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TABELL'S MARKET LETTER

October 15, 1954

DOW CHEMICAL CO.

Statistics

Current Market	38 $\frac{1}{4}$
Current Dividend	\$1.00 -A
Current Yield	2.6%
Long Term Debt	\$247,535,700 -B
Preferred Stock	---
Common (Shares)	22,651,011
Net Per Share, 1953	\$1.54 -C
Net Per Share, 1954	\$1.42 -C
Sales, 1953	\$430,400,000 -C
Sales, 1954	\$428,300,000 -C
Market Range 1952-1954	44 $\frac{1}{2}$ - 33 $\frac{1}{4}$

A - Has also paid 2 $\frac{1}{2}$ % stock dividend 1948-1953 with exception of 1951. It is not expected to pay an extra dividend in stock this year due to a new New York Stock Exchange ruling that reported earnings of a company are expected to cover cash dividends paid plus the amount of the stock dividend.

B - Including \$100,000,000 in subordinate debentures convertible into common at \$47.09 a share through July 1, 1962.

C - Fiscal year ends May 31st.

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Even though sales have flattened out in the last two years, Dow has no equal in the chemical industry as to growth. Net sales rose from \$130 million in fiscal 1947 to \$430 million in fiscal 1953. In seven years, Dow's investment in property has tripled. Since 1950 it has averaged better than \$90 million a year (over \$4 a share) in capital outlay. Much of this expansion was certified for accelerated amortization as defense construction. Dow wrote off \$65 million (almost \$3 a share) in fiscal 1954 and will write off approximately \$75 million (\$3.30 a share) in fiscal 1955. Thus, cash flow earnings are equivalent to roughly \$4.50 a share. Amortization in excess of normal depreciation is almost \$1 a share. With this high amortization rate, Dow is financing plants which can be expected to earn profits in the future. This heavy cash flow has kept Dow in a sound financial position. On May 31st, 1954, cash items exceeded current liabilities and working capital was \$150 million. Subsequently the remaining \$50 million in bank loans were paid off and the preferred stock was retired at a cost of

over \$32 million.

Dow manufactures over 600 chemical products. In fiscal 1954, 57% of sales were accounted for by industrial chemicals, 32% by plastics and 11% by magnesium. The company is a major producer of chlorine, bromine, styrene, vinyl chlorides, saran and polyethylene plastics, ethylene and other petrochemicals. Dow will be major producer of polyethylene and synthetic glycerine when expansion of plant is completed and in full operation.

Plants are operated in Midland, Mich., Freeport, Texas, and eleven other U.S. locations. Dow has a 50% interest in Dow Corning Corporation which holds a leading position in the growing field of silicone chemistry. It has a 50% interest in ETHYL-DOW CHEMICAL COMPANY which produces ethylene dibromide for anti-knock fluids. The 50% owned SARAN YARNS COMPANY, produces a material to wrap foods. Dow wholly owns Dowell (oil well servicing) and BRAZOS OIL & GAS which has substantial natural gas reserves.

Dow's sales have in the past been almost entirely to industry rather than the consumer. Now it is attempting to enter the mass consumer market and has recently launched a program to reach the consumer under its own label. The new TV show "MEDIC" on NBC is sponsored by Dow and has received very favorable reports. It is in competition with the CBS show "I Love Lucy". It promotes Saran Wrap, a plastic material for wrapping foods. This appears to be just a start to a direct appeal to the consumer. Other products with a mass appeal will undoubtedly follow Saran Wrap.

Dow Chemical has no particular appeal for the short term trader. It is a typical long term growth situation. It is, in my opinion, an excellent stock for participation in the Monthly Investment Plan which the New York Stock Exchange has so wisely sponsored. From a technical viewpoint, it is slowly building up a base pattern in the broad 44-34 area. The downside risk appears to be about 35' or 8% below current levels. On the upside, the potential over the next several years appears to be 65-75 or over 80% higher.

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