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TABELL'S MARKET LETTER

November 14, 1958

The market continued to move ahead, with the Dow-Jones Industrials closing higher on four of the five trading days. Friday's close was at a new all time high at 564.68. As always, selectivity continues despite the overall advance. Despite the new highs in the averages, U.S. STEEL (88 3/4) was unable to penetrate the previous week's high of 90 3/8 and BETHLEHEM STEEL (50 7/8) was unable to reach its high of 54 7/8 of almost a month ago. The steels have had a sharp advance and may require some consolidation. A switch into the oils, a group that appears to be behind the market, should work out advantageously for intermediate term holders. Below is a brief on a stock I am adding to my recommended list.

NATIONAL DISTILLERS & CHEMICAL CORP.

Price	26 7/8
Dividend	\$1.00
Yield	3.7%
Funded Debt.	\$179,810,000
Minority Int.	417,836
4 1/4% Cum. Conv.	
Pfd. Stk. (\$100 par)	436,705 shs.
Common Stock	10,332,960 shs.
Sales 1958-E	\$530,000,000
Earn. Per Sh. 1958-E	\$1.80
Mkt. Range 1958-1953	29 3/8 - 16 7/8

In a recent issue of this letter we discussed the relative attractiveness of chemical stocks at current levels based on a projected upturn in general industrial activity. One stock not mentioned at the time was National Distillers & Chemical Corporation, for the simple reason that most investors still tend to regard this issue as a liquor stock and fail to recognize the growing importance of its chemical operation. These operations accounted for 38% of net profit in 1957, and some indication of their profitability can be seen from the fact that they achieved an operating profit of \$20 million on some \$90 million of sales.

The chemical division started in 1950 with an investment of approximately \$9.8 million. This investment has grown to \$140 million in 1957 with an increase in operating profits from \$670,000 to the \$20 million figure mentioned above. The chemical division now includes the U.S. Industrial Chemicals Co. Division, manufacturers of a broad line of industrial chemicals; the wholly owned National Petro-Chemicals Corporation, manufacturers of liquified petroleum gas, petro-chemicals and plastics; a one-third ownership in Mallory-Sharon Metals Corporation, a producer of zirconium, hafnium and titanium, and various small investments in the high energy fuel and nuclear fields. The company has become a major producer of polyethylene and is now adding 75 million pounds of additional capacity at Houston, Texas. It is also sharply increasing production of isosebacic acid, a major raw material in the production of vinyl plasticizers, polyurethane, and other plastics.

Meanwhile, the basic liquor business continues to improve. As has been pointed out, the new bonding law will prevent "forceouts" of liquor held in bond, and is expected to stabilize the price structure within the industry. Population trends favor the increased consumption of alcoholic beverages. A moderate growth of sales, plus perhaps a slight increase in profit margins, can be foreseen.

With the virtual doubling of polyethylene capacity, plus other capacity improvements it is not impossible to project a sales volume of close to \$200 million for the chemical division - say in the early 1960s. By that time, beverage division sales should have increased to at least \$500 million vs. \$448 million last year. With new improvement in current profit margins, this would produce earnings in the \$3.25-\$3.50 range for the current common stock. This would be roughly a 70% increase over the 1957 level of \$2.05. Over the nearer term, margin pressure in both the liquor and chemical segments will probably reduce earnings for 1958 to something in the neighborhood of \$1.80. The \$1.00 dividend will undoubtedly be continued and may again be supplemented by a stock extra.

From a technical point of view the stock has held in the 17-29 range since 1952. An upside penetration of this range would indicate 41 followed by a longer term 57. \$3.50 earnings at a fifteen times multiple, a conservative figure considering the importance of chemical profits, would result in a price of 52 1/2, thus justifying the technical pattern. The stock is being added to our recommended list for both intermediate and long term holding.

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WALSTON & CO. INC.

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W.S. 301