IndigoVision Group (IND LN)

Technology | **Current price* 191p** | **CORPORATE**

Focused on profitability

22 October 2019

IndigoVision's improved performance looks set to be sustained through FY'19E and into FY'20E. The digitisation of the surveillance industry has led to accelerated end–market growth, with the group well placed to meet demand supported by a strong brand and restructured sales team. Investment into global distribution channels, a new CRM and an upgraded ERP platform are expected to drive both better visibility of revenues and sustain recent improved working capital management. We introduce FY'20E numbers forecasting 33% EPS growth, the current valuation of 8.4x FY'19E P/E looks undemanding, with the share price a 4% discount to FY'19E NAV.

Positive structural drivers improving end market growth

IndigoVision's end market growth accelerated to 8.7% pa from 3.9% 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%).

FY'20E forecasts introduced, valuation looks undemanding

FY'20E forecasts have been introduced. We estimate 6% top-line improvement, in-line with market growth expectations. EPS growth of 33% is expected in FY'20E, supported by positive operational gearing. Management are on-track to deliver FY'19E numbers, with continued execution against group strategic goals making a FY'19E P/E multiple of 8.4x look attractive. Our peer based multiple approach, inclusive of a 33% liquidity discount, generates a theoretical FY'19E intrinsic value of 310p/share.

Financials and valuations**

Year end Dec	2016	2017	2018	2019E	2020E
Revenue ($m)	45.9	42.1	46.0	52.0	54.9
EBITDA (adj.) ($m)	1.1	-1.8	0.5	2.8	3.7
PBT (adj.) ($m)	0.2	-2.7	-0.4	2.0	2.7
EPS (Adj., FD) (¢)	6.4	-33.2	-1.0	29.3	39.0
Consensus EPS (¢)	-	-	-4.2	28.8	-
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) ($m)	6.2	2.6	2.0	2.6	4.4
EV/EBITDA (x)	11.1	n/m	33.7	5.6	3.7
P/E (x)	38.5	n/m	n/m	8.4	6.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

** Price as at COB 18/10/2019. ** Sources: N+1 Singer, Company accounts, FactSet*

Key data

2019E dividend (%)	0.0
Forecast sensitivity	3
Fundamental view	Positive
Market cap (£m)	14
Enterprise value (£m)	12
Shares in issue (m)	7
Free float (%)	58
Avg. daily volume (000)	3

Next event: 05/03/2020 Q4 2019 Earnings Release

	1m	3m	12m
Absolute %	-16.2	10.7	72.1
Rel. market %	-14.8	14.4	68.3
Rel. sector %	-	-	-

Share price chart

Contributing Analyst

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

Sense and Sensitivities

How does IndigoVision create value and make money?

IndigoVision is a developer and manufacturer of end-to-end video surveillance networks, additionally offering data management and video analytics software, through a global network of 1300+ authorised systems integrators and distributors. IndigoVision's distributed network architecture removes the risk of a single point failure and improves resilience and efficiency, differentiating it from more commoditised lower-cost solutions. The group's Video Management Software (VMS) product set caters primarily to Enterprise clients. Solutions range from integrated bespoke network offerings including Control Center, network hardware and storage, to the new Integra all-in-one plug&play solution targeted at the SME market and tiered software offering. 90% of revenues are generated on an upfront delivery basis once risks of ownership have been transferred, although a building recurring element to sales is evident through the sale of multi-year software upgrade contracts (SUPs).

Background (Click): Products, Markets, Management Team, Reports & Announcements

Business Positioning

Strengths

- Recognised independent brand in the industry with a strong customer book
- Diversified supply chain network
- Open platform enabling integration with existing legacy or with best-of-breed edge-hardware
- New management team with clearly defined strategy
- Strong network of channel partner relationships

Weaknesses

- Revenue visibility is low but improving
- Fixed cost margin profile attached to hardware sales, potential to resolve through growing software sales
- Lack of profitability in recent years, although underlying traction improving
- Small independent player in larger market
- Reliant on individually significant orders

Opportunities

- Cyber security market exposure
- Big data analytics – heat mapping, people counting, facial recognition etc
- Recurring revenue model through delivery of cloud software solutions
- Diversification into new markets
- Opportunity in consolidating market with rising barriers to entry

Threats

- Execution risk on delivery of new strategy, however positive underlying traction is evident
- Lengthened sales cycles in downturn scenario
- Currency exposure
- Working capital cycle length, although restructured supply chain helping to reduce this
- International trade and tariffs, with supply chain China weighted at present

