FILE

Walston & Co.
Inc

MUNICIPAL BONDS • UNDERWRITERS • MUTUAL FUNDS
Members New York Stock Exchange
and Other Principal Stock and Commodity Exchanges
OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER December 8, 1967

MEDUSA PORTLAND CEMENT COMPANY

Current Price	28 1/2
Current Dividend	$1.20
Current Yield	4.2%
Long-Term Debt	$25,005,000
$3 Conv. Pfd. Stock	74,936 shs.
Common Stock	1,674,879 shs.
Sales-1967-E	$55,000,000
Sales-1966	$47,650,000
Earn. Per Sh. 1967-E	$2.60
Earn. Per Sh. 1966	$3.01
Mkt. Range -1967-66	20 3/8 - 30 5/8

The patient recorded its peak year of healthful profitability in 1959. Since then a lingering illness set in that has been diagnosed as acute excessive capacity with the result being a withering away in operating ratios, bringing them down to the dangerously low mid-70% area. This was accompanied by varying pressures on price structure that made it difficult for the patient to sustain any rallying tendencies. With the illness correctly diagnosed, major alterations in operating methods have been undertaken, and a period of intensive examination indicates that the illness is subsiding and the patient soon may be on the less critical list.

The patient is the cement industry and no one can question the rough time it has undergone for almost a decade. The improvement we now anticipate is premised on the favorable projections currently being made for residential and non-residential construction over the coming years. Our population has just passed the 200-million mark. All these persons and their progeny will require shelter, suggesting a major increase in household formations that in turn should translate into a significant gain in residential construction expenditures. In addition, increasing funds will be allocated to highway building programs, expenditures for which will be stepped up sharply upon conclusion of Vietnam hostilities. All this indicates a sharp rise in cement consumption. If these prognostications prove accurate, we feel one of the companies to benefit most would be Medusa Portland Cement.

Medusa is a medium-sized cement producer, but one that has had a superior operating record in the last several years. It was the only major company able to report record earnings last year, while most companies underwent a sharp drop in operating income. Much of Medusa's recent success can be attributed to the geographical area served, which includes Wisconsin, Illinois, Ohio and Pennsylvania. A new plant in Michigan is undergoing trial runs and should benefit from the expanding Michigan economy. Other favorable factors that have contributed to Medusa's better-than-average showing include its major position in the more profitable and somewhat less competitive white cement market and an aggressive cost-conscious management.

The company has established good marketing and distribution procedures and diversification into the aggregate business is proving highly profitable. Medusa has avoided the ready-mix business, which has proven quite costly to other companies and yields an unsatisfactory return on invested capital. In the current year, Medusa is expected to report a slight drop in earnings from 1967's $3.01 a share, to around the $2.60 level. This reflects the generally unfavorable economic climate that has characterized this year. However, 1968 is fully expected to witness a swift return to favorable rates of return and an earnings projection of $3.25 a share, a new record, now seems reasonable. Looking further ahead, industry analysts suggest that Medusa's efficient operation could be realizing earnings in the area of $4.00 to $4.50 a share. Now selling for little more than eleven times earnings, these shares appear to have substantial appreciation potential.

Recently added to the Price Appreciation section of our Recommended List, Medusa has formed a substantial base in the 25 area suggesting a price objective at 66, and continues to be suitable for purchase at prevailing market levels.

Dow-Jones Ind.	887.25
Dow-Jones Rails	234.51

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

AWT:HWL:amb

WN-301