

IDOX

SOFTWARE & COMPUTER SERVICES

16 November 2021

IDOX.L

71.6p

Market Cap: £318.9m

SHARE PRICE (p)



12m high/low 77p/48p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£(8.1)m (at 31/10/21)
Enterprise value	£327m
Index/market	AIM
Next news	FY21 results, Feb 2022
Shares in Issue (m)	445.4
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.

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IDOX IS A RESEARCH CLIENT OF PROGRESSIVE

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On the flight path

Idox has released a trading update for the year to October. The update confirms the continuing strong performance of the businesses and highlights the strategic progress that has been made during the year – most importantly the disposal of the Content businesses and the acquisitions of Aligned Assets, thinkWhere and exeGesIS. The revenue, adjusted EBITDA and net debt figures given in the statement are almost exactly in line with our own forecasts. Although we have adjusted our estimates for FY21 to reflect the guidance, we have made no changes to FY22 and FY23.

- Financial snapshot.** Total revenues for FY21, including the Content division sold in H1, were £65.9m, just ahead of our £65.7m. This reflects underlying growth in the continuing operations of 8% to £62.0m. The adjusted EBITDA result for all operations of £19.6m is marginally ahead of our estimate of £19.5m.
- Debt and dividends.** The year-end net debt figure of £8.1m is, after payment of the reinstated interim dividend in April, in line with our estimates, with the statement declaring an intention to pay a final dividend too. With available liquidity of £38m, there is significant potential for further acquisitions.
- Strategic milestones.** It is an overused phrase in investment research, but FY21 has truly been a transformational year for Idox. Following the disposal of the Content business for £12.6m and the purchase for initial consideration of £12.9m of Aligned Assets and exeGesIS, Idox is now a focused software business that is making material progress on delivering on its acquisition strategy.
- Operational progress.** The statement also notes the progress made at an operational level: developing the M&A process, improving sales and marketing following the new CRM implementation in 2020, the focus on innovation and consolidation in the product portfolio (including the cloud transition), further investments in people, and a clear commitment to ESG initiatives.

The update confirms that Idox has generated FY21 financial performance in line with management's (and our) expectations. It also highlights the strategic and operational progress being made, its strong positioning to pursue a focused buy-and-build acquisition approach, and that it is firmly in the 'fly' stage of its 'walk, run, fly' strategy.

FYE OCT (£M)	2019	2020	2021E	2022E	2023E
Revenue	65.5	68.0	65.9	70.2	74.0
Adj EBITDA	14.4	19.6	19.6	22.8	25.0
Fully Adj PBT	7.7	10.5	12.1	15.6	17.5
Fully Adj EPS (p)	1.3	1.8	2.2	2.8	3.2
EV/Sales (x)	5.0x	4.8x	5.0x	4.7x	4.4x
EV/EBITDA (x)	22.8x	16.7x	16.7x	14.4x	13.1x
PER (x)	55.6x	40.3x	32.7x	25.3x	22.5x

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)

