Idox plc

Half Year FY22 Results Presentation

Idox. Do more.

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Agenda

- H1 FY22 Highlights
- Financial Review
- Strategy and Operations
- Buy and build
- ESG
- Outlook

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CEO

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CFO

Idox plc

"Good performance whilst advancing strategy to focus on software businesses"

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

1,200+ customers & 500+ employees with offices in the UK, Europe and India

Continuing revenues c.£70 million* & adjusted EBITDA margin of 30%+

*annualised impact of FY21 acquisitions and disposals

H1 FY22 Highlights

The first half of FY22 has seen a robust operational and financial performance.

- Order intake of c.£40m, up 15% from H1 FY21, with strong pipeline underpinning our confidence over the medium term.
- Contract wins and extensions with increased average tenure across both our Public Sector Software (PSS) and Engineering Information Management (EIM) businesses.
- Double-digit growth in revenue and profit in Public Sector Software buoyed by FY21 acquisitions; weaker performance in EIM due to global uncertainties.
- Integration of 2021 acquisitions substantially complete and to plan.
- Continued upscaling of Pune, India, centre of excellence to increase efficiency, capability, and knowledge sharing.
- Good progress on furthering our M&A pipeline with strengthened and dedicated team, led by Rob Grubb.

H1 FY22 Highlights

Revenue	Recurring Revenue	Adjusted EBITDA*
£33.2m	£19.8m	£11.0m
+7%	+13%	+8%
H1 FY21: £31.1m	H1 FY21: £17.6m	H1 FY21: £10.1m

Adjusted FD EPS	Net Debt
1.21p	£3.8m
+7%	-54%
H1 FY21: 1.13p	FY21: £8.1m

- Revenues up 7% in the period, driven by strong contribution from FY21 acquisitions
- Recurring revenues now account for 60% of Group revenues
- Step up in earnings driven by FY21 acquisitions
- Continued strong cash performance leading to a further material reduction in Net Debt from FY21 year end position
- Continued focus on M&A pipeline with good financial resources to transact further bolt-on acquisitions

- *Adjusted EBITDA is defined as earnings before amortisation, depreciation, restructuring, acquisition costs, impairment, corporate finance costs and share option costs.
- The highlights noted above are for continuing operations.

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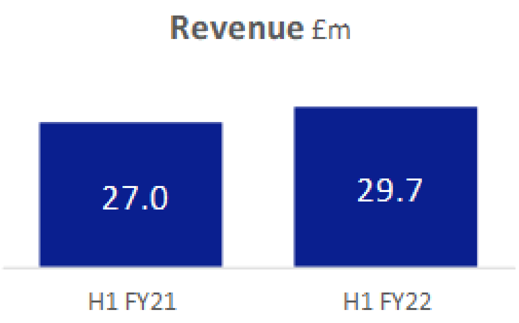
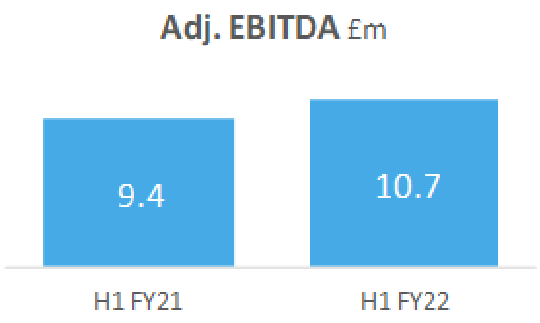
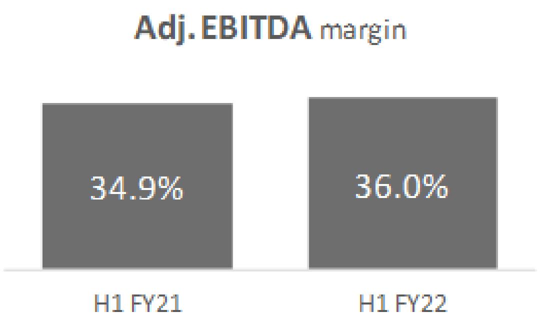
Financial Review Public Sector Software





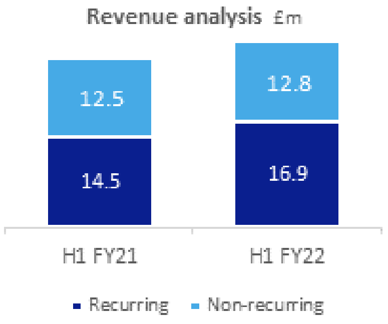


Comprising Local Authority, Idox Cloud, Elections, CAFM, Social Care, Transport, UK Databases, Health and FY21 GIS acquisitions.

