

ENERGISED FOCUSSED

EMIS Group plc

Full year results presentation 2018



Introduction

“ A year of progress with all key financial metrics moving ahead ”

- Financial review
- Operational review
- Driving future growth
- Summary and outlook





Financial review

Peter Southby
Chief Financial Officer

Financial highlights

Improved results in line with the Board's expectations

Total revenue

£170.1m **+6%**

2017: £160.4m

Recurring revenue

£140.7m **+5%**

2017: £133.5m

Adjusted operating profit¹

£37.6m **+1%**

2017: £37.4m

Adjusted cash generated from operations²

£54.5m **+10%**

2017: £49.7m

Net cash

£15.6m **+\$1.6m**

2017: £14.0m

Adjusted EPS¹

47.4p **+0.4%**

2017: 47.2p

Total dividend

28.4p **+10%**

2017: 25.8p

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 capitalised development costs and before the cash impact of exceptional items

Income statement

Increased revenue growth balanced with investment

£m	H1 2018	H2 2018	FY 2018	FY 2017	% change
Revenue	84.5	85.6	170.1	160.4	+6%
Adjusted operating profit	17.6	20.0	37.6	37.4	+1%
Capitalised development costs	2.8	3.0	5.8	4.4	
Amortisation – development costs	(4.2)	(5.2)	(9.4)	(7.5)	
Amortisation – acquired intangibles	(3.3)	(3.6)	(6.9)	(6.7)	
Finance costs	(0.2)	-	(0.2)	(0.3)	
JV/associate	0.3	0.3	0.6	0.6	
Exceptional items	-	1.7	1.7	(17.0)	
Profit before tax	13.0	16.2	29.2	10.9	+167%
Tax	(2.4)	(3.2)	(5.6)	(2.1)	
Non-controlling interest	(0.5)	(0.4)	(0.9)	(0.8)	
Earnings	10.1	12.6	22.7	8.0	+182%
Adjusted EPS	22.2p	25.2p	47.4p	47.2p	+0.4%
Reported EPS	16.1p	20.0p	36.1p	12.8p	+182%

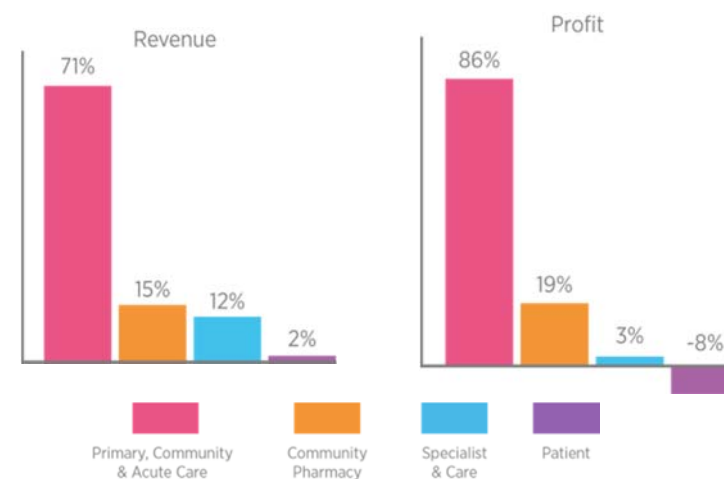
- Revenue all organic apart from £0.1m from November 2018 Dovetail acquisition.
- Short term heavier cost base in responding to NHS Digital service level reporting issues and investing for strategic growth.
- Headline adjusted operating profit up by 1% but excluding Patient investment up 4%.
- Exceptionals relate to NHS Digital service level reporting issues (£11.2m charge in 2017, £1.7m credit in 2018) and to reorganisation costs (£5.8m in 2017, £nil in 2018).
- 2018 effective tax rate 18.9%.

