

Idox plc

Half year results

30 April 2021 (FY21 H1)

Idox. Do more.



Idox plc

A leading supplier of specialist information management software and solutions



Over 90% of local UK authorities are customers for one or more of our products



1,300+ customers & 500+ employees with offices in the UK, Europe and India



Continuing revenues £60 million+ (pro-forma basis) and adjusted EBITDA margin of 30%+

Agenda

- Introduction & H1 Highlights
- Financial performance
- Growth strategy
 - Organic
 - Acquisition strategy
- ESG
- Outlook



Dave Meaden

Chief Executive Officer



Rob Grubb

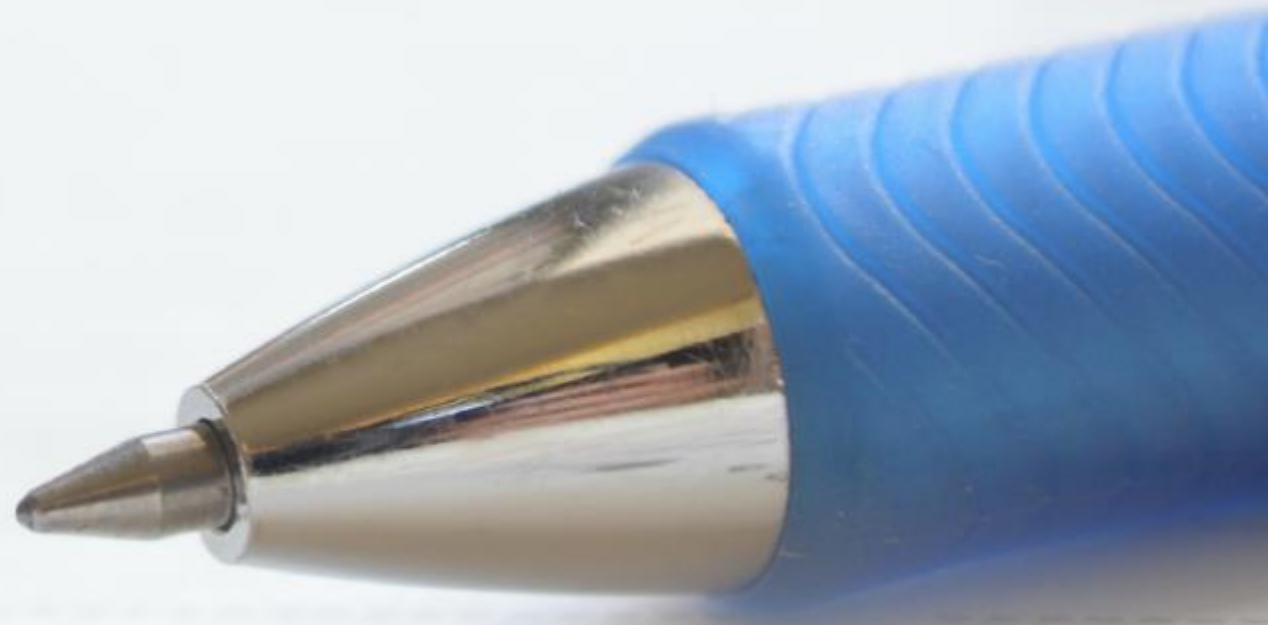
Chief Financial Officer

FY21 H1 operational highlights

The first half of FY21 has seen continued strategic delivery following the transformation across the Group over the previous two financial years.

- The disposal of our Content businesses in line with our strategy to focus on pure software businesses.
- Good progress with our sales and marketing initiatives, directly increasing levels of customer engagement. We are seeing improved revenues as a direct consequence of these efforts.
- Ongoing improvements to margins through higher quality revenues, improved operational efficiencies and corporate simplification.
- Continued progress on prospecting for acquisitions, with active conversations with further potential targets.
- High levels of colleague engagement with increased focus on our collective environmental, social and governance projects.
- Idox is now firmly in the 'Fly' phase of its 'Walk, Run, Fly' strategy.

Financial



Idox. Do more.



FY21 H1 financial highlights

Revenue £31.1m +4% FY20 H1: £30.0m	Recurring revenue £17.6m -1% FY20 H1: £17.8m	Adjusted EBITDA * £10.1m +17% FY20 H1 : £8.7m
Adjusted EPS 1.13p +98% FY20 H1: 0.57p	Statutory PBT £3.6m +1976% FY20 H1: £0.2m	Net cash / (debt) £7.6m FY20 H1: (£14.3m)

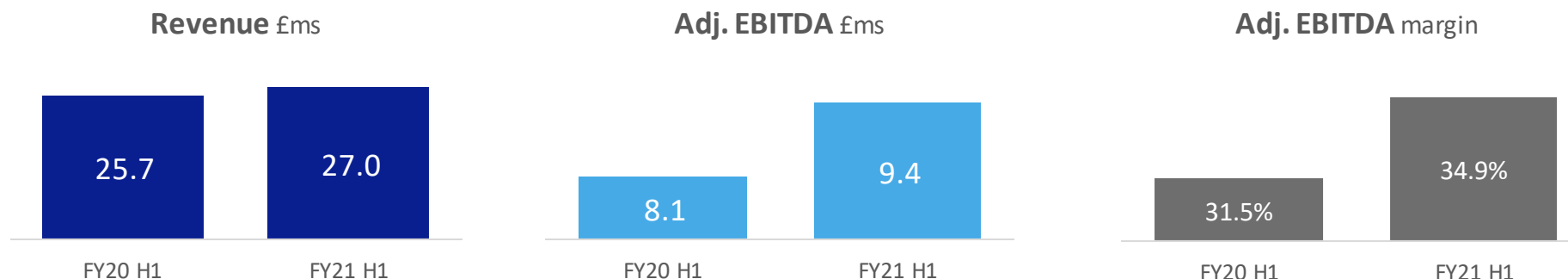
All figures referenced are for continuing activities

