One of the three most profitable multibillion-dollar companies in the U.S., and a brilliant performer in a dull stock market, Teledyne, Inc. is unique company. In no way more than in the style and contrary thinking of the man who runs it.

The singular Henry Singleton

By Robert J. Flaherty

When the business history of this era is written, Dr. Henry E. Singleton will probably be one of its towering figures, the equal in accomplishment, if not in fame, of great corporate entrepreneurs like Alfred P. Sloan Jr., Gerard Swope, David Sarnoff, Royal Little. This aloof son of a well-to-do Texas rancher is noteworthy in two respects: for the size and quality of the company, Teledyne, Inc., that he built from scratch; and for his almost arrogant scorn for most conventional business practices. Henry Singleton has always marched to his own drummer—and to a music that most of his peers could not even hear.

His record speaks for itself. Until 1960 Teledyne did not even exist. Five years ago, when it was barely 14 years old, it ranked 202nd among major U.S. corporations listed in Forbes' Profits 500. Year by year it has climbed in the Forbes lists and last year stood number 68, an upstart that had climbed over the heads of great American corporations like International Paper, Avon Products, Texas Instruments, Ingersoll-Rand. When the 1979 listings come out next year, Teledyne is almost guaranteed to have moved up several more rungs on the profits ladder.

But what really distinguishes Teledyne beyond its position on various lists is that during a period when inflation has been eroding most corporate profit margins, a period when corporations have been selling more and enjoying less, Teledyne's profitability has been growing, not shrinking. Its return on equity, nearly 33% last year, was matched among multibillion-dollar (sales) companies only by American Home Products and Avon Products. After taxes, its return on manufacturing sales was a fat 7.2%, *vs.* 5.4% for industry as a whole.

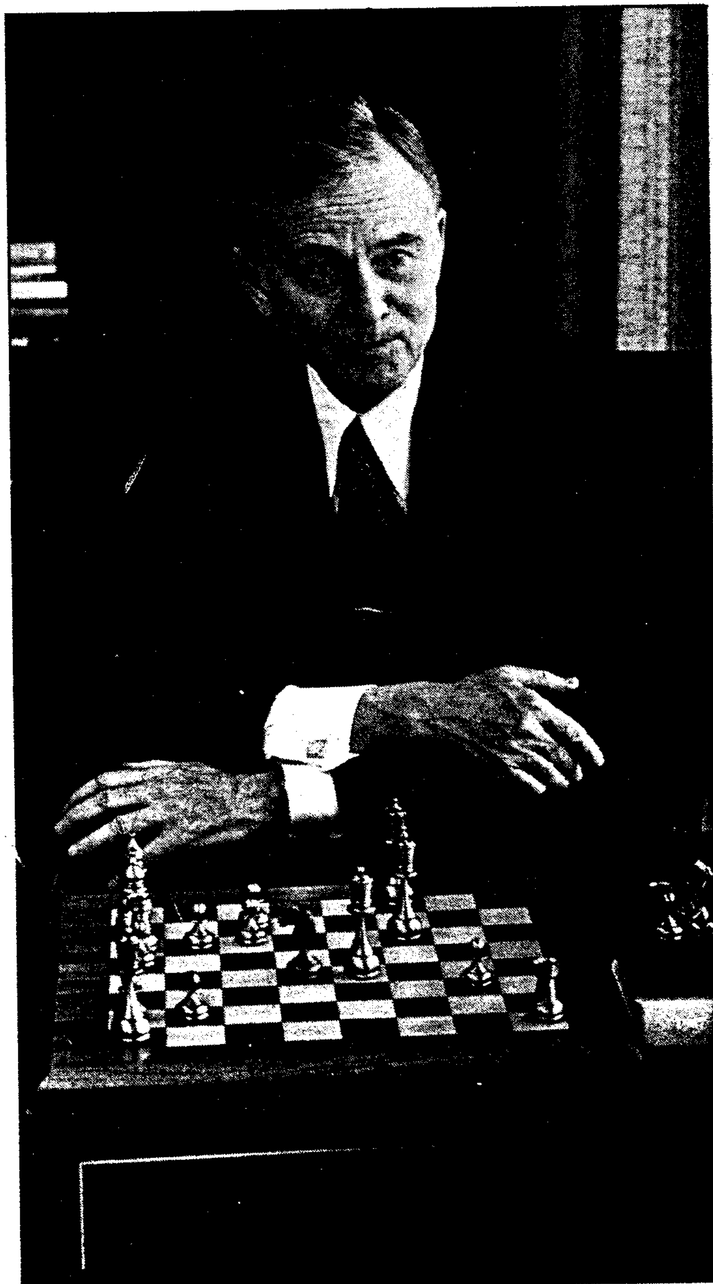
Has Teledyne had setbacks? Indeed it has, but look how it has pulled out of them:

