Annual Financial Reporting Year Ended 31 October 2018

Dave Meaden, CEO
Rob Grubb, CFO

February 2019

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Agenda

- Board Changes
- FY2018
- Strategy
- Outlook

Board Changes

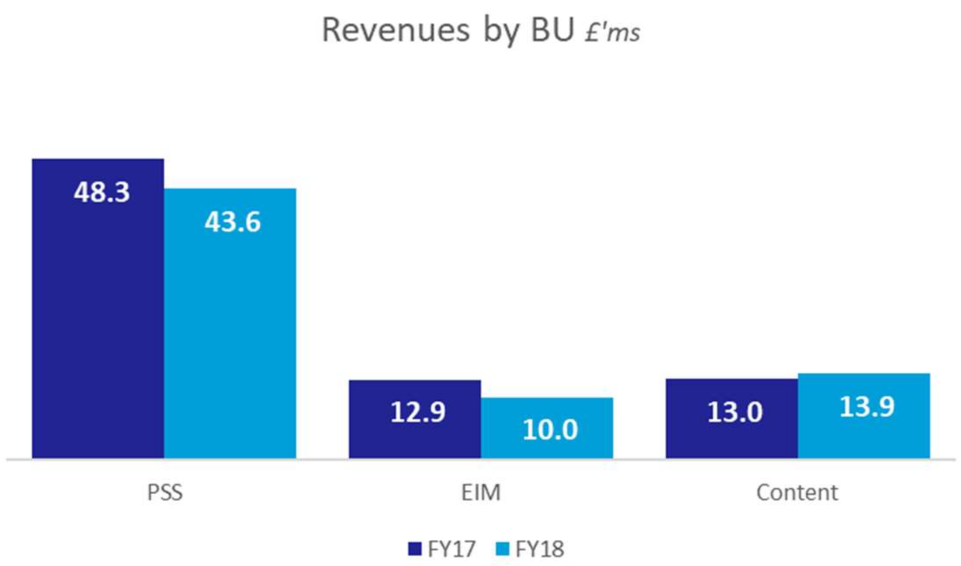
Resignations			Appointments		
Andrew Riley Richard Kellet-Clarke	CEO Interim CEO	March 2018 May 2018	David Meaden	CEO	July 2018
Jane Mackie	CFO	August 2018	Rob Grubb	CFO	November 2018
Laurence Vaughan	Non-Exec Chairman	November 2018	Chris Stone	Non-Exec Chairman	November 2018
Peter Lilley	NED	April 2018	Oliver Scott	NED	November 2018
Barbara Moorhouse	NED	Upcoming AGM	TBC	NED	TBC

Jeremy Millard and Richard Kellet-Clarke have also performed Non-Executive director duties throughout this period.

FY2018 Key Highlights

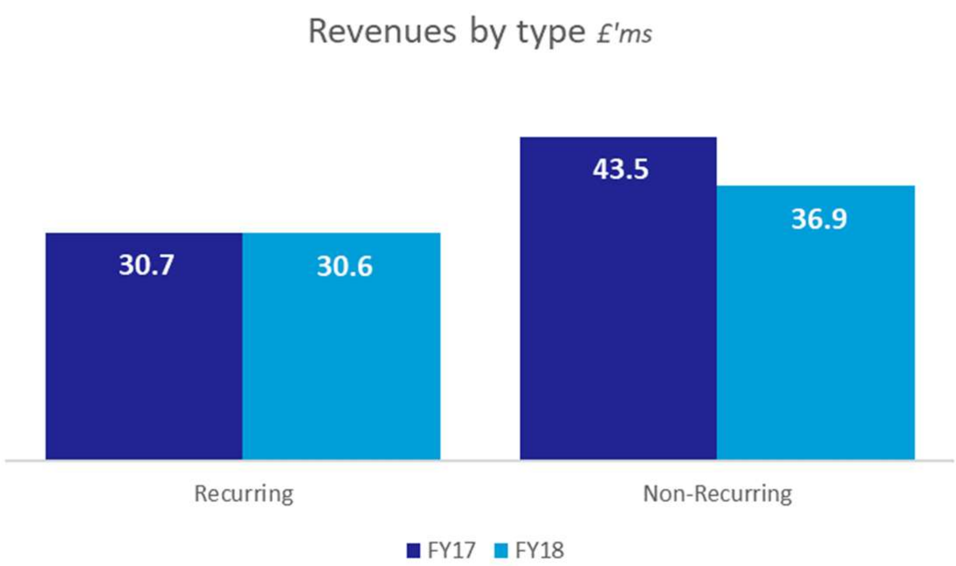
- Revenue and EBITDA down following a year of change throughout the business
- Appointment of new leadership team
- Ongoing review and transition to fully integrate prior year acquisitions and refocus operations
- Review of revenue recognition policies with improving levels of recurring revenues and visibility of revenues.
- Strategic focus on Public Sector Software with contributions from our Engineering Information Management and Content businesses. Disposal of Digital business, cementing focus on software and related services for the Group.
- Contracted order book for software and services more than doubled to £9.4m at 31 October 2018 (2017: approximately £4.0m), reflecting revenue recognition in line with our performance obligations.
- Post year end, banking arrangements extended to February 2020

