



## Introduction



**Solid underlying financial performance in the first half.**

- Introduction
- Financial review
- Operational review
- Summary and outlook



**Andy Thorburn**  
Chief Executive Officer



**Peter Southby**  
Chief Financial Officer

A woman with blonde hair in a ponytail, wearing a blue athletic top and a blue hydration pack, is drinking from a blue water bottle. She is outdoors in a natural setting with trees and a clear blue sky. The image is partially obscured by a blue graphic element on the left side.

# Financial review

**Peter Southby**  
Chief Financial Officer

## Financial highlights

# Results in line with the Board's expectations

### Total revenue

**£79.2m** +1%

2016 H1: £78.7m

### Recurring revenue

**£66.8m** +4%

2016 H1: £64.0m

### Adjusted operating profit<sup>1</sup>

**£17.5m** -1%

2016 H1: £17.7m

### Cash generated from operations<sup>2</sup>

**£26.0m** +1%

2016 H1: £25.7m

### Net cash

**£10.5m** +£10.9m

2016 H2: £0.4m net debt

### Adjusted EPS<sup>1</sup>

**22.2p** unchanged

2016 H1: 22.2p

### Interim dividend

**12.9p** +10%

2016 H1: 11.7p

1. Excludes exceptional items, the capitalisation and amortisation of development costs, and the amortisation of acquired intangibles. EPS calculations also adjust for the related tax and non-controlling interest impact.
2. Stated after deduction of the cash impact of exceptional items of £2.7m (2016 H1: £1.8m) and of capitalised development costs of £2.1m (2016 H1: £2.9m).

# Financial review – income statement

Solid, consistent performance

£m	H1 2016	H2 2016	H1 2017
Revenue	78.7	80.0	<b>79.2</b>
Adjusted operating profit	17.7	21.1	<b>17.5</b>
Capitalised development costs	2.9	2.8	<b>2.2</b>
Amortisation – development costs	(3.0)	(3.0)	<b>(3.3)</b>
Amortisation – acquired intangibles	(3.3)	(3.4)	<b>(3.4)</b>
Finance costs	(0.2)	(0.1)	<b>(0.2)</b>
JV/associate	0.3	0.2	<b>0.4</b>
Exceptionals	(2.2)	(4.5)	<b>(2.5)</b>
Profit before tax	12.2	13.1	<b>10.7</b>
Tax	(2.4)	(2.8)	<b>(2.1)</b>
Non-controlling interest	(0.4)	(0.6)	<b>(0.4)</b>
Earnings	9.4	9.7	<b>8.2</b>
Adjusted EPS	22.2p	27.2p	<b>22.2p</b>
Reported EPS	14.9p	15.5p	<b>13.1p</b>

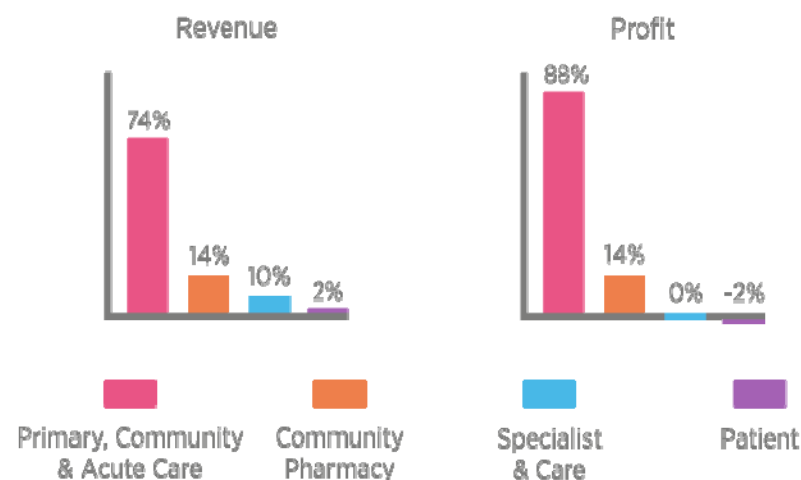
- Revenue increase includes Intrelate acquisition (£0.5m in H1 2017) with organic growth in EMIS Care and CCMH offset by tighter NHS spending in Acute and other discretionary areas such as hardware.
- Overall adjusted operating profit down by 1% but excluding Patient investment up 4% with tight cost control.
- Exceptionals in H1 2017 and 2016 relate to reorganisation/cost reduction programme costs with H2 2016 also including impairment charge and gain on sale of associate.
- 2017 effective tax rate 19.2%.

