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 April 22, 1955

Edmund W. Tabell phones from Richmond, Va., as follows:

There is no change in my current views as outlined in my Commercial & Financial Chronicle Article of last week. Would expect 435-450 in the Dow-Jones industrials and 165 in the rails to be the maximum upside objectives for the averages for the time being. Although there is no reason for disturbing long-term investment accounts at this juncture, it would be advisable to lighten commitments in capital gains accounts as individual stocks reach their objectives.

** ** ** ** ** ** ** ** **

COCA-COLA COMPANY

Statistics

Current Price	122
Dividend	$5.00
Current Yield	4.0%
Funded Debt & Pfd.	none
Common Stock (shs.)	4,268,078
Sales,1954 -	not available
Sales,1953 -	$251,200,000
Earned per sh.,1954 -	$6.08
Earned per sh.,1953 -	$6.60
Price Range,1955-46	200-100½

Quality is usually expensive in today's stock market. Many stocks of the highest investment grade are selling today at as much as twice their 1946 highs and three times their 1949 lows. Yet today, the common stock of Coca-Cola Company is selling for 125 as against a 1946 peak of 200. In fact, during the unprecedented 1949-1955 bull market rise, the price of Coca-Cola has been in a general downtrend.

There is no disputing the company's investment quality. Over a period of years, aggressive advertising and merchandising have built Coca-Cola to a position where it commands around 50% of the total soft-drink market. The nickname "Coke" and the slogan "The Pause That Refreshes" are synonymous with soft drinks all over the world. The history of Coca-Cola is the story of one of the most successful consumer sales campaigns in merchandising history.

Since there is hardly any dispute about the investment quality of the stock, why has the price declined in the face of a rising market? The answer would ostensibly lie in the earnings which have slipped off steadily from a record $8.76 per share in 1949 to an eight-year low of $6.08 for last year. It would appear, however, that a long-term view hardly supports the thesis that this is a permanent trend. First of all, the decline in earnings took place during a period when the parent company was steadfastly attempting to hold to the 5¢ price line and the six-ounce bottle during a period when it was faced with rising costs and competition from drinks put up in larger bottles. Under the new management of Mr. H.B.Nicholson, a hard-headed executive with a strong advertising and merchandising background, the company is now experimenting with a larger bottle. With most local bottlers now charging more than 5¢, it seems that any further decline in earnings could be forestalled by a general adherence to the 10¢ price of most of Coca-Cola's competitors. In addition to the above factors, which seem to point to more aggressive competition on the part of the company, there are numerous other points which seem to make Coca-Cola attractive as an investment at this time. Its wide acceptance among all segments of our population would seem to indicate that it will continue to grow as the population increases. An increase in foreign trade will tend to stimulate foreign sales. And perhaps most important, the large cash position, with practically no debt, assures that any increase in earnings will accrue to stockholders in the form of dividends.

Taking all the above factors into account, it would seem that Coca-Cola is one of the few issues of real quality available today at reasonable prices. It's quality and stability offer an excellent hedge against a declining market. (It is interesting to note that the stock could have been bought in 1929 and sold at a profit in 1932.) More than this, however, the prospect of increased earnings offers substantial opportunity for long-term capital gain.

The recent technical action of the stock seems to mirror increased investor confidence. The critical point is 126. The recent upside breakout to 127 indicates a break in the long-term downtrend and an eventual 210. There is strong support at 101. It would thus seem that Coca-Cola offers quality reasonable yield, capital gains potential and good defensive value. It truly appears to be one of the few real "blue chips" now available on the bargain counter.

ANTHONY W. TABELL
WALSTON & CO.