

2nd quarter 2019 – Conference Call

Michael Rauch, CFO
8th August, 2019



Highlights Q2 2019

- Revenue with 186.6 MEUR only 2% short of exceptional Q2-2018 level
 - +10% growth in recurring revenue, driven by new subscription revenue AIS segment
 - TI in Germany with 54,000 orders and 52,500 delivered practices by end of Q2
 - Strong momentum for new revenue streams based on new eHealth regulation
 - Largest order in corporate history to deploy CGM's new HIS in Lower Austria region
- Operating profit @ 44.3 MEUR on pro-forma basis
 - 10 MEUR below exceptional Q2-2018 ("peak of TI installation cycle")
 - 37.4 MEUR Reported EBITDA due to special effect
- Strong Operating Cash Flow @ 37.8 MEUR
 - +15 MEUR vs. Q2-2018 (at 22.8 MEUR), supported by strong Working Capital Mgt
 - Cash Net Income per Share at EUR 0.53 pro-forma (EUR 0.43 reported)
- 2019 Guidance Reaffirmed

Special 2019 one-time effect

- Stock options granted in 2008 to previous CFO in connection with his initial appointment could not be settled by delivery of shares
- Valid claim settled by virtue of cash payment in August 2019
- Non-recurring one-time EBITDA-effect of -6.9 MEUR in the second quarter; prior periods re-stated accordingly
- After settlement, 7.6 MEUR of the P&L effect will be reversed in third quarter results (positive Q3 EBITDA impact) => net EBITDA effect in FY 2019 will be -3.9 MEUR
- Value of options reflects continuous positive long-term development of CGM and its value to Shareholders over the 11 year holding period of the stock options
- 2019 Guidance reaffirmed absorbing one-time impact
 - Revenue expected in range of 720 to 750 MEUR (vs. 717 MEUR in FY 2018)
 - EBITDA expected in range of 190 to 205 MEUR (vs. 183 MEUR in FY 2018)

Key figures second quarter 2019

MEUR	Reported			Underlying pro-forma**			2018
	Q2 19	Q2 18 Adj	Δ	Q2 19	Q2 18	Δ	
Revenue	186.6	190.5	-2%	186.6	190.5	-2%	717.0
EBITDA	37.4	54.9	-32%	44.3	54.9	-19%	182.5
EBIT	22.6	44.2	-49%	29.5	44.3	-33%	137.9
Net income	14.2	25.3	-44%	19.0	25.3	-25%	92.6
EPS (€)	0.29	0.50	-42%	0.38	0.51	-25%	1.86
Cash net income*	20.9	29.3	-29%	25.7	31.1	-17%	121.1
CNI per share (€)	0.43	0.59	-27%	0.53	0.62	-15%	2.45
Operating cash flow	37.8	22.8	+65%	37.8	22.8	+65%	136.3

* Net income before minority interest plus amortization of intangible assets less amortization on in-house capitalized software

** Excluding non-recurring one-time stock-based compensation expense

Key figures 1st half year 2019

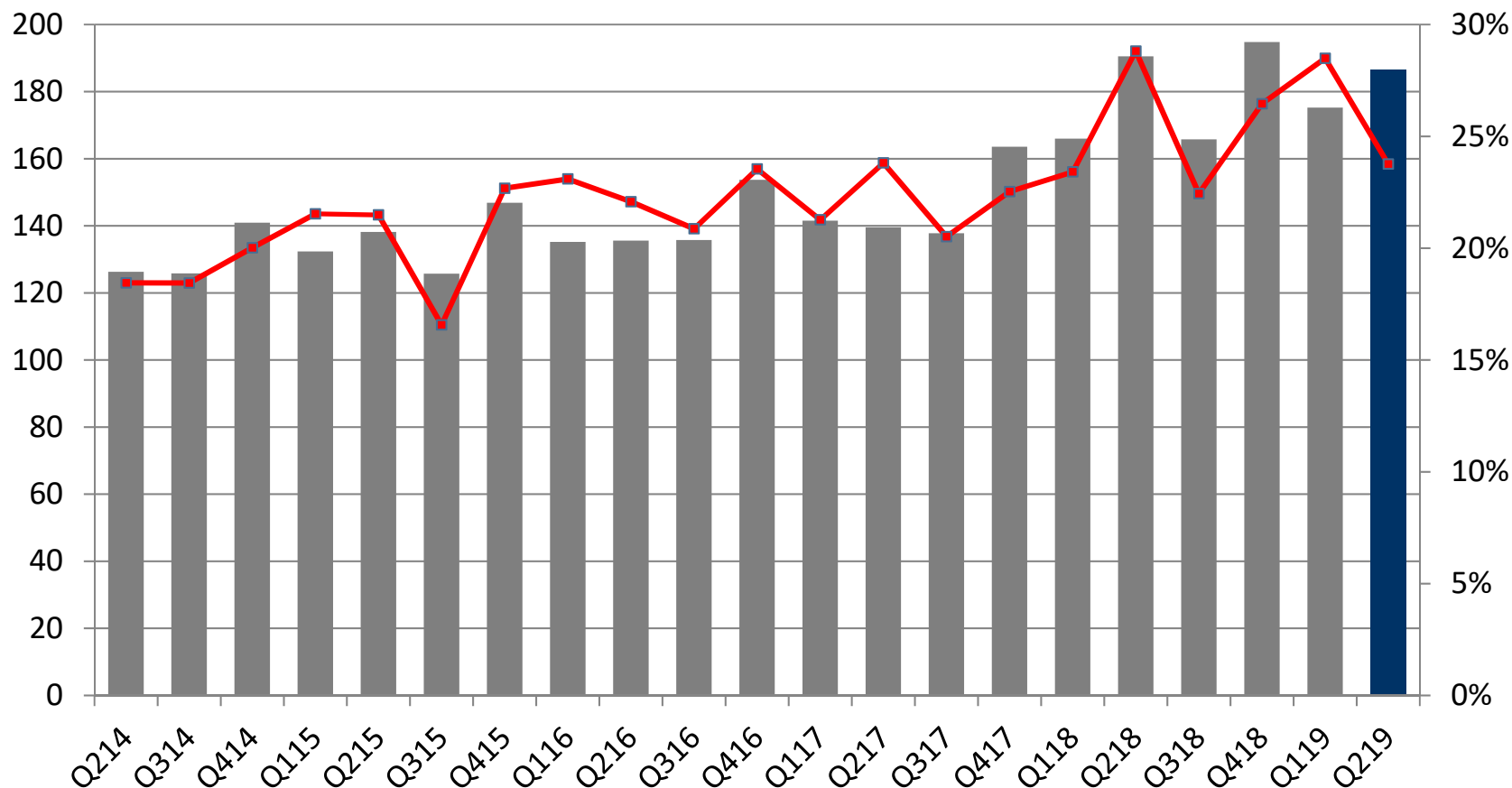
	Reported			Underlying pro-forma**		
MEUR	HY 19	HY 18 Adj	Δ	HY 19	HY 18	Δ
Revenue	361.8	356.5	1%	361.8	356.5	1%
EBITDA	82.8	97.8	-15%	94.3	93.8	1%
EBIT	53.4	76.6	-30%	64.8	72.5	-11%
Net income	34.7	45.1	-23%	42.7	42.3	1%
EPS (€)	0.70	0.91	-23%	0.87	0.85	3%
Cash net income*	48.0	58.2	-18%	56.1	55.4	1%
CNI per share (€)	0.98	1.17	-16%	1.15	1.11	3%
Operating cash flow	106.8	73.5	45%	106.8	73.5	45%

