

STEMMER IMAGING

Vision. Right. Now.

STEMMER IMAGING (SI) presents an opportunity to benefit from rising demand for machine vision components. This is driven by a shift in the industrial landscape to a highly automated world where machines communicate with each other using imaging information as key decision-making data. This shift is not restricted to any one industry, but is being widely adopted to realise improved quality control and efficiency rates.

Helping customers execute imaging projects

As one of Europe's largest independent providers of machine vision technology, SI has the scale to maintain relationships with more than 200 suppliers, as well as to develop its own software and hardware. The scale supports a highly technical offer: advising on component selection, providing feasibility studies for customers and tailoring machine vision systems to meet specific customer requirements. All of this drives margin and aids customer retention. SI's scale has also enabled it to act as a consolidator in the market, in effect creating a virtuous circle.

FY18 results at top end of guidance

Group sales increased by 14% y-o-y during FY18 to a record €100.6m, while adjusted EBITDA (excluding non-recurring items primarily relating to the IPO in February 2018) grew by 46% to €11.1m. Adjusted EBITDA margin rose by 2.4pp to 11.0%. This is at the top end of management guidance, which was revised upwards in May. Half of the €51m funds raised from the IPO were allocated for acquisitions. In January, the acquisition of Data Vision in the Netherlands added complementary products, particularly software, and made SI the largest machine vision supplier in the Benelux region. French competitor ELVITEC was acquired in July. In October, SI took a strategic stake in Perception Park, adding hyperspectral imaging software technology to its product portfolio.

Valuation: High rating for strong revenue growth

SI's prospective EV/EBITDA and P/E multiples are close to the mean for our sample of companies making machine vision components and systems (eg SI's June 2019 P/E is 27.4x vs 29.4x mean). Since consensus estimates indicate that SI is able to grow at least as quickly as other companies in this sector (17.3% CAGR in revenues between FY18 and FY20 vs 13.3% mean), a similar rating appears justified, even though SI does not achieve as high an EBITDA margin as the others.

Consensus estimates

Year end	Revenue (€m)	EBIT* (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
06/17	88.3	5.8	0.67**	0.0	60.1	N/A
06/18	100.6	8.9	1.18**	0.50	34.2	1.2
06/19e	123.0	11.2	1.47	0.50	27.4	1.2
06/20e	139.0	14.9	1.84	0.50	21.9	1.2

Source: STEMMER IMAGING data, Bloomberg. Note: *Adjusted for IPO and other non-recurring items. **On number of shares at listing.

Technology

Price €40.30

Market cap €262m

Share price graph



Share details

Code	S91
Shares in issue	6.5m
Last reported net cash (€m) end June 2018 (including €5.0m short-term securities)	51.8

Business description

STEMMER IMAGING is one of Europe's leading independent provider of machine vision technology solutions to science and industry, selling both directly and indirectly, via system integrators or OEMs.

Bull

- Demand for machine vision solutions growing, driven by increased automation and IIoT.
- Broad supplier base combined with in-house development capability enables SI to offer precisely tailored solutions to customers.
- Not dependent on individual industry sectors.

Bear

- Business model difficult to implement in the US.
- Limited presence in Asia Pacific region, addressed though recent MoU with Nanjing Inovance in China.
- Meaningful proportion of market purchases directly from component suppliers.

Analyst

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