

ENERGISED FOCUSSED

EMIS Group plc

Half year results presentation 2019



Introduction



Andy Thorburn
Chief Executive
Officer



Peter Southby
Chief Financial
Officer

Positive progress in the first half of 2019

- Focus continues on executing our strategic plan
- Disposal of Specialist & Care as non-core
- On track for the year

EMIS Health



EMIS Enterprise





Financial review

Peter Southby
Chief Financial Officer

Financial highlights

Improved revenue and profit growth

Total revenue

£79.8m +7%

2018 H1: £74.4m

Recurring revenue

£60.2m +1%

2018 H1: £59.5m

Adjusted operating profit¹

£18.2m +8%

2018 H1: £16.8m

Adjusted cash generated from operations²

£27.5m -18%

2018 H1: £33.6m

Net cash

£26.7m +£11.1m

2018 FY: £15.6m

Adjusted EPS¹

23.7p +12%

2018 H1: 21.1p

Interim dividend

15.6p +10%

2018 H1: 14.2p

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

Growth in key adjusted financial performance measures

£m	H1 2018	H2 2018	H1 2019
Revenue	74.4	75.3	79.8
Adjusted operating profit	16.8	19.1	18.2
Capitalised development costs	2.8	3.0	3.5
Amortisation – development costs	(4.2)	(5.2)	(3.6)
Amortisation – acquired intangibles	(3.0)	(3.2)	(3.9)
Finance costs	(0.1)	(0.1)	(0.3)
Joint venture / associate	0.3	0.3	0.3
Exceptional items	-	1.6	(2.1)
Profit before tax	12.6	15.5	12.1
Tax	(2.3)	(3.1)	(2.2)
Non-controlling interest	(0.5)	(0.4)	0.1
Profit from discontinued operation, net of tax	0.3	0.6	0.5
Earnings	10.1	12.6	10.5
Adjusted EPS	21.1p	24.0p	23.7p
Reported EPS	16.1p	20.0p	16.6p

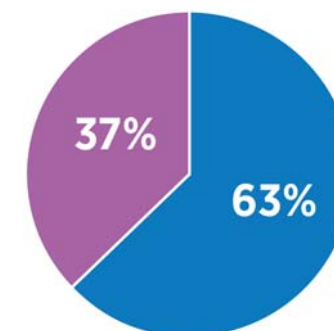
- Revenue increase across both segments with commercial licence deals helping to fund EMIS-X investment.
- Cost base balanced with increased expenditure in development, systems security and infrastructure matched with efficiency savings.
- EMIS-X increases capitalised development costs, with product portfolio focus increasing acquired intangible amortisation.
- Exceptional reorganisation cost in H1 due to business segmental restructuring and improved internal systems.
- 2019 effective tax rate 19.1%.

Segmental analysis

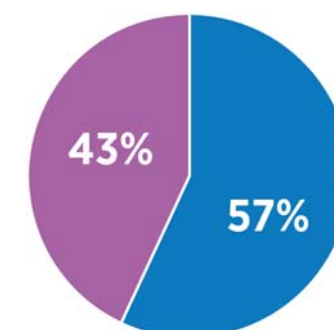
Growth in Enterprise helping to fund re-investment in Health

£m	EMIS Health			EMIS Enterprise			Total		
	H1 2018	H2 2018	H1 2019	H1 2018	H2 2018	H1 2019	H1 2018	H2 2018	H1 2019
Revenue	48.6	50.7	50.3	25.8	24.6	29.5	74.4	75.3	79.8
Recurring revenue	40.6	41.1	40.8	18.9	20.0	19.4	59.5	61.1	60.2
Adjusted segmental profit	11.2	14.0	10.8	6.7	6.1	8.1	17.9	20.1	18.9
Group costs							(1.1)	(1.0)	(0.7)
Adjusted operating profit							16.8	19.1	18.2
<i>Adjusted operating margin</i>	<i>23.1%</i>	<i>27.6%</i>	<i>21.5%</i>	<i>26.0%</i>	<i>24.6%</i>	<i>27.6%</i>	<i>22.6%</i>	<i>25.3%</i>	<i>22.8%</i>
Development costs capitalised	1.3	1.7	3.0	1.5	1.3	0.5	2.8	3.0	3.5
Amortisation of development costs	(3.3)	(4.0)	(2.5)	(0.9)	(1.3)	(1.1)	(4.2)	(5.3)	(3.6)
Amortisation of acquired intangible assets	(1.6)	(1.7)	(2.0)	(1.4)	(1.5)	(1.9)	(3.0)	(3.2)	(3.9)

- Revenue growth in EMIS Health vs H1 2018 with profit slightly lower due to EMIS-X and systems investment.
- Strong revenue growth in EMIS Enterprise including some one off commercial licence deals.
- Margin overall improved slightly on comparative period with revenue growth helping to fund platform investment.



