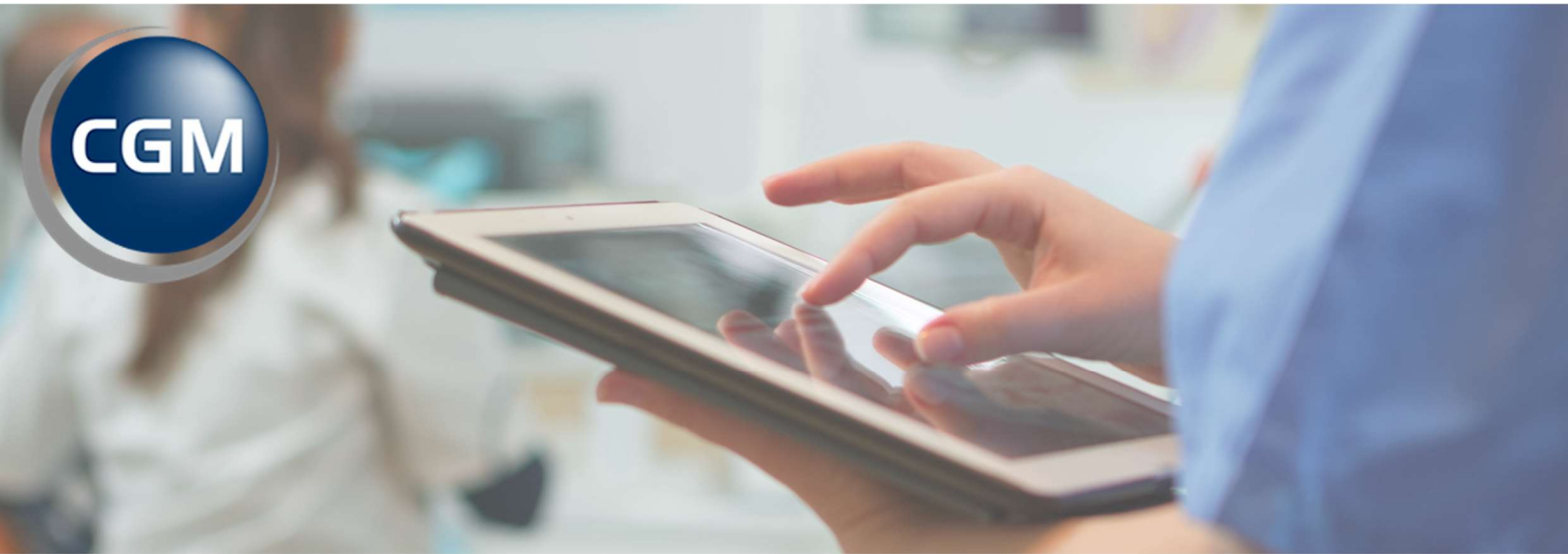


A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Finance from the Nova School of Business and Economics.



## PRIVATE EQUITY CHALLENGE

CompuGroup Medical SE & Co. KGaA – Value Creation, Due Diligence and a Successful  
Exit

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20/12/2023

## Abstract

This paper examines the acquisition of CompuGroup Medical SE & Co. KGaA, a German healthcare software IT company. In an investment committee paper, we analyze the target, the healthcare IT market, and how we can create value by acquiring CGM. This paper explains why we want to invest in CGM, how we want to create additional value, and what implications this has both, strategically and financially. The group part of this document comprises an executive summary, while the individual parts contain deep dives on the created value creation strategy, valuation, leveraged buyout impact, due diligence, and exit.

## Keywords

Private Equity, Leveraged Buyout, Germany, Healthcare, IT, Software, Investment Thesis, Value Creation, Valuation, Leveraged Buyout, Due Diligence, Exit

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## Shared Part

### 1. Company Selection Decision Process

With the beginning of the PE Challenge in June we started the process of choosing a suitable company, based on the essential qualities that make a company appealing to a PE investor. PE funds look for companies with a robust, lasting competitive edge. Further, they give precedence to companies that have a verified history of profitability and positive cash flows. PE investors seek companies with the potential to enhance operations. This can encompass streamlining processes, cutting expenses, or optimizing management practices. Companies with a scalable business model are also appealing, as they offer major growth prospects. Finally, companies that operate in industries with favorable long-term trends are preferred (Wilson, Amini, and Wright 2021, 5). We decided to choose CompuGroup Medical SE & Co. KGaA (CGM) as it fulfills most of these requirements and for further reasons listed in this paper.

### 2. Company Overview

#### 2.1 CGM's Key Characteristics

After choosing CGM, we promptly delved into its operations and identified the company's core strengths to produce a concrete overview in the investment committee paper (ICP). CGM specializes in crafting software and IT solutions tailored for the healthcare sector to support various medical and organizational operations across private practices, hospitals, and more. Its business is structured into four key segments: Ambulatory Information Systems (AIS), Hospital Information Systems (HIS), Consumer and Health Management Information Systems (CHS), and Pharmacy Information Systems (PCS). Revenue streams are multifaceted, stemming from software licenses, maintenance, professional services, hardware sales, and advertising. A significant portion of revenue is recurring. CGM is based

in Germany with a presence in 20 countries and employs over 9,200 people. CGM is publicly trading on the Frankfurt Stock Exchange, with its founder, Frank Gotthardt holding a significant share (CGM 2023).

## 2.2 Business Segments

This chapter lists the different business segments and their key characteristics. An in-depth analysis can be found in the ICP.

AIS specializes in practice management software, providing a solution that encompasses all clinical, administrative, and billing-related functions in doctor's offices. AIS shows a high share of recurring revenues (76.8%) and revenue realization is fast due to short decision-making and sales processes within the customer base (CGM 2023).

The HIS segment focuses on devising and vending clinical and administrative solutions customized for the inpatient industry. The customers encompass acute care hospitals, rehabilitation centers, and diverse healthcare facilities. With 68.5% of recurring revenue, the revenue structure tends to be more project-based, reflecting prolonged decision cycles within the predominantly publicly managed hospital customer base (CGM 2023).

The CHS sector targets doctors, chemists, drug manufacturers, medical insurance providers, other healthcare IT firms, and patients. The range of products includes software interfaces, portals for market data relating to outpatient healthcare, tools for medical decision support, databases for medications, and security solutions for service providers. The segment also features the Telematics Infrastructure (TI) business. Revenue results from cooperation agreements, data collection, and brokerage contracts, and technical support with a recurring revenue share of 32% (CGM 2023).

Pharmacy Information Systems specializes in the creation and sale of administrative and billing software tailored to pharmacies. The software's accompanying services provide

information and decision-making support within the medication supply chain, encompassing procurement, shipping, inventory management, and retail operations. Advanced safety and control features try to guarantee cost-effective dispensation of medical treatment. The share of recurring revenue is 64.3% and the customers feature equal characteristics as in the AIS segment with fast decision-making and short installation periods (CGM 2023, 19-20).

### 3. Market Overview

The global healthcare IT market is expected to grow significantly until 2030 (Grand View Research 2023). Demographic aging, the increased affordability of medical services, and a corresponding expansion of health insurance coverage all contribute to the overall healthcare market growth expectations. The dominating use of digital technologies is a key factor contributing to explicitly strong growth in the IT healthcare market. On the other hand, rising healthcare facility expenses in developed nations, workforce shortages, and the growing adoption of digital tools pose challenges to the healthcare sector. Furthermore, public funding programs facilitate the adoption and integration of digital tools within the healthcare sector, which has been under-digitized for a long time (Brönneke und Debatin 2022). Currently the cross-border provision of digital health services and goods remains poor, which is why the European Union further facilitates the use of digital products and services in Europe (European Commission Directorate General for Health and Food Safety 2021).

The healthcare IT market is characterized by its ability to generate recurring revenue without heavy asset investment, leading to a highly competitive landscape with considerable merger and acquisition activity. Participants in the market have strategically adapted by either diversifying their offerings or specializing, with a keen focus on consolidating their regional market presence to mitigate the threat of current and emerging competitors. CGM distinguishes itself through a diversification strategy, offering a broad, flexible, and cross-border array of products and services that serve the needs of major healthcare institutions

along the entire patient value chain. The competitive landscape in the healthcare informatics sector can be elegantly divided into distinct categories based on a variety of factors. The first category includes large conglomerates such as Oracle Cerner, GE HealthCare, and Philips Healthcare (Oracle Co 2023, General Electric Co 2023, Koninklijke Philips 2023). In the second category, we find specialized healthcare software companies such as CGM, Nexus AG, and Veradigm. These companies are known for their dedication to healthcare applications (Nexus AG 2023, Veradigm 2022). Finally, the market is complemented by the presence of start-ups. These are niche companies disrupting the healthcare informatics market with new approaches.

The ICP additionally dives deeper into the market for each of CGM's business segments. The market for AIS, is characterized by a strong growth outlook into 2030 with an annual increase in the addressable market of 9.72% (Grand View Research 2023). In Germany, CGM holds 27% of the market share (BNP Paribas, 2023). CGM's competitive advantages in this market include comprehensive software offering as well as a cross- and upselling potential resulting from CGM's large and diverse customer base.

The HIS market addresses the administrative, financial, and clinical aspects of hospital operations. The growing demand for reduced healthcare costs are boosting the demand for HIS in developed and emerging economies. Additionally, the overall rising penetration of technologically advanced solutions and system upgrading needs coupled with governmental initiatives fuels HIS market growth. An annual growth rate of 17.4% is expected until 2030 (Grand View Research 2022). CGM's market share in Germany is at 18% (BNP Paribas Exane 2022).

The PCS segment addresses pharmacists to streamline and optimize their workflows. The addressable market is expected to grow by 9.4% per annum until 2032 (Precedence Research 2023). CGM serves over 4,000 pharmacies and has a market share of ~20.0% in Germany

(CGM 2023).

The CHS market targets healthcare providers as well as patients and consumers. It is driven by increasing customerization and customization and can be categorized into two segments: telehealth services, providing online health advice, and healthcare data analytics. Both are expected to grow by double digits (19.7% and 23.1%) annually (Fortune Business Insights 2023, Verified Market Research 2023). The telematics infrastructure, Germany's healthcare digital hub for secure data exchange which is expected to boost this sector's growth also falls into this market (Gematik GmbH 2020). CGM through its fully accredited software portfolio and as the main connector, already provided c. 110k health institutions with TI modules (CGM 2023).

#### 4. Historical Financial Analysis

Overall revenues have grown by a four-year compound annual growth rate (CAGR) of 15.0% since 2019 with 64.6% of recurring revenue in 2022. The inorganic growth has exceeded organic growth due to CGM's mergers & acquisition (M&A) strategy. Software licenses contributed modestly to revenue growth with a CAGR of 11.3% from 2018 to 2022 and their overall revenue share remained relatively low, exceeding just 10.0%. Its significant growth of 49.5% from 2020 to 2021, was predominantly attributed to M&A, particularly the acquisition of eMDs Inc. A critical driver of revenue over the last five years has been software maintenance and other recurring revenues, with a CAGR of 15.2%. This segment's revenue share notably increased from 57.8% to 64.6%, fostered by growth in AIS and HIS. The HIS segment, in particular, demonstrated robust growth with a CAGR of 33.7% from 2019 to 2022, significantly influenced by M&A activities, including the acquisition of Cerner Corporation's IT healthcare portfolio. Hardware sales are primarily driven by the TI business which is part of the CHS segment, and the PCS segment. With the roll-out of the TI in 2018, hardware sales increased by 176.6% YoY to €112.1m – since then, they have remained

almost stable, apart from a one-off drop in 2019 due to declining hardware sales in telematics implementation. Advertising, eDetailing, and data revenues account for 98.3% in 2022 in the CHS segment. CGM's acquisitions, including among others INSIGHT Health Group, bolstered its position in data-driven solutions, leading to a 62.5% increase in year-over-year revenues (CGM 2019; CGM 2020; CGM 2021; CGM 2022).

Given the M&A strategy and significant investments in recent years, personnel and other operating expenses in particular rose sharply, which has put pressure on the EBITDA margin, falling by 7.0 percentage points since 2018. However, personnel expenses are slowly normalizing as the company has now hired enough personnel for further growth. The main goal after acquiring CGM is to rebuild the earnings before interest, depreciation & amortization (EBITDA) margin to match the 26.2% CGM reached in 2018 (CGM 2019).

For the ratio analysis, the ICP compares CGM with three of its competitors, namely Cegedim, Nexus AG, and Equasens. Three ratios are examined, specifically, Return on Assets (RoA), Return on Capital Employed (ROCE), and several liquidity ratios such as cash, quick and current ratio. For an in-depth analysis, this paper refers to the ICP.

## 5. Valuation

The valuation of CGM establishes a benchmark for its potential value creation and helps in negotiating the purchase price. The applied valuation methods include a comparable company analysis (CCA), a comparable transaction analysis (CTA), and a discounted cash flow (DCF) valuation. For the CCA we have identified 13 comparable companies. We calculated the EBITDA and sales multiples using financial data from the past five years. This generated a median sales multiple of 2.9x and a median EBITDA multiple of 11.9x (2022). For the CTA, in total 14 comparable transactions in the healthcare IT sector in recent years were scanned, including the takeover of Cerner by Oracle and the acquisition of eMDs by

CGM (eMDs 2020, Oracle 2021). The CTA results in median multiples of 2.7x (sales) and 17.1x (EBITDA). Lastly, for the DCF, the future cash flows and the cost of capital were determined. With a weighted average cost of capital of 8.4% the implied EBITDA multiple based on the DCF is at 12.9x and 2.6x for the sales.

An EBITDA multiple of 12.9x was chosen based on the three most comparable companies Nexus AG, Equasens, and Cegedim in combination with the DCF implied multiple resulting in an EV of EUR 2,785m,

## 6. The leveraged buyout of CGM

Leveraged buyouts (LBO) involve the acquisition of companies through significant debt financing with the assets of the acquired company serving as collateral for the loans. An LBO is the common form of transaction in PE.

An LBO requires the creation of an operating model. The operating model plays an essential role in detailing how the acquired company will perform after the acquisition to achieve the desired financial outcomes. It serves as a blueprint for the company's operations, outlining the strategic initiatives, cost structures, revenue streams, and business processes that will be implemented or optimized to drive efficiency and profitability. For the acquisition of CGM, we have split up the top-line projections into growth rates per segment. Expense items were projected as a percentage of sales and are expected to slow down. This leads to a 1% gross profit margin improvement throughout the holding period due to several operational improvements we expect CGM to make. After determining the amount of leverage, the repayment schedule resulting from it, and the exit from the investment in 2028, the LBO determines the returns for each group of investors and lenders.

## 7. Investment Thesis

Below is an excerpt from our analysis of the rationale for investing in CGM identifying

specific market opportunities and trends on which CGM could capitalize. CGM is an international, market-leading, healthcare industry-digitizing company. The digitalization of workflows, supported by software firms such as CGM will act as a crucial catalyst for future profitability (Ostern et al. 2021). Further, we believe CGM's diversified, scalable, and sticky customer base to be a major plus for an investment. Customers benefit from its comprehensive product portfolio, which delivers solutions throughout the patient journey. The company's strategy to utilize and expand its new modular product portfolio, featuring several customizable add-ons, not only enhances valuable cross- and upselling potential but also increases switching costs, thereby providing more tailored solutions to its customers. Among further reasons for the acquisition of CGM, the recurring, high-quality, and macro-resistant nature of CGM's revenues is a main argument for the firm. CGM has achieved a 10.0% increase in its recurring revenue, currently at 65.0%, and we aim to raise it further to 69% by our exit in 2028. Additionally, digitization funding programs will further advance top-line growth whilst demand from healthcare institutions also thrives, thus driving revenue growth. To summarize, one can say that CGM's evolving product portfolio and continuous M&A activity solidified its position as a leading player in the medical software industry and made it highly interesting for an acquisition.

When focusing on the future strategy with CGM, we implement a three-step plan to unlock sustainable growth. Firstly, we will improve CGM's bottom line by reducing its personnel to 42.2% of revenues which results in cost savings at exit of EUR 410m and strengthen its margin. Secondly, CGM's top line will increase by inorganic growth through M&A and organic growth through an in-depth focus on the AIS and CHS segments. CGM's strong track record makes us certain, that CGM already has an exceptional ability to acquire and integrate small and large companies (Mergermarket 2023). We identified CareCloud as a fitting target. Both growth strategies will result in an increase in the multiple of invested

capital (MOIC) of 0.3x. Lastly, through operational support, we want to transform CGM further into a recurring revenue business with an increase in recurring revenues to 69.4% at exit.

## 8. Exit Options and Target Buyers

As PE firms aim to divest their stakes in portfolio companies after a certain period of time, identifying suitable buyers becomes a strategic imperative. For that reason, we included a part about potential exit opportunities in our ICP, outlining three potential buyer groups: strategic buyers, a secondary buyout, or an initial public offering (IPO). A strategic buyer is a company that purchases another firm as a component of its long-term business plan to augment its own operations, market position, or capabilities. A secondary buyout is the sale of a private equity firm's equity stake in a company to another private equity firm, as opposed to a strategic buyer or a public offering. Lastly, we also see the opportunity to go public with CGM.

## 9. Conclusion

After considering all parts of the ICP, the acquisition of CGM represents a great strategic opportunity to add a business with strong growth expectations in an underdeveloped market to the funds' portfolio. This investment conforms to high growth objectives, assuring considerable returns and synergies. With an MOIC of 3.5x and an IRR of 22.9%, we expect to achieve returns above average on the acquisition of CGM. We recommend pursuing the acquisition, envisaging noteworthy long-term value generation for all parties involved.

## Individual Part

### 1. Introduction

Following the executive summary, this paper will give an in-depth review of some of my contributions to the CGM ICP. This thesis will focus on three topics. The due diligence (DD) phase and its focus ahead of buying out CGM, the value creation through M&A after the acquisition, and the exit options and its process at the end of the investment period.

### 2. Key Areas of Due Diligence

Before purchasing CGM, a phase of due diligence will involve inspecting the company extensively on a variety of subjects as listed below. DD phases are typically employed to assess the associated risk, by identifying and evaluating potential financial, legal, operational and commercial risks associated with the target. In addition, a DD phase is instrumental in ensuring the accuracy of the valuation of the target company through a thorough review of the financial statements and cash flows, also supporting the determination of a fair and accurate purchase price. The strategic fit and potential synergies of the acquisition are also assessed at this stage. Additionally, due diligence is critical in verifying legal and regulatory compliance and uncovering any legal issues or potential liabilities that could impact the acquisition process or future operations (DePamphilis 2010). This chapter will provide a detailed description of what the DD phase will include ahead of potentially acquiring CGM. We have identified five areas of due diligence. Financial DD involves examining financial statements to understand the company's financial health, internal controls, and uncovering potential liabilities. Commercial DD concentrates on screening documents that generate a detailed understanding of the target company's commercial viability, risks and opportunities. Legal DD is critical for assessing the target's legal structure, compliance, and potential legal liabilities and to attain a level of confidence in the likelihood of future legal disputes and

establish favorable contractual arrangements. Operational DD focuses on evaluating the daily business operations and identifying operational strengths and risks. Lastly, we will examine the IT security risks associated with the business of CGM. This will include an assessment of the software security and the risk of external (cyber) attacks (Patel 2023). We see this process as essential to making an informed decision on whether to make the investment and at what valuation, as it also provides us with arguments for an effective negotiation process (Perry and Herd 2004). For each area, we have identified “key red flags”, which are items, that if occurred will interfere with the successful completion of the deal.

## 2.1 Financial

Financial DD involves a comprehensive evaluation of CGM's financial health and risks. Within this process we would like to attain enough knowledge of the firm's financial statements, financial policies, internal controls, and future financial projections. We have split this section of the DD process into two parts. First, we will assess the financial reporting at CGM. Generally, this means to analyze all parts of the financial statement with a special focus on the cash flow statement, capital expenditures, net working capital, and the cash conversion cycle. We also assess future capital requirements and the condition of CGM's assets. The main focus is on CGM's cash flow. The cash flow is one of the most important metrics in PE as it will be used to pay off the interest and principal of the debt the fund has borrowed to acquire the company (Bank of America 2023). Further capital expenditures have risen in recent years, which is currently lacking an explanation. Key red flags in this part of the DD are misstatements in the Profit and Loss (P&L) or cash flow statements, an overvaluation of intangible assets or investments as this may lead to future write-offs and lastly, any indication that the company might be unable to pay off creditors in the future (Harvey and Lusch 1995).

## 2.2 Commercial

Within the commercial DD, our fund will ask the management of CGM to provide documents supporting a detailed understanding of the target company's commercial viability as well as its risks and opportunities. We have split up the commercial DD process into four topics, customers, competitors, M&A targets and the market in general.

Within customers, we will analyze the customer base and define what differentiates the customer types, such as hospitals, private individuals, and public organizations. Investigating the seniority (how long they are CGM's clients) of these customers and the recurrence of their contracts is crucial for strategic planning (Howson 2006). Key red flag items include dependency on a few, large customers with a high sensitivity to price changes and a high churn rate. Within the competitor analysis we want to focus on an analysis of the competitor's product and service portfolio as well as an assessment of their financial ratios, strategies and operational excellence. A special focus will be on products that CGM currently is not offering and if there is a need to implement them in their current offering. Critical results in this DD process would be to find out that CGM has a comparative operational disadvantage, its competitors show much stronger financial ratios or a realistic threat of being taken over by larger competitors. The commercial due diligence also contains a distinct overview of current market trends. For CGM, following their segments, there are four markets to inspect. The markets for AIS, HIS, PCS and CHS. Understanding growth expectations will involve a complete analysis of current market dynamics and future projections. This process includes assessing market size, growth rates and trends in consumer behavior and preferences. Within the DD phase we will also hire external consultants and market experts to conduct an in-depth analysis of all metrics. This also includes examining the regulatory environment and its potential impact on the healthcare software industry. The aim is to identify the opportunities and risks associated with the industry, providing a solid basis for informed decision-making on investment or business expansion strategies (Kennedy and Soares 2020).

Critical findings would be that CGM has missed key trends and changes which are now difficult to adapt to. An additional challenging conclusion would be that the current understanding regarding market growth exceeds its true prospects.

### 2.3 Legal

Legal DD involves identifying any legal risks resulting from actions completed within the business of CGM. Within this phase we would like to attain a level of confidence in the likelihood of future legal disputes and establish favorable contractual arrangements. The whole process involves reviewing legal documents, contracts, and compliance records to ascertain that there are no legal bottlenecks that might hinder the deal or expose CGM to future liabilities that we have not caused. This process offers full understanding of what is lawful in each country the firm is active in. This is especially important in healthcare, as this industry contains special regulations. As legal enquiries are highly complex, law firms should be hired to create a full legal due diligence report. Some of the topics covered among others are regulatory data, contracts with suppliers and customers, intellectual property rights, labor contracts and if there is a possibility of future legal disputes or any outstanding legal claims towards the firm (Harvey and Lusch 1995). As we are dealing with a software company handling personal data as a business model, we have put a special focus on data protection. Within new data protection regulations such as the EU-wide GDPR, telemedicine providers must adhere to certain rules, which are often complex and need a lot of documentation (Frielitz et al. 2019). These items will be checked in the DD phase. It would be alarming if the company has experienced large leaks of customer data in the past, along with unofficial, unreported incidents that may lead to legal disputes or payments in the future. Further concerning would be a lack of assurance and governance regarding internal data regulation and rules. Another concern is if existing contracts with employees, customers or suppliers contain illegal clauses that may cause future lawsuits.

## 2.4 Operational

Within operational DD, we will focus on the research & development (R&D) department and operational efficiency in general. Our goal is to assess the productivity and effectiveness of CGM's operations, and further identify potential operational risks. Additionally, we want to mitigate risks originating from the nature of CGM's operation such as the dependence on its developers and its innovations (Gaye, Hurley, and Robinson 2014).

Regarding the R&D department of CGM, we would like to obtain documents from its management that will help us to understand its structure and staffing needs. An examination of the product development process, from the initial research and development phase through to testing and eventual launch, is crucial to assessing the effectiveness of the department and the product lifecycle in general. Key red flags would be if we conclude that the department is chronically understaffed, or that its employees have high seniority and are expected to leave the company soon. It would also be of serious concern to us if we learned that we were not attracting the best talent, as this would mean that we would need to change compensation or other employee benefits (Adeosun and Ohani 2023).

Regarding the operational efficiency we need to evaluate the practicability of CGM's future strategy for operational enhancement. To do this, we must consider the feasibility, cost-effectiveness, and potential impact on current operations. This involves assessing how the strategy aligns with CGM's goals, their resources available, and the anticipated outcomes. In addition, the identification of capital expenditure requirements is crucial. This process involves determining the level of investment required to overhaul and improve efficiency. It requires a detailed analysis of the costs associated with implementing the strategy, including equipment, technology and human resources. This analysis should also consider the long-term benefits and potential return on investment to ensure that the expenditure is justified and aligned with the organization's strategic objectives. Red flag items include a chronic

corporate inability to rollout or implement strategic or organizational changes in the past into daily operations.

## 2.5 IT Security

Lastly, as we are targeting a software company an extensive check of the technological infrastructure, the software quality, cybersecurity measures, and its intellectual property is crucial for us as investor, as its future performance is heavily dependent on that (Sherer, Hoffmann, and Ortiz 2015). Generally, we have split this section into two parts, external threats and internal software stability. Verifying the software stability includes an evaluation of its quality and performance, with a special focus on the reliability, scalability, and overall quality of the software products. This is due to the fact that the software adaptation rate is highly dependent on its usability and stability (Canal, Murillo, and Poizat 2006). This part also includes an assessment of the technological infrastructure of the firm, including a review of hardware, networks, and systems, to ensure that they are capable of supporting current operations and future expansion. The review also addresses the development processes, including a check of the methodologies, tools, and practices employed in software creation. Red flag items include regular interruptions in service and inadequate resources to maintain frequent updates. Further a certain secretiveness in giving access to their infrastructure, security measures and incident reports also gives a negative glimpse. Additionally, our DD process also addresses cybersecurity measures, particularly regarding the company's protection protocols against external attacks. When vetting intellectual property, a core asset for software firms, a strong shield against external data scraping must be installed. The review also includes a valuation of its security infrastructure, including firewalls, intrusion detection systems, and encryption protocols. We also want to check if there have been cyber-attacks in the past and how they have been handled. Red flag items include a high frequency of past hacker attacks, the IT department lacking state-of-the-art protection software and an

employee structure with high seniority, suggesting a large number of future dropouts.

### 3. Value Creation by M&A

Private equity funds aim to create value in various ways during the holding period of their investments. For funds, there is a large selection of options to choose from. This includes, among many other options, add-on acquisitions. Acquiring add-ons means to purchase companies that can be integrated into a platform company already held within a fund's portfolio. The goal is to create synergies, accelerate growth, and increase the value of the investment. The synergies may arise from an expanded geographic reach, product line extensions or enhanced capabilities. Add-on acquisitions allow the portfolio company to scale more rapidly and efficiently than through organic growth. While we are pursuing multiple value creation strategies, we have also been looking for a suitable target to complement CGM and enhance our returns (Biesinger, Bircan, and Ljungqvist 2020). After examining CGM's M&A history, this chapter will explain the criteria we have used to find a fitting target, which options we had and which company we plan to acquire and integrate.

#### 3.1 CGM's M&A History

Before selecting an appropriate acquisition target, we conducted a detailed analysis of CGM's historical M&A activity. Our objective was to gain a deeper understanding of the underlying motivations for their add-on acquisitions, the size and operational scope of the acquired entities, the specific market segments they covered and the intervals between each transaction. This analysis was intended to inform our decision-making process and ensure that any potential targets would be in line with CGM's strategic patterns and objectives as demonstrated by its past acquisitions. Over the past five years, CGM has pursued an aggressive expansion strategy, marked by the acquisition of over 12 competitors and firms that offer complementary services. Their M&A activities have predominantly taken place

within the European market, with a significant number of acquisitions occurring in Germany, Italy, and France. CGM has also made a strong push into the US market. This expansion has been characterized by acquiring companies that operate across all of CGM's four business segments, signaling a comprehensive and well-rounded entry strategy (Mergermarket 2023). By integrating these US-based companies, CGM has not only broadened its geographic footprint but has also gained access to a new customer base. This international growth initiative underscores CGM's commitment to establishing a robust presence in the US, which we are strongly supporting with our future measures. Their largest acquisitions in recent years was the buyout of Cerner's European business with a disclosed value of EUR 225m (CGM 2020). The rationale for CGM's acquisition of Cerner's European business, specifically their hospital information system portfolio in Germany and Spain, was to boost CGM's market share and after failing to acquire Agfa's healthcare business, the divestment of Cerner came to the right point in time. The acquisition was expected to enhance their market share significantly, especially in Germany, making it at the time the largest EHR provider ahead of Agfa Healthcare, which is now part of Dedalus (Green 2020). This move was part of a more focused growth strategy and was predicted to provide immediate margin accretion, with the acquired businesses boasting a higher EBITDA margin than CGM's hospital division. Next to that, CGM focused on smaller acquisitions up to EUR 100m, mostly private firms in the European market.

## 3.2 Future M&A

### 3.2.1 Strategy

Our M&A strategy was developed from two perspectives. Firstly, as seen in the chapter before, we analyzed CGM's past transaction. From this analysis, we concluded that it makes sense to increase market share through add-ons, but not to buy very expensive targets that overtake the firm in terms of target size, as they are easier to integrate and represent a smaller

financial burden. We have also seen that the entrance of a market makes the most sense through the acquisition of a local player providing immediate access to an established customer base and local market knowledge, avoiding the time-consuming and costly process of building a presence from scratch. One also directly acquires critical assets, such as technology and talent. As we plan to grow in the US market, this was a first step regarding our strategy conclusion. Secondly, we looked at our M&A strategy from a competitive perspective, in other words defining who CGM's competitors are in the current market and if CGM would be capable of acquiring them. This would help us increase CGM's market share and increase their pricing power. As both options can create value and increase CGM's profitability, we have decided that we will look at multiple targets for both strategies and then decide which one fits better into the business plan.

### 3.2.2 Potential Targets

Already during the historical financial analysis as well as the market overview our team dealt with a range of competitors that are potentially suited for a takeover by CGM. Generally, the ICP lists more than 15 competitors, which is only a glimpse of all market participants. Most of these companies do not show the financial characteristics, such as high EBITDA margins and strong growth, to be a good fit for a takeover. Especially the hypothetical purchase price, indicated by the target's enterprise value was one of the key exclusion criteria. By applying these minimum requirements, many companies fell out of consideration. Within our focus on either US companies that allowed a further market entry or European competitors, multiple companies in particular stood out to us. Among these were Nexus AG, Veradigm, GPI and CareCloud. Nexus AG, a German healthcare software provider operating in all four of CGM's segments and also its largest German competitor, would have been a great target for CGM to become the market leader in all segments in the DACH area. Additionally, to an EBITDA margin of 21.2% in 2022, Nexus AG has been growing strongly not only in Europe

but also in the US. Ultimately, an enterprise value approaching EUR 1bn made us exclude Nexus AG from the list, following the cash projections in the operating model that allowed us to acquire a company with an EV up to EUR 400m. This constraint also made us exclude Veradigm. Within the range of acceptable EVs were CareCloud and GPI. In the end, we decided to invest into CareCloud due to several reasons. CareCloud's established presence in the United States, coupled with its focus on revenue cycle management and cloud-based software solutions, aligns seamlessly with CGM's existing AIS footprint in the US market complementing and enhancing its strategic direction. This integration not only extends CGM's operational scope but also fortifies its market position, underpinning its future strategy with CareCloud's robust technological and service-oriented competencies. When integrating CareCloud into our financial model for an acquisition in 2023, our MOIC increased by 0.5x.

#### 4. Exit Options and Target Buyers

##### 4.1 The Private Equity Exit Process

As private equity firms seek to divest their stakes in portfolio companies, the identification of suitable buyers becomes a strategic imperative. Ahead of entering an investment into a target company, the exit proposition is a key point for analysts in PE firms to think about before acquiring a target. This means the ICP needs to include a chapter on this strategic rationale in which all options are thought through. After implementing all value creation actions into their investment, a PE fund's employees must think about how and when to exit the investment. The fund needs to consider different strategic approaches, and why they want to divest one of their portfolio companies. These approaches include several questions, which this chapter considers. First the financial motives behind the exit strategy must be examined. This means, at which valuation of the portfolio company is the fund willing to sell to satisfy their own expectations regarding their target return and collecting additional capital for

further investments. Further the fund needs to understand if the exit at the exact certain point in time will show signs of strength or weakness. This includes realizing if the fund is currently in a state to provide the financial funds as well as the human capacity needed in the sale process. It also counts whether the company for sale is in the right place in terms of due diligence procedures that it will face. Additionally, the current market conditions and impact of the sale on the fund as well as on the company are part of the strategic considerations ahead of exiting an investment (Talmor and Vasvari 2011, 324). For instance, in 2023, with inflation, rising interest rates and slow dealmaking the sale of a portfolio company could happen with a discount only (Plender 2023). This process not only demands a keen understanding of market trends and investor preferences but also a thought-through approach to negotiations and deal structuring. Recognizing the significance of aligning the divestment strategy with the right buyer profile, PE firms use their industry insights and network resources to conduct careful due diligence and evaluate potential buyers. These actions lead to a seamless transition of ownership and the maximizing of returns on the investment.

