



7 September 2023

EMIS Group plc
 (“EMIS Group” or “the Group”)

Unaudited half year results for the six months ended 30 June 2023

“Positive first half with solid underlying organic growth.”

EMIS Group plc (AIM: EMIS.L), the UK leader in connected healthcare software and systems, today announces its unaudited results for the six months ended 30 June 2023.

Financial highlights

	2023 H1	2022 H1	Change
Revenue			
Total revenue	£88.8m	£87.3m	+2%
Recurring revenue ¹	£76.0m	£71.8m	+6%
Operating profit			
Adjusted ¹	£23.9m	£22.4m	+7%
Reported	£12.7m	£15.3m	-17%
Operating margin			
Adjusted ¹	26.9%	25.7%	+120 bps
Reported	14.3%	17.5%	-320 bps
Cash flow and net cash			
Cash generated from operations – adjusted ¹	£20.7m	£27.4m	-24%
Cash generated from operations – reported	£17.2m	£28.4m	-39%
Net cash ¹	£48.5m	£53.6m	-10%
Earnings per share			
Adjusted ¹	29.7p	29.1p	+2%
Reported	15.1p	19.4p	-22%
Interim dividend	21.3p	17.6p	+21%

¹ For an explanation of the alternative performance measures used in this report, please refer to the appendix.

Positive H1 results – in line with the Board's expectations

- A positive H1 with revenue and adjusted operating profit in line with expectations. The Group continues to perform well with good visibility and high levels of recurring revenue
- EMIS Enterprise - good progress with significant new customer wins in Community Pharmacy, further development of Pinnacle and expansion of the Group’s data solutions portfolio
- EMIS Health - continued strength of relationships with NHS customers alongside accelerating investment in its technology, cloud refresh strategy and EMIS Web service improvements

Outlook – consistent delivery of revenue growth

- Focussed on delivering consistent revenue growth in line with our business plan
- Expected business wins in EMIS Enterprise fuelling good progress
- The Group remains well placed for growth with a technology strategy that is in alignment with NHS policy

Recommended acquisition of EMIS Group and interim dividend

- On 17 June 2022, the terms of a recommended all cash offer pursuant to which a wholly-owned subsidiary of UnitedHealth Group Incorporated will acquire the entire issued and to be issued ordinary share capital of EMIS was announced (the “Acquisition”), to be implemented by means of a Court-sanctioned scheme of arrangement (the “Scheme”)
- On 11 August 2023, the United Kingdom's Competition and Markets Authority (the “CMA”) published its provisional findings from its Phase 2 investigation, provisionally clearing the Acquisition. The CMA invited responses to its provisional findings from interested parties by 1 September 2023, which will be considered ahead of the CMA issuing its final report by 5 October 2023
- In accordance with the terms of the Acquisition, provided that the Scheme has not become effective before 7 October 2023, EMIS shareholders are entitled to receive a 2023 interim dividend of up to 21.3p per share (if declared) without any reduction to the Acquisition cash consideration of 1,925p per EMIS share
- The EMIS Board has therefore declared an interim dividend of 21.3p per share (2022 H1: 17.6p) payable on 23 October 2023 to EMIS shareholders on the register at the close of business on 6 October 2023. The interim dividend is conditional on the Scheme not having become effective prior to 7 October 2023 and, if paid, will be paid without any reduction to the Acquisition cash consideration of 1,925p per EMIS share

Andy Thorburn, Chief Executive Officer of EMIS Group, said:

“The first half of the year has been positive and in line with our expectations. The business continues to perform well, building on its strong foundations, with solid organic growth, good visibility and increasing levels of recurring revenue.

“EMIS continues to focus on developing its technology and cloud refresh strategy to support its customer base in both the NHS and enterprise segments, as well as continuing investment in EMIS Web. Our strategy to address the needs of the healthcare sector as it increases its reliance on data remains focussed and relevant and we therefore look forward with confidence.

“We expect to be able to provide a further update on our Acquisition once the CMA has issued its final report and, in the meantime, we are pleased to have declared an interim dividend.”

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Notes to editors

EMIS Group is the UK leader in connected healthcare software and systems. Its solutions are widely used across every major UK healthcare setting. EMIS Group's aim is to join up healthcare through innovative technology, helping to deliver better health outcomes to the UK population, supporting longer and healthier lives.

EMIS Group has two core business segments: EMIS Health and EMIS Enterprise.

EMIS Health is a supplier of innovative integrated care technology to the NHS, including primary, community, acute and social care.

EMIS Enterprise is focussed on growth in the business-to-business technology sector within the healthcare market, including management of medicines, partner businesses, patient-facing services, data and analytics, and research and life sciences.

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CHIEF EXECUTIVE OFFICER'S OVERVIEW

The first half of the year has been positive. The business continues to perform well, building on strong foundations, with solid organic growth, good visibility and increasing levels of recurring revenue.

In EMIS Health, our relationships with our NHS customers remained strong, as we continued to support them in a changing market with ongoing investment to advance our technology and cloud refresh strategy. Revenue and profit increased over the prior period, bolstered by the contribution from the Healthcare Gateway business acquired in 2022, which more than offset the ongoing planned reduction in lower margin resale partner activities.