Revenue



Adjusted operating profit

Legend

- EMIS Health
- EMIS Enterprise

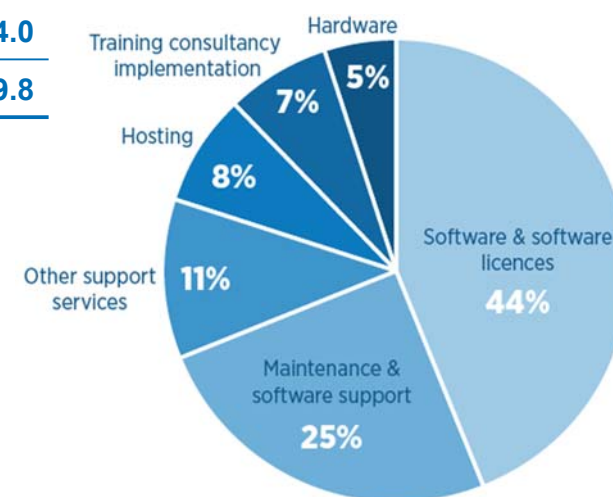
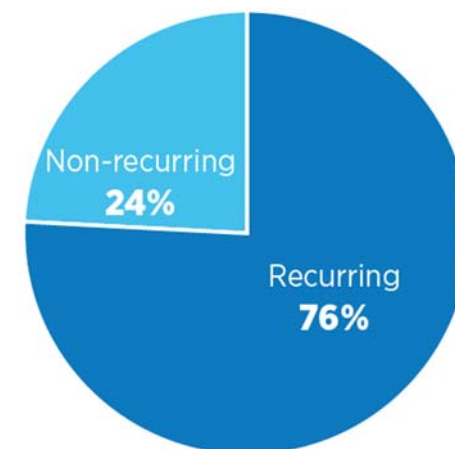
Revenue analysis

Increase in non-recurring revenues

£m	Nature	H1 2018	H2 2018	H1 2019
Recurring		59.5	61.1	60.2
Non-recurring		14.9	14.2	19.6
Total		74.4	75.3	79.8

Software and software licences	mainly recurring	32.0	30.1	35.4
Maintenance and software support	recurring	19.0	20.8	19.5
Other support services	mainly recurring	8.9	8.0	9.1
Hosting	recurring	5.8	6.1	6.1
Training/consultancy/implementation	non-recurring	4.3	7.3	5.7
Hardware	non-recurring	4.4	3.0	4.0
Total		74.4	75.3	79.8

- Recurring revenue moved forward more slowly, as a result of product portfolio rationalisation.
- Non-recurring revenue increase benefitted from commercial licence deals (in software and software licences).
- Reduction in maintenance and software support vs H2 2018 from exiting legacy products.
- Other support services and hardware revenues broadly unchanged vs H1 2019.
- Training/consultancy/implementation change with timing of Egton patient record digitisation projects.



Cash flow

Strong cash flows despite less favourable timing of some working capital flows

£m	H1 2018	H2 2018	H1 2019
Operating profit before exceptionals	12.4	13.6	14.1
Operating profit of discontinued operation	0.5	0.6	0.2
Depreciation and amortisation	11.0	12.4	11.2
Working capital	12.1	(3.1)	4.8
Share based payments	0.4	0.4	0.7
Cash flow from operating activities	36.4	23.9	31.0
Development costs capitalised	(2.8)	(3.0)	(3.5)
Adjusted cash generated from operations	33.6	20.9	27.5
Cash cost of exceptionals	(1.4)	(9.0)	(1.2)
Net cash generated from operations	32.2	11.9	26.3
Business combinations	-	(1.4)	(1.0)
Acquisition of non-controlling interest/associate	-	(8.0)	(0.2)
Net capital expenditure	(3.6)	(3.2)	(3.2)
Transactions in own shares	0.2	0.1	(3.4)
Tax	(2.2)	(3.6)	(4.1)
Dividends	(8.1)	(9.0)	(9.0)
Disposal of discontinued operation	-	-	6.2
Non-controlling interest dividend/leases/other	(0.2)	(3.5)	(0.5)
Change in net cash	18.3	(16.7)	11.1
Closing net cash	32.3	15.6	26.7

