

EMIS Group

Strengthening the core

FY17 results

EMIS Group's recent restructuring enabled it to report FY17 adjusted profits in line with forecasts, despite revenues below our expectations. The company's immediate focus is on strengthening its core business, both in the wake of the recent customer support issue, but also to ensure it can maintain its market-leading position in the UK primary care market. Lower revenue growth and increased costs to support near-term projects reduce our earnings forecasts for FY18 and FY19. Management is working on detailed plans for growth, which it expects to share later this year.

Year end	Revenue (£m)	PBT* (£m)	Dil EPS* (p)	EMIS adj. dil. EPS** (p)	DPS (p)	P/E (x)	Yield (%)
12/17	160.4	35.2	43.1	47.0	25.8	19.2	3.1
12/18e	165.7	36.7	45.0	46.5	26.8	18.3	3.2
12/19e	171.6	39.8	48.7	48.4	27.8	16.9	3.4
12/20e	178.5	42.9	53.1	53.2	29.0	15.5	3.5

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **EMIS adjusted EPS – cash accounts for development costs and excludes exceptional items and amortisation of acquired intangibles.

Slower revenue growth partially offset by cost-cutting

Group revenues grew 1.0% y-o-y (2.8% below our forecast), while adjusted operating profit declined 3.5%. Excluding the investment in Patient, adjusted profit grew 5% y-o-y, benefiting from cost reductions from the now completed reorganisation programme. Net cash of £14m at year-end was ahead of our £7m forecast due to lower working capital consumption. The one-off £11.2m cost to fix the previously announced customer support issue exceeded our £9m estimate.

Focused on three short-term projects

The company continues to work with NHS Digital to resolve the customer support issue. In addition, it is focused on ensuring that the primary care business is included on IT Futures, the next GP framework agreement for England. This is the largest business stream within the group so it is crucial that EMIS software is selected. To support the requirements of IT Futures and changing models of patient care, the company is upgrading EMIS Web.

Estimate changes and valuation

We have revised our forecasts to reflect lower revenue growth and a reduced operating cost base in FY17, as well as increased costs to strengthen the primary care support function in FY18. Our adjusted EPS forecast is reduced by 4.6% in FY18 and 11.3% in FY19 and we introduce a forecast for 9.9% EPS growth in FY20. Since confirmation that no other issues have been uncovered, the stock is up 14%. EMIS is now trading on 18.3x FY18e EPS, at a 15% discount to its peer group median. Although EMIS is more profitable than its peers, the forecast decline in earnings in FY18 is weighing on the valuation. Evidence of earnings growth resumption will be key to share price upside – in the shorter term, this could include positive news on the Scottish and English primary care procurements, and in the longer term, evidence that the investment in Patient is paying off. Strong cash generation underpins the 3% dividend yield.

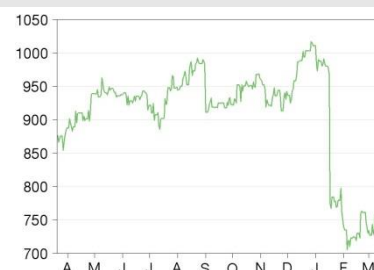
Software & comp services

19 March 2018

Price 825p
Market cap £522m

Net cash (£m) at end FY17	14.0
Shares in issue	63.3m
Free float	98%
Code	EMIS
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	13.0	(16.5)	(6.0)
Rel (local)	14.6	(13.3)	(4.3)
52-week high/low	1,017p	705p	

Business description

EMIS is a clinical software supplier to the primary care market in the UK (supplying over 50% of UK GP practices), a software supplier to UK pharmacies, and through several acquisitions also supplies specialist and acute care software.