Key influences on the share price

Bull points

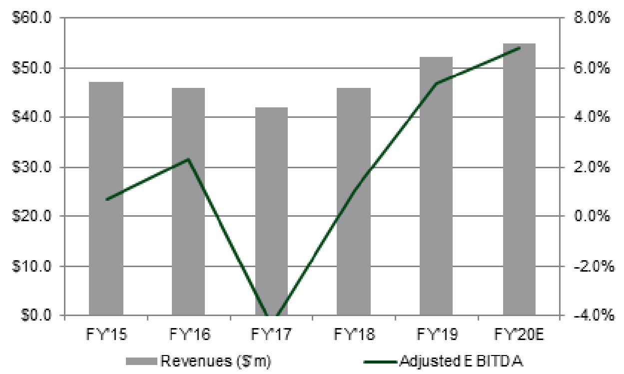
- Improved visibility on revenues through multi-year software sales is improving quality of cash-flows
- Refreshed strategy under new management team
- Return to profitability, positive traction in core business
- Current rating is undemanding versus peers
- Exposed to positive structural trends (data analytics and workflow automation, cyber security, cloud)

Bear points

- Perceived lack of business scalability
- Execution surrounding cash-generation and margin improvement is at early stage
- Market sensitivity to slippage in revenues as a function of previous management execution
- Limited liquidity
- Institutional shareholder interest previously subdued

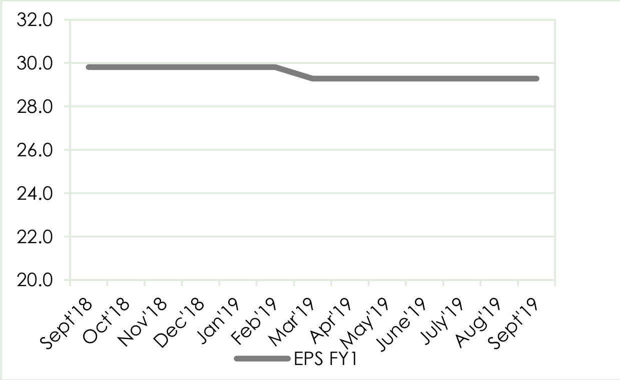
Assumptions underlying forecasts

- Revenue growth in FY'20E expected to be broadly in-line with the general market (+6% y/y)
- Adjusted EBITDA margin up 140bps y/y to 6.8% (FY'19E: 5.4%; FY'18: 1.0%)
- Share-based payments to rise driven by 2018 LTIP. $0.4m expense forecast in FY'20E (FY'19E: $0.2m)
- Utilisation of tax losses keeps effective rate negative, further losses available for utilisation beyond explicit period.



What has happened to forecasts?

- FY1 EPS forecasts have remained broadly unchanged over the last 12-months at $0.29/share
- Small amount of additional cost related to new marketing strategy focused on lead generation, and hires added into forecasts for FY'19E (c.$65k)
- FY'20E added, looking for 6% top-line growth and 33% EPS growth
- FY'19E net cash forecast increased by $0.5m to $2.6m on cost related adjustments and modest working capital changes
- Net cash forecast to be $4.4m by Dec-20, $1.8m up y/y



How does the market view IndigoVision?

IndigoVision has received limited institutional interest in recent years driven by a run of historical misses. Lumpy and unpredictable revenues have previously made forecasting challenging for investors, and with a prevailing perception of hardware focus, the market has also been historically concerned about commoditisation of products. However, new management has since entered, driving steady top-line growth through a broadened network of channel partners whilst also restructuring its global workforce. The value proposition has also been better communicated to the market, with a building software element to revenues alongside differentiated hardware resale. Improving performance has seen an uptick in investor interest, although work still needs to be done to convince institutions that growing profitability is sustainable.

How do we view IndigoVision?

We see IndigoVision as offering high value potential to investors. A refreshed management team, in place for the past 2-years, has invested into new operational systems and sales teams, and is delivering positive underlying performance, especially in the core US market. Video Management Software (VMS) and Video Content Analysis (VCA) are benefitting from strong demand for data analytics, cyber security and cloud opportunities, transforming views on the industry. The group is well placed to capitalise on heightened interest, offering solutions which both play in to the replacement cycle as systems shift to IP-video and HD CCTV, and are also compatible with legacy networks to patch vulnerabilities for companies less willing to spend. Further opportunities have been identified in both the SME market (targeted with new Integra all-in-one products) and Enterprise markets.

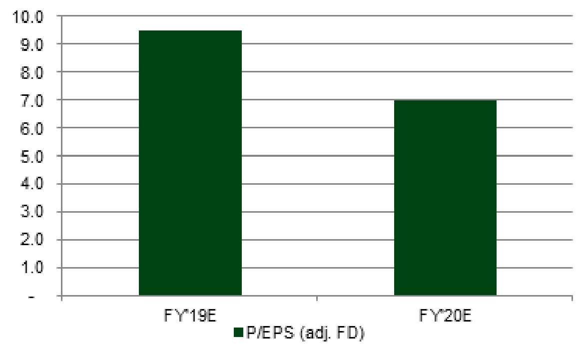
What are the pivotal issues?

Unlocking the value potential in IndigoVision will be based on four pivotal issues: 1) Improved market dynamics, which are being supported by exposure to cyber security and data analytic trends; 2) Further penetration of existing markets, both geographic and SME; 3) Better visibility of revenues and improved working capital management leading to greater cash conversion; and 4) Execution against growth targets and return to profitability. IndigoVision is well positioned in a consolidating market with rising barriers to entry, and we believe that further supportive drivers (upgrade replacement cycle of equipment/ increased focus on cyber threats) will deliver sustainable growth trends on a long-term view.

