

BUSINESS

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BLACK GIVEN MORE TIME TO BEGIN REPAYING HOLLINGER, B3

TSX 8381.66 +87.96 Dow 10,544.07 +134.22 Nasdaq 2047.36 +40.68 Dollar 77.99 +0.37 Oil \$33.78 +\$1.25 Gold \$424.40 +\$8.70 Prime 4.5

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Run-up in Saputo stock hits reverse

PAUL DELEAN
THE GAZETTE

Shares of Montreal-based cheese-maker **Saputo Inc.** retreated yesterday after a strong run-up in the month since the accounting scandal enveloping Italian dairy giant **Parmalat Finanziaria** first surfaced.

Saputo stock dropped four per cent to close at \$30.74 on the Toronto Stock Exchange, down \$1.26 on the day.

It had gained 15 per cent since the Parmalat story broke amid speculation Saputo would emerge with choice parts of Parmalat's teetering international empire.

"This is the foolishness of the stock market. People were pushing it up based on a hypothetical, theoretical assumption that could - if it happens at all - still be years away. It's a bunch of blooey from analysts who have nothing better to do," said Montreal investment manager Benjamin Horwood, head of Value Contrarian Asset Management, which has owned Saputo shares since the Montreal-based cheese company went public in 1997.

Saputo officials have made no public pronouncements of interest in specific Parmalat properties here or elsewhere in the world.

"No comment" was the official position yesterday of company administrators.

Like Parmalat, Saputo has become a major international player in the dairy industry largely through acquisitions. But it's also developed a reputation for financial discipline.

In the late 1990s, it lost out to Parmalat in bidding for two large Ontario-based companies, **Beatrice Foods Inc.** and **Ault Foods Ltd.**, because it wouldn't match the Italian company's offers.

Saputo now is being touted as a front-runner to get those assets or others in the U.S. if the publicly traded and hugely indebted Parmalat must sell them to resolve its current cash crisis.

But it's no certainty Saputo would win the bidding process, if and when there is one, Horwood said. "They could win the second time around. I hope so - but there's no guarantee."

Saputo ranks as Canada's largest cheese maker with about 35 per cent of the domestic market, and third in fluid milk with a 20-per-cent share. Parmalat, **Agropur** and Saputo together account for an estimated 70 per cent of the milk-transformation business in Canada.

Parmalat, which has plants in 20 Canadian cities (including five in Quebec), entered the Canadian market in early 1997 by acquiring cheese and biscuit maker **Beatrice Foods** for \$290 million, plus the assumption of \$130 million in debt.

That was about \$130 million more than Saputo was prepared to pay. "We don't want to risk what we've worked hard to build," president Lino Saputo said at the time.

A few months later, Parmalat again outbid Saputo for **Ault Foods** with an offer of \$415 million that had the blessing of **Ault management**. That was about 20 per cent more than Saputo, whose initial offer had been treated as hostile. Ault's assets included **Lactantia** milk and butter, **Parkay** margarine and **Black Diamond** cheese.

"We made the offer to defend (Ault)," **Parmalat Finanziaria's** then executive director of international affairs, **Eric Dailey**, said during a visit to Montreal that year. "We're on the side of management and administrators, who feared the (Saputo) offer."

Dailey succinctly described the Italian company's strategy as "expansion everywhere."

Already the world's largest milk producer, it was looking to become nothing less than the **Coca-Cola** of milk.

Now, it's looking more like a dairy **Enron**, with further revelations daily of financial finagling.

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