Idox plc

Financial Year Ended 31 October 2020 (FY20)

Idox. Do more.

Idox plc

A leading supplier of specialist information management software and solutions

Over 90% of local UK authorities are customers for one or more of our products

8,000+ customers & 600+ employees with offices in the UK, USA, Europe and India

Revenue £68 million for FY20 with an adjusted EBITDA margin of 29%

Dave Meaden
Chief Executive Officer

Rob Grubb
Chief Financial Officer

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Introduction to Idox

Dave Meaden

Chief Executive Officer

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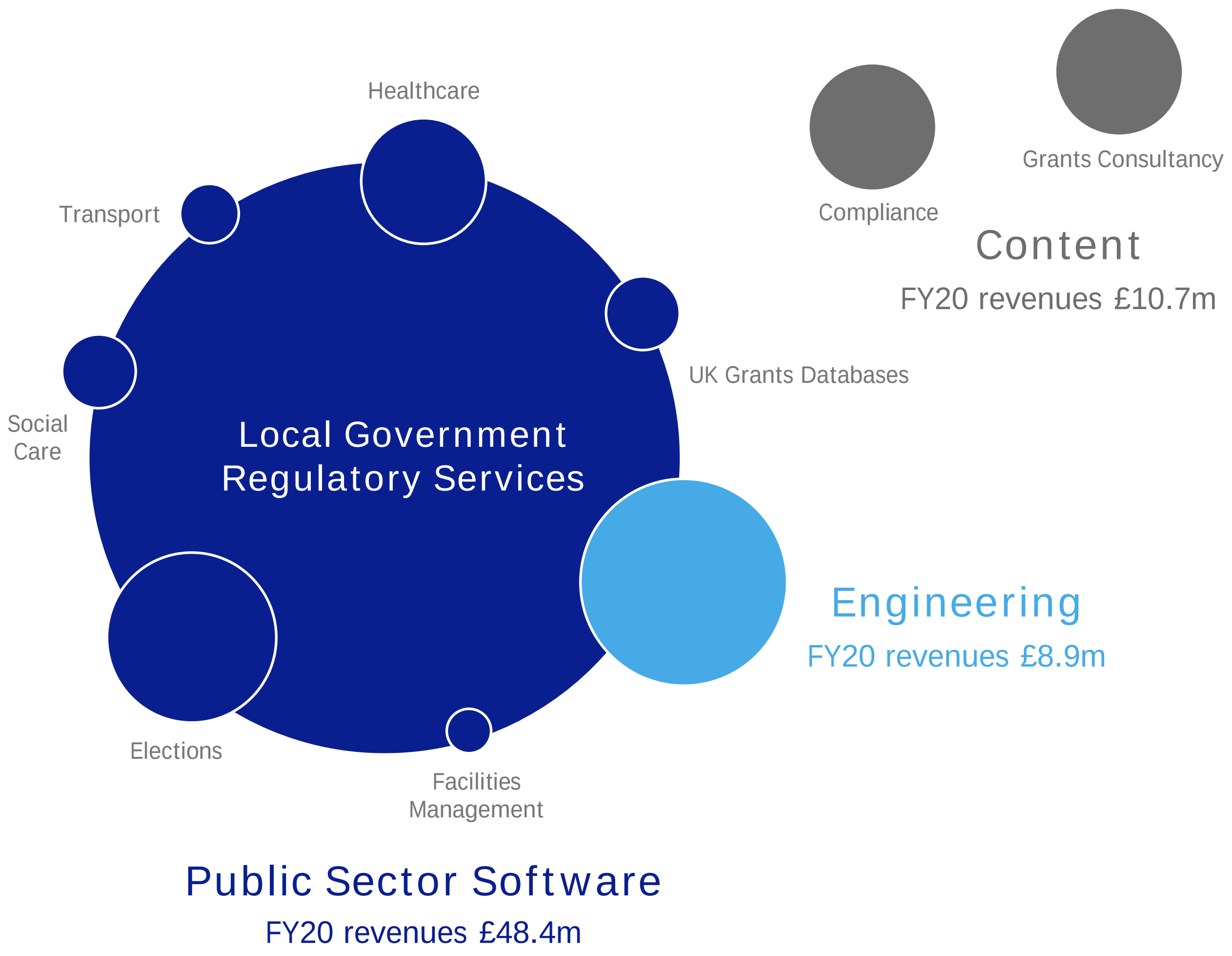
Summary of Idox

Idox Software

- Public Sector Software (PSS) - providing legislative compliance and document process management software, in a variety of applications within local government and NHS
- Engineering Information Management (EIM) - delivers document collaboration software for international infrastructure asset constructors and operators

