

CARBO CERAMICS INC. NYSE-CRR

RECENT PRICE **52.39** P/E RATIO **13.6** (Trailing: 13.1, Median: 22.0) RELATIVE P/E RATIO **0.74** DIV'D YLD **2.5%** VALUE LINE

TIMELINESS 3 Raised 10/24/14	High: 35.8	51.9	68.2	67.7	53.6	62.6	71.3	105.0	183.3	135.0	132.5	156.0	Target Price Range
SAFETY 3 New 2/16/07	Low: 20.5	33.4	41.1	32.2	34.1	30.4	26.3	58.7	90.4	60.3	62.1	48.2	2017 2018 2019
TECHNICAL 3 Lowered 10/31/14	LEGENDS --- 14.0 x "Cash Flow" p sh Relative Price Strength 3-for-2 split 8/05 3-for-2 split 8/05 Options: Yes Shaded area indicates recession												
BETA 1.20 (1.00 = Market)	2017-19 PROJECTIONS Price Gain Ann'l Total High 155 (+195%) 33% Low 105 (+100%) 21%												
Insider Decisions to Buy: D J F M A M J J A Options to Sell: 0 0 0 0 0 0 0 0 0 to Sell: 0 0 0 0 0 0 0 0 0													
Institutional Decisions 4Q2013 1Q2014 2Q2014 to Buy: 93 110 93 to Sell: 118 107 118 Hlds(000): 21546 21700 23299													
Percent shares traded: 60, 40, 20													
% TOT. RETURN 9/14 THIS STOCK VL ARITH. INDEX: 1 yr. -39.6 9.5, 3 yr. -40.1 84.2, 5 yr. 21.2 104.4													

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
3.84	3.18	4.23	6.12	5.44	7.20	9.30	10.40	12.80	13.88	16.41	14.81	20.47	27.08	27.95	28.92	28.50	31.95	Revenues per sh	45.00
1.04	.76	.98	1.47	1.21	1.71	2.28	2.48	3.02	3.21	3.60	3.37	4.61	7.19	6.53	5.73	5.85	6.50	"Cash Flow" per sh	10.60
.93	.54	.67	1.16	.88	1.27	1.76	1.93	2.22	2.20	2.47	2.27	3.40	5.62	4.59	3.67	3.65	5.10	Earnings per sh A	7.60
.20	.20	.20	.23	.24	.25	.29	.38	.44	.52	.62	.70	.76	.88	1.02	1.14	1.26	1.40	Div'ds Decl'd per sh C	1.80
1.91	.64	.07	.50	1.18	.93	.92	2.79	2.89	2.65	.99	2.00	4.18	3.91	3.34	4.33	3.00	3.00	Cap'l Spending per sh	4.00
3.98	4.26	4.81	6.11	7.26	8.48	10.19	12.08	14.06	15.88	18.72	19.82	22.59	27.27	30.88	33.30	34.80	37.85	Book Value per sh D	51.40
21.90	21.90	22.05	22.42	23.22	23.60	23.98	24.29	24.39	24.52	23.64	23.08	23.11	23.11	23.09	23.08	23.00	23.00	Common Shs Outst'g B	25.00
20.1	28.1	29.2	20.0	26.4	20.0	25.2	27.4	21.1	19.9	18.3	19.0	22.4	24.2	18.2	24.6	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	17.0
1.05	1.60	1.90	1.02	1.44	1.14	1.33	1.46	1.14	1.06	1.10	1.27	1.42	1.52	1.16	1.38			Relative P/E Ratio	1.05
1.1%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.2%	1.3%			Avg Ann'l Div'd Yield	1.4%

