

IndigoVision Group (IND LN)

Technology

Current price* 179p

CORPORATE

In line y/e trading update

IndigoVision has reported a y/e trading update, confirming strong EBITDA growth, in line with forecasts, meanwhile sales also grew by 9% - to \$50m (vs. \$52mE). Cash performance was in line - y/e net cash \$2m vs. \$2.5mE (ex Agora acquisition), implying FCF of c.\$1m. FY19's performance therefore positions IND strongly for FY20, where we expect a combination of both external tailwinds and internal reorganisation to provide continuing benefits. We therefore reiterate existing forecasts. IndigoVision trades on 5.8x 1-year forward P/E based on our forecasts.

Agora acquisition

In November, IndigoVision completed the strategic bolt-on acquisition of Agora, bringing 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.

Positive structural drivers improving end market growth

IndigoVision's end market growth accelerated to 9% pa from 4% in 2016, benefitting from a number of positive structural drivers. Digitisation of video management systems and security networks has led to an upgrade cycle, as well as creating demand for bolt-on services such as cyber & data analytics. We conservatively expect moderated industry growth of 6% in FY'20, although we note BIS research forecast CAGR of 16% to 2023.

Distributed supply chain and quality customer and partner network

IndigoVision has a strong record of delivering high-quality distributed video surveillance networks to a long list of blue-chip end customers. Expanding US market share is a key part of IndigoVision's strategy, and the group's global, diverse supply-chain has helped mitigate tariff and regulatory change disruption; an advantage versus many competitors. A legacy installed base built up over 25 years of >15,000 sites, and global sales and distribution channels represent hidden value.

Investment made, returns beginning to improve

Management have successfully implemented new ERP system, improving visibility of revenues and enabling better inventory management, reducing obsolescence. Benefits are expected to drive improved cash generation as profitability returns (OpFCF/adj EBITDA FY'19E: 51%; FY'20E: 64%).

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	28.8	40.4
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)	10.2	n/m	31.6	6.1	4.3
P/E (x)	36.4	n/m	n/m	7.9	5.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

* Price as at COB 09/01/2020. ** Sources: N+1 Singer, Company accounts, FactSet

13 January 2020

Key data

2019E dividend (%)	0.0
Forecast sensitivity	3
Fundamental view	Positive
Market cap (£m)	13
Enterprise value (£m)	13
Shares in issue (m)	7
Free float (%)	58
Avg. daily volume (000)	2

Next event:	Q4 2019 Earnings Release		
05/03/2020	1m	3m	12m
Absolute %	-6.3	-20.7	55.2
Rel. market %	-10.4	-25.8	40.4
Rel. sector %	-	-	-

Share price chart



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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 13-Jan-19	Corporate	7	

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