Next events

H118 trading update	July 2018
---------------------	-----------

Analysts

Katherine Thompson	+44 (0)20 3077 5730
Dan Ridsdale	+44 (0)20 3077 5729

tech@edisongroup.com

[Edison profile page](#)

EMIS Group is a research client of Edison Investment Research Limited

Review of FY17 results

Exhibit 1: FY17 results highlights

£000s	FY16a	FY17e	FY17a	Difference	y-o-y
Revenues	158,712	164,955	160,354	-2.8%	1.0%
Normalised operating profit	38,897	36,562	34,895	-4.6%	-10.3%
Reported operating profit	23,539	14,844	10,640	-28.3%	-54.8%
EMIS adjusted* operating profit	38,753	37,275	37,406	0.4%	-3.5%
Normalised EPS - p	49.4	45.7	43.1	-5.7%	-12.9%
Reported EPS - p	30.4	18.2	12.8	-29.6%	-57.9%
EMIS adjusted* EPS - p	49.2	46.8	47.0	0.5%	-4.4%
Net cash/(debt)	(430)	7,162	13,991	95.3%	N/A

Source: EMIS, Edison Investment Research. Note:*EMIS adjusted profitability measures – cash accounts for development costs and excludes exceptional items and amortisation of acquired intangibles

Exhibit 2: Divisional results

£m	FY16a	FY17e	FY17a	Difference	y-o-y
Revenues					
Primary, Community & Acute Care	120.6	122.2	117.6	-3.8%	-2.5%
Community Pharmacy	21.4	22.3	21.9	-1.9%	2.2%
Specialist & Care	14.2	17.2	18.0	4.9%	27.0%
Patient	2.6	3.3	2.9	-12.6%	12.7%
Total	158.7	165.0	160.4	-2.8%	1.0%
Adjusted operating profit					
Primary, Community & Acute Care	33.8	35.4	34.9	-1.3%	3.3%
Community Pharmacy	4.9	5.7	5.6	-0.5%	15.4%
Specialist & Care	0.2	-0.1	0.1	247.2%	-34.7%
Patient	1.5	-2.0	-1.9	6.8%	-225.6%
Central costs	-1.6	-1.7	-1.4	16.0%	-14.3%
Total adjusted operating profit	38.8	37.3	37.4	0.4%	-3.5%
Reported operating profit					
Primary, Community & Acute Care	23.4	10.2	9.5	-6.9%	-59.5%
Community Pharmacy	6.1	4.8	4.8	-0.5%	-21.9%
Specialist & Care	-5.8	-0.8	-0.7	-2.3%	-87.4%
Patient	1.5	-1.7	-1.5	-13.8%	-198.8%
Central costs	-1.6	-1.7	-1.4	-16.0%	-14.3%
Total reported operating profit	23.5	14.8	10.6	-28.3%	-54.8%
Adjusted operating margin					
Primary, Community & Acute Care	28.0%	29.0%	29.7%	0.7%	1.6%
Community Pharmacy	22.8%	25.3%	25.7%	0.4%	2.9%
Specialist & Care	1.5%	-0.6%	0.8%	1.3%	-0.7%
Patient	58.2%	-60.8%	-64.9%	-4.0%	-123.0%
Total adjusted operating margin	24.4%	22.6%	23.3%	0.7%	-1.1%

Source: EMIS, Edison Investment Research

EMIS reported FY17 revenues that were 2.8% below our forecast; however, it managed to report adjusted operating profit and adjusted EPS marginally above our forecast. FY17 revenues included a £0.9 contribution from Intelate (acquired in December FY16) – excluding this, organic growth was 0.5%. On a reported operating profit and EPS basis, we note that the exceptional charge taken for the customer support issue was £11.2m, above our £9m forecast. The company closed the year with net cash of £14.0m, ahead of our £7.2m forecast mainly due to lower working capital consumption.

