

NATIONAL POST

Acquisitions reposition Technilab

TUESDAY, AUGUST 24, 1999

BY DEBORAH GARDNER

TORONTO • After two acquisitions in fiscal 1999, Technilab Pharma Inc. (TAB/ME, TSE) is poised to generate strong revenue growth in fiscal 2000, according to Vincent Taillefer, the drug firm's chief financial officer.

"Starting in September, we should be able to use most of the synergies that the two acquisitions will bring," he said.

This March, Technilab bought AltiMed Pharmaceutical Co. for \$15-million plus up to another \$3-million based on earnings from AltiMed products. In August, 1998, the company purchased Rougier Inc.'s pharmaceutical division, along with its two Quebec plants, for \$10.8-million.

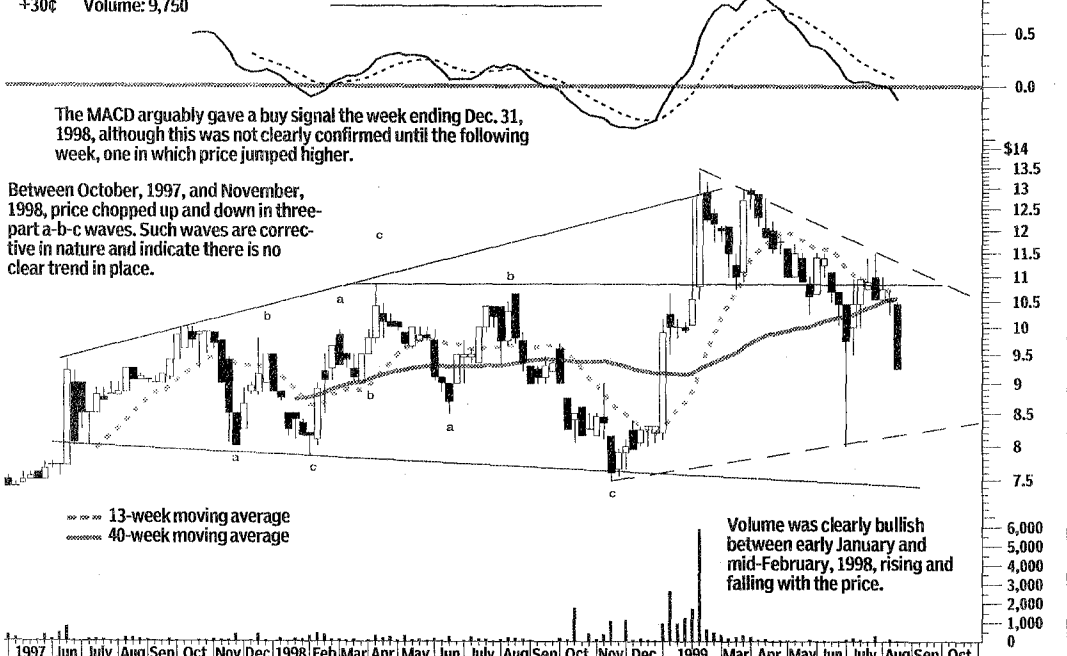
"It's a big job for a company like Technilab going from about \$52-million [in revenue] a year and a half ago to now [\$150-million in revenue]," said Jacques Boisvert, president and chief executive.

Mr. Taillefer said the company has a strong product pipeline, making \$200-million in revenue achievable within a few years.

With these acquisitions, Technilab gained access to a reserve of 13 drugs through 21 research companies that had licensing agreements with AltiMed and Rougier.

TAB/ME Aug. 23: \$9.55
+30¢ Volume: 9,750

TECHNICAL ANALYSIS



The Moving Average Convergence Divergence indicator consists of two moving averages revolving above and below a zero line. A buy signal occurs when the faster (solid) line crosses above the slower (broken) line; a sell is given when the converse occurs.

Technilab Pharma Inc.
CEO: Jacques Boisvert
Ticker: TAB
Listed: Toronto Stock Exchange, Montreal Exchange

BY ROMAN FRANKO

Technilab began trading in the \$7.50 zone in April, 1997. It rose modestly to \$10.85 in early April, 1998, before chopping back to support in the \$7.50 range in mid-November, 1998, forming a broadening formation. In January, price finally attained support from a pickup in

quent rally ran into resistance in that pivotal \$10.75 zone and after hesitating for a month, last week sold off to \$9.25. Lacking any buying support and with the MACD trending downward in sell mode, the bears seem set to drive price to at least the rising broken line around \$8 again and possibly the slightly falling solid line around \$7.50. The bulls are likely

"One of the key elements in these purchases was to continue with these companies so we can be first to market," Mr. Boisvert said, adding history shows that the first company to bring a new drug to market retains about 50% of the market share for the product.