Its Packard Bell division couldn't make it in home TV sets and quit the market. By emphasizing the profitable remainder, Packard Bell is larger and more profitable than ever today.

During the medical malpractice fiasco, Teledyne's Argonaut Insurance had to withdraw from writing such policies and TDY's casualty business took a $104 million writeoff. But by pushing its conventional workman's compensation and other casualty businesses, Argonaut rebuilt its profits and last year they set a new record—$56.7 million.

Who is this business genius Henry Singleton, who turns setbacks into successes, who rarely appears at the Business Round Table or rubs shoulders with his corporate peers? How does he do it? Can he keep it up?

First the "who." He is a ramrod-erect, austerely handsome man of 62 who spent three years at Annapolis, then switched to the Massachusetts Institute of Technology, where he earned his bachelor's, master's and doctorate of science, all in electri-



Teledyne founder and Chairman Henry Singleton
Be stubborn and consider the unthinkable.

cal engineering. Educated as a scientist not as a businessman, he did not leap into entrepreneurship but trained for it over several decades at the best schools of practical management in the U.S.—first as a scientist at General Electric, then as a management man at Hughes Aircraft, then in the early days at Litton Industries when founder Charles "Tex" Thornton and Roy L. Ash were building one of the first truly "hot" companies of the post-World War II era. Not until 1960, when he was 43, did Singleton found Teledyne. He did so in company with two of the best brains of the modern business world: George Kozmetsky, now dean of the College of Business Administration at the University of Texas, and Arthur Rock, perhaps the U.S.' most imaginative venture capitalist.

Maybe because of his unusual background, Singleton has an almost uncanny ability to resist being caught up in the fads and fancies of the moment. Like most great innovators, Henry Singleton is supremely indifferent to criticism. During the early Seventies, when investors and brokers alike lost their original enthusiasm and deserted Teledyne, Singleton had Teledyne buy up its own stock. As each tender offer was oversubscribed by investors of little faith, Singleton took every share they offered. When Wall Street—indeed, even his own directors—urged him to ease up, he kept right on buying. Between October 1972 and February 1976 he reduced Teledyne's outstanding common 64% from 32 million shares to 11.4 million.

Normally a serious man, Singleton allows himself to laugh when he recounts how his stubbornness prevailed. "In October 1972 we tendered for 1 million shares and 8.9 million came in. We took them all at $20 and figured that was a fluke and that we couldn't do it again. But instead of going up, our stock went down. So we kept tendering, first at $14 and then doing two bonds-for-stock swaps. Every time one tender was over the stock would go down and we'd tender again and we'd get a new deluge. Then two more tenders at $18 and $40."

Shareholders who tendered happily at $14 or $40 watched in dismay as, only a few years later, the shares soared to $130. Henry Singleton had been right. The rest of the world—including some of his own directors—had been wrong. "I don't believe all this nonsense about market timing," Singleton says. "Just buy very good value and when the market is ready that value will be recognized."

What is most impressive is that Teledyne's capital shrinkage was not achieved at the expense of growth, or by partially liquidating the company. All during these years, Teledyne kept growing. Where in its early days it had grown through acquisitions—145 in all—in its capitalization-shrinking days Teledyne grew from within, and steadily. In 1970, when acquisitions had ceased, revenues were $1.2 billion; in 1974, $1.7 billion; in 1976, $1.9 billion; and so on. This year Teledyne will do $2.6 billion. Yet in the years sales were more than doubl from the $1.2 billion level, Teledyne made only one mi acquisition. Nor did Teledyne get deeply into debt. In the ea stages of his stock-buying program, Singleton did have Te dyne borrow rather heavily but he paid the debt down ag out of cash flow. In the process he wiped out all of Teledyr convertibles and warrants. *Dilution?* Singleton virtually *de drated* Teledyne's capital structure. Growing the busin while shrinking its capital. Quite a trick. Certainly unique recent business history.

