

PRESS RELEASE

First-half financial information at June 30, 2020
IFRS – Regulated information – Audited

Cegedim: First half impacted by the health crisis, rebound in activity expected in the second half

- Revenue decreased by 3.9%
- Recurring operating income (1) declined by 50.1%
- Target is for nearly stable FY 2020 revenue and recurring operating income⁽¹⁾

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Boulogne-Billancourt, France, September 24, 2020, after the market close

Cegedim, an innovative technology and services company, posted consolidated, H1 2020 revenues of €236.2 million, down 3.9% on a reported basis and 2.5% like for like compared with the same period in 2019. Recurring operating income⁽¹⁾ came to €6.3 million, down 50.1% year on year.

In like-for-like terms, revenue decreased at both operational divisions. The *Health insurance, HR and e-services* division revenue declined by 2.7% and *Healthcare professionals* division revenue, by 2.2%.

Recurring operating income⁽¹⁾ declined at the *Health insurance, HR and e-services* division by €6.6 million but was virtually stable at the *Healthcare professionals* division and *Corporate and others* division.

Income statement summary

	H1 2019		H1 2020		Chg.
	€m	%	€m	%	
Revenues	245.8	100.0%	236.2	100.0%	(3.9)%
EBITDA ⁽¹⁾	45.5	18.5%	38.2	16.2%	(15.9)%
Depreciation & amortization	(32.8)	(13.4)%	(31.9)	(13.5)%	(2.7)%
Recurring operating income⁽¹⁾	12.6	5.1%	6.3	2.7%	(50.1)%
Other non-recurring operating income and expenses ⁽¹⁾	(16.3)	(6.6)%	(6.2)	(2.6)%	(62.1)%
Operating income	(3.6)	(1.5)%	0.1	0.1%	n.m.
Cost of net financial debt	(4.5)	(1.8)%	(4.6)	(1.9)%	+2.4%
Tax expenses	(2.1)	(0.8)%	(0.2)	(0.1)%	(89.8)%
Consolidated net profit					
Profit attributable to the owners of the parent	(10.2)	(4.1)%	(4.7)	(2.0)%	(54.2)%
Recurring EPS	(0.4)	()	(0.2)	()	(49.0)%
EPS	(0.7)	()	(0.3)	()	(54.1)%

(1) See the 2020 Interim Financial Report, Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

Consolidated revenue decreased by €9.6 million, or 3.9%, to €236.2 million in H1 2020, compared to €245.8 million for H1 2019. Currencies had virtually no impact and, excluding an unfavorable scope impact of 1.4pp, revenues fell 2.5%.

Recurring operating income⁽¹⁾ decreased by €6.3 million, or 50.1%, to €6.3 million in H1 2020, compared with €12.6 million in H1 2019. The June 2020 figure represented 2.7% of revenue, compared with 5.1% in June 2019.

Depreciation and amortization expenses decreased by €0.9 million, or 2.7%, to €31.9 million in H1 2020, compared with €32.8 million in H1 2019.

EBITDA⁽¹⁾ decreased by €7.2 million, or 15.9%, to €38.2 million in H1 2020, compared with €45.5 million in H1 2019. EBITDA represented 16.2% of consolidated revenue in H1 2020, compared with 18.5% in H1 2019.

Other non-recurring operating income and expenses⁽¹⁾ amounted to a charge of €6.2 million in H1 2020 compared with a charge of €16.3 million in H1 2019. Most of the yoy decrease are attributable to "Provisions for intangible asset obsolescence". The 2020 figure is largely attributable to a €4.3 million impairment for certain intangible assets of the UK doctor software business stemming from previous acquisitions, and much of the 2019 figure is attributable to the sale of nearly all of the business activities of *Pulse Systems Inc.*, which resulted in a €14.9 million charge.

Cost of net financial debt remained relatively stable at €4.6 million in H1 2020, compared with €4.5 million in H1 2019. This stability reflects the debt structure and reduced use of the revolving credit facility (RCF).

Tax came to a charge of €0.2 million in H1 2020 compared with a charge of €2.1 million in H1 2019, down €1.9 million or 89.8%. This change was principally the result of a decrease in taxes at the Group level and from a positive adjustment in deferred tax assets.

As a result, **consolidated net profit** came to a loss of €4.6 million in H1 2020 compared with a loss of €10.2 million in H1 2019. **Recurring net profit per share** came to a loss of €0.2 in H1 2020 compared to a loss of €0.4 in H1 2019. **Earnings per share** were a loss of €0.3 in H1 2020 compared with a loss of €0.7 a year earlier.

