

INVESTING IN INNOVATION

EMIS Group plc

Half year results presentation 2020



Introduction



Andy Thorburn
Chief Executive
Officer



Peter Southby
Chief Financial
Officer

“ Good performance considering the uncertainty of COVID-19 ”

- Focus on supporting our NHS colleagues
- Robust business model with high recurring revenue
- Strong balance sheet with cash in hand

EMIS Health



EMIS Enterprise





Financial review

Peter Southby
Chief Financial Officer

Financial highlights

Creditable performance in line with expectations in difficult markets

Total revenue

£78.1m -2%

2019 H1: £79.8m

Recurring revenue

£63.5m +5%

2019 H1: £60.2m

Adjusted operating profit¹

£17.8m -2%

2019 H1: £18.2m

Adjusted cash generated from operations²

£33.8m +23%

2019 H1: £27.5m

Net cash

£44.1m +65%

2019 H1: £26.7m

Adjusted EPS¹

23.1p -3%

2019 H1: 23.7p

Interim dividend

16.0p +3%

2019 H1: 15.6p

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

Good trading performance with improving reported results

£m	H1 2019	H2 2019	H1 2020
Revenue	79.8	79.7	78.1
Adjusted operating profit	18.2	21.1	17.8
Capitalised development costs	3.5	3.9	4.1
Amortisation – development costs	(3.6)	(3.5)	(1.7)
Amortisation – acquired intangibles	(3.9)	(3.4)	(3.5)
Net finance costs	(0.3)	(0.2)	(0.2)
JV/associate	0.3	0.4	0.4
Exceptional items	(2.1)	(3.3)	-
Other income	-	-	0.8
Profit before tax	12.1	15.0	17.7
Tax	(2.2)	(2.8)	(3.4)
Non-controlling interest	0.1	-	0.1
Profit from discontinued operation, net of tax	0.5	-	-
Earnings	10.5	12.2	14.4
Adjusted EPS	23.7p	27.7p	23.1p
Reported EPS	16.6p	19.4p	22.9p

- Limited revenue growth but cost base carefully managed, while still investing in strategic roadmap.
- Development costs amortisation lower, with older products now fully amortised.
- Other income relates to last receipt for Specialist & Care business sold in 2019.
- 2020 effective tax rate 19.2%.

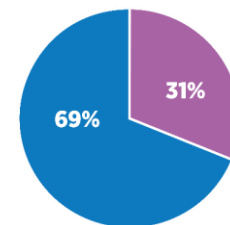
Segmental analysis

Good progress in EMIS Health with subdued markets in EMIS Enterprise

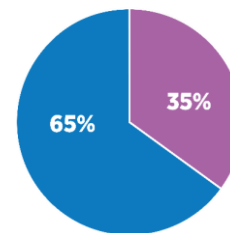
£m	EMIS Health			EMIS Enterprise			Total		
	H1 2019	H2 2019	H1 2020	H1 2019	H2 2019	H1 2020	H1 2019	H2 2019	H1 2020
Revenue	50.3	50.6	54.0	29.5	29.1	24.1	79.8	79.7	78.1
Recurring revenue	40.8	42.7	43.3	19.4	22.1	20.2	60.2	64.8	63.5
Adjusted segmental profit	10.8	12.5	11.9	8.1	9.4	6.5	18.9	21.9	18.4
Group costs							(0.7)	(0.8)	(0.6)
Adjusted operating profit							18.2	21.1	17.8
<i>Adjusted operating margin</i>	<i>21.5%</i>	<i>24.6%</i>	<i>22.1%</i>	<i>27.6%</i>	<i>32.1%</i>	<i>27.0%</i>	<i>22.8%</i>	<i>26.4%</i>	<i>22.8%</i>
Development costs capitalised	3.0	3.2	3.7	0.5	0.7	0.4	3.5	3.9	4.1
Amortisation of development costs	(2.5)	(3.0)	(0.8)	(1.1)	(0.5)	(0.9)	(3.6)	(3.5)	(1.7)
Amortisation of acquired intangible assets	(2.0)	(1.8)	(1.7)	(1.9)	(1.6)	(1.8)	(3.9)	(3.4)	(3.5)

- Revenue growth in EMIS Health boosted by hardware sales.
- EMIS Enterprise held back by subdued markets and strong comparatives.
- Margin overall remained consistent with cost-savings helping to fund platform investment.