Segmental analysis

Revenue growth and business investment

£m	Primary, Community & Acute Care 2018	Primary, Community & Acute Care 2017	Community Pharmacy 2018	Community Pharmacy 2017	Specialist & Care 2018	Specialist & Care 2017	Patient 2018	Patient 2017	Total 2018	Total 2017
Revenue	121.7	117.6	25.0	21.9	20.4	18.0	3.0	2.9	170.1	160.4
Recurring revenue	98.5	96.4	20.9	18.9	20.1	17.7	1.2	0.5	140.7	133.5
Adjusted segmental profit	33.6	34.9	7.6	5.6	1.1	0.2	(3.2)	(1.9)	39.1	38.8
Group costs									(1.5)	(1.4)
Adjusted operating profit									37.6	37.4
Adjusted operating margin	27.6%	29.7%	30.2%	25.7%	5.5%	0.8%	(106.9)%	(64.9)%	22.1%	23.3%
Development costs capitalised	3.6	3.8	-	-	-	-	2.2	0.6	5.8	4.4
Amortisation of development costs	(8.5)	(7.3)	(0.6)	(0.2)	-	-	(0.3)	-	(9.4)	(7.5)
Amortisation of acquired intangible assets	(5.6)	(5.5)	(0.6)	(0.6)	(0.7)	(0.6)	-	-	(6.9)	(6.7)

- **Primary, Community & Acute Care:** revenue growth helped to offset cost of NHS Digital recovery plan and future strategic investment.
- **Community Pharmacy:** strong performance with ProScript Connect roll-out substantially complete.
- **Specialist & Care:** continued operational improvement driving improved performance.
- **Patient:** results reflect investment in building digital healthcare marketplace.



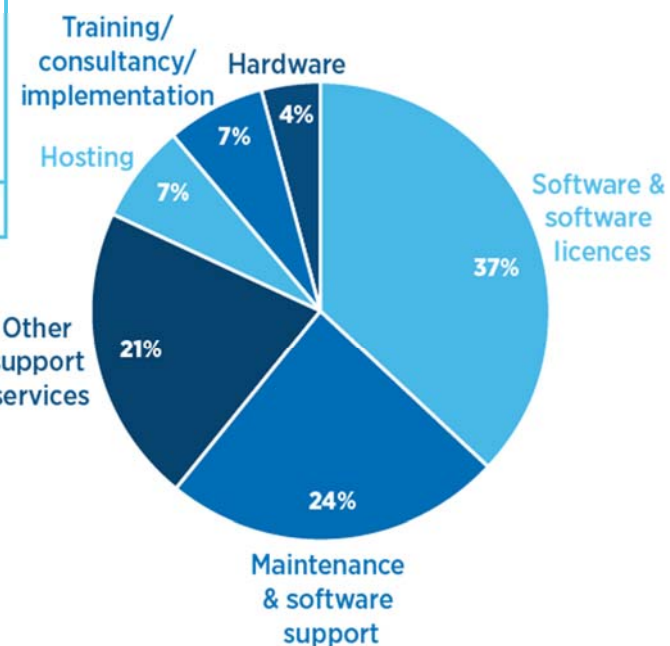
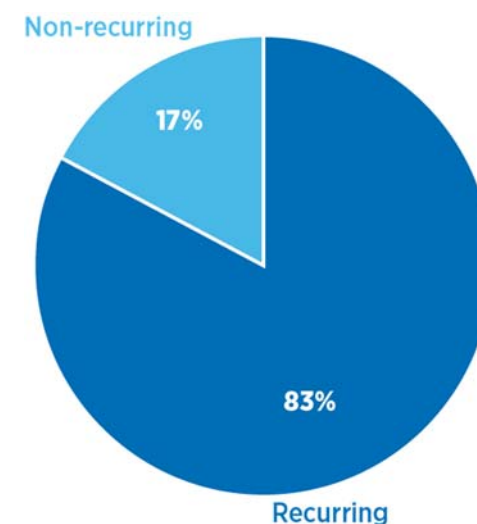
Revenue analysis

Increased revenue growth

£m	2018	2017	% change
Recurring	140.7	133.5	+5%
Non-recurring	29.4	26.9	+9%
Total	170.1	160.4	+6%