# Financial review – segmental analysis

Balance of steady progress and investment

£m	H1 2016					H2 2016					H1 2017				
	Primary Community Acute Care	Community Pharmacy	Specialist & Care	Patient	Total	Primary Community Acute Care	Community Pharmacy	Specialist & Care	Patient	Total	Primary Community Acute Care	Community Pharmacy	Specialist & Care	Patient	Total
Revenue	60.3	10.4	7.0	1.0	78.7	60.3	11.0	7.2	1.5	80.0	58.5	10.9	8.4	1.4	79.2
Recurring revenue	48.6	8.5	6.7	0.2	64.0	48.7	8.6	7.0	0.2	64.5	49.2	9.1	8.3	0.2	66.8
Adjusted segmental profit	15.3	2.2	0.4	0.5	18.4	18.5	2.7	(0.2)	1.0	22.0	16.1	2.6	(0.1)	(0.3)	18.3
Group costs					(0.7)					(0.9)					(0.8)
Adjusted operating profit					17.7					21.1					17.5
<i>Adjusted operating margin</i>	25.4%	21.4%	5.2%	53.6%	22.5%	30.7%	24.0%	(2.2%)	61.2%	26.3%	27.5%	23.8%	(0.7%)	(22.6%)	22.1%
Development costs capitalised	2.0	0.9	–	–	2.9	1.8	1.0	–	–	2.8	2.2	–	–	–	2.2
Amortisation of development costs	(3.0)	–	–	–	(3.0)	(3.0)	–	–	–	(3.0)	(3.2)	(0.1)	–	–	(3.3)
Amortisation of acquired intangible assets	(2.7)	(0.3)	(0.3)	–	(3.3)	(2.7)	(0.3)	(0.4)	–	(3.4)	(2.8)	(0.3)	(0.3)	–	(3.4)

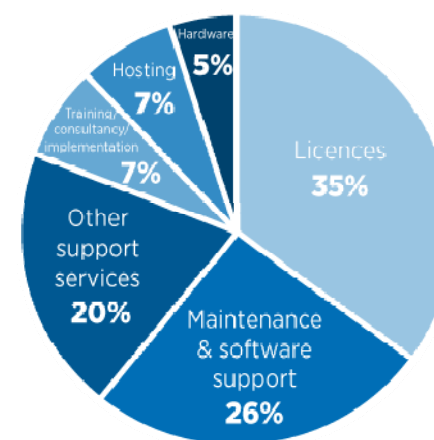
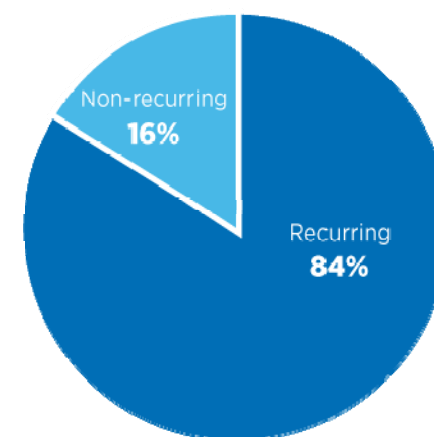
- Primary, Community & Acute Care: reduced revenue in Acute and some discretionary Primary Care streams, but cost control ensured profit growth.
- Community Pharmacy: steady growth as Proscript Connect roll-out starts at scale in H2.
- Specialist & Care: new contracts driving revenue growth but holding back profit in short term.
- Patient: results reflect investment in building platforms for future growth.



# Financial review – revenue analysis

Stronger recurring mix

£m	Nature	H1 2016	H2 2016	H1 2017
Recurring		64.0	64.5	<b>66.8</b>
Non-recurring		14.7	15.5	<b>12.4</b>
<b>Total</b>		<b>78.7</b>	<b>80.0</b>	<b>79.2</b>
Licences	mainly recurring	26.8	28.0	<b>27.4</b>
Maintenance and software support	recurring	18.9	19.7	<b>20.6</b>
Other support services	mainly recurring	14.7	14.6	<b>16.1</b>
Training/consultancy/implementation	non-recurring	7.6	7.0	<b>5.5</b>
Hosting	recurring	6.4	6.7	<b>5.6</b>
Hardware	non-recurring	4.3	4.0	<b>4.0</b>
<b>Total</b>		<b>78.7</b>	<b>80.0</b>	<b>79.2</b>



- Good visibility through sustained recurring revenue growth.
- EMIS Care driving higher other support services revenues, offset by quieter period in Acute Care and lower discretionary NHS spending, e.g. on hardware/hosting.