- Adjusted cash from operations (before exceptionals) 18% lower at £27.5m.
- Working capital inflow as usual in H1 but lower than a strong comparative with timing differences on specific cash receipts.
- Cash cost of exceptionals relates to reorganisation costs and (in 2018) to NHS Digital service level reporting payments.
- Business combinations is contingent consideration for the Dovetail acquisition.
- Net capex unchanged and is principally related to computer equipment.
- EBT purchased £3.6m of shares in H1 2019.
- Cash tax higher than unusually low comparative.
- Disposal of Specialist & Care resulted in net cash inflow of £6.2m.
- Net cash at £26.7m (£11.1m increase from last year end).

Balance sheet

Solid balance sheet gives confidence

£m	H1 2018	H2 2018	H1 2019
Goodwill	50.3	52.0	48.0
Acquired intangible assets	26.4	27.9	20.7
Development costs	16.5	14.2	14.1
Property, plant and equipment and computer software used internally	24.0	23.7	24.7
JV, associate and current assets	44.4	37.6	43.1
Deferred income	(42.6)	(34.2)	(42.0)
Other current liabilities	(24.0)	(25.0)	(24.6)
Provision	(10.5)	-	-
Deferred tax	(5.8)	(4.3)	(2.5)
Other financial and lease liabilities	-	(4.9)	(6.8)
Net cash	32.3	15.6	26.7
Net assets	111.0	102.6	101.4

- Strong debt-free balance sheet with £26.7m net cash.
- Debt facilities extended to June 2021 (£30.0m RCF/overdraft plus £30.0m accordion) with half extended out further to June 2022.
- Specialist & Care disposal on 2 April 2019 for up to £14.9m generating gain on sale of £0.8m.
- Other financial liabilities includes £1.5m contingent consideration for 2018 Dovetail acquisition.
- Lease accounting transition added £3.5m to PPE and £3.8m lease liabilities before Specialist & Care disposal.
- Deferred income provides good revenue visibility.
- Cost of interim dividend £9.8m.

Financial guidance and trends

Factors affecting future financial performance

Reorganisation costs

- Completion of reorganisation in H2 but majority of costs already recognised in H1.

Staff costs

- Staff costs expected to remain broadly steady in H2. Wage inflation may be higher in 2020.

Development costs

- Expect sustained higher level of capitalisation from EMIS-X investment.

Share-based payments

- Charge expected to trend upwards in H2 and beyond.

Tax

- Expected to remain close to UK statutory rate.
- Cash tax to increase in 2020 (transitional year to new HMRC payment arrangements).

Capital expenditure

- Expect current run rate to be maintained for H2 and into 2020 subject to GP IT Futures impact.

Working capital

- Expect seasonal reversal of H1 working capital in H2 with broadly neutral full year position.
- GP IT Futures may have some impact on working capital (estimated at up to £5m).

Dividends

- 10% increase for interim dividend (£9.8m in November) historically matched for final dividend.

Operational review

Andy Thorburn
Chief Executive Officer



Positive progress on execution

- Patient marketplace launched in July as expected – good reception
- ProScript Connect deployed in 100% of direct community pharmacy sites
- GP IT Futures bid submitted - we continue to believe we are well placed
- EMIS-X platform build meeting internal milestones and v1 ready 2020
- Investing in EMIS Web GP application with upgrade expected in 2021
- Adding senior bandwidth to our team to take execution to the next stage

Talent



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Energised senior management team

- Wide ranging sector experience
- Strong clinical, technical and operational expertise
- Balance of new hires and in-house talent




Suzy Foster
Chief Executive Officer, EMIS Health
Joined 2019

Strong background in healthcare, IT and change management




Ian Taylor
Chief Executive Officer, EMIS Enterprise
Joined 2010

27 years' experience of IT in medicines management



Dr Shaun O'Hanlon
Chief Medical Officer
Joined 2003

Leading healthcare technology specialist and GP



Pete Malcolm
Chief Technology Officer
Joined 2018

A proven track record in technology innovation and executive management

Energised senior management cont.



