



# Synchronizing Healthcare

1st quarter 2011 – Conference Call

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4 May, 2011

## Key figures first quarter 2011



€ M	Q1 11	Q1 10	Change	2010
Revenue	90.3	69.3	30%	312.4
EBITDA	14.0	12.6	11%	67.0
EBIT	4.6	4.6		33.1
EBT	1.7	2.5		26.4
Net income	1.0	1.5		16.6
Cash net income*	8.1	7.5		41.9
EPS (€)	0.02	0.03		0.33
Cash net income per share (€)*	0.16	0.15	8%	0.83

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

# Products and services in three segments



## Health Provider Services (HPS)

- Ambulatory Information Systems
- Hospital Information Systems

~80% of revenue



## Health Connectivity Services (HCS)

- Communication & Data
- Workflow & Decision Support
- ISP

~20% of revenue



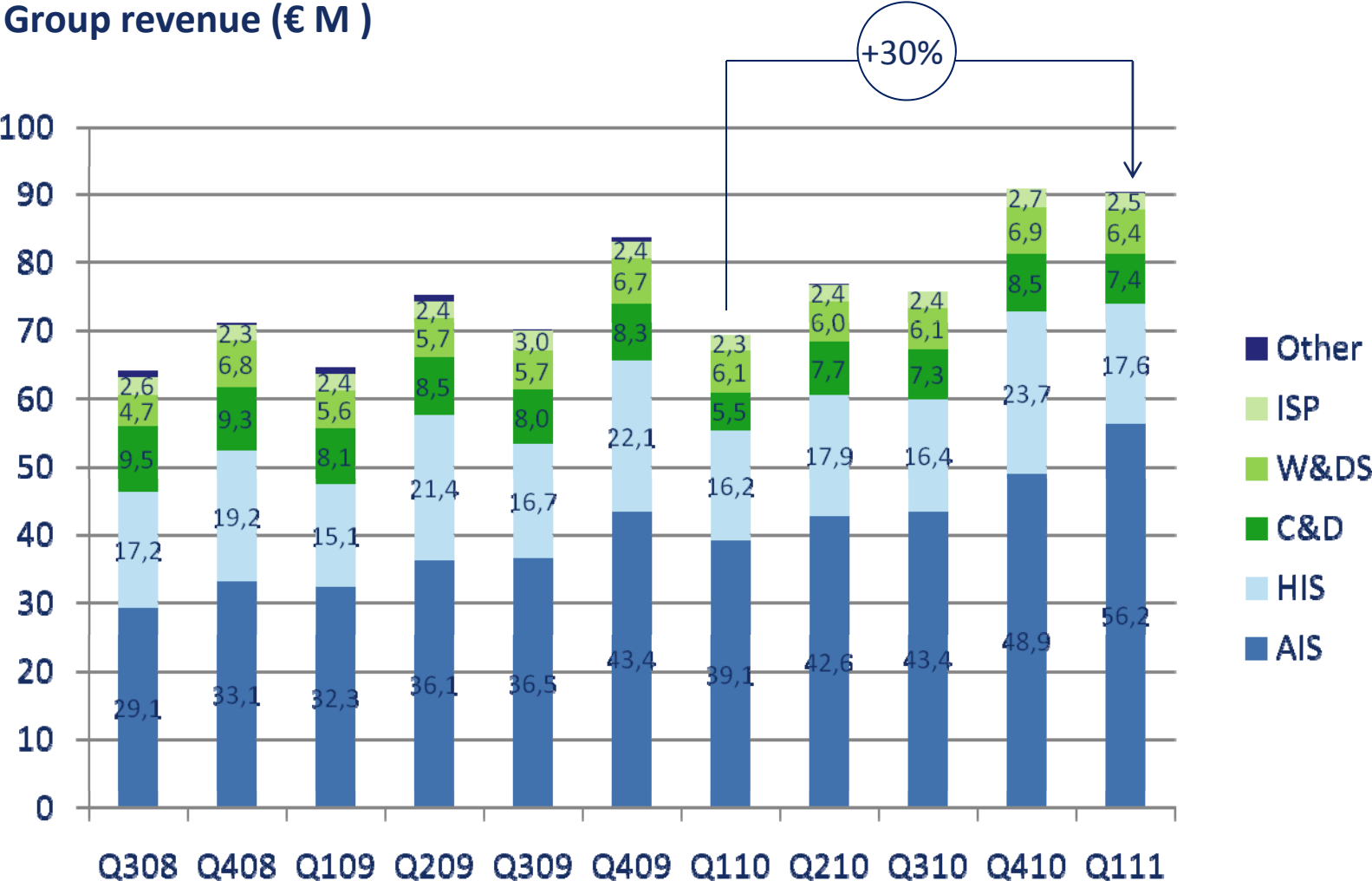
## Consumer Health Services (CHS)

