



TAIPAN

F O R E S I G H T

C O U R A G E

P R O F I T S

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Exciting times spell profits galore in 2002!

Fast and rapid market moves will translate into sure-fire gains for intrepid Taipans... no matter where the markets are headed!

J. Christoph Amberger

"You must still have chaos inside you to give birth to a dancing star."

—Friedrich Nietzsche

They say that the ancient Chinese sign for profit is a compound of those for crisis and opportunity.

No matter if you're running a business or investing your money in the markets, the past year has proven that the old adage is alive and kicking even in the 21st century.

Of course, any crisis worth its salt is a frightening thing to face down. By its very nature, it rattles cages and turns upside down every belief you hold dear. It replaces order and neat predictability with brute chaos, uncertainty and self-doubt.

It also creates vast new areas of opportunity that rise from the ashes of the old order that was destroyed. Opportunity to profit for those with the guts to hang on, assess the hanged environment, and act against what the herd has deemed "better judgment."

Compression of time

According to the *Taipan* philosophy, investing in the markets has only one purpose: making money on your investments. Call it simplistic. Call it greedy. But be honest: *that's what the markets are there for.*

Many people, however, seem to have forgotten that. For them, the markets have become a living validator of their moral and economic philosophy. But much like Nature herself, the markets have a cruel streak. They don't like to validate dogma. In fact, they punish it mer-

cilessly, whatever the sometimes-intricate beauty of its underlying assumptions and causal chains.

In the 12-odd years I have been working in the financial information business, money gurus of all persuasions have pronounced the markets doomed, if not dead, for various reasons. There were the Y2Kers, the Depression of 1999 Prophets, the Tulip Mania Haranguers of 1998, the Tech Busters of 1996, and the Plague of the Black Debtors of 1993. Some of them actually made predictions that came true with a vengeance.

But few made profits.

Because they spent so much time developing causal daisy chains that the market was unwilling to prove... and they missed out on the greatest profit opportunities of all time.

Profit perspective

The year ahead will no doubt test the grit of investors once again. After all, the world appears mired smack dab in the middle of a global recession. Airlines, brothels, restaurants—even Martha Stewart—are blaming meager earnings and exorbitant losses on the murderous shenanigans of terrorists.

But regardless of where the markets are headed... as long as there's movement (be it triggered by fear or greed)... there will be the opportunity to position yourself for profits.

As in the past 12 months, the key will be speed and discipline.

Instant profits

The *Taipan* team can help you with the first aspect—right here in

(over, please...)

TAIPAN

Publisher:

J. Christoph Amberger

Editors:

Christian DeHaemer,
Brian Hicks, Siu-Yee Ng,
Briton Ryle, Adam T. Lass,
Bryan Bottarelli, Eric Lapp,
Ian Cooper

Managing Editor:

Ned Humphrey

Webmaster:

J. Vince Skelley

Art:

J. Lindsay Willey

Fulfillment:

Alex Ferguson

Tours and Conferences:

Barbara Perriello

Customer Care:

Call (410) 234-0691

9 a.m. to 5 p.m. Eastern Time

email: editor@taipanonline.com

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T #123384745

www.taipanonline.com

USERNAME:

taipanmember7

PASSWORD:

7lemurs

our monthly research reports. And in our daily *Taipan* Group 247profits e-Dispatch. Since we launched this email alert as a no-cost additional service for *Taipan* members, we have been able to take advantage of some extraordinary opportunities.

Just in the past month, our daily email alerted *Taipans* to take profits of 4% and 57% on our two **Jakks Pacific (JAKK:OTC)** positions. On December 14, we said enough is enough on **Turkcell (TKC:NYSE)**, taking between 105% and 212% profits (depending on your buy date). We made 40% on **TyumenAviaTrans (TYAVY:OTC)**.

And on December 14, the bell tolled for the **Argentina Fund (AF:NYSE)**. With the fund trading at US\$8.16 that day, Morningstar indicated a net asset value of US\$8.43 as of December 13. The fund was to be converted at net asset value into the Scudder Latin

America Fund as of Monday, December 17. Plus, shareholders as of December 14 were receiving a dividend of US\$0.27 per share.

With the dividend, *Taipans* who took advantage of our daily coverage in the e-Dispatch were up 2.35% and 20%, respectively (with the potential of seeing another penny or two increase in net asset value based on further gains in the Buenos Aires Merval prior to the conversion).

The upcoming February issue of *Taipan* will provide you with a detailed roundup of how our recommendations did over the past year. (Since this issue is written in mid December, we still have to wait for the various closing prices as of December 31.) But until then, there is no time to rest: Our editors have yet again provided a cornucopia of opportunity that seems destined to put money into your pockets.

MARKET ALERT

Avanir Pharmaceuticals has the cure for what ails millions of cold and allergy sufferers

This developer of novel medical solutions is about to launch a series of new products that radically improve life for millions—and put billions into investor’s portfolios

by Adam T. Lass

The economy will turn around. Honest. In fact, that turnaround is already underway. Certainly, the seeds for it are already planted (just like the seeds for the collapse were planted long before that collapse actually happened).

In this case, the seeds are cheap capital (if the Fed lowers rates any further, the banks will be paying businesses to borrow), low labor costs (I saw an IT guy with a “will work for Skittles” sign), low delivery costs and low rent.

By this time next year, there will be hundreds of stocks setting new highs. The question is, what to do with your cash in the meantime?

Well, how about a drug company that’s already capitalizing on the misery of 50 million of your friends and neighbors? And is about to turn the cough drops in your pocket into a major medical miracle?

Avanir Pharmaceuticals (AVN:AMEX) was formed in 1988 to develop and commercialize novel therapeutic products for the treatment of chronic diseases.

Their lead product, Abreva, is a broad

spectrum topical cream for the treatment of recurrent cold sores and fever blisters. What makes it unique is that it’s the only over-the-counter product available that’s FDA approved to relieve such ailments.

