

INVESTING IN INNOVATION



EMIS Group plc

Full year results presentation 2019



Introduction



Andy Thorburn
Chief Executive
Officer



Peter Southby
Chief Financial
Officer

“ A positive year for EMIS Group ”

- Results in line with expectations
- Growth in both revenue and adjusted operating profit
- Good progress on growth initiatives

EMIS Health



EMIS Enterprise





Financial review

Peter Southby
Chief Financial Officer



Financial highlights

Positive results in line with the Board's expectations

Total revenue

£159.5m +7%

2018: £149.7m

Recurring revenue

£125.0m +4%

2018: £120.6m

Adjusted operating profit¹

£39.3m +9%

2018: £35.9m

Adjusted cash generated from operations²

£46.3m -15%

2018: £54.5m

Net cash

£31.1m +£15.5m

2018: £15.6m

Adjusted EPS¹

51.4p +14%

2018: 45.1p

Total dividend

31.2p +10%

2018: 28.4p

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

Revenue growth balanced with investment

	H1	H2	FY	FY	%
£m	2019	2019	2019	2018	change
Revenue	79.8	79.7	159.5	149.7	+7%
Adjusted operating profit	18.2	21.1	39.3	35.9	+9%
Capitalised development costs	3.5	3.9	7.4	5.8	
Amortisation – development costs	(3.6)	(3.5)	(7.1)	(9.4)	
Amortisation – acquired intangibles	(3.9)	(3.4)	(7.3)	(6.2)	
Net finance costs	(0.3)	(0.2)	(0.5)	(0.2)	
JV/associate	0.3	0.4	0.7	0.6	
Exceptional items	(2.1)	(3.3)	(5.4)	1.6	
Profit before tax	12.1	15.0	27.1	28.1	-4%
Tax	(2.2)	(2.8)	(5.0)	(5.4)	
Non-controlling interest	0.1	0.0	0.1	(0.9)	
Profit from discontinued operation, net of tax	0.5	0.0	0.5	0.9	
Earnings	10.5	12.2	22.7	22.7	-
Adjusted EPS	23.7p	27.7p	51.4p	45.1p	+14%
Reported EPS	16.6p	19.4p	36.0p	36.1p	-

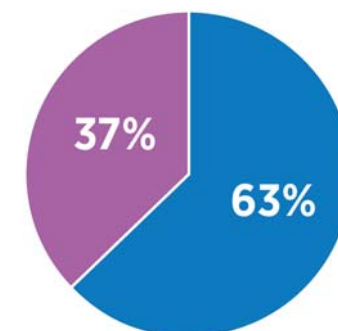
- Improved business performance supporting greater investment in development.
- Exceptional reorganisation costs due to business segmental restructuring and improved internal systems (2018: NHS Digital service level reporting credit).
- 2019 effective tax rate 19.2%.

Segmental analysis

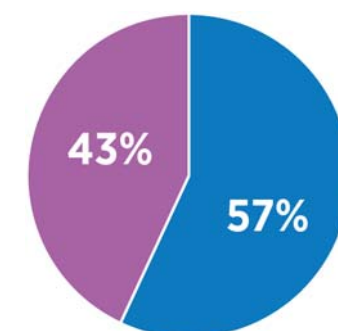
Growth in EMIS Enterprise helping to fund re-investment in EMIS Health

£m	EMIS Health		EMIS Enterprise		Total	
	2018	2019	2018	2019	2018	2019
Revenue	99.3	100.9	50.4	58.6	149.7	159.5
Recurring revenue	81.7	83.5	38.9	41.5	120.6	125.0
Adjusted segmental profit	25.2	23.3	12.8	17.5	38.0	40.8
Group costs					(2.1)	(1.5)
Adjusted operating profit					35.9	39.3
<i>Adjusted operating margin</i>	25.4%	23.1%	25.4%	29.9%	24.0%	24.6%
Development costs capitalised	3.0	6.2	2.8	1.2	5.8	7.4
Amortisation of development costs	(7.3)	(5.5)	(2.1)	(1.6)	(9.4)	(7.1)
Amortisation of acquired intangible assets	(3.3)	(3.8)	(2.9)	(3.5)	(6.2)	(7.3)

- EMIS Health revenue grew 2% with profit lower due to increased EMIS-X software platform investment.
- Strong revenue growth in EMIS Enterprise including a number of commercial licence deals for both continuing and legacy products.
- Margin overall improved slightly on comparative period with revenue growth helping to fund platform investment.