- CGM Life

No significant revenue

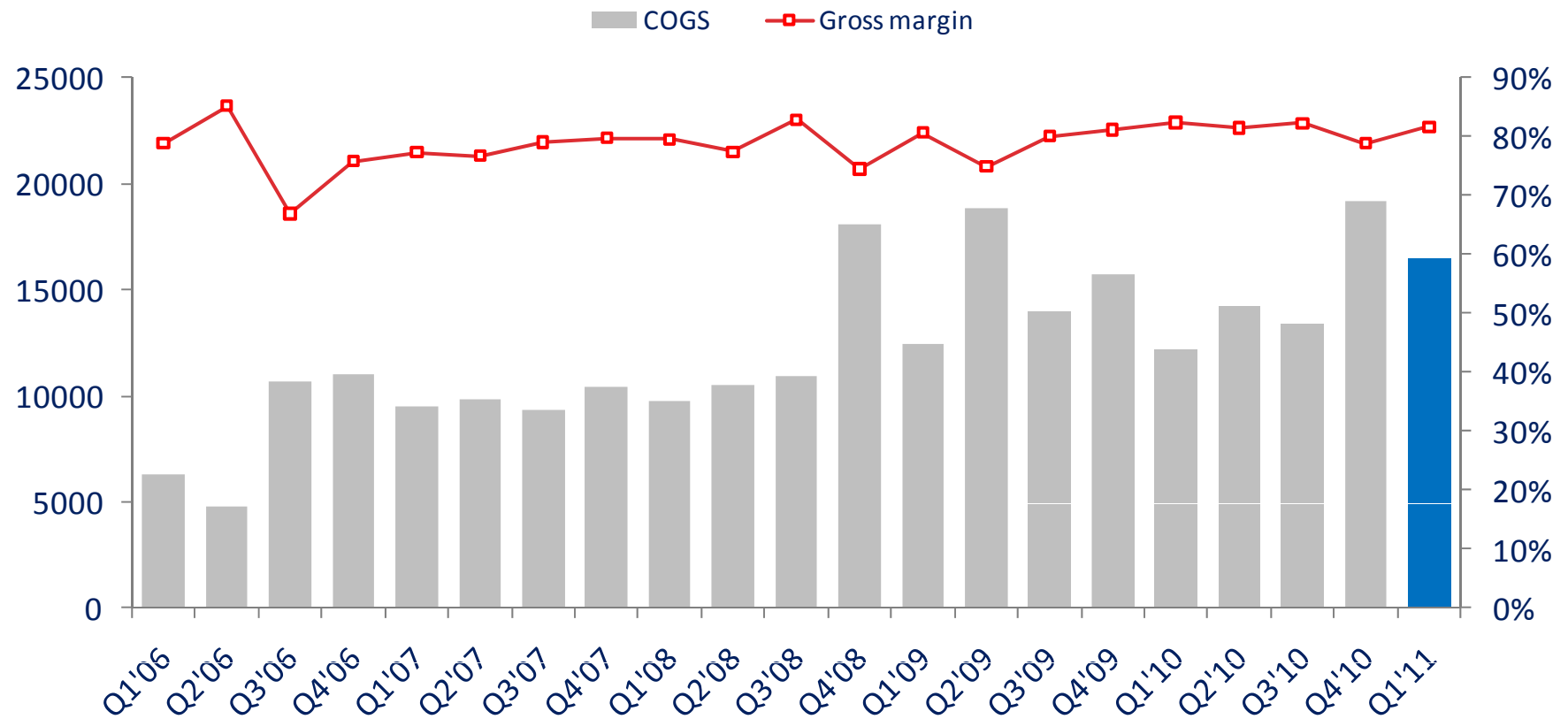
# Sequential revenue development

Group revenue (€ M)



