



CompuGroup Medical AG

Financial Report

1 January - 31 December 2015

- preliminary and unaudited -

Synchronizing Healthcare



CompuGroup
Medical

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The preliminary results are based on unaudited financial information and on preliminary information reviewed by the management to date. These results remain subject to the completion of the CompuGroup Medical accounting closing process, and approval by the Supervisory Board. The company will provide its audited fourth quarter and full year 2015 results on Thursday, 31 March 2016.

KEY EVENTS

- + Fourth quarter revenue of EUR 146.5 million, an increase of 4 percent compared to the same period in 2014
- + Operating profit (EBITDA) of EUR 33.1 million, up from EUR 28.2 million last year
- + Full year revenue of EUR 542.8 million and EBITDA of EUR 112.1 million, corresponding to 5 percent growth and 21 percent operating margin
- + 2015 operating margin is 2 percentage points higher than in 2014 and margin expansion is projected to continue in 2016
- + German eHealth law approved and nationwide roll-out of the Telematics Infrastructure is expected over the next 2-3 years
- + CompuGroup Medical offers the following guidance for 2016:
 - + Group revenue is expected to be in the range of EUR 560 million to EUR 570 million
 - + Group operating income (EBITDA) is expected to be in the range of EUR 125 million to EUR 133 million
 - + The guidance does not take into account potential revenue related to the roll-out of the German Telematics Infrastructure in 2016.

FINANCIAL REVIEW

Revenue

Revenue in the fourth quarter of 2015 was EUR 146.5 million compared to EUR 140.9 million in the same period in 2014. This represents an increase of 4 percent, of which 2 percent is organic growth.

Revenue in Ambulatory Information Systems (AIS) was EUR 80.7 million driven by growth from acquisitions and a flat organic development. As previously announced, the Gematik project in Germany (predominantly reported in the AIS segment) has generated significantly lower revenue in 2015 compared to 2014, and this impact can also be seen in the fourth quarter. For the full year 2015, it has been a good year in the doctor software business with 3 percent organic growth outside the Gematik project and 5 percent growth coming from various smaller acquisitions in Germany, Netherlands, Belgium and South Africa.

Fourth quarter revenue in Pharmacy Information Systems (PCS) was EUR 25.1 million, up from EUR 20.8 million in the same period last year. This corresponds to 21 percent growth, of which 20 percent is organic growth. The strong organic development in the fourth quarter is due to a different seasonality of revenue compared to last year caused by timing of trade fairs and special product launches. Still, for the full year 2015, it has been a better than expected year in pharmacy software with 6 percent organic growth on top of 10 percent growth coming from acquisitions in Italy.

HPS I revenue development (including acquisitions and currency effects):

EUR m	01.10-31.12 2015	01.10-31.12 2014	Change	01.01-31.12 2015	01.01-31.12 2014	Change
Ambulatory Information Systems	80.7	79.4	2%	314.7	296.5	6%
Pharmacy Information Systems	25.1	20.8	21%	91.6	78.8	16%
SUM	105.8	100.1	6%	406.3	375.3	8%

The year-on-year revenue contraction in Hospital Information Systems (HIS) was -9 percent going from the fourth quarter 2014 to 2015. Adjusted for acquisitions and divestitures, the organic contraction was -5 percent. The corresponding figures for the full year are -9 percent total contraction of which organic contraction is -2 percent. The hospital business has had a difficult year in 2015 with several troubled projects which has resulted in lower revenue and operating profit than originally planned and expected for the year.

HPS II revenue development (including acquisitions and currency effects):

EUR m	01.10-31.12 2015	01.10-31.12 2014	Change	01.01-31.12 2015	01.01-31.12 2014	Change
Hospital Information Systems	21.5	23.7	-9%	72.8	79.8	-9%
SUM	21.5	23.7	-9%	72.8	79.8	-9%

Financial Review Continued

In the HCS segment, revenue was EUR 19.2 million in the fourth quarter 2015 which is 12 percent higher than the same period last year. This represents a strong finish to the year. Communication & Data revenue was EUR 7.8 million corresponding to 24 percent organic growth. Workflow & Decision Support revenue was EUR 7.8 million which corresponds to 22 percent organic growth. Internet Service Provider revenue was 3.7 million, which outside the Gematik pilot project, corresponds to 19 percent organic growth. Overall, it has been a strong 2015 for the HCS business with full-year organic growth of 6 percent.

