A. G. BECKER & CO. BULLETIN

JULY 31, 1969

PAINT US PROUD AND PROFIT ORIENTED

Dear fellow associate:

Each of you saw published in yesterday morning's Wall Street Journal a ranking of the 38 New York Stock Exchange member firms by the profit margin they realized in 1968 in the securities income business. If you did not see this listing, a copy is included in this bulletin. Our position in the listing is accurate, and I presume the positions of other identified firms are accurate also.

As each of you might imagine, the methods of collecting and analyzing the data for the income and expense report to the NYSE are very complex and in part arbitrary. The general result of such an analysis for any one firm reflects, therefore, such complexity and arbitrariness that the error in the final result can be very substantial. Those of us at the firm who know about the income and expense data procedures and analysis have never placed much significance on the absolute figures which resulted; on the other hand, we have felt that the relative data as between various firms -- and especially if a large group of firms is considered -- are reasonably informative, and approximate the relative profit performance of such firms with respect to their securities income business.

As you will note from the published ranking, we ranked sixth out of 38 during 1968 and actually were in a performance band even somewhat better than a "sixth ranking" would indicate. It will be interesting to you that in 1967 we ranked 7th out of 24 firms in our category (we were in a lower revenue category in 1967). Furthermore, as those many of you know who are participants in our profit sharing system, and for those who have recently become non-voting shareholders, A. G. Becker had an excellent overall operating result in both 1967 and 1968; our "securities income business" is only about 60% of our total business.

It goes without saying that this fine relative showing is the result of the dedication, loyalty and hard work of our whole organization. Congratulations to all!

Growing operating profitability at A. G. Becker & Co. has not been the result of casual luck or incidental circumstances. Our operating profitability has resulted substantially from making well thought out and in many cases difficult decisions -- at all levels -- based upon increasingly better planning to achieve and maintain a profitable business. You will remember that this is a part of our overall corporate goal. We have also been a business which has had a tradition for and which has continued to foster a pattern of diversification, partly as a protection against unfavorable developments in differing markets from time to time, partly because of emerging profit opportunities and changing economics in these differing markets, and partly to foster and maintain vigor and enterprise in our organization. We have consistently believed that it was absolutely necessary to have a profitable securities business if we were going to best serve both our shareholders and clientele over time. Since we have felt from time to time that many of our competitors were following practices which were not profitable, and not undertaking change toward profitable operations, we believed that our performance would compare very favorable to most firms in the industry. The general rankings for 1967 and 1968 verify this belief. Further, we think a general comparison of our overall performance to that of other firms would be similarly favorable to many other phases of our business.

The attention we have paid to planned and achieved profitability has been rewarding to a wide range of individuals. These substantial and broad benefits have not been attained, however, without continuous and tough decision making to enter or exit from areas of business, close marginal offices, change cost structure factors, or adopt other programs, which for some, or for temporary transition periods, resulted in personal adjustments.

As a general principle with which I am sure everyone would agree, a business can never stand still. To the extent this general principle applies to the typical business, it applies substantially more so to businesses in the securities and investment services industry today. Our environment is

<u>Paint us proud and profit oriented continued</u>.....

changing rapidly, and as we have done so successfully in the past, we will have to change with it. To the extent possible, we must take steps which actually anticipate the trend of change. We must do this if we are to maintain the profitability which has been so beneficial to so many people, and which is the foundation for professional service to a select clientele.

Our operating results during the first six months of 1969 were substantially on plan and, relative to many firms in the industry, probably would have ranked us among the best in the industry. This performance may have been even more exceptional than in the prior two years. On the other hand we had some exceptional contributions to profitability by certain phases of our business, and it is not realistic to assume they are sustainable over a period of time. Also, we too are susceptible to the effects of lower transactional volume and rising costs, and the results of our last four months reflect these unfavorable trends.

We cannot, therefore, rest on our laurels. We must consistently plan ahead and take such action as is necessary to maintain the firm's foundation of operating profitability.