At a divisional level:

- **Primary, Community and Acute Care:** revenues were 3.8% lower than we forecast, showing a 2.5% decline y-o-y, with some of the shortfall from the Acute business and the majority due to a lower level of discretionary spending within Primary Care (including hosting). The company managed to reduce the cost base such that adjusted operating profit was only 1.3% lower than

we forecast and grew 3.3% y-o-y, resulting in the adjusted operating margin gaining 1.6pp over the year. On a reported basis, the cost-cutting partially offset the higher than expected charge for the customer support issue.

- **Community Pharmacy:** revenues were 1.9% lower than our forecast, showing 2.2% growth y-o-y. The delayed roll-out to the Lloyds estate was the main reason for the shortfall. Adjusted operating profit was only 0.5% below our forecast, resulting in a higher than expected margin and year-on-year growth of 15.4%.
- **Specialist & Care:** revenues were 4.9% ahead of our forecast, with year-on-year growth of 27% reflecting the implementation of screening contracts that were won in 2016. Despite contract start-up costs, cost reductions in other areas resulted in adjusted operating profit turning positive for the year, compared to our forecast for a small loss.
- **Patient:** revenues were below our forecast, but a slightly lower level of costs resulted in a smaller than expected adjusted operating loss.
- **Central costs:** these were reduced by 14% y-o-y.

Near-term priorities

The company is focused on strengthening its core business and enhancing its software to ensure it can meet the evolving needs of the NHS, with three near-term projects underway.

GPSoC to become IT Futures

Within Primary Care, by far the largest customer is NHS England, with EMIS Web being used by 4,197 English GP practices (82% of the total number of practices it supports in the UK). We estimate that this business generates c 40% of the group's revenues. The software is available to practices via the GP System of Choice (GPSoC) framework, which is centrally funded by the NHS. The current framework has been extended until the end of 2018 while a new framework, called IT Futures, is developed. EMIS expects the procurement process to start later this year and conclude in H119. This is likely to mean that the current framework will need to be extended further until the new framework is available.

Clearly it is crucial that EMIS is selected as a vendor on the IT Futures framework agreement. The company is currently in communication with NHS Digital to ascertain the technical requirements for the new framework. This is likely to include increased flexibility, interoperability and modularity, in order to support the many emerging care pathways. The move to keep patients out of hospital as far as possible while reducing the pressure on primary care is likely to mean greater use of community care (eg district nurses, specialist clinics, pharmacists) and self-care.

Our forecasts include English practices under the current framework and make no assumptions on the value per practice under IT Futures nor any changes in market share.

Upgrade EMIS Web

To support the IT Futures framework, the company is working on upgrading EMIS Web to ensure it can support all necessary technical requirements. The company has a new CTO in place who is leading this project. Ideally, the new software will evolve with new modules introduced on a regular basis, rather than the "big-bang" approach of upgrading the software in one go.

Resolve customer support issue

Management continues to work towards resolution of the customer support issue that was discovered in January.¹ The company has reviewed working procedures across the group and is confident that no such issue exists in any other parts of the group. It has reviewed the Primary Care support function and the historic reports to NHS Digital. As a result, it estimates that the problem arose when the current GPSoC framework was implemented in 2014. The company will now need to resolve the backlog of reported software issues as well as pay penalties to NHS Digital for not meeting the relevant SLAs. Management had initially estimated this cost at high single-digit millions (we had factored in a charge of £9m) but, on further examination, has now taken a charge of £11.2m. In addition, management has decided to strengthen the support and development functions to ensure better customer support and software maintenance, and expects this to add an incremental £3m to the cost base in FY18 and £2m in FY19. We had previously added £2m to our cost base for FY18 and FY19 for this reason, so this implies an additional cost of £1m in FY18. NHS Digital is currently validating the company's findings and in due course will decide on the level of penalties that EMIS must pay.

