Henry Singleton Resource Page

“He understood how to move between real assets and financial assets in a way you don't see today...He was the most brilliant industrialist that I've ever met, and I've met many”- Leon G. Cooperman speaking about Henry Singleton

Henry Singleton: Background & Bio

Henry E. Singleton was a brilliant engineer who co-founded and built Teledyne Inc. into one of the nation's largest and most enduring conglomerates.

Henry Singleton was born in 1916 in Haslett, Tex., on a ranch where his father raised cotton and cattle. He attended the United States Naval Academy in Annapolis, Md., but transferred to the Massachusetts Institute of Technology, where he earned bachelor's, master's and doctoral degrees in electrical engineering.

During World War II he served in the Office of Strategic Services in Europe. He also developed a system for removing the magnetic field from ships so they could not be detected by enemy submarines. After the war, Dr. Singleton worked at Hughes Aircraft, North American Aviation and then Litton Industries, where he ran the electronics equipment business until 1960.

Henry Singleton was described by those who knew him as extremely brainy. He could recite lengthy passages from Shakespeare and other poets and also liked to play chess without looking at the board, keeping the positions of the pieces in his head.

After partnering with George Kozmetsky, a colleague from Litton, Singleton made a deal to acquire Teledyne, which was, at the time a military contractor that had practically collapsed because it lost its main contract.

Dr. Singleton headed Teledyne from its founding in 1960 until 1986 and remained its chairman until 1991. He retired as a director in 1997, but still owned 7.2% of the stock.

In his later years, Dr. Singleton went back to his roots in cattle raising, amassing ranches in New Mexico and California that made him one of the nation's largest individual landowners, according to his family.

Teledyne, Inc.

Henry Singleton co-founded Teledyne in 1960 and turned the company from a industry minnow into a highly profitable U.S. corporation. Growth was driven through acquisitions of deeply undervalued public companies. Although Singleton would only acquire companies that promised a high rate of return. If no such deals could be found, Henry Singleton devoted Teledyne’s capital towards making stock repurchases and tender offers. Just like Buffett, Singleton refused to pay a dividend because Teledyne could reinvest earnings at over 30%; a higher rate than
could be achieved elsewhere.

And the results of this business plan were second to none. Teledyne achieved EPS growth of 1,200% in only ten years and return on equity exceeded 30%. The businesses Teledyne acquired were not exceptional, or one-of-a-kind. The company was active in businesses such as offshore drilling, auto parts, specialty metals, machines tools, electronic components, engines, high fidelity speakers, unmanned aircraft and Water Pik home appliances.

An investor who put money into Teledyne stock in 1966 achieved an annual return of 17.9% over 25 years, or a 53x return on invested capital vs. 6.7x for the S&P 500, 9.0x for GE and 7.1x for other comparable conglomerates. As the single largest investor in Teledyne, Dr. Singleton chose to make money alongside his fellow investors not from them. He never granted himself options.

Here’s a copy of a great presentation made by Leon Cooperman, detailing the Teledyne Empire.

An excerpt:

Buffett considers that Henry Singleton of Teledyne has the best operating and capital deployment record in American Business. When I asked if he did not consider Tom Murphy of Capital Cities to be equally outstanding, Buffett smiled and said, “Well, Murph plays a simpler game,” but added that part of the great business ability is to get into simple games. Singleton’s return on assets, calculated in the way that Buffett likes to do it (Inventory plus fixed assets), is unique. All four major industry groups in Teledyne are in fully competitive areas; none has a special protected niche; and yet all four earn 50 percent on assets. The company earns $250 million after tax, with very conservative accounting.

Henry Singleton bought 130 businesses for “Chinese paper,” as it used to be called, when his stock was riding high. Then when the market, and his stock, fell he reversed field and the last eight years hasn’t acquired a single company; on the contrary, by buying his stock back he has shrunk his capital from 40 million shares to 12 million.