Analysis of business trends by division

- **Key figures by division**

In € million	Revenues		Recurring Operating Income ⁽¹⁾	
	H1 2019	H1 2020	H1 2019	H1 2020
Health insurance, HR and e-services	162.5	160.3	34.5	32.5
Healthcare professionals	81.6	74.1	5.3	2.5
Corporate and others	1.7	1.7	(2.7)	(2.0)
Cegedim	245.8	236.2	37.1	33.1

- **Health insurance, HR and e-services**

In the first half of 2020, the *Health insurance, HR and e-services* division reported **revenues** of €160.3 million, down 1.3% on a reported basis and 2.7% like-for like. Currencies had virtually no impact and the acquisitions of *Cosytec* and *NetEDI* made a positive contribution of 1.4pp. **Recurring operating income⁽¹⁾** decreased by €6.6 million, or 61.3%, to €4.1 million in H1 2020 compared to €10.7 million in H1 2019. The H1 2020 figure represented 2.6% of revenue, compared with 6.6% in H1 2019.

Business was negatively affected by the pandemic across the board. BPO volumes dipped temporarily. Project-based activities were affected because implementation was delayed until the second half. *C-Media* (conventional and digital signage solutions for pharmacies) suspended all activity for one month because advertisers postponed their marketing spending.

- **Healthcare professionals**

In the first half of 2020, the *Healthcare professionals* division reported **revenues** of €74.1 million, down 9.1% on a reported basis and 2.2% like-for like. Currency translation had a negative impact of 0.1% and acquisitions and disposals had a negative impact of 6.8%, chiefly due to the sale of nearly all of the business activities of *Pulse Systems Inc.* in the US in August 2019. **Recurring operating income⁽¹⁾** increased by €0.1 million, or 2.7%, to €3.0 million in H1 2020 compared to €2.9 million in H1 2019. The H1 2020 figure represented 4.1% of revenue, compared with 3.6% in H1 2019.

This increase in recurring operating income⁽¹⁾ is chiefly attributable to the sale of nearly all of the business activities of *Pulse Systems Inc.* in August 2019 (which generated a €2.8 million recurring operating loss in H1 2019), to the virtual stability of the division's recurring business, and to growth at: *RESIP* (BCB medication database), *RM Ingénierie* (allied health professional computerization in France), and the doctor software business in the UK. This performance was partially offset by costs at *Maiia* (online appointment scheduling and telemedicine), whose strong H1 growth will have a positive impact starting in the second half.

- **Corporate and others**

In the first half of 2020, the **Corporate and others** division reported revenues of €1.7 million, stable on a reported basis and like-for like. Currencies and acquisitions had no impact. Recurring operating income⁽¹⁾ was relatively stable at a €0.9 million loss over H1 2020, compared with a €1.0 million loss in H1 2019.

Balance sheet structure

The consolidated total balance sheet amounted to €870.0 million at June 30, 2020, a €61.4 million or 7.6% increase over December 31, 2019. This increase is mainly attributable to the €55.7 million increase in receivables linked to outsourced management contracts in the health insurance sector.

Goodwill amounted to €186.0 million at June 30, 2020, compared with €192.7 million at December 31, 2019. This €6.7 million decrease, or 3.5%, was the result of assigning €4.1 million of goodwill from 2019 acquisitions to other identifiable assets, and of a €2.6 million currency impact. Goodwill represented 21.4% of the total balance sheet at June 30, 2020, compared with 23.8% at December 31, 2019.

Cash and equivalents came to €26.1 million at June 30, 2020, a €2.9 million decrease compared to December 31, 2019. This decrease is chiefly attributable to the €2.6 million drop in prepaid income at the health insurance BPO business.

Equity decreased by €10.3 million, or 5.1%, to €191.0 million at June 30, 2020, compared with €201.2 million at December 31, 2019.

Total net financial liabilities⁽¹⁾ amounted to €176.1 million, down €4.4 million compared with 6 months ago. Total net financial liabilities⁽¹⁾ represented 92.2% of equity at June 30, 2020, compared with 89.7% at December 31, 2019.

