

AMINO TECHNOLOGIES TECHNOLOGY HARDWARE AND EQUIPMENT

AMO.L

95.5p

Market Cap: £53m

SHARE PRICE PERFORMANCE



12m high/low

105p/54p

Source: LSE Data

KEY INFORMATION

Enterprise value	£33m
Index/market	AIM/LSE
Next news	2013 results – Jan '14
Gearing	N/A
Interest cover	N/A

ANALYSTS

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Top line pressured; profit and cash on track

Amino has published a trading update for the year to November 2013, highlighting that although various factors have conspired to impact revenue, the bottom-line profit figure and net cash are both strong and in line with expectations. The revenue shortfall was driven by a change in mix, towards lower specification, lower cost products but which still deliver good margins. This shift is likely to be repeated next year, but once again profit and cash expectations are unchanged.

The group states that a combination of focus on gross margin and cost control have ensured achievement of the profit and cash objectives. We would expect new product launches during 2014 to drive a return to revenue growth in 2015 and beyond.

- The RNS describes that revenue for the year to November is likely to be in the range £35m to £36m, compared to our previous forecast of £43.5m. Profit (by which we assume the group means Adjusted PBT) and cash are described as being in line with expectations.
- The statement is clear that revenue expectations for FY14 are similar to the outturn for FY13, but that the profit and cash expectations for that year are not impacted by the revenue reduction.
- We make changes to our forecasts for both 2013E and 2014E to reflect the detail in today's statement; revenue drops from £43.5m to £35.2m for 2013, and from £45.3m to £35.4m for 2014. Adjusted PBT expectations are unchanged in both years. Our net cash forecast for 2013 drops fractionally from £19.6m to £18.9m, but our 2014E figure is unchanged at £20.6m.

The revenue shortfall is disappointing, but in some ways highlights the strategic shift undertaken over recent years (since Donald McGarva took over as CEO). The new strategy has been to focus on growth in long-term valuable business, "profitable revenue" at the expense of low-margin work which delivered sales but little profit or value.

That the group can miss out on (or walk away from) several million pounds of sales but still hit the Adjusted PBT figure suggests that margins and costs are well under control. Clearly, revenue growth is what is required for long term value creation, and we would expect this to return during and beyond 2014 as new products are launched.

FYE	2011	2012E	2013E	2014E
Revenue	51.8	41.7	35.2	35.4
Adjusted EBITDA	4.5	6.2	5.9	6.3
Adjusted PBT	1.8	2.9	3.3	3.6
Adjusted EPS	3.3	5.6	6.2	6.8
EV/Sales	0.7x	0.9x	1.0x	0.9x
EV/ Adj. EBITDA	8.7x	5.7x	5.7x	5.1x
P/E	29.5x	17.2x	15.6x	14.1x

Source: Company Information and Progressive Equity Research estimates

FINANCIAL ESTIMATES

Year ended November	FY-10	FY-11	FY-12	FY-13	FY-14
	£m	£m	£m	£m	£m
Profit & Loss	Act	Act	Act	Est	Est
Revenue £m	44.0	51.8	41.7	35.2	35.4
Adj EBITDA £m	0.7	4.5	6.2	5.9	6.3
Adj EBIT £m	1.0	1.8	2.9	3.3	3.6
Reported PBT	(0.9)	(0.6)	2.9	4.2	3.5
PBT before exceptionals and AAG	0.9	1.7	2.9	3.3	3.5
Fully adj PBT	1.1	1.8	2.9	3.3	3.6
NOPAT	1.0	1.8	2.9	3.3	3.6
Reported EPS	(0.6)	(0.4)	5.4	7.9	6.7
EPS before exceptionals and AAG	1.6	3.1	5.5	6.2	6.7
Fully adj EPS	1.9	3.3	5.6	6.2	6.8
Dividend per share p	0.0	2.0	3.0	3.5	4.0
Cash flow & Balance sheet					
Operating cash flow	(3.6)	13.7	6.0	5.9	6.0
Free Cash flow £m	(4.1)	11.6	3.0	3.3	3.3
FCF per share p	(7.2)	21.4	5.7	6.2	6.3
Capex	(2.9)	(2.7)	(2.3)	(2.5)	(2.5)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Net cash flow	(5.5)	11.6	3.0	1.8	1.7
Shares issued	0.0	(1.1)	0.0	0.0	0.0
Net cash/(debt)	3.6	14.1	17.1	18.9	20.6
Metrics	FY-10	FY-11	FY-12	FY-13	FY-14
Revenue growth	73.9%	17.8%	-19.5%	-15.5%	0.4%
Adj EBITDA growth	-117.0%	496.7%	40.0%	-5.5%	6.6%
Adj EBIT growth	-117.8%	69.2%	63.9%	14.3%	8.8%
Adj PBT growth	-118.2%	67.8%	66.3%	10.8%	10.5%
Adj EPS growth	-117.5%	75.6%	72.0%	10.3%	10.5%
Dividend growth			50.0%	15.0%	15.0%
Adj EBIT margins	2.4%	3.4%	6.9%	9.4%	10.1%
Operating cash conversion	-477.2%	308.1%	95.5%	99.3%	95.2%
Capex/Depreciation	194%	99%	67%	96%	92%
Valuation	FY-10	FY-11	FY-12	FY-13	FY-14
EV/sales	1.1	0.7	0.9	1.0	0.9
EV/EBITDA	65.9	8.7	5.7	5.7	5.1
EV/NOPAT	47.3	22.0	12.4	10.3	9.0
PER	51.8	29.5	17.2	15.6	14.1
Dividend yield	0.0%	2.1%	3.1%	3.6%	4.1%
FCF yield	-7.5%	22.3%	5.9%	6.5%	6.5%

Source: Company information, Progressive Equity Research estimates



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