Spotlight

Avco Rated a Glamour Firm

By LEON ALBERICO
Wedbush & Co., Inc.


LEON ALBERICO

In financial circles, a normal diversified industrial titan is termed a conglomerate.

With New York-based Avco Corp., however, considering its holdings in the entertainment world, as well as its huge stake in the nation's exotic Apollo space program, the company must be called a conGLAMOURate!

Avco (NYSE 28¼) is well entranched in the entertainment field with its acquisition last year of Embassy Pix. Besides this it owns five TV and six radio stations, as well as nearly 300 films. Most recent acquisition is Mike Nichols Productions.

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AVCO last year also acquired control of Los Angeles-based Carte Blanche credit card. And for real leisure, Avco also acquired controlling interest in Rancho Bernardo, 5,800-acre "new town" section, located in San Diego.

Another big acquisition last year was Seaboard Finance of Los Angeles as a complement to its vast chain of Avco Finance offices in the East and Canada. Also purchased was Ventura Savings and Loan in Ventura County.

Besides the activities already mentioned, Avco manufactures gas and electric ranges, refrigerators and dishwashers, cold rolled strip steel and wire, engines for aircraft and helicopters, diamond grinding wheels and other abrasives, ballistic missile cases, munitions and ordnance, metal office furniture, snow plows, corn pickers and shellers, combines, manure spreaders, mowers, etc.

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THEN there is the Paul Revere Corp. subsidiary, which handles annuities and insurance, now going into mutual funding. Also nearly set for acquisition is Huntington Savings and Loan in Southern California.

The latest project is rehabilitating Glasgow, Mont., with a peak population of 5,000. With the aid of the government, the company is transforming the ghost town into a commercial and industrial community.

In fiscal 1968, Avco earned $3.76 per share; this compares to $3.44 per share in 1967.

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AVNET, Inc., (NYSE 15¾) assembles and markets electronic components and integrated circuits for the electronic, aerospace, and communcations industries. Through acquisitions, Avnet has a network of high margined companies, interrelated in manufacturing but with a wide variety of market. In addition to electronic component distribution, the company's markets include automotive parts and musical instruments. This well-balanced product mix contributes to sales growth and higher profit margins.

Consumer Electronics Division (29.8 per cent of sales) manufactures a variety of products primarily for the entertainment and personnel communications. World's leading producer of outdoor TV antennas and accessories and the production of black-and-white and color TV tubes, and master antenna TV systems (MATV); sells its own transistorized radios, tape recorders, and audio entertainment items.

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BRITISH Industries markets the Garrard turntables, Wharfedale loudspeakers, electrical guitars, and amplifiers.

Electronic Marketing Division (28.3 per cent) assembles and markets electro-mechanical and electronic components for customers in the television, military aviation, and computer industries.

Electrical and Automotive Division (41.9 per cent), manufactures wire, cable, and accessory items, equipment and components for rebuilding automotive electrical and ignition systems.

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THIS YEAR progress was interrupted by the month-long strike at the Carol Wire & Cable plant in Rhode Island. Also Avnet began initial large scale production of original equipment color television at a time of mounting price competition. Unit color TV tube output had steadily increased, but competition forced prices down about 25 per cent. As a result, profit margins came under pressure and earnings were reduced. Widespread price cutting also prevails in copper wire products.

In 1968, Avnet had sales in excess of $232,000,000 with a profit margin of 17.5 per cent. The company has 18,000 stockholders with 17 per cent of the common stock held by directors.

Hotel Stocks Are Good Investments

Bateman Eichier-Hill Richards, Inc.
Investment Research Department

It is well known today that leisure-oriented companies have broad appeal and growth potential due to higher disposable incomes of individuals and more time available for traveling.

A logical and not necessarily unrecognized beneficiary of this trend is the hotel industry. In recent years, this industry has demonstrated considerable growth and we believe earnings will continue to increase at a 20 per cent annual rate for the foreseeable future.

