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TABELL'S MARKET LETTER

December 11, 1959

Action of both the Industrials and Rails continues constructive, despite profit-taking which crept into the market on Friday. As previously noted, the upside objective on the Dow-Jones Industrials is 705-710 and the Rails appear to be slowly basing out.

FERRO CORPORATION, INC.

Current Price	44
Current Dividend	\$1.60
Current Yield	3.6%
Long Term Debt	\$5,962,641
Common Stock	748,627 shs.
Sales - 1959-E	\$63,000,000
Sales - 1958	\$56,380,000
Earn. per share 1959-E	\$4.30 - \$4.50
Earn. per share 1958	\$2.76
Market Range 1959-1951	45 5/8 - 16

In almost any area of the United States, newly constructed office and industrial buildings dot the urban and rural scenes. To any observer of this construction, the growing use of brightly colored porcelain enamel panels, both as curtain walls and interior decoration must be apparent. Porcelain also continues to be used in the home, not only as part of the house itself, but also as a coating for appliances. All porcelain, wherever used, has one thing in common—the raw material used in coating the metal

base. This material is called frit, and the country's largest producer of enamel frit is Ferro Corporation, Inc.

Ferro produces not only porcelain frit itself, but also offers an engineering service selling the furnaces and various machines used in the coating process. It is also the seller of non-organic pigments used to color enamel coating. These products are sold both in this country and abroad, with about one third of the company's total sales coming from wholly-owned foreign subsidiaries.

Porcelain and related products are not Ferro's only line of endeavor, however. It is an important producer of fibre glass, a product which is now reaping record sales and profits. It has a growing chemical division manufacturing stabilizers used in plastic production, and, in addition, is in the refractory business and other engineering lines.

With the growing demand for Ferro's products, sales and earnings have expanded sharply in 1959. The company recently reported \$3.52 earned per common share for the first nine months of 1959 vs. \$1.75 for the same period in 1958. For the full year 1959 net income should expand to considerably better than \$3 million after taxes, roughly in the range of \$4.30 to \$4.50 per common share. This is expected to be achieved on sales of some \$63 million indicating a pre-tax profit of close to, or better than 10% of sales. Significantly, this will be the best such margin in Ferro's recent history.

For 1960 and beyond, the outlook is even more impressive. Sales should expand sharply as industrial construction continues to grow. Appliance companies, one of Ferro's major categories of customers, should have a banner year in 1960. Ferro's capital goods divisions, which contributed little or nothing to profits in 1959, should be on a profitable basis as capital spending increases. Thus, per share earnings for 1960 could well reach the \$5.50 level.

Over the long term, the growth in the use of porcelain enamel should continue. Ferro's entrenched position in Europe places it in a favorable position in respect to sales in the European common market. Fibre glass continues in short supply, and continued expansion of this product is foreseen. In the research field, Ferro has been working for a number of years on lowering temperatures required to bake enamel. This research is tremendously important since as this temperature is lowered, new material such as narrow gauge steel, and aluminum can be porcelainized thus widening tremendously Ferro's potential market.

Despite the favorable near term and long term outlook, current prices mark Ferro at only ten times estimated 1959 earnings and eight times possible 1960 results. The recently raised \$1.60 dividend provides a 3.6% yield and could be further liberalized. From a technical point of view, the stock has a long term upside objective of 73 with strong support at 38-35 just under current levels. It is being added to our recommended list for purchase in capital gains accounts.

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Dow Jones Ind. - 670.50
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