P. R. Judy

Following are the operating ratios, in percentage figures, of the 38 largest New York Stock Exchange member firms surveyed in the report. They are clearing firms that had commission income from 1968 securities transactions of $20 million or more.

	Ratio Securities Income to All Income	*Registered Reps. Comp.*	*Clerical, Administrative Costs*	*Total Operating Expenses-a*	*Partners Comp.*	*Profit Before Fed. Taxes*	*Net Profit*
Salomon Bros.	22.2	10.5	4.4	51.2	3.9	44.9	21.2
Goldman, Sachs	41.4	9.5	13.4	63.6	2.1	34.3	16.2
Donaldson, Lufkin	74.0	....	9.6	42.9	24.1	33.0	15.6
White, Weld	46.5	21.8	19.6	70.5	2.4	27.1	12.8
Oppenheimer	65.2	17.0	14.1	71.0	2.7	26.3	12.4
A. G. Becker	56.1	8.5	13.5	61.8	13.8	24.4	11.5
Jeffries	97.1	2.9	2.0	63.8	13.7	22.5	10.6
Smith, Barney	51.1	18.0	23.4	76.0	3.4	20.6	9.7
Shields	71.8	13.8	16.8	74.3	7.7	18.0	8.5
Pershing	87.1	....	19.3	80.7	3.7	15.6	7.4
Lehman Bros.	37.4	16.5	27.4	83.1	1.9	15.0	7.1
Bear, Stearns	58.4	13.9	16.7	70.3	15.5	14.2	6.7
Kidder, Peabody	53.6	20.2	23.8	80.6	6.0	13.4	6.4
Clark, Dodge	74.1	10.3	31.8	80.7	6.2	13.1	6.2
Merrill Lynch	58.2	25.4	27.2	83.8	3.5	12.7	6.0
Dean Witter	64.2	21.5	24.7	83.8	4.9	11.3	5.3
Loeb, Rhoades	66.5	12.8	23.8	87.8	2.1	10.1	4.8
Burnham	70.6	12.4	19.4	86.5	4.7	8.8	4.2
Reynolds	65.5	26.5	24.4	87.6	4.0	8.4	4.0
Dempsey-Tegeler	72.3	38.5	20.5	90.5	1.9	7.6	3.6
Hentz	66.5	26.8	24.9	89.0	3.6	7.4	3.5
Harris, Upham	79.0	32.4	23.6	90.7	3.5	5.8	2.8
Glore Forgan	56.1	27.3	23.1	88.3	5.8	5.9	2.8
Dominick & Dom.	71.7	13.3	27.2	91.4	3.3	5.3	2.5
Walston	63.5	29.9	25.3	89.7	6.1	4.2	2.0
W. E. Hutton	69.2	19.7	21.5	93.3	3.8	2.9	1.4
Eastman Dillon	44.9	24.3	27.5	95.6	1.5	2.9	1.4
E. F. Hutton	70.0	27.0	27.7	93.7	3.5	2.8	1.4
Hornblower	64.1	28.0	31.1	92.5	5.4	2.1	1.0
Shearson, Hammill	62.3	30.3	28.0	93.6	4.4	2.0	0.9
Weis, Voisin	75.1	18.5	16.6	92.4	6.8	0.8	0.4
Bache	61.8	27.2	30.0	96.9	3.3	d0.2	d0.1
F. I. du Pont	58.3	28.0	29.1	100.7	2.0	d2.7	d1.3
Paine, Webber	65.7	27.9	33.4	99.6	4.7	d4.3	d2.0
McDonnell	60.6	31.8	28.7	100.3	6.2	d6.5	d3.1
Thomson & McK.	68.7	31.3	27.4	101.0	6.4	d7.4	d3.5
Goodbody	59.4	25.9	36.6	107.5	2.7	d10.2	d4.8
Hayden, Stone	59.1	25.9	31.9	114.8	5.9	d20.7	d9.8
38-FIRM AVERAGE	59.3	22.5	25.1	87.5	4.7	7.8	3.7

a-Besides clerical and administrative expenses, and registered representatives' compensation, includes communications, occupancy, equipment, promotional and other costs. d-Loss.