In EMIS Enterprise, there was a good performance with results slightly higher than a strong 2022 H1 comparative. We secured significant new customer wins in Community Pharmacy, developed further our Pinnacle business, which we expect to continue to grow once the strong Covid-related one-off contracts have completed, and continued to expand our data solutions portfolio.

The Group retains a strong balance sheet, with net cash at 30 June 2023 of £48.5m (31 December 2022: £45.9m).

Connected care market and technology

EMIS continues to invest in its development roadmap to deliver intelligent and interoperable patient, clinical and pharmacy point of care systems in alignment with UK healthcare strategy, as exemplified by the establishment of 42 Integrated Care Boards ("ICBs") in England.

ICBs are now the contracting parties for EMIS Web. We expect some ICBs will tender for primary care systems in the coming months, potentially under new NHS England frameworks. We expect to be confirmed on the new primary care framework by the end of the year, along with a number of new market entrants.

In line with our plans to release incremental functionality on a regular basis we introduced EMIS-X GP functionality to 2000 GP desktops in July 2023 with the new Clinical Views particularly well received. The migration of EMIS Web to the cloud with AWS is now underway with expected completion in the first half of 2024. At 30 June 2023, EMIS-X Analytics had been procured for 26% of ICBs.

The scale of change has resulted in some service challenges with EMIS Web in Q2. We have reacted positively to these challenges with significant infrastructure and network upgrades completed in July 2023, the deployment of a major EMIS Web upgrade with 64-bit capability, incremental usability improvements deployed every week during 2023 to date and improving system speed and performance in August 2023.

Smarter use of data to support UK healthcare and life sciences

The adoption of data-informed technology continues to be a major focus of the NHS to increase system efficiency, improve patient outcomes, improve the experience of delivering care and reduce health inequalities.

We made a number of advances to support the goal of the Department for Health and Social Care and the Office for Life Sciences to embed clinical research in the NHS. Our EMIS Recruit tool was scaled nationally and is now available for all GP practices in England to use without charge. We are making steady progress in this area as we build relevant case studies and references. We believe that our EMIS Recruit product is a strong offering with exciting future growth prospects, and we are delighted that over 630 practices have signed up to the tool, providing circa 6.75 million patients with automated access to clinical research opportunities.

During the period we also launched Proxemis, a joint venture with the Nuffield Department of Primary Care at the University of Oxford, to conduct end-to-end, data-enabled clinical trials in primary care settings.

Our Sustainability strategy

Our focus in the first half of the year has been on developing our sustainability strategy; this follows the work to establish our greenhouse gas emissions baseline for 2021 and 2022 emissions, as well as understanding our social impact. The strategy contains dedicated goals and objectives across four new pillars – our environmental responsibilities; our people and culture; delivering social value to communities; and our responsibilities as a business - in support of new targets to achieve net zero emissions by 2040. We will launch the strategy and our newly established sustainability team in Q4 2023, ensuring that we continue to support our stakeholders in their journeys towards sustainability.

Becoming an employer of choice

We continue to make good progress towards our ambition of becoming an employer of choice by 2025. The first half of 2023 saw our first ever EXPO events in the UK and India, bringing all our people together to ensure everyone understands how their role contributes to the overall success of the business. We continue to focus on attracting and retaining the best talent, through developing great leadership, building our external profile and delivering high levels of staff engagement.

Recommended acquisition of EMIS Group Plc by Bordeaux UK Holdings II Limited (“BidCo”)

On 17 June 2022, the Boards of BidCo and EMIS announced that they had reached agreement on the terms of a recommended all cash offer pursuant to which BidCo, an affiliate of Optum Health Solutions (UK) Limited and a wholly-owned subsidiary of UnitedHealth Group Incorporated, will acquire the entire issued and to be issued ordinary share capital of EMIS by way of a scheme of arrangement.

On 9 August 2022, EMIS announced that, at the court meeting to consider the Scheme and the general meeting to consider the special resolution relating to the Acquisition, all resolutions were approved by the requisite majorities.

On 31 March 2023, the CMA announced that it had referred the Acquisition for a Phase 2 investigation and on 6 April 2023 EMIS and BidCo announced that they would proceed with this investigation.

On 11 August 2023, the CMA published its provisional findings from its Phase 2 investigation, provisionally clearing the Acquisition. The CMA invited responses to its provisional findings from third parties by 1 September 2023, which will be considered ahead of the CMA issuing its final report by 5 October 2023. BidCo and EMIS expects to be able to provide a further update once the CMA has issued its final report.

The Scheme remains subject to the sanction by the Court at the court sanction hearing and the satisfaction (or, where applicable, the waiver) of the conditions to the Scheme set out in paragraphs 1, 2(c) and 4 of Part A of Part 3 of Scheme Document published on 8 July 2022. In particular, the Scheme remains subject to the conditions set out in paragraphs 4(b) and (c) of Part A of Part 3 of the Scheme Document which will continue to apply to the Scheme and to the Phase 2 investigation outcomes (subject to the Rule 13.5 of the Takeover Code).

Dividend

In accordance with the terms of the Acquisition, provided that the Scheme has not become effective before 7 October 2023, EMIS shareholders are entitled to receive a 2023 interim dividend of up to 21.3p per share (if declared) without any reduction on the Acquisition cash consideration of 1,925p per EMIS share.

