

IndigoVision Group (IND LN)

Interim Results

CORPORATE

IT Hardware

Current price*: 161p

Mkt cap (£m): 12

15 September 2016

Solid interims, Forecasts retained

N+1 Singer view

As we said earlier in the year, given the investment and restructuring in the US, we expect an H2 weighting in FY16. As indicated at the update in July, sales are slightly behind last year but efficiencies and cost savings mean that operating performance is ahead. Given the modest half year loss, the dividend has been passed, but the balance sheet remains strong with net cash now expected to reach \$5.0m by the year end. The H2 pipeline is stronger than H1 and, although conditions remain competitive and project timing is difficult to gauge, we retain our full year P&L forecasts.

Interim results

IndigoVision's interim results report that sales in the six month period to June 2016 amounted to \$21.8m, 3.5% below H1 2015, but with the benefit of overhead reductions flowing through, the loss from the comparative period last year of \$1.26m has been largely eradicated giving a loss of \$0.3m in H1'16.

As indicated at the update in July, camera volumes increased significantly, with today's statement confirming growth of 20%, albeit with lower pricing following strategic price reductions from some Asian manufacturers. However, gross margins of 52.1% remained robust relative to the prior year (FY15: 51.4%; H1'15: 52.8%).

Working capital management was positive, enabling net cash at the half year end to reach \$4.7m up from \$2.8m at the year end. Given the loss in H1, the Board has decided not to pay an interim dividend but expects to recommend a final dividend when the annual results are published. We retain our dividend forecasts.

Significant project wins in H1 included a leading bank in the Middle East, Colombian safe cities and a large casino in the US. The product range continued to expand and the tiered hardware pricing model will soon be replicated on the software side, with a three-tier version of the Control Center video management software to be launched which is expected to open up new areas of the market to the Group. As the product range expands, it is expected that the volatility that has arisen historically from exposure to individually large projects will begin to reduce.

Impact on earnings & valuation

No change to P&L forecasts. We increase our net cash forecast from \$4.0m to \$5.0m this year and from \$5.6m to \$6.6m next year.

Financials and valuations**

Year end Dec	2013	2014	2015	2016E	2017E
Revenue (\$m)	50.1	82.5	47.1	50.0	53.0
EBITDA (adj.) (\$m)	3.8	5.6	0.4	3.2	4.2
PBT (adj.) (\$m)	3.3	4.3	-0.8	2.0	3.0
EPS (Adj., FD) (¢)	36.3	60.5	-6.5	26.5	40.2
Consensus EPS (¢)	-	-	-9.9	29.3	40.2
DPS (¢)	11.0	17.0	2.5	5.0	7.5
Net cash/(debt) (\$m)	1.3	2.6	2.8	5.0	6.9
EV/EBITDA (x)			33.7	3.5	2.2
P/E (x)			n/m	7.9	5.2
Dividend yield (%)			1.9	3.2	4.7

* Price as at COB 14/09/2016. ** 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 15-Sep-15	Corporate	8	

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