

Walston & Co.

MEMBERS NEW YORK STOCK EXCHANGE AND OTHER LEADING STOCK AND COMMODITY EXCHANGES
NEW YORK • PHILADELPHIA • LOS ANGELES • SAN FRANCISCO • LUGANO (Switzerland)
OFFICES COAST TO COAST CONNECTED BY DIRECT PRIVATE WIRE SYSTEM

TABELL'S MARKET LETTER

February 19, 1954

The market appears to be in a consolidating phase similar to that of December. From late November until early January, the Dow-Jones industrials held in a trading shelf between roughly 285 and 276. However, during this consolidating period, individual issues continued to move ahead. The market is now tracing a similar pattern. For the last nineteen trading days, the average has held in an area between 295.43 and 287.37. Also during this period, individual issues have continued their upward trend despite the lethargy in the general averages. I expect this action to continue for a while longer. During this consolidation phase, the market could work somewhat lower to possibly the 285-280 level in the industrials and 100-98 area in the rails, but the technical patterns on individual issues do not indicate a decline of more than corrective proportions. Minor price weakness should be used to add to holdings in selected issues.

SPERRY CORPORATION

Current Market	52
Current Dividend	\$3.00
Current Yield	5.8%
Funded Debt	\$19,400,000.
Common Stock	2,085,045 shs.
Net Per Share-1953	\$7.50 (Est.)
Net Per Share-1954	\$6.75
Sales 1953 (9 mos.)	\$352,700,000.
Sales 1952 (9 mos.)	\$273,100,000.
Current Assets	\$202,410,000.
Current Liabilities	\$146,550,000.
Working Capital	\$55,860,000.
Net Range 1953-1954	54 3/4 - 35 3/4

Sperry Corp. appears to offer interesting growth potentials. Business is divided into four broad categories. The most important is instrumentations and controls. This category consists largely of specialized high-precision equipment for the armed forces. Excellent volume should continue in this division as the present defense program appears to favor many of the products in which Sperry Corp. specializes such as air defense. The company has the "Skysweeper" which is a weapon with radar, computer and gun. Automatic pilots are another important product.

A large portion of the non-government sales are in the farm machinery and equipment division. A new smaller, lower-priced hay baler was introduced early in 1953. While sales in this division may be a bit lower in 1953 and 1954, the long term trend should be upward.

Sperry is also one of the world's largest producers of hydraulic equipment where liquid is used to transmit and control power. The company has done considerable research on hydraulic steering gears and is producing equipment for power steering on passenger cars.

Other products include aircraft and marine navigation instruments, hay twiners and other types of farm equipment, various electronic devices and automatic packaging machinery. The company is also engaged in developing and producing devices for the Atomic Energy Commission.

Sperry Corporation will derive considerable benefit from elimination of E.P.T. Payments in 1953 were estimated at around \$4.00 per share. With a return to a 52% tax base, it is expected that Sperry could earn approximately \$10.00 in 1954. This could easily result in an increase in the present \$3.00 annual dividend rate.

The technical pattern is very interesting. The stock about reached its initial upside objective of 55 at the recent high of 54 3/4. However, the long term pattern suggests an ultimate objective somewhere in the 75-100 area. From a defensive point of view, the stock has a strong support zone in the 49-45 area. It would appear that Sperry, from both a technical and fundamental viewpoint, is an interesting candidate for sizeable capital appreciation. Stock should be purchased during periods of minor price adjustment. The company earlier in the week declared the regular 75¢ quarterly payment.

EDMUND W. TABELL
WALSTON & CO.