Having carefully considered the solid trading performance of the Group, together with the consistent underlying growth of the Group and its future prospects, the Board has therefore today declared an interim dividend of 21.3p per share (2022 H1: 17.6p) payable on 23 October 2023 to EMIS shareholders on the register at the close of business on 6 October 2023 and with an ex-dividend date of 5 October 2023. The interim dividend is conditional on the Scheme

not having become effective prior to 7 October 2023 and, if paid, will be paid without any reduction to the Acquisition cash consideration of 1,925p per EMIS share.

Summary and outlook

It has been a positive first half of the year with a solid performance from the business. EMIS continues to focus on developing its technology and cloud refresh strategy to support its customer base. Our strategy to address the needs of the healthcare sector as it increases its reliance on data remains focussed and relevant and we therefore look forward with confidence.

FINANCIAL REVIEW

The Group performed well in the period with revenue, recurring revenue, adjusted operating profit and margin all higher than for the comparative period. Reported operating profit and margin were lower than the comparative period primarily due to higher exceptional costs incurred in the period relating to the technology transformation programme and to corporate transaction costs. Adjusted cash from operations was lower than the comparative period as a result of short-term working capital factors, with reported cash generated from operations also held back by higher levels of cash exceptional costs.

Group revenue increased by 2% to £88.8m (2022 H1: £87.3m), while recurring revenue grew by 6% to £76.0m (2022 H1: £71.8m), representing 86% (2022 H1: 82%) of the Group's total revenue.

Adjusted operating profit for the period was £23.9m (2022 H1: £22.4m), with strong growth in recurring revenue partly offset by lower non-recurring revenues, higher staff costs and increased operating expenses. With a similar level of development costs capitalised, and higher exceptional costs of £8.4m (2022 H1: £4.3m) related to technology transformation and corporate transaction costs, reported operating profit reduced to £12.7m (2022 H1: £15.3m).

Segmental performance

In EMIS Health, revenue increased to £52.8m (2022 H1: £51.3m), including £1.9m from the 2022 Healthcare Gateway acquisition and reflecting the ongoing steady planned reduction in lower margin resale partner activities. Encouragingly, the delivery run rate of previously secured digitisation contracts increased towards the end of the half year. This higher quality revenue mix and tight cost control resulted in an increased adjusted operating profit of £14.0m (2022 H1: £12.5m). Reported divisional operating profit was also higher at £12.8m (2022 H1: £11.8m) including an increase in the amortisation in respect of acquired intangible assets following the acquisition of Healthcare Gateway.

In EMIS Enterprise, revenue was slightly higher at £36.0m (2022 H1: £35.9m) with growth in analytics offsetting reductions in Pinnacle and Partners as a result of some significant one-offs in the prior year. Adjusted operating profit also marginally increased to £10.8m (2022 H1: £10.7m) and reported operating profit increased to £9.1m (2022 H1: £8.5m) following a reduction in the amortisation of development costs.

Revenue

The analysis of revenue is summarised below with full segmental revenue analysis set out in note 9.

- **software subscription and support** revenue increased to £61.1m (2022 H1: £56.3m), reflecting higher revenue from the Group's existing customers particularly in analytics and community and the benefit of the Healthcare Gateway acquisition;
- **interface and connectivity charges** decreased to £11.5m (2022 H1: £13.3m), as a result of lower levels of one-off elite partner sales in the partners business compared to the prior period;
- **other services** revenue was lower at £7.0m (2022 H1: £8.5m), principally due to a reduction in revenue from data extraction services as customers move onto the group's modern analytics platform;
- **hardware and related services** revenue increased to £5.3m (2022 H1: £4.6m), despite the planned reduction in lower margin resale partner activities as a result of a significant increase in new site installations in community pharmacy which will continue into the second half of the year; and
- **perpetual licences, training, consultancy and implementation** revenue was lower at £3.9m (2022 H1: £4.6m), with a reduction in the NHS Covid-19 vaccination programme as expected and in customer-funded development work.

Profitability

Adjusted operating profit increased by 7% to £23.9m (2022 H1: £22.4m) with the adjusted operating margin increasing to 26.9% (2022 H1: 25.7%), reflecting the stronger sales mix and tight cost control.

The Group employed 1,560 staff at 30 June 2023, increasing slightly from the 1,539 at 31 December 2022. Other operating expenses increased with additional costs associated with the Group's investment in technology and information security.

During the period exceptional costs were incurred in delivering the technology transformation programme as the Group transitions to the cloud and in relation to corporate transaction costs due to the recommended acquisition of EMIS Group Plc by Bordeaux UK Holdings II Limited.

Taking into account these increased exceptional costs, and a similar level of capitalisation of development costs and amortisation charges, reported operating profit was lower at £12.7m (2022 H1: £15.3m).

The tax charge for the period was £3.6m (2022 H1: £3.2m), representing an effective rate of tax before share of result of joint venture and associate and non-deductible exceptional costs of 23.0% (2022 H1: 19.0%), with the increase reflecting the higher headline corporation tax rate of 25.0% from April 2023.