* Net income before minority interest plus amortization of intangible assets less amortization on in-house capitalized software

** Excluding non-recurring one-time stock-based compensation expense

Revenue and profitability

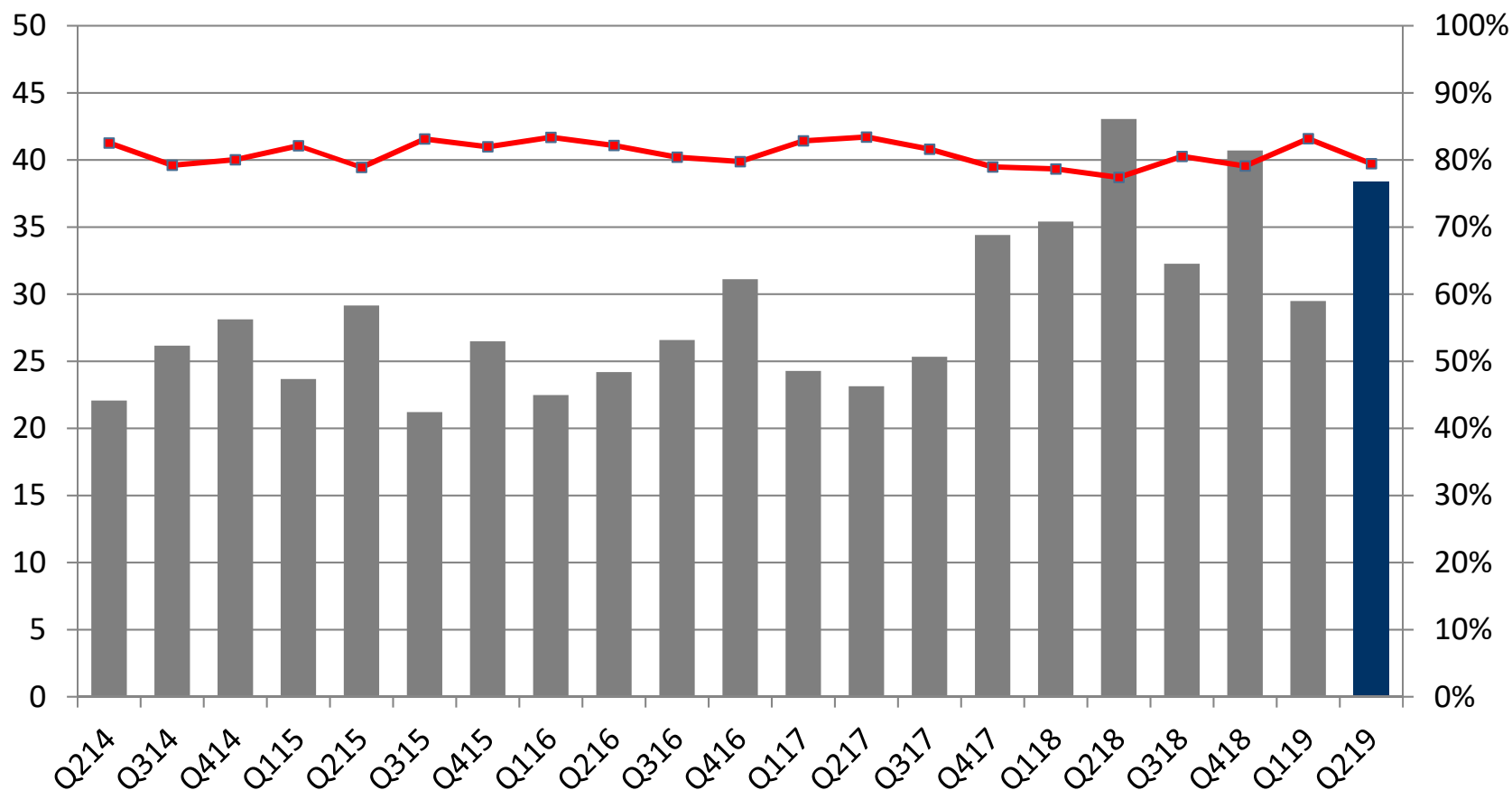
MEUR / EBITDA margin*



*Excluding non-recurring one-time stock-based compensation expense 2018 and 2019

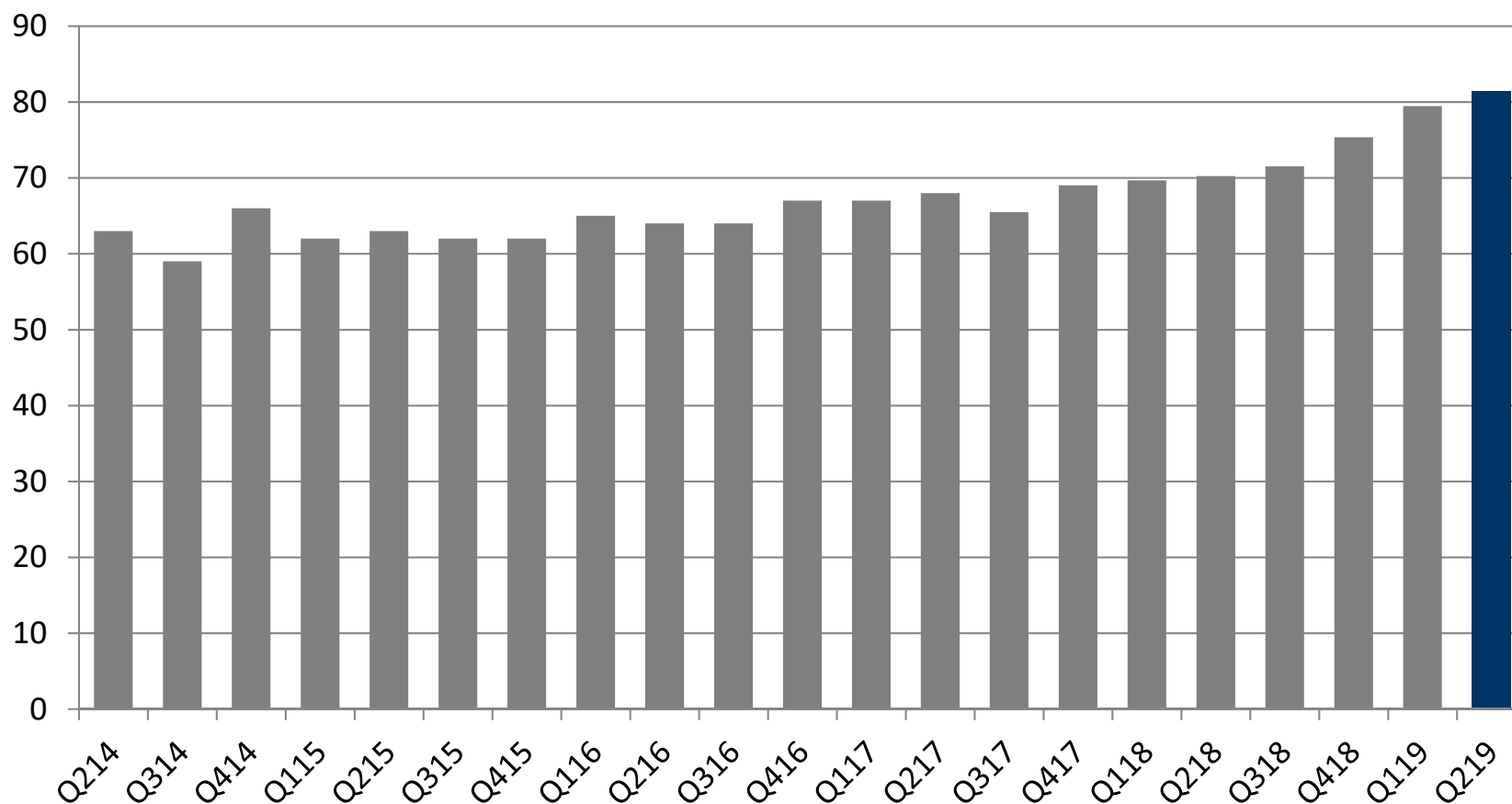
COGS and gross margin

MEUR / percent



Personnel expenses

