)	EBAY (EBAY)		SCIENT (SCNT)
ZDNET (ZDZ)	PRICELINE.COM (PCLN)		24/7 MEDIA (TFSM)
	VENTRO (VNTR)		

4. Upgrades & Downgrades



Signs Point Higher for VeriSign

By Shannon Swingle

VISUAL NETWORKS (VNWK): On Aug. 23, Merrill Lynch lowered its long-term rating on the shares of network management company VISUAL NETWORKS to ACCUMULATE from BUY. Merrill acted after the company announced that revenue and earnings for the third quarter and the rest of the year would fall well below Wall Street's estimates. The company now expects third-quarter revenue to be $15 million, only half what Merrill expected, and said it expects fourth-quarter revenue to be level with the third quarter. In addition, VISUAL NETWORKS said that 2001 revenue would not meet its forecast of $165 million. The company also said its third-quarter loss would be substantially greater than the $0.03 it had been forecasting. Management attributed the revenue shortfall to overstocking by a leading reseller, but also said that the integration of recently acquired Avesta Technologies was more complex than anticipated, and, as a result, sales and marketing momentum was lost. The company also announced the departure of Kam Saifi, privately held Avesta's CEO, who resigned as an employee and director of VISUAL NETWORKS. The brokerage suspended its earnings estimates until management presents its outlook for the company in September. VISUAL NETWORKS shares closed at $6.50 on Aug. 25 and are down 88% since mid-June.

VERISIGN (VRSN): After a visit with management, Merrill Lynch upgraded its rating on the shares of Internet-based trust services provider VERISIGN on Aug. 21 to BUY from ACCUMULATE. The brokerage believes that several near-term opportunities could drive the stock higher, including the company's many projects for the United States government; its alliances in the broadband and wireless arenas; and its efforts in financial services. Partnerships with ARIBA (ARBA) and WEBMETHODS (WEBM) should open the door for authentication services in B2B markets. Merrill raised its 2000 revenue estimate to $456 million from $451 million and its 2001 revenue estimate to $972 million from $948 million. Earnings estimates were raised as well. For 2000, Merrill now sees earnings of $0.24 a share, up from $0.21 a share. For 2001, the firm's estimate was raised to $0.47 a share from $0.43 a share. VERISIGN shares closed at $176.38 on Aug. 25. Research about VERISIGN was accessed 1,128 times during the week of Aug. 14 to 20, and 27 new documents were added to the Multex.com database.

NETSOLVE (NTSL): On Aug. 18, Robertson Stephens lowered its rating on the shares of NETSOLVE, which provides services for the outsourcing of network management and security, to LONG-TERM ATTRACTIVE from BUY. The firm, which was the lead manager of NETSOLVE's September 1999 IPO, said the company is signing larger network contracts and while that will produce more recurring revenue in the long run, in the short term it will mean slower rollouts and reduced revenue. In addition, Robertson Stephens says that NETSOLVE likely will face increasing competition, which poses a risk to revenue and earnings. In addition to lowering its rating on the shares, the brokerage cut its revenue estimates for fiscal 2001, which ends in March, to $47.5 million from $50.2 million. For 2002 the firm now sees revenue of $64.9 million, down from $71.6 million. Robertson Stephens lowered its fiscal 2001 earnings estimate to $0.34 a share from $0.43 a share. For fiscal 2002, its earnings estimate was cut to $0.51 a share from $0.61 a share. NETSOLVE shares closed at $8.69 on Aug. 23.

Talk, Talk, Talk, Buy

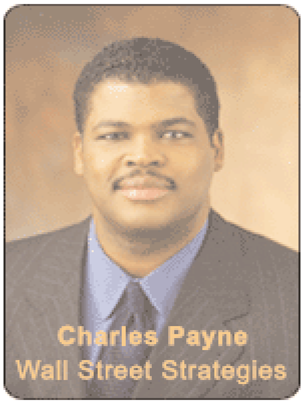
Craig Columbus
By President, insiderSCORES.com

As a change of pace we look at insider buying this week. On Aug. 9, TALK.COM (TALK) had its first insider buy since October 1999. TALK.COM provides local and long distance VoIP (voice over Internet protocol) services and is the provider of AMERICA ONLINE's (AOL) long distance service. Gabriel Battista, chief executive officer bought 49,999 shares at $4.16 a share.

The purchase reverses insider sentiment at TALK.COM, where insiders were sellers in March and May of this year. Mr. Battista may be looking at this from a valuation perspective. TALK.COM shares are down 80% from their December 1999 high of $22.88. Since the purchase, the stock price has stayed fairly stable, closing on Aug. 25 at $4.56. – *Eric Lopkin*

For more on TALK.COM and its strategy please see Best & Brightest: Numbers, The Telecomm Analyst, April 25, 2000

5. Keyson's Hot Lunch



The Sizzle … and the Steak

Charles Payne, Founder, CEO, and Chief Analyst, Wall Street Strategies

Interviewed by Lauren Keyson

I met with Charles Payne, founder, chief executive officer and chief analyst of Wall Street Strategies, at a conference room at his office on Broad Street. Mr. Payne runs a successful independent research firm and I asked him what Internet stocks he really likes right now.

[CHARLES PAYNE] When it comes to the Internet, we've primarily focused on infrastructure because that's where the money is. Obviously, there was a whole lot of hype initially and everyone slapped a dot-com on their name, but now the dust has settled to a point where we know there will be clear cut winners – and whoever is left standing is essentially a winner. That's why over the last couple of weeks we've seen EBAY (EBAY) come to life, YAHOO! (YHOO) come to life, PRICELINE.COM (PCLN) come to life. The rest crashed and burned, if you will. The playing field is going to be less cluttered, so a stock like PRICELINE actually has a pretty good risk/reward ratio. EBAY has a good risk/reward ratio, and YAHOO! has a wonderful risk/reward ratio.

We're talking about stocks that have traded at extreme highs, but have come down dramatically. If you look at their revenue growth – they may not be making money just yet – but the revenue growth would suggest that they're certainly going to earn money shortly. Now they have the sizzle and the steak if you will. They have the hype that carried these stocks up early on, but they also have the fundamentals that would justify a rebound.

Another example is a stock we just recommended: DOUBLECLICK (DCLK). We recommended it at $36; today the stock is around $41. That's already a good percentage move. We know there's a big backlash against banner ads, but the reality is that until streaming media becomes a reality and we get bigger pipes throughout the country and ultimately the world, banner ads are the main way we're going to advertise. It's still a huge $40 billion industry that's dominated primarily by DOUBLECLICK.

[LAUREN KEYSON] I read that even though people aren't happy with the banner ads, they're still buying them.

[CP] I agree. Again, it's one of these fallen angel types of stocks in the Internet sector that we think is going to do well. Before that we focused on the JUNIPER NETWORKS (JNPR) of the world. SDL (SDLI) we recommended at $140. After JDS UNIPHASE (JDSU) bought E-Tek Dynamics, we knew that SDL would be the next one in the group to be taken over. SDL is up 300 points from where we originally recommended it. We've really been focused on the infrastructure side, and not just on the Internet – it's the strategy we're using going forward in wireless.