Revenue



Adjusted operating profit



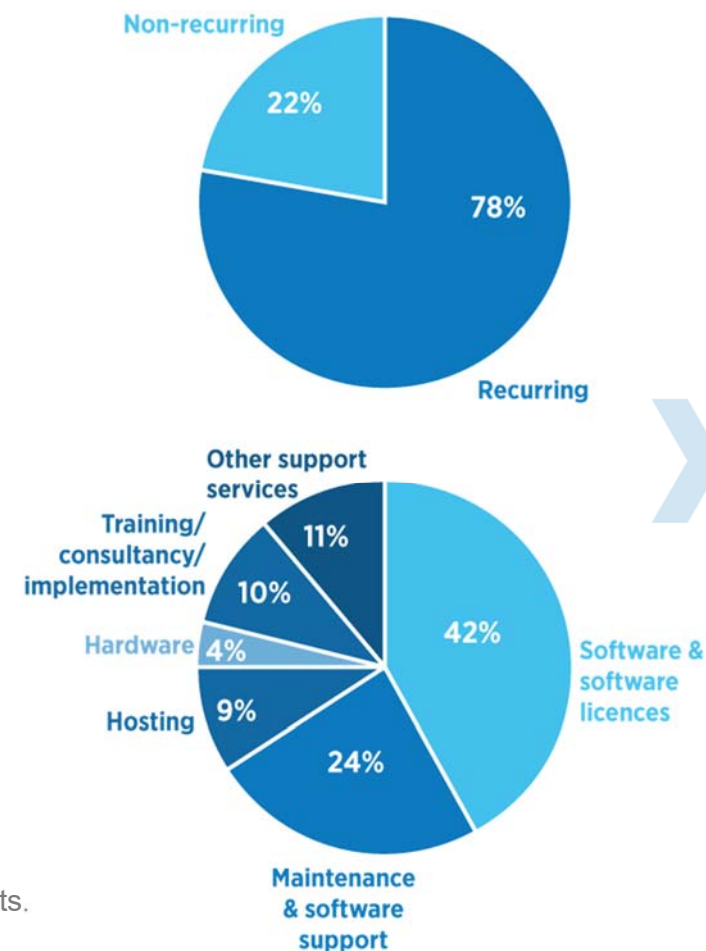
Revenue analysis

Increased revenue growth driven by non-recurring

£m	2019	2018	% change
Recurring	125.0	120.6	+4%
Non-recurring	34.5	29.1	+19%
Total	159.5	149.7	+7%

£m	Nature	2019	2018	% change
Software and software licences	mainly recurring	66.6	62.1	+7%
Maintenance and software support	recurring	39.3	39.8	-1%
Other support services	mainly recurring	17.4	16.9	+3%
Training/consultancy/implementation	non-recurring	15.6	11.7	+34%
Hosting	recurring	13.7	11.9	+15%
Hardware	non-recurring	6.9	7.3	-6%
Total		159.5	149.7	+7%

- Good visibility through recurring revenue growth of £4.4m in year.
- Software and software licences benefitted from a number of commercial licence deals.
- Organic growth in maintenance and software support offset by reduction in revenues from legacy products.
- Training/consultancy/implementation growth with partners and Egton patient record digitisation projects.
- Other support services revenues growth in part offset by reduction in online advertising revenues.
- Hosting benefited from additional revenues associated with the end of GPSoC.



