

# IDOX

## SOFTWARE & COMPUTER SERVICES

18 November 2020

### IDOX.L

51.4p

Market Cap: £228.5m

#### SHARE PRICE (p)



12m high/low 53p/29p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£(16.1)m (at 30/10/20)
Enterprise value	£244.6m
Index/market	AIM
Next news	FY20 results due Feb '21
Shares in Issue (m)	444.6
Chairman	Chris Stone
Chief Executive	David Meaden
Finance Director	Rob Grubb

#### COMPANY DESCRIPTION

Idox sells technology to UK Public Sector and global Engineering clients, and grant/compliance related Content  
[www.idoxplc.com](http://www.idoxplc.com)

IDOX IS A RESEARCH CLIENT OF PROGRESSIVE

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### Further evidence of success

Idox has published a trading update for the year to October, with the release detailing both a solid financial performance and a number of positive developments during the period. We adjust estimates to reflect the detail in the RNS, but make no changes to our revenue or EBITDA estimates for later years. We note the upbeat tone of the release, and look forward to additional detail at the time of the full results, due in early February 2021.

- Financial snapshot** FY20 appears to have finished well, with revenue at £68.0m slightly above our previous £67.2m forecast, and Adjusted EBITDA also slightly outperforming at £19.5m (vs our £19.1m).
- Debt and dividends** Importantly, cash generation also appears to have been extremely strong, with the year-end net debt (including our assumption of £11.6m for the 6PM bond) of some £16.1m against our expectation of £17.0m. With the good levels of revenue and profit, buoyed by good cash conversion, the Board intends to resume a dividend for the year just finished – our forecast remains for a figure of 0.3p/share.
- Operational milestones** The group continues to succeed against all four of its strategic “pillars” – **revenue growth** (slightly ahead of plan at 4%), **margin expansion** (Adjusted EBITDA grew 35% across the year), **simplified organisation** (Tascomi fully integrated, rebranded “Idox Cloud”; one groupwide CRM platform; Malta and Ireland exited) and **communications** (clear and timely RNS, informing all stakeholders in an open, concise way).
- Well set for the future** The business is entering FY21 well positioned despite COVID-19; the order book at the end of October was some £15.9m (up over 30% y/y) and the commentary describes trading early in FY21 as “in line with our expectations”. The CEO’s statement talks of being “encouraged” and “confident” and mentions that the strong balance sheet affords growth opportunities both organically and via acquisition.

The update provides reassurance on the financial outcome for FY20, which appears to be ahead of our (and we believe consensus) expectations on all major metrics. The statement also highlights a number of specific achievements during the period, and suggests that the positive momentum continues into 2021, both in terms of external performance and internal business improvements. We await further detail with the full results in early February 2021, but take significant comfort from the trading and operational commentary.

FYE OCT (£M)	2018	2019	2020E	2021E	2022E
Revenue	66.4	65.5	68.0	71.5	76.5
Adj EBITDA	13.6	14.4	19.5	20.5	23.0
Fully Adj PBT	7.5	7.7	10.4	12.1	14.7
Fully Adj EPS (p)	2.2	1.3	1.9	2.2	2.6
EV/Sales (x)	3.7x	3.7x	3.6x	3.4x	3.2x
EV/EBITDA (x)	17.9x	17.0x	12.5x	11.9x	10.6x
PER (x)	23.3x	39.9x	27.5x	23.7x	19.5x

Source: Company Information and Progressive Equity Research estimates

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Please refer to important disclosures at the end of the document.

**Financial Summary: Idox**

Year end: October (£m unless shown)

