

# Idox Results

Full year ended 31 October 2019 (FY19)

Idox Investor Presentation

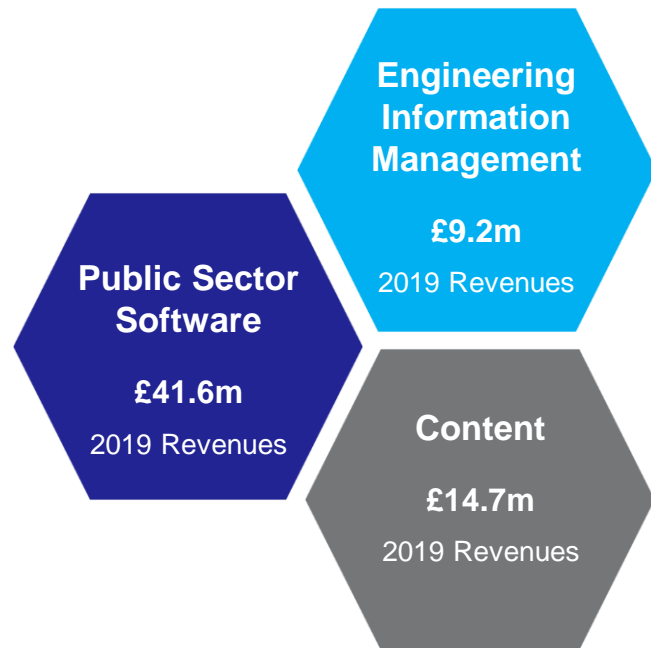
# Contents

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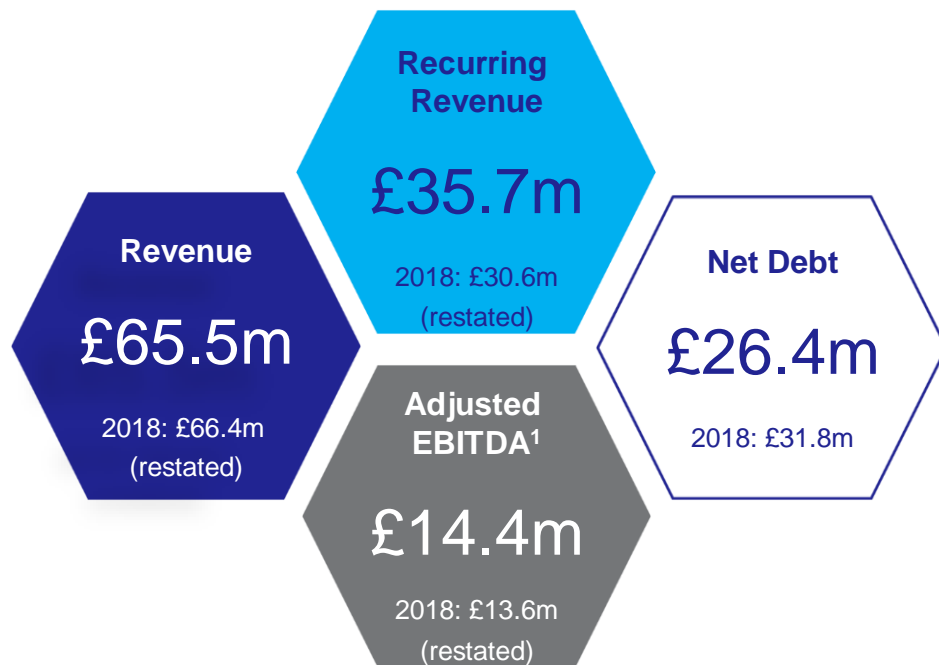


- Operating divisions and our vision
- Financial review
- Operational review
- One Idox: Strategy for future growth
- Summary & outlook

**Idox is a leading provider of software solutions for planning and regulatory services to UK Local Government, high growth Public Sector Niches and selected Private Sectors**



# FY19 Highlights



- A year of significant operational **change** and commercial **progress** across Idox.
- All material legacy **issues resolved**.
- Material **reduction in Net Debt** from improved cash generation which is expected to continue.
- Enter FY20 with a strong platform and a **high degree of confidence**

<sup>1</sup> Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs.

# Operating Divisions



## Public Sector Software (PSS)

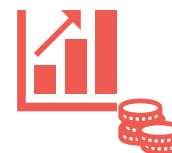
- Specialist information management solutions and services to the public sector.
- Includes several sub-divisions: Health, CAFM, Social Care, Elections, Local Authority, Transport.
- All UK based, but have delivered Elections and Transport solutions overseas.
- Long term relationships and minimal churn.
- Revenue FY19 £41.6m (FY18: £42.5m\*).
- Adj. EBITDA FY19 £11.1m (FY18: £10.5m\*).

