

# A Sarasota company finds new ways to crunch the stock market numbers

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SARASOTA -- It is unusual to find a locked door on an office when there are workers inside. But that's the case at the east Sarasota headquarters of Newsgrade Inc.

The 6-year-old company has already gone through \$18 million and has 400 shareholders, yet no reporter has ever been there or in their previous offices in New York City.

As Newsgrade's executive summary explains, they've "conducted their operations in a highly stealth mode."

There are few visual clues, either. All the work is cerebral. You'd have to eavesdrop on a meeting to know what was really going on at all those computers.

The "product" is access to financial software and databases via the Internet. Sounds boring, until president David Markowski shows slides and talks the talk.

In short, the company's managers expect to overtake Dow Jones, Reuters and Bloomberg to become the "world's largest producer and publisher of financial news and information."

They think they've found several vacuums in financial reporting and they are determined to fill them with valuable chunks of data that anyone can understand -- pre-digested, pre-filtered and color-coded.

Newsgrade plans to generate news stories based on all the data, not waiting for the establishment financial press or the company to explain what happened. Newsgrade is planning to simply report what is going on within a company from the data it must publish to remain a publicly held stock.

They have decided to do this for nearly every stock on the planet -- 80,000 issues -- almost instantaneously, and in different languages.

A revelation occurred to them last year while they were getting all the stuff ready for primetime. They think that their software would have spotted Enron as a loser when there was still time to sell it.

A few years ago

Back in 1996, when the Internet was just beginning to get its legs, Newsgrade was two guys -- Michael

Markowski and Robert Pittenger -- with an idea.

Before companies such as Yahoo.com got into the stock reporting business, they were picking up corporate press releases and financial reports and posting them to their own Web site, SSNN.com. It stood for "Small Stock News Network." Bill Gates' then-fledgling Internet effort, msn.com, used SSNN news.

Newsgrade was trying to get paid by the stock companies to display pages of their data, but that business model didn't fly.

Meanwhile, though, the two men had developed the infrastructure for a huge database of stock companies using a somewhat arcane, but very powerful, programming language called APL. It allowed them, with one or two lines of computer code, to cross-section the 1,801 data components they are now following for 15,000 stocks, and to do it at high speed.

They could choose a measurement, such as operational cash flow per share, and analyze one company with it, or a whole industry group, or the entire stock market.

Others joined, attracted by the potential of creating a stock research engine that was better than everything else available.

Michael Markowski's brother, David, became president, allowing Michael to focus on what he likes: research. Ron Erickson, who in his pre-Internet life was the chief executive of Egghead Software, became chairman.

Newsgrade was getting bigger, better, faster, but, unfortunately at the time, nobody was buying.

By the fall of 1998, says Michael Markowski, "There was a lot of angst and despair."

The breakthrough

Finally, in October 1998, they ripped up the original plan and came up with a new one.

"We decided, if the companies don't want to pay us, let's go out and use our number-crunching ability to build our own grading system," Michael Markowski said.

Their first effort in this regard was stockgrade.com, and it turned out to be too successful for its own good.

Just like teachers grading students, they began ranking stocks with A, B, C, D or F ratings based on earnings, revenues and stock performance.

Then, they would put out a digital news release when they noticed their computer generating a significant rating change in a widely held stock.

The Internet portal companies such as Yahoo and market specialty sites such as Raging Bull would pick up the items to round out their pile of news for the day.