Idox Content

- Compliance is an e-learning and employee training platform sold primarily to German and Belgium multi-national corporations
- Grants Consultancy provide expertise in R&D or larger grant-funding applications for Dutch commercial customers

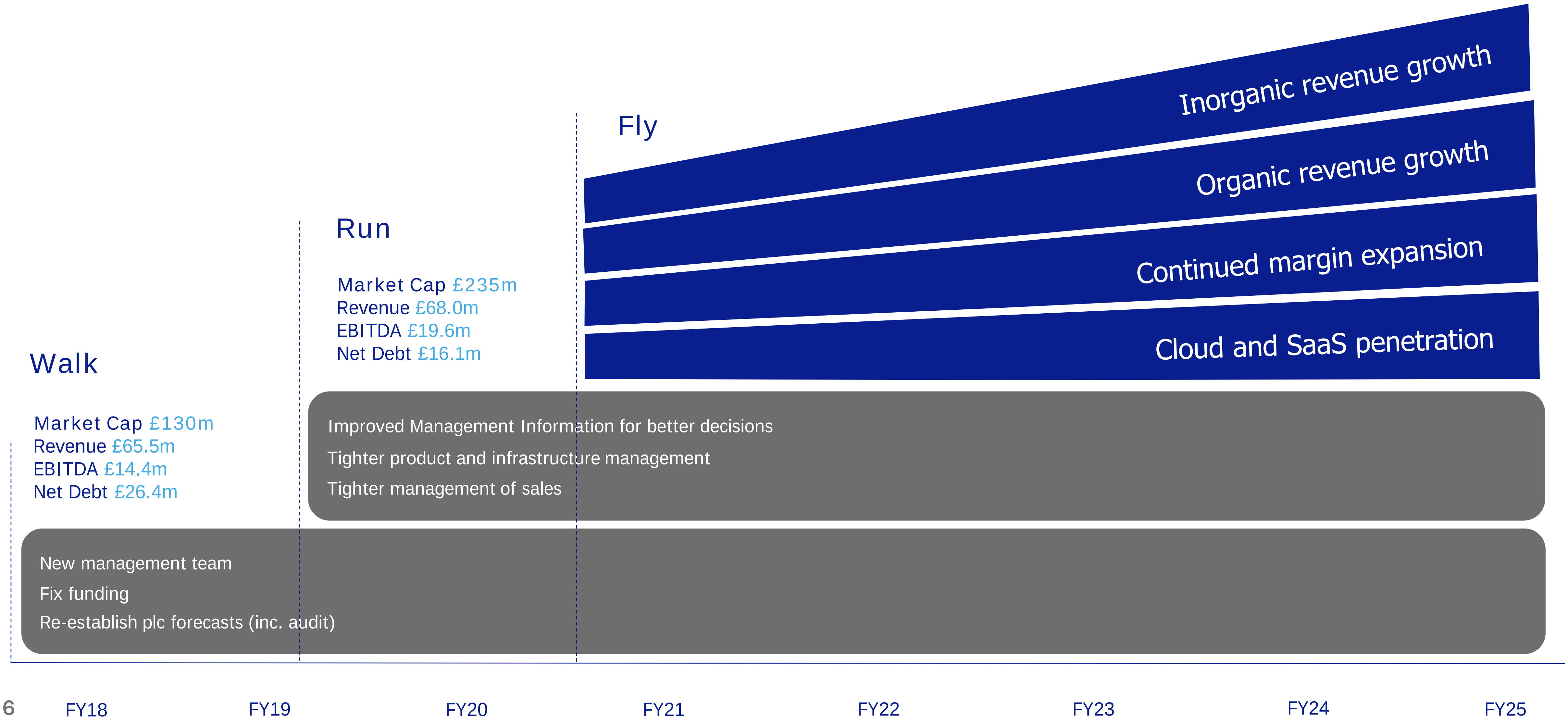


Circle sizes represents FY20 revenue contribution

Investment Case

- Significant UK market brand and presence in stable core domains
- Refreshed management team and board delivering ongoing change
- Good organic revenue growth (mid to high single digit)
- Strong visibility of revenues from high levels of recurring revenues
- High operating margins with potential for further improvement
- Improved cash generation enabling organic development and further debt reduction
- Well-funded, and well-positioned for accretive M&A
- Dividend restored with progressive policy

Delivering Our Three-Phase Strategy



FY20 Financial Highlights

Recurring Revenue
£37.4m
2019: £35.7m

Revenue
£68.0m
2019: £65.5m

Net Debt
£16.1m
2019: £26.4m

Adjusted EBITDA[1] margin
29%
2019: 22%

Dividend
0.3p per share
2019: nil

- Strong strategic delivery following the extensive transformation across the Group in FY2019
- Improved operating margins following improvements to revenue governance and cost control
- Further material reduction in Net Debt from improved cash generation and working capital management
- Continued focus on **'Four Pillars' programme** to improve revenues, margin, communication and organisational simplicity
- Idox now well-positioned to execute on the growth phases of its strategy, including bolt-on acquisitions

[1] Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs. IFRS 16 - Leases which was adopted on a modified retrospective basis in FY20 without restatement of comparative amounts. Adjusted EBITDA is higher by £1.4m in FY20 than if IFRS 16 had not been adopted in the year.

