

**Opinion Research Corporation**

AMEX-OPI- \$9.00

(Website: www.opinionresearch.com)

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**An Undervalued Stock in a Dynamic Sector**

Current Data		EPS	P/E
Fiscal Year End	Dec	1998 (pro forma)	\$ 0.36 25.0
Current Price	\$ 9.00	1999E	\$ 0.58 15.6
52-Week Range	10-3	2000E	\$ 0.67 13.5
Shares Out (Mill)	4.2	Valuation	
Ave Volume LTM	6,900	P/E (Next FY)	15.56 20-16
Market Capitalization	\$ 38.0	P/B	2.1 2.2-1.8
LTD/Total Capital	71.0%	Price/Sales	0.39 0.4-0.34
Institutional Holdings	41.6%	Operating Data	
Insider Holdings	38%	Sales Growth	This Qtr LTM
Book Value	\$ 4.37	EBITDA Margin	89.0% 40.0%
30Yr Bond	6.26%	Net Inc. Growth	12.0% 12.9%
			86% 84.1%

Source: Baseline except for EPS estimates, researchstock.com

Source: Baseline

**Key Investment Points**

- Firm focused on B2B market research niche
- Loyal and growing base of Fortune 50 clients
- Proprietary products and highly educated staff
- Ability to provide a one-stop shop for global market research projects
- Large contract backlog expected to provide earnings visibility in 2000+

**Company Description**

Opinion Research Corporation (OPI) is one of the leading global market research firms in the US, providing B2B and public (government) markets with sophisticated market research and teleservices. OPI's services help firms with customer loyalty, branding, corporate reputation, as well as evaluating market demand for new or existing products. The Company focuses on projects that require continuous updating, thus resulting in a stable client base and recurring revenue streams. The Company's client base includes Fortune 50 multinational firms such as Bell Atlantic, Chase Manhattan, several US Government agencies and General Motors. Founded in 1938 by market research pioneer and ex-partner of George Gallup, Claude Robinson, the Company had its IPO in 1993. In January 1998, OPI entered the telemarketing business by acquiring ProTel Marketing (now ORC ProTel) and entered the public research sector with the May 1999 acquisition of Macro International.

## Undervalued Growth Stock in a Dynamic Sector

We think the market is overly discounting OPI shares. Our opinion is based upon recent merger activity, a comparison to the Company's peer group, and the Company's strong fundamentals such as trailing 12-month growth rates of:

- 40% in revenues,
- 69% in EBITDA, and
- 84% in Net Income (excluding the one-time charge in 4Q98).

## M&A Activity

At the end of 1999, three of OPI's peer group were acquired at an average multiple of 1.6 times trailing 12-month revenues (see Table 1). This represents a significant premium relative to the 0.4 multiple currently accorded to OPI. While we recognize that takeover premiums and liquidity discounts are factors, given OPI's financial performance and growth prospects, we think a fairer valuation would be nearer one-time revenues.

(\$MM)		LTM Revs	Acq. Price	Revenue Multiple
INTELLIQUEST INFORM	IQST	43.00	100.33	2.33
NFO WORLDWIDE	NFO	432.00	579.80	1.34
MARC	MARC	91.00	104.00	1.14
Average				1.61
<b>Market Cap</b>				
OPINION RESEARCH	OPI	99.00	37.80	0.38

It is noteworthy that OPI's shares started to rally at the same time as these mergers were announced. In November 1999, OPI shares were trading about \$5.00. By year-end, they rose 80% to \$9.00. Yet, we think there may still be another 20% upside in these shares.

## Peer Group Analysis

To present a brief analysis of OPI's peer group; we selected companies that had EPS forecasts for calendar 1999 and 2000 as well as the leading Advertising Services firms and the sector index (SRVAM). These companies are presented in Table 2 along with their PE/EPS Growth Rate and Price/Sales ratios.

		EPS			2000PE	PEG	P/S	Price	
		1999	2000	% Growth					
OPINION RESEARCH	OPI	\$0.56	\$0.68	21.4%	13.2	0.6	0.4	\$9.00	
NET PERCEPTIONS	NETP	-\$0.65	-\$0.66	-1.5%	-86.4	56.1	83.6	\$57.00	
@PLAN.INC	APLN	-\$0.20	-\$0.48	-340.0%	-22.7	0.1	16.3	\$10.88	
ACNIELSEN	ART	\$1.29	\$1.38	7.0%	14.3	2.1	0.8	\$19.75	
INFORMATION RESOURCE	IRIC	\$0.05	\$0.27	440.0%	28.7	0.1	0.4	\$7.75	
MEDIA METRIX	MMXI	-\$0.41	-\$0.36	12.2%	-97.6	-8.0	32.9	\$35.13	
		Ave.			23.2%	-25.1	8.5	22.4	
INTERPUBLIC GROUP	IPG	\$1.29	\$1.48	14.7%	31.0	2.1	3.0	\$45.88	
OMNICOM GROUP	OMC	\$1.97	\$2.28	15.7%	41.6	2.6	3.5	\$94.94	
SERVICES-AD/MARKET	SRVAM	\$8.48	\$9.82	15.8%	35.7	2.3	NA	350.57	