Technilab develops and distributes more than 220 generic prescription and over-the-counter drugs in Canada. As well, many of its products are distributed in about 20 countries worldwide.

Rougier's drugs were mainly marketed in Quebec so Technilab started a consumer division to increase awareness of those products across the country, Mr. Taillefer said.

The Montreal company increased its sales force to 12 from nine and added three regional managers in British Columbia, Ontario and Quebec. The company hopes to add three sales representatives in September.

In January, Technilab will start up a medical-detailing division to promote several of its products to physicians and pharmacists as being unique to other drugs on the market.

Mr. Boisvert said Technilab is now the only Canadian company to have a consumer division, a generics division and an innovative products division.

Currently, Technilab sells one drug in the United States and Mr. Taillefer said the company would like to move into the U.S. market in a bigger way within a year.

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volume and rose rapidly to \$13.40 but could not close above the upper line. After a pullback to support in the \$10.75 level, price again rallied but lacking support from volume, did not attain its previous high. It retreated and after twirling around support at \$10.75, plunged to a low of \$8 in early July, 1999. The subse-

to the around \$7.50. The bulls are likely to counterattack from one of these levels but only if they are able to drive price back up through its moving averages as well as the \$10.75 level will they be back in clear control.

Roman Franko is a technical analyst at Dundee Securities Corp. He may hold shares in companies mentioned here.

Income statement

| | 08.31.98 | 08.31.97 | 08.31.96 | 08.31.95 |
|-----------------------------------|----------|----------|----------|----------|
| Operating revenue \$000s | 53,624 | 51,043 | 50,558 | 43,540 |
| Net income \$000s | 4,422 | 3,914 | 5,088 | 4,442 |
| Earnings per share \$ | 0.34 | 0.35 | 0.49 | 0.42 |
| Cash flow operations \$000s | 9,646 | 3,310 | 3,714 | 3,191 |
| Cash flow operations per share \$ | 0.734 | 0.253 | 0.358 | 0.304 |

P/E ratio: 92.50 Dividend yield: n.a. (at 8/20/99)

He said the company is looking at either acquiring a U.S. drug company or forming an alliance south of the border to market more products. He declined to elaborate.

"The U.S. is where we'll be extremely active in the next 12 months," Mr. Taillefer said.

For fiscal 1999 ending Aug. 31, Mr. Taillefer said Technilab should be close to its earnings target, but he wouldn't elaborate. However, he noted that one-time integration and consolidation costs of \$6-million in the third quarter should leave earnings slightly lower than the 43¢ a diluted share forecast by analysts. He said the company expects "good growth" in fiscal 2000 but declined to elaborate.

Lévesque Beaubien Geoffrion Inc. analyst Michael Jams said he

is revising his estimates but expects the company to earn about 39¢ a diluted share in fiscal 1999 and 79¢ a diluted share in 2000.

In fiscal 1998, the company posted net income of \$4.4-million (34¢ a diluted share) on revenue of \$53.6-million.

The company has about 40 products in the pipeline in various stages of development. Once a new drug is completed, it must be approved by Health Canada in a process that takes 24 to 27 months, Mr. Taillefer said.

Last year, Technilab had 12 products approved but this year he expects to see only four approvals in fiscal 2000, due to a backlog at Health Canada.

"That's bad news because growth is from new products," Mr. Boisvert said. "The only thing that saves us is that everyone is being

Ratios

| | 08.31.98 | 08.31.97 | 08.31.96 |
|-------------------|----------|----------|----------|
| Net profit margin | 8.25 | 7.67 | 10.06 |
| Return on equity | 10.25 | 13.31 | 32.92 |
| Return on assets | 6.72 | 7.30 | 12.72 |
| Current ratio | 3.51 | 3.18 | 2.36 |

Data supplied by FP DataGroup

postponed, so we aren't losing our position in the marketplace."

The recent acquisitions have moved Technilab to third place from sixth among generic drug makers in Canada in terms of sales revenue. Mr. Taillefer hopes the company's new status will attract new investors and allow the stock to trade more frequently.

In Montreal, the stock rose 30¢ to close yesterday at \$9.55. It has a 52-week high of \$13.40 and a low of \$7.50. Nonetheless, Lévesque Beaubien's Mr. Jams said a stock price of \$16 to \$17 in the next 12 months is safe and easily achievable.

"As time goes on, I think a lot of people who have been watching and sitting on the sidelines will buy the stock. I'm sure they're going to buy the stock," he said.

Dow Jones