Adjusted basic and diluted EPS both increased by 2% to 29.7p and 29.3p respectively (2022 H1: 29.1p and 28.9p). The reported basic and diluted EPS were both lower at 15.1p and 14.9p respectively (2022 H1: 19.4p and 19.2p).

Cash flow, net cash and financing

Cash generated from operations was £17.2m (2022 H1: £28.4m), with the reduction resulting from temporary adverse working capital movements due to increased inventory ahead of the planned on-boarding of a number of new sites in Community Pharmacy together with a short-term delay in cash receipts following the significant NHS reorganisation in the period. Adjusted cash from operations, stated after deducting capitalised development costs and adjusting for the cash impact of exceptional items, decreased to £20.7m (2022 H1: £27.4m).

Gross capital expenditure on property, plant and equipment and purchased software excluding capitalised development costs remained tightly controlled at £0.8m (2022 H1: £1.3m).

The Group paid £0.7m of deferred consideration in respect of the 2022 Edenbridge acquisition and £6.0m (2022 H1: £nil) to acquire shares to satisfy future requirements of employee share schemes, partially offset by £0.4m (2022 H1: £0.4m) received for shares transferred to employees.

There were no dividends paid during the period (2022 H1: £11.1m), with the payment of the final dividend for 2022 being made in July 2023.

After finance income and costs, lease payments, and tax, the Group ended the period with net cash of £48.5m (31 December 2022: £45.9m; 2022 H1: £53.6m).

As at 30 June 2023, the Group had available undrawn bank facilities of £30.0m in place until December 2024. An accordion arrangement is in place to increase the quantum up to £60.0m if required.

Group statement of comprehensive income

for the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Revenue	9	88,759	87,271	175,373
Costs:				
Changes in inventories		1,933	178	(12)
Cost of goods and services		(7,469)	(7,682)	(12,889)
Staff costs		(39,687)	(37,121)	(77,375)
Other operating expenses		(23,102)	(19,935)	(40,411)
Depreciation of property, plant and equipment		(2,602)	(2,210)	(4,915)
Amortisation of intangible assets	14	(5,175)	(5,248)	(12,025)
Adjusted operating profit		23,909	22,430	47,686
Development costs capitalised	14	2,102	2,113	4,361
Amortisation of intangible assets ¹	14	(4,922)	(5,019)	(11,539)
Exceptional costs	13	(8,432)	(4,271)	(12,762)
Operating profit		12,657	15,253	27,746
Finance income		684	143	480
Finance costs		(179)	(257)	(531)
Share of result of joint venture and associate		—	309	533
Exceptional fair value gain on previously held interest in joint venture		—	—	10,706
Profit before taxation		13,162	15,448	38,934
Income tax expense	10	(3,600)	(3,195)	(5,764)
Profit for the period		9,562	12,253	33,170
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Currency translation differences		(187)	167	42
Other comprehensive income		(187)	167	42
Total comprehensive income for the period		9,375	12,420	33,212
Attributable to:				
– equity holders of the parent		9,375	12,420	33,212
Earnings per share attributable to equity holders of the parent		Pence	Pence	Pence
Basic	11	15.1	19.4	52.5
Basic diluted	11	14.9	19.2	51.8
Adjusted	11	29.7	29.1	62.0
Adjusted diluted	11	29.3	28.9	61.2

1 Excluding amortisation of computer software used internally of £253,000 (2022 H1: £229,000; 2022 FY: £486,000).

Group balance sheet

as at 30 June 2023

	Notes	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Non-current assets				
Goodwill		85,600	68,003	85,600
Other intangible assets	14	35,541	33,445	38,888
Property, plant and equipment		12,632	16,705	14,803
Investment in joint venture and associate		199	258	199
		133,972	118,411	139,190
Current assets				
Inventories		2,451	708	518
Current tax assets		1,070	5,682	254
Trade and other receivables		50,846	43,350	38,889
Cash and cash equivalents		48,500	53,610	45,918
		102,867	103,350	85,579
Total assets		236,839	221,761	224,769
Current liabilities				
Trade and other payables		(34,640)	(29,273)	(34,175)
Deferred income		(43,485)	(45,686)	(34,342)
Accrued dividend	12	(13,331)	—	—
Other financial liabilities	15	(3,759)	(3,251)	(1,500)
Lease liabilities		(612)	(797)	(705)
		(95,827)	(79,007)	(70,722)
Non-current liabilities				
Deferred tax liability		(5,261)	(4,459)	(4,916)
Other financial liabilities	15	—	(3,000)	(3,000)
Lease liabilities		(3,313)	(4,590)	(3,660)
		(8,574)	(12,049)	(11,576)
Total liabilities		(104,401)	(91,056)	(82,298)
Net assets		132,438	130,705	142,471
Equity				
Ordinary share capital		633	633	633
Share premium		51,045	51,045	51,045
Own shares held in trust		(10,156)	(4,263)	(4,529)
Retained earnings		89,322	81,384	93,541
Other reserve		1,594	1,906	1,781
Total equity		132,438	130,705	142,471

