

Health Care Technology

52-WEEK HIGH	2,940.00p
52-WEEK LOW	1,910.00p
PRICE	2,850.00p
MARKET CAP MLN	£173.61

Share Price



Major Shareholders

David Cicurel - 12.3%	
Liontrust - 9.3%	
JP Morgan Asset Management - 5.8%	
Shares in issue	6,200,308
Avg Three-month trading volume	14,750
Primary Index	AIM

Company Information

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Judges Scientific's focus is paying dividends

2018 finished strongly with record high revenue and order intake

Judges Scientific PLC (LON:JDG) posted strong 2018 full year results with revenues at £77.9m (9% up year-on-year, including 5.5% organic growth) and adjusted operating profit at £14.7m (35% up year-on-year). Revenue growth was solid across the regions, except for China/Hong Kong, where sales were down by 8% following the previous annual growth of 39%. With more than 85% of goods being exported, the weakness of sterling continued to benefit the group's order intake, which grew across the region including 6% organic growth.

The improved demand not only supported top line growth but also the organic operating contribution that was up 30% year-on-year. Operating margin for 2018 increased to 18.9% from 15.2% in 2017 driven by operational enhancement. Along with the improved profitability, we find a ROTIC (return on total invested capital) of 27.6% at end-2018 a notable achievement from the previous year's 20.6%. The adjusted basic earnings per share (EPS) came in at 183p, up 39% year-on-year and much higher than our estimates. The management continued its shareholder friendly dividend policy: the final dividend of 28p made a total of 40p for 2018 (FY2018), up 25% from 32p for FY2017.

Little impact from macro environment while the group continues focusing on maximising shareholder value

The management of Judges is confident that there is a limited impact from macro environments such as Brexit. So far, the only impact from Brexit has been a favourable currency movement, and this continued weakness of sterling contributed to robust sales; however, the past two years' healthy order intake has been partially propelled by currency tailwinds and the sustainability remains uncertain. While the group is mostly hedged for 2019, any unfavourable currency swings remain as one of the key downside risks in the medium-term.

In the meantime, the management reiterated its long-term goal: to optimise its capital allocation with consistent investment in research & development (R&D) and value-adding acquisition and maximise shareholder return. Albeit dependent on mergers & acquisitions (M&A) process in the future, the group's medium/long-term ROTIC target of 30% and above looks reasonable. As shown in 2018's full-year results, we believe Judges has healthy fundamentals to continue its annual dividend growth in line with its 10-year average growth rate of 25%, which is a key investment proposition of Judges Scientific.

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.

Strong cash position and order book sets smooth start of 2019

With a healthy balance sheet and order book, Judges is set for smooth sailing into 2019. The group has not completed any new acquisitions during 2018, hence a net cash position (adjusted net cash excluding subordinated debt owed to non-controlling shareholders) of £0.9mIn by the end of 2018 vs. net debt of £8.0mIn for 2017. Despite slow M&A activities in 2018, the management has confirmed the group's continuous and disciplined search of potential value-adding acquisition targets that operate US/UK centric businesses with underlying earnings (EBIT) of no less than £500,000.

We share the management's positive view on overall market demand in the long-term as it is driven by global needs for optimisation and measurement improvement across the industry. With well-diversified sales across the globe and the group's competitive leadership in a niche market, we expect the steady growth in the near-term.

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