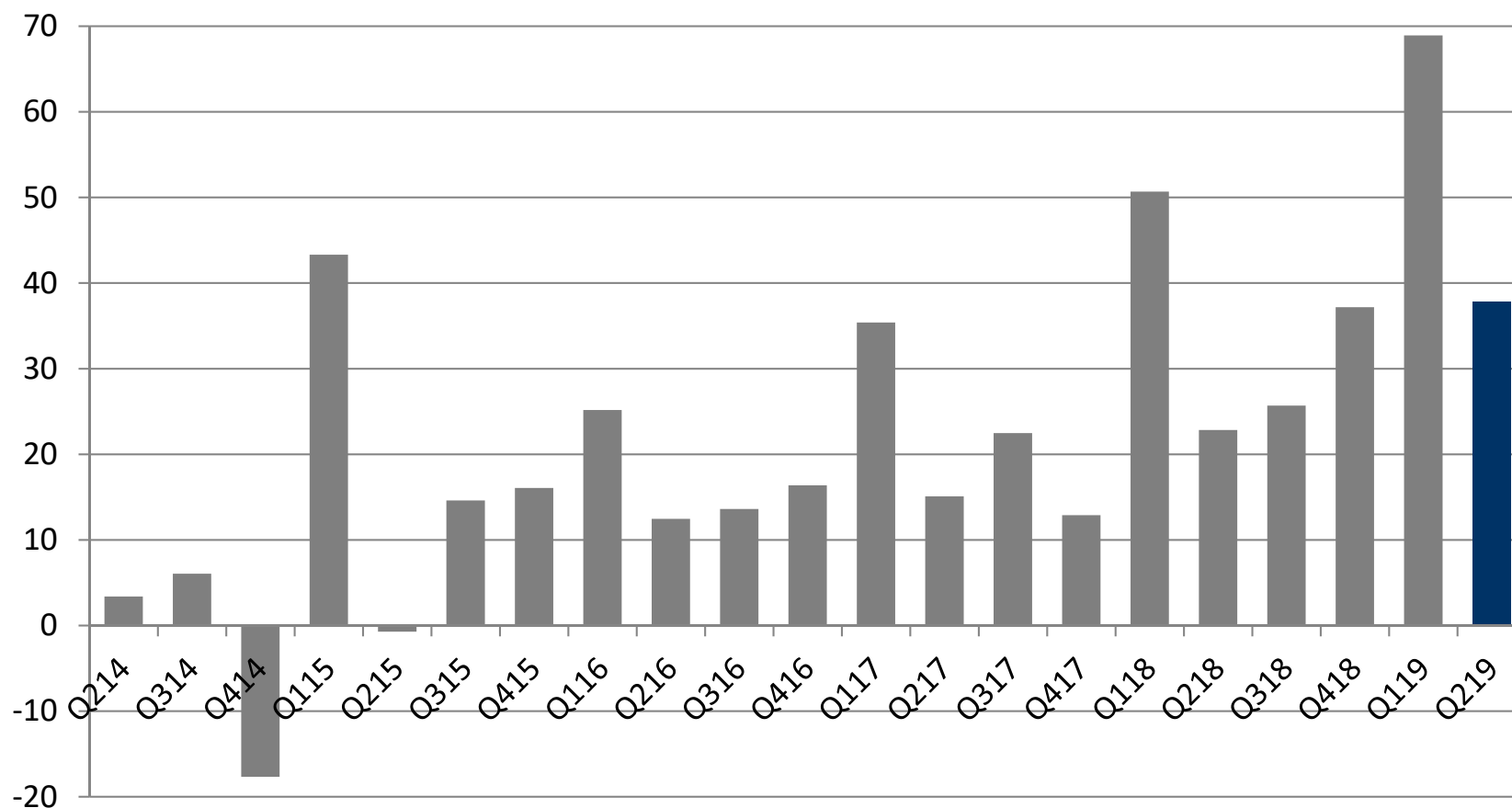
MEUR*



* Excluding non-recurring one-time stock-based compensation expense 2018 and 2019

Operating cash flow

MEUR*



Capital expenditure

MEUR	Q2-2019
Acquisitions (past and present)	2.1
Capitalized in-house services and other intangible assets	6.7
Office equipment and other tangible assets	7.7
Sum	16.5

- Eurosof2000 acquisition in Spain (pharmacy software)
- Increased use of outsourced research and development related to accelerated completion of new modules for CGM Clinical (new G3-based Hospital information System)
- Capitalization of Connector SW for new TI applications in 2019
- IFRS 16 effect on office equipment and other tangible assets

Software for doctors



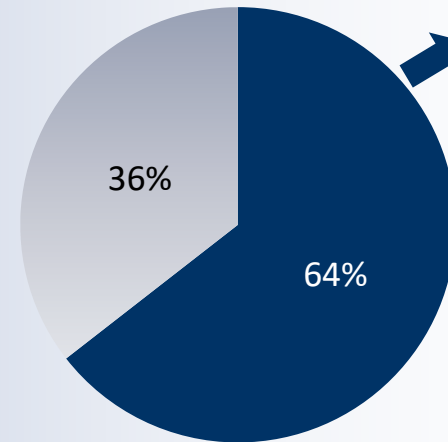
Doctor software development

AIS revenue Q2-2019

100% = 120.6 MEUR

+ 13 %
vs. Q2 2018

	MEUR	%
Revenue Q2-2018	130.1	
Acquisitions	6.5	5%
Organic growth	-16.0	-12%
Revenue Q2-2019	120.6	-7%

