

Idox Results

6 months year ended 30 April 2020 (HY20)

Investor Presentation

Our Vision One Idox



Our Strengths

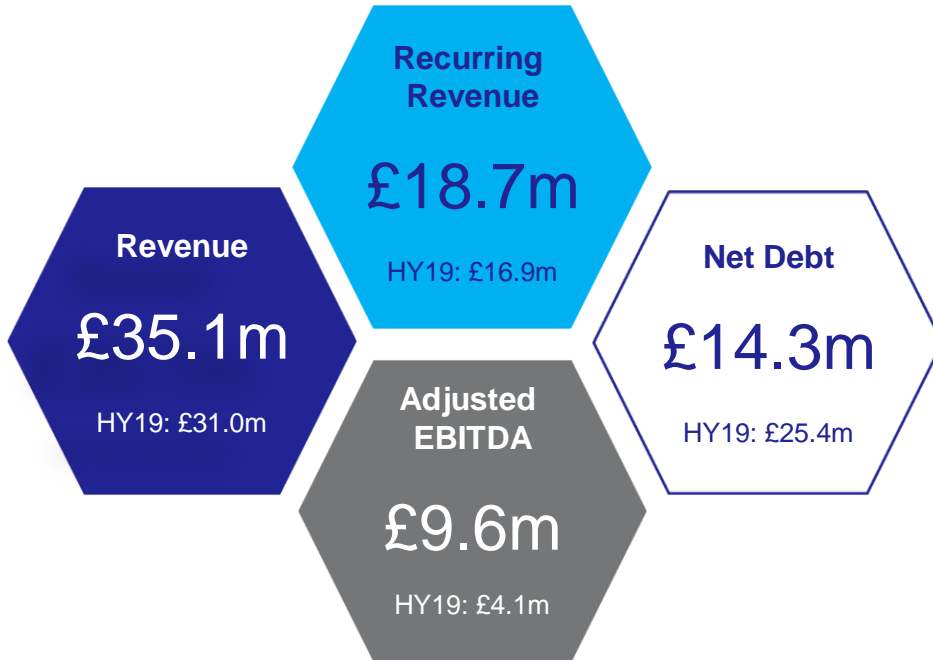
- A leader in the supply of **Next Generation** Public Sector Software
- Modern solutions that deliver **deep domain knowledge** of regulatory services to our customers
- Superior Technology platform (incl. Tascomi) on which to grow and develop new offerings, particularly **in cloud-based services**
- Vastly **improved and integrated platform** following extensive restructuring over the past 24 months
- Experience across both **public** and **niche private markets**.
- **Broad footprint**: 8,000 customers serviced from the UK with offices in Europe and the US
- Substantial **recurring revenue** base from a portfolio of **long-term relationships**

Our Strategy

- **One Idox** bringing together our 3 Operating Divisions under our four pillars framework to drive **operational excellence** and **leverage resources**
- Strong and focused account management model to ensure we are the **partner of choice** for our customers
- Continued **gross margin improvement**, as we expand our customer relationships and **improve operational leverage**
- A clear focus on client development and a movement towards a **'cloud first'** strategy and the upselling of new products
- An employer of choice, with a strong **values-based culture** to deliver excellent services continuously
- **Complementary** and selective **acquisitions** that underpin our cloud-based growth model

*Increasing recurring revenue + Margin expansion = Stronger cash generation = **Shareholder Value***

HY20 Highlights



- Strong strategic delivery following the **extensive transformation** across the Group in FY2019
- **Improved operating margins** following improvements to revenue governance and cost control
- Further **material reduction in Net Debt** from improved cash generation and working capital management
- Continued focus on **‘Four Pillars’ programme** to improve revenues, margin, communication, and organisational simplicity.

