

IndigoVision Group (IND LN)

Company Update - Forecasts under review

CORPORATE

IT Hardware

Current price*: 115p

Mkt cap (£m): 9

10 January 2019

Losses reduced in FY18 with momentum building

N+1 Singer view

Today's update confirms solid year on year progress, with sales expected to increase by 9% to \$45.9m in FY18 (N+1SE: \$48.0m) and the positive gross margin trend continuing throughout the year. However, whilst the Group expects to report a significant reduction in its operating loss in the year, the revenue shortfall means it is now expected to be loss making in FY18 vs. our break even forecast. A strong cash outperformance is a key positive in the statement, with net cash at the period end standing at \$2.0m (N+1SE: net debt of \$2.6m). This was driven by an improvement in payment terms and a reduction in inventories. We expect to update our forecasts at the results in March, but place them under review for now. With momentum continuing to build in response to recent management actions, we expect a further performance improvement in FY19.

Event

The year end trading update highlights that sales in the year ended 31st December 2018 are expected to have increased by 9% YoY to \$45.9m. The positive trend on gross margins reported in the interim results was maintained throughout the year. In 2018, the Company expects to report a significant reduction in its operating loss. Net cash at 31st December stood at \$2.0m, a strong improvement driven by a focus on working capital management. The Company is continuing its discussions with debt providers to replace the existing Royal Bank of Scotland overdraft facility which expires on 28 February 2019. Preliminary results will be published on 7th March 2019.

Impact on earnings & valuation

We will update our forecasts alongside the results in March, placing them under review for now. We expect the Group to be loss making in FY18 vs. our current break even forecast, though losses are expected to have significantly reduced. Net cash at the period end stood at \$2.0m, a strong outperformance vs. our \$2.6m net debt forecast.

Financials and valuations**

| Year end Dec | 2015 | 2016 | 2017 | 2018E | 2019E |
|-----------------------|------|------|-------|-------|-------|
| Revenue (\$m) | 47.1 | 45.9 | 42.1 | 48.0 | 54.0 |
| EBITDA (adj.) (\$m) | 0.4 | 1.3 | -1.6 | 0.9 | 2.9 |
| PBT (adj.) (\$m) | -0.8 | 0.4 | -2.4 | 0.0 | 2.0 |
| EPS (Adj., FD) (¢) | 0.0 | 9.0 | -29.6 | 2.7 | 29.8 |
| Consensus EPS (¢) | - | - | 27.8 | - | - |
| DPS (¢) | 2.5 | 3.0 | 0.0 | 0.0 | 0.0 |
| Net cash/(debt) (\$m) | 2.8 | 6.2 | 2.6 | -2.6 | -1.1 |
| EV/EBITDA (x) | 21.6 | 3.8 | n/m | 16.0 | 4.1 |
| P/E (x) | n/m | 16.3 | n/m | 55.0 | 4.9 |
| Dividend yield (%) | 1.7 | 2.0 | 0.0 | 0.0 | 0.0 |

* Price as at COB 08/01/2019. ** Sources: N+1 Singer, Company accounts, FactSet

For further details contact: Greg Poulton

+44 20 7496 3186,

Greg.Poulton@n1singer.com

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Stock ratings

Recommendation / Shares outstanding (m) / Target price

IndigoVision Group (GBP)

| Date | Rec | Shares | TP |
|-----------------|-----------|--------|----|
| As of 10-Jan-18 | Corporate | 8 | |

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

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