



# ORION HEALTH

## 1H FY2016

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**Andrew Ferrier**

Chairman of the Board of Directors

**Ian McCrae**

Chief Executive Officer

**Graeme Wilson**

Chief Operating Officer / Chief Financial Officer

# Important Notice

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Information in this presentation:

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All currency amounts are in NZ dollars unless otherwise stated.

OHE results are reported under NZ IFRS. This announcement includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS.

- the information contained in this presentation should be read in conjunction with the financial statements and accompanying notes.
- due to rounding, the numbers presented throughout this presentation may not add up precisely to the totals presented. Percentages may not precisely reflect the presented figures as these are based on unrounded numbers.

# 1HFY2016 Financial Highlights

(as at 30 September 2015, NZ\$)

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Total Operating  
Revenue

**\$102m**

26% increase  
from 1HFY2015

Annualised Recurring  
Revenue of

**\$86m**

increase of \$34 million  
from 1HFY2015

Recurring  
Revenue

**41%**

of Total Operating  
Revenue. Increased from  
30% 1HFY2015

Net Cash\*  
balances of

**\$77m**

as at 30 Sept 2015.  
\$18m net cash reduction  
in the half year

Increased R&D  
capacity by

**23%**

from 405 people at  
1HFY2015 to 499

\* Includes cash, cash equivalents and term deposits

# Patient Records

Managed by Orion Health Software

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**90million**

Globally

**44million**

North America

**25million**

APAC

**21million**

EMEA

# New Business Success

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# Summary Financial Performance

NZ\$ millions	1HFY2015	2HFY2015	1HFY2016	Change % 1HFY2016 vs 1HFY2015
<b>Operating Revenue</b>	<b>81</b>	<b>83</b>	<b>102</b>	<b>26%</b>
Regional Expenses	(69)	(76)	(87)	25%
<b>Regional operating profit</b>	<b>12</b>	<b>7</b>	<b>15</b>	<b>32%</b>
Other Income	3	3	3	3%
Research and development	(23)	(26)	(32)	37%
Corporate Expense	(13)	(15)	(12)	5%
<b>Operating Loss</b>	<b>(21)</b>	<b>(31)</b>	<b>(26)</b>	<b>27%</b>
Finance income/(costs) - net	-	1	1	100%
<b>Loss before income tax</b>	<b>(21)</b>	<b>(30)</b>	<b>(25)</b>	<b>20%</b>
Income tax (expense)/credit	6	(16)	(2)	100%
<b>Loss after tax</b>	<b>(15)</b>	<b>(46)</b>	<b>(27)</b>	<b>82%</b>

## Key changes compared to first half of 2015:

- Operating revenue \$102m, up 26%
- Regional operating profit was \$15m, up 32%; 134% up compared to second half 2015
- Recurring revenue is 41% of total operating revenue compared to 30% in 1HFY2015 — target of 50%
- All regions delivered revenue and contribution growth over 2HFY2015
- Growth includes \$13m currency impact on revenue and \$2m on margin
- R&D Investment up 37%, headcount up 38 from the end of the last financial year
- Corporate expenses 14% of revenue down from 16% last year
- Operating loss \$26m, up \$5m from 1HFY2015, improvement of \$5m from 2HFY2015

# Balance Sheet and Liquidity

## Strong balance sheet and well funded to execute plan

	Sep-15 NZ\$m	Mar-15 NZ\$m
<b>Assets</b>		
Cash, cash equivalents and term deposits	77.0	95.1
Trade and other receivables	56.5	58.7
Accrued revenue	28.7	26.9
Deferred tax asset	0.7	0.9
Property, plant & equipment	13.7	13.0
Other assets	6.3	6.6
<b>Total Assets</b>	<b>182.9</b>	<b>201.3</b>
<b>Liabilities</b>		
Trade, other payables and employee benefits	33.6	31.0
Revenue in advance	56.2	53.3
Other liabilities	3.6	4.2
<b>Total Liabilities</b>	<b>93.4</b>	<b>88.5</b>
<b>Equity</b>	<b>89.5</b>	<b>112.8</b>

