

# Walston & Co.

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## TABELL'S MARKET LETTER

June 28, 1957

Market action has followed a normal technical pattern. The five day correction from the June 17th high retraced over a third of the entire advance from the February lows and the market now appears to be in a position to resume the traditional summer rally usually experienced in July and August. My technical indicator which gave a secondary sell signal is now in a position to reverse itself and re-affirm the primary buy signal given near the February lows.

Seven stocks were mentioned in last weeks at prices below the then market. Six reached suggested buying levels and are now part of my recommended list. They will be reviewed in this letter shortly.

Stock	Buying level	Fridays close
American Smelting	57	57 5/8
Chrysler Corp.	75	76 1/2
Consolidated Electronics	31-30	30
Ingersol Rand	80	80 7/8
Newmont Mining	110	110 1/4
Tung Sol Electric	35	34 5/8

\* \* \* \* \*

### BELL AND HOWELL

Statistics	
Current Price	40 1/4
Current Dividend	\$1.00
Current Yield	2.5%
Long term debt*	\$7,400,000
Pfd Stock (\$100 par)	37,243
Common Stock	634,340
Sales 1956	\$45,579,000
Earned per share 1956	\$3.84 **
Market range 1957-55	50 7/8-28 1/4

\* Including \$4 million 4 3/4% subordinated notes convertible into common stock at \$46

\*\*On 534,340 shares outstanding at end of period.

How many pictures have you taken lately? If you are a typical American family, you've probably taken quite a few. You've got more spare money and more spare time than ever before. Besides this you've probably recently had a new child or grandchild. All these things--higher purchasing power, more leisure time and a high birth rate--have combined to make the photographic industry one of the fastest growing industries in the United States.

There is no reason not to suppose that this trend will continue, and, as a participation in this growth, the common stock of Bell and Howell continues to be one of our favorite media. The sales of this important manufacturer of home motion picture cameras

have consistently grown at a rate faster than the industry average. Despite this fact, the stock is priced at 10-11 times anticipated 1957 earnings, making full allowance for the dilution recently caused by sale of 100,000 new common shares.

Bell and Howell has long enjoyed a reputation as "the Tiffany of movie cameras" and its high-priced line of precision equipment has enjoyed an excellent reputation. Recent sales efforts, however, have been directed toward lower-priced, easy-to-operate cameras aimed at the novice market. B and H cameras now sell for as little as \$39.95. A comprehensive research program has enabled the company to develop new cameras and products which would appeal to the vast legions of new photographers. Typical of these new products was the 16mm "Electric Eye" movie camera, introduced last Christmas and hailed as the most important advance in movie photography in a generation. With this revolutionary new device, all the photographer has to do is aim his camera, and press the button. A photo-electric cell mounted within the camera makes all the necessary adjustments of lens aperture depending on light conditions. Undoubtedly many future cameras, in a wide variety of sizes and price ranges will incorporate this principle, but Bell and Howell's leadership in the field will give it important competitive advantage.

In addition to its amateur line, Bell and Howell also manufactures numerous other products which appear to have a significant growth potential. It is the country's largest manufacturer of sound projectors

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for schools, and sales of this line should continue to rise sharply as new schools are built and the trend toward audio-visual education continues. The company also supplies equipment to the armed services, including photographic equipment used in the guided missile program.

Another highly significant product appears to be microfilm and related machines which are distributed through Burroughs Corporation. Sales here should benefit from the trend toward office automation.

Meanwhile expenditures on research continue, enabling Bell and Howell to maintain its leadership, not only in movie cameras but in all its other fields of endeavor. Significant in the research program is a recent licensing agreement with Haloid Corp. involving the xerography or "dry photography" process. This process for fast reproduction of photographic images is expected to have application in many fields.

In order to finance sharply expanding sales, Bell and Howell recently found it necessary to sell 100,000 shares of new common stock, together with a privately placed \$4 million convertible note. This, of course, will mask a large part of any gain in 1957 net. It is possible however that 1957 per-share earnings will come close to equalling last year's \$3.84. This would mean a rise in net after taxes to \$2.4 million versus \$2.0 million in 1956. A slight gain in profit margins would enable this to be accomplished on the \$50 million sales being projected for this year. First half earnings are expected to be lower than last year, but this means very little due to the company's policy of writing off development costs as incurred, while sales of new products do usually not show up until the second half. The conservative \$1.00 dividend rate will probably be maintained as Bell and Howell follows the "growth company" policy of financing as much expansion as possible through retained earnings.

There is still another possible future development which, although now uncertain, could measurably alter the Bell and Howell picture. According to the recent prospectus, the company is considering submitting a bid for the stock of General Aniline and Film Corp., now held by the Alien Property Custodian. This acquisition would undoubtedly require a good deal of additional financing. It would, however, give B and H an entry into the highly profitable film and expendable item business which would complement Bell and Howell's sales and give it major stature in the photographic industry.

Bell and Howell's favorable fundamental outlook is re-inforced by a favorable technical pattern with a long term objective of 90. Support is encountered just under current levels. The stock is recommended for purchasing growth accounts.

AWT/wgs

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