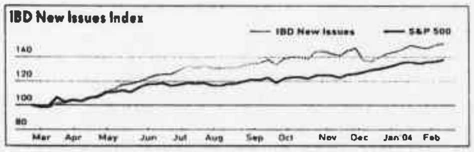
AFTERMARKET

Lender Sees Surge In Earnings Growth

CapitolSource jumped 2.3% Monday on robust trade. The commercial lender went public in August and now stands 5% off its Jan. 23 high. Profit growth accelerated the past three quarters from 10% to 213%. Its Consumer/Commercial Loans group cracked the top 40 of IBD's 197 industries last week.



Leading New Issues

Company	Symbol	Date offering	Offering price	Current price	% change from offer	EPS Rating	RS Rating	Industry group	Lead underwriter
First Marblehead Corp	FMD	10/31/03	16.00	30.10	88.1	85	63	Financial Services-Misc	Goldman Sachs & Co
Universal Technical Inst	UTI	12/17/03	20.50	37.54	83.1	76	80	Comml Svcs-Schools	Crdt Suisse Frst Bos
KNBT Bancorp	KNBT	[illegible]	10.00	17.40	74.0	17	15	Banks-Northeast	Sandler O'Neill & Pa
Tessera Technologies Inc	TSRA	11/13/03	13.00	22.30	71.5	52	47	Elec-Semiconductor Mfg	Lehman Brothers
Crosstex Energy Inc	XTXI	1/13/04	19.50	33.44	71.5	81	77	Oil&Gas-Transprt/Pipeline	A.G. Edwards & Sons
Kintera Inc	KNTA	12/19/03	7.00	11.80	68.6	35	44	Computer Sftwr-Enterprse	SG Cowen Securities
SigmaTel Incorporated	SGTL	9/19/03	15.00	24.89	65.9	81	26	Elec-Semiconductor Mfg	Merrill Lynch
Molina Healthcare Inc	MOH	7/2/03	17.50	28.59	63.4	89	51	Medical-Hlth Maint Org	Banc of America Secs

THE NEW AMERICA

Q&A

Retailer Stays Focused On Integration Work

CEO Leads The Way

He sees huge dividends from last year's merger of Gart, Sports Authority

BY MARILYN MUCH
INVESTOR'S BUSINESS DAILY

When Englewood, Colo.-based Sports Authority Inc. merged with Gart Sports Co. last year, the deal created the biggest full-line sporting goods retailer in the U.S.

The merged company, which kept the Sports Authority corporate name, boasts 387 stores in 45 states. It reported $552.5 million in revenue during the most recent quarter, up from the $228 million Sports Authority logged on its own the prior year.

Chief Executive Doug Morton, the former CEO of Gart, says he'd be interested in making another buy at some point. For now, however, the focus is on integrating the Gart deal. Since it closed, management has strengthened its relationship with vendors, added new brands and upgraded the merchandise and presentation, says analyst John Shanley of Wells Fargo Securities LLC.

"The vendors express a great deal of enthusiasm about this consolidation," he said. "They think it will pull (strong sales) on a lot of their products."

Morton's game plan also involves remodeling 135 stores the next 2 1/2 years. Most remodeling efforts are geared toward pre-merger Sports Authority units, though some Gart stores also will be upgraded.

Morton recently spoke with IBD about the merger and what lies ahead.

IBD: *What challenges have you faced integrating the two firms?*

Morton: We have a unique situation where we not only have to integrate the company from a systems, merchandising and marketing standpoint — we (also) have to integrate two cultures and business practices. We brought in an outside organizational development person to help us through some of the (cultural) issues.

IBD: *What more needs to be done?*

Morton: In terms of systems integration . . . all the (data center operations) are now in Denver.

But we have two companies with separate (product) assortments, so we're dealing with twice as many items as a single company. We expect to be fully integrated from a Spring assortment standpoint by this June, and for the Fall assortment by September.

Because we have different assortments, we have two different marketing efforts. Weekly fliers are getting created twice, and markdowns get created twice.

There's a tremendous amount of work to be done until you get (the assortment) consolidated. We expect to be one company with one concise assortment plan and one operating plan by this year's third quarter.

