

<b>Ticker:</b>	OHGR
<b>Price:</b>	175p
<b>Mkt Cap:</b>	£17.6m
<b>Listing:</b>	AQSE/APX
<b>Sector:</b>	Healthcare
<b>Country:</b>	UK

## One Health Group

### Initiation of Coverage

Founded in 2004, One Health Group is a leading provider of NHS-funded medical procedures to GP referred patients based in England. It is a profitable, growing and cash generative business that provides high-quality NHS-funded services at zero cost at the point of delivery and on a tariff set by the NHS. We expect the opening of two new surgical hubs to enhance the growth of its existing business to deliver a five-year group CAGR of 16% and 28% in revenue and earnings respectively.

- One Health operates out of 30 health clinics based in the Midlands and the North of England and utilises over 100 NHS consultants
- It focuses in areas where demand is high, service provision is unmet and where the level of private medical insurance cover is low
- The company currently provides NHS funded medical procedures in orthopaedics, spine, gynaecology and general surgery
- In the ten years to 2020, One Health grew sales at a CAGR of 18.4% to reach a peak of £20.8 million and is expected to grow to over £37 million by 2027
- Following the pandemic related disruption in 2020 and 2021, last year saw a strong rebound in revenue which we expect to continue into 2023
- The two planned surgical hubs are expected to cost £3.5 million each to build and will be fully operational within five years
- The opening of the surgical hubs is expected to facilitate a greater number of surgical procedures and have a positive impact on group margins
- On the basis of our current forecasts, One Health Group trades on an undemanding March 2023 PE of 14.9 and EV/sales of 0.7x
- Following the completion of its IPO at the end of November 2022, we initiate coverage with a DCF based valuation range for the company of between £27 and £39 million

#### Summary financials and forecasts (March y/e)

(£'000)	2022A	2023E	2024E	2025E	2026E	2027E
Revenue	17,515	20,038	21,601	25,294	30,530	37,491
EBITDA*	1,376	1,355	1,696	2,226	3,821	5,886
Operating Profit*	1,346	1,302	1,644	1,961	3,447	5,404
EPS (p)	11.5	11.7	12.0	14.4	25.5	40.2
DPS (p)	0.0	5.6	5.0	5.0	5.0	5.0
EV/Sales (x)	0.9	0.7	0.7	0.7	0.6	0.4
EV/EBITDA	10.9	11.0	8.4	7.4	4.6	2.4
PE (x)	15.3	14.9	14.6	12.2	6.9	4.4

\*Pre-exceptional

Source: SEAL Advisors

Equity Research

#### SEAL Advisors

research@sealadvisors.com

#### Oberon Capital

Corporate Broking  
+44 (0) 20 3179 5344

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## Executive Summary

### Leading provider of NHS services

One Health Group is a leading independent provider of NHS funded medical services to GP referred patients in England. With a roster of over 100 medical professionals (surgeons and anaesthetists) and 30 health clinics based in the Midlands and North of England, it sees over 10,000 new patients and performs between 6,000 and 7,000 procedures each year.

### Service where demand is unmet

One Health's clinics are based in the areas of the country where the provision of NHS services is under-provided and where referrals by GPs are high. With their status as an NHS AQP (Any Qualified Provider), One Health is able to provide a range of fully funded NHS medical services at no cost to the patient at the point of delivery. The procedures are carried out by surgeons who are NHS consultants and take place in surgical theatres that are owned (or leased) and operated by third-party private hospital groups.

### Proven quality of service

Two key attributes of the One Health offering are; the quality of service, and the significantly reduced waiting times compared to the NHS. On average a patient will see a consultant within four weeks from being referred to One Health and will undergo surgery (if needed) within eight weeks from consultation.