- Well funded with \$77m in cash, cash equivalents and term deposits at 30 Sep 2015
- First half FY2016 net cash reduction of \$18m
- Total funds available and on deposit balance at 30 Sept 15 in line with expectations
- Improvement in working capital with increased focus on cash conversion cycle
- Accrued revenue reflects work completed that is yet to be invoiced for
- Revenue in advance reflects invoices collected for revenue yet to be recognised – for example, annual support renewals and periodic subscription fees
- Deferred tax asset written-off in accordance with Group policy in 2015

# Summary Regional Financial Performance

## Revenue & Contribution Growth

NZ\$ millions	1HFY2015	2HFY2015	1HFY2016	Change % 1HFY2016 vs 1HFY2015
<b>Regional Operating Revenue</b>				
North America	46	49	62	37%
APAC	22	16	17	-26%
EMEA	13	18	23	81%
<b>Total</b>	<b>81</b>	<b>83</b>	<b>102</b>	<b>26%</b>
<b>Regional operating profit: third party</b>				
North America	-	(3)	5	100%
APAC	10	4	3	-69%
EMEA	2	6	7	222%
<b>Total</b>	<b>12</b>	<b>7</b>	<b>15</b>	<b>32%</b>

- North America continues to be the largest region with 61% of revenue
- North America and EMEA delivered good growth compared to both first and second half FY2015 results
- APAC is down from 1HFY2015 due to significant perpetual licence sales in the comparative period



# Services Margins

NZ\$ millions	1HFY2015	2HFY2015	1HFY2016
<b>Implementation Services</b>			
Operating revenue	36	36	36
Margin	4	6	7
Margin %	10%	16%	20%
<b>Support Services</b>			
Operating revenue	14	16	20
Margin	12	13	17
Margin %	84%	79%	85%
<b>Managed Services</b>			
Operating revenue	10	14	21
Margin	2	-	1
Margin %	21%	3%	6%

- Implementation Services margins improving as legacy US projects are completed
- Some implementation challenges in the UK as the business scales
- Deployment automation investments showing benefits
- Support services performing well
- Significant investment in new cloud delivery capability which allows lower cost footprint per customer
- Similar levels of Managed Services cost for 18-24 months while existing customers are migrated to the cloud
- Additional investment into security and assurance

# Recurring Revenue and ARR

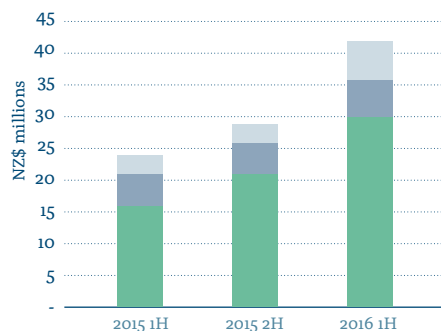
## Recurring Revenue

% of Total Operating Revenue

30%

36%

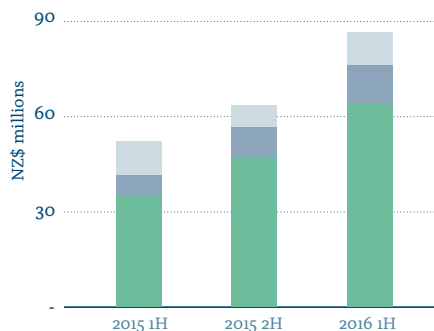
41%



North America APAC EMEA

- Recurring revenue represents Managed Services and Support Services revenue in the period

