

AMINO TECHNOLOGIES

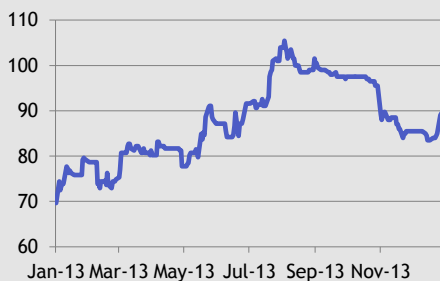
TECHNOLOGY HARDWARE AND EQUIPMENT

AMO.L

90p

Market Cap: £47.9m

SHARE PRICE PERFORMANCE



12m high/low

105.4p/69.6p

Source: LSE Data

KEY INFORMATION

Enterprise value	£28.3m
Index/market	AIM/LSE
Next news	AGM – 26/03/14
Gearing	N/A
Interest cover	N/A

ANALYSTS

Gareth Evans
+44 (0)20 7349 5156
g Evans@progressive-research.com

Ian Poulter
ipoulter@progressive-research.com

Strong margins and cash flow...

...and reasons to believe in revenue growth

Amino has reported a set of 2013 results in line with the trading update released in late November and slightly ahead of our estimates. The group is demonstrating strong performance in terms of margins and operating cash flow generation. Amino has a number of new products and extensions to the business model that should help deliver revenue growth in the medium term, and we believe that the group is well placed to capitalise on major changes in the domestic TV/video delivery marketplace.

- Solid 2013 results** In line with its trading update from November, Amino has reported revenues of £35.9m (down 14% y/y but above our £35.2m estimate). Adjusted Operating Profit rose 17% to £3.3m, some £0.1m above our forecast. Net cash grew strongly, to £19.5m, buoyed partly by the duties rebates of £1.7m received, but impacted by the £0.8m exceptional cost of closure of the Swedish R&D facility.
- Increase in dividend** The group has, in our view, demonstrated confidence in the future through the increased dividend, up to 3.45p from 3.0p in the prior year. This is well covered by earnings and well supported by the strong net cash position.
- New forecasts and change to 2014 estimates** We process a modest upgrade to our FY14 revenue estimate to reflect the better-than-expected sales figure for 2013. We also take this opportunity to introduce our new FY15 forecasts for the first time in this note; details are overleaf.
- Reasons to believe in future growth** The group has been working on a number of initiatives that should, in the medium term, allow a return to revenue growth. We highlight these overleaf; the key areas are an enhanced product range, adding value in content aggregation and management, and a move into home monitoring/control to help customers reduce churn.

We suggest that, taken together, these solid results and strong propositions for the future should provide Amino with a solid foundation for ongoing growth. The stock offers an attractive yield (shown below), around 37p per share in cash, and trades on an EV/EBITDA of c. 4-5x.

FYE NOVEMBER	2011	2012	2013	2014E	2015E
Revenue (£m)	51.8	41.7	35.9	35.9	38.6
Adjusted EBITDA (£m)	4.5	6.2	6.0	6.3	6.7
Adjusted PBT (£m)	1.8	2.9	3.4	3.6	3.9
Adjusted EPS (p)	3.3	5.6	6.3	6.8	7.3
EV/Sales	0.5x	0.7x	0.8x	0.8x	0.7x
EV/ Adj. EBITDA	6.4x	4.5x	4.7x	4.5x	4.2x
P/E	27.7x	16.1x	14.3x	13.2x	12.3x
Dividend Yield (%)	2.2%	3.3%	3.8%	4.4%	5.0%

Source: Company Information and Progressive Equity Research estimates

Reasons to believe

Amino has produced a solid performance for 2013, with strong margins and cash generation, buoyed even further by the duties recovery. The group's revenue line came under pressure from two key factors : firstly, one specific customer which delayed orders, and secondly, a general mix shift towards some lower-value product lines. Although Amino delivered well despite these issues, investors will naturally be looking for evidence that the group can return to revenue growth in 2014 and beyond.

