

IndigoVision Group (IND LN)

Company Update

CORPORATE

IT Hardware

Current price*: 163p

Mkt cap (£m): 12

24 November 2017

Trading behind expectations; Chief Exec leaves

N+1 Singer view

Despite encouraging signs in the US, unforeseen delays in the Middle East mean that management expectations will now not be met, with a full year operating loss now anticipated. Chief Executive Marcus Kneen has left with immediate effect and Pedro Simoes has been appointed Interim Chief Executive. The Group is clearly in a period of transition and we await further updates in coming months, but a key positive is that the balance sheet remains strong, with \$2.5m of net cash expected at the year end.

Trading update and Board changes

An update reports that it has become clear that management expectations will not be achieved and that a full year operating loss will now be reported.

The changes implemented in the US are showing signs of delivery, with the sales pipeline growing, but the Middle East has seen more difficult conditions with unforeseen delays in securing a number of large contracts.

Sales are now expected to be between \$41m and \$43m (forecast was \$48.5m), with margins a little ahead of last year and overheads 5% higher than last year due to the US investment. Net cash is still strong at \$2.5m, with a further \$4m of undrawn facilities.

Chief Executive Marcus Kneen has resigned from the Board with immediate effect and Pedro Simoes, who was recently appointed Senior VP Global Sales, has now been appointed as Interim Chief Executive, and will join the Board once regulatory due diligence is carried out.

Impact on earnings & valuation

We have reduced FY17 sales from \$48.5m to \$42.0m and PBT from \$1.3m to a Loss Before Tax of \$2.5m. We reduce the final dividend to zero, although we still expect a strong net cash balance of \$2.5m, similar to the current level, as reported in the statement. We have withdrawn FY18 forecasts until more visibility is available in coming months.

Financials and valuations**

Year end Dec	2013	2014	2015	2016	2017E
Revenue (\$m)	50.1	82.5	47.1	45.9	42.0
EBITDA (adj.) (\$m)	3.8	5.6	0.4	1.3	-1.6
PBT (adj.) (\$m)	3.3	4.3	-0.8	0.4	-2.5
EPS (Adj., FD) (¢)	36.3	60.5	0.0	9.0	-26.9
Consensus EPS (¢)	-	-	11.2	9.9	20.1
DPS (¢)	11.0	17.0	2.5	3.0	0.0
Net cash/(debt) (\$m)	1.3	2.6	2.8	6.2	2.7
EV/EBITDA (x)	4.0	2.5	35.9	8.1	n/m
P/E (x)	6.0	3.6	17,424.8	24.1	n/m
Dividend yield (%)	5.1	7.9	1.2	1.4	0.0

* Price as at COB 23/11/2017. ** 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 24-Nov-16	Corporate	8	

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