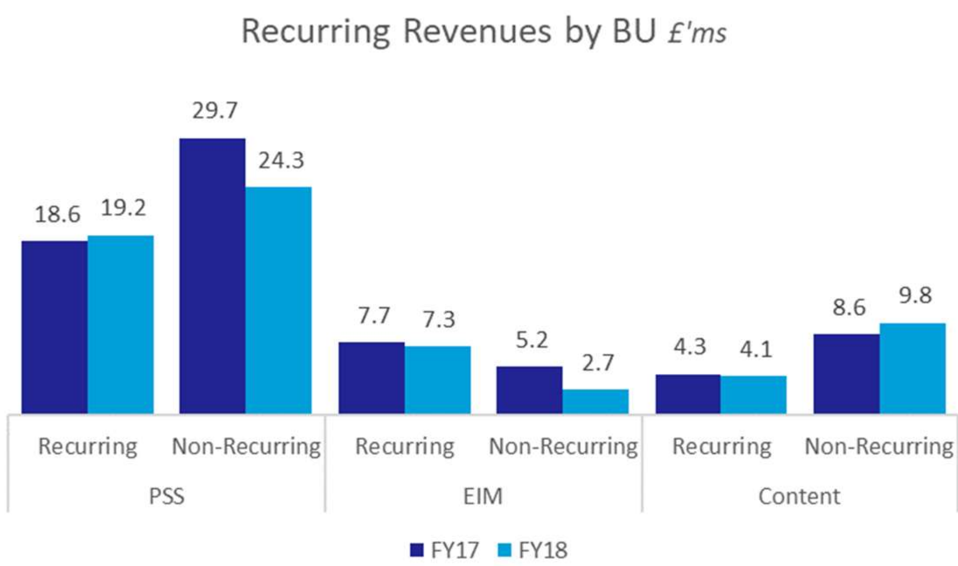
FY2018 Revenues (excluding Digital)



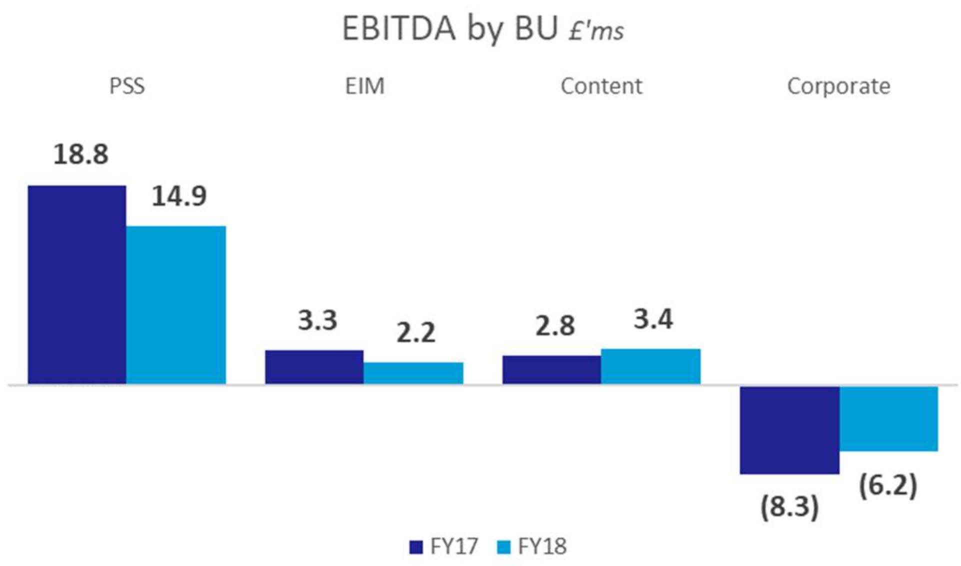
- Public Sector Software (PSS) decreases following revision to revenue recognition policies. Underlying activity remains constant, and as a result closing WIP orders increased from £1m end of FY17 to £5.4m end of FY18 (all pre-IFRS15)
- Engineering Information Management (EIM) down year on year due to on-premise to SaaS transition and the impact on services won and delivered
- Content growing across its various sub-divisions

