

May jumped 7.1, 12.6 and 13.2 percent, respectively. Bourgeois, unranked last year, upgraded consulting company Sapient Corp. in late September 2003, anticipating higher revenues from off-shore operations and custom software development. The stock had more than doubled, to 8.00, by mid-September 2004. His annual "IT Services Blackbook," which analyzes industry trends, "is a comprehensive look at everything I need to know," says a reader.

## Electronics Manufacturing Services

### LOUIS MISCIOSCIA

Lehman Brothers

SECOND TEAM **Thomas Hopkins**

*Bear Stearns*

THIRD TEAM **Michael Walker** *CSFB*

RUNNERS-UP **Scott Craig** *Morgan Stanley*; **Steven Fox** *Merrill Lynch*;

**Stephen Savas** *Goldman Sachs*;

**Christopher Whitmore** *Deutsche*

*Bank Securities*

Lehman's **Louis Miscioscia** lands in first place a fourth consecutive year for, as one client puts it, "having a good sense of demand up and down the supply chain." The 43-year-old analyst, who draws on more than ten years of experience as a systems analyst with IBM,

recommended the sector in mid-2003, and his overweights on contract manufacturers Flextronics International and Jabil Circuit paid off, by 42 percent and 28 percent, respectively, in the second half of the year. Then in January, Miscioscia turned cautious because "valuations for the group were already at the high end of the range, based on 2005 expected earnings." Although he upgraded to positive in March, believing that electronics manufacturing was in better shape than other tech sectors, he downgraded again in September as corporate tech spending appeared poised to come in at the low end of expectations. But he's sticking with those picks, even though Flextronics had fallen to 12.91 in mid-September from 14.80 at year-end and Jabil had sunk to 21.34 from 28.30. Bear Stearns' **Thomas Hopkins**, rising a notch to No. 2, "caught people's attention with the tech-hardware inventory tracker he launched in April," says a supporter. Reviewing six years' data, Hopkins concluded in April that 2004's rise in inventories didn't "justify a 40 percent stock price correction for the group." He therefore kept his overweight on Flextronics even as it dropped to a low of 10.06 in August; he expects it to rebound to the high teens within months. Newcomer **Michael Walker** of

CSFB was a "bear in a sea of bulls," one client says, when he downgraded Flextronics in April at 18.50, arguing that cell-phone handset demand was dropping and that the company needed to raise additional equity. Both predictions proved true, and he turned positive in August, saying "the bad news is fully reflected in the stock."

## Imaging Technology

### BENJAMIN REITZES

UBS

SECOND TEAM **Caroline Sabbagha**

*Lehman Brothers*

THIRD TEAM **Jay Vleeschhouwer**

*Merrill Lynch*

RUNNER-UP **A.M. (Toni) Sacconaghi**

*Sanford C. Bernstein*

UBS's **Benjamin Reitzes**, a three-time first-teamer, covers just a handful of imaging companies but gets high marks for stock picking and for his complementary expertise in information technology hardware (he's a runner-up in that category). The 32-year-old analyst recommended printing-management systems provider Electronics for Imaging in July 2003 at 20, citing rising high-end-chip sales. When it hit 27 in July 2004, however, Reitzes downgraded because of delays in the launch of a