\* Restated where applicable



## Engineering Information Management (EIM)

- Engineering document management and control solutions to asset intensive industry sector; typically Oil & Gas, and construction.
- Customers can be asset constructors (EPC's) or asset owner-operators.
- Solutions delivered from the UK to customers all over the world, via sales teams in UK, France & US.
- Strong relationships in a significant market.
- Revenue FY19 £9.2m (FY18: £10.0m).
- Adj. EBITDA FY19 £1.4m (FY18: £1.4m).



## Content

- Funding and compliance solutions to Corporate, public and commercial customers. Comprising:
  - *Databases*: UK business, providing funding data to academic and other UK customers.
  - *Consultancy*: Dutch business providing expertise in grant funding applications.
  - *Compliance*: German & Belgium business providing e-learning and employee compliance training platform.
- High repeating and recurring revenues.
- Revenue FY19 £14.7m (FY18: £13.9m).
- Adj. EBITDA FY19 £1.9m (FY18: £1.8m).

# Our Vision One Idox

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## 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 15 months.
- Experience across both **public** and **niche private markets**.
- **Broad footprint**: 8 offices in 11 countries and 8,000 global customers.
- 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 **focus operational excellence** and leverage resources.
- Strong 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 **Value 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***

# Financial Review

**Rob Grubb**

Chief Financial Officer



# Improving Idox Financial Review

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## FY19

- ✓ Implementation of strong management controls
- ✓ Secured short-term refinancing
- ✓ New senior finance team
- ✓ Revenue recognition reset
- ✓ Balance sheet cleaned up
- ✓ Chart of accounts and cost allocation fixed
- ✓ Established short and long-term forecasting methodology for P&L, balance sheet & cash
- ✓ Established monthly reviews to measure performance
- ✓ First clean audit opinion in 3 years

## FY20 and beyond

- ✓ Secured long-term refinancing
- ❑ Extend and Improve underlying systems to industrialise processes and automate MI further
- ❑ Increase granularity and detail of monthly reviews
- ❑ More detailed treasury management, including cash management targets at a divisional level
- ❑ Minimise revenue leakage and churn from existing customer base



# FY19 Financial Highlights



## Revenue

£65.5m

-1.4%

2018: £66.4m (restated)

## Annualised Recurring Revenue at Year End

£38.9m

+ 20.1%

2018: £32.4m (restated)

## Adjusted EBITDA<sup>1</sup>

£14.4m

+5.3%

2018: £13.6m (restated)

## Net Debt

£26.4m

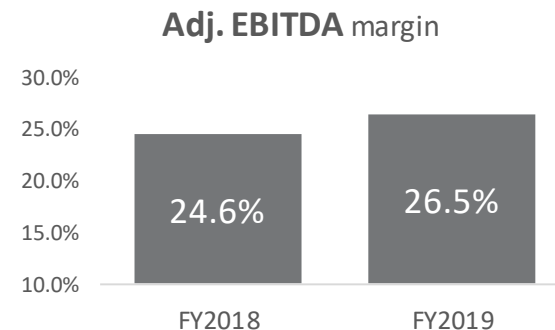
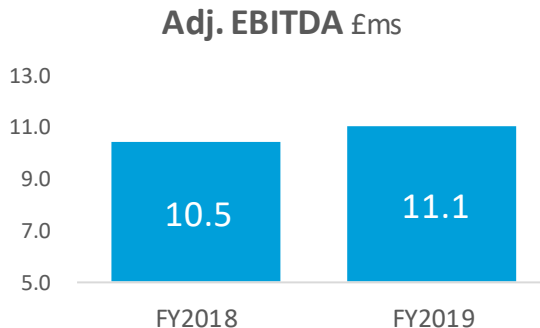
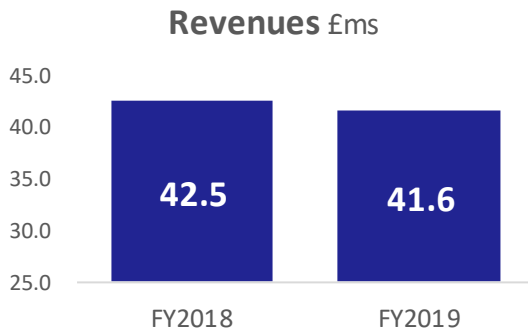
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17.0%

2018: £31.8m

- Idox has benefitted from **new operational and financial management teams**, and better controls and governance across all areas
- **Software revenues rebased for IFRS 15** resulting in higher recurring revenues recognised and **clearer cash conversion**
- **Improved Adjusted EBITDA** due to a clear **focus on profitable revenue**.
- Established cash generation as a **key performance metric**, resulting in **material reduction in Net Debt**.

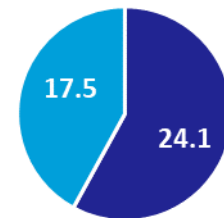
<sup>1</sup> Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs.

