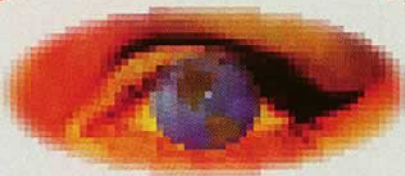


COMPANIES TO WATCH



BY BETHANY MCLEAN

Seeing Is Believing



SOURCE: JOHN MAHONEY/RAYMOND JAMES

METAL HALIDE, THE latest light technology—which makes brighter, purer light than incandescent bulbs but requires as little as one-fifth the energy—is streaking through the \$12 billion lighting industry. About 85% of all metal halide lamps sold generate revenue for **Advanced Lighting Technologies** (ADLT, Nasdaq)—including the lights used in arenas, airports, and public areas. After working with the technology for 16 years at GE, founder and CEO Wayne Hellman broke away in 1983. Rather than going head-to-head with giants like GE, Hellman became their supplier. Now the company has 100% of the U.S. market and 85% of the worldwide market for the key component used in metal halide lamps. “No one can make lamps without them,” says analyst John Mahoney at Raymond James. Advanced Lighting will soon shine even brighter: Car companies, including BMW and Mercedes, are beginning to use metal halide headlights. The stock isn’t cheap: Mahoney estimates next year’s earnings at \$0.55, resulting in a P/E of 33, but he predicts at least 40% growth in sales and earnings with no end in sight.

Reinventing the (Custom) Wheel

CHECK IT OUT

BOYDS

CAR BUFFS KNOW that custom wheels add instant style and prestige to a vehicle, and **Boyd's Wheels** (BYDS, Nasdaq) is one of the best names in the \$800 million business. Founder and CEO Boyd Coddington, a six-time winner of the annual America's

Most Beautiful Roadster award, began building custom hot rods in 1978. After repeated requests, in 1988 he began designing premium aluminum wheels—\$325 to \$1,625 apiece—for hot rods and pickup trucks. Now Boyds is speeding into bigger markets, like the Metal Tattoo line of wheels for Harley-Davidson motorcycles. “We’re the innovators of the wheel industry,” says Coddington. The name has power: Boyds just signed a lucrative licensing deal (the company gets 40% of sales) for the use of the Boyds moniker with Orion, a Japanese maker of high-end auto audio equipment; Mattel is rolling out toys like the Cadzilla, a replica of the car Boyd made for the rock band ZZ Top. And Boyd just launched Boyds Ultra Violet, a line of car-care products that analysts say could have the cachet to take off; AutoZone, a car-parts superstore, has inked a deal to market the line. Analyst Bill Gibson of Crutenden Roth predicts earnings of \$1.10 in 1997—up 72%—and thinks the \$14 stock will ride to \$22 within the year. “They’re just smokin’,” says he. But keep your eye on this one: The auto aftermarket business is notoriously cyclical.

From hot rods to Harleys, Boyds wheels are smokin’.



ALAN LEVENSON

A Dubious Switch

SINCE 1994, **DIANA** (DNA, NYSE) has augmented its money-losing meat business by accumulating an 80% stake in Sattel, a telecom company touting its central-office switching product that the company claims can provide a cheap connection to the Internet.



Like magic, Diana’s stock soared from \$4 in 1995 to \$114 in May 1996—a 2,750% gain, despite a dearth of switch sales. But investors, nervous about an over \$500 million market cap mostly based on a business with no substantive sales and no earnings, began to sell—the stock fell to \$20 by July. Now the stock’s at \$33, but industry analysts remain skeptical about the technology and the stock. Tom Nolli of CIMI Corp., who served as a consultant to the company, says, “There are no real showcase examples to validate Diana’s aggressive claims.” Manuel Asensio of investment bank Asensio & Co., who is short the stock, has just released a 16-page study calling Sattel’s claims “wholly false.” Sattel CEO Jim Fiedler counters that Asensio’s report is “erroneous” and that Sattel expects to report revenues of about \$4 million for the last quarter and a “modest profit.” But the numbers are likely to be scrutinized. The biggest sale Diana has made—touted as a \$40 million agreement to supply 21 switches to Concentric Network—was accompanied by a \$5 million loan from Diana; as of June 30, Concentric had purchased two switches. Fiedler says more are on the way, but until there’s proof of plenty of cold cash being spent on Sattel’s products, beware. **F**

ICON BY HELENE SILVERMAN