For me, the whole technology revolution started with the personal computer and migrated to the Internet. Now, the next logical phase is wireless. Whenever you talk Internet, you should think about the next leg, if you will, the next phase or evolution of technology, and plan the same way. We don't know what the language is going to be or what the standards are going to be. Everyone is sort of raising their hand; there are a whole lot of de facto standards. Not just in this country, but worldwide, there are a whole lot of Betamax-VHS questions that still have to be resolved. We do know that these things have to be built out.

[LK] Are you still recommending infrastructure stocks?

[CP] Absolutely. JUNIPER is one we like a lot. We just think there's a tremendous need for their servers. Corporate America has to go online. Period. That's why CISCO SYSTEMS (CSCO) is a keeper, that's why SUN MICROSYSTEMS (SUNW) is a keeper, that's why JUNIPER is a keeper, and that's why REDBACK NETWORKS (RBAK) is probably undervalued. You're also going to continue to see consolidation here.

I wouldn't be surprised to see someone like LUCENT TECHNOLOGIES (LU), which has really been behind the pack by a mile, try to catch up by taking over some companies. After all, CISCO is a company that really grew through acquisition. NORTEL NETWORKS (NT) was smart enough six or seven years ago to get on the acquisition trail. That's why they're ahead of the curve and beating the snot out of LUCENT. So I wouldn't be surprised to see LUCENT get in there and make some acquisitions. If they do, it's going to cost them a lot of money. We do like infrastructure.

It's almost the same thing in telecom. For instance, I think a prime example would be DSL [digital subscriber line]. DSL has not caught on to the degree that everyone thought it would. People just haven't embraced it. I don't know if the telcos are selling it properly, but it just has not caught on. Nevertheless, DSL equipment makers: phenomenal, mindboggling. Stocks like GLOBESPAN (GSPN), TURNSTONE SYSTEMS (TSTN), these are great stocks to participate in.

[LK] Going back to the first group of stocks you mentioned, why do you think EBAY will take off?

[CP] I think EBAY is in a wonderful position, unlike a whole lot of other companies that got involved in the Internet and thought they'd set up a central location and service everyone … oh, let's just say it AMAZON.COM (AMZN), unlike AMAZON. Even though AMAZON doesn't have the physical requirements of having stores all over the country and that type of overhead, they still have to set up major distribution centers and they still have some of the traditional bricks-and-mortar worries. EBAY is a middleman. EBAY doesn't have to worry about that. There have been some negative reports about certain things that have been sold on EBAY, privacy issues, things like that, but those are really learning curve issues. They won't hurt the fundamentals or the bottom line over a sustained period of time. That's why I think EBAY is wonderfully positioned. I think even though the barrier to entry is easy in this space, I think EBAY has done a tremendous job in branding. Branding is so important on the Internet that I think they will never go below 70% of that market, unless they really mess up big time. So you have a de facto monopoly in a growing space, and we always like monopolies.

[LK] So what do you tell your clients about AMAZON?

[CP] AMAZON is a tough one. The only thing I would say about AMAZON, at this level, is that it's a good trading vehicle. I think if you use a contrarian approach it's probably really attractive because everyone has jumped off the bandwagon. I'm not pounding the table on it just yet. They were able to turn it around in terms of books. I think Jeff Bezos, because his background is Wall Street, understands how the Street thinks. He'll probably be under a lot of pressure to come up with something to wow Wall Street. But if someone is stuck in it, I wouldn't tell them to bite the bullet down here. It's a situation where the stock has been hammered pretty good. It's tough to take that kind of a hit, but it's still got some upside room.

[LK] Dot-coms are kind of low now at the end of August. Do you think they'll go up later this year?

[CP] I think that by this holiday season coming up, there's going to be a whole lot less competition. Last year guys were going public, raising $5 million and spending $4 million on a Super Bowl commercial. You're not going to have that this year.

[LK] What about a September time frame? Do you think after Labor Day, you'll see a traditional bounce?

[CP] We've already seen a nice bounce over the last few weeks in some of these B2C companies.

[LK] What stocks are you telling your clients to avoid?

[CP] We try to avoid the mistakes. There are three classic mistakes that are being made this year. Mistake No. 1 is when people fall in love with a stock and didn't exercise any discipline or rational decision-making. So they bought a stock at $60, it went to $55, it went to $50 and instead of saying let me cut my losses, they held on. Mistake No. 2 is that the stock went from $60 to $30 so they bought more. They averaged down, which is something you should rarely do, you should average up. We do occasionally average down, but generally it's not wise. I think people are making a big mistake with it. Mistake No. 3 – and a lot of people haven't made this mistake yet, but they will – is holding the stocks when the market turns. It's been a selective market for two years. We've had more stocks down than up over the last two and a half years. The key has been that the ones that are up are up huge. Stocks going from $10 to $100, they hog the headlines. It's really been a selective market; it's going to continue to be a selective market even when we make the next big leg up.

I would just say that if a company missed its earnings report, and warned that it would miss another, I call it the double whack. Avoid the double whack.

Other articles in Keyson's Hot Lunch:

August 24	Pamela Bergeson, Founder and President, Bid4Vacations.com
August 17	Part II: The Competition and The Plan-Brian Carlton Byrd, President and CEO of CEIG
August 10	Talking Trash at Premium Prices-Brian Carlton Byrd, President and CEO of CEIG
August 3	Part II: The Cloak of Invisible Security- Steven K. Sprague, President and CEO of Wave Systems

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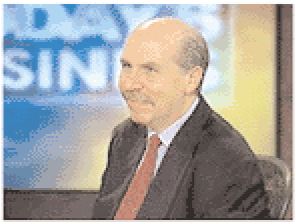
6. Executives Zero In



About .com's Scott Kurnit

About Inc.

Scott P. Kurnit, Founder, Chairman and CEO

Interviewed by George S. Mack

You know what search engines and portals are like. But if you're looking for highly specialized information with a human guide on the Internet, there's another source. ABOUT INC. (BOUT) operates more than 700 in-depth vertical sites that provide helpful content on everything from Broadway shows, religion and science to how to manage a public relations crisis. Web-site rating company MEDIA METRIX (MMXI) says the New York-based portal was the seventh-largest Internet property overall in June. Between the first and second quarters of this year, the number of unique users grew 31% to 50.5 million people, reaching a little more than 20% of the United States audience. Robertson Stephens analyst Michael Graham forecasts 2001 revenue of $170 million, and earnings of $0.95 a share. ABOUT shares closed at $37.63 on Aug. 25, down 63% from their record close of $101.75 reached on March 14, 2000.

[THE INTERNET ANALYST – GEORGE S. MACK] You recently changed your name from ABOUT.COM to ABOUT INC. Did you drop the dot-com because of the stigma related to the dot-com bloodbath of this past spring?