Roughly 50 million Americans suffer from the minor hell of these afflictions, with more than 100 million episodes annually. We’re talking hard-core pain that can last for days or even weeks. And no “kid’s zit cream” can do a thing about it.

A sore subject

The medical term for the condition is “recurrent herpes simplex labialis.” It’s caused by a virus that lies dormant in the nerve ganglia. Upon reactivation by various stimuli, such as stress, sunlight, or enzymes found in many common foods, the virus travels along nerve pathways towards the lips and mouth, where it emerges as a lesion or blister. The disfiguring lesions typically last 7 to 10 days.

All known competitive medications work by inhibiting viral DNA replication, and risk mutating the virus into some kind of drug-resistant nightmare. Only Abreva’s primary

active ingredient, Docosanol, works by inhibiting fusion between the plasma membrane and the herpes simplex virus envelope, preventing the virus from entering into cells and reproducing. In other words, it just bounces harmlessly off the cell wall.

So much for the gross part. Now here's the sweet part: Abreva is being marketed by Avanir's major marketing partner, SmithKline Beecham, throughout the United States and Canada. And that's just the beginning: licensing agreements for the rest of the world will be awarded in the coming months, offering a potential doubling of this income stream without any additional research costs.

A novel approach?

The success Avanir has enjoyed with Abreva is no fluke. Rather, it is typical of their method: strong science and novel approaches applied to common ailments and delivered to millions of miserable suffering customers via a partnership with one of the strongest biomedical marketers in the business.

And it's a success story they are prepared to replicate several times over. They have various other products in the pipeline that could bring in an income stream several orders of magnitude bigger than Abreva's.

I just got over a brutal chest cold, so this next product in Avanir's arsenal particularly impressed me. If you've taken any cough medicine in the past few years, I'll bet you found the relief from the hacking and wheezing both a blessing—and far too short-lived.

Short-lived relief

Whether we're talking syrup or lozenges, the active ingredient that stopped your convulsive, heaving agony was dextromethorphan, a neurodepressant that relieves cough by acting directly on the cough center in the brain.

Dextromethorphan is well established as a non-narcotic cough suppressant that is effective for short periods after each dose. The drawback to the use of dextromethorphan has been the rapid metabolism of the agent and resulting low blood levels.

While the metabolized version does possess many of the same therapeutic actions, it does not cross the blood-brain barrier as readily as dextromethorphan. Effective levels of dextromethorphan are therefore critical to its use as a non-narcotic alternative for patients with chronic cough.

An inhibited solution

But your body processes dextromethorphan way too fast, so within a few hours the beneficial effects wear off. And just upping the initial dose doesn't work either, as above the level of 30 mgs, side effects and toxicity begin to outweigh any benefits.

Avanir's Neurodex directly addresses these obstacles to expanded use of dextromethorphan. Neurodex provides controlled therapeutic blood levels of dextromethorphan by inhibiting its oxidative first-pass metabolism.

Because the combination contains an enzyme inhibitor and will be a prescription product, the company will position it for treatment of chronic cough most often associated with pulmonary disease, cancer, and respiratory infections.

Avanir believes Neurodex could find wide use in the treatment of chronic cough typically caused by smoking, post-nasal drip, asthma, gastroesophageal reflux, and chronic bronchitis, as well as the intractable coughing which is typically associated with lung cancer.

Dextromethorphan's metabolic problems also prevent the full application of its antispasmodic effects to many other potential applications, a problem that I fully expect Neurodex to solve as well.

A happy answer to long-term sadness

In neurodegenerative disorders, one of the symptoms frequently experienced by the patient can be loss of emotional control. Although not physically harmful, the condition has a significant effect on the health of both patients and their caregivers.

Medical reports on the incidence of emotional lability estimate that up to 50% of patients with Lou Gehrig's disease (amyotrophic lateral sclerosis or ALS) and 25% of patients with multiple sclerosis (MS) and Alzheimer's disease are affected by the loss of emotional control. In stroke patients, the incidence is 20% within the first year of stroke, with one half of those patients recovering emotional control within the first year.

Combined affected patient populations from all four diseases result in a patient pool of up to 1,000,000 patients per year.

There are no competitors for this application!

Currently, there is no product approved by the U.S. Food and Drug Administration (FDA) for the treatment of emotional lability.

Avanir has an investigational new drug application in place for Neurodex, and has completed early Phase I clinical trials that show the product is well tolerated. It is estimated that it will take one year to complete the Phase II/III trials.

Approximately 100 patients with Lou Gehrig's disease are participating in the study.

Pending positive results from the clinical trial in ALS patients, Avanir plans to initiate a pivotal Phase III trial that will be conducted in multiple sclerosis patients in 2002.

A serious cure for very serious pain

Neuropathic pain is defined as pain related to peripheral or central nervous system injury. It includes peripheral nerve injury caused by diabetes, human immunodeficiency virus (HIV), cancer, and postherpetic neuralgia, as well as central nervous system injury caused by spinal injury or stroke.

Published reports indicate that there are approximately seven million diabetics who suffer

from diabetic neuropathy.

A significant commercial advantage for Neurodex will be that neuropathic pain patients, such as the large number of patients who suffer from diabetic neuropathy, will be able to avoid products that contain narcotics.

The usefulness of dextromethorphan in treating neuropathic pain has been observed in both controlled and uncontrolled studies.

Potential benefits to patients—and investors

Market leverage comes from the ability to use the same components and early development efforts for at least three distinct indications. Each primary indication for the product has significant commercial potential.

Avanir has already secured patents for the use of Neurodex's drug delivery technology. In addition, it holds specific patents covering use of the product technology for four separate indications, with a fifth patent pending. Equivalent European patents have already been filed.

But wait, there's more

My apologies: I've forced you to wade through more medical geek-speak than a third-year premed student cramming for exams. And I'm not through yet.

So let's take a break for a moment, and look at the gist of the matter: these guys at Avanir are about to break into the market with a simple drug—the components of which are already FDA approved. And that drug will have several million customers lining up for it. Some of them may literally be dying for it.