We hired an outside creative media consultant to develop a new marketing plan. We want to integrate the two companies' business strategies and strengths.

If you look at the business functionally, we're about 80% of the way there. The real work we have ahead is making sure the company is planned, run and marketed on a regional basis, because (sporting goods) is different by marketplace.

Integrating the business strategy across the two companies will probably take us another 12 months.

IBD: *What benefits will you derive from the merger?*

Morton: Our expectation is we'll improve our purchasing power. We're in the midst of integrating the assortments, which means rebidding on purchases.

For example, the two companies had different suppliers for basketball (items), so we're in the midst of seeing who will be the (single) supplier. We'll see an improvement in the cost of goods by that process. It's a long process.

In 2005 and beyond, we'll get a small enhancement to our merchandise margin. The biggest unknown is how much our cost of goods will change.

We expect $50 million in cost reductions for years past 2005. That will come from a combination of freight improvement, head count improvement, margin expansion and redundant systems integration.

IBD: *How do you envision Sports Authority's position in the market?*

Morton: We want to be the customer's first and best place to shop in their markets.

We need to be regionally appropriate, (since sporting goods needs) differ in, say, New York City and Southern California.

We're the single off-the-mall place for vendors to roll out new products and new and innovative merchandise. (Footwear vendors) always had the opportunity to go to Foot Locker, but (vendors) never had anyone to go to in full-line sporting goods.

"We expect $50 million in cost reductions for years past 2005. That will come from a combination of freight improvement, head count improvement, margin expansion and redundant systems integration."

Doug Morton,
CEO, Sports Authority

Sports Authority Inc.
thesportsauthority.com

Ticker	TSA
Share price	Near 43
12-month sales	$1.37 bil
5-year profit growth rate	71%

IBD SmartSelect Corporate Ratings	
Earnings Per Share	91
Relative Price Strength	83
Industry Group Relative Strength	B-
Sales+Profit Margins+ROE	B
Accumulation/Distribution	B

See investors.com for more details

We have a spectacular store presence in a lot of sporting goods locales in America. For instance, we have 31 stores in Chicago, the No. 2 sports market in America.

IBD: *Tell me about your remodeling effort.*

Morton: We remodeled three (pre-merger) Sports Authority stores in the Northeast in the third quarter and (have) 11 more under construction. We expect a total of 70 remodels in 2004 and another 70 in 2005. The remodeling involves a conversion from an older warehouse model to a specialty retail environment.

We'll have 70 golf concept shops in the chain by the end of this year, and we're adding 70 in 2005. These shops are staffed by golf pros. We're also (enhancing) winter sports departments in stores in the Northeast and Midwest.

IBD: *What type of acquisition would you be interested in doing in the future?*

Morton: There would have to be compelling synergies in it. These things are time-intensive and have risk. The value equation would (have to be) substantial. We would be interested in doing the right combination to grow the business in this fragmented retail environment. But nothing right now.

IBD WebLink
For an analysis of TSA's IBD chart and Stock Checkup, go to investors.com

GEVITY HR INC. *Bradenton, Florida*

White-Collar Customers Have It Seeing Green

BY STEVE WATKINS
FOR INVESTOR'S BUSINESS DAILY

When Gevity HR Inc. traded in its work boots for an office desk, it took a step up financially.

The company provides human resource services to small and midsize businesses. Two years ago, it shifted away from serving a lot of blue-collar firms, which had made up its core client base since Gevity was founded in 1983.

The company's recent focus has been on white-collar concerns, which are more likely to invest in their workers. They're also far less likely to file costly workers' comp claims.

"Gevity has been in a significant transformation the last few years," said analyst James Wilson of JMP Securities.

The company has expanded its products from workers' comp and other basic benefits to services that give clients access to consultants, salary data and the ability to build job descriptions.

Gevity can charge higher fees for these services. That helps boost margins — and profit.

Since shifting its focus two years ago, the company strung together eight straight quarters of triple-digit earnings growth.

On Tuesday it reported fourth-quarter profit of 19 cents a share, up from 6 cents the prior year and 2 cents ahead of consensus analyst views. Revenue gained 23% to $118.1 million.

