

IndigoVision Group (IND.L)

IT Hardware | FTSE AIM

Company Update
CORPORATE

Trading Below Expectations

IndigoVision has released a year end trading update for the 12 months to 31 July 2013 which reports that results will be below expectations. A second half profit weighting was expected (27:73) but a product mix favouring slightly lower margin camera products has impacted on group profitability. Despite sales being broadly in line with expectations (£32.0m v f/c £32.4m) PBT is now expected to be approximately £2.0m compared to our forecast of £3.4m. The outlook remains positive, there are large projects in the pipeline, but investors will look for confirmation of these projects being secured as FY14 progresses.

- Different Product Mix** – As we discussed earlier in the financial year, the product mix has been different in FY13. The proportion of camera sales has increased and of encoders has reduced, thereby reducing the overall Group margin. Gross margins did improve in H2 against H1, but remain below last year. Overheads have also risen, as anticipated, due to the investment in the sales and distribution network and in product development. This explains why sales are approximately in line with our forecast (£32m v f/c £32.4m) whilst profit is down.
- Large Projects** – As we have discussed previously, IndigoVision's business is inherently lumpy given that most of its sales are project based. This means that projects falling at different times can have a significant impact on the group result. This is the case in FY13, with some projects, which were expected to drop in before the end of July, now expected to complete later in calendar year 2013.
- Forecast Changes** – In line with the guidance in the statement, we have reduced our PBT in FY13 from £3.4m to £2.0m; this equates to an EPS reduction from 32.7p to 19.2p. We now see net cash at the year end of £0.9m.
- FY14** – We have reduced our FY14 PBT forecast from £3.7m to £3.0m with the progression over 2013 reflecting the positive pipeline that exists. We assume a product mix more weighted to cameras than previously with a group gross margin of 55.5% on sales of £36.2m.

Date 30 Jul 13

Price* 307p

2013E Dividend 3.6%
*Price as at COB 29/07/2013

Forecast Sensitivity 3

Fundamental View Positive

Market Cap (£m) 23

Enterprise Value (£m) 22

Shares in Issue (m) 8

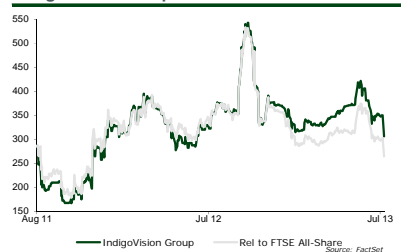
Freefloat (%) 76%

Avg. Daily Volume ('000s) 19

Next Event 12/09/2013

Q3 2013 Earnings Release (Projected)

IndigoVision Group Price Chart



	1M	3M	12M
Absolute %	-16.9	-14.9	-5.0
Rel. Market %	-21.4	-16.7	-20.1
Rel. Sector %	-21.9	-4.3	-30.5

Source: FactSet

Financials and Valuations

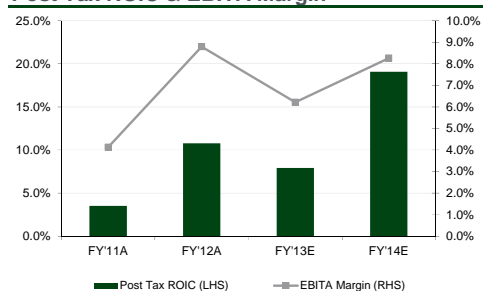
Year End Jul.	2011	2012	2013E	2014E
Revenue (£m)	28.9	30.3	32.0	36.2
EBITDA (Adj.) (£m)	1.5	3.0	2.3	3.4
PBT (Adj.) (£m)	1.2	2.7	2.0	3.0
EPS (Adj., FD) (p)	8.1	25.0	19.2	28.9
Consensus EPS (p)	-	-	-	-
DPS (p)	7.5	80.0	11.0	13.0
Net Cash/(Debt) (£m)	5.1	6.0	0.9	1.7
EV/EBITDA (x)	12.1	5.7	9.5	6.4
P/E (x)	37.7	12.3	15.9	10.6
Dividend Yield (%)	2.4	26.1	3.6	4.2
FCF Yield (%)	6.2	7.0	3.9	8.0