Pivotal issues: Market dynamics improving, Development of existing markets, Operational improvements, Strategy execution

How do we value IndigoVision?

- We value IndigoVision on a P/E multiple basis
- We use a peer-based analysis approach to valuation, contrasting multiple with a cross-section of companies with similar characteristics
- Our peer- group currently trades on 16.0x FY'19E calendarised earnings (versus IndigoVision: 8.4x)
- Given thin trading, we believe a liquidity discount of c.33% to peers is reasonable, although this still leaves strong value at current levels.
- Share price is at just a 4% discount to FY'19E NAV



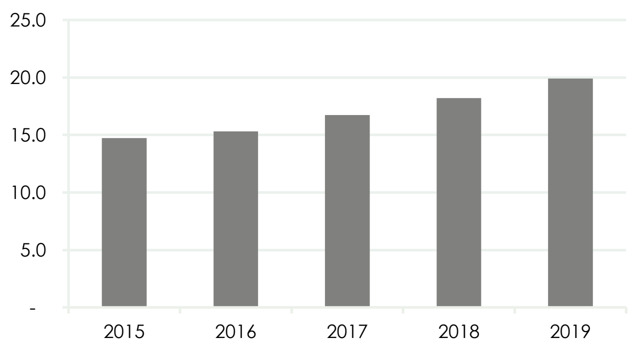
Pivotal Issues

Market dynamic improvement

IndigoVision operates within the video surveillance market, a sector estimated to have generated c.$18.2bn of revenues in 2018 according to a recent IHS markit report, with growth of 8.7%[1] delivered in 2018. Growth in this sector has accelerated from 3.9% in 2016, benefitting from rising demand for IP-Video and HD CCTV, both of which are supportive of emerging themes such as VCA and VSaaS (Video Surveillance as a Service)[2]. The step-up in demand for HD and IoT products has stimulated a replacement cycle in video surveillance market, which IndigoVision looks well placed to benefit from. IndigoVision offers a differentiated, end-to-end, premium solution, deploying a distributed network with no single point of failure. A key strength is the group's valuable customer book, built up over 20 years in the industry. For this note we estimate a conservative growth trajectory of 6% for the broader surveillance industry for 2020.

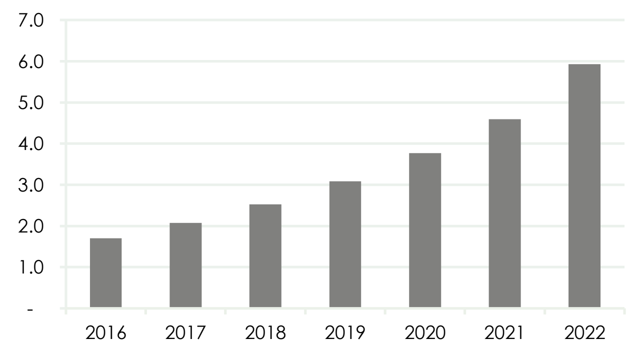
Segmented by component, the video surveillance market is divided into Hardware, Software and Services. Core IP for IndigoVision lies within the Software segment targeting network creation, integration and design of VMS networks, deploying into a global network of systems integrators and distributors. IndigoVision's end-markets are high quality, covering global financial institutions, public sector entities, airports, shopping malls and large casinos, amongst other verticals. The group acts largely as a reseller of hardware, sourcing from a range of OEMs in this more commoditised market, helping avoid direct competition with large Chinese manufacturers through differentiation and trusted software.

Figure 1: Global Professional Video Surveillance Equipment market size ($'bn)



Sources: IHS Markit – Markit Insights report

Figure 2: Global Video-Surveillance-as-a-Service market size ($'bn)



Sources: Market and Markets – VSaaS market report

The market dynamic is improving for IndigoVision. Barriers to entry into VMS have been rising driven by three key factors:

- ***Regulatory scrutiny:*** Regulatory standards (such as ISO for cyber compliance), certifications and best practises have created challenges for new VMS entrants.
- ***Improving software:*** Visual content analysis solutions either developed in-house, in partnership with 3rd parties, or integrated on licence from developers have greatly increased surveillance capabilities. Software is now differentiated by resilience, security, data collection and analytical capability. The introduction of machine learning algorithms and 'smart' data reporting represent further opportunities to differentiate services.
- ***Cloud, VSaaS and surveillance over IP:*** The distributed network eliminates the risk of a single point of failure which is inherent in networks containing a central server. Monitoring remotely is also enabled, reducing cost of networks and delivering immediate return on investment to customers.

Structurally positive drivers are leading to consolidation within IndigoVision's fragmented end-market. Deals in the past 2-years include Avigilon's takeover by Motorola (video-surveillance solutions; $1bn, 2.4x EV/sales), Briefcam by Canon (video content analytics software) and OnSSI by Qognify. IndigoVision is one of an increasingly small number of independent operators left competing.