Canon copier using EFI technology. The stock had dropped to 16.52 by mid-September. "Ben saw the cumulative impact of several factors and saved people money," says an appreciative investor. Pointing to Reitzes' prediction in a May report that growing Dell computer sales would benefit that company's printer supplier, Lexmark International, a customer says: "He leverages his second beat effectively in the imaging space." Clients praise returning second-teamer **Caroline Sabbagha** of Lehman for shedding light on easy-to-overlook corners of the market; her conference calls sometimes focus on areas like copying machines and digital-film minilabs. "It's a multifaceted sector, and it helps to look in detail at the parts," says a supporter. Although Sabbagha's March 2002 overweight on Ikon Office Solutions at 11.26 preceded a long decline, she pounded the table in September 2003 at 7.45. The price peaked at 12.90 in April, at which point she downgraded it. Ikon was at 11.96 in mid-September. Merrill's **Jay Vleeschhouwer** debuts in this category in third place for his field work, including visits to such Japanese imaging companies as Canon and Ricoh Co. "Jay explained the dynamics driving those companies and how U.S. competitors fit into the picture," says a customer. Vleeschhouwer upgraded Xerox Corp. to a buy at 10.62 after a November analysts' meeting at which its management forecast strong color copier sales. The stock jumped to 15 by February and eased to 14.22 in mid-September; Vleeschhouwer still rates it a buy.

## Internet

### ANTHONY NOTO

Goldman Sachs

SECOND TEAM **Charles (Lanny) Baker**

*Smith Barney Citigroup*

THIRD TEAM **Jeetil Patel**

*Deutsche Bank Securities*

RUNNERS-UP **Mary Meeker** *Morgan Stanley*; **Safa Rashtchy** *Piper Jaffray*

Now that the thinned-out Internet sector is two years into its recovery, "it's easier to pick winners," says an investor. For analysts, however, it's "that much harder to stand out," he adds. Goldman's **Anthony Noto** has risen to the challenge, repeating in the No. 1 slot. Noto, 36, made EBay and Yahoo! his top picks in 2004 based on "sound fundamentals" and Goldman's proprietary Internet-usage studies indicating an upswing in the time and money that consumers spend online. From

LEFT TO RIGHT: **VICTOR MILLER IV**, *Radio & TV Broadcasting*; **MICHAEL GAMBARELLA**, *Metals & Mining*; **MEREDITH ADLER**, *Retailing/Food & Drug Chains*; **STEVEN FLEISHMAN**, *Electric Utilities*; **MICHAEL WEINSTEIN**, *Medical Supplies & Devices*

January to mid-September, EBay was up by 44 percent and Yahoo! 49 percent, well ahead of the sector's 27 percent rise and the Nasdaq composite index's 4.7 percent slide. One admirer praises Noto's negative call on Amazon.com in October 2003 at 59.35; in mid-September it was at 42.96. "The company was facing increased competition and lacked competitive advantage outside of books, music and video," explains Noto. Like him, No. 2 **Charles (Lanny) Baker** and No. 3 **Jeetil Patel** retain their places from 2003. Smith Barney Citi's Baker "offers frequent e-mails and voice mails, keeping me on top of developments I wouldn't know otherwise," says an admirer. Baker swam against the tide with a sell on EBay last October at 60.25; in 45 days it had fallen 14 percent. His tip-off: an extensive survey of auto dealers showed that many were abandoning the EBay Motors car auction site because of disappointing profits. Baker upgraded in early 2004 as the shares began their sharp rise. "I don't look to [Deutsche Bank's] Patel for calls but for his strong models," says a client of the third-teamer. Still, Patel's models indicated last year that online advertising was getting back on track, which in turn suggested that margin improvements were coming at companies such as search portal Ask Jeeves. Patel recommended the stock in May 2003 at 12.19; in mid-September 2004 it was up 159.5 percent, to 31.63.

**IT Hardware**

**A.M. (TONI) SACCONAGHI**

Sanford C. Bernstein  
**SECOND TEAM** **Steven Milunovich**  
*Merrill Lynch*  
**THIRD TEAM** **Richard Gardner**  
*Smith Barney Citigroup*  
**RUNNERS-UP** **Laura Conigliaro**  
*Goldman Sachs*; **Andrew Neff** *Bear Stearns*; **Benjamin Reitzes** *UBS*