Financial review

Rob Grubb

Chief Financial Officer

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FY20 Financial highlights

Revenue	Recurring Revenue	Adjusted EBITDA*
£68.0m	£37.4m	£19.6m
+4%	+5%	+36%
FY19: £65.5m	FY19 : £35.7m	FY19: £14.4m

Adjusted EPS	Dividend per share	Net Debt
1.81p	0.30p	£16.1m
+ 39%		-39%
FY19 : 1.3p	FY19: nil	FY19: £26.4m

Strong financial performance despite COVID-19 disruption

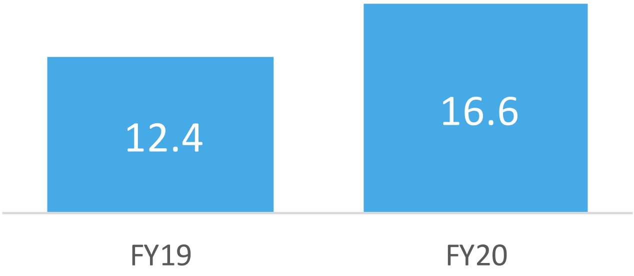
- Recurring revenues continue to grow following more normalised revenue recognition and a focus on SaaS solutions across our business.
- Non-recurring revenues up 3% in the year, with closing orderbook up a significant 31%.
- Continued recovery in earnings due operational improvements across the Group under our 'Four Pillars' framework.
- Another strong cash performance leading to a further material reduction in Net Debt. Good financial resources to transact bolt-on acquisitions.
- Dividend reintroduced for FY20 the first time since FY17.

* Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs. IFRS 16 - Leases which were adopted on a modified retrospective basis in FY20 without restatement of comparative amounts. Adjusted EBITDA is higher by £1.4m in FY20 than if IFRS 16 had not been adopted in the year.

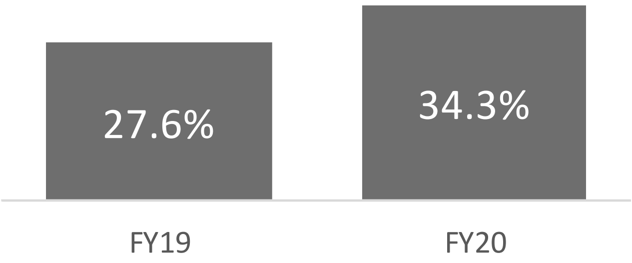
Idox Software – Public Sector

Revenues £ms

Adj. EBITDA £ms



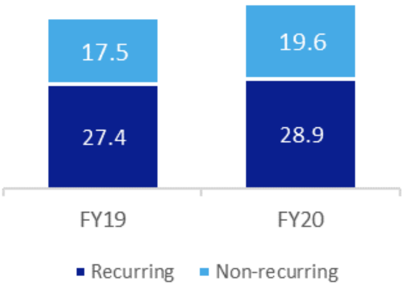
Adj. EBITDA margin



Comprising Local Authority, Idox Cloud (formerly Tascomi), Elections, CAFM, Social Care, Transport, Health and UK Databases (moved to Idox Software: Public Sector from Content in FY20, with the comparatives similarly reclassified).

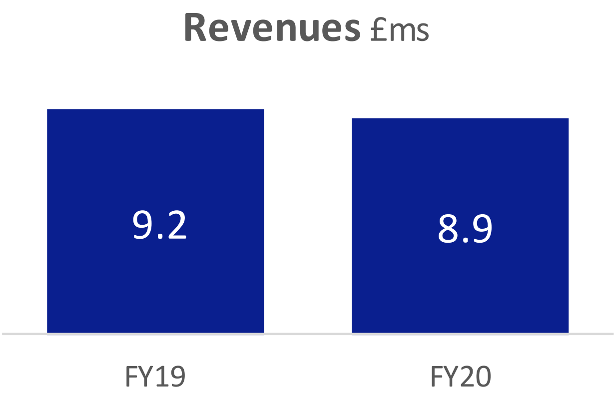
- Revenue increased due to improved sales execution, normalised revenue recognition, and the first full-year of Idox Cloud (formerly Tascomi) revenues of £2.3m (FY19: £0.5m for 3 months).
- Significant increase in adj. EBITDA of £4.2m, of which £0.7m due to adoption of IFRS 16, as the benefits of the prior period and ongoing operational improvements were realised and legacy issues resolved, alongside revenue growth.
- FY20 ended strongly, with a closing orderbook of contracted, non-recurring revenues of £12.0m (FY19: £9.0m), an increase of 33%. There remains good opportunities to improve market shares further given improving product and sales execution.