# Public Sector Software Financial Review



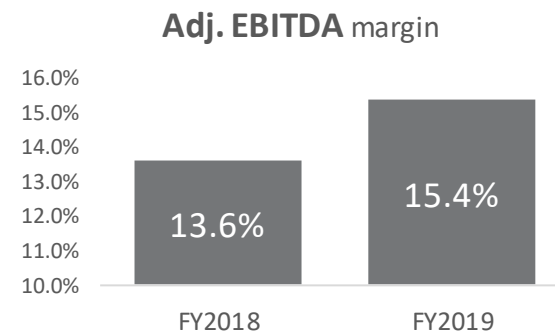
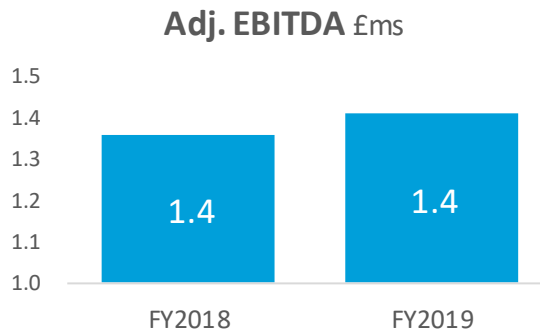
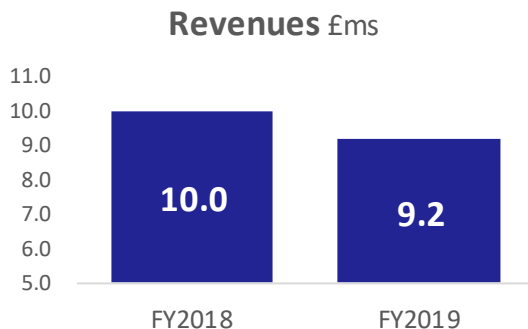
- Contributed 64% of Group revenue in FY19 (FY18: 64%)
- Comprising Local Authority, Elections, CAFM, Social Care, Transport and Health.
- Slightly lower revenues due to a reset of revenue policies and the exiting of unattractive lower margin contracts.
- Significant transformation with new management team, closer integration and improved governance has driven a strong improvement in margins.
- Acquired Tascomi in the year to future-proof core.

**Revenues £'ms**



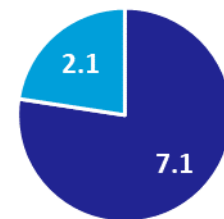
■ Recurring ■ Non-recurring

# Engineering Information Management Financial Review



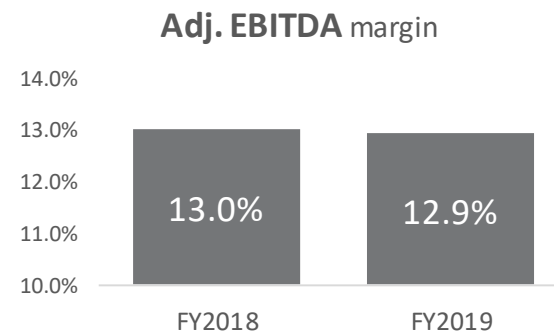
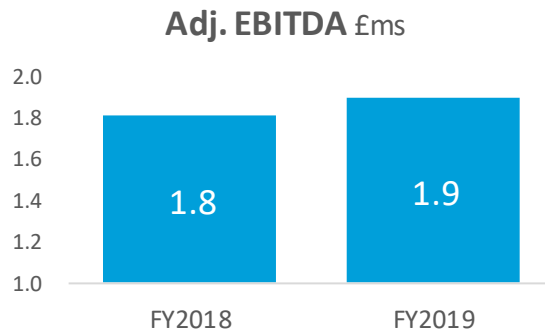
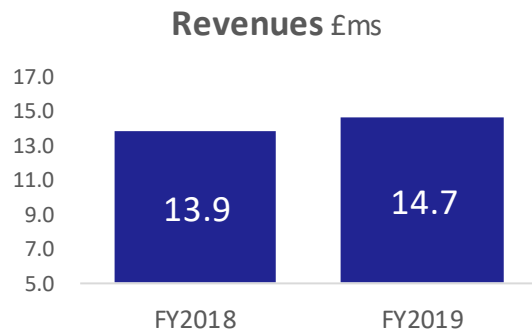
- Contributed 14% of Group revenue in FY19 (FY18: 15%).
- Sales decline reflects change in sales leadership, and move from enterprise to SaaS model.
- Focus on operational execution has driven margins higher in the year.
- Strong opportunities to leverage valued IP into new high growth sectors.

