

Walston & Co. Inc.

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TABELL'S MARKET LETTER

February 24, 1967

OLIN MATHIESON CHEMICAL CORPORATION

Current Price	59 1/2
Current Dividend	\$1.80
Current Yield	3.0%
Long Term Debt	\$297,000,000
Common Stock	13,278,000 shs.
Sales-1966	\$1,117,000,000
Sales-1967-E	\$1,200,000,000
Earn. Per Sh. -1966	\$5.03
Earn. Per Sh. -1967-E	\$5.50
Mkt. Range 1966-67	46 - 64 1/4

Under the impetus of a favorable economic climate and a highly capable new management team, Olin Mathieson Chemical Corporation has been realizing some of its potential in recent years. While sales were rising by more than 50% for the 1961 through 1966 period, moving from \$700 million to more than \$1.1 billion, earnings underwent a dynamic improvement of more than 100%, rising to \$5.03 a share, from \$2.47 in 1961. Despite certain misgivings about the general trend of the nation's economy during the current year, 1967 results presently are expected to show sales in the vicinity of \$1.2 billion and earnings of approxima-

tely \$5.50 a share, for the sixth year of consecutive improvement. Olin has called \$100 million in 5 1/2% debenture bonds convertible into common stock at \$50 a share to 1972 and at \$55 a share thereafter. If conversion of all outstanding bonds had been effected in 1966, earnings for last year would have been \$4.56 a share, instead of the \$5.03 reported. Adjusted earnings for 1967 are estimated at \$5.00. Selling at a relatively low price-earnings multiple for the chemical industry, these shares are deemed to have above-average attraction for investment accounts seeking longer-term capital appreciation and growth in dividend income.

While normally referred to as a chemical concern, Olin is more of an industrial complex than generally is realized. Sales for 1966 reveal the following breakdown: chemicals, 25%; pharmaceuticals, 22%; metals, 22%; forest products, lightweight papers and cellophane films, 16%; and firearms and ammunition, 15%. While continuing to emphasize its "bread and butter" chemical operations, management has not been neglectful of expansion into areas that appear to offer favorable growth potential. Such a move was the establishment of Ormet, the nation's fourth largest basic aluminum producer.

Owned jointly with Revere Copper, Ormet at last is enjoying profitable, capacity operations in its aluminum fabricating and processing facilities. Recent price hikes are expected to have a stimulating effect on the contribution that Ormet makes to Olin's overall earnings. In addition to aluminum, Olin now is believed to have the highest all-round competence and the lowest costs in the brass industry as a result of the large scale modernization program carried out in recent years.

The Company's Squibb division is one of the nation's most venerable drug houses. Squibb ranks among the drug industry leaders in terms of sales, with approximately 90% of its own volume derived from ethical products. Foreign sales have more than doubled since 1960 and the construction of new production facilities in Ireland, Australia, South America and Continental Europe is expected to accelerate this impressive trend. Squibb's R&D is directed at such important areas as cancer, heart disease, antibiotics and nervous and mental disorders.

Construction of new container and plywood production facilities in 1965 and 1966 has accounted for a good share of the earnings gains enjoyed by Olin last year. Any pickup in home building activity would also be a distinct plus for this division's sales. Olin's cigarette and lightweight printing papers continue to enjoy record demand, with the cigarette paper growing at better than 4 1/2% annually. The Winchester-Western division had a sharp sales spurt in 1966 as a result of the increased demands of the Vietnam war. While the military normally accounts for 25% of this division's sales, 40% of 1966 volume was derived from government buying. This division produces the famed Winchester rifles and shotguns.

From a technical view, the base that has been building since late 1965 has created a firm area of support around the mid-50's, substantially limiting the near-term downside risk. There is a moderate amount of overhead supply existing between 60 and 65, but the accumulation pattern that has been developing suggests an attack on our initial price objective at 80. Our longer-term price goal remains near 130. We feel that the investment attraction of this issue is favorable enough to warrant consideration for purchase at current market levels. OLM was added to the Price Appreciation section of our Recommended List last April at 63.

Dow-Jones Ind. 847.33
Dow-Jones Rails 229.15

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

AWT:HWL:amb

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