[1] *https://technology.ihs.com/616280/global-professional-video-surveillance-equipment-market-set-for-third-year-of-near-double-digit-growth-in-2019*
[2] *https://blog.marketresearch.com/increasing-penetration-of-ip-cameras-driving-the-global-video-surveillance-market*

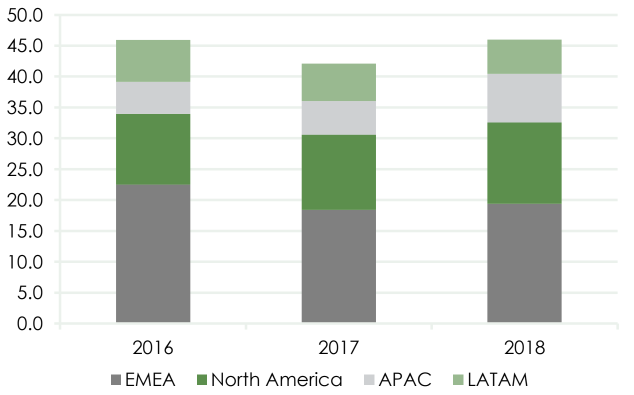
Development of existing markets

IndigoVision's top-line turnaround has been supported by growth in North America and APAC, which have become increasingly important components of the top-line. North America and APAC now make up a combined 46% of total sales compared to 36% in 2016. Management have sought to continue to drive growth through a number of initiatives including:

- Restructure of the sales team globally, putting more focus on sales support teams in other geographies. IndigoVision now has presence in 23 countries globally, delivering to >100 countries.
- Key new hires have been made to improve marketing, customer care and product management. Vikki Macleod has been brought in as NED (March 2019), strengthening the Board's technical skills around software and supported by a new VP of product management with a background in software development. A new head of marketing was appointed in March, with the aim of improving lead generation, brand awareness and marketing communications.
- The introduction of an improved CRM, as well as increased internal sales lead validation is expected to help in both lead generation and forecast revenue visibility.
- A new head of Customer Care has also been added, with a customer experience focus aimed at generating a further improvement in customer satisfaction and repeat sales.

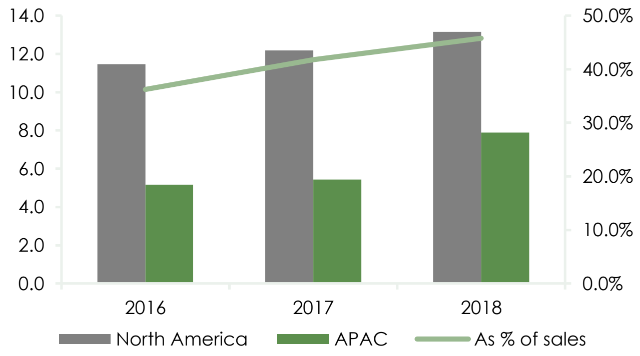
The group's distributed global network of channel partners and sales teams is expected to help accelerate presence in the key US market where historically IndigoVision has faced challenges on entry. Sales growth for North America of 15% y/y in H1'19 is encouraging, and we see potential for further improvement going forward.

Figure 3: Revenues by region ($'m)



Sources: Company data, N+1 Singer estimates

Figure 4: Revenues ($'m; LHS); NA & APAC as % of group sales (RHS)



Sources: Company data, N+1 Singer estimates

Management have ambitions to extend the group's software real-estate to include additional command and control functions. Investment in R&D, primarily through salary expenses, is expected to remain at between $3.0m - $4.0m, driving further upgrades in the product set. R&D is predominately expensed in the year in which it is incurred.

Operational efficiency to lead to improved cash generation

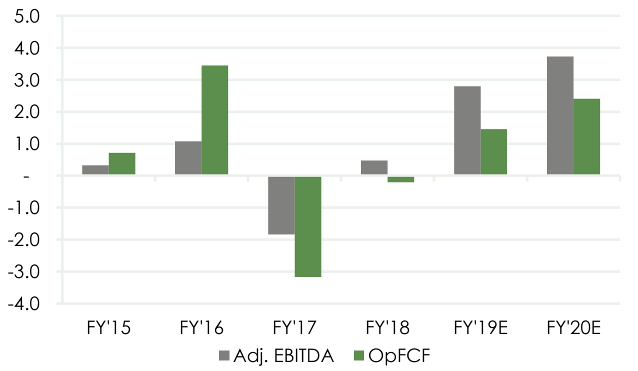
Significant investment has been made in driving operational efficiencies within the group which has helped to deliver gross margin improvement from 50% to 58% in the last two years. Investment into operations has reduced the beneficial pass-through to EBITDA to date, however completion of the following investment programmes are likely to unlock value for the Group in the near-term:

- ***Investment into customer support:*** Alongside lead generation, a customer support focus is helping to drive higher levels of repeat business, improving revenue visibility. Visibility is also benefitting from a higher proportion of direct end-user relationships (as opposed to through system integrators), and increasing SME sales (shorter sales cycles).
- ***Working capital management:*** Investment into the new NetSuite platform has supported a strong improvement in inventory management and reporting. Regression analysis of seasonal demand trends and orders by line has enabled the tightening of a number of inventory lines with inventory now at $7.4m, its lowest to date. NetSuite is also helping reduce obsolescence of inventory lines, previously estimated to cost close to $0.4m/annum.