## Financial review – cash flow

Positive cash flows maintained

£m	H1 2016	H2 2016	H1 2017
Operating profit before exceptionals	14.3	17.5	<b>13.0</b>
Depreciation and amortisation	10.1	9.7	<b>10.0</b>
Working capital	5.7	(11.0)	<b>7.4</b>
Share-based payments	0.3	0.2	<b>0.4</b>
Cash flow from operating activities	30.4	16.4	<b>30.8</b>
Development costs capitalised	(2.9)	(2.8)	<b>(2.1)</b>
Adjusted cash from operations	27.5	13.6	<b>28.7</b>
Cash cost of exceptionals	(1.8)	(1.3)	<b>(2.7)</b>
Cash from operations	25.7	12.3	<b>26.0</b>
Business combinations	(3.0)	(0.8)	<b>–</b>
Net capital expenditure	(2.9)	(3.0)	<b>(3.6)</b>
Transactions in own shares	0.3	0.3	<b>(0.1)</b>
Tax	(3.5)	(4.2)	<b>(3.7)</b>
Dividends	(6.7)	(7.3)	<b>(7.4)</b>
Other	(0.1)	1.6	<b>(0.3)</b>
Change in net cash/(debt)	9.8	(1.1)	<b>10.9</b>
Closing net cash/(debt)	0.7	(0.4)	<b>10.5</b>

- Adjusted cash from operations up 4% to £28.7m.
- Working capital inflow as expected in H1.
- Cash cost of exceptionals relates to reorganisation/cost reduction programme costs.
- Capex includes:
  - £2.3m of computer equipment (of which £1.1m is funded).
  - £0.9m of programme assets in EMIS Care.
- Other in H2 2016 includes £1.5m proceeds from sale of Pharmacy2U associate.
- Net cash at £10.5m (improved from £0.4m net debt at last year end).



## Financial review – balance sheet

Solid balance sheet gives flexibility

£m	H1 2016	H2 2016	H1 2017
Goodwill	54.4	50.3	<b>50.3</b>
Acquired intangible assets	39.2	36.5	<b>33.1</b>
Development costs	21.2	20.9	<b>19.8</b>
Property, plant and equipment and purchased intangible assets	24.3	25.4	<b>24.2</b>
Associate, JV and other current assets	37.9	41.9	<b>44.8</b>
Deferred income	(32.6)	(28.4)	<b>(37.4)</b>
Other current liabilities	(24.4)	(23.0)	<b>(21.3)</b>
Deferred tax	(9.8)	(9.1)	<b>(8.4)</b>
Net cash/(debt)	0.7	(0.4)	<b>10.5</b>
<b>Net assets</b>	<b>110.9</b>	<b>114.1</b>	<b>115.6</b>

- Strong debt-free balance sheet with £10.5m net cash.
- New debt facilities secured at 30 June 2017 at reduced cost (£30.0m RCF/overdraft plus £30.0m accordion, three-to-five year term).
- Increased deferred income provides good revenue visibility.
- All acquisitions now fully paid.
- Cost of interim dividend £8.1m.

# Financial review – financial guidance and trends

Factors affecting future financial performance

## Patient

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- Level of investment to increase in H2 with year-on-year impact of c. £3.5m. 2018 result projected to be at broadly similar level to 2017.

## Staff costs

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- Full year exceptional reorganisation cost expected to be at least £4.0m, saving a minimum of £3.5m in year and £4.5m in 2018. H2 staff costs net of exceptionals likely to be slightly higher than H1.

## Development costs

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- Expect amortisation to continue to track ahead of capitalisation, although some capitalisation of Patient costs likely from H2 onwards.

## Contract assets

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- Deferred income release and related depreciation to remain similar in H2 and 2018.

## IFRS 15 Revenue

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- No material changes expected on adoption of new revenue recognition standard, effective 2018.