Gevity's top-line growth is expected to get a big lift from a slew of new salespeople.

Chief Executive Erik Vonk, who joined Gevity in April 2002, has transformed the sales force to deal with new types of clients. He led efforts to replace two-thirds of the more than 200 reps on the sales staff.

Vonk has added 100 sales reps since July, bringing the force up to 230. He expects each rep to bring in 240 client employees a year.

Gevity served 88,100 workers at the end of last year's third quarter. That figure dropped as Gevity targeted more white-collar clients.

But the employees it deals with are more profitable. Gevity charges about $1,100 per employee.

"We've begun to substantially upgrade our products and services, as well as our delivery system," Vonk said in a conference call. "This approach translates into record client satisfaction."

Tech Upgrade

Gevity is set up as a professional employer organization. This way, it serves as a co-employer of its clients' workers. It mainly targets companies with five to 100 employees.

The company has become more efficient by boosting its technology prowess, Wilson says.

Gevity has invested close to $40 million on its operating software alone. That sets it apart from rivals such as Administaff Inc., Paychex Inc. and Automatic Data Processing Inc.

"They have half the revenue of Administaff, but they make just as much money," analyst Wilson said.

Settling on a business model and focusing on profitability per client have helped drive recent earnings growth, says Peter Grabowski, Gevity's chief financial officer.

Analysts polled by First Call expect the company's profit this year to grow 37% to 82 cents a share, then reach $1.08 in 2005.

Gevity should be able to keep growing earnings 30% to 50% a year over the long term, says analyst Andrew Lahde of Roth Capital Partners.

That's partly because the company's market is probably less than 5% penetrated, Grabowski says. There's so much room to operate, Gevity tells its salespeople not to go after rivals' clients.

"We're not interested in bumping into them," Grabowski said. "There's more than enough market opportunity for all of us."

Most small firms handle human resource tasks on their own. But as more grow tired of the hassle and rising complexity, they're looking to ship those duties outside. That opens the door for Gevity and others.

The company has built up its systems to where it can increase employees served by 30% to 40% without making new investments, Lahde says. Future growth should fall right to the bottom line.

Gevity started that process by buying TeamStaff Inc.'s human resources business in November. That gave Gevity 16,000 more worksite employees. Lahde expects Gevity to take plenty of costs out of TeamStaff's unit.

It's probably not finished acquiring.

"If there are other books of business we can acquire, we'll look at that," CFO Grabowski said.

Gevity's efficiency also opens the door for it to hike prices, Wilson says. Its prices are in some cases half of what its rivals charge.

"The key is to accelerate the top line," Wilson said.

California Dreamin'

Gevity might run into trouble if it can't grow its client base, though Wilson figures it should grow even in a flat job market.

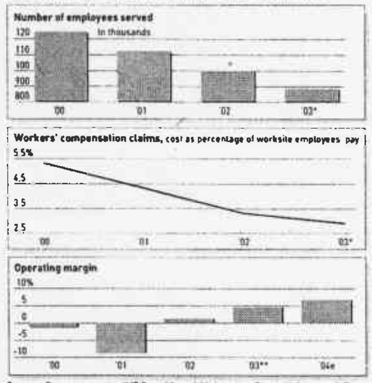
Just to be on the safe side, however, CEO Vonk has led efforts to move into new markets. Gevity operates in 40 markets, and is just getting into California. One-third of its 100 new salespeople are based there, Wilson says.

But growth poses a risk. As it brings new salespeople on board, Gevity needs to make sure they produce, Lahde says.

Workers' comp shouldn't be an issue. Gevity's reserves for workers' comp claims are far more than what it could expect to have to pay, Lahde says. Besides, as Wilson notes, the move to white-collar workers means far fewer claims are likely.

Changing Focus

The number of employees Gevity HR serves has declined along with workers' compensation costs as it switches its focus from blue-collar to white-collar jobs. Meanwhile, margins have increased



Sources: Company reports, JMP Securities *third-quarter figure **nine-month figure

Gevity HR Inc.
gevityhr.com

Ticker	GVHR
Share price	Near 24
12-month sales	$475 mil
5-year profit growth rate	n.a.