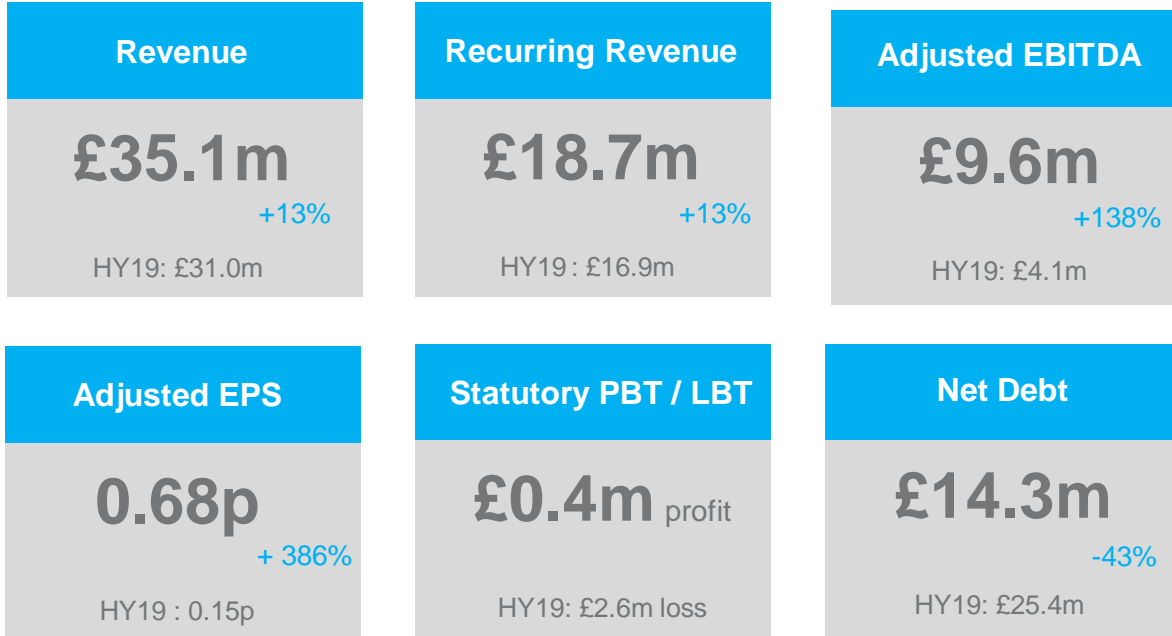
During finalisation of the Group’s financial statements for year ended 31 October 2019, various adjustments in respect of prior period revenue recognition policies, and an onerous contract were identified. As a result of these adjustments, the comparative figures for the period ended 30 April 2019 have been restated.

Financial Review

Rob Grubb
Chief Financial Officer



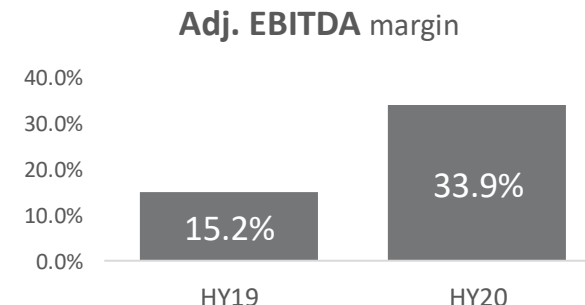
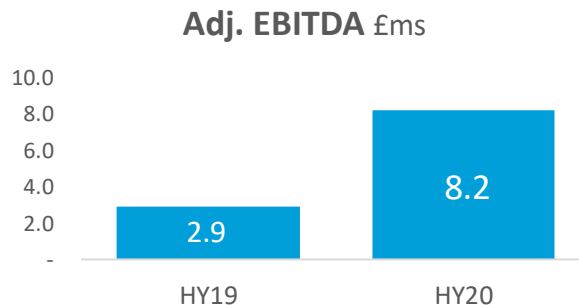
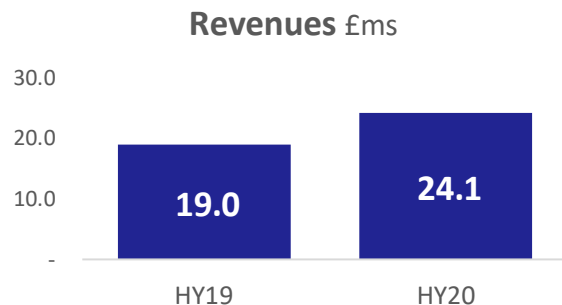
HY20 Financial Highlights