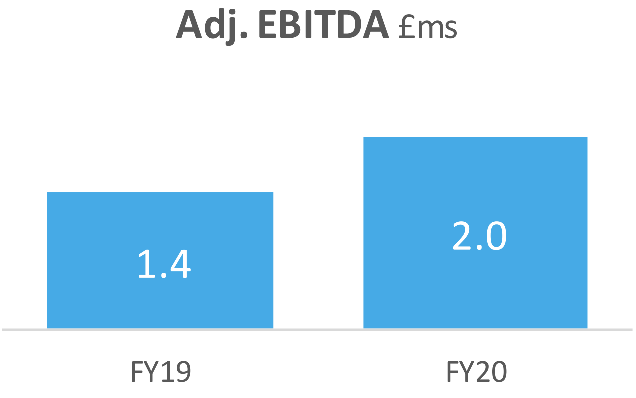
Revenue analysis £m

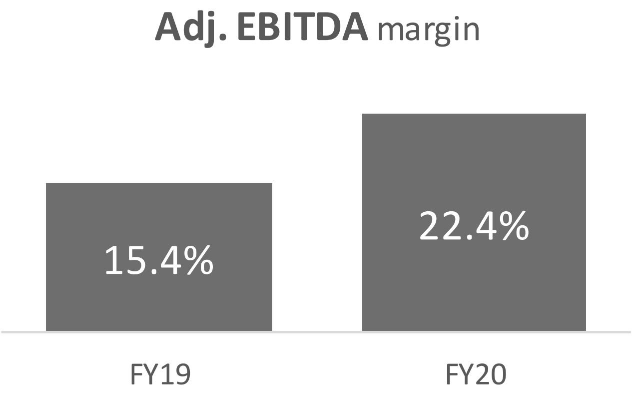


71% of Group revenue in FY20
(FY19: 69%)

Idox Software – Engineering Information Management

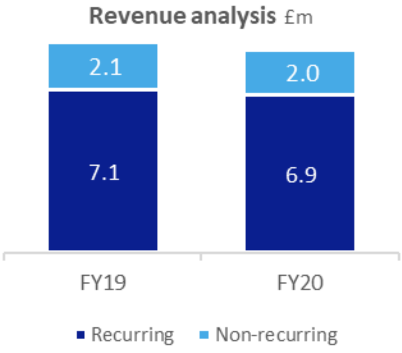






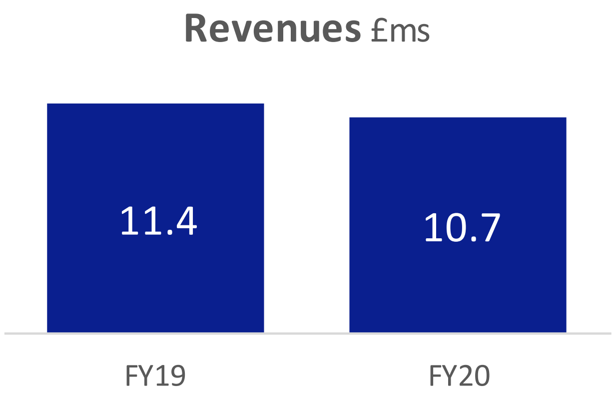
Comprising our existing on-premise McLaren and cloud-native Fusion Live software solutions to managed documents in energy sectors and other heavy-construction asset industries.