FY2018 Revenues (excluding Digital)





FY2018 EBITDA (excluding Digital)



- EBITDA decreases for PSS & EIM, and increase for Content following revenue movements
- Corporate down YoY due to lower costs (IT and professional fees) and £0.7m R&D credit for historical claims
- Further cost reduction of £2m pa in FY19 Q1. Ongoing cost review programmes as part of transformation

FY2018 Income Statement

	Note	2018 £000	Restated* 2017 £000
Continuing operations			
Revenue	2	67,443	73,751
Cost of sales		(8,794)	(11,169)
Gross profit		**58,649**	**62,582**
Administrative expenses		(86,772)	(58,268)
Operating (loss) / profit		**(28,123)**	**4,314**
Analysed as:			
Earnings before depreciation, amortisation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs	2	**14,417**	**16,479**
Depreciation	3	(1,106)	(1,077)
Amortisation	3	(8,213)	(7,665)
Restructuring costs	4	(436)	(377)
Acquisition credit / (costs)	5	856	(8)
Impairment		(33,255)	(2,681)
Corporate finance costs		(336)	(33)
Share option costs	25	(50)	(324)
Finance income	6	449	363
Finance costs	6	(1,788)	(1,887)
(Loss) / profit before taxation		**(29,462)**	**2,790**
Income tax credit / (charge)	8	2,481	(670)
(Loss) / profit for the year from continuing operations		(26,981)	2,120
Discontinued operations			
Loss for the year from discontinued operations	9	(9,067)	(1,752)
(Loss) / profit for the year		(36,048)	368
Non-controlling interest		6	(9)
(Loss) / profit for the period attributable to the owners of the parent		(36,042)	359

- Prior period restatements reduce FY17 revenue by £3.0m and EBITDA £2.9m
- Revenue decrease largely due to revisions to revenue recognition policies to match to performance obligations
- Write off of acquired intangible assets £39.5m (£33.25m in respect of Continuing operations; £6.28m in respect of Discontinued operations)
- Discontinued operations in respect of Digital business disposed of on 2 November 2018

FY2018 Balance Sheet

	Note	2018 £000	Restated 2017 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,211	1,743
Intangible assets	12	78,787	122,754
Investment	13	18	18
Deferred tax assets	14	1,107	1,086
Other receivables	16	7,036	8,738
Total non-current assets		88,159	134,339
Current assets			
Stock		115	163
Trade and other receivables	16	26,187	34,005
Current tax		1,084	-
Cash and cash equivalents	17	5,534	3,248
Total current assets		32,920	37,416
Assets classified as held for sale	9	1,114	-
Total assets		122,193	171,755
LIABILITIES			
Current liabilities			
Trade and other payables	18	7,941	10,893
Deferred consideration	19	750	1,600
Other liabilities	19	20,366	25,746
Provisions	20	90	161
Current tax		-	289
Borrowings	22	3,289	3,102
Total current liabilities		32,436	41,791
Liabilities directly associated with assets classified as held for sale		963	-
Non-current liabilities			
Deferred tax liabilities	14	3,724	7,010
Other liabilities	19	1,288	1,616
Bonds in issue	21	11,491	11,238
Borrowings	22	22,505	21,519
Total non-current liabilities		39,008	41,383
Total liabilities		72,407	83,174
Net assets		49,786	88,581