Group statement of cash flows

for the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Profit before taxation		13,162	15,448	38,934
Finance income		(684)	(143)	(480)
Finance costs		179	257	531
Share of result of joint venture		—	(309)	(533)
Exceptional fair value gain on previously held interest in joint venture		—	—	(10,706)
Operating profit		12,657	15,253	27,746
Adjustment for non-cash items				
Amortisation of intangible assets		5,175	5,248	12,025
Depreciation of property, plant and equipment		2,602	2,210	4,915
(Profit)/loss on disposal of property, plant and equipment		(3)	(6)	84
Share-based payments		1,054	898	1,933
Operating cash flow before changes in working capital		21,485	23,603	46,703
Changes in working capital				
(Increase)/decrease in inventory		(1,933)	(178)	12
Increase in trade and other receivables		(11,113)	(11,521)	(5,385)
Increase in trade and other payables		698	748	4,830
Increase in deferred income		8,072	15,746	2,653
Adjusted cash generated from operations		20,749	27,360	54,634
Development costs capitalised	14	2,102	2,113	4,361
Cash costs of exceptional items		(5,642)	(1,075)	(10,182)
Cash generated from operations		17,209	28,398	48,813
Finance costs		(20)	(239)	(281)
Finance income		670	49	336
Tax paid		(5,572)	(3,878)	(2,659)
Net cash generated from operating activities		12,287	24,330	46,209
Cash flows from investing activities				
Purchase of property, plant and equipment		(743)	(1,296)	(2,478)
Proceeds from sale of property, plant and equipment		6	9	9
Development costs capitalised	14	(2,102)	(2,113)	(4,361)
Purchase of software	14	(26)	(59)	(267)
Dividends received		—	406	626
Acquisition contingent consideration paid		—	—	(1,751)
Acquisition of subsidiaries net of cash acquired		—	(18,432)	(30,847)
Net cash used in investing activities		(2,865)	(21,485)	(39,069)
Cash flows from financing activities				
Transactions in own shares held in trust		(5,627)	376	110
Payment of lease liabilities		(472)	(568)	(1,181)
Contingent consideration	15	(741)	(2,000)	(2,000)
Dividends paid	12	—	(11,085)	(22,193)
Net cash used in financing activities		(6,840)	(13,277)	(25,264)
Net increase/(decrease) in cash and cash equivalents		2,582	(10,432)	(18,124)
Cash and cash equivalents at beginning of period		45,918	64,042	64,042
Cash and cash equivalents at end of period		48,500	53,610	45,918

Group statement of changes in equity

for the six months ended 30 June 2023

Notes	Share capital £'000	Share premium £'000	Own shares	Retained earnings £'000	Other reserve £'000	Total equity £'000
			held in trust £'000			
At 1 January 2022 (audited)	633	51,045	(4,639)	79,699	1,739	128,477
Profit for the period	—	—	—	12,253	—	12,253
Transactions with owners						
Share acquisitions less sales	—	—	376	—	—	376
Share-based payments	—	—	—	898	—	898
Deferred tax in relation to share-based payments	—	—	—	(381)	—	(381)
Dividends paid	—	—	—	(11,085)	—	(11,085)
Other comprehensive income						
Currency translation differences	—	—	—	—	167	167
At 30 June 2022 (unaudited)	633	51,045	(4,263)	81,384	1,906	130,705
Profit for the period	—	—	—	20,917	—	20,917
Transactions with owners						
Share acquisitions less sales	—	—	(266)	—	—	(266)
Share-based payments	—	—	—	1,035	—	1,035
Deferred tax in relation to share-based payments	—	—	—	1,313	—	1,313
Dividends paid	12	—	—	(11,108)	—	(11,108)
Other comprehensive income						
Currency translation differences	—	—	—	—	(125)	(125)
At 31 December 2022 (audited)	633	51,045	(4,529)	93,541	1,781	142,471
Profit for the period	—	—	—	9,562	—	9,562
Transactions with owners						
Share acquisitions less sales	—	—	(5,627)	—	—	(5,627)
Share-based payments	—	—	—	1,054	—	1,054
Deferred tax in relation to share-based payments	—	—	—	(1,504)	—	(1,504)
Dividends accrued	12	—	—	(13,331)	—	(13,331)
Other comprehensive income						
Currency translation differences	—	—	—	—	(187)	(187)
At 30 June 2023 (unaudited)	633	51,045	(10,156)	89,322	1,594	132,438

Notes to the unaudited consolidated half year financial statements

1. General information

The unaudited consolidated half year financial statements for the six months ended 30 June 2023 and the six months ended 30 June 2022 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 25 May 2023 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed half year financial statements were approved for issue by the Board of Directors on 7 September 2023 and were not independently reviewed by the Group's auditor.

2. Basis of preparation

These condensed half year financial statements for the half year ended 30 June 2023 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("adopted IFRS").

The financial information is presented in sterling, which is the functional currency of EMIS Group. All financial information presented has been rounded to the nearest thousand.

Going concern

The Group is profitable and it is anticipated that this will continue. There is a high and continuing level of recurring revenue and high cash conversion. The Group has an undrawn committed £30m bank facility in place until December 2024, comprising a revolving credit facility of £25m and an overdraft facility of £5m.

