

Walston & Co. Inc.

MUNICIPAL BONDS • UNDERWRITERS • MUTUAL FUNDS
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OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

October 27, 1967

The reactionary trend in the market continued throughout last week, interspersed with a rally on Thursday, and contrapuntal strength in a large number of issues, notably glamor stocks, throughout the week. Presently, positive and negative forces appear to be about in balance. On the positive side, all of our shorter term oscillators reached oversold territory and rebounded sharply toward the end of the week. This action is normally considered evidence of a short-term trend reversal. On the other hand, the probable downside target for the Dow Industrials remains modestly below current levels at 870-865. Moreover, the quality of the present leadership, to put it mildly, leaves something to be desired, as witness the Saturday currently taking place on the American Stock Exchange.

On balance, however, we continue to feel that purchases of issues representing good fundamental and technical values at prevailing prices should work out well. One such issue is reviewed below.

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DENTISTS' SUPPLY COMPANY OF NEW YORK

Current Price	43
Current Dividend	\$1.45
Current Yield	3.4%
Long-Term Debt	\$485,118
Common Stock	1,917,506 shs.
Sales-1967-E	\$60,000,000
Sales-1966	\$54,210,000
Earn. Per Sh. 1967-E	\$2.55
Earn. Per Sh. 1966	\$2.32
Mkt. Range 1967-66	43 3/4-24

Despite the gains that have been made among younger people in dental health, a relatively large portion of the public continues to be in need of extensive dental treatment. The need for additional dentists throughout the country certainly substantiates this, and to date there would appear to be no end in sight to the shortage. All this bodes well for those companies involved in catering to the needs of dentists and the patients they serve.

With many older people now able to afford the purchase of dentures, or artificial teeth, due to larger personal incomes and various types of health

dental insurance programs, the demand for these items has soared in recent years. Dentists' Supply Company of New York is the leading manufacturer of artificial teeth and as such is expected to continue to be an important beneficiary of the trend toward increased consumption.

The company also is a leading producer of high-speed dental drills, waxes, porcelain and other dental supplies. Marketed under the name "Trubyte," artificial teeth account for approximately 27% of total sales. The production of ethical dental supplies and the resale of supplies and equipment produced by others account for about 65%. The remainder derives from various types of dental equipment, among which is the Cavitron Ultrasonic Dental Unit, a device for cleaning tooth surfaces ultrasonically and for the filling of cavities.

Earnings, which have been in an uninterrupted uptrend since 1961, are expected to reach a new peak around \$2.55 a share this year, compared with \$2.32 for 1966, on sales currently projected to \$60 million, vs. \$54 million last year. Although foreign sales are not likely to show much improvement over those of 1966, margins could benefit from the prospective increase in overall volume and greater operating efficiencies, especially in the areas of accounting and inventory control. The usual year-end extra dividend has been set at 25¢ a share, bringing the full-1967 total payout to \$1.45 a share.

Under the anti-trust suit brought against the company, divestiture probably will have to be made of two divisions accounting for approximately \$27 million in sales. However, purchase of these companies was made primarily for their manufacturing facilities, which will be still owned and operated after settlement of the case. The retail operations to be sold actually were providing an unfavorable profit margin, and management feels that the funds derived from the forced sale can be better and more profitably employed elsewhere.

From the technical view, the substantial base that has been building for several years indicates a price objective of 61. There is support at 39-36. Being added to our Recommended List, these shares are recommended for purchase at current levels.

Dow-Jones Ind. 888.18
Dow-Jones Rails 243.07

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AWT:HWL:amb

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