## Share-based payments

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- Charge expected to increase in H2 with recent awards with annual run rate of c. £1.0m.

## Tax rate

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- Expected to remain close to UK statutory rate.

## Capital expenditure

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- Expect 2017 to be at similar level to 2015 and 2016.

## Working capital

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- Some expansion in areas of business growth, but at lower levels than in 2016.

## Dividends

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- 10% increase for interim dividend (£8.1m in October) historically matched for final dividend.

A photograph of three people walking in front of a building. The building has a sign that reads "emis health TURNBERG". The sign features a blue and green leaf logo to the left of the text. The three people are wearing blue lanyards with ID badges. The man in the center is holding a laptop. The woman on the left is wearing a black and white patterned top. The woman on the right is wearing a black top with a blue graphic. The building has large windows with red frames. There are green trees in the background.

emis health TURNBERG

## Operational Review

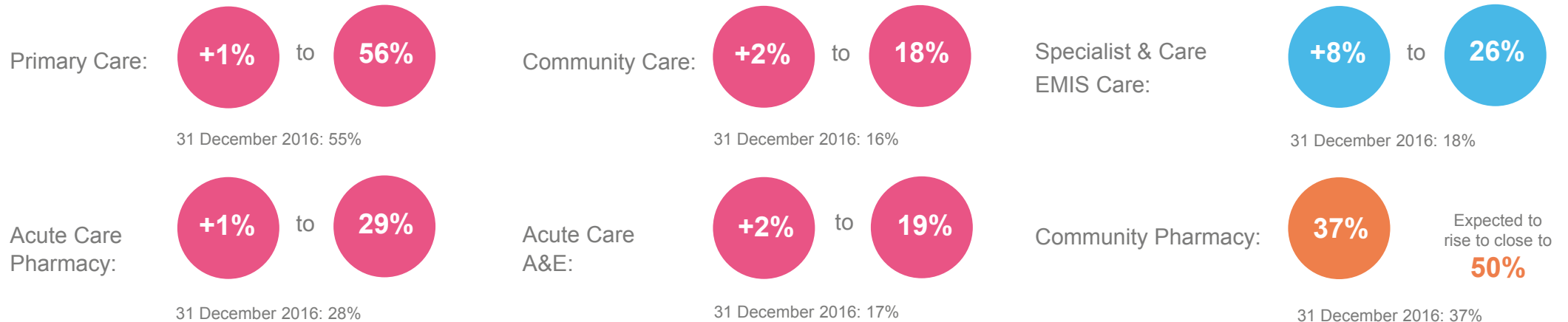
**Andy Thorburn**  
Chief Executive Officer

 emis group

# H1 2017 overview

- Solid H1 financial performance in challenging market conditions
- Primary/Community move forward positively; Acute challenged with reduced revenue and limited customer discretionary spend
- Community Pharmacy continued positive progress
- Specialist & Care recovery plan on track
- Patient investment continues with upside potential over time

## Market shares increased or maintained



## Market status

### Navigating challenging market conditions

Primary, Community & Acute Care	Community Pharmacy	Specialist & Care	Patient
<p>Healthcare discretionary spend under pressure</p> <p>NHS Digital continues to promote digital approach e.g. fund for WiFi</p> <p>Working in the community increasingly important with new care models</p>	<p>Customer business model under pressure due to government changes</p> <p>Government focussed on reducing the prescription drug bill</p> <p>New revenue opportunities for pharmacies required to improve financial return</p>	<p>Focus on lowest cost providers continues</p> <p>Outsourcing model not sustainable at current desired price points</p> <p>More spend anticipated in diabetes condition management</p>	<p>Digital market opportunity developing</p> <p>Government Health Minister promoting “apps” for self care</p> <p>Emerging players validating space in US and UK</p>

## Business progress

Solid progress with focus on delivering H2 results in line with expectations

Primary, Community & Acute Care	Community Pharmacy	Specialist & Care	Patient
<p>Organisational change plan being executed; extended to include increased focus on accountability</p> <p>Cross-selling and upselling important to established customer base</p> <p>Community an increasing focus: new upgraded App launches 25 September 2017</p>	<p>Celesio roll-out continues with independent estate then Lloyds</p> <p>New market opportunity (consulting rooms for Patient Group Directions) to open up in H2 2018 through integration of Proscript Connect &amp; EMIS Web</p> <p>Good predictable progress across the business</p>	<p>Focus on returning business to profitability</p> <p>Good progress on recovery plan in 2017</p> <p>Education of market required re sustainability of current outsourcing model</p>	<p>In technology build phase</p> <p>New website introduced to market in August 2017</p> <p>E-commerce platform in design to enable new business model and value added services</p>