When investors, disillusioned with growth, again began be dividend conscious, Teledyne continued to refuse to pa cash dividend. The second-highest-priced stock on the Board (after Superior Oil), Teledyne's cash yield is zero.

But there were other rewards for investors. With reven growing, profit margins thickening and capitalization shri ing, Teledyne's remaining stockholders enjoyed fantastic ward leverage. During the years 1969 to 1978 revenues creased by 89%, net profits rose 315%. But look at earnings share! They soared 1,226%. With all those profits being plo back, Teledyne's equity per share jumped from $11.38 to between 1969 and the end of 1978. All through the e Seventies Wall Street ignored the stock. It was a conglomer It had four bad years. It wouldn't pay a dividend. It kept buy its stock against all rhyme and reason. Ugh! Scarcely analyst bothered with it. For years Teledyne was stuck i narrow range, rarely getting above 20. But finally Wall St caught on. After selling as low as 7⅞ in late 1974, Teled stock leaped to over 69 in 1976 and, in 1978, finally passed 100 mark. Teledyne, which broke all the rules, was on America's best-performing stocks.

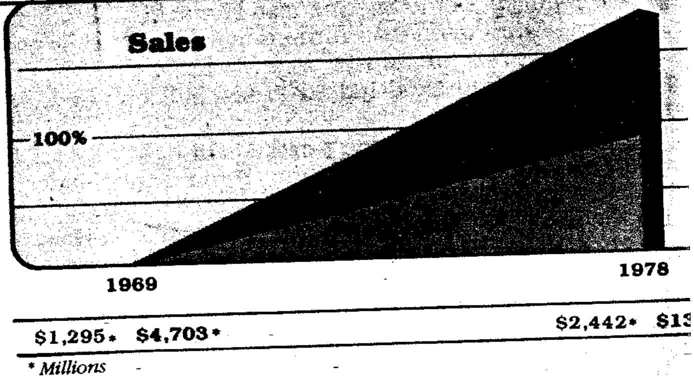
Let's put Henry Singleton in perspective. During the y when he was all but ignoring Wall Street, many of Ameri top executives were trimming their sails to Wall Street's s ing winds. Consider several of the most visible examples:

In 1974 Textron Chairman G. William Miller, now chairm of the Federal Reserve Board, had a brilliant plan to re troubled Lockheed at little risk to his own shareholders. Textron stock dropped because analysts questioned the m er. Feeling the pressure, Miller backed away from what w have been a bargain for Textron. Lockheed stock was selling at $3 per share. Today it is selling at $21 per share.

Early this year Chairman James D. Robinson III of Amer Express made a tempting tender offer for McGraw-Hill. bad publicity blistered American Express and Robinson ba away. "Jimmy Three-Sticks," as his Harvard Business Sc classmates called Robinson, faced a battle of wills betw himself and McGraw-Hill's Harold W. McGraw Jr. Faced McGraw's unexpected pluck, American Express backed do

Creative capitalist

To put Henry Singleton's achievement as a manager in some perspective, FORBES charted Teledyne's growth in sales, total profits and earnings per share and stacked them against the performance of the 30 blue-chip corporations that make up the Dow Jones industrial average. (The sales and earnings of the Dow companies were totaled and then divided by 30 to get an average.) Typically, earnings per share fail to grow as fast as total profits, which, in turn, tend to lag behind sales growth. By that test, Singleton is a most untypical manager—indeed, in a class by himself.



Teledyne has actually shown slower sales growth than the average big blue chip. The chief factor is that in the past ten years, while many another company has been on an acquisition and merger binge, Teledyne has not. All its growth has been internal.