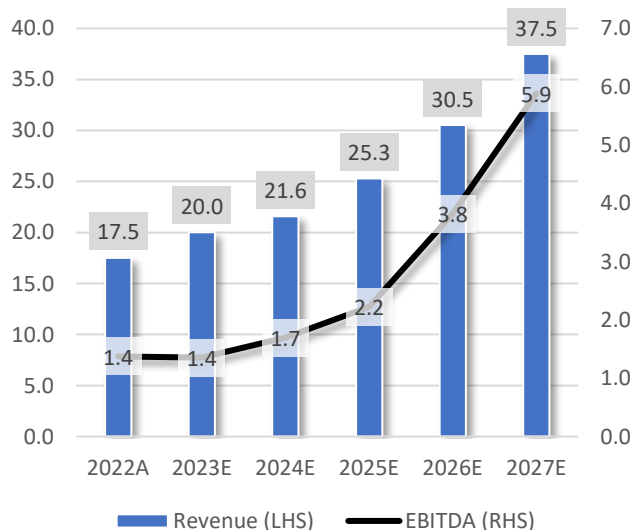
### Main focus areas

One Health's main areas of focus are spine, orthopaedics, gynaecology and general surgery. These four areas provide an attractive combination of high-volume with relatively low clinical risk, and where there is an increasing proportion being provided by non-NHS providers. Independent service providers such as One Health Group are increasingly being seen as an essential component in the NHS's attempt to reduce the elective care waiting list, which currently stands at seven million people.

### 16% to 18% CAGR revenue growth

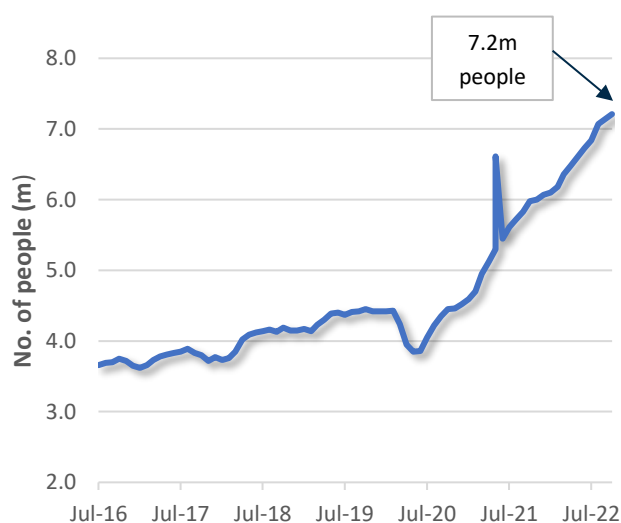
In the ten-year period to 2020, One Health Group recorded a CAGR in revenue of 18.4% to reach a peak of just under £21 million. Following the post-Coivid-19 rebound in 2022 we now forecast a CAGR in revenue of 16.4% to 2027. This we expect to be driven by the continuing growth of the existing business (using third-party facilities) and the opening of its own operating theatres to increase procedure numbers and expand group margins.

Figure 1: Revenues and EBITDA forecasts (£m)



Source: SEAL Advisors

Figure 2: NHS waiting list for consultant-led elective care



Source: BMA (as of end October 2022)

## 1.1. Company Overview

### Founded in 2004

Founded in 2004, One Health Group is an independent service provider (ISP) operating out of 30 Care and Quality Commission (CQC) certified Health Clinics, predominantly located in the Midlands and the North of England. Having achieved Any Qualified Provider (AQP)<sup>1</sup> status in 2011 (which we discuss in section 3), the company signed a national contract with the NHS in 2012, thereby enabling GPs anywhere in England to refer patients to One Health for treatment. Following the introduction of the NHS e-Referral system (ERS/‘Choose and Book’), GPs can now refer patients electronically. Each year the company sees around 10,000-12,000 new patients, with just over 60% of these going on to receive a surgical procedure by One Health Group<sup>2</sup>.

### No-cost to the patient

There is no cost to the patient, with the NHS funding the procedure at a set tariff rate, with One Health billing the relevant NHS Integrated Care Board (ICB)<sup>3</sup>. One Health estimates that its average time from GP referral to the first appointment with a consultant is four weeks, with the average waiting time from consultation to surgery typically around six-to-eight weeks. This is substantially lower than average waiting times within the NHS itself where around 35% of patients waiting for elective surgery typically experience waiting times of over 18 weeks, with 16% of these waiting for over one year.