**Revenues £'ms**



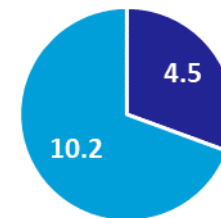
■ Recurring ■ Non-recurring

# Content Financial Review



- Contributed 22% of Group revenue in FY19 (FY18: 21%).
- Comprising Business Services (Netherlands), UK Databases (UK & Netherlands) and Compliance (Germany & Belgium).
- Strong performance in the period, revenue growth following prior investments.
- Increased focus on higher margin activity, and improved customer retention.

**Revenues £'ms**



■ Recurring ■ Non-recurring

# Income Statement Financial Review



£'ms	FY2019	FY2018*	Variance
Revenue	65.5	66.4	(0.9)
<b>Adjusted EBITDA</b>	<b>14.4</b>	<b>13.6</b>	<b>0.8</b>
D&A (normalised)	(4.9)	(4.4)	(0.5)
Interest (normalised)	(1.7)	(1.3)	(0.4)
<b>Adjusted Profit before tax</b>	<b>7.8</b>	<b>7.9</b>	<b>(0.1)</b>
Tax	(2.2)	1.6	(3.8)
<b>Adjusted Profit after tax</b>	<b>5.6</b>	<b>9.5</b>	<b>(3.9)</b>
Adjusting items:			
- Amortisation from acquired intangibles	(4.2)	(4.9)	0.7
- Impairment	-	(33.3)	33.3
- Restructuring costs	(2.2)	(0.4)	(1.8)
- Acquisition and financing costs	(0.5)	0.5	(1.0)
- Share option costs	(0.9)	(0.1)	(0.8)
<b>Statutory Loss before tax - continuing ops</b>	<b>-</b>	<b>(30.2)</b>	<b>30.2</b>
Tax (statutory, continuing operations)	(1.2)	2.7	(3.9)
Discontinued operations	(0.6)	(9.1)	8.5
<b>Statutory Loss after tax - all operations</b>	<b>(1.8)</b>	<b>(36.6)</b>	<b>34.8</b>
<b>Earnings per share (pence) - Adjusted</b>	<b>1.30</b>	<b>2.23</b>	<b>(0.93)</b>
Earnings per share (pence) - statutory, all operations	(0.40)	(8.86)	8.46

- Restructuring due to FY19 H1 transformation. Includes costs relating to settling people, surplus property and historic litigation.
- Loss from discontinued items in both FY19 & FY18 relate to the disposal of our Digital business on 2 November 2018.
- Tax a material component of Adjusted profit after tax and Adjusted EPS variance.

# Cashflow Financial Review



£'ms	FY2019	FY2018*	Variance
Adjusted EBITDA	14.4	13.6	0.8
Restructuring, acquisition & corporate finance cos	(2.7)	0.1	(2.8)
Working capital	1.3	1.3	-
Taxation	1.0	(1.6)	2.6
Discontinued Operations	(0.6)	(3.0)	2.4
Other items	(0.9)	(0.5)	(0.4)
<b>Net cash from operating activities</b>	<b>12.5</b>	<b>9.9</b>	<b>2.6</b>
EBITDA cash conversion	87%	73%	
Acquisition of subsidiaries	(6.4)	(0.2)	(6.2)
Purchase of property, plant and equipment	(0.8)	(0.6)	(0.2)
Purchase of intangible assets	(5.9)	(3.9)	(2.0)
Finance income	0.2	0.2	-
<b>Net cash used in investing activities</b>	<b>(12.9)</b>	<b>(4.5)</b>	<b>(8.4)</b>
Interest and loan costs	(1.6)	(1.4)	(0.2)
Movement in debt	(4.0)	1.0	(5.0)
New equity	7.3	(0.1)	7.4
Dividends	-	(2.7)	2.7
<b>Net cash from / (used) in financing activities</b>	<b>1.7</b>	<b>(3.2)</b>	<b>4.9</b>
<b>Net movement on cash and cash equivalents</b>	<b>1.3</b>	<b>2.2</b>	<b>(0.9)</b>

- Restructuring due to FY19 H1 transformation. Includes costs relating to settling people, surplus property and historic litigation.
- Other items mainly relate to payment of deferred consideration for prior period acquisitions.
- Acquisition of Tascomi funded by equity in the year.
- Purchase of intangible assets comprise capitalised development of £4.4m (FY18: £3.6m) and software license purchases of £1.5m (FY18:£0.3m).
- Debt reduced by £4.0m in the year, which coupled with cash generated of £1.4m resulted in net debt decreasing to £26.4m (FY18: £31.8m).
- Adjusted EBITDA cash conversion to net cash from operating activities of 87% (FY18: 73%).