Another period of strong financial performance

- **Recurring revenues continue to** grow well in local government business, but impacted by small reductions in elections (planned consolidation of products), in social care (Covid-19 impacted), health (planned exit from Malta) and EIM (Covid-19 & corporate activity client-side).
- **Non-recurring revenues up** 11% in the year driven in part by signing new term agreements from existing local authority customers , with closing orderbook up 9% primarily in Elections and EIM.
- **Continued improvement in margin** due to operational improvements across the Group under our 'Four Pillars' framework.
- **Another strong cash performance** leading to a further material reduction in net debt to a net cash position. Good financial resources to transact **bolt-on acquisitions**.
- **Disposed of the Content business for initial proceeds of £12.6m** in line with our continued focus on corporate simplification.

* Adjusted EBITDA is defined as earnings before restructuring, acquisition costs, impairment, corporate finance costs and share option costs.

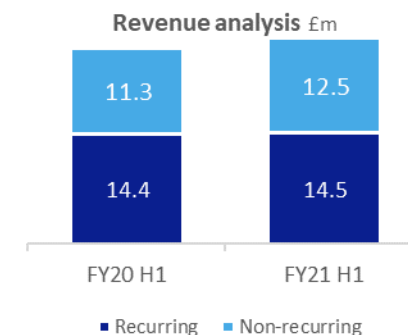
Public Sector Software



Comprising Local Authority, Idox Cloud, Elections, CAFM, Social Care, Transport, UK Databases and Health.

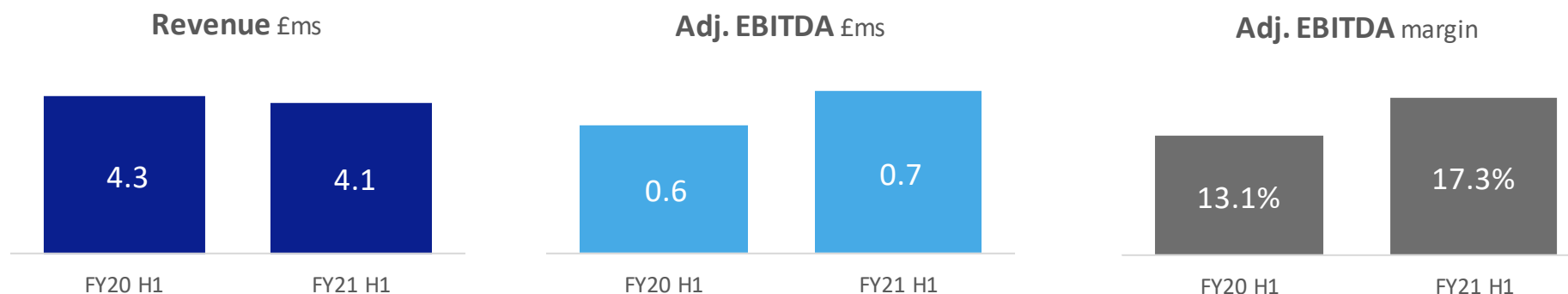
Revenue increased strongly again in the period due to ongoing [improved sales execution](#) following the changes and investments made in sales and marketing over the past 18 months.

- [Recurring revenues up in Local Authority](#) (including Idox Cloud, which grew recurring sales by 49%) but this was tempered by small decreases in elections (planned consolidation of products), in social care (Covid-19 impacted) and health (planned exit from Malta).
- [Non-recurring revenues were up mainly in Local Authority](#) with the rest of the portfolio largely balanced. Approximately half the increase was due to signing new term agreements from existing customers which whilst repeating over time, can fluctuate from one period to the next.
- [Closing orderbook](#) of contracted, non-recurring revenues of £11.6m (FY20 H1: £11.2m), a slight increase of 3%.



Adj. EBITDA [significant increase of £1.3m](#) largely due to the high-margin drop-through of incremental and continued discipline on costs.

Engineering Information Management

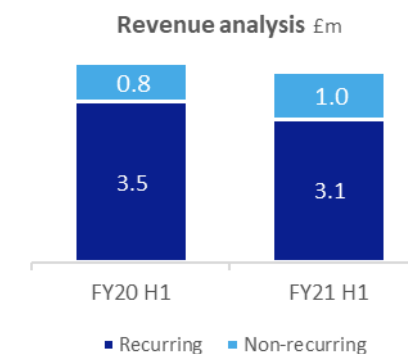


Comprising on-premise McLaren and cloud-native Fusion Live

Revenue decreased slightly in the period as the business reorganised in late FY20 / early FY21.

- Recurring revenues down due to market conditions (Covid-19 impacting energy markets) and cancellation of an existing customer due to corporate activity. The broader energy market is still difficult, however the business is continuing to win new engagements in alternative sectors.
- Non-recurring revenues were up as order intake for new business improved, and utilisation rose with the integration in to Idox Software.
- Closing orderbook of contracted, non-recurring revenues of £0.9m (FY20 H1: £0.3m), an increase of 220%.

