

Encouraging Trading; In Line with Expectations

IndigoVision has reported an encouraging first interim period with most metrics improving significantly. Order intake is well ahead of last year and the new camera range is performing well. Importantly, sales in both EMEA and the US have increased by 23%, having shown little growth in recent periods, suggesting early benefits from management's restructuring initiatives. This has been a more robust and consistent period of progress and we now look to further updates as 2014 progresses, to confirm that the improvements are being sustained. Underlying operational forecasts are unchanged, but we have upgraded EPS by 21% to 49.0p thanks to a much lower anticipated tax rate.

- Solid Start to the 17 Month Period** – As indicated in the AGM statement in November, the interims confirm that trading since the end of July has been encouraging. As previously discussed, we expect the main impact of the sales investment to be felt towards the end of the 17 month period, but it does appear as if we are already starting to see some benefits, perhaps from initial management change. Sales in the 6 month period were £18.4m, 14% ahead of the prior year; with PBT 34% ahead at £1.27m. EPS of 15.9p was 51% ahead of last year due to a much lower tax rate than anticipated, thanks to extended tax loss and R&D related benefits. The interim dividend is up 9% to 6p and cash balances are up to £1.8m (£0.8m at 31 July 2014).
- Positive Project Wins** – Some impressive projects have been shipped during the period, including Brazil World Cup related projects, Sao Paulo International Airport and Malaysian city surveillance.
- Significant EPS Upgrade** – Our trading forecasts are unchanged but we have upgraded fully diluted EPS by 21%, (from 40.6p to 49.0p), reflecting a much lower tax rate than anticipated (6% down from 24%) as mentioned above.
- Period of Transition** – Since becoming Chief Executive in 2011, Marcus Kneen has undertaken a full review of Group operations and strategy and has implemented improvements in many areas, particularly sales and hardware. Some of the changes have been significant and should start to benefit the Group in the current period.
- 17 Month Period** - Our forecast period is 17 months to December 2014 following a change of year end from July to December, to come into line with partners and peers.

Financials and Valuations

Year End Dec.	2012	2013	2014E
Revenue (£m)	30.3	32.0	54.0
EBITDA (Adj.) (£m)	3.0	2.4	4.5
PBT (Adj.) (£m)	2.7	2.1	4.0
EPS (Adj., FD) (p)	25.0	23.1	49.0
Consensus EPS (p)	-	-	28.9
DPS (p)	80.0	11.0	14.0
Net Cash/(Debt) (£m)	6.0	0.8	2.5

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

* 2012 and 2013 are July year ends; 2014 is a 17 month period to 31 December 2014

Date 06 Mar 14

Price* 358p
2014E Dividend 3.9%
*Price as at COB 05/03/2014

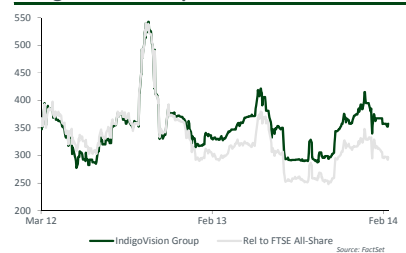
Forecast Sensitivity 3
Fundamental View Positive

Market Cap (£m) 27
Enterprise Value (£m) 25

Shares in Issue (m) 8
Freefloat (%) 76%
Avg. Daily Volume ('000s) 6

Next Event 12/09/2014
2nd Interim Results

IndigoVision Group Price Chart



	1M	3M	12M
Absolute %	-2.1	-3.1	7.5
Rel. Market %	-7.6	-8.3	-2.2
Rel. Sector %	-15.3	-8.8	0.7

Source: FactSet

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Summary Financials (values in £m unless specified)