Revenue



Adjusted operating profit



Legend

- EMIS Health
- EMIS Enterprise

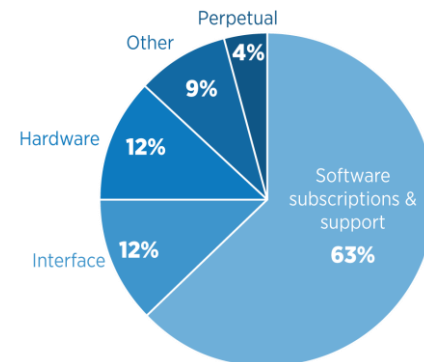
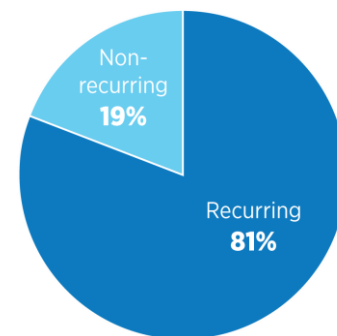
Revenue analysis

Growth in recurring revenues

£m	Nature	H1 2019	H2 2019	H1 2020
Recurring		60.2	64.8	63.5
Non-recurring		19.6	14.9	14.6
Total		79.8	79.7	78.1

Software subscription and support	recurring	45.2	49.0	48.9
Interface and connectivity charges	mainly recurring	9.6	12.2	9.7
Hardware and related services	mainly non-recurring	7.3	5.9	9.6
Other services	mixed recurring/non-recurring	5.5	6.5	6.7
Perpetual licences, training, consultancy and implementation	non-recurring	12.2	6.1	3.2
Total		79.8	79.7	78.1

- Recurring revenue moved ahead by 5% with non-recurring lower as a result of COVID-19 impacts on planned projects.
- Hardware boosted by COVID-19 related requirements in primary care.
- Other services included some growth from digitisation projects.
- Perpetual licences/training/consultancy/implementation significantly lower due to COVID-19 and strong comparative.



Cash flow

Strong cash flows maintained

£m	H1 2019	H2 2019	H1 2020
Operating profit before exceptionals	14.1	18.1	16.6
Operating profit of discontinued operation	0.2	-	-
Depreciation and amortisation	11.2	11.3	8.3
Working capital	4.8	(7.3)	12.8
Share based payments	0.7	0.6	0.2
Cash flow from operating activities	31.0	22.7	37.9
Development costs capitalised	(3.5)	(3.9)	(4.1)
Adjusted cash generated from operations	27.5	18.8	33.8
Cash cost of exceptionals	(1.2)	(2.4)	(1.3)
Net cash generated from operations	26.3	16.4	32.5
Business combinations	(1.0)	-	(3.7)
Acquisition of associate	(0.2)	-	-
Disposal of discontinued operation	6.2	-	0.8
Net capital expenditure	(3.2)	(2.4)	1.5
Transactions in own shares	(3.4)	0.3	0.2
Tax	(4.1)	(0.4)	(7.7)
Dividends	(9.0)	(9.7)	(9.8)
Leases/other	(0.5)	0.2	(0.8)
Change in net cash	11.1	4.4	13.0
Closing net cash	26.7	31.1	44.1

- Adjusted cash from operations (before exceptionals) 23% higher at £33.8m.
- Working capital inflow as usual in H1 with additional £7.3m benefit of VAT payment holiday.
- Cash cost of exceptionals relates to 2019 reorganisation costs.
- Business combinations includes Pinnacle acquisition (£2.9m) and contingent consideration for the Dovetail acquisition (£0.8m).
- Final receipt for discontinued operation received.
- Capex reduced as a result of cost control measures and more than offset by £2.5m proceeds from sale of former head office site.
- Cash tax higher with HMRC payment regime changes.
- Net cash at £44.1m (£13.0m increase from last year end).

Balance sheet

Robust balance sheet maintained

£m	H1 2019	H2 2019	H1 2020
Goodwill	48.0	48.0	52.1
Acquired intangible assets	20.7	17.3	17.8
Development costs	14.1	14.4	16.8
Property, plant and equipment (including property asset held for sale) and computer software used internally	24.7	23.5	22.8
JV, associate and current assets	43.1	34.1	35.0
Deferred income	(42.0)	(28.8)	(37.0)
Other current liabilities	(24.6)	(25.8)	(26.0)
Deferred tax	(2.5)	(1.5)	(1.7)
Other financial liabilities	(4.1)	(4.2)	(7.7)
Lease liabilities	(2.7)	(3.9)	(7.3)
Net cash	26.7	31.1	44.1
Net assets	101.4	104.2	108.9

- Strong debt-free balance sheet with £44.1m net cash.
- Debt facilities (currently unused) to June 2021 (£30.0m RCF/overdraft plus £30.0m accordion) with half to June 2022.
- Goodwill and acquired intangibles increase from Pinnacle acquisition.
- Development costs increase with reduced amortisation of existing product portfolio and increased investment levels.
- Deferred income continues to provide good revenue visibility.
- Other financial liabilities includes £4.0m contingent consideration for Pinnacle acquisition.
- Lease liabilities increased with lease renewals falling under IFRS16 for the first time.
- Cost of interim dividend £10.1m.

