

IDOX

SOFTWARE & COMPUTER SERVICES

19 May 2022

IDOX.L

63.6p

Market Cap: £283.3m

SHARE PRICE (p)



12m high/low 77p/60p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£(4.0)m (at 30/04/22)
Enterprise value	£287.3m
Index/market	AIM
Next news	Int. Results, June 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.

www.idoxplc.com

IDOX IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Ian Robertson

+44 (0) 20 7781 5318

irobertson@progressive-research.com



Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com



www.progressive-research.com

H1 update – robust, positive performance

Today's H1 trading update from Idox confirms that the first half of the year has seen a solid financial and operational performance, in line with management's expectations. We leave our forecasts intact and look forward to the results in June as an opportunity to find out more about the strong operational progress that the business is making.

- Revenue and EBITDA progressing well; estimates unchanged.** Management expects to report H1 revenue of £33m, up 7% on H1 FY21, with adjusted EBITDA of £11m, up 8%. Net debt as at 30 April was £4m, more than 50% below the level at year-end (31 October 2021). Set against our estimates, the update suggests an H1:H2 revenue split consistent with the 44%-50% H1 share in recent years (noting that the 50% in FY21 is possibly the upper outlier). We are not, therefore, changing our estimates as a result of today's news.
- Increasing order intake underpins business case.** Order intake up over 7% from the same period last year, with a strong pipeline of new business in place. There have been contract wins and extensions across both the public sector and engineering software businesses, helping to increase the company's average customer life and reinforcing the case that Idox is a robust, growth business with a long-term customer base.
- Seeking further M&A opportunities.** The integration of Aligned Assets, thinkWhere and Exergis, the three acquisitions made during 2021, is now said to be substantially complete and to have run according to plan. The company continues to search for suitable M&A opportunities and reports that it is making good progress in furthering the pipeline of potential transactions – supported, of course, by the strong balance sheet. The 'fly' phase of the management's long-term strategy is clearly working well.

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)	4.2x	4.6x	4.1x	3.9x	3.7x
EV/EBITDA (x)	14.7x	14.7x	12.6x	11.5x	10.9x
PER (x)	35.6x	26.8x	24.2x	22.6x	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)	4.2	4.6	4.1	3.9	3.7
EV/EBITDA (x)	14.7	14.7	12.6	11.5	10.9
EV/NOPAT (x)	27.9	27.9	22.7	21.4	19.9
PER (x)	35.6	26.8	24.2	22.6	20.9
Dividend yield	0.5%	0.6%	0.8%	0.9%	1.1%
FCF yield	4.1%	(1.6%)	4.6%	5.0%	4.8%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

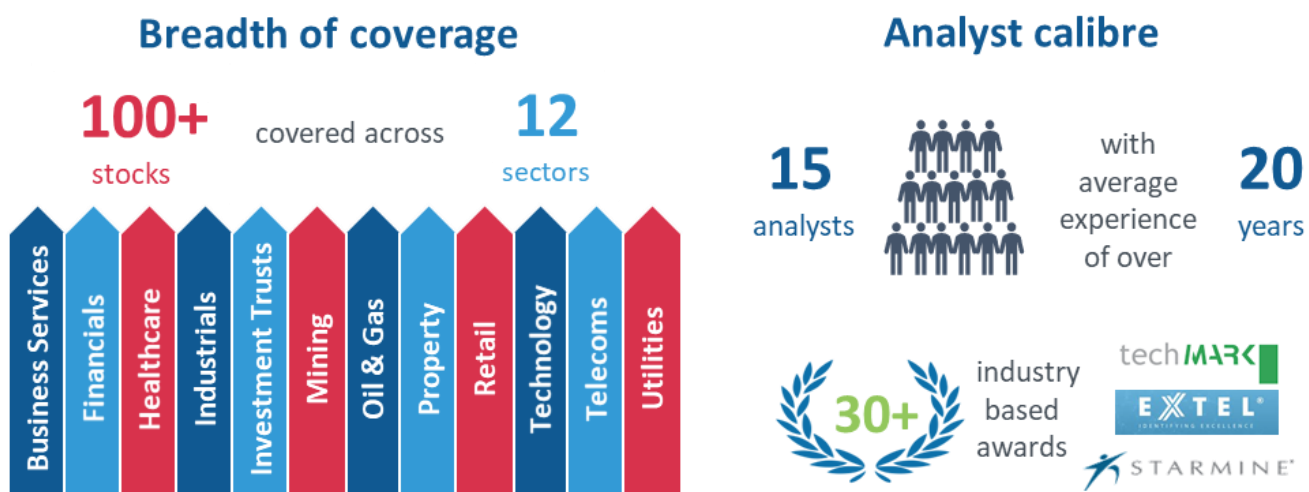
Copyright 2022 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact:

Keith Hodgskiss
+44 (0) 20 7781 5300
khodgskiss@progressive-research.com