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MERCK & CO.



Raymond V. Gilmartin, 62
CEO since 1994

Industry
Drugs
& Biotech
Sales
\$51.8 billion
Net Income
\$7.1 billion

Considering how many forces have been working against Merck, the drugmaker's performance has remained remarkably solid. The patents on some of its most lucrative products have expired, sending sales of those drugs into free fall because of generic competition. But the Whitehouse Station (N.J.) company has been able to generate decent topline growth, in part because of its drug benefits management operation, Medco Health Solutions. At the same time, some of Merck's blockbusters, including the \$5.6 billion cholesterol drug Zocor and the \$2.3 billion osteoporosis treatment Fosamax, have continued to grow at a nice clip. The strong profitability of those products also helped Merck generate an admirable return on equity of 40.8%. And look for Merck's healthy 13.8% profit margin to improve as it plans to spin off Medco—which, although a driver of sales, is less profitable than the core business.

Industry
Health-Care
Equipment &
Services
Sales
\$7.3 billion
Net Income
\$1.4 billion

MEDTRONIC



Art Collins, 55
CEO since 2001

A rich pipeline of new products fuels this Minneapolis health-care giant's success. With 10% of its revenues going into research and development each year—significantly more than rivals—Medtronic has come up with breakthrough products such as a new pacemaker to treat the sickest of the 5 million Americans with congestive heart failure. That helped Medtronic increase its net income by 70% last year—a vast improvement on its three-year annual average of 9.3%. The company is also developing products to help those with spinal disease and diabetes. If growth ebbs, Collins isn't afraid to use his \$1.5 billion in cash for acquisitions.

Industry
Food, Beverage
& Tobacco
Sales
\$25.1 billion
Net Income
\$3.3 billion

PEPSICO INC.



Steven S. Reinmund, 54
CEO since 2001

While there were no new blockbusters such as Mountain Dew Code Red or Pepsi Twist to put sparkle into soda sales in 2002, PepsiCo could count on brands such as Frito-Lay to deliver another solid year. The Purchase (N. Y.) company also got a nice margin boost from its \$14 billion merger with Quaker Oats, completed in 2001. The cost-cutting from the deal helped lift PepsiCo's net income up 24% last year despite a sluggish economy. Pepsi is betting on new snacks to bump sales up in 2003 at close to this year's 7% rate. A push in low-fat foods—a fast-growing category—could help Pepsi balance its image as a purveyor of sugar and fat.

Industry
Banks
Sales
\$28.5 billion
Net Income
\$5.7 billion

WELLS FARGO & CO.



Richard M. Kovacevich, 59
CEO since 1998

Forget investment banking or high-flying loans to telecom startups. Wells Fargo has succeeded by sticking to less risky forms of banking. With unglamorous services like 401(k) administration and credit cards, the San Francisco company generated income growth of 67% and a return on equity of 18.8% last year. The housing boom clearly helped; Wells had \$333 billion in mortgage originations. But Kovacevich's strategy hinges on cross-selling an array of products. Wells sells about four per customer, double the industry average. Now it's pushing into wealth management, hoping to steal clients who are wary of Wall Street.

Industry
Health-Care
Equipment &
Services
Sales
\$55.2 billion
Net Income
\$506 million

MCKESSON CORP.



John H. Hammergren, 44
CEO since 2001

McKesson has come a long way since a 1999 accounting scandal that led to earnings restatements, fraud charges, and shareholder lawsuits. Amid the controversy, the San Francisco health-care company made key acquisitions and expanded its core drug-distribution business by 21% last year. That helped it register an impressive 324% growth in net income on a 14% jump in sales. McKesson stabilized its scandal-plagued technology unit, partly by improving customer service. Even so, a new industrywide federal probe is another concern. No wonder shareholder returns are down 23.8% in a year of impressive growth.

TIMOTHY WY (GILMARTIN); DOUG KNUTSON (COLLINS); RICK MANNING (REINMUND); WELLS FARGO & CO (VA BLOOMBERG NEWS (KOVACEVICH); BLOOMBERG NEWS (HAMMERGREN)