HCS revenue development (including acquisitions and currency effects):

EUR m	01.10-31.12 2015	01.10-31.12 2014	Change	01.01-31.12 2015	01.01-31.12 2014	Change
Communication & Data	7.8	6.3	24%	22.5	20.4	10%
Workflow & Decision Support	7.8	6.4	22%	27.0	25.2	7%
Internet Service Provider	3.7	4.5	-18%	14.1	14.4	-2%
SUM	19.2	17.2	12%	63.6	60.0	6%

Profit

Consolidated EBITDA amounted to EUR 33.1 million compared to EUR 28.2 million in the fourth quarter of 2014. This represents an increase of 17 percent. The corresponding fourth quarter operating margin was 23 percent compared to 20 percent last year.

With a provisional tax calculation, the estimated fourth quarter net income was EUR 14.0 million, up from EUR 2.6 million in 2014. The estimated fourth quarter 2015 cash net income amounts to EUR 21.9 million and cash net income per share of EUR 0.44.

Full year 2015

Consolidated revenue in 2015 was EUR 542.8 million compared to EUR 515.1 million in 2014. This represents an increase of EUR 27.6 million and 5 percent respectively. The organic growth was 2 percent in 2015.

Net financial expense decreased significantly in 2015 compared to 2014, driving a strong increase in net profit and earnings per share. The better than normal financial result is due largely to changes in currency exchange rates (most notably the strengthening of the US dollar) which leads to non-cash translation gains on Group internal debt.

Consolidated EBITDA in 2015 was EUR 112.1 million compared EUR 96.7 million in 2014. The corresponding operating margin was 20.7 percent compared to 18.8 percent in 2014.

Other events in the quarter

ORS-1 project ("Gematik project")

The contract for the Gematik project was awarded in November 2013 and CGM has since worked to develop and certify the necessary components and to test the Telematics Infrastructure and Electronic Health Card (eGK) with 500 providers (doctors, dentists and hospitals) in the North-West region of Germany.

CGM is currently in the final stages of certification of all relevant hardware and software components to be developed and delivered in the project. Following such certification, and a sufficient level of further testing with the pilot users in the North-West region, CGM will be ready to deliver a large volume of installations all over Germany.

The German eHealth law and planned national roll-out of the Telematics Infrastructure

Parallel to the Gematik project, the German federal Ministry of Health (BMG) began in 2014 the preparation of a new bill – "The eHealth Law" (Gesetz für sichere digitale Kommunikation und Anwendungen im Gesundheitswesen), where the mandatory national rollout and use of the Telematics Infrastructure and electronic health card was to be written into German law. With a clear majority, the bill was approved in the Bundestag on December 3rd 2015 and the new law came into effect January 1st 2016.

The eHealth law contains clear deadlines and financial incentives/penalties to ensure the timely roll-out of the Telematics Infrastructure to an estimated 240,000 participants in healthcare all over Germany in the 2016-2018 timeframe. With a full rollout (est. start in the middle of 2016) CGM has the opportunity to sell new eGK-compliant online access products to this complete market and in particular to all existing ~64,000 customer locations in Germany. Even more important; the Telematics Infrastructure fits perfectly with CGM's strategy to provide more products and services to its customers, such as eServices, ePrescriptions, eLabOrder, physician networks, online clinical pathways, hosting services etc.

OUTLOOK

The business model of CGM, with a large installed base of loyal customers, gives a relatively high degree of visibility for future revenue and earnings. The primary source of revenue is annual software maintenance and other recurring service fees from existing customers, with an expected amount of EUR 380 million at the beginning of 2016, compared to EUR 356 million at the beginning of 2015. This corresponds to a 7 percent increase.

