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Inc

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TABELL'S MARKET LETTER

January 6, 1956

CORNELL-DUBILIER ELECTRIC CORP.

Statistics

Current Market	34
Current Dividend	\$2.10 *
Yield	6.2%
Funded Debt	\$3,650,000
\$5.25 cum.pfd.stk.	11,561 shs.
Common Stock	512,390 shs.
Earned per Sh., 1955	\$3.41
Earned per Sh., 1954	\$3.25
Sales, 1955	\$34,955,172
Sales, 1954	\$37,149,778
Market Range-1955	37 3/8 - 29

* Paid in 1955

Sales and earnings are for fiscal year ending Sept. 30, 1955.

Certainly a company whose stock yields between 6% and 7%, whose product can be expected to enjoy huge growth in demand during the years ahead, and whose management has compiled one of the best competitive records in its field, deserves scrutiny as an investment medium, both for defensive value and capital appreciation potentialities. Such a stock, we believe, is Cornell-Dubilier Electric Corp. CDR's principal products is the capacitor, a small device used to store up electrical current and release it as needed in an electronic circuit. A few statistics give an idea of the extent to which these devices are used. In a 25-tube black-and-white television set, there are approximately 100 capacitors.

One of the new electronic computers has roughly 4,000 capacitors and it is interesting to note that in the electronic equipment used aboard a heavy bomber, it is estimated that there are approximately 50,000 capacitors used. While the basic cost of each one of these component parts is relatively small, the quantity used brings the total expenditure for these parts to a substantial figure.

It is the TV field, however, which can be expected to provide a great deal of the intermediate-term growth in capacitor demand. Black-and-white television set production will decline next year, it is true; perhaps from 7,700,000 sets to below 7,000,000. 1956, however, will probably be the first year of important color TV production, with output estimated at close to 300,000 sets. The main point to keep in mind is that color TV sets require three times as many capacitors as black-and-white sets. Thus, CDR's sales should remain substantially the same in 1956, or perhaps even rise slightly. In 1957 and beyond, as color TV eventually begins to replace black-and-white, CDR sales could show terrifically wide gains.

This growth potential appears to be currently available on the bargain counter. Currently, Cornell-Dubilier is selling for only ten times earnings. Due to the company's policy of paying an extra in each quarter, it is difficult to project the exact dividend rate, but it should at least equal the \$2.10 paid in 1955.

Some reason for the skeptical view of CDR's earnings taken by the market may be found in the fact that the company's sales have declined from \$43½ million in 1953 to \$35 million in the year ended September 30, 1955. Yet these figures do not tell the whole story. The fact is that 75% of this sales drop is accounted for by slackening defense sales, which now account for only a small fraction of volume, and that non-defense sales actually improved during the last year. Grounds for pessimism may also be found in the potential decline in TV set production next year, but this is busily offset by anticipated gain in color TV output, as outlined above. And despite the fact that CDR operates in a highly competitive field, its recent record in that field speaks for itself.

Further plus factors are inherent in the huge growth potential in other applications of capacitors which are used in most all electronic equipment. It would therefore appear that, on balance, Cornell-Dubilier offers attractive participation in future growth of the electronics industry, coupled with unusually high current income.

Technically, the stock held in the broad 36-29 area for most of 1955. The upside penetration indicates an eventual 54.

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