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

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Post Tax ROIC & EBITA Margin



Source: N+1 Singer, Company Accounts

Summary Financials (values in £m unless specified)

Income Statement - Year End Jul.	2011	2012	2013E	2014E
Revenue	28.9	30.3	32.0	36.2
EBITDA (Adj.)	1.5	3.0	2.3	3.4
Depreciation & Amortisation (Ex Acq'd Intangibles)	-0.3	-0.4	-0.4	-0.4
EBITA (Adj.)	1.2	2.7	2.0	3.0
JVs, Associates & Other Income	0.0	0.0	0.0	0.0
Net Interest	0.0	0.0	0.0	0.0
IAS 19 Pension	0.0	0.0	0.0	0.0
PBT (Adj.) *	1.2	2.7	2.0	3.0
Amortisation of Acquired Intangibles	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0
PBT (IFRS)	1.2	2.7	2.0	3.0
Tax (Adj.)	-0.6	-0.8	-0.5	-0.8
Tax Rate (adj.) %	48.5	29.1	27.1	27.0
Minorities & Other	0.0	0.0	0.0	0.0
Net Income (adj.)	0.6	1.9	1.5	2.2
EPS (Adj., FD) (p)	8.1	25.0	19.2	28.9
EPS (Reported, Basic) (p)	8.4	25.4	19.5	29.3
DPS (p)	7.5	80.0	11.0	13.0
Average Number of Shares - Basic (m)	7.4	7.5	7.5	7.5
Average Number of Shares - Diluted (m)	7.7	7.6	7.6	7.6

Cash Flow - Year End Jul.	2011	2012	2013E	2014E
EBITA (Adj.)	1.2	2.7	2.0	3.0
Depreciation & Amortisation	0.3	0.4	0.4	0.4
Change in Working Capital	0.2	-0.4	-0.2	-0.5
Exceptional Items	0.0	-0.3	0.0	0.0
Other Cash & Non-Cash Movements	0.2	-0.3	-0.4	0.0
Operating Cash Flow	1.9	2.0	1.8	2.9
Net Interest	0.0	0.0	0.0	0.0
Tax	0.0	-0.0	-0.5	-0.6
Cash Flow from Operations	1.9	2.0	1.3	2.3
Net Capex	-0.5	-0.3	-0.4	-0.4
JV/Minority Dividends	0.0	0.0	0.0	0.0
Free Cash Flow	1.5	1.6	0.9	1.9
Acquisitions/Disposals	0.0	0.0	0.0	0.0
Net Share Issues	0.1	-0.2	0.0	0.0
Dividends	-0.9	-0.6	-6.0	-0.9
FX/Other	0.1	0.1	0.0	-0.2
Change in Net Cash (Debt)	0.8	0.9	-5.1	0.8
Net Cash/(Debt)	5.1	6.0	0.9	1.7
FCFPS - FD (p)	19.0	21.6	12.0	24.6

Balance Sheet - Year End Jul.	2011	2012	2013E	2014E
Property, Plant & Equipment	0.6	0.5	0.6	0.6
Intangible Assets	0.1	0.1	0.1	0.1
Investments, JVs & Other Non-Current Assets	4.3	3.6	2.6	1.6
Net Working Capital	7.8	8.2	8.2	9.0
Cash & Cash Equivalents	5.1	6.0	0.9	1.7
Borrowings	0.0	0.0	0.0	0.0
Other Assets/Liabilities	-0.3	-0.1	-1.0	-1.5
Net Assets	17.5	18.3	11.4	11.4
Minorities	0.0	0.0	0.0	0.0
Shareholders' Equity	17.5	18.3	11.4	11.4
NAV per Share (p)	235.8	243.9	152.1	152.0

Source: N+1 Singer, Company Accounts

* In certain instances PBT (Adj.) excludes IAS-19 to avoid distortions.

