

19 September 2019

Electronic and Electrical Equipment

52-WEEK HIGH	3,625.00p
52-WEEK LOW	2,080.00p
PRICE	3,450.00p
MARKET CAP MLN	214.62

Share Price



Major Shareholders

David Cicurel (director)	12.3%
Liontrust	9.3%
JP Morgan Asset Management	5.8%
Shares in issue	6,219,841
Avg Three-month trading volume	9,723
Primary Index	AIM

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Judges Scientific Plc - Another period of solid growth

Better than expected first half

Judges Scientific posted further record highs across the board for the first half of 2019 purely driven by organic growth. Revenues were up 9% year-on-year to a record £40.2mln largely thanks to strong growth in North America while other regions remained generally stable with low single-digit ups and downs. Order intake in the first half (1H) of 2019 grew 4% year-on-year, which is well on track with the full-year expectation, with a solid order book of 13.2 weeks. Overall order intake was strong across the regions with double-digit growth year-on-year except in the UK where it was down 22%.

Adjusted operating profit increased 26% to £8.6mln with margin improvement to 21% from 19% in 1H 2018. Such a notable improvement is attributable to increased order intake and a continued drive to optimise operational performance, plus the group reduced customer delivery lead times, hence the one-off performance contribution from a 1.2-week order book compression during the period.

Cash flow during 1H 2019 remained healthy and the group finished 1H with adjusted net cash of £7.4mln, up from £0.9mln at the beginning of 2019.

The management is confident of solid growth

Despite the absence of any material acquisition since January 2018, the group continued healthy organic growth year-to-date. This provides confidence to the management, who revealed a more upbeat outlook for the full-year than previously. The group announced an interim dividend of 15.0p, up from 12.0p for 2018.

We continue to believe Judges Scientific has a sensible portfolio of competitive global businesses to weather macro-environmental impacts, namely Brexit and the US-China trade war in the long run. The group's strong track record of acquiring new businesses and maintaining or improving their competitive advantages is well demonstrated with a consistent improvement of its ROTIC (return on total invested capital). The group's ROTIC continued progressing and reached 31.0% for the trailing 12 months ended June 2019, up from 24.2% in June 2018 and 27.6% in December 2018.

David Cicurel, Chief Executive

David founded Judges in 2002, having spent much of his career as a turnaround specialist and, subsequently as an 'active value' investor operating with his own funds.

Brad Ormsby, Group Finance Director

Brad Ormsby is a chartered accountant who has significant senior finance and operational experience acquired during nine years at PwC followed by six years at Eurovestech PLC, the pan-European development capital fund, and associated companies.

Share price still has room to grow

Judges Scientific shares had a healthy run, soaring more than 40% year-to-date as the company continued beating market expectations, displaying healthy growth despite macro uncertainties. We revise up our earnings forecast for 2019-2021 reflecting positive interim results. Applying a price/earnings ratio of 18 to our 12-month forward earnings per share (EPS) estimate leads to a fair value per share of 3,806p. While the general macro-economic uncertainty continues to be the main concern of the group, this is no different for any other businesses. Judges' business has been rather stable with no significant cyclicality and its medium/long-term goal has been consistent. Assuming the group maintains a policy of shareholder returns matching the group's growth, the fair value per share has even further room to grow; a dividend discount model-based fair value implies more than 20% upside from the current price.

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