Jason Keane

Chief Executive Officer, Patient
Joined 2016

Global expertise of B2C technology platforms



Barry Bonnett

Group Business Development Director
Joined 2018

Management and new business specialist, specialising in technology



Jacqui Summons

Group HR Director
Joined 2017

More than 30 years' experience in HR, specialising in technology businesses



Bob Brown

Group Chief Solutions Officer
Joined 2019

Extensive experience of delivering large scale change in healthcare organisations



Steve Wilcock

Managing Director, EMIS Health Operations
Joined 1998

Industry expert, specialising in streamlining operations

Focus on talent

Investing in new talent

- Executive leadership
- Clinical teams
- Product management
- Development engineers
- Sales teams

Investing in existing talent

- Developing domain experts
- Increasing benefits over time
- Recognising achievements
- Introducing performance culture
- Giving back through Caring EMIS

Paying for investment in new talent in key areas through efficiencies and streamlining.

Market



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Macro environment

- No direct impact of Brexit on the Group
- Government and leading parties committed to invest in the NHS
- No negative impact expected on FY2019 customer budgets
- We are working closely with customers to solve their day to day challenges
- Our plan to balance public and private sector revenue streams in the mid-term continues

Competitive environment

- No major changes in competitive environment
- Seeing investment trends in digital healthcare around the world
- Customers interested in new capabilities to improve patient outcomes at an affordable cost

Focussing our business

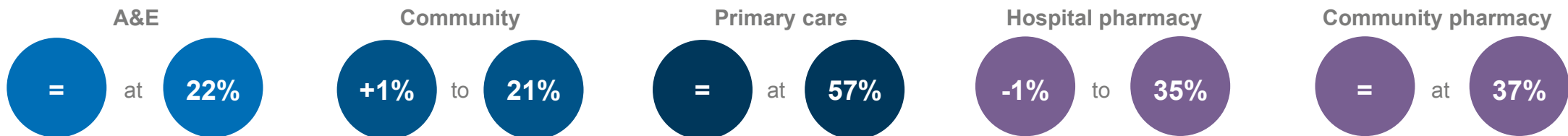
EMIS Health

- Led by Suzy Foster
- Joined-up approach to build end-to-end solutions
- Improving customer service
- Better patient outcomes
- Focussing on customer retention and meeting SLAs

EMIS Enterprise

- Led by Ian Taylor
- Business-to-business healthcare sector and consumer
- Building integrated solutions
- Medicines management is key
- Focussing on moving towards a 50% Group revenue split

Market shares broadly unchanged



Executing our strategy



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Future growth roadmap (Meds Management embedded)

Patient Access	Connected care
<p>Completed</p> <ul style="list-style-type: none"> Patient platform Patient marketplace Patient content Video consultations Online Triage <p>Roadmap</p> <ul style="list-style-type: none"> Meds related functionality in FY 2020 Major new module in FY 2020 New functionality ongoing 	<p>Completed</p> <ul style="list-style-type: none"> EMIS-X appointment module Key core EMIS-X modules <p>Roadmap</p> <ul style="list-style-type: none"> Platform v1 completes in FY 2020 Meds related functionality in FY 2020 Partner applications via EMIS-X APIs in FY 2020 EMIS Web GP application upgrade FY 2021 Other new applications 2020 ongoing Major new EMIS-X application underway

Patient Access and marketplace

Patient Access

- Registrations up 33% from launch of Patient Access 2.0 in May 2018 to 8.0 million
- Repeat prescriptions up 64% year on year to 9.7m
- GP appointments up 66% to 3.4m year on year
- 4.8/5 App Store rating, 227k reviews
- #1 app in UK digital healthcare

Marketplace

- Positive response to new marketplace services
- App now untethered from GP practices
- Users booking paid-for appointments in community pharmacy
- Focus on building more supply to meet consumer needs

Summary



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Summary and outlook

- Results in line with the Board's expectations, with both revenue and adjusted operating profit ahead of the comparative period
- Focussed on securing our place on the GP IT Futures framework and investing in patient-facing technology
- Focussed on mid to high single digit revenue growth and improved margins, towards 30%, in the mid-term.

