1966 Review

Sales and Earnings

Consolidated sales of the company in 1966 were $277,399,000, up from $260,168,000 in 1965, and the sixth consecutive year in which an increase was achieved. During the five years—1962-1966—our sales have grown at an annual compound rate of 11%, while the growth of all durable goods industries has been at the rate of 8% in this same period.

Net earnings for the year 1966 amounted to $12,827,000 compared with $11,104,000 in 1965 and showed an increase for the fifth consecutive year. Earnings have increased at a faster pace than sales, the growth having averaged almost 19% per year over the last five years.

These advances in sales and earnings have been made during a period when the economies of the developed countries of the free world were on a rising trend. While there is some uncertainty about economic conditions in the immediate future, there is little doubt about the upward trend in the years ahead. Consequently, it seems reasonable to believe that the company will maintain, over the long term, its recent average annual sales growth of about 10%.

An important fact about our sales is that a high percentage of our output is for replacement parts in contrast to parts for original equipment. Although there is no available means of obtaining precise data, our estimate is that replacement business amounts to about 70% of our total volume. This provides a built-in stability factor that can lessen the adverse effect on the company of a general business decline.

	1966		1965	
	Shipments	Earnings per share	Shipments	Earnings per share
First Quarter	$ 67,054,000	$ .87	$ 64,738,000	$ .76
Second Quarter	71,651,000	1.02	69,400,000	.85
Third Quarter	66,039,000	.59	59,583,000	.50
Fourth Quarter	72,655,000	1.01	66,447,000	.90
Total	$277,399,000	$3.49	$260,168,000	$3.01

Orders and Backlog Reach New Records

Total orders received in 1966 amounted to $307 million and they were in good balance among the four major product groups. The backlog of orders at year-end stood at a record $109,700,000 up 30% from $84,400,000 at the end of last year. About 30% of this backlog was for aerospace hydraulic products for both military and commercial planes and these orders have a long lead time from receipt of order to delivery because they are scheduled to coordinate with future production of the various aircraft.

Profitability Yardsticks Improve

Earnings before taxes as a per cent of sales increased to 9.5% from 8.3%, despite rising costs of both labor and materials during the year. This came about because of higher volume, improved efficiency, and some price increases. The net return on shareholders' equity amounted to 10.9%, a gain over the 9.8% return in 1965.

Financial Position is Strong

The company's financial position continued strong. The ratio of current as-

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