



Michael McDevitt leads diet product maker Medifast.

PHOTOGRAPH BY STAFF

Crunching the numbers

Public companies in Baltimore try and maintain growth amid market turmoil

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For fast-growing public companies, the stock market is the engine that fuels expansion.

But now that engine is sputtering — and the prestige of being a public company is tempered by the discomfort of being on display while grappling with an economic downturn.

Despite the market's troubles, the 10 fastest-growing public companies in Greater Baltimore posted revenue increases ranging from 19 percent to 405 percent in 2007. Most probably won't maintain those growth rates this year, but they are positioning themselves to build on their successes in a more difficult environment.

The stock market will pay close attention to who's buying what these companies are selling and how they get their money. In a credit-crunched world, companies that can meet their own financing needs through cash from operations will likely fare well with investors. And those that offer essential products and services — or can convince customers to shell out even when they're trimming spending — are also poised to do well.

Of Greater Baltimore's 10 fastest-growing public companies, three were in technology, a sector that has held up better than some others during the downturn after taking a beating earlier this

decade. Telecommunications firm Ciena Corp., retail and hospitality tech provider Micros Systems and wireless firm Telecommunication Systems Inc. all posted double-digit growth. Life science firms Osiris Therapeutics and Hemagen Diagnostics also saw growth soar. Osiris swung to a profit for the third quarter.

Ciena hit a bump recently when it revealed it had laid off 56 employees, including 19 local staffers. Analysts and investors are concerned the slumping economy will prompt large telecoms — which Ciena counts as customers — to delay orders to upgrade their networks.

A key test case for this group will be Baltimore's Under Armour, the sportswear maker that has built a premium brand into a high-profile growth stock. But as Mark Fightmaster, analyst with Schaeffer's Investment Research in Cincinnati, points out, the stock has fallen to about the same price it debuted at in 2005 — \$25 per share.

Under Armour has trimmed its earnings forecast for the year, but is moving ahead with plans to launch a running shoe in January.

One of the local companies benefiting most from the downturn is Baltimore's FTI Consulting, whose corporate advisory work includes turnaround and restructuring help for companies in trouble. FTI segments from forensic accounting to crisis communications should fare well in the downturn, said James Janesky, an analyst with Stifel Nicolaus. FTI has also landed work on big

bankruptcies like that of Lehman Brothers Holdings — cases that can go on for years and bring in millions of dollars in fees a month.

Still, FTI, which had been growing with a slew of acquisitions, has slowed the merger pace. And the company said Nov. 5 that it would delay a planned spinoff of its technology consulting division in an initial public offering.



FAST STAT
405

The revenue increase, by percent, of one of the fastest-growing companies on the Baltimore Business Journal's Lists. (See Pages 10A, 14A and 15A).

Source: BBJ

spend on lunch at a restaurant, CEO Michael McDevitt points out. Nearly half of Medifast's sales come from "coaches" who sell products to friends and family, and lots of new coaches tend to come on board when people get downsized or need to supplement their income.

But Medifast has slowed down on

building company-owned clinics and plans to cut its capital spending by about 4 percent next year, McDevitt said. The company has enough cash from operations to fund its capital expenditures, he said. For any public company these days, success depends on keeping investors informed without spooking them.

"In a time like this, it's better to over-communicate," said McDevitt, after returning from two weeks on the road visiting investors. "Uncertainty breeds fear."

Elkridge-based training and consulting company GP Strategies, which grew by 19 percent, also spends a lot of time on the road with institutional investors, said Alexander Paris Jr., an analyst with Barrington Research Associates. "They're not hiding out," Paris said. "They're very much out there defending the value of their stock."

Executives with GP Strategies, however, couldn't be reached. The company has faced concerns because of its exposure to the troubled automotive industry, especially GP's largest customer, General Motors. But GP Strategies does sales training for auto dealers — and Detroit will have to roll out new products to succeed, which will require training for sales staff, Paris said. The company also has a niche serving the rapidly expanding energy market.

Best of all, said Paris, GP Strategies has two key ingredients for any company that wants to succeed now — extra cash and a strong balance sheet.