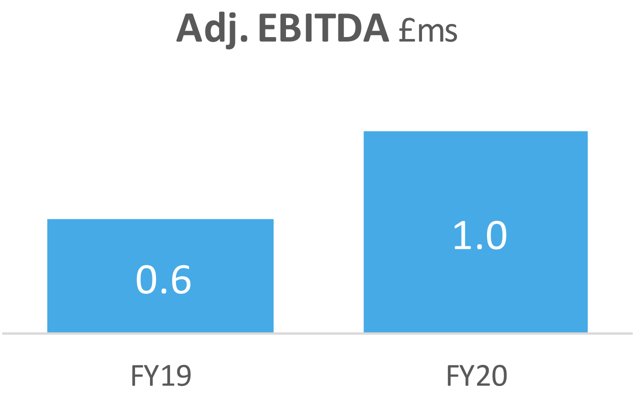
- Revenue was down YoY by £0.3m as a direct consequence of the emergence of COVID-19 and its negative impact on oil and gas sectors and other infrastructure projects.
- Increase in adj. EBITDA of £0.6m, of which £0.1m due to adoption of IFRS 16, as the benefits of the prior period operational improvements were realised, and cost mitigations were taken in response to the impact of COVID-19.
- FY20 ended strongly, with successful marketing campaigns, an improving quality of pipeline and closing orderbook of contracted, non-recurring revenues of £1.4m (FY19: £0.9m), an increase of 56%.

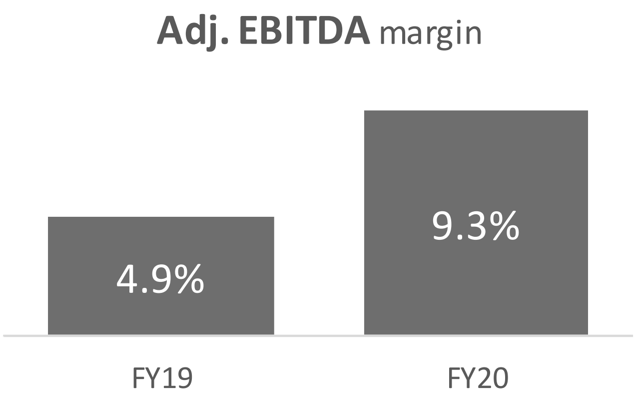


13% of Group revenue in FY20
(FY19: 14%)

Idox Content – Compliance and Grants

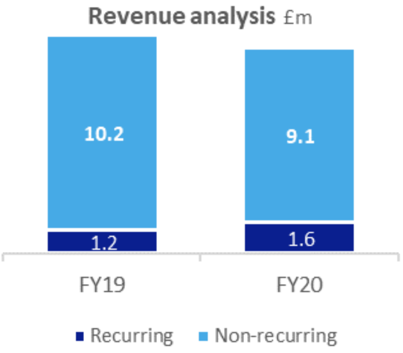






Comprising Compliance (Germany and Belgium) and Grants Business Services (Netherlands). UK databases moved to Idox Software: Public Sector in FY20, with the comparatives similarly reclassified.

- Compliance revenue was down YoY by £0.9m as the economic slow-down in Germany in the early part of the year was compounded by the impact of COVID-19. Grants Business Services revenue up £0.2m.
- Increase in adj. EBITDA of £0.4m wholly due to adoption of IFRS 16. Excluding this impact, adj. EBITDA down as a result of the lower revenues due to the disruption caused by COVID-19 and the resulting national lockdowns.
- FY20 ended strongly, with a closing orderbook of contracted, non-recurring revenues of £2.6m (FY19: £2.2m), an increase of 19%.



16% of Group revenue in FY20
(FY19: 17%)

Income Statement – Financial review

£'ms	FY20	FY19	Variance
Revenue	**68.0**	**65.5**	**2.5**
Adjusted EBITDA	**19.6**	**14.4**	**5.2**
Depreciation & Amortisation	(6.9)	(4.9)	(2.0)
Adjusted EBIT	**12.7**	**9.4**	**3.3**
Interest	(2.2)	(1.7)	(0.5)
Adjusted Profit before tax	**10.5**	**7.8**	**2.7**
Tax	(2.5)	(2.4)	(0.1)
Adjusted Profit after tax	**8.0**	**5.4**	**2.6**
Adjusting items:			
- Amortisation from acquired intangibles	(4.5)	(4.2)	(0.3)
- Restructuring costs	(1.8)	(2.2)	0.4
- Acquisition and financing costs	(0.4)	(0.5)	0.1
- Share option costs	(1.1)	(0.9)	(0.2)
Statutory Profit before tax - continuing ops	**2.7**	**-**	**2.7**
Tax (statutory, continuing operations)	(1.4)	(1.2)	(0.2)
Discontinued operations	-	(0.6)	0.6
Non-Controlling Interest	-	0.1	(0.1)
Statutory Profit / (Loss) after tax - all operations	**1.3**	**(1.7)**	**3.1**

- Adjusted EBITDA up due to revenue improvements primarily in Idox Software: Public Sector, margin improvements across the Group, and adoption of IFRS 16 Leases which contributed an additional £1.4m.
- D&A up due to IFRS 16 (£1.2m) and higher recent investment in software and R&D.
- Interest higher due to IFRS 16 (£0.2m), larger debt facilities and FX / EIR movement on Bond. Tax ETR more normalised following prior period derecognition of overseas tax assets.
- Amortisation from acquired acquisition up due to first full year of amortisation of Tascomi FY19 acquisition.
- Further restructuring costs in respect of property, and exit of Irish and Maltese operations.
- Acquisition and financing costs relate to December 2019 (FY20) and February 2019 (FY19) Group refinancing.