## Annualised Recurring Revenue (ARR)

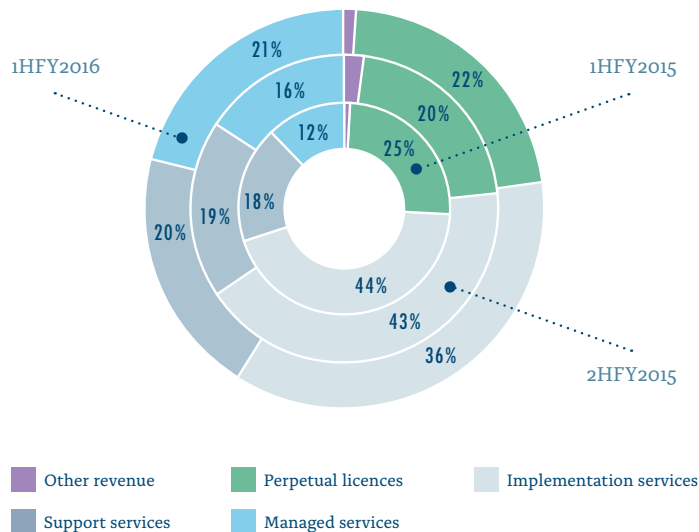


- Annualised Recurring Revenue (ARR) represents Managed Services and Support Services in the period end month, annualised

- Recurring revenue in the period increased in all regions
- Ongoing transition from perpetual licence to subscription model will drive future Recurring Revenue growth
- Recurring Revenue increased to 41% of Total Operating Revenue in the first half of FY2016. This is an increase from 33% in FY2015 and 29% in FY2014
- Target over 50% Recurring Revenue in 3 years
- ARR increased in all regions
- ARR has increased from \$52m at 1HFY2015 to \$63m at 2HFY2015 to \$86m at 1HFY2016
- \$12m of the ARR increase is related to exchange rate movements

# Operating Revenue by Type

## Operating Revenue Mix

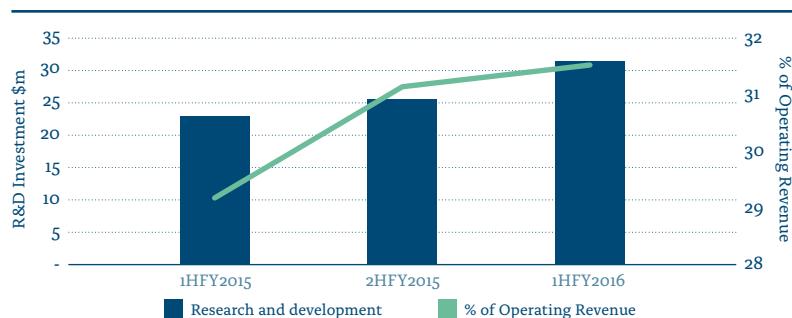


## NZ\$ millions

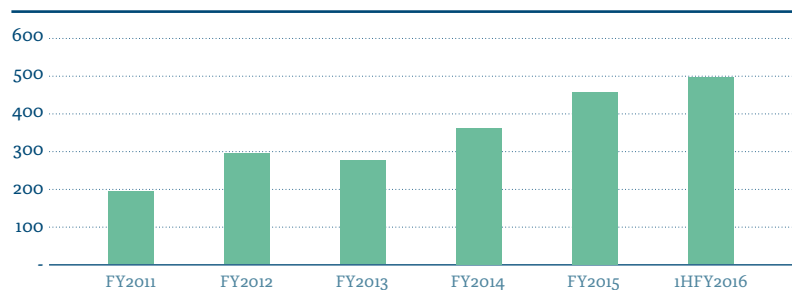
	1H FY2015	2H FY2015	1H FY2016
Perpetual licences	20	16	24
Implementation services	36	36	36
Support services	14	16	20
Managed services	10	14	21
Other revenue	1	1	1
	<b>81</b>	<b>83</b>	<b>102</b>

# Investment in Research and Development

## R&D Investment



## R&D Headcount



- Continued increase in R&D headcount has enabled accelerated enhancement of all solutions
- Investments as a percentage of revenue plateaus
- Approach to R&D is based on embracing latest technologies; innovating through design; open architecture; interoperability and scalability
- Investment in automation will increase speed to deploy and upgrade
- Cloud based delivery will provide a scalable lower cost standardised footprint per customer
- R&D programme continues to deliver functionality to published roadmaps
- Applied research planned for machine learning
- New genomic data sources are being ingested into Amadeus

# Innovation and Research: Precision Medicine

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Population Health Management is the **WHO**

