

# IDOX

## SOFTWARE & COMPUTER SERVICES

20 May 2021

### IDOX.L

61.6p

Market Cap: £274.2m

#### SHARE PRICE (p)



12m high/low 74p/39p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£7.6m (at 30/04/21)
Enterprise value	£266.6m
Index/market	AIM
Next news	H1 results, 15 June 2021
Shares in Issue (m)	445.2
Chairman	Chris Stone
Chief Executive	David Meaden
Finance Director	Rob Grubb

#### COMPANY DESCRIPTION

Idox is a software business selling to UK Public Sector and global Engineering clients

[www.idoxplc.com](http://www.idoxplc.com)

IDOX IS A RESEARCH CLIENT OF PROGRESSIVE

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## Strong momentum evident in H1 trading

### Focus on software, key local authority markets

Idox's trading update for the half year to the end of April 2021 shows a performance that is nicely on track to meet full year expectations. We leave our estimates unchanged at present while noting the cash position and that adjusted EBITDA is well over half way towards our full year estimate. Idox's two disposals during the first half represented the remainder of the Idox Content division leaving Idox as a software business selling to public-sector and engineering customers – and one with a robust balance sheet. In addition, the Group's M&A pipeline continues to develop with a number of 'active conversations with potential targets'. With management drawing confidence in the full year outlook from a strong level of order book visibility, in our view, Idox remains well positioned to execute further on its growth strategy.

- Overall, Idox has produced a strong financial performance in the first half which we feel reflects good operational progress within its four pillars framework. With the two disposals representing the completion of the reshaping of Idox, the series of reforms which the management team has introduced should continue to drive that programme of Revenue Enhancement, Margin Enhancement, Organisational Simplification and Communication.
- The announcement states that the Group saw 'significantly increased levels of customer engagement and improved revenues' as a direct consequence of the sales and marketing initiatives which were implemented during FY 2020.
- Continuing operations (excluding the disposed Content businesses) produced H1 2021E revenue and adjusted EBITDA of £31.1m (up 4% on H1 2020) and £10.1m (up 17%) respectively in the half year period. Idox ended the half year with net cash of £7.6m compared to net debt of £16.1m six months earlier, reflecting strong cash generation and the £12.6m proceeds from the disposal of the Content businesses.
- With its net cash position, Idox remains well placed to develop its search for selective bolt-on acquisitions. Having previously established an in-house function focused on acquisitions, the update suggests that it continues to make good progress in the development of a pipeline of opportunities within the Group's current markets.

FYE OCT (£M)	2019	2020	2021E	2022E	2023E
Revenue	65.5	68.0	64.0	63.8	67.4
Adj EBITDA	14.4	19.6	18.4	19.8	21.7
Fully Adj PBT	7.7	10.5	10.9	12.7	14.3
Fully Adj EPS (p)	1.3	1.8	2.0	2.3	2.6
EV/Sales (x)	4.1x	3.9x	4.2x	4.2x	4.0x
EV/EBITDA (x)	18.6x	13.6x	14.5x	13.5x	12.3x
PER (x)	47.9x	34.6x	31.2x	26.8x	23.7x

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)

