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Portfolio manager a big fan of Tellier

BOMBARDIER CHIEF

Barrantagh's Kusters confident in CEO's turnaround ability

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TORONTO (Dow Jones)--Paul Tellier has a fan in Wally Kusters, a portfolio manager at Barrantagh Investment Management Inc.

Mr. Kusters, whose firm manages $150 million directed at Canadian equities, participated in **Bombardier Inc.**'s (BBDb/TSX) equity offering earlier this year, confident in the ability of Mr. Tellier, the regional-jet manufacturer's recently appointed chief executive, to turn around the company's fortunes.

"We have known Tellier for a very, very long time," Mr. Kusters said. In further support of Mr. Tellier's management ability, Mr. Kusters sold his stake in **Canadian National Railway Co.** (CNR/TSX) after Mr. Tellier left the railway operator's top job to join Bombardier as chief executive in January.

"The reason we sold [Canadian National Railway] is because Tellier went to Bombardier and we think that Tellier was a big part of [Canadian National Railway and its] ability to grow and cut costs there," Mr. Kusters said.

Mr. Kusters' investment in Bombardier also highlights the manager's value investment style. "It's all about absolute returns and preserving the downside," Mr. Kusters said.

Mr. Kusters acquired Bombardier shares at C$3.25, or about six to seven times his estimate of Bombardier's cash flow, which he considers cheap relative to the company's prospects.

As an aerospace manufacturer, Bombardier has suffered because a number of airlines have been forced to restructure under bankruptcy protection, Mr. Kusters said. However, Mr. Kusters is focused on Air Canada, which is trying to restructure its operations under bankruptcy protection, and other airlines in a similar position which indicated that its restructuring will include flying regional jets.

"That's Bombardier's market," Mr. Kusters said.

The investment in Bombardier has certainly paid off. In Toronto yesterday, Bombardier's Class B shares were at $5.31, up 63% since Mr. Kusters bought the stock.

Another value play Mr. Kusters likes is **Fairmont Hotels & Resorts Inc.** (FHR/TSX). He acknowledges that the environment for Fairmont is tough because of the effect on travel of severe acute respiratory syndrome, or SARS, but the stock price is cheap given the hotel operator's prospects once the industry rebounds.

At current prices, "we estimate you are getting this company at eight to nine times longer-term cash flow," Mr. Kusters said. By comparison, **Four Season's Hotels Inc.** (FSH/TSX) is trading around 25 to 30 times cash flow, the portfolio manager said.

Mr. Kusters also owns **Shoppers Drug Mart Corp.** (SC/TSX), an operator of retail drug stores. In Toronto yesterday, the company's stock was trading at $26.75, above its 52-week high of $26.51, but Mr. Kusters still likes the issue. "It's only trading at 20 times earnings, which in the pharmaceutical area is fine," he said.

In the case of **Shaw Communications Inc.** (SJRb/TSX), a cable and satellite-television operator, Mr. Kusters is betting that the company will pay down its debt faster than people think.

Historically, Shaw's management has had a stellar reputation among investors. Mr. Kusters acknowledges that this reputation slipped recently, but he believes the executive team is back on track.

"They lost their focus somewhat through the bubble years, like a lot of managements did. But I think that they have been able to refocus" on continuing to bring down their net debt and proving the naysayers wrong, Mr. Kusters said.

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