And they will have no competition for many of those customers, so Avanir's marketing partner Glaxo will be able to name its price. The profit potential is staggering. Based on Neurodex alone, I would recommend Avanir as a strong buy, an easy double and a possible triple as the various trials are completed in 2002.

But, heaven help you, there's another reason to buy this stock.

Wheezing to the finish line

Avanir has identified a family of orally active, small-molecule drugs that selectively inhibit or prevent the production of immunoglobulin epsilon (IgE) antibodies. The product Avanir hopes will emerge is an oral drug that, taken regularly, will significantly prevent or reduce the signs and symptoms of allergy and asthma.

Avanir anticipates that it could become a very

important first-line agent for the treatment of allergies and asthma. This product could be huge, a significant competitor to Allegra, the groundbreaking antiallergic product that has already earned millions—perhaps billions over the next few years—for its creator, Aventis.

Development of this technology is in an advanced preclinical stage. No human trials have begun, but multiple potent compounds have been identified and tested in vitro and in vivo. Worldwide patent applications have been filed.

And again, in English

In people with allergies and asthma, IgE appears to be overproduced. If this overproduction can be decreased, then the allergic response, which can range from mild sneezing to a serious asthmatic attack, can be reduced or prevented. This is the Holy Grail for multiallergy sufferers. (Including my wife, who is allergic to our three cats and our lawn. I've offered to get rid of both, but noooo...)

No small-molecule drugs are currently available for the treatment of excess IgE. The positive results from anti-IgE antibody trials provide a sound, clinically proven basis for the treatment of allergies and asthma.

The money

I'll bet you thought I would never get to this part. Heck, after wading through a heap of medical reports, I thought I would never get to this part.

Here's the drill: Allergies never go away. Herpes never goes away. Diabetes, ALS, Alzheimer's, etc. never go away. You provide patients with products that really work to relieve their pain and suffering, and you have a customer for life.

In the case of Avanir's groundbreaking products, we are talking millions of customers willing to pay billions of dollars a year. All the elements are in place, including the required hookup with an 800-pound gorilla of a marketing partner, GlaxoSmithKline, making sure the end products are featured prominently in all the trades and on your pharmacist's shelf.

Every time one of their studies ends with FDA approval, AVN doubles. The trick is simple. Buy **Avanir Pharmaceuticals (AVN:AMEX)** now, below US\$4.00, and ride it to US\$8 over the next three months. Then sell. Then do it again.

In fact, as the label says, take as often as needed.

Dot-Com Survivor II:

This stock could double your profits by mid 2002

by **Ian L. Cooper**

There's life after the bubble. And not only life: Profits!

Two recent *Taipan* Dot-Com Survivor picks have given us beautiful gains. As I write this, **Priceline (PCLN:NASDAQ)** is up 77% since October 27. And

Bluefly (BFLY:NASDAQ) has logged 30% gains in less than a month.

That's a fantastic return, given that most market pundits were busy throwing in the cyber-towel!

The immediate repercussions of 9-11 are falling behind us faster than the myth of a united Arab world. We've moved on to the forgotten world of e-commerce, and, as you can see from the first paragraph, we've hit the gravy train.

But for right now, I would like to tell you about another overlooked and left-behind e-commerce company. One that could give you a triple-digit gain by mid 2002.

If Pearl Jam hates them, they can't be all bad

I like any company that gets sued because it's a monopoly. Just look at the NFL or Microsoft. These guys are powerhouses because they control the marketplace and write their own rules.

There's another one out there that goes by the name of **Ticketmaster.com (TMCS:NASDAQ)**.

Obviously, being the only place people can buy tickets for their favorite events is worth a premium. And this company has its fingers in a worldwide pie. With over 6,200 domestic and foreign clients selling over 83 million tickets valued at more than US\$3.2 billion a year, I'd take a piece of that pie any day.

It's a massive and growing market.

Consider this: Crosby, Stills, Nash and Young, Elton John and Billy Joel, the holiday season concerts, and Britney Spears are all charging top dollar, and if you own a piece of the action, you could be sitting on a nice gold mine.

Obviously, the demand is there. On top of that, the company just increased its revenue per ticket. Instead of an extra US\$5.93 in service fees, it is now as much as US\$6.20. That equates to legal highway robbery. But what is the alternative, driving down to the stadium and waiting in line in the rain?

Standing in line for hours in the rain to get tickets to see some of the world's biggest bands is not fun at all. Sitting at home in comfortable clothes, buying tickets online. That's simple. I'd do that any day.

Q3 net cash profit

For the third quarter of 2001, Ticketmaster actually reported net cash earnings per share. Compare that to the mind-boggling loss a year ago.

It reported EBITDA (earnings before interest taxes depreciation) of US\$14 million or cash earnings of US\$0.04 cents a share on revenues of US\$157.5 million, versus EBITDA of US\$2.7 million or a net cash loss of US\$0.03 a share on revenues of US\$147.1 million last year.

Now, you know as well as I do that EBITDA is the scam of the century. My income would be 50% higher if I didn't have to pay taxes. But still, positive EBITDA means Ticketmaster is trending in the right direction.

Controlling costs

The company also reported a Q3 net loss of US\$49.4 million, or US\$0.35 a share, compared with US\$51.2 million, or US\$0.36 a share, a year ago. Not too shabby, considering that September 11 took a big chunk out of its business. The downside is now priced in, and it's beginning to make a strong comeback.

This rock will roll

In this quarter, Ticketmaster's revenues from ticketing operations were US\$133.9 million, compared with US\$124.9 million in the year-ago quarter, an increase of 7.2%. The increased revenue reflects a 9.3% rise in revenue per ticket (from US\$5.67 to US\$6.20), the acquisition of ReserveAmerica in February 2001, and revenue growth in the United Kingdom and Ireland.

The Twin Tower fallout

Ticket sales were punished as a result of September 11, but not as much as you might expect. The number of tickets sold decreased from 20.2 million in the third quarter of 2000 to 19.3 million in the third quarter of 2001.