Teledyne — Dow Jones industrials

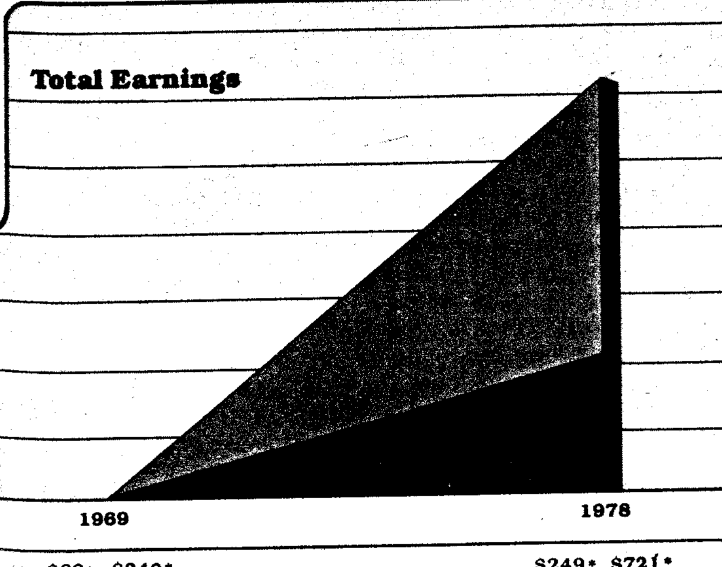
In 1968, Xerox, which then had a price/earnings multiple of 53, was about to merge with C.I.T. Financial. It was a beautiful deal. Xerox was going to pay $1.5 billion in its stock for C.I.T. on a ratio that would have enhanced both Xerox' earnings and book value. Today the value of that same Xerox stock package has shrunk to less than $1 billion in market value, while C.I.T.'s assets have increased by almost 50% to $5 billion. At the time, however, investment analysts turned up their noses. Dilute a high-technology stock with a grubby money-lending business? Xerox stock retreated and so did Xerox Chairman C. Peter McColough. Today Xerox' multiple is down to 11 times earnings anyhow. Instead of buying rock-solid C.I.T., Xerox paid $920 million in stock for Scientific Data Systems, a fledgling computer company. Wall Street applauded but SDS subsequently all but collapsed. Arthur Rock, Henry Singleton's original backer and one of SDS' backers, cleaned up again.

It would be hard to picture Henry Singleton trying an unfriendly takeover, but it would be harder to picture him backing away—as American Express did—once he had made an offer. It would be inconceivable for him to back away from the Lockheed deal or the C.I.T. deal just because the brokerage fraternity disapproved. He kept buying up his own stock with both hands, when The Street called him crazy.

So far, we have not even mentioned what Teledyne makes or sells. That's because what Teledyne makes or sells is less important than the style of the man who runs it. The fact is that Singleton unashamedly runs a conglomerate. What are the products and services upon which Singleton has put his stamp? Offshore drilling units, auto parts, specialty metals, machine tools, electronic components, engines, high fidelity speakers, unmanned aircraft and Water Pik home appliances.

A conglomerate, of course, but Singleton is not even slightly disturbed by the label "conglomerate." Says he: "Today, being a conglomerate is neither a plus nor a minus. While not many companies are called conglomerates, most are." He ticks off some names: GE, Westinghouse and RCA.

This diffuse company is actually quite tightly run. Its board of directors consists of only six people, not the usual dozen or more, and all of them close friends and associates: Singleton;



Singleton's extraordinarily disciplined pursuit of wide profit margins and high returns on total assets in each of Teledyne's family of 129 companies is reflected in their combined profit growth—two times faster than the average Dow company.

Earnings per share

1,100% · 1,000 · 900 · 800 · 700 · 600 · 500 · 400 · 300 · 200 · 100

1969 — $1.33 $57.02

1978 — $17.63 $112.79

Singleton's masterstroke in the past decade was to buy in the majority of Teledyne's own shares between 1972 and 1976, when they were undervalued and unwanted. His earnings per share soared 11 times faster than those of the average Dow stock.

"Today being a conglomerate is neither a plus nor a minus," says Henry Singleton. "While not many companies are called conglomerates, most are."

co-founder and fellow Litton alumnus George Kozmetsky; the father of information theory and former M.I.T. classmate Professor Claude E. Shannon of M.I.T.; Teledyne's president and his Annapolis roommate George A. Roberts; original backer Arthur Rock; and finally, William W. Shannon, one of the first entrepreneurs to sell his company to Teledyne.

