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TABELL'S MARKET LETTER

March 16, 1962

BEAUNIT MILLS, INC.

Current Price	28
Current Dividend	$1.00
Current Yield	3.6%
Long Term Debt	$17,060,000
$5 Cum. pfd. Stock	23,250 shs.
Common Stock	1,965,236 shs.
Sales, 1961-2 (E)	$124,000,000
Earned Per Share 1961-62 (E)	$2.60
Mkt. Range 1962-59	30 - 15 1/8

Note: Fiscal Year Ends March 31st

A fairly persuasive case for the purchase of Beaunit Mills could be made on the basis of figures alone. The stock is selling at less than eleven times estimated fiscal 1961-62 earnings of $2.60 per common share, at a time when the textile industry shows every evidence of continuing its cyclical upturn. The company has a cash flow of close to $6.00 per share and, of this, some $2.50 per share will be completely unencumbered by dividends and capital expenditures and available for new projects, increase in working capital or, quite possibly, an increase in payout. However, it is highly probable that the improvement in Beaunit Mills over the next few years will be much more fundamental than a mere cyclical increase in earnings. Indeed, it can convincingly be argued that the company has been transformed from a highly cyclical one into an enterprise with important growth characteristics.

(1) A fundamental change for the better has probably taken place in the textile and rayon industries. The rayon supply situation should undoubtedly show some improvement with the withdrawal of several suppliers from the market, and longer-term benefit will undoubtedly accrue from the Administration programs to assist the industry. Thus, performance for this upswing could be considerably better than for previous expansions.

(2) The character of Beaunit Mills has changed quite radically in the past few years to an extent not entirely reflected in earnings. Rayon tire cord, which accounted for more than half total volume as recently as four years ago, now comprises only 20% of sales. Fabric and apparel goods now bring in 50% of total volume, and Beaunit is especially strong in this area. Synthetic fiber production has picked up quite sharply and, here again, many Beaunit products have a unique competitive position. Worth noting at this point is Beaunit's rather unique position as both a producer and a fabricator of synthetic yarns. This integrated position makes Beaunit especially sensitive to industry needs.

(3) Perhaps the best reason to believe that a change has taken place in the Beaunit picture, however, lies in the bright potential for new synthetic fibers. Facilities for production of Vycron polyester are now operating around half potential capacity, but recent moves to broaden the market by means of price reductions are having an encouraging effect. Greatest possibilities, however, lie in Polypropylene, called by industry sources the next large-scale commercial fiber. Even at current prices, which reflect only small-scale production, the fiber has significant cost advantages over other synthetics, and the cost is likely to come down still further as production of resin is expanded. In terms of physical strength, resiliency and lightness, it has qualities which make it fully competitive with and, in some cases, distinctly superior to, other chemical fibers. Beaunit, furthermore, has recently scored what appears to be a major breakthrough in the field, announcing the commercial availability of dyed yarn and fabric. Beaunit's process permitting the fiber to take dye (it formerly had to be colored in the raw state) removes what is probably the last important barrier to large-scale polypropylene use. Emergence of Polypropylene as a commercial product could well be the most important thing to happen in the textile industry, at least since the introduction of the acrylics and polyesters and, quite possibly, since the emergence of nylon.

For the above reasons Beaunit appears intriguing as a purchase in capital gains accounts. As mentioned above, the current dividend of $1.00 could well be raised in the not-too-distant future. From a technical point of view, the stock has a long-term upside potential of 44-64 and it is quite possible that improvements in the company could bring forth earnings to justify a price in this area.

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Dow-Jones Ind. 722.77
Dow-Jones Rails 252.88