

YOUR MONEY

Edited by John Case

HOW THE PROS PICK GROWTH STOCKS

One day in the summer of 1979, Debra Joseph Diamond got a call from an institutional salesman for Rotan Mosle Inc., a regional brokerage firm based in Houston. Diamond, a small, dark-haired woman who was then only 26, was a vice-president and investment analyst with T. Rowe Price's group of mutual funds in Baltimore. Her job was to find health-care and medical-services firms for possible inclusion in TRP's New Horizons Fund portfolio, the group's small-company growth-stock entry in the mutual-fund market.

The Rotan Mosle salesman knew all this, and was calling to urge Diamond to follow up on a little-known stock being touted by a broker in his firm's New York City office. The company he was pushing was Key Pharmaceuticals Inc., a Miami-based enterprise with sales at the time of \$13.5 million.

Reading up on the company, Diamond discovered that most of Key's sales reflected the success of a product called Theo-Dur, a treatment system for asthma. In the treatment of asthma with the drug theophylline, the range between potentially toxic overmedication and ineffective undermedication is narrow. Theo-Dur allows even, sustained release of the drug over a 12-hour period. Introduced in 1976, it had sold well.

Now Key was rolling out a Band-Aid-like nitroglycerin patch called Nitro-Dur for patients suffering from angina pectoris. Angina patients typically take nitroglycerin in pill form, which reduces its effectiveness, or in ointment form, applied to the skin. Nitro-Dur simplifies the latter process—a patient can put a patch on the skin every 24 hours and forget about it—and it apparently acts as a sort of prophylactic, relieving the anxiety that patients anticipating pain normally undergo.

In late summer 1979, Diamond went to New York, where along with some oth-



Steve Norwitz

Debra Diamond, an analyst for the New Horizons Fund, does extensive research before recommending a stock, and then keeps up with the news after the fund buys into a company.

er analysts she had lunch with Key's management. Impressed with their presentation, she visited Key at its Miami headquarters. There, the president and chairman fielded her barrage of questions about strategy, finance, and products, and she took a tour of the facilities.

The company, she felt, was looking good. Key had evidently found a unique

niche in the marketplace, with both of its major products promising to serve a large clientele. She thought well of the company's management and its research and development teams. Although Key was young, its president, Michael Jaharis Jr., had many years of experience with Miles Laboratory Inc., and understood the importance of marketing. His company