Business update and outlook

Primary, Community and Acute Care (PCA) – cost base reduced

The **Primary** Care business grew its market share by 1% to 56%. We note that this is likely to reduce from FY19 as the 195 Welsh practices moves away (see [Loss of Welsh GP business](#) – January 2018). Assuming market share remains at FY17 levels in England, Scotland and Northern Ireland, we forecast a UK market share of 53.9% by the end of FY20, which would still represent market leadership. The company is involved in the Scottish procurement, where it currently supports 519 practices with a legacy version of EMIS software (ie pre-EMIS Web). The current contract is of a similar size to Wales (c £2m) – if selected there is scope for EMIS to earn more than this, but it will depend on the final decision on the software specification.

The business was recently accredited by NHS Digital to deliver its Electronic Prescription Service (EPS) to dispensing doctors. EMIS Health will be able to offer this service to existing customers and could also target other practices that are not currently using EMIS Web.

EMIS Health continues to grow the network of partners that use EMIS Web, and has just added its 101st partner.

Egton deployed Wi-Fi at more than 1,000 practices during 2017. It has developed a digitisation service (in pilot), where paper documents are scanned, helping surgeries to become paperless.

The **Community** Care business grew market share by 1% to 17% and has moved into a number two market position, behind TPP. The company expects further growth from this business in FY18 with the ultimate target of moving into the number one position.

The **Acute** business saw a better performance in H2 than H1, with revenues up h-o-h and costs down over the same period. The division is focused on its best-of-breed software solutions for A&E and hospital pharmacy – in both areas it holds the number two position and gained share in both areas during the year. The EU will be rolling out the final phase of the Falsified Medicines Directive (FMD) in February 2019, which will require medicines to be tracked from manufacturer to patient. The Acute business is investing in its hospital pharmacy software to ensure it meets the requirements of FMD. It has also rolled-out a Child Protection module for the Symphony A&E product.

¹ [Internal review uncovers support issue](#) – January 2018.

Community Pharmacy (CP) – software upgrade on track

The CP business maintained its market share at 37%, which makes it joint market leader alongside Cegedim. The roll-out of the upgraded ProScript Connect software to direct customers is well underway and should be complete by the end of 2018. The Celesio roll-out to the AAH Pharmaceuticals independent estate is also underway and should be substantially complete by the end of 2018. The roll-out to the Lloyds estate (which will take market share close to 50%) has been delayed, while the customer completes another major IT project.

The business is keen to grow the use of EMIS Web by pharmacies, particularly to support Patient Group Directions – these are delegated small procedures such as flu jabs or travel vaccinations. This would enable pharmacists to look up patient information before carrying out procedures, as well as recording them in EMIS Web so that GPs are aware of treatment given to patients outside the surgery.

Specialist & Care – return to profitability

EMIS Health Specialist marginally reduced its market share from 77% to 76% over the year. The government had previously procured another software provider for its national screening programme, but this procurement appears to have been postponed. This should mean it is business as usual for the Specialist business for the time being.

EMIS Care increased its share of the outsourced diabetic eye screening market to 26%, from 18% a year ago. Several multi-year contracts that were won in 2016 were fully implemented in 2017.

Patient – making good progress

The business has completed the update of its patient.info website – it is now mobile responsive and can support multiple content formats, including short-form video content. Monthly active users averaged 15 million through 2017. The business has also completed development of the Patient Access 2.0 app – this is waiting for final approval from NHS Digital before expected launch in H218. The business will continue to invest in building its digital healthcare marketplace through the course of FY18.

Changes to forecasts

We have revised our forecasts to reflect the following:

- Revenues: we have revised our forecasts to reflect the lower level of revenues generated in FY17 as well as the loss of the Welsh GP practices starting in FY19.
- Adjusted operating profit: we have reflected the lower cost base after cost reductions made in FY17. We have added an additional £1m in cost in FY18 to strengthen customer support activities (we had previously increased the cost base by £2m). The company guided to FY18 adjusted operating profit at a similar level to FY17.
- Adjusted EPS: overall, these changes result in a 4.6% cut to FY18 EPS (1.2% decline y-o-y) and an 11.3% cut to FY19 EPS (+8.3% y-o-y). We introduce a forecast for EPS growth of 9.0% in FY20.
- Net cash: we have reflected payment of the exceptional charge for the customer support issue in FY18.