EBITDA from ticketing operations in the third quarter of 2001 was US\$19.0 million, compared with US\$16.7 million a year ago, an increase of 14.2%. Online ticketing revenue was US\$44.6 million, compared to US\$35.5 million a year ago, an increase of 25.6%.

Personals

Third-quarter revenue from the personals business was US\$12.5 million, compared with US\$7.6 million in the year-ago period, an increase of 64.8%. EBITDA in the third quarter increased to US\$5.8 million, up from US\$2.3 million a year ago, an increase of 156.2%.

The company's personals operations attracted a monthly average of 2.4 million unique users in the third quarter of 2001, a 41.2% increase over the year-ago period. At end of the third quarter of 2001, the personals operations had 252,700 paying subscribers, compared to 156,945 at year-end 2000, an increase of 61.0% year-to-date.

The future's so bright... I gotta wear shades

TMCS just entered into an agreement to acquire Billettservice AS, the leading ticketing company in Norway. Billettservice, which has been serving the Norwegian market since 1977, will give TMCS an opportunity to tack on service charges to some four million tickets sold annually.

TMCS's online city guides and personals are also gaining leadership in a market that is currently seeing a shakeout of weak competition. And further expansion is not out of the question. There's a lot of territory to be covered. TMCS is also rapidly introducing newer services for smaller spectator sport and cultural venues, as

well as for restaurant reservations.

Looking ahead

Wall Street estimates already call for a Ticketmaster profit of US\$0.25 per share for 2001, a 110% improvement over its prior year loss of US\$2.57 per share.

Estimates also call for revenues to exceed US\$665 million, with a 14% leap in 2002 to US\$760 million,

which will likely be driven by an increase in the number of tickets sold and in service fees.

TMCS is a prime buy at current rates. Buy Ticketmaster (TMCS:NASDAQ) under US\$18 with a one-year price target of US\$36-40. Contact: 3701 Wilshire Boulevard, Los Angeles, CA 90010, tel. 213-639-6100, fax 626-405-9929.

TAIPAN TRADER

Diseased heart grows new blood vessels!

This proven angina treatment could make heart surgery obsolete—and make Taipan members very wealthy in the process.

by Briton L. Ryle

They say there are only two sure things in life—death and taxes. But it's the essence of human nature to try and overcome the inevitable.

President Bush took a small bite out of our tax liability. Now if we could just make some headway on the death thing.

The fact is, medical science has done a pretty good job putting off the Grim Reaper's visit to another day. The lifespan of the average American is now about 77 years. And that's good news for members of the Baby Boomer generation, who are moving closer to senior citizen status every day.

The boomers present a unique challenge to medical science, and a unique profit opportunity to investors. You see, the boomers are the single biggest age group in the U.S. today. And they're also the wealthiest. So it stands to reason that they'll be putting much of their considerable resources to work prolonging their lives.

A keen eye for the obvious

This obvious trend has helped biotech stocks put in a stunning performance over the last couple of years. And the good news is, the biotechs still have a long way to go. All you need to discover huge market opportunities is a little common sense.

Heart disease is the number-one cause of death in the U.S. Find a way to lessen the ravages of heart disease, and you make a lot of people very happy. No to mention making a lot of money in the process. Which brings me to the subject of this article, **Vasomedical, Inc. (VASO:NASDAQ)**.

Vasomedical is the leading developer and marketer of *enhanced external counterpulsation therapy*, or EECPT (which is a registered trademark). EECPT is a noninvasive, non-traumatic treatment for stable angina.

In case you don't know, angina is the result of an insufficient blood supply to the heart and is often the precursor to a heart attack. The symptoms of angina are sharp chest pains, often associated with exercise, exertion or emotional stress.

Pretty balloons

Conventional treatments for angina are not pretty. Cardiologists seem to like surgical procedures like bypass operations. Then there's angioplasty, where small balloons are used to open arteries and stents are placed inside to keep them open.

Given the choice, I bet patients would prefer to receive EECPT therapy.

EECPT therapy involves attaching cuffs (much like blood pressure cuffs) to the arms and legs. A computer monitors your heart rate and the cuffs inflate and relax in time with your natural heartbeat. The constricting cuffs force more oxygenated blood back into the heart, which counters the symptoms of angina.

Patient discomfort is virtually nonexistent, which certainly can't be said for surgical treatment. One Columbia, MD, woman says she falls asleep during the therapy, which is generally 35 one-hour sessions over 7 weeks. And the treatment is very effective.

Briton L. Ryle took over as Chief Trading Strategist for the *Taipan Trader* in August. Since then, his very own Hierarchical Analysis trading strategy has generated 16 trades. 11 of them were winners. That's a 68% success rate.

In just 5 months, he's made gains like...

- 120% on **Williams Communications** in one month
- 75% on **Level 3** in three weeks
- 87% on **Jakks Pacific** call options in just 19 trading days
- 150% on **ATI Technologies** call options in 11 days
- 60% on **ESS Technology** in 6 weeks

Plus, his precision timing has led to lightning fast one-day gains like...

- 50% on **XO Communications**
- 91% on **Micron Technology** call options

If you'd like to get in on this kind of fast-paced, high-profit stock and options trading, check out Briton and the *Taipan Trader* at www.taipantrader.com.

Getting better all the time

An EECP trial, published in the *Journal of the American College of Cardiology* in 1999, found that EECP greatly improved the symptoms of angina (a subjective measurement) and exercise tolerance (a more objective measurement) in patients with coronary artery disease. EECP also significantly improved “quality of life” as compared to placebo therapy. But the truly amazing aspect of EECP is that the effects of treatment last for *up to five years*.

Think about that. Five years of less medication. Five years of reduced chest pains. Five years of increased exercise tolerance. All for US\$5-6 grand. Compare that to the cost of angioplasty or bypass surgery, and you start to wonder why EECP kiosks haven't sprung up in 7-Elevens and shopping malls.