- ***Internal sales validation processes:*** Greater internal sales validation has been enabled, with projects undergoing more rigorous testing under new management prior to entering company forecasts and budgets.
- ***CRM (from Oct):*** Investment into a new customer relationship management platform is expected to support continuation of rising sales and improved budgeting. Alongside the savings from eliminating duplicate CRM licences, further benefits include real-time working capital and sales reconciliation, as well as regression analysis enabling improvements in procurement recommendations.

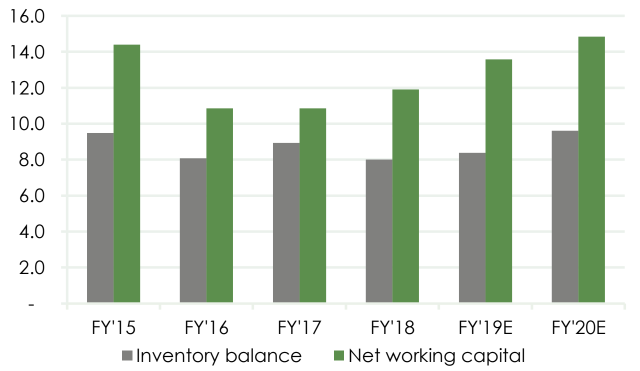
We see the above changes leading to improved cash-generation over time. Net working capital is conservatively maintained in our forecasts at 27% of sales, up from its FY'16 low of 24%. Our forecast inventory balance conservatively moves back to above $8m by the end of FY'19E factoring in increasing sales and a distributed supply chain. This also factors in a small strategic increase in stock prior to Brexit or potential further US-China trade tariff introductions. We note that management recently signed a new $10m debt facility providing security over funding and adding potential firepower for small technology acquisitions should opportunities arise.

Figure 5: Adjusted EBITDA and OpFCF ($'m)



Sources: Company data, N+1 Singer estimates

Figure 6: Inventory balance and net working capital ($'m)



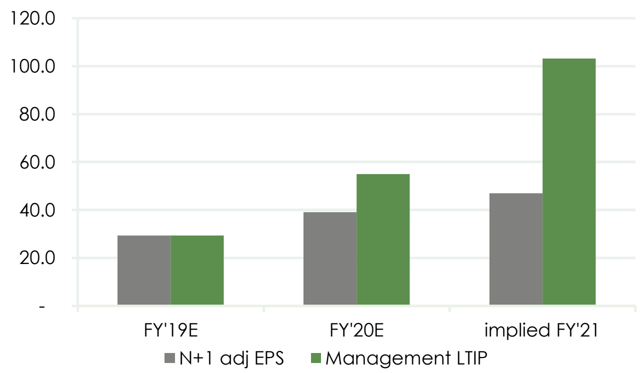
Sources: Company data, N+1 Singer estimates

Execution against management long-term growth targets

Whilst management has not set explicit medium-term targets for growth, we are encouraged by those targets implicit in the management Long Term Incentive Plan (LTIP) set up in 2018. Management is incentivised through a performance pool of ordinary shares which equals 20% of the Group's issued share capital. In order to achieve the entire pool however, management must deliver an FY'21 EPS figure greater than or equal to $1.00/share (FY'18: -$0.04/share; FY'19E: $0.29/share). Management is able to participate in part of this pool if EPS rises beyond $0.20/share by FY'20, although benefits are weighted towards the higher end. We note that management must also maintain EPS above the FY'21 level for the next 3-years, or risk ceding part of the pool back to the company. In the event of a takeover within the 3-year period post FY'21, all achieved incentive shares would vest at that point.

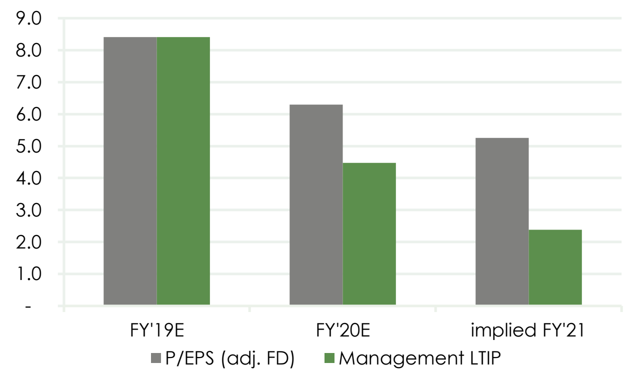
A target of $1.00/share equates to EPS CAGR of 88% based off our FY'19E EPS forecast. We see management LTIP EPS targets as stretch targets, with our new forecasts showing FD adj EPS growth of 33% in FY'20E. If management were able to achieve this growth, and repeat that performance again in FY'21, EPS reaches $0.47/share.

