

REPORT ON BUSINESS

Imasco gets nod, though some feel glory years past

By PAUL GOLDSTEIN

Imasco Ltd. of Montreal has been a great stock and should perform well in the next two years, but some financial analysts say the glory years are over.

However, a price-earnings multiple higher than 10 times the share profit forecast is expected, which could add about 30 to the stock price in 1986. The company pays an annual dividend of \$1.24 a share.

Imasco shares rose from a low of \$14 in August, 1979, to a recent high

of \$43.25 on the Toronto Stock Exchange before settling at about \$42.72.

Leo Manette of Brown Baldwin Maker Ltd. of Toronto predicted 5 to 6 per cent profit growth from Imasco's Imperial Tobacco unit and 15 per cent from the drugstore and fast food operations.

In addition, the analyst liked the "financial leverage provided by the free cash flow from operations" and the additional profit from the latest acquisition, Peoples Drug

Stores Inc. of Alexandria, Va.

She forecast profit growth of 15 per cent for the next two years, meaning \$4.35 a share for the year ended next March and \$5 a share in fiscal 1986.

In fiscal 1984, Imasco had a profit of \$194.2 million on revenue of \$2.67-billion. Share profit was \$4.86, but afterwards the convertible preferred shares were converted, diluting it to \$3.88. A year earlier, profit was \$156.8 million or \$3.47 a share on revenue of \$2.71-billion.

"Our target price for the shares over the next year is \$50, assuming the market records a multiple of 10 times to the earnings, a multiple warranted by the past and future performance of the company," Ms. Manette said.

Wendy owned Herder's, the fourth largest U.S. hamburger chain, recently made a small acquisition involving three Italian restaurants and a seafood restaurant in Louisville, Ky., presumably an experiment.

The only other departures from the fast food outlets are 36 company-operated and nine franchised restaurants on college campuses and university hospitals.

Ms. Manette wonders how the expected changes at the top will affect growth. Paul Parr, Imasco's chairman and chief executive officer, "has not been shy" about announcing his retirement plans, she said.

Toronto securities lawyer Purdy Crawford, a director and member of the executive committee for many years, appears to be in line

Imasco Ltd. (TSE)	
Recent price:	\$42.72
1984 high/low:	\$43.25/\$38.87
Share profit for 1984:	\$3.88
Estimated for 1985:	\$4.25-\$4.50
Estimated for 1986:	\$5-\$5.40
Indicated dividend:	\$1.24
Year ends on March 31	

since he will be succeeding L. E. Ricard, president and chief operating officer, on his retirement next year.

Cynthia Rose-Martin, an analyst at Whiting-based Richardson Greenfield of Canada Ltd., said: "Imasco has outperformed almost all other major multi-business companies, as measured by growth and profitability, yet it is accorded a fairly modest multiple relative to many far less successful companies. This is unwarranted."

Since much of its growth will be in the United States, this in itself warrants a higher multiple, she said. She predicted share profits of \$4.28 this year and \$5.40 in fiscal

1986, when Peoples Drug Stores will begin contributing to profits.

Analyst Neil Wickham of Welwyn Dodge & Cochran Murray Ltd. of Toronto predicted \$4.50 a share this year and \$5.20 a share next year.

Michael Palmer of Bache Securities Inc. of Toronto predicted \$4.40 a share this year and agreed that the shares deserve a higher multiple.

"That may be, but the reason we initially liked the stock many years ago was that it was trading at a low multiple when its basic business was tobacco and almost guaranteed strong growth," he said.

"Now that tobacco is likely to slow, there is the possibility that the company may not be able to consistently provide the performance that has come to be expected of it."

Mr. Palmer has rebuffed Imasco stock "as a trading vehicle. We doubt that it can significantly outperform the market from current levels over the next few years and we suggest that aggressive fund managers begin to trade out."

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