

IndigoVision Group (IND LN)

Full Year Results

CORPORATE

IT Hardware

Current price*: 363p

Mkt cap (£m): 27

26 February 2015

Progress hampered by Latin America; markets remain favourable

N+1 Singer view

Strong progress was made in North America and Europe during the 17 month period but this was offset somewhat by subdued demand in Latin America. The current year has started similarly, although it is hoped that restructuring in Latin America will improve the outlook there. Product innovation remains strong and attention is also being focussed on moving into the larger 'mid-market' area thereby reducing lumpiness and improving visibility and quality of earnings.

Final results (17 month period to December 2014; now in USD)

Results are in line with the January trading update with sales of \$82.5m, 10% ahead of the adjusted 17 month comparative. Gross margins were slightly better at 57.9% (56.6%) reflecting a slightly different product mix. Operating profit before currency effects was \$4.86m, slightly ahead of the comparative, but exchange had a \$0.6m negative impact taking operating profit after currency to \$4.27m (17mth comparative: \$4.97m). With the operating margin of 5.2% below management expectations, costs are being reduced and realigned accordingly. Significant R&D tax credits led to a negative tax rate giving fully diluted EPS of 60.5p, 3% ahead of the comparative. The final dividend of 5.0p adds to the two interims dividends of 6.0p to give 17.0p for the 17m period, an annualised increase of 9%.

Regionally, North America and EMEA grew strongly (30% and 20% respectively); Asia was 11% higher, while, as previously indicated, Latin America was down 20% reflecting subdued demand in the last 5 months of the period. The Latin American team has been restructured and its focus is being diversified away from government funded areas.

A number of 'headline' projects were secured during the period, including several World Cup related contracts, 'smart city' projects in Asia Pac and Latin America and business for casinos, airports and mines around the world. Product innovation continued strongly in camera, storage and software areas, while the potential for a new badge sized, clip on, body worn (police etc) video product called 'FrontLine' is exciting.

Impact on earnings & valuation

We initiate USD forecasts for FY15 and FY16 showing PBT of \$3.8m in FY15 rising to \$4.8m in FY16 as margins improve; this equates to EPS of 44.5c and 56.4c respectively. The previous sterling PBT forecasts were £3.3m and £4.4m in FY15 and FY16 respectively. NB dividends will continue to be declared and paid in sterling.

Financials and valuations**

Year end Dec	2012	2013	2014E***	2015E	2016E
Revenue (\$m)	30.3	50.1	82.5	58.0	60.9
EBITDA (adj.) (\$m)	3.0	3.8	5.6	4.7	5.7
PBT (adj.) (\$m)	2.7	3.3	4.3	3.8	4.8
EPS (Adj., FD) (¢)	25.0	36.5	60.5	44.5	56.4
Consensus EPS (¢)	-	-	-	-	-
DPS (p)	80.0	11.0	17.0	12.0	12.7
Net cash/(debt) (\$m)	9.4	1.3	2.6	2.7	5.3
EV/EBITDA (x)	11.1	11.0	7.1	8.5	6.5
P/E (x)	22.6	15.5	9.3	12.6	9.9
Dividend yield (%)	22.0	3.0	4.7	3.3	3.5

* Price as at COB 25/02/2015. ** Sources: N+1 Singer, Company accounts, FactSet. *** 17 month period

For further details contact: Jon Lienard

+44 (0) 19 1500 8879, Jon.Lienard@N1Singer.com

Important Disclosures

Stock Ratings

Recommendation / Shares outstanding (m) / Target price / Price at publication

IndigoVision Group (GBP)

Date	Rec	Shares	TP	Price
26-Feb-15	Corporate	8		362.5
As of 26-Feb-14	Corporate	8		448.5

Conflicts of Interest Disclosures

NB: please note that any companies mentioned in this report but not listed in the following table are not included in N+1's database and therefore no disclosures have been made. Please follow link for full description of all Conflicts of Interest Disclosures