Revenue increased 10% in the period due to ongoing solid execution following the changes and investments made over the past 36 months, and a contribution from FY21 acquisitions (£3.2m).

- Recurring revenues up in Local Authority (including Idox Cloud), and due to partial-year contribution from H2 FY21 acquisitions, partially offset by small decreases in Elections, Social Care and Health.
- Non-recurring revenues were up across the portfolio, with a strong performance in Elections.
- Closing orderbook of contracted, non-recurring revenues of £8.0m (H1 FY21: £11.6m), being lower than H1 FY21 due to delivery of Elections contracts.

Adj. EBITDA increase of £1.3m largely due to the high-margin drop-through of incremental revenue, and continued discipline on costs and operational efficiency.



89% of Group revenue in H1 FY22 (H1 FY21: 87%)

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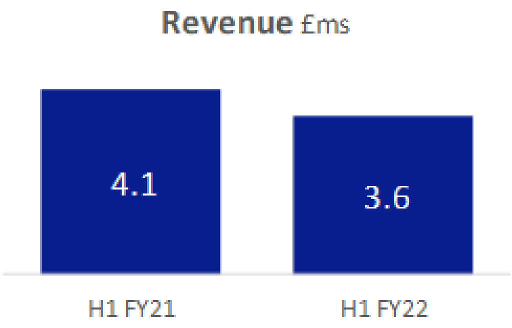
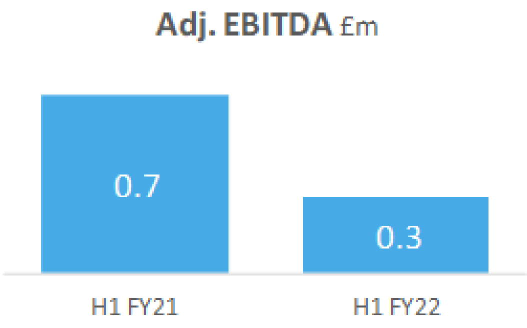
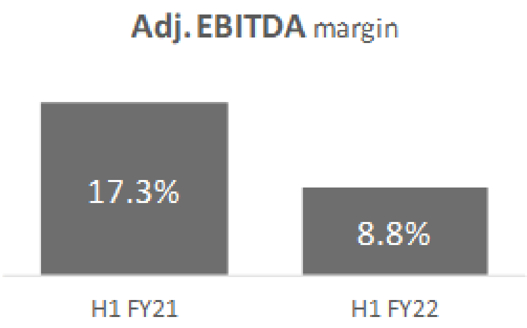
Financial Review Engineering Information Management

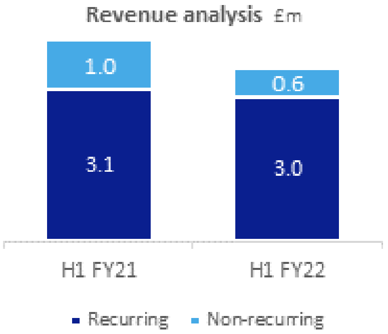






Comprising on-premise McLaren and cloud-native Fusion Live

- **Revenue** decreased in the period:
  - Recurring revenues down due to continued challenging market conditions and the non-renewal of two key clients. The broader energy market remains challenging; however, the business is continuing to win new engagements in other sectors.
  - Non-recurring revenues reduced year on year due to slower conversion of opportunities.
  - Closing orderbook of contracted, non-recurring revenues stable at £0.9m (H1 FY21: £0.9m), in line with prior period.
- **Adj. EBITDA** decrease due to revenue reduction and mix of business.
- Expected to deliver improved H2 FY22 performance.