According to Buffett, if one took the top 100 business school graduates and made a composite of their triumphs, their record would not be as good as that of Singleton, who incidentally was trained as a scientist, not an MBA. The failure of business schools to study men like Henry Singleton is a crime, he says. Instead, they insist on holding up as models executives cut from a McKinsey & Company cookie cutter.

A slide from the presentation showing Teledyne’s growth over the years:
At its peak, Teledyne had revenue of nearly $5 billion, with a diverse mix of businesses. In 1996, Teledyne merged with the Allegheny Ludlum Corporation.

To build his empire, Henry Singleton used his stock as currency when it sold at multiples of 40, 50 or 60 times earnings, fully exploiting Mr Market’s volatile nature. However, he liked to purchased pieces of companies at only six times earnings, giving a large margin of safety.
Singleton also placed an emphasis on cash flow when considering acquisitions for Teledyne. “After we acquired a number of businesses we reflected on aspects of business. Our conclusion was that the key was cash flow.”

The most surprising fact of all however, was the fact that Henry Singleton did not have a long-term plan for Teledyne. In a rare interview with Businessweek magazine in 1982, Singleton stated that “I like to steer the boat each day rather than plan ahead way into the future.” He dismissed any notion that he had formed a long-term plan for Teledyne.

In the 1970’s, Teledyne stopped acquiring companies because its stock price dropped and because antitrust regulators were beginning to scrutinize conglomerates. Dr. Singleton then had Teledyne buy back much of its own stock from shareholders.

By the late 1980’s and early 1990’s, with Dr. Henry Singleton winding down his involvement in the company and conglomerates out of favor, Teledyne began divesting itself of various operations.

The company also became embroiled in military procurement scandals, and it paid more than $100 million in fines to settle charges that it had inflated bills to the Pentagon, falsified tests of components and exported material for Iraqi bombs.

**Henry Singleton: Quotes**

“Our quarterly earnings will jiggle.”

“We build for the long term.”

“To sell something to lift the price of the stock is not thinking correctly.”

“All new projects should return at least 20% on total assets.”

“Teledyne is like a living plant with our companies as the different branches and each one is putting out new branches and growing, so no one is too significant.”

“A steel company might think it is competing with other steel companies. But we are competing with all other companies.”

“Our attitude toward cash generation and asset management came out of our own thought process. It is not copied.”

“After we acquired a number of businesses we reflected on aspects of business. Our conclusion was that the key was cash flow.”

“There are tremendous values in the stock market, but in buying stocks, not entire companies. Buying companies tends to raise the purchase price too high.” “Tendering at the premiums required today would hurt, not help, our return on equity, so we won’t do it.”
“It’s good to buy a large company with fine businesses when the price is beaten down over worry.”

“I don’t believe all this nonsense about market timing.”

“My only plan is to keep coming to work every day. I like to steer the boat each day rather than plan ahead way into the future.” “I know a lot of people have very strong and definite plans that they’ve worked out on all kinds of things, but we’re subject to a tremendous number of outside influences and the vast majority of them cannot be predicted. So my idea is to stay flexible.”

Henry Singleton's Books

Distant Force: A Memoir of the Teledyne Corporation

Henry Singleton's Articles

Teledyne Case Study of an Excellent Capital Allocator, Dr. Henry Singleton
Henry E. Singleton, a Founder Of Teledyne, Is Dead at 82
A Dozen Things I've Learned From Henry Singleton
The Investments Blog: Buffett on Teledyne's Henry Singleton
Henry Singleton | csinvesting
Henry Singleton | Hurricane Capital
The Great Man Behind Teledyne: Henry Singleton
The Brooklyn Investor: Is the Next Teledyne the Old Teledyne?
An Unconventional Conglomerateur: Henry Singleton
Professional Asset Allocation: Henry Singleton of Teledyne
Henry Singleton: Why Flexibility Beats Long-Range Planning
Why Henry Singleton’s Buyback Strategy Has Brought in Millions

Henry Singleton's Video

A Case Study in Financial Brilliance: Dr. Henry E. Singleton of Teledyne Inc
The Manual of Ideas on Business Leader Henry Singleton