

AMINO TECHNOLOGIES

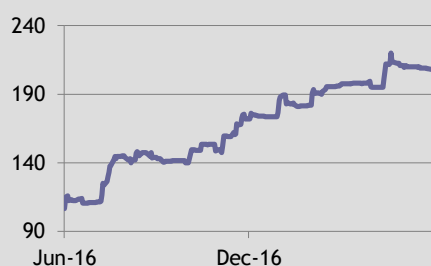
TECHNOLOGY HARDWARE AND EQUIPMENT

AMO.L

208.5p

Market Cap: £149.8m

SHARE PRICE (p)



12m high/low

220p/106.5p

Source: LSE Data

KEY INFORMATION

Enterprise value	£143.6m
Index/market	FTSE AIM
Next news	Interims, 11 July 2017
Gearing	N/A
Interest cover	N/A

AMINO TECHNOLOGIES IS A RESEARCH
CLIENT OF PROGRESSIVE

ANALYSTS

Blaine Tatum
+44 (0) 20 7781 5309
btatum@progressive-research.com

Gareth Evans
+44 (0) 20 7781 5301
gevans@progressive-research.com

Solid H1 2017, on track for the full year

Amino has this morning published a positive trading update for the six months to 31 May 2017. Trading in the first half “was at record levels” and this was accompanied with strong margins and an impressive cash generation – the net cash position improved by £6.9m versus the closing FY 2016A figure. Although changes in the product mix are expected to impact margins in the second half, we note management commentary that the business is on track to meet their FY 2017E expectations. We therefore leave forecasts unchanged following the announcement.

- Trading at record levels, margins strong:** Management disclosed that trading was “at record levels” during H1 2017A, with the group continuing to see strong demand for the core IP devices offering. In line with management expectation, revenue for the half is expected to be £40.1m +22% over H1 2016A or +6% on a constant currency basis. Although no further detail was provided, management note that margins were “strong” during the period.
- Impressive cash generation:** Amino closed H1 2017A with a net cash position of £13.1m. This represents a £6.9m improvement on the FY 2016A figure and reflects the timing of delivery of a number of larger devices orders prior to the period end. Assuming our forecasts of stable capex and no new capital raisings are confirmed in the full H1 2017E results, this implies an impressive level of operating cash flow during the period.
- Business mix transitioning to new products:** Management flag their expectation that the second half will see the business mix migrate towards new products (*primarily in IP TV devices*), resulting in a lower blended margin. Note, our forecasts already assume some margin compression for FY 2017E, with adjusted EBIT margins some 50bp below the FY 2016A figure.

In our view, Amino has executed strongly in the first half of FY 2017E. The group reported record revenues for FY 2016A and that momentum has continued into the current financial year. The signal of lower margins in H2 is in accordance with the Group’s previous comments on the impact of new product launches and larger volume customers. With management confident in the financial outlook for FY 2017E, we take their cue and leave forecasts unchanged at present and await further detail on the group’s progress with the interim results release on July 11.

YEAR TO NOV	2014	2015	2016	2017E	2018E
Revenue (£m)	36.2	41.7	75.2	84.1	87.4
Adjusted EBITDA (£m)	6.7	7.5	13.5	14.6	15.6
Adjusted PBT (£m)	4.2	5.2	10.2	11.0	12.0
Adjusted EPS (p)	7.8	8.5	13.5	13.8	15.1
EV/ Adj. EBITDA	21.4x	19.2x	10.6x	9.8x	9.2x
P/E	26.7x	24.5x	15.4x	15.1x	13.8x
Dividend Yield (%)	2.4%	2.6%	2.9%	3.2%	3.5%

Source: Company Information and Progressive Equity Research estimates

SUMMARY FINANCIALS

Year ended November	FY-13	FY-14	FY-15	FY-16	FY-17	FY-18
	£m	£m	£m	£m	£m	£m
Profit & Loss	Act	Act	Act	Act	Est	Est
Revenue £m	35.9	36.2	41.7	75.2	84.1	87.4
Adj EBITDA £m	6.0	6.7	7.5	13.5	14.6	15.6
Adj EBIT £m	3.3	4.1	5.1	10.2	11.0	12.0
Reported PBT	4.2	4.0	0.3	2.9	6.4	9.0
PBT before exceptionals and AAG	3.4	4.0	5.3	10.5	11.7	12.7
Fully adj PBT	3.4	4.2	5.2	10.2	11.0	12.0
NOPAT	3.3	4.1	5.1	10.2	11.0	12.0
Reported EPS	7.8	7.6	0.6	3.8	7.6	11.1
EPS before exceptionals and AAG	6.4	7.5	9.0	14.5	14.8	16.1
Fully adj EPS	6.3	7.8	8.5	13.5	13.8	15.1
Dividend per share p	3.5	5.0	5.5	6.1	6.7	7.3
Cash flow & Balance sheet						
Operating cash flow	7.1	7.2	6.4	13.6	13.1	14.6
Free Cash flow £m	4.4	4.7	2.8	10.8	9.5	11.0
FCF per share p	8.3	8.7	4.7	15.2	13.0	15.0
Capex	-2.9	-2.5	-3.3	-3.5	-3.5	-3.5
Acquisitions	0.0	0.0	-38.8	-2.6	-1.5	0.0
Net cash flow	2.1	1.5	-38.6	4.2	3.6	6.1
Shares issued	0.3	0.0	19.9	0.0	0.0	0.0
Net cash/(debt)	19.5	20.8	2.0	6.2	9.9	16.0
Metrics	FY-13	FY-14	FY-15	FY-16	FY-17	FY-18
Revenue growth	-14.0%	0.9%	15.1%	80.6%	11.7%	4.0%
Adj EBITDA growth	-3.2%	11.1%	11.2%	81.0%	7.8%	6.9%
Adj EBIT growth	14.8%	24.1%	24.0%	100.7%	7.4%	9.1%
Adj PBT growth	16.4%	22.6%	22.9%	98.1%	7.4%	9.1%
Adj EPS growth	12.8%	23.6%	9.2%	58.5%	2.5%	9.1%
Dividend growth	15.0%	44.9%	10.0%	10.2%	10.0%	10.0%
Adj EBIT margins	9.2%	11.4%	12.2%	13.6%	13.1%	13.7%
Operating cash conversion	116.7%	106.5%	85.6%	100.3%	89.7%	93.4%
Capex/Depreciation	106%	95%	115%	334%	258%	258%
Valuation	FY-13	FY-14	FY-15	FY-16	FY-17	FY-18
EV/sales	4.0	4.0	3.4	1.9	1.7	1.6
EV/EBITDA	23.7	21.4	19.2	10.6	9.8	9.2
EV/NOPAT	43.3	34.9	28.2	14.0	13.1	12.0
PER	33.0	26.7	24.5	15.4	15.1	13.8
Dividend yield	1.7%	2.4%	2.6%	2.9%	3.2%	3.5%
FCF yield	4.0%	4.2%	2.3%	7.3%	6.2%	7.2%

Source: Company information, Progressive Equity Research estimates

We make no revisions for forecasts following the release.

Amino closed H1 2017A with net cash at £13.1m. Clearly this is some way ahead of our £9.9m FY 2017E forecast. However, as is typical of the format, today's trading statement contains limited financial disclosure. We therefore leave the £9.9m forecast unchanged for now, awaiting further detail with the full H1 2017A results release.

Disclaimers and Disclosures

Copyright 2017 Progressive Equity Research Limited (“PERL”). All rights reserved. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.