### Based in the Midlands & North of England

Last year, One Health provided care to patients from 42 different NHS Clinical Commissioning Groups<sup>4</sup> (CCG) across England, predominantly located in South and West Yorkshire, Derbyshire, Nottinghamshire, Leicester, and Lincolnshire. Although the majority of patients are referred to One Health by GPs, the company also deals directly with three NHS Trusts (Doncaster, Hull, and Chesterfield) which transfer long-wait patients directly to One Health.

### Service Provision

### Rated very highly by patients

One Health Group scores highly with patients, with 99% of them rating One Health as ‘good to excellent’. The company has also achieved 100% of the quality targets set by the NHS (CQUINS)<sup>5</sup>. Besides the quality of the treatment provided, factors contributing to the high-quality scores include; 1) the patient sees the same consultant at every stage, 2) the patient is allocated a named contact in the patient liaison team to manage appointments and answer questions, rather than going through a NHS general or departmental switchboard and 3) the physical location of the consultation, which takes place in local clinics.

### 100 NHS surgeons and anaesthetists

As far as service provision is concerned, the 60 surgeons and 40 anaesthetists who carry out procedures on behalf of One Health are not full-time employees (FTEs), but instead are self-employed, all of whom are also NHS consultants. This is common practice in the UK, where most GPs and surgeons operate on a self-employed basis, providing services to the NHS on contract. In addition to

<sup>1</sup> AQPs were formerly known as ‘Any Willing Provider (AWP), whose origins lie in an EU procurement directive; ‘elective care’ covers a broad range of non-urgent services, usually delivered in a hospital setting, from diagnostic tests and scans to outpatient care, surgery, and cancer treatment.

<sup>2</sup> Average range for the 5 years to FY2020A.

<sup>3</sup> The ICB billed by One Health Group is the one which covers the area where the patient is registered with their GP. This is regardless of whether the actual procedure takes place locally or not. Due to One Health Group’s AQP status, ICBs (formerly CCGs) are duty bound to pay One Health Group for an elective procedure involving a patient referred by a GP in their jurisdiction, even though this procedure may take place outside their geographical area.

<sup>4</sup> Clinical Commissioning Groups (CCG) are now known as Integrated Care Boards

<sup>5</sup> The Commissioning for Quality and Innovation (CQUIN) framework supports improvements in the quality of services and the creation of new, improved patterns of care.

providing services to both One Health and the NHS, they also provide services to private sector hospitals which treat patients with private health insurance or on a self-pay basis. One Health pays its surgeons and anaesthetists a set fee per procedure, based on a tariff set by the NHS.

**ISP rate much higher than NHS**

While private work typically pays the highest rate per procedure (since the tariff is not capped by the NHS), the relatively low numbers of privately insured patients in the areas that One Health operates means the volume of procedures from this source tends to be low. As a result, working for the ISPs remains an attractive option for surgeons as they are able to augment their NHS salaries even if it is not at the same rate they would receive for carrying out procedures for privately insured patients<sup>6</sup>.