[SCOTT P. KURNIT] There are several reasons. We always knew that we would drop the dot-com. Initially, we did not have trademark registration on the word "about," because you need to use it for a while. After we got trademark registration on "about," we moved to that. Secondly, dot-com is a very U.S.-centric concept. If you go to Canada, it's dot-ca; if you go to the United Kingdom, it's dot-co or dot-uk. As we launched our international businesses, it became clear, from a branding standpoint, that you don't want to be U.S.-centric – you want to be worldwide. That's really the main reason for dropping the dot-com.

[GSM] How do you generate revenue?

[SPK] We generate revenue by bringing buyers and sellers together. Number one is via advertising. Number two is by e-commerce referral, and number three, we have some direct transaction revenue in our one-to-one expert space, where people can charge each other for services. But primarily we are a media company, and we derive our revenue from companies that are looking to borrow our users, either to sell them goods or to build their brand.

[GSM] What's your single biggest cost of sales? Is it your writers?

[SPK] Yes, the guides. In our case, we are looking forward to 75% gross margins, and our long-term target is for about 17% of gross going to a very talented pool of guides – writers, hosts, the leaders of our individual sites.

[GSM] Between the first and second quarters, your click per thousand (CPM) revenue of niche site sales declined to $50 across 306 sites from $60 across 268 sites. What was that about?

[SPK] As we sell more in any area, you're going to tend to have some of your metrics go down a little bit. Still, to do $50 in a targeted environment is way above industry average. To hold the sales force artificially and say we want you to average $60 isn't something we'd consider, because we're in the business of maximizing dollars across the network. I'm very comfortable with a move to $50 from $60. It might move back this quarter, it's hard to say.

[GSM] During the same period, your revenue per thousand (RPM) page views went to $12 from $16. What happened there?

[SPK] That has to do with the fact that we added a lot of inventory. Our page views went up more than 80% quarter-to-quarter. But when you add more inventory, you have to catch up and sell against it – a tactical effort that's not hard to do. We have that under way now. In addition, we've added some page views from the likes of our Luna partners that aren't, in some cases, as finely targeted as in our core business. By definition, you're not going to get quite the CPM or RPM from those pages.

[GSM] You obviously view these reductions from $60 to $50 and from $16 to $12 as a positive. Explain that again.

[SPK] The real metric is how you're doing on the top and bottom lines. And for us to grow inventory and to grow the top and bottom lines is obviously most important. It's certainly possible to hold those metrics if you wanted to, but for example, YAHOO!'s (YHOO) RPM is in the $4 range versus our $12 range. Part of that is the law of large numbers. Because they have so many page views per day, it's in their interest to sell them at a lower rate. Anyone who sells inventory – whether it's advertising or anything else – should never sell out completely, because if you do, that means you're underpricing. YAHOO! has tremendous efficiency. It can produce once and distribute an infinite number of times. As much as I love our company, when I compare our market cap to YAHOO!'s, I'd rather be YAHOO!.

[GSM] You ended your second quarter with $144.5 million in cash, more than $8.15 a share, I think. You clearly don't need that to fund yourself through profitability. What are you going to do with that money?

[SPK] First, you're right. It's our plan to have north of $100 million in the bank as a profitable company. Cash is used for investments, but first you want to cushion for a rainy day. We don't see that [rainy day] on the horizon, but you know it can happen. You can always be surprised.

[GSM] With your stock price down so much and trading at six-times year 2000 revenue and at about – no pun intended – 32-times year 2001 earnings, you look like a delicious meal for a major media company like a DISNEY (DIS) or somebody.

[SPK] If the question is, do we talk to those guys, the answer is, sure we do. But the reality is we're under no pressure to do anything, which I think is the perfect scenario. So while shareholder value is first, second and third priority, maximizing that through a deal with someone is something we're open to, as long as we think it's a one-plus-one-equals-three deal.

For more information on About Inc., check out Scott Kurnit's interview in the June 29th Keyson's Hot Lunch.

Vital Statistics
About Inc. (BOUT)

Market Cap	$679.2 million
Shares Outstanding	18.1 million
Recent Stock Price	$37.63 (8/25/00)
52-Week Range	$105.81 – $22.50
Price to Est. 2000 Revenue	7-times
Price to Est. 2001 Revenue	4-times

Years end December	**EPS**	**Revenue (millions)**
1999A	($4.21)	$27.0
2000E	($1.07)	$94.9
2001E	$0.95	$170

Source: Robertson Stephens

Other articles in Executives Zero In:

7. The Convergence Industry

In Convergence, Timing Is Everything

By Lauren Keyson

This week I pondered the futuristic concept of converged products – as opposed to converged companies – with Greg M. Jones, the co-founder and chief executive officer of privately held Broadband Gateways. When I say products, I'm thinking more along the lines of NOKIA's (NOK) offerings than DEUTSCHE TELEKOM's (DT). Some products might be close to convergence – having connections to media, computers, the Internet and telecommunications – but for the time being, nothing operates across all four of these industries.

Mr. Jones agrees. His view is that there is no a single product that spans these industries – a device that is more or less plug-and-play, that can be expanded fairly easily, and doesn't require a networking guru to operate. Today, consumers may have a set-top box, a PC connected to a DSL modem and a cell phone. But for all their utility, those devices are probably made by different companies, and they may or may not be able to work together.

Mr. Jones knows something about converged products – he worked for Uniden, where he led the division that created the first cordless phone with e-mail capability. Broadband Gateways, produces what it calls an intelligent gateway that enables broadband distribution of voice and data services through a home or a small business. Broadband Gateways has introduced a device that is broadband independent – it works with DSL, cable, and wireless broadband to enable the next generation of telephony.

Recently, Plano, Texas-based Broadband Gateways announced products in the voice-over-DSL (VoDSL) arena, which have helped competitive carriers and even some of the incumbent carriers move into the next-generation telephone network. "You think about the telephone network as it exists today," says Mr. Jones, "and you're looking at two wires with voltage. It basically looks the same as when Alexander Graham Bell invented it back in the early 1900s. It has not gone through an evolution in a basic technology sense. But we're getting ready to see an evolution. Technology is getting ready to move toward more of a voice-over-packet type of technology, replacing the current two-wires-with-voltage telephony."

Today carriers are very focused on rolling out high-speed Internet. They'll soon be focused on how they leverage that high-speed bandwidth connection into lots of other services. Mr. Jones's company is focused on the voice-over DSL arena. Broadband Gateways has been working with Jetstream Communications, a San Jose, Calif.-based provider of VoDSL equipment to carriers, and CopperCom, a Santa Clara, Calif.-based provider of carrier-class access and switching products. Jetstream and CopperCom are also privately held. There are a lot of private companies – like Broadband Gateways, Jetstream and CopperCom – working to develop convergence products. I expect to see more companies in the next-generation telephony space start to go public next year. Right now, the industry is in the early stages of trials and rollouts.

