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[20331001]

Santa Fe Pacific was the kind of story Wall Street loved .
ev-w218f2 ev-w1908f1

[20331002]

Since the value of its assets was n't known , analysts were free to pick a number .
ev-w1810f1 ev-w218f2 ev-w2265f5

[20331003]

In one of many rosy scenarios , Bear Stearns 's Gary Schneider wrote in March that its real estate alone had a value of $ 4.5 billion .
ev-w3674f4 ev-w1566f3

[20331004]

Throw in its railroad , minerals , pipeline and oil assets , he and others argued , and the Chicago-based conglomerate should be worth 30 a share .
v-w115_u_nobodyf1_u_nobody ev-w131f2 ev-w218f2

[20331005]

And why should holders expect to realize that presumed " worth ? "
ev-w1239f1 ev-w2517f1

[20331006]

That was another reason the Street loved Santa Fe .
ev-w218f2 ev-w1908f1

[20331008]

But value , it turns out , is only what a buyer will pay .
ev-w3472f4_u_nobody ev-w218f2 ev-w2223f7

[20331009]

And with the company 's recent announcement that it is contemplating a partial sale of its real estate , the values suddenly look poorer .
ev-w680f1 ev-w1899f9

[20331010]

Santa Fe has disclosed that it is negotiating to sell a 20 % interest in its real estate unit to the California Public Employees Retirement System for roughly $ 400 million .
ev-w961f1 ev-w2066f1 ev-w2888f2

[20331011]

Since the real estate unit also includes debt , the imputed value of the real estate itself is close to $ 3 billion .
ev-w1676f2 ev-w218f2

[20331013]

" The upside was in the intangible real estate ... which is no longer an intangible . "
ev-w218f7_u_nobody ev-w218f2

[20331015]

If the railroad is valued on a private market basis – at the same multiple of earnings as in the recent sale of CNW – it would have a value of $ 1.65 billion .
ev-w3535f1 ev-w1566f3

[20331016]

A compromise between bulls and bears puts remaining assets and cash -- including its 44 % stake in its publicly traded pipeline -- at $ 2 billion .
ev-w2449f2 ev-w2638f1 ev-w3417f2

[20331017]

Santa Fe also has $ 3.7 billion in debt .
ev-w1566f3

[20331018]

In addition , its railroad lost a $ 750 million antitrust suit , which is on appeal , and which analysts say could be settled for one-third that amount .
ev-w1906f1 ev-w218f20_u_nobody ev-w2833f1 ev-w2904f5

[20331020]

But Santa Fe , currently trading at 18 7/8 , is n't likely to realize private market values by selling assets , because the tax against it would be onerous .
ev-w3417f3 ev-w218f2 ev-w2517f1 ev-w2888f2 ev-w218f2

[20331021]

Its plan , instead , is to spin off the remainder of its real estate unit and to possibly do the same with its mining and energy assets .
ev-w218f2 v-w16_u_nobodyf2_u_nobody ev-w1029f2

[20331022]

Robert D. Krebs , Santa Fe 's chairman , argues that since its businesses are valued in different ways , " the sum of the parts may be greater than the whole . "
ev-w131f2 ev-w3555f2 ev-w218f2

[20331023]

But it is n't clear why that should be so .
ev-w218f2 ev-w218f35

[20331024]

The spinoff argument , after all , reverses the current notion that assets are worth more to private buyers than to public shareholders .
ev-w2743f1 ev-w218f2

[20331025]

And real estate usually has n't traded well under public ownership .
ev-w3417f2

[20331026]

Salomon Brothers says , " We believe the real estate properties would trade at a discount ... after the realty unit is spun off ... . "
ev-w2833f1 ev-w239f3 ev-w3417f2 v-w16_u_nobodyf2_u_nobody

[20331028]

Some analysts remain bullish .
ev-w2638f2

[20331030]

He adds : " If for any reason I do n't have the values , then I wo n't recommend it . "
ev-w45f3 ev-w1566f3 ev-w2550f1

[20331031]

2

First Boston 's Graeme Anne Ladgerwood values Santa Fe at 24 , down from her earlier estimate of 29 .
ev-w3535f1

[20331032]
Her recent report classifies the stock as a '' hold . ''
ev-w541f1

[20331033]
But it appears to be the sort of hold one makes while heading for the door .
ev-w115f2 ev-w218f2 ev-w1923f14_u_nobody ev-w1568f3_u_nobody

[20331035]
Chairman Krebs says the California pension fund is getting a bargain price that would n't have been offered to others .
ev-w2833f1 ev-w1455f11 ev-w2105f2

[20331036]
In other words : The real estate has a higher value than the pending deal suggests .
ev-w1566f3 ev-w3251f1

[20331038]
And , as Mr. Zell says , with Itel and O&Y on the unit 's board , the real estate will be run by '' a very unusual group '' to say the least .
ev-w2833f1 ev-w2806f6 ev-w2833f1

[20331039]
It is possible then that Santa Fe 's real estate – even in a state imperiled by earthquakes – could , one day , fetch a king 's ransom .
ev-w218f2 ev-w1656f1 ev-w1308f1

[20331041]
So despite Wall Street 's rosy talk of quickly '' maximizing values , '' holders could be in for a long wait .
ev-w1958f1 ev-w218f2

[20331043]
Business : Railroad , natural resources and real estate

[20331044]
Year ended Dec. 31 , 1988 :
ev-w1142f3

[20331045]
Revenue : $ 3.14 billion

[20331046]
Net loss : $ 46.5 million : 30 cents a share

[20331047]
Third quarter , Sept. 30 , 1989 :

[20331048]
Net income : 21 cents a share vs. net loss of $ 4.11 a share

[20331049]
Average daily trading volume : 344,354 shares