Figure 7: LTIP and N+1 EPS forecasts ($c)



Sources: Company data, N+1 Singer estimates

Figure 8: P/E multiples based on LTIP and N+1 valuation (x)



Sources: Company data, N+1 Singer estimates

Forecasts and valuation

Forecasts

We have taken this opportunity to introduce FY'20E numbers into the market. We also make some very minor adjustments to our FY'19E profit and loss forecasts, and lift our cash forecasts resulting from stronger working capital management than anticipated. Key forecast highlights are:

- Our FY'19E sales forecasts remain unchanged, whilst company reported EBITDA moves up by 1% as a result of IFRS16 impact, offset in part by modest cost increases in relation to investment in marketing and recent hires in engineering and senior management.
- Our FY'19E cash closing position is upgraded to $2.6m as a result of better than expected working capital management. Working capital is expected to be 90bps lower as a % of FY'19E sales than previously forecast ($0.5m), although this is still 20bps higher than the FY'18 outturn (FY'19E: 26.1%; FY'18: 25.9%).
- FY'20E forecasts are introduced targeting 6% revenue growth, broadly in-line with expectations for the wider industry. This results in adjusted PBT growth of 37% y/y, with the benefits of positive operational gearing expanding profit margins. Adjusted FD EPS is expected to reach $0.39/share, 33% higher than FY'19E.
- Adjusted EBITDA (ex.SBP, adding back pre-IFRS16 operating lease expenses) would have been forecast to rise 37% y/y. EBITDA is expected to rise a more modest 30% y/y in FY'20E as a higher level of LTIP benefit is expensed.
- Cash conversion is expected to improve from 51% in FY'19E, to 64% in FY'20E. Net cash is expected to rise by 72% to $4.4m by Dec-20.

Figure 9: N+1 Singer Updated Forecasts

		FY'19E	Change	FY'20E	growth
	Old	New		New	
Revenues	**52.0**	**52.0**	**0%**	**54.9**	**6%**
Adjusted EBITDA	2.9	2.9	-1%	3.7	30%
margin (%)	*5.6%*	*5.6%*		*6.8%*	
Adjusted PBT	**2.0**	**2.0**	**0%**	**2.7**	**37%**
EPS	**29.3**	**29.3**	**0%**	**39.0**	**33%**
Cash	2.0	2.6	26%	4.4	72%

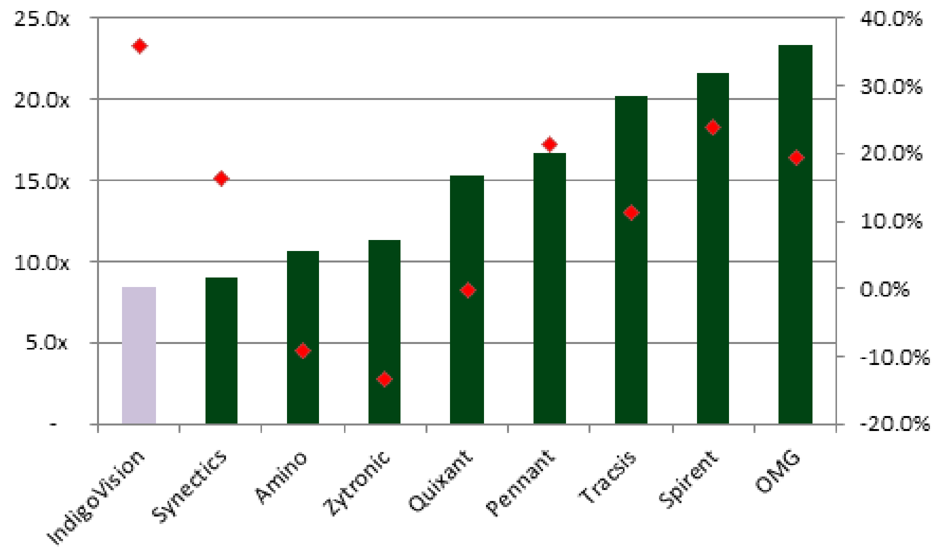
Sources: Company data, N+1 Singer estimates

Valuation

We believe a peer comparison approach is the most appropriate method of valuation for IndigoVision. There are a number of comparable peers within the UK small- and mid- cap space who exhibit similar operational and financial characteristics as IndigoVision. All of the companies within our plotted peer group operate on different fiscal year-ends. We have plotted cal'19 P/E multiples against 3-year EPS CAGR expected between cal'17 and cal'20. EPS CAGR reflects not only expected growth but also delivered growth to date as we believe the track record is as important as future performance. As one might expect, there is a direct correlation between the multiple investors are willing to pay vs. the historic and expected sales momentum.

IndigoVision's FY'19 earnings multiple of 8.4x looks attractive versus peers, with this view also supported by management's buy-back programme. Inclusive of a liquidity discount of 33%, a peer-based approach suggests an intrinsic P/E valuation multiple of 10.7x is potentially achievable over time if management continue to deliver against the group's current growth strategy. This equates to an intrinsic value per share of 310p/share based on our FY'19E forecasts.

