



Thu: The top and bottom

Top Image is gaining recognition, Tower Semiconductor's revival continues, and Vocaltec's share manipulation got the response it deserved.

Shlomo Greenberg 1 Dec 05 17:50

<http://www.globes.co.il/serveen/globes/DocView.asp?did=1000035362&fid=1052>

California-based issuer paid research firm Dutton Associates is continuing its exploration of Israeli companies traded in New York. Its most recent review, which I have previously mentioned, included a "Strong Buy" recommendation for Elron Electronic Industries (Nasdaq: ELRN; TASE: ELRN). I have now received their study of Top Image Systems (TIS) (Nasdaq: TISA).

Dutton recommended "Strong Buy" for Top Image, with a target price of \$4 for next year. Analyst Rafael Kapelinski believes that Top Image will become a leading company in content identification software. The company has leading technologies, excellent management, vision, and capabilities. It is competing successfully against its rivals, one of which, Captiva Software (CPTV), was recently acquired by Massachusetts based information giant EMC Corporation (NYSE: EMC). EMC spent \$5 billion over the past three years acquiring seventeen companies in the Internet content identification field. EMC is on its way to take over the identification and testing of Internet content for offices and homes. This IT niche of identification, cataloging, and safeguarding (or erasing) material that enters business offices is one of the most promising areas for the future.

Light in the Tower tunnel

What makes Tower Semiconductor (Nasdaq: TSEM; TASE: TSEM) run? The share, which fell 22% in the first half of November, has risen 38% to \$1.60 since November 22. Semico Research, which focuses on the semiconductor industry, said that its recent study had shown that revenue of semiconductor foundries would rise 29% next year. Demand for wafers will rise 23% in 2006, and, for the first time in years, the per-unit price will also go up. There is, of course, no connection between this study and what will happen to Tower, except that the business climate will become easier. All the rest depends on Tower's management, and that, in my opinion, is the reason why the share has begun rising again. The company yesterday obtained approval from the National Quality Association in the UK, an extremely prestigious institution. This constitutes recognition of Tower's quality and performance, and enables the company to meet the terms posed by various industries. The requirements for this approval are the toughest in the industry.

A predictable crash

What's VocalTec Communications (Nasdaq: VOCL) doing? The company is carrying out a 13 for 1 split, thereby reducing the number of its shares to 4.624 million. This immediately followed an issue of 46 million shares to Tdsoft Ltd., which in effect gave the latter control of the company. What happened next was predictable. The "new" share, which began trading last Friday at \$6, plummeted yesterday to \$3.8 million. Why was that predictable? For the simple reason that the public isn't as stupid as the managements of companies doing reverse splits as a trick with no economic target think it is. The fact that Vocaltec carried out its split in order to remain on Nasdaq did not halt its economic deterioration, which was already going in full force. All that happened was that the share looked fatter. In reality, however, it has become very anorexic, and the exercise was just an illusion. Take a look back, and you'll see that, over the past 100 years, every reverse split done without economic continuity only serves to wreck the share and send it back to its pre-split price.

Published by Globes [online] - [www.globes.co.il](http://www.globes.co.il) - on December 1, 2005