

EMIS Group

H118 results

Preparing for the next stage of growth

EMIS saw revenue growth from all divisions in H1, which helped to offset the additional costs incurred to strengthen service delivery. The company has worked hard to resolve customer support issues in primary care and is now focused on the IT Futures procurement bid in England. Investment in Patient is ongoing and the company expects to unveil its longer-term growth strategy at its capital markets day on 29 November. We have upgraded our revenue forecasts for FY18-20, but our adjusted operating profit and EPS forecasts are substantially unchanged.

Year end	Revenue (£m)	PBT* (£m)	Dil EPS* (p)	EMIS adj. dil. EPS** (p)	DPS (p)	P/E (x)
12/17	160.4	35.2	43.1	47.0	25.8	22.8
12/18e	170.4	36.9	45.2	46.7	28.4	21.8
12/19e	176.3	39.8	48.7	48.4	29.8	20.2
12/20e	183.6	43.0	53.2	53.3	31.4	18.5

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.

Improving service delivery; preparing for growth

EMIS reported y-o-y revenue growth of 6.8% in H118, with growth from every division. Recurring revenues increased 4% y-o-y. Adjusted operating profit increased marginally over the period – investments in the Patient business combined with the increased headcount in Primary, Community and Acute Care to deal with customer support issues offset the upside from revenue growth in Community Pharmacy and Specialist and Care. EMIS noted that if the investment in Patient is excluded, adjusted operating profit increased 8% y-o-y. Net cash grew to £32.3m at the end of H118 from £14.0m at the end of FY17. The company announced an interim dividend of 14.2p (+10% y-o-y), ahead of our forecast.

Earnings forecasts substantially unchanged

We have increased our revenue forecasts to reflect the stronger than expected performance in H1: FY18e +2.8%, FY19e +2.7% and FY20e +2.9%. At the same time, we have raised our operating cost assumptions to reflect the increased investment in service delivery and the transition to IFRS16 in FY19. This results in minimal changes to adjusted operating profit and EMIS adjusted EPS. We have raised our dividend forecasts for all three years.

Valuation: IT Futures and growth strategy key to upside

EMIS is trading on 21.8x FY18e EPS and 20.2 FY19e EPS, at a 25% and 20% discount respectively to its peer group median. Although EMIS is more profitable than its peers, it lags in terms of revenue and earnings growth. Evidence of an acceleration of earnings growth will be key to share price upside – in the shorter term, this could include positive news on the English primary care procurement, and in the longer term, evidence that the investment in Patient is paying off as well as more information on the growth strategy. Strong cash generation underpins the 3% dividend yield.

Software & comp services

4 September 2018

Price 983p

Market cap £622m

Net cash (£m) at end H118 32.3

Shares in issue 63.3m

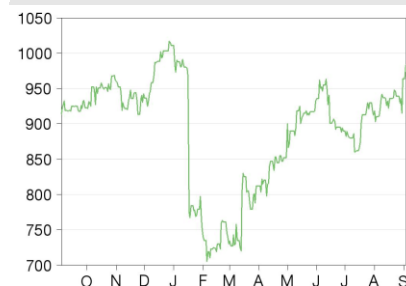
Free float 98%

Code EMIS

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	8.0	5.0	7.9
Rel (local)	9.8	7.5	6.3

52-week high/low 1017p 705p

Business description

EMIS is a clinical software supplier to the primary, community and acute care markets in the UK, as well as providing software to the community pharmacy and specialist ophthalmology markets. Its Patient business provides medical and well-being information as well as transactional services to patients.