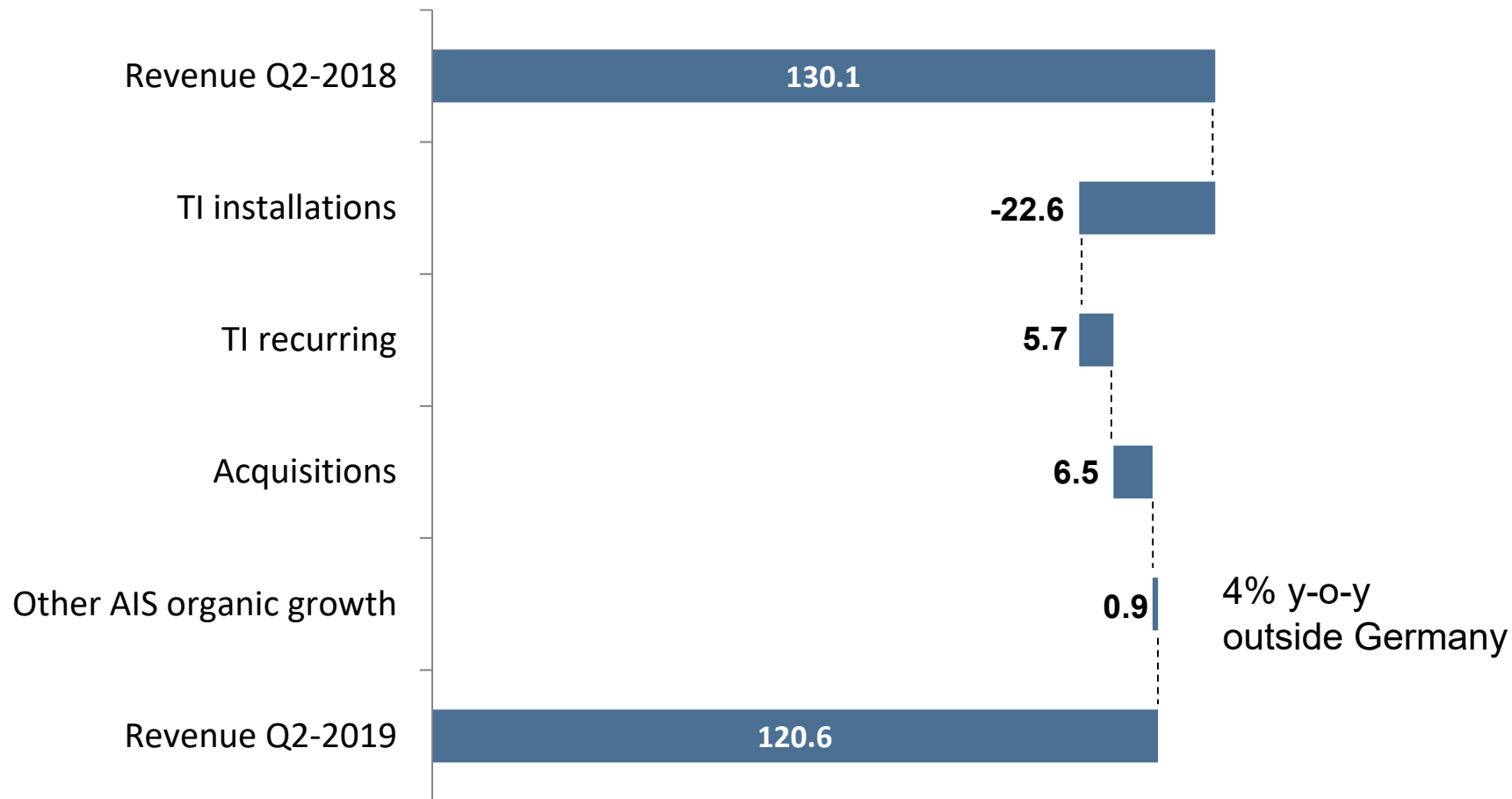


■ Recurring revenue ■ Non-recurring sales

- The second quarter last year was a peak period in terms of TI installations in doctor and dental practices, driven by the deadline in the original eHealth law
- 4 percent organic growth outside Germany
- Significant growth in subscriptions for TI-access services over the last 12 months drove 13 percent year-on-year growth in recurring revenue

AIS revenue bridge second quarter 2018 - 2019

MEUR



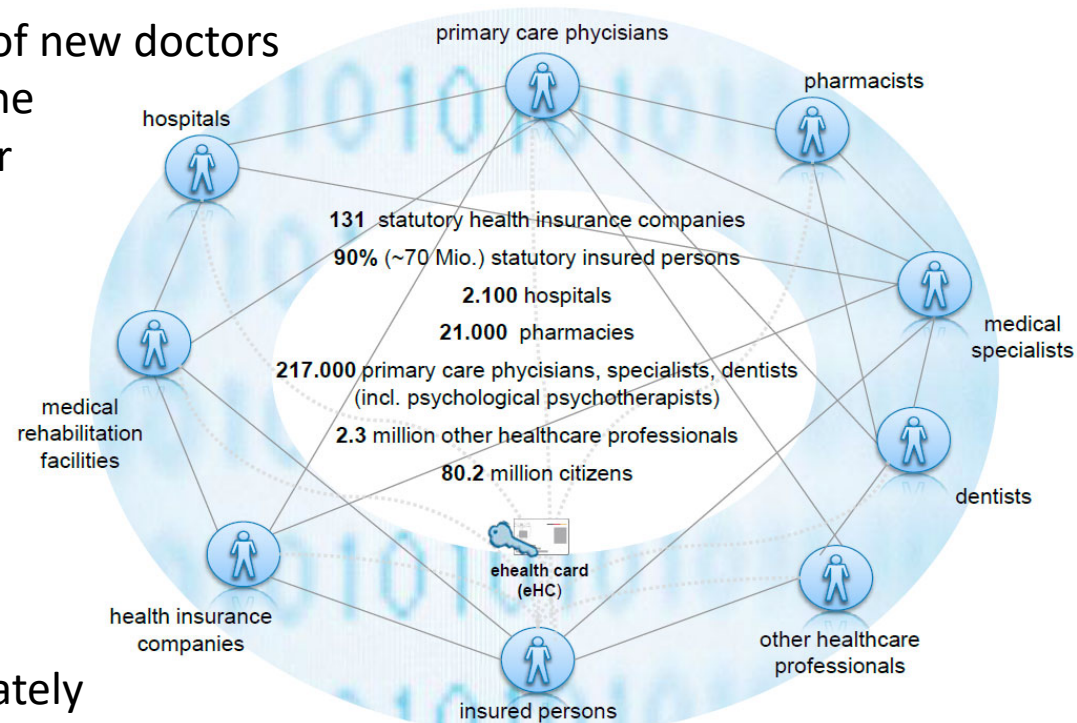
TI roll-out



- Accumulated 54,000 orders by the end of the second quarter
 - **39,500 from existing CGM primary software customers**
 - **14,500 from the rest of the German market**
- 52,500 installations delivered by the end of the second quarter
- The deadline to use VSDM was 30.06.2019
- Despite sanctions, some doctors and dentists may choose to do their TI installation after the deadline
- Penalties are proposed to increase in March 2020 from today's 1.0% reduction in reimbursement to 2.5% reduction