But even more amazing, EECP might actually help the heart grow new blood vessels. Anecdotal evidence suggests that the treatment stimulates the production of “vascular endothelial growth factor,” a hormone that causes the heart to start angiogenesis. Tests have just begun to see if the link between EECP and angiogenesis is more than just coincidental.

The heart of the matter

Vasomedical currently has 320 EECP systems in operation at some of the most prestigious hospitals in the world, including Johns Hopkins and the University of Virginia.

I spoke to people (one was a cardiologist) at two of the Johns Hopkins hospitals around Baltimore. They gave overwhelmingly positive reviews. Estimates of success rates (judged from patients' own assessment of symptoms) ranged from 80-90%.

Full-court press

Vasomedical has two catalysts working for it—growing revenues and publicity. I'll get to the revenue picture in a minute.

Vasomedical rates high on the all important “magazine cover” scale. An article on EECP appeared in the *Washington Post* a couple months back. The company's been featured on BusinessNow (a weekly news magazine on ABC). And there's no doubt in my mind that

we'll be seeing more such coverage. EECP has excellent *60 Minutes* potential.

EECP's also been getting a lot of attention in medical journals. In October, it was featured in the *American Journal of Cardiology* and was the subject of a very positive research paper written by a German research group. EECP was also featured in a presentation at the American Heart Association's Annual Scientific Session in November 2001.

The numbers

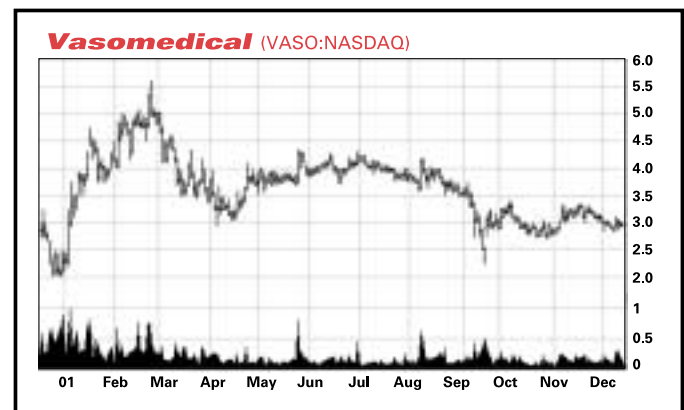
With the exception of a quick spike to US\$14 and an equally quick drop to US\$2, Vasomedical's been a US\$4 dollar stock for over a year and a half. It's now trading around US\$3, which means there's room for a quick 25% gain just to get back to its historical trading range.

But even more importantly, the company's revenues are starting to ramp up. Vasomedical did US\$27 million in sales for fiscal 2001, which is more than double fiscal 2000 sales. Net income jumped 1,000% to US\$11 million this year. But these earnings were aided by income tax credits carried over from prior years.

Net margins are a healthy 35%. The company has virtually no debt, US\$2.3 million in cash, and another US\$10.5 million in accounts receivable and inventory.

Vasomedical's valuation is somewhat high compared to its sector. It currently trades for 5x sales, 6x book, yet sports a P/E of 15. This P/E is a direct result of the income credits I mentioned earlier. But when you look at these numbers in relation to the company's growth rate, they don't look bad at all.

Vasomedical is a strong buy at around US\$3 a share.



Year-round warmth = year-round profits

by Siu-Yee Ng

Living on the East Coast, I'm used to seasonal changes. I actually look forward to sledding in the snow, watching the flowers bloom, sweating in the sweltering heat, and admiring the color changes of the leaves. But for others, this can get old. I know many people who live in Baltimore during the summer and move down to Florida for the winter. I don't blame them. And this trend will continue,

especially with the aging of the Baby Boomers.

Migrating south

2.2 million people are expected to migrate to Florida over the next ten years. This group will include many baby boomers, those born between 1946 and 1964, the first of whom turned 55 years old in 2001.

Approximately 41 million Americans are expected to

reach the age of 50 in the United States between 2000 and 2010.

And by 2010, Florida is projected to have around 7.2 million people over the age of 50, representing 40% of the state's population.

And why not? With its natural amenities, tropical climate, 1,200 miles of coastline, year-round recreational activities, range of housing styles and prices, transportation network, diverse and expanding economy with a variety of major employment centers and no state income tax, Florida offers a high quality of life and a low cost of living.

Demand for housing in Florida is strong, reflecting the state's rising population, good job growth, favorable overall economic environment and strong demographics.

What recession?

Florida has been outpacing the average population growth rate of the rest of the country. This disparity in growth rates is expected to continue, with Florida's population set to increase 13.4% between 2000 and 2010, according to the University of Florida's Bureau of Economic and Business Research. Compare this to the U.S. Census Bureau's 2000 projection of 6.6% for the United States as a whole.

Total housing starts in Florida grew from 133,000 in 1990 to 152,000 in 2000, and should grow from 143,000 in 2001 to 161,000 in 2010. According to Data Resource Inc., Florida should also continue to have a strong and stable housing market during the present and near-term weaker overall economy.

That's why this month I want to tell you about **WCI Communities, Inc.** WCI is a fully integrated homebuilding and real-estate services company with over 50 years of experience in the design, construction and operation of leisure-oriented, amenity-rich master-planned communities

targeting affluent homebuyers.

It has developed master-planned communities where today there are over 150,000 residents who enjoy lifestyle amenities such as award-winning golf courses, country clubs, deep-water marinas, tennis and recreational facilities, luxury hotels, upscale shopping, and a variety of restaurants. There's no need to go out when you have everything right in your back yard.

It's not surprising to see WCI target primarily older Americans. Older Americans tend to have a significantly higher homeownership rate than younger Americans, which benefits any real estate business.

For 2000, 80% of heads of household aged 55 or older owned homes, while only 60% of heads of household under age 55 owned homes, according to the Joint Center for Housing Studies at Harvard University.

WCI the builder

WCI Communities' business lines include homebuilding, amenities operations, real-estate services and parcel and lot sales, each of which contributes to its profitability.

