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Makers & Breakers

# Shapely Stock

*Matthew Schifrin, John Dobosz and William P. Barrett*

Ever since 1920, when Ida Rosenthal and enid Bissett strapped two cups together with a piece of elastic and called it the Maidenform Brassiere, making female undergarments has been a pretty good business. The latest craze in intimate apparel is "shapewear," a new name for what used to be called girdles and corsets. It started a decade ago when entrepreneur Sara Blakely created her Spanx panty hose and caught the attention of Oprah Winfrey. Maidenform (MFB, 14), known primarily for selling department store and mass-market bras and panties, moved into the business, and it now has a 40% market share with its Flexees Shapewear. **Mimi Bartow, an analyst at Telsey Advisory Group, thinks the "affordable luxuries" that Maidenform sells are a great fit for a struggling economy.**

**Thanks in part to strong shapewear sales, Maidenform's third-quarter revenues climbed 14% to \$129 million and earnings per share rose 16% to 42 cents. Bartow likes the company's new agreement to sell Donna Karan and dkny-branded bras, and the fact that it is spreading the shapewear gospel overseas. As an added bonus Maidenform is also hitching on to Victoria's Secret's success by dint of being a contract manufacturer for the latter's Miraculous push-up bra. Maidenform's net debt is zero, and it sells for 11 times trailing earnings compared with 60 times for Victoria's Secret owner Limited Brands. Bartow is predicting 2010 earnings per share of \$1.40. --Matthew Schifrin**

## Cheap Smokes

At least one good thing can be said for competing with Warren Buffett's Berkshire Hathaway--it puts you in good company. Core-Mark Holding (CORE, 32) is the second-biggest wholesaler of cigarettes, candy and food to convenience stores in North America, selling to 24,000 of them in 50 states and 5 Canadian provinces out of its 26 warehouses. It has an 8% share of what BB&T Capital Markets analyst Andrew Wolf figures to be a \$66 billion market. Berkshire's McLane has a 21% share, but Core-Mark is expanding rapidly and increasing its mix of higher-margin fresh foods to diversify its dependence on cigarettes, which account for 70% of revenues.

In the September quarter cigarette carton volume fell 12% as the federal excise tax went from \$0.69 to \$1.01 per pack, but dollar revenue was still up 9%. Wolf says higher wholesale cigarette prices can help Core-Mark's acquisition strategy since it tends to hurt smaller distributors by putting a strain on working capital. Indeed, Core-Mark recently acquired two suppliers, in Pennsylvania and Massachusetts. The balance sheet can accommodate more buyouts, given that Core-Mark's debt of \$15 million is small against its market capitalization of \$318 million and its cash of \$53 million. The company, which trades at book value,

forecasts sales to grow 6% this year to \$6.9 billion. Wolf points out that Core-Mark has historically traded for 5.6 times Ebitda, which he thinks will rise 19% to \$79 million in 2010. That valuation produces a \$42 stock one year out. --*John Dobosz*

### Lump of Coal

On heavy volume shares of Americas Energy Co. (AENY, 4.60) have risen 4,500% in a year. The latest financials for the mining firm, whose main office is now in Knoxville, Tenn., list no revenue, no cash and a negative net worth. The company just merged with a newly formed outfit that says it owns several coal properties in Kentucky and Tennessee. But those mines don't seem to be profitable.

The Web-posted bio of new boss Christopher L. Headrick, who didn't get back to us, lists real estate development experience but nothing in the way of resource extraction. Another company official is awaiting sentencing after pleading guilty to criminal income tax evasion. Someone has been paying a newsletter writer big bucks to flog the shares by making bold predictions of a \$20 share price.

Before a reverse merger, the outfit was a Vancouver, B.C. miner called Trend Technology Corp. In November Canadian regulators issued an order barring trading in Americas Energy shares. But the restriction applies only in British Columbia. The securities remain available to dimwitted U.S. investors. --*William P. Barrett*