Adj. EBITDA slight increase despite the decrease in revenues as the benefits of integration to Idox Software operations and management structure are realised.



Income statement

£'ms	FY21 H1	FY20 H1*	Variance
Revenue	31.1	30.0	1.1
Adjusted EBITDA	10.1	8.7	1.4
Depreciation & Amortisation	(3.3)	(2.9)	(0.4)
Adjusted EBIT	6.8	5.7	1.1
Interest	(0.4)	(1.4)	1.0
Adjusted Profit before tax	6.4	4.4	2.0
Tax	(1.3)	(1.9)	0.6
Adjusted Profit after tax	5.1	2.5	2.6
Adjusting items:			
- Amortisation from acquired intangibles	(1.7)	(2.1)	0.4
- Restructuring costs	(0.2)	(1.3)	1.1
- Acquisition and financing costs	(0.0)	(0.4)	0.4
- Share option costs	(0.8)	(0.4)	(0.4)
Statutory Profit before tax - continuing ops	3.7	0.2	3.5
Tax (statutory, continuing operations)	(0.7)	(1.3)	0.6
Discontinued operations	4.3	0.1	4.2
Statutory Profit / (Loss) after tax - all operations	7.3	(1.0)	8.3

- Adjusted EBITDA up due to revenue improvements primarily in local authority which has dropped through to margin strongly.
- D&A up due to slightly higher recent investment in software and R&D.
- Interest down due to FX movement on 6PM bond (£0.8m) and lower interest charges on RCF which had lower average drawdown in the period.
- Amortisation from acquired intangibles down due to Idox Content being discontinued and other items becoming fully written down.
- Share options increase due to further awards and share price appreciation.
- Restructuring costs of £0.2m represent costs incurred as part of Dye & Durham approach. No refinancing or restructuring programmes in the period.
- Tax ETR more aligned to UK Corporate rate given majority of non-UK operations now discontinued, and increasing earnings making disallowables and other DTA / DTL recognition & derecognition amounts less material.

* The comparatives have been restated due to the Content business being reclassified as discontinued operations. There has been no change to the overall results.

Balance sheet

£'ms	FY21 H1	FY20 H1*	Variance
Fixed Assets	72.6	84.7	(12.1)
Deferred tax assets & liabilities	(2.0)	(3.1)	1.1
Trade & other receivables, and prepayments	16.9	16.3	0.6
Trade & other payables, and accruals	(17.5)	(16.0)	(1.5)
Current tax	(0.1)	0.3	(0.4)
Leases - net assets / (liabilities)	(0.1)	(0.4)	0.3
Provisions	(2.0)	(1.6)	(0.4)
Sub-total	67.8	80.2	(12.4)
Accrued income	3.2	6.3	(3.1)
Deferred income	(24.3)	(27.9)	3.6
Net accrued / (deferred) income	(21.1)	(21.6)	0.5
Balance sheet excluding net debt	46.7	58.6	(11.9)
Cash	29.2	32.3	(3.1)
Bank borrowings	(10.2)	(34.9)	24.7
Bonds in issue	(11.4)	(11.7)	0.3
Net Debt	7.6	(14.3)	21.9
Shareholder equity	54.3	44.3	10.0

- Fixed Assets decrease due to disposal of Idox Content businesses (£8.2m) and amortisation on prior intangible assets (£4.0m)
- Trade and other payables up due to higher VAT to COVID-19 VAT deferrals, being repaid as planned throughout FY21 & FY22.
- Provisions higher due to provision for staff leave of £0.4m due to impact of COVID-19.
- Net accrued / deferred income consistent year-on-year.
- Bank borrowings repaid given reducing uncertainty with Covid-19; continued strong cash generation of the business; and proceeds from the disposal of the Idox Content businesses.
- 6PM 2025 €13m 5.1% bond retained.

* The comparatives have been restated to fully disclose lease liabilities that were previously included in other liabilities.

Cashflow

£'ms	FY21 H1	FY20 H1*	Variance
Profit before taxation	7.9	0.3	7.6
Less non-cash items: D&A and share options	6.4	6.1	0.3
Less non-cash items: gain on subsidiary disposal	(4.6)	-	(4.6)
Less interest shown under investing & financing	0.5	1.6	(1.1)
Working capital	7.6	9.0	(1.4)
Taxation (including ATL)	0.0	(1.0)	1.0
Net cash from operating activities	17.8	16.0	1.8
EBITDA cash conversion	176%	185%	
Acquisitions and disposals	10.7	-	10.7
Purchase of property, plant and equipment	(0.8)	(0.5)	(0.3)
Purchase of intangible assets	(2.3)	(2.3)	-
Finance income	0.0	0.1	(0.1)
Net cash used in investing activities	7.6	(2.7)	10.3
Principal lease payments	(0.7)	(0.5)	(0.2)
Interest and loan costs	(0.4)	(0.7)	0.3
Movement in debt	(25.0)	13.3	(38.3)
New equity	0.1	(0.1)	0.2
Dividends	(1.3)	-	(1.3)
Net cash from / (used) in financing activities	(27.3)	12.0	(39.3)
Net movement on cash and cash equivalents	(1.9)	25.3	(27.2)
Free cashflow	13.6	12.1	1.5

- Net cash from operating activities due to increase in adj. EBITDA (£1.4m) and lower tax payments due to overpayments in prior year; offset with lower working capital (including repayment in FY21 H1 of Covid-19 VAT deferrals).
- Proceeds of £12.6m from the disposal of Idox Content, less cash balances disposed, and less costs of disposals totals £10.7m. Will receive a further £1.0m in early FY21 H2 following completion accounts processes.
- Reinstatement of dividend resulted in first payment in the period (in respect of FY20 year-end).
- Strong free cashflow generation in the period which coupled with proceeds from disposals of Idox Content led to FY21 H1 net cash of £7.6m (FY20: net debt £14.3m).