"I think we're going to see a transition in the telephony industry," says Mr. Jones, "with broadband providers offering services like telephony, which has huge margins. If you look at the cost for a carrier to provide a telephone line to your house, it's fairly expensive. They have to run a piece of copper out there, and they've got to run one piece of copper for every line you want. If I'm a broadband service provider, I need just one piece of copper and I can give you all kinds of services. The profitability is tremendous, adding those services."

Broadband Gateways has convergence happening in its offerings as well. Its current product focuses on providing voice and data services over DSL, but the company plans other modules that literally plug into its system. The company could add modules that support such functions as home management, productivity and entertainment. That's what people are looking for, ultimately. And the phone companies want the same thing. Service providers don't want to have to send a truck to your house and spend a lot of time configuring your box. They're looking for a modular solution, something that is easy to install, is software upgradeable and offers a variety of services.

VERIZON COMMUNICATIONS (VZ) announced that it would begin testing voice-over DSLjust a few weeks ago. It's not a single product offering – LUCENT TECHNOLOGIES (LU) and CopperCom are supplying the infrastructure. And don't look for any reaction to the trials in VERIZON's stock. Wall Street has been trying to assess the financial impact of VERIZON's recently settled strike, and sort out VERIZON's deal to combine its DSL business with NORTHPOINT COMMUNICATIONS (NPNT), a national DSL service provider.

NOKIA could be considered a competitor of Broadband Gateways. While the company's handset sales get most of the attention, NOKIA's extensive portfolio includes offerings in networking, wireless broadband and Bluetooth technology that overlap Broadband Gateways' product. There's also TIVO (TIVO), which might conceivably be a part of an extended Broadband Gateways home network. The advanced TV service that features a digital video recorder VCR. (TIVO itself is more of a video-Internet convergence play; it doesn't have any strategy to deliver telephony from that box.) Mr. Jones, however, opted for ReplayTV, a product similar to TIVO, at his house.

Out of curiosity, I asked Mr. Jones how he decided between TIVO and ReplayTV, which is offered by privately held ReplayTV, based in Mountain View, Calif. "No monthly service contract," he said. "I went for the higher initial fee, because the service contract might be $10 this month and $12 next month. How do I know? It's like the cable company. I hate cable companies, because you don't know what the fee will be next week!"

Convergence Industry Index

(in alphabetical order)

Company / URL, Ticker, Stock price*, EPS*
Market cap*, Location
Description

Public:

1 **ACTV** / www.actv.com (IATV) $14.56 -$0.47
736.75M New York
Software to synchronize TV programming with Net content delivery

2 **AT&T** / www.att.com (T)$31.44 $1.93
118.08B New York
Telecom, Internet, computers, cable TV

3 **BellSouth** / www.bellsouthcorp.com (BLS)
$36.25 $2.06 67.94B Atlanta
Telecom, Internet, cable and digital TV, wireless access

4 **Chequemate International** / www.3d.com (DDD)
$1.94 -$3.28 18.02M Marina Del Rey, CA
3-D TV network; Net-transmitted video; special effects software

5 **Convergent Communications** / www.converg.com
(CONV) $4.00 -$6.81 116.61M
Englewood, CO
Telecom & Net services, networking, Web/e-business development

6 **Datalink.net** / www.datalink.net (XLNK) $16.25
N/A 227.66M San Jose, CA
Web-to-wireless platform for delivery of content; software

7 **Deutsche Telekom** / www.dtag.de (DT) $39.31
$0.43 119.10B Bonn, Germany
Telecom, cable TV, radio, Internet, programming

8 **General Electric** / www.ge.com (GE) $58.94

$1.17 583.41B Fairfield, CT
Telecom, broadcast and cable TV, Internet, comput ers

9 **Gemstar-TV Guide International** /
www/tvguideinc.com (GMST) $75.63 $0.45
15.77B Pasadena, CA
Technology for delivering cable & Net content to various platforms

10 **Global Crossing** / www.globalcrossing.com
(GBLX) $32.13 -$1.04 28.29B Hamilton, Bermuda
Fiber optic telecom and Net service, Web hosting, software

11 **Handspring** / www.handspring.com (HAND)
$32.94 N/A 4.67B Mountain View, CA
Handheld computers offering wireless Net and modem connection

12 **InfoSpace** / www.infospace.com (INSP) $29.13
-$0.54 6.81B Redmond, WA
Content for Web sites and wireless; software

13 **ITXC** / www.itxc.com (ITXC) $22.38 -$1.57
860.97M Princeton, NJ
Net-based voice & fax service, voice-enabled appli cations

14 **Liberate Technologies** / www.liberate.com (LBRT)
$18.06 -$1.14 1.63B San Carlos, CA
Software platform for content to delivery via Net and telecom

15 **Lucent Technologies** / www.lucent.com (LU)
$40.69 $0.80 135.88B Murray Hill, NJ
Telecom equipment, Internet, content, computer net working

16 **Microsoft** / www.microsoft.com (MSFT) $71.13
$1.71 374.29B Redmond, WA
Internet, telecom, computer hardware, cable TV

17 **Nextlink** / www.nextlink.net (NXLK) $38.13
-$2.33 10.42B McLean, VA
DSL service, Net access, Web design & hosting, VPNs

18 **Nokia** / www.nokia.com (NOK) $41.75 $0.64
194.94B Espoo, Finland
Mobile phones, Internet, computer hardware, inter active TV

19 **Oracle** / www.oracle.com (ORCL) $84.69 $2.09
240.38B Redwood City, CA
Database software enabling Net access from PCs and appliances

20 **Palm** / www.palm.com (PALM) $39.94 $0.09
22.54B Santa Clara, CA
Handheld computers offering wireless Internet con nection

21 **Pumatech** / www.pumatech.com (PUMA)
$23.44 -0.32 982.62M San Jose, CA
Software for exchanging data via Internet and tele com

22 **Real Networks** / www.realnetworks.com (RNWK)
$47.19 -$0.25 7.32B Seattle, WA
Software for playing audio and video over the Internet & broadband

23 **Research in Motion** / www.rim.net (RIMM)
$63.00 $0.12 4.49B Waterloo, Canada
Handheld computers offering wireless Net and modem connection

24 **SBC Communications** / www.sbc.com (SBC)
$40.50 $1.90 137.77B San Antonio, TX
Telecom, Internet, cable TV, networking

25 **Scientific Atlanta** / www.sciatl.com (SFA)
$74.97 $0.94 11.94B Norcross, GA
Set-top boxes for cable and Net transmission; net working services

26 **Sony** / www.world.sony.com (SNE) $102.75
$1.94 93.59B Tokyo
Media, Internet, computer monitors, telecom

27 **Source Media** / www.sourcemedia.com (SRCM)
$5.00 $2.39 81.01M Dallas
Streaming media content via Net, cable; networking services

28 **TiVo** / www.tivo.com (TIVO) $20.50 -$0.90
773.24M San Jose, CA
Set-top boxes for cable and Net transmission

29 **United Pan-Europe Communications** / www.upc corp.com (UPCOY) $23.44 -$0.37
10.22B Beverly Hills, CA
Set-top boxes for cable & Net transmission, telepho ny