	2018	2019	2020E	2021E	2022E
<b>PROFIT &amp; LOSS</b>					
Revenue	66.4	65.5	68.0	71.5	76.5
Adj EBITDA	13.6	14.4	19.5	20.5	23.0
Adj EBIT	12.5	13.5	18.5	19.3	21.7
Reported PBT	(30.2)	0.0	2.8	6.1	8.4
Fully Adj PBT	7.5	7.7	10.4	12.1	14.7
NOPAT	8.8	9.4	10.2	10.7	12.4
Reported EPS (p)	(8.8)	(0.4)	0.3	1.1	1.5
Fully Adj EPS (p)	2.2	1.3	1.9	2.2	2.6
Dividend per share (p)	0.0	0.0	0.3	0.4	0.5
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	9.9	12.3	20.8	20.5	23.0
Free Cash flow	4.1	4.3	10.8	10.8	13.1
FCF per share (p)	1.0	1.0	2.4	2.4	2.9
Acquisitions	(0.2)	(6.4)	(0.6)	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	(0.1)	7.4	0.0	0.0	0.0
Net cash flow	1.2	5.4	10.2	8.8	11.1
Overdrafts / borrowings	(37.3)	(33.4)	(33.4)	(33.4)	(33.4)
Cash & equivalents	5.5	7.0	17.2	26.0	37.1
Net (Debt)/Cash	(31.8)	(26.4)	(16.1)	(7.4)	3.7
<b>NAV AND RETURNS</b>					
Net asset value	47.9	44.6	45.8	48.2	52.0
NAV/share (p)	11.5	10.0	10.3	10.8	11.7
Net Tangible Asset Value	1.2	1.2	1.2	1.0	0.6
NTAV/share (p)	0.3	0.3	0.3	0.2	0.1
Average equity	23.9	46.2	44.7	46.2	49.8
Post-tax ROE (%)	32.2%	22.6%	27.0%	31.8%	0.0%
<b>METRICS</b>					
Revenue growth		(1.4%)	3.9%	5.1%	7.0%
Adj EBITDA growth		5.3%	35.8%	5.1%	12.3%
Adj EBIT growth		7.9%	36.8%	4.4%	12.2%
Adj PBT growth		3.2%	35.2%	15.7%	21.8%
Adj EPS growth		(41.8%)	45.4%	15.7%	21.8%
Dividend growth		N/A	N/A	40.0%	26.2%
Adj EBIT margins		20.6%	27.2%	27.0%	28.3%
<b>VALUATION</b>					
EV/Sales (x)	3.7	3.7	3.6	3.4	3.2
EV/EBITDA (x)	17.9	17.0	12.5	11.9	10.6
EV/NOPAT (x)	27.8	26.0	23.9	22.9	19.7
PER (x)	23.3	39.9	27.5	23.7	19.5
Dividend yield	N/A	N/A	0.6%	0.8%	1.0%
FCF yield	2.0%	2.0%	4.7%	4.7%	5.7%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

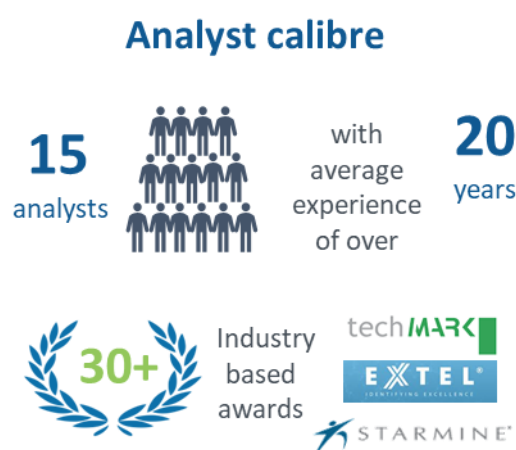
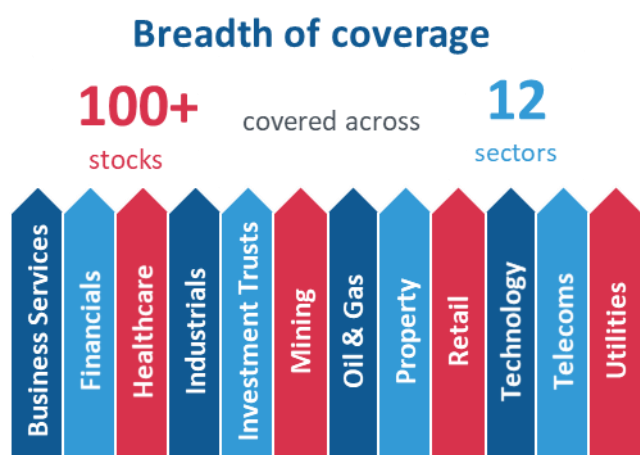
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