



Profits of 900%, 771%, 672%, 441% and 894% in 1999! *Expect epic IPO opportunities for 2000*

By *Siu-Yee Ng*

The year 1999 has been a roller coaster ride for the IPO market. A new breed of hyper-powered short-term trading generated

U.S. Interactive, Inc. (USIT-NASDAQ) closed only 6% above the offer on the first day of trade. The returns in this cycle differed

unprecedented buying interest—which in turn is responsible for a growing instability in the new issues market.

If there's only a manageable number of new issues lined up, many, if not all new IPOs will do well.

Underwriters capitalize on the initial feeding frenzy—and flood the IPO market with new issues. Inevitably, short-term traders are frightened away when a number of IPOs perform badly... leaving some IPO faltering and others delayed until a new cycle of greed has fueled the markets.

At the beginning of Q3, 1999 started, the IPO calendar was still manageable. Investors had recovered from the April-May 1999 sell-off. On average, those IPOs that made their debut in the first few weeks of July on average soared 240% on their first day of trading.

Just take a look at our past weekly picks, like Internet search engine **AskJeeves.com (ASKJ-NASDAQ)** and Internet music software developer **Liquid Audio (LQID-NASDAQ)**.

AskJeeves.com soared 414% on the first day and Liquid Audio opened 173% above the offer.

But the hype didn't last as underwriters brought more and more deals to the market and interest rate fears further scared away investors.

Hangover 1999

Here we entered into another cycle as we saw many deals open with little premiums. Some even fell below the offer price. By the end of the first trading day, **1-800-FLOWERS.COM, Inc (FLWS-NASDAQ)** closed below the offer.

With companies going public in earlier and earlier stages of development and sophistication, with little market history, or even any kind of history at all, it will become tougher to analyze the prospects of any specific company.

much from the earlier cycle when investors saw a 240% average gain in the new offers.

By early August, many market watchers had forecast the end of the IPO market. But when the mainstream is wracked by fear, there are more opportunities for Aftermarket buys.

In the Aftermarket, timing is of essence. And it should come to no surprise that the

top Aftermarket performers during the quarter debuted in late July and early August...

Down but not out

The new issues market did recover quickly with a less crowded IPO calendar and the perception that the Fed interest rate hike will be the last for a while.

By the end of August 1999, investors were once again jumping on the IPO bandwagon—bidding stocks to obscenely high levels. Our weekly picks have proved this to be true.

Vitria Technology, Inc. (VITR-NASDAQ) closed up 202% on the first trading day and **Kana Communications, Inc. (KANA-NASDAQ)** closed 240% on the first day.

(over, please)

■ No, we didn't shrink *Taipan*.
This is your December 1999 update issue. Look for the 2000 *Taipan Forecast* Issue to hit your mailbox before the holi-

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Taipan (USPS#008-049) is published monthly for US\$129 per year by Agora, Inc., 1217 St. Paul St., Baltimore, MD 21202-4799, USA. Periodicals Postage Paid at Baltimore, MD, and at additional mailing offices. **Postmaster: Send address changes to *Taipan*, 1217 St. Paul Street, Baltimore, MD 21202-4799 USA.**

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A total of 140 IPOs debuted during the third quarter of 1999, raising a staggering US\$19.4 billion. Quite a big stretch from the third quarter of 1998, when just 53 companies went public, raising only US\$7.2 billion.

What to expect in the year 2000

It's inevitable that we will enter back into the next cycle and see another correction and a great Aftermarket buying opportunity.

More than ever, investors buy into themes. With companies going public in earlier and earlier stages of development and sophistication, with little market history, or even *any* kind of history at all, it will become tougher to analyze the prospects of any specific company.

Most will have rapid sales growth off a small base and a large loss growth. Some of them are onboard to become the next blue chips, five or ten years down the line. But it will be more and more difficult to figure out which are the chosen ones.

Buckshot approach

To make up for lack of analytical focus, investors will be bidding up the entire sector. The most popular buzz words during the second quarter of 1999 were Business to Business (B2B), network equipment, IP telephony, and e-business software. *I think it's a safe bet that the enthusiasm for these sectors will remain unflagging for much of 2000.* Because the Internet provides unlimited opportunities.

Because the use of the Internet to communicate and conduct business is increasing rapidly. Companies are accelerating their movement to the Internet to capitalize on new business opportunities, reach broader consumer audiences and reduce operational costs.

IDC estimates that spending on software applications and services for e-commerce alone will grow from US\$7.8 billion in 1998 to US\$53.8 billion by 2002.

To compete online and to capitalize on Internet revenue opportunities (not to mention building strong shareholder value), businesses must build a distinctive presence on the web and continuously maintain and extend that presence. Accelerating time-to-web is essential to attracting customers and generating revenue opportunities.