Balance Sheet – Financial review

£'ms	FY20	FY19	Variance
Fixed Assets	82.9	87.2	(4.3)
Deferred tax assets & liabilities	(2.8)	(2.6)	(0.2)
Stock	-	0.1	(0.1)
Trade & other receivables, and prepayments	13.2	12.8	0.4
Trade & other payables, and accruals	(14.3)	(13.2)	(1.1)
Current tax receivable	1.1	0.3	0.8
IFRS 16 Leases - net assets / (liablities)	(0.2)	-	(0.2)
Provisions	(1.9)	(0.5)	(1.4)
Sub-total	**78.2**	**84.1**	**(5.9)**
Accrued income	5.5	7.2	(1.7)
Deferred income	(20.6)	(20.3)	(0.3)
Net accrued / (deferred) income	**(15.1)**	**(13.1)**	**(2.0)**
Balance sheet excluding net debt	**63.1**	**71.0**	**(7.9)**
Cash	30.8	7.0	23.8
Bank borrowings	(35.1)	(21.8)	(13.3)
Bonds in issue	(11.8)	(11.6)	(0.2)
Net Debt	**(16.1)**	**(26.4)**	**10.3**
Shareholder equity	**47.0**	**44.6**	**2.4**

- Continued focus on cash management has trade receivables remain consistent despite the increase in revenue.
- Trade and other payables up due to higher VAT (£3.9m, due to COVID-19 VAT deferrals) offset with lower accruals and other payables due to settlement of prior period amounts due.
- Provisions higher due to provision for legacy London property required of £1.4m and provision for staff leave of £0.4m due to impact of COVID-19.
- Net deferred income increased following revenue growth, and continued normalisation of revenue and invoicing through renewal cycles.
- Facilities fully drawn to provide maximum flexibility. Plan to reduce drawn facilities as we move through invoicing peak in March to May. 6PM 2025 €13m 5.1% bond remains.

Cashflow – Financial review

£'ms	FY20	FY19	Variance
Adjusted EBITDA	19.6	14.4	5.2
Restructuring, acquisition & finance costs	(1.0)	(2.8)	1.8
Working capital	4.2	1.4	2.8
Taxation	(2.1)	1.0	(3.1)
Discontinued Operations	-	(0.6)	0.6
Other items	0.6	(1.0)	1.6
Net cash from operating activities	**21.3**	**12.4**	**8.9**
EBITDA cash conversion	109%	86%	
Acquisitions and disposals	(0.2)	(6.4)	6.2
Purchase of property, plant and equipment	(0.9)	(0.8)	(0.1)
Purchase of intangible assets	(6.0)	(5.9)	(0.1)
Other items	0.0	0.3	(0.3)
Net cash used in investing activities	**(7.1)**	**(12.8)**	**5.7**
IFRS 16 leases (principal & interest)	(1.5)	-	(1.5)
Interest and loan costs	(1.7)	(1.5)	(0.2)
Movement in debt	12.9	(4.0)	16.9
New equity	(0.2)	7.3	(7.5)
Net cash from / (used) in financing activities	**9.5**	**1.8**	**7.7**
Net movement on cash and cash equivalents	**23.7**	**1.4**	**22.3**
Opening net debt	(26.4)	(31.8)	5.4
Cash generated excluding debt drawdown / (repayment)	10.3	5.4	4.9
Closing net debt	**(16.1)**	**(26.4)**	**10.3**

- Restructuring cash outflows in respect of Ireland and Malta exit; and refinancing professional fees.
- Improvement in working capital includes VAT deferral plus improved cash collection due to better processes and specific COVID-19 focus.
- Tax cash outflows due to payments on account required as now tax-paying in the UK. Prior period net cash inflow due to submission of historical R&D claims for acquisitions.
- Adjusted EBITDA cash conversion to net cash from operating activities of 107% (FY19: 86%). Including IFRS 16 charges, and excluding the VAT deferral, conversion was 96%, ahead of the prior year on a like-for-like basis.
- Acquisitions and disposals in FY19 relate to the acquisition of Idox Cloud (formerly Tascomi). Purchase of intangible assets each include a payment of £1.0m in respect of securing long-term rights with partner software.
- Strong cash generated in the period, with net debt decreasing to £16.1m (FY20: £26.4m).