This data reinforces our opinion that OPI shares are undervalued. Even if one ignores the inflated valuations accorded to Internet related firms, and make an adjustment for OPI's small float and financial leverage, OPI shares appear cheap relative to the more reasonable valuations accorded to AC Nielsen, Omnicom, Interpublic and the Sector Index.

## Why Are These Shares Undervalued?

We think OPI shares are undervalued due to technical and fundamental factors.

1. **The Company lacks a wide following among Wall Street analysts.** OPI currently has just two analysts covering the firm, and this coverage was initiated in late 1999. (We will initiate coverage with the fourth quarter results.) The rest of the group in Table 2 has an average of eight analysts. Omnicom has 10 analysts covering it. Consequently, many investors are not hearing what we think is an impressive story.
2. **Inconsistent financial performance.** After going public in 1993, OPI's financial performance suffered due to a series of disappointing expansion attempts. The Company's credibility suffered and Wall Street orphaned the Company.

Operating performance improved significantly since 1997 as OPI shed peripheral units and focused on core competencies in the global B2B sector, the strategy established by the current Chairman, John Short. More recently, OPI made two strategic and successful acquisitions that have been additive to earnings; ProTel (providing access to the \$90 billion teleservices market) and Macro International (an entrée to the government sector and a \$200 million backlog). We have summarized OPI's operating performance in Table 3. We expect future earnings growth to be more consistent, at about 20%+ per year.

<b>Table 3: Annual Earnings Model</b>					
(\$MM)	1996	1997	1998	1999*	2000E
Revenues	47.27	56.67	73.17	114.95	<b>143.25</b>
Cost of Goods Sold	30.30	34.37	44.81	73.09	<b>92.54</b>
Gross Margin	16.97	22.30	28.36	41.85	<b>50.71</b>
SG&A	12.20	16.84	19.41	27.94	<b>33.60</b>
Depreciation	2.40	2.66	4.14	5.72	<b>6.40</b>
Operating Income	2.37	2.80	4.81	8.20	<b>10.71</b>
Interest Expense	0.80	0.67	1.87	4.02	<b>5.60</b>
Other Income/Expens	0.00	0.00	2.47	-0.20	<b>0.00</b>
PreTax Income	1.57	2.13	0.47	4.37	<b>5.11</b>
Income Taxes	0.80	0.98	0.49	1.94	<b>2.30</b>
Extraord	0.00	0.00	0.15	0.00	<b>0.00</b>
Net Income	0.77	1.15	-0.17	2.43	<b>2.81</b>
<i>* Includes charges related to ex-CEO.</i>					
EPS-Diluted	\$ 0.18	\$ 0.28	\$ (0.04)	\$ 0.58	<b>\$ 0.67</b>
Diluted Shares	4.213	4.146	4.202	4.202	<b>4.202</b>
<b>Growth Rates</b>					
Revenues	7.2%	19.9%	29.1%	57.1%	24.6%
Net Inc.	145.5%	49.2%	-114.7%	1530.1%	15.6%
EPS	147.0%	51.6%	-114.5%	1530.1%	15.6%
<b>Margin Analysis</b>					
Gross	35.9%	39.4%	38.8%	36.4%	35.4%
EBIDTA	5.0%	4.9%	6.6%	7.1%	7.5%

The net result of these factors is that the market is not fully aware of OPI's improved fundamentals and earnings potential. Liquidity and market capitalization issues currently limit

institutional participation. But this could change if individual investors and small cap mutual funds start to take notice.

### Our Analysis

OPI is strategically positioned to capitalize on several major trends in the economy and the Market Services sector. In a full report soon to be published, we will go into more detail. For now, we see the Company benefiting from the following macro and company-specific issues:

- Macro Issues:
  - Demand for market research services will grow as deregulation and globalization increase competition.
  - The B2B niche will be the fastest growing segment and firms that have the ability to perform international projects will have an advantage.
  
- OPI has:
  - Experienced and motivated management.
  - Highly educated employees.
  - Proprietary technology and Internet orientation.
  - Unique product offerings.
  - One of the few US firms able to handle global projects.
  - Ability to perform global research projects.
  - \$200 million government contract backlog.

If the Company reports 4Q99 results in line with the current consensus estimate of \$0.14, it would not be unreasonable to expect the Company to receive more attention and the shares a more reasonable valuation.

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