Just as television stations create consumer loyalty with programs, web sites must do the same. Web content has to be accurate and rich

to discourage web surfing. But in providing services such as frequent content updates, high-resolution graphics, audio segments, video clips, and hyperlinked text, the site has created a strong need for content management solutions. IDC estimates that the web development life-cycle management software market will grow from US\$76.4 million in 1998 to US\$1.6 billion in 2003.

As markets become increasingly global and enterprises become increasingly decentralized, the business environment demands a more tightly integrated network of supplier, customer and partner relationships.

Real-time exchange of information across the enterprise can enhance management and employee productivity, create manufacturing efficiencies and improve customer service. For example, real-time information exchange with suppliers and customers expedites order fulfillment, permits just-in-time inventory management, enhances sales opportunities through direct customer interaction and facilitates the implementation of e-business solutions.

Cost of doing business

Creating a real-time enterprise through technology is complex. The range of computing environments and software applications utilized across the typical business organization is vast and growing. Organizations are incorporating powerful new enterprise software while seeking to take advantage of their prior technology investments. All of an enterprise's systems and applications must be tightly integrated in order to manage, grow and extend the enterprise. **So look for more E-business software and network equipment IPOs in the year 2000.**

What companies to look out for in 2000

■ *Linux in 2000*

International Data Corp. (IDC) research states that Linux was the fastest-growing server operating environment in 1998, growing more than 190 percent in that year alone and capturing more than 15.8 percent of the 4.4 million revenue shipment server operating systems market segment.

IDC also claims that **Red Hat (RHAT-NASDAQ)** Linux is by far the most popular



distribution, preferred by 68.7 percent of U.S. Linux users. *Taipan's* initial IPO play on Red Hat has soared 828% since its IPO in August.

Red Hat has gained open source support from many of the industry's leading software and hardware manufacturers, including Compaq, Computer Associates, Corel, Dell, Gateway, Hewlett-Packard, IBM, Intel, Netscape, Novell, Oracle, and SAP.

Red Hat announced plans to buy Cygnus Solutions in a stock deal estimated at 674 million dollars. The deal puts Red Hat in further competition with Microsoft and its Windows CE operating system. **Red Hat is positioned to be a big player in 2000.**

Wheel and Deal

■ **Interwoven, Inc. (IWOV-NASDAQ)** recently announced an alliance with Cisco Systems, Inc., the worldwide leader in networking for the Internet.

Under the agreement, Interwoven will team with Cisco to co-develop Web content management best practices, align market strategies and jointly market solutions to customers. With Interwoven's TeamSite Web content management system and Cisco's Internet Business Solutions this team will provide a robust infrastructure for customers to optimize and accelerate their transformation to eBusiness.

Interwoven will benefit from Cisco's Internet business technology experience as well as its market leadership in networking products and services. Both companies will benefit through joint technical development and integration.

Since its IPO debut in August, *Taipan's* position has gained a staggering 465%.

Faster and quicker

Digex (DIGX-NASDAQ), a leader of managed Web and application hosting services, recently entered into a strategic agreement that will enhance the delivery of Web content and applications for companies operating mission-critical Web sites.

Digex will offer **Akamai's (AKAM-NASDAQ)** content delivery services to its e-business and application-hosting customers to optimize end-to-end performance of their Web sites.

Digex focuses on maximizing the availability, scalability, performance and security of customers' Web sites and Internet applications. Akamai's services are the latest addition in Digex's High Availability and Performance suite of offerings which includes local and geographic load-balancing, stress testing, and the recently announced Dynamic Fail-Over solution.

This entire product suite is dedicated to eliminating site downtime that might interfere with mission-critical transactions online. Akamai's Internet content delivery services speed up Web site performance and improve reliability by delivering Web content from Akamai servers around the globe, located close to Internet end users.

Akamai's network today spans 24 countries with 1,475 servers. In addition to hosting servers for Akamai in Digex's data centers on the east and west coasts, Digex will offer a set price for Akamai's services worldwide - without geographic surcharges.

Cyberspace shopping

How many are last minute shoppers? Many shoppers have yet to purchase holiday gifts with only a little over a month remaining. But Internet shoppers have already spent US\$201 million in the first week of November and US\$222 million in the second week of November according to a survey commissioned by Goldman Sachs and PS Data Online. Jupiter Communications predicts that consumers will spend US\$6.1 billion online between Nov. 1 and Dec. 31, nearly double the US\$3.1 billion spent last year.

Expect robust online retail sales in the next couple of months and **Barnesandnoble.com (BNBN-NASDAQ)** is positioned to grab big returns.

As many shoppers are heading to the Net instead of the mall companies have developed quick downloadable websites. A recent study from Zona Research concluded that US\$4.4 billion per year in e-commerce sales in the U.S. may be lost due to unacceptable download speeds and the resulting user abandonment of online transactions.

According to Keynote, an Internet performance authority, early holiday e-shoppers in the first week of November experienced average web-site performance less than 16.0 seconds on Barnes & Noble at home. Since Barnesandnoble.com's debut in May, investors have seen little price movement in the stock. Expect a robust rally in 2000 for Barnesandnoble.com. **This remains an Aftermarket buy under US\$20.50.**

Do Fox' hibernate?