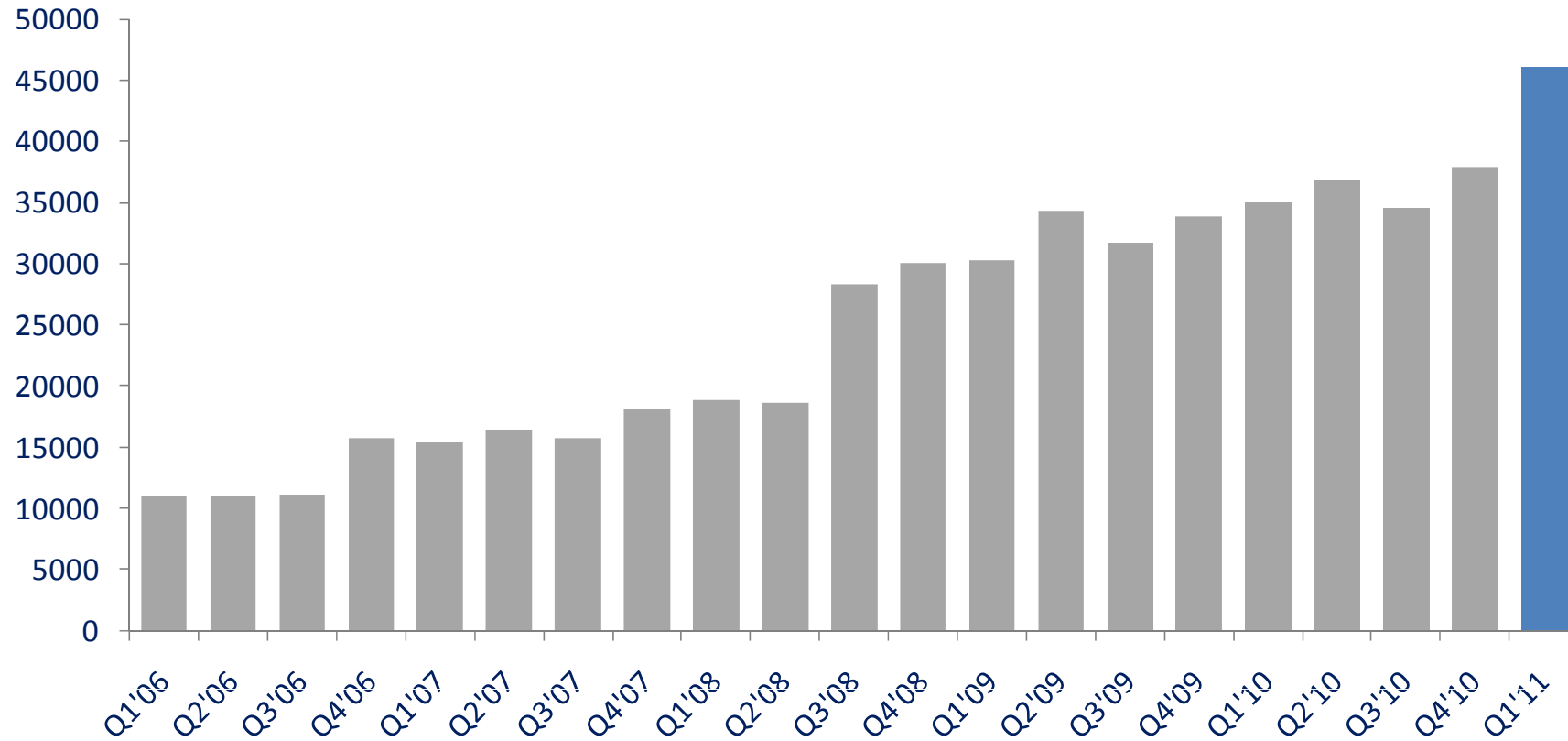
# COGS and gross margin

Cost of goods sold and gross margin (€ '000 / percent)



