

IndigoVision Group (IND LN)

CORPORATE

Technology

Current price*: 156p

Mkt cap (£m): 12

11 July 2019

4th consecutive half of top-line growth

N+1 Singer view

In a positive H1 trading update IndigoVision unveiled a fourth half year period of sequential top-line growth. As a result of revenues rising to \$24.1m (+8% y/y) and cost rationalisation undertaken in the prior year, management expect to deliver positive half-year operating profits for the first time since 2014. The balance of net cash held by the group rose to \$2.7m by the end of the H1 period (Dec-18: \$2.0m). Current trading looks in-line with expectations, following similar seasonal H2 weighting patterns as in prior years, so we make no changes to our full year forecasts. A 1-year forward P/E multiple of 6.6x looks attractive, and provided management are able to successfully deliver continued positive top-line momentum in the medium-term, upside potential is high.

Event

IndigoVision's H1 trading update unveiled a fourth consecutive half year period of sequential top-line growth, with revenue reaching \$24.1m (H2'18: \$23.8m; H1'18: \$22.2m). As a result of strong top-line performance and cost rationalisation undertaken in the prior year, management expects to deliver positive H1 operating profit for the first time since 2014. Net cash rose to \$2.7m by the end of the H1 period (Dec-18: \$2.0m) reflecting the improved underlying profitability of the business. The group is set to announce its interim results on 14 August 2019.

Impact on earnings & valuation

Top-line growth trends remained stable into H1 19, with revenue rising 8.5% y/y (H2'18: +9.2%; H1'18: +9.5%). A refreshed management team have successfully driven positive top-line momentum since 2017, executing successfully against strategic goals. The group completed the majority of its planned supply chain restructuring in H1, launching the NDAA 2019 compliant Ultra X Camera series, as well as sourcing products from Mexico enabling tariff-free access to the key US market. Although the precise timing of customer orders remains difficult to predict, current trading is in-line with expectations for FY'19E with H2 seasonally stronger than H1, and we leave forecasts unchanged. A 1-year forward P/E multiple of 6.6x looks attractive, and if management can continue to deliver on the growth strategy, upside potential is high. The targets laid out under management incentivisation schemes for EPS give investors an indication of the growth potential in the business, with maximum management FY'21 pay-out set at c.3x our FY'19E EPS forecast.

Financials and valuations**

Year end Dec	2015	2016	2017	2018	2019E
Revenue (\$m)	47.1	45.9	42.1	46.0	52.0
EBITDA (adj.) (\$m)	0.4	1.3	-1.6	0.2	2.9
PBT (adj.) (\$m)	-0.8	0.4	-2.4	-0.6	2.0
EPS (Adj., FD) (¢)	0.0	9.0	-29.6	-4.1	29.3
Consensus EPS (¢)	-	-	27.8	-4.2	30.3
DPS (¢)	2.5	3.0	0.0	0.0	0.0
Net cash/(debt) (\$m)	2.8	6.2	2.6	2.0	2.0
EV/EBITDA (x)	31.1	6.6	n/m	51.1	4.3
P/E (x)	n/m	21.6	n/m	n/m	6.6
Dividend yield (%)	1.3	1.5	0.0	0.0	0.0

* Price as at COB 09/07/2019. ** Sources: N+1 Singer, Company accounts, FactSet

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Stock ratings

Recommendation / Shares outstanding (m) / Target price

IndigoVision Group (GBP)

Date	Rec	Shares	TP
As of 11-Jul-18	Corporate	8	

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