Teledyne's management team is a seasoned one. Of the 150 principal executives who worked there in 1976, most are still with the company. They have grown with the organization. Rarely has Teledyne had to reach outside for a turnaround man in a bad situation.

Singleton works closely with his president, George Roberts, who has his doctorate from Carnegie-Mellon in metallurgy. Roberts is the chief operating officer, and an extremely effective one. This is not the kind of conglomerate where headquarters staff only loosely supervises a number of good-size, semi-independent operations. Taking a leaf from Harold Geneen's book, Teledyne has supertight financial controls. Taking a leaf from 3M's corporate books, it breaks up a huge business into a cornucopia of small profit centers—129 in Teledyne's case.

The largest of Teledyne's 129 companies, TDY Continental Motors, is under $300 million in annual sales. It is one of nine companies created out of Teledyne's Continental Motors acquisition. Some of the really small TDY companies are only a few million in annual sales—for example, TDY Engineering Services. "We go to an extreme in splitting businesses up so we can see problems which would be passed over in companies where the units are larger," says Roberts. "By our plan no one business, all by itself, will become momentous." This means the survivabilty of the entire company will never be jeopardized by failure of one single operation.

What matters is this: So far in 1979, all 129 are profitable. For the last two years only one, semiconductors, was in the red, and that by just a few million.

By setting up computer controls, by training each manager to do what is expected of him, Roberts can handle as many as five company annual profit reviews in a single day. Nor does he waste time and energy in airports and limousines. The heads of the 129 companies take turns coming to him and Singleton in their modern, clean but lean Century City offices on L.A.'s Avenue of the Stars.

Forbes interviews over a thousand company managements every year and we turn instantly skeptical when they tell us: "We're profit-oriented not product-oriented." The fact is that few companies really are that way. Teledyne is a rare exception. "Forget products," Roberts begins, "here's the key: We create an attitude toward having high margins. In our system a company can grow rapidly and its manager be rewarded richly for that growth if he has high margins. If he has low margins, it's hard to get capital from Henry and me. So our people look and understand. Having high margins gets to be the thing to do. No one likes to have trouble getting new money."

Roberts is saying nothing exceptional. What *is* exceptional is the way Teledyne practices what it preaches. There are very few companies of any size, and certainly none of the billion-dollar class, that are as tight with a capital dollar as Teledyne. This year its capital spending will exceed $100 million for the second straight year, but this is a rather miserly sum in relation to Teledyne's cash flow of more than $300 million. Texas Instruments, a company of equal size and technological orientation, will spend more than three times as much. Many companies normally spend more for capital projects than they take in as cash. Not so with Teledyne. This is the real secret to Teledyne's ability to grow.

The key, then, is discipline: no ego trips, only new investments that will quickly pay off in the form of enhanced cash flow. Says George Roberts: "The only way you can make money in some businesses is by not entering them.

"Internally we hold up high-margin companies as examples. Our margin on sales is now over 7% after taxes, *vs.* a national average for manufacturing of 5.4%. Since we run a broad cross section of businesses, it is clear the rest of American industry can improve, too.

"Take any big old giant company like U.S. Steel. If they really accounted for their business conservatively and line by line in detail as we do, they might conclude they didn't have any margins at all. We make the point that the margin on every product, every project, is important. We preach that our average and the company average is only the average of all their individual moves."

Risk, too, is carefully rationed. A coolly rational man, Singleton despises surprises. It is company policy that divisions which are defense contractors will remain relatively small. "We don't want any big prime contracts," says Roberts. "We prefer to be important, technically oriented subcontractors who serve those who want to be prime contractors." That way, if a large contract is aborted TDY will not be hurt.

The effect of all this emphasis on restricting risk and insisting on high return, Roberts says, is that he's been able to stop preaching. "Now everyone understands that all new projects should return at least 20% on total assets. When leveraged up, return on equity can be 30% to 50%. This is so ingrained that few lower-returning proposals are ever presented anymore. We hardly ever discuss one."

"Our attitude toward cash generation and asset management came out of our own thought process," says Singleton. "It is not copied. After we acquired a number of businesses we reflected on aspects of business. Our own conclusion was that the key was cash flow."