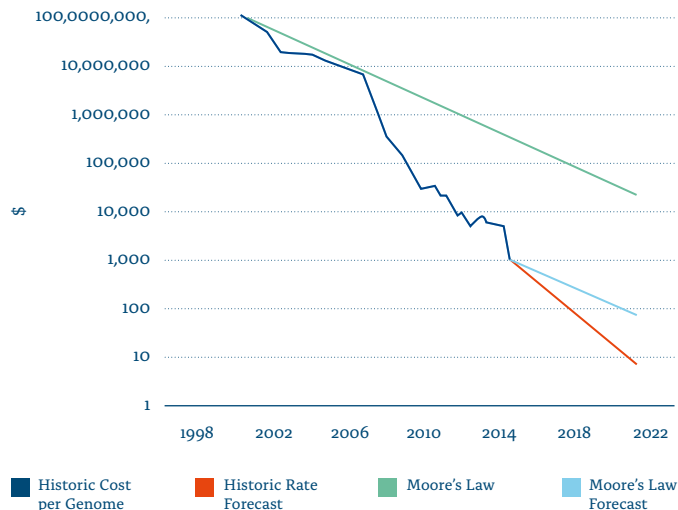
Precision Medicine is the **HOW**

Precision Medicine is an emerging model of healthcare that combines all information unique to an individual to identify prevention and treatment strategies which will be effective for them based on genetic, environmental and lifestyle factors.

# Innovation and Research: Precision Medicine

## Rare Diseases and Genome Sequencing Cost

### Cost Decline of Genomic Sequencing



### It's not so rare to have a rare disease\*

7,000

Rare diseases

1 in 10

Americans affected  
(~30 million in the  
US, 315 million  
globally)

80%

of rare diseases  
attributed to  
genetics

**Genomic Data underpins  
Precise Care Plans**

\* Considered rare when it affects fewer than 200,000 patients

# Innovation and Research: Precision Medicine

## Genomics

23 Chromosome pairs with 3.2 billion base pairs

1/2 Terabyte data per person

2,000 Petabytes for NZ



## Proteomics

A single gene sequence will be combined in different ways to give rise to whole series of very similar but different proteins

Then, once proteins are made, they are decorated with various other chemicals such as phosphate, sugars or fats that drastically affect the function of the protein

THE HUMAN PROTEIN ATLAS

## Epigenetics

Almost every cell in the human body has the same DNA sequence

Epigenetics determines if heart or brain cells are produced

Can be modified by environmental factors



## Microbiomics

Known as the "other human genome"

Trillions of tiny bugs that live in your gut could hold the keys to new treatments for conditions ranging from obesity and Crohn's disease to allergies and asthma

Outnumber human cells by at least 3 to 1 - and perhaps as much as 10 to 1



## Phenomics

How single genes or whole genomes translate into phenotypic traits... dimples, eye colour, myopia, cleft chin, achoo syndrome etc

## Other

Medical records

Device data

Environmental

Social

etc.