- **Revenues up strongly** due to more normalised revenue recognition, Tascomi acquisition and timing of National Election
- **Strong revenue visibility** for remainder of FY20 and **improved orderbook** of non-recurring revenues
- Significant **improvement in Adjusted EBITDA** due to improved revenue performance and strong cost control
- Strong cash performance leading to a **material reduction in Net Debt**
- More cautious FY20 H2 planned due to impact of CV-19 pandemic. We remain **in-line with existing expectations**

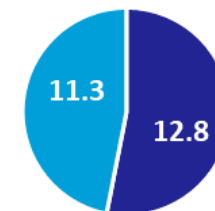
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Public Sector Software Financial Review



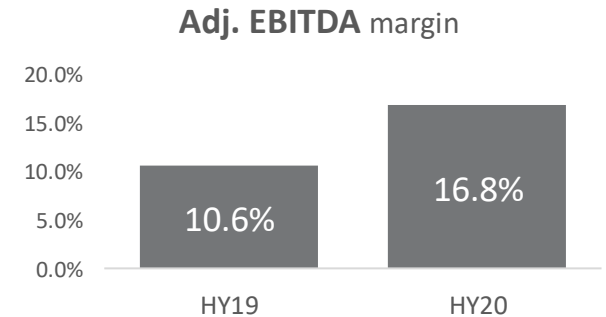
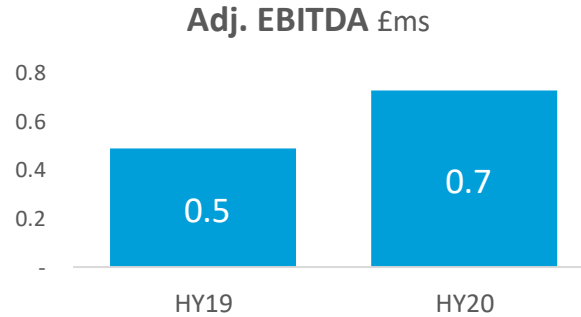
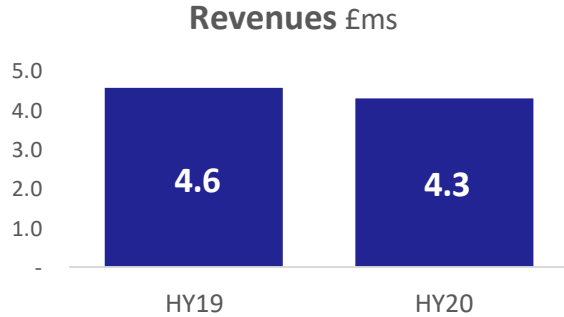
- Contributed 69% of Group revenue in HY20 (HY19: 61%)
- Comprising Local Authority (incl. Tascomi), Elections, CAFM, Social Care, Transport and Health
- Revenue improvement due to normalised revenue recognition, Tascomi and timing of UK General Election
- Significant margin improvement due to strong cost control against incremental revenues. Current margin levels more typical of go-forward business model
- Good opportunities to improve market share given improving product and sales execution