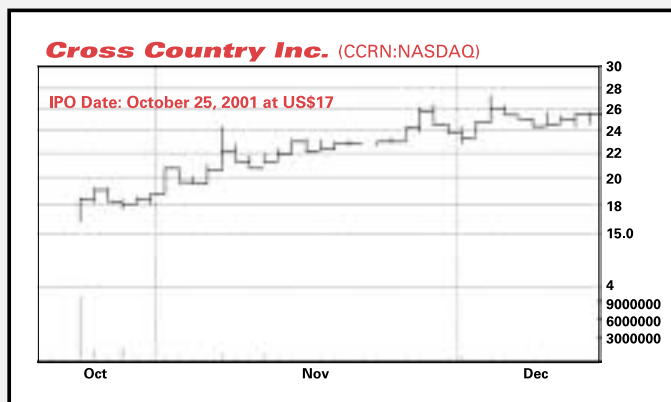
The company designs, sells and builds single- and multifamily homes serving primary, second and retirement homebuyers. These homes range from 1,100 square feet to 6,800 square feet and are priced from US\$100,000 to US\$3.8 million, with an average sales price of US\$325,000 for the six months ended June 30, 2001.

Unlike its traditional homebuilding competitors, WCI also designs, builds and sells luxury towers. Now this costs a bit more. A property ranging between 900 square feet to 12,000 square feet can cost you anywhere between US\$100,000 to over US\$10 million. The average sales price for the six months ended June 30, 2001, was US\$975,000.

WCI's total homebuilding revenues increased 88.7%

➤ **Cross Country, Inc. (CCRN: NASDAQ):** Your first chance to buy this recommendation at the IPO price got you in at US\$17. In early December, the stock peaked at US\$29.25... a 72% gain. If you bought in the aftermarket at around US\$20, your December gains were in the vicinity of 30-46%.

➤ *Taipan's* aftermarket play **Therma-Wave, Inc. (TWAV:NASDAQ)** was up to US\$14 in mid-December—a 39% gain nine in weeks!



to US\$332.8 million for the six months ended June 30, 2001, compared to US\$176.4 million for the same period in 2000.

The value of net new contracts for single- and multi-family homebuilding increased 19.8% to US\$323.0 million for the six months ended June 30, 2001, compared to US\$269.6 million for the same period in 2000.

Mid-rise and high-rise homebuilding revenues increased 135.6% to US\$168.0 million in the six months ended June 30, 2001, compared to US\$71.3 million for the same period in 2000.

The value of net new contracts for mid-rise and high-rise homebuilding increased 202.0% to US\$180.3 million for the six months ended June 30, 2001, compared to US\$59.7 million for the same period in 2000.

Backlog at June 30, 2001, was US\$303.0 million, or 174.0% higher than the US\$110.6 million at June 30, 2000.

Hole in one

Among the fifteen largest public homebuilding companies as measured by market capitalization, WCI Communities currently generates the highest margins, with a 20.2% EBIT (earnings before interest and taxes) margin for the year ended December 31, 2000, and a 17.3% EBIT margin for the six months ended June 30, 2001, as compared with an industry average EBIT margin of 11.0% for the year ended December 31, 2000.

Money talks

Today, the company is gearing up for an IPO. Total revenues for the six months ended June 30, 2001, increased 42.7% to US\$431.8 million, from US\$302.5

million for the comparable period in 2000, primarily due to an increase in homebuilding revenues.

Income before taxes and extraordinary items for the six months ended June 30, 2001, increased 26.6% to US\$49.5 million, from US\$39.1 million for the comparable period in 2000. Net income for the six months ended June 30, 2001, increased 18.4% to US\$27.7 million, from US\$23.4 million for the comparable period in 2000.

Revenues, net income and EBIT margin were US\$431.8 million, US\$74.8 million, US\$27.7 million and 17.3%, respectively, for the six months ended June 30, 2001, as compared to US\$302.5 million, US\$59.2 million, US\$23.4 million and 19.6% for the six months ended June 30, 2000.

As of June 30, 2001, WCI Communities had a homebuilding contract backlog of US\$696.6 million, a 67.1% increase from US\$416.9 million as of June 30, 2000.

WCI Communities' competitors, Lennar (LEN: NYSE), Pulte Homes (PHM: NYSE), and Toll Brothers (TOL: NYSE), have market caps of US\$2.51 billion, US\$2.50 billion and US\$2.19 billion, respectively. So you can see that WCI Communities has a lot of room to grow.

WCI Communities plans to raise US\$144 million dollars under the ticker symbol WCI. I would look for its IPO in the first quarter of 2002. The underwriters are UBS Warburg LLC, Credit Suisse First Boston and Deutsche Banc Alex. Brown.

For more information, contact WCI Communities after the quiet period at 24301 Walden Center Dr., Bonita Springs, FL 34134, tel. 941-947-2600, fax 941-498-8338, website: www.wcicomunities.com.

M I C R O C A P S

Aviron (AVIR:NASDAQ) being bought out...

...up in excess of 100% since Taipan recommended it!

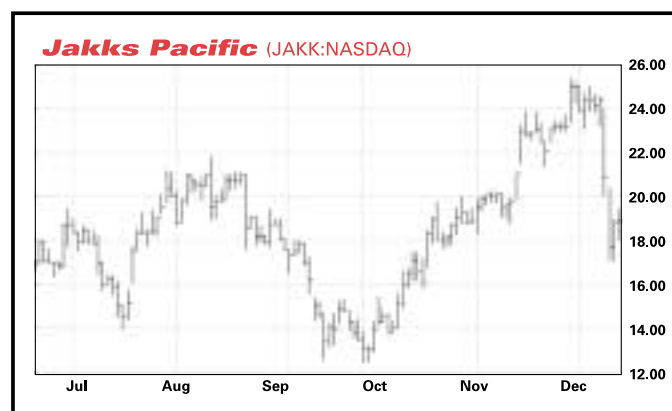
by **Brian Hicks**

A few years ago, I attended one of the largest biotech conferences in the world. I sat and listen to the CEO of Aviron talk about FluMist, the company's flagship product in the clinic—a nasal spray against the flu.

