

# IDOX

## SOFTWARE & COMPUTER SERVICES

5 October 2021

### IDOX.L

69.2p

Market Cap: £308.2m

#### SHARE PRICE (p)



12m high/low 77p/46p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£7.6m (at 30/04/21)
Enterprise value	£300.6m
Index/market	AIM
Next news	Trading update, Nov 21
Shares in Issue (m)	445.4
Chairman	Chris Stone
Chief Executive	David Meaden
Finance Director	Rob Grubb

#### COMPANY DESCRIPTION

Idox is a software business selling to UK Public Sector and global Engineering clients

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IDOX IS A RESEARCH CLIENT OF PROGRESSIVE

#### ANALYSTS

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### GIS capabilities - and earnings - further enhanced

Idox has announced the acquisition of exeGesIS Spatial Data Management Ltd, a UK based geospatial information services (GIS) technology business, for an initial cash consideration of £5.35m payable from existing resources. This acquisition adds to the GIS capabilities which August's purchase of thinkWhere brought to the Group. exeGesIS will also add to Idox's recurring revenues and is immediately earnings enhancing. Idox is now in a strong position to capitalise on the growth of the UK's location data market. The series of acquisitions – including Aligned Assets in June - that Idox has undertaken since the disposal of its Content division has quickly recycled the disposal proceeds. In line with Group strategy, the acquired businesses have augmented the Group's positioning as a software business selling to public-sector and engineering customers. We make no adjustments to the current financial year given the proximity of the October year end, but our revenue and EBITDA estimates both increase by 4% in each of FY 2022E and FY 2023E. Our estimated net debt numbers reflect the full consideration.

- The initial cash consideration for the acquisition is £5.35m, with up to £1.65m of additional cash consideration deferred for 12 months, contingent on the retention of existing recurring revenues. All payments will be funded from Idox's existing financial resources.
- GIS systems provide a framework for gathering, managing and analysing data about the physical world. They are of particular importance to public sector organisations to assist with built environment decision-making and policy - particularly pertinent given the importance of environmental considerations.
- The acquisition of exeGesIS will considerably improve Idox's product offering, specifically within the land and property sector within which location visualisation is an emerging requirement. The acquisition brings a client base complementary to that of Idox and which spans private organisations, local authorities and other public sector bodies.
- thinkWhere provides end to end GIS systems using open source, cloud-based products and applications. While the consideration and initial impact on Idox's earnings was immaterial from that deal, the exeGesIS acquisition is immediately earnings enhancing.
- For the year ended 30 April 2020, exeGesIS reported revenues of £2.8m, with a strong recurring revenue base and PBT of £0.8m.

FYE OCT (£M)	2019	2020	2021E	2022E	2023E
Revenue	65.5	68.0	65.7	70.2	74.0
Adj EBITDA	14.4	19.6	19.5	22.8	25.0
Fully Adj PBT	7.7	10.5	12.0	15.6	17.5
Fully Adj EPS (p)	1.3	1.8	2.2	2.8	3.2
EV/Sales (x)	4.6x	4.4x	4.6x	4.3x	4.1x
EV/EBITDA (x)	20.9x	15.4x	15.4x	13.2x	12.0x
PER (x)	53.8x	38.9x	31.8x	24.4x	21.8x

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.

## Background on exeGesIS

exeGesIS offers a combination of software and associated services to customers. The software elements include some own-IP products with specific end-market use cases, as well as the ability to resell and augment (via add-ons or other customisation) a number of mainstream GIS systems from third parties.

The areas of particular expertise and the group's own-IP bespoke products are highly targeted at the public sector customer base, and include aspects such as: Rights of Way & Access Management, Conservation Site Management, Historic Buildings & Monuments through to other niche local authority areas such as Fly Tipping and Tree Management. The business also has expertise in Planning Application and development submissions, which is clearly closely related to a mainstream part of Idox's existing business.

More generally, exeGesIS is highly capable in supporting, training and tailoring customers' use of the main third-party GIS applications in use across all areas of the public sector (and beyond). The business clearly is a major step forward (especially on the back of the recent thinkWhere deal) in expanding and extending the Idox group capability in all areas related to mapping and GIS.

exeGesIS will bring 35 people into Idox and Director Crispin Flower will join Idox in a new role leading the GIS function. thinkWhere had previously added 15 staff to the GIS business.

## Estimates

As described on the previous page, our new estimates reflect the impact of this acquisition and assume that the full consideration is paid over time. We make no changes (other than the debt position) for FY21E, and changes as shown below for the later years.