The Directors have prepared cash flow forecasts covering a period of at least twelve months from the date of approval of these condensed half year financial statements. These forecasts, including consideration of severe but plausible downside scenarios informed by the principal risks and uncertainties set out in the strategic report of the Group's annual report and accounts for the year ended 31 December 2022, including increased market competition, failure to monitor and rectify software defects on a timely basis, failure to recruit or retain appropriate numbers of suitably qualified people in critical areas, and failures to comply with information governance legislation. The forecasts show the Group continuing to operate with significant cash reserves and not needing to draw on the £30m bank facility in place under any of the scenarios considered.

As explained in the Chief Executive Officer's statement within the annual financial statements for the year ended 31 December 2022, on 17 June 2022 the Group agreed a proposal for the group to be acquired by Bordeaux UK Holdings II Limited, an affiliate of Optum Health Solutions (UK) Limited ("Optum") and a wholly owned subsidiary of UnitedHealth Group Incorporated. The Directors have considered statements in the announcement made pursuant to rule 2.7 of the takeover code in respect of the Proposed Acquisition, and discussions with Optum senior management, regarding Optum's intention to ensure continuity of the Group's existing business with no material changes to its existing operations for at least a period of twelve months from completion of the Acquisition. Considering the above, the Directors have concluded that the completion of this acquisition would not impact the appropriateness of the going concern basis of preparation of the financial statements. The Board also considered the potential impact of the Proposed Acquisition on the cash flow forecasts used in the going concern assessment and concluded that there was currently no basis for modelling any impact arising directly from a potential future completion.

Based on this assessment the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for at least twelve months from the date of approval of these half year financial statements and therefore continue to adopt the going concern basis of accounting in preparing these condensed half year financial statements.

3. Accounting policies

The accounting policies applied in these half year financial statements are the same as those applied in the Group's annual report and accounts for the year ended 31 December 2022.

Current taxes on income in the half year period are accrued using the tax rates that would be applicable to expected total annual profits. Deferred taxes on income are calculated based on the standard rates that are enacted as at the balance sheet date.

4. Critical accounting judgements and key sources of estimation uncertainty

In preparing the 2023 half year financial statements certain significant judgements, including those involving estimations, have been made in the process of applying the Group's accounting policies. There are no new significant judgements and key sources of estimation uncertainty in addition to those described in the 2022 Group annual report and accounts.

5. Principal risks and uncertainties

The 2022 Group annual report and accounts describes the principal risks and uncertainties that could impact the Group's performance. These risks relate to healthcare structure and procurement changes, technology and software development, people and culture, information governance and cyber security, and clinical safety. These remain unchanged since the annual report was published and are not expected to change for the remaining six

months of the financial year. The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

6. Financial risk management

The Group's activities expose it to financial risks including credit risk, liquidity risk, interest rate risk, price risk, and foreign exchange risk.

These condensed consolidated half year financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the 2022 Group annual report and accounts.

7. Forward-looking statements

Certain statements in this half year report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

8. Segmental reporting

IFRS 8 Operating Segments provides for segmental information disclosure on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the main Board.

The Directors have presented segmental information to reflect the Group's structure, activities and the markets being served. The Group has two operating and reportable segments, EMIS Health and EMIS Enterprise, both involved with the supply and support of connected healthcare software and systems.

Each operating segment is assessed by the Board based on an adjusted measure of operating profit, as defined in the appendix. Group operating expenses, finance income and costs, cash and cash equivalents, and current and deferred taxes are not allocated to segments, as income tax, group and financing activities are not segment-specific.

	Six months ended 30 June 2023 Unaudited			Six months ended 30 June 2022 Unaudited		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Revenue	52,783	35,976	88,759	51,334	35,937	87,271
Segmental operating profit as reported internally	14,009	10,763	24,772	12,478	10,732	23,210
Development costs capitalised	1,529	573	2,102	1,720	393	2,113
Amortisation of development costs	(1,259)	(459)	(1,718)	(1,614)	(956)	(2,570)
Amortisation of acquired intangible assets	(1,436)	(1,768)	(3,204)	(795)	(1,654)	(2,449)
Segmental operating profit	12,843	9,109	21,952	11,789	8,515	20,304
Group operating expenses			(863)			(780)
Exceptional costs			(8,432)			(4,271)
Operating profit			12,657			15,253
Net finance income/(costs)			505			(114)
Share of result of joint venture and associate			—			309
Profit before taxation			13,162			15,448

Revenue of £59,935,000 (2022 H1: £58,231,000) is derived from the NHS and related bodies. Revenue of £1,347,000 (2022 H1: £1,609,000) is derived from customers outside the United Kingdom.

9. Revenue analysis

Revenue is analysed as follows:

	Six months ended 30 June 2023 Unaudited			Six months ended 30 June 2022 Unaudited		
	EMIS Health £'000	EMIS Enterprise £'000	Total £'000	EMIS Health £'000	EMIS Enterprise £'000	Total £'000
Software subscription and support	42,058	19,021	61,079	39,667	16,668	56,335
Interface and connectivity charges	1,544	9,946	11,490	2,188	11,101	13,289
Other services	4,248	2,769	7,017	4,167	4,353	8,520
Hardware and related services	2,053	3,249	5,302	2,243	2,284	4,527
Perpetual licences, training, consultancy and implementation	2,880	991	3,871	3,069	1,531	4,600
	52,783	35,976	88,759	51,334	35,937	87,271

10. Income tax expense

The tax expense recognised reflects management estimates of the tax charge for the period and has been calculated using the estimated average tax rate of UK corporation tax for the financial year of 23.5% (2022: 19.0%).

