



Is Avigilon Corp. Your Ticket for Growth?

Description

Avigilon Corp. (TSX:AVO) is a technology company that specializes in end-to-end security solutions. The company is expanding fast as it sells its solutions to over 113 countries after it had its first full year of sales in 2008 and its initial public offering in 2011.

Security solutions

Avigilon's end-to-end security solutions include cameras (from one megapixel to 30 megapixels), video analytics, video management software, network video recorders, analog encoders, and access control so that live footage can be accessed anywhere with a mobile device by the right people. Avigilon has a strong patent portfolio covering its intellectual properties in video analytics, high-definition video surveillance, and integrated access control.

The growth story

Avigilon's growth story comes from the fact that security needs are everywhere. Usage examples include stadiums, hospitals, airports, ports, banks, offices, prisons, casinos, and school campuses.

It's no wonder that from 2008 to 2014, Avigilon's revenue was able to compound at a rate of 93% per year. The question is whether or not a high growth rate can continue.

Is growth slowing in the near term?

Comparatively, the revenue increased by only 52% from 2013 to 2014. And its second-quarter results released in early August indicate that revenue only increased by 38% compared with the same period last year. Perhaps it's this sign of slower growth and the general negative sentiment in the market that's putting weight on Avigilon's shares as it fell from a 52-week high of \$25 to \$12, equating to a fall of 52%.

Where will growth come from?

Avigilon believes that there's a large and growing addressable market in global video surveillance and

electronic access control. In 2014 this market equated to \$18.5 billion, and it is estimated to be \$28.4 billion in 2018. Specifically, the target market is concerned about public safety, asset protection, liability management, and regulatory compliance. For example, one of the next cities the company wants to enter is Dubai.

In conclusion

By mid-2015, Avigilon has reached annual revenue of \$360 million, and it's aiming for \$500 million by the end of 2016. No company can grow at a high rate forever. However, at about \$12 per share, Avigilon is now priced at a multiple of 16, which is a good deal for a growth company.

Avigilon is confident it is set for continued growth because of its strong team, a proven strategy, and a large and growing market with the best-of-breed products. Growth may be slowing in the near term, but they might pick up again as the company expands into new markets. Besides, the double-digit growth rate that Avigilon is experiencing is still pretty amazing.

Investors should be aware that Avigilon is a relatively new company and has small market capitalization of \$546 million, so its share price could be more volatile and unpredictable than bigger companies. Still, it could fit in a Foolish investor's portfolio as a small percentage for the chance to spur higher growth.

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