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TABELL'S MARKET LETTER February 5, 1965

SPARTANS INDUSTRIES, INC.

Current Price	21
Current Dividend	-
Current Yield	-
Long Term Debt	$5,250,125
Common Stock	1,826,780 shs.
Sales 1964-65 E	$145,000,000
Sales 1963-64	$134,620,000
Earn. per sh. 1964-65 E	$1.60
Earn. per sh. 1963-64	$1.37 *
Mkt. Range 1965-61	51 - 9 3/4

* Partially taxed.

The stock market has always been eager to reward success. Companies with well-defined records of growth tend to sell at more generous multiples of earnings than those subject to cyclical fluctuations. Conversely, however, the market is equally quick to become disillusioned, and when a highly regarded company suffers temporary difficulties, the reaction is often severe --- in many cases far out of proportion in magnitude to the difficulties. This appears to have been the case with Spartans Industries.

From 1954 until 1959, Spartans had carved out for itself a brilliant record in a highly competitive field. This was in the era of the greatest growth for the discount store, and, concurrent with this growth, there occurred a substantial increase in sales of popular-priced, private-label clothing marketed through discount houses and variety chains.

In this area, Spartans created a magnificent record. Between 1954 and 1959 its sales rose from $17 million to $39 million, and net income from $330,000 to $2,260,000. In early 1961, with this record on the books, Spartans common sold as high as 51 1/2.

Then, in 1960, a decision was made which proved, temporarily at least, to be disastrous. Highly successful as a seller to retailers, Spartans moved into the discount field itself. It did so in an almost headlong fashion. In a period of a little more than two years it had opened some forty-two discount stores. This precipitous move into an unfamiliar field put an almost impossible strain on the company's resources. Management was thinned and the situation was made worse by a bad year for the discount industry. To add to the company's difficulties, retailers resenting Spartan's move into competition with them, cut back sharply on orders for manufactured goods. Thus, by 1962, although sales had increased to $116 million, the company showed a deficit of 98¢ per share and the stock sold as low as 9 3/4.

The cliché about not keeping a good man down, however, applies also to companies. By 1963, pre-tax income had returned almost to its 1959 high, and net, with the benefit of a tax credit set a new record. For 1964, (fiscal year ended January 31, 1965) per share earnings could hit a new high of close to $1.60, fully taxed, vs. $1.37, partially taxed, in the previous year.

Moreover, there appears to be considerable room for further improvement. Manufacturing customers lost when Spartans moved into the discount field have returned, and Spartans has been forced to expand its always-profitable manufacturing operation. Manufacturing sales, estimated at $60 million last year, could move close to $100 million by 1966. Furthermore, the leverage inherent in improved retail profit margins is large. Currently, the retailing operation has just this year gone into the black. If profit margins in this division were brought to the 3 - 5% pre-tax level prevailing in the industry, earnings would increase considerably. Combining the sharply increased manufacturing volume and improved profit margins in the retail segment of the business, it is not too hard to see earnings at twice current levels by 1966 or 1967.

All this seems to make Spartans, recently added to our low-priced list, an attractive speculation. Technically, the stock recently broke out on the upside of a substantial base formation with a longer term objective of 36. There is support just under current levels.

ANTHONY W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. 901.57
Dow-Jones Rails 210.98