

JUDGES SCIENTIFIC PLC (LON:JDG)

FY 2017 Results

SUMMARY

Judges Scientific (LON:JDG) reported strong full-year 2017 results posting record high revenues, adjusted operating profit, adjusted earnings per share, and dividends. Overall earnings came stronger than expected driven by healthy organic growth as well as contributions from new acquisitions. The company's priority in delivering returns to shareholders remains unchanged.

STRONG 2017 EARNINGS

Judges posted 25% Y/Y increase in revenues to £71.4m and 52% in adj. operating profit to £10.9m for 2017. Sales growth appeared across the region except the UK where the Brexit uncertainties are affecting research funding. China/Hong Kong and the USA/Canada were among the strongest countries. Organic revenue growth reached 17.7% in 2017 largely driven by strong order intake. Overall organic order intake was stronger than 2016: up 16% Y/Y which includes the recovery at two subsidiaries that suffered from low order intakes in 2016. The revenue growth was healthy at both Materials and Vacuum divisions with respective Y/Y growth of 21% and 28%. Operating profit increased notably at Vacuum division as the group also made some progress with their business with production issues. The organic order book as of January 2018 was 16.6 weeks improved from 14.8 weeks in January 2017. The group's annual rate of ROTIC improved to 20.6% at the end of 2017 (2016: 15.2%).

OUTLOOK AND RISKS

While we are convinced with a solid start of 2018 based on a healthy order book, we expect the growth rate should be rather moderate compared to the one seen in 2017. As more than 85% of Judges products are exported, the group greatly benefited from persistent weakness of Sterling in 2017 especially against EUR and USD, the currencies that comprise c.25% and c.60% of total revenue respectively. While the company is well hedged for FY 2018, further strengthening of Sterling will be less positive. On a longer term outlook however, the Judges business remains resilient. The management expects steady and healthy deal flow albeit erratic, as the fundamental industry growth driver remain unchanged: growing demand on industry optimization and higher education across the globe.

CONSISTENT DIVIDEND GROWTH PLAN

Judges Scientific (LON:JDG) announced a final dividend of 22.0p per share sending a total dividend for the year to 32.0p per share increased by 16.4% from 27.5p for 2016. With dividend cover more than four times adj. earnings per share and decent earnings visibility thanks to solid order book, the management is confident in sustaining its historical dividend growth track record and maintaining at least 10% p.a. dividend growth. The company's balance sheet remained strong during 2017: with significantly improved operating cash flow, adj. net debt came down and free cash flow turned positive.

ELECTRONIC EQUIPMENT

21/03/2018

SHARE PRICE	52 WEEK LOW
▲ 2,240.00p	▲ 1,467.50p
MARKET CAP	52 WEEK HIGH
▲ £138.77m	▲ 2,380.00p
NET DEBT	INDEX
▲ £7.6m	▲ AIM

MAJOR SHAREHOLDERS

1) Liontrust:	12.7%
2) David Cicurel	12.4%
3) Guy Naggar:	5.7%

Shares in Issue	6.14m
Avg Volume Daily	6,175
Primary index	AIM
EPIC	LON:JDG
Next Key	-
Announcement	-
Sector	Electronic Equipment

SHARE PRICE CHART



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VALUATION STILL ATTRACTIVE

Incorporating full-year 2017 earnings, we slightly revised up our earnings. We estimate 11% and 13% growth for revenue and adj. operating profit for 2018 with adj. EPS at 139p. Our DCF (assuming 10-year sales CAGR 7%, Gross cash flow CAGR 8% and perpetual growth rate 2%) and DDM (assuming 10% dividend growth for next 5 years and 7.7% for perpetuity) derived fair values imply upside of c.42% and 18% respectively from current price.

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