Praised for the "unparalleled depth and rigor of his written reports," Sanford C. Bernstein's **A.M. (Toni) Sacconaghi** repeats as No. 1. Among the prolific 39-year-old's major works: A 90-plus-page treatise on IBM published last December that "ought to be required reading for anyone who wants to understand the major player in the space," says one reader. Sacconaghi joined several Bernstein co-authors, including Semiconductors first-teamer Adam Parker, in cranking out 140 pages in May on "The Digital Home" — a trend piece on new gadgets and networks. "You don't read Toni for stock tips," says a follower, noting that Sacconaghi has had a neutral rating on IBM all year. (In mid-September it was trading at only 3.84 above its 52-week low of 81.90 in August.) But those who took his advice and bought printer maker Lexmark

International in July 2003 at 59.00 saw it shoot up to 83.70 in mid-September. Sacconaghi, also a runner-up in Imaging, believes the stock could hit 100.00 in 2005, driven in part by shipments of Dell computers that include Lexmark hardware. Merrill's **Steven Milunovich** moves up a notch to second because of "astute stock picking that bucked the downward trend in tech stocks" for much of the year, says a client. His recommendations included NCR Corp. in September 2003 at 30.00; a year later it was up to 48.97 on the strength of cost-cutting, restructuring and higher ATM sales. Concluding that Apple Computer's iPod sales were sustainable, Milunovich recommended Apple in January at 24.00; in mid-September it was at 37.14. Slipping a spot to third, Smith Barney Citi's **Richard Gardner** "did a good job alerting us to the oversupply trouble brewing at Seagate Technology," a customer says. He put a sell on the disc-drive maker in April at 18.00; by mid-September it was at 13.79. Gardner's periodic CIO surveys "confirmed our suspicions that corporate demand for technology remains relatively soft," says an admirer.

**Semiconductor Capital Equipment**

**JAMES COVELLO**  
 Goldman Sachs  
**SECOND TEAM** **John Pitzer** *CSFB*  
**THIRD TEAM** **Jay Deahna**  
*J.P. Morgan Securities*  
**RUNNERS-UP** **Timothy Arcuri** *Smith Barney Citigroup*; **Mark FitzGerald** *BofA Securities*; **Brett Hodess** *Merrill Lynch*; **Edward White Jr.** *Lehman Brothers*

Rising to first from second, Goldman's **James Covello**, 31, stands out with "customer service skills that are second to none," says a client. "He calls me back in ten minutes, regardless of where he is." Of course, Covello also has something to say when he returns calls. The former Goldman intern, who earned an MBA from Dartmouth College's Amos Tuck School of Business Administration before becoming a full-fledged analyst in 2000, downgraded the sector in early February after concluding that valuations had peaked. His thesis that semiconductor capital equipment had become a commodity-like cyclical business wasn't welcome news to industry executives who see it as a growth sector. But by mid-September the 13 stocks he tracks — among them KLA-Tencor Corp., Novellus Systems and Teradyne — had skidded by an average of 30 percent. Avoiding the downside was even more impressive because he had caught "most of last year's 50 percent rally in the group," an investor notes. Dropping to second place, CSFB's **John Pitzer** is "the most intellectual of this sector's analysts," asserts a fol-

lower. "His work is the closest to pure research." Pitzer turned negative on the sector after a June trip to Asia, "when it became clear that end demand was disappointing." It was down 19 percent by mid-September. He rates it neutral now, but he expects Applied Materials to lead the next upswing — not before first-quarter 2005 — owing partly to its strength in equipment services and its restructuring efforts. **Jay Deahna** of J.P. Morgan takes third for what one client terms his "rigorous financial work." Deahna, a second-teamer from 1998 through 2001 while he was with Morgan Stanley, took 2002 off. He's been bullish on the sector since joining J.P. Morgan in fall 2003. "His metrics ought to be required reading in every corporate boardroom for sector companies," a supporter says.