Financial review – Future guidance

Revenue growth targets

- PSS high single digits for FY20, reducing to mid-single digits longer-term. Looking to supplement with bolt-on M&A.
- EIM continued transition to SaaS; net overall growth high single digits.
- Content higher single digit growth.

Margin targets

- Existing target adjusted EBITDA margin of 30%. FY20 recorded 29% including the impact of IFRS 16. Excluding this, EBITDA margins 27% (FY19: 22%).
- Targeting margins of 35% over next three to five years as operational improvements continue, and bolt-on acquisitions drive synergies.

Other income statement items

- Currently no planned restructuring or refinancing costs anticipated, although may arise from successful M&A ambitions.
- Tax rate expected to remain slightly higher than UK statutory rate given disallowables, and higher overseas rates.

Cash conversion

- Continued strong adjusted EBITDA to operating cash conversion.
- Intangible capex excluding R&D £1m lower due to one-off in FY20 not recurring for future periods.
- Dividend re-introduced @ 0.3p for FY20.

Net debt

- Continual decrease due to cash generation. Planning to reduce drawdown.
- Good headroom with bank facilities of £35m plus £10m accordion for bolt-on M&A.
- Continue to hold Bond given limited interest arbitrage and 2025 redemption date.

Balance sheet items

- VAT deferrals to reduce over the course of FY21 & FY22. No other notable working capital balances anticipated.
- Fixed assets will continue to reduce due to amortisation of previously acquired intangibles. Otherwise expected to remain consistent as additions offset by D&A.

FY21 year-to-date trading in line with expectations

Operations and strategy

Dave Meaden

Chief Executive Officer

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FY20 Operational highlights

Idox has continued to improve all areas of the business within its Four Pillars framework during FY20

- Fully integrating our 2019 Tascomi acquisition, recently rebranded as 'Idox Cloud';
- Significant progress in delivering Digital Transformation to clients with several new wins for Idox Cloud and new software developments based upon the Idox Cloud development framework;
- Fully exiting sub-scale operations in Ireland and Malta;
- Consolidating UK statutory entities, and completing a rebrand;
- Establishing the first groupwide CRM, which is already yielding improved sales performance; and
- Fully integrating our operational processes creating a single Idox Software division, in addition to existing Idox Content division.

Our Four Pillars Strategic Framework

Revenue expansion

- Implementation of Idox's first group-wide CRM.
- Creation of inside sales team to drive account management.
- Creation of revenue assurance teams to improve renewals.
- Establishment of a new marketing team. Rebrand completed and marketing campaigns aligned with sales focus.
- Investment in product to drive incremental revenues from new and existing customers.

Gross margin improvement

- Establishment of Idox Cloud and prioritising SaaS and Digital Transformation across our organisation.
- Integration of all software businesses in to an Idox Software division.
- Appointment of newly-created Head of Professional Services role to improve services revenues.

Organisational simplicity

- Focus on efficient, common processes with minimal exceptions to improve corporate simplicity, moving towards One Idox.
- Integration of corporate resources; a unified development and professional services approach; and, amalgamated customer service teams and infrastructure.
- Single management methodology, account management and sales approach.

Information and communication

- Transparency and consistency are key to our communications; we share the same content internally and externally.
- We ensure regular updates to our people, colleagues, investors and banking partners.
- We engender an approachable style and culture with our people, with regular CEO broadcasts to provide updates and a platform for our people to ask questions and engage with our leadership team.

Our Strategy – Firmly in Run Phase, preparing for Fly

Walk Phase (FY19)

- Create momentum in the plan
- Be more ambitious about profitable growth
- Execute with greater focus and discipline

Run Phase (FY20)

- Build momentum in the plan
- Win bigger deals and make a step change in the business
- Extend reach in to adjacent and existing markets

Fly Phase (FY21)

- Grow momentum in the plan
- Become most influential player in our chosen markets
- Expand scale and scope of markets we address

ESG

Environmental

- The Group participates in the Energy Saving Opportunities Scheme (ESOS) and meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations.
- Whilst we have taken steps to mitigate our impact on the climate, primarily associated with our office footprint and reduction in travel, we recognise there is more to do as part of our collective responsibility.

Social

- Wellbeing and mental health is a key focus. The Idox Workplace Wellbeing team provide regular support to employees.
- With employee-led initiatives encouraging diversity and inclusivity, including Idox Elevate, a programme to encourage mentorship and development of women within our organisation.
- We invest in a leadership programme for the talent across our business we see as future leaders.

