

# Walston & Co. Inc

Members New York Stock Exchange

NEW YORK • SAN FRANCISCO • LOS ANGELES • PHILADELPHIA • CHICAGO

OFFICES COAST TO COAST AND OVERSEAS

## TABELL'S MARKET LETTER

June 19, 1964

### COPPERWELD STEEL COMPANY

Current Price	50
Current Dividend	\$2.00
Current Yield	4.0%
Long Term Debt	\$ 17,556,000
Common Stock	1,191,737 shs.
Sales 1964-E	\$112,000,000
Sales 1963	\$101,434,502
Earnings per Sh. 1964-E	\$4.75
Earnings per Sh. 1963	\$3.08

Recent developments make a "second look" at Copperweld Steel Company, first recommended in this letter in January, worthwhile. For the first quarter of 1964 the company reported a 16.7% increase in sales to almost \$30,000,000 and net earnings of \$1.20 vs. \$.72 or a two-thirds increase. Second quarter results should be equally impressive, and order backlog for the normally low third quarter continues high. It is now possible to estimate 1964 earnings of around \$4.75 vs. \$3.08 in 1963.

Market Range: 1964-59 55-26 3/4

This will constitute the second best year in the company's history, surpassed only by 1959, the year of the steel strike.

During that year, in the non-strike months, U. S. steel production was considerably above current levels, and Copperweld, moreover, benefited by being among the companies not struck. Thus, the company's improvement program, under which some \$9 million of capital expenditures have been made in the past two years, has evidently been highly successful.

At less than 11 times anticipated 1964 earnings, Copperweld would be attractive in its own right, but it now appears obvious that basic earning power will increase substantially in the years ahead. The reason for this increase can be found in three areas of the company's operations.

1. Alumoweld - Sales of this aluminum-coated steel wire continue to be gratifying, and now amount to some 5% of the company's total volume. Production has increased from 7 million pounds in 1961 to a possible total of 20 million pounds in 1964, and capacity is presently available to expand production further. The product is gaining increased acceptance in various electrical transmission applications, especially as overhead ground wire, and future growth prospects are bright.

2. Continuous Casting - The company's Aristoloy Steel Division is currently installing a continuous casting operation with 300,000 tons of annual capacity. Since this is less than half of Aristoloy's total capacity, it is expected that the new equipment will be used full time. Various estimates have been made in the trade as to possible savings from continuous casting, but a conservative estimate of the savings Copperweld might enjoy from this facility would be \$10 a ton or \$3,000,000 annually. After taxes, this would amount to approximately \$1.25 per share of common stock and a \$15 per ton saving would amount to \$1.88. The equipment is expected to be operational by the latter half of 1965.

3. New Copperweld Equipment - The company is now testing in a pilot plant new cost reduction equipment for the manufacture of its staple product, Copperweld, or copper-coated steel wire. Eventual conversion of Copperweld production to this equipment will take place as volume increases warrant. Due to increased yield, savings of as much as 20% appear possible on a product with better than \$20,000,000 annual sales. Thus, per-share savings as the new equipment is installed, could be as much as \$1.75 per common share.

In summary, then, Copperweld probably has at the moment an annual earning capacity in the \$2.50-\$5.00 range, depending on over-all steel demand. To this can be added an increment of \$3.00-\$4.00 from the three factors mentioned above. Within the next three to four years, therefore, the basic earning power of the company could be \$5.50-\$9.00, depending on over-all steel demand. Earnings of this magnitude could well justify the technical upside potential which is in the 80-90 range. The stock is again recommended for inclusion in capital gains accounts.

Dow-Jones Industrials 825.25  
Dow-Jones Rails 206.82

ANTHONY W. TABELL  
WALSTON & CO, INC.

This market letter is not, and under no circumstances is to be construed as, an offer to sell or a solicitation to buy any securities referred to herein. The information contained herein is not guaranteed as to accuracy, or completeness and the furnishing thereof is not, and under no circumstances is to be construed as, a representation by Walston & Co. Inc. All expressions of opinion are subject to change without notice. Walston & Co., Inc. and Officers, Directors, Stockholders and Employees thereof, purchase, sell and may have an interest in the securities mentioned herein. This market letter is intended and presented merely as a general, informal commentary on day to day market news and not as a complete analysis. Additional information with respect to any securities referred to herein will be furnished upon request.