Singleton may be a scientist and an intellectual but he has an old-fashioned respect for cash. You can't pay bills with book-keeping profits. He knows that companies have gone broke after reporting big profits for years—Penn Central, for example, and W.T. Grant. He wants to see the color of some of that money in his companies' reports. He wants each company to throw off cash over and above its reinvestment needs, cash that can be utilized for overall corporate purposes. This kind of real, hard cash flow enabled Singleton to buy up his company's stock when it was lying on the bargain counter. It has enabled Teledyne to reduce debt to the point where it amounts to only about 22% of total capital as against 32% and 52% for conglomerates like ITT and Gulf & Western.

Of course, every management wants—or says it wants—a high return on its capital. Henry Singleton wants something more: a *cash* return. Singleton won't pay cash dividends to his own shareholders but he expects them from his company presidents—all 129 of them—over the long run. Roberts says: "Net income without cash is not necessarily net income. We build cash generation into the system of paying our managers. Bonuses can be 100% of base salary."

If it is curious that a man who started as a scientist and became an operating man should finally make his greatest mark in finance, Singleton has nevertheless done just that. American business is still gripped with a mania for bigness. Companies whose stocks sell for five times earnings will think nothing of going out and paying 10 or 15 times earnings for a nice big acquisition when they could tender for their own stock at half the price. Shrinking—à la Teledyne—still isn't done except by a handful of shrewd entrepreneurial companies.

You can explain quite simply what Singleton did financially. When stocks like Teledyne sold for 40, 50 or 60 times earnings he used his high-priced stock as currency to buy other compa-

nies relatively cheaply. Then, when his own stock became cheap after the conglomerate crash of 1969 he went in and bought enough of it to shrink the capitalization back to where it was when Teledyne had been a much smaller company. It was as though he had been able to renegotiate his earlier purchases at 85% off the original prices. He did so not by selling off assets—the more conventional way of shrinking capitalization—but first by borrowing, then by husbanding cash from operations.

More recently, Singleton has been turning his hand to the stock market. He was thrust into the role of portfolio manager quite by accident. It might never have happened, he says, if Teledyne's Argonaut Insurance subsidiary had not got into serious trouble writing medical malpractice insurance in 1974. Singleton converted all his insurance portfolios into liquid cash to be ready for a disaster. The disaster never came. The job of reinvesting faced him and he decided to be innovative and daring in his approach there, too. No investing fads for him. "The idea of indexing isn't something I believe in or would follow," he says with scorn.

In choosing stocks, he rejected Wall Street dogma and relied on his own experience. Teledyne had a below-average multiple he was sure would rise in time. Many other conglomerates were in the same situation. Singleton decided to buy those he felt were well run and undervalued. That analysts were shunning other conglomerates as they shunned Teledyne only made it easier for him to get a good price.

Singleton's biggest move was to put over $130 million—25% of his equity portfolio—into Litton. TDY now holds 27% of Litton, 9.3 million shares, at an average cost of about $14; there is 69% of a share of Litton behind every share of Teledyne. TDY's Litton holdings are worth $270 million, and still 25% of its insurance company's equity portfolio.

"A fabulous [$140 million] gain," says Chairman Fred R. Sullivan of Walter Kidde & Co., "but when Henry first put all that in one stock I thought he'd gone crazy." Fellow Litton alumnus Sullivan didn't think Singleton crazy, however, when he bought 19% of Walter Kidde.

"I felt Litton was a sound investment," Singleton says. "It's good to buy a large company with fine businesses when the price is beaten down over worry about one problem." (He refers to Litton's costly and protracted shipbuilding fracas with the U.S. Navy.) He adds: "Litton's problem was not a general one but an isolated problem—as ours was with Argonaut Insurance. To me it was hard to believe the heads of a $3 billion or $4 billion business would not be able to handle *one* business problem."

Currently Singleton has over 50% of his equity portfolio in conglomerates.

They include Curtiss-Wright, Studebaker-Worthington, Northwest Industries, TRW, Colt Industries, Dart Industries, Norris Industries, GAF, Eltra. All these conglomerates are companies in fields that are related to TDY's own experience. Singleton has shunned services, hotels, restaurants, land—that kind of thing. He has bought many insurance companies, including Aetna Life & Casualty and Lincoln National Corp.: Insurance is a business Singleton knows well.