Revenues £'ms



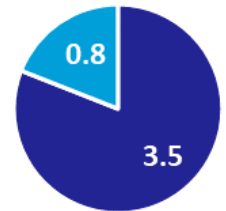
■ Recurring ■ Non-recurring

Engineering Information Management Financial Review



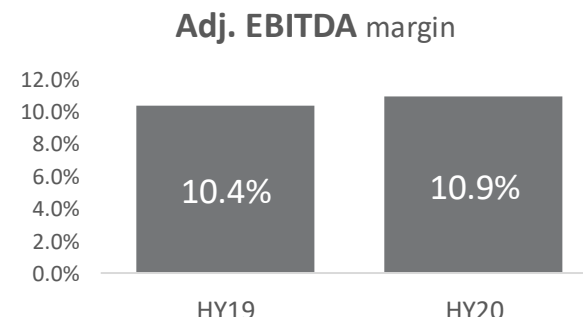
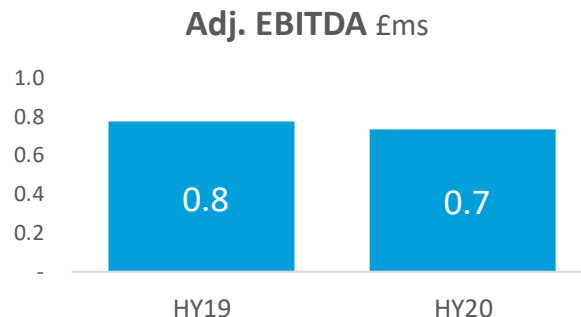
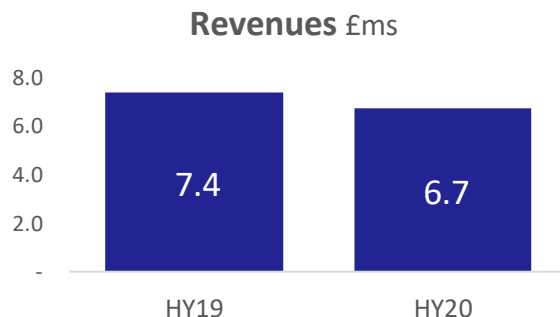
- Contributed 12% of Group revenue in HY20 (HY19: 15%)
- Sales decline reflects ongoing strategic move from enterprise to SaaS model, and a more selective with a focus on higher margin revenue given improvements in sales governance
- Continuing focus on operational execution and sharing Group resources has further improved margins. Will align processes more closely with PSS in H2
- Management confident in long-term opportunities given strength of offering, however showing caution as anticipating low / no market growth in the near-term given current Oil & Gas environment. High recurring sales contribution provides downside insulation

Revenues £'ms



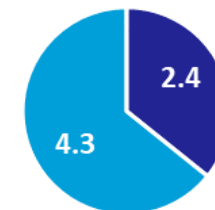
■ Recurring ■ Non-recurring

Content Financial Review



- Contributed 19% of Group revenue in HY20 (HY19: 24%)
- Comprising Business Services (Netherlands), Databases (UK & Netherlands) and Compliance (Germany & Belgium). Will align UK Databases processes with PSS in H2
- Slight decrease in revenue due to revenue recognition rebasing gains in HY19 not recurring in HY20, and being more selective with a focus on higher margin revenue
- Higher margins beginning to come through as planned, however more to do with focusing on high margin activity, and improving customer retention

Revenues £'ms



■ Recurring ■ Non-recurring

Income Statement Financial Review



<i>£'ms</i>	HY20	HY19*	Variance
Revenue	35.1	31.0	4.1
Adjusted EBITDA	9.6	4.1	5.5
Depreciation & Amortisation	(3.3)	(2.1)	(1.2)
Interest	(1.4)	(0.9)	(0.5)
Adjusted Profit before tax	4.9	1.1	3.8
Tax	(1.9)	(0.5)	(1.4)
Adjusted Profit after tax	3.0	0.6	2.4
Adjusting items:			
- Amortisation from acquired intangibles	(2.3)	(2.0)	(0.3)
- Restructuring costs	(1.5)	(1.2)	(0.3)
- Acquisition and financing costs	(0.4)	(0.2)	(0.2)
- Share option costs	(0.4)	(0.3)	(0.1)
Statutory Loss before tax - continuing ops	0.3	(2.6)	2.9
Tax (statutory, continuing operations)	(1.3)	0.1	(1.4)
Discontinued operations	-	(0.6)	0.6
Non-Controlling Interest	-	0.1	(0.1)
Statutory Loss after tax - all operations	(1.0)	(3.1)	2.1

- Adjusted EBITDA up due to revenue improvements primarily in PSS, and margin improvements across the Group
- D&A up due to IFRS 16 and higher recent investment in software and R&D; Interest higher due to IFRS 16 and FX / EIR movement on Bond; and Tax higher due to revaluation of deferred tax liabilities and derecognition of Maltese tax assets
- Amortisation from acquired acquisition up due to Tascomi acquisition
- Further restructuring costs in respect of property, and exit of Irish and Maltese operations
- Acquisition and financing costs relate to December 2019 Group refinancing