11% of Group revenue in H1 FY22 (H1 FY21: 13%)

Financial Review Income Statement

£'m	H1 FY22	H1 FY21	Variance
Revenue	**33.2**	**31.1**	**2.1**
Adjusted EBITDA	**11.0**	**10.1**	**0.9**
Depreciation & Amortisation	(3.4)	(3.3)	(0.1)
Adjusted EBIT	**7.6**	**6.8**	**0.8**
Interest	(0.7)	(0.4)	(0.3)
Adjusted Profit before tax	**6.9**	**6.4**	**0.5**
Tax	(1.4)	(1.3)	(0.1)
Adjusted Profit after tax	**5.5**	**5.1**	**0.4**
Adjusting items:			
- Amortisation from acquired intangibles	(1.9)	(1.7)	(0.2)
- Restructuring costs	(0.1)	(0.2)	0.1
- Acquisition and financing costs	(0.0)	(0.0)	-
- Share option costs	(1.3)	(0.8)	(0.5)
Statutory Profit before tax - continuing ops	**3.6**	**3.7**	**(0.1)**
Tax (statutory, continuing operations)	(0.5)	(0.7)	0.2
Discontinued operations	(0.6)	4.3	(4.9)
Non-Controlling Interest	-	-	-
Statutory Profit after tax - all operations	**2.5**	**7.3**	**(4.8)**

- Adjusted EBITDA up 8% due to revenue improvements positively impacted by FY21 acquisitions.
- Interest higher due to lower FX.
- Adjusted Tax effective tax rate stable at c.20%.
- No notable restructuring costs in current or previous periods.
- Share option charges up due to impact of 2022 awards and full period effect of 2021 awards.
- Discontinued operations losses in the period relate to final costs associated with Content businesses disposal.

Financial Review Balance Sheet

£'m	H1 FY22	H1 FY21	Variance
Fixed Assets	92.9	72.6	20.3
Deferred tax assets & liabilities	(4.1)	(2.0)	(2.1)
Trade & other receivables, and prepayments	15.9	16.9	(1.0)
Trade & other payables, and accruals	(17.1)	(17.6)	0.5
Current tax receivable	0.7	(0.1)	0.8
IFRS 16 Leases - net assets / (liablities)	(0.0)	(0.1)	0.1
Provisions	(0.9)	(2.0)	1.1
Sub-total	**87.4**	**67.8**	**19.6**
Accrued income	5.1	3.2	1.9
Deferred income	(25.6)	(24.3)	(1.3)
Net accrued / (deferred) income	**(20.5)**	**(21.1)**	**0.6**
Balance sheet excluding net debt	**66.9**	**46.7**	**20.2**
Cash	21.6	29.2	(7.6)
Bank borrowings	(14.5)	(10.2)	(4.3)
Bonds in issue	(10.9)	(11.4)	0.5
Net Debt	**(3.8)**	**7.6**	**(11.4)**
Shareholder equity	**63.1**	**54.3**	**8.8**

- Fixed asset increase due to acquisitions the second half of FY21 – goodwill, other intangibles and development costs.
- Deferred tax movements attributable to finalisation of FY21 acquisition accounting, share options and tax rate movements.
- Trade and other receivables down due to finalisation on disposal of Content businesses.
- Tax debtor of £0.7m reflective of utilising tax relief in the period.
- Provisions movements driven by finalisation of legacy property matters.
- Continued reduction in net debt (FY21 close position of £8.1m).

Financial Review Cashflow

£'m	H1 FY22	H1 FY21	Variance
Adjusted EBITDA	11.0	10.4	0.6
Restructuring, acquisition & finance costs	(0.2)	(0.1)	(0.1)
Working capital	2.7	7.5	(4.8)
Discontinued Operations	-	(0.3)	0.3
Other items	(0.1)	0.1	(0.2)
Cash generated by operations	**13.4**	**17.6**	**(4.2)**
EBITDA cash conversion	122%	169%	
Taxation	(2.3)	0.2	(2.5)
Net cash from operating activities	**11.1**	**17.8**	**(6.7)**
Acquisitions and disposals	(0.8)	10.7	(11.5)
Purchase of property, plant and equipment	(0.4)	(0.8)	0.4
Purchase of intangible assets	(3.2)	(2.3)	(0.9)
Other items	0.1	0.1	-
Net cash used in investing activities	**(4.3)**	**7.7**	**(12.0)**
IFRS 16 leases (principal & interest)	(0.5)	(0.7)	0.2
Interest and loan costs	(0.3)	(0.3)	-
Movement in debt	(1.1)	(25.0)	23.9
Dividend and other equity	(1.8)	(1.3)	(0.5)
Net cash from / (used) in financing activities	**(3.7)**	**(27.3)**	**23.6**
Net movement on cash and cash equivalents	**3.1**	**(1.8)**	**4.9**
Opening net debt	(8.1)	(16.1)	8.0
Cash generated excluding debt drawdown / (repayment)	4.2	23.2	(19.0)
Foreign exchange on Bond	0.1	0.5	(0.4)
Closing net debt	**(3.8)**	**7.6**	**(11.4)**

