

IndigoVision Group (IND LN)

Interim Results

CORPORATE

IT Hardware

Current price*: 249p

Mkt cap (£m): 19

22 September 2017

Strategic objectives progressing; strong H2 expected

N+1 Singer view

Volume growth has again been strong in cameras and software, and product innovation and differentiation has progressed well, with a number of launches planned in coming weeks. Investment has been made in North America, as planned, in terms of senior personnel recruitment and attendance at the ISC West trade show, and benefits are expected in 2018, with the costs having been incurred this year. As in recent years, results will be heavily H2 weighted, with a strong pipeline supporting a full year outcome broadly in line with prior expectations. We have slightly reduced our FY17 forecasts and look forward to further updates as the year progresses.

Interim Results

IndigoVision's interim results report that sales in the six month period to June 2017 amounted to \$20.4m, slightly below H1 2016 (\$21.8m) with the weakening of both sterling and the euro against the US dollar causing a \$0.6m impact. Gross margins held up well at 51.1% compared to the full year margin of 50.9% in 2016, and overheads were again well controlled at \$11.2m, 6% lower than H1'16. This equated to an operating loss of \$0.7m compared to \$0.3m last year. As anticipated, 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.

As was outlined in the May update, volume growth has been strong in cameras and software (camera units +11%; software licences +9%) but alongside some pricing pressure. A weighting to the second half was always anticipated and a strong pipeline supports an expectation of results being broadly in line with market forecasts.

As previously indicated, significant investment has been made in North America; the majority of the team has been changed and the Group was represented at the ISC West trade show. Benefits are expected to start to accrue in 2018. The incremental costs were \$0.9m of which c.\$0.3m was one-off in nature.

25 new products were launched in H1 and the CyberVigilant® product will soon be released which can detect and report anomalous behaviour and attempts to hack into a customer's video devices. IND will also soon launch its own AI platform with analytics powered by Briefcam.

Net cash was \$4.9m at the half year end down from \$6.2m at the year end but higher than at the same time last year (\$4.6m) with some of last year's working capital benefits having been retained.

As had been previously indicated, George Elliott succeeded Hamish Grossart as Chairman on 1 July 2017 and Hamish retired from the Board on 31 July.

Impact on earnings & valuation

We have reduced FY17 expected sales from \$50m to \$48.5m and forecast PBT from \$1.5m to \$1.3m. No change to FY18 forecasts.

Financials and valuations**

Year end Dec	2014 [^]	2015	2016	2017E	2018E
Revenue (\$m)	82.5	47.1	45.9	48.5	52.0
EBITDA (adj.) (\$m)	5.6	0.4	1.3	2.2	3.2
PBT (adj.) (\$m)	4.3	-0.8	0.4	1.3	2.2
EPS (Adj., FD) (¢)	60.5	0.0	9.0	20.9	33.4
Consensus EPS (¢)	-	-	-	-	-
DPS (pence)	17.0	2.5	3.0	4.0	5.0
Net cash/(debt) (\$m)	2.6	2.8	6.2	4.7	5.5
EV/EBITDA (x)	-	-	15.4	9.5	6.2
P/E (x)	-	-	37.5	16.2	10.1
Dividend yield (%)	7.0	1.0	1.2	1.6	2.0

[^] 17 month period

* Price as at COB 21/09/2017. ** 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 22-Sep-16	Corporate	8	

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