Total Group revenue is in 2016 expected to be in the range of EUR 560 million to EUR 570 million, corresponding to a growth rate of 3-5 percent. Acquisitions completed to date are expected to give a growth contribution of EUR 4 million and organic growth is expected to be 2-4 percent. This outlook does not include any potential revenue related to the roll-out of the Telematics Infrastructure in Germany. Although this is planned to begin in the middle of 2016, the exact timing of volume installations is still uncertain at the time of delivering this outlook.

Revenue in the HPS I segment is expected to be in the range of EUR 427 million to EUR 433 million, corresponding to a growth rate of 5-6 percent. AIS revenue is expected to be in the range of EUR 334 million to EUR 338 million in 2016. Acquisitions in AIS completed to date are expected to give a growth contribution of approximately EUR 2 million and organic growth is expected to be 5-6 percent. PCS revenue is expected to be in the range of EUR 93 million to EUR 95 million which corresponds to organic growth of 2-4 percent.

Revenue in the HPS II segment is expected to be in the range of EUR 71 million to EUR 73 million. Acquisitions in the hospital business completed to date are expected to give a growth contribution of approximately EUR 2 million and no material organic growth is expected in the hospital business for 2016.

Revenue in the HCS segment is expected to be in the range of EUR 62 million to EUR 64 million in 2016. This corresponds to a flat revenue development. Revenue within Communication & Data is expected to be in the range of EUR 21 million to EUR 22 million, Workflow & Decision Support in the range of EUR 27 million to EUR 28 million and Internet Service Provider to be approximately EUR 14 million.

In terms of profitability, 2016 is again expected to be a year of margin expansion relative to 2015 with operating margin (EBITDA margin) expected to be in the range of 22-23 percent. The corresponding EBITDA is expected to be in the range of EUR 125 million to EUR 133 million. This includes all expected additional expenses during 2016 to prepare CGM for the beginning of the nation-wide roll-out of the Telematics Infrastructure in Germany.

Depreciation of fixed assets is on Group level expected to be approximately EUR 8 million in 2016 and amortization of intangible assets is expected to be approximately EUR 34 million, of which EUR 30 million will come from amortization of purchase price allocations related to past acquisitions. The corresponding Group earnings before interest and tax (EBIT) is in 2016 expected to be in the range of EUR 83 million to EUR 91 million.

Looking at the financial year 2017 and beyond, CGM expects a significantly higher organic growth rate than in previous years, driven by the roll-out of the Telematics Infrastructure and the national eHealth initiatives in Germany. CGM already plays a key role in the Germany healthcare IT market and has for more than a decade invested in unique technology and capabilities to continue this leadership also in the coming implementation of the new eHealth law. Already in 2017, the national roll-out of the Telematics Infrastructure alone is expected to drive double digit organic growth for the Group, and total revenue in Germany (already 45 percent of Group revenue) is expected to continue to grow significantly faster than historical growth rates based on the adoption of a completely new range of eHealth products and services in this market.

Overall assessment (guidance)

In summary, CompuGroup Medical offers the following guidance for 2016:

- + Group revenue is expected to be in the range of EUR 560 million to EUR 570 million.
- + Group operating income (EBITDA) is expected to be in the range of EUR 125 million to EUR 133 million.

The guidance does not take into account potential revenue related to the roll-out of the Telematics Infrastructure in Germany.

The foregoing outlook is given as at February 2016 and does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2016. The outlook for 2016 represents management's best estimate of the market conditions that will exist in 2016 and how the business segments of CompuGroup Medical will perform in this environment.