IBD SmartSelect Corporate Ratings	
Earnings Per Share	81
Relative Price Strength	90
Industry Group Relative Strength	B+
Sales+Profit Margins+ROE	C
Accumulation/Distribution	B-

See investors.com for more details

IPO Filings Soon To Be Priced

Company	Symbol/Exchange	Shares (000)	Estimated Price	Mkt Value ($Mil)	Industry Group	P/E Ratios: Co/Grp	Lead Underwriter
Cherokee International	CHRK/OTC	6,600	12.00–14.00	267.7	Elec-Misc Products	n.a./64	Crdt Suisse Frst Bos
Tustin, CA. Designer and manufacturer of AC/DC power supplies, converters and rectifier systems for OEMs							
Dynavax Technologies	DVAX/OTC	6,000	12.00–14.00	331.4	Medical-Ethical Drugs	n.a./35	Bear, Stearns & Co
Berkeley, CA. Develops products based on immunostimulatory sequences to treat allergies, infectious and inflammatory diseases							

Prices Of Recent IPOs

Company	Symbol/Exchange	Offer Date	High Filing Price	Offer Price	% Chg From Filing	Current Price	% Chg From Offer	Industry Group	Lead Underwriter
Cergentech Inc	CGTK/OTC	2/12	16.00	16.00	0.00	19.01	18.81	Medical-Genetics	Crdt Suisse Frst Bos
Bristol West Holdings	BRW/NSE	2/12	21.00	20.00	-4.76	22.05	10.25	Insurance-Prop/Cas/Titl	Crdt Suisse Frst Bos
Affordable Residential	ARC/NSE	2/12	21.00	19.00	-9.52	18.50	-2.63	Finance-Reit	Salomon Smith Barney
Atheros Communications	ATHR/OTC	2/12	11.50	14.00	21.74	18.07	29.07	Elec-Semiconductor Mfg	Morgan Stanley Dean
Staktek Holdings Inc	STAK/OTC	2/6	13.00	13.00	0.00	13.10	0.77	Elec-Semiconductor Mfg	Morgan Stanley Dean
Symbion Inc	SMBI/OTC	2/6	15.00	15.00	0.00	17.85	19.00	Medical-Outpnt/Hm Care	Crdt Suisse Frst Bos
AlphaSmart Inc	ALSM/OTC	2/6	10.00	6.00	-40.00	5.57	-7.17	Computer-Manufacturers	Jefferies & Co
Bakers Footwear Group	BKRS/OTC	2/5	8.00	7.75	-3.13	9.46	22.06	Retail-Clothing/Shoe	Ryan, Beck & Co
Assurant Inc	AIZ/NSE	2/5	22.00	22.00	0.00	24.60	11.82	Insurance-Diversified	Morgan Stanley Dean
Asset Acceptance Corp	AACC/OTC	2/5	15.00	15.00	0.00	18.00	20.00	Finance-Consumer/Cml Lns	Bear, Stearns & Co
TODCO	THE/NSE	2/5	13.00	12.00	-7.69	14.75	22.92	Oil&Gas-Drilling	Morgan Stanley Dean
Renovis Inc	RNVS/OTC	2/5	15.00	12.00	-20.00	15.58	29.83	Medical-Ethical Drugs	Goldman Sachs & Co
Bancorp Bank	TBBK/OTC	2/3	13.00	12.50	-3.85	15.65	25.20	Banks-Northeast	Friedman, Billings
TRW Automotive Holdings	TRW/NSE	2/3	30.00	28.00	-6.67	26.05	-6.96	Auto/Truck-Original Eqp	Goldman Sachs & Co
GTX Inc	GTXI/OTC	2/3	15.00	14.50	-3.33	11.77	-18.83	Medical-Biomed/Biotech	Goldman Sachs & Co
Eyetech Pharmaceuticals	EYET/OTC	1/30	20.00	21.00	5.00	29.80	41.90	Medical-Ethical Drugs	Merrill Lynch
Government Properties Tr	GPP/NSE	1/27	11.00	10.00	-9.09	13.80	38.00	Finance-Reit	Friedman, Billings
Portec Rail Products Inc	PRPX/OTC	1/23	13.00	10.00	-23.08	9.50	-5.00	Transportation-Equip Mfg	Ferris Baker Watts
Crosstex Energy Inc	XTXI/OTC	1/13	18.50	19.50	5.41	33.44	71.49	Oil&Gas-Transprt/Pipelne	A.G. Edwards & Sons
