ASBESTOS BUSINESS
(JLM 10/24/79)

Definition

The Asbestos Business includes the mining, milling and marketing of short fiber, high quality asbestos. Sales activities are worldwide and export sales dollars are a significant 44% of the total for 1980.

External Environment

Of major importance is the negative impact of potential Government regulations. Although not currently expected to happen, TLV's proposed by NIOSH of 0.1 fiber/cc are probably not attainable by our plant or customers, and withdrawal from this business would be necessary. If regulatory compliance can continue to be achieved, the plant should operate at 90-100% of capacity for the next two years.

Component Objectives and Strategies

This business should be operated to maximize earnings and maintain a positive cash flow. Capital investment should be limited to dust control and packaging improvements and minor modifications to produce "low-dust" products, such as "UNIVIS". Plant expansion should not be considered under the current asbestos regulatory and "publicity" climate.

This business should earn one-half to one million dollars per year for the foreseeable future unless precluded by Government action. Alternate strategic plans for the asbestos business are presently being evaluated and recommendations regarding the preferred strategic direction will be presented to management.

New Business Programs

None

Budget Year Action Plans

1. Continue the vigorous program directed toward minimizing needlessly burdensome regulations.
2. Continue market development of special products, especially those with low-dust characteristics.
3. Evaluate the future course of the Asbestos Business in light of Government regulations and the high profitability of the business.

4. Continue agressive sales activities outside the United States. Regulatory pressures are less severe and a higher percentage of high-priced products is sold through foreign affiliates and distributors.

Financial Performance

	1978 Actual	1979 Budget	1979 Est. Act. (8/1/79)	1979 % Budget	1980 Budget	1981 Forecast
Net Sales	$7.2MM	$6.6MM	$6.8MM	103	7.0 MM ~~$6.9MM~~	$7.9MM
Net Income	1.2	0.6	1.0	167	0.8	
Cash Flow	1.0	0.6	1.0	167	0.9	
ROA	25.4%	12.1%	18.6%	154	16.8	

Current Year (1979)

Higher than budgeted earnings and cash generation were due primarily to price increases and favorable plant costs. Plant operation was reduced from 20 to 15 shifts per week in September to reduce product inventories.

Budget Year (1980)

Sales volume and NIFS are budgeted to increase about 3% and 20-shift plant operation should be resumed by the end of the second quarter. If anticipated price increases are successfully implemented at the beginning of the year, NIFS will be 8.5% higher than budget.

Following Year (1981)

Increased sales volume of about 7% is expected in 1981, primarily due to an increased share of the drilling mud market with "UNIVIS" and modest increases in floor tile and export sales. The major uncertainty in the Asbestos Business will continue to be the effect of government regulations and adverse publicity.

1980 CONTINGENCY PLANS

Plan Title	Activating Events	Plan Description
More Restrictive Government Regulations	OSHA Imposes More Stringent Limits on Exposure	Appropriate Recommendations Will be Made
Loss of Volume Sales	Loss of Sales to Competition Due to Unfavorable Pricing	Reduce Prices or Curtail Plant Production

John Myers

($ MILLIONS TO .X)