# Balance Sheet Financial Review



£'ms	FY2019	FY2018*	Variance
Fixed Assets	87.2	80.0	7.2
Deferred tax assets & liabilities	(2.6)	(2.6)	-
Stock	0.1	0.1	-
Trade & other receivables, and prepayments	12.7	14.1	(1.4)
Trade & other payables, and accruals	(13.1)	(13.8)	0.7
Current tax receivable	0.3	1.4	(1.1)
Assets classified as held for sale	-	0.2	(0.2)
Provisions	(0.5)	(0.7)	0.2
<b>Sub-total</b>	<b>84.1</b>	<b>78.7</b>	<b>5.4</b>
Accrued income	7.2	18.4	(11.2)
Deferred income	(20.3)	(17.4)	(2.9)
<b>Net accrued / (deferred) income</b>	<b>(13.1)</b>	<b>1.0</b>	<b>(14.1)</b>
<b>Balance sheet excluding net debt</b>	<b>71.0</b>	<b>79.7</b>	<b>(8.7)</b>
Cash	7.0	5.5	1.5
Bank borrowings	(21.8)	(25.8)	4.0
Bonds in issue	(11.6)	(11.5)	(0.1)
<b>Net Debt</b>	<b>(26.4)</b>	<b>(31.8)</b>	<b>5.4</b>
<b>Shareholder equity</b>	<b>44.6</b>	<b>47.9</b>	<b>(3.3)</b>

- Fixed asset increase following the acquisition of Tascomi in the year. Capitalised R&D offset by amortisation.
- Reduction in trade debtors following clean-up of old 'parked' debt.
- Significant reduction in accrued income, and corresponding increase in deferred income following adoption of IFRS 15 and rest of revenue recognition practises generally.
- Net debt reduced following better cash conversion from trading, and suspension of dividend in FY19.

# Financial Review new banking arrangements

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- New multi-year committed borrowing facilities to December 2022 with option to extend for two further one-year renewal periods
- Santander added to existing arrangements with NatWest and Silicon Valley Bank
- Improved commercial terms and include a larger overall facility:
  - £35 million revolving credit facility
  - Option for further borrowings of £10 million under an accordion arrangement
- Provide financial stability plus flexibility to finance growth opportunities
- 6PM bond €13m (repayment 2025, 5.1% coupon) remains in place



# FY20 Q1 Update

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- Significantly stronger financial performance with improved revenues and earnings compared to the same period last year.
- Q1 financial performance is consistent with the Board's expectations for FY20 as a whole.
- Material reduction in closing net debt as at 31 January 2020 of £27.5m (FY19: £35.5m) representing leverage of below 1.6 times, underpinning a much stronger financial position.

# 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 close to UK statutory rate.
- 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.

