

IDOX

SOFTWARE & COMPUTER SERVICES

16 November 2022

IDOX.L

60.7p

Market Cap: £273.8m

SHARE PRICE (p)



12m high/low

72p/57p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (Debt)/Cash	£(6.7)m (at 31/10/22)
Enterprise value	£280.5m
Index/market	AIM
Next news	FY22 results, Jan. '23
Shares in Issue (m)	451.0
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

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Trading update shows strategy driving results

Idox has today released a trading update for the year ended 31 October 2022. The statement reports a strong performance, with particularly encouraging news on order flow and sales of Idox Cloud. We have adjusted our forecasts for FY23 and FY24 to reflect new assumptions around cash payments and working capital. Management expectations for FY23 are maintained and the year has started well. The update reflects the progress over recent years and the strong position Idox holds, which should allow further organic and acquisition-driven growth.

- Robust and confident trading update.** Revenue at £66m is slightly below our expectations (£70.2m) but the £22.5m adjusted EBITDA is broadly in line with our estimate (£22.8m). Given wider economic issues, we expect the revenue softness to be in large part a result of general economic exposure at EIM. The record order intake 'in excess of c.£74m' is very impressive, as are the 15 new sales for Idox Cloud in the period.
- Cash flow still good but revised down.** Year-end net debt of £6.7m compares with our expectation of £1.9m, but still represents a reduction across the year of some £1.4m. The figure was impacted by the end of Covid VAT deferrals, higher-than-usual levels of tax payments on account (five payments vs four) and payments for acquisitions.
- Strong start to FY23; forecast adjustments.** FY23 has started well with good recurring revenues and contract renewals along with a solid order book and healthy pipeline. Management's expectations for FY23 remain unchanged. We are adjusting our forecasts to reflect the statement, mainly adjusting the cash figures. We leave our FY23 revenue estimate unchanged and have edged down our FY23 adjusted EBITDA to £24.7m from £25.0m, with approximately 93% conversion for adjusted EBITDA to operating free cash flow. Changes to key estimates are shown overleaf.
- Well placed for acquisitions.** The net debt of £6.7m set against £45m of additional loan facilities places Idox strongly for further acquisitions; in a market that should provide a flow of opportunities for Idox's disciplined and focused approach to deals.
- Strategy shows through in strong results.** Idox has delivered a strong performance in FY22 despite the challenging economic backdrop. We see the modest top-line pressure as a reflection of wider economic issues, but believe that the strong order book, delivery on adjusted EBITDA and positive trading outlook reflect management's strategy and execution.

FYE OCT (£M)	2020	2021	2022E	2023E	2024E
Revenue	68.0	62.2	66.0	74.0	77.7
Adj EBITDA	19.6	19.5	22.5	24.7	26.1
Fully Adj PBT	10.5	12.4	13.8	15.8	17.3
Fully Adj EPS (p)	1.8	2.4	2.5	2.7	2.9
EV/Sales (x)	4.1x	4.5x	4.2x	3.8x	3.6x
EV/EBITDA (x)	14.3x	14.4x	12.4x	11.4x	10.7x
PER (x)	34.0x	25.5x	23.8x	22.5x	21.1x

Source: Company Information and Progressive Equity Research estimates.

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

We make adjustments to our estimates as shown below, to reflect the detail in today's update for FY22 and revised assumptions around the cash profile over FY23 and FY24.

Changes to key estimates

	FY22E New £m	FY22E Old £m	FY23E New £m	FY23E Old £m	FY24E New £m	FY24E Old £m
Revenue	66.0	70.2	74.0	74.0	77.7	77.7
Adj. EBITDA	22.5	22.8	24.7	25.0	26.1	26.5
Adj. EPS	2.5	2.6	2.7	2.8	2.9	3.0
Net (debt)/cash	(6.7)	(1.9)	0.2	6.4	10.9	15.4

Source: Progressive Equity Research estimates

Financial Summary: Idox

Year end: October (£m unless shown)