TI for doctors and dentists

- CGM now expects a lower number of new doctors and dentists in 2019 compared to the forecast at the beginning of the year
- The current expectation is to reach approximately 56,000 running installations by the end of 2019
- According to official statements, over 100,000 doctor and dental practices are now connected to the TI
- Current expectations are that ultimately 120,000 – 140,000 practices (including psychotherapists) will connect in a gradual process over the next 18 months



New TI applications

- The next scheduled software release for the CGM connector will enable
 - NFDM (Emergency Care Data Set)
 - eMP (Electronic Medication Plan)
 - KOM-LE (Electronic Letters)
 - all new applications using QES (Qualified Electronic Signature)
- The new connector software is now expected to be finished either at the very end of 2019 or early 2020
- Latest specification changes in June 2019 and CGM has already completed the corresponding changes in the connector software. New security certification process starts in August
- The question on when and how to do field testing is still open
- Financing mechanisms have already been agreed to cover the IT costs and additional effort of these new services

New eHealth regulation in Germany

- The new appointment service and care law (TSVG) was approved by the parliament (Bundestag) in March 2019 and came into force in May
 - Mandatory electronic patient file (ePA) by 2021
 - Patients access to their medical data with a smartphone or tablet from 2021
 - Mandatory electronic work disability certificates
 - Federal Ministry of Health (BMG) takes over 51 percent of the shares in gematik
- In July, the Government (Bundeskabinett) approved the draft “Digital Healthcare Act” (DVG) presented by Federal Health Minister Jens Spahn
 - Doctors can prescribe apps for their patients. Fast and easy approval
 - Telemedicine gets reimbursed and doctors can advertise these offers online
 - 2.5% TI penalty for doctors from 03/2020 and less money for postage and fax
 - TI connection deadlines: Pharmacies by 09/2020, hospitals by 01/2021
 - Voluntary TI connection will be reimbursed for midwives and maternity nurses, physiotherapists, nursing and rehabilitation facilities

Software for pharmacies



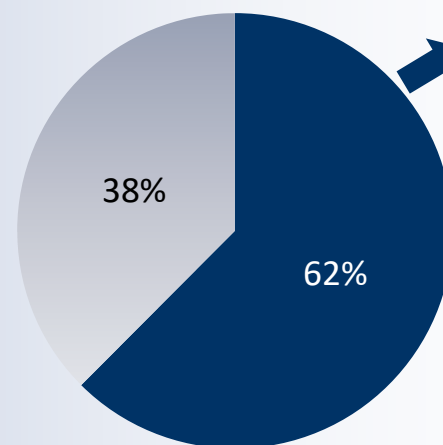
Pharmacy software development

PCS revenue Q2-2019

100% = 27.8 MEUR

+ 4 %
vs. Q2-2018

	MEUR	%
Revenue Q2-2018	26.5	
Acquisitions		
Organic growth	1.3	5%
Revenue Q2-2019	27.8	5%



■ Recurring revenue ■ Non-recurring sales

- Pharmacy software continues the year better than expected after the exceptional growth in 2018, which was partially driven by special Italian tax incentives that have now been discontinued
- Full-year revenue outlook increased

Recurring revenue include non-IFRS revenue from hardware rental contracts (IFRS financial leasing)


Telematics Infrastructure in German pharmacies

- The nationwide rollout of the TI for pharmacies in Germany is expected to start towards the end of 2019 or early 2020 (pharmacies require a connector offering NFDM and eMP services)
- In the new draft law (DVG), German pharmacies will have until September 2020 to connect to the TI
- A financing agreement for pharmacies, similar to the one available for doctors and dentists, was agreed and signed in December 2018
- CGM has already started to sell TI connection packages to pharmacies and have so far accumulated 350 orders
- With own customers and cooperation agreements already in place with other pharmacy software vendors, CGM would from the primary software side cover approximately 40% of German pharmacies with respect to TI connections



HIERMIT BESTELLE ICH:

CGM-PAKET TELEMATIKINFRASTRUKTUR FÜR DIE APOTHEKE

- (VSDM-) Konnektor KoCoBox MED+ (QES-ready)
- 2 eHealth-Kartenterminals inkl. gSMC-KT*
 - ☐ **ORGA 6141 online** inkl. gSMC-KT 
 - ☐ **CHERRY Tastatur G87-1505** inkl. gSMC-KT ☒ weiß ☐ schwarz
- eHealth-Upgrade Notfalldatenmanagement (NFDm) und eMedikationsplan (eMP) im Wert von € 445,38 inklusive**
- Freischaltung VPN-Zugangsdienst
- **Anfahrt, Installation und Inbetriebnahme in Ihrer Apotheke**
- **Einweisung der Mitarbeiter in Ihrer Apotheke**

Paketpreis (UVP): € 4.497,38
Frühbucherrabatt: € - 997,38

IHR VORTEILSPREIS: € 3.500,-

zzgl. Service-Paket Betrieb
mtl. € 70,- (Laufzeit: 36 Monate)

- Servicegebühr eHealth-Konnektor KoCoBox MED+ inkl. eHealth-Upgrade*
- VPN-Zugangsdienst

LAUER-FISCHER WINAPO® BASISPAKET TI

Zur Nutzung der medizinischen TI-Anwendungen in Ihrer Apothekensoftware.