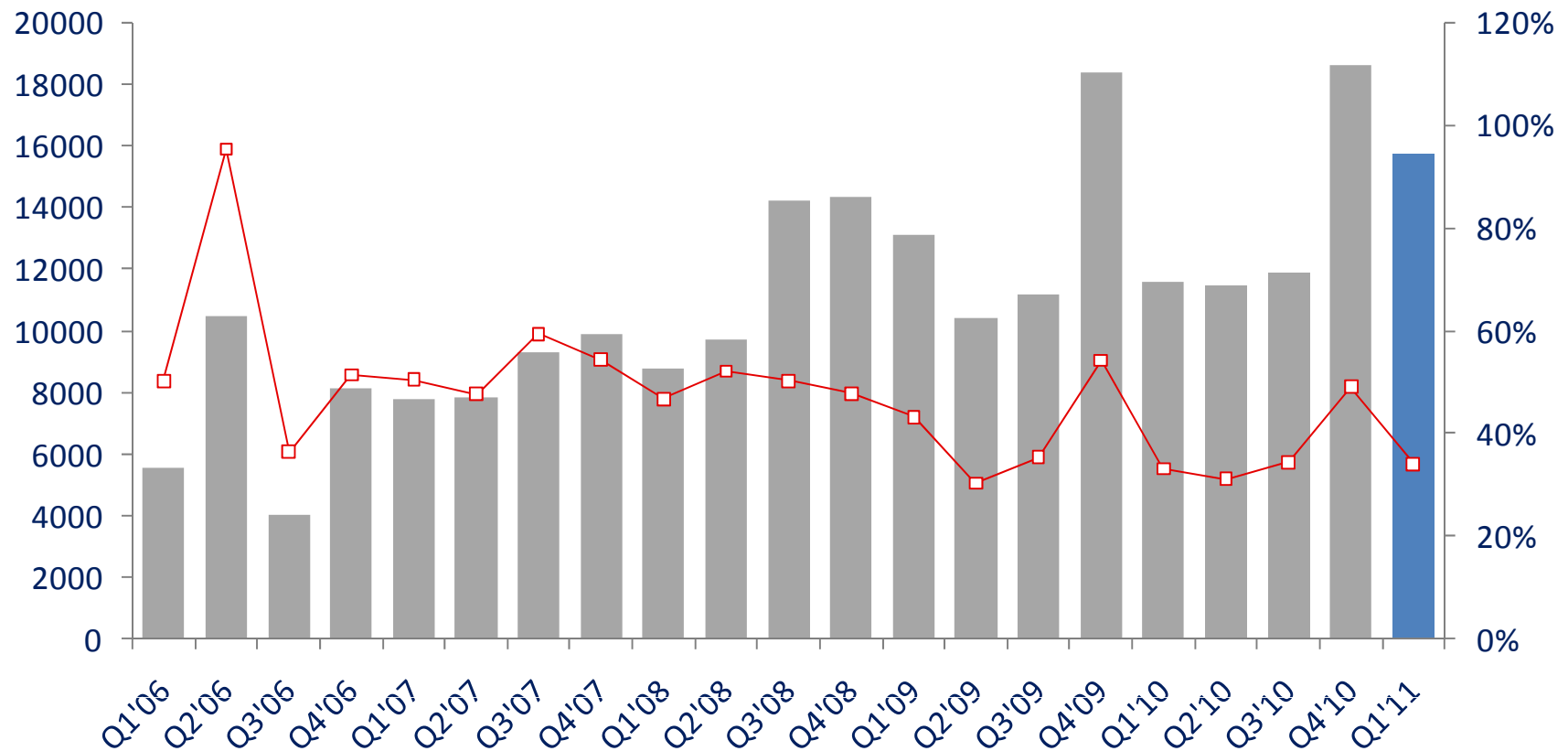
# Personnel expenses

€ '000



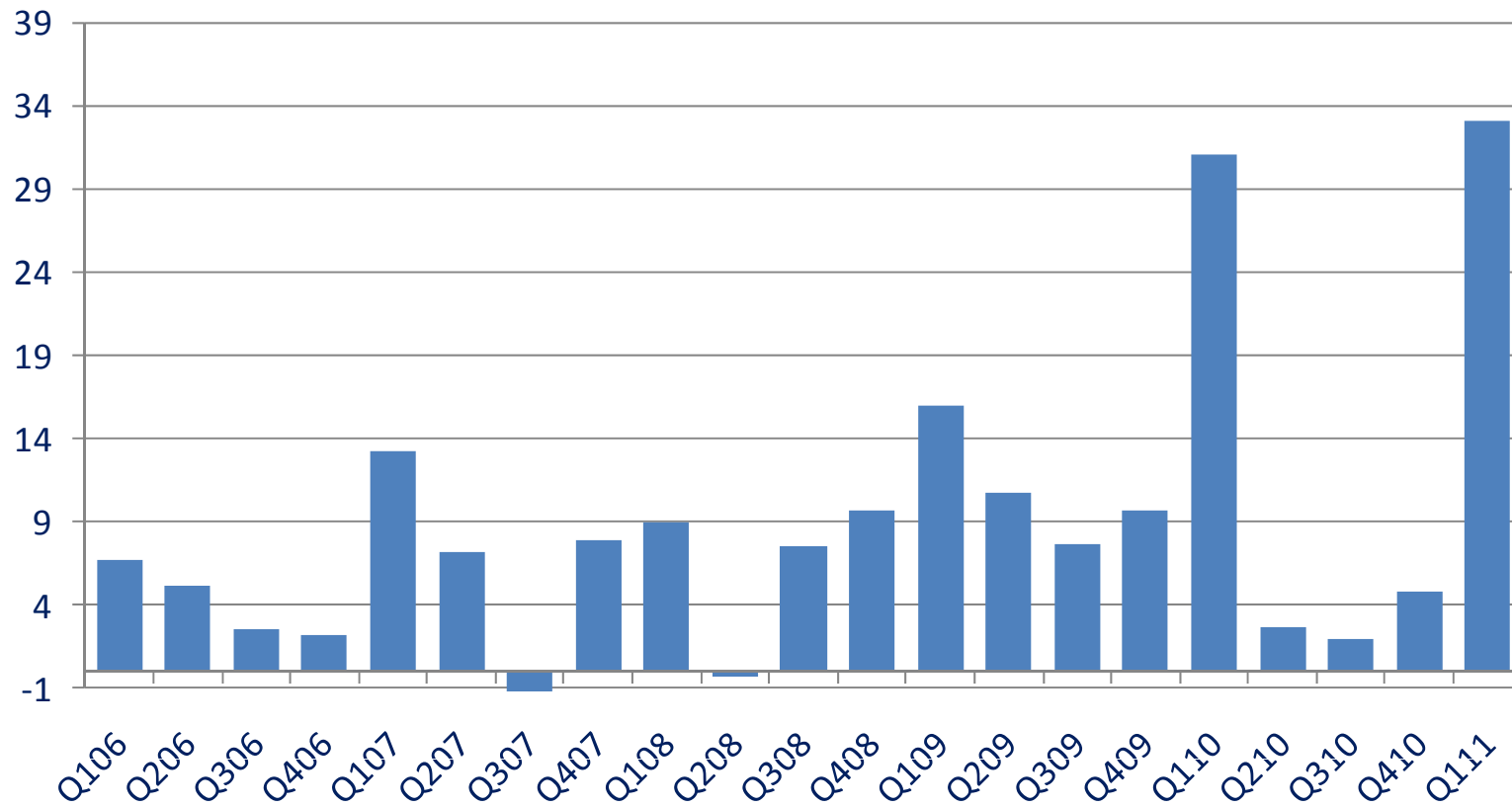
# Other expenses

Other expenses (€ '000 ) / percent