Figure 10: Cal'19E P/E multiple (LHS); 3-year EPS CAGR (cal'17 – cal'19; RHS)



Sources: Company data, N+1 Singer estimates

Summary financials* & Key data

Income statement**	2016	2017	2018	2019E	2020E
Revenue	**45.9**	**42.1**	**46.0**	**52.0**	**54.9**
EBITDA (adj.)	**1.1**	**-1.8**	**0.5**	**2.8**	**3.7**
Dep. & amort. (ex acq'd intangibles)	-0.9	-0.9	-0.9	-0.7	-0.9
EBITA (adj.)	**0.2**	**-2.7**	**-0.4**	**2.1**	**2.9**
JVs, associates & other income	0.0	0.0	0.0	0.0	0.0
Net interest	0.0	0.0	0.0	-0.1	-0.2
IAS 19 pension	0.0	0.0	0.0	0.0	0.0
PBT (adj.) *	**0.2**	**-2.7**	**-0.4**	**2.0**	**2.7**
Amort. of acquired intangibles	0.0	0.0	0.0	0.0	0.0
Exceptionals	-0.3	-0.4	-0.0	-0.2	-0.4
PBT (IFRS)	**-0.2**	**-3.1**	**-0.4**	**1.8**	**2.3**
Tax (adj.)	0.3	0.2	0.3	0.2	0.2
Tax rate (adj.) %	-188.9	7.6	82.6	-8.3	-8.0
Minorities & other	0.0	0.0	0.0	0.0	0.0
Net income (adj.)	**0.5**	**-2.5**	**-0.1**	**2.2**	**2.9**
EPS (adj., FD, ¢)	**6.4**	**-33.2**	**-1.0**	**29.3**	**39.0**
EPS (reported, basic) (¢)	-40.4	-39.0	-1.3	24.8	34.1
DPS (¢)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Avg no. of shares - basic (m)	7.5	7.4	7.4	7.4	7.4
Avg no. of shares - diluted (m)	7.5	7.4	7.4	7.4	7.6

Cash flow**	2016	2017	2018	2019E	2020E
EBITA (adj.)	0.2	-2.7	-0.4	2.1	2.9
Depreciation & amortisation	0.9	0.9	0.9	0.7	0.9
Change in working capital	4.2	0.6	-0.7	-1.7	-1.3
Exceptional items	0.0	0.0	0.0	0.0	0.0
Other cash & non-cash movements	-1.8	-0.6	0.2	0.8	0.4
Operating cash flow	**3.4**	**-1.8**	**-0.0**	**1.9**	**2.9**
Net interest	0.0	0.0	0.0	-0.1	-0.2
Tax	0.7	0.2	0.2	0.2	0.2
Cash flow from operations	**4.2**	**-1.6**	**0.2**	**2.0**	**2.9**
Net capex	-0.7	-1.6	-0.4	-0.6	-0.6
JV/minority dividends	0.0	0.0	0.0	0.0	0.0
Free cash flow	**3.5**	**-3.2**	**-0.2**	**1.4**	**2.3**
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0
Net share issues	0.0	-0.3	0.0	-0.4	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
FX/other	-0.0	-0.2	-0.3	-0.4	-0.4
Change in net cash (debt)	**3.4**	**-3.6**	**-0.6**	**0.5**	**1.8**
Net cash/(debt)	**6.2**	**2.6**	**2.0**	**2.6**	**4.4**
FCFPS - FD (¢)	46.2	-42.5	-2.8	18.4	29.8

Balance Sheet**	2016	2017	2018	2019E	2020E
Property, plant & equipment	1.2	1.5	1.0	1.0	0.8
Intangible assets	0.0	0.4	0.4	0.3	0.3
Inv., JVs & other non-curr. assets	1.7	1.8	1.7	3.5	3.2
Net working capital	10.9	10.9	11.9	13.6	14.9
Cash & cash equivalents	6.2	2.6	2.0	2.6	4.4
Borrowings	0.0	0.0	0.0	0.0	0.0
Other assets/liabilities	-0.2	-0.2	-0.5	-2.1	-1.8
Net assets	**19.8**	**16.9**	**16.5**	**18.9**	**21.8**
Minorities	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	**19.8**	**16.9**	**16.5**	**18.9**	**21.8**
NAV per share (¢)	264.6	227.6	223.5	255.6	295.1

Enterprise value**	2016	2017	2018	2019E	2020E
Market cap	18.1	18.1	18.1	18.1	18.1
Net debt/(cash)	-6.2	-2.6	-2.0	-2.6	-4.4
Pension deficit	0.0	0.0	0.0	0.0	0.0
Minorities/investments/other	0.0	0.0	0.0	0.0	0.0
Enterprise value	**11.9**	**15.5**	**16.1**	**15.5**	**13.7**

