

IndigoVision Group (IND LN)

CORPORATE

Technology

Current price*: 188p

Mkt cap (£m): 14

11 November 2019

Bolt-on acquisition announced

N+1 Singer view

IndigoVision have announced the completion of the c.€3.0m acquisition of Agorasys SA ('Agora'), a strategic IP bolt-on which is expected to add further strength to the Group's Video Management Software ('VMS') tech stack. €2.5m of cash consideration (inc. €2.3m to clear debt) and 34,422 of share consideration is payable upon completion, with the remaining balance deferred dependent on certain performance contingencies. The Agora product delivers integration of multiple systems across disparate locations to a single interface, and enables standardisation of procedures, improved analytics, operating cost rationalisation and a verifiable process audit trail. Current sales at Agora include a high proportion of recurring revenues, with a scalable rental model available to central monitoring stations. Management see strong potential use cases across Utilities and other critical infrastructure verticals once integration into the Group's product set is completed (expected back-end of FY'20E). We raise FY'20E revenue forecasts by 3.0% to \$56.5m, with EBITDA rising 4.3% to \$3.9m. The deal is 2% accretive to FY'20E FD earnings based on our forecasts. P/FY'20E EPS valuation sits at 6.3x compared to a discounted peer group multiple of 11.0x.

Event

IndigoVision has completed the strategic bolt-on acquisition of Agora which brings interesting new IP to the Group's offering. Agora software enables a unified platform approach to monitoring which integrates systems across multiple sites, reducing operating costs whilst also creating single, standardised processes and audit trails. This is IndigoVision's first acquisition, and demonstrates an active ambition to further improve the Group's attractive premium surveillance technology stack. Consideration of c.€3.0m on a debt-free/ cash-free basis represents 2.3x EV/Sales, marginally below the 2.5x – 3.0x payable for similar software companies with a high proportion of recurring revenues and similar end-market growth rates (VMS market: 15% - 20% 5-year CAGR). Consideration of €2.5m cash and 34,422 shares are payable upon completion, with €0.25m of earn-outs deferred contingent on certain Agora FY'19E sales targets being met. The balance is deferred against potential Agora liabilities, which we forecast will become payable in FY'20E.

Impact on earnings & valuation

Impact is de-minimus to FY'19E, although forecast cash at the FY'19E outturn falls to \$0.2m net debt (previously £2.6m net cash) representing 0.1x net debt/EBITDA. We raise our FY'20E revenue forecasts by 3.0% to \$56.5m, with EBITDA rising by 4.3% to \$3.9m due to the higher margin profile of the new business. FD adjusted EPS is upgraded by 2.0% for FY'20E to \$0.4/share. P/FY'20E EPS valuation sits at 6.3x compared to a discounted peer group multiple of 11.0x.

Financials and valuations**

Year end Dec	2016	2017	2018	2019E	2020E
Revenue (\$m)	45.9	42.1	46.0	52.2	56.5
EBITDA (adj.) (\$m)	1.1	-1.8	0.5	2.9	3.9
PBT (adj.) (\$m)	0.2	-2.7	-0.4	2.0	2.9
EPS (Adj., FD) (¢)	6.4	-33.2	-1.0	29.5	40.1
Consensus EPS (¢)	-	-	-4.2	29.0	39.0
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) (\$m)	6.2	2.6	2.0	-0.2	0.5
EV/EBITDA (x)	10.7	n/m	32.9	6.3	4.5
P/E (x)	37.6	n/m	n/m	8.2	6.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

* Price as at COB 07/11/2019. ** Sources: N+1 Singer, Company accounts, FactSet

For further details contact: Caspar Erskine

+44 20 7496 3080, Caspar.Erskine@n1singer.com

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Stock ratings

Recommendation / Shares outstanding (m) / Target price

IndigoVision Group (GBP)

Date	Rec	Shares	TP
22-Oct-19	Corporate	7	
As of 11-Nov-18	Corporate	7	

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Nplus1 Singer Capital Markets Limited, One Bartholomew Lane, London, EC2N 2AX

Telephone: +44(0)20 7496 3000 <http://www.n1singer.com/>

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