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HEINZ: THE TIME MAY BE RIPE

Food giant H.J. Heinz (HNZ) may not look too appetizing right now, as analysts scale back their 2010 earnings estimates because sizable foreign-currency losses are projected. Even so, they see shares of Heinz—with more than 60% of its sales outside the U.S.—beating the market. The short term will be challenging for Heinz as investors

HEINZ IS DOWN FOR NOW



Data: Bloomberg

grapple with the currency hit to sales, says Christopher Grove of investment firm Stifel Nicolaus. But robust underlying growth will soon become apparent, he says, and “could lead to improved valuation in the year ahead.” Heinz markets far more than ketchup. Other products include Ore-Ida potatoes, Classico pasta sauce, and the Weight Watchers line.

Grove is impressed with Heinz’s rising worldwide sales, productivity, and free cash flow, which support a dividend yield of nearly 5%. The stock, which tumbled to 33.99 a share on Apr. 29 from 53 last Sept. 12, is cheap, he adds.

Despite the jump in commodity prices which raised costs, Heinz has been able to raise its own prices 3.5% to 4.5%, enabling the company to post positive earnings surprises in the past 11 quarters, says Steve Ralston of Zacks Investment Research. He rates Heinz a buy, with a six-month price target of 44, and sees profits of \$2.88 a share in fiscal 2009 (ended in April 30), \$2.66 in 2010, and \$2.92 in 2011.

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QUALITY SYSTEMS' HEALTHY CLIMB



Data: Bloomberg

Quality Systems Goes to the Doctor

President Barack Obama’s push to computerize records at hospitals and doctors’ offices meshes nicely with what Quality Systems (QSI) does: provide electronic practice-management and record systems for medical and dental group offices. The President’s vow to streamline records to slash health-care costs has sent Quality Systems stock zooming, to 54.43 a share on Apr. 29, up from 25 on Dec. 2.

“Government incentives to adopt electronic health-record solutions and electronic prescribing systems represent a key intermediate-term growth driver,” says Corey Tobin of investment firm William Blair. As a leading competitor in the U.S. medical-office market, Quality Systems has a lot of room for growth, he says.

Jim Yin of Standard & Poor’s predicts Quality Systems will earn \$1.68 a share in 2009 and \$1.87 in 2010, up from 2008’s \$1.44.

CLEVELAND BIOLABS BOUNCES UP



Data: Bloomberg

Cleveland BioLabs' Radiation Drug

Cleveland BioLabs (CBLI) stock, which shot up to 6 a year ago only to crash to 1.32 this Mar. 6, is again on the rise, bouncing to 3.20. Why? BioLabs “expects to receive a purchase contract this year from the Health & Human Services Dept. for a protective agent against radiation damage,” says Stephen Brozak of WBB Securities, who rates the stock a strong buy, with a 12-month target of 13. He says an HHS contract could be worth several hundred million dollars. BioLabs has teamed up with the Cleveland Clinic, the Armed Forces Radiobiology Research Institute, and Roswell Park Cancer Institute to develop the radiation treatment.

Walter Schenker, a partner at Titan Capital Management, which owns shares, says the U.S. is creating stockpiles of antidotes against various threats including nuclear radiation, and BioLabs’ drug is one of the most promising. **BW**