30 **USA Video Interactive** / www.usvo.com (USVO)

$2.72 N/A 221.23M Mystic, CT
Video on demand systems and software via Web and telecom

31 **Virage** / www.virage.com (VRGE) $11.50 -$1.67 229.02M San Mateo, CA
Software for distributing media via Internet and telecom

32 **Wave Systems** / www.wavesys.com (WAVX) $19.69 -$0.83 910.92M Lee, MA
Secure delivery of content over Net by cable, satel lite; software

33 **Winstar Communications** / www.winstar.com (WCII) $28.06 -$9.04 2.31B New York
Telecom and Net services, Web site creation, custom applications

Private:

1 **IBlast Networks** / www.iblast.com (private) — — — Beverly Hills, CA
Network for over the air broadcast of digital media; software

** Based on closing Nasdaq prices on 8/24/00. Market caps unavailable from Nasdaq are taken from Market Guide Inc. (www.marketguide.com).*

Companies included in the Convergence Index are taking advantage of the evolving interconnections between: computers (hardware, software, networking); telecommunications (landline/wireless telephony, broadcasting, communications equipment/infrastructure); the Internet; and media (enabling/delivering content, information or data). The companies must have a presence in all four areas.

Recent Convergence Articles:

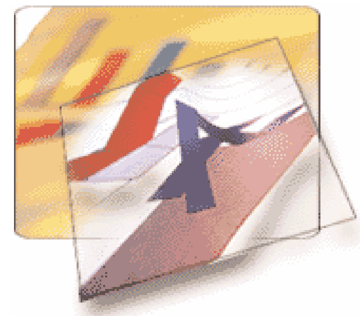
August 24	The Big, the Small and the Uncovered
August 17	A Converged Local-Exchange Carrier
August 10	Playing the Devil's Advocate
August 3	Converge by Alliance

To subscribe to TIA for free, send an e-mail to: tia@multex.com

8. Table Pounders

Ariba

Leading the B2B Infrastructure Build Out



By Paul de Leon
Fund Manager, de Leon Internet 100 Fund

Companies that provide the infrastructure to enable business-to-business (B2B) e-commerce are addressing a huge market opportunity that is still in its early stages of development. We believe one of the best ways to invest in the massive B2B build out is to own shares of the clear leader in the group, ARIBA (ARBA). ARIBA's solutions allow companies to leverage the Internet to become more efficient, reduce product and procurement costs, improve supply-chain management, create new business opportunities and enhance customer relations. Forrester Research, an independent market research firm, predicts that B2B e-commerce transactions will reach $2.7 trillion by 2004, and we believe ARIBA will be one of the greatest beneficiaries of this growing market.

Demand for ARIBA's suite of B2B solutions continues to accelerate as demonstrated by the latest quarterly results. Revenue of $80.7 million was double the previous quarter and almost sevenfold the year-earlier level. ARIBA added 110 new customers during the quarter bringing its client roster to over 320. Importantly, ARIBA's client list consists mainly of blue-chip corporations, augmented by such recent additions as LUCENT TECHNOLOGIES (LU), BMW (BAMXF) and TEXACO (TX). We believe the quality of ARIBA's client base insulates them from any downturn in spending by pure dot-coms.

ARIBA began as a provider of software solutions for the procurement of indirect goods. However, their ultimate goal is to address a much larger market opportunity and become a complete end-to-end B2B solutions provider, enabling all transactions and interactions throughout the entire supply chain. To accomplish their objective, ARIBA is adding to their product and service offerings through strategic partnerships with some of the industry's leading players. The partnership between ARIBA, IBM (IBM) and I2 (ITWO) combines ARIBA's expertise with I2's supply-chain management offerings and the tremendous sales and service support of IBM. Business from this partnership is gaining traction quickly with several major customer wins already announced. Additional partnerships have been signed with VERISIGN (VRSN), AMERICAN EXPRESS (AXP), DESCARTES SYSTEMS (DSGX) and others.

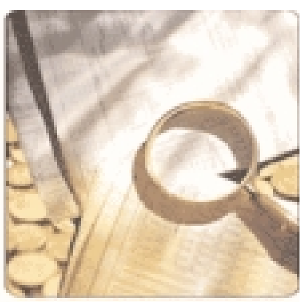
In sum, we are bullish on shares of ARIBA because we believe it is one of the best-positioned companies to exploit the massive de Leon INTERNET 100 FUND

B2B build out that has just begun. The combination of its leadership position, growth opportunities, brand recognition, strategic partnerships, blue chip customer base and proven management team justify the premium valuation for shares of ARIBA. The company's conservative revenue recognition policy and a healthy backlog of business give investors excellent visibility into ARIBA's future business prospects, and bolster confidence that its current revenue momentum will continue for some time to come. On Aug. 25, ARIBA shares closed at $147.69 and have now reclaimed most of the ground they lost in this spring's bear market for technology issues.

Paul de Leon has a long position in ARIBA in the De Leon Internet 100 Fund.
For further information on indexing the Internet sector, please visit our Web site at www.internet100fund.com, or call us toll-free at (877) 655-1110.

The de Leon Internet 100 fund is a sponsor of Table Pounders.

9. Microcap Scope



L90 Inc.

Online Ad Company Wins a Round in Court

By Michael Middleton and Timothy Middleton

With its outlook brighter in legal action against an online rival, Internet advertising company L90 INC. (LNTY) is attracting renewed support from Wall Street analysts.

The Santa Monica, Calif.-based company, formerly Latitude90, creates ad and marketing programs for more than 600 clients, including GENERAL MOTORS (GM), MICROSOFT (MSFT), Warner Brothers [a division of TIME WARNER (TWX)] and Visa. It goes beyond banner ads to co-branding, sweepstakes, content integration and targeted email. A technology called adMonitor lets advertisers target their messages to specific customers and monitor their success.

An ongoing deal with AKAMAI TECHNOLOGIES (AKAM) enables L90 to distribute advertising content across AKAMAI's worldwide server and telecommunications networks, which reach 45 countries.

But L90 has also been embroiled in a pair of lawsuits against DOUBLECLICK (DCLK), another online advertising company. In one, DOUBLECLICK accuses L90 of patent infringement. In the other, L90 accuses DOUBLECLICK of inequitable conduct. DOUBLECLICK requested a stay of their case while they submitted new information, but the judge didn't grant it. Meanwhile the counterclaim is going forward, with a Nov. 6, 2000 trial date.

Christopher R. Hansen, equity research analyst at Banc of America Securities, which was an underwriter of L90's Jan. 28, 2000 IPO, said the ruling "put the negative aspects of the DOUBLECLICK suit to rest, thus removing a cloud that has been hanging over L90's stock since its IPO." The analyst reiterated his STRONG BUY rating on the stock, which he believes "will significantly outperform the market and their industry peers when the online advertising sector again comes into favor." Mr. Hansen's 12-month price target for the shares is $35.