Next events

FY18 trading update January 2019

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 H118 results

Exhibit 1: EMIS half-year results			
£m	H118	H117	% y-o-y
Revenues	84.5	79.2	6.8%
Gross margin (%)	90.4%	90.1%	0.3%
EBITDA	24.7	23.5	5.1%
EBITDA margin (%)	29.2%	29.7%	(0.5%)
Normalised EBIT	16.4	16.7	(2.2%)
EMIS adjusted EBIT	17.6	17.5	0.6%
Reported EBIT	12.9	10.5	23.3%
Normalised EBIT margin (%)	19.4%	21.1%	(1.8%)
EMIS adjusted EBIT margin (%)	20.8%	22.1%	(1.3%)
Reported EBIT margin (%)	15.3%	13.2%	2.0%
Net interest income	(0.2)	(0.2)	2.7%
Normalised PBT	16.5	16.9	(2.4%)
Reported PBT	13.1	10.7	22.5%
Tax	(2.4)	(2.1)	18.5%
Normalised net income after Minority Interests	12.7	13.2	(3.4%)
Reported net income after Minority Interests	10.1	8.2	23.1%
Normalised diluted EPS (p)	20.2	20.9	(3.5%)
EMIS adjusted diluted EPS (p)	22.1	22.1	0.0%
Reported basic EPS (p)	16.1	13.1	22.9%
Net cash	32.3	10.5	208.2%

Source: EMIS, Edison Investment Research

Exhibit 2: EMIS divisional half-yearly results			
£m	H118	H117	% y-o-y
Revenues			
Primary, Community and Acute Care (PCA)	60.60	58.48	3.6%
Community Pharmacy (CP)	12.32	10.85	13.5%
Specialist and Care (S&C)	10.12	8.41	20.4%
Patient	1.50	1.45	3.9%
Total	84.55	79.19	6.8%
Adjusted operating profit			
Primary, Community and Acute Care	16.10	16.11	(0.0%)
Community Pharmacy	3.52	2.58	36.4%
Specialist and Care	0.38	(0.06)	N/A
Patient	(1.67)	(0.33)	409.8%
Central costs	(0.71)	(0.79)	(10.2%)
Total adjusted operating profit	17.62	17.51	0.6%
Reported operating profit			
Primary, Community and Acute Care	11.36	9.76	16.3%
Community Pharmacy	2.92	2.21	32.3%
Specialist and Care	0.05	(0.39)	N/A
Patient	(0.71)	(0.33)	116.5%
Central costs	(0.71)	(0.79)	(10.2%)
Total reported operating profit	12.91	10.47	23.3%
Adjusted operating margin (%)			
Primary, Community and Acute Care	26.6%	27.5%	(1.0%)
Community Pharmacy	28.5%	23.8%	4.8%
Specialist and Care	3.7%	(0.7%)	4.4%
Patient	(111.1%)	(22.6%)	(88.4%)
Total adjusted operating margin (%)	20.8%	22.1%	(1.3%)

Source: EMIS

EMIS reported y-o-y revenue growth of 6.8%, with growth from every division. Recurring revenues increased 4% y-o-y. Adjusted operating profit increased marginally over the period – investments in the Patient business combined with the increased headcount in PC&A to deal with customer

support issues offset the upside from revenue growth in CP and S&C. The company noted that if the investment in Patient is excluded, adjusted operating profit increased 8% y-o-y.

The company incurred an effective tax rate of 19.1% in H118, resulting in flat EMIS adjusted diluted EPS on a year-on-year basis. The company ended H118 with net cash of £32.3m, up from £10.5m a year ago and £14.0m at the end of FY17. We note that the company has not yet finalised the amount it owes to NHS Digital (provided for last year as an £11.2m exceptional item). The company expects the amount to be covered by the charge already taken – we believe this is likely to be paid out in H218.

The company announced a 10% y-o-y increase in the interim dividend to 14.2p, ahead of our 13.4p forecast.

Business update

Update on short-term priorities

When we wrote after FY17 results, we highlighted that the company had three short-term priorities.

- Resolve the primary care support issue
- The shift from GPSoC to IT Futures
- Upgrade EMIS Web

The company believes it has made good progress in resolving the customer support issue in Primary Care. Support and development headcount was increased to deal with the backlog of software issues and to make sure that on an ongoing basis, EMIS can continue to meet NHS Digital service level agreements, which it has done since 1 July. The company noted that as well as bringing Primary Care service levels up to the required level, it has also worked on completing outstanding commercial agreements in Community and Acute Care. It has invested in the leadership team for the wider group, with a focus on service delivery, with the current team of 46 including 18 new hires.

In late March, NHS Digital confirmed that the GPSoC framework would be extended until the end of 2019, to give it more time to develop the new IT Futures framework. EMIS has just received the first set of information from NHS Digital regarding requirements, and expects two more releases of information over the next few months. The company can have a dialogue with NHS Digital up until the end of this year. From the start of next year, the formal bid process begins, with each prospective technology supplier submitting their proposals to NHS Digital. The company expects that the new framework will be agreed by next summer.

