



A STOCK MARKET REVIEW VERSAFOOD SERVICES LIMITED

Everyone on this campus has some opinions about Versafood Services Limited because they supply the food to us in our cafeterias. But how many know about the financial end of this company? The following Stock Market review about Versafood should provide some insight into this phase of our caterers' operation.

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Versafood Services Limited is Canada's largest food service management company. Besides this, Versafood is engaged in the opera-

tion of vending machines. Food management contributes about 70% to Versafood's sales. Institutional clients are Versafood's main source of business.

Versafood Services Ltd., formerly Vendomatic Services Limited, was incorporated in 1961 through the merger of eight companies. Since then the company had to integrate its operation. This period of integration and consolidation has been successfully completed.

The capitalization of Versafood consists of 600,000 Class "A" and 600,000 Class "B" outstanding common shares. The Class "A" shares are listed on the Toronto and Montreal Stock Exchanges. They trade under the symbol VEN and cost about \$3.80 - \$4.00 at present. The Stock is owned by about 2,800 Canadians and a few foreign investors. The Class B shares are owned to 50% each by Canadian Food Products Sales Ltd. and Duplate (Canada) Ltd.; Canadian Food Products in turn is partly owned by Salada Foods. Argus Corp. is said to have some interest in Duplate. With this backing, the company is able to draw on excellent management. The Class "A" shares are entitled to a 30¢ preference dividend. In all other respects Class "A" and Class "B" shares are equal. No dividends have been declared by the company to date.

Versafood's performance over the past few years is typical of the vending industry. Before 1961 there was a lot of 'cutthroat' competition caused by the emergence of a number of new firms in the industry. Gradually, this competition ceased and a more reasonable pricing structure emerged. A consolidation period followed in which only the fittest survived. The growth in the vending industry over the next few years is expected to be impressive. Hospitals and universities are looked upon as targets of expansion. Food management concerns only service 1%-2% of existing hospital facilities. It looks as if the food management sector will be in future the most important for Versafood. Vending machine contribution to total sales will decline. This is in keeping with Versafood's aim to become the MASTER CHEF OF THE NATION.

Versafood's expansion of sales and increase of profit margins has been the dynamic factor in the increase in profits (see charts). The main reason for Versafood's increased profit margins is the reduction of overhead due to administrative costs. The cost of sales is presently 2%-2.5% which is considerably lower than the 3%-4% of the early 60's.

The trend to lower costs should continue. Sales will increase due to the expansion of the institutional division. This means that profits will continue to improve in future.

The increase in revenue was continued in 1966. For the six months ended June 30, 1966, the profit increased to \$244,398 after paying \$64,000 taxes from \$152,165 over the same period in 1965 with no taxes paid due to prior losses.

Total sales for 1966 are estimated to be \$27.5 million. Earnings should be about 40-45¢

per share.

Versafood's ability to attract new business has been demonstrated recently when the company was awarded the catering contract for the new Toronto-Dominion Centre. In a letter to shareholders, Allan D. Barker, president, explains that Versafood expects to sell more than \$4 million annually under this new contract, 10,000 persons will be able to enjoy their meals in the dining and lounge facilities of the new Toronto Landmark.

Versafood will also manage the dining facilities of Expo '67 Head Offices. The diverse nature of Versafood's business can be demonstrated here. Versafood will manage a 250-seat employee's cafeteria, a 60-seat cocktail lounge for the press and a private dining room which will be used to serve visiting foreign dignitaries.

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