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TRANSCRIPT

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DILLINGHAM CORP. is a widely diversified concern engaged in all types of construction such as highways, dams and bridges. Maritime activities include harbor and ocean tug activities.

GAF CORP. is a diversified company producing building materials, business systems, photo products, chemicals and industrial products.

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GAF CORPORATION

GAF Corporation achieved another record in 1973 as net sales were $[illegible] 000 ($768.5-million in 1972) and net income totaled $28,924,000 ($27.7-million in 1972). The company's fundamental capacity to develop and formulate highly-complex chemical specialties enabled it to expand into the photographic, reprographic, building and industrial products businesses. All of GAF's major products sales groups contributed to the sales growth although the Building Materials Products Sales Group did not share in the 1973 increase in profits. A major negative impact on GAF's profits in the United States was caused by price control restrictions and by accelerated costs of raw materials, energy and services.

GAF's international business continued to make giant strides. Total sales of exports of goods made in the U.S. and products produced and marketed in foreign countries reached $134.9-million, a 31.3% rise over the previous year. This fast-growing portion of GAF's operations now accounts for 15.9% of consolidated sales. Operations were established in Sao Paulo, Brazil for the direct sale of chemical, filtration and floor products. Also the direct marketing of these products began in Australia and in regions of Southeast Asia. GAF floor products now extend to 12 European countries with the opening of markets in Austria, France, Italy and Switzerland.

Building Materials—Sales of the Building Materials Products Sales Group, principally comprised of roofing, siding and resilient floor coverings, reached an all-time high of $285.6-million. The increased sales of building products reflect the company's strong position in the home remodeling and replacement markets. GAF's particular strength in the re-roofing market bodes well for the company, as the large number of homes erected during the building boom of the 1950's are beginning to need new roofs. Asphalt roofing continues to account for the largest portion of GAF's building products sales. The sales force was successful in increasing volume in large "cash and carry" chains. Emphasis is being placed on developing new sales for GAF's line of structural mineral fiber-cement products used in industrial and commercial buildings, cooling towers and waterfront bulkheads.

Industrial Products—GAF's Industrial Products Sales Group, whose basic felt and mineral product lines are used in some 162 industries, kept pace with the nation's accelerating 1973 economy and posted increased sales and profit gains during the year. Sales were $60.2-million.

GAF $1.20 Conv. Pfd.—NYSE 13; Div. $1.20; Yield 9.2%

GAF Corp., once primarily known for its chemical products and consumer photographic supplies, has broadened and diversified its product line through a series of acquisitions. In 1973 sales and direct operating profits broke down as follows: chemicals, 20% and 25%, respectively; photo products, 26% and 13%; business systems, 13% and 6%; building materials, 40% and 41%; and industrial products, 7% and 11%. Foreign operations contributed 16% of sales and 20% of earnings.

The company established its position in building products through the acquisition of Ruberoid Co. in May, 1967. The line includes asphalt roof shingles, roofing and siding materials, building and roof insulations, asphalt and vinyl asbestos resilient floor tiles, sheet vinyl floorings, floor finishes, and cleaners. Some 70% of shipments are to the renovations market.

Chemicals include high-pressure acetylene derivatives, specialty chemicals, dyestuffs and pigments, surfactants, and textile chemicals. Other products include muriatic acid, glycols, ultraviolet screening agents, iron powders, and cyclic and aliphatic industrial organic chemicals.

Photo products include the GAF line of films, cameras, projectors, and viewers; professional products; X-ray products; and graphic arts materials. Some 18 photo finishing plants are operated.

You have a tough problem here. GAF is a very promising situation for recovery by housing-related situations. However, there is no way that you can get substantial income from GAF without paying a stiff premium for it. The $1.20 convertible preferred, convertible into 1.25 shares of common, sells at a premium of about 30%. This is too high in our opinion. We feel that GAF common is attractive, but does not provide the income that you need. Why not look instead at deflated General Motors?

G.A.F. ERIE.P