

ISRA VISION

Software

Thriving on the industrial automation trend

ISRA VISION is a leading global supplier of surface inspection and 3D machine vision systems. These products help customers optimize product quality, reduce labour costs and collect valuable production data. The company looks well placed to continue to benefit from structural investment in industrial automation and the Industry 4.0 transition.

Helping customers optimize and automate production

ISRA VISION operates in two segments: **Surface Vision** (77% of 9M15/16 sales) sells applications for defect recognition and classification in several steps of the production process in the glass, solar, plastics, print, paper, security paper, metal and semiconductor industries. The company's systems help optimize production yields by analysing visual data at high speeds. **Industrial Automation** (23% of 9M15/16 sales) focuses on the automotive industry, providing machine vision systems to guide robots, hence making them more flexible and efficient.

Innovation lead growth, more acquisitions planned

ISRA's core competence lies in its proprietary machine vision software, BrainWARE, which combines deep know-how in fields such as optics, lighting, image processing and classification algorithms. ISRA invests significantly in R&D (15% of 9M15/16 sales, target 14%), developing both its core platform and industry-specific solutions. This is key to maintaining technology leadership, opening up new growth opportunities and enabling cross-selling and upgrades from the company's 10k+ reference installations. The company plans to supplement organic growth with acquisitions, targeting promising verticals such as pharma, food or electronics.

Double-digit growth and margin expansion

Over the last five years, ISRA has grown revenues consistently at a high single-digit/low double-digit rate, with EBIT margins consistently in the high teens touching 20% in FY14/15. Performance for 9M15/16 has been robust, with revenues up 10% to €84.3m and EBIT up 14% to €16.7m. Supported by a healthy order backlog of €85m, up 21%, management is now guiding to double-digit revenue growth for FYE16/17 with margins expansion driving earnings at a somewhat higher level.

Valuation: Healthy rating, healthy prospects

ISRA VISION's FY16/17e PE rating of c 25x is a growth multiple, but we do not believe it looks overly demanding considering the company's strong IP and market position, healthy financials and prospects. If the company can meet FY16/17 guidance and sustain this performance, we see good scope for stock appreciation.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
09/15	112	21.8	3.4	0.42	30.9	0.4
09/16e	125	25.2	4.0	0.46	26.5	0.4
09/17e	137	28.4	4.4	0.49	24.9	0.5
09/18e	149	31.6	4.8	0.53	21.9	0.5

Source: Bloomberg

Price €104.9
Market cap €460m

Share price graph



Share details

Code ISR
Shares in issue 4.38m
Net debt (€) at 30 June 2016 26m

Business description

ISRA VISION provides surface inspection and image processing systems worldwide. The company's products support industrial producers in optimizing product quality, reducing labor costs and collecting valuable production data.

Bull

- Market leadership position in a fragmented market.
- Well placed to benefit from Industry 4.0.
- Improving prospects, not fully reflected in consensus estimates.
- Strong IP position.

Bear

- Relatively high rating, low dividend yield.
- Working capital can be volatile.

Analyst

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