

Columnist suggests 3 restaurant stocks will do well

Reiser always considered the restaurant industry as a good place to invest. Would you give me some suggestions of companies you think would do well?


Leonard Reiser, who writes a column for Better Investing magazine, has a good answer to your question. Reiser prefaces his remarks by pointing out that the restaurant industry is no longer the glamour industry it was considered to be 10 years ago, but there seems to be a good bit of growth left, and it is now easier to recognize the sound, well-managed companies.

REISER POINTS out that according to Value Line, the industry on the average earns 15 percent on net

worth. On the average it pays 20 percent of net profits as dividends. The price-earnings ratio the market has been paying for restaurant stocks is 20-30 percent above the average. The bad thing is that the industry is below average for quality and safety.

Having said that, he names three stocks that he believes could gain 50 percent and that have good quality and safety ratings.

THE FIRST one is Luby's Cafeterias. I have followed this company for about 120 years, and it has had an excellent record. The company seeks exceptional management and in each unit 40 percent of net operating profit goes to the management team. From 1978 to 1988, sales in-



today's investor
Thomas E. O'Hara
of the National Association of Investors Corp.

creased from \$54 million to \$254 million, and earnings per share went from 32 cents to \$1.51. Luby's operates in the southeastern part of the country. It has 120 cafeterias that are in shopping malls or other shopping centers. Reiser estimates its market price could rise to between \$40 and \$50.

REISER ALSO likes the biggest

restaurant chain, McDonald's. With its more than 10,000 fast-food restaurants in many countries, McDonald's has brought America's fast-food habits to the rest of the world. Even Moscow now has a McDonald's. To Americans traveling overseas, an occasional McDonald's is a welcome change from foreign menus. Recently McDonald's stock has

been trading at a price-earnings ratio of approximately 13. All of McDonald's quality-indicating figures tend to run well above market averages.

EARNINGS PER share for this year are estimated at \$4, and if the stock sells at its customary 12-17 times earnings, it should sell between \$48 and \$68. Reiser estimates the stock can rise to between \$58 and \$86 longer term.

The third restaurant stock that Reiser likes is TGI (Thank Goodness It's) Friday's. Its figures do not have the consistency of the other two, but Reiser points out that his technical study and Value Line rate it over the other two for price appreciation in the next 12 months. With its below-

average profit margins and higher-than-average price earnings ratio, I'd be inclined to place my money on the other two.

Thomas O'Hara of Bloomfield Hills welcomes your questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free one-year subscription to the investment magazine "Better Investing." For a sample copy of "Better Investing" or information about investment clubs, write Today's Investor, PO Box 220, Royal Oak, MI 48068.

marketplace

Art Moran Pontiac/GMC Truck in Southfield was honored as one of the

country's leading Pontiac dealerships. Moran was the only Detroit

zone Pontiac dealership to rank in the national top 10 in both sales and customer service.

Akzo Coatings Inc. of Troy was chosen by Wayne Corp. located in Richmond, Ind. and Windsor, Ontario, as sole supplier of coatings products for its full line of buses for student and adult transportation.

Seed-Roberts Agency Inc. in Birmingham won the top award in a 13-state region for Profitability Excellence in 1988 from the CNA Insurance Companies.

D.N. McNabney & Associates Inc. is leasing Square Lake Park Phase II, a three-story office building on Telegraph, north of Square Lake Road in Bloomfield Hills.

Danish Club moved its headquarters to the American Center Building, 27777 Franklin Road in Southfield.

Auten Group Inc. of Birmingham was named to the Key Agents Club in 1989 by Citizens Insurance Co.

Sweet Cravings opened in the Downtown Farmington Hills Shopping Center.

Ross Roy Inc. of Bloomfield Hills was honored by the Direct Marketing Association of Detroit and Target Marketing magazine for direct mail campaigns it developed and implemented on behalf of the Dodge Division of Chrysler Motors and Michigan Bell.

Sohlgian & LaChassa Inc. of Southfield was appointed Michigan Inn of Southfield's advertising and marketing firm.

MARS Advertising of Southfield was recognized for developing an innovative product promotion strategy for Heinz ketchup. "Pour on the Profits" was named promotion of the month by Promo Magazine, one of the country's leading promotional marketing publications.

Dibydro Services Inc. has appointed two companies of Stone, August, Baker Communications of Troy, Stone August Baker Public Relations and R.J. Baker Advertising, to handle the company's public relations and advertising.

Business conditions declined in March

The Purchasing Managers Association of Detroit reported a significant decline in Detroit-area business conditions in March.