Governance

- In October 2020, Idox received a Full Pass with no non-conformances under a number of key ISO standards including ISO 9001.
- The Idox Statement of Compliance with Corporate Governance lays out our commitment to ensuring compliance with Quoted Companies Alliance (QCA) Corporate Governance Code.

Run & Fly phases

As we move into the 'Fly' phase, our aims, under our organisational Four Pillars are:

Organic growth

Improved MI and more automation	Improved on-shore / off-shore mix
Move products to cloud and away from third party	Increase market shares
Sales team stratification	Utilise IP in adjacencies
Protect and grow existing revenues	Tighter operational integration

Buy and build

Industry
Public Sector

Product
Own IP Software

Geography
Principally UK based

Scale
Bolt-ons

Markets – demand trends

Idox Software Public Sector	Migration to cloud to reduce IT estate. Move to digital to improve resident and client flexibility. Market expanding low to mid single digits. Fragmented in many target niches providing interesting buy and build opportunity
Idox Software EIM	Move to cloud to align with project-based buying. More digitisation of data within documents. Market expanding high single digits. Although cyclical, mitigated by strong existing installed base. O&G a third of customer base. Good opportunity across various infrastructure categories, including renewables.
Idox Content	Increasing consolidation of providers. Market expanding mid to high single digits.

COVID 19

Idox successfully manoeuvred the COVID-19 pandemic with little impact to the business internally. Idox did not utilise any government job retention schemes.

With a high level of remote workers within the organisation (c80%), the business had much of the infrastructure needed to move all staff to remote working.

Within the PSS business, minimal impact. Whilst there were some minor project delays, software revenues remained robust.

The high level of recurring revenues within EIM provided resiliency, however COVID-19 has created challenges in producing new business opportunities.

For the Content business, some impact in FY20, but this has largely dissipated.

Inorganic Growth Plans

Idox planning for a number of bolt-on acquisitions to accelerate growth

- Looking to leverage the existing strong management team, Idox brand and market presence, and operational infrastructure to bring niche, less-developed software solutions to a wider market to commercial further.
- Strong focus on GovTech, augmenting existing strong market shares, recurring revenues and good margins.
- Building on successful acquisition and integration of Tascomi in FY19, and consolidation of a number of the prior period acquisitions.
- Good financial resourcing to fund a number of bolt-on acquisitions throughout the year.
- M&A prospecting and pipelining processes well developed.

Example target acquisition profile

Owner-manager business that has scaled to 30 – 50 employees, either looking for an exit or support to move to the next level.

Revenue £3m to £5m. EBITDA £1m+.

Valuation x5 to x10 depending on software and SaaS component.

Idox would look to increase EBITDA contribution by 50% to 100% within 18 to 36 months through higher existing and cross-sale sales volumes supported with our infrastructure.

Summary and outlook

- Objectives achieved for FY20, with continuing strong financial performance within our Four Pillars framework
- Consolidation and operational improvements made across sales, product and delivery as all software assets moved to a single operating model: Idox Software
- Looking to extend ambition in FY21 with continued organic expansion, and carefully selected bolt-on acquisitions

We are excited and confident in the outlook for the business

Q&A

Appendix

Markets - competitors

	Business Unit	Competitive Landscape
Software	Local authorities, including: Regulatory Services, Elections, Social Care, Transport, Grants	Idox is largest player, competing with large incumbents such as Northgate, Capita and Civica; supplemented by a sizeable community of niche vendors (for example DEF, Agile Applications, Democracy Counts, Grants Online).
	Health: Sexual Health Clinic EPR	A relatively concentrated market of well-established software vendors such as Idox and Inform.
	Health: Documents and Assets tracking Facilities Management	Diverse range of software vendors and suppliers providing a broader range of property, people or asset management and / or tracking capabilities. In addition, many potential customers have unsophisticated MS Office-based solutions or wholly manually processes, providing a good market opportunity for software vendors.
	EIM	Large, well-established and multi-national industry leaders such as Aconex (Oracle), Bentley, Aviva and OpenText.
Content	Compliance	GRC (Governance, Risk and Compliance) software providers such as Navex and SAI Global; and LMS and HRIS vendors such as Workday, SuccessFactors and Cornerstone. In both cases, competitors are typically large and well-established.
	Grants Consultancy	Fragmented market with large players (Idox is one of the largest) and a long tail of smaller, more focused advisors.

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Significant shareholders as at 1 February 2021

Canaccord Genuity Wealth Management	19.0%
Soros Fund Management	12.5%
Kestrel Partners	11.0%
Long Path Partners	10.0%
Herald Investment Management	7.0%
Lombard Odier Asset Management	5.0%
ORA Capital	4.8%
Gresham House	3.9%
Total > 3%	73.2%

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