

# Will Veritas be right again?

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Veritas Investment Research is again at odds with much of the rest of Bay St.'s analyst community over the outlook for a Canadian company.

Earlier this summer, Veritas took a shot at Yellow Pages Income Fund, saying the directories publisher was overvalued and that its core ad business was in decline. In the wake of the report, as Yellow Pages sold off, bullish analysts from brokerage houses urged investors to grab some units at a bargain price. So far, those who listened to Veritas are better off, with the units (YLOun/TSX) stuck in the \$14 range and showing few signs of recovery from the drubbing they took.

This time around, the subject of the disagreement is MacDonald, Dettwiler & Associates Ltd., which has a varied group of businesses that includes satellites, robotics and the provision of information on properties to mortgage lenders.

Veritas late last month argued that even after a slide in recent months, the stock (MDA/TSX) is no bargain. The research shop said investors should be wary of the stock because the company's disclosure is too weak to enable a proper valuation, its margins are flat and its balance sheet is becoming more levered.

Now, some of the bulls are stepping up with their opinions. Well-regarded Raymond James Ltd. analyst Ben Cherniavsky yesterday upgraded the stock to a "strong buy" from "outperform," citing the decline since spring in MacDonald, Dettwiler shares and the company's "defensive characteristics,"

such as its "robust free cash flow margins." Mr. Cherniavsky has a target of \$46 on the stock.

Other proponents include Jeff Rath of Canaccord Adams, who has a \$60 target on the shares. The stock is on Canaccord's "Best Ideas" list.

Mr. Cherniavsky and Mr. Rath are among seven analysts who rate the company "buy," according to Bloomberg, while two rate it a "hold" and two more reckon it's a "sell." The average target price stands at \$50.10.