

Lamphier: The king of thinly traded stocks

BY GARY LAMPHIER, EDMONTON JOURNAL JANUARY 18, 2013



Alberta is just an absolutely wonderful place to do business,” says Imperial’s chairman, CEO and majority shareholder, former Liberal MLA Sine Chadi.

Photograph by: Rick Macwilliam, The Journal, File, Edmonton Journal

EDMONTON - There are plenty of thinly traded stocks, but Imperial Equities is in a league of its own. Shares of the smallcap local real estate developer and drug distributor trade about as often as Halley’s Comet buzzes overhead. Just 200 shares have changed hands so far this month and only 500 shares traded in December.

So when Imperial released stellar 2012 financial results on Thursday, I watched closely to see if its dirt-cheap stock would finally attract some attention.

Nope. As usual, not a single share crossed on Friday. Although 500 shares were bid at \$3 apiece, there were no shares on offer, at any price. It seems the current owners of Imperial’s 9.4 million outstanding shares are on a sellers’ strike. And who could blame them?

At just \$2.80 a share — the price at which the stock last changed hands on Jan. 9th — Imperial’s shares simply don’t reflect the company’s underlying value.

Consider the numbers: For the fiscal year ended Sept. 30, Imperial posted net income of about \$8.9 million or 94 cents a share on revenues of \$55 million. That was up from prior-year earnings of just \$2.2 million or 24 cents a share on revenues of \$48.3 million.

To be fair, Imperial’s profits (like many other Canadian real estate firms) were boosted by accounting changes — specifically, the switchover to IFRS (International Financial Reporting Standards) from GAAP (Generally Accepted Accounting Principles). That increased by about \$6.9 million the stated value of Imperial’s real estate portfolio, which includes more than a dozen industrial and commercial properties in the Edmonton and Fort McMurray areas, so it better reflects current market values.

Still, that wasn’t the whole story. By almost every measure, Imperial had a great year. Rental income rose nearly 20 per cent to \$5.1 million, its drug distribution arm posted sales of \$51.3 million — quadruple the 2009 level — total assets jumped 23 per cent to \$113.2 million and Imperial’s equity reached \$5.80 a share.

“Alberta is just an absolutely wonderful place to do business,” says Imperial’s affable chairman, CEO and majority shareholder, former Liberal MLA Sine Chadi.

“Right now we’re 99 per cent occupied in all of our buildings and we’ve got hundreds of thousands of square feet of industrial properties. The market is incredible in the Edmonton area, as well as Fort McMurray and Fort Saskatchewan.”

Imperial is looking at expanding its real estate holdings farther afield and is currently looking for attractive development opportunities in places like Cold Lake, Saskatoon and Red Deer.

“It is so difficult to do business up in Fort McMurray because of the massive amount of activity that is taking place there,” Chadi says. “The purchase of industrial real estate is almost prohibitive. A good piece of serviced industrial land could well trade north of \$2 million per acre,” he notes.

“That’s unheard of in this country. To do business there, one must be very experienced and knowledgeable, otherwise get ready to be eaten.”

Meanwhile, Imperial Distributors Canada — the company’s five-year-old pharmaceutical distribution business — continues to show strong growth. The unit posted income of nearly \$1.6 million on net sales (after rebates to drug retailers) of \$48.4 million last year.

Although Imperial is still a bit player in the province’s \$2-billion-per-year drug distribution business, where U.S. giant McKesson Corp. remains by far the biggest player, Chadi says his company is in it for the long haul. And if that means forfeiting some profits in order to win new customers, he’s more than ready.

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