Monthly Stock Monitor

September 4, 2007

ANDERSON & STRUDWICK
Serving Investors Since 1948

HIGHLIGHTS

COMMENTS AND UPDATES

CMS Energy (CMS--$16.48)

CMS Energy reported 2Q07 non-GAAP earnings of $0.08/share vs $0.19/share during 2Q06. These results exclude the net earnings/losses generated from the recent disposition of assets. If these are included, then CMS earnings were $0.15/share vs $0.31/share. For 1H07, CMS generated profits of $0.50/share vs $0.05/share. On a quarter to quarter basis, revenues increased to $1.32 billion from $1.22 billion. During its earnings conference call CMS management affirmed adjusted profit guidance of $0.80/share in 2007 and $1.20/share in 2008. The CMS turnaround continues as the company continues to reduce debt and improve its cash flow which should produce earnings growth during the next 2 years. Earnings growth may allow CMS to increase its recently reinstated common stock dividend. The company recently closed the last major asset sale in its international portfolio and expects to complete its international sales plan by the end of 2007. Once asset sales are complete, CMS will focus on running its core regulated utilities. Growing cash flow and cash on its balance sheet will go a long way to moving CMS further down its road to recovery. An encouraging sign is the amount of cash on CMS's balance sheet which has grown to $1.89 billion from $851 million. Additionally, the debt reduction at the parent level is expected to decline from $5.6 billion to $1.8 billion by year end 2008. These shares are rated OUTPERFORM and our price target is $19/share. (SFM)

First Trust Bank (NCFT--$18.00)

NCFT reported 2Q07 earnings of $0.27/share versus $0.25/share during 2Q06. The improvement came from higher net interest income and non-interest income. Net interest income rose to $3.44 million from $3.27 million as the bank experienced good loan growth due to a strong local economy in the Charlotte NC metropolitan area. Non-interest income increased to $141,000 from $85,000 as bank owned life insurance produced the majority of improved profits in this segment. Total interest expense was $3.52 million versus $2.50 million with the increase due to high short term rates. Non-interest expense was higher at $1.79 million compared to $1.63 million as compensation/benefits rose due to the addition of new employees. Return on assets (ROA) and return on equity (ROE) declined to 1.09%

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer page 4 of this report.

from 1.11% and to 12.50% from 13.08%, respectively. NCFT's net interest margin moved lower at 3.87% from 4.17%. Total asses grew 11% to $390.1 million from $349.8 million. Loans increased to $292.6 million from $248.2 million and deposits rose to $290.2 million from $281.5 million. Book value per share grew to $9.19 from $7.99. Despite the challenging conditions facing the banking industry, NCFT has continued to grow its profits and maintain a sound loan portfolio. This bank's strong loan growth in a vibrant Charlotte NC economy allowed earnings to grow during the past quarter despite rising interest and non-interest costs. While the company's ROA, ROE, and net interest margins declined when comparing 2Q07 with 2Q06 results, there was improvement when compared to 1Q07. Along this measure, ROA increased to 1.09% from 1.08%, ROE improved to 12.50% from 12.25%, and the net interest margin rose to 3.87% from 3.66%. These three measures could improve during 2H07 (leading to higher profits), and be further aided by a potential Federal Reserve rate cut in September. Trading at 1.9x book value these shares are rated NEUTRAL. (SFM)

Lions Gate Entertainment (LGF--$9.40)

LGF reported 1Q08 earnings of ($0.45)/share compared to ($0.03)/share during 1Q07. The wider loss was produced by a $47 million increase in advertising expense for promoting recent film releases. Revenues rose to $198.7 million from $172.5 million, while expenses grew to $250.3 million from $175.4 million. Motion picture revenue increased 3% to $170.3 million from $165.2 million as LGF film releases included "Hostel 2", "Slow Burn", "Away From Her", "The Condemned", "Bug", and "Delta Farce". Home entertainment revenues declined 10% to $103.8 million from $114.8 million due to harder comparative performance of its theatrical titles offsetting flat library revenues of $53 million and TV revenue growth of 51% to $22.4 million from $14.8 million. International revenue rose 47% to $22.7 million from $15.5 million resulting from strong foreign movie sales. TV Production revenues increased 289% to $7.3 million. During the earnings conference call, LGF management affirmed 2008 guidance of over $1 billion in revenues, $100 million in free cash flow, and a $50 million operating loss. LGF is a cash flow growth story going into 2009-2010 as the company strives to generate positive earnings by 2010. Higher advertising/marketing expenses for film releases will need to be offset by increased revenues from all of its operating units to produce profits by 2010. These shares are rated OUTPERFORM and recommended for aggressive/speculative accounts. Our price target is $13.86/share. (SFM)