## Go forward strategy

### Emerging opportunities built on stable recurring revenue foundations

Primary, Community & Acute Care	Community Pharmacy	Specialist & Care	Patient
<p>Our joined-up strategy key to future success</p> <p>EMIS Group focussed on becoming the UK and local 'champion'</p> <p>Focussed on being Number 1 or a strong Number 2 in key markets</p>	<p>Extending EMIS Web into Community Pharmacy provides richer value for all stakeholders</p> <p>Closer internal working with Primary, Community &amp; Acute through new management structure will provide new Market opportunities</p> <p>Understanding data flows in the future will add value</p>	<p>Strategic direction for the business still to be confirmed</p> <p>Having a healthy profitable business provides options</p> <p>Investigating provision of new complementary services</p>	<p>Strategy for Patient continues as published</p> <p>Focus on technology enablement in the short term</p> <p>New business models to be proven over time</p>

## EMIS Group providing long-term growth opportunities including selective M&A

Primary, Community & Acute Care	Community Pharmacy	Specialist & Care	Patient
<p>Northern Ireland, Scotland and Wales EMIS Web for primary care</p> <p>Retendering of former National Programme contracts and new space in Community</p> <p>New product developments e.g. EMIS Prescribing</p> <p>Federations and other responses to new models of care – Sustainability &amp; Transformation Partnerships (STPs), Global Digital Exemplars (GDEs), Accountable Care Organisations (ACOs)</p>	<p>Implementation of Celesio estate to increase market share to c. 50%</p> <p>Further gains in the independent/ supermarket estate</p> <p>EMIS Web for Community Pharmacy</p>	<p>Operational efficiencies building on scale in market</p> <p>Improved performance of current contracts</p> <p>Potentially expand service scope</p>	<p>Patient positioned as the authoritative source for patients seeking help</p> <p>Focus on symptom, diagnosis and remedy, directing patient to appropriate help, including appointment booking</p> <p>Patient becomes key channel to health service providers in many health settings e.g. doctors on demand, services provided by local pharmacy</p>



## Summary and outlook

- Solid underlying financial performance.
- Continued refining of organisation to position for future growth.
- Board outlook unchanged with strength in recurring revenue visibility, growing market shares, order book and a developing pipeline.



**As the NHS approaches its 70th birthday, we are now embarked on the biggest national move to integrating care of any major western country. For patients this means better joined up services in place of what has often been a fragmented system that passes people from pillar to post.**

Simon Stevens, Chief Executive of NHS England, speaking at NHS Confederation, 15 June 2017



