

# Walston & Co. Inc

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## TABELL'S MARKET LETTER

January 24, 1969

"It's a warm wind, the west wind, full of birds' cries." . . . . Masefield

Weatherwise, a thaw has come upon Wall Street. In the stock market, as well, a thawing of the cold shivers that rose up in December and early January, as the market plunged almost eighty points, has caused a renewed interest in equities and share prices have risen, dramatically in some cases, this past week. But as the market rose, a chorus of warning cries could be heard, suggesting that the recovery was purely technical in nature and that much worse was in the offing. Technically, there is small substance to this thinking. True, the question remains whether the market can hold in its present area, broadening the base between 930 and 940, thus improving the prospects for an attack on the upper 900's, or whether a more thorough testing of the recent lows around 920-915 must first take place. In either instance, the outlook for the intermediate term remains favorable and periods of weakness still can be considered buying opportunities. Two stocks for consideration are:

WINN-DIXIE STORES (35 1/4). Added to the Quality & Long-Term Growth section of our Recommended List last week, WIN appears to meet the requirements for accounts stressing a combination of capital gains potential and above-average current income. Operating approximately 740 retail and seven wholesale units located primarily in the southeastern States, WIN's record of growth and profitability over the years has been one of the best in the entire food retailing industry. Earnings have increased in ten of the last eleven years and dividends have been raised in each of the last 25 years. Furthermore, profitability is expected to increase more rapidly in the next few years as volume swells reflecting steadily rising population in areas served by WIN and increased operating efficiencies gained from the forthcoming opening of the Atlanta distribution center.

Winn-Dixie shareholders recently exchanged about 36% of outstanding common stock for a newly-approved non-dividend-bearing Class B stock. This is likely to result in a cash savings of almost \$7 million to the company annually. This new Class B stock will be converted into common until 1982 when each Class B share will be worth 1.54 common shares. In effect, this means that while each regular common share will receive an annual dividend of \$1.56 in cash, each Class B share will bear an annual 1.4% stock dividend. While the common shares are being recommended here for a combination of growth and income, accounts laying stress on capital gains over income may find the Class B shares of even greater investment interest.

Technically, WIN has been forming a base of considerable support in the 35-32 area that suggests a price objective at 45, followed by a higher goal near 64. High in quality and with small downside risk, these shares are considered especially attractive for investment purposes at current market prices.

COMPUTER SCIENCES (64 3/4). With software companies emphasizing programming, and swiftly moving into profitable time sharing and servicing, prospects are brightening for a vigorous expansion in both sales and earnings. As the largest company in this area, CSC represents a particularly timely investment for appreciation-minded accounts.

Sales for the fiscal year ended March 31, 1968 rose to over \$53 million, on which earnings of 57¢ a share were realized. For the current fiscal year, sales are expected to reach the \$70 million level, while earnings are estimated at between \$1.15 and \$1.25 a share. Industry analysts have projected earnings for the following fiscal year, 1970, to around the \$1.70 level. Although government work accounts for approximately 80% of revenues, rapid gains are being made in increasing the proportion of sales derived from clients in industry, science and such areas as consumer marketing.

A 20-city, nationwide system of regional time-sharing centers will generate an estimated \$100 million in annual revenues when completed, and education centers for instructing both employers and employees in programming and methods of applying computer techniques already are underway. Such centers are to be opened in Europe as well as in the USA.

Technically, CSC has had a dramatic move in recent months, rising almost 50% since the September low. However, the chart pattern continues favorable and an area of support can be read in the 60-55 area. We carry a price objective at 70 initially, followed by a longer-term goal in the 80-82 area. CSC is on the Speculative Price Appreciation section of our Recommended List and is again suggested as a purchase.

Dow-Jones Ind. 938.59  
Dow-Jones Rails 272.36

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