* The comparatives have been restated to fully disclose lease liabilities that were previously included in movement in payables.

Future Guidance

Revenue growth targets

- PSS – aiming for organic mid-single digits through CPI, accounting management and expanding market shares
- EIM continued transition to SaaS; net overall modest growth given market conditions.
- Looking to supplement with bolt-on M&A.

Margin targets

- Targeting adj EBITDA margins of 35% over next three to five years as operational improvements continue, and bolt-on acquisitions drive synergies.
- Expecting further expansion in cash adj. EBITDA margin as capitalised R&D and IFRS 16 cash grow slower than reported adj. EBITDA.

Other income statement items

- Currently no planned restructuring or refinancing costs anticipated, although may arise from successful M&A ambitions.
- Share-based payments will increase in line with organic and inorganic growth.
- Effective tax rate will increase in line with recently announced UK rise from 19% to 25%.

Cash conversion

- Continued strong adj. EBITDA to operating cash conversion, with April billing seasonality.
- M&A targets expected to be, or a clear path to, cash generating.
- Dividend re-introduced @ 0.3p in FY20.

Net debt

- Continual strong cash generation.
- Excess cash to be used on M&A ambitions. Option to return to shareholders if M&A progress slower than planned.
- Good headroom with bank facilities of £35m plus £10m accordion for bolt-on M&A.
- Continue to retain 6PM Bond given limited interest arbitrage and 2025 redemption date.

Balance sheet items

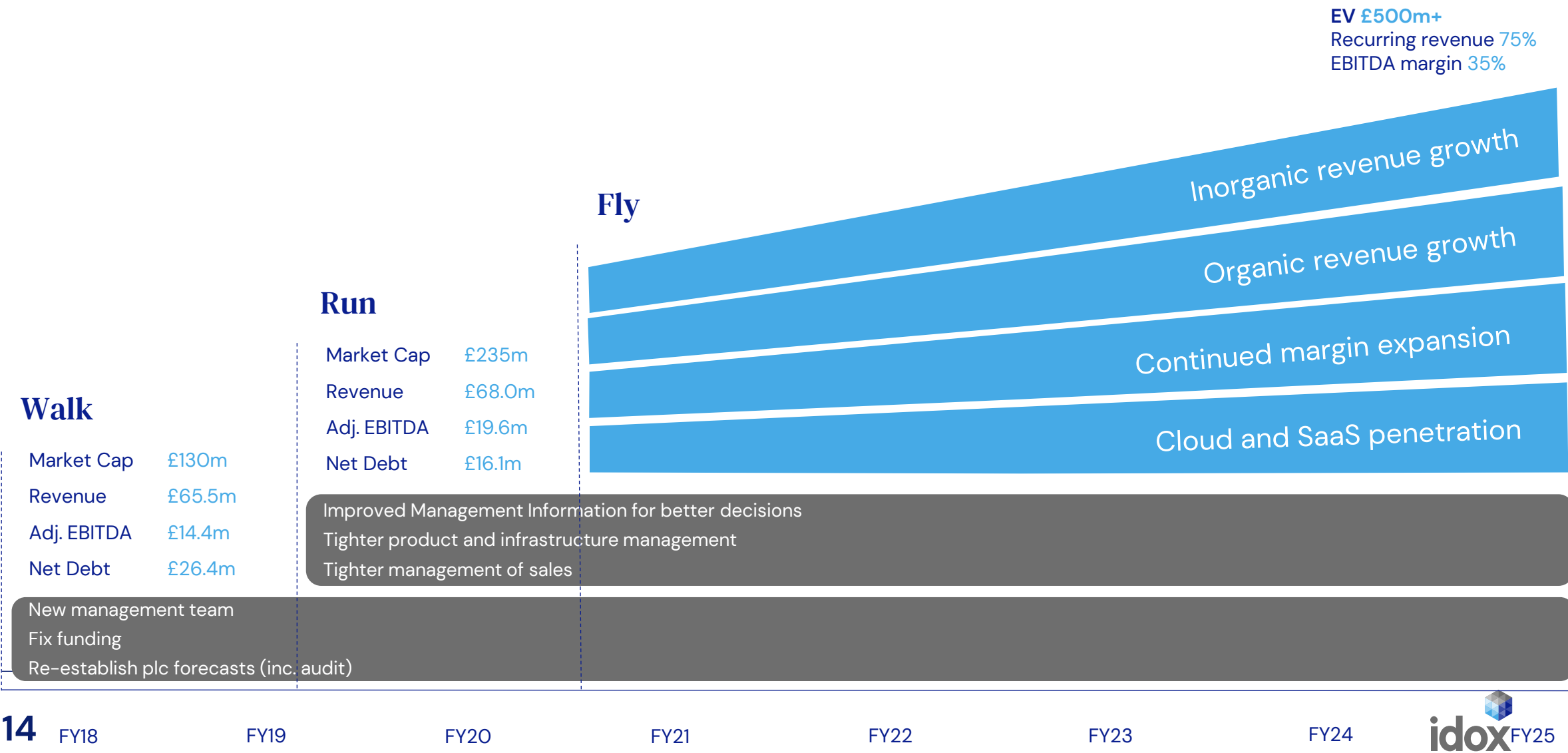
- VAT deferrals bring repaid as planned across FY21 and FY22.
- No other notable working capital balances anticipated beyond usual invoicing seasonality in local government.
- Fixed assets will continue to reduce due to amortisation of previously acquired intangibles.