Cashflow Financial Review



<i>£'ms</i>	HY20	HY19*	Variance
Adjusted EBITDA	9.6	4.1	5.5
Restructuring, acquisition & finance costs	(0.9)	(1.3)	0.4
Working capital	8.2	6.8	1.4
Taxation	(1.0)	1.1	(2.1)
Discontinued Operations	-	(0.6)	0.6
Other items	(0.4)	(0.6)	0.2
Net cash from operating activities	15.5	9.5	6.0
EBITDA cash conversion	161%	229%	
Purchase of property, plant and equipment	(0.5)	(0.3)	(0.2)
Purchase of intangible assets	(2.3)	(2.2)	(0.1)
Finance income	0.1	0.1	-
Net cash used in investing activities	(2.7)	(2.4)	(0.3)
Interest and loan costs	(0.7)	(0.5)	(0.2)
Movement in debt	13.4	(5.0)	18.4
New equity	(0.2)	(0.1)	(0.1)
Net cash from / (used) in financing activities	12.5	(5.6)	18.1
Net movement on cash and cash equivalents	25.3	1.5	23.8
Opening net debt	(26.4)	(31.8)	5.4
Cash generated excluding debt drawdown / (repayment)	12.1	6.4	5.7
Closing net debt	(14.3)	(25.4)	11.1

- Adjusted EBITDA up due to revenue growth (primarily in PSS), and margin improvements across the Group
- Restructuring cash outflows in respect of Ireland & Malta exit, and refinancing professional fees
- Improvement in working capital due to better processes and specific Covid-19 focus
- Tax cash outflows due to payments on account required as now tax-paying in the UK
- Adjusted EBITDA cash conversion to net cash from operating activities of 161% (HY19: 229%); prior period skewed by lower revenue due to transformation
- Strong cash generated in the period, with net debt decreasing to £14.3m (HY20: £25.4m). Debt facilities fully drawn to maximise financial flexibility

Balance Sheet Financial Review



£'ms		HY20	HY19*	Variance
Fixed Assets	✔	88.7	78.2	10.5
Deferred tax assets & liabilities		(3.1)	(0.4)	(2.7)
Stock		-	0.1	(0.1)
Trade & other receivables, and prepayments		16.3	20.5	(4.2)
Trade & other payables, and accruals	✔	(20.4)	(15.5)	(4.9)
Current tax receivable		0.3	0.1	0.2
Provisions		(1.6)	(0.7)	(0.9)
Sub-total		80.2	82.3	(2.1)
Accrued income		6.3	4.4	1.9
Deferred income		(27.9)	(25.8)	(2.1)
Net accrued / (deferred) income		(21.6)	(21.4)	(0.2)
Balance sheet excluding net debt		58.6	60.9	(2.3)
Cash		32.3	6.8	25.5
Bank borrowings		(34.9)	(20.9)	(14.0)
Bonds in issue		(11.7)	(11.3)	(0.4)
Net Debt		(14.3)	(25.4)	11.1
Shareholder equity		44.3	35.5	8.8

- Fixed asset increase following the acquisition of Tascomi in the year. Capitalised R&D slightly higher than amortisation due to more product focus
- Increase in net deferred tax liability due to rate change from 17% to 19%, and derecognition of Maltese deferred tax assets
- Continued reduction in trade debtors following better processes and specific CV-19 focus. Increase in other payables due to lease obligations on adoption of IFRS 16
- Net debt continuing to reduce as per plan given better cash conversion from trading and improved working capital management
- Facilities fully drawn to provide maximum flexibility. 6PM 2025 €13m 5.1% bond remains.

Financial Review – 2020 guidance



Revenue organic growth targets

- PSS high single digits for FY20, reducing to low single digits longer-term.
- EIM continued transition to SaaS; net overall growth high single digits.
- Content continued high single digit growth.

Margin targets

- Expecting step-up in FY20 margin due to transformation depressing margins in FY19 H1.
- Target of adjusted EBITDA margin of at least 30% in the medium term.

Income Statement items

- Adoption of IFRS 16 additive to adjusted EBITDA, but neutral at profit before tax.
- Tax rate expected to remain higher than UK statutory rate until simplification of corporate structures and higher PBT
- Share based payment expected to remain consistent with FY19.

Cash Conversion

- Improving EBITDA to operating cash conversion due to better management.
- FY20 similar Capex levels to FY19, but expecting to decrease thereafter.
- Expect to reinstate final dividend.

