



A. Frank Knowles
President 1986-1991

In its annual report for 1986 Power Corporation paused to consider what it had accomplished since 1967. Its assets had grown from \$165 million, primarily invested in about 20 companies, to more than \$3 billion, essentially invested in just two major holdings – Power Financial and Consolidated-Bathurst. Power's earnings before extraordinary items were \$136 million in 1986, as opposed to \$4.6 million in 1967. Dividends had increased from 5.5¢ a share to 50¢ a share on a comparable basis, and shares had been split two-for-one in 1979, 1985, and again in 1986. The Company attributed this remarkable record of performance to its

philosophy of "providing for the presence of a majority of independent business leaders on the boards of directors of each of the corporations and for the development of executive officers and management teams who receive encouragement, support and reward from their respective boards and from the parent corporation."

The 1980s, which had begun with so much uncertainty, ended with unprecedented success. In January 1989 Power received an unsolicited offer of \$25 a share from Stone Container Acquisition Corporation for its shares of Consolidated-Bathurst. Given Power's long and important history with Consolidated-Bathurst, the board's decision was not easily reached. But the offer, representing two and a half times book value, was extremely attractive, and Power had

Montréal Trust: gain de \$250 millions pour Power

Le milieu est fasciné par les grandes manoeuvres de Desmarais et se demande: il veut faire quoi?

LAUREN CLOUTIER

La Corporation Financière Power devrait annoncer un gain de capital de quelque \$250 millions à la suite de la vente de ses intérêts de 64 p. cent dans le Montréal Trust.

Cela ne qu'on «baville» leur pendant que BCU (la société-mère de Bell Canada), le plus important conglomérat du Canada, ne s'attendait pas à de l'opposition de la part des autorités fédérales.

Cette transaction de \$275 millions avec BCU — dont \$247 millions à la Financière Power — n'a pas diminué, au contraire, la stature légendaire de Paul Desmarais, qui continue encore de fasciner nombre d'analystes financiers par ses gestes inattendus.

De fait, la plupart des analystes se perdent en conjectures hier sur ce que le propriétaire de Power Corp. non préparé, comme prochaine acquisition, avec ses liquidités de \$1,9 milliards!

«Le plan d'ensemble?»

Par exemple, l'équipe de spéculateurs de Burnt Fry — le plus

grand courtier de Canada dans les acquisitions — s'interrogeait à haute voix sur la nature du «plan d'ensemble» de Paul Desmarais.

De toute façon, il n'y en a plus beaucoup à vendre, ajoute-t-elle.

Robert Graton, président du Montréal Trust, déclare que les

«Paul Desmarais aime le secteur des communications. Il pourrait échanger son bloc de 2,5 p. cent de BCU contre ses 21 p. cent de Chabectra, lance l'analyste de Bourse».

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Canada's All-Business Newspaper

Power Corp. to reap \$1.5B for Connie-B

By Keith Dougherty

Financial Post

Power Corp. of Canada yesterday formally announced its plans to buy back a major player in the international pulp and paper industry, announcing it has agreed to sell its 40% stake in Consolidated-Bathurst Inc. to U.S.-based Stone Container Corp.

Chicago-based Stone Container said it plans to make a cash tender offer for all the outstanding shares of Consolidated-Bathurst, one of Canada's largest pulp and paper companies, in a deal worth \$1.5 billion. The deal will make Stone the second largest paper company in the world after International Paper Corp. of New York.

In addition to Power Corp., Consolidated-Bathurst's other major shareholders — Borealis Invest

Corp. Chairman Paul Desmarais (left) and Stone Container Chairman Roger Stone at his desk.

Desmarais said that after the sale, Power Corp. will have \$1.25 billion and \$1 billion in cash and will be in the market for new acquisitions. "In particular, we are looking at the United States."

"The likelihood that we'll be able to do something that will be very interesting for the shareholders of Power Corp.," he said, without indicating what areas might interest the holding company.

Frederic Fidler, an analyst with Merril Lynch in Toronto, said that Stone Container's bid with the company will guarantee that the Power Corp. share price will go.

Stone Container is offering \$25 a share, a 50.4% premium over Consolidated-Bathurst's last 30 closed

the company has no intention of making new Consolidated-Bathurst shares once the takeover is completed.

Stone Container will mail the offering circular within 10 days and it will be outstanding for 30 days, unless it is extended. The offer is conditional on acceptance by 90% of Consolidated-Bathurst's shareholders and on approval of the regulatory agencies in Canada and the U.S.

Consolidated-Bathurst's present management and its 18,000 employees will be retained and the company will continue to be run out of Montreal.

"We didn't buy this business to close it down, to give us a greater cost structure or a market share advantage," Stone said.

Matthew Berger, an analyst with Dominion Securities in Toronto, said that purchase "makes sense strategically and it

never, that is global in terms of its corporate structure, which is very important," he said, adding the purchase was "in the spirit of free trade."

Desmarais confirmed rumors that Power Corp. had been interested in acquiring Borealis Inc., a Montreal-based company controlled by Louis de Gooch et Philippe de Gooch, and the Montréal Club de Financement.

He said Power Corp. had wanted to acquire Consolidated-Bathurst and Borealis to create a global competitor but the Quebec agencies were unwilling to sell.

Power Corp. was also exploring possible acquisitions in the American pulp and paper sector but was unable to find any suitable investments in a timely manner.

Consolidated-Bathurst and yesterday a review of the deal is under way. Since 1982, however, no deal outside the oil industry has been