As a PE investor, there are several options to sell an investment, of which three are the most prevalent. The sale to a strategic buyer, a secondary buyout, or the exit through an IPO. A strategic buyer is typically a company that sees value in acquiring another company for strategic reasons, such as gaining market share or accessing new technology. Secondary buyouts involve one private equity firm selling a portfolio company to another, often seeking to maximize value through operational improvements. On the other hand, an IPO allows a private equity firm to sell shares of a portfolio company to the public, unlocking value and providing an exit opportunity. Each approach carries unique considerations and implications for value creation and liquidity, influencing the decision-making process for private equity firms. (Gilligan and Wright 2014, 83). The length of completion can vary from weeks up to several months as the M&A process includes meetings, due diligence processes and price

negotiations and therefore has to be part of the PE funds considerations to whom they want to sell (Luypaert and De Maeseneire 2014, 301).

#### 4.2 The exit of CompuGroup Medical

For CGM we identified the sale to a strategic buyer, the secondary buyout, or an IPO as reasonable exit opportunities.

The sale to a strategic buyer makes sense to us for several reasons. Strategic buyers often possess synergistic opportunities that can enhance the value of the portfolio company. These synergies may include cost-saving measures, increased market share, or complementary product and service offerings, leading to increased competitiveness and profitability. Such buyers may already have established distribution channels, customer bases, or technologies that can be leveraged to accelerate the growth trajectory of the portfolio company (Vild and Zeisberger 2014, 3). These variables contribute to the fact that a strategic buyer is willing to pay a premium for CGM. This premium can translate into significant returns for our fund and its investors, maximizing the value of their investment. Additionally, selling to a strategic buyer can expedite the exit process, allowing the PE firm to realize its gains more quickly, thereby freeing up capital for reinvestment in new ventures or existing portfolio companies. Lastly, at a point in future CGM will have reached its growth potential under our fund's ownership, as we cannot offer some of the opportunities as strategic buyers including vertical or horizontal integration with existing departments. A sale to a corporate buyer would allow CGM to further grow while we can exit the investment with a maximized return after a certain holding period (Drazdou 2023). We have identified SAP, GE HealthCare, Siemens Healthineers, Oracle Health Sciences, Software AG, and Philips Healthcare as the potential strategic buyer circle. Each of these companies either has a track record in acquiring IT healthcare companies or is a software company known for its aim to diversify into various software sectors. This chapter will use SAP and Oracle Health Sciences to show why we are

convinced that an exit would be feasible with these companies. SAP could be a potential buyer due to two main reasons. Firstly, SAP already has an established product offering in the area of healthcare IT solutions such as healthcare HR solutions and hospital management software. With an acquisition, SAP could leverage CGM's existing software solutions and combine it with their own, to expand their customer base. Further, SAP has a strong track record in acquiring competitors to diversify and expand. Recently, SAP has acquired Signavio GmbH (SAP 2021) and LeanIX GmbH (SAP 2023). Both were bought from PE investors and are expected to grow strongly, two characteristics that also apply to CGM. Oracle Healthcare, as another potential strategic buyer, does not only make sense as they are already very present in the IT healthcare sector, but also have an extensive track record in acquiring companies similar to CGM. In fact, in 2021 Oracle Healthcare acquired the remaining share of Cerner Corporation, an US-based supplier of health information technology platforms, which had already sold its Spanish and German business to CGM the year before (Oracle 2021; CompuGroup Medical 2020). Additionally, with an acquisition of CGM, Oracle Healthcare could increase its global outreach to Europe, making it a potential buyer of CGM.

A second identified option is the sale to another PE firm, called a secondary buyout. Through a secondary buyout our fund can maximize returns, leverage sector-specific expertise, and meet investment horizon requirements. According to previous research, secondary buyouts enable PE firms to achieve a very high valuation, ensuring we can generate an above average return on the CGM investment (Wang 2010, 1307). We have identified six potential PE firms as buyers, namely EQT, Francisco Partners, Thoma Bravo, Ardian, Hg and Vista Equity Partners.

Lastly, going public has become a well-tested option to exit. Due to the German roots, we would prefer the Frankfurt stock exchange. Frankfurt has also been a popular stock exchange

for many PE investors in recent years for their portfolio firms to go public (Börse Frankfurt 2023). Additionally, European stock exchanges such as Euronext or the London Stock Exchange might also make sense. Lastly, the tech exchange Nasdaq could be a good choice after entering the US market as it is the place to go public for most technology firms. An IPO can provide liquidity, allowing our fund to convert its investment into cash, which we then could reinvest. Additionally, if successful, an IPO can enhance the reputation of our fund, showing its ability to successfully grow and guide a company to a public listing, which can attract future investors and partners. Unlike other exit strategies, the IPO provides the opportunity for a partial exit, where we could sell just a portion of its stake while retaining some shares to benefit from potential future appreciation (Dong, Slovin, and Sushka 2020).

## 5. Conclusion

This paper stresses the fact that careful planning and the ever-present look into the future plays a huge role in private equity. The focus on the future is present in all sections of this document. Chapter 3 highlights the need for thorough due diligence, which aims to predict and reduce possible future risks arising from today's condition of the firm. Chapter 1 examines the process of considering different exit strategies, a vital process in predicting expected exit multiples, which again is a look into the future. Lastly, incorporating value creation strategies into the financial model is yet another way of forecasting future outcomes, emphasizing the principle of looking ahead as a key component of private equity decision-making.

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## List of abbreviations

AIS	Ambulatory Information Systems
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
CCA	Comparable Company Analysis
CTA	Comparable Transaction Analysis
CHS	Consumer and Health Management Information Systems
CGM	CompuGroup Medical SE & Co. KGaA
DD	Due Diligence
EBITDA	Earnings Before Interest, Depreciation & Amortization
HIS	Hospital Information Systems
ICP	Investment Committee Paper
IPO	Initial Public Offering
LBO	Leveraged Buyout
M&A	Mergers & Acquisitions
NOPAT	Net Operating Profit After Taxes
PCS	Pharmacy Information Systems
ROCE	Return on Capital Employed
ROE	Return on Equity
PE	Private Equity
TI	Telematics Infrastructure



# CompuGroup Medical

## Investment Committee Paper



January 2024

Charlotte Mayr, Wenzel Bayer, Marlin Egbuna, Justus Ferdinand Schroeder

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# CompuGroup Medical represents a remarkable investment opportunity delivering a MOIC of 3.5x at an IRR of 22.9% over a 5-year holding period

Company	Key financials				Market				
	2019A	2020A	2021A	2022A		Market Saturation	Sales cycles	Comp. environment	
<ul style="list-style-type: none"> <li>CompuGroup Medical (CGM) is a German healthcare IT firm focused on the development and distribution of <b>end-to-end software products</b></li> <li>The company is divided into <b>four operating segments</b>: i) Ambulatory Information Systems (<b>AIS</b>), ii) Hospital Information Systems (<b>HIS</b>), iii) Pharmacy Information Systems (<b>PCS</b>), and vi) Consumer and Health Management Information Systems (<b>CHS</b>)</li> <li>Revenues have grown with a <b>CAGR of 15.0%</b> since 2018 and <b>64.6%</b> (2022) of them are <b>recurring</b> resulting from software maintenance contracts</li> <li>CGM serves a broad clientele, with around 400,000 customers spread across Europe and the US including doctors, hospitals, laboratories, pharmacies and end consumers</li> </ul>	AIS	352.0	375.2	475.8	502.3	AIS		Shorter	<div style="border: 1px solid #003366; padding: 5px;">                     Low specialization                      Tech and healthcare conglomerates                      Direct competitors of CGM                      Startups disrupting the healthcare IT market                      High specialization                 </div>
	HIS	135.9	186.6	257.4	277.2	HIS		Longer	
	CHS	139.1	158.4	173.7	219.6	PCS		Shorter	
	PCS	116.7	116.8	118.2	130.5	CHS		Varying	
	Other	2.1	0.3	0.1	0.1				
	<b>Total revenues</b>	<b>745.8</b>	<b>837.3</b>	<b>1,025.3</b>	<b>1,129.7</b>				
	% YoY organic growth	(1.0)%	4.0%	5.8%	4.1%				
	% YoY inorganic growth	5.0%	8.3%	16.6%	6.1%				
	<b>EBITDA</b>	<b>178.1</b>	<b>197.5</b>	<b>213.4</b>	<b>216.4</b>				
	% margin	23.9%	23.6%	20.8%	19.2%				

### Entry rationale

- ✓

CGM is an **international, market-leading, and healthcare industry-digitizing** company
- ✓

Revenues are from **high-quality** due to **low macro sensitivity** additionally supported by **governmental funding**
- ✓

A successful track record of **M&A target integration** and **business model expansion** aligned with current markets
- ✓

**Diversified, scalable, and sticky** customer base with high share of **recurring revenues**

Entry at **12.9x EBITDA**

### Value creation

- 1) Boost **US AIS presence** through acquisition of CareCloud
- 2) Integrate **CHS solutions** into AIS customer base and internationalize data suite
- 3) Initiative to **re-boost margins** through effective PMI and personnel cost management

### Financing and returns

Sources of funds	EURm	%	Uses of funds	EURm	%
<b>Total debt</b>	1,271.5	41.9%	<b>Enterprise value</b>	2,982.2	98.2%
<b>Total equity</b>	1,776.0	58.1%	<b>Fees</b>	55.3	1.8%

23% IRR  
EUR 6,223m  
3.5x MOIC<sup>1</sup>

- Package of **5.5x leverage** justified based on high recurring revenues and strong market position, giving confidence in the ability to service debt
- Incentive package including **sweet equity** for management to support organic growth initiatives

— Cash Interest Coverage Ratio   
 — (EBITDA-CAPEX)/Cash Interest Expense

Sources: Company website  
Notes: 1) Combined proceeds

01



Company Overview



**CompuGroup is one of the leading healthcare IT companies – providing software, hardware, and additional services with 64.6% of recurring revenues delivering a historically strong EBITDA margin**

**Company description**

- CompuGroup Medical (“CGM”) is focused on the development and distribution of **end-to-end software products** and related IT services covering the **entire healthcare provider spectrum** mainly in Europe – especially in Germany (54% of sales), but also the US (11% of sales)
- The company is divided into **four operating segments**, according to client types and needs: i) Ambulatory Information Systems (**AIS**), ii) Hospital Information Systems (**HIS**), iii) Consumer and Health Management Information Systems (**CHS**), and vi) Pharmacy Information Systems (**PCS**)
- Revenues are generated through the sale of software licenses, software maintenance, professional services, sale of hardware, as well as advertising, eDetailing, and data
- **Most revenues are recurring** (2022A: 64.6%), resulting from the contractual relationship of software maintenance contracts (all other products/services generate one-time revenues)
- Headquartered in Koblenz (Germany), CGM has offices in 20 countries worldwide, more than **9,200 employees** (of which ~2,700 are working in software development and maintenance)
- Ownership: listed on the Frankfurt Stock Exchange – the largest shareholders are the family of Founder and Chairman of the Administrative Board Frank Gotthardt (~46.3%) and Dr. Reinhard Koop (~3.7%)

**Key financials (in EURm)**

	2018A	2019A	2020A	2021A	2022A	CAGR L5Y
<b>Revenues</b>	<b>717.0</b>	<b>745.8</b>	<b>837.3</b>	<b>1,025.3</b>	<b>1,129.7</b>	12.0%
thereof recurring revenues	57.8%	61.8%	62.7%	65.0%	64.6%	
Capitalized inhouse services	18.5	24.6	31.9	37.3	44.8	24.7%
Other income	8.0	13.5	10.6	24.8	19.4	24.7%
Goods and services purchased	(151.4)	(139.0)	(156.2)	(191.4)	(216.4)	9.3%
Personnel expenses	(281.4)	(339.4)	(377.1)	(497.7)	(546.7)	18.1%
Other expenses	(122.9)	(127.3)	(149.0)	(184.8)	(214.5)	14.9%
<b>EBITDA</b>	<b>187.8</b>	<b>178.1</b>	<b>197.5</b>	<b>213.4</b>	<b>216.4</b>	3.6%
% margin	26.2%	23.9%	23.6%	20.8%	19.2%	
Depreciation and amortization	(44.6)	(62.9)	(75.7)	(110.7)	(112.3)	26.0%
<b>EBIT</b>	<b>143.2</b>	<b>115.3</b>	<b>121.8</b>	<b>102.7</b>	<b>104.0</b>	(7.7)%
% margin	20.0%	15.5%	14.5%	10.0%	9.2%	

**Business overview, market positions and revenue share 2022A (in %)**

Segment	Customers	Sources of revenue <sup>1</sup>	Strong presence in Europe and the US
44.5% <b>AIS</b>	Smaller primary care providers Larger medical facilities	Software licences 7.3%	
24.5% <b>HIS</b>	Highly specialized primary and secondary care facilities	Software maintenance <sup>2</sup> 64.6%	
11.6% <b>PCS</b>	Pharmacies	Professional services 11.0%	
19.4% <b>CHS</b>	Pharma companies Health insurers Patients/Consumers	Hardware 9.7%	
		Advertising, eDetailing & data 6.2%	

**Key management**

- Michael Rauch | CEO** (since 05/2023), **CFO** (since 09/2019) and **Member of the Administrative Board**  
Prior: CFO at private equity-owned perfumery Douglas (2017–2019) | Held various finance and strategy functions at Henkel Group, including CFO for Adhesives Technologies and Beauty Care (2001–2016)
- Emanuele Mugnani | Managing Director AIS Europe** (since 02/2022)  
Prior: Various management positions at CGM (2014–2022) | Managing Director Italy at Micros Systems (acquired by Oracle in 2014), a global leader in IT solutions for retail and hospitality (2006–2013)
- Dr. Eckart Pech | Managing Director CHS** (since 06/2020)  
Prior: Leading management roles at Allianz Group, including Board Member for Allianz Technology SE in charge of the Allianz Group’s global IT platforms (2014–2019) | CIO<sup>3</sup> at Telefonica DE (2011–2014)
- Hannes Reichl | Managing Director Inpatient and Social Care** (since 06/2020)  
Prior: Various management positions at CGM, including Senior VP and Board Member, building up the CEE & ME region and focusing on PMI<sup>4</sup> (2007–2020) | Manager and later CEO at Systema<sup>5</sup> (1998–2007)
- Dr. Ulrich Thomé | Managing Director AIS DACH** (since 08/2023)  
Prior: CSO<sup>6</sup> at online pharmacy DocMorris (2021–2023) | Board Member for eHealth company ARZ Haan<sup>7</sup> (2018–2021) | Held various management positions at BFS health finance (2007–2018)

Sources: Company information | % Revenue share 2022A, # Market position AIS, # Market position HIS, # Market position PCS  
Notes: 1) Excluding “Other revenues” (1.2%); 2) and other recurring revenues; 3) Chief Information Officer; 4) Post-Merger Integration; 5) Austrian eHealth company acquired by CGM in 2007; 6) Chief Strategy Officer; 7) Strategic partner of CGM in the expansion of the telematics infrastructure

# AIS leads in revenue generation, dominating the largest segment of recurring income, while HIS and CHS show promising growth prospects in recurring revenue streams

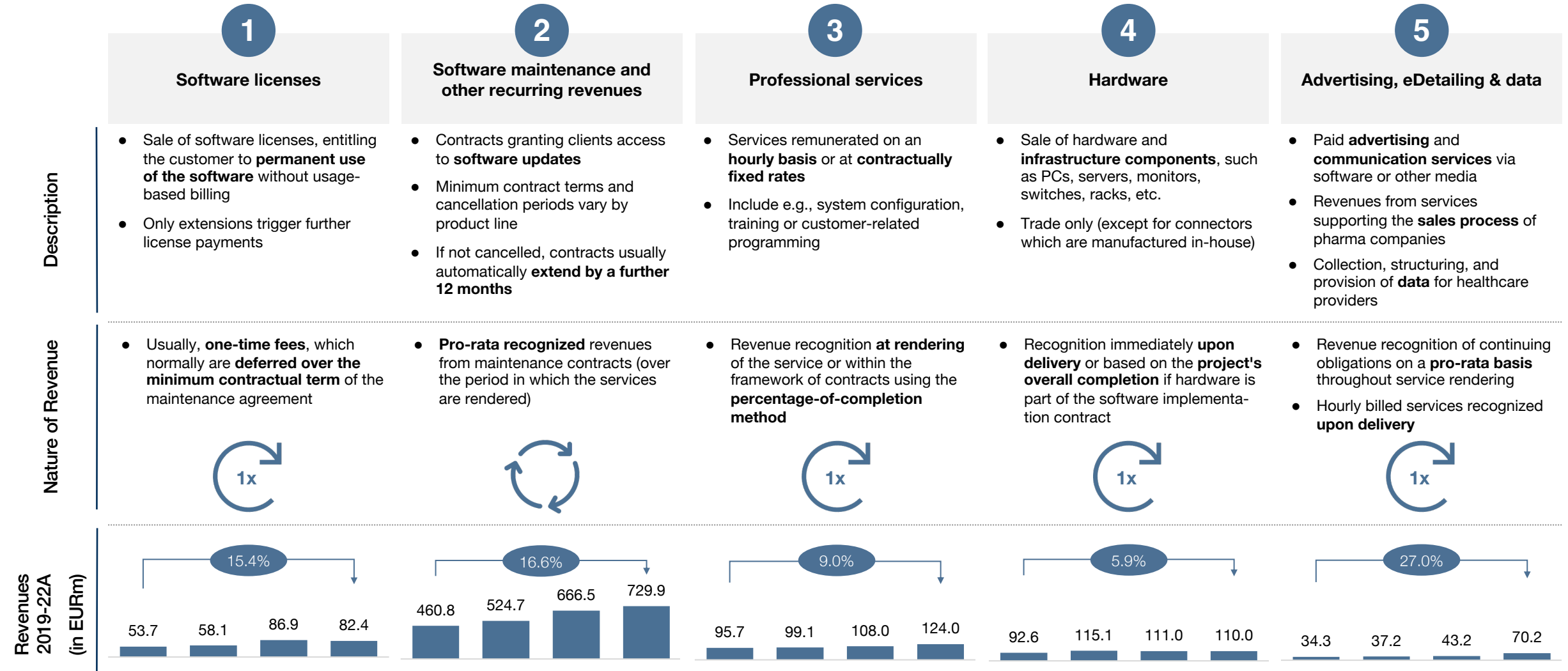
## Overview of business segments

	Description	Nature of revenue	Revenues 2019A-2022A (in EURm)
<p><b>Ambulatory Information Systems (AIS)</b></p>	<ul style="list-style-type: none"> <li>Focus on <b>practice management software</b></li> <li>End-to-end solution covering all clinical, administrative, billing-related functions</li> <li>Internet and Intranet solutions ensuring safe patient data sharing</li> </ul>	<p>76.8%</p> <ul style="list-style-type: none"> <li><b>High share of recurring revenues</b> due to maintenance and other recurring revenues as the main source of revenue</li> <li><b>Revenue realization</b> usually <b>fast</b> due to short decision-making and sales processes of the customer base</li> </ul>	<p>33% 31% 25% 26%</p> <p>12.6%</p> <p>352.0 375.2 475.8 502.3</p>
<p><b>Hospital Information Systems (HIS)</b></p>	<ul style="list-style-type: none"> <li>Clinical and admin <b>solutions for in- and outpatient sector</b></li> <li>For example: resource, personnel, and financial management as well as medical-care documentation</li> <li>Full-service, customized, and integrated software, supporting across, between and within various specialist departments (e.g., laboratory and radiology)</li> </ul>	<p>Upside</p> <p>68.5%</p> <ul style="list-style-type: none"> <li>Software maintenance and other recurring revenues contributing to a <b>substantial portion of recurring income</b></li> <li>Revenues more <b>project-based</b> due to longer decision cycles of largely publicly managed hospital customer base</li> </ul>	<p>14% 16% 17% 9%</p> <p>26.8%</p> <p>135.9 186.6 257.4 277.2</p>
<p><b>Pharmacy Information Systems (PCS)</b></p>	<ul style="list-style-type: none"> <li>Focus on integrated <b>administrative and billing-related software</b> applications for pharmacies</li> <li>Tools for:                             <ol style="list-style-type: none"> <li>Decision-making support</li> <li>Supply chain and inventory management</li> <li>Planning, performing, and monitoring of retail activities</li> </ol> </li> </ul>	<p>64.3%</p> <ul style="list-style-type: none"> <li>Pharmacies with similar features to AIS clientele (fast decision-making cycles and installation periods)</li> <li><b>High portion of recurring revenue, fast revenue realization</b> within <b>long-term client relationships</b></li> </ul>	<p>26% 29% 29% 30%</p> <p>3.8%</p> <p>116.7 116.8 118.2 130.5</p>
<p><b>Consumer and Health Management Information Systems (CHS)</b></p>	<ul style="list-style-type: none"> <li>Broad portfolio of <b>data-based products</b> <ol style="list-style-type: none"> <li>Software interfaces for data exchange</li> <li>Portals for retrieving relevant outpatient data to medical decision support tools</li> <li>Consumer portals, apps and security solutions</li> </ol> </li> <li>Also includes the <b>telematics infrastructure</b> business</li> </ul>	<p>Upside</p> <p>32.0%</p> <ul style="list-style-type: none"> <li>Revenues from cooperation agreements, <b>data collection</b> and <b>brokerage contracts</b>, and technical support</li> <li>Additionally, <b>project- and performance-based</b> revenues</li> <li>TI revenues based on <b>hardware</b> sales and linked services</li> </ul>	<p>Growth Opportunity</p> <p>27% 31% 23% 19%</p> <p>16.4%</p> <p>139.1 158.4 173.7 219.6</p>

Sources: Company information  
 Notes: Recurring revenues (revenue share in 2022A), EBITDA Margin

Robust recurring revenue streams are driven by solid software maintenance contracts, the primary driver of recent revenue growth – data related revenues are emerging as a rapidly growing and promising financial avenue

Overview of revenue streams



Sources: Company information | Recurring revenues, One-time revenue

With more than 50 versatile and customizable software solutions along the entire patient journey, CGM caters to a large customer base of approximately 400,000 clients in both Europe and the US

Product portfolio <sup>1</sup> (excerpt)				Customer base (Europe)	
AIS	HIS	PCS	CHS		
<p><b>CGM MEDISTAR</b></p> <p><b>Basic</b>, multi-functional physician software with all the functionalities required in everyday practice</p> <p><b>Other software</b>, among others, are CGM M1 PRO, distinguished by its high performance, or CGM XDENT, specializing on dental practices</p> <p><b>US</b></p> <p>CGM APRIMA as <b>core software</b> can be expanded by add-on products for e.g., telemedicine or RCM<sup>2</sup></p>	<p><b>CGM CLINICAL</b></p> <p><b>New holistic, modular, and process-oriented HIS generation</b> based on CGM's concept of nonstop healthcare: scheduling, resource planning, logistics processes, HR mgmt., finance &amp; control-ling, billing, business intelligence &amp; quality mgmt., patient data mgmt.</p> <p><b>US</b></p> <p>Hospital solutions focus on <b>reimbursement, telemedicine, and remote patient monitoring</b></p>	<p><b>CGM LAUER</b></p> <p><b>Pharmacy organization</b> such as inventory management, price- and drug information, staff administration, rights assignment, or invoicing</p> <p><b>Pharmacy management</b>, e.g., reports and analyses as well as interlinking of individual locations of pharmacy networks</p> <p><b>Courier services</b>, e.g., route optimization and real-time tracking</p>	<p><b>CLICKVDOC</b> INSIGHTHEALTH</p> <p>Main goal is to build a <b>pan-European health data intelligence suite</b> which also provides a basis for data-driven enhancements of other segments</p> <p>Focus on <b>big data</b> collection, analytics, and solution communication (e.g., CGM clinical studies or rare disease finder); patient, disease and medicine data injection &amp; extraction; telehealth (e.g., through Click-Doc); and TI advancements (in Germany)</p>	<ul style="list-style-type: none"> <li>Physician practices</li> <li>Dental practices</li> <li>Hospitals</li> <li>Rehabilitation centres</li> <li>Social institutions</li> <li>Pharmacies</li> <li>Laboratories</li> <li>Special services (e.g., physiotherapists, midwives)</li> <li>Patients</li> <li>Pharma and insurance companies</li> </ul>	<p><b>Customer base (US)</b></p> <ul style="list-style-type: none"> <li>Doctors</li> <li>Hospitals</li> <li>Laboratories</li> <li>Billing services</li> <li>Community health</li> <li>Schools</li> </ul>
				<p>Present in <b>over 40 countries</b> and a customer base of around <b>400,000 health institutions</b> and <b>1.6m professional users</b> worldwide, CGM boasts one of the largest reach among service providers</p>	

**Case study – CGM's value creation along the entire patient journey**

- Wenzel has back pain after playing beach volleyball and wants to see a doctor
- Wenzel's doctor cannot make a clear diagnosis, but prescribes pain killers and recommends a hospital visit
- Wenzel receives medication home-delivery through e-prescription from his pharmacy
- Next day, Wenzel visits the hospital
- The surgeon checks Wenzel's electronic health record and X-ray and diagnoses a herniated disk
- Wenzel needs to visit a physiotherapist several times before he can play beach volleyball again

**Examples for applications of CGM's products**

- Appointment booking, and medical consultation via video through e.g., **ClickDoc**
- Appointment scheduling through CGM's **practice management systems**
- Practice management systems** to support medical diagnosis through saved patient info or clinical studies
- Administrative **add-on modules**
- Pharmacy management systems** to streamline the process of medication procurement
- E-prescription through **TI** as well as telemedicine
- Hospital information systems** and customized add-on modules to accelerate e.g., appointment scheduling and telemonitoring
- Hospital information systems** to support EHR data transfer across departments, digitalization of endoscopic processes, and medical diagnosis
- (Extensions of) **hospital and ambulatory information systems** to enhance e.g., therapy planning for post-diagnosis health institutions such as physiotherapists

Sources: Company information

Notes: 1) Some software can be applied across segments 2) Revenue cycle management

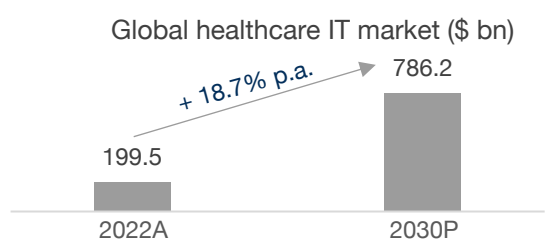
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Market Environment

# Global healthcare IT market: The demand for healthcare services is increasing, and digital solutions are becoming more widely available in both the private and public sectors – growth is supported by government initiatives to digitize services

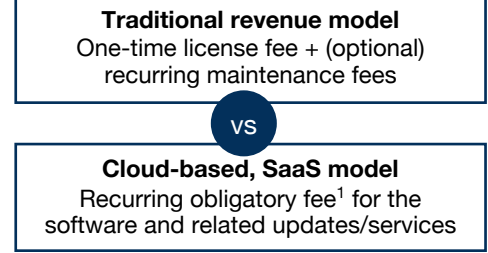
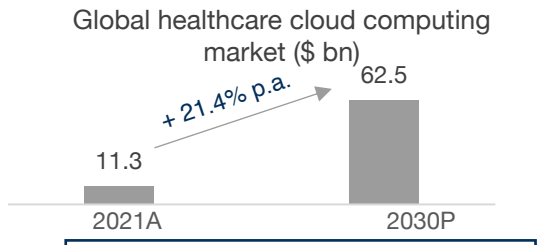
## Global IT healthcare market Trend towards “cloudification”, subscription and SaaS



- ### Drivers
- New regulatory requirements
  - Software upgrades and international up- and cross-selling
  - Price increases
  - Demand for updates of outdated traditional IT systems
  - Development of new applications

With **little growth from the addressable market**, effective **up- and cross-selling** and maintaining **pricing power** through **quality offering** as crucial prerequisites for competitive advantages

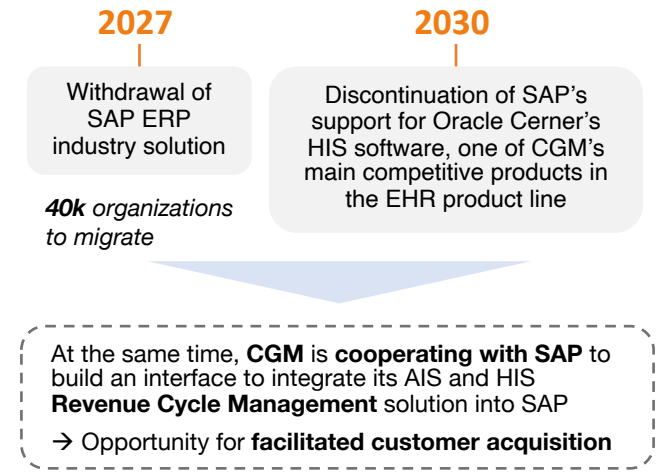
- ### Trends
- Growing availability/affordability of healthcare
  - Aging population
  - Shortages in healthcare personnel
  - (Public) cost pressures
  - Application of subscription models
  - Cloud-based and interoperable software
  - “Datafication”, “customerization”



- ### Advantages of SaaS subscription models
- Higher predictability of cash flows
  - Opportunity to convert non-maintenance, legacy license customers into subscription customers
  - Amplified cross- and up-selling potential from more regular customer interaction
- for providers*
- Lower up-front capex reducing entry barriers for health institutions
  - More frequent updates and schedulable service/interaction for customers
- for customers*

**CGM has relatively low exposure** to subscription and SaaS-based revenues comprising only c. 5% of the total

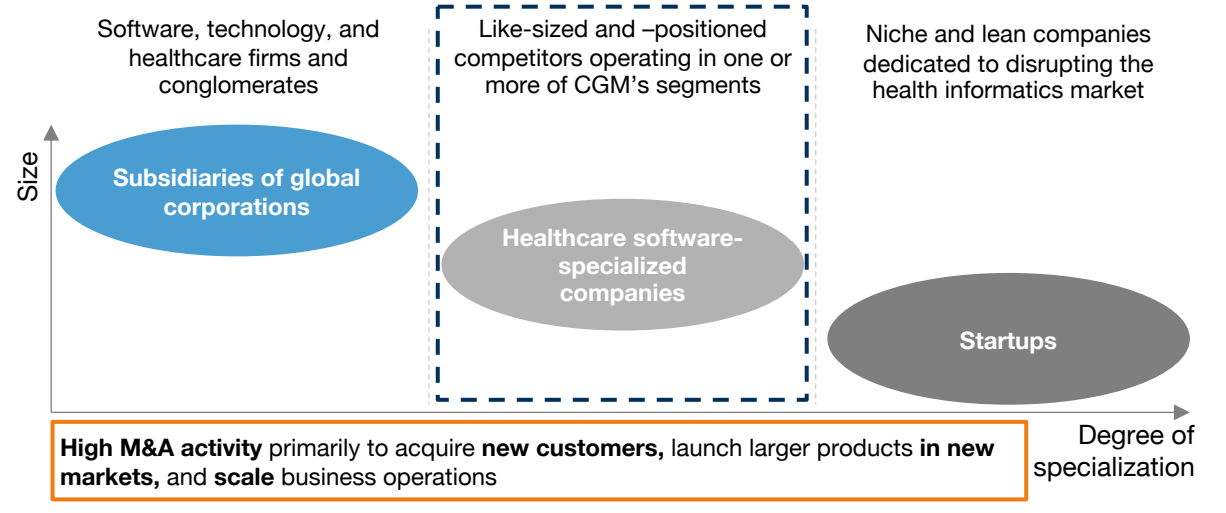
## Medium- and long-term growth potential



## Digitalization funding programs

- German Hospital Futures Act (KZHG)**
  - EUR 4.3bn in funding especially towards hospital digitization
- French Sègur de la Santé**
  - EUR 2bn healthcare plan aimed at digitization of medical practices
- Italian Recovery and Resilience**
  - EUR 2.4bn dedicated to the development of telemedicine and EHR infrastructure
- European Commission**
  - eHealth program working to provide citizens with access to safe and digital services in health and care

## Competitive dynamics



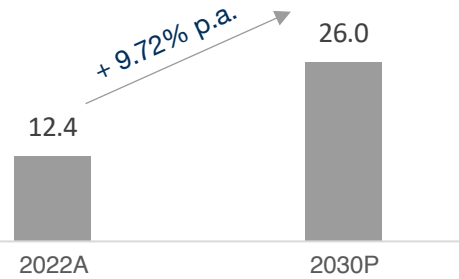
Sources: Grand View Research, Precedence Research, All for one Group, BNP Paribas, World Health Organisation  
Notes: 1) Annual or monthly

# AIS deep dive: With its extensive, modular software suite and market leadership in the DACH region, CGM is strategically poised to leverage cross- and upselling opportunities – the expansion of its cloud-enabled software offerings stands as a pivotal next move

Ambulatory Information Systems, often referred to as Practice Management Systems, are comprehensive systems designed to **assist healthcare and medical practices** in optimizing their **day-to-day operations** by offering various **streamlining tools** including the organization of patient records, appointment scheduling, and efficient billing

## CGM's addressable AIS market

Global Practice Management System market (\$ bn)



### Trends

- Accelerated upgrading/adoption of IT systems in **physician offices** and diagnostic laboratories in the course of the pandemic
- Rising **wholesale prices, administrative work**, and shortages of **skilled staff**
- Patients' demand for **high-quality, real-time care**
- Large amounts of data** that must be handled securely and the **advancing IT penetration**
- German market rather saturated with growth (2-4% p.a.) coming from **up-selling** and **price increases**