Scott Reamer, an analyst at SG Cowen Securities, which was the lead underwriter for L90's initial offering, also reiterated his STRONG BUY rating, and said, "L90 is a small-cap name you want to own. … [The company] continues to differentiate itself from the competition by anticipating and serving advertisers' needs extremely well."

Both analysts note that the Internet advertising market is not at the top of most investors' wish lists right now. However, Mr. Reamer adds, "We believe the psychological tide will turn sometime in the next three months."

L90 promotions don't end with its customers. The company is currently promoting its adMonitor serving and tracking technology by running a test-your-memory game on its Web site. Players who register at www.L90admonitor.com have a chance at a $50,000 prize that the company says will be awarded on or about Oct. 3, 2000.

Vital Statistics
L90 Inc. (LNTY)

Market Cap	$190.1
Shares Outstanding	22.4 million
Recent Stock Price	$8.50 (8/28/00)
52-Week Range	$31.38 – $4.88

	EPS	**Revenue (millions)**
1999A	($1.34)	$15.4
2000E	($1.00)	$57.4
2001E	($0.72)	$91.2

10. The Analyst's Spotlight

VerticalNet

Robert G. Fontana, Vice President, Wachovia Securities

Interviewed by John Bishop

The Internet Analyst[SM] *recently spoke with Robert G. Fontana about VERTICALNET (VERT). Mr. Fontana covers the business-to-business e-commerce industry for Wachovia Securities and believes VERTICALNET will reach profitability next year. (Wachovia has not done any underwriting for VERTICALNET. Mr. Fontana is a shareholder.)*

[THE INTERNET ANALYST – JOHN BISHOP] What does VERTICALNET do?

[ROBERT G. FONTANA] VERTICALNET is a business-to-business e-commerce company that operates 57 different industry communities bringing buyers and sellers together. Many business-to-business companies such as ARIBA (ARBA) and COMMERCE ONE (CMRC) only focus on helping buyers. VERTICALNET focuses on helping sellers and suppliers sell their products from VERTICALNET's industry specific e-commerce hubs, or storefronts.

[JB] Who are VERTICALNET's competitors?

[RGF] VERTICALNET doesn't have any direct competitors. Within a given industry you might have a company competing against one of VERTICALNET's communities, but there's no company competing against VERTICALNET across industries. The market correction in the second quarter of this year hit business-to-business stocks hard, and eliminated a lot of potential competitors for VERTICALNET.

[JB] What is your rating on the stock?

[RGF] I have a STRONG BUY rating on the stock. I believe VERTICALNET will be profitable for the next full fiscal year. That will make them one of the only profitable companies in the business-to-business industry.

[JB] What's happened recently at VERTICALNET?

[RGF] VERTICALNET entered into a large strategic alliance with MICROSOFT (MSFT) in the first quarter of this year. MICROSOFT has agreed to buy 80,000 storefronts across VERTICALNET's communities and subsequently pass those storefronts off to MICROSOFT's customers.

[JB] What do you find so compelling about the stock?

[RGF] VERTICALNET's business model is very attractive for small- to mid-size companies. It costs a typical company $6,000 to put up a storefront within a VERTICALNET community – a very attractive price for small- and mid-sized companies looking to increase their sales by using the Internet. What's more, VERTICALNET's solution works: A third party survey found that companies with a storefront within a VERTICALNET community turned 20% of their leads into sales, and half of those leads were from companies they hadn't done business with before.

VERTICALNET has also targeted many fragmented marketplaces that aren't very Internet savvy. Consequently, VERTICALNET has become the trusted advisor to many of these small- or mid-sized companies, which will make it very difficult for a competitor to wrestle customers away from VERTICALNET.

Vital Statistics
Bob Fontana
Vice President/Analyst, Wachovia Securities

Education	MBA from Duke University School of Business
Industry	B2B e-commerce
Companies	ARIBA (ARBA), COMMERCE ONE (CMRC), VERTICALNET (VERT), SCIQUEST (SQST), DATASTREAM SYSTEMS (DSTM), EBAY (EBAY), HEADHUNTER.NET (HHNT)

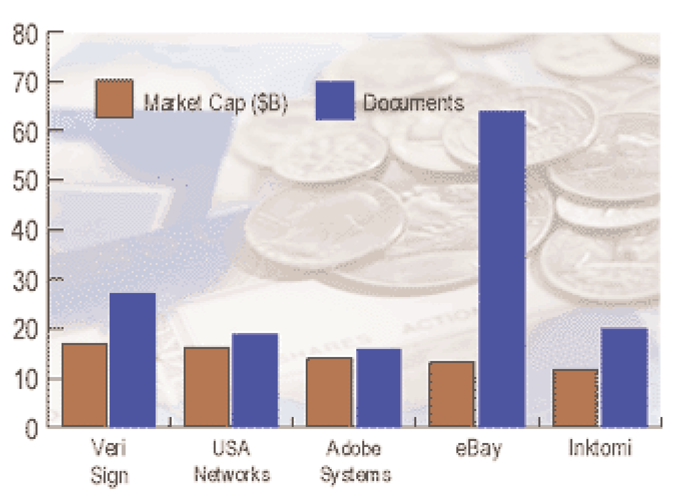
Recent Spotlight Articles:

August 24	David Bench, Internet Software and Infrastructure Analyst, Arnhold and S. Bleichroder
August 17	Barnesandnoble.com : David Ricci, Research Analyst, William Blair & Co.
August 10	InfoSpace: Safa Rashtchy, Senior Analyst, US Bancorp Piper Jaffray
August 3	Commerce One and Ariba: Jeanette Sing, E-Business Software and Services Analyst, Wasserstein Perella.

11. Top U.S. Picks

EBay Sets a Global Expansion

By Dyan James



22	VeriSign (VRSN)		
		27 Documents	MarketCap $16.82
23	USA Networks (USAI)		
		19 Documents	MarketCap $16.21
24	Adobe Systems (ADBE)		
		16 Documents	MarketCap $13.98
25	eBay (EBAY)		
		64 Documents	MarketCap $13.11
26	Inktomi (INKT)		
		20 Documents	MarketCap $11.55

Despite technical glitches that EBAY experienced at the beginning of August, analysts at Salomon Smith Barney said all of the company's metrics are showing improvement and expect a continued momentum. In addition the online auctioneer announced its intention to move into France by the fourth quarter 2000 and into Italy in the first half of 2001. Salomon reiterated its BUY rating, saying EBAY is "poised for a September rally." Salomon Smith Barney's price target for EBAY is $112.50. The stock closed at $62.31 on Aug. 25. In the most recent week, research on EBAY was accessed 1,502 times.

