
HORIZON RESEARCH GROUP

Henry Singleton: Teledyne

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HENRY SINGLETON: TELEDYNE

Teledyne, which for decades was run by Henry Singleton, was probably one of the outstanding investments of all time. On May 31, 1982, *Business Week* ran a cover story on Henry Singleton and Teledyne, in which the magazine came very close to calling him a fraud. The magazine cover portrayed Singleton as Icarus, flying on wings of dollar bills.

The thrust of the article was that Henry Singleton had siphoned money away from so-called “real assets,” which were the cash-generative aspects of Teledyne, and used it to buy back stock, which was true. The result was that the capitalization of Teledyne, under the aegis of Singleton, shrank by over 80% during his tenure. The stock was a wonderful investment. In addition, the underlying earnings of the company increased. According to William Thorndike in his book *The Outsiders*, Singleton was responsible for Teledyne earning a 20.4% compound annual return for its shareholders from 1963 to 1990, including spin-offs. The S&P 500 return for the same time period was 8% and 11.6% for comparable conglomerates like Litton Industries, ITT, Gulf & Western, and Textron.¹

Another point of the article was that Singleton was accused of having no business plan. In fact, he agreed, perhaps very proudly, that he had no business plan. He said his idea was to stay flexible. Here is a quotation from Mr. Singleton: “My only plan is to keep coming to work every day.” For students of managerial techniques and excellence, that comment should be noted carefully.

What made this worthy of note is that, in 1982, when Leon Cooperman was the chief investment strategist at Goldman Sachs, he wrote a research report that did nothing other than rebut the *Business Week* article. That report is extraordinary, though we cannot reproduce it without violating the Goldman Sachs copyright. It should be obvious to anyone who studies Teledyne that the *Business Week* article clearly had an effect on Teledyne’s stock. In 1982, when the S&P 500 was up 21.55%, Teledyne’s stock was down that year, even inclusive of reinvested dividends. It is arguable that the *Business Week* story had a major impact on the stock price.

There is a sequel to the story, also from Thorndike’s book *The Outsiders*. Just two years before Singleton died, his long-time friend Leon Cooperman asked him about the many *Fortune* 500 companies that had begun large stock repurchases, a practice that was now considered a prudent action. Singleton, who pioneered that strategy, replied “If everyone’s doing them, there must be something wrong with them.”² I will leave you with that thought.

¹ William N. Thorndike, Jr., *The Outsiders* (Boston: Harvard Business Review Press, 2012), 52.

² *Ibid.*, 56.