

Walston & Co. Inc

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TABELL'S MARKET LETTER

February 14, 1969

INGERSOLL-RAND (53). . . Despite higher labor, material and depreciation costs, the machinery industry is expected to show continued improvement in 1969. Among the more important issues in this industry category, Ingersoll-Rand stands out as being particularly attractive.

One of the largest machinery producers, I-R is the leader in the field of air and gas compressors and related equipment, the demand for which still appears to be in a major long term uptrend. The product range is broad, encompassing engines, pumps, rock drills, electric and hand tools, paper and plastics machinery and general mining equipment. The approved merger with Torrington Company will add metal specialty items, knitting and sewing machine needles, drill bits and nuts and bolts to the combined product line. While prosaic in their nature, all of these items are necessary in our economic scheme, and are of particular importance to the construction, utility, mining and service industries.

For several years, I-R's earnings have been on a plateau around the \$3.80 a share level. 1969 is expected to witness a break away and up from this plateau with current projections calling for \$4.25 a share, vs. an estimated \$3.85 for 1968, including Torrington's contribution pro forma for calendar 1968. Further gains are seen for the years immediately ahead, especially as the benefits from the Torrington merger are realized. Although the increase in outstanding shares will approximate 10%, no reduction in the current \$2.00 annual dividend will occur. In fact, the expected earnings improvement this year is likely to result in a dividend increase.

The decade of the 1970's is expected to prove highly beneficial to I-R. Demand for its products should help management reach its goal of doubling sales and earnings over the next five years. Selling for less than 13 times this year's earnings estimate and providing an above-average industrial yield, the shares merit investor consideration.

Technically, IR has formed a base of considerable length in the mid-40's that indicates a price objective at 88, followed by a higher goal near 100. There is good support at 48-44. IR is on the Price Appreciation section of our Recommended List.

CENCO INSTRUMENTS (95 7/8) . . . Mention nursing homes, hospitals and hospital supplies and equipment and few investors even think of Cenco. And yet, it is one of the fastest growing medium-sized companies in this health field. Its product line runs the gamut from production and distribution of scientific and laboratory equipment to hospital beds and furniture, and includes sterile disposable items for operating rooms, teaching aids and school accessories, water pollution abatement equipment, gymnasium seating and locker room equipment, graduation and church choir apparel and owning and managing hospitals and nursing homes.

The company is making significant strides toward reaching its goal of owning or leasing more than 24 hospitals and nursing homes by 1971. Last July it purchased two Los Angeles hospitals and announced plans to build two additional facilities in California. It recently purchased a 320-bed facility in Orlando, Florida. Its own subsidiaries will supply the furnishings and much of the required equipment.

Earnings for Cenco have increased every year since 1953, an enviable record in the glamor-stock field. For the fiscal year ending April 30, 1969, net is estimated to reach \$1.95 a share, compared with \$1.76 for fiscal 1968. Some analysts are projecting a doubling in earnings by 1973. The dividend, now at 30¢ annually, is expected to parallel this anticipated rise in income.

Technically, the Cenco chart reveals an area of extensive backing and filling in the 55-45 area that has created a base suggesting a price objective in the mid-80's. With good support at 58-54, CNC also is recommended as a purchase for Price Appreciation.

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Dow-Jones Rails 275.72

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