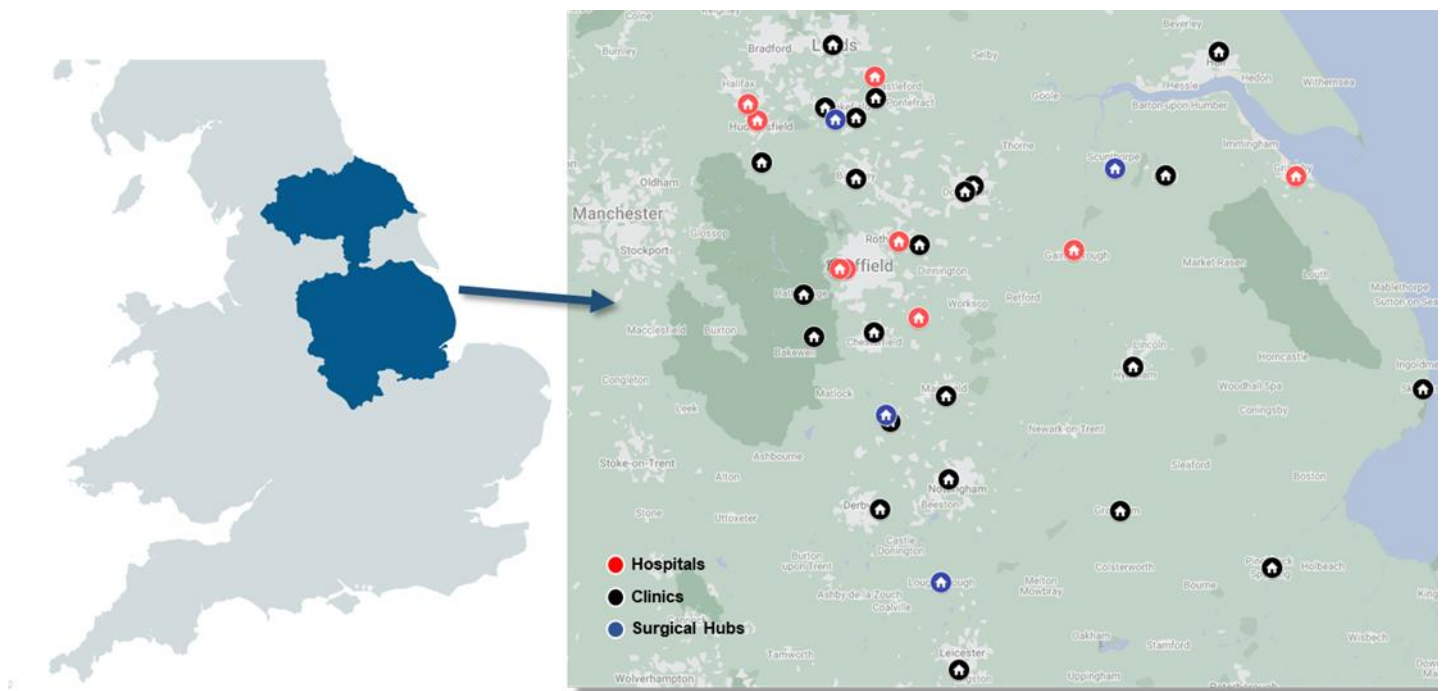
**Location of Service**

**Clinics not owned by One Health**

With regard to physical location, the 30 health clinics from which One Health operates are locations where the consultant surgeon meets the potential patient referred by the GP. These facilities are typically owned by general practices or the NHS, and One Health uses them as points of contact between the consultants contracted with them and potential patients. They pay a small hourly fee to cover facility hire of around £20 for the time in which a One Health consultant meets a patient.

These clinics are deliberately located in areas where the number of referrals by local GP practices is likely to be high, and, in areas where the level of health insurance cover is low. It is important to note that procedures are not carried out in these clinics, instead, One Health sources unutilised operating theatre capacity from the private hospital operators such as Spire and Circle.

**Figure 3: Location of One Health’s clinics, surgical hub and hospitals**



Source: One Health Group, SEAL Advisors

<sup>6</sup> Providing a knee replacement operation (which takes around an hour) on privately insured or self-pay patient a surgeon might earn around £850 from. Carrying out the same operation on an NHS patient for an ISP would earn him/her between £400-500.



### Theatres owned by private operators

In return for use of the operating theatre and theatre support staff, One Health pays the hospital a fee, providing the latter with an extra revenue stream by utilising theatre space that would otherwise lay idle. Typically, the hospital where the procedure is carried out is within a 35-mile radius of the One Health clinic where the consultant/surgeon initially met the patient. The post procedure physiotherapy is supplied local to the domicile of the patient, being outsourced to the third-party provider, PhysioNet+, a partnership of expert physiotherapy clinics in Derbyshire, Lincolnshire, and South and West Yorkshire. Hospital facilities are booked months in advance, allowing One Health to arrange its purchased capacity in the most efficient manner possible.