### Growth Drivers

Rather saturated market with high entry barriers driven by stickiness of the customer base  
**Growth mainly fueled by:**

- Cross-/up-selling**
- Price increases**

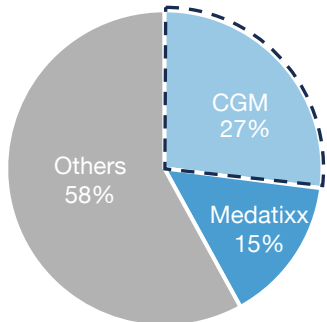
### Competitive dynamics and nature of sales cycles

- Top players with significant market shares
- Market tails fragmented with a lot of smaller, regional niche providers
- System switches to cloud-based software might lower entry barriers by inducing customers to switch to cloud-native market participants**

**Short sales cycles**

- No public tender processes
- Small ticket sizes
- Usually, customer = buyer = user
- Short implementation times

## AIS market shares in Germany



While the top two or three players in most segments hold ~50% market share, the market tail is usually fragmented, favouring consolidation through M&A-activity

## CGM's leading market positions in DACH core regions<sup>2)</sup>

	Germany	Market position/share	Customers	Austria	Market position/share	Customers
<b>GPs<sup>1)</sup></b>		#1 >40%	64k		#1 >40%	40k
<b>Dentists</b>		#1-2 >25%	20k		n.a. n.a.	n.a.
<b>Therapists &amp; Nurses</b>		n.a. n.a.	n.a.		#1 >25%	>50k

## CGM's competitive advantages

### 1 Comprehensive software offering

accommodating various practice types (e.g., dentists, physicians) and allowing for seamless integration of additional software components to build fully tailored PMS

### 2 Cross- and upselling potential

resulting from CGM's large and diverse customer base as renowned market leader in the DACH region paired with its customizable product portfolio

### 3 Fore runner position

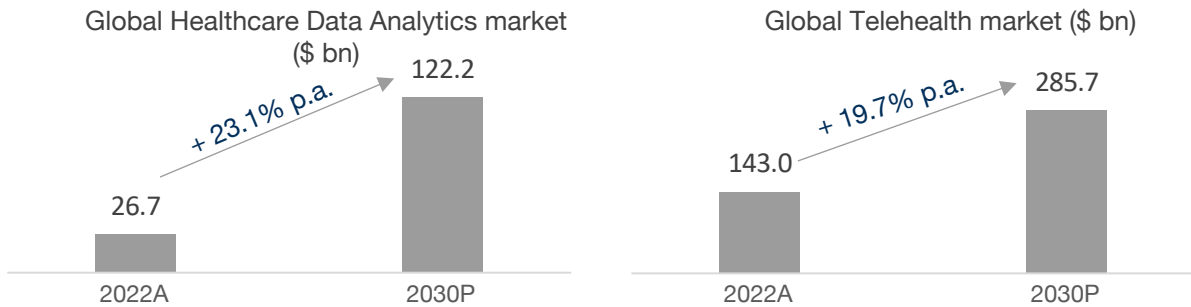
underpinned by CGM's recent announcement to integrate AI-based CHS business solutions into AIS software to further benefit practices with admin work streamlining

Sources: Company Information, Kassenärztliche Bundesvereinigung, Talkinghealthtech, Grand View Research, BNP Paribas  
Notes: 1) General practitioners, 2) Excerpt, CGM is also AIS market leader in Austria, Czech Republic, Sweden (2,200 customers), and Denmark (5,500 customers)

# CHS deep dive: Emerging trends in customization and telehealth, alongside Germany's TI 2.0 rollouts, are expanding CGM's potential in the CHS market – CGM's distinct data access advantage aligns seamlessly with the market's shift toward data-centric healthcare solutions

CGM's Consumer & Health Management Information Systems business unit comprises the development and sale of **intelligent data-based products** for pharmaceutical companies, health insurance companies as well as patients and **spearheading** the development and **implementation of TI products**

## Global telehealth and healthcare data analytics markets



CGM's early entry into these markets and its strategic decision to increasingly focus on these segments (recent acquisitions of INSIGHT Health and m.Doc to advance health data business, and telehealth-focused app ClickDoc, respectively) demonstrate the company's ability to anticipate and capitalize on market developments

## Increasing customerization and customization will expand the CHS market

**75%** of smartphone owners use **health apps**

**31m** people in Germany suffer from **chronic diseases**

**527m** health wearables to be sold by 2024

**41%** of phone owners would value a second **AI-generated opinion**

**Opportunity for CGM**  
**Patients and consumers** are becoming **more receptive to personalized** and **technology-backed health initiatives**, creating ideal opportunities for CGM's consumer-focused CHS business

### Growth Drivers

Emerging and constantly evolving unsaturated markets

**Growth driven by:**

**Customer uptake**

**New applications**

### Competitive dynamics and nature of sales cycles

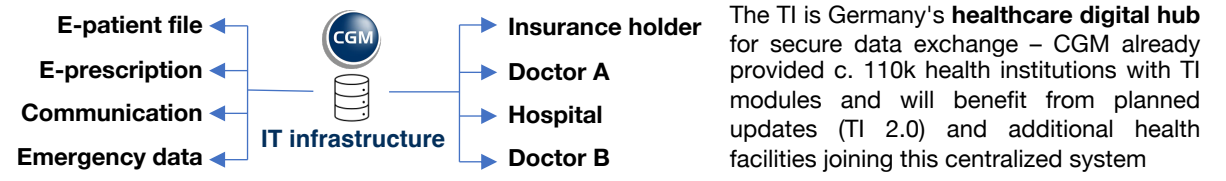
Competition fiercer due to:

- Continuous emergence of new players focusing on specific subsegments only (e.g., Doctolib specializing in telehealth)
- Switching costs low in comparison to other segments

Sales cycles volatile and depending on the specific niche area which they are generated in (e.g., data collection/brokerage, hardware sales and implementation)

**Varying sales cycles**

## Further expansions of Germany's Telematics Infrastructure (TI) to boost revenues



## CGM's competitive advantages

**1**

**Unique data access**

CGM's access to the most comprehensive outpatient data sources<sup>1)</sup> builds an unmatched foundation for big data analytics

**2**

**Cross-selling potential**

With its existing customer base of 400k, CGM can effectively promote its CHS solutions between segments through cross-selling

**3**

**Fore runner position**

Click-Doc, as one of the first apps, achieved certification as a video consultation provider by all major accreditation institutions in mid-2022

Sources: Company Information, BNP Paribas, Fortune Business Insights, Verified Market Research  
 Notes: 1) Ranging from clinical and ambulatory to pharmacy, insurance, and wholesale data

In the healthcare IT market packed with fragmentation and niche players catering to specific regions or products, CGM distinguishes itself as a comprehensive, global provider offering an all-encompassing suite of software solutions



Sources: Capital IQ, Zippia, Dedalus, BNP Paribas, Parata, Signify Research

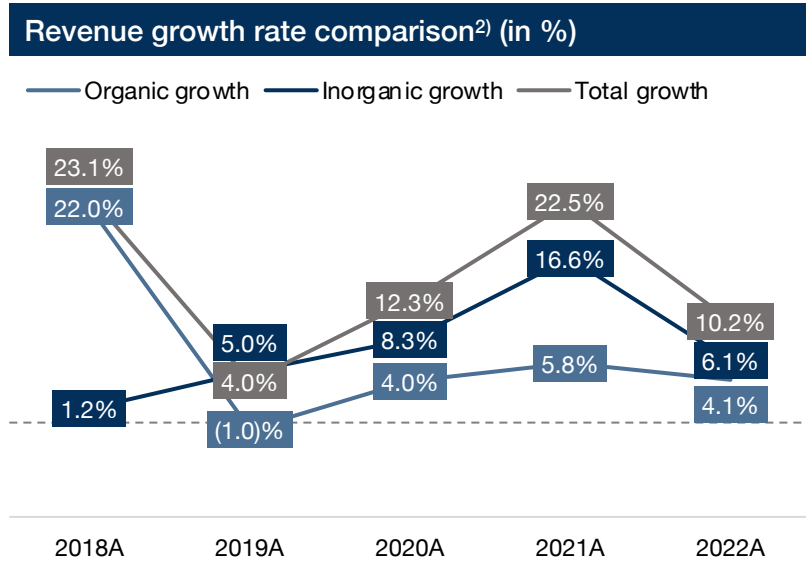
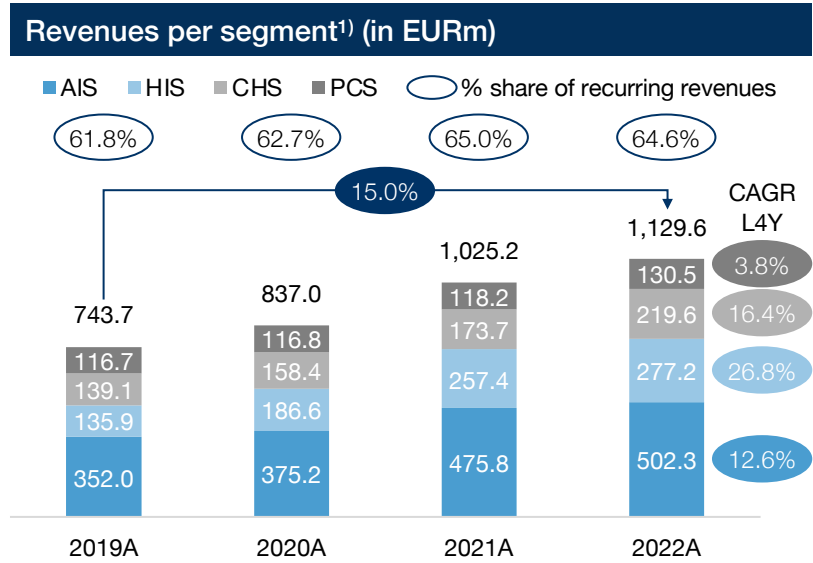
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Historical Financials

In the last five years, revenues have grown strongly with a CAGR of 12.0%, and the share of recurring revenues increased from 57.8% to 64.6% – most of the topline growth has been inorganic due to CGM’s strong M&A expansion

Profit and loss statement I/II (in EURm)							Description
	2018A	2019A	2020A	2021A	2022A	CAGR L5Y	
1 Software licenses	53.6	53.7	58.1	86.9	82.4	11.3%	1 In recent years, software licenses had a rather small revenue share (>10.0%) and grew slower than total revenues (CAGR <sub>18A-22A</sub> : 11.3%)
2 Software maintenance and other recurring revenues	414.7	460.8	524.7	666.5	729.9	15.2%	Significant increase in 2021 (YoY growth: 49.5%) primarily driven by M&A – particularly by the acquisition of eMDs Inc., who mainly provide ambulatory information systems (revenues 2020/21A: EUR 81m)
Professional services	96.9	95.7	99.1	108.0	124.0	6.3%	
3 Hardware	112.1	92.6	115.1	111.0	110.0	(0.5)%	2 Key revenue driver over the last five years (CAGR <sub>18A-22A</sub> : 15.2%), and the revenue share grew from 57.8% to 64.6%
4 Advertising, eDetailing and data	30.6	34.3	37.2	43.2	70.2	23.1%	Growth in revenue share was driven by AIS and HIS, as the growth in recurring revenues exceeded the growth in total revenues respectively
Other revenues	9.0	8.7	3.1	9.7	13.3	10.0%	Especially the HIS segment contributed strongly to growth (CAGR <sub>19A-22A</sub> : 33.7%), which was primarily driven by M&A (e.g., acquisition of the IT healthcare portfolio of Cerner Corporation for EUR 204m in 2020)
<b>Total revenues</b>	<b>717.0</b>	<b>745.8</b>	<b>837.3</b>	<b>1,025.3</b>	<b>1,129.7</b>	<b>12.0%</b>	
% YoY organic growth	22.0%	(1.0)%	4.0%	5.8%	4.1%		
% YoY inorganic growth	1.2%	5.0%	8.3%	16.6%	6.1%		
5 Capitalized inhouse services	18.5	24.6	31.9	37.3	44.8	24.7%	
Other income	8.0	13.5	10.6	24.8	19.4	24.7%	



3 Hardware sales are primarily driven by the telematics infrastructure (TI) business (2022A: 48.5%), which is part of the CHS segment, and the PCS segment (2022A: 25.0%)

With the roll-out of TI in 2018, hardware sales increased by 176.6% YoY to EUR 112.1m – since then, they have remained almost stable, apart from a one-off drop in 2019 due to declining hardware sales in telematics implementation (other segments remained largely on track)

4 Revenues in advertising, eDetailing and data are almost completely attributable to the CHS segment (2022A: 98.3%)

With acquisitions of INSIGHT Health Group (100%) and the Italian New Line RdM Società Benefit (20%) in 2022, CGM strengthened its position in data-driven solutions and revenues rose YoY by 62.5%

5 Includes capitalized expenses for internally generated software, which are measured at directly attributable production costs

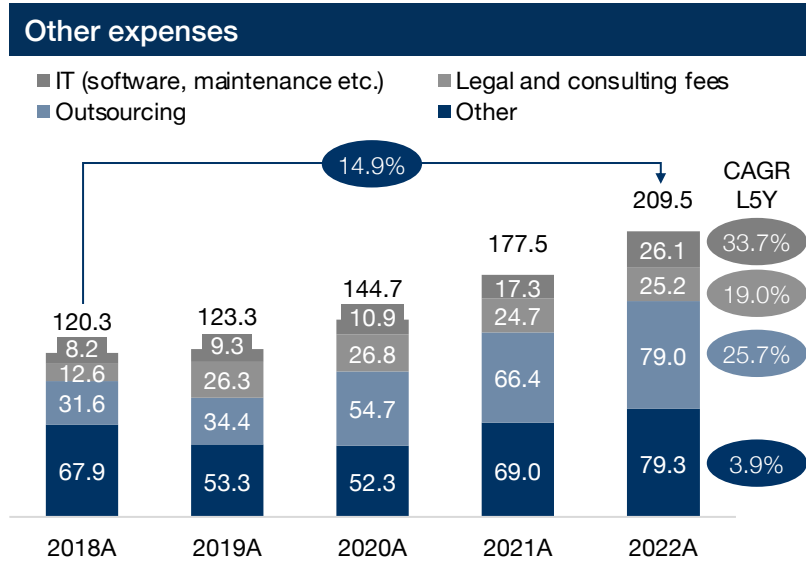
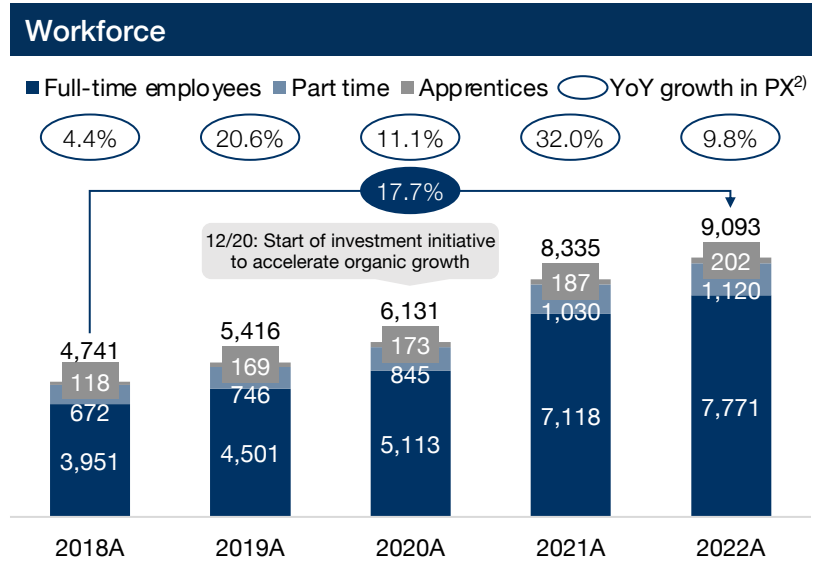
From 2018 to 2022, growth has been 24.7% p.a. – most of which was due to an increase in hours worked (CAGR<sub>18A-22A</sub>: 15.4%) – and the share in total revenues rose from 2.6% to 4.0%

Sources: Company information

Notes: 1) Excluding the segment “Other”; 2) Organic growth is defined as the YoY increase in sales revenue, adjusted for sales revenues from companies consolidated for the first time in the reporting period or from companies consolidated for the last time in the same period of the previous year

Given the M&A strategy and significant investments in the company, personnel and other operating expenses in particular rose sharply, which has put pressure on the EBITDA margin, falling by 7.0ppt since 2018 but are slowly normalizing

Profit and loss statement II/II (in EURm)							Description
	2018A	2019A	2020A	2021A	2022A	CAGR L5Y	
1 Expenses for goods and services purchased	(151.4)	(139.0)	(156.2)	(191.4)	(216.4)	9.3%	1 Considered as COGS (e.g., costs for service providers operating the service hotline); have grown almost linearly with total revenues resulting in a constant gross profit margin of c. 81% (2019A-2022A)
2 Personnel expenses	(281.4)	(339.4)	(377.1)	(497.7)	(546.7)	18.1%	2 Fighting in a war of talents, M&A has been a good way of attaining qualified employees at lower cost – in the last five years, most employee additions came from acquisitions (c. 3,000 employees)  Average cost per employee has not increased much since 2018 (2018A: EUR 59.4k vs. 2022A: EUR 60.1k, CAGR <sub>18A-22A</sub> : 0.3%), mainly resulting from lower cost acquisitions (i.e., CGM's Cerner assets)  However, employee growth (CAGR <sub>18A-22A</sub> : 17.7%) and a resulting rise in personnel expenses (CAGR <sub>18A-22A</sub> : 18.1%) – which grew faster than total revenues – put pressure on profitability margins
Net impairment losses on financial and contract assets	(2.6)	(4.0)	(4.3)	(7.4)	(5.0)	18.0%	
3 Other expenses	(120.3)	(123.3)	(144.7)	(177.5)	(209.5)	14.9%	3 Other expenses have been the second key cost driver since 2018; in 2022 other expenses primarily consisted of outsourcing (2022A: 37.7%), IT (2022A: 12.5%) and legal/consulting fees (2022A: 12.0%)
Adjustments <sup>1)</sup>	(5.6)	20.0	17.3	10.7	17.6	n/a	
4 Adjusted EBITDA	182.5	198.1	214.9	224.3	234.0	6.4%	4 Adjusted EBITDA <sup>1)</sup> margins remained relatively stable at c. 21-22% from 2012 to 2017; in 2018 margins were boosted by the TI roll-out (c. 20% boost of revenues) increasing to 25.5%  In 2021, CGM started to invest more heavily into R&D (expenses up from EUR 153m to EUR 203m in 2021) and sales, which led to a margin decline of 5ppt to 20.7% in 2022  We also note that capitalized inhouse services increased from 1.8% of total revenues in 2018 to 4.0% in 2022 – key investments since 2020 include for example the new G3 platform <sup>3)</sup> and ClickDoc
% margin	25.5%	26.6%	25.7%	21.9%	20.7%		
EBITDA	187.8	178.1	197.5	213.4	216.4	3.6%	5 In addition to a decline in EBITDA margin, D&A have increased since 2018 leading to an even sharper decline in EBIT margin  From 2019-2022, D&A rose from the increase in amortization of acq. software rights, customer relationships and capitalized inhouse services, mainly resulting from CGM's acquisitions (next slide)
% margin	26.2%	23.9%	23.6%	20.8%	19.2%		
Depreciation of PP&E and right-of-use assets	(11.4)	(28.5)	(30.9)	(37.8)	(42.8)	39.1%	
Amortization of intangible assets	(33.2)	(34.3)	(44.9)	(72.9)	(69.6)	20.3%	
5 EBIT	143.2	115.3	121.8	102.7	104.0	(7.7)%	
% margin	20.0%	15.5%	14.5%	10.0%	9.2%		

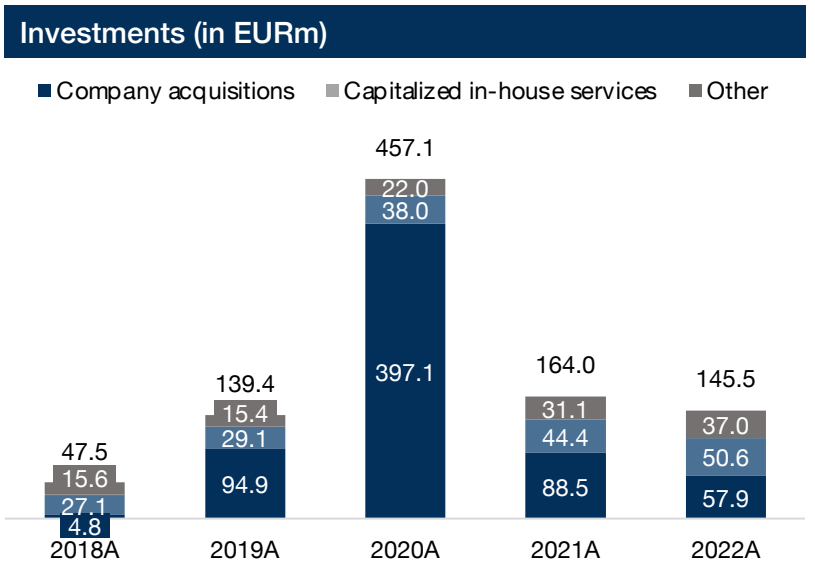
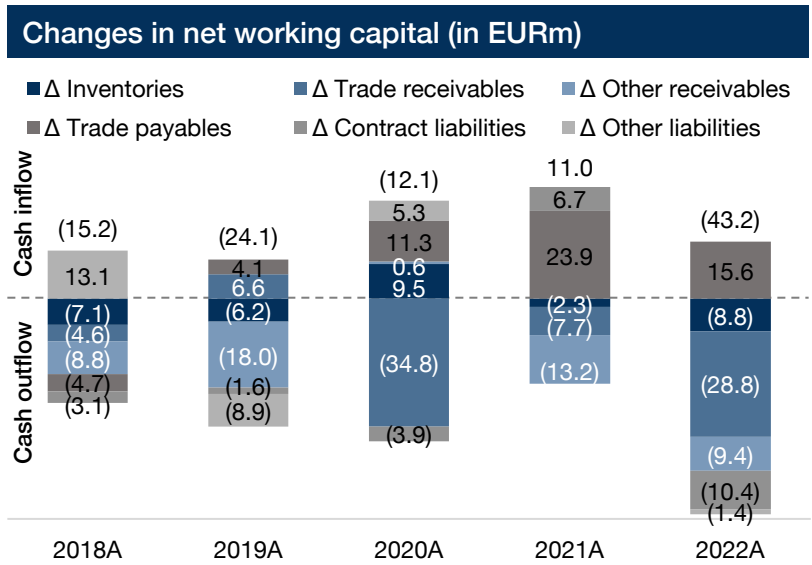
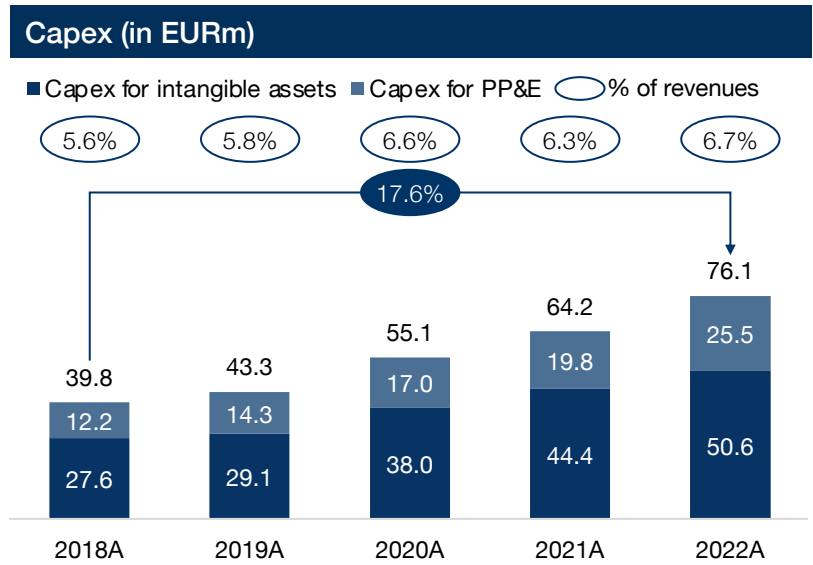


Sources: Company information

Notes: 1) Adjustments include costs/revenues related to M&A transactions, restructuring programs, share-based option programs, and other non-operative, extraordinary or one-time effects; 2) Personnel expenses; 3) CGM Medical for hospitals replacing the old Cerner software Medico/Soarian

Alongside the decreasing EBITDA margin, changes in NWC and Capex (primarily for intangible assets) rose sharply resulting in both having a significant impact on the free cash flow development in recent years

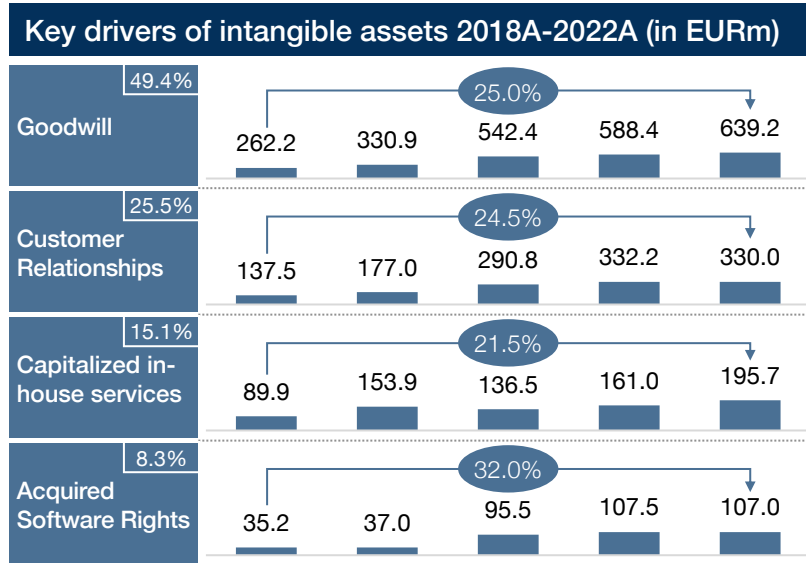
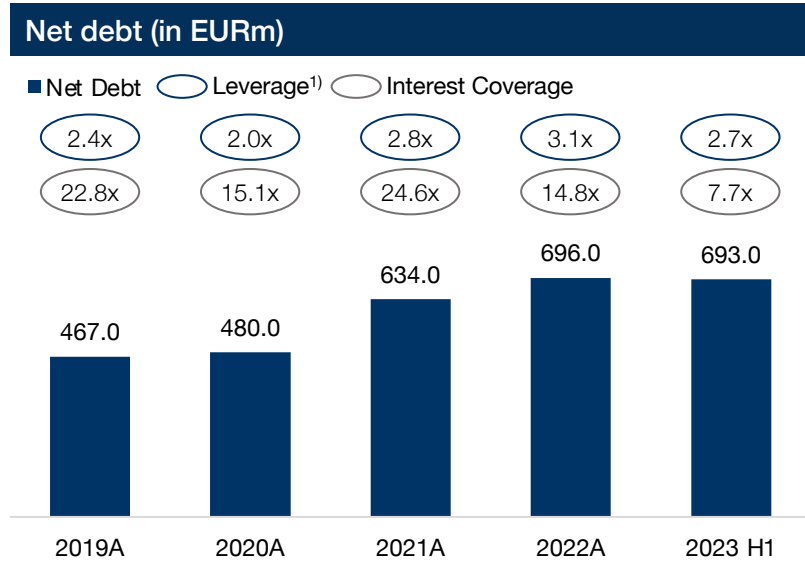
Free cash flow development (in EURm)							Description
	2018A	2019A	2020A	2021A	2022A	CAGR L5Y	
EBITDA	187.8	178.1	197.5	213.4	216.4	3.6%	1 Since 2018, NWC increased (except for 2021 given an increase in trade payables of EUR 23.9m) – primarily driven by increases in trade receivables and income tax receivables (other)
Interest expenses	(8.8)	(5.7)	(10.4)	(4.8)	8.1	n/a	
Taxes	(37.8)	(41.6)	(37.0)	(28.8)	(32.7)	(3.5)%	2 The increase in Capex (CAGR <sub>18A-22A</sub> : 17.6%) was primarily driven by investments in intangible assets, more specifically by capitalized inhouse services (2022: EUR 46.3m, CAGR <sub>18A-22A</sub> : 24.7%)
1 Changes in NWC	(15.2)	(24.1)	(12.1)	11.0	(43.2)	29.8%	
Other cash-effective items	10.6	5.6	12.9	(25.5)	(2.8)	n/a	3 FCF is highly fluctuating from EUR ~70m to ~100m (mainly influenced by changes in NWC and Capex); FCF conversion is almost only driven by FCF since EBITDA is barely increasing (CAGR <sub>18A-22A</sub> : 3.6%)
Operating cash flow	136.6	112.3	150.9	165.2	145.8	1.6%	
2 Capex	(39.8)	(43.3)	(55.1)	(64.2)	(76.1)	17.6%	
3 Free Cash Flow	96.8	68.9	95.8	101.1	69.8	(8.1)%	
% FCF Conversion	51.5%	38.7%	48.5%	47.4%	32.2%		



Sources: Company information

Growth in total assets was primarily due to the increase in goodwill, customer relationships and capitalized inhouse services, which rose as part of the business acquisitions – mainly financed by the sale of treasury shares and a credit facility of EUR 1,000m

Balance sheet (in EURm)							Description
Assets	2018A	2019A	2020A	2021A	2022A	CAGR L5Y	
1 Intangible assets	536.5	668.3	1,088.1	1,214.3	1,293.9	24.6%	1 Key driver of intangible assets are goodwill (2022A: 49.4%), customer relationships (2022A: 25.5%) and capitalized inhouse services (2022A: 15.1%), which in turn were driven by M&A  In 2020, especially goodwill (YoY growth: 63.9%) and acquired software rights (YoY growth: 158.2%) increased as a result of M&A
Property, plant and equipment	83.7	88.1	91.7	100.1	107.5	6.5%	
2 Trade receivables	105.6	103.0	137.2	147.2	189.4	15.7%	
3 Cash and cash equivalents	25.3	46.4	75.9	107.3	90.5	37.5%	
Other	97.2	160.1	172.8	221.8	263.1	28.3%	
<b>Total</b>	<b>848.3</b>	<b>1,065.9</b>	<b>1,565.8</b>	<b>1,790.8</b>	<b>1,944.4</b>	<b>23.0%</b>	2 In the last five years, the share of trade receivables on revenues has been quite stable at c. 14% of total revenues  The sharp growth in 2020 (YoY growth: 33.2%) and 2022 (YoY growth: 28.7%) was driven by M&A and billing-related reasons, respectively
Equity and Liabilities	2018A	2019A	2020A	2021A	2022A	CAGR L5Y	
4 Equity	263.8	259.9	638.9	612.3	673.8	26.4%	
5 Total liabilities to banks	308.4	449.6	496.4	674.9	728.5	24.0%	
Trade payables	39.3	47.1	64.5	93.2	112.6	30.1%	
Contract liabilities	34.0	42.5	63.9	79.1	66.9	18.5%	3 In 2019 to 2021, cash and cash equivalents rose primarily through the placement of treasury shares (2020) and M&A – the decline in 2022 of (15.7)% was mainly due to the EUR 31.3m YoY decrease in FCF
Other	202.8	266.7	302.1	331.3	362.6	15.6%	
<b>Total</b>	<b>848.3</b>	<b>1,065.9</b>	<b>1,565.8</b>	<b>1,790.8</b>	<b>1,944.4</b>	<b>23.0%</b>	



2 In the last five years, the share of trade receivables on revenues has been quite stable at c. 14% of total revenues

The sharp growth in 2020 (YoY growth: 33.2%) and 2022 (YoY growth: 28.7%) was driven by M&A and billing-related reasons, respectively

3 In 2019 to 2021, cash and cash equivalents rose primarily through the placement of treasury shares (2020) and M&A – the decline in 2022 of (15.7)% was mainly due to the EUR 31.3m YoY decrease in FCF

4 In 2020, Equity increased by 145.8% YoY largely due to the placement of treasury shares (2019A: 9.0% of share capital) resulting in gross issue proceeds of EUR 307.6m and a capital increase of EUR 32.7m

After a decrease of (4.2)% in 2021 – primarily driven by a share buy-back program that reduced equity by c. EUR 99m – equity recovered in 2022, in particular due to net profit after dividends of EUR 48.0m

