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## TABELL'S MARKET LETTER

August 20, 1954

The market has rallied back to the highs of late July with the Dow-Jones industrials during the past week at 352.27 as compared with 351.50 and the rails at 121.50 as compared with 121.01. However, many individual issues have moved sharply above their earlier highs and probably an equal number are selling well below their earlier peaks. This type of action will continue. There are still no signs of important distributions, but many issues will rest while others take over. There are many issues amply priced, quite a few undervalued and very few vulnerable to more than the usual technical corrections.

High yields in good stocks are becoming increasingly difficult to find. However, there are a number of listed stocks of lesser known companies that are still available on an attractive yield basis. The five stocks mentioned below are all listed on the New York Stock Exchange. They all yield 7% or better. They are all in a sound financial position. One has paid consecutive cash dividends for over five years, one for thirty-five years and three for over fifteen years. All have interesting technical patterns with a possibility of capital appreciation over a period of time. While these stocks are not of high grade investment quality, they certainly can be classified as "businessmen's risk". Their purchase is advised for those investors interested primarily in income but also desirous of some opportunity for long term capital enhancement. They are not "trading" issues in the popular sense of the word. In most instances, six months earnings are below 1953 which accounts for the high yield but prospects favor some improvement in the second half.

CITY PRODUCTS sells around 35 and pays \$2.50 annually to yield 7.2%. The company is the largest distributor of ice to railroads and refrigerator lines. It operates dairies in six states, owns five breweries, operates coal yards, bulk fuel oil stations, cold storage warehouses, and has interests in oil and gas properties in Oklahoma and Kansas. Earnings have been relatively steady and have averaged around \$3.90 annually since 1946. 1953 earnings were \$3.09 and are expected to show relatively little change this year. Dividends have been paid since 1894. The stock sold at 44 1/2 in 1946. Since that time, the stock has held in the 34-25 area until it recently reached a new high at 35 3/4.

DeVIIBISS CO. sells at around 21 and yields 7.1% on the \$1.50 annual dividend. The company is a leading producer of industrial spraying systems used in applying paints and lacquers and other types of coating materials. Earnings were down last year to \$2.46 but have averaged about \$3 annually since 1946. Earnings for first six months were \$1.03 against \$1.53 in 1953. Sales have increased from \$4.7 million in 1939 to \$19.1 million in 1953. There is no funded debt and only 300,000 shares of common outstanding. Book value of common is over \$38 per share and net working capital is equal to over \$25 a share. Dividends have been paid since 1918. The technical pattern suggests higher levels over a period of time.

LEES (JAMES) & SONS sells at around 25 and pays \$2 to yield 8%. It has shown relatively steady earnings considering that it is in the volatile carpet industry. 90% of sales are in carpets and 10% in wool yarns. Earnings for 1953 were \$3.76 and have ranged between \$3.08 and \$6.22 since 1946. Six months earnings for 1954 were \$1.02 as against \$1.93 in 1953. Dividends have been paid every year since 1895 with the exception of 1938. Financial position is sound with cash items at the year-end exceeding all current liabilities. The technical pattern is favorable and higher levels are indicated over the longer term.

RAYBESTOS-MANHATTAN sells at 43 and yields 7% on the \$3 annual dividend which was covered by earnings of \$5.35 in 1953. Earnings for first six months of 1954 are \$1.95 compared with \$2.79 in 1953. Company has a well diversified output with replacements a large portion of sales. The company manufactures automotive friction products, mechanical rubber goods and miscellaneous items such as asbestos textiles, fibrous glass and bowling balls. The Cassiar Asbestos Company was acquired in 1953. There is no funded debt and 628,100 shares of common. Finances have been consistently strong with cash items in excess of current liabilities. Dividends have been paid each year since incorporation in 1929. Stock has held in 36-48 range since 1951. An upside penetration would indicate a substantial advance.

WAYNE KNITTING MILLS sells at 22 and yields a little over 9% on the \$1.60 regular dividend plus the 40¢ extra paid in 1953. The company is one of the leading manufacturers of better quality full-fashioned hosiery for women. There is \$454,000 of debt and 359,996 shares of common. Earnings have been steady since 1946 and have ranged between a high of \$4.88 and 1953 earnings of \$3.07. Earnings for the first six months of 1954 were \$1.34 compared with \$1.59 in 1953. Despite capital expenditures of \$2,150,000 in the four years through 1953, working capital has increased. Cash items at the end of 1953 were almost double total current liabilities.

The stock sold at 70 in 1946. Since 1947, it has held in a narrow trading area between 25 3/4 high and 16 1/2 low. An upside penetration would indicate substantially higher levels.

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