- eMedikationsplan (eMP)
- Notfalldatenmanagement (NFDm)
- qualifizierte elektronische Signatur (QES)
- Versichertenstammdatenmanagement (VSDM)
- Anbindung zur Konnektorschnittstelle

Preis Grundlizenz für 2 Arbeitsplätze: **€ 590,-** zzgl. Software-Pflege mtl. € 10,-

**LAUER
FISCHER**
Besser für Sie!

☐ Erweiterungslizenz
je zusätzl. Arbeitsplatz:
€ 200,-
zzgl. Software-Pflege mtl. € 3,-

ZUSÄTZLICH BESTELLE ICH:

☐ stationäre(s) eHealth-Kartenterminal(s) **ORGA 6141 online** inkl. gSMC-KT **€ 559,-**

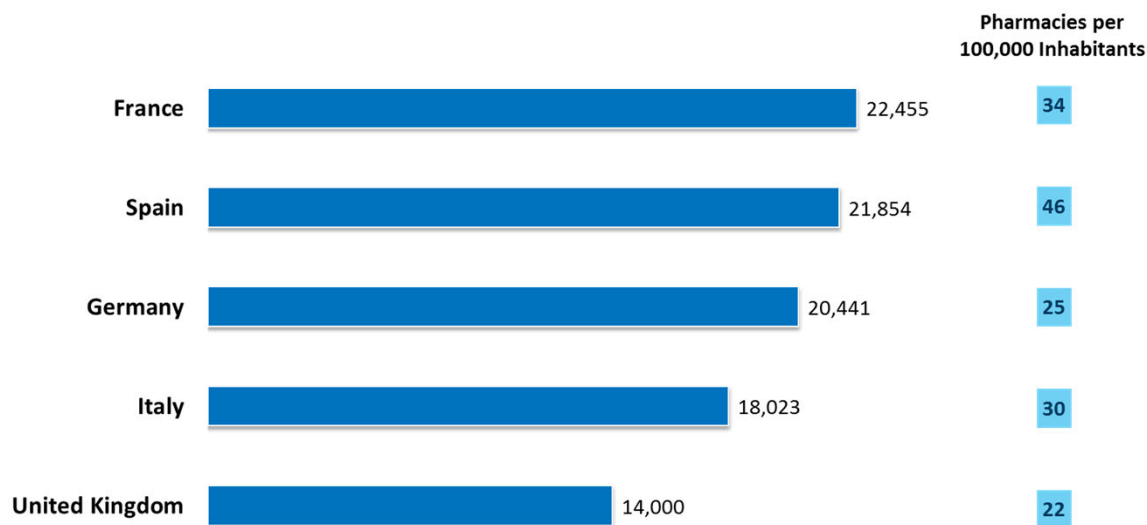
☐ stationäre(s) eHealth-Kartenterminal(s) **CHERRY Tastatur G87-1505** inkl. gSMC-KT ☒ weiß ☐ schwarz **€ 559,-**

- Two card readers included in the price bundle
- A broader range of add-ons offered compared to doctors and dentists

Eurosof2000 acquisition in Spain

- In April 2019, CGM acquired the business operations of Eurosof2000 S.L.U.
- Eurosof2000 is a pharmacy software company based in southeastern Spain
- The Farmalog software from Eurosof currently runs in 390 pharmacies

Number of Pharmacies, Major European Countries, 2015



Source: Pembroke Consulting analysis of Pharmaceutical Group of the European Union (PGEU) data

In terms of further business development, the Spanish pharmacy software market is a focus area in 2019 based on the initial position taken through the acquisition of two smaller market players OWL Computer in 2016 and Farmages in 2017

Software for hospitals



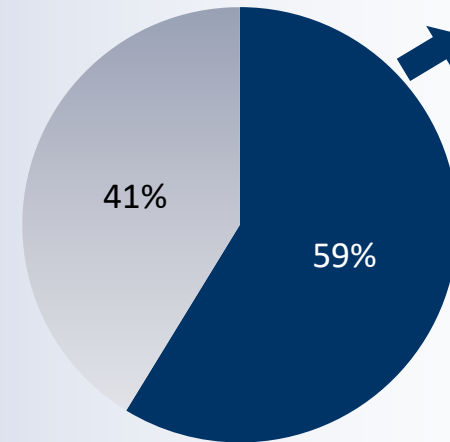
Hospital software development

HIS revenue Q2-2019

100% = 27.6 MEUR

+ 7 %
vs. Q2-2018

	MEUR	%
Revenue Q2-2018	24.3	
Acquisitions	0.4	2%
Organic growth	2.9	12%
Revenue Q2-2019	27.6	14%



■ Recurring revenue ■ Non-recurring sales

- 12 percent year-on-year organic growth in the second quarter 2019. Full year revenue outlook increased
- Significant growth in Reha beds in Germany during 2018 (+5% market share gain) drove 7 percent year-on-year growth in recurring revenue
- Largest order in corporate history to deploy CGM's new Hospital Information System in a complete region in Austria