Alongside this, the company is looking to upgrade EMIS Web. This is somewhat of a chicken-and-egg scenario – the company will need to be sure that it can support all of the requirements of the new framework, but does not want to fix its technology roadmap before the full scope of requirements, and confirmation that it has been successful in being selected to go on the framework, have been received. It is currently talking to user groups in primary and community care to create a user-defined roadmap for the upgrades and is starting to develop an understanding of the requirements of IT Futures. Unlike the introduction of EMIS Web, upgrades are likely to be put through on a modular basis, and will not require EMIS staff on GP premises to effect the upgrades.

Long-term growth plan nearing completion

The company has indicated for several months that it is defining its long-term growth strategy and is working on its five-year product roadmap. It plans to unveil this at its capital markets day on 29 November. We assume that by then, the company will have a clearer picture of the requirements and opportunities thrown up by IT Futures.

Primary, Community and Acute Care: Investing in service delivery

PCA grew revenues 3.6% y-o-y while maintaining flat adjusted operating profit. Upside from the one-off Australian licence sale in Acute was offset by the costs of extra headcount brought in to improve the Primary Care support function.

In **Primary Care**, market share in the UK was maintained at 56%. This business continues to participate in the Scotland bid for primary care, where it currently has 54% market share and generates revenues of c £2.5m pa. Management noted that it has finite resources and depending on the requirements for both the new Scottish framework and IT Futures, it may have to make decision on whether it can continue to be involved in Scotland. The division's Egton business is seeing growth in several areas: CCG (Clinical Commissioning Group)-funded NHS Wi-Fi, paper records digitisation services and automated arrivals kiosks.

Community Care won several new contracts, increasing market share by 1% to 18%. A new Windows-based mobile app was released in beta for "clinicians on the go".

The **Acute** business increased its market share of the hospital pharmacy business by 3% to 32% (maintained No 2 position) and maintained its No 2 position and 19% market share in A&E. Despite its announced withdrawal from the Australian market, it signed a licence for legacy software in the Northern Territory in Australia and agreed a support and maintenance contract until the customer has switched to a new software provider.

Community Pharmacy: Revenue and profit growth

CP saw strong revenue growth of 13.5% y-o-y and adjusted operating profit growth of 36.4%. The business maintained its market share at 37%. The roll-out of ProScript Connect across the direct estate continued (2,277 customers now upgraded; 69% of direct estate) as well as across the Celesio independent estate (880 sites upgraded; 44% of estate). While the shift to ProScript Connect in itself does not increase revenues, the new software provides opportunities for EMIS to sell add-on modules and hardware.

Celesio has decided not to roll ProScript Connect out to its Lloyds Pharmacies estate – we had expected this to take EMIS's market share up to nearly 50%. EMIS believes that this process may be restarted at some point in the future.

Specialist and Care: Back on track

New Care screening programmes that started in H117 contributed to the strong y-o-y revenue growth of 20.4% for S&C. The division was profitable at the adjusted operating profit level, increasing from a margin of 2.0% in H217 to 3.7% in H118.

Patient: Early days

The Patient business is still in investment mode. The business released a new version of Patient Access during H118 which is now being used by 2.2m patients. Management presented some usage statistics for Access, showing that in H118 monthly users increased 34% y-o-y, log-ins increased 21%, medical record views 49%, appointments booked 14% and repeat prescriptions 27%. As the company views Patient Access as the gateway to NHS services and third-party healthcare offerings, this bodes well for the development of the Patient business in the longer term.

The Patient.info part of the business saw average page views per month increase from 25m in H217 to 26m in H118, after the upgrade of the website in H217. Since the end of H118, a change in Google algorithms has reduced traffic to the site and this is likely to have a negative impact on advertising revenues in H218. We note that Patient.info has been affected by Google search

algorithms changing in the past; in our view this is an ongoing cost of doing business when the majority of traffic is generated via Google.