Singleton also has a block of oil stocks with good gains, including Mobil and Standard Oil of Indiana. TDY companies do geological exploration and make drilling rigs; so again he has chosen a field he clearly understands.

Singleton is still waiting for the payoff on Teledyne's big chunks of specialized companies. TDY owns 31% of Brockway Glass, buying more while the stock drops as he did with his own shares and with Litton. He also holds 22% of Reichhold Chemicals, 7% of Federal Paper Board, 16% of National Can, 6% of Rexnord.

Only in Litton does Teledyne have a spectacular gain—but that unrealized gain alone amounts to $9 on every Teledyne share. Nor is Singleton ruffled because he hasn't yet made a killing in Kidde or Reichhold or National Can. The market, he feels, will in the end reward his patience with a higher price/earnings ratio on higher earnings. After all, look how the market came in the end to give his own stock the nod.

Singleton has long since put to rest the speculation that he was accumulating shares to go for control of Litton and the other companies whose stocks he was buying. People who speculated that way were making conventional judgments. That's the way most conglomerators work: Buy enough stock to get a good look at the books and a feel for the situation, then go for control via a tender offer. But Singleton isn't like most conglomerators.

Listen to his reasoning on the subject of tenders:

"In this climate, where tender offers mean overpaying by managements which want to grow at any price, I prefer to buy *pieces* of other companies or our own stock or expand from within. The price for buying an entire company is too much. Tendering at the premiums required today would hurt, not help, our return on equity, so we won't do it."

Where many businessmen say that it is cheaper—even at big premiums over the market price—to buy rather than to build, Singleton is saying, why pay ten times earnings in a tender for a company when I can buy pieces of companies for six times earnings and my own stock for five times earnings? Rigid logic that, but not the fashionable view.

Singleton may not have to wait forever to be taken out of some of these companies at a good profit. Last year Teledyne bought a block of 450,000 shares of its own stock—$40.1 million worth at the then-going price of $90—from American Financial Corp., a Cincinnati-based financial holding company. Having studied Singleton, American Financial's bosses knew he would be a logical buyer for the shares when he had

Singleton and President George A. Roberts
Not so much a system as a reflection of one man's thought.

"I do not define my job in rigid terms but in terms of having the freedom to do what seems to me to be in the best interest of the company at any time."

the cash. And so we have the clue to what may be Singleton's trump card with his stock portfolio. He may simply be waiting until the managements come to the same conclusion he came to: A company's own stock is its best investment. When that day comes he'll be happy to sell their own stock to them. At a nice profit, of course. But potential raiders, beware. Singleton says he wouldn't sell any of his blocks to would-be acquisitors.

Liquid as Teledyne is, why does Henry Singleton still flatly refuse to disburse any cash to his own stockholders—except in exchange for their shares? A few years ago, when Teledyne stock was selling around 10, one of his closest associates begged him to pay at least a token dividend. Singleton refused. He still refuses. To begin with, he asks, what would the stockholder do with the money? Spend it? Teledyne is not an income stock. Reinvest it? Since Teledyne earns 33% on equity, he argues, he can reinvest it better for them than they could for themselves. Besides, the profits have already been taxed; paid out as dividends they get taxed a second time. Why subject the stockholders' money to double taxation?

In his somewhat regal manner, Singleton says: "Our people don't want any more income. They want to see increases in book value and ultimately in the price of the stock when the underlying buildup in values is reflected." How does Singleton know what "our people" want? Not by asking them. He simply assumes that he is running a certain kind of company and those who like his style will invest in it. Those who don't can go elsewhere.

Having failed to get a cash dividend, some Teledyne shareholders now are asking for a stock split. All the other Big Board stocks over $100 a share have announced one, except Superior Oil, Dome Mines and Teledyne.

"I have nothing against a stock split," says Singleton. "I did two in the Sixties, but this is really a nonevent. So is the stock dividend. It's really paper shuffling."

In that case why pay out a stock dividend—as Teledyne has since 1967?

Singleton was a bit flustered at the question. Clearly, he didn't believe in shuffling pieces of paper, but in this case he had been bowing to convention. "The shareholders are used to getting an annual stock dividend and, what the heck, they don't do any harm," he replied a bit sheepishly. A rare Henry Singleton concession to other people's sense of reality!