VERISIGN and Slam Dunk Networks introduced what the companies called the first message delivery network to enable guaranteed transport and tracking of authenticated business-to-business transactions and communications over the Internet. The offering combines VERISIGN's digital certificates of authentication, which are used to protect access to data on the Internet, with Slam Dunk's global, multipath distributed infrastructure overlaying the Internet that is designed to provide a secure, business-quality network with guaranteed delivery of messages. The service should be available in the fourth quarter of 2000 on a subscription basis with plans that cost from $0.005 to $0.02 per kilobyte. At the same time, VERISIGN, along with the Barksdale Group and Dain Rauscher Wessels, made a $20 million equity investment in privately held Slam Dunk. Research on VERISIGN was accessed 1,128 times in the latest week.

INKTOMI, which provides Internet infrastructure software, announced an alliance with privately held Adero, which operates a content-distribution network and AMERICA ONLINE (AOL) to form Content Bridge, a technology and network service that will speed the distribution of content over the Internet. INKTOMI will provide the network infrastructure, Adero will ensure the content is updated across all member networks, and AMERICA ONLINE will deliver Content Bridge in its network. EXODUS COMMUNICATIONS (EXDS), GENUITY (GENU), MIRROR IMAGE INTERNET (XLA), and MADGE.WEB (MADGF) are among the first companies to participate in the service, which is scheduled to be launched in the fall of 2000. At the same time, AOL made a minority equity investment in Adero. In the latest week, research on INKTOMI was accessed 950 times.

Prudential Securities initiated coverage of USA NETWORKS with a STRONG BUY rating and a set a 12-month price target of $30 for the shares. USAI, which operates cable channels and owns 55% of TICKETMASTER ONLINE-CITY SEARCH (TMCS), represents a "unique portfolio of content and commerce assets." The brokerage says that USAI is in a good position to be able to deliver eyeballs and wallets as this content and commerce converge. USA NETWORKS closed at $21.88 on Aug. 25, and research on the company was accessed 346 times in the latest week.

ADOBE SYSTEMS is expected to be the center of attention at the Seybold 2000 Expo that beings Aug. 29 in San Francisco. The Seybold gathering is the premier trade show for Web- and print-publishing, and analysts are expecting new product announcements from ADOBE, the leading provider of publishing and graphical software. Speculation centers on the announcement of a shipping date for the update of its flagship Photoshop product. Analysts say the company may also have some announcements regarding new initiatives and partnerships in the e-books space. This week, research on ADOBE was accessed 328 times.

Companies ranked 22 through 26 in The Internet Analyst[SM]'s *Internet Industry 150. Market caps based on Aug. 11 closing stock prices. When available, documents are the number of new documents contributed to the Multex.com database from brokerage firms during the week Aug. 14 to 20.*

12. Top Non-U.S. Picks

GigaMedia Providing Broadband Internet Access in Taiwan

By Mike Robbins

One thing immediately catches your eye about Taiwanese broadband Internet access company GIGAMEDIA (GIGM): its owners. Insiders control approximately 40 million of GIGAMEDIA's 48.8 million shares. The downside to this, of course, is that it leaves a relatively small float and creates the risk that a modest sell order could have an inordinate impact on the shares, depressing the price, at least in the short term. But GIGAMEDIA's shareholder structure has its positive side as well.

Just consider who owns those 40 million shares. Roughly 75% of the company's stock is controlled by the Koos Group, a huge family-owned conglomerate that, among other holdings, is Taiwan's largest cable operator. Why is that important? Because GIGAMEDIA's business plan is to provide high-speed broadband Internet access via cable TV. The success of that plan depends on making agreements with the cable companies. At last count, GIGAMEDIA had such agreements with 29 cable systems, reaching a total of 3.8 million Taiwanese homes, as well as more than half a million businesses. Since GIGAMEDIA does not actually own the cable lines, the risk of competition might exist when the company's contracts with its cable partners have run their course – if not for the fact that a large majority of those contracts are with cable companies owned by Koos. It seems very unlikely that Koos would turn its back on a company it essentially owns. In fact, Koos announced in April its intention to purchase additional shares.

This is not to say that GIGAMEDIA is without competition. It has a significant competitor in Chung Hwa Telecom, which trades on the Taiwan Stock Exchange. The country's former telecom monopoly holder is using ADSL technology to build a broadband network over copper lines. And there's competition from narrowband Internet service providers that are making moves into broadband. Among those is SEEDNet, which is owned by DIGITAL UNITED (DIUN). But it is fair to say that between its control over a large portion of the cable-TV wires and Taiwan's tricky regulatory environment, GIGAMEDIA is in an enviable position in a high barriers-to-entry market.

Besides, Koos Group isn't GIGAMEDIA's only big-name owner. Approximately 10% of the company is owned by technology giant MICROSOFT (MSFT), which has partnered with cable, telecom, and wireless companies worldwide in an effort to position itself for the broadband era. Since 1999, MICROSOFT has also bought stakes in such companies as PORTUGAL TELECOM (PT), Brazil's GLOBO CABO SA (GLCBY), the United Kingdom's TELEWEST COMMUNICATIONS (TWSTY), Japan's Titus Communications.

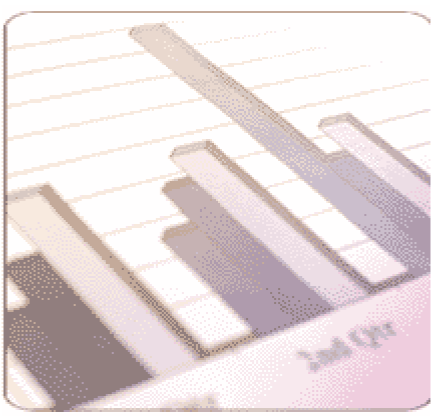
Not long ago, a broadband company with these sorts of friends in high places would be trading through the roof – and in fact, GIGAMEDIA shares were as high as $91 in early March of this year, up from its $27 IPO price in February. But the stock took a beating along with most of the high-tech sector and is yet to recover. It closed at $11 on Aug. 25.

A strong case can be made that GIGAMEDIA deserves better, since its growth story remains on track. The company is running ahead of revenue estimates, and management recently upped its subscriber forecasts. Meanwhile, Koos and other cable operators are accelerating technology upgrades that will allow GIGAMEDIA to offer subscribers the "always on" feature that has made broadband Internet access popular elsewhere. GIGAMEDIA remains on target to be profitable by fiscal 2002, with plenty of cash on hand to get there.

The Taiwanese market also is attractive. The country has a highly educated workforce, with a history of being enthusiastic adopters of new consumer technology. From televisions to VCRs to cell phones, which already have a 50% penetration rate in the region, Taiwan has always been ahead of the curve, as ABN AMRO's Jesse Wang pointed out in a recent report. That bodes well for the young broadband industry, where penetration in Taiwan is still at less than 2%

And finally, there's the matter of valuation. At current stock prices, the shares have a price-to-book-value ratio of only around 1.3 – quite low by Internet standards, thanks in part to the company's enviable cash position.

13. IPO Update



NetLibrary

Here Comes the First Pure Play in E-Books

By John Filar Atwood

Book publishers have been slow to embrace the Internet as a distribution channel, but it's hard to blame them, considering the problems music companies have encountered at the hands of MP3.COM (MPPP), Napster and others. Even with the sluggish start, Andersen Consulting projects that total retail revenue for electronic books will reach $1 billion to $3.4 billion by 2005.