But I asked the CEO a question that was a bit prophetic, if I do say so myself. I asked whether Aviron's real blockbuster drug might be the nasal spray they were developing against RSV, the leading cause of respiratory illness in kids. He didn't answer the question, but he did smile in a way only a monopolist can.

As you probably already know, one of my long-time favorite biotech stocks—**Aviron (AVIR:NASDAQ)**—is being acquired by another favorite of mine, **MedImmune (MEDI:NASDAQ)**.

In my opinion, the acquisition makes perfect sense for MedImmune, which currently has a complete monopoly on RSV. And, apparently, they want to keep it that



way with this acquisition.

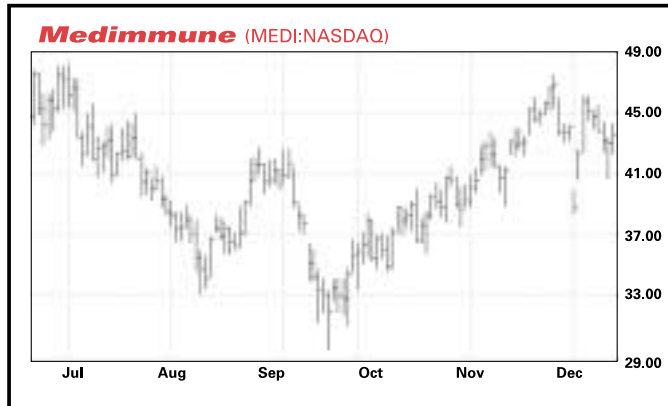
The buyout price for Aviron is about US\$47 a share, which would be a 113% profit over where we bought it. Continue to hold both stocks.

Jakks Pacific—still bullish

Many investors said good-bye to **Jakks Pacific (JAKK:NASDAQ)** in the past few weeks. I don't blame them. After the year we've had, locking in profits is probably wise. But *Taipan* still expects great things from JAKK in the future, which is why we continue to hold the stock... even right before the Christmas season.

Historically, companies that do most of their annual sales during the Christmas season tend to run up before the holiday on the anticipation of good sales numbers, then sell off before Christmas actually arrives. It's classic buy-the-rumor-sell-the-news behavior. This is what has happened to JAKK recently. The other factor that contributed to the selloff was technical. Between November 14 and 28, Jakks failed to beat resistance at US\$24 several times. Volume was weakening, and the stock looked like it was going to move down and test support below US\$20. The technical picture, combined with the seasonality of toy companies, leads us to believe this is nothing more than pure profit taking.

Taipan continues to rate Jakks Pacific a hold.



W O R L D T R A D E R

Revenge of the black label

by Christian DeHaemer

Imagine a land surrounded by crystal blue water, where warm Pacific breezes stir the tropical flora. It's a place with its own ecosystem, where people live comfortably without air conditioning or heat.

It's also a place where you can buy a four-bedroom house right on the beach for US\$100,000. The people are friendly, worldly and sophisticated. They speak English. The food is ranked among the best in the world. And the harbor surrounded by mountains can only be likened to Hong Kong or Rio de Janeiro.

In short: Paradise. Nirvana. Valhalla. (If you're into easy living, that is.)

Unfortunately, there's a hitch. Your little paradise also has the highest number of rapes per capita in the world. It's a place where one in four young men has AIDS and will be dead before he turns 30. The unemployment rates run north of 30%. And local politicians look for inspiration to the likes of Robert Mugabe, president of neighboring Zimbabwe, who's in the process of exterminating both European settlement and a viable economic base for good...

Ah, South Africa

After September 11, the South African currency, the rand—never a paragon of stability in the first place—fell some 30% against the dollar. The blame for the selloff is multifaceted. A portion can be attributed to the Argentina

debacle. There has also been trouble in the neighborhood, as Mugabe's thuggish racism in Zimbabwe is increasingly regarded a portent of things to come to South Africa.

Still, there is something to the old adage that South Africa has a first-world economy in a third-world country. That is true. The economy's fundamentals are strong. It has transparent accounting (arguably better than the U.S.—see Enron, P&G, et al.).

Ever since I went to South Africa two years ago, I've felt a certain connection with the place. I understand why people have been fighting over this jewel of the African continent for the past 500 years.

I also understand why its markets vacillate between joy and despair.

In fact, here at *Taipan* I've put this knowledge to use. We've played **South African Breweries (SAB.L)** twice over the past few years for substantial gains. (The last time around, we generated 31% gains in the first two quarters of 2001.)

The method is simple. Buy low, sell high. You get in when the market is falling apart and get out when things settle down—simple as that.

Back in black label

SAB is one of my favorite companies. They have been profitable every year for the past 106 years. Ever since SAB was listed in London, however, it has started report-

ing earnings in dollars and pounds, while still earning most of its revenues in rand. This is the worst of both worlds.

The depreciation of the rand will benefit the country's export market, which is currently growing at the third-fastest rate in the world.

The obvious way to profit from this situation is to buy companies whose revenues are dollar-denominated and whose costs are in rand.

Tarnished gold

Most people would buy a South African gold company, which will benefit from cost savings even if the metal remains at US\$270 an ounce. The same is true for other commodities, like platinum.

That said, these metals must be pulled out of the ground by workers who will demand more money to cover the cost of raising inflation. This will negate any short-term cost improvements.

But export-driven companies such as chemicals firm Sasol and paper maker Sappi should see rand earnings boosted even while international prices are sliding. The South African prices of its products relate closely to what they will obtain in the dollar-denominated global market.

Sassy Sasol

If you are a long time reader of *Taipan*, you are familiar with **Sasol (SOSAY:NASDAQ)**. Sasol is a manufacturer of diversified fuel and chemical products.

It is known for its synthetic fuels derived from coal, which the company converts into value-added hydrocarbons through the Fischer-Tropsch process. Sasol is also involved in other exports, such as crude oil refining and chemicals production.