Growth strategy

Idox. Do more.



Delivering our three-phase strategy



‘Four Pillars’ strategic framework

Revenue expansion

- Establishment of Idox’s first group-wide CRM which is now fully operational.
- Developed marketing strategies, with full rebranding.
- Improved sales segmentation with revenue assurance teams managing renewals and running campaigns.
- Carefully selected investment in product to drive incremental revenues from new and existing customers.

Margin enhancement

- Development teams restructured with consolidation of technologies and sharing of resources.
- Improved commercial positions across the Group (e.g. earlier subscription revenues in customer engagements).
- Cost savings & efficiencies from data centre consolidation and greater sharing across the all.
- Disposal of lower margin Idox Content, improving overall Group margin.

Simplification

- Completed integration of all businesses in to **Idox Software**, sharing resources and leveraging scale.
- Legal hive-ups to a single UK trading entity (previously four).
- Appointment of new Head of Professional Services to improve resource sharing and utilisation.
- Continued focus on good governance and minimising process outliers.

Communication

- Transparency and consistency are key to our communications; we share the same content internally and externally.
- Regular CEO engagement, both through regular broadcasts (with Q&A) and conversations with all new hires.
- Several programmes to promote employee communication and well-being.
- Enhanced focus on communicating on our ESG programme

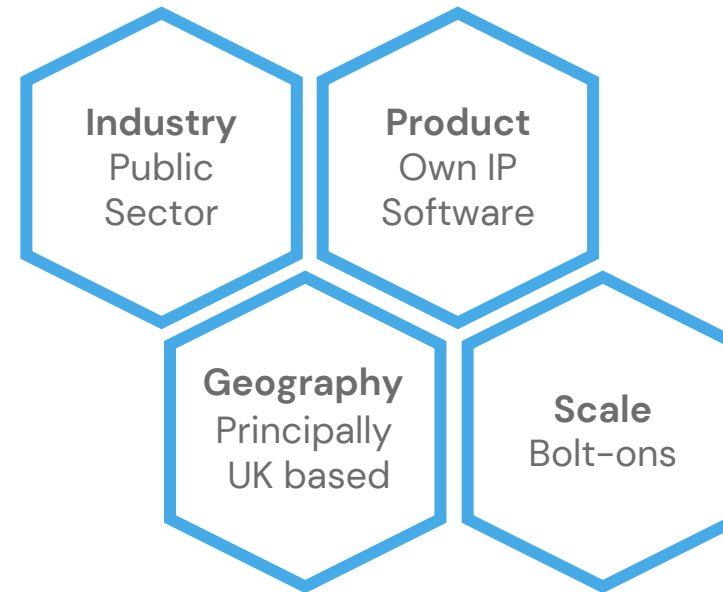
Strategy Fly phase

As we move into the 'Fly' phase, our aims, under our organisational Four Pillars are:

Organic growth

Improved MI and more automation	Improved on-shore / off-shore mix
Move products to cloud and away from third party	Increase market shares
Sales team stratification	Utilise IP in adjacencies
Protect and grow existing revenues	Tighter operational integration

Buy and build



Inorganic growth plans

Idox planning for a number of bolt-on acquisitions to accelerate growth

- Looking to leverage the existing strong management team, Idox brand and market presence, and operational infrastructure to bring niche but well-respected software solutions to a wider market (commonly a challenge for targets independent).
- Strong focus on cloud-based GovTech, augmenting existing strong market shares, recurring revenues and good margins.
- Good financial resourcing to fund a number of bolt-on acquisitions throughout the year. Strong focus on capital allocation (i.e. disposal of Idox Content) and capital management to support M&A ambitions.
- High degree of involvement from Idox executive management, with operational activity increasingly being delegated to emerging senior management group.

Example target acquisition profile

Owner-manager business that has scaled to 30 – 50 employees, either looking for an exit or support to move to the next level.

Revenue £3m to £5m. EBITDA £1m+.

Valuation x5 to x10 depending on software and SaaS component, and earn-out structure.

Idox would look to increase EBITDA contribution by 50% to 100% within 18 to 36 months through higher existing and cross-sale sales volumes supported with our infrastructure.

M&A process

- Established M&A group comprising executive members and support from the business as required for specific engagements.
- Ongoing engagement with:
 - M&A teams of all top and mid-tier accounting firms
 - M&A boutiques
 - PLC professional advisor community
 - Banks
 - Regional investment boards
- Dedicated resource engaged to prospect with public data sources (e.g. Gcloud) and manage pipeline generally.
- Methodology established to define stages of engagement, and acquisition criteria to ensure early and meaningful qualification.
- DD well-defined following Tascomi and Aligned Assets acquisitions. Target profile acquisitions satisfied by in-house DD; larger targets would supplement with external advisors.