Cash flow

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

£m	2019	2018
Operating profit before exceptionals	32.2	26.0
Operating profit of discontinued operation	0.2	1.1
Depreciation and amortisation	22.5	23.4
Working capital	(2.5)	9.0
Share based payments	1.3	0.8
Cash flow from operating activities	53.7	60.3
Development costs capitalised	(7.4)	(5.8)
Adjusted cash generated from operations	46.3	54.5
Cash cost of exceptionals	(3.6)	(10.4)
Net cash generated from operations	42.7	44.1
Business combinations	(1.2)	(1.4)
Acquisition of non-controlling interest/associate	-	(8.0)
Disposal of discontinued operation	6.2	-
Net capital expenditure	(5.6)	(6.8)
Transactions in own shares	(3.1)	0.3
Tax	(4.5)	(5.8)
Dividends	(18.7)	(17.1)
Non-controlling interest dividend/leases/other	(0.3)	(3.7)
Change in net cash	15.5	1.6
Closing net cash	31.1	15.6

- Adjusted cash generated from operations (before exceptionals) 15% lower at £46.3m due to strong comparative and GP IT Futures one off transition.
- Cash cost of exceptionals relates to reorganisation costs and (in 2018) to NHS Digital service level reporting payments.
- Business combinations consists of consideration for the 2018 Dovetail acquisition and minority stake in pharmacy data business.
- Disposal of Specialist & Care business resulted in net cash inflow of £6.2m.
- Capex includes:
 - £3.1m of computer equipment.
 - £0.8m on internal systems and software.
 - £1.7m on property assets.
- EBT purchased £3.6m of shares in H1 2019.
- Net cash at £31.1m improved by £15.5m.

Balance sheet

Balance sheet remains strong

£m	2019	2018
Goodwill	48.0	52.0
Acquired intangible assets	17.3	27.9
Development costs	14.4	14.2
Property, plant and equipment, computer software used internally, and property asset held for sale	23.5	23.7
JV, associate and current assets	34.1	37.6
Deferred income	(28.8)	(34.2)
Other current liabilities	(25.8)	(25.0)
Deferred tax	(1.5)	(4.3)
Other financial and lease liabilities	(8.1)	(4.9)
Net cash	31.1	15.6
Net assets	104.2	102.6

- Strong debt-free balance sheet with £31.1m net cash.
- £30.0m RCF/overdraft plus £30.0m accordion debt facilities secured to June 2021, with half extended to June 2022.
- Deferred income provides good revenue visibility.
- Other financial liabilities includes £1.5m contingent consideration for Dovetail acquisition.
- Lease accounting transition added initial £3.5m to PPE and £3.8m to lease liabilities.
- Cost of final dividend £9.8m.

Guidance and trends

Factors affecting future financial performance

Reorganisation costs

- No P&L impact in 2020 but some cash outflows still to take place.

Staff costs

- Staff numbers expected to remain broadly steady overall with some increase in development headcount.

Development costs

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

Share-based payments

- Consistent level of charge expected in 2020.

Tax

- Will remain close to UK statutory rate.
- Small impact of removal of reduction in future rate.
- Cash tax to increase in 2020 (transitional year to new HMRC payment arrangements).

Capital expenditure

- Expect 2020 to be no higher than recent periods.

Working capital

- Expect to be closer to neutral in 2020 following transition to GP IT Futures payment schedule.

Dividends

- 10% increase for final dividend (£9.8m in May 2020).