This represents the fifth consecutive decline in the monthly Composite Index (CI) of metro-area business conditions.

The CI stood at 51.1 in March, down from 53.3 in February. When the CI is above 50.0, it generally signifies economic expansion.

"The latest survey offers rather dramatic evidence of local economic deceleration," said David L. Littmann, first vice president and senior economist of Manufacturers National Bank of Detroit.

"OVERALL, BUSINESS conditions in March for Detroit were swamped by reports of lower production and new orders, especially among purchasing managers tied to the automotive sector.

production 45 57; new orders 43 56

"From this analysis, it is clear that the recent emphasis on auto industry incentive programs is justified," Littmann said overall local conditions were at their slowest in 17 months, hovering just over the tread-water point as of March.

NEVERTHELESS, HE said "first-quarter 1989 conditions averaged 54.5, nearly identical to 54.1 for the same period last year.

"The differences appear twofold: still strong, but somewhat abated, price pressures and deceleration, rather than acceleration, going forward. Also, purchasing managers expressed additional caution and cost control sensitivity with regard to altered buying policies and capital spending plans.

"Items cited in short supply during March included: paper and plastic products, circuit board electronic components, nickel-rod steel and low-carbon wire, axles, bearings, copper, nickel and zinc.

"The bearings shortage relates to trade disputes over 'dumping.'

GRAND OPENING

To Help Celebrate The Opening Of Our New Location Pip Printing Is Offering These Grand Opening Specials.

500 FREE BUSINESS CARDS (Black on White)

3¢ COPIES (On quantities of 50 or more)

20% OFF 1st PRINTING ORDER

We Also Do Color Printing

- Business Forms
- Newsletters
- Business Cards
- Letter Head Envelopes

Watch For Our Re-Opening Of Our Birmingham Location



19670 W. 11 Mile Rd.
(Corner of Evergreen next to Soc. of State) Lathrup Village **559-3800**

Turn Your Ideas Into Dollars

A one-day workshop on how to commercialize your invention



For: Inventors
Product Developers
Manufacturers

TO BE HELD ON SATURDAY, APRIL 22, 1989
IN ANN ARBOR

FOR FURTHER REGISTRATION OR PROGRAM INFORMATION
CALL 313/747-0042

SPONSORED BY: INVENTORS' COUNCIL OF MICHIGAN;
INDUSTRIAL DEVELOPMENT DIVISION, UNIVERSITY OF MICHIGAN;
INVENTORS' CENTER, FERRIS STATE UNIVERSITY, AND
MICHIGAN BUSINESS DEVELOPMENT CENTER NETWORK

THESE ARE THE BEST MONEY CAN BUY



Even your jeweler won't know!


20% - 75% OFF REPLICA WATCHES

MASSIVE CRYSTAL BEADS

BEVERLY HILLS • BIRMINGHAM • LONG BEACH

WE CHALLENGE YOU TO FIND A BETTER HOME EQUITY DEAL!

WE PAY YOUR CLOSING COSTS AND ALL FEES*



Take the Empire of America Home Equity Challenge and you can get the cash you need to improve your home, pay off high-interest credit cards and loans — and save money at tax time with tax-deductible interest payments (see your tax advisor for details).

Save Up To \$600

Save hundreds of dollars (up to \$600**) with no closing costs on lines up to \$100,000! Plus there are no annual fees.

And a guaranteed rate cap means you'll never pay more than 5% over the rate in effect at the time you close. Our current Home Equity Line of Credit (H.E.L.O.C.) is 13.5%† Annual Percentage Rate.

Plus, a free eligibility estimate and a credit answer on your H.E.L.O.C. within 48 hours are *guaranteed!* If it takes even a minute longer, we'll pay you \$25.00††

Visit your nearest Empire of America branch to apply. Or call **SMARTLINE®** toll-free at 1-800-843-2443, seven days a week from 9 a.m. to 9 p.m.

*Normal closing costs apply for lines over \$100,000.
**Average savings based on a \$50,000 line of credit.
†This offer April A.P.R. The A.P.R. can change monthly on this variable rate line. A mortgage on your home secures this line of credit.
††Guarantee subject to change or cancellation at any time without notice.

COMPLIMENTARY GIFT

Open a 5 1/4% N.O.W. Checking Account for \$1,000 or more when you apply for your H.E.L.O.C. and receive a complimentary brass door knocker for your home. Present the coupon when you apply for your H.E.L.O.C.

Offer expires 4/15/89. This fair market value of the merchandise is reportable to the I.R.S. on Form 1099 as additional interest in the year the account is opened.



Federal Savings Bank Member FDIC