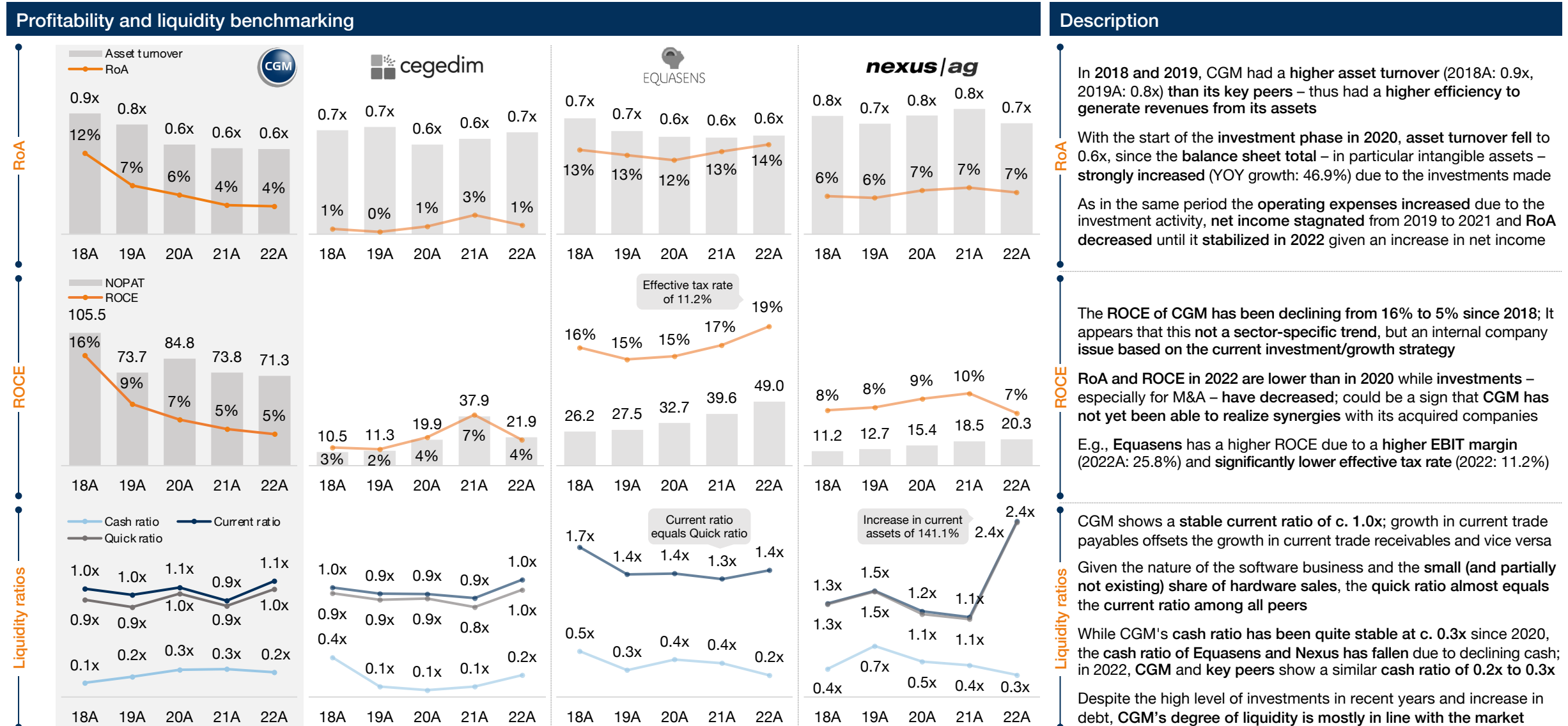
5 In 2018, liabilities decreased YoY by 12.5% and CGM received a new syndicated loan (RLF<sup>3)</sup> of EUR 400m<sup>2)</sup>, which was utilized in 2019

CGM took out a new credit facility<sup>2)</sup> of EURm 1,000m<sup>4)</sup> in 2020 (RCF<sup>5)</sup> of EUR 600m and a TLF<sup>6)</sup> of EUR 400m) to repay existing liabilities and to finance general company purposes and acquisitions

In 2022, total liabilities to banks comprise the utilization of the syndicated loan<sup>3)</sup> of EUR 450m (TLF of EUR 400m and RCF of EUR 50m), a loan from the EIB of EUR 200 and other credit lines of EUR 72.9m

Notes: 1) 2022 onwards: Net debt (liabilities to banks and financial liabilities - cash and cash equivalents) / (EBITDA (LTM) adj. for restructuring expenses + pro rata EBITDA of newly acquired companies), until 2021: EBITDA adj. (LTM) + pro rata EBITDA of newly acquired companies); 2) As a result, the existing syndicated loan agreement was terminated and repaid; 3) Revolving loan facility; 4) "EUR1,000,000,000 Term and Multicurrency Revolving Credit Facility"; 5) Revolving multi currency loan facility; 6) Term loan | Sources: Company information | % intangible assets 2022A

While the RoA and ROCE decreased since 2020 indicating that CGM has not been able so far to realize the synergies from its acquisitions; the cash, current and quick ratios slightly rose compared to 2018 indicating an improved liquidity



Sources: Company information

Notes: Cegecim, Equasens and Nexus were considered as key peer companies due to their similar product and geographic profile

04



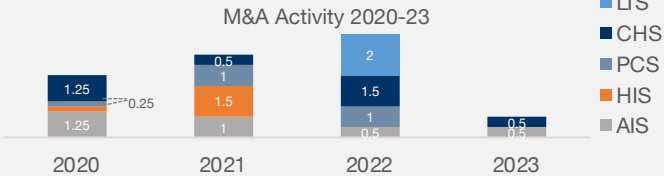
Investment Thesis  
Value Creation

# CGM's dynamic product portfolio, proven success in M&A, strategic internal investments, customer-centric solutions, and lucrative opportunities for cross- and upselling position the company for future growth, rendering it an appealing PE target

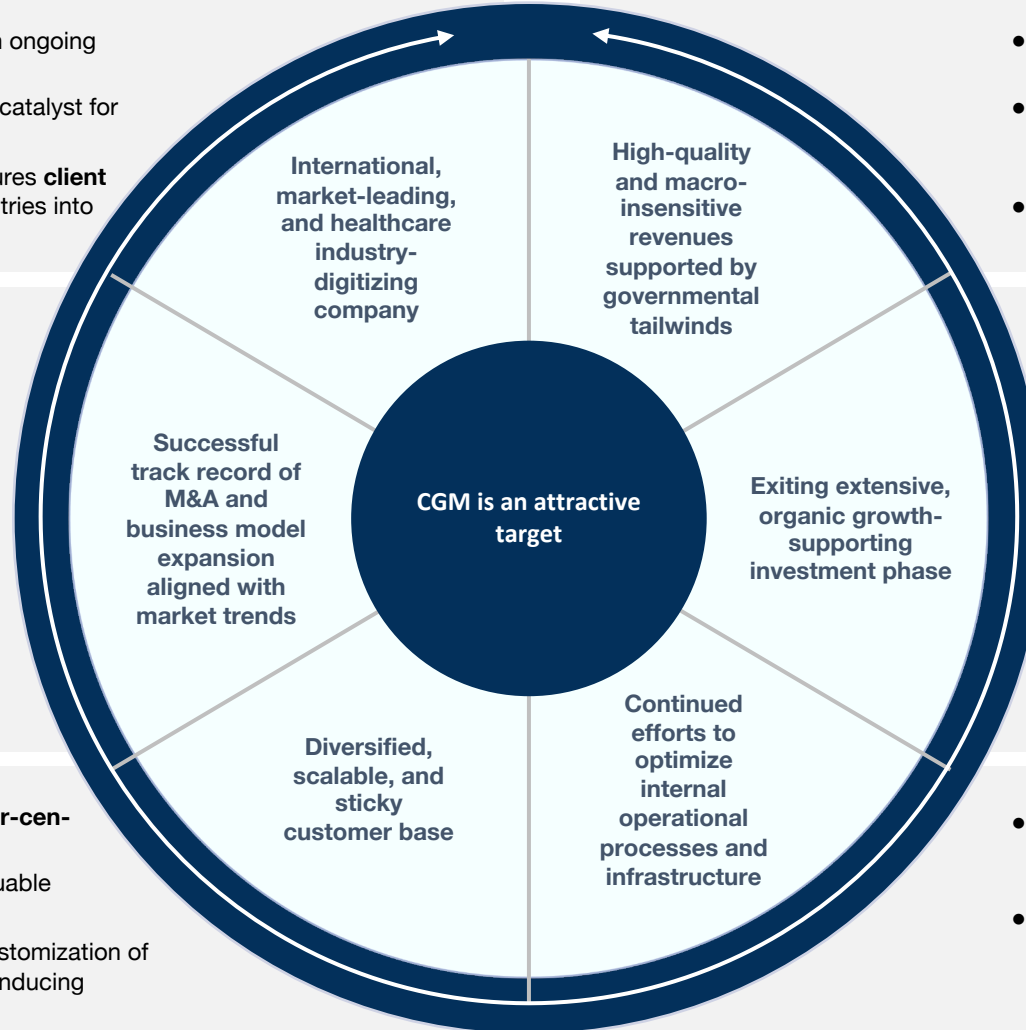
## Investment highlights at a glance

- The systemically relevant healthcare industry grapples with ongoing **struggles** to attain **profitable business operations**
- **Streamlining workflows** through digitalization is a pivotal catalyst for achieving sustainable levels of profitability
- Market leading position in several European countries ensures **client access** and facilitates **cross- and up-selling** as well as entries into new segments and markets

- As a **technology leader** in the industry, 1/3 of CGM's workforce is dedicated to R&D
- Starting in the AIS sector, CGM has **effectively diversified** into HIS, LIS<sup>1</sup>, PCS, and CHS and is currently pioneering datafication in healthcare
- **M&A** has been a **guardrail of CGM's growth** path, with >10 deals from small- to large-scale acquisitions and inorganic growth accounting for on average 65% of revenue growth within the past 4 years

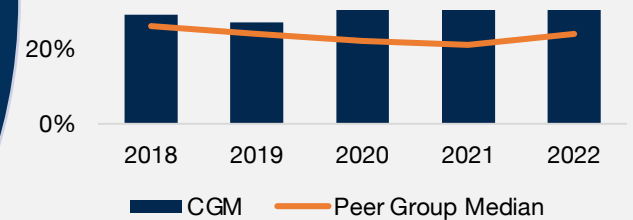


- CGM's **comprehensive product portfolio** offers **customer-centric solutions** covering the entire patient journey
- CGM's modular product portfolio approach maximizes valuable **cross- and upselling** opportunities
- Featuring several **customizable add-ons** allows for the customization of software solutions to the unique needs of each customer, inducing **increased switching costs** for customers



- CGM has experienced **>10% growth in recurring revenues** in Q1 2023 yoy, now standing at 65%
- AIS and CHS businesses with strong bottom-line conversion of **EBITDA margins >25%**, while prevalence of outdated IT systems and shortage of skilled staff will boost top-line growth
- Pan-European **governmental financial tailwinds** stimulating demand

- Initiated in 2020, crucial investments into **skilled staff, R&D, and M&A** across segments prepared CGM for sustainable growth
- Relative personnel<sup>2</sup> costs starting to return to pre-investment phase levels – stabilization of post-merger above industry-average SG&A costs bears further **margin expansion potential**



- The **OneGroup initiative**, which focuses on harmonizing the appearance to customers and internal IT systems, has **boosted AIS revenue per employee in Europe by 15% in H1/2023 yoy**
- Swift and effective integration of AI: launch of AI tool **ChatCGM** available for all employees promoting **leaner structures** and **more efficient processes** in R&D, service & support, and business operations

Sources: Company information, Mergermarket  
 Notes: 1) Laboratory Information Systems, 2) 47% of sales in H1 2023

# Unlocking sustainable growth: US expansion through M&A, organic growth efforts boosting margins, capitalizing on AI integration, and the introduction of a SaaS model will further fuel CGM's global success story

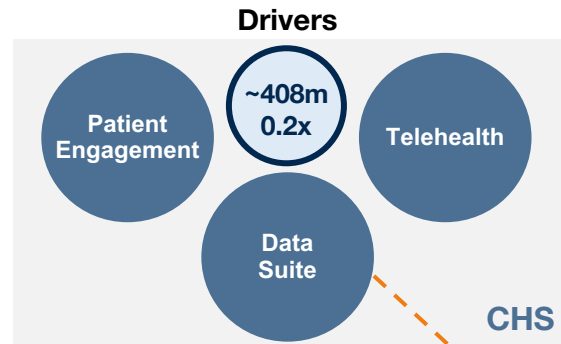
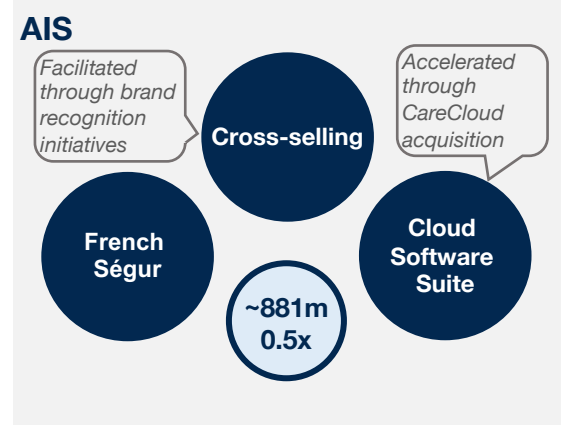
Initiative	1 Dual track top-line growth	2 Margin improvements	3 Strategic/operational support	
Strategy	<p><b>a) Moderate M&amp;A with focus on PMI</b></p> <p><b>Integration and operational synergies</b> Develop detailed operational and cultural integration roadmaps for recent acquisitions, identify overlapping functions, and implement cost cutting measures for duplicating operations</p> <p><b>Inorganic growth</b></p> <p>Focus on small- and medium-sized US competitors to expand CGM's US AIS market share</p>	<p><b>b) Org. growth: Focus AIS &amp; CHS</b></p> <p><b>Quality offering</b> Continue developing interoperability and customer/patient centricity within software products to improve customer experience. Align software R&amp;D with industry trends such as cloud-transition, datafication, and healthcare personalization</p> <p><b>Brand recognition</b> Invest into marketing, targeted sales campaigns, expand network and involvement of distributors such as Medprax and Power Unlimited through offering attractive partnership models Train internal sales personnel to promote CGM's assertiveness</p>	<p><b>Less hiring and efficient staff integration</b> Amidst continued market consolidation, CMG invested in staffing, causing personnel expenses to rise significantly above historical averages in recent years Effective onboarding and integration will be crucial for a swift return to previous levels</p> <p><b>Synergies through M&amp;A</b> The integration of recent acquisitions provides the opportunity to achieve cost synergies</p> <p><b>Promising markets &amp; high-margin focus</b> Our business plan recommends to focus on high-margin products within CGM's most attractive segments AIS and CHS post-transaction</p>	<p><b>AI leverage</b> Promoting advancements and swift company-wide integration of the recently launched internal AI tool ChatCGM Screening companies for potential partnerships to accelerate internal and external AI integration</p> <p><b>SaaS business model</b> Support a steady transition from a license and maintenance revenue model towards a full-service subscription SaaS revenue model</p>
Value Creation	<p>Streamline CGM's past aggressive M&amp;A activity and ensure effective and sustainable <b>realization of synergies</b> to support and accelerate <b>margin recovery</b></p> <p>Grow presence in the US – the biggest and <b>most developed IT healthcare market</b></p> <p>Acquiring US competitors simplifies <b>market share and customer base expansion</b> and creates competitive advantages to European competitors</p>	<p>CGM will <b>prevent losing existing customers</b> to cloud-native providers or start-ups</p> <p>CGM will become a <b>leading player in the healthcare datafication trend</b> and thus be able to capitalize on collaboration across countries and ecosystems</p> <p>Increasing <b>up- and cross-selling</b> success in the fragmented e-health market</p>	<p>CGM will profit from <b>lower cost base</b> due to less aggressive hiring than in recent years, making personnel expenses return to historical averages</p> <p>Additional personnel cost synergies from AI integration into business processes strategy enhancing overall <b>personnel productivity</b></p> <p>Furthermore, CGM's bottom line will increase due to a decreasing SG&amp;A margin driven by <b>synergies</b> from recent M&amp;A transactions</p>	<p><b>Cost-saving potential</b> in R&amp;D, Service &amp; Support and internal Business Operations, and workforce</p> <p><b>Differentiate software</b> through the integration of AI tools into new product features</p> <p>Personnel cost saving potential through <b>increased productivity</b></p> <p><b>Unlocking new customers</b> and <b>optimizing revenue generation</b></p>



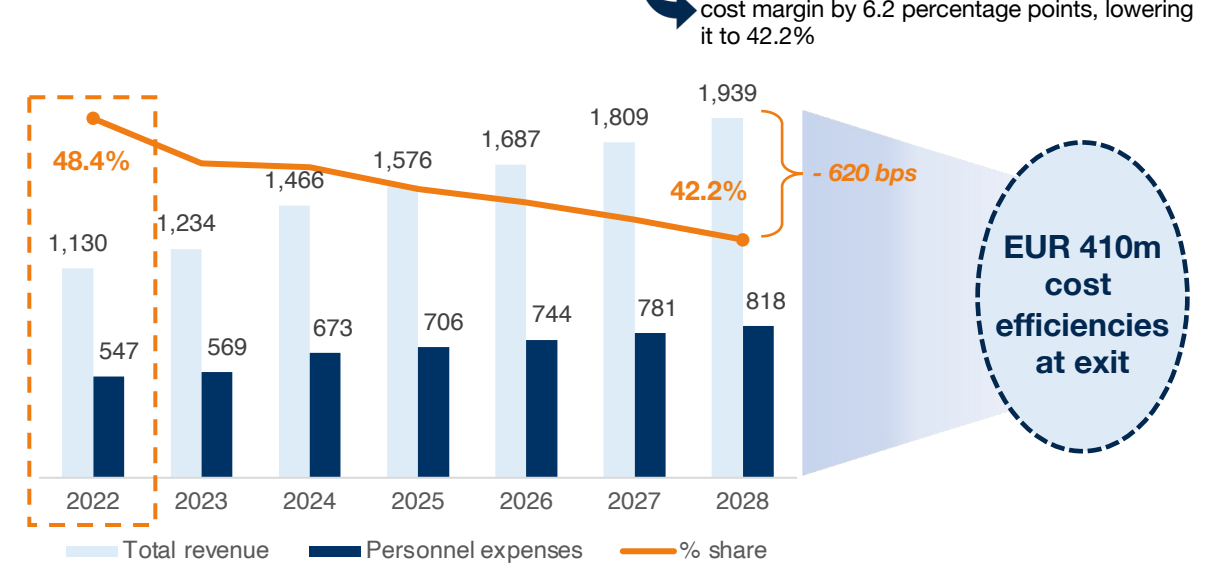
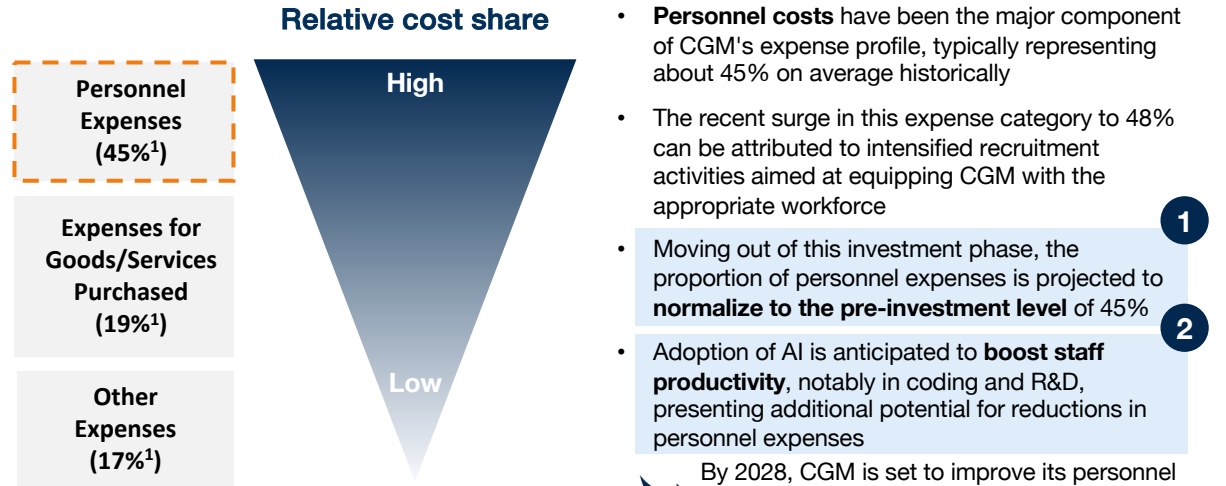
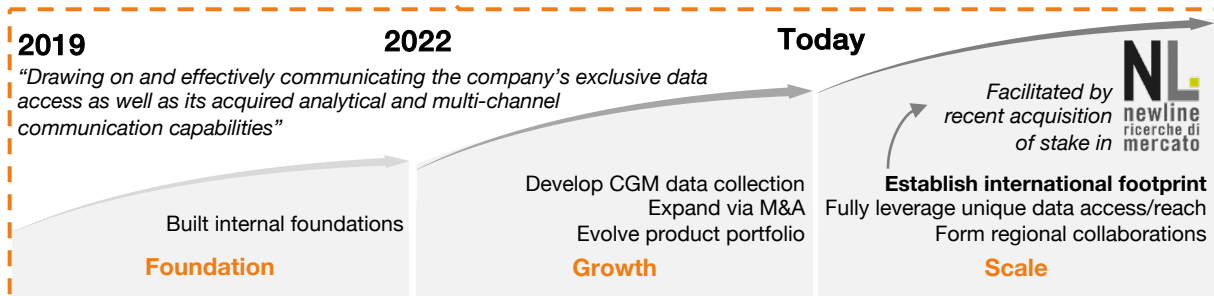
Sources: Company websites, Dealroom, Aventis Advisors, Forbes, Yahoo Finance, CGM Annual Report 2023  
Notes: 1) Post-merger integration, 2) Resulting from steady transition to full SaaS model

# Margin improvements and organic top-line growth: Increased staff productivity and less aggressive hiring will re-boost margins and save EUR 410m at exit combined with a three-step action plan for organic growth to foster organic growth

## Organic growth Margin improvement



- ### Action plan
- Cross-sell** CGM's French #1 paramedics software **VEGA** to European as well as the US nurses, physiotherapists, and speech therapists
  - Capitalize on the **second wave of France's** healthcare digitization program "**Ségur**", which is expected to start in 2024, through offering upgrades to existent software versions to almost **100k French AIS customers**
  - Develop and **up-sell** next generation of **cloud-based software**
  - Integrate/cross-sell CLICKDOC** to AIS customer base and **evolve product features** towards patient journey, e.g., automatic patient invoicing or CLICKDOC Pro app for consumers
  - Internationalize** CGM's developed **data suite solutions** suite INSIGHT Health<sup>2</sup>, Therafox<sup>3</sup>, GHG<sup>4</sup>, and Intermedix<sup>5</sup> and incorporate into AIS customer base
  - Boost** the segment's **revenue quality** through IN-SIGHT Health's strong base of 80% recurring revenue
- 



Sources: Company information  
 Notes: 1) Historical average FY 2018-22, 2) Offers data insights to a variety of healthcare stakeholders, 3) Data-based drug therapy safety checks, 4) Data-based pharma-marketing, 5) "Medical brain" software combining clinical studies, rare disease finder, and patient info in one platform

# Top-line growth through moderate M&A with focus on PMI: CGM's future M&A strategy will focus on post-merger integration of historic acquisition and the takeover of the US company CareCloud increasing its MOIC by 0.5x

M&A history (excerpt)				
Date	Target	Industry	Target Country	Deal Rationale
24.04.2023	m.Doc Smart Health Evolution	HIS, CHS		Addition to product portfolio
22.11.2022	GHG Praxisdienst	AIS, CHS		Addition to product portfolio
22.11.2022	Medicus	LIS <sup>1)</sup>		Broadening US presence
25.03.2022	INSIGHT HEALTH	HIS, CHS, PCS		Stronger position in data solutions
01.06.2021	VISUS	HIS		Stronger position in data solutions
07.12.2020	CGM SCHUYLAB Laboratory Information System	LIS		Broadening US presence
23.11.2020	eMDs	AIS		Broadening US presence
05.02.2020	Cerner European Business <sup>2)</sup>	HIS, CHS, PCS, AIS		Complementing Spain & France portfolio

## Future M&A

### A Focus on post-merger integration

With **>10 deals within the past 4 years**, CGM has successfully capitalized on market consolidations to grow its CHS business and presence in the US. As a result, focus should now be redirected towards **efficient and sustainable integration processes** to unlock the maximum value of acquisitions envisioned prior to the transactions.

#### How?

#### Cross segmental integration teams

Ensure collaboration and opportunity analysis across segments to identify potential synergies across business units.

#### Future strategy

Creation of detailed future roadmaps for all subsidiaries acquired within the past years outlining clear objectives and tangible, trackable milestones.

#### Customer transition

Avoid customer churn during the transition through effective communication of value proposition and minimal disruption to customer-facing operations.

#### Cultural and operational alignments

Assess and proactively address cultural and operational differences resulting from CGM's global M&A strategy in several e-health segments.

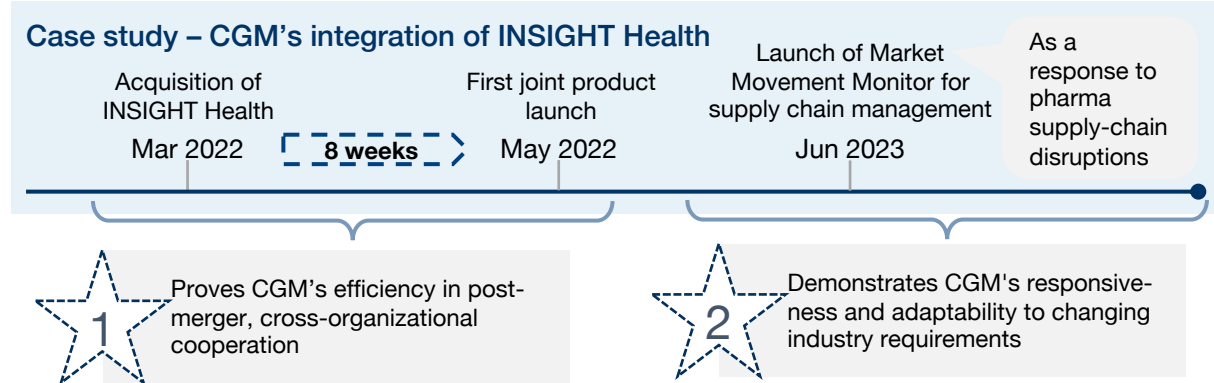
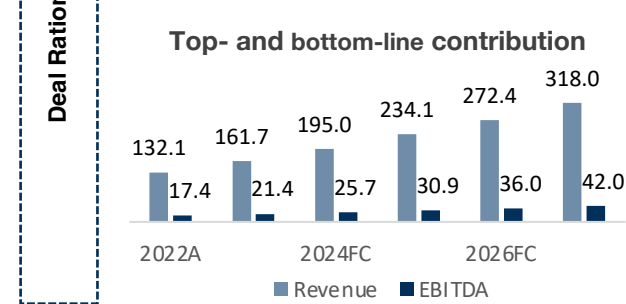
### B Strategic acquisition in the US<sup>2</sup>



**Description**  
CareCloud is a listed, US-based healthcare IT company with c. 4,000 globally distributed employees, focused on revenue cycle management, EHR, and cloud software products, serving >40k healthcare providers in c. 70 specialities across the US.

**Market share expansion:** CareCloud's well-established footprint in the US practice management and EHR sector grants CGM access to an **additional 40,000+ customers** distributed across the entire US.

**Technological synergies:** Integrating CareCloud's cloud-focused software products within CGM's existing EHR and RCM tools facilitates and **accelerates** the company's **full cloud-transition** and creates a powerful, comprehensive AIS platform addressing growing competition from cloud-native competitors.



### 1 US target with excellent strategic fit identified

PMI streamlining is supplemented by one strategic acquisition to fuel growth and competitiveness in the US market and boost CGM's cloud presence.

Sources: Mergermarket, CGM Annual Report 2023.

Notes: 1) Laboratory Information Systems 2) CGM acquired Cerner Corporation's IT Healthcare business in Europe, 2) See appendix for a deep-dive on the US market

# Strategic and operational support: Through targeted support for strategic projects, CGM will realize significant process optimization and cost reduction as well as higher recurring revenue shares

AI integration

Subscription model

**Patients' trust in AI in medicine is increasing**

75%

are comfortable with AI assisting in medical diagnoses from doctors

73%

are open to share their health data with a learning system such as an AI

**CGM already identified several areas of AI application potential**

**Internal use-cases of AI**

- Software development
- Product architecture

**External use-cases of AI**

*Examples*

**ChatCGM**

**Synapse Med<sup>1)</sup>**  
Clinical decision support for drug prescription

**THERAFOX<sup>2)</sup>**  
web-based drug therapy safety check

Supporting and monitoring the **efficient advancement** and integration of **ChatCGM** and **enhancing** state-of-the-art software **products with AI tools**

**Acceleration and optimization of coding activities**

**Personnel and operational cost-saving potential**

**abridge** – The next potential AI partnership

- Abridge's AI turns patient-doctor discussions into a real-time structured draft for clinical notes, and seamlessly incorporates it into the EHR

The technology **complements CGM's current clinical notes tool**, broadening its utility from static documents to real-time conversations

**How?**

1. Raising awareness among employees about AI utility
2. Mandatory training
3. Ensuring scalability of the tool
4. Robust tool monitoring and analytics tools

CGM's main revenue source is the sale of software maintenance contracts

Before that, customers must pay an up-front license fee which does not include software updates but only entitles the customer to permanent use of the status-quo software

While CGM already offers a subscription-based payment model, the share of revenues generated from it is still low

**Subscription-based SaaS business models bear advantages not only for providers but also for customers and patients:**

- Customers: lower up-front capex, flexibility, and scalability
- Patients: increased focus on patient care coupled with ongoing access to the latest advancements in digital health applications

Supporting and accelerating the **shift from a business model reliant on license and maintenance revenues to a comprehensive subscription/SaaS model, eliminating license fees**

**Unlocking new revenue potential**

**Increase addressable customer base**

**Maximize recurring revenues**

**Enhance cash flow predictability, facilitating the raising of fresh capital**

**How?**

1. Targeted customer education and value proposition about advantages of subscription-based IT models
2. Gradual cessation of perpetual usage rights for customers who paid one-time license fees
3. Prevention of customer churn by incentivizing existing legacy license customers to switch to subscription contracts

	2022	2028e
AIS	77%	79%
HIS	69%	75%
PCS	64%	68%
CHS	32%	45%

*Already high share of recurring revenue suggests limited upside*

*Lots of legacy license customers being transformed to SaaS*

*Comparably small customer base suggests lower SaaS potential*

*More focus on data business<sup>3</sup>*

*Flat rate for TI*

Sources: Company Information

Notes: 1) AI Partnership started in September 2022, 2) Part of CGM's 100% subsidiary ifap Service Institut für Ärzte und Apotheker GmbH 3) With >80% recurring revenue share of INSIGHT Health

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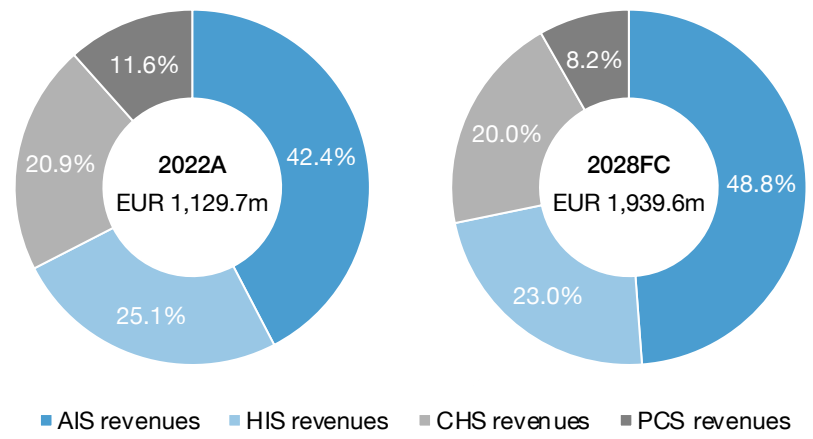


Business Plan

**P&L: Revenues will increase by a CAGR of 9.4% until the exit fuelled by capitalizing on cross- and upselling initiatives combined with the integration of CareCloud in 2024 with a revenue share of 9.5% in 2028**

Profit and loss statement I/II (in EURm)								Description
	2022A	2023E	2024F	2025F	2026F	2027F	2028F	
1 AIS	504.2	540.2	713.0	763.8	819.0	879.8	946.8	1 Expected <b>CAGR<sub>23E-28FC</sub> 7.1%</b> , mainly driven by capitalizing on <b>cross- and upselling</b> through increased re-seller involvement and sales campaigns boosting international brand recognition. New cloud software products and Ségur to drive up-selling. Cross-selling, also to US business, as a key initiative, i.e., introducing French VEGA software to US nurses, physiotherapists, and speech therapists
2 HIS	277.2	308.6	336.1	363.7	389.6	416.9	445.2	
3 CHS	219.6	249.1	277.6	303.9	329.6	357.4	387.6	
4 PCS	130.5	135.6	139.7	145.2	149.4	155.4	159.9	
Other revenues	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
<b>Total revenues</b>	<b>1,129.7</b>	<b>1,233.8</b>	<b>1,466.6</b>	<b>1,576.7</b>	<b>1,687.7</b>	<b>1,809.6</b>	<b>1,939.6</b>	2 The segment is expected to grow at a <b>CAGR of 7.6%</b> from 2023 to 2028. In H1 2023, >170 customers yoy have been added, which is projected to increase through the launch of a RCM <sup>2</sup> partnership with SAP. <b>Customer growth</b> is further supported by a strong order intake momentum relating to Germany's KZHG the recent branch into mobile care. <b>Pricing per average customer</b> is <b>expected to improve</b> through enhanced module offerings, like cloud- and G3 technology based CGM Clinical
% CGM revenues	100.0%	100.0%	90.9%	91.0%	90.9%	90.7%	90.5%	
5 % Carecloud revenues	n/a	n/a	9.1%	9.0%	9.1%	9.3%	9.5%	3 The segment is projected to be the <b>fastest-growing</b> with a <b>9.2% CAGR</b> from 2023 to 2028, driven by <b>recent strategic acquisitions</b> enhancing the <b>patient engagement</b> and <b>data business</b> catering to market shifts toward datification and customerization. The recent acquisition of a 20% stake in an Italian data company, opens <b>international markets</b> for CGM's data solutions. An upcoming <b>integration with the AIS department</b> is expected to enhance <b>cross-selling</b> opportunities to ambulatory institutions and their customers, capitalizing on internally generated synergies
Capitalized inhouse services	44.8	35.4	29.4	25.6	23.3	22.1	21.9	
Other income	19.4	15.2	15.2	15.2	15.2	15.2	15.2	