What is Henry Singleton's own sense of economic reality? At a time when many top businessmen are gloomy about the future of the country, Singleton has this to say: "I'm convinced the coming recession will not be too deep or long and we'll have a good recovery following it. It is so fashionable to complain about the restrictive regulatory environment in Washington. That makes people forget how very much worse things *could* be. Long run, I'm happy about the prospects for America, for business and for Teledyne."

One of the things that puts people off about Henry Singleton, that has hurt his stock on Wall Street, is his Delphic way of talking with outsiders. He can be charming when he wants to be so, but charmingly vague. He speaks in general terms, leaving the questioner to fill in the vital details. For example:

"I believe in maximum flexibility, so I reserve the right to change my position on any subject when the external environment relating to any topic changes, too." A CEO's most important job, he goes on, is to anticipate trends and act to help his company.

Meaning in the present context? "I'm modifying behavior based on what's outside so TDY will not be hurt in the recession," Singleton replies. "Our economy appears to suffer from a general leveling, which typically precedes an economic downturn. In the newest reports of our companies I see a slight reduction in the anticipated amount of sales in many unrelated markets." He's saying: If the recession isn't any worse than we expect it to be, Teledyne isn't going to suffer much, probably a few mediocre quarters at worst.

And now for the last of the three questions we posed early in this story: Can Henry Singleton keep it up? He does, after all, face a recession, he has shrunk his capitalization to a probably irreducible core and he has as yet no high-priced stock to use for a new bout of acquisitions. Has he then played all his cards? Not necessarily. Teledyne still has some strong things going for it. Its high return on capital, for example. As long as it can continue growing from within on a tight capital base and earning anything close to its present high rate of return, Teledyne functions as a powerful compound income machine. Money invested and reinvested at a 30% return doubles itself in less than three years; and Teledyne is earning well *over* 30%!

Henry Singleton hates projections but a little simple arithmetic might be in order here. Without allowing the effect of stock dividends, Teledyne's equity per share will be close to $90 by the end of 1979. It should grow to $200 a share within a few years. What happens if Singleton can't find enough projects to invest in that will produce the kind of return he demands on all the money? In that case, unconventional as ever, he will probably slow his company's growth and look for other things to do with the surplus cash. Like what? Well, with good companies selling at only five times earnings, Teledyne can buy their shares and, in effect, sit with a 20% return while it waits for the stock market to come through with a more generous multiple. Why expand in new or existing businesses if the potential return is less?

Then, there's the possibility that Teledyne might become a market favorite again and enjoy a higher multiple. At 12 times this year's probable earnings Teledyne would sell at close to $300 a share. At that price, Singleton might decide to begin acquiring once more. If the market collapses again, look for him to be out there buying his own stock in huge handfuls. Even last year he bought in 7.3% of TDY's shares.

Finally, Teledyne could go the venture capital route. It has already taken a tentative step in that direction. In 1978 and earlier, Teledyne joined Arthur Rock, one of its directors and largest stockholders, in backing Qantel, maker of small business computers. Teledyne's commitment was over $1 million, but if Qantel should show signs that it can give Singleton the 30% returns he likes, he could up the ante.

But all this is sheer speculation. Nobody knows precisely what Henry Singleton is going to do next year or next decade because nobody knows what the world is going to be like next year or next decade.

As Singleton himself puts it: "I do not define my job in any rigid terms but in terms of having the freedom to do what seems to me to be in the best interests of the company at any time." As his record shows, this is no empty phrase.

If there is a serious weakness in this otherwise brilliant picture, it is this: Teledyne is not so much a system as it is the reflection of one man's singular discipline and his contrary style of thinking and acting. Henry Singleton is trim and healthy at 62 and has no interest in retiring, but man is not immortal. "George Roberts could run this company without me," Singleton replies when asked about Teledyne-without-Singleton. Time will tell.

At any rate, Singleton has found a way to run a multibillion-dollar company in an entrepreneurial, innovative way. Only a handful of giant companies have succeeded in doing that. General Electric, General Motors, IBM, 3M, Dow Chemical perhaps. It may sound farfetched but Teledyne has a fair chance of ending up in that league. ■