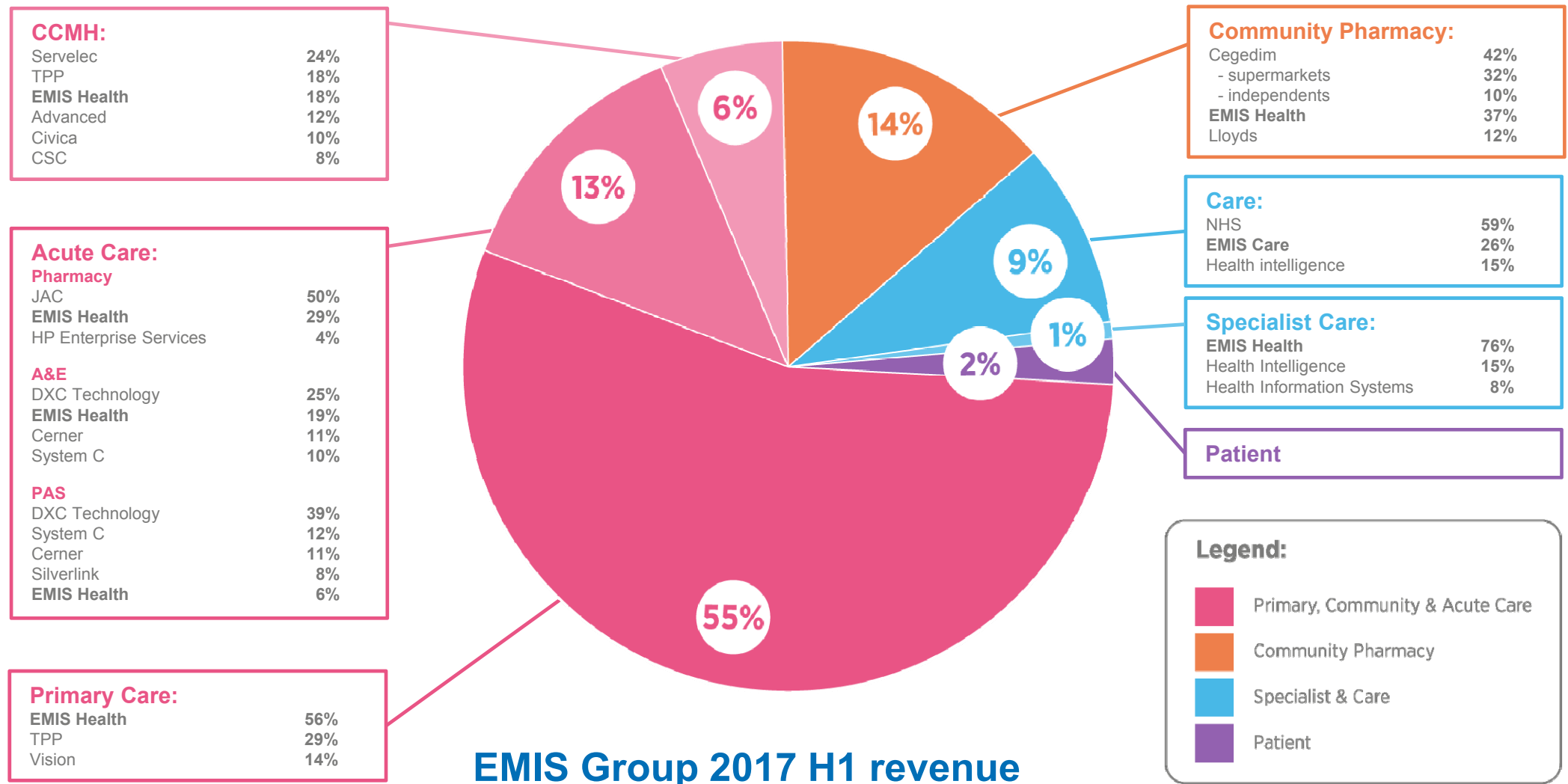
Questions?

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# Appendix

# Strong market share positions maintained

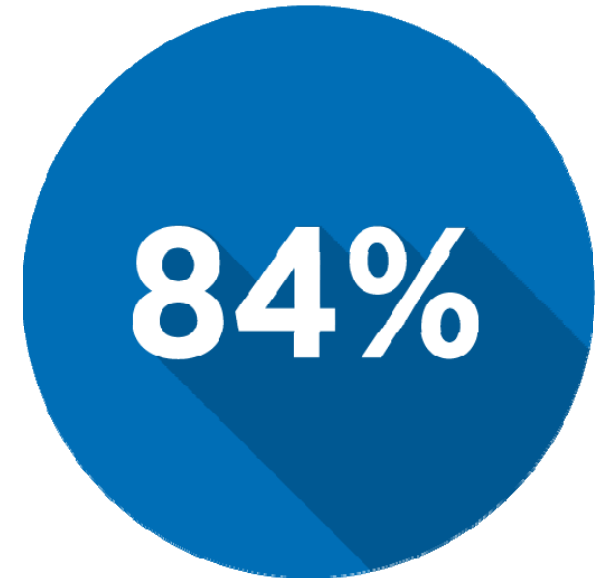


Source: EMIS Group and competitor data estimated based on company records as at 30 June 2017.

## Overview – growth and opportunities

- Continued growth in recurring revenue.
- Investment in future opportunities.
- Strong market share positions maintained across the Group.
- Internal reorganisation plan expanded.
- Strong revenue visibility, good order book and a developing pipeline.