Exhibit 3: Changes to forecasts

£'000s	FY18e				FY19e				FY20e	
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	New	y-o-y
Revenues	173,684	165,748	-4.6%	3.4%	183,534	171,567	-6.5%	3.5%	178,455	4.0%
Normalised operating profit	37,790	36,200	-4.2%	3.7%	42,366	39,230	-7.4%	8.4%	42,263	7.7%
Reported operating profit	30,072	28,482	-5.3%	167.7%	34,648	31,512	-9.1%	10.6%	34,784	10.4%
EMIS adjusted operating profit	38,795	37,156	-4.2%	-0.7%	43,377	39,028	-10.0%	5.0%	42,304	8.4%
Normalised EPS (p)	47.1	45.0	-4.6%	4.4%	53.0	48.7	-8.0%	8.3%	53.1	9.0%
Reported EPS (p)	37.5	35.3	-5.8%	175.7%	43.3	39.0	-9.9%	10.7%	43.6	11.7%
EMIS adjusted EPS (p)	48.7	46.5	-4.6%	-1.2%	54.6	48.4	-11.3%	4.1%	53.2	9.9%
Net cash/(debt)	13,314	17,682	32.8%	26.4%	31,686	32,072	1.2%	81.4%	49,049	52.9%

Source: Edison Investment Research

Valuation

EMIS is trading at a discount to its peer group on all multiples and is forecast to generate a dividend yield at the top end of the range. It is at the top end of the peer group in terms of profitability. However, it is at the bottom of the range in terms of revenue growth and, with the costs of remedying the customer support issue factored in, it is forecast to see a small decline in adjusted earnings in FY18 before returning to growth in FY19. In our view, evidence that earnings are returning to growth will be key to closing this discount. Management's growth plans, due later this year, should outline how the company expects to grow revenues in the longer term.

Exhibit 4: Peer group valuation metrics

	EV/Sales (x)			P/E (x)			EV/EBIT (x)			EV/EBITDA (x)			Dividend yield (%)		
	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
EMIS	3.3	3.2	3.1	19.2	18.3	16.9	15.3	14.8	13.6	10.9	10.6	10.2	3.1	3.2	3.4
EMIS (cash R&D)				17.5	17.8	17.1	14.3	14.4	13.7						
AllScripts	2.4	2.0	1.9	22.0	17.7	15.2	16.4	15.1	13.8	11.7	10.0	9.3	0.0	0.0	0.0
athenahealth	4.9	4.4	4.0	58.7	38.7	32.4	34.0	26.8	23.9	19.6	17.1	14.8	0.0	0.0	0.0
Cegedim	1.8	1.7	1.6	23.9	17.9	14.5	26.4	18.5	14.5	11.3	9.7	8.4	0.0	1.2	1.9
Cerner	4.0	3.7	3.4	26.1	23.6	21.0	17.7	17.4	15.5	12.4	11.6	10.6	0.0	0.0	0.0
Craneware	10.0	8.7	7.7	50.8	43.9	38.4	35.2	30.3	26.6	32.5	27.9	24.5	1.1	1.2	1.2
CompuGroup	4.8	3.8	3.9	55.1	19.5	19.0	31.1	18.7	18.6	21.5	15.1	14.9	0.0	1.0	1.0
Nexus	3.4	3.1	2.9	43.5	31.4	26.0	30.8	23.8	19.5	17.3	14.5	12.6	0.6	0.7	0.7
Quality Systems	1.6	1.6	1.5	19.6	17.4	15.6	38.9			11.4	10.9	10.4	0.0	0.0	0.0
Average	4.1	3.6	3.3	37.5	26.3	22.8	28.8	21.5	18.9	17.2	14.6	13.2	0.2	0.5	0.6
Median	3.7	3.4	3.1	34.8	21.5	20.0	30.9	18.7	18.6	14.8	13.1	11.6	0.0	0.3	0.4