Net Debt

- Expecting continual decrease due to cash generation.
- Expect to reach a net cash position during FY21 on current trajectory.
- Good headroom in facilities to acquire more earnings as opportunity arises.

Balance sheet items

- Anticipate accrued income to stay at current levels for FY20, and diminish over time as we move to SaaS.
- Fixed assets expected to remain consistent as additions offset by D&A.

Operations & Strategy

Dave Meaden

Chief Executive Officer



HY20 Operational Highlights



Continued strategic performance following FY2019 transformation. Idox enters second half with strong momentum

- Focus on 'Four Pillars' programme to improve revenues, margin, communication, and organisational simplicity
- Consolidation of operations, including combining management structures and resources with our core Public Sector Software business, and all customer technical support to a single platform throughout the Group
- Completed integration of 6PM with an exit of our non-core Irish and Maltese operations and consolidation of processes into our core Public Sector Software business
- New Group-wide CRM system deployed, and new targeted marketing strategies established. Significant focus on improving account management and expanding market shares, closely aligned to product management strategies
- Programme of staff engagement to improve communication, provide support and improve general well-being
- Continuing integration of Tascomi, including progressing roadmap for cloud solution to more of our existing customers

Idox 4 Pillars **One Idox**



We have embedded the 4 pillars which underpin our One Idox strategy across the business:

Revenue Enhancement

Increased focus, governance and professionalisation of the sales force which is more closely aligned to markets and segmentation. Single CRM to enhance sales management across the Group.

Margin Enhancement

Enhanced Business Approval Process now fully integrated into normal operational processes. Operational efficiency improvements from completing unfinished integrations. Continuous improvement.

Organisational Simplification

Consolidation of all Customer Support across the group into a single platform. Functional consolidations to streamline and standardise operational delivery.

Communications and Information

Internally improved engagement with colleagues to provide information and gain feedback to support contribution. Externally developing and promoting a clearer message about what Idox is and does, building on simplification.

Three-phase growth plan One Idox



Walk Phase (FY19) complete

Run Phase (FY20)



- Implementing Group-wide CRM and improving use of ERP
- Improving revenue opportunities in existing base through more focused account management
- Stratification of sales effort focusing skills on new business generation and business development
- Continuing to consolidate activities where appropriate
- Identifying new revenue opportunities to use existing IP in new, but near adjacencies
- Identifying new IP opportunities



Fly Phase (FY21)

Preparing for 'Fly Phase' One Idox



	Target
Recurring rev	75%+
Adj. EBITDA margin	30%+
Net Debt	Cash+

Recurring rev	£35.7m
Adj. EBITDA	£14.4m
Net Debt	£26.4m
Leverage	1.8

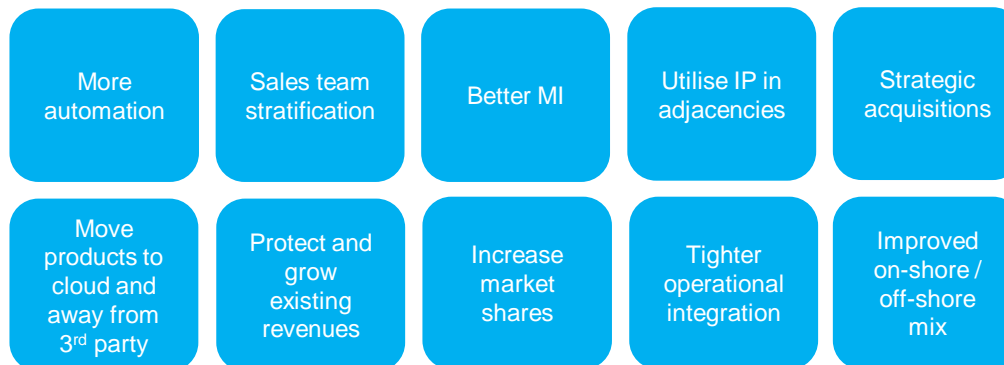
FY19



Recurring rev	£30.6m
Adj. EBITDA	£13.6m
Net Debt	£31.8m
Leverage	2.3

FY18

FY20

REVENUE

MARGIN

SIMPLIFICATION

COMMUNICATION

Future periods



Summary & Outlook

Summary & Outlook

All parts of the Group executing to a well orchestrated plan with better quality data



Improvements to account management and sales execution planned to provide stronger revenue growth and better customer outcomes



Consolidating more activity around our public-sector software core to further improve margins and cash generation



Product management well established, with focus on path to cloud. Looking to expand with existing and new IP to drive profitable growth



FY20 trading in line with expectation with good visibility of required revenues. Board currently intending to introduce a final dividend in respect of FY20.