**Revenues per segment<sup>1)</sup> (in EURm)**



**Key initiatives driving top line growth**

Segment	Drivers	Initiatives
AIS		
HIS		
PCS		<p>Launch planned for April 2024</p>
CHS		

- 4 Moderate growth expectations of **3.3% CAGR<sub>23E-28FC</sub>**, due to already relatively **saturated pharmacy market**. Historical growth on avg. higher but mainly due to high inorganic growth in Italy which will slow down. The addressable customer base is declining and continues to be sticky, shown in historical and future recurring revenues
- 5 **Conservative revenue growth forecast** driven by company's RCM solutions, which saw a near 300% increase since 2021. A significant portion of the 2023 pipeline is expected to materialize in 2024. Due to significant overlaps with CGM's US business, post-acquisition, growth rates are expected to climb from 6% to 10% upon exit, spurred by investments in further US expansion as described above and cross-selling to AIS & CHS customers and vice versa

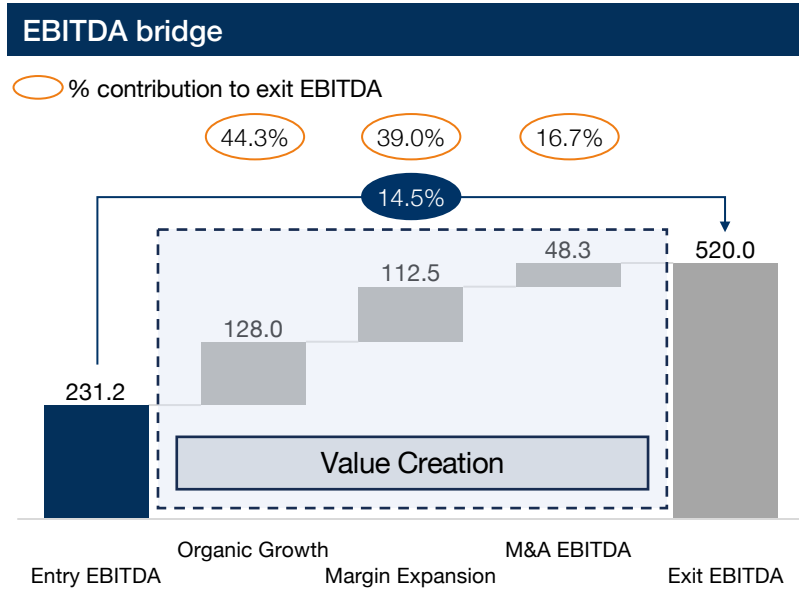
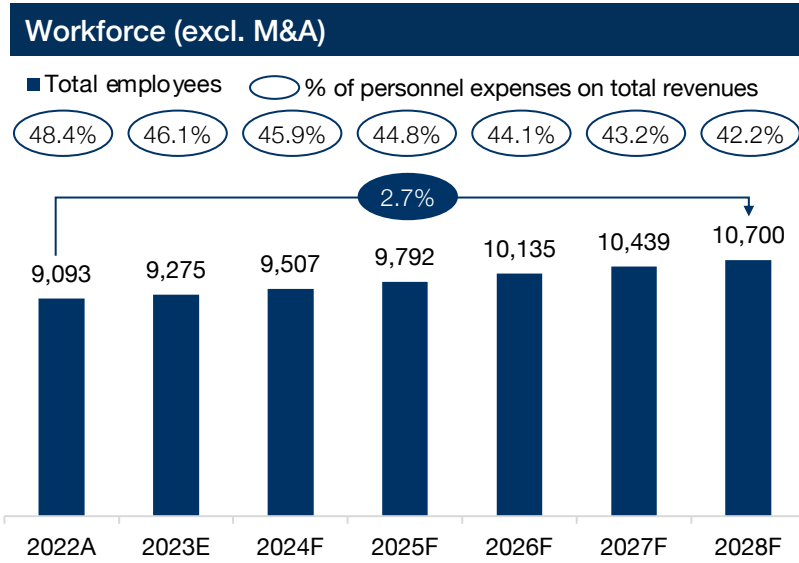
Notes: 1) Excluding the segment "Other", 2) Revenue cycle management. Up-selling, Cross-selling, New customers/projects, Price increases, Internationalization

# P&L: The development of the cost structure is characterized by a reduction in personnel expenses to 42.2% resulting in an EBITDA CAGR of 14.5% at the exit in 2028

Profit and loss statement II/II (in EURm)		2022A	2023E	2024F	2025F	2026F	2027F	2028F
1	Expenses for goods and services purchased	(216.4)	(224.0)	(235.4)	(250.4)	(263.2)	(278.4)	(297.6)
2	Personnel expenses	(546.7)	(568.8)	(672.9)	(705.6)	(743.8)	(781.4)	(818.1)
	Net impairment losses on financial assets	(5.0)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)	(4.6)
3	Other expenses	(209.5)	(218.6)	(266.2)	(281.7)	(297.4)	(316.2)	(336.3)
4	<b>EBITDA</b>	<b>216.4</b>	<b>268.3</b>	<b>332.0</b>	<b>375.1</b>	<b>417.2</b>	<b>466.3</b>	<b>520.0</b>
	% margin	19.2%	21.7%	22.6%	23.8%	24.7%	25.8%	26.8%
	Depreciation of PP&E and right-of-use assets	(42.8)	(46.4)	(50.1)	(52.2)	(54.1)	(55.6)	(57.0)
	<b>EBITA</b>	<b>173.6</b>	<b>221.9</b>	<b>281.9</b>	<b>323.0</b>	<b>363.1</b>	<b>410.7</b>	<b>463.0</b>
	Amortization of intangible assets	(69.6)	(73.3)	(81.6)	(86.3)	(84.7)	(84.2)	(86.7)
	Amortization of financing fees	0.0	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
5	<b>EBIT</b>	<b>104.0</b>	<b>145.5</b>	<b>197.1</b>	<b>233.5</b>	<b>275.2</b>	<b>323.3</b>	<b>373.1</b>
	% margin	9.2%	11.8%	13.4%	14.8%	16.3%	17.9%	19.2%

**Description**

- COGS** expected to grow with sales, while **maintaining historic gross profit margin targets of 82%** across the holding period. Stronger % of sales related to software and maintenance cost and reduced % hardware cost due to stronger shift to recurring revenue and lower hardware sales with the majority customers being equipped by now
- Personnel expenses** expected to decrease in comparison to total sales, closely tied to objectives set in the value creation to drive margin expansion. CGM workforce is expected to grow by ~1,700 employees during the holding period with an expected **average salary per employee** of approx. **EUR 55k and EUR 70k** incl. social security cost, termination benefits and other personnel expenses. The **sharper increase in 2024**, is based on **consolidation effects from the CareCloud acquisition**, whose total personnel costs are set to improve as the firm strategy is shifted to higher efficiency
- Cost basis predicted to be growing as firm expands top line. However, **in % of total revenues expected to improve** to 2019 levels of 16.9% of total organic revenues at exit year. Cost among others predominantly consists of IT services amongst others



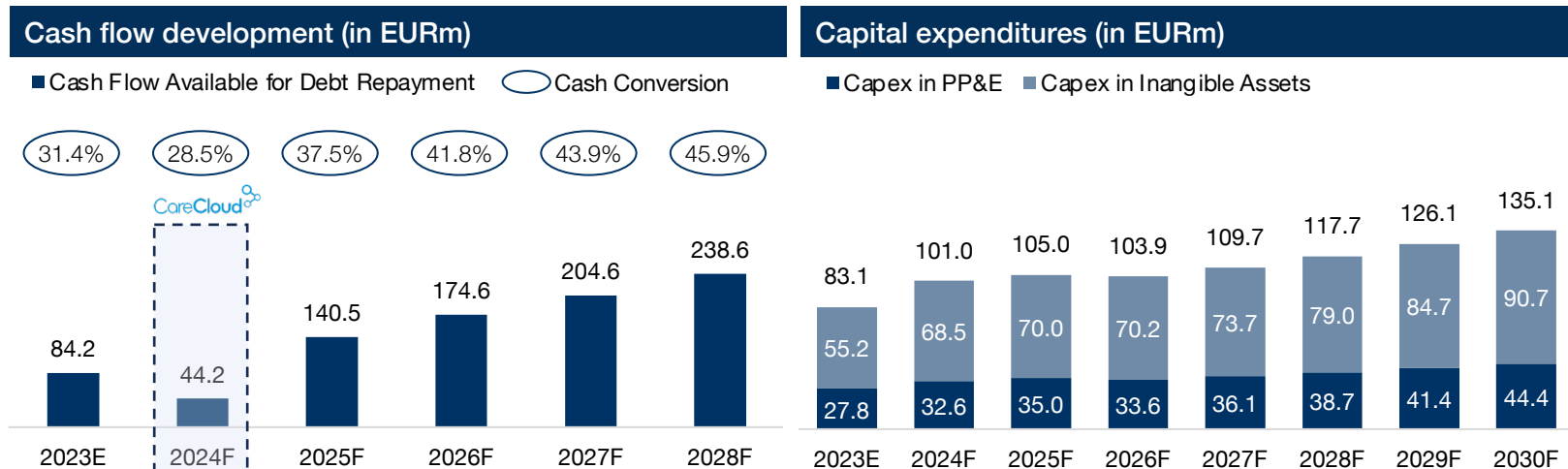
- EBITDA** is expected to have a CAGR<sub>23E-28FC</sub> of 14.1% and **CAGR<sub>22A-28FC</sub> of 14.5%** (based on entry adjusted EBITDA). This growth is anchored by a **strong top-line expansion** across various segments, which is **expected to contribute 44.3% to EBITDA** at the end of the forecast period. Enhancements in operational efficiency, particularly through **staff cost savings and a moderated pace of hiring** compared to historical trends, are anticipated to account for **39.0% of the EBITDA** increase. Additionally, **CareCloud** is forecasted to make a significant impact, contributing EUR 48.3 million, which represents **16.7%** of the value generated in EBITDA
- Pressure on EBIT margins** mostly stems from **depreciation**, relating to PP&E, as well as amortization, which has been a larger component due to the high amount of intangible assets (excluding goodwill). However, **margins are set to improve due to decreasing D&A in % of total revenues** along the holding period

## Free Cash Flow: The cash flow is significantly bolstered by the robust growth in EBITDA margins, leading to a marked improvement in the cash conversion ratio, with the only exception being the influence of the 2024 add-on acquisition

Cash flow statement (in EURm)		2023E	2024F	2025F	2026F	2027F	2028F
	EBITDA	268.3	332.0	375.1	417.2	466.3	520.0
	Financial income	2.4	2.4	2.4	2.4	2.4	2.4
	Result from companies accounted for using equity method	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
1	Interest	(112.5)	(106.9)	(94.8)	(90.4)	(88.8)	(87.9)
	Tax	(10.6)	(27.8)	(42.3)	(56.1)	(71.0)	(86.2)
	Other non-cash items (PIK)	7.1	7.6	8.1	8.6	9.1	9.7
	Changes in Net Working Capital	12.6	(11.4)	(2.8)	(3.1)	(3.5)	(1.5)
2	<b>Cash flow from operations (CFO)</b>	<b>167.3</b>	<b>195.8</b>	<b>245.6</b>	<b>278.4</b>	<b>314.4</b>	<b>356.3</b>
	Capital expenditures	(83.1)	(101.0)	(105.0)	(103.9)	(109.7)	(117.7)
	M&A acquisitions	0.0	(101.1)	0.0	0.0	0.0	0.0
	Revolver Drawdown for M&A	0.0	50.6	0.0	0.0	0.0	0.0
3	<b>Cash flow available for debt repayment</b>	<b>84.2</b>	<b>44.2</b>	<b>140.5</b>	<b>174.6</b>	<b>204.6</b>	<b>238.6</b>
	Mandatory debt repayment	(46.2)	(46.1)	(46.1)	(46.0)	(45.9)	(45.8)
	<b>Cash flow available for optional repayment</b>	<b>38.0</b>	<b>(2.0)</b>	<b>94.5</b>	<b>128.6</b>	<b>158.8</b>	<b>192.9</b>
	Optional debt drawdown / (repayment)	0.0	2.0	(52.5)	0.0	0.0	0.0
4	<b>Cash flow available for equity holders</b>	<b>38.0</b>	<b>0.0</b>	<b>41.9</b>	<b>128.6</b>	<b>158.8</b>	<b>192.9</b>

**Description**

- 1 Corresponds to the **total interest paid on the P&L, subtracting PIK** interest for corresponding years results in total cash interest paid for given year. **Downward moving trend** due to mandatory **repayments of the Term Loan A** (amounting to EUR 231.2m) which is almost fully repaid by the exit year
- 2 **CFO** is growing with a **CAGR<sub>23E-28F</sub> of 16.3%** along the holding period, with growth primarily **driven by expanding EBITDA**. Expectations are no significant working capital improvements due to already strong trade payables contract positioning as well as sufficient trade receivable development (Avg. DSO 53 days). Other WC positions inherit only a minor impact on overall cash generation. As such, cash outflow is mostly related to fuel future top line growth prospects
- 3 **Cash flow available for debt repayment** is positively impacted by CGM's EBITDA margin development throughout the holding period. **capital expenditures** are expected to mainly be related to investments in **intangible assets**, namely software rights as well as customer relationships. Equipment investments are in-line with top line growth development but remain a smaller component of total capex. **Capex grows stronger in the beginning years**, to enable CGM's top line growth targets, dropping from 7% of total revenues to 6% at exit. Cash conversion as well as overall CFADR is impacted in 2024 by the CareCloud acquisition, assuming 50/50 debt/cash financing structure



- 4 **Cash flow available for equity holders** is influenced by the **mandatory repayments on Term Loan A**, which are approximately 16% of the original loan amount. **For the year 2024**, the cash flow for optional repayment is projected to be EUR (2.0m), after accounting for the mandatory debt repayments and the financial impact of the CareCloud acquisition. Consequently, the **RCF will be utilized** to fulfill these repayment obligations. Based on the table, CGM has adequate headroom to even retire the TLA debt earlier through optional repayments which are excluded in the calculation. Looking ahead, CGM is expected to **substantially increase the cash flow available for equity holders**, with projections showing a rise from EUR 41.9m in 2025 to EUR 192.9m by 2028, reflecting the company's **strong cash-generating capabilities**

# 06



Valuation

Capital Structure

Returns

**Valuation: CCA and CTA imply an EBITDA multiple range of 8.5 – 17.6x and a sales multiple of 1.2 – 4.2x, combined with the DCF valuation resulting in an entry valuation of EUR 2,982.2m at 12.9x EV/EBITDA**

Methodology	Implied multiples	Indicative CGM value range (in EURm)	Commentary																											
Comparable Company Analysis (CCA)	1.1x – 3.5x EV/SALES LTM    EUR 1,208m	<table border="1"> <caption>Indicative CGM value range (in EURm)</caption> <thead> <tr> <th>Methodology</th> <th>Implied Multiple</th> <th>Value Range (EURm)</th> </tr> </thead> <tbody> <tr> <td>Comparable Company Analysis (CCA) - 1.1x – 3.5x EV/SALES LTM</td> <td>EUR 1,208m</td> <td>1,372 – 3,978</td> </tr> <tr> <td>Comparable Company Analysis (CCA) - 1.2x – 4.2x EV/SALES '22A</td> <td>EUR 1,129m</td> <td>1,389 – 4,743</td> </tr> <tr> <td>Comparable Company Analysis (CCA) - 9.5x – 13.9x EV/EBITDA LTM</td> <td>EUR 262m</td> <td>2,485 – 3,637</td> </tr> <tr> <td>Comparable Company Analysis (CCA) - 8.5x – 13.6x EV/EBITDA '22A</td> <td>EUR 216m</td> <td>1,840 – 2,943</td> </tr> <tr> <td>Comparable Transaction Analysis (CTA) - 2.4x – 4.4x EV/SALES '22A</td> <td>EUR 1,129m</td> <td>2,902 – 5,367</td> </tr> <tr> <td>Comparable Transaction Analysis (CTA) - 15.4x – 17.6x EV/EBITDA '22A</td> <td>EUR 216m</td> <td>4,030 – 4,614</td> </tr> <tr> <td>Discounted Cash Flow (DCF) - Implied 2.6x EV/SALES</td> <td>EUR 1,129m</td> <td>2,643 – 3,438</td> </tr> <tr> <td>Discounted Cash Flow (DCF) - Implied 12.9x EV/EBITDA</td> <td>EUR 231m</td> <td>2,643 – 3,438</td> </tr> </tbody> </table>	Methodology	Implied Multiple	Value Range (EURm)	Comparable Company Analysis (CCA) - 1.1x – 3.5x EV/SALES LTM	EUR 1,208m	1,372 – 3,978	Comparable Company Analysis (CCA) - 1.2x – 4.2x EV/SALES '22A	EUR 1,129m	1,389 – 4,743	Comparable Company Analysis (CCA) - 9.5x – 13.9x EV/EBITDA LTM	EUR 262m	2,485 – 3,637	Comparable Company Analysis (CCA) - 8.5x – 13.6x EV/EBITDA '22A	EUR 216m	1,840 – 2,943	Comparable Transaction Analysis (CTA) - 2.4x – 4.4x EV/SALES '22A	EUR 1,129m	2,902 – 5,367	Comparable Transaction Analysis (CTA) - 15.4x – 17.6x EV/EBITDA '22A	EUR 216m	4,030 – 4,614	Discounted Cash Flow (DCF) - Implied 2.6x EV/SALES	EUR 1,129m	2,643 – 3,438	Discounted Cash Flow (DCF) - Implied 12.9x EV/EBITDA	EUR 231m	2,643 – 3,438	<ul style="list-style-type: none"> <li>The <b>EV/SALES</b> multiple for the last twelve months is in between 1.1x (25<sup>th</sup> percentile) and 3.5x (75<sup>th</sup> percentile) with the median at 2.5x</li> <li>The <b>EV/SALES</b> multiple for 2022A is in between 1.2x (25<sup>th</sup> percentile) and 4.2x (75<sup>th</sup> percentile) with the median at 2.6x</li> <li>The <b>EV/EBITDA</b> multiple for the last twelve months is in between 9.5x (25<sup>th</sup> percentile) and 13.9x (75<sup>th</sup> percentile) with the median at 11.6x</li> <li>The <b>EV/EBITDA</b> multiple for 2022A is in between 8.5x (25<sup>th</sup> percentile) and 13.6x (75<sup>th</sup> percentile) with the median at 12.1x</li> <li>The CTA <b>EV/SALES</b> multiple is in between 2.4x (25<sup>th</sup> percentile) and 4.4x (75<sup>th</sup> percentile) with the median at 2.7x</li> <li>The CTA <b>EV/EBITDA</b> multiple is in between 15.4x (25<sup>th</sup> percentile) and 17.6x (75<sup>th</sup> percentile) with the median at 17.1x</li> <li>The valuation of the DCF implies a SALES multiple of 2.6x and an EBITDA multiple of 12.9x</li> <li>The range of the DCF based valuation is based on the sensitivity analysis</li> </ul>
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Resulting Entry Valuation <sup>2)</sup>	2.6x EV/SALES LTM    EUR 1,208m	<p align="center"><b>Enterprise Value</b></p> <p align="center"><b>EUR 2,982.2m at a 12.9x EV/EBITDA</b></p>	<ul style="list-style-type: none"> <li>For the resulting entry valuation, an <b>EV/EBITDA of 12.9x</b> was chosen corresponding to the median of the CGM's most comparable peers Nexus AG, Cegedim and Equasens and the DCF implied multiple</li> <li>The EBITDA multiple of 12.9x was applied to the 2022A EBITDA of EUR 231m and results in an <b>entry valuation of EUR 2,982.2m</b></li> </ul>
	12.9x EV/EBITDA LTM    EUR 231m		

Sources: Capital IQ, Company information, Annual Reports

Notes: 1) Range is from 25<sup>th</sup> to 75<sup>th</sup> percentile and valuation is based on Median 2) The entry valuation is based on the 2022A EV/EBITDA median multiple of Equasens, Nexus AG and Cegedim and the EBITDA multiple indicated by the DCF

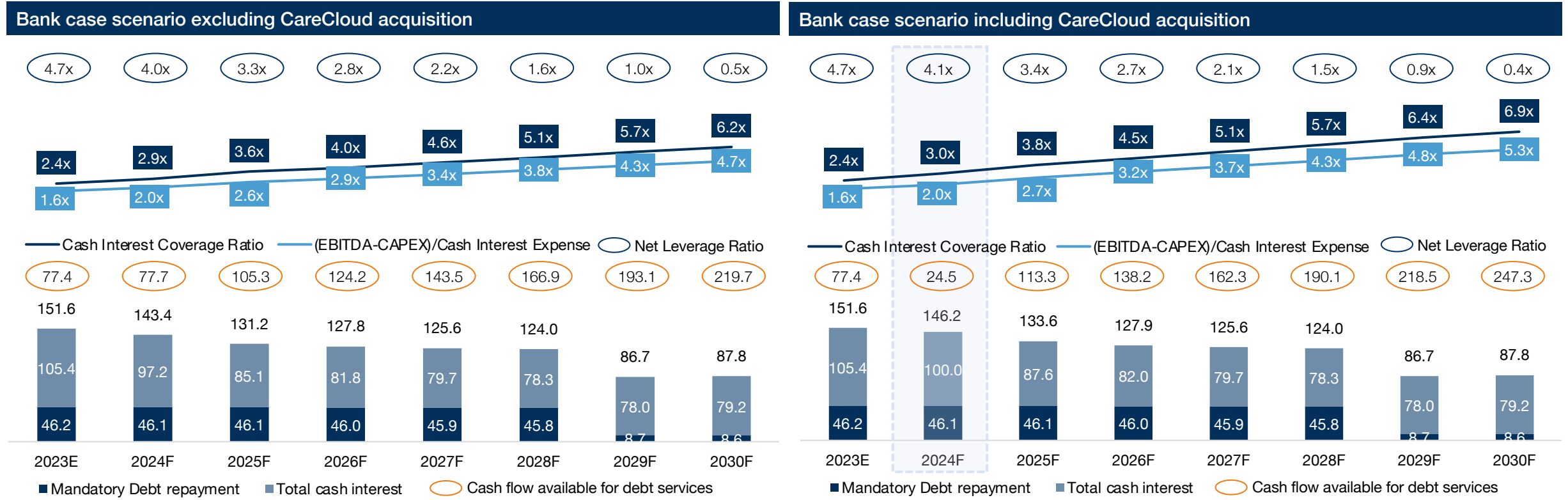
## Capital Structure: Robust financing structure, encompassing a mix of revolving credit, term loans, and mezzanine financing, and providing strategic equity incentives for key management to participate in the buyout

Sources and uses				Commentary		
Sources of funds	EURm	x EBITDA	%	Uses of funds	EURm	%
RCF	0.0	0.0x	0.0%	EBITDA	231.2	
Term loan A	231.2	1.0x	7.6%	EV/EBITDA multiple	12.9x	
Term loan B	462.4	2.0x	15.2%	<b>Enterprise Value</b>	<b>2,982.2</b>	<b>98.2%</b>
Term loan C	462.4	2.0x	15.2%	Transaction fees	29.8	1.0%
Unitranche loan	0.0	0.0x	0.0%	Financing fees	25.4	0.8%
Mezzanine	115.6	0.5x	3.8%	<b>Total fees</b>	<b>55.3</b>	<b>1.8%</b>
<b>Total debt</b>	<b>1,271.5</b>	<b>5.5x</b>	<b>41.9%</b>			
Sweet equity	24.0	0.1x	0.9%			
thereof Rauch & Reichl	18.0	0.1x	0.6%			
thereof 2nd level mgmt	6.0	0.0x	0.2%			
Sponsors equity	456.0	2.0x	15.0%			
<b>Total ordinary equity</b>	<b>480.0</b>	<b>2.1x</b>	<b>15.8%</b>			
Shareholder loan	1,286.0	5.6x	42.3%			
<b>Total equity</b>	<b>1,766.0</b>	<b>7.6x</b>	<b>58.1%</b>			
<b>Total sources</b>	<b>3,037.4</b>	<b>13.1x</b>	<b>100.0%</b>	<b>Total uses</b>	<b>3,037.4</b>	<b>100.0%</b>
Type of debt	Term	Amort.	x EBITDA	EURm	Interest	
RCF / M&A facility	-	-	0.0x	0.0	E+425bps	
Term loan A	6 years	Amort.	1.0x	231.2	E+425bps	
Term loan B	8 years	Bullet	2.0x	462.4	E+450bps	
Term loan C	8 years	Bullet	2.0x	462.4	E+450bps	
Mezzanine	10 years	Bullet	0.5x	115.6	-	
PIK element	-	-	-	-	6%	
Cash element	-	-	-	-	8%	
Shareholder loan	8 years	Bullet	5.6x	1,284.1	-	
PIK element	-	-	-	-	8%	

### Commentary

- EV/EBITDA entry multiple of **12.9x** results in an EV of EUR 2,982.2m, incl. EUR 55.3m in fees
- Proposed financing package (**5.5x leverage**): Revolving Credit facility for acquisitions and liquidity, Term Loan A-C with interest rates at E+425bps and E+450bps, and mezzanine (PIK and cash interest)
- Leverage package **justified based on high recurring revenues and strong market position, giving confidence in the ability to service debt** (in line with precedent transaction, acquisition of Software AG by Silver Lake with leverage of >5.5x)
- Over the investment horizon, it is anticipated that the **Term Loan A (16% mandatory amortization) and the remaining tranches are fully repaid at exit**
- The transaction also includes an **equity stake of roughly 58%**, which includes a management participation in the buyout, aligning with long-term performance incentives (*Further discussed below*)
- The equity package offers significant incentives to key management members, pivotal for the success of the transaction (designed to align their personal objectives with the company's long-term success)
- **Michael Rauch**, CEO of CompuGroup, and **Hannes Reichl**, head of the HIS department, are identified for sweet equity incentives, **acknowledging their 10+ years industry expertise that is crucial for the presented action plan**; second-tier management is anticipated to be included as well (i.e. Daniela Hommel incoming CFO & Emanuele Mugnani), recognizing their role across segments and ensuring a collective drive towards the company's growth
- Corresponding with the prevailing compensation framework, the sweet equity proposition **amounting to EUR 24m in total allows management to acquire a 5% ownership in the firm**
- The remainder of the transaction is then financed through sponsors equity and a shareholder loan bearing payment-in-kind (pref. Equity)
- In the context of evolving private credit trends, the consideration of a **potential unitranche loan at a leverage of 5.5x, priced at E+500bps**, with a similar RCF as in the first structure has been considered
- The unitranche loan model has distinct advantages and disadvantages. Primary benefit is the **minimal mandatory debt repayments**, which could enable CGM to build a substantial cash reserve. This reserve would enhance CGM's capacity for **pursuing larger acquisitions of established competitors**, with the RCF providing necessary support
- However, the decision has been made to **incorporate the original financing structure**. This choice stems from the **risks associated with the unitranche option**, including the difficulty in identifying suitable acquisition targets within CGM's available financial range and the adverse effects of higher margins on the underlying covenants

# Credit Overview: CompuGroup maintains strong deleveraging and covenant compliance in conservative bank case scenario, ensuring robust coverage ratios even when accounting for the CareCloud acquisition in 2024



**Commentary**

- The bank case assumes a **more conservative approach** to revenue growth, margin development, and corresponding cash flow generation. **Management projects EBITDA margin to be 27% in 2025, compared to 22.8% in the bank case**
- Despite this, cash interest coverage ratios. **never breach a suggested covenant of 2.0x**, even in the earlier stages of the investment where cash interest remains the highest at EUR 105.4m Also, when reflecting for the higher Capex payments **a suggested covenant of 1.5x is not breached along the holding period**
- Additionally, net leverage ratios improve to a healthy level, reflecting CompuGroups deleveraging ability even in a more downside case structure
- Cash flows available for debt repayment reflect an average conversion ratio of only 35% which is historically still below past conversion ratios

**Commentary**

- The transaction, scheduled for 2024, is valued at EUR 101m. Notably, **50% of this value is financed through the RCF, resulting in a minor increase in pro-forma net leverage by 0.1x in 2024**
- This allows for a rapid deleveraging process, expected to reduce **pro-forma net leverage to 1.5x** at the time of exit, representing an **improvement of 0.1x compared to scenarios without M&A activities** and underscoring the effectiveness of the acquisition strategy in guaranteeing financial stability
- Lenders are particularly cautious in more downside cases with regards to add-on acquisitions, however, despite additional Capex to fuel CareCloud's growth, covenants across coverage ratios are maintained during the holding period



**Strategic Exit in 2028:** The exit in 2028 produces a management IRR of 43.4%, a combined IRR of 23.3%, and a 3.5x MOIC with combined exit proceeds of EUR 6,222.6m ensuring maximum returns and performance incentivization

Return expectations (in EURm)							Commentary
	2025F	2026F	2027F	2028F	2029F	2030F	
EBITDA	375.1	417.2	466.3	520.0	580.1	643.1	<ul style="list-style-type: none"> <li>The planned 2028 exit for CGM coincides with significant realization of management incentives, ensuring a balance with the underlying sponsor hurdle rate. This timing is strategically chosen to maximize the return on investment for all equity participants</li> <li>Forecasts indicate a <b>substantial increase in cash balance from EUR 79.9m to EUR 560.1m</b> from 2025 to 2028. This surge reflects the successful integration from the CareCloud investment and implementation of key value creation strategies during the holding period. Key to this development is CompuGroup's ability to enhance cash flows available to equity holders, which are projected to <b>increase from EUR 41.9m in 2025 to EUR 192.9 million in 2028</b></li> <li>The conversion from enterprise value to ordinary equity is primarily influenced by a significant shareholder loan (EUR 2,047m) and term loans B and C (each EUR 462.4m), which are each projected to be fully paid-off at exit of the investment</li> <li>For conservative purposes, the transaction assumes a stable <b>exit multiple of 12.9x</b> based on the valuation analysis. However, given the current economic market and a steep decrease in valuations across technology and healthcare sectors, there could be argumentation <b>for an improved exit multiple</b> which enhances IRR and MOIC at exit, as depicted in belows sensitivities describing the impact on sponsor MOIC and IRR. <b>As a comparison, CGMs 10-year median EV/EBITDA multiple is 17.1x, with all time high being 30.3x</b></li> <li>Sensitivities showcase a potential increase in exit multiples, <b>1.0x increase based on a 12.9x entry could already boost sponsor IRR to 24.5%</b></li> <li>The total return yields an <b>IRR of 23.3%</b> and a <b>MOIC of 3.5x</b> with combined <b>exit proceeds of EUR 6,222.6m</b>. Conservative estimates for the CareCloud development suggest a total contribution to sponsor <b>IRR of 2.0% and an incremental MOIC of 0.4x</b></li> </ul>
Exit multiple	12.9x	12.9x	12.9x	12.9x	12.9x	12.9x	
Implied enterprise value	4,839.4	5,382.0	6,015.0	6,708.0	7,482.7	8,296.5	
Ending debt balance	(1,155.8)	(1,118.4)	(1,081.7)	(1,045.5)	(1,047.1)	(1,049.3)	
Ending cash balance	79.9	208.5	367.3	560.1	826.2	1,129.1	
Implied equity value	3,763.4	4,472.1	5,300.6	6,222.6	7,261.8	8,376.2	
Shareholder loan	(1,624.9)	(1,754.9)	(1,895.3)	(2,047.0)	(2,210.7)	(2,387.6)	
Sponsor monitoring fees	0.0	0.0	0.0	0.0	0.0	0.0	
Ordinary equity	2,138.5	2,717.2	3,405.3	4,175.6	5,051.0	5,988.6	
thereof sweet equity	106.9	135.9	170.3	208.8	252.6	299.4	
Ordinary equity (sponsor)	2,031.5	2,581.3	3,235.0	3,966.8	4,798.5	5,689.2	
<b>Management</b>							
Exit proceeds	106.9	135.9	170.3	208.8	252.6	299.4	
Initial investment	24.0	24.0	24.0	24.0	24.0	24.0	
MOIC	4.5x	5.7x	7.1x	8.7x	10.5x	12.5x	
IRR	64.5%	54.2%	47.9%	43.4%	39.9%	37.1%	
<b>Sponsor (incl. SHL)</b>							
Exit proceeds	3,656.5	4,336.2	5,130.3	6,013.8	7,009.2	8,076.8	
Initial investment	1742.0	1,742.0	1,742.0	1,742.0	1,742.0	1,742.0	
MOIC	2.1x	2.5x	2.9x	3.5x	4.0x	4.6x	
IRR	28.0%	24.1%	22.9%	22.9%	22.0%	21.1%	
<b>Combined return</b>							
Total return	3,763.4	4,472.1	5,300.6	6,222.6	7,261.8	8,376.2	
MOIC	2.1x	2.5x	3.0x	3.5x	4.1x	4.7x	
IRR	28.7%	26.1%	24.6%	23.3%	22.4%	21.5%	