Source: Edison Investment Research, Bloomberg (as at 15 March)

Exhibit 5: Peer group financial performance

	Market cap	EBIT margin			EBITDA margin			Rev growth			EPS growth		
	m	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
EMIS	£522	21.8%	21.8%	22.9%	30.7%	30.5%	30.6%	1.0%	3.4%	3.5%	-12.9%	4.4%	8.3%
EMIS (cash R&D)		23.3%	22.4%	22.7%							-4.4%	-1.2%	9.9%
AllScripts	\$2,463	14.7%	13.2%	13.7%	20.7%	19.8%	20.3%	16.5%	21.6%	5.4%	12.7%	24.0%	16.4%
athenahealth	\$5,839	14.3%	16.4%	16.7%	24.8%	25.8%	27.0%	12.7%	10.9%	10.4%	30.5%	51.5%	19.6%
Cegedim	€ 567	6.7%	9.0%	10.8%	15.5%	17.1%	18.8%	3.7%	6.2%	5.3%	-288%	33.6%	23.4%
Cerner	\$20,634	22.4%	21.1%	21.8%	32.0%	31.6%	32.1%	7.2%	7.7%	8.6%	3.5%	10.5%	12.1%
Craneware	£523	28.5%	28.7%	28.9%	30.9%	31.2%	31.3%	16.6%	15.3%	13.5%	8.7%	15.7%	14.2%
CompuGroup	€2,433	15.3%	20.4%	20.8%	22.1%	25.2%	25.9%	4.0%	24.9%	-1.4%	-12.6%	183%	2.7%
Nexus	€424	11.2%	13.0%	14.8%	19.9%	21.4%	23.0%	11.2%	10.8%	7.6%	17.9%	38.7%	20.9%
Quality Systems	\$839	4.2%	12.2%	N/A	14.1%	14.5%	14.5%	3.8%	2.3%	5.0%	-17.9%	12.8%	11.2%
Average		14.7%	16.7%	18.2%	22.5%	23.3%	24.1%	9.5%	12.5%	6.8%	6.1%	48.0%	13.9%
Median		14.5%	14.8%	16.7%	21.4%	23.3%	24.4%	9.2%	10.9%	6.5%	6.1%	28.8%	15.3%

Source: Edison Investment Research, Bloomberg (as at 15 March)