Recurring revenue  
grew by **4%** to

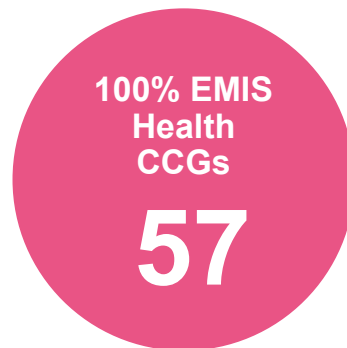


## EMIS Health Primary, Community & Acute Care

Revenue down 3%, adjusted operating profit up 5%

### EMIS Health Primary Care

- Market share grown.
- >25% CCGs 100% EMIS Health.
- EMIS Web roll-out in Northern Ireland on track and Scotland progressing procurement.
- Preliminary discussions started on frameworks in England and Wales.
- Supporting products (e.g. WiFi) contributing well.



**By using EMIS Web protocols and templates, around 54% of patients with long-term conditions do not have to see a GP.**

Dr Nicholas Boeckx, GP, Dudley

## EMIS Health Primary, Community & Acute Care

Revenue down 3%, adjusted operating profit up 5%

### EMIS Health Community Care

- Market share grown.
- 40 CCGs exclusively EMIS Health in Primary Care are also major CCMH customers.
- Two new contracts secured.
- Pipeline remains strong.



Using EMIS Web has been tremendously helpful in supporting an integrated approach to tackling the complex health needs of homeless people.

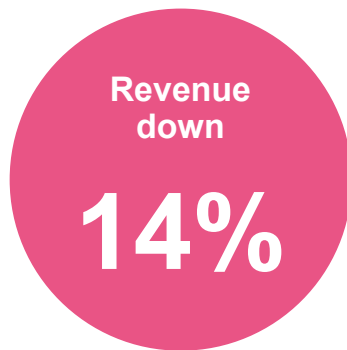
Dr Michael Taylor, lead GP, Homeless Health Service in the Compass Centre

## EMIS Health Primary, Community & Acute Care

Revenue down 3%, adjusted operating profit up 5%

### EMIS Health Acute Care

- Market continues to be difficult due to funding constraints.
- Cost reduction measures undertaken.
- Maintained flow of smaller contract awards, e.g. electronic prescribing.
- Development of GDEs and integrated care presents significant opportunity.



**I find that access to EMIS EPR Viewer saves a lot of time, particularly out of hours.**

Dr Philip Rowburrey, accident and emergency clinician, Somerset



## EMIS Health Community Pharmacy

Revenue up 5%, adjusted operating profit up 16%

- Starting roll-out of next generation dispensary management product (ProScript Connect).
- Market share maintained and set to grow further with Celesio roll-out in 2018.
- Exploring opportunities for EMIS Web as clinical tool for pharmacy.



**The upgrade to ProScript Connect prepares us for the opportunities of interoperability with the rest of the NHS.**

Kenny Black, managing director, Rowlands Pharmacy

Market share

37%

ProScript Connect live sites

284

## EMIS Health Specialist & Care

Revenue up 19%, Adjusted operating loss of £0.1m

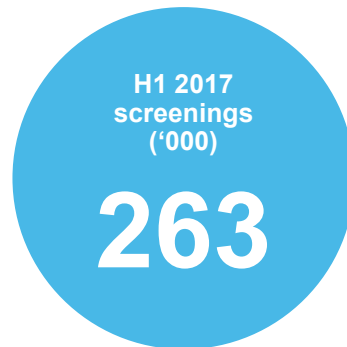
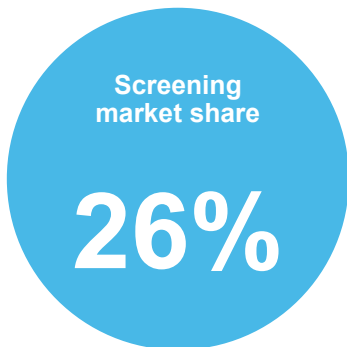


- Successful implementation of five new contracts won in 2016.
- Leading market shares grown in EMIS Care, maintained in software.
- Operational improvements delivered e.g. 11% more patients screened.
- EMIS Care served notice on one unprofitable contract.
- Public Health England's plans for future of software market unclear.