**Semiconductors**

**ADAM PARKER**  
 Sanford C. Bernstein  
**SECOND TEAM** **Mark Edelstone**  
*Morgan Stanley*  
**THIRD TEAM** **Joseph Osha** *Merrill Lynch*  
**RUNNERS-UP** **Christopher Danely**  
*J.P. Morgan Securities*; **Michael Masdea** *CSFB*

**Adam Parker** of Sanford C. Bernstein fills the first-team vacancy left by two-time winner Daniel Niles, who left Lehman late last year to join its Neuberger Berman affiliate. Parker, 35, who has a Ph.D. in statistics from Boston University, jumps from runner-up on the strength of "very insightful, longer-term research," a client says. Parker and A.M. (Toni) Sacconaghi, the winner in IT Hardware, contributed to a 140-page May report, "The Digital Home," presenting a bullish case for semiconductor stocks over the next few years based on the profusion of new gadgets and networks. Tending to favor quality names with limited exposure to low-margin commodity businesses, Parker in May initiated coverage of Chandler, Arizona-based Microchip Technology with an outperform rating at 28.00, citing demand for its chips from flat-panel TV manufacturers. The stock had slipped to 27.35 by mid-September, but Parker, typically, holds to his long-term view. Seeing margin compression at STMicroelectronics, the five-year Bernstein veteran downgraded its shares last October at 26.00; the stock was trading at 18.07 in mid-September. Repeating in second, **Mark Edelstone** of Morgan Stanley "does an excellent job tracking industry fundamentals," an investor says. One customer complaint: "He overstayed his welcome on Intel Corp." He downgraded the chip giant in July at 26.10, after it had already fallen from 32.05 in January. (Intel was down further, to 20.59, by mid-September.) Edelstone now favors Texas Instruments, believing its

chips are better positioned for the proliferation of consumer digital-media products. Merrill's **Joseph Osha** repeats in third place, winning a client's praise for an "impressive think piece" in July concluding that future sales trends would favor companies like STMicro that do not depend on premium pricing. He is also lauded for his annual March investor conference in Taipei featuring executives from chip manufacturers in the region.

**Software**

**RICHARD SHERLUND**  
 Goldman Sachs  
**SECOND TEAM** **Charles DiBona**  
*Sanford C. Bernstein*  
**THIRD TEAM** **Heather Bellini** *UBS*  
**RUNNER-UP** **Neil Herman**  
*Lehman Brothers*

Listening to Goldman's **Richard Sherlund** — 16 years a first-teamer in Software and its precursor categories — paid a big dividend over the past year. Renowned for his coverage of Microsoft Corp., Sherlund predicted in April that the software colossus was going to break up its \$50 billion-plus cash hoard in a way "that would be even bigger than people think," recalls one investor. Two months later Microsoft, which began paying dividends only last year, announced a one-time, \$3-per-share payout, totaling \$32 billion. (At the same time, the company doubled its annual dividend, to 32 cents a share, and said it would repurchase up to \$30 billion of its stock over four years.) The 50-year-old Sherlund upgraded Microsoft to outperform last October even as he warned that Longhorn, the next generation of Windows software, "would take several years to hit the market," a client notes. Another good call: Last month, Microsoft said it was cutting key components of Longhorn to be able to deliver it by 2006. Microsoft shares were down 6.3 percent by mid-September. Though that beats the 8.4 percent decline in the MSCI software index, another October 2003 Sherlund upgrade — enterprise software giant SAP — has jumped 10.9 percent. Rising from third to second, Sanford C. Bernstein's **Charles DiBona** wins a client's praise for quarterly "sum-of-the-parts analyses of Microsoft that give us insight into what's behind the numbers." The jury is still out on his July call that customer-relationship-software company Siebel Systems was oversold at 8.00, down 50 percent from its January high. The shares were at 8.10 in mid-September. UBS's **Heather Bellini**, another Microsoft bull, swaps spots with DiBona but stands out for her CIO Roundtable survey series of reports — "a useful reference that serves as a reality check on others' predictions," a supporter says.