Progressive EQUITY RESEARCH

IDOX

SOFTWARE & COMPUTER SERVICES

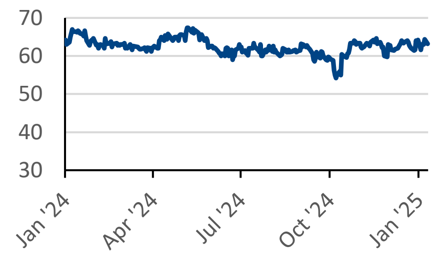
28 January 2025

IDOX.L

63.2p

Market Cap: £290.7m

SHARE PRICE (p)



12m high/low	67p/54p

Source: LSE Data (priced as at prior close)

KEY DATA

Net (debt)/cash	£(9.9)m *(at 31/10/24)*
Enterprise value	£300.6m1m1m1m
Index/market	AIM
Next news	AGM, March
Shares in issue (m)	460.0
Chairman	Chris Stone
CEO	David Meaden
CFO	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

ANALYSTS

Ian Robertson

+44 (0) 20 7781 5318

irobertson@progressive-research.com

Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com

www.progressive-research.com

Geospatial, the growth driver

The FY24 results, released today, are in line with the figures provided in the trading update in November 2024. They reflect a strong performance and are Idox's sixth successive set of annual results with growth in revenue, recurring revenue and adjusted EBITDA. The tone of the management statement and outlook is confident. We have marginally revised our forecasts for FY25 and FY26 and introduced estimates for FY27. With LPPP and geospatial having been key drivers in FY24, we look forward to FY25 in anticipation of further evolving opportunities in geospatial.

- **Property and geospatial drive growth.** Revenue of £87.6m was 20% above FY23, mostly due to the growth in Land Property & Public Protection (LPPP), which includes the geospatial business. Overall, recurring revenue accounted for 62% of revenue at £54.5m, up 20% on FY23. Order intake was strong at over £102m, up 23% on FY23, which gives us confidence in our forecasts for FY25.
- **Results in-line.** At the adjusted EBITDA level, Idox saw growth of 7%, reaching £26.1m. The adjusted EBITDA margin of 30% was down from 33% in FY23 due to mix change and the further integration of Emapsite. At the EPS level, the adjusted diluted figure was stable at 2.61p (FY23: 2.62p), while the reported diluted figure declined 7% to 1.15p (FY23: 1.23p). As guided, year-end net debt was £9.9m, an improvement of £4.8m on the figure at the start of the year, reflecting good cash generation.
- **Traction and confident outlook.** The tone of the management statement and outlook is confident. While geospatial is still developing, the strategy is becoming clearer and there is definite evidence of traction. We have revised our forecasts for FY25 and FY26 following these results, principally reflecting revisions to amortisation, depreciation, interest and working capital. Our assumptions on underlying trading remain materially the same. We have introduced estimates for FY27, based on comparable assumptions to our FY26 figures.
- **FY25 – another step forward in geospatial?** Idox is well placed as a resilient business with a robust balance sheet and an opportunity to leverage its existing knowledge and market positions to develop valuable business in the growing geospatial software and services arena. FY25 should see further organic evidence of this dynamic, and possibly a material step forward through M&A activities.

FYE OCT (£M)	2023	2024	2025E	2026E	2027E
Revenue	73.3	87.6	93.4	98.1	103.0
Adj EBITDA	24.5	26.1	26.9	29.2	31.2
Fully Adj PBT	15.8	16.1	16.1	18.4	20.5
Fully Adj EPS (p)	2.6	2.6	2.7	2.9	3.2
EV/Sales (x)	4.1x	3.4x	3.2x	3.1x	2.9x
EV/EBITDA (x)	12.3x	11.5x	11.2x	10.3x	9.6x
PER (x)	24.2x	24.3x	23.8x	21.6x	19.5x

Source: Company Information and Progressive Equity Research estimates.