Financial guidance and trends

Factors affecting future financial performance

Staff costs

- Expected to be a little higher in H2 depending on performance-related bonuses.

Development costs

- Expect current levels of capitalisation and amortisation to continue in H2.

Share-based payments

- Charge may be higher in H2 (performance-related).

Tax

- Expected to remain close to 19% UK statutory rate.
- Cash tax to revert to consistent level in H2 2020.

Capital expenditure

- Expect the lower H1 capex level to be maintained for H2 with an increase into 2021.

Working capital

- Expect seasonal reversal of H1 working capital in H2 with broadly neutral full year position.
- This excludes the VAT payment holiday benefit which reverses in H1 2021.

Dividends

- 3% increase for interim dividend (£10.1m in November).

Operational review

Andy Thorburn
Chief Executive Officer



Overview of H1 2020

- Thank you to our NHS and pharmacy customers for looking after the nation!
- Thank you to the EMIS Group team for executing our COVID-19 response plan to support both customers and colleagues
- Good financial results in a period of great uncertainty
- Strong balance sheet with £44.1m net cash and no debt
- Continuing the execution of our strategic roadmap with early delivery of EMIS-X Analytics (EXA)

Maintained market leading positions in major healthcare markets

Operational performance



Operational performance

COVID-19

- “Doing the right thing at all times to support our colleagues and customers and save lives”
- Proactive approach to COVID-19 planning
- Systems prepared in advance when outbreak started in Asia
- Successful move to homeworking early in the process
- Daily collaboration with our customers and colleagues through the crisis

Business performance

- Jan/Feb – business as usual, advanced COVID-19 planning
- Mar/Apr – focus on supporting NHS and community pharmacies during the peak months
- May – pause in new business as situation settles down
- Jun – very early signs of markets re-opening, new business risk expected to reduce

Focus on supporting NHS and community pharmacies

Markets opening up and conditions improving

- Improving July, August and early September market conditions
- Core business continues to be robust with good service level performance; unchanged market shares in key markets
- New business product mix changed in H1 due to COVID-19 demands; we expect a more normal mix to emerge in H2 and FY2021
- Competitive conditions remain broadly similar; there are regular competitive tenders which we expect will continue across all markets in the coming years; we continue to perform well
- New opportunities emerging in healthcare analytics space

Core business continues to be robust

Strategic roadmap execution



Continuing to execute our roadmap

- We announced investment in the Group's strategic roadmap at our Capital Markets Day in November 2018 and committed to execute regardless of short-term market conditions
- We have continued to execute our plan and have increased our product and development headcount to 661 (Jan 2018: 417)
- The speed and quality of our development and delivery is improving and we are delivering tangible results and actively managing operational and technology risk

NHS Digital and GP IT Futures EMIS Web – completed	Digital – completed
<p>10 projects completed</p> <p>e.g. compliance upgrade features for GP IT Futures</p>	<p>6 projects completed</p> <p>e.g. Patient Access for Professionals App 1.0</p>
Pharmacy – completed	EMIS-X – completed
<p>6 projects completed</p> <p>e.g. Falsified Medicines Directive compliance</p>	<p>4 projects completed</p> <p>e.g. EMIS-X document storage (2.5bn documents)</p>

EMIS-X Analytics (EXA)

- Specialist team deployed 24 months ago to build this new major capability
- 1.3 trillion healthcare data points
- 4,000 GP practices' patient records (40 million patients)
- Designed to analyse “big healthcare data sets” at speed and scale
- First major delivery from our EMIS-X strategic roadmap
- Links with other EMIS systems to provide unique solutions and actionable insights
- Highest level of data security provided by EMIS and AWS
- Managed with the strictest information governance standards in line with GDPR
- We cannot, and do not, use patient data without the consent of the appropriate data controllers and data owners

New NHS insights – an exciting development for our customers

EXA cases and benefits to customers

- EXA has been built to fulfil our commitment to NHS Digital
- Opportunities to provide data to support the research community, to improve the quality, safety and efficiency of care
- Used by the NHS England OpenSafely COVID-19 research project, a collaboration between The University of Oxford, the London School of Tropical Hygiene & Medicine and system suppliers, operating under direction from the Secretary of State
- Supporting national surveillance of COVID-19 by the Royal College of General Practitioners' Research and Surveillance Centre and recruitment into the University of Oxford's PRINCIPLE clinical trial