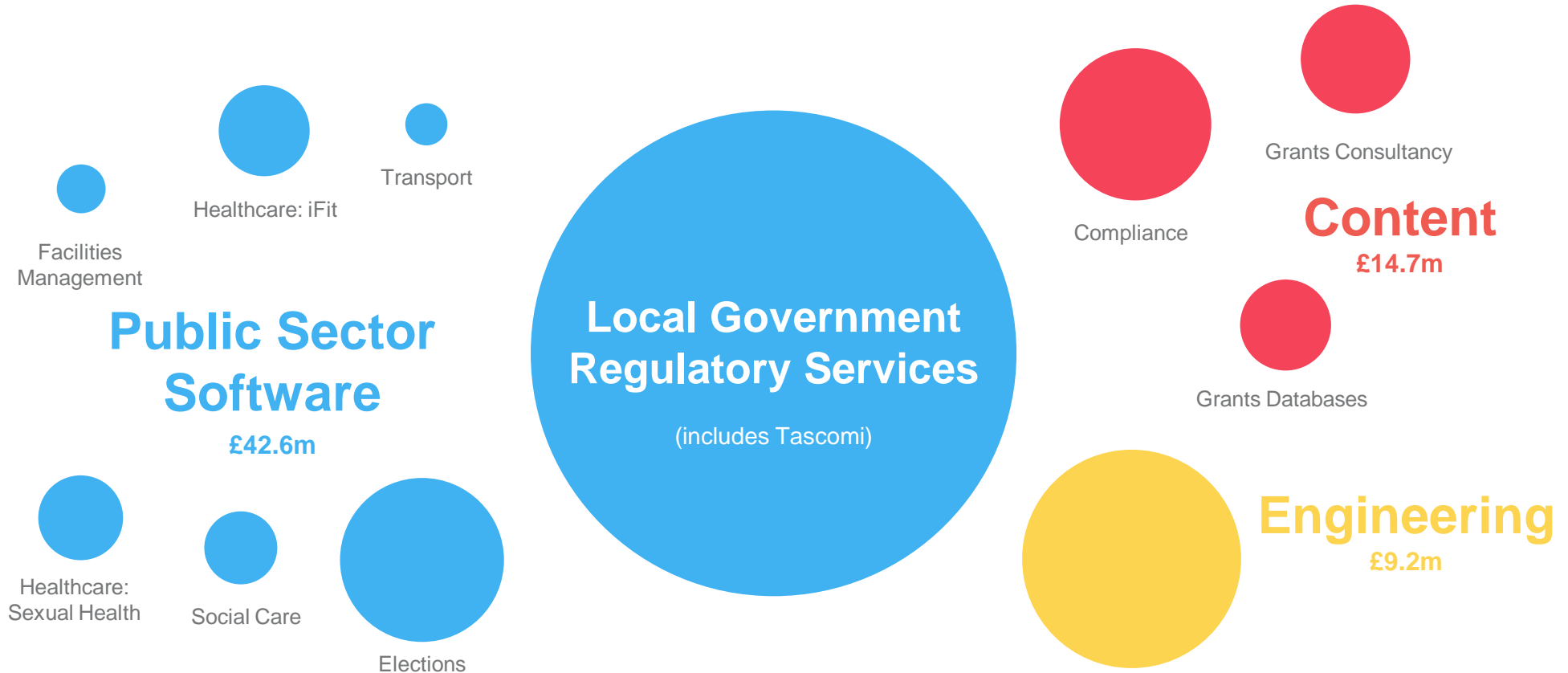
# Operational Review

**Dave Meaden**

Chief Executive Officer



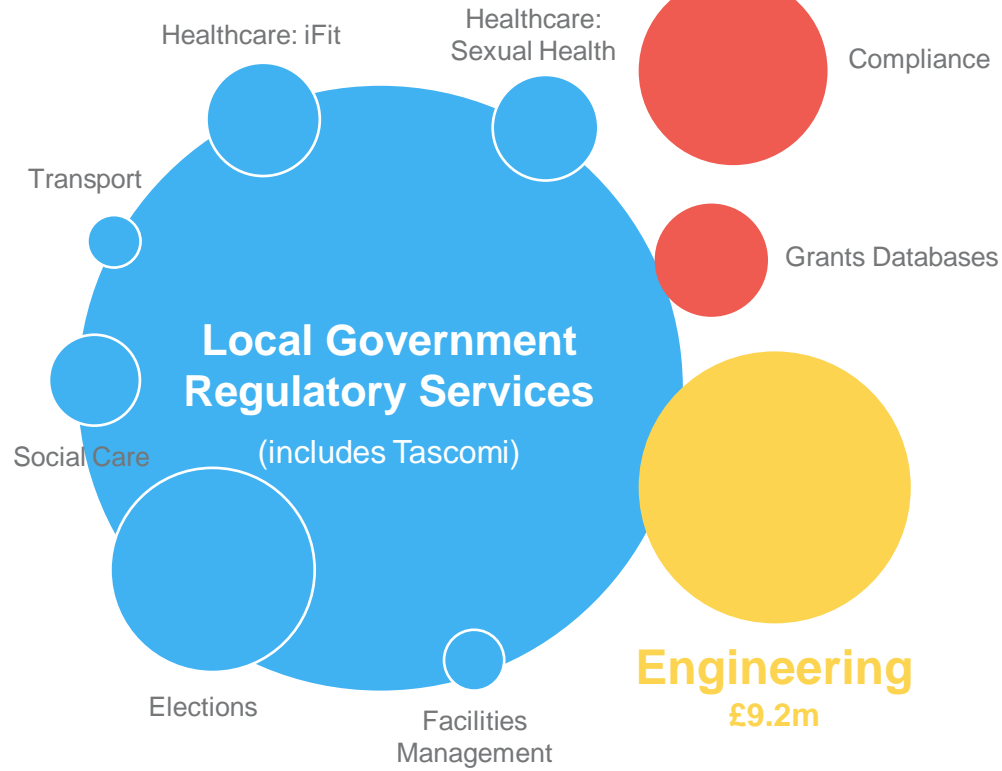
# Idox end markets



# One Idox An integrated Group

Over the past 12 months we have delivered a more integrated business, sharing:

- Corporate resources;
- A unified development and professional services approach;
- Single management methodology, account management and sales approach;
- Unified customer service teams and infrastructure;
- Common methods and process.



