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TABELL'S MARKET LETTER

October 6, 1967

Last week's market action did nothing to disturb either the favorable long-term outlook or the somewhat inconclusive near-term outlook for stock prices.

To take the shorter term picture first, the market strength which characterized the latter period of the week interrupted the previous week's decline and most of our shorter term indicators which had begun the week in neutral territory, remained there rather than moving closer to the sort of oversold position from which a short-term rally could be predicted. The immediate outlook, therefore, remains uncertain, and will remain so until a worthwhile correction or consolidation, - which could lay the ground work for a new short-term advance - takes place.

Meanwhile, inspection of individual chart patterns continues to reveal a preponderance of stocks which appear favorably situated on an intermediate and long-term basis. In such an environment, selection of individual issues will be more important than short-term market fluctuations. One issue we believe suitable for purchase in medium risk accounts is reviewed below.

** ** ** ** ** ** ** **

VORNADO, INC.

Current Price	29
Current Dividend	Stock
Current Yield	-
Long-Term Debt	\$75,281,484
Common Stock	5,560,000 shs.
Sales-1967-E	\$700,000,000
Sales-1966	\$666,000,000
Earn. Per Sh. 1967-E	\$2.50
Earn. Per Sh. 1966	\$2.14

"Go West, young man," was the advice of the mid-19th Century. As many individuals found out, along with corporate interests, it was very good advice. Today, that advice still is being followed and Vornado is one of the most recent adherents through its merger with Food Giant Markets, an important operator of supermarkets in the Los Angeles and San Diego, California, areas.

Mkt. Range 1967-66 35 3/4-18 1/2

Note: All figures adjusted pro forma for merger with Food Giant Markets.

The decision to enter the important Southern California marketing area is expected to provide a sharp jump in sales, and a substantial increase in overall profitability. For the fiscal year ending January 1968, sales are projected to around the \$700 million level while earnings could approximate \$2.50 a share, or more, vs last year's \$2.24 a share. The per share estimate for the current year allows for dilution resulting from the Food Giant merger, terms of which allowed for .6 share Vornado being exchanged for each Food Giant share. The exchange has added 1.92 million shares to the 3.65 million VNO shares already outstanding. Vornado, which pays no cash dividend, has announced that the policy of paying stock dividends will be continued.

Vornado operates 33 large discount department stores located in New Jersey and five neighboring States. Food Giant operates 70 supermarkets, 14 discount centers and 14 medium-sized hardware "do-it-yourself" goods stores in addition to a small liquor retailing chain. Management, which has operated successfully in the past by following a policy of acquisition and diversification, is expected to remain aggressively oriented along these same lines in future. In order to perk up unsatisfactory profit margins in the Food Giant operation, marketing executives from Vornado already have been moved to the West Coast. Their primary aim will be to increase non-food sales, particularly in the soft goods and hard lines areas. This suggests that the food retailing area, which normally carries a very low margin of profit, may be downgraded somewhat throughout the Unimart discount division of Food Giant.

Still to be determined is just what view the Federal Trade Commission and/or the U.S. Justice Department will take of the merger which is subject to review. In addition, the conversion of outstanding debentures into common stock would result in a dilution factor approximating 14%. Despite these factors, the growth potential inherent in the discounting and food retailing businesses are such to warrant serious consideration by the long-term investor seeking above-average capital appreciation.

From the technical view, Vornado recently has broken out of a substantial base formation indicating higher levels. Strong support is evident in the 28-24 range, and our initial price objective is 45, followed by a higher longer-term objective. Recently added to the Price Appreciation section of our Recommended List at 25 1/2, these shares again are recommended for purchase at present levels.

Dow-Jones Ind. 928.74
Dow-Jones Rails 258.74

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WALSTON & CO. INC.

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