Cash flow after cost of net financial debt and taxes increased by €55.6 million to an inflow of €50.7 million at June 30, 2020, compared with an outflow of €4.9 million at December 31, 2019. The improvement in WCR is attributable to a €15 million boost from the postponement of social charges and rent payments as a result of efforts to mitigate the impacts of the Covid-19 crisis, the termination of non-recourse factoring agreements in December 2019 (€14.9 million impact at June 30, 2019), and the fluctuation in advances paid by client at the health Insurance BPO business.

Highlights

Apart from the items cited below, to the best of the company's knowledge, there were no events or changes during the period that would materially alter the Group's financial situation.

- **Tax**

On February 21, 2018, Cegedim SA received official notice that the French tax authorities planned to perform an audit of its financial statements for the period from January 1, 2015, to December 31, 2016. After consultation with its lawyers and based on ample precedent, the Group believes that the adjustment is unwarranted. By appealing the case, we were able to obtain tax relief that brings the maximum possible amount of back taxes owed at June 30, 2020, to €8.5 million (vs. €9 million). Regarding the other points of disagreement, the Group has decided to explore its options for recourse before requesting an appeal. Cegedim still believes that there is not enough risk with respect to past deferred tax assets or to tax loss carryforwards recorded on its balance sheet as of June 30, 2020, (corresponding to €20 million of deferred tax) to jeopardize their valuation.

Significant post-closing transactions and events

No significant events occurred between June 30, 2020, and September 24, 2020, when the Board of Directors authorized the condensed consolidated interim financial statements for issue.

Outlook

The Group has a solid business model, a robust financial situation with a reasonable amount of leverage⁽¹⁾, no debt maturing before October 2024, an undrawn €65 million revolving credit facility, and an unused €11 million overdraft facility on the date this report was published.

First-half revenues fell 2.5% like for like, and recurring operating profit fell 50.1%.

The Group operates predominantly in the healthcare sector and expects business at its two operating divisions to rebound in H2 2020, with a return to organic growth in revenue and recurring operating income.

Consequently, relative to 2019, Cegedim is looking for nearly stable FY 2020 revenue and recurring operating income. These targets may need to be revised if the Covid-19 crisis causes a severe tightening of public health restrictions after the first-half accounts are published.

The Group does not expect any material acquisitions in 2020 and does not provide earnings estimates or forecasts.

Additional information

The Audit Committee met on September 23, 2020. The Board of Directors, chaired by Jean-Claude Labrune, approved the consolidated interim financial statements for 2020 at its meeting on September 24, 2020. The audit of the financial statements has been completed. The audit report has been issued. The 2020 Interim Financial Report will be available in a few days' time on our website and on Cegedim IR, the Group's financial communications app.

2020 Financial calendar

September 25 at 10:00 am	Analyst meeting (SFAF) in SFAF's offices
October 28 after the close	Third-quarter 2020 revenues
December 15 (time t.b.a.)	Cegedim's Investor Day

The H1-2020 earnings presentation is available at:

- The website: <https://www.cegedim.com/finance/documentation/Pages/presentations.aspx>
- The Group's financial communications app, Cegedim IR. To download the app, visit: <http://www.cegedim.fr/finance/profil/Pages/CegedimIR.aspx>.

Annex 1: Financial statements as of June 30, 2020

 • **Assets as June 30, 2020**

<i>In thousands of euros</i>	06/30/2020	12/31/2019
Goodwill on acquisition	186,026	192,740
Development costs	46,208	21,960
Other intangible fixed assets	117,730	135,579
Intangible fixed assets	163,938	157,540
Property	544	544
Buildings	2,670	2,960
Other tangible fixed assets	30,638	30,960
Right-of-use assets	68,870	64,537
Fixed assets in progress & Advances and deposits on tangible fixed assets	21	163
Tangible fixed assets	102,744	99,164
Equity investments	1,182	1,214
Loans	15,317	14,017
Other long-term investments	5,545	4,546
Long-term investments – excluding equity shares in equity method companies	22,045	19,777
Equity shares in equity method companies	15,639	15,080
Deferred tax asset	32,207	31,750
Accounts receivable: long-term portion	-	-
Other receivables: long-term portion	-	-
Long-term financial instruments	266	387
Prepaid expenses: long-term portion	319	390
Non-current assets	523,184	516,828
Services in progress	-	-
Goods	4,829	4,434
Advances and deposits received on orders	248	208
Accounts receivables: short-term portion	139,516	143,986
Other receivables: short-term portion	161,432	101,684
Short-term financial instruments	1	1
Cash equivalents	0	0
Cash	26,120	29,059
Prepaid expenses: short-term portion	14,697	12,414
Current assets	346,844	291,785
Total Assets	870,027	808,613

At June 30, 2020, the Group's cash position was positively impacted by €11 million, compared with a negative impact of €32.2 million at December 31, 2019, because prepaid income in the health insurance BPO activity was classified as "other current receivables" to reflect the special terms of some contracts.