Outlook and changes to forecasts

The company traded in line with expectations in H118 and management anticipates that it will meet the board's expectations for the full year. We have made the following changes to our forecasts:

- **Revenues:** we have reflected the one-off licence sale in Acute, and increased our forecasts for Specialist and Care, based on H1 performance. We have increased our Community Pharmacy forecast for FY18, reflecting the strong performance in H118, but we have removed any revenues from Lloyds pharmacies until the ProScript Connect roll-out is resumed.
- **Adjusted operating profit:** we make minimal changes in FY18, assuming that increased headcount for support and development counteracts the increase in revenues. For FY19 and FY20, we have reflected the shift to IFRS 16, removing c £1.75m of operating lease expenditure and adding in £1.45m of depreciation and £0.3m in interest charges.
- **Dividend:** we have increased this in FY18-20 to reflect the higher than expected interim dividend.
- **Net cash:** we have added £8m to debt in FY19 reflecting the capitalisation of operating leases. We have also reflected the changes in HMRC deadlines for paying corporation tax. As a very large corporation (taxable profits of at least £20m per annum), EMIS currently pays tax for a given fiscal year in months seven and 10 of the current year and months one and four of the following year. For fiscal years starting on or after 1 April 2019 (ie FY20 for EMIS), this will shift to months 3, 6, 9 and 12 in the current year. Consequently, EMIS will end up paying 18 months of tax in FY20 before reverting to 12 months in FY21.

Exhibit 3: Changes to forecasts

£'000s	FY18e	FY18e	Change	y-o-y	FY19e	FY19e	Change	y-o-y	FY20e	FY20e	Change	y-o-y
	Old	New			Old	New			Old	New		
Revenues	165,748	170,420	2.8%	6.3%	171,567	176,280	2.7%	3.4%	178,455	183,644	2.9%	4.2%
Normalised operating profit	36,200	36,360	0.4%	4.2%	39,230	39,429	0.5%	8.4%	42,263	42,630	0.9%	8.1%
Reported operating profit	28,482	28,642	0.6%	169.2%	31,512	31,711	0.6%	10.7%	34,784	35,151	1.1%	10.8%
EMIS adjusted operating profit	37,156	37,336	0.5%	-0.2%	39,028	39,257	0.6%	5.1%	42,304	42,689	0.9%	8.7%
Normalised EPS (p)	45.0	45.2	0.5%	4.9%	48.7	48.7	-0.1%	7.7%	53.1	53.2	0.3%	9.4%
Reported EPS (p)	35.3	35.9	1.8%	180.7%	39.0	39.0	-0.1%	8.6%	43.6	43.8	0.4%	12.2%
EMIS adjusted EPS (p)	46.5	46.7	0.5%	-0.7%	48.4	48.4	0.0%	3.6%	53.2	53.3	0.3%	10.2%
Net cash/(debt)	17,682	17,796	0.6%	27.2%	32,072	24,693	-23.0%	38.8%	49,049	37,838	-22.9%	53.2%

Source: Edison Investment Research

Valuation

The EMIS share price has now recovered to the level it was at before the NHS Digital support issue was announced. However it continues to trade at a discount to peers on a P/E and EV/EBITDA basis for FY18e and FY19e. In terms of profitability, EMIS performs at the top end of the range; however, limited revenue growth means that its earnings growth lags its peers. With the Primary Care business support issues seemingly resolved, this removes one obstacle to share price recovery. Uncertainty over the outcome of IT Futures as well as the wait to hear the company's long-term strategy are likely to weigh on the share price in the short term. A credible plan to drive growth above the low-to-mid single digits currently forecast is likely to be the first trigger for share price upside.