Deferred tax balances have been calculated at 25.0%, being the rate substantively enacted at the balance sheet date.

11. Earnings per share (EPS)

The calculation of basic and diluted EPS is based on the following earnings and numbers of shares:

	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Earnings			
Profit attributable to equity holders	9,562	12,253	33,170
Development costs capitalised	(2,102)	(2,113)	(4,361)
Amortisation of development costs and acquired intangible assets	4,922	5,019	11,539
Exceptional costs	8,432	4,271	12,762
Exceptional fair value gain on previously held interest in joint venture	—	—	(10,706)
Tax effect of above items at 23.5% (2022: 19.0%)	(2,059)	(1,043)	(3,253)
Adjusted earnings attributable to equity holders	18,755	18,387	39,151

	Number '000	Number '000	Number '000
Weighted average number of ordinary shares			
Total shares in issue	63,311	63,311	63,311
Shares held by Employee Benefit Trust	(127)	(233)	(186)
For basic EPS calculations	63,184	63,078	63,125
Effect of potentially dilutive share options	815	641	848
For diluted EPS calculations	63,999	63,719	63,973

	Six months ended 30 June 2023 Unaudited Pence	Six months ended 30 June 2022 Unaudited Pence	Year ended 31 December 2022 Audited Pence
EPS			
Basic	15.1	19.4	52.5
Basic diluted	14.9	19.2	51.8
Adjusted	29.7	29.1	62.0
Adjusted diluted	29.3	28.9	61.2

12. Dividends

In relation to the 2022 financial year, an interim dividend of 17.6p was paid on 3 November 2022 amounting to £11,108,000. A final dividend of 21.1p, amounting to £13,331,000, was approved at the Annual General Meeting on 29 June 2023 and was paid on 11 July 2023. This final dividend has been recognised as a liability in these half year financial statements.

For the 2023 financial year, the Directors have declared an interim dividend of 21.3p, which is conditional on the acquisition of EMIS Group plc by Bordeaux Holdings II Limited not having completed before 7 October 2023. The interim dividend will be payable on 23 October 2023 to shareholders on the register at the close of business on 6 October 2023. This interim dividend, which will amount to approximately £13,452,000, has not been recognised as a liability in these half year financial statements.

13. Exceptional costs

During the period the following costs were incurred in delivering the technology transformation programme as the Group transitions to the cloud and in relation to corporate transaction costs related to the recommended acquisition of EMIS Group Plc by Bordeaux UK Holdings II Limited. These costs have been classified as exceptional owing to the material one-off nature of these projects:

	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Technology transformation programme			
Staff costs	1,120	—	2,197
Other operating expenses	3,114	1,565	5,137
Depreciation of property, plant and equipment	1,031	201	783
Amortisation of intangible assets	60	—	40
	5,325	1,766	8,157
Corporate transaction costs			
Staff costs	615	—	972
Other operating expenses	2,492	2,505	3,633
	3,107	2,505	4,605
Total			
Staff costs	1,735	—	3,169
Other operating expenses	5,606	4,070	8,770

Depreciation of property, plant and equipment	1,031	201	783
Amortisation of intangible assets	60	—	40
	8,432	4,271	12,762

Staff costs classified as exceptional reflect the cost of time employees spent working directly on supporting these projects and relate largely to roles already in the business where time was diverted to these projects from other value-adding activities. Other operating expenses are third party costs incurred as a direct consequence of the projects. Depreciation and amortisation are the incremental charges incurred either as a result of revisions to the useful lives of existing assets as a result of the projects, or charges arising from assets purchased specifically for the purpose of supporting the technology transformation programme.

The cash cost of exceptional items shown on the Group statement of cash flows of £5,642,000 (2022 H1: £1,075,000) relates to the total staff and other operating costs of £7,341,000 (2022 H1: £4,070,000) less an increase in the trade and other payables relating to the projects of £1,699,000 (2022 H1: £2,995,000).

14. Other intangible assets

	Computer software used internally £'000	Computer software developed for external sale £'000	Computer software acquired on business combinations £'000	Customer relationships £'000	Total £'000
Cost					
At 1 January 2022	8,376	68,740	43,330	31,946	152,392
Additions	59	2,113	—	—	2,172
Acquisition of businesses	—	—	10,612	1,551	12,163
At 30 June 2022	8,435	70,853	53,942	33,497	166,727
Additions	208	2,248	—	—	2,456
Acquisition of businesses	—	—	9,748	(284)	9,464
At 31 December 2022	8,643	73,101	63,690	33,213	178,647
Additions	26	2,102	—	—	2,128
At 30 June 2023	8,669	75,203	63,690	33,213	180,775
Accumulated amortisation and impairment					
At 1 January 2022	7,456	54,079	39,259	27,240	128,034
Charged in period	229	2,570	1,338	1,111	5,248
At 30 June 2022	7,685	56,649	40,597	28,351	133,282
Charged in period	257	3,779	1,629	1,112	6,777
At 31 December 2022	7,942	60,428	42,226	29,463	140,059
Charged in period	253	1,718	2,090	1,114	5,175
At 30 June 2023	8,195	62,146	44,316	30,577	145,234
Net book value					
At 30 June 2023	474	13,057	19,374	2,636	35,541
At 31 December 2022	701	12,673	21,464	3,750	38,588
At 30 June 2022	750	14,204	13,345	5,146	33,445
At 1 January 2022	920	14,661	4,071	4,706	24,358