**MOIC sponsor (incl. SHL) sensitivity**

		Entry Multiple				
		10.9x	11.9x	12.9x	13.9x	14.9x
Exit Multiple	10.9x	3.9x	3.3x	2.9x	2.5x	2.3x
	11.9x	4.3x	3.6x	3.2x	2.8x	2.5x
	12.9x	4.7x	4.0x	3.4x	3.0x	2.7x
	13.9x	5.1x	4.3x	3.7x	3.3x	3.0x
	14.9x	5.5x	4.6x	4.0x	3.5x	3.2x

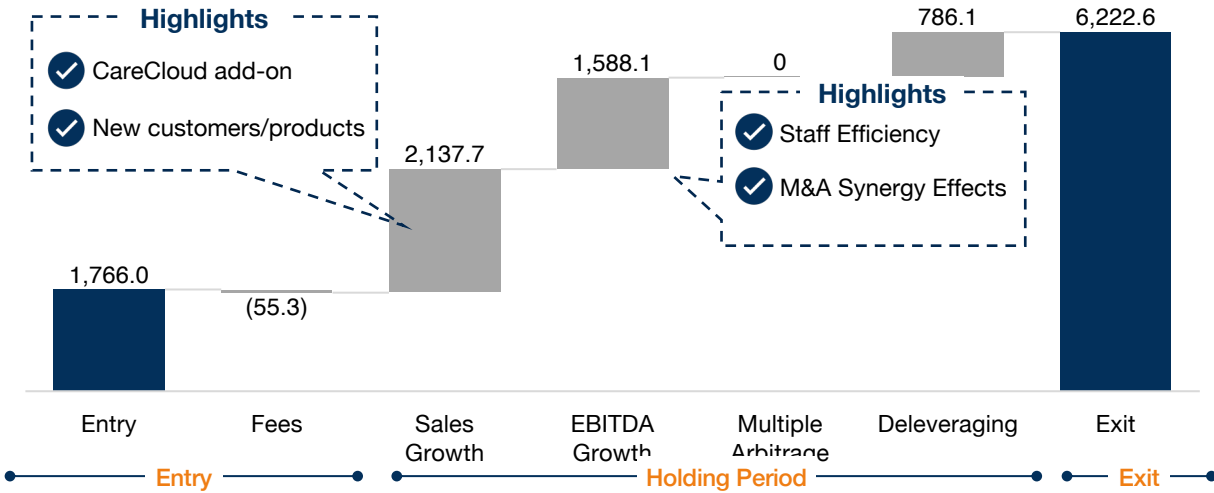
**IRR sponsor (incl. SHL) sensitivity**

		Entry Multiple				
		10.9x	11.9x	12.9x	13.9x	14.9x
Exit Multiple	10.9x	25.4%	22.0%	19.2%	16.8%	14.8%
	11.9x	27.4%	24.0%	21.1%	18.7%	16.5%
	12.9x	29.3%	25.8%	22.9%	20.4%	18.2%
	13.9x	31.0%	27.4%	24.5%	22.0%	19.8%
	14.9x	32.6%	29.0%	26.0%	23.5%	21.2%

Notes: □ year of predicted exit

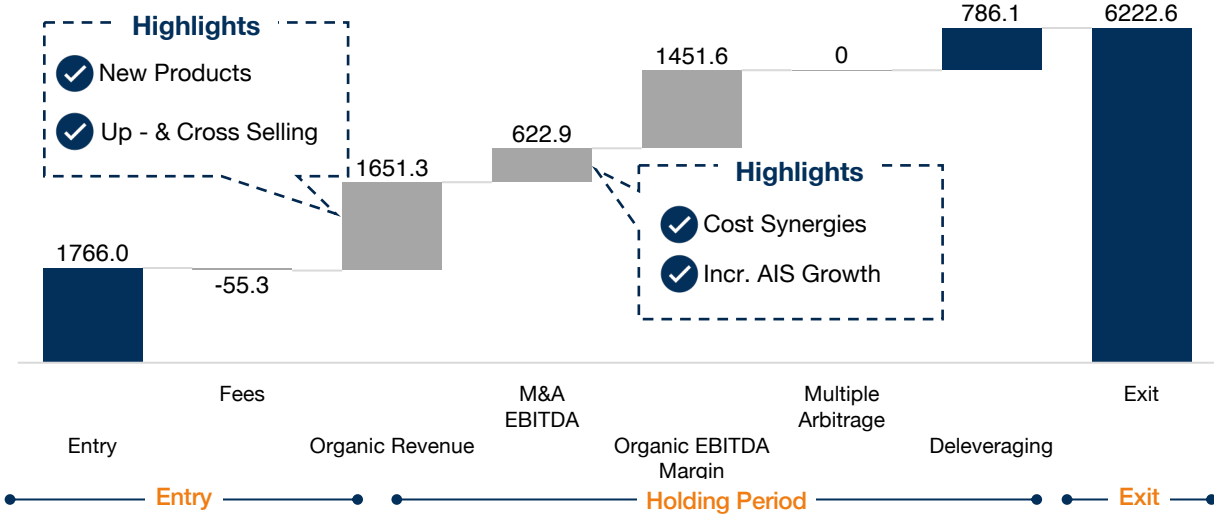
**Combining all value drivers: Most value creation is generated by top-line and EBITDA growth, amounting to EUR 3,725m in total, which is additionally bolstered by the deleveraging effect, resulting in an overall created value of EUR 4,512m**

**Combined value driver at exit in 2028 (in EURm)** **Commentary**



- During the holding period, there is a strategic shift in revenue towards the AIS segment, with its revenue share projected to grow by over 6% from 2022 to 2028. This increase is partly due to the strategic **acquisition of CareCloud**, which brings **c. 40,000 additional U.S. customers** and a forecasted exit revenue of EUR 184.3 million. Additionally, the planned launch of CGM's successful French paramedics software **VEGA in the US** is expected to draw new customers, while strong **momentum in KHZG order intake** drives customer acquisition in the HIS segment
- Overall, growth in sales, increase in EBITDA and a reduction of the debt level result in **EUR 4,511.8m of additional value**
- Initial advisory and banking fees, primarily related to due diligence and debt advisory services from financial institutions, are expected to amount to EUR 55.3m, impacting the value initially.
- There is no forecast for **value gained through multiple arbitrage** but as outlined in the previous page, **there exists potential argumentation for multiple arbitrage** going forward based on prevalent market conditions
- The primary contributor to the enhanced EBITDA is a general improvement in the cost structure, with a significant reduction in personnel expenses being a key factor
- **Deleveraging**, the process of fully repaying the debt taken, contributes to the exit value with EUR 786.1m

**Split organic vs. inorganic value driver at exit in 2028 (in EURm)**



- The impact of organic revenue growth on the overall financial improvement is substantial, **contributing EUR 1,651.3 million**. Main drivers include the **planned introduction of CGM's successful French paramedics software VEGA to the US, up-selling the next generation of cloud-based software, and expanding the company's data business**
- Acquisition of CareCloud contributes significantly to the overall value created, **adding EUR 622.9 million**, which accounts for approximately **14% of the value generated** during the holding period. This substantial increase is primarily attributed to cost reductions resulting from synergies with CGM's North American operations
- Additionally, the integration of resources from CGM's CHS and AIS segments provides CareCloud's research teams with access to broader resources, enhancing their capabilities and contributing to the overall value uplift
- Notable improvement in organic EBITDA margin, **contributing EUR 1,451.6m as well as substantial deleveraging of yielding EUR 786.1m**. The cash generation can be credited to CGM's effective management in significantly reducing the Term Loan A balance while **concurrently boosting cash reserves during the holding period**, leading to a marked decrease in the overall net debt at exit

07



Due Diligence  
Exit

A strategic exit is the most appealing option, as CGM's international competitors are expanding through inorganic growth and therefore pay high takeover premiums increasing the investment's return – additionally, large PE investors provide a reasonable exit opportunity

### 1 Strategic acquisition

- The IT healthcare market is in a phase of strong consolidation and M&A activity – larger competitors would be quickly interested to achieve market growth by taking over CGM
- SAP, GE Healthcare and Oracle all show a strong track record in acquiring competing companies to either increase their market share or enter foreign markets
- The acquisition of Cerner by Oracle in 2022 could be the blueprint for a strategic takeover of CGM
- Further: a strategic buyer could enable its entry into the European (DACH) market through an acquisition of CGM

Potential Buyer Circle

#### Advantages

- **Higher valuation<sup>1)</sup>** due to a premium paid by the buyer for possible realization of synergies and the strategic fit
- Full exit possible

#### Disadvantages

- **Long closing process** due to regulation and negotiations about integration
- Often **not supported by management** due to fear of lay-offs

Probability ●●●●○ Valuation ●●●●●

### 2 Secondary buyout

- Private equity firms have a successful track record in the area of (IT healthcare) software and are experienced in integrating and improving companies in this industry
- Strong track record in the software sector shows how attractive an investment into a well-developed software company is for private equity firms – recent PE transactions were:
  - Acquisition (£14m) and sale (£970m) of healthcare software company *Allocate* by *Hg Capital* in 2022
  - Acquisition of consumer-directed healthcare software provider *Alegeus* by *Vista Equity Partners* in 2018

Potential Buyer Circle

#### Advantages

- **Fast execution** due to nature of PE
- Often supported by management through managerial incentives

#### Disadvantages

- PE buyers **pay less** due to own high return expectation
- Due diligence
- Deal value **dependent on economic conditions** such as interest rates

Probability ●●●○○ Valuation ●●●○○

### 3 Initial Public Offering

- When considering exiting CGM via an IPO, the timing is crucial as it has a considerable influence on the valuation and therefore the return of our investment
- The decision which stock exchange to choose for a public offering depends on the potential investor circle and the microeconomic condition of the exchange's economy
- Private equity firms have been exiting their investments via an IPO when they expect their return to have a high upside potential
- An IPO is the only exit in which the exiting fund can maintain a share in the company

Potential Stock Exchange

#### Advantages

- Capital raised via the IPO can be used to **pay off existing debt**
- Increased public awareness of the company could generate market share

#### Disadvantages

- The exit via an IPO is **more costly** due to funding for financial reporting and oversight which might be an argument against it

Probability ●●○○○○ Valuation ●●●○○

Sources: Mergermarket, Talmor and Vasvari (2011)  
Notes: 1) Assuming the seller is in a strong position and not under pressure

**Commercial, financial and operational red flag items are be part of an in-depth due diligence – this includes a detailed investigation of historical capital expenditures and the nature of the capitalized in-house services**

	Financial	Commercial	Legal	Operational	IT Security
<b>Scope</b>	<p>Provision of key performance indicators (KPIs) directly from CGM’s financial departments</p>	<p>Provide documents supporting a detailed understanding of the target company’s commercial viability, risks and opportunities</p>	<p>Attain a level of confidence in the likelihood of future legal disputes, and establish favorable contractual arrangements</p>	<p>Assess CGM’s operational efficiency, identify potential synergies, and uncover any operational risks that could impact the success of the acquisition</p>	<p>Assess the security of CGM’s software and threat of external cyber attacks</p>
<b>Required Items</b>	<ul style="list-style-type: none"> <li>Investigate the nature of high historical Capex &amp; R&amp;D</li> <li>Unaudited financial statements</li> <li>Schedule of all debt agreements and financial obligations</li> <li>Description of off-balance sheet or off-income statement items</li> <li>Summary of all CAPEX planned in the next 12 months</li> <li>Copies of all bank statements and accounts</li> </ul>	<ul style="list-style-type: none"> <li>Churn data (monthly/annual churn rate in percentage)</li> <li>Detailed country-specific customer base and customer concentration (revenue share of largest customer and number of top customers)</li> <li>Revenue per Customer and customer Acquisition Cost</li> <li>Copies of contracts with customers</li> <li>History of “OneGroup” project</li> <li>Analysis of competition and internal benchmarking reports</li> </ul>	<ul style="list-style-type: none"> <li>Compliance Audit: Assess adherence to laws and regulations</li> <li>Contractual Review: Evaluate obligations and liabilities in agreements</li> <li>Intellectual Property Check: Examine risks related to intellectual property registrations, contracts and litigation</li> <li>Litigation Analysis: Evaluate ongoing legal disputes and their potential impact on the business</li> </ul>	<ul style="list-style-type: none"> <li>Investigate the nature of capitalized in-house services</li> <li>Schedule of equipment split by capital vs. operating lease</li> <li>Copies of all contracts with suppliers, customers and governments</li> <li>Dependance on public funding and support for future projects</li> <li>Breakdown of activities by product type, geography and sales channel</li> </ul>	<ul style="list-style-type: none"> <li>Detailed summary of the key security protocols</li> <li>Description of backups and disaster recovery policies</li> <li>Detailed description of data privacy policies and procedures</li> <li>Summary of any issues, including the loss of confidential information and breaches of EU data laws</li> <li>Details about stress test analysis</li> </ul>
<b>Risk Limitation</b>	<ul style="list-style-type: none"> <li>Get access to virtual data room including documents and worksheets containing the requested data above</li> <li>Engage DD advisory firms to take care of document procurement, review and analysis</li> <li>Conduct industry benchmarking to compare financial KPIs</li> </ul>	<ul style="list-style-type: none"> <li>Get access to internal documents from marketing departments listing customer circles and their data</li> <li>Compare market trends described in this paper with analysis of CGM</li> <li>If needed, re-negotiate terms and conditions with customers to increase competitive positioning</li> </ul>	<ul style="list-style-type: none"> <li>Engage international law firm with specialization in IT and healthcare markets</li> <li>Implement robust internal controls and incorporate favorable clauses in contracts</li> <li>Secure intellectual property rights through patents, trademarks, and copyrights</li> </ul>	<ul style="list-style-type: none"> <li>Intense testing of business model and sales channel</li> <li>Check sensitivity of profitability and growth towards external factors such as increase in operating costs or decrease of purchase prices</li> <li>Implement hedging against higher material expenses, inflation and other externalities</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular security audits and penetration testing to identify by external IT security firms such as CrowdStrike</li> <li>Develop and maintain a proactive relationship with both the EU and national authorities to ensure compliance with regulatory frameworks</li> </ul>
	<p>Advisor Circle<sup>1)</sup></p>	<p>Advisor Circle</p>	<p>Advisor Circle</p>	<p>Advisor Circle</p>	<p>Advisor Circle</p>
	<p><b>Risk Level</b> ●●●●●</p>	<p><b>Risk Level</b> ●●●●○</p>	<p><b>Risk Level</b> ●●●○○</p>	<p><b>Risk Level</b> ●●●○○</p>	<p><b>Risk Level</b> ●●○○○</p>

Sources: DePamphilis (2010), Patel (2023), Delotte, PwC, A&M, Bain & Company, BCG, McKinsey & Company, Hogan Lovells, Clifford Chance, Skadden, LEK, Capgemini, Accenture, CrowdStrike

Notes: 1) All advisor circles have been chosen based on the specific knowledge and skills of the respective firms

08



Appendix

# 08.1



## Company Overview



## All MDs have many years of healthcare (IT) experience and show a long-term commitment to CGM – the supervisory board, particularly the Gotthardt family, must be convinced of the sale, as their word is directional

### Managing directors



**Michael Rauch | CEO (since 05/2023), CFO (since 09/2019) and Member of the Administrative Board**  
 Prior to his role at CGM, Michael Rauch worked as the CFO at Douglas in Düsseldorf. Before this, he spent 16 years at the Henkel Group in various finance and strategy roles, including several years as the CFO for Adhesives Technologies and Beauty Care. He began his professional career as a consultant at KPMG. In addition to being a business graduate, he is an MBA, LL.M. and CMA, and has amongst others worked in China, Sweden and the UK for a number of years



**Emanuele Mugnani | Managing Director AIS Europe (since 02/2022)**  
 Emanuele Mugnani joined CGM Italy Group in 2014 as General Manager of Pharmacy Information system in Italy. As of 2019, he has held the role of Senior Vice President within the Pharmacy Information Systems Europe division. Emanuele Mugnani holds a degree in Electronic Engineering from Politecnico di Milano. Prior to his tenure at CGM, he served as the Managing Director for a worldwide leader in IT Solutions for Retail and Hospitality and Senior Manager at Accenture



**Dr. Eckart Pech | Managing Director CHS (since 06/2020)**  
 Previously, Dr. Pech was a member of the Management Board at Allianz Technology SE in charge of the Allianz Group’s global IT platforms. Prior to this, he was CIO<sup>1)</sup> and member of the executive board at Telefónica Deutschland AG, where he was responsible for the operation and development of IT platforms. Dr. Pech holds a doctorate from the University of the German Federal Armed Forces in Munich as well as a degree in business administration from the University of Bayreuth



**Hannes Reichl | Managing Director Inpatient and Social Care (since 06/2020)**  
 Hannes Reichl has held diverse management roles since joining CGM in 2007, contributing to the growth of CGM's Central Eastern Europe and Middle East region. Besides the operational management, his work focused on strategic business development and post-merger integration. Following his studies in Informatics and Information Management, Hannes Reichel gained valuable professional experience at several Austrian companies that are all today part of CGM



**Dr. Ulrich Thomé | Managing Director AIS DACH (since 08/2023)**  
 With his position as Managing Director of AIS DACH, Dr. Ulrich Thomé can leverage his expertise from working more than 16 years in diverse leadership roles in the health and healthcare IT industry. These roles include Chief Strategy Officer in the German segment of the Zur Rose Group, Board Member of ARZ Haan AG, and a longstanding Managing Director at BFS health finance. Ulrich Thomé pursued business administration studies and attained his doctorate from the University of Cologne

Sources: Company information  
 Notes: 1) Chief Information Officer; 2) University hospital Heidelberg; 3) Approximated number of shares, based on the percentage share

### Administrative board



**Frank Gotthardt | Founder of CGM and Chairman of the Administrative Board (since 06/2020)**  
 Prior: CEO of CGM (1987–2020) | Founder and CEO of Gotthardt Computer, which acquired all ordinary shares of listed Compucent in 1992, merged with it, and it renamed CompuGroup Holding in 1997



**Dr. Klaus Esser | Vice Chairman of the Administrative Board (since 06/2020)**  
 Prior: Member and later Chairman of the Supervisory Board at CGM (2014–2020) | Managing Director at the growth stage and tech-focused private equity corporation General Atlantic (2000–2014)

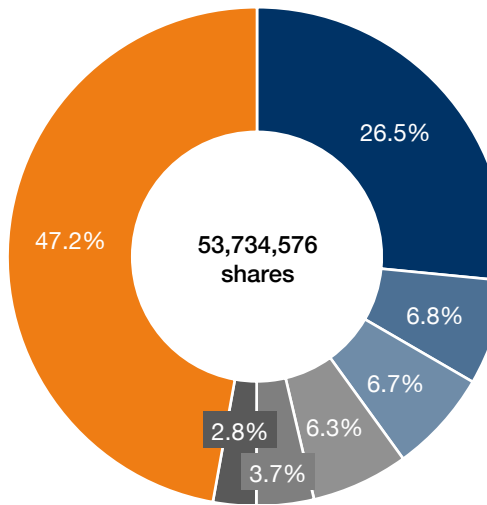


**Prof. (apl.) Dr. med. Daniel Gotthardt | Member of the Administrative Board (since 06/2020)**  
 Prior: CEO at Gotthardt Healthcare Group (since 2018) | Member of the Supervisory Board at CGM (2003–2020) | Various positions at the UKHD<sup>2)</sup>, most recently as Managing Senior Physician (2004–2017)



**Stefanie Peters | Member of the Administrative Board (since 07/2020)**  
 Prior: Founder & CEO of growth consulting firm enable2grow (since 2011) | Director European Business Development at US high-growth startup Reputation.com (2008–2018) | Consultant at BCG (1999–2006)

### Shareholder structure



Shareholder	Shares <sup>3)</sup>	% share
GT1 Vermögensverwaltung GmbH	14,261,156	26.5%
Frank Gotthardt	3,670,072	6.8%
Prof. Dr. Daniel Gotthardt	3,578,723	6.7%
Dr. Brigitte Gotthardt	3,379,905	6.3%
Dr. Reinhard Koop	1,998,926	3.7%
Treasury Shares	1,499,195	2.8%
Freefloat	25,341,226	47.2%
<b>Total</b>	<b>53,734,576</b>	<b>100.0%</b>

- GT1 Vermögensverwaltung GmbH
- Frank Gotthardt
- Prof. Dr. Daniel Gotthardt
- Dr. Brigitte Gotthardt
- Dr. Reinhard Koop
- Treasury Shares
- Freefloat

**CGM's core software portfolio consists of a limited set of core software catering to each of its diverse customer groups – various seamlessly integrable segment- and country-specific add-on modules complement CGM's customizable software offering**

**Overview of software portfolio**

	Software functionalities	Software portfolio (excerpt)	Further areas of activity
<p><b>Ambulatory Information Systems (AIS)</b></p>	<ul style="list-style-type: none"> <li>Practice IT infrastructure and service</li> <li>Patient care and documentation</li> <li>Efficiency and billing</li> <li>Calendar function</li> <li>Practice organization and quality management</li> <li>Data storage and archiving</li> </ul>	<p><b>Germany</b></p> <p>CGM ALBIS DATA VITAL                  CGM MEDISTAR CGM XDENT                  CGM TURBOMED CGM Z1.PRO                  CGM M1 PRO CHREMASOFT</p> <p><b>Italy</b></p> <p>CGM STUDIO                  INFANTIA                  PROFIM                  XDENT</p> <p><i>&gt;10 software products in Germany, supplemented by regional offering</i></p>	<p>Laboratory</p> <p>Post-acute care</p>
<p><b>Hospital Information Systems (HIS)</b></p>	<ul style="list-style-type: none"> <li>Clinical IT infrastructure and service</li> <li>Patient portal</li> <li>Materials management and logistics</li> <li>Image and content management</li> <li>Telemonitoring and archiving</li> <li>DRG controlling and coding</li> <li>Intelligent infection prevention and surveillance</li> </ul>	<p><b>Germany<sup>1)</sup></b></p> <p>CGM CLINICAL H&amp;S Telemonitoring                  CGM MEDICO CGM Clinical Archive                  MetalPSS MetaKIS AESCUDATA</p> <p><i>Leading software portfolio in DACH, Spain, Poland, and Sweden</i></p>	<p>Specialist health Institutions/practitioners</p> <p>Occupational medicine and safety</p>
<p><b>Pharmacy Information Systems (PCS)</b></p>	<ul style="list-style-type: none"> <li>Inventory management</li> <li>Cash register</li> <li>Personnel management</li> <li>Rights assignment</li> <li>Invoicing, price and article information</li> <li>Price and article information</li> <li>Reports and analytics</li> <li>Integration of pharmacy networks</li> <li>Route optimisation and real-time tracking for courier services</li> </ul>	<p><b>Germany</b></p> <p>CGM LAUER AESCUDATA</p> <p><b>Italy</b></p> <p>WIBCARE+ CGM E-PHARMANET                  WINGESFAR+ MULTIPHARMACY                  PHARMASTORE APODESK</p> <p><i>10 base software products, supplemented by specialist add-on modules</i></p>	<p>Pharma industry</p> <p>Health insurers</p>
<p><b>Consumer and Health Management Information Systems (CHS)</b></p>	<ul style="list-style-type: none"> <li>Video consultation for online doctor's appointments</li> <li>Online appointment scheduling</li> <li>Telematics infrastructure integration</li> <li>Patient engagement</li> <li>Data warehouse services</li> <li>Drug therapy safety checks</li> <li>Real-time medical knowledge</li> </ul>	<p>INSIGHTHEALTH GHG Praxisdienst ifap                  CLICKDOC eisTIK m.Doc docmetric</p> <p><i>Data- and patient-centric solutions and brands building on propriety software</i></p>	<p>Social institutions</p> <p>Various inter-connectable add-on modules</p> <p>Data protection and data security solutions</p>

Sources: Company information

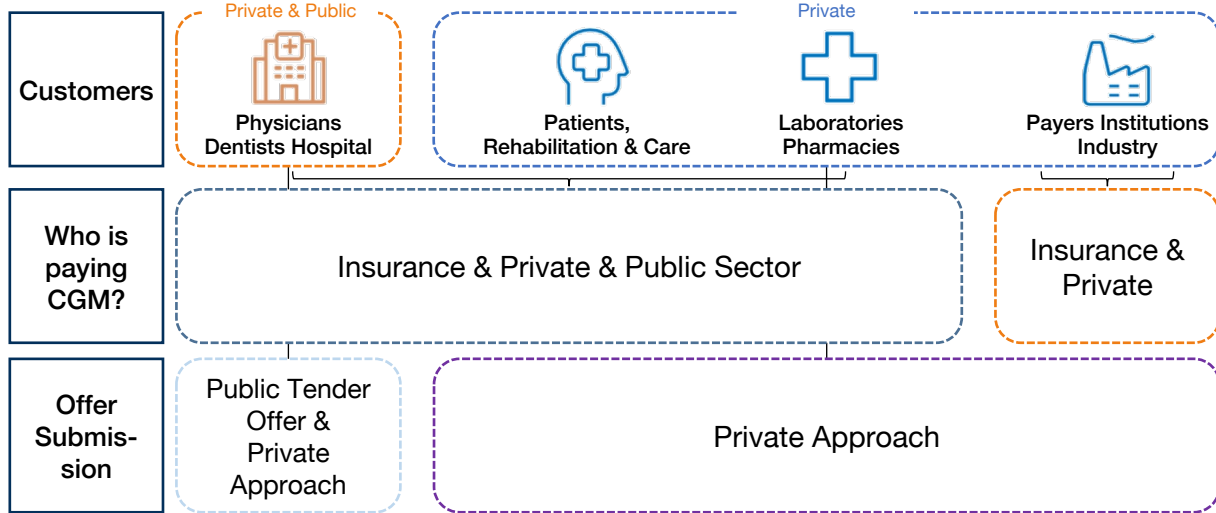
Notes: 1) Summarising different diagnosis and procedure combinations into groups to approximate hospital expenditures

# With a strong foothold in the DACH region and well-equipped to scale amidst barriers to entry and digital evolution, CGM must remain attentive to evolving regulations and the potential for reduced government funding in the future

## CGM's uniqueness

- 1 **Diverse Product Portfolio:** CGM offered a comprehensive suite of healthcare IT solutions, including AIS, HIS, PCS & CHS products. This diverse product portfolio allows it to cater to a wide range of healthcare providers' needs
- 2 **Customer Base:** CGM derives 65% of its revenue from recurring sources, primarily from customers who face significant switching costs due to their reliance on CGM's comprehensive system solutions making customer retention more secure. CGM serves a broad customer base, including doctors, pharmacists, patients, hospitals, and insurers
- 3 **Research & Development:** 29% of CGM's workforce is dedicated to R&D for creating new software products which is well above industry standards – further, CGM has recently invested heavily in increasing their workforce to be well positioned for additional growth

## Customer circle, the paying parties & offer submission



Sources: Company information, Annual Report 2022

## SWOT analysis

### Strengths

- High entry barriers:** Most business sections are protected by entrance barriers
- Investments:** Heavy recent investments in strong workforce to support anticipated growth – no need to search for skilled workforce in near future
- Recurring revenue:** High switching costs secure the basis of their customers and ensure stable recurring revenue streams
- Among global market leaders** in all segments

### Weaknesses

- Intangible assets:** High level of goodwill compared to equity
- Regulation:** Dependence on increasing regulation for further growth
- Inflation:** Rising wage levels threaten the business' level of growth
- High entry barriers:** Most business sections are protected by entrance barriers
- Lobbyism:** Aligning the interests of CGM's diverse customer base is time-consuming

### Opportunities

- Digital transformation:** Ongoing digital transformation in healthcare will increase the overall market
- Telemedicine growth:** COVID-19 accelerated the use of telemedicine – leveraging this development can drive growth
- Telematic infrastructure:** Should CGM establish itself as a service partner for the German state, it would ensure substantial recurring revenues

### Threats

- Political support:** Potential loss of financial support in digitization of healthcare in case of government changes
- Substitution risk:** CGM is under pressure to innovate, as once customer have moved to competitors they are locked-in with them due to high switching costs
- Cybersecurity Risks:** CGM must ensure CAPEX- and working capital-intensive standards of data security

While CGM could profit from the ongoing digital transformation of the digital healthcare market, the company must be prepared of changing regulations that could endanger their current high level of growth



**CGM is most present in Germany and Western Europe with most of its add-on module and CHS businesses being consolidated under the German holding company – adherence to various regional regulations necessitates CGM to operate through distinct regional entities**

**Overview of subsidiaries (excerpt)**



Sources: Company information

# The identification of industry experts and potential consultants defines who should be on board during and after the acquisition of CGM – the direct consultation with rating analysts before the investment is essential to streamline the M&A process

## Mirko Maier<sup>1)</sup>

### Senior Investment Analyst Technology – LBBW Landesbank Baden-Württemberg

- Mr. Maier holds the position of Senior Investment Analyst in the Equity Research division at Landesbank Baden-Württemberg, specializing in the technology sector
- His expertise is rooted in a deep understanding of market trends, financial metrics, and the operational strategies of technology firms
- He has been documenting CGM's development since their IPOs regularly publishing reports on their business
- Mr. Maier is a renowned expert for software and technology companies in Germany

Landesbank Baden-Württemberg could be engaged as an M&A advisor to handle the acquisition process in a leading position



## Stefan Jahnert

### Managing Director Software & Platforms DACH – Accenture Germany

- Mr. Jahnert has amassed over 15 years of experience in the software industry, with a significant portion of that time—six years—dedicated to Accenture
- His tenure at Accenture is preceded by a period at Atos, an established IT consultancy firm
- Mr. Jahnert's ability to navigate the complexities of the software market has proven instrumental in developing strategies that cater to the unique needs of the German market
- His strategies are not only designed to boost the financial performance of companies but also to strengthen their market position and foster sustainable growth

Accenture could be engaged as a consultant after the acquisition of CGM to prepare the firm for the upcoming phase of growth and margin improvements



## Susanne Johna

### 1<sup>st</sup> Chairwoman, internist, hospital hygienist and health economist, senior physician at St. Josef-Hospital Rheingau in Rüdesheim

- Mrs. Johna is the chairwoman of the Marburger Bund, Germany's largest and most renowned doctor's union
- The Marburger Bund, actively lobbies for the betterment of physicians' professional lives
- A key part of her role involves securing the necessary funding to propel the digital revolution in medical centers, which is crucial for the advancement of healthcare services.