Valuation (current price)**	2016	2017	2018	2019E	2020E
EV/sales (x)	0.3	0.4	0.3	0.3	0.2
EV/EBITDA (x)	11.1	n/m	33.7	5.6	3.7
EV/EBITA (x)	71.8	n/m	n/m	7.4	4.8
EV/NOPAT (x)	24.9	n/m	n/m	6.8	4.4
P/E (x)	38.5	n/m	n/m	8.4	6.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	18.7	-17.3	-1.1	7.5	12.1
P/B (x)	0.9	1.1	1.1	1.0	0.8

Growth rates (adj.)**	2016	2017	2018	2019E	2020E
Revenue (%)	-2.5	-8.3	9.2	13.2	5.5
EBITDA (%)	228.8	n/m	n/m	486.2	33.4
EBITA (%)	n/m	n/m	n/m	n/m	37.4
PBT (%)	n/m	n/m	n/m	n/m	36.8
EPS (%)	n/m	n/m	n/m	n/m	33.2
DPS (%)	-	-	-	-	-
FCFPS (%)	381.2	n/m	n/m	n/m	61.9
NAV (%)	-15.2	-14.4	-2.6	14.3	15.5

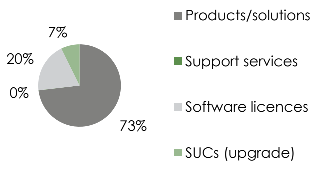
Margins/returns**	2016	2017	2018	2019E	2020E
EBITDA margin (%)	2.3	-4.4	1.0	5.4	6.8
EBITA margin (%)	0.4	-6.4	-0.9	4.0	5.2
PBT margin (%)	0.4	-6.3	-0.9	3.8	5.0
ROE (%)	2.4	-14.6	-0.4	11.5	13.5
ROCE (%)	2.4	-14.6	-0.4	12.0	14.3

Ratios**	2016	2017	2018	2019E	2020E
Interest cover (x)	n/m	223.7	n/m	21.0	19.2
Dividend cover (x)	n/m	n/m	n/m	n/m	n/m
NWC/revenue (%)	23.6	25.8	25.9	26.1	27.1
Cash conversion (%)	720.8	128.2	285.9	62.9	76.4
Net debt/EBITDA (x)	n/m	1.4	n/m	n/m	n/m
Gearing (%)	n/m	n/m	n/m	n/m	n/m

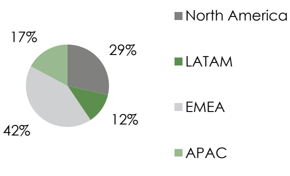
Company description

IndigoVision Group Plc engages in the development, manufacture, and sale of networked video security systems. It operates through the following geographical segments: Europe, Middle East, and Africa; North America; Latin America; and Asia Pacific. Its products include management software; artificial intelligence; management hardware; cameras and encoders; recorders; specialized cameras; body worn video; and integration. The company was founded by Oliver Richard Vellacott in 1994 and is headquartered in Edinburgh, the United Kingdom.

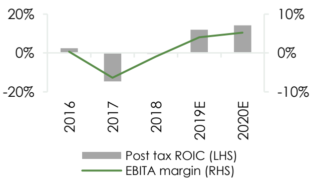
Gross profit by geography



Revenue by type



Post Tax ROIC & EBITA Margin



Shareholders (%)

New Pistoia Income Limited	27.5	Archon Capital Management	4.4
FARMILOE RICHARD WINSTON	6.7	GYLLENHAMMAR PETER JAN PATRICK VALENTIN	4.3
Sorbus Partners LLP	6.1	Chruch House Investments	3.8
Interactive Investor	6.1	Hargreaves Lansdown Asset Management Ltd	3.4
GROSSART HAMISH MCLEOD	5.6	THOWLESS REEVES MAX WILLIAMS	2.1

**In certain instances PBT (adj.) excludes IAS-19 to avoid distortions. **Year end Dec. All sources: N+1 Singer, Company accounts, FactSet*

Important disclosures

Analyst certification

The analyst(s) responsible for preparing this research report or sections of this report, in whole or in part, hereby certify/ies that, with respect to any and all of the securities or issuers that the analyst(s) cover(s) in this report, the views expressed in this report accurately reflect the individual research analyst's personal views. In addition, no part of the research analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or view expressed in this report or summary.

Stock ratings

Recommendation / Shares outstanding (m) / Target price

IndigoVision Group (GBP)			
Date	**Rec**	**Shares**	**TP**
As of 21-Oct-18	Corporate	7	

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, financial advisor 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://www.n1singer.com/legalandreg/Further-Research-Disclosures.pdf

Disclaimer

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 is 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.

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.

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 may act as market maker in the securities of companies discussed in this communication (or in any related investments) and may provide investment banking services to such companies in respect of which it receives compensation.

Notwithstanding the above, N+1 Singer makes every effort to ensure the impartiality of N+1 Singer research and strives to ensure that the research it produces is clear fair and not misleading.

To manage any potential conflicts of interest that arise in connection with its research business, N+1 Singer has in place a Conflicts of Interest policy which is available on the N+1 Singer website at 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.

The content may include data provided by **FTSE International Limited** ('FTSE') © FTSE 2017. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/ or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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