Exhibit 6: Financial summary

	£'000s	2014	2015	2016	2017	2018e	2019e	2019e
Year end 31 December								
PROFIT & LOSS								
Revenue		137,639	155,898	158,712	160,354	165,748	171,567	178,455
Cost of Sales		(12,782)	(12,955)	(14,151)	(14,674)	(14,984)	(15,784)	(16,668)
Gross Profit		124,857	142,943	144,561	145,680	150,765	155,783	161,788
EBITDA		47,645	51,964	52,288	49,222	50,562	52,532	55,901
Operating Profit (before amort. of acq. intang. SBP and except.)		34,787	37,123	38,897	34,895	36,200	39,230	42,263
EMIS adjusted operating profit		32,639	36,553	38,753	37,406	37,156	39,028	42,304
Amortisation of acquired intangibles		(6,269)	(6,509)	(6,639)	(6,717)	(6,718)	(6,718)	(6,479)
Exceptionals		873	(18,500)	(6,714)	(16,988)	0	0	0
Share-based payments		(270)	(684)	(473)	(550)	(1,000)	(1,000)	(1,000)
Operating Profit		29,121	11,430	25,071	10,640	28,482	31,512	34,784
Net Interest		(543)	(449)	(237)	(299)	(50)	0	0
Profit Before Tax (norm)		34,206	36,625	39,159	35,192	36,746	39,826	42,859
Profit Before Tax (FRS 3)		28,540	10,932	25,333	10,937	29,028	32,108	35,380
Tax		(5,719)	(5,558)	(5,208)	(2,074)	(5,806)	(6,422)	(6,722)
Profit After Tax (norm)		27,617	29,801	32,175	27,989	29,397	31,861	34,715
Profit After Tax (FRS3)		22,821	5,374	20,125	8,863	23,222	25,686	28,658
Ave. Number of Shares Outstanding (m)		62.8	62.7	62.8	62.9	62.9	62.9	62.9
EPS - normalised & diluted (p)		42.8	46.0	49.4	43.1	45.0	48.7	53.1
EPS - EMIS adjusted & diluted (p)		39.4	45.1	49.2	47.0	46.5	48.4	53.2
EPS - FRS 3 (p)		35.3	7.2	30.4	12.8	35.3	39.0	43.6
Dividend (p)		18.4	21.2	23.4	25.8	26.8	27.8	29.0
Gross Margin (%)		90.7%	91.7%	91.1%	90.8%	91.0%	90.8%	90.7%
EBITDA Margin (%)		34.6%	33.3%	32.9%	30.7%	30.5%	30.6%	31.3%
Operating Margin (before GW & except.) (%)		25.3%	23.8%	24.5%	21.8%	21.8%	22.9%	23.7%
BALANCE SHEET								
Fixed Assets		166,415	143,546	133,292	122,979	114,899	107,879	100,762
Intangible Assets		139,397	121,383	110,953	100,844	91,764	83,844	75,927
Tangible Assets		24,313	22,032	22,187	22,037	23,037	23,937	24,737
Other fixed assets		2,705	131	152	98	98	98	98
Current Assets		37,221	39,800	46,088	56,900	60,639	76,479	95,173
Stocks		1,550	1,206	1,815	1,633	1,633	1,633	1,633
Debtors		28,732	33,893	39,970	40,148	41,324	42,774	44,492
Cash		6,939	4,701	4,303	13,991	17,682	32,072	49,049
Current Liabilities		(67,665)	(63,819)	(56,158)	(65,131)	(55,758)	(57,715)	(60,032)
Creditors		(54,763)	(51,960)	(51,425)	(65,131)	(55,758)	(57,715)	(60,032)
Short term borrowings		(12,902)	(11,859)	(4,733)	0	0	0	0
Long Term Liabilities		(21,063)	(12,481)	(9,080)	(6,734)	(5,190)	(3,647)	(2,226)
Long term borrowings		(5,854)	(1,951)	0	0	0	0	0
Other long term liabilities		(15,209)	(10,530)	(9,080)	(6,734)	(5,190)	(3,647)	(2,226)
Net Assets		114,908	107,046	114,142	108,014	114,589	122,996	133,677
CASH FLOW								
Operating Cash Flow		44,856	42,711	43,657	48,834	40,013	53,039	56,500
Net Interest		(445)	(422)	(324)	(356)	50	100	100
Tax		(5,247)	(6,896)	(7,655)	(8,139)	(6,221)	(7,965)	(8,143)
Capex		(15,161)	(14,058)	(12,084)	(11,342)	(13,000)	(13,000)	(13,000)
Acquisitions/disposals		(9,959)	(4,587)	(1,790)	329	0	0	0
Financing		(1,578)	492	881	571	(500)	(500)	(500)
Dividends		(10,792)	(14,532)	(14,006)	(15,476)	(16,651)	(17,284)	(17,980)
Net Cash Flow		1,674	2,708	8,679	14,421	3,691	14,389	16,977
Opening net debt/(cash)		13,491	11,817	9,109	430	(13,991)	(17,682)	(32,072)
HP finance leases initiated		0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0
Closing net debt/(cash)		11,817	9,109	430	(13,991)	(17,682)	(32,072)	(49,049)

Source: EMIS, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by EMIS Group and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Limited (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.