

# Walston & Co.

Inc.

Members New York Stock Exchange  
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OVER 100 OFFICES COAST TO COAST AND OVERSEAS

## TABELL'S MARKET LETTER

June 21, 1968

### AMERICAN MACHINE & FOUNDRY CO.

Current Price	22 1/8
Current Dividend	\$0.90
Current Yield	4.1%
Long-Term Debt	\$170,800,000
\$3.90 Cum. Pfd. Stock	35,800 shs.
Common Stock	17,028,609 shs.
Sales-1968-Est.	\$535,000,000
Sales-1967	\$467,200,000
Earn. Per Sh. 1968-Est.	\$1.40 - \$1.45
Earn. Per Sh. 1967	\$1.37
Mkt. Range 1968-1967	25 1/4 - 14

The year 1968 is likely to be recorded as a significant milestone in the history of AMF. For one thing, this will be the first year that results of overseas operating subsidiaries will be consolidated into financial statements. This should help to accelerate AMF's already favorable growth pattern in reflecting the rapid growth of overseas business which in turn mirrors the steadily rising standards of living in the areas within which AMF operates.

1968 also will be remembered as the year when AMF re-affirmed its former

policy of growth-through-acquisition. Many of the company's present product lines were acquired as a result of merger and acquisition, but in recent years this trend had been deliberately slowed in favor of upgrading existing operations. Now that operations are flowing more smoothly, management again is turning its attention to new product areas that offer above-average growth.

AMF's primary direction for expansion has been into the leisure time area and, as a result, the company has established an important position in the recreational products field. Included within the product line are such bread-and-butter items as bicycles, hobby toys and bowling supplies. This past March, AMF acquired Alcott, Inc., manufacturers of the highly popular Sailfish and Sunfish fiberglass sailboats. More than 70,000 of these already are in use and demand appears to be accelerating every summer buying season. Alcott also manufactures the Catfish, a double-hulled fiberglass catamaran-type sail boat. In response to the burgeoning ski craze, AMF recently introduced a competitively priced fiberglass ski.

Bowling activities now constitute a secondary source of income in reflection of the fairly well saturated domestic market. On the other hand, overseas bowling business continues to expand. Since introduction in 1951, AMF has led the field and currently has installed more than 100,000 pinspotters, approximately one-third more than its closest competitor, the Brunswick Corporation.

Sales break down approximately as follows: Industrial products, including cigar and cigarette, baking and oil field equipment, 36%; recreation products, 20%; bowling, 18%; and government items, 26%. Sharply increased government business was responsible for much of last year's 12% jump in revenues. However, profit margins were penalized. Great Britain's sterling devaluation also worked to the disadvantage of 1967 earnings. For the current year, sales are expected to break above the \$500 million level for the first time, rising to a projected \$535 million, while earnings are estimated to be the highest since 1961's \$1.70 a share, probably approximating the \$1.40 to \$1.45 a share level. First-half results may be somewhat adversely affected by a strike currently in progress, but order backlogs suggest this will be more than made up in the second half. The 90¢ annual dividend, maintained for almost 7 years now, should be considered a candidate for liberalization in line with normal company payout policy.

From the technical view, AMF has formed a base of considerable extent over the last several years during which accumulation has apparently been in progress. With the marking-up stage now believed to be in the early phases and a price objective initially around 30, followed by a higher goal in the mid-50's, accompanied by firm underlying support at 20-18, these shares again are recommended for purchase. AMF is in the Price Appreciation section of our Recommended List.

We are removing four issues from our Recommended List this week. We suggest acceptance of profits in Eagle Picher Ind. and Schlumberger. Squibb Beech-Nut entered our list when it was spun off from Olin Mathieson and we feel that the funds might profitably be employed elsewhere. In addition, we are disappointed with the technical action of Communications Satellite and are thus removing it also. Funds realized from the sale of these issues could be utilized for the purchase of AMF, or other issues on our Recommended List such as American Bakeries, Great Northern Paper, First Charter Financial, Robertshaw Controls and Stokely-Van Camp, Inc.

Dow-Jones Ind. 900.93  
Dow-Jones Rails 264.15

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

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