- Working capital lower due to the timing of certain creditor payments falling into H1 FY22 compared to the second half of FY21.
- Strong EBITDA cash conversion to net cash from operating activities (before taxation) of 122% (H1 FY21: 169%).
- Tax payments due in FY22 compared to utilisation of losses and over payments in FY21.
- Acquisitions and disposals outflows primarily due to deferred payments on FY21 acquisitions.
- Intangible asset investment largely driven by continued investment in software products and impact of FY21 acquisitions.
- Facilities fully drawn in FY20 to provide maximum flexibility as part of precautionary Covid-19 response. Reduced in H1 FY21 to more normalised levels.
- Dividend of £1.8m payment following reinstatement in the previous year.
- Net debt decreased to £3.8m from closing FY21 position of £8.1m, continuing the trend (FY20: £16.1m, FY19: £26.4m, FY18: £31.8m).

Financial Review Future guidance

Revenue organic growth targets

- PSS aiming for organic, mid-single digit growth.
- EIM continued transition to SaaS; net overall growth in the mid-single digits.
- Looking to supplement with bolt-on M&A.

Margin targets

- Targeting adj. EBITDA margin of 35% over the medium term as operational improvements continue, and bolt-on acquisitions drive synergies.

Cash conversion and dividend

- Continued strong adjusted EBITDA to operating cash conversion.
- Dividend progression expected.

Net cash / (debt)

- Continued cash generation.
- Good headroom with bank facilities of £35m plus £10m accordion.
- £11m bond repayment 2025.

FY22 trading in line with expectations

Strategy and Operations Delivering Success

Inorganic revenue growth

Organic revenue growth

Continued margin expansion

Cloud and SaaS penetration

EV £500m+
Recurring revenue 75%
EBITDA margin 35%

Fly

Market Cap	£280m
Revenue	£66.1m
Adj. EBITDA	£19.8m
Net Debt	£8.1m
ARR	56%
EBITDA margin	30%

Run

Market Cap	£235m
Revenue	£68.0m
Adj. EBITDA	£19.6m
Net Debt	£16.1m

Walk

Market Cap	£130m
Revenue	£65.5m
Adj. EBITDA	£14.4m
Net Debt	£26.4m

Focus on core software businesses
Focus on Product management and market leadership
Promote Digital and path to Cloud

Improved Management Information for better decisions
Tighter product and infrastructure management
Tighter management of sales

New management team
Fix funding
Re-establish plc forecasts (inc. audit)

FY18 FY19 FY20 FY21 FY22 FY23 FY24

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Strategy and Operations Four Pillars

Revenue expansion

- Order intake continued to grow, helping to support the in-year revenue growth and build the future orderbook. Secured c.£40m of total contract value, increasing by 15% over the same period last year.
- Sales order intake in local government continued to rise, up 13%. Key wins include Belfast City Council Idox Cloud (BC and Licensing), TransAlta (FusionLive) and Solutions4Health (Lilie).
- Successfully delivered Electoral Managed Services for both Malta and The Scottish Assembly.

Margin improvement

- Continued investment in Idox India expanding our operational footprint to include the areas of HR, Finance and Professional Services as well as broadening our Development Services.
- Technology footprints have been consolidated where possible and we have improved resource sharing across our teams.
- Data centre consolidation and greater sharing of skills and capabilities across the software and professional services teams continued to take effect.

Simplicity

- Stratification of the sales teams has provided a greater focus on communication, renewals and the customer experience.
- Continued investment in our internal processes, systems, and the integration of data across departments.
- Professional Services utilisation continues to improve.

Communication

- Regular and open communication with all colleagues across the business through a number of channels including quarterly CEO Broadcasts.
- Support our own people's desire for Idox to be a socially responsible, diverse and sustainable business.
- Invested in our marketing strategy, focusing on customer content, creating more thought leadership opportunities and elevating digital marketing.