Pilot projects already underway with existing customers

EXA market potential

- EXA provides good potential for EMIS Group to grow in line with its ambitions
- EXA solutions will be provided under strict GDPR and information governance rules
- We expect this market opportunity to build over the next two to three years while providing the potential to increase revenue and profit growth rates in the mid-term

Good mid-term opportunity

Summary and outlook



Summary and outlook

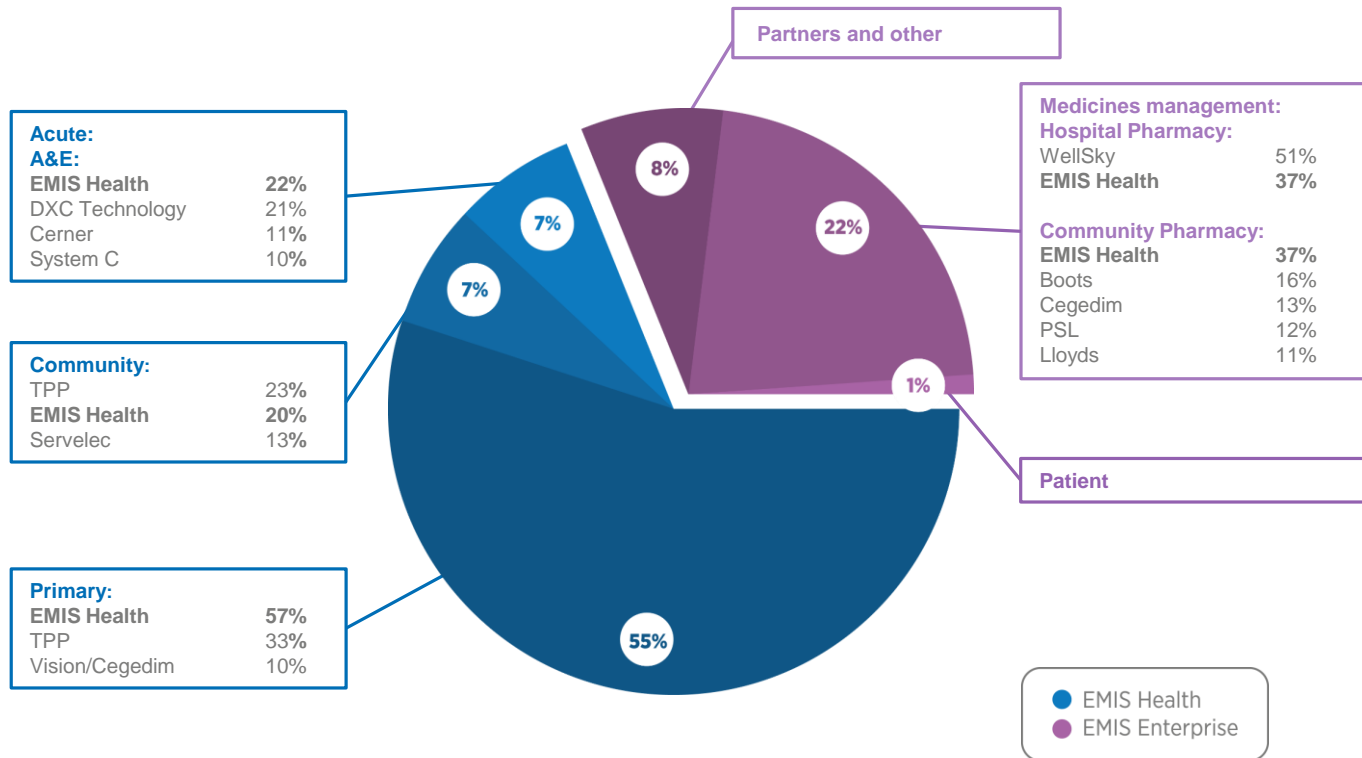
- We have navigated the COVID-19 crisis well with great thanks to our customers and our colleagues
- We retain significant cash resources and bank facilities to consider further acquisitions to build both the scale and capabilities of the Group in existing and adjacent markets
- We continue to execute our strategic roadmap and are building increased momentum
- EXA is a positive addition to our portfolio and is a major building block for delivery of the growth levels outlined in our Capital Markets Day in November 2018
- We are confident we can meet Board expectations for 2020 (subject to no new extreme impacts of COVID-19)

Focussed on revenue and margin growth in the mid-term

Questions



Strong market share positions maintained



EMIS Group H1 2020 revenue split

Source: EMIS Group and competitor data estimated based on company records as at 30 June 2020.