

Vislink

Vislink to partner with Harmonic Inc

Interim results & strategic partnership

Tech hardware

2 September 2014

The interims indicate that Vislink remains on track to achieve management's stated short-term target of £8m adjusted annualised operating profit by 2014. The new strategic partnership with Harmonic emphasises the significance of management's decision to expand outside the core broadcast hardware market through the expansion of software vendor Pebble Beach Systems in March 2014. We leave our estimates broadly unchanged and continue to see fair value at 70p.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/13	59.9	4.5	3.2**	1.25	16.0	2.4
12/14e	70.9	7.0	4.6	1.25	11.1	2.4
12/15e	75.3	8.1	5.2	1.25	9.9	2.4

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items. **FY13 EPS normalised for tax credit.

Group revenues reduced by 3% y-o-y to £27.1m. EBIT, adjusted for amortisation of acquired intangibles and non-recurring items, declined by 15% to £1.7m. Pebble Beach Systems (PBS), acquired in March 2014, contributed £3.1m revenues and £1.1m EBIT to the total. This was offset by weak sales of traditional broadcast hardware as the economic environment in Europe and the US continued to be challenging and H114 did not enjoy the one-off sales to the Middle East that benefited H113. Surveillance revenues grew by 33.3% to £6.0m, comprising 25% of hardware sales.

The H114 results highlight the importance of management's long-term strategy to expand the group beyond its historic broadcast hardware base. The new partnership with Harmonic epitomises this strategy. It enables Harmonic to sell integrated playout solutions to the international broadcast market. These combine its existing video delivery infrastructure with PBS software. As part of the deal, Harmonic will place an initial £2.0m order with PBS. We leave our estimates unchanged until there is clarity on how revenues associated with the initial order will be recognised in H214. Noting the dilutive impact of Harmonic subscribing for 4.0m new shares at 50p, we reduce our FY15 EPS estimate from 5.4p to 5.2p.

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Price 51.25p
Market cap £61m

Net debt (£m) as at end June 2014	0.3
Shares in issue	118.6m
Free float	79.5%
Code	VLK
Primary exchange	AIM
Other exchanges	N/A

Share price performance



Business description

Vislink is a global technology business specialising in solutions for the collection and delivery of high-quality video and associated data from the field to point of usage. These are used in the broadcast and surveillance markets.

Analysts

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