19 73	19 74	1975	19 76	19 77	Budget 1978	Estim. Actual 19 78	TABLE I FINANCIAL SUMMARY	Budget 1979	Budget % Est. Act. Curr. Yr.	PROJECTED 19 80
HISTORICAL					CURRENT YEAR					
3.8	3.8	4.3	4.9	5.3	5.7	6.9	Total Net Sales (1)	6.6	95	7.0
2.7	2.5	3.4	3.1	3.3	3.4	4.4	Domestic	4.2	95	4.2
1.1	1.3	.9	1.8	2.0	2.3	2.5	Export	2.4	96	2.8
				9.8			Total Net Sales Growth Rate			
102.7	121.4	119.9	164.1	176.6	137.5	184.3	Price Index (1972 = 100)	180.2		
37	31	36	30	30	41	37	Total Physical Volume (or Volume/Mix)	37		
				(4.5)			Total Physical Volume (or Volume/Mix) Growth Rate			
							Plant/Distribution Cost Index (1967 = 100)			
						52.3	Variable Margin % (If Available)	44.5		
1.4	1.2	1.2	1.9	2.0	2.0	2.8	Gross Margin $	2.2	77	
36.3	30.8	27.9	39.9	38.6	34.5	40.9	Gross Margin %	33.4		37.0
.1	.1	.1	.1	.1	.1	.1	Research and Development	-	97	
.8	.7	.7	.9	.8	.9	.7	Division Administration, Selling and General	.9	94	
	.1	.1	.1	.1	.1	.1	Corporate Overhead and Services	.1	105	
22.2	23.2	22.1	22.1	1.1	18.9	13.9	Total Overhead % of Sales	15.5		15.5
.2	.2	.3	.2	.2	.3	.3	Depreciation	.3	104	
.4	.1	.1	.6	.8	.6	1.6	Income From Operations	.9	56	1.2
7.9	2.6	2.3	12.2	14.8	11.0	23.3	Income From Operations % Sales	13.4		17.8
		.1	.1	.2	.2	.2	Share of Loan	.1	100	
-	-	-	-	-	-	-	Other Income/Expense	-		
							Tax Rate			
.3	.1	.1	.5	.6	.4	1.1	Net Income After Tax	.6	55	.8
				44.3			Net Income After Tax Growth Rate			
7.9	2.6	2.3	9.4	11.9	7.1	15.8	% of Sales (ROS)	9.2		12.0
0.005	0.002	0.002	0.008	0.010	0.006	0.017	EPS	0.009		
11.5	2.6	1.6	10.5	12.9	8.5	23.4	ROA %	12.1		16.8
9.3	1.0	2.0	10.6	12.4	10.7	25.3	ROI %	13.7		
3.0	3.4	4.5	4.4	4.9	4.7	4.7	Net Assets Employed (BOY)*	5.0	106	5.0
(.1)	(.7)	.1	.1	1.1	.3	1.1	Net Cash Generated – Selected	.6	57	.9
.5	1.1	.5	.2	-	.3	.1	Consolidated Construction Expenditures	.2	248	.2
							Unconsolidated Construction Expenditures			
							% Consolidated Construction For Capacity Additions			
							Division Investment			
							NPV of New and Renewed Leases			
1.8	1.1	1.4	1.4	1.3	1.7	1.2	Accounts Receivable – Number of Months Sales	1.3		1.3
2.5	3.4	2.0	3.0	2.7	2.2	2.0	Inventories – Number of Months Sales	2.1		2.0
							Total Physical Vol (or Volume/Mix) ÷ Exempt Emp.			
9.1	23.1	8.2	3.1	.7	4.1	1.4	Consol. Const. as a % Gross Fixed Investment	3.3		2.7
							Operating Rate (Average)			
.1	.1	.1	-	.2	-	-	Memo: Allied Sales Included Within Corp. Prod. Line (1)	-		-
3.7	3.6	4.3	4.9	5.1	5.7	6.9	Total Domestic & Export Customer Sales	6.6		7.0

DIVISION METALS

SPU/CPU/APU ASBESTOS

* Also Indicate Beginning of Year 1981 5.0

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($ MILLIONS TO .X)

HISTORICAL					EST. ACTUAL	SPU CASH FLOW DATA	BUDGET	PROJECTED
1973	1974	1975	1976	1977	1978		1979	1980
.3	.1	.1	.5	.6	1.1	NET INCOME	.6	.8
.2	.2	.3	.2	.2	.3	DEPRECIATION AND BOOK DEPLETION	.3	.3
-	.1	.1	.1	-	-	DEFERRED INCOME TAX	-	-
						OTHER		
.5	.4	.5	.7	.8	1.4	TOTAL CASH GENERATED FROM OPERATIONS	.9	1.1
.5	1.1	.5	.2	-	.1	CONSTRUCTION	.2	.2
						INVESTMENT		
.2	(.2)	.2	.1	-	.2	INCREASE (DECREASE) IN RECEIVABLES	-	-
-	.3	(.4)	.4	(.3)	(.1)	INCREASE (DECREASE) IN INVENTORIES	.1	-
		.1	(.1)	-	.1	OTHER	(.1)	-
.7	1.2	.3	.6	(.3)	.3	TOTAL CASH REQUIREMENTS	.3	.2
(.1)	(.7)	.2	.1	1.1	1.1	NET CASH GENERATED	.6	.9
1.2	2.7	.7	.8	(.3)	.2	INTERNAL DEPLOYMENT (TOTAL REQUIREMENTS ÷ TOT. GEN. FROM OPS.)	.3	.2
.4	.6	.3	.5	.6	.6	ACCOUNTS RECEIVABLE* – BOY	.9	.8
.8	.8	1.2	.8	1.3	1.1	INVENTORIES – BOY	1.1	1.2
1.8	2.0	3.0	3.1	3.1	3.0	NET FIXED ASSETS – BOY	3.0	3.0
3.0	3.4	4.5	4.4	4.9	4.7	NET ASSETS EMPLOYED – BOY	5.0	5.0
5.4	4.7	6.7	6.4	6.5	6.9	GROSS FIXED INVESTMENT – BOY	7.1	7.3

*Includes Accounts Receivable Discounted