

# Walston & Co. Inc

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## TABELL'S MARKET LETTER

March 21, 1958

After dropping off sharply on Monday, the market recovered most of its gain later in the week with the Dow-Jones Industrial average closing at 452.49. There is no change in the outlook for the general market and probabilities favor a mild advance in the averages with selected groups outperforming the general list.

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### CONTAINER CORP. OF AMERICA

#### Statistics

Current Price	19
Current Dividend	\$1.00
Current Yield	5.3%
Long Term Debt	\$35,550,000
Pfd. Stock \$100 par	73,000 shs.
Common Stock	10,508,892 shs.
Sales, 1957	\$256,115,744
Earn. per Sh. 1957	\$1.36
Mkt. Range 1958-57	20 7/8 - 16 1/2

One of the best times to buy a true growth-security is when adverse developments have temporarily placed a damper on the price action. Such an opportunity, we believe, is now afforded for the purchase of Container Corp. of America.

Container Corp. has one of the best long term growth records of any common stock. Earnings more than doubled in the period 1949-1956 and in the same period, the price of the common stock appreciated some 650%.

This growth has come about because of the

trend toward packaging a wider and wider range of consumer items. The use of paperboard has grown from 10 1/2 pounds per capita in 1899 to 186 pounds per capita in 1955, a growth of 1,673%, while population has grown only 120%. Container Corp. manufactures corrugated and solid shipping containers, folding cartons, fibre cans, flexible packages and other packaging items. These are used for packing and shipping groceries, frozen foods, canned goods, soaps, beverages, electronic equipment, textiles, drugs and many other items. The company is completely integrated from the mill to the finished product, actually shipping a slightly greater tonnage of finished containers than the tonnage of paperboard produced in its own mills. Thus it tends to be a net purchaser of finished paperboard.

As every investor is aware, competition in the paper industry during 1957 became especially stringent as new capacity was added and demand increased at a less than normal rate. Container Corporation, along with the rest of the industry, felt the pinch and sales declined to \$256 million from \$276 million in the prior year. Earnings per share of common stock dropped from a record high of \$1.71 to \$1.36. The earnings decline was aggravated by extraordinary expenses arising from a heavy program of capital expenditures inaugurated in late 1955. During this period some \$72 million was spent on new facilities. In 1957, start up expenditures on new plants amounted to close to 40 cents per share before taxes and thus accounted for almost half of the decline in earnings in the 1956-1957 period.

For the first half of 1958, pressure on both sales and margins is expected to continue and start up costs will continue to bulk large in the company's picture. However, the capital expenditure program is about completed so that only \$15 million will be required for new expenditures vs. some \$38 million spent in 1957. This included \$22 million spent for completion of a new bleached sulphate and pulp mill at Brewton, Alabama. This move will make for further integration in the food board, the fastest growing paper product.

Industry sources expect the downtrend in demand for paperboard to level off in early 1958 and turn upward at the end of the year. With most of its capital expenditures completed, Container Corp. will be in excellent position to benefit from increased demand and to resume its long term upward trend of sales. While working capital has been depleted by recent spending on new plant and equipment, the \$1 dividend can probably be maintained if margins improve as expected in late 1958. At current levels, this dividend affords a generous 5.3% yield - unusually high for a growth equity of this quality. Earnings for 1958 should approximate the \$1.36 earned in 1957 with a pickup in the second half. From a technical point of view, ability to reach 21 would indicate 28-30 and any weakness caused by temporarily unfavorable earnings should provide outstanding opportunity to make long term investment purchases.

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