Company Description

IndigoVision is a leading manufacturer of complete end-to-end IP video and alarm management solutions. IndigoVision is widely chosen for applications in airports, city centres, ports, mines, road and rail systems, education, banking, casinos, prisons, government and military.

Source: N+1 Singer

Enterprise Value - Year End Jul.	2011	2012	2013E	2014E
Market Cap.	23.2	23.2	23.2	23.2
Net Debt/(Cash)	-5.1	-6.0	-0.9	-1.7
Pension Deficit	0.0	0.0	0.0	0.0
Minorities/Investments/Other	0.0	0.0	0.0	0.0
Enterprise Value	18.1	17.2	22.3	21.6

Valuation (Current price) - Year End Jul.	2011	2012	2013E	2014E
EV/Sales (x)	0.6	0.6	0.7	0.6
EV/EBITDA (x)	12.1	5.7	9.5	6.4
EV/EBITA (x)	15.2	6.5	11.2	7.2
EV/NOPAT (x)	29.5	9.1	15.4	9.9
P/E (x)	37.7	12.3	15.9	10.6
Dividend Yield (%)	2.4	26.1	3.6	4.2
FCF Yield (%)	6.2	7.0	3.9	8.0
P/B (x)	1.3	1.3	2.0	2.0

Growth Rates (Adj.) - Year End Jul.	2011	2012	2013E	2014E
Revenue (%)	3.1	4.8	5.7	13.1
EBITDA (%)	-55.1	101.5	-22.5	43.3
EBITA (%)	-61.0	123.2	-25.3	50.4
PBT (%)	-60.4	121.4	-25.0	49.8
EPS (%)	-68.2	207.9	-23.1	50.0
DPS (%)	0.0	966.7	-86.3	18.2
FCFPS (%)	31.4	13.4	-44.5	105.3
NAV (%)	0.2	4.5	-37.5	-0.1

Margins/Returns - Year End Jul.	2011	2012	2013E	2014E
EBITDA Margin (%)	5.2	10.0	7.3	9.3
EBITA Margin (%)	4.1	8.8	6.2	8.3
PBT Margin (%)	4.2	8.9	6.3	8.3
ROE (%)	3.6	10.4	12.8	19.3
ROCE (%)	3.5	10.5	9.7	19.1

Ratios - Year End Jul.	2011	2012	2013E	2014E
Interest Cover (x)	n/m	n/m	n/m	n/m
Dividend Cover (x)	1.1	0.3	1.7	2.2
NWC/Revenue (%)	26.9	27.0	25.6	24.9
Cash Conversion (%)	234.2	86.3	62.3	85.2
Net Debt/EBITDA (x)	n/m	n/m	n/m	n/m
Gearing (%)	n/m	n/m	n/m	n/m

Source: N+1 Singer, Company Accounts

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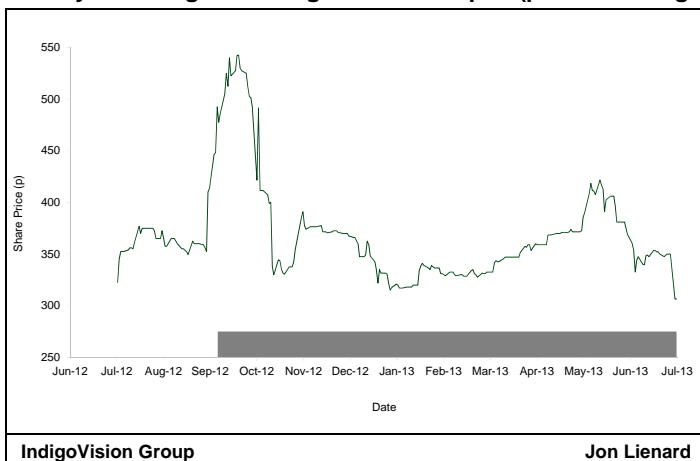
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