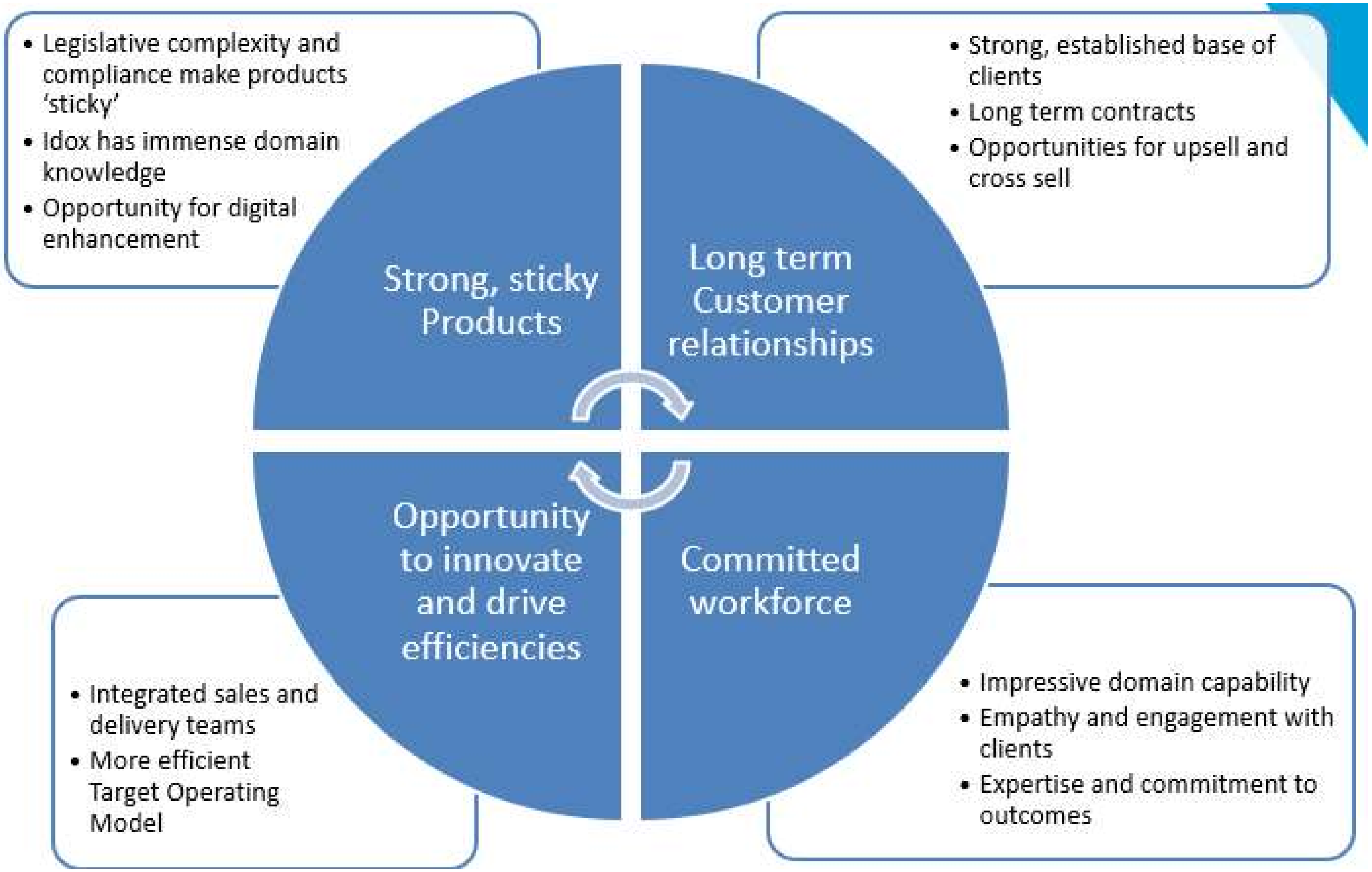
- Intangible assets significantly down following impairments
- Trade and other receivables down due to reduction business in the Digital division and revenue recognition revisions reducing amounts being accrued
- Net Debt down slightly to £31.7m (FY17 £32.8m). Refinancing completed Jan 19
- Deferred Income £17.0m (FY17 £19.8m) down primarily due to reductions in Digital division