### Key areas of focus

One Health deliberately focuses on four areas for elective procedures which are; orthopaedics, spine, general surgery and gynaecology. These four areas have an attractive combination of high volume of procedures, relatively low risk from a clinical standpoint and a high (or growing) proportion being provided by non-NHS providers.

### Limited competition

#### Medical Areas of Focus

One Health's competition can be broken down into three distinct groups:

1. **NHS Capacity:** since One Health treats NHS-funded patients seeking elective surgery, then by default the largest (potential) source of competition is the NHS itself. In reality, however, one of the major reasons the share of the independent sector in elective surgeries has grown so significantly is that the NHS simply lacks the capacity to meet demand. Waiting lists were already high, and Covid-19 dislocations have merely exacerbated a pre-existing condition. Also, as highlighted in the NHS Recovery plan '*Delivery plan for tackling the Covid-19 backlog of elective care*', the independent sector is very much seen as part of the solution as the NHS is being encouraged to outsource even further to address waiting lists.
2. **Local Private Hospitals:** the primary aim of private hospitals is to treat privately-insured and self-pay patients. This is because they are not bound by a set tariff with regard to these patients (they can charge "market prices"). Patient demand varies by region and is usually a function of affluence. In more affluent areas the percentage of privately insured patients might be as high as 90%, in less affluent areas it can be below 6%. In order to maintain economic utilisation levels, private hospitals seek to augment their cohorts of privately-insured and self-pay patients by taking in NHS-funded patients. However, they typically only attract patients in a relatively narrow proximity to the location of the hospital since the consultant clinics are carried out at the hospital where the procedure will take place. By contrast, One Health has pursued a strategy of 'bringing consultants into the community', meaning they have a much wider catchment area when it comes to attracting NHS-funded patients. Since there is little cost involved for One Health to expand its network of clinics, the company can expand its footprint in areas where there is significant unmet need in terms of elective surgery
3. **One Health "look-a-likes":** to-date the company has been unable to identify any competitors which operate a similar business model. One reasonably similar company called Pioneer Health Care was recently acquired by the UK listed company, Totally (TLY.L). It is similar in that it performs elective surgery for NHS funded patients but uses an 'in-sourcing model' whereby its

consultants and support staff would carry out procedures in NHS hospitals. Given the restrictions in using NHS facilities, Pioneer is only around one quarter the size of One Health Group. On a similar tack, there are companies which can provide staff and theatre teams for NHS hospitals, but are more akin to specialist staffing companies. There are also small teams of surgeons established in certain geographic localities but they lack the reach and/or brand of One Health and more importantly lack the AQP status which enables One Health to take NHS-funded patients from anywhere in the country and the in-house regulatory framework to deal with a highly regulated market.

### The Importance of AQP Status

#### AQP status is a significant barrier to entry

In the final point noted above we highlight the issue of AQP status. We discuss the background to AQP and its relationship with the NHS in section 5. Ahead of that, it is worth noting that when Totally acquired Pioneer, the associated RNS statement contained the following commentary:

*“Pioneer’s AQP status offers patients the choice of choosing Pioneer as their elective service provider. Such accreditation is now difficult to achieve, and Pioneer is one of a limited number of independent providers across England with this qualification...”* (source: Totally RNS statement 7/3/2022)

This emphasises the fact that AQP status forms a significant barrier to entry in its own right. This is corroborated by the fact that there are only 32 AQPs operating in the UK, even though providers have been able to apply for this status for a decade or more.

#### High barriers to entry, secure revenue

In summary, One Health is a well-established company with a strong brand name with very high quality of service scores. It operates in an industry with high barriers to entry, strong growth drivers and secure revenue streams.

