

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

December 23, 1954

JOY MANUFACTURING CO.

Statistics

Current Market	47
Current Dividend	\$2.50
Current Yield	5.3%
Long Term Debt	\$4,759,000
Preferred Stock	---
Common (Shares)	893,894
Net Per Share, 1954	\$4.08
Net Per Share, 1953	\$5.89
Sales, 1954	\$62,775,196
Sales, 1955	\$77,776,125
Mkt. Range -1951-1954	48 5/8-29 1/8

Joy Manufacturing appears to be entering a new cycle of growth. The President, J.D.A. Morrow, who has been a very large factor in the success of the company, and the Directors decided several years ago to develop new top level executives from the very promising young men that were then coming up in the organization and add a few highly capable men recruited from the outside. The job has been done and the new team is on the field. The organization is predominantly young and aggressive, but steadied by a sufficient number of veteran executives like Mr. Morrow

and Harold R. Wheeler, Vice President in charge of Export Sales and Foreign Operations, John Lawrence, Executive Vice President is 43. William L. Wearnly, General Sales Vice President is 39. Other key executives range in age from 32 to 37.

Joy is the pioneer and leading company in a relatively new segment of the labor saving field - the mechanization of mining. While Joy's products mainly serve the coal industry, the company is doing a thorough-going and energetic job in undertaking to diversify its sales and build up its business outside of coal as it has done and is doing in coal. Joy is continuing to drive aggressively for business in other markets. In the broad markets available in fields other than coal, the company has been successful in the past seven or eight years in tripling business. In the 1948 fiscal year, a breakdown of Joy's sales by major markets showed 68% contributed by coal. In the 1954 fiscal year, this had been cut to 32%.

The company has definite goals. They are entrenching themselves more solidly in metal and hard rock mining, general industry, oil and gas fields and heavy construction. They are moving more strongly into aircraft and electronics with a variety of products for those industries. Joy has helped the coal industry get out of red ink into black. It has done the same with other industries. There is the multimillion dollar and highly profitable potash industry in Carlsbad, New Mexico. In 1939, potash mining was a small hand operation trying to compete with foreign mined potash. Today ninety percent of this industry uses Joy equipment and, through mechanization, American produced potash is the lowest cost potash produced anywhere in the world. In another type of mining, Joy also is of tremendous assistance. The White Pine Copper Project in the upper peninsula of Michigan, into which the Government put in a lot of money, is a low-grade ore project. It is producing ore so cheaply today that it is actually competitive with much higher grade ores produced in other parts of the country. Better than ninety percent of the equipment at White Pine is Joy. They chose Joy air compressor, Joy drills, Joy loading machinery, conveyors and loading equipment. In the heavy construction field, Joy's new pneumatic drilling machine, the largest of its type ever built, is being used in the tremendous rock fill dam project in the San Joaquin Valley of California. In the highway construction field, Joy equipment is being used in the construction of the New York State Thruway. The aircraft industry also offers Joy a substantial market potential. For many years Joy has been designing and manufacturing huge mine ventilating fans up to 12 feet in diameter. Because of the mine fan business, Joy had developed a good Fan Engineering Department staffed with good technicians. From this beginning, Joy has gone into the design and manufacture of many types of specialized fans and blowers requiring high performance. Today, approximately eighty percent of the cabin pressurizing and ventilating blowers for the aircraft industry are built by Joy. The company has also entered the growing hydraulics industry with a hydraulic hose and special fitting. Such hose and fittings are used in mining machinery, in construction equipment and by tractor companies. Practically everyone who builds heavy machinery uses hydraulics and they need hydraulic hoses and fittings.

This memorandum is not to be construed as an offer or solicitation of offers to buy or sell any securities. From time to time Walston & Co., or any partner thereof may have an interest in some or all of the securities mentioned herein. The foregoing material has been prepared by us as a matter of information only. It is based upon information believed reliable but not necessarily complete, is not guaranteed as accurate or final, and is not intended to foreclose independent inquiry.