EMIS Group remains uniquely placed to help the NHS fulfil its objectives to make the best use of technology to improve patient care

Focussed, energised
and motivated

Questions

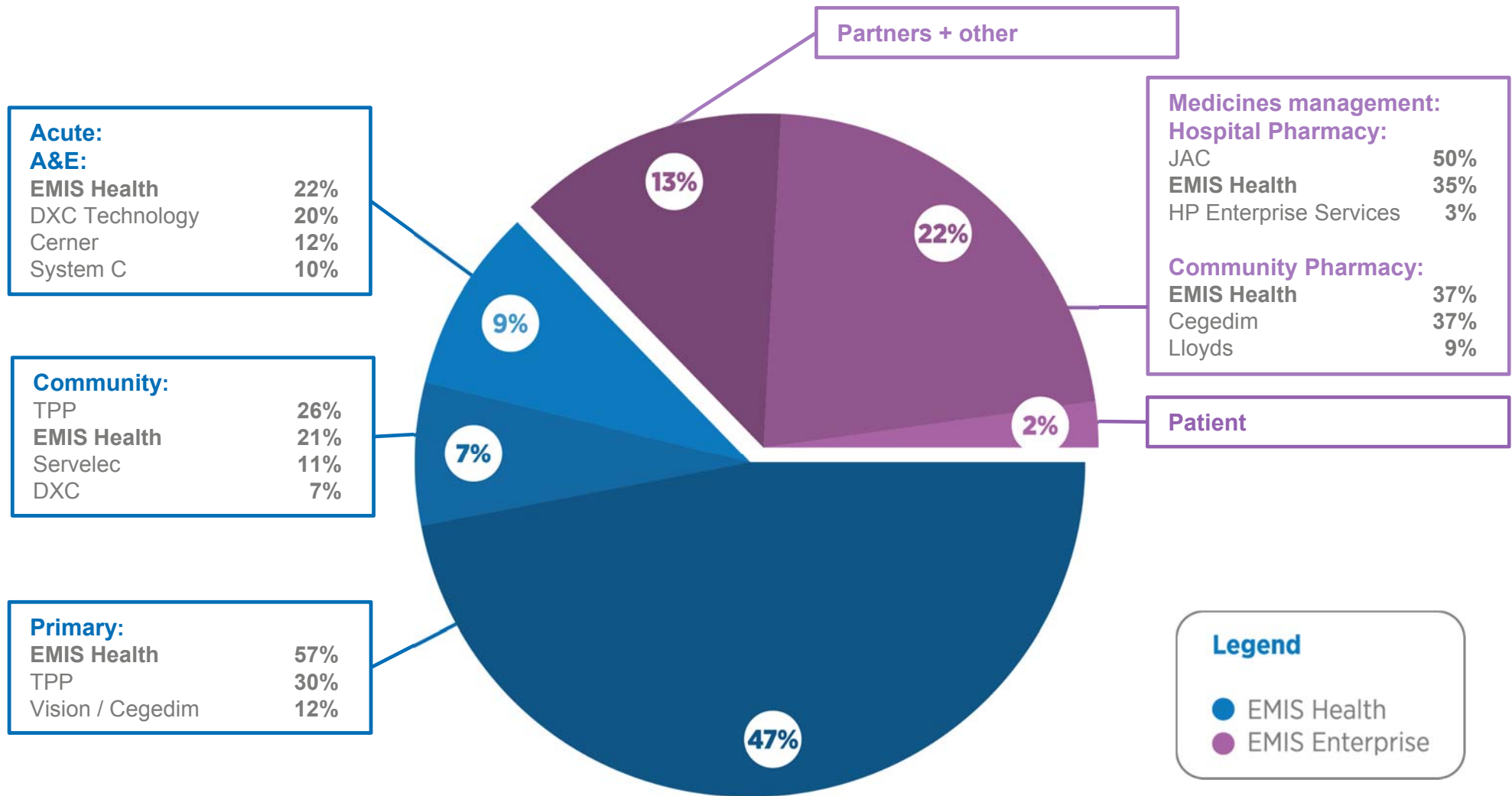


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Appendices



Strong market share positions



EMIS Group H1 2019 revenue split

Source: EMIS Group and competitor data estimated based on company records as at 30 June 2019

EMIS Group plc Half year results presentation for the six months ended 30 June 2019