FY2018 Cashflows

	2018 £000	Restated 2017 £000
Cash flows from operating activities		
(Loss) / profit for the period before taxation	(39,205)	788
Adjustments for:		
Depreciation of property, plant and equipment	1,144	1,157
Amortisation of intangible assets	8,615	8,468
Acquisition credits - release of deferred consideration	(684)	(478)
Impairment	39,530	2,681
Finance income	(211)	(141)
Finance costs	1,531	1,513
Debt issue costs amortisation	90	119
Research and development tax credit	(832)	(360)
Share option costs	50	324
Profit on disposal of property plant and equipment	-	(13)
Movement in stock	48	109
Movement in receivables	8,476	(671)
Movement in payables	(8,041)	1,343
Cash generated by operations	10,511	14,839
Tax on profit paid	(760)	(1,785)
Net cash from operating activities	9,751	13,054
Cash flows from investing activities		
Acquisition of subsidiaries	(209)	(18,064)
Acquisition credit	-	550
Purchase of property, plant and equipment	(606)	(1,596)
Proceeds on sale of investment property	-	397
Purchase of intangible assets	(3,868)	(5,688)
Finance income	211	141
Net cash used in investing activities	(4,472)	(24,260)
Cash flows from financing activities		
Interest paid	(1,456)	(1,211)
New loans	6,500	3,500
Loan related costs	42	619
Loan repayments	(5,500)	(9,063)
Equity dividends paid	(2,717)	(4,217)
Sale of own shares	53	21,259
Net cash flows (used in) / from financing activities	(3,078)	10,887
Net movement on cash and cash equivalents	2,201	(319)

- Operational cashflow down primarily due to losses on Digital division
- Capital cashflow significant reduced as no M&A activity in the year
- Financing cashflow net outflow compared to the prior year which had equity fundraise
- Dividend suspended

Strategy Strong Core



Strategy Business Update

- Management team strengthened with changes and new hires
- Revision of revenue recognition policies to ensure performance obligations are understood and revenue is recognised appropriately
- Disposal of loss-making Digital business November 2018
- Banking facilities renewed through to February 2020
- Introduction of sales approval processes providing governance and support to sales and commercial teams
- Finance team strengthened, with improving partnering and support throughout the business

Strategy Business Update

- Review of operating models throughout the Group with cost reduction programme achieving £2m pa of savings in FY19 Q4
- Increased attention to cash conversion with improvements to invoicing and cash collection
- Introduction of employee engagement and communication strategy
- Property portfolio rationalised, with review of capital expenditure plans across the Group
- 6PM balances integrated, with Health operations largely transitioned from Malta to UK
- Introduction of “Four Pillars” initiative to drive value throughout the business

Strategy Creating value: Four Pillars

Revenue Expansion

Idox has great products, very loyal and supportive customers and great market positions. We all know we have enormous potential to sell more to new and existing clients

Gross Margin Improvement

Many business lose margin through inattention – not seeking to price to value when we can, not accurately assessing deal margin before contract, not delivering to planned effort and delivering beyond agreement without charge. We will give margin our full attention

Removing Organisational Complexity

Our acquisitive growth has brought great new products, customers and colleagues to our company but we have not focused on creating a simple and effective operational structure – allowing ambiguity in responsibility, duplication of activity and limited sharing of skills and knowledge. Addressing this is key to making the boat go faster

Improving Information and Communications

Clear, powerful and accurate information is key to good decision making. It also forms the backbone of good communication. However, communication is so much more as we live in an increasingly distributed working environment. Effective collaboration is vital and that depends on effective communication (including tools)

Strategy Ongoing Transformation

12 months ago

- 20 acquisitions in a 10 year period with minimal operational integration
- Sales governance poor, leading to aggressive revenue recognition practices
- Difficult 6PM acquisition
- Absence of KPI’s and analysis of data
- Poor cash conversion
- Underinvested in both product and internal systems

Current

- Revenue Expansion
- Gross Margin Improvement
- Removing Organisational Complexity
- Improving Information and Communications

12 months from now

- Integrated and effective operating models for Software and Content businesses
- Improved revenue quality and visibility with higher levels of recurring revenue following more conservative approach to revenue recognition policies
- Revised management information, including KPI’s being monitored across the business
- Strong cash conversion, particularly with unwind of brought-forward balances
- Clear Group strategy and roadmap for product
- Strong employee engagement throughout the organisation

Outlook

- Clear strategy focused around PSS with contributions from EIM and Content businesses
- Market remains resilient, with good opportunities to support and provide value for our customers and partners
- Improved leadership across the business with increasing staff engagement
- Secure capital structure with improving levels of cash generation
- Improving future revenue quality and visibility due to changes in revenue recognition
- Good progress with ongoing transformation to build shareholder value