Active Shortlist

Sector	Revenue
GIS & Built Environment	sub £5m
GIS & Built Environment	sub £3m
GIS & Built Environment	sub £5m
Transport & Highway Infrastructure	sub £10m
Transport	sub £3m
Asset Management & Tracking (Health)	sub £5m
Asset Management & Tracking	sub £5m
Public Protection (Case Management)	sub £5m
Facilities Management	sub £5m

Note: Where data not publicly available revenue estimate based on employee numbers

Further Opportunities Under Review

Sector	Opportunities	Total Revenue
Planning & Built Environment	9	18.0
Healthcare	6	30.0
GIS & Mapping	4	30.0
Asset Management & Tracking	12	27.0
Social Care	3	4.0
Property Management & CAFM	5	25.0
Other	17	217.0

Tascomi case study



Aligned Assets



Idox announced the acquisition of Aligned Assets on 7 June 2021

- Builds on public sector software focused growth strategy, following disposal of Content division. A well-established software business with high levels of recurring revenue providing software solutions to a range of public and private sectors for Address Management for over 20 years.
- Maximum consideration of £10.5m:
 - Initial cash consideration is £7.5m, with earn-out amounts of up to £1.5m cash and £1.5m equity over two years
 - Earn-out is dependent on retention of existing recurring revenues, winning new revenues, and delivery developments and integrations.
 - Funded from Idox's existing financial resources, which were bolstered by the disposal of its Content division in March 2021.
- Aligned Assets expects to report revenues of £2.7m for the year ended 31 March 2021 (of which 75% are recurring) and £1.4m of EBITDA.
- Market leaders in address management, providing solutions ranging from high-speed matching and cleansing, to sub-second predictive searching, as well as solutions for managing, sharing and viewing address data, including in augmented reality.
 - Directly enhances Idox's existing offerings to local authorities in relation to the built environment.
 - Based in Woking with 24 employees. Both executive Aligned Assets directors will continue in their current roles as part of the Idox Group.
 - The business is all UK-based and has circa 110 local authority and 60 non-local authority customers.
- Immediately earnings enhancing. Expect to deliver attractive profit growth over the medium term through a range of commercial synergies.



Environment
Social
Governance

Idox. Do more.



Responsible Idox

Conducting business responsibly is core to Idox's business model and long-term strategic goals.

The Board recognises the importance of our environmental and societal responsibilities in growing our services and solutions, and building lasting commercial relationships.

We adopt a structured approach to ESG issues that supports the UN Sustainable Development Goals to maintain relevance and resilience in the long-term.



ESG steering committee

- In FY21 we formed an ESG steering committee to understand and monitor how our practices are sustainable in environmental and social terms, as well as being well governed.
- The committee includes members of the Executive Management team, and consults with the key internal and external stakeholders.
- The committee will set ESG performance metrics and targets that will ensure we can monitor, manage and report on our performance consistently.

Supporting the UN SDG's, Idox focus on four areas of commitment to ensure we are operating as a responsible business:

Our people

Our community

Our environment

Our organisational responsibility

The aim:

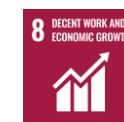
To build a diverse and inclusive workforce who feel supported and encouraged to excel in their career and life at Idox.

To support and enable our local communities to achieve more through the use of our products and using our knowledge base to educate and support individuals.

As a naturally low emission business, we are committed to improving our environmental performance and enabling our customers to do so.

To be a responsible employer, supplier, and overall business.

The UN SDGs we support:



See appendix for more detail on each of these areas of focus



Environmental Protection

Our business model of software development and deployment is lower-consumption than most other industries, however we recognise we still have our part to play in reducing carbon emissions in all our communities.

We recognise the importance of environmental protection and are committed to operating responsibly.

This includes

- operating an Environmental Management System accredited to BS EN ISO 14001:2015.
- participating in the Energy Saving Opportunities Scheme ('ESOS').
- meeting the requirements of the Streamlined Energy and Carbon Reporting ('SECR') regulations.
- being committed to progressing towards reporting within the Task Force on Climate-related Financial Disclosures ('TCFD') framework.

A full-page photograph of three construction workers on a glass skyscraper. The workers are wearing white t-shirts, dark pants, and safety harnesses. They are suspended by ropes and are working on the glass panels. Each worker has a yellow toolbox. The building's glass reflects the sky and the workers themselves. The overall scene is one of high-altitude construction work.

Outlook

Idox. Do more.



Summary & Outlook



Enter second half with good momentum and benefit of acquisition of Aligned Assets.



Well placed to continue organic growth and add complementary businesses to our portfolio.



Full year financial performance is expected to be slightly ahead of management previous expectations.

We are excited and confident in the outlook for the business

Investment Case

- Significant UK market brand and presence in stable core domains
- Refreshed management team and board delivering ongoing change
- Good organic revenue growth (mid to high single digit)
- Strong visibility of revenues from high levels of recurring revenues
- High operating margins with potential for further improvement
- Improved cash generation enabling organic development and further debt reduction
- Well-funded, and well-positioned for accretive M&A
- Progressive dividend policy