We visited Amino in late 2013, and saw evidence of a number of initiatives which could provide a return to sales growth :

- **Enhancing IPTV/STB product range** : some new additions using the Advanced Media Platform (based on Intel Berryville); strong integration to OTT content from multiple third parties, augmented by Amino's relationship and management of content sources
- **Amino content : TV App Store** (based on Opera), together with Vudu HD movies/TV library, offers customers, and their consumers, broad range of content all managed via Amino technology
- **Home monitoring / intelligent home** A product suite, to help smaller telcos/cable TV operators win customers and reduce churn in existing base; exciting products to allow monitoring/control of elements of the home via the STB/hub

Changes to FY14 estimates, new FY15

We modestly upgrade our FY14 revenue figure to reflect the better-than-expected sales outturn for FY13. Otherwise, we make no material alteration to FY14.

We introduce FY15 forecasts for the first time, assuming a modest return to revenue growth and a degree of additional profitability. These figures are summarised below, and shown in more detail overleaf.

Estimate changes

£m unless stated	FY14E			FY15E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	35.4	35.9	1%	N/A	38.6	N/A
Adj EBITDA	6.3	6.3	0%	N/A	6.7	N/A
Reported PBT	3.5	3.6	1%	N/A	3.9	N/A
Fully adj PBT	3.6	3.6	0%	N/A	3.9	N/A
Reported EPS (p)	6.7	6.7	0%	N/A	7.2	N/A
Fully adj EPS (p)	6.8	6.8	0%	N/A	7.3	N/A

Source: Progressive Equity Research estimates

FINANCIAL ESTIMATES

Year ended November	FY-11	FY-12	FY-13	FY-14	FY-15
	£m	£m	£m	£m	£m
Profit & Loss	Act	Act	Act	Est	Est
Revenue £m	51.8	41.7	35.9	35.9	38.6
Adj EBITDA £m	4.5	6.2	6.0	6.3	6.7
Adj EBIT £m	1.8	2.9	3.3	3.6	3.9
Reported PBT	(0.6)	2.9	4.2	3.6	3.9
PBT before exceptionals and AAG	1.7	2.9	3.4	3.6	3.9
Fully adj PBT	1.8	2.9	3.4	3.6	3.9
NOPAT	1.8	2.9	3.3	3.6	3.9
Reported EPS	(0.4)	5.4	7.8	6.7	7.2
EPS before exceptionals and AAG	3.1	5.5	6.4	6.7	7.2
Fully adj EPS	3.3	5.6	6.3	6.8	7.3
Dividend per share p	2.0	3.0	3.5	4.0	4.5
Cash flow & Balance sheet					
Operating cash flow	13.7	6.0	7.1	6.0	6.4
Free Cash flow £m	11.6	3.0	4.4	3.3	3.6
FCF per share p	21.4	5.7	8.3	6.3	6.8
Capex	(2.7)	(2.3)	(2.9)	(2.5)	(3.5)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Net cash flow	11.6	3.0	2.1	1.7	0.8
Shares issued	(1.1)	0.0	0.3	0.0	0.0
Net cash/(debt)	14.1	17.1	19.5	21.2	22.1
Metrics	FY-11	FY-12	FY-13	FY-14	FY-15
Revenue growth	17.8%	-19.5%	-14.0%	0.0%	7.7%
Adj EBITDA growth	496.7%	40.0%	-3.2%	4.9%	5.5%
Adj EBIT growth	69.2%	63.9%	14.8%	9.1%	7.7%
Adj PBT growth	67.8%	66.3%	16.4%	6.0%	7.7%
Adj EPS growth	75.6%	72.0%	12.8%	8.1%	7.7%
Dividend growth		50.0%	15.0%	15.0%	12.5%
Adj EBIT margins	3.4%	6.9%	9.2%	10.1%	10.1%
Operating cash conversion	308.1%	95.5%	116.7%	95.3%	95.5%
Capex/Depreciation	99%	67%	106%	91%	125%
Valuation	FY-11	FY-12	FY-13	FY-14	FY-15
EV/sales	0.5	0.7	0.8	0.8	0.7
EV/EBITDA	6.4	4.5	4.7	4.5	4.2
EV/NOPAT	16.1	9.8	8.6	7.8	7.3
PER	27.7	16.1	14.3	13.2	12.3
Dividend yield	2.2%	3.3%	3.8%	4.4%	5.0%
FCF yield	23.7%	6.3%	9.2%	7.0%	7.5%

Source: Company information, Progressive Equity Research estimates

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