Fox Entertainment (Fox-NYSE) has moved little in share price since its IPO debut. We are marginally up in *Taipan*. The struggling Fox Network produced a week new fall line up and saw its audience drop. But hopefully all that will change with the newly appointed Chairman of Fox television Entertainment Group, Sandy Grushow.

In the late 1980s and early 1990s as Fox TV's executive, Grushow helped launch hit series for the network including *The X-Files* and *Beverly Hills 90210*.

He left Fox but returned in January 1997 as president of Twentieth Century Fox Television. During his tenure, the company has become a leader in network TV production with 20 series on the air, including *The Practice* and *Buffy the Vampire Slayer*.

When Fox first filed to go public the company had no Internet ventures, but now the Fox Foundry, a unit of **Fox Television Studios (FOX-NYSE)** that aims to be a type of incubator for converging Web and TV entertainment businesses, was created.



Fox Foundry, headed by Fox Vice President of Business Development Tom Smuts, will take the entertainment assets of **News Corporation (NWS-NYSE)** (Fox's parent company), hire senior executives from the TV industry, mix in e-commerce knowledge from Silicon Valley, and build new cross-media ventures.

If Fox Foundry projects are successful online, then the studios will migrate them to cable or even network television. Analysts believe that the Fox Foundry may be just what the company needs to help boost its Internet strategy. If you like a long term investment, Fox remains a buy under US\$23.

Time to sell

Tibco Software Inc. (TIBX-NASDAQ) has expanded its existing ties with Oracle to use Tibco's real-time pub-

lishing technology in new Oracle database and customer management software.

The expanded alliance includes a plan by Oracle to set up computer consulting practice to design and install systems using Tibco's software products, linked to Oracle's AQ database front-office and back-office business computer systems.

Tibco products also will be integrated into the Oracle Applications suite of products as an underlying technology.

With a reiteration of a buy by Alex Brown and a robust rally in Tech stocks, Tibco saw its share price soar from US\$39.00 at the beginning of November to US\$81.00 by mid November. Tibco was recommended a sell at US\$35.00 in the *Taipan* November issue and by the time the issue hit, *Taipan* saw IPO Gains from anywhere between 233% to 660% and an Aftermarket gain between 46% to 238%.

WHAT TO BUY AT WHAT PRICE

Computer Learning Centers (CLCX-NASDAQ)	Buy	Strong buy under US\$6
Genus (GGNS-NASDAQ)	Buy	Strong buy under US\$3
Fisher & Paykel (FAP-NZSE)	Buy	Strong buy under NZ\$6.00 (US\$3.30)
+ Uproar Ltd. (UPRA-Vienna OTC))	Hold	Speculative buy under €21 (US\$21.85)
Herzfeld Caribbean Basin Fund (CUBA-OTC)	Buy	Strong buy under US\$5.00
Uni-Charm (8113-Tokyo)	Buy	Buy under US\$60
Commodity Trust Fund Ltd (CMT-London)	Buy	Strong buy under US\$1.40
Elbit Ltd. (ELBTF-NASDAQ)	Buy	Strong buy under US\$11
*TyumenAviaTrans ADR (TYAVY-Pink Sheets, 902511104)	Buy	Speculative buy under US\$2
Hurricane Hydrocarbons Warrants (HUHY-TSE)	Hold	Hold
Restaurant Brands (RBD-NZSE)	Buy	Strong buy under NZUS\$1.30 (US\$0.70)
□ Sasol (SASOY-NASDAQ)	Buy	Strong buy under US\$5
Avant Immunotherapeutics (AVAN-NASDAQ)	Buy	Buy under US\$3.00
△ Ashanti Goldfields (ASL-NYSE)	Buy	Strong buy under US\$7
□ Hurricane Hydrocarbons (HHLAF-NASDAQ)	Hold	Hold
*Orckit (ORCT-NASDAQ)	Buy	Speculative buy under US\$30
□ Mosenergo ADR (AOMOY-Pink Sheets, 037376308)	Hold	Strong buy up to US\$2
Aramex (ARMX-NASDAQ)	Buy	Strong buy under US\$11
Suez Cement (SZCD-LN, CUSIP: 864690102)	Buy	Strong buy under US\$16
□ Surgutneftegaz ADR (SGTZY-Pink Sheets, 46625F104)	Buy	Strong buy up to US\$6
* Xoma (XOMA-NASDAQ)	Buy	Buy under US\$6.50
Elron Electronic Industries (ELRNF-NASDAQ)	Buy	Buy under US\$17.00
Williams Controls (WMCO-NASDAQ)	Buy	Strong buy under US\$3.50
□ Exponent (EXPO-NASDAQ) (Formerly FAIL)	Buy	Strong buy under US\$7

* Speculative — maintain adequate stop-loss provision.

△ Sell covered calls against position

□ Dollar-cost average during price weakness

+ Recent stock split

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