- **Liabilities and shareholders' equity as of June 30, 2020**

<i>In thousands of euros</i>	06/30/2020	12/31/2019
Share capital	13,337	13,337
Group reserves	188,159	186,526
Group exchange gains/losses	-6,031	-1,480
Group earnings	-4,667	2,697
Shareholders' equity, Group share	190,798	201,080
Minority interests	192	167
Shareholders' equity	190,990	201,247
Long-term financial liabilities	196,319	195,694
Non-current lease liabilities	56,425	52,413
Long-term financial instruments	397	627
Deferred tax liabilities	8,900	8,009
Retirement commitments	33,958	32,250
Non-current provisions	1,906	1,855
Other non-current liabilities	-	-
Non-current liabilities	297,905	290,847
Short-term financial liabilities	5,950	13,961
Current lease liabilities	14,186	13,507
Short-term financial instruments	2	2
Accounts payable and related accounts	47,702	50,644
Tax and social liabilities	102,205	91,593
Provisions	4,207	5,513
Other current liabilities	206,881	141,299
Current liabilities	381,132	316,519
Total Liabilities	870,027	808,613

- Income statement as of June 30, 2020

In thousands of euros	06/30/2020	06/30/2019
Revenue	236,199	245,795
Purchased used	(12,039)	(15,260)
External expenses	(51,909)	(55,693)
Taxes	(5,097)	(4,425)
Payroll costs	(127,901)	(124,640)
Impairment on account receivables and other receivables and on contract assets	(2,102)	(38)
Allocations to and reversals of provisions	(706)	(1,332)
Change in inventories of products in progress and finished products	-	(79)
Other operating income and expenses	146	(282)
Income of equity-accounted affiliates	1,656	1,426
EBITDA⁽¹⁾	38,247	45,472
Depreciation expenses other than right-of-use assets	(24,259)	(25,078)
Depreciation expenses of right-of-use assets	(7,684)	(7,750)
Recurring operating income before special items⁽¹⁾	6,305	12,643
Depreciation of goodwill	-	(2,500)
Non-recurring income and expenses ⁽¹⁾	(6,167)	(13,784)
Other non-recurring operating income and expenses⁽¹⁾	(6,167)	(16,284)
Operating income	138	(3,640)
Income from cash and cash equivalents	35	52
Gross cost of financial debt	(4,266)	(4,387)
Other financial income and expenses	(335)	(125)
Cost of net financial debt	(4,566)	(4,460)
Income taxes	(516)	(1,914)
Deferred taxes	304	(168)
Total taxes	(212)	(2,082)
Share of profit (loss) for the period of equity method companies	0	(8)
Consolidated profit (loss) for the period	(4,640)	(10,190)
Consolidated net income (loss) attributable to owners of the parent	(4,667)	(10,180)
Income from of equity-accounted affiliates	26	10
Average number of shares excluding treasury stock	13,826,606	13,853,244
Current earnings per share (in euros)	(0.2)	(0.4)
Earnings per share (in euros)	(0.3)	(0.7)
Dilutive instruments	None	None
Earning for recurring operation per share (in euros)	(0.3)	(0.7)

(1) See in the 2020 Interim Financial Report, Chapter 3 "Condensed consolidated interim financial statements", Section 3.6, Note 2 on Alternative performance indicators and Note 6 "Segment reporting".