£m	Nature	2018	2017	% change
Software and software licences	mainly recurring	62.2	55.1	+13%
Maintenance and software support	recurring	41.3	41.4	-
Other support services	mainly recurring	35.6	32.5	+10%
Hosting	recurring	11.9	11.6	+3%
Training/consultancy/implementation	non-recurring	11.8	12.4	-5%
Hardware	non-recurring	7.3	7.4	-
Total		170.1	160.4	+6%

- Good visibility through recurring revenue growth of £7.2m in year, plus additional non-recurring revenues (including Northern Territory in H1 2018).
- Software and software licences reflects business growth and Northern Territory.
- Maintenance and software support steady with growth offset by reduction in revenues from legacy products.
- EMIS Care driving higher other support services revenues.
- Quieter period in Primary, Community & Acute Care for new implementations.



Cash flow

Positive cash flow performance delivered

£m	2018	2017
Operating profit before exceptionals	27.1	27.6
Depreciation and amortisation	23.4	20.9
Working capital	9.0	5.0
Share based payments	0.8	0.6
Cash flow from operating activities	60.3	54.1
Development costs capitalised	(5.8)	(4.4)
Adjusted cash generated from operations	54.5	49.7
Cash cost of exceptionals	(10.4)	(5.3)
Net cash generated from operations	44.1	44.4
Business combinations	(1.4)	-
Acquisition of non-controlling interest	(8.0)	-
Net capital expenditure	(6.8)	(6.6)
Transactions in own shares	0.3	-
Tax	(5.8)	(8.1)
Dividends	(17.1)	(15.5)
Non-controlling interest dividend/other	(3.7)	0.2
Change in net cash	1.6	14.4
Closing net cash	15.6	14.0

- Adjusted cash generated from operations (before exceptionals but after development costs and Patient investment) up 10% to £54.5m.
- Excellent working capital improvement on 2017.
- Cash cost of exceptionals relates to payment of prior year provisions for service level reporting and reorganisation charges.
- Business combinations relates to 90% acquisition of Dovetail for initial net £1.4m cash outlay.
- Acquired remaining 21.1% stake in Community Pharmacy business for £8.0m.
- Capex includes:
 - £5.3m of computer equipment (of which £0.9m is funded).
 - £0.8m on internal systems and software.
 - £0.5m of programme assets in EMIS Care.
- £4.0m dividend paid to non-controlling interest shareholder before acquisition of stake.
- Net cash at £15.6m improved by £1.6m.

Balance sheet

Balance sheet strength maintained

£m	2018	2017
Goodwill	52.0	50.3
Acquired intangible assets	27.9	29.7
Development costs	14.2	17.9
Property, plant and equipment and computer software used internally	23.7	25.0
JV and other current assets	37.6	43.0
Deferred income	(34.2)	(33.7)
Other current liabilities	(25.0)	(20.2)
Provision	-	(11.2)
Deferred tax	(4.3)	(6.8)
Other financial liabilities	(4.9)	-
Net cash	15.6	14.0
Net assets	102.6	108.0

- Strong debt-free balance sheet with £15.6m net cash.
- Debt facilities secured to June 2021 (£30.0m RCF/overdraft plus £30.0m accordion, option to extend for further year).
- Deferred income provides good revenue visibility.
- 2017 service level reporting charge provision fully paid/released during 2018.
- Other financial liabilities relate to Dovetail acquisition (£2.5m contingent consideration, £2.4m accounting valuation of option over remaining 10% shareholding).
- Cost of final dividend £8.9m.

Guidance and trends

Factors affecting future financial performance

Patient and Dovetail

- Expect 2019 to be investment year but at lower overall levels than 2018.

Staff costs

- Staff numbers expected to reduce gradually but costs to increase from full year impact of 2018 investment in development and customer-facing functions.

Development costs

- Higher level of capitalisation of costs from EMIS-X investment.

Share-based payments

- Charge expected to increase in 2019 with higher level of award anticipated.

