

Walston & Co.

Inc

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TABELL'S MARKET LETTER

May 10, 1968

The stock market continues to display a great deal of vitality. Heavily overbought as long as three weeks ago, it has persistently refused to decline and, instead, rotational action continues, accompanied by good overall breadth. It is our continued feeling that the intermediate-term outlook has improved, and we would use any periods of short-term weakness over the next few weeks to commit reserves to well-chosen equities such as the following.

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COLGATE-PALMOLIVE COMPANY

Current Price	45 5/8
Current Dividend	\$1.10
Current Yield	2.4%
Long Term Debt	\$28.4 million
\$3.50 Cum. Pfd. Stk.	125,000 shs.
Common Stock	14,747,778 shs.
Sales-1968 Est.	\$1.1 billion
Sales-1967	\$1.02 billion
Earn. Per Sh. 1968-Est.	\$2.50
Earn. Per Sh. 1967	\$2.23
Mkt. Range 1967-1968	26 7/8 - 45 7/8

New product innovation and introduction have been the keys to Colgate's long history of successes and, operating as the company does within the confines of one of industry's most competitive areas, these are likely to remain important to the trend of profitability.

This year is likely to witness further progress in the product-introduction area as the company gears up to attempt an important penetration into the shampoo market. While it is a relatively important factor in the shampoo area, its position has been maintained by heavy promotional outlays. Coming up with a real winner in this area could improve this division's overall contribution to company-wide net income.

Ultra-Brite is Colgate's latest move in the dentifrice market. Introduced in 1967, Ultra-Brite is a whitener-type toothpaste that captured a significant portion of the overall market, estimated by the company at close to 10%. At the same time, however, Colgate Dental Cream, the company's leader in this area, was not significantly cannibalized and remains a highly important earnings contributor.

Other leading products include detergents such as Cold Power, Fab, Super Suds and the Ajax line. Palmolive soap, Cashmere Bouquet soap and talc, Baggies, Colgate 100 mouthwash, Handy Wipes, Halo and Lustre-Creme shampoos, Wildroot Hairdressing and the 007 line of men's toiletries are other items of importance. In the drug line, Colgate's ethical products include items for the treatment of mental depression, asthma, heart and gastrointestinal disorders. Among proprietary products are such well-known names as Dermassage, Conge staid and Tackle.

In recent years, results have reflected the more aggressive outlook taken by management. Prior to the early 1960's, profits remained in a plateau between \$1.66 a share and \$1.07. Since breaking out of this restrictive area in 1965, earnings have made favorable progress, advancing at a rate approximating 10% annually. Despite devaluations overseas last year, net rose to a record high of \$2.23 a share, vs. \$2.01 the previous year. In the current year, income is anticipated to record another peak around the \$2.50 a share level. This also strongly suggests that the conservative dividend payout rate, currently set at 27 1/2 % quarterly, may be increased.

Foreign operations continue to increase in importance. The company now operates in 42 countries with many others covered by sales agents. It is believed that sales derived from non-domestic sources account for almost 60% of total revenues and between 85% and 90% of earnings. This should prove important to the company's long-term prospects as nations overseas accelerate their upward trending living standards.

Technically, Colgate's chart pattern is most impressive. Since bottoming out in 1966, an ascending triangle has been constructed with an area of accumulation and support strongly evident in the 44-40 area. This base indicates a price objective in the 58 area, initially. Currently on our Recommended List, these shares are recommended for purchase at prevailing market levels by investment-oriented accounts.

Dow-Jones Ind. 912.91
Dow-Jones Rails 241.79

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

AWT:HWL:amb

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