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TABELL'S MARKET LETTER

May 3, 1957

The market has continued to push ahead into the overhead supply at 47-49 in the Standard & Poor 500-Stock average. My intermediate term technical indicator has not yet entered overbought territory, although it is closer than it has been in some weeks. Would continue to hold selected issues as long as current strength prevails.

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CARRIER CORPORATION

Statistics

Current Market	58
Current Dividend	$2.40
Current Yield	4.1%
Long Term Debt	$48,701,000
4½% Cum.Pfd.Stk. ($50 par)	208,869 shs.
Common Stock	1,692,798 shs.
Earned Per Share-1956	$5.26
Sales-1956	$193,194,000
Mkt.Range 1957-54	65 1/4 - 46 3/4

Many forecasts have been published on projected changes in American living patterns over the next twenty years. One thing that most of these forecasts have in common is the prediction that year-round air conditioning will become more and more a part of our daily life. From practically nothing in 1946, the air-conditioning industry expanded sales to $3 billion in 1956. Further expansion to $5 billion is expected in 1961.

As a participation in this rapid growth, Carrier Corp. appears to be attractive. With almost $200 million of sales in fiscal 1956, it is by far the largest manufacturer of air-conditioning equipment. Through a number of divisions it is firmly entrenched in all branches of the heating and air-conditioning fields, and also manufactures additional types of refrigeration, cooling and electronic equipment. It is a leader in air-conditioning research and development and has a strong foothold in the export market with a large foreign sales division.

With an eye to future growth, Carrier has budgeted some $30 million for expansion over the next three years. Some $10 million of this figure will be spent on research and development. A large part of these funds were raised from a recent offering of $18 million of convertible debentures. Potential dilution involved in this issue -17% on the equity currently outstanding - is small in relation to the return to be realized. The remainder of funds for expansion will probably come out of cash flow and retained earnings.

In the fiscal year ended October 31, 1956, Carrier earned $9,369,000 after taxes on sales of $193,194,000. This amounted to $5.26 per share. The fairly low profit margin level stems from highly competitive conditions within the industry which attracted a good number of small producers shortly after the war. This situation is slowly alleviating itself as marginal firms drop out of the business. For example, only 50 firms are now offering room air-conditioners as opposed to over 100 two years ago. As this trend continues, it will make for a more stable price structure. Meanwhile, Carrier is making continued efforts to reduce costs and integrate suppliers. A recent major step in this direction was the proposed merger with Elliott Co., a major supplier to Carrier and a profitable manufacturer in its own right, of steam turbines, diesel and electrical equipment. Based on 1956 earnings, the merger which exchanges 65/100ths of a share of Carrier for each outstanding share of Elliott, would give pro-forma results about equal to those shown by Carrier alone. This, however, does not reflect benefits accrued from acquisition of a major producer of parts used in Carrier products.

For 1957, Carrier is budgeting a 20% increase in sales. On this basis, with maintained profit margins, earnings for the year ending October 31st could approach the $6.00-$6.50 per share level. As of January 31, 1957 backlog had reached an all-time high of $89,881,000 and new orders booked are still running ahead of sales. Although need for cash funds will remain large, a moderate increase in the $2.40 annual dividend is a possibility.

The technical pattern on the stock is outstanding with a possible long term objective of 110 followed by higher levels. Strong support is encountered just under the current market. The stock is recommended for purchase in long-term growth accounts.

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