Exhibit 4: Peer group valuation multiples

	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	3.9	3.7	3.6	22.8	21.8	20.2	18.2	17.4	16.1	12.9	12.5	11.7	2.6%	2.9%	3.0%
EMIS (cash R&D)		3.9	3.7	3.6	20.9	21.0	20.3	17.0	17.0	16.2					
AllScripts	2.5	2.1	2.0	23.6	19.2	16.9	17.1	16.3	14.7	12.2	10.8	9.9	0.0%	0.0%	0.0%
athenahealth	5.1	4.7	4.2	62.1	35.8	31.7	35.9	27.3	23.9	20.7	17.2	15.1	0.0%	0.0%	0.0%
Cegedim	1.5	1.4	1.4	35.0	16.4	13.2	18.1	16.9	14.5	8.7	8.2	7.5	0.0%	0.4%	1.9%
Cerner	4.1	3.9	3.6	27.4	26.0	23.4	18.2	19.3	16.9	12.7	13.1	11.8	0.0%	0.0%	0.0%
Craneware	11.0	9.5	8.3	54.3	46.5	39.9	37.7	31.6	26.9	34.7	29.6	25.5	1.0%	1.1%	1.1%
CompuGroup	5.1	4.2	4.2	60.4	23.0	22.4	33.4	20.4	20.2	23.1	16.4	16.2	0.0%	0.8%	0.8%
Nexus	3.4	3.0	2.8	42.3	32.8	27.3	30.0	23.2	19.5	16.9	14.8	13.0	0.6%	0.6%	0.6%
Quality Systems	2.8	2.7	2.6	32.7	32.4	28.6	23.9			18.8	17.9	15.8	0.0%	0.0%	0.0%
Average	4.4	3.9	3.6	42.2	29.0	25.4	26.8	22.1	19.5	18.5	16.0	14.4	0.2%	0.4%	0.6%
Median	3.7	3.4	3.2	38.6	29.2	25.3	27.0	20.4	19.5	17.8	15.6	14.0	0.0%	0.2%	0.3%
EMIS vs peer median (%)					(25)	(20)					(22)	(18)			

Source: Edison Investment Research, Bloomberg (as at 3 September)

Exhibit 5: Peer group financial metrics

	Y/E	Market cap (m)	EBIT margin (%)			EBITDA margin (%)			Rev growth (%)			EPS growth (%)		
			2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e	2017	2018e	2019e
EMIS	31-Dec	£622	21.8%	21.3%	22.4%	30.7%	29.8%	30.7%	1.0%	6.3%	3.4%	(12.9)%	4.9%	7.7%
EMIS (cash R&D)			23.3%	21.9%	22.3%							(4.4)%	(0.7)%	10.2%
AllScripts	31-Dec	\$2,551	14.7%	12.8%	13.6%	20.7%	19.5%	20.2%	16.5%	20.2%	4.9%	12.7%	22.7%	13.9%
athenahealth	31-Dec	\$6,233	14.3%	17.0%	17.7%	24.8%	27.1%	28.1%	12.7%	10.5%	9.9%	30.5%	73.5%	12.7%
Cegedim	31-Dec	€ 441	8.2%	8.5%	9.5%	16.9%	17.6%	18.3%	6.5%	2.7%	4.2%	(160)%	113.9%	24.2%
Cerner	31-Dec	\$21,421	22.4%	20.1%	21.2%	32.0%	29.7%	30.3%	7.2%	5.2%	8.3%	3.5%	5.1%	11.3%
Craneware	30-Jun	£611	29.1%	30.0%	30.7%	31.7%	32.0%	32.4%	16.0%	16.0%	14.6%	10.7%	16.7%	16.5%
CompuGroup	31-Dec	€ 2,666	15.3%	20.4%	21.1%	22.1%	25.3%	26.2%	4.0%	22.9%	(2.3)%	(12.6)%	162%	2.5%
Nexus	31-Dec	€ 413	11.2%	13.0%	14.3%	19.9%	20.4%	21.4%	11.2%	11.3%	8.3%	17.9%	29.0%	20.0%
Quality Systems	31-Mar	\$1,470	11.6%	11.6%	12.4%	14.8%	15.3%	16.3%	4.2%	2.1%	5.7%	(14.6)%	1.0%	13.2%
Average			15.9%	16.7%	17.6%	22.9%	23.4%	24.2%	9.8%	11.3%	6.7%	6.9%	44.4%	12.9%
Median			14.5%	15.0%	16.0%	21.4%	22.9%	23.8%	9.2%	10.9%	7.0%	7.1%	25.9%	13.5%

Source: Edison Investment Research, Bloomberg (as at 3 September)