Tax rate

- Will remain close to UK statutory rate.

Capital expenditure

- Expect 2019 to be no higher than recent periods.

Working capital

- Assuming no change from GP IT Futures, will be closer to neutral in 2019.

Dividends

- 10% increase for final dividend (£8.9m in May 2019).

IFRS 16 Leases

- Will result in most of the Group's operating leases coming onto the Balance Sheet, effective 2019.
- Net assets impact expected to be minimal (<£0.5m) with new balance sheet lease liability of c. £3.5m.
- Expected net neutral impact on income statement with increase in depreciation and reduction in operating expenses of c.£1.0m, together with small additional finance cost.

Segmental reporting

- Segmental reporting to update in 2019 to reflect revised business reporting structure. Further announcement of restated numbers before half year results.

Operational review

Andy Thorburn
Chief Executive Officer



2018 overview – improved growth

- Revenue growth and profit in line with expectations
- Growing revenue across all key segments
- Improvements to service and responsiveness to customers
- Focussed on securing our place on the GP IT Futures framework
- Laying the foundations for future growth of the private sector enterprise side of the business

Market leader delivering at scale

Patient Access

7.2m

registered users

GP systems

163m

annual appointments

GP hosted systems

40m

patient records

GP practice check ins

25%

market share

Community systems

31m

annual appointments

A&E
systems

14.2m

patient records annually

Hospital pharmacy
systems

12m

Patient records annually

Primary care
partner network

104

partners

Community
pharmacy systems

454m

items dispensed annually

Diabetic eye
screening

500,000

patients screened
annually

2018 operational highlights

Primary, Community & Acute Care

Planning launch of ServiceNow to drive **improvements** to customer service

Community Pharmacy

95% of direct customer estate now upgraded to ProScript Connect

Primary, Community & Acute Care

100% community customer retention in during 2018

Specialist & Care

Driving up **clinical safety** standards to the highest level

Primary, Community & Acute Care

104 partners offering 149 partner products to the primary care market

Patient

Patient Access 2.0 is **#1** rated app on Apple App Store with **4.8/5 star** rating