Acquisition

- Pinnacle acquired 9 March 2020 for £3m cash (+£4m contingent on 2020 and 2021 performance).
- 2019 revenue £1.9m, profit £0.4m

Coronavirus


- Some limited short-term new business revenue delay in 2020
- Recurring revenue remains secure

Operational review

Andy Thorburn
Chief Executive Officer




2019 Summary

- **Good** set of results from a focussed team
 - **Thank you** to all of our colleagues for all of their contributions
 - **Completion** of internal transition
 - **Retention** on key frameworks
 - Focus on product **innovation**
 - Increased **customer focus**
 - Focus on mid term **growth** programmes
 - Post year-end bolt-on **acquisition** in Community Pharmacy
- 

Good performance in the year and continued focus on innovation

Market conditions – coronavirus impact

- Our NHS and community pharmacy customers need our support as they tackle the crisis
- We are supporting GP practices with free video capability
- We are also providing EMIS Anywhere to enable flexible working for GP practices
- We have created coronavirus related functionality in EMIS Web 
- We are working with NHS Digital on new coronavirus insights
- Potential for significant NHS market investment post coronavirus

Supporting our customers through coronavirus

Coronavirus

Financial strength

- As of 31 December 2019 we had more than £30m cash on our balance sheet and an accessible debt facility of £60m
- **No cash or viability concerns in an extreme situation**
- High levels of recurring revenues from Government backed payers

Contingency plans

- Business continuity plans in place for customers and staff
- Special procedures to protect data centres even if contaminated

Risks

- Impact on sales if NHS locations are closed to meetings
- Revenue could be delayed from H1 to H2, or from 2020 to 2021, if the situation deteriorates
- Possible impact to R&D schedules

Opportunities

- Potential opportunities as a supplier to the NHS

EMIS Group is financially robust to withstand the short-term impact of coronavirus and is well-placed to help

Group priorities

Operations

- Ensuring clinical safety, data security and SLA performance every day
- Supporting our customers (and our team) as they tackle coronavirus challenges
- Navigating the business through potential coronavirus related risks
- Investment in EMIS Web to meet GP IT Futures contract requirements

Growth

- Growth through product innovation and increased R&D spend
- Patient Access now has 8.4m registered users (2018: 6.0m)
- Patient marketplace has more than 800 service provider locations
- Community pharmacies are providing clinical services in consulting rooms
- EMIS-X priorities aligned to meet market needs



Strong operational performance and investing in innovation

Summary and outlook

2019 summary

- 2019 was a positive year for the Group
- Leadership positions maintained in key NHS markets
- Retention on key frameworks and good progress on product roadmap

2020 outlook

- Current trading in the new financial year is in line with our expectations
- There may be some limited short-term new business revenue delay due to the uncertainty around coronavirus
- We remain well-positioned for both the NHS and private/consumer healthcare sectors, giving us confidence in our mid-term outlook



Questions



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Appendices



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Primary care – GP IT Futures and EMIS Web

- EMIS Group retained on the framework
- First company to be approved on the NHS Digital Buying Catalogue
- Financial arrangements broadly neutral to GPSoC
- Upside opportunities through catalogue
- Investment in EMIS Web continues and is on track
- New support systems and support leadership in place

Market shares

Primary care:

57%

31 December 2018: 57%

Community care:

21%

31 December 2018: 20%

Acute care A&E:

23%

31 December 2018: 22%

Maintained accreditation to supply systems to primary care

Patient marketplace

- Patient marketplace expansion underway
- Good learning from H2 2019 early adopters
- Investment in discovery tools to drive transactions
- Business model confirmed – set up fee, listing fee and transaction fee
- 8.4m Patient Access registered users and 800 service providers on board today as we scale



Good performance for pilot of the first marketplace service

Integrated care – Pharmacy

Current business

- Community Pharmacy performing well
- ProScript Connect roll out complete to all customers
- Community Pharmacy customers are marketplace service providers

Future plans

- Acquisition of Pinnacle expands our capabilities
- Investment in hospital pharmacy products
- New opportunities as market changes

Market shares

Community pharmacy:

36%

31 December 2018:37%

Hospital pharmacy:

35%

31 December 2018:36%

Integration of Community Pharmacy and Patient products

Integrated care – EMIS-X

- Continued investment in EMIS-X
- Good progress on platform V1
- Clinical application design at advanced stage
- First clinical applications expected in 2021