In addition to the basic demand factors, well located hotels are benefited from increasing occupancy rates and higher room prices. Some current examples include:

● Hilton Hotels ($62) — Earnings per common share have increased from $1.43 in 1967 to $1.74 in 1968 to an estimated $2.50 in 1969.

● Holiday Inns ($45) — Earnings per share are up from 81 cents in 1967 to $1 in 1968 and are expected to reach $1.25 this year.

● Howard Johnson ($27) — The 1969 estimated earnings are $1.15, compared to 96 cents in 1968 and 87 cents during 1967.

● Hyatt Corp. ($32) — Earnings have increased from 27 cents in 1967 to 75 cents in 1969.

● Marriott Corp. ($36) — Estimated 1969 earnings are 95 cents per share, compared to 64 cents in 1967 and 78 cents in 1968.

● Western International ($45) — Actual 1969 earnings have been reported at $1.19 per share, a rise of 66 cents per share during the past two years.

As can be observed readily, these companies all have excellent records and all are expected to have bright futures. We would favor at this time Hilton Hotels due to its relatively low price — earnings multiple and the underlying values of its real estate holdings.

Hilton's book value per share at the end of 1968 was $18.83, but if present value of many of their owned properties were included, we are convinced the "real" value would be considerably more.

Hilton has grown from nine hotels in 1946 to a system of 43 owned or managed and 25 franchised hotels and inns in 56 major cities and 27 states of the United States.

Significant expansion is planned within the next two years which will cost approximately $50 million: an addition is now in progress at the San Francisco Hilton; four additional hotels are planned in the vicinity of major airports, bringing Hilton representation to 13 American airports; and further development may take place in Hawaii.

No equity financing should be necessary to handle this expansion due to the corporation's strong cash flow and borrowing ability.

Citrus Investments Opens Del Amo Office

Offices have been opened in the Del Amo Financial Center by Citrus Investments, Inc., a firm which specializes in converting tax dollars into investment dollars through land acquisition.

Donald W. Wilcott, president of the firm, said the investment firm purchases citrus groves with prepaid interest and then depreciates the improvements, including the citrus trees, over a short period of time.

The result is that the annual increase in land values in Southern California more than offsets the depreciation taken annually by the investor, Wilcott explained.

"**THIS** sophisticated method of investing often allows the higher tax bracketed investor to hold citrus property for land appreciation with paying out tax dollars," Wilcott said. He also said he does not believe that proposed new tax legislation will have any effect on the apparent tax haven.

The firm is headquartered in Redlands, in the heart of the citrus producing area of Southern California. A branch office is now open in Riverside. The two branches are responsible solely for property acquisition.

Sales offices are open in Del Amo, San Francisco, and Newport Beach. Plans are being made to open sales offices in Thousand Oaks and Glendale.

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CITRUS Investments, Inc has catered to airline pilots who, over the years, have been particularly interested in the attractive investment opportunities. The medical profession also has accounted for much of the firm's sales.

According to Joe Buoye, director of property acquisition, the purchase formula practically assures the investor of an annual return of 100 per cent — paid to the investor at resale time — due in part to the leveraged terms of purchases and tax advantages.

The firm also has worked out financial arrangements with local banks which permit the investor to borrow all of his investment dollars predicated on the tax refund he will receive the following year.

"So you see," Wilcott said, "our investors invest nothing initially, due to the financing available to our clients."

Three Get New Posts At Union Carbide Corp.

The election of Thomas R. Miller as a vice president of Union Carbide Corp. was announced today by Birny Mason Jr., chairman of the board. Also announced were the ap- as president of the Chemicals and Plastics Operations Divusion and Richard J. Hughes as president of the Plastic Products Division.

Dr. Miller's area of responsibility will be the production and procurement of hydrocabon raw materials. Since he joined the corporation in 1940, he has held key posts in both research and production in th corporation's chemicals and plastics business. He was appointed president of the former Chemical Division in 1966, president of the Coatings Intermediates Division in 1967, and president of the Plastic Products Division in 1968.