### Estimate changes

£m unless stated	FY21E			FY22E			FY23E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	65.7	65.7	0%	67.2	70.2	4%	70.9	74.0	4%
Adj EBITDA	19.5	19.5	0%	21.9	22.8	4%	24.0	25.0	4%
Fully adj PBT	12.0	12.0	0%	14.8	15.6	5%	16.7	17.5	5%
Fully adj EPS (p)	2.2	2.2	0%	2.7	2.8	5%	3.0	3.2	5%
Net (Debt)/Cash	(2.1)	(8.1)		8.8	2.3		18.4	13.2	

Source: Progressive Equity Research estimates

**Financial Summary: Idox**

Year end: October (£m unless shown)

	2019	2020	2021E	2022E	2023E
<b>PROFIT &amp; LOSS</b>					
Revenue	65.5	68.0	65.7	70.2	74.0
Adj EBITDA	14.4	19.6	19.5	22.8	25.0
Adj EBIT	9.4	12.7	13.0	16.6	18.4
Reported PBT	0.0	2.7	12.1	9.3	11.2
Fully Adj PBT	7.7	10.5	12.0	15.6	17.5
NOPAT	9.4	10.3	10.6	13.5	14.9
Reported EPS (p)	(0.3)	0.3	2.5	1.7	2.0
Fully Adj EPS (p)	1.3	1.8	2.2	2.8	3.2
Dividend per share (p)	0.0	0.3	0.4	0.5	0.6
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	12.3	22.0	20.2	24.6	25.5
Free Cash flow	4.3	11.5	10.0	13.8	14.1
FCF per share (p)	1.0	2.6	2.3	3.1	3.2
Acquisitions	(6.4)	(0.6)	(12.9)	(3.2)	(1.5)
Disposals	0.0	(0.3)	12.6	1.0	0.0
Shares issued	7.4	(0.1)	0.0	0.8	0.8
Net cash flow	5.4	10.3	8.0	10.4	10.9
Overdrafts / borrowings/bonds	(33.4)	(46.9)	(46.9)	(46.9)	(46.9)
Cash & equivalents	7.0	30.8	38.8	49.2	60.1
Net (Debt)/Cash	(26.4)	(16.1)	(8.1)	2.3	13.2
<b>NAV AND RETURNS</b>					
Net asset value	44.6	47.0	56.2	62.0	68.9
NAV/share (p)	10.0	10.6	12.6	13.9	15.5
Net Tangible Asset Value	1.2	1.2	2.0	1.5	0.9
NTAV/share (p)	0.3	0.3	0.4	0.3	0.2
Average equity	46.2	45.8	51.6	59.2	65.7
Post-tax ROE (%)	16.7%	22.9%	23.2%	26.4%	26.6%
<b>METRICS</b>					
Revenue growth	(1.4%)	3.9%	(3.5%)	6.9%	5.4%
Adj EBITDA growth	5.3%	36.4%	(0.6%)	17.0%	9.6%
Adj EBIT growth	6.9%	34.9%	2.7%	27.5%	10.8%
Adj PBT growth	3.2%	35.9%	14.2%	30.3%	12.1%
Adj EPS growth	(41.8%)	38.2%	22.2%	30.3%	12.1%
Dividend growth	N/A	N/A	33.3%	23.8%	21.2%
Adj EBIT margins	14.4%	18.7%	19.9%	23.7%	24.9%
<b>VALUATION</b>					
EV/Sales (x)	4.6	4.4	4.6	4.3	4.1
EV/EBITDA (x)	20.9	15.4	15.4	13.2	12.0
EV/NOPAT (x)	31.9	29.2	28.5	22.3	20.1
PER (x)	53.8	38.9	31.8	24.4	21.8
Dividend yield	N/A	0.4%	0.6%	0.7%	0.9%
FCF yield	1.5%	3.8%	3.3%	4.5%	4.6%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

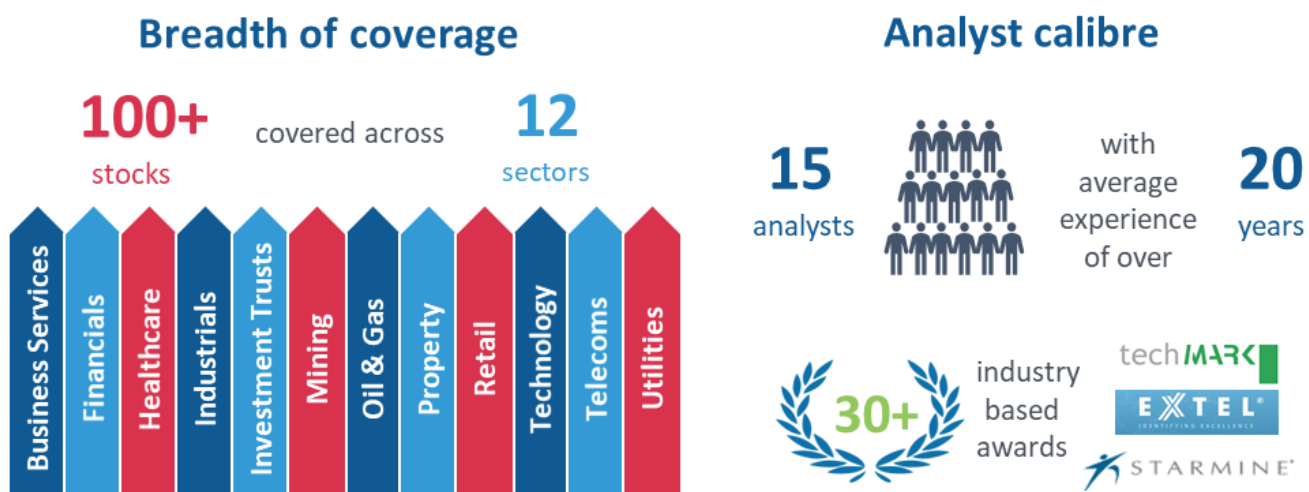
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