**The people doing the screenings are always patient, helpful and extremely pleasant.**

Patient of the Newcastle Diabetic Eye Screening Programme (DESP)



## Patient

Revenue up 42%, Adjusted operating loss of £0.3m



- Transformational business plan being implemented.
- Key management team appointments made.
- New website launched August 2017.
- Fully-responsive, multi-device user-experiences for Patient.info and Patient Access to be launched later in 2017.
- Cost investment managed down by use of internal resource.



**Being able to see the whole electronic record makes it safer, easier to check details, and also provides continuity of care**

Dr Amir Hannan, GP, Haughton Thornley Medical Centres

## EMIS Health GP market share by country

Market-leading position maintained

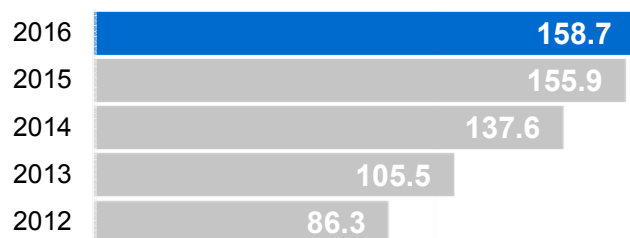
Country	EMIS Health	%	TPP	%	INPS	%	Other	%	Total
England	<b>4,246</b>	57	2,671	36	473	6	69	1	7,459
Scotland	<b>515</b>	53	-	-	465	47	-	-	980
Wales	<b>195</b>	45	-	-	241	55	-	-	436
Northern Ireland	<b>191</b>	56	-	-	125	36	28	8	344
UK Total	<b>5,147</b>	56	2,671	29	1,304	14	97	1	9,219

EMIS Health and competitor data estimated based on company records showing number of practices installed as at 30 June 2017.

## Five-year group financial summary

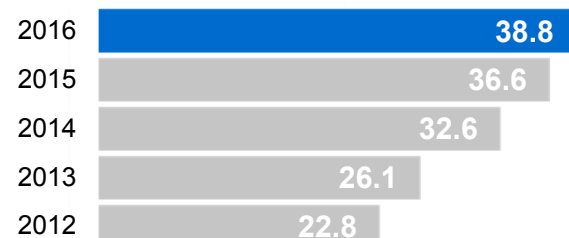
### Total revenue

£158.7m +2%



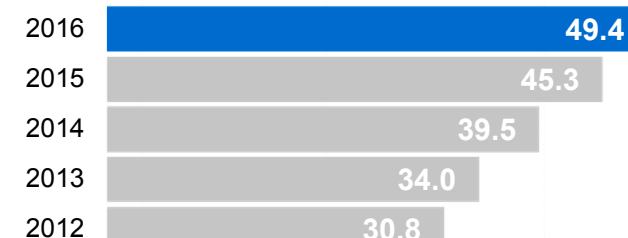
### Adjusted operating profit<sup>1</sup>

£38.8m +6%



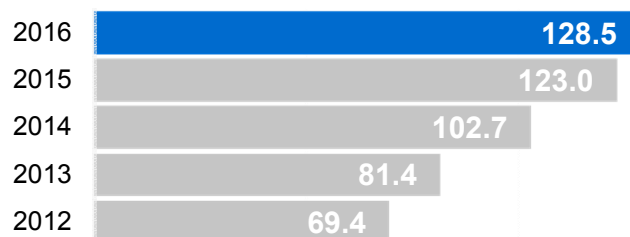
### Adjusted EPS<sup>1</sup>

49.4p +9%



### Recurring revenue

£128.5m +4%



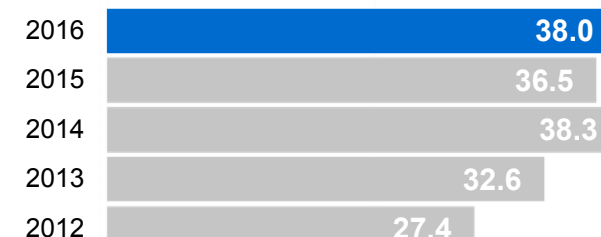
### Total dividend for the year

23.4p +10%



### Cash generated from operations<sup>2</sup>

£38.0m +4%



1. Excludes capitalisation and amortisation of development costs, amortisation of acquired intangibles and exceptional items. Earnings per share calculations also adjust for the related tax and non-controlling interest impact.

2. Stated after deduction of capitalised development costs and of the cash impact of exceptional items.