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## TABELL'S MARKET LETTER

August 14, 1964

### CROWELL-COLLIER PUBLISHING CO.

Current Price	24
Current Dividend	4% Stock
Current Yield	-
Long Term Debt	\$25,205,700 *
Common Stock	3,396,276 shs.
Sales - 1964-E	\$110,000,000
Sales - 1963	\$105,160,000
Earn. Per Sh. 1964-E	\$1.50
Earn. Per Sh. 1963	\$1.31

Mkt Range 1964-1961 45 1/4 - 13 3/4

\* Includes \$11,787,600 4 1/2% Conv. Deb. due 1981, convertible into common at \$40.43 a share, and \$5,418,000 5% Conv. Deb. due 1983, convertible into common at \$15.38 a share.

The regular reader of investment literature is, no doubt, already familiar with the growth potential inherent in companies serving American education. Myriads of statistics have been cited describing the projected future growth of school and college age population and the effect that this growth is expected to have on the sales of textbooks and ancillary materials used in education. On this basis, the common stock of Crowell-Collier appears to have a good deal of speculative appeal. The company is perhaps the only operation with an entrenched position in four major areas of the "Education Industry". These are: textbook publishing, encyclopedias, home study courses and supplemental materials.

The growth of Crowell's sales in each of these areas bears eloquent witness to their

attraction. Sales of encyclopedias and other books sold by the company's Subscription Book Division have grown almost steadily from \$12 1/2 million in 1954 to a peak of \$42 million in 1962. School and college textbook sales have increased from \$15 million in 1960 to \$25 million in 1963. LaSalle Extension University, the company's home study division, has almost tripled sales since its acquisition in 1961, and accounted for \$12.6 million of revenues last year. Crowell, in addition, is the owner of three radio stations, Brentano's Book Store, and some small book clubs and professional magazines.

Despite the tremendous growth potentials in the areas the company serves, Crowell's earnings record over the past decade has been less than impressive and accounts, undoubtedly, for the relative statistical cheapness of the stock compared to that of other textbook publishing companies. When it is considered, however, that the years since 1956, when the company discontinued its magazine operations, have been largely years of acquisition and rebuilding, it becomes apparent that the past record is a less than accurate guide to future potential. When the company discontinued magazine publishing, the encyclopedia division became its only major source of revenue. Since then it has acquired the Macmillan Company in 1960, LaSalle Extension University and the Free Press of Glencoe in 1961, and other small operations including Brentano's in 1962. The integration of these companies into the Crowell-Collier operation has taken time and, until recently, penalized efficiency.

Recent results, moreover, have been hurt by the entry into the paperback book field in late 1961. The paperback division produced heavy losses in 1962 and, to a lesser degree, in 1963. Losses from this division have now, it is believed, been eliminated.

Moreover, extensive financial realignment has been accomplished. Improved cost and budgeting controls have been established over the past year and bank debt has been substantially reduced. As a result of all this it appears that Crowell is now ready to demonstrate the earnings growth to be expected from a company serving so many growing areas.

Indeed, in the past two years earnings have begun to increase more in line with sales growth, which has been steady and rapid since 1957. From a low of 91¢ per share in 1962, per share results moved to \$1.31 in 1963, and should be slightly better than \$1.50 in 1964. The company has followed a policy since 1959 of paying an annual 4% stock dividend in order to conserve cash and no change in this policy is anticipated in the near future. Selling at sixteen times estimated 1964 earnings, a considerable discount vis-a-vis comparable companies, the stock appears attractive for capital gains purposes. From a technical point of view, the stock moved up along with the other publishing companies to a high of 45 1/4 in 1961. It reacted to a 1963 low of 13 3/4 and has since then formed a substantial base in the 14-26 range. Eventual upside breakout from this range would give the stock a long range upside potential of 49-54. It is being added to our recommended list for capital appreciation.

Dow-Jones Ind. 838.81  
Dow-Jones Rails 213.59

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