Exhibit 6: Financial summary

	£'000s	2014	2015	2016	2017	2018e	2019e	2020e
Year end 31 December								
PROFIT & LOSS								
Revenue		137,639	155,898	158,712	160,354	170,420	176,280	183,644
Cost of Sales		(12,782)	(12,955)	(14,151)	(14,674)	(15,934)	(16,870)	(17,832)
Gross Profit		124,857	142,943	144,561	145,680	154,486	159,410	165,812
EBITDA		47,645	51,964	52,288	49,222	50,722	54,181	57,718
Operating Profit (before amort. of acq. intang, SBP and except.)		34,787	37,123	38,897	34,895	36,360	39,429	42,630
EMIS adjusted operating profit		32,639	36,553	38,753	37,406	37,336	39,257	42,689
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	28,642	31,711	35,151
Net Interest		(543)	(449)	(237)	(299)	(50)	(300)	(300)
Profit Before Tax (norm)		34,206	36,625	39,159	35,192	36,946	39,765	42,966
Profit Before Tax (FRS 3)		28,540	10,932	25,333	10,937	29,228	32,047	35,487
Tax		(5,719)	(5,558)	(5,208)	(2,074)	(5,583)	(6,409)	(6,742)
Profit After Tax (norm)		27,617	29,801	32,175	27,989	29,557	31,812	34,802
Profit After Tax (FRS3)		22,821	5,374	20,125	8,863	23,645	25,638	28,744
Average Number of Shares Outstanding (m)		62.8	62.7	62.8	62.9	63.0	63.0	63.0
EPS - normalised & diluted (p)		42.8	46.0	49.4	43.1	45.2	48.7	53.2
EPS - EMIS adjusted & diluted (p)		39.4	45.1	49.2	47.0	46.7	48.4	53.3
EPS - FRS 3 (p)		35.3	7.2	30.4	12.8	35.9	39.0	43.8
Dividend (p)		18.4	21.2	23.4	25.8	28.4	29.8	31.4
Gross Margin (%)		90.7%	91.7%	91.1%	90.8%	90.7%	90.4%	90.3%
EBITDA Margin (%)		34.6%	33.3%	32.9%	30.7%	29.8%	30.7%	31.4%
Operating Margin (before GW and except.) (%)		25.3%	23.8%	24.5%	21.8%	21.3%	22.4%	23.2%
BALANCE SHEET								
Fixed Assets		166,415	143,546	133,292	122,979	114,899	113,429	104,862
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	29,487	28,837
Other fixed assets		2,705	131	152	98	98	98	98
Current Assets		37,221	39,800	46,088	56,900	61,917	78,275	91,257
Stocks		1,550	1,206	1,815	1,633	1,633	1,633	1,633
Debtors		28,732	33,893	39,970	40,148	42,488	43,949	45,785
Cash		6,939	4,701	4,303	13,991	17,796	32,693	43,838
Current Liabilities		(67,665)	(63,819)	(56,158)	(65,131)	(57,329)	(61,300)	(63,778)
Creditors		(54,763)	(51,960)	(51,425)	(65,131)	(57,329)	(59,300)	(61,778)
Short term borrowings		(12,902)	(11,859)	(4,733)	0	0	(2,000)	(2,000)
Long Term Liabilities		(21,063)	(12,481)	(9,080)	(6,734)	(6,827)	(13,109)	(7,133)
Long term borrowings		(5,854)	(1,951)	0	0	0	(6,000)	(4,000)
Other long term liabilities		(15,209)	(10,530)	(9,080)	(6,734)	(6,827)	(7,109)	(3,133)
Net Assets		114,908	107,046	114,142	108,014	112,659	117,294	125,208
CASH FLOW								
Operating Cash Flow		44,856	42,711	43,657	48,834	40,580	54,691	58,359
Net Interest		(445)	(422)	(324)	(356)	50	(200)	(200)
Tax		(5,247)	(6,896)	(7,655)	(8,139)	(6,168)	(7,671)	(12,140)
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)	(17,157)	(18,424)	(19,373)
Net Cash Flow		1,674	2,708	8,679	14,421	3,805	14,897	13,146
Opening net debt/(cash)		13,491	11,817	9,109	430	(13,991)	(17,796)	(24,693)
HP finance leases initiated		0	0	0	0	0	(8,000)	0
Other		0	0	0	0	0	0	0
Closing net debt/(cash)		11,817	9,109	430	(13,991)	(17,796)	(24,693)	(37,838)

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 Ltd (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.