NiSource (NI--$19.07)

NiSource reported 2Q07 earnings of $0.10/share vs. $0.14/share during 2Q06. Street consensus had expected $0.11/share for the just completed quarter. Non-GAAP operating earnings declined to $142.7 million from $157.3 million resulting from higher operating/maintenance expenses and increased interest expense. Operating expenses were $543.9 million versus $502.7 million. Total revenues increased to $682.9 million from $659.9 million due to higher electric/gas utility sales and improved performance at its Whiting Energy Plant. Book value per share rose to $18.51 from $18.32. NI has many valuable energy assets but short-term earnings growth looks minimal given its rising operating and maintenance expenses. The outsourcing agreement with IBM was supposed to save NI billions of dollars, however, no savings have materialized and thus prevented earnings growth. Going forward, NI management will need to control/reduce costs in order to produce earnings growth. One potential positive for the stock could be a spin-off of its gas assets, which we believe would be greeted favorably by Wall Street. NI's $0.92/share annual dividend appears secure given the company's $1.35/share 2007 earnings guidance. NI shares trade at 1.1x book, below its industry peer average of 1.5x-2x book, while offering a high dividend yield of 4.5%. Potentially, NI management can create shareholder value by monetizing some/all of its valuable energy assets. These shares are rated OUTPERFORM and our target price is $27/share, or 1.5x book. (SFM)

Playboy Enterprises (PLA --$11.04)

Playboy Enterprises reported 2Q07 earnings of $0.06/share versus ($0.10)/share during 2Q06. Operating income rose to $3.8 million from an operating loss of $1.2 million as the company incurred a $1.9 million restructuring charge during 2Q06. The improved results were produced by increased earnings at the Entertainment and Licensing units. Entertainment unit's income rose 50% to $7.3 million as the company saw improvement in its domestic/international TV business and 8% rise in online/mobile revenues. The Licensing unit income rose 36% to $5.5 million from higher licensing fees from the Palms Casino resort operations in Las Vegas, increased royalties from consumer products, and the sale of company-owned art. The Publishing business produced an operating loss of $2.3 million compared to a $1.8 million loss during last year's quarter as revenues declined 5% to $22.7 million. Revenues from the "Playboy Magazine" fell 6% as circulation revenues declined 8% and advertising was lower by 3%. Additionally, post - employment benefits increased as did subscription collection costs. Corporate, administrative, and promotional expense were flat at $6.6 million. Going forward, PLA management believes its operating results will show improvement based on continued progress in its TV business, positive contributions from the internet group, and positive results from the Palms Casino Resort. Additionally, PLA will partner with Macao Studio City to create a Playboy Mansion Macao in Macao featuring many of the same characteristics of the Playboy Mansion in Los Angeles in addition to offering casino services. The company expects this project to open during 4Q09. PLA's shares have been very volatile during the past few years based on its earnings' announcements. We expect this volatility to continue going forward and PLA's shares could rally if management's guidance of improvement during 2H07 comes to fruition. These shares are recommended for speculative/aggressive investors. We rate PLA OUTPERFORM with a price target of $16/share. (SFM)

Shore Financial Corp. (SHBK--$12.90)

