

IDOX

SOFTWARE & COMPUTER SERVICES

16 March 2022

IDOX.L

63.4p

Market Cap: £282.4m

SHARE PRICE (p)



12m high/low 77p/60p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£(8.1)m (at 31/10/21)
Enterprise value	£290.5m
Index/market	AIM
Next news	Update, May 2022
Shares in Issue (m)	445.4
Chairman	Chris Stone
Chief Executive	David Meaden
Chief Financial Officer	Anoop Kang

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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Flying above the turbulence

Today's AGM trading update for the period 1 November 2021 to date confirms that Idox is trading in line with expectations, with the integration of recent acquisitions running to plan. At present, the geo-political situation and industry-wide recruitment issues are on the radar but not causing significant impacts.

- Today's AGM trading update confirms that Idox continues to perform in line with management's expectations, both operationally and financially. The resilience of the business and its markets is showing through. Furthermore, the order book visibility remains good, giving management confidence – and allowing us to retain our revenue and profit forecasts.
- The update states that Idox continues to win new contracts and extend existing ones in both the Public Sector Software and Engineering Information Management businesses.
- Aligned Assets, thinkWhere and exegesis, the three acquisitions made in 2021, are integrating well and running to plan. The statement also confirms that there is 'good line of sight over an attractive M&A pipeline', which gives us encouragement that Idox will continue to execute on this part of its 'fly' phase.
- The statement also makes reference, following the announcement on 21 February, to the fact that Anoop Kang is joining the board in the role of CFO, with Rob Grubb, the previous incumbent, moving to a more strategic, M&A focused role. Anoop has significant listed PLC level experience, with a particular track record in investor relations and financial reporting, and control across diverse organisations – experience that clearly complements Rob Grubb's new role.
- The statement notes current geo-political uncertainties and that there are challenges to recruiting within the industry – although it does not suggest that either are causing significant issues at present. A further trading update is to be issued after the close of the half year ending 30 April 2022.

This update provides us with further evidence of the resilience of the business and the logic of its strategy. Idox, and its management, continues to deliver on its four pillars strategy: revenue expansion, gross margin improvement, simplicity and communication – the value of the latter two being particularly appreciated at this time.

FYE OCT (£M)	2020	2021	2022E	2023E	2024E
Revenue	68.0	62.2	70.2	74.0	77.7
Adj EBITDA	19.6	19.5	22.8	25.0	26.5
Fully Adj PBT	10.5	12.4	14.6	16.5	17.8
Fully Adj EPS (p)	1.8	2.4	2.6	2.8	3.0
EV/Sales (x)	4.3x	4.7x	4.1x	3.9x	3.7x
EV/EBITDA (x)	14.8x	14.9x	12.7x	11.6x	11.0x
PER (x)	35.5x	26.7x	24.2x	22.5x	20.9x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

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

Financial Summary: Idox

Year end: October (£m unless shown)