NETLIBRARY (EBKS-proposed), which is preparing the first IPO by a company operating solely in the e-books market, intends to be on the leading edge of that growth. It had no sales in 1999, but generated $3.7 million in revenue from e-book sales during the first six months of this year.

The company is growing quickly through acquisitions. In February, it purchased Peanutpress, a provider of electronic books to handheld computing devices, and in May, it acquired digital textbook creator MetaText.

NETLIBRARY's competition comes from private entities and from e-publishing divisions of public companies. IT Knowledge, a division of EARTHWEB (EWBX), offers more than 2,200 titles from 19 publishers. IT Knowledge and other premium products accounted for 14% of EARTHWEB's $16.5 million in second-quarter revenue. EARTHWEB rates a STRONG BUY from W.R. Hambrecht analyst Bill Lennan, whose 12-month price target is $25. The stock closed at $13.50 on Aug. 25.

NETLIBRARY also competes with GEMSTAR-TV GUIDE INTERNATIONAL (GMST), which entered the electronic book publishing business in January through the purchase of NuvoMedia and SoftBook Press. GEMSTAR had revenue of $63.2 million in the second quarter, but only a fraction of that was attributable to e-book publishing. However, the company is planning a massive consumer awareness campaign for later this year for NuvoMedia's and SoftBook's new products.

Recent Internet IPOs

Filing Date	Company	Description
8-17	NetLibrary EBKS	Electronic book technology and services
8-14	FirstMark Communications Europe FMRK	Broadband Internet access services
8-11	Viewlocity VIEW	E-business applications
8-11	Idea Integration IDEA	Online business consulting
8-11	SiteSmith STSM	Internet infrastructure management services

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14. Rants & Raves

Opinion

A Conservative Path to the Internet

By K. C. Grainger
Grainger Beaulac Inc.

Our upside target for the market is still in place, but again we're talking about an "it depends" market. It depends what stocks you are looking at. Look what transpired at YAHOO! (YHOO). The stock was heavily recommended even when it was selling for over $230 a share. The stock closed at $122.06 on Aug. 28, about half of its 52-week high. The strongest recommendations generally come well after a stock has left its low-price range. These untimely recommendations come after a stock has already had a major move up.

In the upcoming rally, some of the Internet stocks will be good performers and others will be poor performers. NORTEL NETWORKS (NT) should perform well. But next year I expect to see it selling for around $60 a share – quite a ride down from its Aug. 28 close of $81.38. NORTEL is a great company, but it is carrying too high a price for anyone but a trader.

Last week, of the 29 brokerage houses following NORTEL, only three called it a HOLD, and one brave firm tagged it a SELL. The insider transactions of NORTEL tell a different story. Every single one of the insider transactions was a proposed sale. Since August 1999, not a single insider has made a purchase at NORTEL. You could say that brokerage houses were heavily to the buy side and insiders were heavily to the sell side. As you may know, insiders have far better track records than do the brokerage houses.

I think that the recent story of NORTEL – a superb corporation, but an overpriced stock – should be explained. A little over a year ago, NORTEL was selling at under $20 a share. As the company gained recognition, brokerage houses began recommending it. Naturally the bulk of the recommendations came after the stock had more than doubled. At that point, the majority of fund mangers in Canada decided that they had to own NORTEL, bringing on huge institutional buying.

Looking at the price chart, NORTEL is still technically strong.

But the NORTEL chart has made a "triple lindy" formation, which indicates that a very harsh correction should ensue after the market top is in place for the S&P 500. The charts suggest after the S&P 500 high, a 30% to 40% decline will hit NORTEL. NORTEL is not a stock to buy and put away for the long term at these price levels. It's a great, well-managed company, but it's terribly overpriced today. I see nothing but a bright future for many of the Internet stocks, but one must buy when they are at cheap or at least reasonable price levels or risk problems.

One major company that moved aggressively and now enjoys a high degree of success in selling over the Internet is OFFICE DEPOT (ODP). Over the past year and a half, the company's stock has dropped from the mid-$20s to close at $8 on Aug. 28. And, unlike their counterparts at NORTEL, insiders at OFFICE DEPOT have been aggressive buyers of their company's stock. My own analysis suggests that the stock could go to $14 to $16 a share. Sales on their Internet site were $183.5 million in the second quarter. OFFICE DEPOT is an old economy type company that may be a conservative way to be involved in the Internet sector. By the way, its P/E ratio is 10. – *With Robert S. Morrow, Robert S. Morrow Institutional Advisory Services*

Letters to the Editor

Convergent CLECs

Shann M. Stringer writes: I enjoy your articles on the new convergence paradigm. In my opinion convergence as well as the new, peer-to-peer networking (actually an old idea that's back in favor) will take the Internet and the economy to the next step in its evolution. In reference to your recent article on convergence and CLEC's (The Convergence Industry, The Internet Analyst, Aug. 17, 2000), I would like to draw your attention to CLEARWORKS.NET (CLW). The company has been working on CLEC status in numerous states and offers bundled digital services. It is one of the few companies that I know of that has a solution for "the last mile" problem of fiber to the home (FTTH). They have recently been bought by EAGLE WIRELESS (EAG). Haven't kept up with them recently. I hold no stock in either company at the moment but have held CLW in the past. I think that they hold a very reasonable position in the convergence arena.

Mr. Stringer: Thank you for your letter and your for your con-

vergence suggestion. As it happens, another reader recently suggested EAGLE WIRELESS and CLEARWORKS.NET. We are going to wait to see how their proposed merger progresses before making a decision about including the combined company in the Convergence Index. – James C. Condon

Company Links

David Donia writes: I really enjoy reading *The Internet Analyst*SM, as well as the other newsletters from Multex. I just finished the survey and had an additional thought (after I hit submit, of course!). It might be useful on the Web version if you were able to provide links, by company, to each article that references that company. For example, have a table with links of current companies discussed in the issue and clicking on a symbol would take the reader directly to the relevant article.

Mr. Donia: Thank you for your compliments and for your excellent suggestion. We are, in fact, at work on upgrading our Web site and we will give your idea a thorough hearing to see whether it is practical. – J.C.C.

Too Quick on DoubleClick

Nesterdee@aol.com writes: Please check the information given to you by research firms before you send it to your subscribers. We depend on you for accurate information. An article titled "Sell Report," means to react quickly. We did, selling DOUBLECLICK (DCLK) at $34.25 (The Sell Report, The Internet Analyst, July 27, 2000). It is now at $41. [DOUBLECLICK closed at $39.63 on Aug. 29.] Your writer obviously got a bad fortune cookie.

Nesterdee@aol.com: Please remember that articles in The Internet AnalystSM *are not recommendations to buy or sell securities. Our goal is to provide readers with thoughtful opinions and analysis and then connect them with other sources of information. – J.C.C.*

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*The Internet Analyst*SM Magazine by Multex.com

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