Hiring Mrs. Johna could help CGM to perfectly adjust their products to doctor's needs and gain their acceptance



## Ingo Morell

### President of the Deutsche Krankenhausgesellschaft, Managing Director Maria Theresia Bonzel Foundation

- Mr. Morell is the President of DKGEV, Germany's largest lobbying association for hospitals
- With a forward-looking vision, he is a strong proponent of digitizing hospital processes
- Mr. Morell understands that the integration of digital technologies is not just a matter of keeping pace with advancements but is also crucial for improving the efficiency, accuracy, and patient experience in healthcare delivery and could therefore be a strong supporter of CGM's solutions

With Mr. Morell as a consultant, CGM could empower its influence on the public funding of digital solutions for hospitals and the acceptance of this process within hospital (corporations)



Sources: Landesbank Baden-Württemberg, Accenture, Marburger Bund, Deutsche Krankenhausgesellschaft

Notes: 1) In an interview key characteristics of CGM and the market have been discussed with Mr. Maier

# 08.2



## Market Environment

# General Economic Overview: Current high inflation impacts operational costs, prompting a strategic shift towards different revenue models and prioritizing sustainability initiatives to justify higher prices while an ageing population increases demand for certain industries

	High inflation	Focus on SaaS models	AI development and implementation	Demographic change
Departments	<p><b>Finance &amp; Accounting</b> <b>Pricing</b> <b>Human Resources</b></p>	<p><b>Finance &amp; Accounting</b> <b>Pricing</b> <b>Sales &amp; Marketing</b></p>	<p><b>Sales &amp; Marketing</b> <b>R&amp;D</b> <b>Human Resources</b></p>	<p><b>General</b></p>
Trend analysis	<ul style="list-style-type: none"> <li>• Inflation leads to higher expenses for labor, infrastructure, and other operational aspects, impacting profit margins</li> <li>• Customers may face budget constraints due to inflation, potentially affecting their purchasing decisions</li> <li>• Inflation can impact investment strategies and funding, making it more challenging to secure capital for growth and innovation, especially in new technologies or markets</li> </ul>	<ul style="list-style-type: none"> <li>• Software as a Service represents a move away from one-time software purchases to subscription-based models, offering predictable, recurring revenue for CGM</li> <li>• The change towards SaaS models reflects a shift in customer needs, favoring solutions that offer scalability, flexibility, and reduced upfront costs</li> <li>• Increased focus on Cloud Infrastructure as SaaS models</li> </ul>	<ul style="list-style-type: none"> <li>• AI algorithms are increasingly utilized for developing software and creating new solutions – this has a strong influence on the development of R&amp;D departments in software firms</li> <li>• Incorporating AI could enable CGM to gain a competitive edge by innovating in development, customer service, and market analysis, leading to more tailored and advanced solutions</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increased demand for healthcare IT solutions:</b> the currently aging population in Western societies leads to a higher demand for healthcare services, boosting the need for CGM's solutions</li> <li>• <b>Innovation and customization in software development:</b> the unique needs of elderly patients drive the firm to innovate and customize software, focusing on user-friendly interfaces and accessibility features for all ages</li> </ul>
Assessment	<ul style="list-style-type: none"> <li>• Diversifying Revenue Streams by expanding into new markets or sectors and offering a broader range of products or</li> <li>• Investing in Innovation by focusing on R&amp;D to develop new, more efficient technologies and solutions to lower operational costs</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate revenue model change helps ensuring a smooth transition for existing customers</li> <li>• Developing a pricing strategy that aligns with customer expectations and value delivery</li> <li>• Investing in robust cloud infrastructure to ensure service reliability, scalability, and security</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing ethical concerns, such as privacy, bias, and transparency, and comply with relevant regulations and standards and will further increase acceptance</li> <li>• Investing in the right talent and expertise, including AI specialists and data scientists, is necessary to develop, deploy, and maintain effective AI systems</li> </ul>	
Impact				

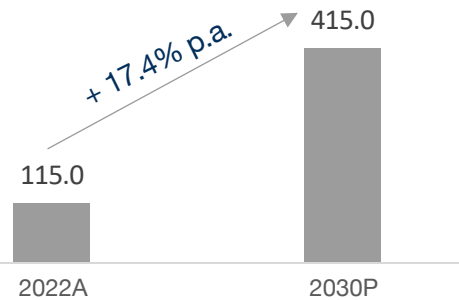
Sources: Bundeszentrale für politische Bildung, Financial Times, Forrester

# HIS deep dive: A diverse HIS customer base combined with the driving forces of cross and upselling, seamlessly aligns with CGM's strategic positioning as a modular one-stop-shop – HIS revenues Are the most project-based revenues within CGM's markets

Hospital Information Systems are one component of health informatics addressing the **administrative, financial, and clinical** aspects of **hospital operations**. They aim to **provide essential patient health and visit history information** efficiently and centrally **through electronic data processing**, ensuring it is readily accessible when and where needed and thereby **enhancing care coordination**

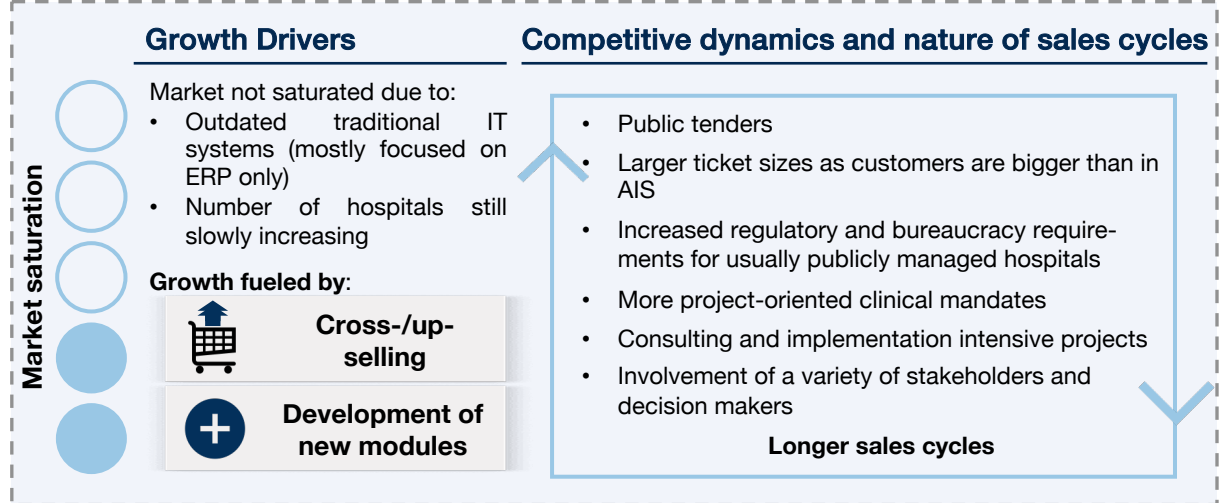
## CGM's addressable HIS market

Global Hospital Information System market (\$ bn)



### Trends

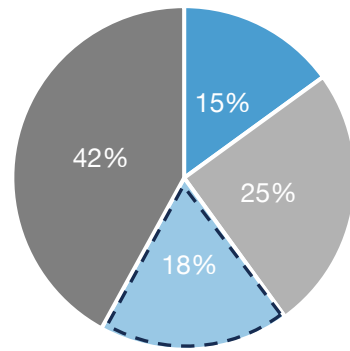
- Overall rising penetration of technologically advanced solutions
  - **System upgrading and interoperability needs**
  - **Governmental initiatives**
  - Increasingly enforced **stringent regulations** regarding **patient data-related processes**
- Growing demand for:
- **Reduced healthcare costs** by tackling hospital workflow inefficiencies
  - **High-quality, minimum-error clinical outcomes**



## CGM's HIS customer footprint

- 425 acute clinics
- 440 clinical pharmacies
- 530 rehab clinics
- 900 social care
- 220 medical laboratories
- 1,800 radiologist institutions

## HIS market shares in Germany



- Market consolidation ongoing with larger players also becoming more active in recent years (e.g., Oracle's acquisition of Cerner)
- CGM's M&A approach more focused on smaller deals where competition from PEs and larger players is lower (e.g., German and Spanish assets of Cerner)

■ Nexus ■ Dedalus ■ CGM ■ Others

Thereof >170 new customer wins 2022/23 yoy

Sources: Company Information, Grand View Research, BNP Paribas, Statista  
Notes: 1) Public hospitals

## CGM's competitive advantages

**1 Cloud-based, modular one-stop shop**

CGM's advanced, third-generation HIS software G3/CGM Clinical positions the company as an attractive and effortless digitization partner for financially strained and understaffed hospitals. It expands CGM's footprint in the cloud-based health IT sector

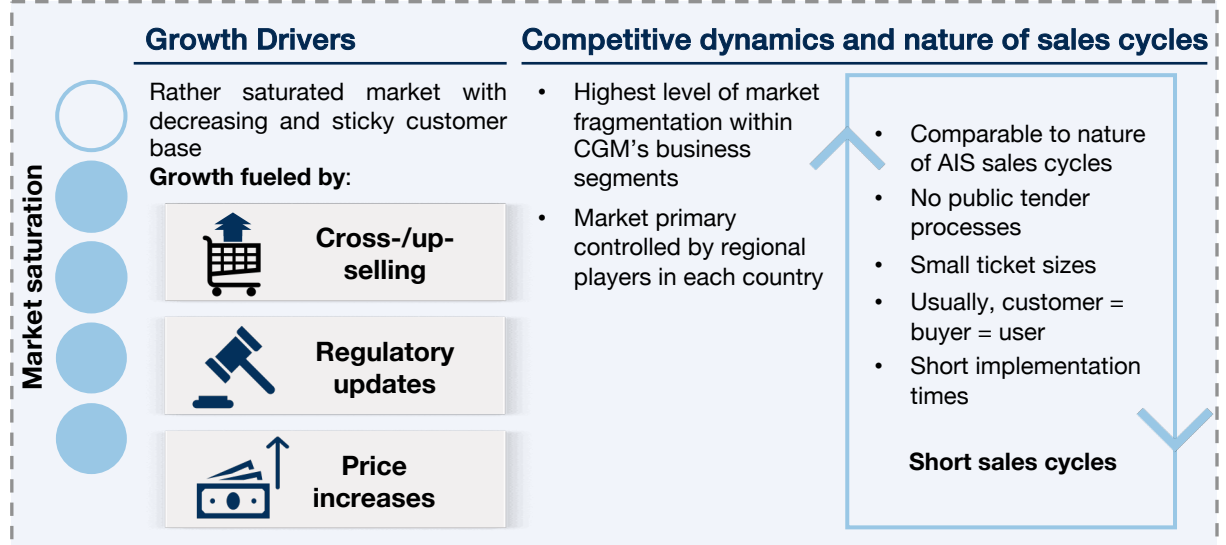
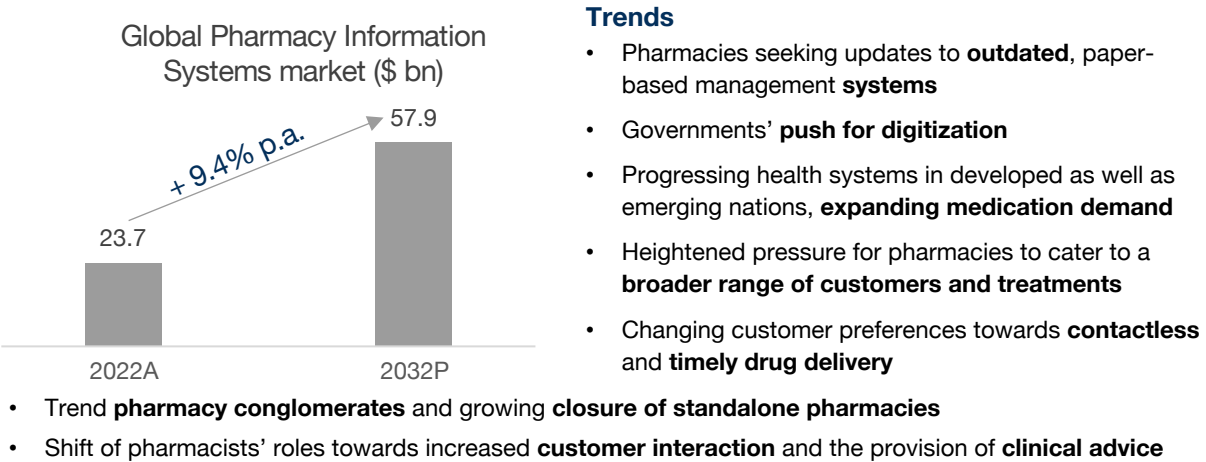
**2 Strong German and EMEA presence**

Leading positions in Sweden (#1) as well as DACH, Spain<sup>1</sup>, and Poland (#2), and orders of >EUR 90m via German KZHG show CGM's relevance in this promising market and entail considerable upside potential in the medium-term, as much of the of the EUR 4.3bn funding are still being processed

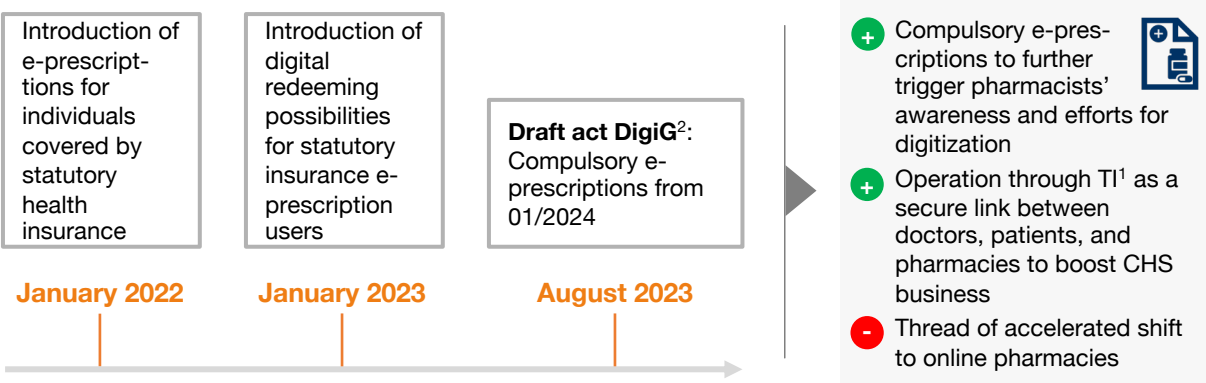
# PCS deep dive: Regulatory updates and increased consolidation of pharmacies resulting in interlinkage needs outweigh the effect of increased pharmacy closures – CGM’s success in Italy and Germany demonstrates its ability to penetrate regionally dominated markets

Pharmacy Information Systems capture, manage, and archive **patient- and store-related data**, which is subsequently used to **streamline** and **optimize pharmacists’ workflows** such as patient tracking, decision support, medication dispensing, reorder and point-of-sales processes, report generation, billing, inventory management, and maintaining quality assurance

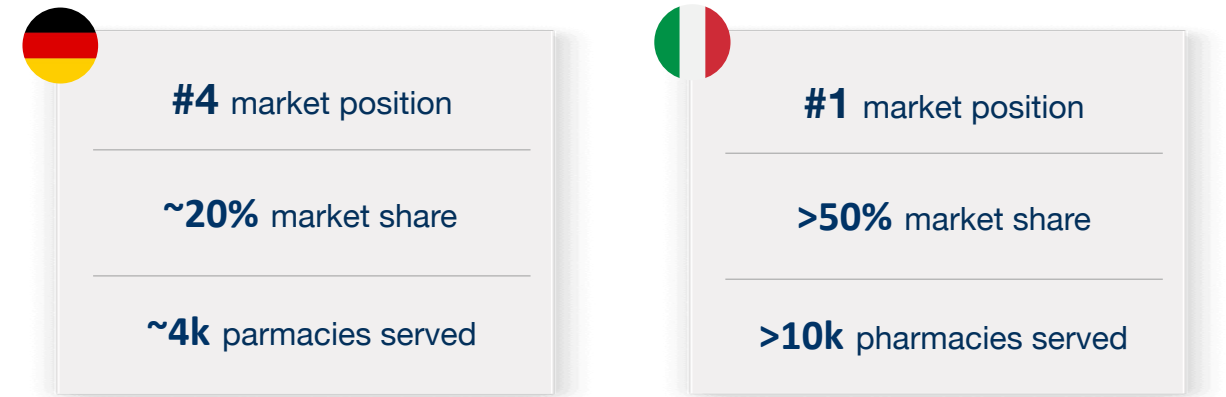
## CGM’s addressable PCS market



## E-prescriptions in Germany as PCS/CHS boost and thread



## Leading market positions in DACH core regions



Sources: Company Information, Precedence Research, Data Bridge Market Research, BNP Paribas, Deutsche Apothekerzeitung, Gleiss Litz  
 Notes: 1) Telematics infrastructure, 2) Act to accelerate the digitalisation of the healthcare system



**US market: With impressive financial and user activity KPIs, CGM's US business unlocks significant and valuable future growth potential – following strategic M&A, CGM solidified its position as leader in the US AIS and LIS markets promising foundation for future growth**

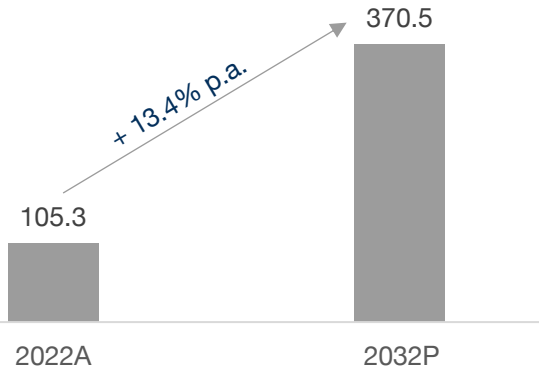
**US market healthcare IT market**

**Case study – CGM US expansion**

AIS and RCM	LIS	LIS	RCM	LIS
Acquisition of eMDs	Acquisition of SchuyLab	Acquisition of AP Easy	Acquisition of ACS	Acquisition of Medicus LIS
+ 32,000 facilities + 300 distribution partners	Positioned CGM as the single largest LIS provider in US	+ 700 laboratories	+ 1,000 laboratories	+ 1,000 laboratories
Nov 2020	Dec 2020	Feb 2022	Jun 2022	Dec 2022

- CGM has demonstrated its ability to expand into a highly competitive market through targeted acquisitions
- Today, CGM is the **largest** installed **independent laboratory base** and one of the **top four vendors** for ambulatory **EHR** and **practice management software**, as well as **RCM services** in the US

US healthcare IT market (\$ bn)



- The US healthcare market is the largest and most developed healthcare IT market worldwide accounting for **>50% of the global market size**
- The US healthcare market is distinguished by pioneering role and affinity to technological advancements
- While few players, among them Veradigm, Epic, and CGM lead the market, the tail is highly fragmented
- CGM's entry and establishment as a leading LIS, AIS, and EHR provider unlocks valuable future growth opportunities

**Status quo of CGM's US business activity**

- Tripled revenues** (from 2019 – 2022)
- 6% organic growth** (H1 2023 yoy)
- 80% recurring revenue share**

**Local product/software offering**

<b>Electronic Health Record and Practice Management</b> <b>CGM APRIMA</b>	<b>Revenue Cycle Management</b> <b>ARIA</b>	<b>Telehealth</b> <b>CGM ELVI</b>
<b>Clearinghouse Portfolio (Reimbursement)</b> <b>CGM eMEDIX</b>	<b>Laboratory Information Systems Suite</b> <b>CGM LABDAQ</b>	<b>Web-based, SaaS practice mgmt. system</b> <b>CGM webPRACTICE</b>

**CGM-specific user KPIs**

- 1.5m eligibility checks/month
- 1.5m appointments/month
- 100m lab tests/month
- >51m e-prescriptions/year
- >24m claims per year

Sources: Company Information, The Brainy Insights

# 08.3



## Value Creation

# Value creation sensitivity: Evaluating the initiatives' resilience, we find a robust defense against suboptimal realization results, limiting the maximum impact on the MOIC to a decrease of just 0.4x

## Impact of organic revenue growth development on MOIC (Exit 2028F)

		Organic Revenue Growth 2022A-2028F				
		6.6%	7.1%	7.6%	8.1%	8.6%
Exit Multiple	1					
	10.9x	3.3x	3.3x	3.4x	3.4x	3.5x
	11.9x	3.3x	3.4x	3.5x	3.5x	3.6x
	12.9x	3.4x	3.5x	3.5x	3.6x	3.7x
	13.9x	3.4x	3.5x	3.6x	3.7x	3.8x
	14.9x	3.5x	3.6x	3.7x	3.8x	3.8x

## Commentary

- 1 **Organic revenue growth:** Based on organic revenues of EUR 1,129.7m in 2022, we assessed the impact on the MOIC for different organic revenue growth rates (-1% to +1%)  
The analysis shows that the **impact** of organic topline growth on our MOIC is **moderate** – a decrease/ increase of 0.5% in revenue growth leads to a decrease/ increase of the MOIC by 0.05-0.1x (if exit multiple stable)
- 2 **Organic EBITDA margin improvement:** The analysis is based on organic revenues in 2028 of EUR 1,755.3m, equal to an annual revenue growth of 7.6% between 2022 and 2028  
The **impact** of the organic EBITDA margin development on our MOIC is **high** – a decrease/ increase of 1.5% of the EBITDA margin at Exit results in a decrease/ increase of the MOIC by ~0.2x (if exit multiple stable)
- 3 **Acquisition of Carecloud (M&A):** Based on the assumption that Carecloud generates revenues of EUR 184.3m in 2028, equal to an annual revenue growth 5.7% between 2022 and 2028  
Given the rather small share of Carecloud's EBITDA on total EBITDA at Exit, the **impact** of a change in the EBITDA margin is **low** – a decrease/ increase of 2.0% in EBITDA margin at Exit leads to a decrease/ increase of the MOIC by 0.02-0.03x (if exit multiple stable)

## Impact of organic EBITDA margin development on MOIC (Exit 2028F)

		Organic EBITDA Margin 2028F				
		23.9%	25.4%	26.9%	28.4%	29.9%
Exit Multiple	2					
	10.9x	3.1x	3.2x	3.4x	3.6x	3.7x
	11.9x	3.1x	3.3x	3.5x	3.6x	3.8x
	12.9x	3.1x	3.3x	3.5x	3.7x	3.9x
	13.9x	3.2x	3.4x	3.6x	3.8x	4.0x
	14.9x	3.2x	3.4x	3.7x	3.9x	4.1x

## Impact of Carecloud EBITDA margin development on MOIC (Exit 2028F)

		Carecloud EBITDA Margin 2028F				
		22.2%	24.2%	26.2%	28.2%	30.2%
Exit Multiple	3					
	10.9x	3.4x	3.4x	3.5x	3.5x	3.5x
	11.9x	3.4x	3.5x	3.5x	3.5x	3.5x
	12.9x	3.5x	3.5x	3.5x	3.6x	3.6x
	13.9x	3.5x	3.5x	3.6x	3.6x	3.6x
	14.9x	3.5x	3.5x	3.6x	3.6x	3.6x

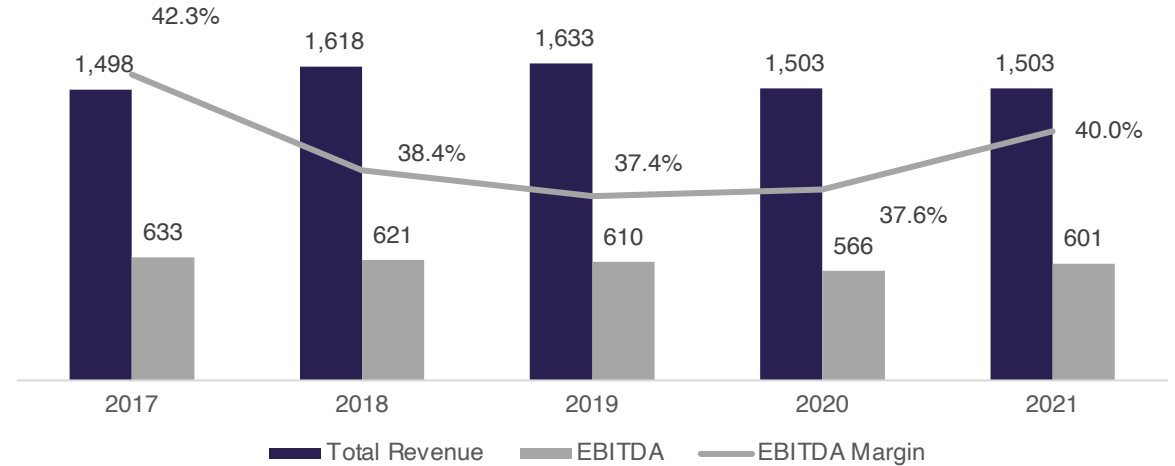
Notes: 1) Assuming that all other variables are stable

# Attractive Target Veradigm: A US-based data-driven healthcare solution provider combining data-driven clinical insights with software tools for practices, hospitals, and other healthcare providers with practice management and electronic health record applications

## Company description

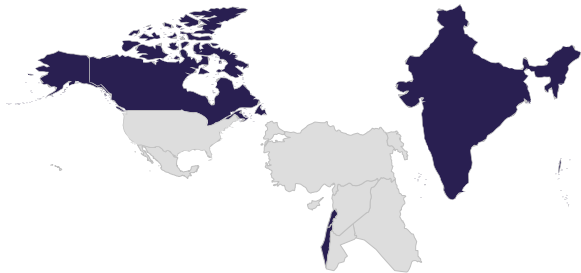
- **Veradigm** is engaged in providing physician practices, hospitals, and other healthcare providers with practice management and electronic health record technology. They also offer products for patient engagement, care coordination, financial, and analytics technology
- **Operational Segments:** Veradigm's technology is utilized by over 180,000 physicians, with products in 2,700 hospitals and 13,000 extended care organizations
- **Revenue Streams:** Veradigm's revenue comes from various healthcare technology solutions, including practice management and EHR systems, patient engagement tools, and analytics services
- **Corporate Structure and Presence:** Founded in 1981 as Allscripts and headquartered in Chicago, Illinois, the company underwent significant growth through mergers and acquisitions, including the notable merger with Eclipsys and the acquisitions of dbMotion, Ltd., Jardogs LLC, and ZappRx
- **Market Access:** Veradigm's established presence in the US telemedicine sector would provide CompuGroup Medical with an immediate foothold in the US
- **Technological Synergy:** Integrating Veradigm's products with CGM's existing EHR and patient engagement tools could create a powerful, comprehensive healthcare platform placing CGM in the US

## Financial development (in USDm)



## Geographic presence

- **Veradigm** is operating assets in the US, Canada, Israel and India
- The company is headquartered in **Chicago, IL**, with >90% of revenues originating from North America



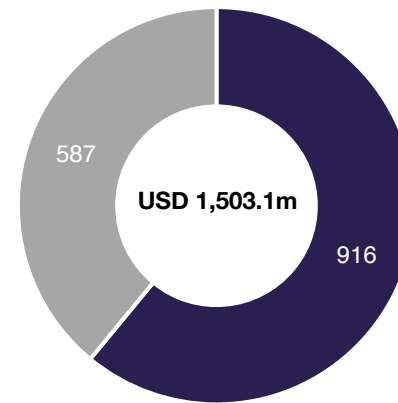
## Product portfolio

**95%** of revenues originating from the US  
 80% of that are recurring  
**330K** healthcare providers served  
**+600m** electronic prescriptions



**+180m** patients

## Revenue split



Product	Revenue	% share
Delivery, support and maintenance	916.2	60.9%
Client services	586.9	39.1%
<b>Total</b>	<b>1,503.1</b>	<b>100.0%</b>

- **Revenues** are split into two components
- Sales of the proprietary software are either as a **direct license sale** or as a **SaaS model**
- **Client services** are software support and maintenance for existing customers

■ Delivery, support and maintenance ■ Client services

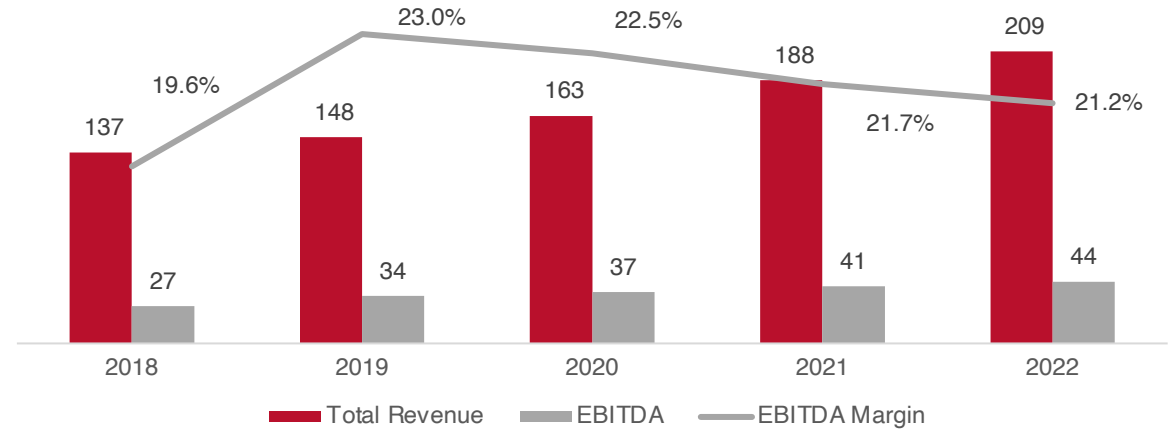
Sources: Company website, Annual Reports

# Attractive Target Nexus AG: A German competitor with strong revenue growth, outstanding margins and great liquidity is a well-fitting target for CGM's growth aspirations in Germany

## Company description

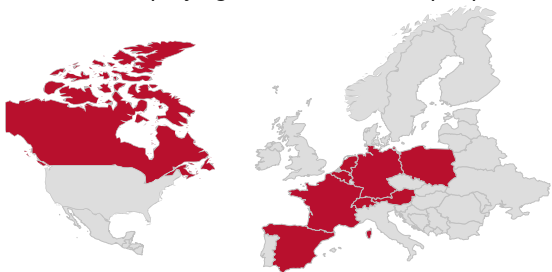
- **Nexus AG** is developing software solutions and IT services for the healthcare industry, serving individual doctor's offices, multi-specialty hospitals, pharmacies, and partnering with pharmaceutical and insurance companies. The company has a significant presence in Europe, with a notable focus on the German market, while also expanding its reach in the North American market
- **Operational Segments:** The company's operations are segmented to cater to distinct customer needs: i) Ambulatory Information Systems (AIS), ii) Hospital Information Systems (HIS), iii) Consumer and Health Management Information Systems (CHS), and iv) Pharmacy Information Systems (PCS)
- **Revenue Streams:** Nexus AG's revenue is derived the sale of software licenses, ongoing software maintenance services, professional services, and hardware sales. Additional revenue comes from advertising, digital marketing services, and data analytics solutions
- **Corporate Structure and Presence:** With its headquarters situated in a key European tech city, Nexus AG has a global footprint with offices in over 20 countries, employing a workforce of approximately 1700 professionals, including 560 dedicated to software development and maintenance
- The company has a user base of around 9,323 customers and maintains a public listing with significant ownership held by the founder's family and key investors

## Financial development (in EURm)



## Geographic presence

- **Nexus AG** is operating in eight European countries and in North America
- The company is headquartered in **Donaueschingen**, with 18 **total offices** in Germany – 10 more offices are located in Europe and the US employing more than 10,000 people



## Customer circle

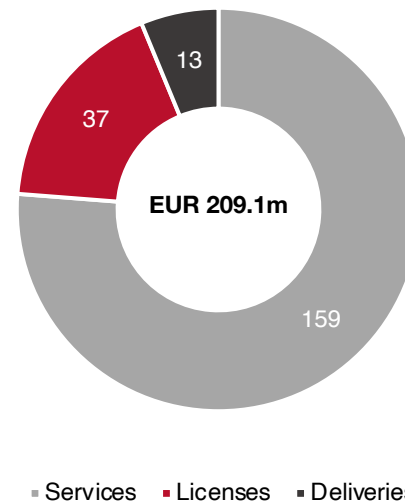
**9,323** customers  
in **78** countries

**2,543** in radiology  
**516** in cardiology  
**453** in pathology



**985** retirement homes

## Revenue split



Product	Revenue	% share
Services and software maintenance	159.4	76.3%
Licenses	36.6	17.5%
Deliveries	13.1	6.2%
<b>Total</b>	<b>209.1</b>	<b>100.0%</b>

- **Licenses** defines include revenues from software license sales, which are remunerated once. The license entitles use of the software permanently
- **Services and software maintenances** includes sales revenues from contracts that give the customer access to new versions of software products
- **Deliveries** defines revenue through installation of software and its onboarding

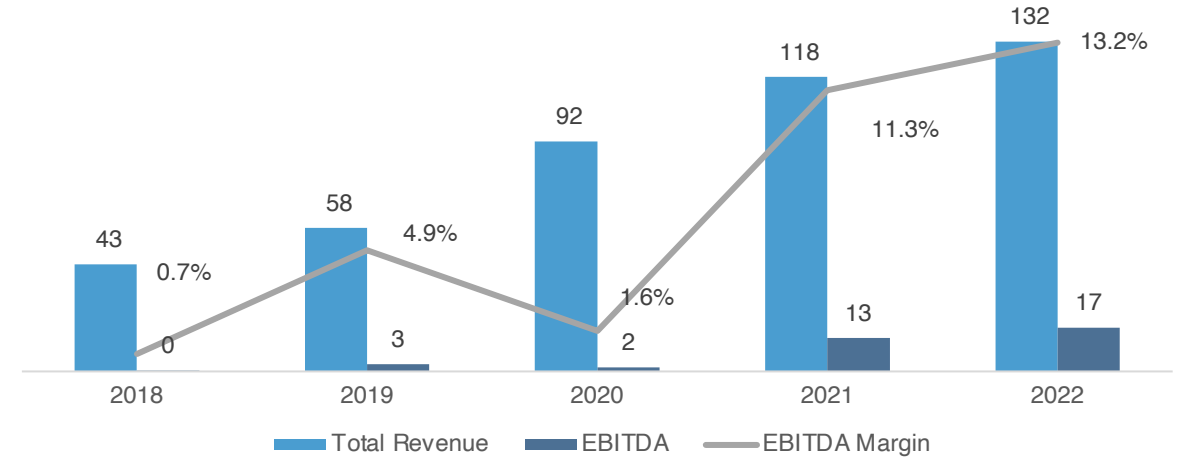
Sources: Company website, Annual Reports

# Attractive and feasible target CareCloud: A US-based RCM, EHR, and cloud software-focused healthcare IT company present in the entire US and with promising revenue growth represents an attractive M&A target for expanding CGM's US business market share

## Company description

- **CareCloud** is a NASDAQ-listed American healthcare IT company that delivers cloud-enabled software focused in redefining the healthcare revenue cycle and consulting services to healthcare providers ranging from small medical practices to hospitals
- **Operational Segments:** CareCloud helps over 40,000 healthcare providers in approximately 70 medical specialties to grow their practices sustainably, reduce operational expenses, increase revenue collection, and improve patient experience
- **Revenue Streams:** CareCloud's mainly generates revenues through the sale of EHR, practice management, medical billing and administration, mobile application, patient engagement, telehealth, and business intelligence software
- **Corporate Structure and Presence:** The company was founded as Medical Transcription Billing Corporation (MTBC) in 1999 and renamed CareCloud Inc. in 2021. It went public in 2014 and currently has c. 4,000 employees, of which 400 are based in the US and the rest is globally distributed
- **Market Access:** CareCloud's strong presence in the US and its business focus on revenue cycle management as well as cloud-based software solutions seamlessly builds on CGM's US AIS footprint and future strategy

## Financial development (in USD m)



## Geographic presence

- **CareCloud's** business operations are focused on the US market
- The company is headquartered in **Somerset, New Jersey**