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

Geospatial, the growth driver

Idox's FY24 results are in line with the figures provided in the trading update in November 2024. They reflect a strong performance and are Idox's sixth successive set of annual results with growth in revenue, recurring revenue and adjusted EBITDA.

Revenue of £87.6m was 20% above FY23, mostly due to the growth in Land Property and Public Protection (LPPP) with the inclusion for the full year of Emapsite, the geospatial business acquired in August 2023. Overall recurring revenue accounted for 62% of revenue at £54.5m, up 20% on FY23. Recurring revenue grew across LPPP by 33% overall, with the full-year inclusion of Emapsite contributing towards this, and the growth in LPPP and geospatial driving up the proportion of group sales that are recurring.

Order intake was strong in FY24 at over £102m, 23%, which gives us confidence in our forecasts for FY25. Encouragingly, new business wins and new revenue from existing customers account for over one in three of Idox's contract wins.

At the adjusted EBITDA level, Idox saw growth of 7%, reaching £26.1m. The adjusted EBITDA margin of 30% was down from 33% in FY23 due to mix change and the further integration of Emapsite. At the EPS level, the adjusted diluted figure was stable at 2.61p (FY23: 2.62p), while the reported diluted figure fell 7% to 1.15p (FY23: 1.23p).

Year-end net debt (as at 31 October 2024) stood at £9.9m, as guided, an improvement of £4.8m on the figure at the start of the year, reflecting good cash generation.

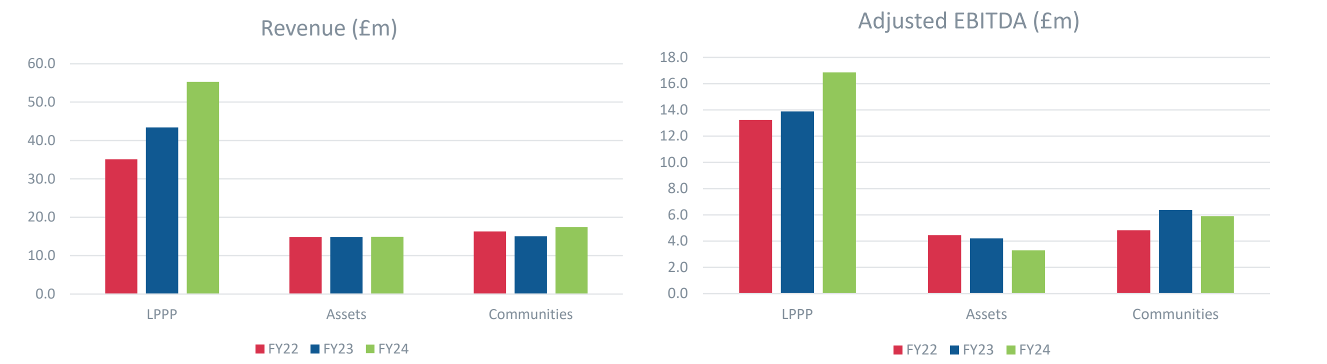
Divisional performance FY24 vs FY23

Y/E October	FY24	FY23	Change
Revenue (£m)			
LPPP	55.3	43.4	27.3%
Assets	14.9	14.8	0.3%
Communities	17.4	15.0	16.1%
	87.6	**73.3**	
Adjusted EBITDA (£m)			
LPPP	16.9	13.9	21.4%
Assets	3.3	4.2	-21.4%
Communities	5.9	6.4	-7.4%
	26.1	**24.5**	
Margin (%)			
LPPP	30.5%	32.0%	
Assets	22.2%	28.3%	
Communities	33.8%	42.4%	

Source: Idox, Progressive Equity Research

The tone of the management statement and outlook is confident. We have revised our forecasts for FY25 and FY26 following the results, principally reflecting revisions to amortisation, depreciation, interest and working capital. Our assumptions on underlying trading remain materially the same. We have introduced estimates for FY27, based on comparable assumptions to our FY26 figures.

