

Walston & Co.

Inc.

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TABELL'S MARKET LETTER

July 14, 1961

The overhead supply at the 700-715 area in the Dow-Jones Industrials proved to be at least a temporary barrier to the advance, and after reaching last week's intra-day high of 698.97, the Industrials drifted downward on restricted volume to reach a low of 682.58 early Friday. The decline was concentrated in the erstwhile "glamour" stocks. The more basic issues held relatively well. Lack of buying interest rather than selling pressure appeared to be the motivating force behind the downward drift. After a lower opening on Friday, the market reversed the trend and closed up 5.05 points on the day. The intra-day high was 693.68, and another attempt to penetrate the overhead resistance at 700-715 appears to be in the offing. The action of individual issues continues to be of primary importance. The stocks marked "Buy-Hold" on our recommended list of June 30th appear attractive. For those not interested in income, suggest taking profits in Kennecott (85 3/4), recommended at 74 1/8, and switching into Magma Copper (54 1/2). We are also adding U.S. Plywood (48 3/4), and Collins & Aikman (43) to the recommended list.

COLLINS & AIKMAN CORPORATION

Current Price	43
Current Dividend	\$1.20
Current Yield	2.8%
Long Term Debt	\$3,850,000
Common Stock	528,600 shs.
Net Sales, 1961-2 (E)	\$70,000,000
Net Sales, 1960-61	\$65,370,000
Earn. per Sh. 1961-2 (E)	\$3.50--\$4.00
Earn. per Sh. 1960-1	\$2.47
Market Range 1961	44 7/8 - 23

For most of the years 1959 and 1960, the common stock of Collins & Aikman Corporation held roughly in the 22-30 range. In the early part of this year the stock moved up sharply and has reached a 1961 high of 44 7/8. Despite this sharp advance, the stock has not yet fulfilled the objective of the 22-30 base, which is around \$60 per share, nor does it appear to be overvalued in relation to near term prospects.

Collins & Aikman was for many years a major supplier of upholstery and carpets for the automotive industry. Such products at one time accounted for some 85% of sales, but this dependency has been sharply reduced to the point where sales to the automotive industry now account for less than one-third of total billings. A program of expansion and diversification undertaken over the past five years has resulted in the introduction of numerous new products. The company now produces tricotee lingerie, apparel fabrics, tufted carpets, decorator fabrics and specialty yarns. The company has long been a major supplier of fabrics for aircraft interiors and has been supplying seat covers and carpet for most new jet aircraft.

Most of Collins' products, it must be noted, are specialty items on which production can be controlled closely and which are not subject to the usual vicissitudes inherent in the textile industry. This, in turn, has brought a good deal of stability to earnings which was not formerly present. For example, in the years 1951 to 1956, the company earned as much as \$5.46 per common share in one year, but incurred a deficit in three of the six years. In 1957, earnings improved to \$1.50 per common share and since then have held in a plateau at \$2.27 in 1958, \$2.54 in 1959 and \$2.47 in 1960. This was, of course, a period in which the textile industry generally was showing wide fluctuations.

Stability has, therefore, been achieved, but stability alone does not account for the recent rise in price, and the real growth potential inherent in the changes made at Collins over the past few years is just beginning to become apparent. 1960 earnings were heavily penalized by non-recurring expenses, otherwise they would have shown a reasonably good improvement over 1959. For the first fiscal quarter of 1961, ended in May, the company earned 74 cents per common share as against 40 cents in the corresponding period. The first quarter of Collins' year is usually the poorest and it would appear that, barring the possibility of an automotive strike, the company's sales could increase some 10% to around \$70 million and profits could improve to somewhere in the \$3.50 to \$4.00 range. Further growth from this level could well be achieved.

The current dividend payout of \$1.20 is less than one-third of estimated 1961 earnings -- considerably less than has usually been paid. It would seem, therefore, that a dividend increase in the fairly near future is a reasonably likely possibility. The stock is being added to our recommended list for capital appreciation over the medium term.

Dow-Jones Ind. 690.95

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