“We remain ambitious for the future as we look to build on the strong progress and investments we have made in our Group over the last two years, as well as capitalise on relevant opportunities as they arise.”

Q&A



The background features a dark blue, almost black, color scheme. On the left side, there is a faint, semi-transparent 3D bar chart with several vertical bars of varying heights. A thin, light-colored line graph is overlaid on the chart, showing a fluctuating trend. The floor of the scene is covered with a pattern of small, glowing blue squares, some of which are slightly offset from the grid, creating a sense of depth and digital data. The overall aesthetic is clean, modern, and tech-oriented.

Thank you

Appendices

One Idox Revenue Analysis



	H1 2020	Restated H1 2019	Variance
	£'m	£'m	£'m
Public Sector Software			
- Recurring: software	12.8	11.3	1.5
- Non-recurring: software	4.7	2.7	2.0
Software revenue	<u>17.5</u>	<u>14.0</u>	3.5
- Non-recurring: services & hardware	6.6	5.0	1.6
Total revenues	<u>24.1</u>	<u>19.0</u>	5.1

	H1 2020	Restated H1 2019	Variance
	£'m	£'m	£'m
Content			
- Recurring: software	2.4	2.1	0.3
- Non-recurring: software	1.3	1.3	-
Software revenue	<u>3.7</u>	<u>3.4</u>	0.3
- Non-recurring	3.0	4.0	(1.0)
Total revenues	<u>6.7</u>	<u>7.4</u>	(0.7)

	H1 2020	Restated H1 2019	Variance
	£'m	£'m	£'m
Engineering Information Management			
- Recurring: software	3.5	3.5	-
- Non-recurring: software	0.1	0.2	(0.1)
Software revenue	<u>3.6</u>	<u>3.7</u>	(0.1)
- Non-recurring	0.7	0.9	(0.2)
Total revenues	<u>4.3</u>	<u>4.6</u>	(0.3)

	H1 2020	Restated H1 2019	Variance
	£'m	£'m	£'m
Total			
- Recurring: software	18.7	16.9	1.8
- Non-recurring: software	6.1	4.2	1.9
Software revenue	<u>24.8</u>	<u>21.1</u>	3.7
- Non-recurring	10.3	9.9	0.4
Total revenues	<u>35.1</u>	<u>31.0</u>	4.1

One Idox Portfolio Assets



Division	Business Unit	Description
PSS	Local Government	Software enabling council and other local authority and their residents to interact with each other and progress planning, building control and environment protection applications and other matters.
PSS	Transport	Bespoke, cost-effective solutions to support strategic and localised transport control supporting the safe and efficient movement of people and vehicles.
PSS	Health	Encompasses two products: software utilising RFID technology to track and manage hospital records & assets, and software to support health professionals in managing sexual health clinics.
PSS	Social Care	Software platforms providing local council director services, and supporting child & family social care funding packages
PSS	Elections	Election management software for local and national elections, supported by a range of managed services during elections. Includes our market-leading e-Count software recently deployed in Malta.
PSS	CAFM	Facilities Management ticketing software to provide workflow and reporting to support administration of properties
EIM	Enterprise & SaaS products	Software solutions for construction in regulated industries. Encompasses document control, deliverables management, project collaboration and consultancy to enable the energy and utilities sectors to reduce costs, comply with regulations and deliver on time and to budget.
Content	Databases	Provision of information services for available academic research and funding opportunities.
Content	Consultancy	Expert services to support corporations of all sizes in applications for government R&D funding in Holland
Content	Compliance	Software platforms for corporations to provide staff with e-learning and compliance training and assessment.