Divisional revenue and profit progression



Source: Idox, Progressive Equity Research

Land, Property & Public Protection (LPPP) – 63% revenue FY24

LPPP saw revenues increase 27% in the year, to £55.3m vs FY23's £43.4m. The principal driver to this was the full-year inclusion of Emapsite, along with good growth in Local Government and Cloud solutions.

For the division as a whole, perhaps the most notable contract win was that with North Yorkshire Council in which Idox is to bring together the council's eight planning and building control systems into one cloud-based system. This £2.4m contract was announced just before Christmas (see our note). This contract not only combines the move to cloud and the internal pressure on councils to be more efficient, but also indicates the possible gains for Idox from the government's desire to unblock the planning system and reform local government structures.

Within the geospatial business Idox, Wales and West Utilities and Property Risk Inspection (Nationwide) are now using Idox's data and mapping services, and the reach of the business has extended overseas with Natuurmonumenten and Staatsbosbeheer, nature conservancy bodies in the Netherlands, extending their use of Idox's geospatial products.

Communities – 20% revenue FY24

The UK election was a key factor in the 16% revenue growth reported in Communities.

An indication of the impact of the UK election is provided by the increase in non-recurring revenue in Communities, which increased from £5.4m to £7.4m. As it includes a significant services element, election revenue attracts lower EBITDA margins than other Communities business.

FY25 looks to be a relatively quiet year for elections, so we would expect to see much of this growth reverse during the year. In contrast, Idox will see a welcome revenue and profit contribution from Malta. Idox recently built on its longstanding relationship with the Maltese authorities with the award of a £2.5m contract extension for both software and services. This is to be delivered over the coming five years, including in the run up to the general election that is due in or before 2027.

Assets – 17% revenue FY24

In revenue terms, Assets saw only marginal progress and some margin attrition. However, this business should still be generating good cashflow and has an impressive client list.

Management

Idox made a number of board and senior management changes and hires over the year, focused not only on bringing forward new talent but also on creating a management structure and resource fit to drive the business forward and take advantage of opportunities in geospatial following the acquisition of Aligned Assets, thinkWhere, exegesis, LandHawk and Emapsite.

Jonathan Legdon joined the board as COO and Mark Milner as a non-executive director. Ian Churchill has been appointed as Chief Revenue and Strategy officer. Trace Durning has been given responsibility for change management and Alex Wrottesley, an executive with specific geospatial skills and experience, has been placed in charge of the geospatial business.

Dividend

In line with its progressive dividend policy, the board has announced its intention to pay a 0.7p final dividend (FY23: 0.6p).

Cash generation and balance sheet strength

Cash generation was once again strong, with cash from operating activities before tax of £35.1m, up 25% on FY23, representing 96% of adjusted EBITDA.

Investors have grown accustomed to the three elements of Idox's net debt figure: cash, bank debt and the £10.8m Maltese listed bond. This bond is repayable in July 2025 and Idox will fund its repayment through its existing facilities. Idox extended its loan agreement with its banks in October 2024 covering a revolving credit facility and an accordion of £75m and £45m, respectively, both committed until October 2027.

It is evident that Idox retains considerable acquisition firepower.

Financial and accounting items – hint at work done

There are few items of note within the detail of the financial statements, although the £1.2m in acquisition costs is clear evidence that management is committed to making acquisitions. This figure was made up of due diligence work on a potential acquisition that did not reach a successful conclusion, along with finalisation costs associated with the Emapsite and LandHawk acquisitions. It is evident that Idox's management is actively searching for acquisitions and that the target is not insubstantial if the abortive costs account for the majority of the figure.

AI – opportunities and challenges

Currently, no company's results (let alone a tech company's) pass without a discussion of the impact of AI. There is clearly considerable potential value to be gained from AI both in terms of efficiency gains and data insight, both for Idox and its customers.

Idox is taking a systematic and controlled approach, with internal safeguards and an internal AI Committee established to consider the opportunities and challenges. The statement refers to some of the steps being taken, including using Tricentis, the AI development platform, to help with product development and testing.