Lower Austria (NÖKIS) contract May 2019

Project NÖKIS



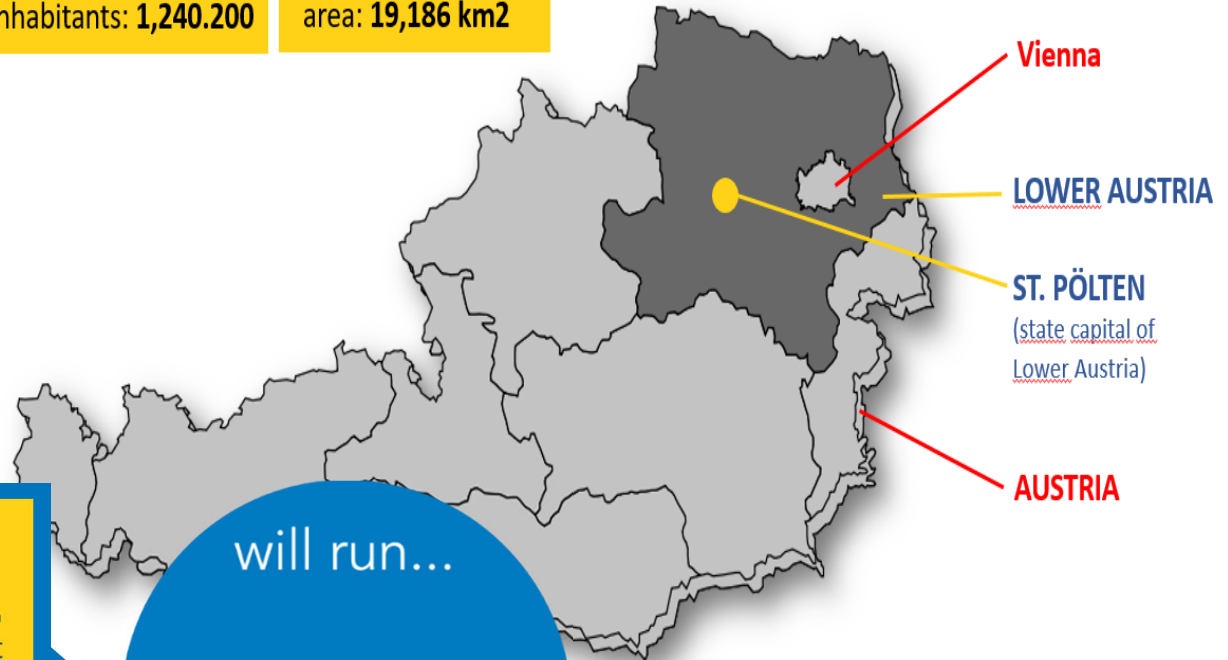
The federal state "Lower Austria" is the largest country in Austria and the second largest in terms of population.


inhabitants: **1,240.200**

area: **19,186 km²**

FRAME CONTRACT for...

> 10 years
> 100 MEUR



 19 clinics on 27 sites	 7,667 beds	 350,000 inpatient stays p.a.
 3,763 doctors	 10,683 nurses	 168,000 surgeries p.a.

will run...
CGM CLINICAL



Health Connectivity Services

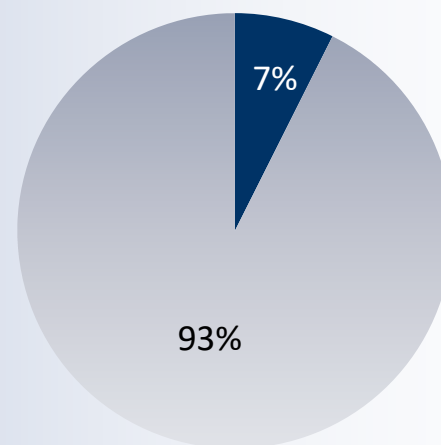


Health Connectivity Services

HCS revenue Q2-2019

100% = 10.6 MEUR

	MEUR	%
Revenue Q2-2018	9.6	
Acquisitions	0.4	4%
Organic growth	0,6	6%
Revenue Q2-2019	10.6	10%



■ Recurring revenue ■ Non-recurring sales

- The revenue development in the HCS-segment during the second quarter continues to be ahead of expectations for 2019. 6 percent organic growth
- Full year revenue outlook increased
- The positive revenue development comes predominantly from more ad-hoc projects with pharmaceutical companies

Guidance 2019

- CGM reaffirms the guidance for 2019:
 - Revenue is expected to be in the range of 720 MEUR to 750 MEUR
 - Operating income (EBITDA) is expected to be in the range of 190 MEUR to 205 MEUR
- This outlook reflects all currently available information and management's forecasts regarding speed of market penetration, market share developments and price evolution related to the further roll-out of the Telematics Infrastructure in Germany in 2019
- The guidance does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2019
- The guidance for the 2019 financial year represents management's current best estimate of the market conditions that will exist in 2019 and how the business segments of CGM will perform in this environment

Updated revenue outlook 2019

● Ambulatory Information Systems: 447 - 471 MEUR

- Previous range 464 MEUR to 488 MEUR
- Less expected revenue from the TI rollout with doctors and dentists
- No change to normal organic growth in the rest of the business
- ~25 MEUR from acquisitions (up from initial ~19 million)
- No revenue from NFDM/eMP connector SW upgrade is included in this outlook

● Pharmacy Information Systems: 115 – 117 MEUR

- Previous range 109 MEUR to 111 MEUR
- Organic growth 1-3 percent, even after the exceptional growth in 2018

● Hospital Information Systems: 113 –115 MEUR

- Previous range 104 MEUR to 106 MEUR
- Organic growth 11-13 percent

● Health Connectivity Services: 45 – 47 MEUR Previous range 43 MEUR to 45 MEUR

- Organic growth 4-9 percent

Financial calendar 2019

Date	Event
September 18	Investor and Analyst Conference
November 7	Interim Report Q3-2019

Q&A session

If you would like to raise questions, please press **01** on your telephone

Thank you for your attention!

CompuGroup Medical SE

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