

IndigoVision Group (IND LN)

Full Year Results

CORPORATE

IT Hardware

Current price*: 127p

Mkt cap (£m): 10

1 March 2018

Period of stabilisation targeted

N+1 Singer view

Results are as indicated in the November trading update and, as the Chairman states, were not acceptable with IndigoVision 'not achieving its full potential'. Significant Board, leadership and strategic changes have since been made including the restructuring of the North American business at a cost of c.\$2m. Management is considering FY18 to be a period of stabilisation with a break even result. After what was described as an encouraging start to the year, we await further updates from the new Chief Executive with interest as the year progresses.

Final results

Results were in line with the revised expectations outlined in the November trading update with sales of \$42.3m and an underlying operating loss of \$2.4m (\$2.8m after exceptional costs). No final dividend was proposed as previously indicated. Net cash remained strong at \$2.6m. In November, then Chief Executive Marcus Kneen left the Board with immediate effect and Pedro Simoes, who had been recently appointed Senior VP Global Sales, was appointed Chief Executive. As discussed in November, the changes implemented in North America (cost c.\$2m) are showing signs of delivery, with the sales pipeline growing, but the Middle East had seen more difficult conditions with unforeseen delays in securing a number of large contracts.

Significant changes have been made throughout the Group; the new strategic direction is focussing on delivering value to the customer and exploiting the strength of the Group's proprietary software. Specific areas include:

- Development of CyberVigilant® technology, adding extra cyber protection to customers' networks;
- Review of IndigoPro and IndigoLite software tiering for customers with systems of less than 50 cameras; and
- Complete restructuring of the North American sales and support team, which has been expanded by 60% and is under new leadership.

Whilst significant progress is expected during 2018, the full benefit will not be felt until FY19 and a break even result is being targeted this year.

Impact on earnings & valuation

We reintroduce FY18 forecasts which show sales growth of 13.5% and, as indicated in the results, break even PBT. For now, we assume no dividend payment and still see strong net cash (\$1.1m) at the year end.

As the year progresses we expect more clarity on the outlook for FY19.

Financials and valuations**

Year end Dec	2014 [^]	2015	2016	2017	2018E
Revenue (\$m)	82.5	47.1	45.9	42.3	48.0
EBITDA (adj.) (\$m)	5.6	0.4	1.3	-1.6	0.9
PBT (adj.) (\$m)	4.3	-0.8	0.4	-2.4	0.0
EPS (Adj., FD) (¢)	60.5	0.0	9.0	-29.6	2.7
Consensus EPS (¢)	-	-	-	-26.9	-
DPS (pence)	17.0	2.5	3.0	0.0	0.0
Net cash/(debt) (\$m)	2.6	2.8	6.2	2.6	1.1
EV/EBITDA (x)	-	-	5.4	-	10.2
P/E (x)	-	-	19.1	-	46.9
Dividend yield (%)	13.6	2.0	2.4	0.0	0.0

[^]17 month period

* Price as at COB 28/02/2018. ** Sources: N+1 Singer, Company accounts, FactSet

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Stock ratings

Recommendation / Shares outstanding (m) / Target price

IndigoVision Group (GBP)

Date	Rec	Shares	TP
As of 01-Mar-17	Corporate	8	

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