

Positive Update – Share Price Reaction Overdone**AGM Statement**

Yesterday's AGM statement confirmed a positive start to the current year with a 6% increase in first quarter sales and a 10% increase in order intake. Gross margins are currently below last year's strong levels (different project mix) and overheads increased in line with expectations, reflecting continuing investment in sales resource and product development. The statement suggests a second half weighting this year as the benefits of new product launches and recent investments come through but growth is expected for the year as a whole, in line with previous guidance.

Impact on Earnings & Valuation

We make no changes to our forecasts. We also remain confident in the longer term prospects for the Group and note management's aspiration to increase Group sales growth in line with markets in which it operates (currently 20%+) in the next 18 months.

N+1 Singer View

Yesterday's share price reaction suggests disappointment in certain quarters that upgrades have not materialised at this early stage in the year. To our mind, however, this is a positive statement. Although project timings mean that sales can be somewhat lumpy (manifest in the anticipated H2 weighting), full year expectations and the overall growth trajectory of the Group are unchanged. We see good value in the shares at this level and attractive long term prospects for IndigoVision after a year of transformation under the new management team.

Year End Jul.	2011	2012	2013E	2014E
Revenue (£m)	28.9	30.3	32.4	33.7
EBITDA (Adj.) (£m)	1.5	3.0	3.7	4.1
PBT (Adj.) (£m)	1.2	2.7	3.4	3.7
EPS (Adj., FD) (p)	8.1	25.0	32.7	35.6
Consensus EPS (p)	-	-	32.7	35.6
DPS (p)	7.5	80.0	12.0	14.0
Net Cash/(Debt) (£m)	5.1	6.1	2.8	4.9
EV/EBITDA (x)	13.6	6.4	6.1	5.1
P/E (x)	41.6	13.5	10.3	9.5
Dividend Yield (%)	2.2	23.7	3.6	4.1
FCF Yield (%)	5.5	7.5	11.5	12.3

Source: N+1 Singer, Company Accounts and FactSet Estimates

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