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TABELL'S MARKET LETTER

October 28, 1966

The market continues to act well. Sharp rallies in the Dow-Jones Industrial Average on Wednesday and Thursday of the past week brought the index to a level decisively above where it had been trading since mid-August, with the exception of three days at the peak of the early September rally. At present, decisive penetration of the September intra-day high of 822.93 would indicate the possibility of 860, an area where heavy supply exists from the June-July trading range. A decline back below 800 would broaden the base further and eventually yield a still higher objective. Meanwhile, the shift in leadership continues with better-grade and unexploited issues generally outperforming the market leaders of earlier this year.

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METRO-GOLDWYN-MAYER, INC.

Current Price	33
Current Dividend	\$1.00
Current Yield	3.0%
Long Term Debt	\$29,273,000
Common Stock	5,042,895 shs.
Sales 1966-E	\$185,000,000
Sales 1965	\$162,000,000
Earn. Per Sh. 1966-E	\$2.00
Earn. Per Sh. 1965	\$1.56
Mkt. Range 1966-65	33 5/8 - 16 3/8

Movies again are getting better than ever. At least, that's the way the industry income accounts are shaping up if box office receipts are any indication. Evidently, investors also are aware of the improving trend as purchases of leading equities within the group reveal a pattern of relatively aggressive accumulation. MGM has been one of the most heavily acquired in recent months as the probability of a proxy fight continues to color the outlook. With the prize evidently the underlying asset value, conservatively estimated to exceed \$50 a share, the present management team clearly is being challenged for control by a relatively strong dissident group. The

outcome of this controversy, combined with nicely improving fundamentals, suggests the possibility of higher stock levels in future.

Long an industry leader, MGM engages principally in the production and distribution of motion pictures. Additionally, it operates about 50 theatres in key foreign locations, produces phonograph records under various labels, publishes sheet music and supplies television broadcasters with telecasting material. The insatiable appetite for movies on the part of TV networks continues to eat into film libraries. MGM has about 145 films that have not yet been released, about half of which could be suitable for TV showing. The Company expects to receive about \$53 million from CBS for the rights to televise 63 of its films. The agreement also includes the possibility of CBS showing several films televised previously by NBC. With about 5 1/2 hours of prime network time this season, MGM is busy producing film series for TV, including such favorites as "Please Don't Eat the Daisies" and "The Man From U. N. C. L. E."

Aided by the excellent box office showing of "Dr. Zhivago", still the nation's No. 1 grossing movie, which cost only \$12 million to produce and which company officials are expecting to have an eventual world-wide gross of more than \$40 million; plus the rapidly rising income from TV operations, earnings for the current fiscal year ending next August 31st could show a good increase over the \$2.00 a share estimated for fiscal 1966. Although difficult to judge with accuracy far in advance, profit margins have been in a recent uptrend and industry analysts are hopeful of seeing this trend continue to improve. MGM also continues to benefit from the high gross being received by such low-cost films as "A Patch of Blue", already having grossed more than seven times the \$1 million production cost, and timely re-runs of such important films as "Gone With The Wind" and "Ben-Hur".

Although selling at a price/earnings multiple well in excess of industry average, reflecting the "control" situation, these shares indicate strong technical support in the upper 20's, suggesting the likelihood of small downside risk from current price levels relative to the considerable upside potential indicated. Having broken out of a base formation in the 26-32 area, an upside objective of 52 is indicated. The issue, originally added to our Recommended List for capital appreciation on March 1st 1965 at 19 1/2 adjusted, is again suggested for purchase.

HARRY W. LAUBSCHER for ANTHONY W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. -807.96
Dow-Jones Rails-199.51

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