# Innovation and Research: Precision Medicine

## Smart Devices

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Pulse Oximeter



Scales



Peak Flow



Heart Rate



Blood Pressure



Ingestible  
Sensors



Wireless Blood  
Pressure



iPhone Blood  
Glucose



Armband  
Multi-sensors



Pedometer



Smart Diapers



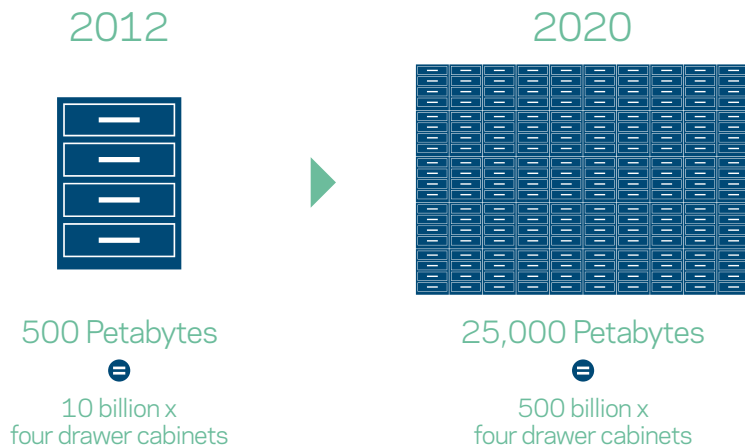
LifeShirt



# Innovation and Research: Precision Medicine

## Health Data Explosion

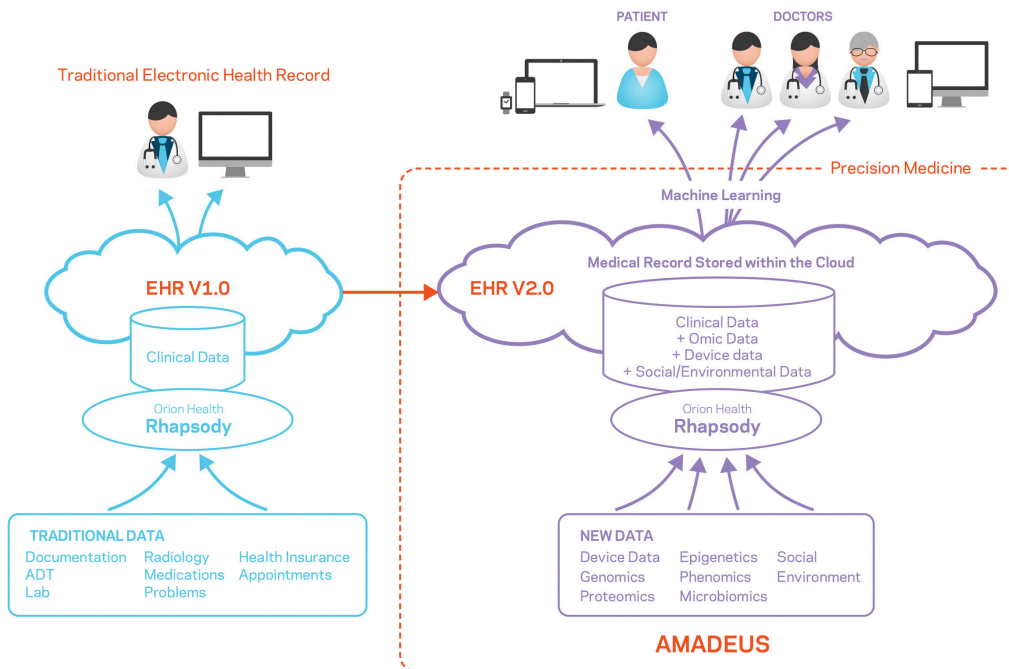
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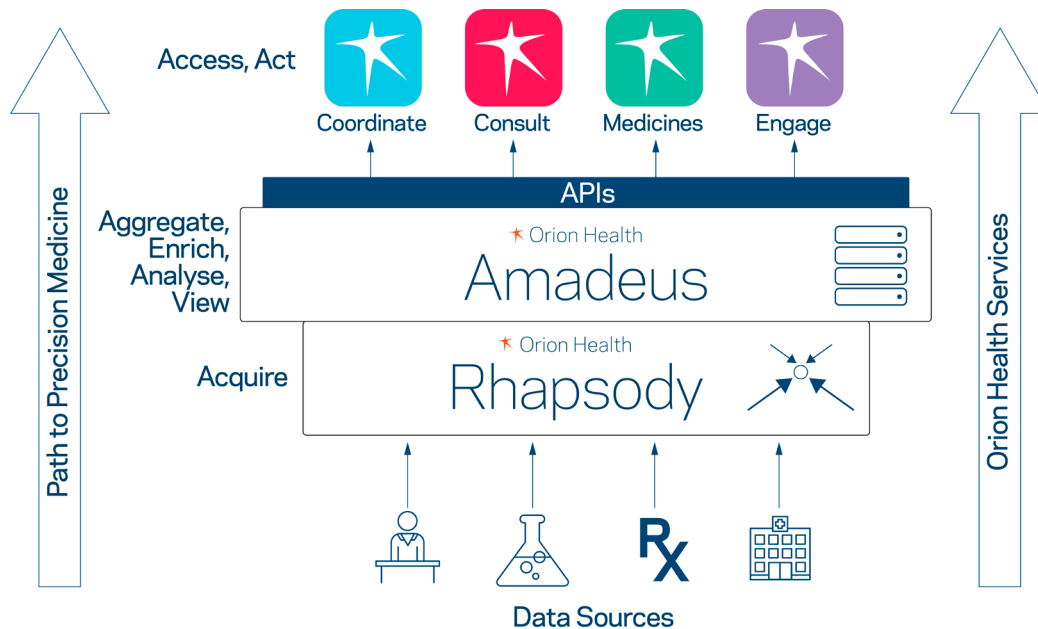
The amount of healthcare data worldwide is expected to grow by 50 times in 8 years