of personnel expenses



# Operating cash flow

€ M





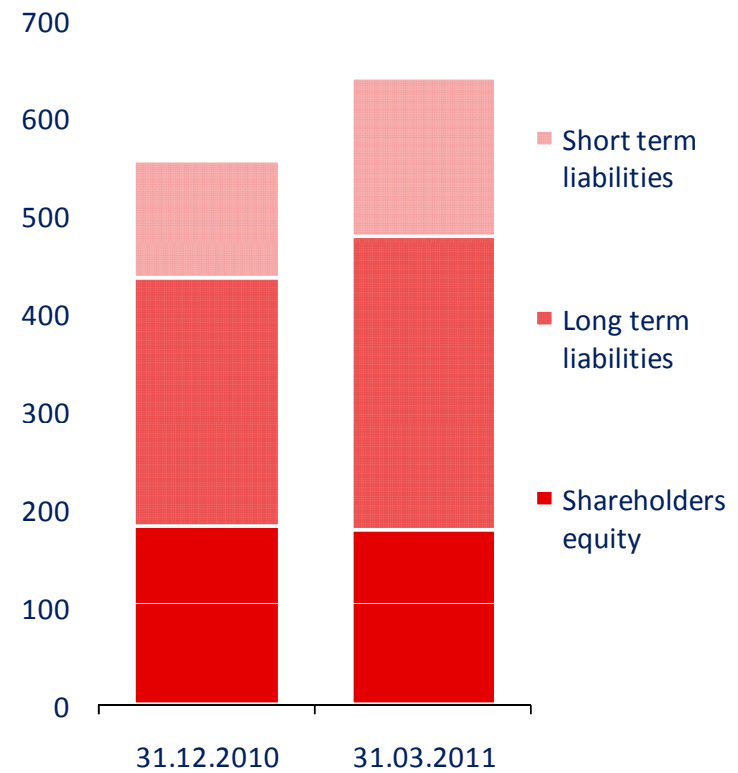
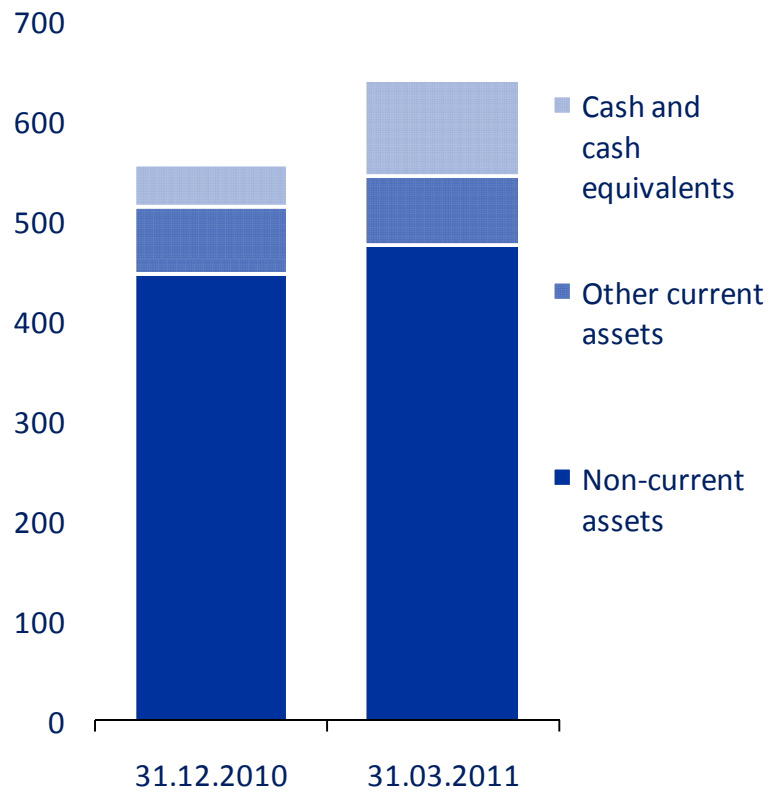
## Capital expenditure



