

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 16, 1969

WESTERN UNION TELEGRAPH COMPANY

Current Price	\$54 1/2
Current Dividend	\$1.40
Current Yield	2.6%
Long Term Debt	\$191,172,318
Pfd. Stk. (all classes)	1,192,531 shs.
Common Stock	8,888,000 shs.
Sales-1969 Est.	\$395,000,000
Sales-1968	\$360,100,000
Earn. Per Sh. 1969-Est.	\$2.50
Earn. Per Sh. 1968	\$2.03
Mkt. Range 1969-68	58 3/8 - 31

Most of the problems in our society today seem to hold a distinct affinity with "misunderstanding." If through some method a formula can be devised whereby misunderstanding is made to be outdated, so much the better we'll all be for it. In the meantime, however, misunderstandings persist, with much of the blame due to the inability of persons and states to communicate with one another. The ability to communicate, therefore, is the primary goal. WESTERN UNION (54 1/2) was founded on this

need and continues to exist today in order to better service that need. Its sole purpose is to provide better communications and in this effort it appears to have marshalled an impressive array of forces. Because of these forces and what we feel to be their future effect on our times and our economy, we are recommending the purchase of Western Union common shares by investors.

The trend in recent years in areas of public service has been toward customer-to-customer services and Western Union has moved aggressively to provide these services. In this area, WU provides Telex, a fully automatic teleprinter exchange service which permits subscribers to dial any other subscriber and communicate through a direct connection. As of year-end 1968, there were WU Telex exchanges in 294 cities with more than 26,100 subscribers and a waiting list of 2500 additional subscriber stations.

The company also provides Shared-System Services, which utilize the multiple-access capabilities of the computer centers in offering subscribers a type of private communications network for message-switching, sorting and record-keeping without major investment in equipment, space, programming, training or maintenance. Other services like Broadband Exchange, Hot/Line, money order services, telegrams, DollyGrams, CandyGrams, Perfume-by-Wire, telephone answering facilities, a facsimile service for transmission of communications, drawing and other graphic material, etc, also are offered.

To service the enormous needs of the Federal government, WU offers AUTODIN, a nationwide computer-controlled communications system for the Defense Dept., GSA Advanced Record System to serve the civilian agencies of the government, and other systems serving the FBI, Air Weather Service, NASA, Joint Chiefs of Staff, etc.

Early this year, WU entered into agreement with the Bell System for the purchase of the Teletypewriter Exchange Service ("TWX"). If permitted by the FCC, this TWX purchase will permit the combination of TWX and WU Telex into a unified teletypewriter exchange service which should substantially enhance future earnings.

An earnings comeback appears to be in store for WU, based on encouraging reports for the final quarter of 1968 and the first three months of 1969. Although a recent offering increased outstanding common shares by 17%, no dilution in earnings is anticipated since most of the proceeds are to be used to retire debt where savings in interest charges about equal what otherwise would have been dilution. This is true only as long as WU earnings remain free of liability for Federal Income taxes. Earnings of \$2.50 a share are estimated for 1969, up from \$2.03 last year and \$1.61 in 1967. Further improvement is anticipated for 1970.

The company believes that based on its estimate of 1969 income, all dividends paid on its common stock will represent a return of capital and therefore will not be taxable as dividend income but rather as long-term gains and therefore at the lower rate prevailing for such gains.

Technically, Western Union has been building a base for three years and has created an important level of support in the 48-44 area. This same base suggests a price objective at 68-70 initially, followed by a higher goal readable in the 95-100 area. In view of these promising prospects and the improving fundamentals, we are adding Western Union to the Price Appreciation section of our Recommended List.

Dow-Jones Ind. 894.84
Dow-Jones Rails 222.69

ANTHONY W. TABELL-HARRY W. LAUBSCHER
WALSTON & CO., INC.

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