We need the right **architecture and standards**, the right **innovation culture** and the right **tech spend**. This is about seizing the once-in-a-generation opportunity to build a **health service that is truly fit for the future.**

Matt Hancock, October 2019

Integrated care a key requirement for the NHS

Community Pharmacy acquisition

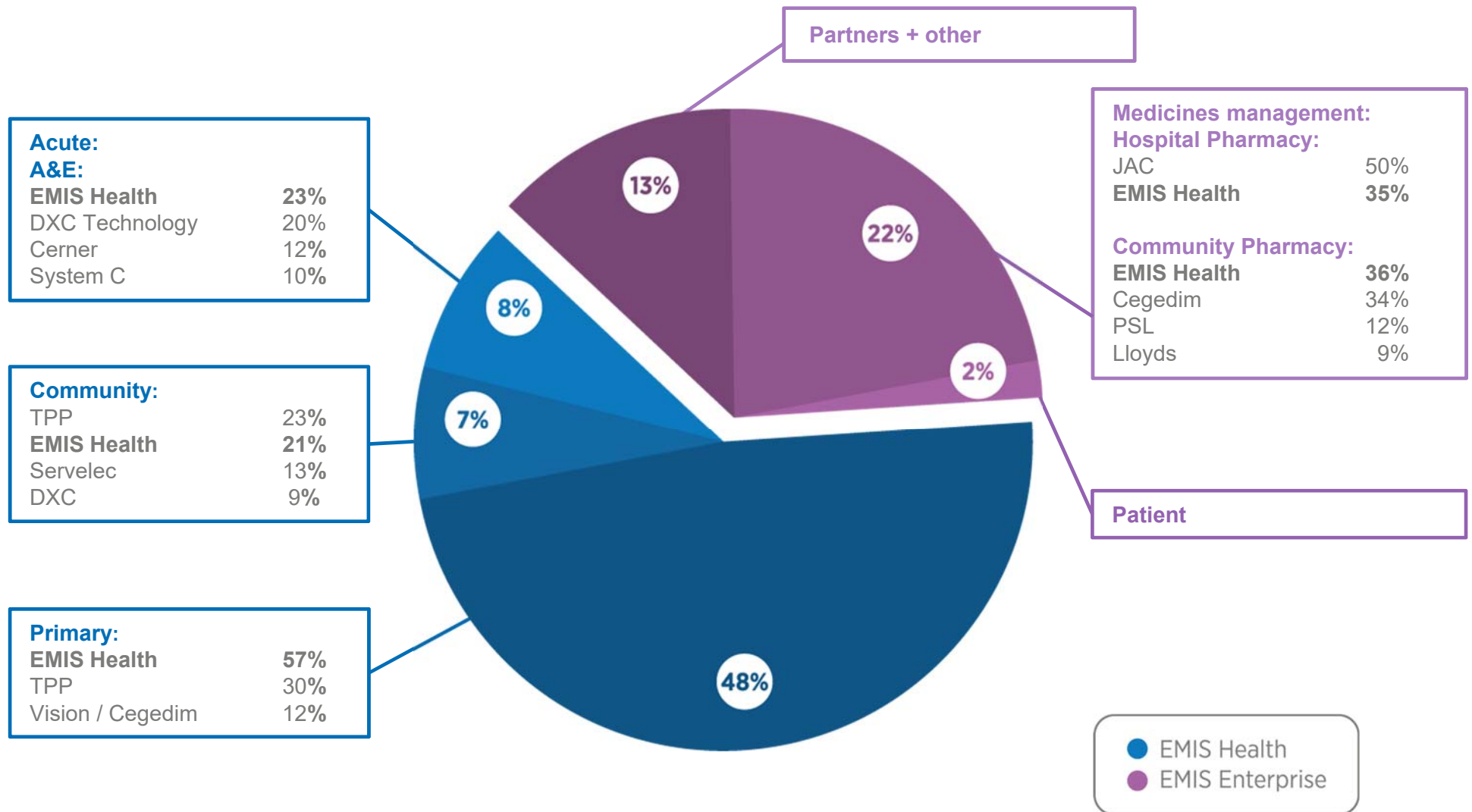
Acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Ltd