€ M	Q1 2011
Acquisition of Healthport, Lorensbergs and Parametrix	20.1
Capitalized in-house services and other intangible assets	2.3
Office buildings and property	1.2
Other property and equipment	1.1
SUM	24.8

# Statement of financial position

€ M



## HPS acquisitions



	Revenue Q1 2011 (m€)
Innomed	1.4
HCS	0.5
Belgiedata	0.2
Visionary	4.3
Healthport	4.0
Ascon / Euroned	3.2
Parametrix	1.1
Lorensbergs	1.0
<b>SUM</b>	<b>15.8</b>

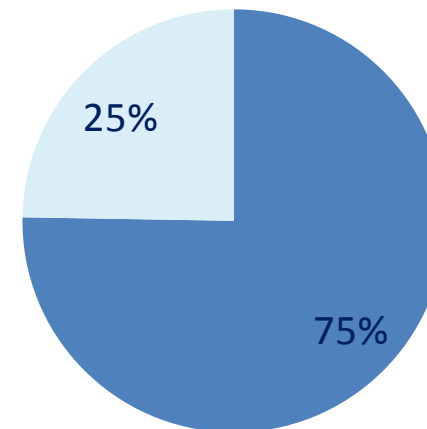
Sivsa acquisition in Spain not completed as conditions precedent to closing were not met

# AIS development

	€ M	%
Revenue Q1 2010	39.1	
Acquisitions / disposals	14.0	36%
Organic growth	3.1	8%
Revenue Q1 2011	56.2	44%



**AIS revenue Q1 2011**  
100% = 56.2 € M



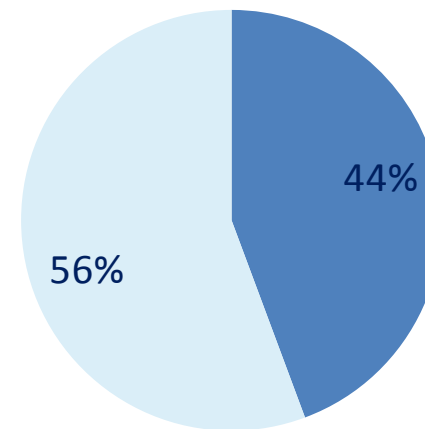
■ Recurring service fees ■ Non-recurring sales

- **Organic growth is 8 percent**
- **The organic growth primarily comes from new value-added products and services sold to existing customers.**

# HIS development

**HIS revenue Q1 2011**  
100% = 17.6 € M

	€ M	%
Revenue Q1 2010	16.2	
Acquisitions / disposals	1.6	10%
Organic growth	-0.2	-2%
Revenue Q1 2011	17.6	8%



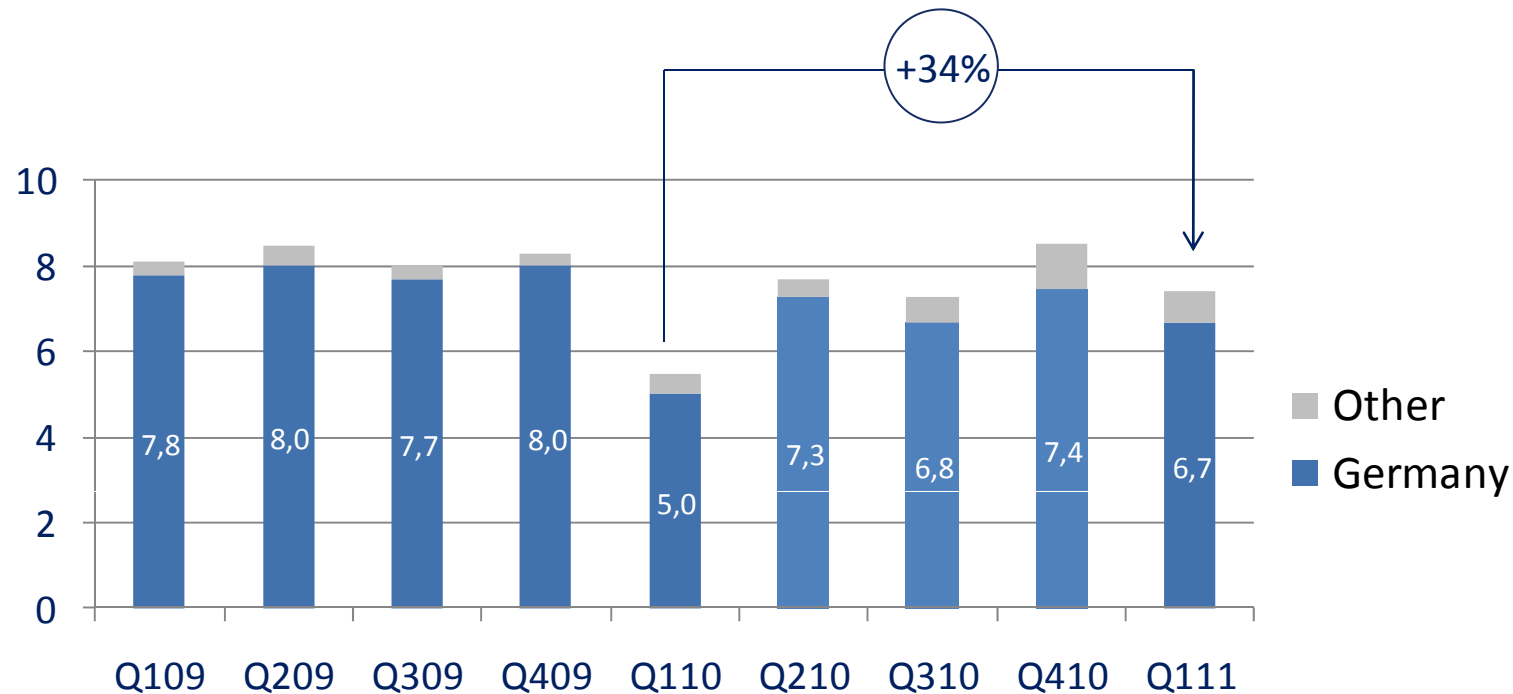
■ Recurring service fees ■ Non-recurring sales

