

Our Investment Manager Ciaran Garvey expects Idox to continue to deliver improvements, whatever the General Election has in store.

If I were to ask the general public and probably even some politicians if they were enjoying having their Christmas run-up interrupted by the general election, I would not expect a sea of hands. One company that is not averse to elections and referenda, however, is Idox.

Although it may not be well known by the general public, Idox is a leading provider of critical software to the public sector. In fact, Idox's Public Sector Software division can count on over 90% of UK local authorities as customers and is one of the largest electoral services providers in the UK.

The Public Sector Software division also provides services to local and central government, such as software solutions for document management and a digital platform which enhances interactions between councils and citizens. Idox also has an Engineering Information Management business, which provides engineering companies with a digital solution to document management, allowing the efficient management of huge volumes of data and correspondence, improving project turnaround cycles.



Idox ran into some problems in 2017 under the previous management team, after some misguided acquisitions and internal operational failings led to the company issuing two profits warnings towards the end of that year.

With the company in need of a turnaround, the current management team of David Meaden and Rob Grubb joined as CEO and CFO respectively in 2018.

We spoke to David shortly after his arrival and we agreed with his assessment that in spite of its recent issues, Idox was a fundamentally strong business with good market positions protected by high barriers to entry.



As part of the restructuring process, the non-core Digital business was sold, and the Idox Health business was merged into the Public Sector Software division. In addition, the new CFO focused on improving Idox's accounting procedures, in particular revenue recognition, and targeted cost savings for the Group. As a result, Idox improved its cash conversion and is targeting profit margin expansion. Management have also made progress in moving the Group towards generating greater levels of recurring revenue, which improves visibility.

In a sign of renewed confidence, Idox raised £7m from shareholders this summer, to acquire a company called Tascomi, which also operates in the public sector space. Tascomi are a smaller player in this area but provide their software via the cloud. The public sector is now adopting cloud-based software as a more efficient way of operating and management believe that the combination of Idox's business model with Tascomi's platform and product will enhance the Group's product offering and will grow annualised recurring revenues. In the year end trading update issued in November, Idox confirmed that trading has been in line with the Board's expectations and highlighted some positive developments including increased revenue visibility, an increase in the order book and a reduction in net debt.

Whatever this election may bring, we expect Idox to continue to deliver operational financial improvements. And if we still end up with a political cloud hanging over us, at least one company will see a silver lining to it.

Ciaran Garvey
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