	2019	2020	2021E	2022E	2023E
<b>PROFIT &amp; LOSS</b>					
Revenue	65.5	68.0	64.0	63.8	67.4
Adj EBITDA	14.4	19.6	18.4	19.8	21.7
Adj EBIT	9.4	12.7	11.9	13.7	15.2
Reported PBT	0.0	2.7	11.0	6.4	8.0
Fully Adj PBT	7.7	10.5	10.9	12.7	14.3
NOPAT	9.4	10.3	9.7	11.1	12.3
Reported EPS (p)	(0.3)	0.3	2.3	1.1	1.4
Fully Adj EPS (p)	1.3	1.8	2.0	2.3	2.6
Dividend per share (p)	0.0	0.3	0.4	0.5	0.6
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	12.3	22.0	19.8	21.2	21.7
Free Cash flow	4.3	11.5	9.6	10.4	10.2
FCF per share (p)	1.0	2.6	2.2	2.4	2.3
Acquisitions	(6.4)	(0.6)	0.0	0.0	0.0
Disposals	0.0	(0.3)	12.6	1.0	0.0
Shares issued	7.4	(0.1)	0.0	0.0	0.0
Net cash flow	5.4	10.3	20.4	9.4	7.8
Overdrafts / borrowings/bonds	(33.4)	(46.9)	(46.9)	(46.9)	(46.9)
Cash & equivalents	7.0	30.8	51.2	60.6	68.4
Net (Debt)/Cash	(26.4)	(16.1)	4.3	13.7	21.5
<b>NAV AND RETURNS</b>					
Net asset value	44.6	47.0	62.7	66.6	71.4
NAV/share (p)	10.0	10.6	14.1	15.0	16.0
Net Tangible Asset Value	1.2	1.2	1.5	1.1	0.6
NTAV/share (p)	0.3	0.3	0.3	0.2	0.1
Average equity	46.2	45.8	51.1	56.7	60.0
Post-tax ROE (%)	16.7%	22.9%	21.3%	22.3%	23.8%
<b>METRICS</b>					
Revenue growth	(1.4%)	3.9%	(5.9%)	(0.2%)	5.5%
Adj EBITDA growth	5.3%	36.4%	(6.3%)	7.6%	9.7%
Adj EBIT growth	6.9%	34.9%	(6.1%)	14.8%	11.2%
Adj PBT growth	3.2%	35.9%	3.6%	16.6%	12.9%
Adj EPS growth	(41.8%)	38.2%	10.9%	16.6%	12.9%
Dividend growth	N/A	N/A	33.3%	23.8%	21.2%
Adj EBIT margins	14.4%	18.7%	18.6%	21.5%	22.6%
<b>VALUATION</b>					
EV/Sales (x)	4.1	3.9	4.2	4.2	4.0
EV/EBITDA (x)	18.6	13.6	14.5	13.5	12.3
EV/NOPAT (x)	28.3	25.9	27.6	24.0	21.6
PER (x)	47.9	34.6	31.2	26.8	23.7
Dividend yield	N/A	0.5%	0.6%	0.8%	1.0%
FCF yield	1.7%	4.2%	3.5%	3.8%	3.8%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

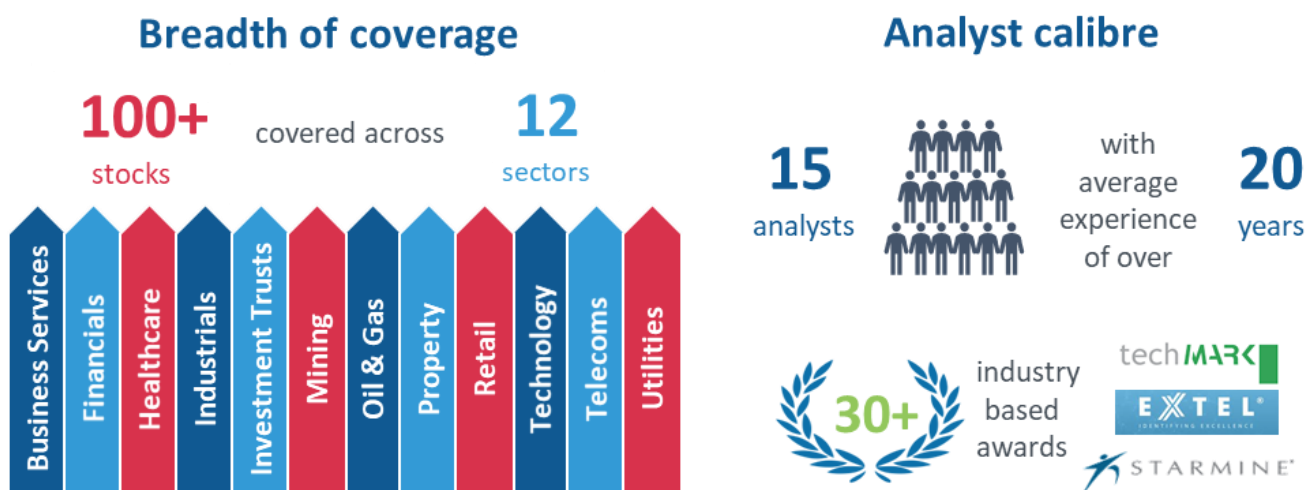
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