Focus on costs

Idox's management has also continued to work to improve products and efficiencies through more established approaches, with 2024 seeing the opening of a larger office in Pune, India, where it now has approximately 90 staff.

Forecasts revised marginally for FY25 and FY26, and FY27 figures introduced

We have revised our forecasts for FY25 and FY26 following these results, principally reflecting revisions to amortisation, depreciation, interest and working capital. Our assumptions on underlying trading remain materially the same.

We also introduce FY27 estimates. These follow on from the progress forecast for FY25 and FY26, with revenue growth of 5%, driven primarily by LPPP, and an edging up of the adjusted EBITDA margin to 30.4%, as a result of both efficiencies and operational gearing.

Forecast revisions FY25 & FY26, new forecasts FY27

Y/E October	FY25E New £m	FY25E Old £m	Change %	FY26E New £m	FY26E Old £m	Change %	FY27E New £m
Revenue	93.4	93.4	0.0%	98.1	98.1	0.0%	103.0
Revenue growth (%)	6.6%	6.6%		5.0%	5.0%		5.0%
Adj EBITDA	26.9	26.9	-0.1%	29.2	29.2	-0.1%	31.2
Adj EBITDA margin (%)	28.8%	28.8%		29.8%	29.8%		30.3%
Adj PBT	16.1	16.6	-2.8%	18.4	18.9	-2.7%	20.5
Adj EPS (p)	2.7	2.7	0.0%	2.9	3.0	-2.4%	3.2
Net (debt)/cash	(5.0)	(3.3)	52.4%	2.0	6.2	-67.8%	9.1

Source: Progressive Equity Research

The internal goal remains 35% adjusted EBITDA margin. Idox's management sees the business as consistent 'Rule of 40' business, with revenue growth percentage plus adjusted EBITDA margin exceeding 40% – a rare bird in the global software industry, let alone among the UK listed companies. We regard the 35% adjusted EBITDA margin goal as achievable in the medium term. Although, mindful of the Rule of 40, there could be some margin sacrifice in order to fully capture the geospatial market opportunity.

Outlook confident on trading and encouraging on M&A

The outlook statement confirms that, after a strong FY24, FY25 has started well, and that trading has been in line with the board's expectations. The optimism extends to the acquisition pipeline, with management referring to a pipeline of 'larger, accretive and enhancing acquisitions at appropriate valuations'.

Idox is well placed as a resilient business with a robust balance sheet and an opportunity to leverage its existing knowledge and market positions to develop valuable business in the growing geospatial software and services arena. We expect to see further organic evidence of this in FY25, possibly alongside material step forward through M&A activities.

Financial Summary: Idox

Year end: October (£m unless shown)