Income Statement - Year End Dec.	2012	2013	2014E
Revenue	30.3	32.0	54.0
EBITDA (Adj.)	3.0	2.4	4.5
Depreciation & Amortisation (Ex Acq'd Intangibles)	-0.4	-0.4	-0.5
EBITA (Adj.)	2.7	2.0	4.0
JVs, Associates & Other Income	0.0	0.0	0.0
Net Interest	0.0	0.0	0.0
IAS 19 Pension	0.0	0.0	0.0
PBT (Adj.) *	2.7	2.1	4.0
Amortisation of Acquired Intangibles	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0
PBT (IFRS)	2.7	2.1	4.0
Tax (Adj.)	-0.8	-0.3	-0.2
Tax Rate (adj.) %	29.1	16.3	6.0
Minorities & Other	0.0	0.0	0.0
Net Income (adj.)	1.9	1.7	3.8
EPS (Adj., FD) (p)	25.0	23.1	49.0
EPS (Reported, Basic) (p)	25.4	23.3	50.3
DPS (p)	80.0	11.0	14.0
Average Number of Shares - Basic (m)	7.5	7.5	7.5
Average Number of Shares - Diluted (m)	7.6	7.5	7.7
Cash Flow - Year End Jul.	2012	2013	2014E
EBITA (Adj.)	2.7	2.0	4.0
Depreciation & Amortisation	0.4	0.4	0.5
Change in Working Capital	-0.4	-1.1	-1.2
Exceptional Items	0.0	0.0	0.0
Other Cash & Non-Cash Movements	-0.6	0.1	-0.2
Operating Cash Flow	2.0	1.4	3.1
Net Interest	0.0	0.0	0.0
Tax	-0.0	-0.0	-0.1
Cash Flow from Operations	2.0	1.4	3.0
Net Capex	-0.3	-0.6	-0.6
JV/Minority Dividends	0.0	0.0	0.0
Free Cash Flow	1.6	0.8	2.4
Acquisitions/Disposals	0.0	0.0	0.0
Net Share Issues	-0.2	0.0	0.0
Dividends	-0.6	-6.0	-0.8
FX/Other	0.1	0.0	0.0
Change in Net Cash (Debt)	0.9	-5.2	1.7
Net Cash/(Debt)	6.0	0.8	2.5
FCFPS - FD (p)	21.6	11.0	31.4
Balance Sheet - Year End Jul.	2012	2013	2014E
Property, Plant & Equipment	0.5	0.6	0.6
Intangible Assets	0.1	0.1	0.1
Investments, JVs & Other Non-Current Assets	3.6	2.6	1.6
Net Working Capital	8.2	8.2	9.0
Cash & Cash Equivalents	6.0	0.0	0.0
Borrowings	0.0	0.0	0.0
Other Assets/Liabilities	-0.1	2.6	2.8
Net Assets	18.3	14.1	14.1
Minorities	0.0	0.0	0.0
Shareholders' Equity	18.3	14.1	0.0
NAV per Share (p)	243.9	188.5	0.0

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 Dec.	2012	2013	2014E
Market Cap.	27.1	27.1	27.1
Net Debt/(Cash)	-6.0	-0.8	-2.5
Pension Deficit	0.0	0.0	0.0
Minorities/Investments/Other	0.0	0.0	0.0
Enterprise Value	21.1	26.2	24.6

Growth Rates (Adj.) - Year End Dec.	2012	2013	2014E
Revenue (%)	4.8	5.7	68.9
EBITDA (%)	101.5	-20.2	86.7
EBITA (%)	123.2	-23.1	95.3
PBT (%)	121.4	-22.4	93.0
EPS (%)	207.9	-7.6	111.9
DPS (%)	966.7	-86.3	27.3
FCFPS (%)	13.4	-49.1	185.7
NAV (%)	4.5	-22.8	0.0

Margins/Returns - Year End Dec.	2012	2013	2014E
EBITDA Margin (%)	10.0	7.5	8.3
EBITA Margin (%)	8.8	6.4	7.4
PBT Margin (%)	8.9	6.5	7.4
ROE (%)	10.4	12.3	n/m
ROCE (%)	10.5	10.6	53.2

Ratios - Year End Dec.	2012	2013	2014E
NWC/Revenue (%)	27.0	25.6	16.7
Cash Conversion (%)	86.3	47.5	64.1
Gearing (%)	n/m	n/m	n/m

Source: N+1 Singer, Company Accounts

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Key: Buy Hold Sell Corporate

Share Price Target Price

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