Q&A

Appendix

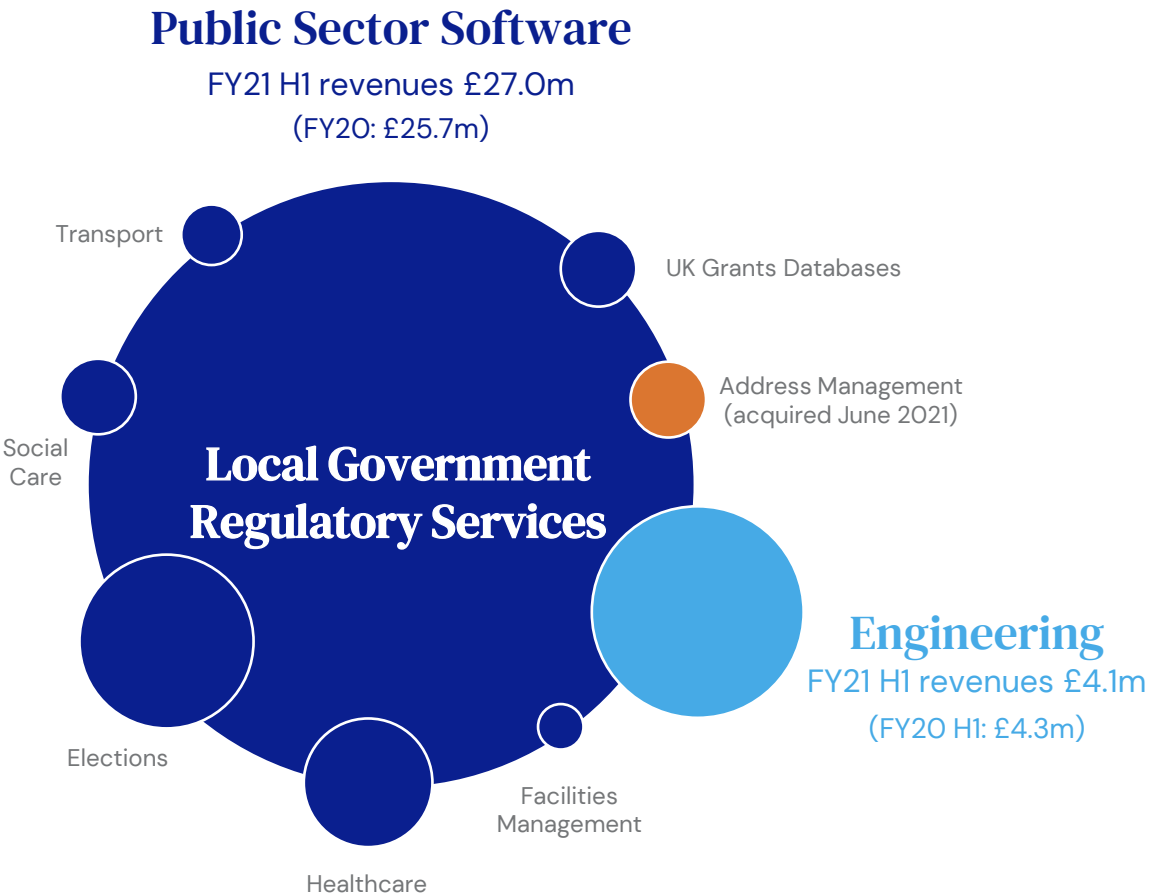
Idox Software

Public Sector Software ('PSS')

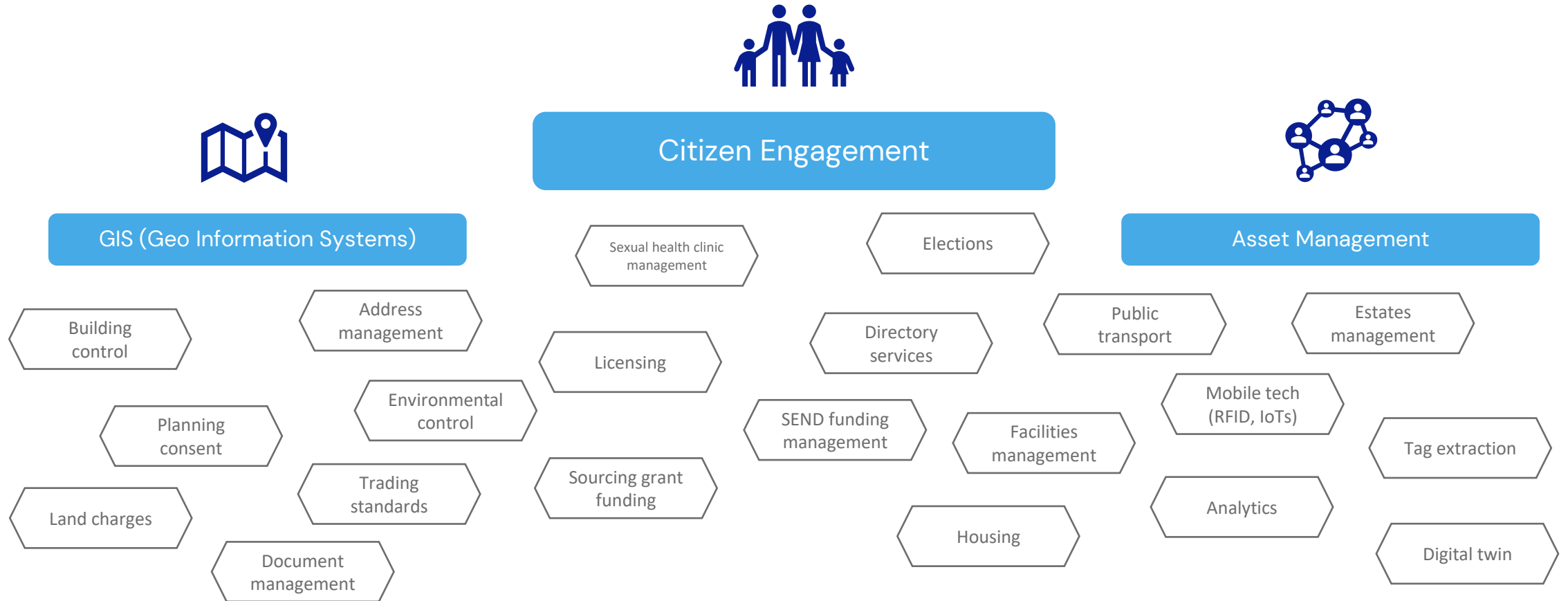
Providing legislative compliance and document process management software, in a variety of cloud and on-premise applications within local government and NHS