Grants Consultancy

**Content**

**£14.7m**

Grants Databases

**Engineering**  
**£9.2m**

**Public Sector Software**

**£42.6m**

Circle sizes represents FY2019 approximate revenue contribution

# One Idox Strategy for future growth

# Three-phase growth plan One Idox

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## Walk Phase (FY19)

- Create momentum in the plan
  - Be more ambitious about profitable growth
  - Execute with greater focus and discipline
- 



## Run Phase (FY20)

- Build momentum in the plan
  - Win bigger deals and make a step change in the business
  - Extend reach in to adjacent and existing markets
- 



## Fly Phase (FY21)

- Grow momentum in the plan
- Become most influential player in our chosen markets
- Expand scale and scope of markets we address

# 'Run Phase' well underway One Idox

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## FY19 (Walk)

- ✓ Exited loss-making Digital
- ✓ Sales governance (stopped doing poor deals)
- ✓ New Board, including Executive Management Team
- ✓ New Finance senior team
- ✓ New PSS leadership team
- ✓ Secured banking facilities
- ✓ Brought 6PM back in to good standing
- ✓ Exited surplus properties
- ✓ Improved employee engagement markedly

## FY20 (Run)

- ✓ Exited loss-making and non-core emCare and Irish scanning business
- ✓ Exited Malta
- ✓ Established bottom-up 3 year planning process
- ☐ Implementing Group-wide CRM and improve use of ERP
- ☐ Improve revenue opportunities in existing base
- ☐ Stratification of sales effort focusing skills on new business generation and business development
- ☐ Continue to consolidate activities where relevant
- ☐ Identify new revenue opportunities with existing IP
- ☐ Identify new IP opportunities



# Preparing for 'Fly Phase' One Idox

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## Revenue Expansion

- Growing profitable revenues through the movement from Uniform to Tascomi in core markets;
- Transition of incumbent competitive clients from analogue to the cloud and increase in upsell of modules to existing Uniform base;
- Gradual growth in most areas through improvement in recurring income, sales team stratification to align with opportunities (e.g. tele-sales activities);
- Increasing the scope and relevance of IP to adjacent markets, pricing management and segmentation;
- Strategic acquisitions.

## Margin Improvement

- Medium term target 30%;
- Revenue protection activity ensuring that margin leakage is minimized;
- Improvement through tighter integration of the businesses, better use of collective infrastructure;
- Less 3rd party costs;
- Removals of duplication, better automation, skill deployment and rate card and pricing more closely managed;
- Improved onshore-offshore mix;
- Looking for further value in the supply chain, removal of 3PP where feasible and practical.

# Summary & Outlook

# Summary & Outlook

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 FY19 repair complete and confident no more material issues remain

 Business well placed to improve EBITDA and cash conversion in FY20 and beyond.

 Focus on improving margins with cloud, continued integration and cost control

 Pursuing growth from our suite of strong IP, augmented by selective bolt-on acquisitions

 FY20 performance in line with expectation. Expecting to introduce a final dividend

***“We have a high degree of confidence...as we build on the achievements of FY19 and deliver on the clear targets we have set ourselves for FY20 and beyond.”***