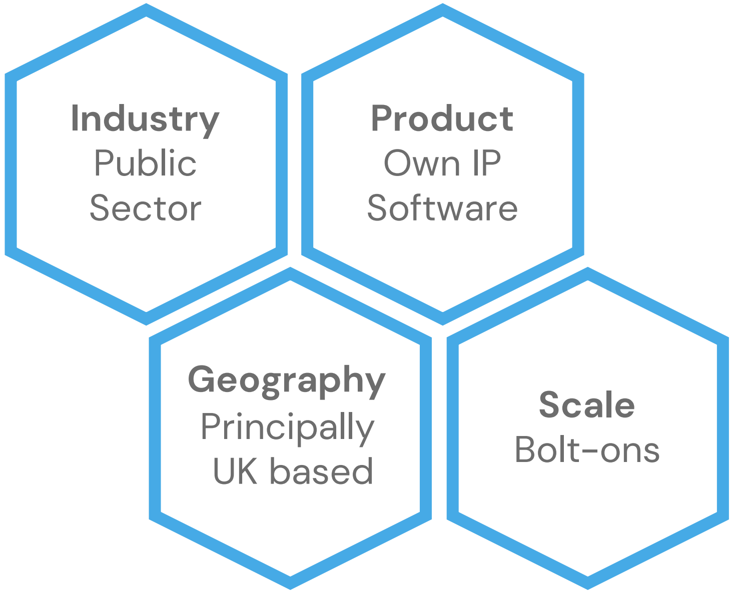
Strategy and Operations Fly Phase

Within our 'Fly' phase, our aims, under our organisational Four Pillars, are:

Organic growth

Improved MI and more automation	Invested in Idox India
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



Buy and Build Progress to-date

	tascomi	Aligned Assets	thinkWhere	exegesis SPATIAL DATA MANAGEMENT
	July 2019	June 2021	August 2021	October 2021

Integration

Extensive expansion of selling capacity, commercial engagements earlier

Dedicated marketing campaigns

Consultancy and Support provided by existing Idox resources

Legal, finance, HR and admin transferred to Idox Group

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Buy and Build Growth plans

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, and earn-out structure.

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.

Sourcing a number of bolt-on acquisitions to accelerate growth.

- Targeting niche, well-respected software businesses with the opportunity to take to a wider customer base to realise potential.
- Using Idox's brand, market presence, and operational infrastructure to scale at good margin and low risk.
- Strong focus on cloud-based GovTech and PlanTech, augmenting existing strong market shares, recurring revenues and good margins.
- Good existing financial resourcing to execute the plan.
- High degree of involvement from Idox executive management, with new M&A director role created to accelerate progress and manage risk.

ESG Responsible Idox

SUSTAINABLE DEVELOPMENT GOALS

Conducting business responsibly is core to Idox's business model and long-term strategic goals.

	Our people	Our community	Our environment	Our organisational responsibility
The aim:	To build a diverse and inclusive workforce who feel supported and encouraged to excel in their career and life at Idox.	To support and enable our local communities to achieve more through the use of our products and using our knowledge base to educate and support individuals.	As a naturally low emission business, we are committed to improving our environmental performance and enabling our customers to do so.	To be a responsible employer, supplier, and overall business.
The UN SDGs we support:	3 Good Health and Well-Being; 4 Quality Education; 5 Gender Equality; 8 Decent Work and Economic Growth	3 Good Health and Well-Being; 4 Quality Education; 11 Sustainable Cities and Communities	12 Responsible Consumption and Production; 13 Climate Action	8 Decent Work and Economic Growth

ESG Responsible Idox

Idox has been building its approach to ESG over several years. Its vision in building and enabling a responsible business is to focus its efforts on grassroot approaches, that create value for all stakeholders.

Environmental Protection

- Reporting within the Task Force on Climate-related Financial Disclosures ('TCFD') framework.
- Working within the three scopes of the Greenhouse Gas Protocol ('GHG'), to achieve net zero carbon emissions by 2040.

Social responsibility

- Explored the diversity of our teams through a Dare to be Different survey, receiving a 70% response rate.
- Continued to educate and create conversations around diversity, namely Gender Equality through series of talks and unconscious bias workshops.
- Launched an Employee Lounge initiative, aimed at bringing groups of up to 10 colleagues from different disciplines together to build connection, inclusion and better communication.

Positive and resilient outlook

Good performance whilst advancing strategy to focus on software businesses.

Cognisant of wider macro factors but our markets, software solutions and high levels of recurring revenues provide resilience and visibility for the remainder of FY22.

Sales pipeline is positive and in line with budget assumptions and expectations for the future years.

Integrations of FY21 acquisitions substantially complete, and good level of ongoing M&A opportunity.

The business continues to perform well and FY22 outlook is in line with the Board's expectations. We continue to improve our operational capabilities and build momentum in our chosen markets.

Q&A

For further information please contact:
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