SHBK reported 2Q07 earnings of $0.23/share versus $0.29/share during 2Q06. The decline in earnings was due to higher interest expense, lower non-interest income, and an increase in non-interest expense. Non-interest income declined to $811,600 from $842,200 resulting from lower deposit fees offsetting. Excluding the charges related to its Salisbury MD branch, non-interest expense rose to $2.09 million from $1.87 million due to higher compensation and benefits expense from new employee additions, higher compensation in SHBK's mortgage business, and adjustments in salary/benefits. Non-interest expense included a $148,000 charge regarding the razing of its Salisbury MD branch, which the SHBK plans to rebuild a new full service facility on that site. Net interest income rose to $2.21 million from $2.15 million. Net interest margin increased to 3.67% from 3.57% while SHBK's efficiency ratio rose to 67.98% from 62.25%. Book value per share grew to $10.70 from $9.87. SHBK faces operating challenges as do many of its industry brethren. The unfriendly interest rate environment has caused a rise in interest expense, however, recent rumblings from the Federal Reserve regarding a potential decrease in interest rates could go a long way towards improving SHBK's earnings. Although SHBK's earnings, on a quarter to quarter basis, moved lower there was some good news as its net interest margin increased to 3.67% from 3.57%, and was higher than 1Q07's result. The ROA and ROE ratios are likely to remain under pressure given the current interest rate environment and a higher efficiency ratio as the bank plans to rebuild its Salisbury MD branch, move its Cheriton VA office to Cape Charles VA, and open its 8th branch in Pocomoke City, MD. These shares are rated NEUTRAL. (SFM)

Smithfield Foods (SFD--$32.83)

Smithfield Foods reported 1Q08 earnings of $0.47/share vs $0.36/share, beating street consensus by $0.05/share. The improvement was due to higher operating profits in the pork, beef, hog, and international operations. Total operating profit rose to $147.1 million from $99.2 million based on the increases at SFD's operating units. Revenues improved to $3.4 billion from $2.8 billion. Packaged meats volume grew 28% primarily from the Armour-Eckrich contributions purchased in 2006. Beef processing margins rose but fresh pork margins remained under pressure. Hog production profits increased despite higher costs and the negative impact of circovirus. During the conference call, SFD management expects the upcoming ham holiday season to do well and expects further improvement in the beef business. While the international operations should continue to do well, problems remain with its Romanian operations after 3 of SFD's farms discovered swine fever in its herds. Management did disclose they are in talks with a large Chinese trading company which may allow SFD to ship large amounts of its pork into China. SFD earnings continue to set the stage for earnings growth this fiscal year (2008) and the stock should continue to trade between $28-$35/share. Earnings growth should materialize as its pork, packaged meats, beef, and international operating margins improve going forward. SFD's stock is susceptible to price swings in 4 commodities: PORK, BEEF, CORN, & SOYBEAN. We currently rate SFD OUTPERFORM with a target price of $41.25. (SFM)

Steven F. Marascia
Research Analyst
(804) 344-3806 / (800) 767-2424
smarascia@andersonstrudwick.com

Important Disclosures

Steve Marascia certify, with respect to the companies or securities that he analyzes, that (1) the views expressed in this report accurately reflect his personal views about all of the subject companies and securities and (2) no part of his compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Anderson & Strudwick makes a market in Shore Financial Corp.

Anderson & Strudwick makes a market in First Trust Bank

Steve Marascia owns shares of CMS Energy and Lions Gate Entertainment.

Stock ratings used in this report are defined as follows:

(1) Outperform – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
(2) Neutral – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
(3) Underperform – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe is as follows: (1) 46%, (2) 53%, (3) 1%

The distribution of investment ratings used for companies whom we have performed banking services in the last 12 months are: (1) 60%, (2) 40%, (3) 0%

For regulatory purposes, our ratings of Outperform, Neutral and Underperform most closely correspond to Buy, Hold and Sell, respectively.

Other Disclosures

This report is not directed to, or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Anderson & Strudwick or its affiliates to any registration or licensing requirement within such jurisdiction.

The information presented in this report is provided to you for information purposes only and is not to be used or considered as an offer or the solicitation of an offer to sell or buy or subscribe for securities or other financial instruments. Anderson & Strudwick may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. Anderson & Strudwick will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. Anderson & Strudwick does not advise on the tax consequences of investments and you are advised to contact an independent tax advisor. Information and opinions presented in this report have been obtained or derived from sources believed by Anderson & Strudwick to be reliable, but Anderson & Strudwick makes no representation as to their accuracy or completeness. This report is not to be relied upon in substitution for the exercise of independent judgment. Anderson & Strudwick may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Anderson & Strudwick and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise.

For more information on this report, please contact us at 800-767-2424 or write to Anderson & Strudwick 707 E. Main Street 20th Floor, Richmond, VA 23219.