**Table 1: Summary information - One Health Group**

<b>Year established</b>	2004
<b>Year of AQP status</b>	2011
<b>Year signed national contract with NHS</b>	2012
<b>Number of health clinics</b>	30
<b>Location of health clinics</b>	Mid & North of England
<b>Medical areas of focus</b>	Orthopaedics, Spine, General Surgery and Gynaecology
<b>Number of new patients seen per year*</b>	10k to 12k
<b>Number of surgeons/ anaesthetists</b>	60/40
<b>Conversion rate of consultation to procedure*</b>	60%
<b>Time from GP referral to specialist consultation*</b>	4 weeks
<b>Waiting time from consultation to procedure*</b>	6 to 8 weeks
<b>Number of procedures per year*</b>	c.7,000

\*Average pre-covid

Source: SEAL Advisors

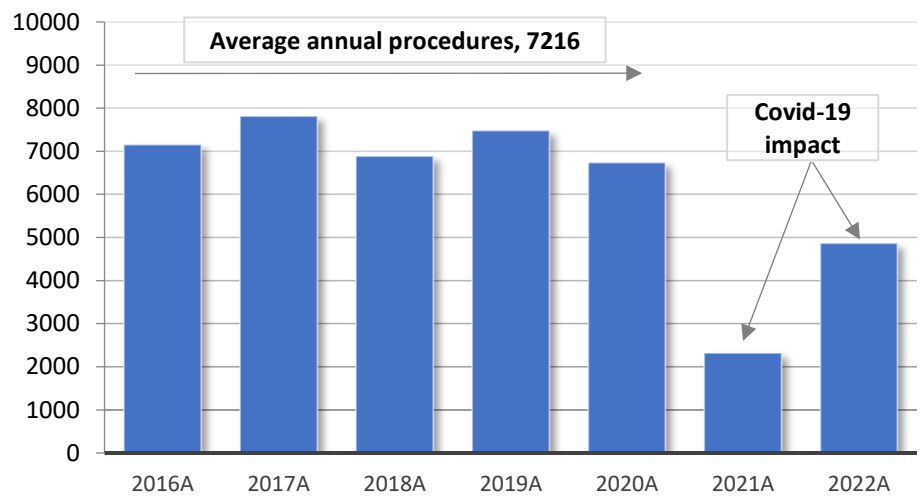


## 1.2. One Health Group in Numbers

**Pre-Covid average number of procedures over 7,200 pa**

In terms of numbers, Figure 4 shows the annual number of procedures performed by One Health between 2016 and 2022. In the five years prior to the Covid-19 pandemic, the company averaged 7,216 procedures pa. As a result of the disruption caused by Covid-19, the total number of elective surgeries fell by -65% in FY21A to c.2,300. 2020 experienced a strong year-on-year rebound of 110% to 4,870 procedures but remained below its pre-pandemic levels.

