Three ways to buy Tim Hortons

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So what if you weren't one of the lucky few who paid $27 a share for Tim Hortons at the IPO. There are other ways to trade a Timbit once it hits the market. ANDY HOFFMAN asked the smart money for their strategies

1. Norman Levine's way: Forget about Tims, buy Wendy's Portfolio Management Corp.'s Norman Levine doesn't recommend trying to buy Tims stock on the open market. "I think Canadian retail investors are going to send this thing to a ludicrous valuation," said the high net worth investment counsellor. "The smart money will be selling it rather than buying it." Mr. Levine suggests picking up some Wendy's stock, which should appreciate in tandem with Tims since it will still own about 85 per cent of the coffee and doughnut chain. "If they send up the price of Tim Hortons enough, that will be reflected in the price of Wendy's and you won't have an immediate tax hit."
But sell before Wendy's International Inc. spins off the rest of Tims, which is expected to happen at the end of the year, Mr. Levine said. Unlike Americans, Canadian investors will be taxed on the special stock dividend. "It's a little unconventional but that might be one way to do it."

2. Paul O'Neil's way: Watch Wendy's and look for a short
Paul O'Neil of U.S. hedge fund manager Omega Advisors said the Canadian investor frenzy surrounding Tims IPO reminds him of 3Com Corp.'s spinoff of Palm Inc. at the height of the dotcom boom.
"Your incremental retail investor was the marginal buyer and they set the price. It wasn't the pros. In their insanity of pricing that hot asset, the retail investor didn't look at the 3Com position that in this analogy would be Wendy's. What actually happened in the first three hours of Palm opening, 3Com was actually trading at negative $20-billion (U.S.)," said Mr. O'Neil, a Canadian at Omega, which was among the hedge funds that pushed Wendy's management to spin off Tims."[3Com] had 85 per cent of the company like Wendy's is going to have. When you calculated their 85 per cent of Palm, the rest of the company was worth negative $20-billion." A similar pattern could develop in the early stages of the Tims IPO, Mr. O'Neil said. "Canadians -- if they in their irrationality continue to buy such that they make the implied value of Wendy's very low, then you could have massive shorting of Tim Hortons by people who can arbitrage the value of Wendy's. This is my 3Com/ Palm scenario," he said.

3. **Peter Holden's** way: Buy below $38 (Canadian)
Analyst **Peter Holden** is calling for more of a buy-and-hold approach. It might even work with Tims shares purchased on the open market as long as the price hasn't gone too high.
"I see $38 here without much trouble at all," said the **Veritas Investment Research** analyst.
Mr. Holden said that using conservative growth rates, the revenue from existing restaurants alone justify a $29 share price. The shares were sold in Canada in the IPO at $27.
"There's room for 1,000, or another 1,500 restaurants in Canada. Just on the basis of those, you can talk yourself into another eight or nine bucks."
Beyond his target of $38, though, **Mr. Holden** said investors are on their own.
"If it scoots up to $50, I'm going to be saying nothing has really changed." 100