The few, the strong
Baton Rouge-based public companies

By CHAD CALDER
Advocate business writer

The ranks of public companies based in Baton Rouge have thinned in recent years, primarily the result of mergers and acquisitions. The same trend is contributing to the growth of the major players that remain.

Piccadilly Cafeterias Inc., Lamar Advertising Co. and the Shaw Group Inc. have enjoyed that growth. Until recent months, another high-flying company was United Companies Financial Corp. But it has fallen on hard times and even dropped off the main stock exchange where its shares were traded. Its stock now exists in a domain off the main exchanges, where several other much smaller publicly traded Baton Rouge companies trade.

Otherwise, "the companies you have left are in pretty good shape," said Peter Ricchiuti, director of Tulane University's A.B. Freeman School of Business' Burkenroad Reports, which tracks publicly traded companies in the state. "There are fewer names, but what's left are bigger and stronger," he said.

Ricchiuti points out that while mergers and acquisitions have recently sent some of Baton Rouge's public companies to other states, "if you flip it around you have other cities that have lost theirs to Baton Rouge, like with Piccadilly and Lamar.

Both have acquired competitors in their drive for growth.

Among the local names that have disappeared from the Baton Rouge landscape in recent years are:
• Premier Bancorp, which was absorbed in 1996 by now Chicago-based Bank One.
• Ocean Energy Inc., an independent oil and gas firm founded in 1985 as Flores & Rucks. It moved in 1997 to Houston following a merger with United Meridian Corp.
• Both Network Long Distance Inc., a 1979 Baton Rouge start-up, and wireless cable operator Wireless One Inc. left the state in 1997 in tandem with management shake-ups and internal consolidation. Network moved to Newport News, Va., and Wireless One went to Jackson, Miss.
• Ricchiuti said Baton Rouge should be happy with the public companies that remain because "the people who are there are there because they want to be in Baton Rouge."

Here is a brief historical overview of Baton Rouge's major public companies, plus United Companies.
• Founded in 1944 when T.H. Hamilton bought a Piccadilly Cafeteria & Coffee Shop in downtown Baton Rouge, Piccadilly Cafeterias Inc. enjoyed the popularity of cafeteria-style restaurants. By 1971, it had hit its target of 40 stores in the Southeast, and had 100 by 1985. In 1988, the company bought the Ralph & Kacoo's chain of six seafood restaurants for $35.1 million, which it sold off earlier this year for $21 million to concentrate on its cafeterias business. Despite the limited hit the company took, analysts applauded the move. Starting in late 1996 with the first of two price inear-

es, the company has seen sales decline. Rather than retreat from the cafeteria concept, as Texas competitor Luby's has done, Piccadilly decided to focus on its core business.

In May 1998, Piccadilly finalized a deal to acquire Morrison's Restaurants Inc., the most significant milestone in the company's recent history.

The acquisition doubled the company's size to 11,000 employees at 253 locations — and wiped out its cafeteria competition in the Southeast.
• Lamar Advertising Co., an outdoor advertising company founded in 1902, has been growing rapidly in recent years.

The company went public in 1996 and has made five acquisitions since 1998, most notably its $1.6 billion June acquisition of Chancellor Media Corp.'s outdoor advertising business.

When this deal is final, Lamar, with 1,700 employees, will have 116,500 billboards, more than any of its competitors.

It will have billboards in 34 of the Top 50 markets, and 171 of the Top 200 cities.

In total outdoor advertising, including transit displays and signs at train and bus stops, Lamar is the second largest.

In terms of revenue, Lamar is ranked third in the nation.

On average, the company owns 85 percent of the outdoor advertising sites in its markets.

Before the Chancellor deal, Lamar bought Outdoor Advertising for $385 million, Northwest Outdoor Advertising for $68.5 million, Imperial Outdoor for $42.5 million and Ragan Outdoor Advertising for $25 million.

While Lamar's increased acquisition activity — for the course in the rapidly consolidating outdoor advertising business — has driven net earnings down, analysts say the best way to judge Lamar's health as a company is by studying revenue trends and the firm's operating cash flow, both of which have been showing strong growth.

Analysts say Lamar had significantly reduced its reliance on tobacco advertising before the recent ban and was wise to target telecommunications, Internet, retail and automobile sectors to replace its tobacco customers.

But in order to continue growth, Lamar officials say they must continue to access the debt or equity markets that have financed the company's last $1 billion in acquisitions over the past two years.
• The Shaw Group Inc., a global supplier of piping systems for the electric power, chemical, petrochemical and oil and gas processing industries, has been growing in recent years as well.

While the company has been plagued by tumult in its upper management ranks — with four chief operating officers and two chief financial officers in two years — and hurt by the recent downturn in the global economy, it has been growing at a healthy pace.

In the past five years, Shaw has acquired 13 companies, most recently the subsidiaries of London-based Prospect Industries PLC, a troubled pipe maker with annual sales of around $100 million, and Delaware-based fabricator Bagwell Brothers Inc. for $17 million in stock and cash.

Ricchiuti said that during its brief five-year history as a public company, Shaw has had four major shocks to its stock — instances where its stock price was virtually cut in half on news of less-than-expected earnings and reductions in its backlog or work orders.

Ricchiuti said Wall Street's reaction — the severity of which he cannot explain — has left analysts a little gun shy about Shaw.

Still, "Shaw is the best of the Baton Rouge companies," he said. "Their business fundamentals have been excellent. They've bought smart and they're a technology leader that's bigger than their next three competitors combined," he said.

"But because they don't sell a consumer product you don't really hear from them," he said.

• United Companies Financial Corp. was founded in 1946 to provide loans to soldiers returning home from World War II.

Before it collapsed earlier this year, the company had grown into one of the nation's biggest subprime lenders, making high-interest loans to borrowers considered too risky for conventional mortgage loans.

Before its troubles began, the company had decades of steady growth, and built an office park off Essen Lane. Then in 1993, United Companies joined an emerging trend in the sub-prime lending industry — selling securities backed by consumer home equity loans to generate revenue for growth.

Over the next five years, it raised more than $11 billion, pushing its loan volume to new heights each year.

Investors took notice and United Companies stock soared from $17 a share at the time of the first issue of the securities in June 1993 to $76 four months later.

A year ago, however, economic upheaval in Asia and Russia disrupted financial markets and United's stock price began a freefall. It recently hovered at less than a