- Revenue decline in HIS mostly stems from lower license sales and implementation services to rehabilitation centers and social care institutions in Germany
- Vienna Hospital Association (KAV) and other key projects proceeding as planned
- Continued HIS growth in Poland and other Eastern European markets

# Communication & Data development



Communication & Data revenue (€ M )

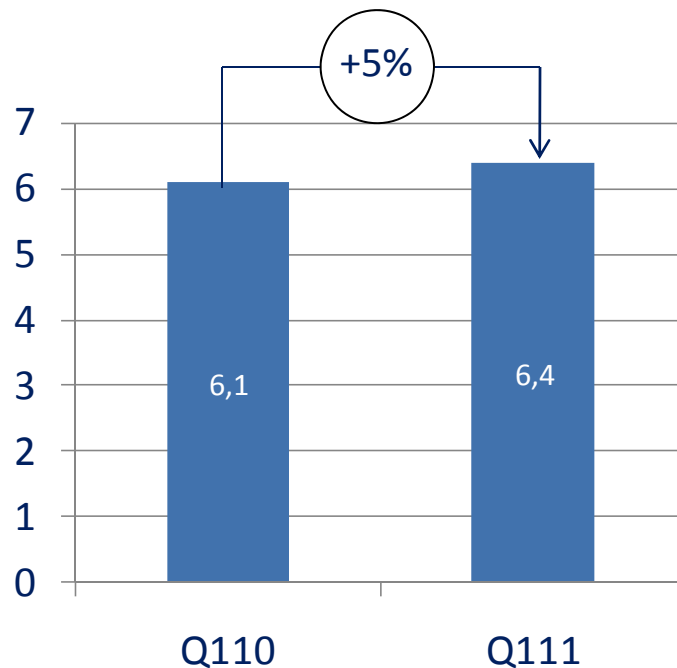


- High year-on-year growth rate in Communication & Data reflects special circumstances in Germany during Q1 2010
- CompuGroup expects Communication & Data revenue to increase in 2011 relative to 2010

# Workflow & Decision Support development



Workflow & Decision Support revenue (€ M )



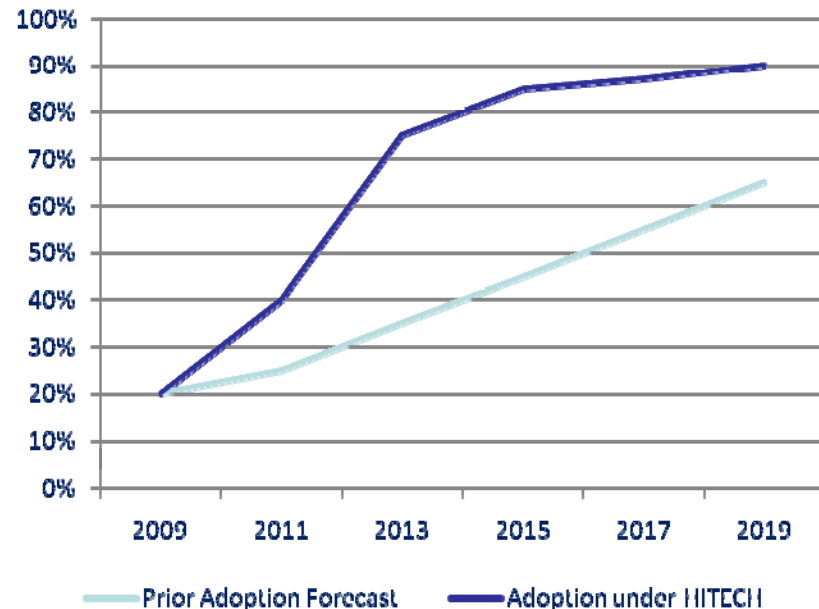
- Growth in products and services to health insurance companies in Germany continues at a steady pace.
- No revenue has been recognized to date from the variable component of the running smart-Xchange contracts. Evaluation to be concluded in the second quarter of 2011.
- Initiatives are currently being taken to broaden the business model for managed care products and services and to consider both doctor's networks and pharmaceutical producers in the value chain.