For the fiscal year ended 6/25/01, revenues rose 60% to 41.29 billion rand. Net income increased 72% to 7.03 billion rand. Export sales increased 137%. Dividends per share increased 45% in rand terms.

Sasol has fat 17% profit margins and trades at 8 times earnings. That's fantastic for any company. Especially for one that is growing at 72% per annum. In fact, that gives

you a PEG ratio (price over earnings growth) of 0.11. That's as good as it gets, folks.

The obvious problem with Sasol is a catalyst for upside share price appreciation. We've all bought great international value plays, only to have them remain at a P/E of 5 for years.

There are several factors that make Sasol a buy. First, the steady devaluation of the rand will drive export sales and make Sasol the world's low-cost producer of synthetic fuels. High growth and quality products will garner respect and foreign investors.

One can argue that as the U.S. markets stagnate, investors will look to emerging markets for growth. We can already see this in South Korea, up some 61% this year. And *Taipan's* select global investments like Turkcell (up 117%) have also performed nicely.

As you wait for the investment to achieve fair value, you can pocket the 4.7% dividend yield.

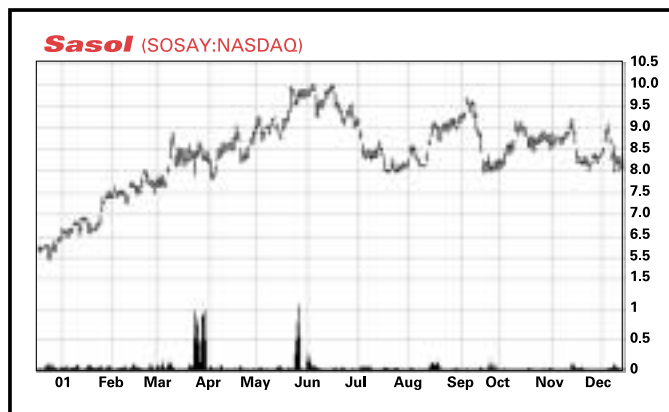
Happy Sappi

A second South African export play is **Sappi (SPP:NYSE)**, maker of various kinds of paper products. Sappi managed to turn a profit despite a cyclical downturn in paper. Paper pulp prices started the year at US\$710 a ton and ended the year at US\$450 a ton. Production cuts resulted, and today inventories stand at a five-year low—very bullish.

Obviously, the time to buy a commodity producer is at the bottom of the business cycle, when costs are dropping in dollar terms and the buyers are picking up.

As you can tell by this chart, Sappi has been in a decided uptrend since the start of the year.

It still trades at 0.57 times sales and



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17 times this year's earnings (remember, this was a bad year). The company has about US\$500 million in cash and a market capitalization of US\$2.32 billion. If you net out the cash and look to the improving markets, you could do worse than riding along with Sappi.

Sell Turkcell—book 213% profits

Turkey has a mean history as a volatile market. When you risk hard currency in Turkey, you can't look long-term. You buy at the bottom and sell in the middle. Remember the old Wall Street adage: "Bears make money, bulls make money, but pigs get slaughtered." Leave the top to the fools.

The good news is priced in

Turkey is the only Muslim country in NATO and is therefore picking up leverage with the World Bank and the IMF. Colin Powel has been discussing possible forgiveness for a US\$5 billion dollar military debt.

Turkcell has successfully won a battle against the bureaucrats and stifled an agreement on nationwide roaming that would have bitten into the company's top line.

The chart shows a great run over the past few months. There is a good chance that we've hit a short-term top. I expect that the chart will come back and fill the gap at US\$16. All of the good news is priced in for the medium term. Sell Turkcell and lock in gains of 117% if you bought at US\$8.50. Or a stunning 213% if you were lucky enough to buy at the September 17 post-terror lows of US\$5.90... as we recommended in the Taipan Group's 247profits e-Dispatch during the Week the Markets Were Closed.

Waiting for a buy

Back on October 8, 2001, we issued a sell recommendation on our favorite Indian pharma giant, **Cipla**. Having entered the position at about 875 rupees per share, we took profits at 1,088 rupees... for gains of 24%. You may call this premature, since Cipla has been range-bound between 1,100 and 1,200 rupees for the past few months—rewarding those Taipans who took their own sweet time acting on our action alert... and frustrating those among us who are looking to buy on the cheap again at 1,000 rupees and below.

How come Cipla is so stable? For crying out loud, the stock actually **GAINED** in the days after a bunch of clueless Muslim fanatics waged holy war against the gardener and unarmed watchmen of the Indian parliament in December.

Here's why: Uncertainty in the region and a high valuation have been balanced against positive news. Recently, the U.S. gave Cipla's American marketing partner, Andrx Corp., approval to sell off-patent omeprazole. This blockbuster anti-ulcer drug is sold under the brand name of Prilosec. Andrx will sell the first generic form of this drug.

Andrx has arranged to source omeprazole—the key ingredient in the drug—exclusively from Cipla. Prilosec raked in annual global sales of US\$6.3 billion last year, with US\$4.3 billion coming in from the U.S. alone.

It will take a major crisis in India to depress Cipla back into our buying range. Any escalation in the smol-



dering conflict between Pakistan and India over Kashmir might just provide this window.

We are now updating the daily close of Cipla in the Taipan Group's 247profits e-Dispatch... yet another reason why this free service to our Taipan members is increasingly becoming the most coveted e-letter in the investment world!

(As a member, you can sign up for this daily service... supervised and written by Taipan publisher J. Christoph Amberger himself... at our Taipan homepage: www.taipanonline.com. Or read the daily message posted at the Taipan Group's service portal at www.247profits.com.)

ACTION ALERT

Buy **Sappi (SPP:NYSE)** under US\$10 with a stop loss at US\$8.
 Buy **Sasol (SASOY:NYSE)** under US\$8.50 with a stop loss at US\$7.50. These companies will benefit from improving export conditions in South Africa.

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