CAPITAL STRUCTURE as of 6/30/14		223.1	252.7	312.1	340.4	387.8	341.9	473.1	625.7	645.5	667.4	655	735	Revenues (\$mill)	1125
Total Debt None		35.3%	33.3%	32.3%	30.6%	29.5%	30.6%	31.7%	37.6%	31.7%	25.8%	25.0%	25.0%	Operating Margin	32.0%
Leases, Uncapitalized Annual rentals \$14.6 mill.		12.2	13.6	19.5	24.8	24.6	24.9	27.7	36.0	44.9	47.5	55.0	60.0	Depreciation (\$mill)	75.0
No Defined Benefit Pension Plan		42.4	46.6	54.3	53.9	60.4	52.8	78.7	130.1	105.9	84.9	80.0	90.0	Net Profit (\$mill)	190
Pfd Stock None		37.0%	35.3%	35.3%	33.8%	31.6%	33.8%	34.0%	34.1%	33.2%	32.2%	33.0%	33.0%	Income Tax Rate	33.0%
Common Stock 23,104,325 shs. as of 7/28/14		19.0%	18.5%	17.4%	15.8%	15.6%	15.4%	16.6%	20.8%	16.4%	12.7%	12.2%	12.2%	Net Profit Margin	16.9%
MARKET CAP: \$1.2 billion (Mid Cap)		117.1	112.0	109.6	111.0	211.8	186.4	186.4	223.5	299.1	314.7	325	375	Working Cap'l (\$mill)	700
CURRENT POSITION 2012 2013 6/30/14 (\$MILL.)		---	---	---	---	---	---	---	---	---	---	Nil	Nil	Long-Term Debt (\$mill)	Nil
Cash Assets		244.4	293.4	342.9	389.4	442.5	457.3	522.0	630.2	713.1	768.6	800	870	Shr. Equity (\$mill)	1285
Receivables		17.4%	15.9%	15.8%	13.8%	13.6%	11.5%	15.1%	20.7%	14.9%	11.0%	10.0%	10.5%	Return on Total Cap'l	15.0%
Inventory (Avg Cst)		17.4%	15.9%	15.8%	13.8%	13.6%	11.5%	15.1%	20.7%	14.9%	11.0%	10.0%	10.5%	Return on Shr. Equity	15.0%
Other		14.5%	12.9%	12.7%	10.6%	10.2%	8.0%	11.7%	17.4%	11.6%	7.6%	5.5%	6.5%	Retained to Com Eq	11.5%
Current Assets		17%	19%	20%	24%	25%	31%	22%	16%	22%	31%	32%	27%	All Div'ds to Net Prof	24%
Accts Payable		BUSINESS: CARBO Ceramics Inc. makes and sells ceramic proppant, and provides software and engineering consulting services for the shale oil and gas industry. It manufactures ceramic and resin-coated sand proppants, designed for hydraulic fracturing of natural gas and oil wells. It markets primarily through pumping service companies. Acquired BBL Falcon (10/09). Has 1025 employees.													
Debt Due		Officers & directors own 14.6% of outstanding common stock (incl. William C. Morris, 11.7%); Neuberger Berman, 8.2%; BlackRock, 7.4%; Vanguard, 6.0% (3/14 Proxy). CEO: Gary Kolstad. Incorporated: DE. Address: Energy Center II, 575 N. Dairy Ashford Road, Suite 300, Houston, TX 77079. Telephone: 972-401-0090. Internet: www.carboceramics.com.													
Other		CARBO Ceramics' recent results were disappointing. Share net came in at \$0.83 for the September period, falling short of our estimate. The company continues to face intense international and domestic competition. What's more, exploration & production (E&Ps) operators are tightening their belts by switching from ceramic proppant to sand. In fact, ceramic volumes dropped roughly 28% for the quarter. We expect this trend to persist, owing to the drop in crude oil prices and E&Ps getting more cautious with capex spending. Meanwhile, CARBO is on track in retrofitting a manufacturing facility for its new <i>KRYPTOSPHERE</i> technology, which is expected to hit the market in 2015.													
Current Liab.		The volatility in the crude oil markets is not helping matters. Like the rest of the industry, shares of CARBO have been battered, thanks to the significant drop in WTI and BRENT crude prices. In fact, the stock price is down some 49% since our last review. Too, the stock has been under pressure since management warned investors that third-quarter sales would be lower than forecasted back in September.													

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '11-'13 to '17-'19	of change (per sh)	16.0%	14.5%	8.0%
Revenues	16.0%	14.5%	8.5%	
"Cash Flow"	15.5%	15.0%	8.5%	
Earnings	15.5%	14.0%	10.0%	
Dividends	15.5%	13.5%	9.0%	
Book Value				

Cal-endar	Q1	Q2	Q3	Q4	Full Year
2011	150.8	149.7	167.1	158.1	625.7
2012	163.1	177.6	151.2	153.6	645.5
2013	147.7	153.7	201.5	164.5	667.4
2014	148.6	176.6	155.4	174.4	655
2015	160	190	190	195	735

Cal-endar	Q1	Q2	Q3	Q4	Full Year
2011	1.30	1.29	1.59	1.43	5.62
2012	1.31	1.38	1.04	.89	4.59
2013	.76	.71	1.31	.90	3.68
2014	.80	1.00	.83	1.02	3.65
2015	1.00	1.20	1.50	1.30	5.00

Cal-endar	Q1	Q2	Q3	Q4	Full Year
2010	.18	.18	.20	.20	.76
2011	.20	.20	.24	.24	.88
2012	.24	.24	.27	.27	1.02
2013	.27	.30	.30	.30	1.17
2014	.30	.30	.33		

What's more, should crude oil prices not recover, we foresee cuts to overall capex for land-based oil & gas operators. We are reducing our full-year bottom-line targets. We are now expecting share net for 2014 and 2015 to come in at \$3.65 and \$5.00, respectively. Too, the recent volatility in the crude oil market poses some downside risk to our earnings targets. All told, we expect intense competition and the shift to sand-based proppant, coupled with macroeconomic uncertainty, to weigh on the company's profits in the next 12 months.

This stock is set to keep pace with the broader market averages in the year ahead. The recent share-price pullback has created a favorable entry point for buy-and-hold investors, based on the 3- to 5-year capital recovery potential. That said, we think there are downside risks to our estimates and would advise investors to take a wait-and-see approach before committing capital. But the issue is suitable for income-oriented accounts, given that the yield is slightly above the Value Line median.

(A) Based on yearend diluted share count. Earnings may not sum due to rounding. Next earnings report due late January.	(B) In millions, adjusted for split.	(C) Dividends historically paid mid-Feb., May, Aug., Nov.	(D) Includes intangibles. In '13: \$29.0 million, \$1.27 per share.	Company's Financial Strength A	Stock's Price Stability 15	Price Growth Persistence 65	Earnings Predictability 65
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