- Consolidated cash flow statement as of June 30, 2020

<i>In thousands of euros</i>	06/30/2020	06/30/2019
Consolidated profit (loss) for the period	(4,641)	(10,190)
Share of earnings from equity method companies	(1,656)	(1,417)
Depreciation and provisions	36,425	48,220
Capital gains or losses on disposals	(253)	(25)
Cash flow after cost of net financial debt and taxes	29,875	36,588
Cost of net financial debt	4,566	4,460
Tax expenses	212	2,082
Operating cash flow before cost of net financial debt and taxes	34,653	43,130
Tax paid	(2,140)	(473)
Change in working capital requirements for operations: requirement	-	(47,584)
Change in working capital requirements for operations: surplus	18,138	-
Cash flow generated from operating activities after tax paid and change in working capital requirements (a)	50,651	(4,927)
Acquisitions of intangible assets	(27,848)	(26,066)
Acquisitions of tangible assets	(5,009)	(4,880)
Acquisitions of long-term investments	(980)	391
Disposals of tangible and intangible assets	332	51
Disposals of long-term investments	27	-
Change in loans made and cash advances	(1,309)	555
Impact of changes in consolidation scope ⁽¹⁾	-	(10,922)
Dividends received	79	97
Net cash flows generated by investment operations (b)	(34,708)	(40,773)
Dividends paid to shareholders of the parent company	-	-
Dividends paid to the equity-accounted affiliates	-	-
Capital increase for cash	-	-
Loans issued	-	-
Loans repaid	(9,834)	(354)
Repayment of lease liabilities	(7,521)	(7,017)
Interest paid on loans	(262)	(245)
Other financial income received	75	52
Other financial expenses paid	(1,190)	(1,766)
Net cash flows generated by financing operations (c)	(18,731)	(9,330)
Change in cash before impact of change in foreign currency exchange rates (a+b+c)	(2,788)	(55,030)
Impact of changes in foreign currency exchange rates	(154)	96
Change in cash	(2,943)	(54,934)
Opening cash	29,059	81,088
Closing cash	26,116	26,154

Glossary

BPO (Business Process Outsourcing): BPO is the contracting of non-core business activities and functions to a third-party provider. Cegedim provides BPO services for human resources, Revenue Cycle Management in the US and management services for insurance companies, provident institutions and mutual insurers.

Business model transformation: Cegedim decided in fall 2015 to switch all of its offerings over to SaaS format, to develop a complete BPO offering, and to materially increase its R&D efforts. This is reflected in the Group's revamped business model. The change has altered the Group's revenue recognition and negatively affected short-term profitability.

Corporate and others: This division encompasses the activities the Group performs as the parent company of a listed entity, as well as the support it provides to the three operating divisions.

Operating margin: Operating margin is defined as the ratio of Operating Income on revenue.

Recurring operating margin: Recurring operating margin is defined as the ratio of recurring operating income to revenue.

EPS: Earnings Per Share is a specific financial indicator defined by the Group as the net profit (loss) for the period divided by the weighted average of the number of shares in circulation.

External growth: External growth covers acquisitions during the current fiscal year, as well as those which have had a partial impact on the previous fiscal year, net of sales of entities and/or assets.

Free cash flow: Free cash flow is cash generated, net of the cash part of the following items: (i) changes in working capital requirements, (ii) transactions on equity (changes in capital, dividends paid and received), (iii) capital expenditure net of transfers, (iv) net financial interest paid and (v) taxes paid.

Internal growth: Internal growth covers growth resulting from the development of an existing contract, particularly due to an increase in rates and/or the volumes distributed or processed, new contracts, acquisitions of assets allocated to a contract or a specific project.

Life-for-like data (LFL): At constant scope and exchange rates.

Net cash: Net cash is defined as cash and cash equivalent minus overdraft.

Operating expenses: Operating expenses is defined as purchases used, external expenses and payroll costs.

Disclaimer: This press release is available in French and in English. In the event of any difference between the two versions, the original French version takes precedence. This press release may contain inside information. It was sent to Cegedim's authorized distributor on September 24, 2020, no earlier than 5:45 pm Paris time.

The figures cited above include guidance on Cegedim's future financial performances. This forward-looking information is based on the opinions and assumptions of the Group's senior management at the time this press release is issued and naturally entails risks and uncertainty. For more information on the risks facing Cegedim, please refer to Chapter 7 "Risk management", point 7.2, "Risk factors", and Chapter 3 "Overview of the financial year" point 3.6 "Outlook", of the 2019 Universal Registration Document filled with the AMF on March 31, 2020 under number D.20-0218.

About Cegedim:

Founded in 1969, Cegedim is an innovative technology and services company in the field of digital data flow management for healthcare ecosystems and B2B, and a business software publisher for healthcare and insurance professionals. Cegedim employs almost 5,000 people in more than 10 countries and generated revenue in excess of €500 million in 2019. Cegedim SA is listed in Paris (EURONEXT: CGM).

To learn more, please visit: www.cegedim.com

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