K-Sea Transportation Ptr	KSP/NSE	1/9	23.50	23.50	0.00	27.75	18.09	Transportation-Ship	Lehman Brothers
Cheviot Financial Corp	CHEV/OTC	1/6	10.00	10.00	0.00	13.51	35.10	Finance-Savings & Loan	Keefe Bruyette Woods
Luminent Mortgage Capit	LUM/NSE	12/19	15.00	13.00	-13.33	14.79	13.77	Finance-Reit	Friedman, Billings
Kintera Inc	KNTA/OTC	12/19	10.00	7.00	-30.00	11.80	68.57	Computer Sftwr-Enterprse	SG Cowen Securities
Marshall Edwards Inc	MSHL/OTC	12/18	6.50	7.50	15.38	10.92	45.60	Medical-Ethical Drugs	Janney Montgomery
Knology Inc	KNOL/OTC	12/18	11.00	9.00	-18.18	10.30	14.44	Telecom-Services	U B S Securities
Tempur-Pedic Intl Inc	TPX/NSE	12/18	17.00	14.00	-17.65	16.50	17.86	Hsehold/Office Furniture	Lehman Brothers
Franklin Bank Corp	FBTX/OTC	12/18	15.00	14.50	-3.33	18.54	27.86	Finance-Savings & Loan	Friedman, Billings
China Life Insurance Co	LFC/NSE	12/17	18.80	18.68	-0.64	30.10	61.13	Insurance-Life	China Intl Cap Corp
Provide Commerce Inc	PRVD/OTC	12/17	16.00	15.00	-6.25	22.63	50.87	Internet-E Commerce	SG Cowen Securities
Orbitz Inc	ORBZ/OTC	12/17	24.00	26.00	8.33	27.10	4.23	Internet-E Commerce	Goldman Sachs & Co
Universal Technical Inst	UTI/NSE	12/17	22.00	20.50	-6.82	37.54	83.12	Comml Svcs-Schools	Crdt Suisse Frst Bos
Falcon Fincl Investment	FLCN/OTC	12/17	11.00	9.00	-18.18	9.35	3.89	Finance-Consumer/Cml Lns	Friedman, Billings
Webzen Inc	WZEN/OTC	12/16	11.17	11.17	0.00	11.35	1.61	Internet-Content	Morgan J P
Mercer Insurance Group	MIGP/OTC	12/16	10.00	10.00	0.00	13.74	37.40	Insurance-Prop/Cas/Titl	Sandler O'Neill & Pa

NEW AMERICA REVISITED

News Of Buyout Lifts Stock Price At North Fork

FROM IBD NEWS SERVICES

Shares were up at New York regional bank North Fork Bancorp Inc. (New America, Aug. 29, 2001) on Tuesday, a day after it announced plans to buy GreenPoint Financial Corp. for $6.3 billion in stock.

North Fork, based in Melville, N.Y., said it would pay 1.0514 shares of its common stock for each GreenPoint share. Those terms valued GreenPoint's shares at $46 each, based on North Fork's Friday closing price of $43.75.

North Fork's stock, which trades as NFB, moved as high as 45.44 early Tuesday. GreenPoint's shares, which trade as GPT, fell more than 3% to 45.15.

The deal would combine North Fork's strengths in commercial banking with GreenPoint's consumer banking and mortgage capabilities. The new company would be one of New York's biggest retail banking franchises, with a combined $50 billion in assets and more then 340 branches.

Like many U.S. banks, New York-based GreenPoint (New America, March 7, 2002) has seen its mortgage business squeezed by a slowdown in the U.S. refinancing boom and a gradual climb in interest rates.

Still, the bank boasts a sizable retail presence in the New York City region that will give the fast-growing North Fork one of the area's largest branch networks.