Primary, Community & Acute Care

Egton released **Online Triage**, a collaboration with Patient

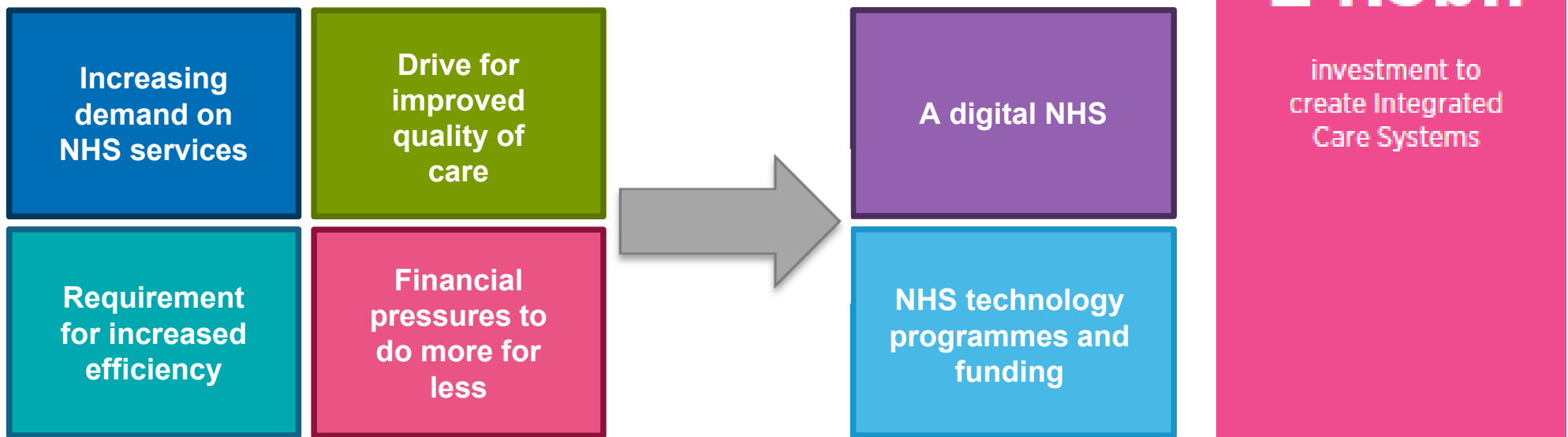
Primary, Community & Acute Care

232 go live deployments to acute customers during 2018

Driving future growth

Aligned with NHS Long Term Plan

- Increased investment into NHS integrated care
- Clear statement of intention to join up care for the good of UK public
- Investment in technology and digital services crucial to enable improvements



Balanced NHS and private sector opportunities

An NHS business focussed on integrated care enabled by new technology

NHS integrated care

- Primary care
- Child health
- Mental health
- Community
- Unscheduled care
- Social care

Improving operating efficiency for the NHS and EMIS Group

An enterprise business focussed on new opportunities in the healthcare private sector

Private sector growth markets

- Management of medicines
- Patient facing services
- Partner ecosystem
- UK healthcare blockchain
- New markets

Providing new double-digit growth opportunities

Building market momentum

NHS

- Investing in team size and quality
- Getting closer to customers
- Expanding product portfolio
- Delivering NHS-wide value propositions
- Deploying new support systems

Healthcare private sector

- Building on established capability
- Identifying new markets
- Acquiring new capabilities
- Developing new value propositions
- Hiring new leadership and talent

EMIS-X – improving patient outcomes

- At the heart of our product roadmap
- Builds on the clinical foundations of EMIS Web
- Aligns with NHS England and NHS Digital roadmap and GP IT Futures
- We boosted our development team by 150 during 2018, to 450 people
- Our strengthened clinical team of 64 people, including doctors, nurses, consultants and pharmacists, guides our development to the highest clinical standards

“I’ve seen some of the new developments that EMIS Group has coming down the track, which are very exciting, will improve lives for GPs and patients, and crucially help to save lives.”

Matt Hancock, Secretary of State for Health and Social Care

Our plan to re-energise growth

- Improve service performance and efficiency in our NHS business
- Rapidly grow our private sector enterprise business
- Build sustainable sales momentum
- Update and accelerate our technology roadmap

Expected financial outcomes in the medium term

- Mid-to-high single-digit annual revenue growth
- Increase private sector revenue to 50% of Group
- Margins moving towards 30%
- Tech investment self-funded through new sales and operational leverage

Summary and outlook

- Well positioned for future growth
- Focus on GP IT Futures, growth of the private sector enterprise business and patient-facing technology
- We are well placed to deliver the technology our customers need now and in the future
- Looking to the future with confidence

“ We are energised and focussed on executing our new strategy and associated plans in 2019 ”