PRELIMINARY INCOME STATEMENT

for the reporting period of 1 January - 31 December 2015

	01.10-31.12 2015 EUR '000	01.10-31.12 2014 EUR '000	01.01-31.12 2015 EUR '000	01.01-31.12 2014 EUR '000
Sales revenue	146,532	140,859	542,750	515,104
Capitalized in-house services	-163	1,885	8,568	9,202
Other income	2,273	10,214	4,202	12,721
Expenses for goods and services purchased	-26,292	-28,113	-100,323	-99,232
Personnel expenses	-62,178	-65,602	-250,386	-247,811
Other expenses	-27,083	-31,014	-92,707	-93,304
Earnings before interest, taxes, depr. and amortization (EBITDA)	33,088	28,230	112,104	96,680
Depreciation of property, plants and tangible assets	-2,152	-1,989	-7,850	-7,809
Earnings before interest, taxes and amortization (EBITA)	30,936	26,241	104,254	88,871
Amortization of intangible assets	-10,038	-10,761	-35,445	-34,972
Earnings before interest and taxes (EBIT)	20,898	15,480	68,809	53,899
Results from associates recognized at equity	-433	-633	-378	19
Financial income	941	2,409	13,866	12,981
Financial expenses	-1,075	-3,801	-15,694	-22,444
Earnings before taxes (EBT)	20,331	13,456	66,602	44,455
Income taxes for the period	-6,346	-11,018	-22,645	-20,339
Consolidated net income of the period	13,984	2,438	43,957	24,116
Profit for the period from discontinued operations	0	121	0	-20
Consolidated net income of the period	13,984	2,559	43,957	24,096
of which: allocated to parent company	17,955	4,142	47,910	26,337
of which: allocated to minority interests	-3,970	-1,583	-3,953	-2,241
Earnings per share				
undiluted (in EUR)	0.28	0.10	0.88	0.53
diluted (in EUR)	0.27	0.10	0.88	0.53
Further information of the company:				
Cash net income (EUR) *	21,945	12,282	75,656	55,795
Cash net income * per share (EUR)	0.44	0.24	1.52	1.12

* Definition Cash net income: net income before minority interests plus amortization on intangible assets except amortization on in-house capitalized software

PRELIMINARY STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

ASSETS

	31.12.2015 EUR '000	31.12.2014 EUR '000
Non-current assets		
Intangible assets	546,021	517,541
Property, plant, and equipment	60,340	62,054
Interests in affiliates (valued as equity)	4,321	854
Other investments	20	140
Trade receivables	8,381	8,332
Other financial assets	2,959	2,789
Derivative financial instruments	0	0
Deferred taxes	2,501	2,442
	624,543	594,152
Current assets		
Inventories	6,571	5,877
Trade receivables	116,256	96,760
Other financial assets	2,143	3,635
Other non-financial assets	12,530	9,496
Income tax claims	4,560	5,133
Securities (recognized as profit of loss at fair value)	150	95
Cash and cash equivalents	25,654	21,465
	167,864	142,461
Assets qualified as held for sale	1,222	0
	169,086	142,461
	793,629	736,613

SHAREHOLDER EQUITY AND LIABILITIES

	31.12.2015 EUR '000	31.12.2014 EUR '000
Shareholder Equity		
Subscribed capital	53,219	53,219
Treasury shares	-20,292	-20,292
Reserves	162,964	144,922
Capital and reserves allocated to the shareholder of the parent company	195,891	177,849
Minority interests	-277	-41
	195,614	177,808
Non-current liabilities		
Pensions	18,825	17,428
Liabilities to banks	310,158	336,437
Purchase price liabilities	3,943	3,539
Other financial liabilities	21,588	7,600
Other non-financial liabilities	2,334	3,898
Deferred taxes	48,095	49,212
	408,028	418,114
Current liabilities		
Liabilities to banks	42,459	19,943
Trade payables	27,534	25,439
Income tax liabilities	27,436	10,449
Provisions	31,468	30,834
Purchase price liabilities	7,430	8,987
Derivative financial instruments	0	4,763
Other financial liabilities	16,505	10,072
Other non-financial liabilities	37,155	30,204
	189,986	140,691
Liabilities associated directly with non-current assets qualified as held for sale	0	0
	189,986	140,691
	793,629	736,613

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