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TABELL'S MARKET LETTER

September 9, 1955

The market pushed selectively higher last week with the Dow-Jones Industrials making a new high at 478.80. The rails, at the week's high of 163.32 were still below the June high of 164.59, although the group was showing good strength at week's end. As indicated in our last week's letter, it would seem that somewhat higher prices are indicated, but at this stage the advance is expected to be extremely selective and a considerable amount of trading agility will be required. Upside objective on the industrials is about 490 and on the rails 172-179, assuming an upside breakout. It must be remembered, however, that although the probabilities appear to favor the upside, ~~downside potentials are considerably greater, thus creating unfavorable investment odds.~~ New buying should be undertaken with caution and strength should be utilized to switch out of unfavorably-placed commitments.

DRESSER INDUSTRIES, INC.

Statistics

| | | |
|-----------------------|-----------------|---|
| Current Market | 46 | |
| Current Dividend | \$2.50 | |
| Current Yield | 5.4% | |
| Long Term Debt | \$12,500,000 | |
| Common (shs.) | 2,006,815 | A |
| Net Per Share, 1955 | \$5.00 | E |
| Net Per Share, 1953 | \$5.03 | B |
| Sales, 1955 | \$160,000,000 | E |
| Sales, 1954 | \$130,000,000 | B |
| Mkt. Range: 1951-1955 | 47 3/4 - 17 1/4 | |

- A - Gives effect to full conversion of preferred.
- E = Estimate.
- B - Consolidated with Lane-Wells.

Dresser Industries, which has been on our recommended list for some time, attracted a good deal of favorable market attention in the past two days, based partly on a talk by R.E. Reimer, Vice President and Treasurer, at the New York Society of Security Analysts on Thursday. Mr. Reimer estimated that Dresser's sales for the current fiscal year will be about \$160 million as compared to about \$130 million last year. Earnings should be about \$5.00 per share vs. \$5.05 last year of which 33% was non-recurring income. Both figures have been adjusted to reflect the operations of Lane-Wells Company, Dresser's newest subsidiary, and the 1955 estimate takes

cognizance of the fact that 100,000 additional Dresser shares will be outstanding at the end of this year due to conversion of preferred stock.

The attractiveness of this earnings picture is further enhanced by the fact that it includes a loss of \$1 1/2 million or 75¢ a share on Dresser's Securities Engineering division. The main product of this division is the tri-cone or three-cornered drilling bit, extensively used for deep-well drilling. Since this product is still partially in the experimental stage, it has shown operating losses so far. Mr. Reimer estimated, however, that over a period of time the division can show around \$27 million dollars sales and contribute proportionally to Dresser's operating profit.

Dresser has changed its character considerably over recent years. For 1955, over 50% of sales will come from expendable items. Since these items have a far more stable demand than do capital goods, Dresser's sales and earnings can be expected to show far less variability than in the past. Greatest addition to volume non-expendable items came from the recent merger with Lane-Wells, a specialized oil well engineering service.

Another major expendable item is drilling mud, which must be used in all deep-well drilling. Major components for this material are Barite and Bentonite of which Dresser owns the largest deposits in the world. These mineral reserves are not included on the balance sheet, incidentally, but have a possible potential value at around \$20 per share.

With economists predicting steady growth of oil demand over the long term, Dresser products, which are the cornerstone of the oil industry, can be expected to experience a dynamic sales growth. Bought on any weakness, Dresser appears to be one of the cheapest participations in the expanding oil and gas industry.

The long term technical objective for Dresser is 75-80. Over the near term, ability to reach 48 would indicate 53. There is support at 45-43 where the stock should be bought.

EDMUND W. TABELL

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