	2020	2021	2022E	2023E	2024E
PROFIT & LOSS					
Revenue	68.0	62.2	70.2	74.0	77.7
Adj EBITDA	19.6	19.5	22.8	25.0	26.5
Adj EBIT	12.7	12.7	15.6	17.4	18.7
Reported PBT	2.7	7.3	9.1	10.9	11.7
Fully Adj PBT	10.5	12.4	14.6	16.5	17.8
NOPAT	10.3	10.3	12.7	13.4	14.4
Reported EPS (p)	0.1	1.3	1.6	1.9	2.1
Fully Adj EPS (p)	1.8	2.4	2.6	2.8	3.0
Dividend per share (p)	0.3	0.4	0.5	0.6	0.7
CASH FLOW & BALANCE SHEET					
Operating cash flow	22.0	10.0	23.8	25.6	24.8
Free Cash flow	11.5	(4.4)	12.9	14.2	13.4
FCF per share (p)	2.6	(1.0)	2.9	3.2	3.0
Acquisitions	(0.6)	(10.5)	(3.2)	(1.5)	(1.5)
Disposals	(0.3)	10.7	1.0	0.0	0.0
Shares issued	(0.1)	0.1	0.8	0.8	0.8
Net cash flow	10.3	(11.3)	9.5	11.0	9.5
Overdrafts / borrowings/bonds	(46.9)	(26.4)	(26.4)	(26.4)	(26.4)
Cash & equivalents	30.8	18.3	27.8	38.8	48.3
Net (Debt)/Cash	(16.1)	(8.1)	1.4	12.4	21.9
NAV AND RETURNS					
Net asset value	47.0	60.8	74.1	80.6	86.6
NAV/share (p)	10.6	13.6	16.6	18.0	19.4
Net Tangible Asset Value	(34.7)	(31.2)	(9.3)	(2.0)	5.2
NTAV/share (p)	(7.8)	(7.0)	(2.1)	(0.5)	1.2
Average equity	45.8	53.9	63.7	70.0	76.4
Post-tax ROE (%)	23.0%	22.9%	22.9%	23.6%	23.3%
METRICS					
Revenue growth	N/A	(8.6%)	12.9%	5.4%	5.0%
Adj EBITDA growth		(0.3%)	16.8%	9.6%	6.0%
Adj EBIT growth		0.2%	22.9%	11.3%	7.5%
Adj PBT growth		17.4%	18.3%	12.8%	7.9%
Adj EPS growth		32.9%	10.4%	7.2%	7.9%
Dividend growth	N/A	33.3%	23.8%	21.2%	16.7%
Adj EBIT margins	18.7%	20.5%	22.3%	23.5%	24.1%
VALUATION					
EV/Sales (x)	4.3	4.7	4.1	3.9	3.7
EV/EBITDA (x)	14.8	14.9	12.7	11.6	11.0
EV/NOPAT (x)	28.2	28.2	22.9	21.7	20.2
PER (x)	35.5	26.7	24.2	22.5	20.9
Dividend yield	0.5%	0.6%	0.8%	0.9%	1.1%
FCF yield	4.1%	(1.6%)	4.6%	5.1%	4.8%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

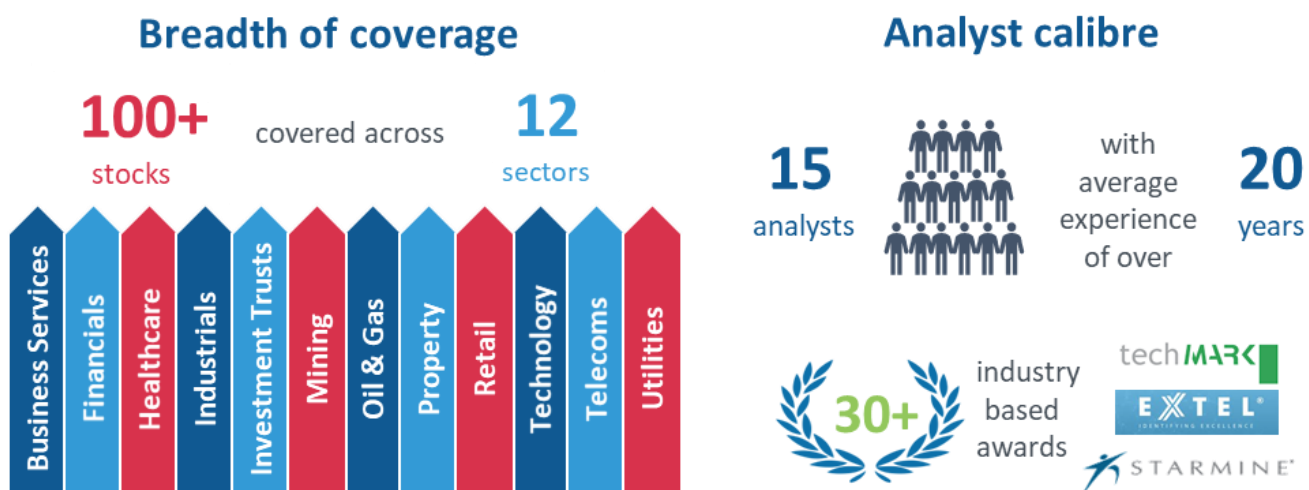
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