Revenue and profit:	£1.9m revenue, £0.4m profit
Number of employees:	33
Number of customers:	11,000 community pharmacies 400 Local Authorities NHS Bodies and Prime Providers
Key product:	PharmOutcomes
Value proposition:	local and national analysis including reporting and billing of commissioned services



Moving closer towards our strategy to join up medicines management

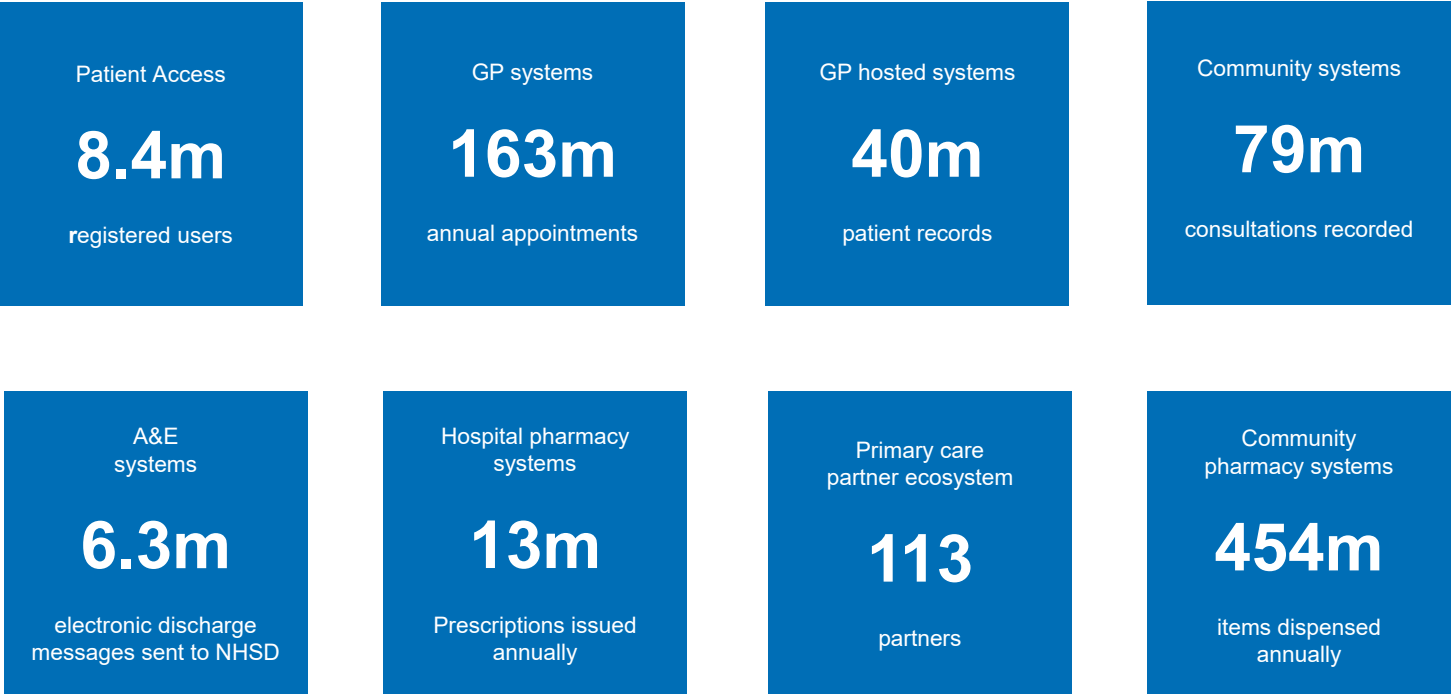
Strong market share positions maintained