	2019	2020	2021E	2022E	2023E
PROFIT & LOSS					
Revenue	65.5	68.0	65.9	70.2	74.0
Adj EBITDA	14.4	19.6	19.6	22.8	25.0
Adj EBIT	9.4	12.7	13.1	16.6	18.4
Reported PBT	0.0	2.7	12.2	9.4	11.2
Fully Adj PBT	7.7	10.5	12.1	15.6	17.5
NOPAT	9.4	10.3	10.6	13.5	14.9
Reported EPS (p)	(0.3)	0.3	2.5	1.7	2.0
Fully Adj EPS (p)	1.3	1.8	2.2	2.8	3.2
Dividend per share (p)	0.0	0.3	0.4	0.5	0.6
CASH FLOW & BALANCE SHEET					
Operating cash flow	12.3	22.0	20.1	24.6	25.5
Free Cash flow	4.3	11.5	10.0	13.8	14.1
FCF per share (p)	1.0	2.6	2.3	3.1	3.2
Acquisitions	(6.4)	(0.6)	(12.9)	(3.2)	(1.5)
Disposals	0.0	(0.3)	12.6	1.0	0.0
Shares issued	7.4	(0.1)	0.0	0.8	0.8
Net cash flow	5.4	10.3	8.0	10.4	10.9
Overdrafts / borrowings/bonds	(33.4)	(46.9)	(46.9)	(46.9)	(46.9)
Cash & equivalents	7.0	30.8	38.8	49.2	60.1
Net (Debt)/Cash	(26.4)	(16.1)	(8.1)	2.3	13.2
NAV AND RETURNS					
Net asset value	44.6	47.0	56.2	62.0	68.9
NAV/share (p)	10.0	10.6	12.6	13.9	15.5
Net Tangible Asset Value	(41.4)	(34.7)	(18.7)	(10.6)	(3.4)
NTAV/share (p)	(9.3)	(7.8)	(4.2)	(2.4)	(0.8)
Average equity	46.2	45.8	51.6	59.2	65.7
Post-tax ROE (%)	16.7%	22.9%	23.4%	26.3%	26.6%
METRICS					
Revenue growth	(1.4%)	3.9%	(3.1%)	6.6%	5.4%
Adj EBITDA growth	5.3%	36.4%	(0.1%)	16.5%	9.6%
Adj EBIT growth	6.9%	34.9%	3.4%	26.6%	10.8%
Adj PBT growth	3.2%	35.9%	15.1%	29.3%	12.1%
Adj EPS growth	(41.8%)	38.2%	23.2%	29.3%	12.1%
Dividend growth	N/A	N/A	33.3%	23.8%	21.2%
Adj EBIT margins	14.4%	18.7%	19.9%	23.7%	24.9%
VALUATION					
EV/Sales (x)	5.0	4.8	5.0	4.7	4.4
EV/EBITDA (x)	22.8	16.7	16.7	14.4	13.1
EV/NOPAT (x)	34.7	31.8	30.7	24.3	21.9
PER (x)	55.6	40.3	32.7	25.3	22.5
Dividend yield	N/A	0.4%	0.6%	0.7%	0.8%
FCF yield	1.4%	3.6%	3.2%	4.4%	4.5%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

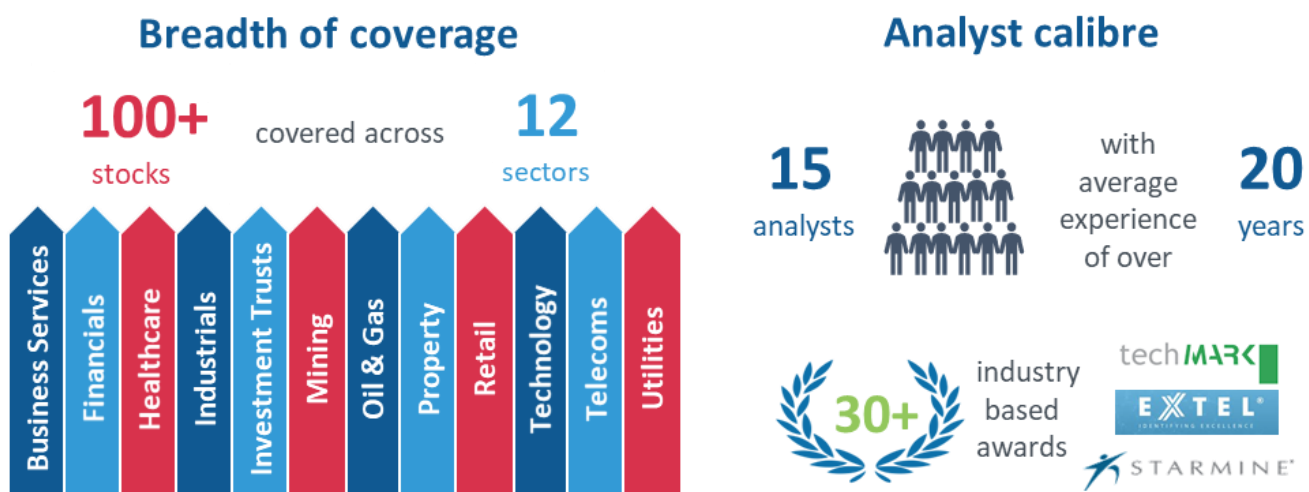
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