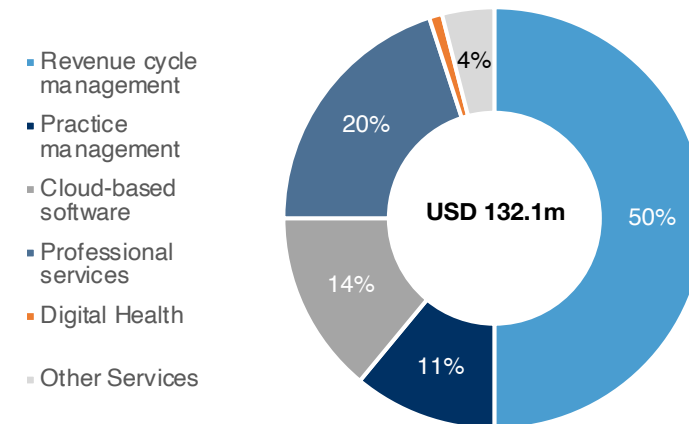


Customers in all 50 US states

## Key characteristics

- **>60%** of revenues originating from RCM and cloud-based solutions
- **>40K** healthcare providers served
- **\$4.2bn** annualized accounts receivable managed

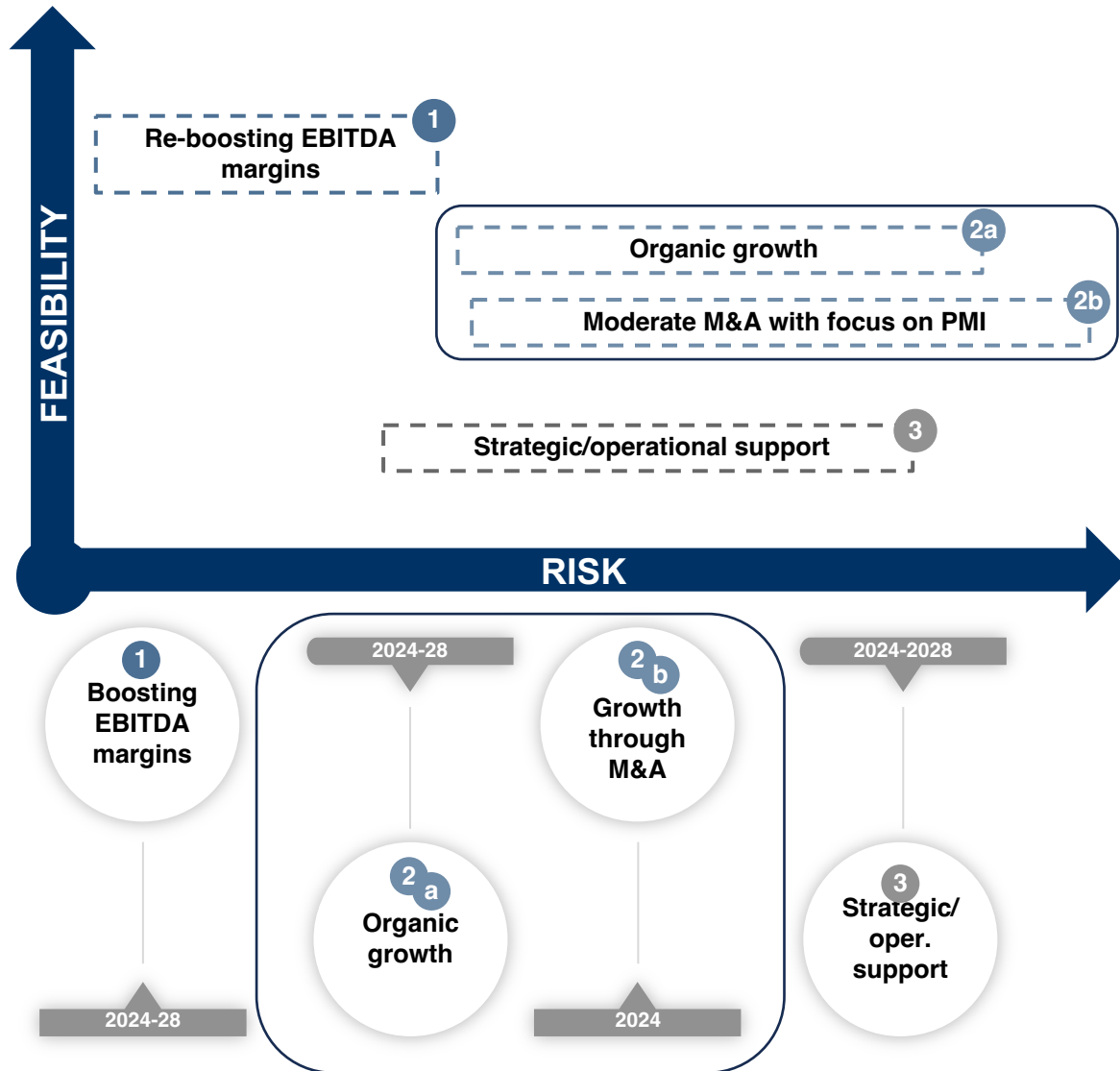
## Revenue split



- **Digital health** solutions comprise telemedicine, remote patient monitoring and chronic care management
- **Professional Services** focus on software implementation, trainings, and strategic advisory
- **Cross-selling expertise:** The majority of customers utilizing CareCloud's revenue cycle management tool also leverage additional software offerings provided by the company

Sources: Company website, Annual Reports

Considering a two-dimensional evaluation of strategic actions, CGM's primary focus should be on re-boosting margins, accelerating revenue growth, strengthening its presence in the US, and further development of cloud-enabled software and streamlined processes



**Feasibility assessment**

**Risk assessment**

- 1**
  - Exit of extensive investment phase automatically bears **stabilization** of over-proportional **R&D**, **CAPEX**, and **personnel cost**
  - Time-intensive investigation of further **cost structure optimization measures**
- 2 a**
  - Competitive edge through **recent strategic investments** in personnel, R&D, pilot projects, partnerships, and new software/modules
  - **Recent add-ons** of m.Doc, INSIGHT, and New Line paving the way for data business expansion
  - CGM as **already established partner** for pan-European updates and expansion of TI
  - Loyal US **reseller** distribution channel in place
  - Continuous R&D for **software and solution development** and integration
- 2 b**
  - **Unmatched M&A performance** setting the stage for additional acquisition in consolidating market
  - Experienced **PMI Managing Director**
  - Successful integration of products and solutions
- 3**
  - Need to evaluate **numerous partnership prospects** to effectively fast-track AI integration into products
  - **ChatCGM** already in place
  - Structure for SaaS model already in place

- **Financially low risk** of failing margin improvements but **mission-critical** amid recent years' margin reduction
- Too much focus on margin expansions **might hamper organic top-line growth**
- **Misidentification of most promising segments** to focus organic growth efforts on
- High **competition** in data business
- Lower than expected regulatory-driven hospital and ambulatory digitization boost and TI advancements in EU due to **changing political priorities**
- **Sunk costs** for software R&D
- **Missing out** on additional attractive targets due to focus on PMI
- Fewer **liquidity** and **integration** risk and higher **cash conversion** from lower M&A activity and focus on PMI optimization
- Company-wide **application and acceptance of AI tools may face delays**
- Fierce competition from **SaaS- and cloud-native niche providers**
- Customer churn

Sources: Company information, Mergermarket

# 08.4

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Valuation

Capital Structure

Returns



**DCF:** After creating a beta peer group consisting of seven German software companies, CGM's WACC has been determined at 9.6%, considering tax rates, equity costs, debt costs, and the debt-to-equity ratio

DCF assumptions							Commentary
Company Name	Equity Value	Total Debt	Levered Beta	Average Tax Rate	Debt to Equity	Unlevered Beta	
adesso SE	601.8	219.6	1.48	27.6%	36.5%	1.17	<ul style="list-style-type: none"> <li>To determine the beta for CGM a peer group must be identified<sup>1)</sup></li> <li>This involves identifying a set of comparable companies that operate in similar industries and share similar financial and operational risks</li> <li>The peer group provides a benchmark for assessing the systematic risk associated with CGM, as measured by its beta</li> <li>For CGM, <b>seven comparable companies</b> have been identified, mostly software firms operating with DACH origins with an <b>median unlevered beta of 1.06</b></li> <li>Companies included are adesso SE, ALSO Holding AG, Bechtle AG, Cancom SE, Nexus AG, Software AG and SoftwareOne Holding AG</li> <li>This beta has to be levered as these firms have individual debt ratios different to CGM's amount debt – the <b>levered beta is 1.37</b> which is then used for the cost of capital calculation</li> <li>The CAPM is used to determine the expected return on an investment, also known as its <b>equity cost of capital</b> which is then used to discount future cash flows</li> <li>Applying the beta on the Equity Risk Premium and adding the Risk-Free Rate results in a cost of equity of 11.1%</li> <li>The <b>cost of debt of 6.8%</b> is determined by adding the risk-free rate (10Y Bundesanleihe) on the spread (based on LT borrower credit rating)</li> <li>The WACC is then calculated by weighing the cost of equity and cost of debt equivalent to the debt and equity ratio and applying the tax shield (based on a 30% tax rate) on it</li> <li>Taking in all parameters the <b>WACC of CGM is at 9.2%</b></li> </ul>
Also Holding AG	3,178.7	281.3	1.13	26.7%	8.9%	1.06	
Bechtle AG	5,417.8	523.2	0.85	28.5%	9.7%	0.80	
Cancom SE	942.7	123.6	1.24	31.0%	13.1%	1.13	
Nexus AG	834.4	29.0	0.77	25.5%	3.5%	0.75	
Software AG	2,307.3	657.5	0.74	30.0%	28.5%	0.62	
SoftwareOne Holding AG	2,923.2	84.4	1.40	29.0%	2.9%	1.37	
<b>Average</b>	<b>2,315.1</b>	<b>274.1</b>	<b>1.09</b>	<b>28.3%</b>	<b>14.7%</b>	<b>0.99</b>	
<b>Median</b>	<b>2,307.3</b>	<b>219.6</b>	<b>1.13</b>	<b>28.5%</b>	<b>9.7%</b>	<b>1.06</b>	
Median unlevered beta for CGM						1.06	
CGM debt to equity						42.6%	
Tax rate (5 Year Average)						30.0%	
Company levered beta						1.37	
Company levered beta peer group						1.50	

Assumptions	Cost of equity & cost of debt	WACC
Tax rate (average)	Risk-free rate	Tax rate (average)
30.0%	2.8%	30.0%
Risk-free rate	Levered beta	Cost of equity (CAPM)
2.8%	1.37	11.7%
MSCI world market return (10Y)	Equity risk premium	Cost of debt (pre-tax)
8.8%	6.0%	6.8%
Equity risk premium	<b>Cost of equity (CAPM)</b>	Equity risk premium
6.0%	<b>11.1%</b>	6.5%
	10Y Bundesanleihe	% Equity
	2.8%	70.1%
	Spread	% Debt
	4.0%	29.9%
	<b>Cost of debt (pre-tax)</b>	<b>WACC</b>
	<b>6.8%</b>	<b>9.2%</b>



Sources: Refinitiv  
 Notes: 1) Peer group definition done by Refinitiv proposal and own research

## DCF: Using the projected cash flows from the business plan and applying a growth rate of 2.0% on the terminal value, the DCF methods yields an EV of EUR 2,975m at a WACC of 9.2%

Free cash flow DCF (in EURm) <sup>1</sup>									Commentary
	2023FC	2024FC	2025FC	2026FC	2027FC	2028FC	2029FC	2030FC	
<b>EBITDA</b>	253.5	283.7	312.1	337.4	372.4	412.7	459.9	511.5	<ul style="list-style-type: none"> <li>The DCF valuation is based on the ability of the valued firm to generate cash in the future</li> <li>The future cash availability is defined by CGM's free cash flow (FCF) which has been projected until 2030</li> <li>The FCF projections are based on the <b>bank case</b> of the operational model also used for the LBO (without any M&amp;A activities)</li> <li>The <b>terminal value of EUR 1,984.4m</b> is calculated by applying the perpetuity <b>growth rate of 2.0%</b> on the unlevered FCF of 2030FC and discounting it with the <b>WACC of 9.2%</b></li> <li>The terminal value is <b>66.7% of the total enterprise value</b> which is assumed to be a fair share</li> <li>The PV of the FCF is <b>33.3% of the total enterprise value</b></li> <li>The sensitivity analysis indicates a <b>range in between EUR 2744.4m and EUR 3520.6m</b> for different perpetuity growth rates (1.0% - 3.0%) and WACC (6.4% - 10.4%)</li> <li>The <b>EV to equity value bridge</b> contains the deduction of all debt and debt-like items such as financial debt, pension provisions and minority investments and the addition of cash and cash-like items such as investments in associates</li> <li>The indicated equity value is EUR 2,217.4m which results in an <b>implied value per share of EUR 42.5</b></li> </ul>
% margin	20.7%	21.5%	22.1%	22.4%	23.2%	24.1%	25.2%	26.3%	
Depreciation of PP&E and right-of-use assets	(46.3)	(47.8)	(49.6)	(51.3)	(52.3)	(53.4)	(57.1)	(61.0)	
<b>EBITA</b>	207.2	235.8	262.4	286.1	320.0	359.4	402.8	450.5	
% margin	16.9%	17.9%	18.6%	19.0%	19.9%	21.0%	22.1%	23.2%	
Amortization of intangible assets	(72.9)	(72.8)	(76.5)	(75.7)	(75.8)	(75.7)	(77.0)	(78.2)	
<b>EBIT</b>	134.3	163.0	185.9	210.4	244.3	283.7	325.9	372.3	
% margin	10.9%	12.4%	13.2%	14.0%	15.2%	16.6%	17.9%	19.2%	
Income taxes	(40.3)	(48.9)	(55.8)	(63.1)	(73.3)	(85.1)	(97.8)	(111.7)	
<b>NOPAT</b>	94.0	114.1	130.2	147.3	171.0	198.6	228.1	260.6	
Depreciation and amortization	119.2	120.6	126.1	127.0	128.1	129.0	134.0	139.2	
Capex	(82.6)	(88.8)	(91.5)	(90.2)	(96.0)	(102.4)	(109.1)	(116.3)	
Change in Net Working Capital	15.9	(4.5)	(3.1)	(3.7)	(3.2)	(0.5)	(0.2)	(0.0)	
<b>Unlevered FCF</b>	146.4	141.5	161.7	180.4	199.8	224.8	252.9	283.5	
% YOY growth		-3.4%	14.3%	11.5%	10.8%	12.5%	12.5%	12.1%	
<b>PV of unlevered FCF</b>		129.6	135.6	138.5	140.5	144.7	149.1	153.1	

Enterprise value calculation	in EURm	% of TEV
PV of FCF	991.0	33.3%
PV of terminal value	1,984.4	66.7%
<b>Enterprise value (EV)</b>	<b>2,975.4</b>	<b>100.0%</b>
Total financial debt	(821.7)	27.6%
Pension provisions	(32.7)	1.1%
Minority investments	(1.4)	0.0%
Cash & cash equivalents	90.5	3.0%
Investments in associates	7.3	0.2%
<b>Equity value</b>	<b>2,217.4</b>	<b>74.5%</b>
Shares outstanding	52.2	
Implied per share value	42.5	

WACC	Perpetuity growth					
	1.0%	1.5%	2.0%	2.5%	3.0%	
6.4%	2,793.1	2,922.2	3,069.7	3,239.8	3,438.3	
7.4%	2,754.3	2,879.3	3,021.8	3,186.0	3,377.0	
8.4%	2,716.4	2,837.5	2,975.4	3,133.8	3,317.8	
9.4%	2,679.5	2,796.8	2,930.2	3,083.2	3,260.5	
10.4%	2,643.5	2,757.2	2,886.3	3,034.1	3,205.0	

Notes: 1) From DCF valuation, based on the Bank Case

**CCA: Comparable companies are split into three buckets – each with different characteristics but all comparable to CGM resulting in a last twelve month multiple of 2.5 – 3.1x Sales and 10.4 – 12.6x EBITDA<sup>1)</sup>**

**Historical EV multiples<sup>2)</sup>**

GENERAL INFORMATION				CAPITALIZATION				EV/SALES				EV/EBITDA			
Company	Currency	Shares	EV	2020A	2021A	2022A	LTM	2020A	2021A	2022A	LTM	2020A	2021A	2022A	LTM
<b>EHR / Care Pathways</b>															
Equasens	EUR	15,033,281	906.2	5.3x	4.7x	4.2x	4.2x	6.4x	14.7x	13.4x	12.9x				
Cegedim	EUR	13,637,980	514.6	1.0x	1.0x	0.9x	0.9x	6.1x	4.7x	5.3x	4.8x				
Nexus	EUR	17,229,256	928.3	5.7x	4.9x	4.4x	4.0x	25.3x	22.8x	21.0x	19.1x				
CPSI	USD	14,205,461	294.7	1.1x	1.1x	0.9x	0.9x	8.5x	7.0x	6.3x	10.2x				
<b>Median</b>				<b>3.2x</b>	<b>2.9x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>12.5x</b>	<b>10.9x</b>	<b>9.9x</b>	<b>11.5x</b>				
<b>ERP Finance &amp; HR</b>															
Craneware	USD	34,995,324	736.3	10.3x	9.7x	4.4x	4.2x	30.8x	39.8x	15.5x	14.2x				
Healthstream	USD	30,285,335	694.7	2.8x	2.7x	2.6x	2.5x	15.1x	15.5x	13.8x	12.6x				
R1 RCM	USD	418,958,515	6,185.1	4.9x	4.2x	3.4x	2.9x	n/a	27.7x	35.3x	19.5x				
Apollo Medical Holdings	USD	44,547,688	1,485.5	2.2x	1.9x	1.3x	1.1x	15.0x	12.8x	12.2x	12.6x				
GPI	EUR	28,810,524	426.1	1.6x	1.3x	1.2x	1.1x	10.8x	8.9x	8.0x	7.1x				
<b>Median</b>				<b>2.8x</b>	<b>2.7x</b>	<b>2.6x</b>	<b>2.5x</b>	<b>15.1x</b>	<b>15.5x</b>	<b>13.8x</b>	<b>12.6x</b>				
<b>Other</b>															
GoodRx	USD	406,131,956	2,447.9	4.4x	3.3x	3.2x	3.3x	n/a	n/a	n/a	11.6x				
Terveystalo	EUR	126,556,301	1,518.5	1.5x	1.3x	1.2x	1.2x	9.6x	7.5x	9.0x	9.0x				
RaySearch	SEK	34,282,773	3,542.2	5.5x	5.5x	4.2x	3.6x	17.1x	18.0x	10.4x	9.3x				
Omda	NOK	20,691,910	1,175.2	5.1x	3.6x	3.2x	2.9x	20.2x	28.1x	n/a	16.1x				
<b>Median</b>				<b>4.8x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>3.1x</b>	<b>17.1x</b>	<b>18.0x</b>	<b>9.7x</b>	<b>10.4x</b>				

**EHR/ Care Pathways**

**ERP Finance & HR**

**Other**

Sources: Capital IQ, Annual Report

Notes: 1) Median; 2) EBITDA and sales multiple have been subject to changes due to anomalies in specific reporting periods of peer group companies

## CTA: The median for EBITDA multiples of precedent transactions is at 17.1x – it includes recent PE buyouts as well as strategic acquisitions in the last 8 years

Date	Target	Enterprise value <sup>2)</sup>	Buyer	Target description	EV/EBITDA Median 17.1	EV/Sales Median 2.7	EV/EBIT Median 25.0
Sep 23'	nextgen healthcare	1,800,000,000	THOMABRAVO	US-based e-health company providing focusing on AIS, RCM, and EHR solutions	31.4x	2.6x	37.6x
Jun 22'	Gpi	561,287,800	cdp	Italian health and social assistance sectors solutions designer and provider	16.7x	1.7x	23.9x
Feb 22'	athenahealth	4,386,400,000	BainCapital	US-based company engaged with providing EHR and RCM, software and services	25.0x	n/a	n/a
Dec 21'	Cerner	29,200,000,000	ORACLE	Listed US-based developer and provider of healthcare information systems	17.7x	4.5x	25.6x
Jun 21'	sentry data systems	328,569,100	Craneware	US health-tech SaaS solutions provider	17.4x	4.4x	n/a
May 21'	EDL	100,000,000	ABENEX CAPITAL	French medical image software management provider	14.3x	6.7x	n/a
Nov 20'	eMDs	202,309,700	CGM CompuGroup Medical	US ambulatory EMR <sup>1)</sup> and practice management software solutions provider	16.9x	2.5x	n/a
Sep 20'	software & computer systems scs computers	4,240,000	MAPS GROUP SHARING KNOWLEDGE	Italian e-health software provider	7.9x	2.7x	n/a
Feb 20'	wellbeing software a Citadel Group Company	123,617,100	citadel group TECHNOLOGY + EDUCATION	British hospital software and services provider	16.1x	6.3x	n/a
Feb 20'	Cerner	225,000,000	CGM CompuGroup Medical	German healthcare document archiving solutions provider	19.4x	3.4x	n/a
Dec 19'	EVRY	2,300,000,000	tieto	Norwegian provider of healthcare, industrial and banking IT infrastructure provider	15.1x	1.5x	18.3
Jul 19'	PressGaney	3,533,600,000	LGP LEONARD GREEN & PARTNERS	US based vendor of satisfaction measurement services for health care facilities	17.4x	n/a	n/a
Dec 18'	dictate.it	25,000,000	Clanwilliam IRL	British healthcare software solutions provider	10.4x	2.3x	25.0
May 15'	MedAssets	1,710,500,000	PAMPLONA CAPITAL MANAGEMENT	US-based healthcare performance improvement company focussing on RCM	17.3x	n/a	n/a

Sources: Mergermarket

Notes: 1) Electronic medical records 2) in EUR;   Most relevant transactions

0.0x. 15.0x. 30.0x

# 08.5

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Due Diligence  
Exit

A strategic exit seems to be the most appealing option, as CGM’s international competitors are expanding through inorganic growth and the industry is in a phase of consolidation – additionally, large private equity investors show a strong track record in healthcare software

**Strategic sale**

Country	Germany	USA	Germany
Financials (in m)	<b>Mkt Cap:</b> EUR 181.43 <b>Revenue:</b> EUR 33.06 <b>EBITDA:</b> EUR 2.23 <b>EBITDA Mg:</b> 6.74%	<b>Mkt Cap:</b> USD 319.61 <b>Revenue:</b> USD 50.96 <b>EBITDA:</b> USD 14.05 <b>EBITDA Mg:</b> 27.6%	<b>Mkt Cap:</b> EUR 64.69 <b>Revenue:</b> EUR 21.7 <b>EBITDA:</b> EUR 4.3 <b>EBITDA Mg:</b> 19.8%
Description	SAP, a powerhouse in software development, specializes in a broad range of corporate applications, including enterprise resource planning and customer relationship management	Oracle Health Sciences, a player in the technological healthcare sector, offers comprehensive data management solutions tailored for healthcare research. Expanding its domain expertise and market reach, Oracle has recently acquired Cerner	Siemens Healthineers is a medical technology company operating in the healthcare industry. It provides digital health services and enterprise services facilities
Rationale	Growth into new segments via M&A	Grow in DACH and rest of Europe	Full package to offer for clients in the healthcare industry

**Secondary buyout**

Country	United Kingdom	USA	USA
Deals	Acquisition and sale of healthcare software company Allocate (2022)	Acquisition of Alegeus (2018)	Acquisition of Althea (2014)
Description	Hg Capital is focused on technology investments, primarily in Europe and the US, with an AUM of \$55bn	Vista Equity Partners has \$103bn AUM and invests mainly in technology businesses	Permira has \$77bn AUM and has a strong track record in healthcare software
Rationale	Private equity funds with a track record in acquiring IT healthcare software companies with successful exits combined with experience in growth cases		

Sources: Company website, Annual Report, Yahoo Finance

**Risk assessment: Factors and strategies to address potential risks stemming from recent substantial internal investments and a market marked by customer stickiness, inorganic growth, regulatory influence, as well as data privacy concerns have been analyzed and developed**

Assessment of internal and external risk factors			Mitigation factors/strategies	
		Chance of occurrence	Financial damage	
INTERNAL	<b>1 Margin re-boost</b> CGM is yet to demonstrate its ability to fully <b>capitalize on its previous investment phase</b> and recover from its c. 5% margin drop	Yellow	Green	<ul style="list-style-type: none"> <li>Focus on turning recent extensive internal investments into top- as well as bottom-line growth through <b>efficient integration</b> of new subsidiaries and personnel</li> <li>Monitoring and rebalancing of <b>personnel expenses<sup>2)</sup></b> as the major cost driver</li> </ul>
	<b>2 Inorganic growth</b> The importance of M&A-driven growth <sup>4)</sup> <b>strains cash conversion</b> and margins and bears <b>overpayment</b> as well as <b>PMI<sup>1)</sup> risk</b>	Yellow	Yellow	<ul style="list-style-type: none"> <li>Diligent financial planning as well as in-depth, externally supervised due diligences</li> <li><b>MD Hannes Reichl (&gt;10 years of PMI experience)</b> showcased CGM's seamless PMI capability by acquiring INSIGHT and immediately launching a joint product</li> </ul>
	<b>3 New customer acquisition</b> High switching costs create sticky customers, hindering market share growth through acquiring <b>new customers with existing products</b>	Green	Green	<ul style="list-style-type: none"> <li>Leverage CGM's experience in <b>product portfolio expansion</b> as well as <b>new market entries</b> to expand potential customer reach</li> <li>Improving product portfolio and sales staff skills regarding <b>cross- and upselling</b></li> </ul>
	<b>4 International cross-selling</b> Due to <b>regional regulatory differences</b> , not all solutions can be universally cross-sold in every country	Yellow	Yellow	<ul style="list-style-type: none"> <li>Continuous research and <b>monitoring of applicable legislation</b> on regional and international levels to ensure swift adaption to changes and minimize downtime</li> <li>Leverage the knowledge of <b>regionally expertised personnel</b></li> </ul>
	<b>5 Data privacy and regulatory financial strains</b> The financial and operational impacts of <b>cyberattacks<sup>5)</sup></b> , coupled with <b>data protection breach penalties</b> , threaten CGM's cash conversion	Yellow	Yellow	<ul style="list-style-type: none"> <li>Securing of appropriate <b>cyber-security software</b> and <b>insurance</b> to minimize the potential for financial damage</li> <li><b>Staff sensibilization</b> and <b>training</b> to avoid and minimize incidents</li> </ul>
EXT.	<b>6 Governmental funding and regulatory tightening</b> Diminishing state funding in the face of <b>recession</b> and evolving regulatory demands threaten <b>product saleability and profitability</b>	Yellow	Green	<ul style="list-style-type: none"> <li>Part of funding initiatives already processed and mainly influencing <b>HIS business<sup>3)</sup></b></li> <li>Continuous <b>monitoring</b> of regulatory changes and extensive R&amp;D to secure first-mover advantage for updated products</li> </ul>

Sources: Company information, BNP Paribas

Notes: 1) Post-merger integration, 2) c. 56% of expenses in 2022, 3) c. 25% of total revenues in 2022, 4) >50% share since 2015, 5) Shown in cyberattack in 2021

**Commercial and financial due diligence will be part of a pre-transaction phase – special pain points include high capital expenditures, decreasing EBITDA margins and increasing personnel expenses**

		Financial		Commercial			
Area		Financial reporting	Finance department	Customers	Competition	M&A targets	Market growth and trends
Key analysis	Key analysis	<ul style="list-style-type: none"> <li>Analyze all parts of financial statements with special focus on cash flow statement</li> <li>Analyze CAPEX, net working capital and cash conversion cycle</li> <li>Assess future capital requirements and assets conditions</li> </ul>	<ul style="list-style-type: none"> <li>Analyze how financial statements are prepared and if governance mechanisms are installed</li> <li>Assess the chief financial officer’s department for correct processes</li> <li>Make an assessment if the finance department is able to support the fund in its growth aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Analyse customers and define customer types (hospitals, private persons, public organizations)</li> <li>Investigate the seniority of customers and how recurring they are</li> <li>Understand expectations of customers and future trends</li> </ul>	<ul style="list-style-type: none"> <li>In-depth analysis of competitors, also in new markets such as the US</li> <li>Analyze product portfolio and services that CGM is not offering</li> <li>Compare financial ratios, strategies and operational excellence</li> </ul>	<ul style="list-style-type: none"> <li>In-depth analysis of all future targets especially regarding financial ratios, corporate governance, culture, growth drivers and margins</li> <li>Assess the impact of the acquisition on CGM</li> <li>Comprehensive insight into the markets of the target</li> </ul>	<ul style="list-style-type: none"> <li>Explain extent to which market growth is influenced by macroeconomic conditions</li> <li>Investigate and predict future trends in the healthcare market</li> <li>Describe the market growth in the countries where CGM is active</li> </ul>
	Key Red Flags	<ul style="list-style-type: none"> <li>Misstatements in the P&amp;L or cash flow statements</li> <li>Overvaluation of intangible assets or investments with future need to write-off</li> <li>Financial fraud</li> <li>Inability to pay off creditors</li> </ul>	<ul style="list-style-type: none"> <li>Abuse of power from CFO in preparation of financial statements</li> <li>Few employees that oversee the complete process</li> <li>Majority of employees is expected to leave company within the upcoming 2-3 years</li> </ul>	<ul style="list-style-type: none"> <li>Dependency on large customers, that if cancel their contract will have a huge impact on CGM</li> <li>Customer characteristics, especially how sensitive they are to prices</li> <li>Churn rate development</li> </ul>	<ul style="list-style-type: none"> <li>Comparative operational disadvantage and lack of market outperformance</li> <li>Competitors show better financial ratios</li> <li>There is a constant threat of being taken over by larger competitors</li> </ul>	<ul style="list-style-type: none"> <li>Narrow profit margins and challenges with cultural integration</li> <li>Failure to complete the acquisition due to external obstacles</li> </ul>	<ul style="list-style-type: none"> <li>Trends emerging in the future that not yet recognized by management and are associated with high costs</li> <li>Excessive expectations regarding the expansion of the market (DACH and worldwide)</li> </ul>
	Risk Level	●●●●●	●●●●○	●●●○○	●●●●●	●●○○○	●●●●○

Sources: DePamphilis (2010), Patel (2023)



**Operational, legal, and security due diligence will be conducted to ensure their adequacy and to confirm that they won't impact a successful completion of the acquisition – red flag items include the unexplained capitalization of in-house services**

		Operational		Legal		IT Security	
Area		Research & development	Capital expenditures and in-house service	Data protection	Legal disputes	External threats	Internal software stability
Key analysis	Key analysis	<ul style="list-style-type: none"> <li>Understand the structure of R&amp;D departments across subsidiaries and business units and if additional staff is required to maintain and drive CGM's technology leadership</li> <li>Deep dive into the development of a product from R&amp;D to testing to rollout</li> </ul>	<ul style="list-style-type: none"> <li>CAPEX have been historically high and constitute a significant cash outflow for CGM</li> <li>Understand the main drivers behind these expenditures apart from M&amp;A and benchmark</li> <li>Understand the nature of capitalized in-house services in this context and their relation to R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Assess the need and governance on data protection laws within all countries CGM is active in</li> <li>Assess with customers how much data protection they need to trust CGM's products</li> </ul>	<ul style="list-style-type: none"> <li>Attain a level of confidence in the likelihood of future legal disputes</li> <li>Establish favorable contractual arrangements</li> <li>Review current contracts with customers, suppliers and all stakeholders to see if there is a threat to be sued</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of past external cyber attacks and if, how much data has been scraped</li> <li>Assess current status of IT department and how many experts are employed</li> </ul>	<ul style="list-style-type: none"> <li>Examine the historical data on system outages, bugs, and other incidents</li> <li>Look for frequency, duration, impact, and the response times to resolve these issues</li> <li>Assess the robustness of the infrastructure, including data centers, network architecture, and security protocols</li> </ul>
	Key Red Flags	<ul style="list-style-type: none"> <li>Understaffing of R&amp;D department or high seniority within employees</li> <li>High cost per new product and/or long time to market</li> <li>Not attracting the right/best talent</li> </ul>	<ul style="list-style-type: none"> <li>Unusually high CAPEX compared to peers</li> <li>Increasing debt to finance CAPEX but not showing proportional top- or bottom-line growth</li> <li>CAPEX that does not take into account upcoming regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Large leaks of customer data in the past</li> <li>Unofficial, not reported incidents that may entail legal disputes or payments</li> <li>Internal data regulation is not ensured</li> </ul>	<ul style="list-style-type: none"> <li>Illegal clauses or conditions in contracts</li> <li>Concealment of past disputes or future payments due to convictions</li> </ul>	<ul style="list-style-type: none"> <li>High frequency of successful hacker attacks</li> <li>IT department without state-of-the art protection software</li> <li>High seniority of IT department employees</li> </ul>	<ul style="list-style-type: none"> <li>Regular interruptions in service indicate poor infrastructure or inadequate resources dedicated to maintaining uptime</li> <li>If CGM is not open about their infrastructure, security measures, incident reports</li> </ul>
	Risk Level	● ● ● ○ ○	● ● ● ● ○	● ● ● ● ○	● ● ○ ○ ○ ○	● ● ● ● ●	● ● ● ● ●

Sources: DePamphilis (2010), Patel (2023)

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