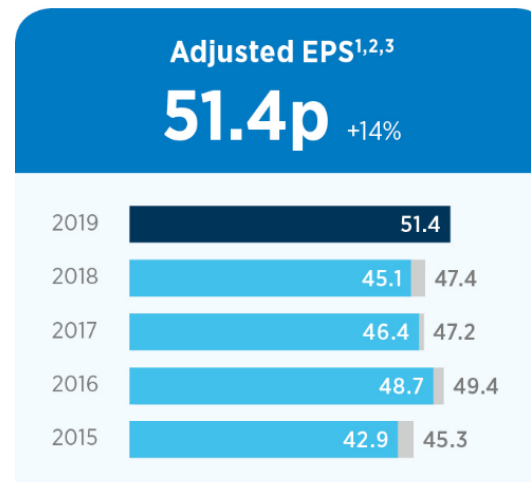
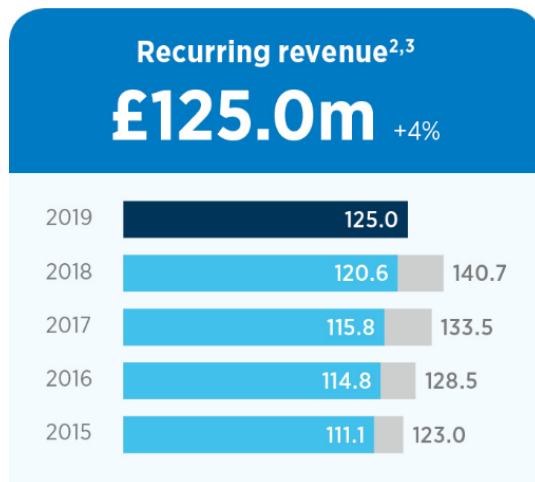
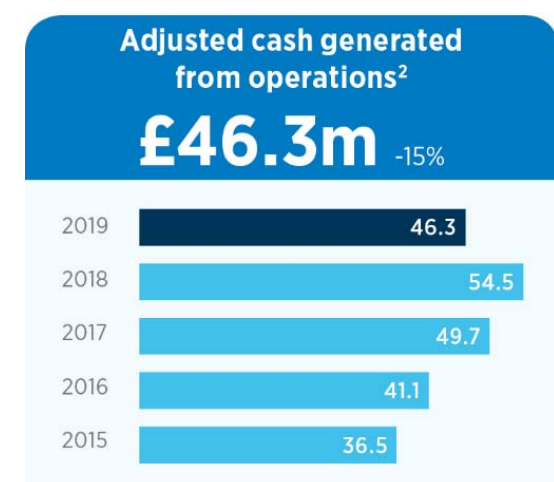
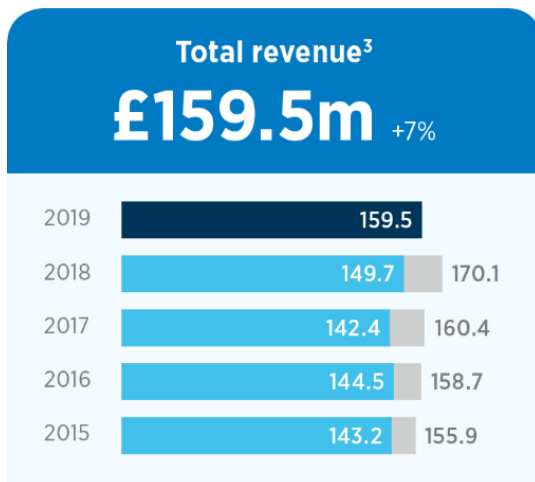
EMIS Group 2019 revenue split

Source: EMIS Group and competitor data estimated based on company records as at 31 December 2019.

Market leader delivering at scale



Five year financial summary



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 These are alternative performance measures.

3 ■ Continuing operations excluding Specialist & Care business. ■ Continuing operations and discontinued Specialist & Care business.