	2020	2021	2022E	2023E	2024E
PROFIT & LOSS					
Revenue	68.0	62.2	66.0	74.0	77.7
Adj EBITDA	19.6	19.5	22.5	24.7	26.1
Adj EBIT	12.7	12.7	15.3	17.0	18.2
Reported PBT	2.7	7.3	8.3	10.0	10.9
Fully Adj PBT	10.5	12.4	13.8	15.8	17.3
NOPAT	10.3	10.3	12.7	13.1	13.6
Reported EPS (p)	0.1	1.3	1.5	1.8	1.9
Fully Adj EPS (p)	1.8	2.4	2.5	2.7	2.9
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	16.9	22.9	25.9
Free Cash flow	11.5	(4.4)	5.2	11.1	14.3
FCF per share (p)	2.6	(1.0)	1.1	2.5	3.2
Acquisitions	(0.6)	(10.5)	(2.5)	(2.7)	(1.5)
Disposals	(0.3)	10.7	0.0	0.0	0.0
Shares issued	(0.1)	0.1	0.8	0.8	0.8
Net cash flow	10.3	(11.3)	1.4	6.9	10.6
Overdrafts / borrowings/bonds	(46.9)	(26.4)	(26.4)	(26.4)	(26.4)
Cash & equivalents	30.8	18.3	19.7	26.6	37.2
Net (Debt)/Cash	(16.1)	(8.1)	(6.7)	0.2	10.9
NAV AND RETURNS					
Net asset value	47.0	60.8	65.9	71.9	77.8
NAV/share (p)	10.6	13.6	14.6	15.9	17.2
Net Tangible Asset Value	(34.7)	(31.2)	(19.0)	(13.5)	(7.6)
NTAV/share (p)	(7.8)	(7.0)	(4.2)	(3.0)	(1.7)
Average equity	45.8	53.9	63.3	68.9	74.8
Post-tax ROE (%)	23.0%	22.9%	21.9%	22.9%	23.1%
METRICS					
Revenue growth	N/A	(8.6%)	6.2%	12.1%	5.0%
Adj EBITDA growth		(0.3%)	15.5%	9.6%	5.8%
Adj EBIT growth		0.2%	20.5%	10.8%	6.9%
Adj PBT growth		17.4%	12.0%	14.1%	9.3%
Adj EPS growth		32.9%	7.2%	5.8%	6.4%
Dividend growth	N/A	33.3%	25.0%	20.0%	16.7%
Adj EBIT margins	18.7%	20.5%	23.2%	23.0%	23.4%
VALUATION					
EV/Sales (x)	4.1	4.5	4.2	3.8	3.6
EV/EBITDA (x)	14.3	14.4	12.4	11.4	10.7
EV/NOPAT (x)	27.3	27.2	22.0	21.4	20.6
PER (x)	34.0	25.5	23.8	22.5	21.1
Dividend yield	0.5%	0.7%	0.8%	1.0%	1.2%
FCF yield	4.3%	(1.7%)	1.9%	4.1%	5.2%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

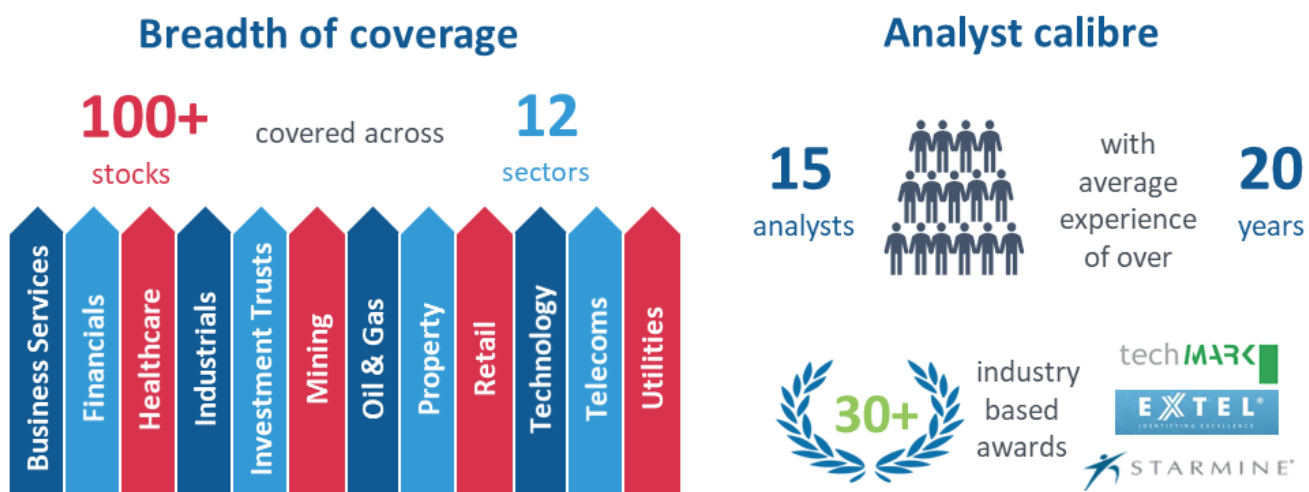
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