PROFIT & LOSS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Revenue	73.3	87.6	93.4	98.1	103.0
Adj EBITDA	24.5	26.1	26.9	29.2	31.2
Adj EBIT	17.1	18.1	18.1	20.0	21.6
Reported PBT	7.8	8.1	9.5	11.7	13.8
Fully Adj PBT	15.8	16.1	16.1	18.4	20.5
NOPAT	11.9	11.9	12.3	13.6	15.2
Reported EPS (p)	1.2	1.2	1.5	1.9	2.2
Fully Adj EPS (p)	2.6	2.6	2.7	2.9	3.2
Dividend per share (p)	0.6	0.7	0.8	0.9	1.0
CASH FLOW & BALANCE SHEET	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Operating cash flow	18.6	21.1	20.2	22.7	23.2
Free Cash flow	(3.9)	10.1	11.1	13.3	13.5
FCF per share (p)	(0.9)	2.2	2.4	2.9	2.9
Acquisitions	(14.1)	(2.4)	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	(0.2)	(0.2)	0.0	0.0	0.0
Net cash flow	0.8	(3.5)	4.9	7.0	7.1
Overdrafts / borrowings/bonds	(29.5)	(21.6)	(21.6)	(21.6)	(21.6)
Cash & equivalents	14.8	11.7	16.6	23.6	30.7
Net (Debt)/Cash	(14.7)	(9.9)	(5.0)	2.0	9.1
NAV AND RETURNS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Net asset value	73.3	78.3	84.5	92.0	100.4
NAV/share (p)	16.1	17.0	18.3	19.9	21.6
Net Tangible Asset Value	(35.5)	(28.3)	(19.5)	(9.6)	1.4
NTAV/share (p)	(7.8)	(6.1)	(4.2)	(2.1)	0.3
Average equity	70.3	75.8	81.4	88.3	96.2
Post-tax ROE (%)	7.9%	6.9%	8.6%	9.8%	10.6%
METRICS	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Revenue growth	N/A	19.5%	6.6%	5.0%	5.0%
Adj EBITDA growth		6.5%	3.2%	8.6%	6.8%
Adj EBIT growth		5.6%	0.3%	10.2%	8.0%
Adj PBT growth		2.4%	0.0%	13.9%	11.4%
Adj EPS growth		(0.4%)	1.7%	10.4%	11.0%
Dividend growth	N/A	16.7%	14.3%	13.8%	14.3%
Adj EBIT margins	23.4%	20.6%	19.4%	20.4%	21.0%
VALUATION	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EV/Sales (x)	4.1	3.4	3.2	3.1	2.9
EV/EBITDA (x)	12.3	11.5	11.2	10.3	9.6
EV/NOPAT (x)	25.2	25.2	24.4	22.1	19.8
PER (x)	24.2	24.3	23.8	21.6	19.5
Dividend yield	0.9%	1.1%	1.3%	1.4%	1.6%
FCF yield	(1.4%)	3.5%	3.8%	4.5%	4.6%

Source: Company information and Progressive Equity Research estimates

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28 January 2025

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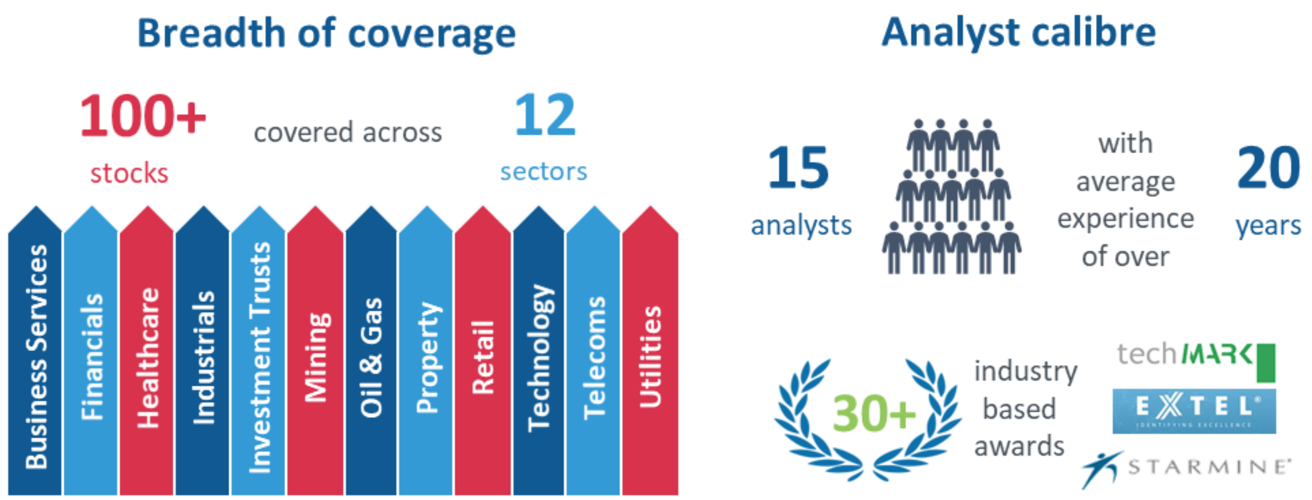

To arrange a meeting with the management team, or for further information about Progressive, please contact us at:
+44 (0) 20 7781 5300
info@progressive-research.com