15. Other financial liabilities

	Six months ended 30 June 2023 Unaudited £'000	Six months ended 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Current			
Contingent acquisition consideration – Edenbridge	3,759	3,000	1,500
Contingent acquisition consideration – FourteenFish	—	251	—
Total	3,759	3,251	1,500
Non-current			
Contingent acquisition consideration – Edenbridge	—	3,000	3,000
Total	—	3,000	3,000

The liability in respect of Edenbridge is payable based on the achievement of specified revenue targets. Estimated fair value has been measured based on the expected future amounts payable, as the impact of discounting is not material. This has been categorised as a level 3 fair value measurement under IFRS 13, as the inputs to the valuation such as the future performance of Edenbridge, are not based on observable market data.

In respect of the Edenbridge contingent acquisition consideration, a payment of £741,000 was made during the period and £3,000,000 was reclassified from non-current to current.

Appendix: Alternative performance measures (APMs)

This report contains certain financial measures (APMs) that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Group.

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

Recurring revenue

Recurring revenue is the revenue that annually repeats either under contractual arrangement or by predictable customer habit. It highlights how much of the Group's total revenue is anticipated to repeat in future periods, providing a measure of the financial strength of the Group. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Reported revenue	88,759	87,271	175,373
Non-recurring revenue	(12,740)	(15,459)	(32,042)
Recurring revenue	76,019	71,812	143,331

Adjusted operating profit, adjusted operating margin, and adjusted earnings per share

Adjusted operating profit is operating profit from continuing operations excluding exceptional items, the effect of capitalisation and amortisation of development costs, and the amortisation of acquired intangible assets. The same adjustments are also made in determining the adjusted operating margin of the Group and its segments and also in determining adjusted earnings per share (EPS). The EPS calculation further adjusts for the related tax effect of the operating profit adjustments, and the exceptional fair value gain on previously held interest in joint venture.

The Board uses these metrics to assess underlying performance, as:

- it excludes exceptional items (items are only classified as exceptional due to their nature or size);
- it excludes any one-off goodwill impairment;
- by expensing capitalised development costs (and also excluding the impact of the amortisation of these costs) it reflects the underlying in-year cash cost of development of software for external sale, as development is considered to be a core ongoing operating function of the business; and
- it excludes the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions. This is consistent with the treatment of the amortisation of the Group's software developed for external sale.

These metrics are used internally for reporting business unit performance and in determining management and executive remuneration. They are commonly used by other software companies and are also well understood by the Group's investor and analyst community.

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Reported operating profit	12,657	15,253	27,746
Development costs capitalised	(2,102)	(2,113)	(4,361)
Amortisation of computer software developed for external sale	1,718	2,570	6,349
Amortisation of intangible assets arising on business combinations	3,204	2,449	5,190
Exceptional costs (see note 13)	8,432	4,271	12,762
Adjusted operating profit	23,909	22,430	47,686

A reconciliation of adjusted earnings used in the adjusted EPS calculations is shown below:

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Profit attributable to equity holders	9,562	12,253	33,170
Development costs capitalised	(2,102)	(2,113)	(4,361)
Amortisation of computer software developed for external sale	1,718	2,570	6,349
Amortisation of intangible assets arising on business combinations	3,204	2,449	5,190
Exceptional costs	8,432	4,271	12,762
Exceptional fair value gain on previously held interest in joint venture	—	—	(10,706)
Tax effect of above items at 23.5% (2022: 19%)	(2,059)	(1,043)	(3,253)
Adjusted profit attributable to equity holders	18,755	18,387	39,151

The tax effect adjusts for the estimated impact on the income tax expense of the adjusting items, reflecting expenses/income that are not expected to be allowable/chargeable in determining taxable profit, and has been calculated at a rate of 23.5% (2022: 19%).

Adjusted cash generated from operations

The Group's adjusted cash generated from operations adjusts for development costs capitalised and the cash costs of exceptional items, consistent with the adjusted operating profit metric used by the Group. This provides a meaningful metric for the underlying cash the Group generates having accounted for the cash cost of all development expenditure and adding back the cash cost of non-recurring exceptional items.

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 December 2022 £'000
Reported cash generated from operations	17,209	28,398	48,813
Development costs capitalised	(2,102)	(2,113)	(4,361)
Cash cost of exceptional items	5,642	1,075	10,182
Adjusted cash generated from operations	20,749	27,360	54,634

Net cash/(debt)

The Group uses net cash/(debt), defined as cash and cash equivalents less total borrowings (excluding IFRS 16 lease liabilities), as a supplementary measure in evaluating its liquidity, as it indicates the level of cash available to the Group and provides an indicator of the overall balance sheet strength. It is used in the calculation of the leverage ratio under its bank facility arrangements. For the six months ended 30 June 2023 the Group was in a net cash position, with no borrowings.