

# “A positive year for EMIS Group.”

**Andy Thorburn**

Chief Executive Officer



# Considerable operational progress

We achieved key customer retention goals and maintained our leadership positions in key NHS markets.

2019 was a positive year for the Group, with considerable operational progress across the organisation. We have completed the internal transition and organisational plans that were underway through the year and which have in turn improved our operational efficiency, service and responsiveness to customers.

In parallel, we delivered positive revenue growth of 7% and adjusted operating profit growth of 9%, improved our adjusted operating margin to 25% and maintained our nine-year track record of increased annual dividends. This performance was particularly pleasing as we continued to invest to expand our research and development (R&D) capabilities to deliver new, innovative solutions to our customers.

We achieved two key customer retention goals when EMIS Health was appointed to the NHS National Services Scotland (NSS) framework in Scotland and the NHS GP IT Futures framework and Digital Buying Catalogue in England. This ensures that we maintain our accreditation to supply IT systems and services to these primary care markets.

We maintained our leadership positions in key NHS markets and expanded the EMIS Enterprise business with some excellent commercial work, including achieving outright leadership in the community pharmacy market.

We maintained our critical focus on clinical safety, data security and service level performance. We invested in all these areas through the year and supervised progress with regular operational reviews and oversight by our risk management committee.

## Transition

Over the last two years, we have successfully dealt with legacy issues, putting us in a strong position in 2020 to execute the next stage of our strategy. In April 2019 we disposed of our Specialist & Care business as it was non-core to the Group's technology strategy. We also exited a number of smaller legacy products that are not part of the Group's future, streamlining our business so that every product and service we provide directly contributes to our core purpose.

We made changes to several of our office spaces according to our business needs, moving our head office to a smaller, more modern facility and reconfiguring other locations to reduce building-related operating costs in 2020 and beyond.

Overall staff numbers decreased as part of our efficiency drive, but at the same time there was a significant change in the mix of staff towards more technology-focussed roles. This included the removal of management layers and administration roles through the deployment of new processes and systems, including our service management platform, ServiceNow. These changes enabled us to invest in the future, increasing our headcount in product management, technology innovation and software engineering roles, which now represent 37% of the Group compared to 22% in January 2018.

## Customers and end users

Our customers and end users are central to everything we do, from planning and designing our software at the outset through to daily support interactions. We are continually asking ourselves how we can do better for our customers and as a result during 2019 we adapted the structure of our customer engagement teams to respond to the market's evolution. The NHS is consolidating to deliver a digital transformation that will improve services and outcomes for patients. In England this will be driven by Sustainability and Transformation Partnerships (STPs) and Integrated Care Systems (ICSs): a collaboration of NHS organisations and local councils. Our two business areas are responsible for managing relationships with NHS customers (EMIS Health) and private sector healthcare business and consumer customers (EMIS Enterprise).

We introduced a new support system that improves our responsiveness and increases the ability for customers and end users to self-serve. Our service and support performance improved in the second half of 2019 following the deployment of new systems and, importantly, new leadership. These changes provide us with robust foundations for 2020.

It was a strong year in the EMIS Enterprise business as we completed the roll-out of our community pharmacy dispensing system, ProScript Connect, to almost 5,200 locations. We also upgraded our customer-facing networks as well as taking our data security systems and processes to the next level.

## Innovation

Our increased investment in technology and software engineering roles has accelerated the development of our product roadmap:

- We launched phase one of our patient-centric marketplace, allowing the UK public to book appointments for pharmacy services at their local community pharmacy through Patient Access.
- We continued our investment in EMIS-X, our next generation platform, and we expect version one of the platform to be available during 2020 as planned.
- We expect the first applications running on the EMIS-X platform to be launched in 2021.

## Talent

Our business is all about people; they drive the energy, innovation and passion behind the quality of our products and services. We continued to attract and retain key talent in 2019; as well as expanding our overall technology development team in the year, we strengthened our team in various key focus areas, including leadership, customer engagement and marketing.

## Chief Executive Officer's statement continued

### Talent continued

We now have more than 550 employees working directly on product development across the Group. We also have 71 people in our clinical team including doctors, consultants, nurses and pharmacists, driving our high clinical safety standards and contributing essential insight into product development. We have seen an increase in collaborative working across Group segments, business areas and teams as we unite in our shared common purpose of enabling improved care through technology innovation.

We increased our staff benefits packages and introduced performance-related pay for key roles. Share ownership in the business increased during 2019 when we offered a shares grant through the share incentive plan (SIP) scheme, with a 75% participation rate.

