

# AIM blue chip continues to deliver healthy returns

This software specialist's dedication to its niche has seen dividends double in six years.

By market capitalisation, Leeds-based healthcare technology firm **EMIS Group** is among the top 5% of all AIM companies.

delivering handsome returns to shareholders

**EMIS** supplies a collection of software and systems to each major touch point of the UK healthcare industry. Its financial record speaks for its ability to do so profitably and at scale, delivering handsome returns to shareholders. In the financial year ending December 2018, **EMIS** achieved group sales of £170m. Management classified £140m of these revenues as recurring, meaning that such income 'annually repeats either under contractual arrangement or by predictable customer habit'.

**EMIS Group** structures its operations between *EMIS Health* and *EMIS Enterprise*. *EMIS Health* is a trading brand of the Group, serving primary care (first point of contact e.g. GP, pharmacy etc.), community care (e.g. district nurses) and acute services (Accident and Emergency). Here, **EMIS**



solutions typically address the requirement for information sharing between services and the processing of patients through the different stages of the administration of their treatment. An example might be the electronic delivery of discharge notes to a GP on the patient leaving A&E. The *EMIS Enterprise* offering targets entities in the private healthcare supply space, facilitating business-to-business activities.

Half-year results, posted at the end of August, showed a 7% increase in revenues. The

interim dividend increased by 10%

sale of the *Specialist & Care* division led to a slight reduction in the recurring:non-recurring revenue ratio to 75% recurring. Reported earnings per share was 3% higher and the interim dividend was increased by 10%. For the full year just closed, consensus forecast is for a 5% increase in group revenues and earnings per share rising to 51.8p.

**EMIS** is thus set for its ninth year of dividend increases to shareholders. This combined scale and achievement puts the Group in illustrious company with some of AIM's most

admired firms.

The quality customer base and high proportion of recurring revenues inspires confidence in the medium term outlook for sales and profit at the Group.

NHS policy for increased digitisation

More encouraging is that the NHS' stated policy is for increased digitisation and more technology-led solutions.

**EMIS** combines growth and defensive qualities. This is rare among software companies. The premium to the usual 'three times recurring revenues, one times non-recurring revenues' yardstick is deserved. I will monitor the shares in any broader market sell-off, hoping to buy a top quality operator at a more modest price.

## EMIS Group (LON:EMIS)

### FOR

longstanding success

market enjoys structural growth

### AGAINST

modest historic earnings growth

NHS IT projects risk reputation

Market cap	£736m
Bid:offer	1,162p:1,164p
PE (forecast)	23.7
Yield (forecast)	2.7%
52week low:high	875p:1,262p

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