

Fatten you portfolio with a low-carb investment

By Sunil Vidyarthi

If you are one of the millions who has tried or is currently following a dieting regime to trim that fat or lose the beer belly, you have probably heard of the late Dr. Robert Atkins.



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Nearly half a century ago, the good doctor in his efforts to treat diabetics found that nearly eliminating carbohydrates from an individual's diet has a spectacular effect on body fat.

He wrote books, treated thousands of people and then was dumped on by the establishment of medical professionals. His methods recommend eating fat and protein and not the apparently good foods like fruits, vegetables and grains.

In spite of many studies supporting his unorthodox methods, the professionals and governments are still unconvinced. Overweight people have, however, embraced his methods in droves.

The popularity of the diet is based on two simple advantages; it shows quick results often within a fortnight and, while recommended, it has little to do with how much exercise you do.

Apparently, millions are following his methods and even big

food companies are paying attention to develop low-carbohydrate products, quite prevalent in the U.S. and now coming to Canada.

As one of my clients, who is also on the diet, wanted to know, how can we invest in this idea?

In addition to being a good physician, Dr. Atkins was also a very shrewd business man. He made his money through selling his diet books and health-food products based on his low-carbohydrate recipes. And, by the way, he didn't die from heart disease or other cholesterol-related problems, but from a fall on an icy sidewalk.

I don't know how many would admit to being on the diet, but I am and have been for some time. (The chubby face seen with this story here has shrunk quite a bit).

I also know that there are many in Toronto from anecdotal evidence. If you doubt me, check out the trash cans at the next conference, you will find them filled with discarded buns but not meat or cheese.

One problem is beer. Beer comes from barley, and that contains lots of carbohydrates. Sure, most of the bad stuff gets converted to alcohol, but much still remains.

But surely for those millions on this diet, a low-carb beer would be very desirable. Apparently, **Sleeman Breweries Ltd.** (ALE-TSX \$, 519-826-5474, www.sleeman.com) was on the same wavelength and has started marketing a low-carbohydrate beer.

According to the company, Sleeman Clear contains 2.5 grams of carbohydrates per bottle. This compares to the six to nine grams of carbs contained in most Canadian light beer brands, and 11 or more grams per bottle in regular beer.

In addition, the leading spirit-based coolers contain 30 to 35 grams of carbs per bottle. That means you could be on Atkins diet and still drink 10 of these without breaking the induction period requirements, as long as you didn't have anything else (an inside joke).

A national survey conducted by Ipsos-Reid on behalf of Sleeman Breweries Ltd. determined that 61 per cent of Canadians are concerned with limiting the amount of carbohydrates they consume to avoid weight gain, and that 78 per cent of Canadians are aware that carbohydrate intake plays a role in weight loss.

The stock currently trades at a price-to-earnings ratio of over 16.

The company needs new

products to maintain the edge over the more voluminous competition like Molson. The low-carb product is definitely a step in the direction of Sleeman regaining its premium image.

Last quarter, net revenue increased to \$49.9 million, up 16 per cent over the same period last year resulting from an increase in both core volume sales and sales related to contract production of Sapporo beer products. Volume rose 17 per cent to 362,000 hectolitres.

But net income in the second quarter was only \$2 million, or \$0.13 per share on a diluted basis, compared to \$4.6 million, or \$0.29 per share, in 2002.

Excluding the contribution from the sale of the Beck's agency agreement in 2002, net income increased 13 per cent compared to the same period last year, and earnings per share (EPS) increased from \$0.11 per share as it would have been in last year's second quarter without the gain on the sale of the Beck's agreement.

Some analysts think that the company could make \$0.87 next year, and that would make the stock undervalued and a whole bunch of dieters a little happier.

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