A native of Huntingdon, Pa., Dr. Miller, age 55, received the degree of B.S. in chemistry from Juniata College (cum laude) in 1936 and the degree of Ph. D. in chemistry from the University of Pennsylvania in 1940.

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BOWER, AGE 46, who joined Union Carbide in 1948 a the chemicals operations in South Charleston, W. Va., has also held several managerial positions in the chemicals area of the corporation's business.

Since 1967, he has been vice president and general manager of the Coatings Intermediates Division. Bower was born in Fremont, Ohio, and was graduated from Case Institute of Technolgy with the degree of B.S. in chemical engineering in 1948.

Hughes, age 46, who has been a vice president and general manager of the Plastic Products Division since 1967, joined Union Carbide in 1944, at which time he was assigned to the Manhattan Project.

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DURING subsequent years, he was active in chemical sales, operations, and marketing. From 1965 to 1967, he was manager of purchases for the corporation. A native New Yorker, Hughes is a graduate of Fordham University, where he received the degree of B.S. in chemistry in 1943.

In their new posts, Bower succeeds Warren M. Anderson, whose election as a corporation vice president in charge of chemicals and plastics was announced on Monday; and Hughes replaces Dr. Miller.

NAA Unit Seats New Officers

Robert E. Grove has been installed as president of the Palos Verdes-Torrance Chapter of the National Association of Accountants (NAA).

Grove succeeds Robert L Woolheater as president of the local group.

Other newly installed officers are W. J. McClellan, vice president; R. Carrere, vice president; A. P. Marincavich, treasurer; R. Arceri, secretary; J. W. Zlatic, membership director; and D. J. Riesehuber attendance director.

Also installed were J. J. Tobolski, communications director; H. C. Blake, meetings director; F. E. Burford, programs director; H. D. Johnson, manuscripts director; W. E. Staff Jr., public relations director; F. Gillespie, special activities director; R. W. Trapp, member relations director; and T. S. Armstrong, educational activities director.

Membership in the chapter is open to both men and women. Local meetings are held on the fourth Tuesday each month.

Jay Terry Named NAA Director

Jason M. (Jay) Terry, 4101 Via Solona, Palos Verdes Estates, has been re-elected to his position as a national director of the National Association of Accountants (NAA).

Terry, manager of systems and procedures at AiResearch Manufacturing Co., is a member of the Palos Verdes-Torrance Chapter of the NAA. He served as president of the local group in 1966-67.

Aeronca to Buy British Company

A consummation of the agreement in principle for Aeronca, Inc., to acquire the Light Products Division from Britain's diversified Powell-Duffryn, Ltd., was accompanied by the acquisition of Powell-Duffryn Winslow Filters, Ltd., Cardiff, Wales, a manufacturer of filters for truck and marine engines and other industrial uses.

The Light Products Division was acquired for an undisclosed amount of Aeronca common stock and Winslow Filters, Ltd., for an undisclosed amount of cash, according to Aeronca president, A. G. Handschumacher.

A new subsidiary, Aeronca International, Ltd., has been formed to conduct the newly acquired operations and Handschumacher was elected chairman of this subsidiary. Naming of a managing director of the British subsidiary is expected shortly.

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THE FILTER company will operate as Aeronca-Winslow Filters, Ltd., a wholly owned subsidiary of Aeronca International, Ltd. Already an Aeronca licensee for the production and distribution of the environmental control equipment of Aeronca's Buensod Division, the Light Products Division also held manufacturing licenses from W. W. Sly Manufacturing Co. of Cleveland, and marketed Carrier Corp. products in the United Kingdom which are sold in England under the "Carlyle" brand name. Aeronca International, Ltd., will continue and expand these activities.

Aeronca, Inc., is a manufacturer of aerospace and jet engine structures, with principal plants in Torrance and Middletown, Ohio. Its Environmental Control Group manufactures a variety of proprietary products, chiefly in Charlotte, N.C. The group also designs and installs highly engineered commercial and industrial environmental control systems.