# Innovation and Research: Precision Medicine

## Amadeus, Precision Medicine Platform



# The Customer Journey to Value



# Emerging Market Segments

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## Pharmaceutical Manufacturers

More accurate information to use in improving medication adherence, clinical research and identify new drug targets



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## Retail Pharmacy

Expanding services beyond dispensing prescriptions to delivering lower cost, convenient access to certain healthcare services



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## Medical Device

Providing outcome evidence to support more and value-based models of care



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## Internet of Medical Things

Complete connectivity of device data supporting 24/7 patient care

# New Leadership

## Acquiring experience and capability

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### North America

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#### Wayne Oxenham

- 12 years in the business
- Wide range of management roles in global services, product, sales and recently as EVP EMEA

### EMEA

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#### Jonathan Selby

- 28 years industry experience

### APAC

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#### Darren Jones

- 30 years industry experience
- New service leaders
- New NZ country management

### Corporate

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#### Susan Nemeth

- VP Finance

#### Johan Vendrig

- CIO

# North America 1HFY2016 Highlights

Total Operating  
Revenue

**\$62m**

Up 37% YoY

Currency impact  
**\$10m**

Regional  
Operating Profit

**\$5m**

Up \$5m YoY

Annualised Recurring  
Revenue

**\$63m**

Recurring Revenue  
48% of total  
operating profit

Staff  
Number

**325**

Down 2%

Patient  
Records

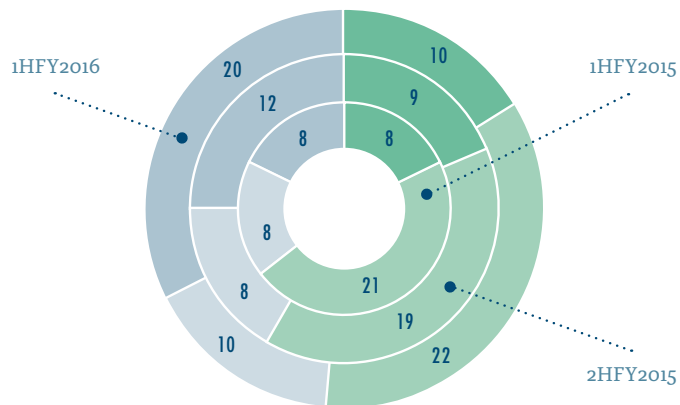
**44m**

## Highlights 1HFY2016

- Cal INDEX 1st customer signed
- Ontario project on schedule
- All legacy projects complete
- New Executive Leadership
- Department of Defense win
- Building pipeline of opportunity
- Ongoing investment in SaaS and security infrastructure
- Plan established to migrate existing customers to new cloud solution

# North America 1HFY2016 Highlights

North America Operating Revenue Mix NZ\$ millions



	1HFY2015	2HFY2015	1HFY2016
<b>Segment Operating Profit %</b>			
Implementation Services	1%	7%	25%
Support Services	83%	74%	79%
Managed Services	14%	-3%	5%
<b>% Recurring Revenue</b>	<b>35%</b>	<b>42%</b>	<b>48%</b>