Engineering Information Management ('EIM')

Delivering document collaboration software for international infrastructure asset constructors and operators



Land & Property Idox eco-systems



Deeper dive on our ESG efforts

An example of some of the areas where Idox are making an impact:

Our people



Target 3.4

Idox promote mental health and wellbeing through a variety of staff initiatives. Our Mental Wellbeing team hold regular support sessions and our people are supported by our employee UNUM Lifeworks



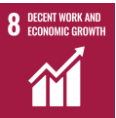
Target 4.3

Our Leading Together and mentorship schemes provide opportunity for our teams to get the training and professional development needed to take the next steps in their careers.



Target 5.5

Idox Elevate, a programme focused on achieving gender equality and increased diversity within our workforce, are working on empowering and developing women across the business.



Target 8.2

As a living wage employer, we provide decent work for our people and continue to work towards improving our gender pay gap through the Idox Elevate programme.

Our community



Target 3.7

Our Lilie solution enables Genito-Urinary Medicine clinicians to manage secure testing for sexually transmitted diseases more efficiently and securely.



Target 4.3

We are well placed to support the UK's Science, Technology, Engineering and Maths (STEM) agenda. Our employees actively seek to share their experiences, and provide support and training to local communities across the UK.



Target 11.2

In 2019, we established a new project with Metrolinx to deliver a state of the art Terminal Management System in Toronto, improving citizen experience and connecting communities,.

Deeper dive on our ESG efforts

An example of some of the areas where Idox are making an impact:

Our environment



Target 12.5

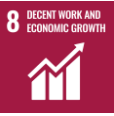
As well as working to the Energy Saving Opportunity Scheme (ESOS), Idox also utilises equipment recycling and local recycling schemes in our offices.



Target 14.2

We are committed to Scope 1, 2 and 3 emissions disclosures and are working towards a climate transition plan that sets out our emission goals and science-based targets for both the long and short term.

Our organisational responsibility



Target 8.5

As a responsible employer, Idox is committed to providing equal pay and opportunities for all. Our recruitment policies, work with Idox Elevate and our employee led initiative, Idox Voice, all have a mandate to ensure our processes are fair for all.

Significant shareholders as at 10 June 2021


Canaccord Genuity Wealth Management	19.1%
Soros Fund Management	11.4%
Kestrel Partners	11.5%
Long Path Partners	9.7%
Herald Investment Management	7.2%
Lombard Odier Asset Management	5.0%
ORA Capital	4.6%
Gresham House	3.9%
Total > 3%	72.4%

Aligned Assets

A photograph of a large, ornate building with a clock tower, illuminated at night.

Local Authorities

- LLPG
- LSG
- Street naming & numbering
- Matching & cleansing
- Address search
- Location based augmented reality
- Cloud

A photograph of an ambulance and a police car on a street.

Emergency Services

- AddressBase Premium gazetteer
- Matching & cleansing
- Address search
- Location based augmented reality
- Cloud

A photograph of large industrial pipes and a power line tower.

Utilities

- Matching & cleansing
- Address search
- AddressBase Premium customer address management
- Cloud

Markets – demand trends

Public Sector Software

- Migration to cloud to reduce IT estate.
- Move to digital to improve resident and client flexibility.
- Market expanding low to mid single digits.
- Fragmented in many target niches providing interesting buy and build opportunity

EIM

- Move to cloud to align with project-based buying.
- More digitisation of data within documents.
- Market expanding high single digits. Although cyclical, mitigated by strong existing installed base.
- O&G a third of customer base. Good opportunity across various infrastructure categories, including renewables.

COVID 19

Idox successfully manoeuvred the COVID-19 pandemic with little impact to the business internally. Idox did not utilise any government job retention schemes.

With a high level of remote workers within the organisation (c80%), the business had much of the infrastructure needed to move all staff to remote working.

Within the PSS business, minimal impact. Whilst there were some minor project delays, software revenues remained robust.

The high level of recurring revenues within EIM provided resiliency, however COVID-19 has created challenges in producing new business opportunities.

Markets - competitors

Business Unit	Competitive Landscape
Local authorities, including: Regulatory Services, Elections, Social Care, Transport, Grants	Idox is largest player, competing with large incumbents such as Northgate, Capita and Civica; supplemented by a sizeable community of niche vendors (for example DEF, Agile Applications, Democracy Counts, Grants Online).
Health: Sexual Health Clinic EPR	A relatively concentrated market of well-established software vendors such as Idox and Inform.
Health: Documents and Assets tracking	Diverse range of software vendors and suppliers providing a broader range of property, people or asset management and / or tracking capabilities.
Facilities Management	In addition, many potential customers have unsophisticated MS Office-based solutions or wholly manually processes, providing a good market opportunity for software vendors.
EIM	Large, well-established and multi-national industry leaders such as Aconex (Oracle), Bentley, Aviva and OpenText.