Just this one product could result in annual sales of \$2 million in two years and \$5 million annually or more in the next three or four years. In the mining field, Joy has developed an interesting and productive sideline business which involves geological exploration for ores and minerals by means of a Contract Drill Division. Exploratory work, by contract, is done for mining companies, land companies, etc., anywhere in the United States. These explorations keep Joy informed in advance of future mining developments in zinc, iron ore, copper ore, uranium and other metallic mineral deposits. Then the Engineering and Sales Department can plan to meet the special needs of the future customer when he is ready to open his mine.

Joy is prominent in the coal mining field and intends to maintain that position. It is not abandoning the coal mining field. They believe coal has a great future. The booming electric power industry is creating new demands for coal every year. Also the day may not be too remote when coal may be gasified and fed into the natural gas pipelines of the country. In spite of the serious competition which coal has been getting from other fuels during the past few years, new mechanization developed by Joy is offering such positive cost savings that coal may move into a better competitive position. In 1954, it is estimated, the average output per man per shift in the coal mines of the United States will be about $8\frac{1}{2}$ tons. Mines mechanized with latest and most productive Joy equipment are averaging anywhere from 25 to 50 tons and before 1955 is ended there will be numerous mines producing still higher tonnages per man per shift with the new Model 1-CM Joy Continuous Miners and Joy Extensible Belts. Much of the present mechanization is obsolete and will have to be replaced with later and more efficient machines. This new equipment assures Joy of a continuing profitable base load of coal machinery for many years to come.

The positive plan for Joy's future growth falls into three divisions. The first is to engineer and develop new products. The second method is by acting as a sales outlet, a channel for distribution for other companies. The third method by which the company will grow is by the acquisition of other companies. This has worked out well in the past. Companies acquired since 1945 for a cost of \$8.8 million have earned for Joy since that time, after all taxes and charges, about \$21.1 or approximately two and one-half times what was paid for them.

An increasing amount has been expended for Engineering and Research activities. In 1951 for every 100 people on the payroll there were 5.9 persons in engineering and research. Last year, the figure was 7.5 for every 100 and it is expected that shortly the ratio will be 10 for 100. In 1948, Joy spent \$1.3 million on engineering. Last year, \$2.5 million was spent.

The growth and prospects for foreign business are very encouraging. The total business Joy did outside the borders of the United States in 1954 ran between \$27 and \$28 million. This has grown from \$2 million in 1939 or an increase of 1,250%. Joy operates in 72 countries with nine wholly owned foreign subsidiary companies. In addition, the company has manufacturing arrangements with five independent foreign licensees. Foreign sales are highly diversified in regards to types of customers served as well as geographic location. Coal is of secondary importance. For instance in France, the largest foreign customer, only 8% of the sales volume is in coal. Joy machinery is used to mine iron ore in Lapland, phosphate, manganese, zinc and cobalt in Morocco, tin in Malaya and Bolivia, copper in Rhodesia and Chile, potash in France and Germany, gold and uranium in Canada and South Africa. Joy sells to the petroleum industry of Saudi-Arabia, Burma and Venezuela. Joy's equipment is playing an important part in the development of hydroelectric power in India, Switzerland and France. A new factory is operating in Johannesburg, South Africa, to build Joy machines for diamond, gold and uranium mines.

In 1954, the total profits from foreign business were equivalent to \$1.57 a share of the parent company's stock. About two-thirds of this amount is included in the parent company's earnings of \$4.08 a share for 1954. The balance was not remitted.

Joy sales were lower in 1954 chiefly because of depressed conditions in the mining industry, especially coal. Higher sales and profits are expected in 1955. 1954's earnings of \$4.08 should be a floor.

From a technical viewpoint, the stock has built up a very strong pattern. After reaching a high of $43\frac{1}{4}$ in 1948, the stock declined to a low of $23\frac{5}{8}$ in 1950. For over four years it held in trading area between roughly 30 and 40. The recent upside penetration of this long accumulation area to a recent high of $48\frac{5}{8}$ presents some interesting potentials. The intermediate term objective appears to be 53-56, but the long term potential appears to be in the 75-100 area. The stock has advanced sharply recently, but the 45-40 area should now be a support zone and the upside potential over the longer term is large.

EDMUND W. TARELL
WALSTON & CO.