# United States HITECH opportunity

- The American Recovery and Reinvestment Act of 2009 (ARRA) signed into law by President Obama on February 17, 2009
- Up to US\$ 44,000 (Medicare) or US\$ 65,000 (Medicaid) in extra incentive payments over a five-year period will be available to physicians who demonstrate "meaningful use" of a certified EHR
- About 400,000 doctors expected to buy an EHR next 5 years (about US\$ 20 billion potential)

## Estimated Physician EHR adoption curve

Source: CBO and Wall Street Research



## Distribution of Physician practices by size

Source: American Medical Association and Morgan Keegan Estimates

Physicians	Practices	% of Practices	Total Docs	% of Docs
1-2	160,000	72%	200,000	32%
3-5	40,000	18%	160,000	26%
6-9	14,000	6%	100,000	16%
10-19	5,000	2%	80,000	13%
20+	3,000	1%	85,000	14%
<b>Total</b>	<b>222,000</b>	<b>100%</b>	<b>625,000</b>	<b>100%</b>



## US development



- **CGM has recently acquired 3 companies the US**
  - Noteworthy Medical Systems (02/09)
  - Visionary Healthware (09/10)
  - HealthPort Solutions division (01/11)
- **CGM now serves approximately 18,000 US doctors with software for practice management systems, electronic medical records and related services**
- **For the US business, it has been a challenging start to 2011 with lower than expected revenue and operational efficiency in the acquired companies**
- **Broad measures have now been taken to consolidate and restructure the whole US operation with group wide management of functional areas, harmonization of IT infrastructure, telecommunications and datacenters etc. and corresponding cost reductions and efficiency improvements**
- **The restructuring will be completed by the end of May with a clear plan to bring efficiency and profitability in line with CGM's European markets beginning in June.**



## Meaningful use product availability



MU EHR Products	General Availability
NetPractice EHRweb v7.2 <i>(Former Noteworthy product)</i>	May 2011
Alteer Office v8.0 <i>(Former Visionary product)</i>	June 2011
HEHR v10.1 <i>(Former HealthPort product)</i>	June 2011

- Significant R&D efforts have been undertaken to upgrade and certify the EHR products for Meaningful Use.
- CompuGroup offers a choice of meaningful use EHR products including stand-alone EHRs (NetPractice EHRweb and HEHR) and an integrated EHR/PM (Alteer Office).

## Important milestones – HITECH Act

- **February 17, 2009**  
HITECH Act (ARRA) signed into law by President Obama
- **December 31, 2009**  
Draft meaningful use criteria published
- **July 13, 2010**  
Final meaningful use criteria released
- **August 30, 2010**  
Initial EHR certification bodies named
- **January 3, 2011**  
Meaningful use registration open
- **April 18, 2011**  
Beginning of the attestation period for meaningful use
- **May 2011**  
EHR incentive payments expected to begin
- **October 1, 2011**  
Last day for eligible doctors to begin their 90-day reporting period for calendar year 2011
- **October 1, 2012**  
Last day for eligible doctors to begin their 90-day reporting period for calendar year 2012



# OUTLOOK

## Outlook 2011

- **CompuGroup Medical adjusts the full year 2011 guidance to reflect the development in the US:**
  - Revenue is expected to be in the range of €385 million to €410 million
  - Operating income (EBITDA) is expected to be in the range of €81 million to €88 million
- **The outlook for 2011 represents management's best estimate of the market conditions that will exist in 2011 and how the business segments of CompuGroup Medical will perform in this environment**
- **The guidance does not include revenue and costs associated with potential and currently undetermined further acquisitions during 2011**

## **Financial calendar 2011**

<b>May 4, 2011</b>	<b>First quarter 2011 report</b>
<b>May 11, 2011</b>	<b>Annual General Meeting, Koblenz</b>
<b>August 11, 2011</b>	<b>Second quarter 2011 report</b>
<b>November 16, 2011</b>	<b>Third quarter 2011 report (Medica, Düsseldorf)</b>



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