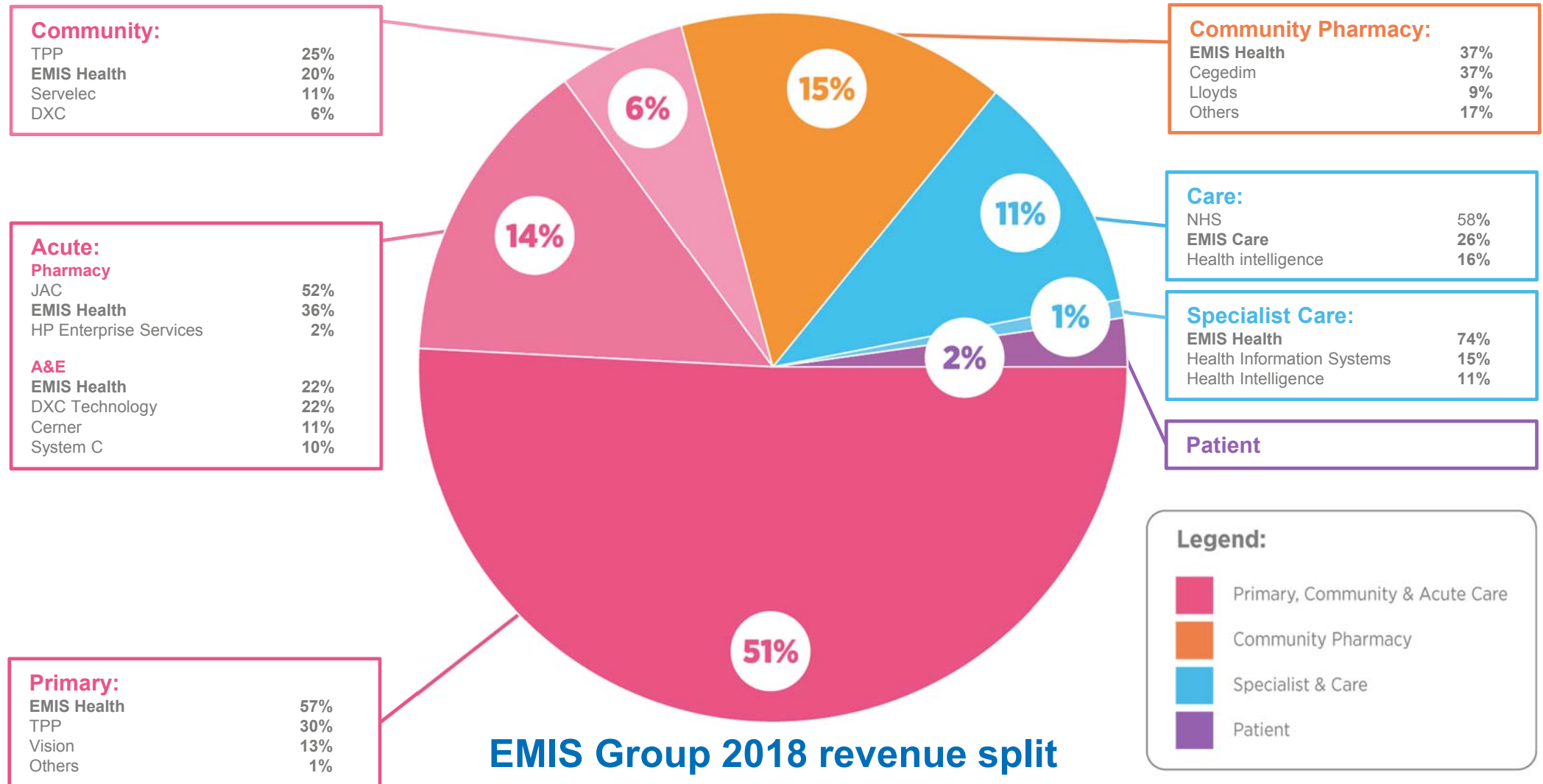
Questions?

Appendices



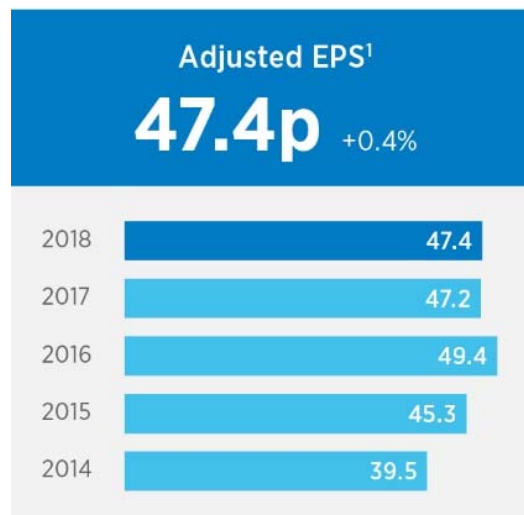
emis group

Strong market share positions maintained



Source: EMIS Group and competitor data estimated based on company records as at 31 December 2018.

Five year financial summary



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 adding back the cash cost of exceptional items and after deducting capitalised development costs.