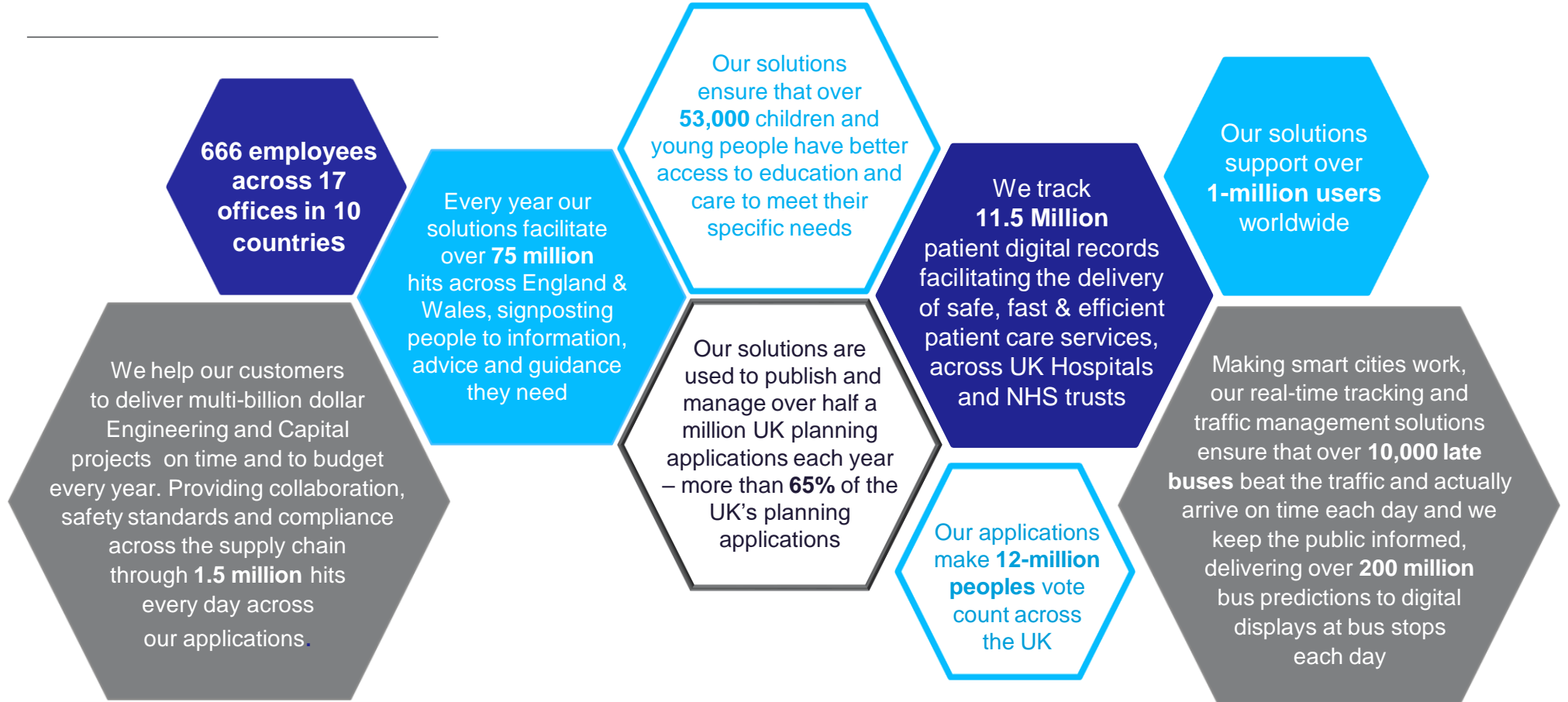
# Q&A

The background is a dark blue gradient with abstract, semi-transparent data visualizations. It includes a line graph with a yellow line, a bar chart with teal bars, and a grid of small blue squares at the bottom left.

Thank you

# Appendices

# One Idox The Platform



# 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.



# Inside Idox Executive Management Team

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Back Row: L-R Phil Woodrow, Ruth Paterson, Andy Jones, Simon Brunnen, Stuart Terheege, Henk Heerink  
Seated: L-R Rob Grubb, Dave Meaden, Jonathan Legdon, Ian Noble



# Operational Review Employer of Choice

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## Core Values Project

Board Presentations to staff

*Awards Programmes*

**Staff well-being  
programmes**

**Alignment of  
staff T&C's**

**Quarterly CEO  
Broadcasts**

*CSR programmes*

**Regional all-staff conferences**

Supporting staff fund-raising

*Staff surveys*

# Inside Idox Improved Communication



## Idox Regional Meetings



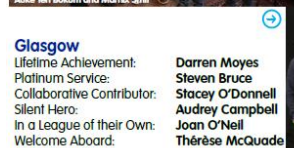
### Inside Idox Award Winners



#### Deventer

Platinum Service:  
Collaborative Contributor:  
Silent Hero:  
In a League of their Own:  
Welcome Aboard:

Marjolain Pistoro  
Auke Ten Bokum  
Stephan Waack  
Marnix Smit  
Quirine Munnich



#### Glasgow

Lifetime Achievement:  
Platinum Service:  
Collaborative Contributor:  
Silent Hero:  
In a League of their Own:  
Welcome Aboard:

Darren Moyes  
Steven Bruce  
Stacey O'Donnell  
Audrey Campbell  
Joan O'Neill  
Thérèse McQuade



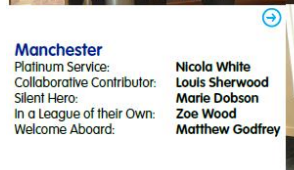
L-R: Steven Bruce, Audrey Campbell, Stacey O'Donnell, David Meaden, Thérèse McQuade and Darren Moyes



#### Reading

Platinum Service:  
Collaborative Contributor:  
Silent Hero:  
In a League of their Own:  
Welcome Aboard:

Yunus Cevahir  
Paul Cross  
Kay Thann  
Jan Singleton  
Julian Towells



#### Manchester

Platinum Service:  
Collaborative Contributor:  
Silent Hero:  
In a League of their Own:  
Welcome Aboard:

Nicola White  
Louis Sherwood  
Marie Dobson  
Zoe Wood  
Matthew Godfrey



L-R: Louis Sherwood, Nicola White, Marie Dobson, David Meaden, Matthew Godfrey and Zoe Wood



## Regional Events Feedback

Here's an overview of the results from the survey evaluating the Idox Regional Meetings

On a scale of 1 - 10 how beneficial was this event for you?



YOU SPOKE. WE LISTENED. idox

A huge thank you to all Regional Meeting attendees. The importance of your input and communication efforts to our organisation. We really cannot thank you enough for helping us get the most out of your involvement.

For our Communication and Simplification workshops, those ideas were too good to limit to a few key projects, so while we are developing the four most voted for ideas, we wanted to run a series on how YOU can improve communication across the Idox group.

Read: "You Spoke. We Listened." [here](#). You will see posters appearing across our offices, intranet and in Microsoft Teams.