# APAC 1HFY2016 Highlights

Total Operating  
Revenue

**\$17m**

Down 26%

Currency impact  
**\$0.4m**

Contribution

**\$3m**

Down \$7m

Annualised Recurring  
Revenue

**\$11m**

Recurring Revenue  
34% of Total Operating  
Revenue

Staff  
Number

**137**

Up 14%

Patient  
Records

**25m**

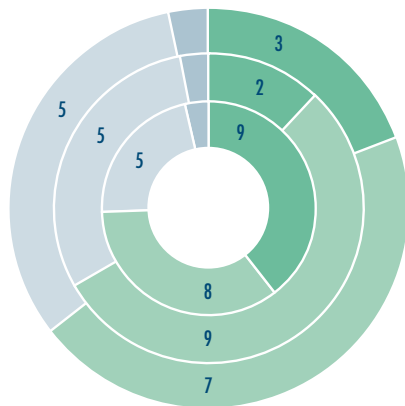
## Highlights 1HFY2016

- Continued strong NZ performance
- South Island project go-live 2016
- New Executive Leadership
- Australian projects coming back on track
- VINMEC win
- Go-live inTMC Philippines
- Building pipeline in Australia and Asia
- Revenue fell due to significant perpetual licences in 1HFY2015



# APAC 1HFY2016 Highlights

## APAC Operating Revenue Mix NZ\$ millions



	1HFY2015	2HFY2015	1HFY2016
<b>Segment Operating Profit %</b>			
Implementation Services	24%	30%	18%
Support Services	87%	90%	88%
<b>% Recurring Revenue</b>			
	24%	32%	34%

# EMEA 1HFY2016 Highlights

Total Operating  
Revenue

**\$23m**

Up 81%

Currency impact  
**\$2.7m**

Contribution

**\$7m**

Up \$5m

Annualised Recurring  
Revenue

**\$11m**

Recurring Revenue  
27% of Total Operating  
Revenue

Staff  
Number

**131**

Up 22%

Patient  
Records

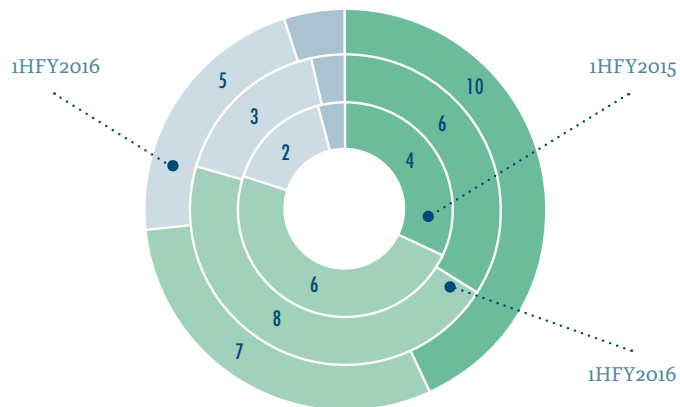
**21m**

## Highlights 1HFY2016

- Continued strong UK performance
- New business – UK
  - Uniting Care Partnership
  - Trafford Healthcare NHS
  - Alliance Boots
- New business – Rest of Europe
  - Gerencia Regional de Salud de Castilla y Leon (SaCyl)
  - Dubai Health Authority — Rhapsody
- Middle East building pipeline
- Market entry into France
- Investing to develop services capacity

# EMEA 1HFY2016 Highlights

EMEA Operating Revenue Mix NZ\$ millions



	1HFY2015	2HFY2015	1HFY2016
<b>Segment Operating Profit %</b>			
Implementation Services	33%	38%	9%
Support Services	86%	90%	90%
<b>% Recurring Revenue</b>	<b>21%</b>	<b>20%</b>	<b>27%</b>

# Looking at the rest of FY2016

**Similar revenue growth expected in second half of financial year**

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## Research & Development

- Applied Research, Amadeus capabilities, APIs
- Cloud delivery and automation
- Roadmap delivery



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## Regions

- Pipeline growth and conversion
- Leadership capability
- Partner enablement
- Deployment automation
- Cloud deployment and conversion
- Margin expansion
- Customer experience



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## Corporate

- Talent development and engagement
- Scalable platform for growth
- Systems