<http://www.n1singer.com/terms-conditions/>

2. N+1 S and the company to whom this research relates have agreed that N+1 S may produce and disseminate non independent research as a service to the company and N+1 S may receive remuneration for such a service: *IndigoVision Group*
3. N+1 S acts as a market maker or liquidity provider in relation to securities issued by this company: *IndigoVision Group*
6. N+1 S has received compensation from this company for the provision of investment banking or financial advisory services within the previous twelve months: *IndigoVision Group*
11. N+1 S acts as a corporate broker to this company: *IndigoVision Group*
12. N+1 S acts as nominated adviser or as a sponsor to the Company in the UK or as a sponsor specialist in accordance with the local regulations: *IndigoVision Group*

Other Important Disclosures

Please follow the link below for full Further Disclosures, Analyst Certification, Allocation of Equity Ratings, Ratings System, Valuation Methods & Risk Disclosure, Fundamental View & Planned Frequency of Updates.

<http://02c3c24.netsolhost.com/FurtherResearchDisclosures.pdf>

Disclaimer

THIS IS NON INDEPENDENT RESEARCH AND A MARKETING COMMUNICATION under the FCA Conduct of Business rules. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to any regulatory prohibition on dealing ahead of the dissemination of investment research. Please see the important disclosures and disclaimers in this section which form an integral part of this report.

N+1 Singer is a trading name of **Nplus1 Singer Capital Markets Limited ("N+1SCM")** and **Nplus1 Singer Advisory LLP ("N+1 SA")**. This communication is issued in the UK by **N+1SCM**, which is authorised and regulated by the Financial Conduct Authority ("FCA") and is a member of The London Stock Exchange. It is intended for the sole use of the person to whom it is addressed and is not intended for private individuals or those classified as Retail Clients.

This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations etc), of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document. For the purposes of UK regulation, **N+1SCM** produces non-independent research which is a marketing communication under the FCA Conduct of Business rules. Non-independent research has not been prepared in accordance with the legal requirements to promote independence of investment research nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. However, the firm does have procedures in place to manage conflicts which may arise in the production.

N+1SCM may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are Major US Institutional Investors, however, transactions in any securities must be effected through a US registered broker-dealer.

This document has been prepared and issued by **N+1SCM** on the basis of publicly available information, internally developed data and other sources believed to be reliable. All share price performance graphs are sourced from FactSet. The information contained in this publication was obtained from various sources believed to be reliable, but has not been independently verified by **N+1SCM**. **N+1SCM** does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law. Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. **N+1SCM** has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of **N+1SCM**.

This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This report may not be reproduced for further publication without the prior written permission of **N+1SCM**. This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and **N+1SCM** accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Certain transactions, including those involving futures, options, and high yield securities, give rise to substantial risk and are not suitable for all investors. Investors should be aware of the additional and special risks associated with securities and investments in emerging markets. Consequently it may be difficult to sell or realise such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk. To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

N+1SCM has written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business. **N+1SCM**'s research analysts and other staff involved in issuing and disseminating research reports operate independently of **N+1Singer**'s Investment Banking business. Information barriers procedures are in place between the research analysts and staff involved in securities trading for the account of **N+1SCM** or its clients to ensure that price sensitive information is handled according to applicable laws and regulations.

N+1SCM may be remunerated by a company for writing research on that company, in which case, a specific disclosure will be made in the relevant research report. Each company understands and agrees that the analysis, opinions, projections, forecasts and estimates expressed in such research reports will be honest and unbiased in compliance with **N+1SCM**'s Conflicts of Interests and Research Policies and will in no way be influenced by any remuneration received from the company. For further details, please see **N+1SCM**'s Conflicts of Interest Policy on its website, <http://www.n1singer.com/regulatory/>

Any qualifying person or institution receiving this document requiring information or seeking to effect a transaction in the securities or investments should contact Sales Trading 020 7496 3023.

Copyright © N+1SCM, 2015. All rights reserved.

N+1SCM research is disseminated and available in printed or electronic form.

Additional information on recommended securities is available on request.

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

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

Registered in England No.5792780