### Post year-end acquisition

Following the year-end, we completed the acquisition of Pinnacle Health Partnership LLP and Pinnacle Systems Management Ltd, owners and operators of the widely-used PharmOutcomes platform.

PharmOutcomes is a secure, web-based service management solution used by more than 11,000 community pharmacies to record and manage nationally and locally commissioned patient services such as flu vaccinations, the Community Pharmacist Consultation Service and hospital discharge referral management. It allows local and national level analysis and reporting on the effectiveness of commissioned services, helping to improve evidence-based reporting for community pharmacy services.

EMIS Group acquired the business on a cash and debt free basis for £3.0m in cash with further consideration of up to £4.0m payable in cash on the attainment of certain performance targets.

### Our focus for 2020

Our focus for 2020 is continuing to deliver our strategic plan of innovation and growth. With our core foundation principles in place – of delivering the highest standards of clinical safety and content, never compromising on data security and exceeding customer service expectations – our 2020 plans are the building blocks for our next stage of growth as a resilient and dynamic business.

We operate in a complex and diverse market and the business is now organised around the operational structures of our healthcare customers. While NHS structures may change, its commitment to technology to deliver positive change remains and we continue apace with the development of EMIS-X and Patient marketplace services for the forthcoming year.

We are developing EMIS Web to meet the requirements of GP IT Futures and these new enhancements will carry forwards to EMIS-X this year. Through our existing EMIS Health product portfolio, we will deliver enhancements to our primary, community and acute care products to satisfy contractual requirements such as for GP IT Futures and to deliver essential user-requested enhancements. We have detailed product roadmaps and resource plans for both existing and new products to meet our go-to-market and retention goals.

The focus for the EMIS Enterprise business in 2020 is to work on further integration of ProScript Connect and to develop Patient Access to offer new services to the UK public through our community pharmacy customers and other partners. The primary care partner programme remains a core focus, as we continue to strengthen the EMIS Health ecosystem through interoperability and integration.

**“We delivered positive revenue growth of 7% and adjusted operating profit growth of 9%.”**

Looking further ahead, we maintain our targets that the financial outcomes from our growth strategy are expected to be sustained mid-to-high single-digit revenue growth in the mid-term, moving towards an even split of revenue derived from our NHS and enterprise sectors and operating margins increasing towards 30% in the mid-term.

### Brexit

As reported in previous years, we anticipate that Brexit will have minimal direct impact on the Group as it is not a significant exporter or importer of goods or services. There are potential indirect effects, including exchange rate volatility affecting the value of sterling and increased pressure on NHS budgets, which could have a negative impact on the Group's prospects. However, despite the improved clarity provided by the UK leaving the EU on 31 January 2020, the scale and timing of these remains uncertain. We will continue to monitor the progress of the withdrawal agreement regarding the terms under which the UK left the EU and the potential market implications of those terms.

### Coronavirus

We are monitoring the potential impact of the virus on the UK healthcare market and our business as it changes daily.

Our NHS and community pharmacy customers need our support as they tackle the crisis. We are working with NHS Digital on new coronavirus insights and for our GP end-users we have offered free access to our software to provide video consultations through Patient Access. We have released new coronavirus related functionality in EMIS Web and our product EMIS Anywhere allows full access to EMIS Web through a mobile device, to enable flexible working for GP practices.

We have a robust business continuity plan in place to prioritise both the wellbeing of our employees and keep our software systems and support services up and running for our end-users. To date we have implemented home working for our employees according to government advice. We will continue to take proactive action to mitigate the emerging threat from coronavirus.

### Summary and outlook

EMIS Group has a robust business model, with 78% recurring revenue and a strong balance sheet, and is well positioned to weather the short-term market uncertainties created by coronavirus. We have no delivery risks associated with our recurring revenue. We are focussed on looking after our EMIS Group colleagues and supporting our customers as they take care of the population through the coronavirus challenges.

As a resilient and dynamic business, the Group will focus on delivering its strategic plan of innovation and growth beyond the immediate market uncertainty.

Longer term, we are in alignment with NHS policy and fully support the Secretary of State for Health and Social Care's modernisation agenda. The NHS Long Term Plan, published in January 2019, sets out the strategy for the NHS as it plans a digital transformation to provide better patient care across the UK. It is clear that technology will play a huge part in alleviating the pressure on already-stretched NHS services. Our products and services are being designed for market need, responding to the drivers for change in the market, positioning us well for both the NHS and private and consumer healthcare sectors.

### Andy Thorburn

Chief Executive Officer

17 March 2020