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TABELL'S MARKET LETTER

May 31, 1968

STOKELY-VAN CAMP, INCORPORATED

Current Price	60
Current Dividend	\$1.00
Current Yield	1.7%
Long-Term Debt	\$9,343,000 **
\$1 Cum. Pfd. Stock	764,356 shs.
Common Stock	2,997,882 shs.
Sales-1969-E *	\$270,000,000
Sales-1968-E *	\$255,000,000
Earn. Per Sh. 1969-E *	\$3.25
Earn. Per Sh. 1968-E *	\$2.75
Mkt. Range 1968-1967	60 3/4 - 19 5/8

"My boys drink all... they want all through the game" says Vince Lombardi of the Green Bay Packers, in a recent ad. This is true not only of the Packers but also the majority of other professional football teams, along with substantial segments of the National Basketball Association, National Hockey League and National and American Baseball Leagues, plus some sixty college football teams. The product they drink is known as GATORADE, and it could turn out to be one of the most unique potables to hit the American market in quite some time. Its unusual potential, moreover, creates, we think, an equally unusual investment opportunity in the common stock of its producer, Stokely-Van Camp, Inc.

Gatorade was born out of extensive research carried on at the University of Florida

- * Fiscal year ends May 31st.
- ** Includes \$7.4 million Convertible Debentures which, if converted, would increase common 9%.

(whose athletic teams are nicknamed the "Gators") to combat thirst and dehydration, resulting from profuse perspiration among athletes. A solution of glucose and various salts, pleasantly flavored, one of Gatorade's unique properties is its isotonicity or ability to be absorbed by the body almost as quickly as it is drunk. This quick absorption produces two important effects. First of all, it is effective at quickly relieving thirst. Secondly, it can be taken in copious amounts without danger of cramps or nausea; in fact, many professional athletes have taken as much as a gallon and a half during the course of a game. Most important, the debilitating loss of energy produced by excessive perspiration is avoided, and it is, indeed, a fact that many of the football teams using Gatorade last season were known as "fourth quarter teams".

Despite its already widespread use by athletic organizations, the surface of the potential market for Gatorade has barely been scratched. An obvious first step is the expansion of the institutional market among athletic teams, eventually broadening to the high school and junior high school level. The Armed Forces are still another potential sales target; and, of course, the most lucrative possible market will ultimately be direct consumer sales. It is easy to see how the drink's use by professional athletes could make it appealing to all sorts of active people --- perhaps with a promotional campaign similar to the one which has made Wheaties the "breakfast of champions".

An initial test marketing program will be commenced shortly in the Jacksonville, Florida, area, accompanied by extensive television and newspaper advertising. Of further interest is the possibility that, in addition to Stokely's non-carbonated version of the drink, Royal Crown Cola will produce a carbonated form, buying raw materials from Stokely. It should be noted also that, insofar as Stokely is concerned, Gatorade will be a relatively high-profit-margin product due in part to the company's being able to manufacture it in otherwise seasonal facilities.

Despite recent strength in Stokely stock, it would appear that only a modest premium is being paid for the Gatorade potential, and the company would be intriguing as an investment entirely apart from its new product. An aggressive management has been highly successful in eliminating seasonal peaks and valleys, increasing acceptance of the Stokely label, moving into can manufacturing and turning around a hitherto-unprofitable frozen foods division. Under this stimulus, profit margins have just shown their eighth consecutive annual increase and earnings per share have risen from 78¢ in 1961 to an estimated \$2.75 for the fiscal year ended just today. Comparison with other similar companies indicates that further expansion in margins is possible. Thus, for the year to end May 31, 1969, earnings could show another gain to the \$3.00-\$3.25 range, entirely apart from any Gatorade contribution. Applying a conservative 15 multiple to these earnings would result in a price of just under 50; thus the premium presently being paid for the Gatorade potential is small.

From a technical point of view the stock has a long range potential of 110 with support just under current levels. It is being added to our Recommended List for price appreciation.

Dow-Jones Ind. 899.00
Dow-Jones Rails 255.65

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