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TABELL'S MARKET LETTER

February 10, 1961

The Dow-Jones Industrial average has held, for ten trading days, in the 640-660 range originally envisioned by this letter as an area of heavy overhead supply. The question is now whether a consolidation will occur around these levels, or a correction will take place. In any case, the latter should not be much more severe than a one-third retracement of the advance back to about the 630-620 area. As always, it will continue to be more important to concentrate on individual stocks which appear attractive, such as the one discussed below.

U. S. VITAMIN & PHARMACEUTICAL CORP.

Current Price	37
Current Dividend	\$.60
Current Yield	1.6%
Long Term Debt	None
Common Stock	1,909,110 shs.
Sales, 1960-E	\$15,000,000
Earned per Sh. -1960-E	\$1.10
Mkt. Range 1961-1959	52 - 24

From a technical point of view, U.S. Vitamin & Pharmaceutical Corporation has a very strong pattern. It reached a high of 52 in 1959 and reacted to an early 1960 low of 24. Since that time the stock has been building up a broad accumulation area with most of the work in the 28-36 area. The recent upside breakout indicates a rise to much higher levels over the longer term.

U.S. Vitamin is a small company with only \$15 million of sales in 1960. This smallness has, in addition to obvious disadvantages, a number of significant advantages for the company and for the investor interested in purchasing its stock for capital gains.

The most important of these advantages is that any important development of the company's research staff which is able to capture an important market, can, due to small total volume, have a tremendously important effect on earnings. Such a development may well be DBI, an orally-administered drug used in treatment of diabetes.

The market for such a drug is substantial. Statistical surveys suggest that approximately 3 million persons in the United States have diabetes. In dollar terms, the market for oral diabetes drugs is estimated to be well in excess of \$30 million. To date, DBI has captured only a small share of this market, due to the fact that it was introduced later than the sulfa-type drugs now used for oral diabetes treatment. Thus, sales of the drug at the end of 1960 were understood to be running at an annual rate of only \$2 million, twice the 1959 figure, but an insignificant portion of the total market.

Meanwhile, two years of wide usage of sulfa-type drugs have uncovered a number of problems which were not, at first, apparent. Moreover, the main former objection to DBI, occasional occurrence of annoying side effects such as nausea, has now been eliminated through the use of a controlled-release tablet which releases the drug into the bloodstream in small amounts throughout the day. Thus, it appears logical to expect that DBI will gain sharply in market acceptance at the expense of former types of treatment. It is worth repeating at this point that this is a \$30 million-plus market and that U.S. Vitamin's total sales in 1960 were \$15 million. It is also worth noting that Vitamin's present detail staff is set up to handle a much greater sales volume so that profits on the additional increment should be even greater than the company's overall 24.3% net before taxes in 1959.

The other specialty drugs, which now comprise the greatest portion of U.S. Vitamin's sales, also have interesting potentials. These include Arlidin, used to increase blood flow to the various parts of the body, C.V.P., prescribed in various applications for capillary bleeding, and Bacid, used to counteract undesirable side effects of antibiotics.

On current earnings and dividends (\$1.10 per share earned in 1960; current dividend rate; 60¢) U.S. Vitamin is not cheap at its price around 38. However, when the growth potential inherent in DBI and other products is taken into account, it can easily be seen that the potential earnings increase over a period of time is huge. The stock, therefore, has considerable appeal at present levels and is being added to our recommended list.

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Dow-Jones Industrials 639.67

Dow-Jones Rails 140.64

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