**Figure 4: One Health Group’s number of procedures 2016 to 2022**

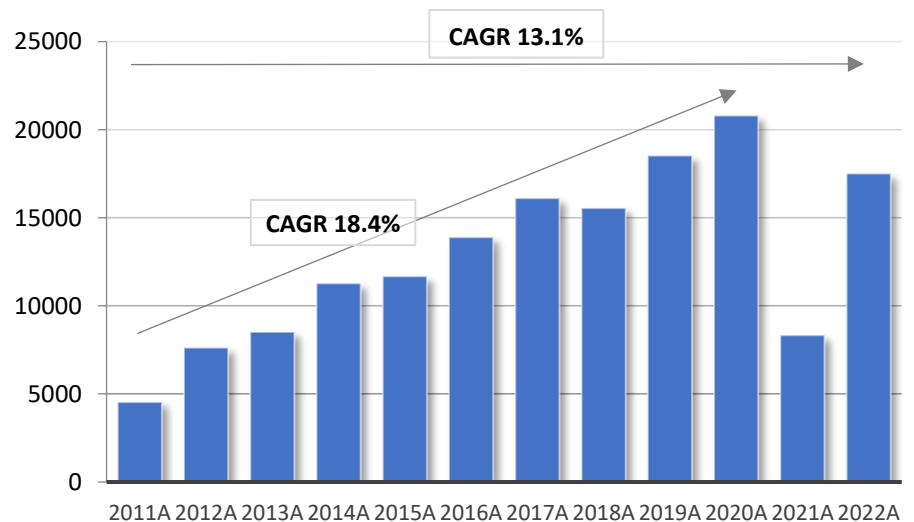


Source: One Health Group, SEAL Advisors

**Strong rebound in revenues**

In terms of revenue, One Health Group delivered an impressive 18.4% revenue CAGR for the 10 years up to 2020. Covid-19 had a significant impact on revenue which fell from a peak of £20.8m to £8.3m in 2021. This has had the effect of reducing CAGR for the entire 2011-2022 period to 13.1%. 2022 saw a significant rebound in year-on-year revenue growth of 110% which resulted in total revenue above the value achieved in 2018 and only 5% below that of 2019.

**Figure 5: One Health Group historic revenue 2011-2022**



Source: One Health Group, SEAL Advisors

## 1.3. The Benefits of Specialisation

In addition to secular growth trends such as an ageing population, increased life expectancy and obesity, all of which are increasing the demands on the healthcare system and the need for elective care, One Health's growth story is also based on specific decisions made by the company in terms of the location of its services and the type of procedures it offers.

### The Importance of Location

#### Location of service is important

As regards location, One Health's position as an AQP allows it to offer a range of NHS services anywhere in England. The question arises, therefore, why do they not provide services throughout the country, in particular the most populous areas of London and the South East? The answer is straightforward, One Health is focused in those areas where the patient needs are under-supplied by the local NHS service, but also where the population density is high and the level of private medical insurance is low. It is important to appreciate that One Health provides no-cost NHS services to patients (funded by the NHS) and not private healthcare funded by private medical insurance. As such, One Health have found the following areas provide the optimal location for the services it offers:

- Derbyshire
- Leicestershire
- Lincolnshire
- Nottinghamshire
- South & West Yorkshire

#### The Midlands and North of England are optimal locations

It is worth noting that the company has operated in the southeast of England in the past, but found the level of private insurance in the region reduced the need for its service. To appreciate this, it is worth considering some facts of the private healthcare system in the UK. Recent estimates show that approximately 11% of the UK's population have private medical insurance (PMI)<sup>7</sup>. In terms of demographics, demand for PMI is highest amongst the 40-65 age group and those in the higher income brackets. In a study by the King's Fund (2014) it was estimated that approximately 41% of those in the wealthiest decile have PMI compared to less than 3.7% of those in the four poorest deciles. At a regional level, The Family Resources Survey has showed PMI coverage could be as high as 20% in the southeast of England compared to only 6% in the northeast of England. As a result, location is an important attribute of One Health's business model and clinics are only established after careful consideration of the dynamics of the area both in terms of patient demand and supply of health professionals.

### Delivering the right treatment

#### Focused delivery of service

In addition to location of its services, an important aspect of One Health's business model is the type of medical procedures it offers<sup>8</sup>. To date it has focused on the four main areas of:

- Spine
- Orthopaedics
- General surgery
- Gynaecology

<sup>7</sup> The top three providers of PMI in the UK being AXA Health, BUPA and Aviva

<sup>8</sup> The range of procedures they can offer will be subject to what elective procedures they are allowed to provide within the remit of the AQP status and contracted surgeons specialisms.

In terms of volumes of inpatient procedures, the split in 2020 (i.e. pre-Covid) is shown in Table 2 below. The highest relates to spine at 32%, followed by general surgery (which includes a multitude of specialist procedures) at 29%, orthopaedic at 27% and gynaecology at 12%.

**Table 2: One Health Group’s split of inpatient procedures in FY 2020**

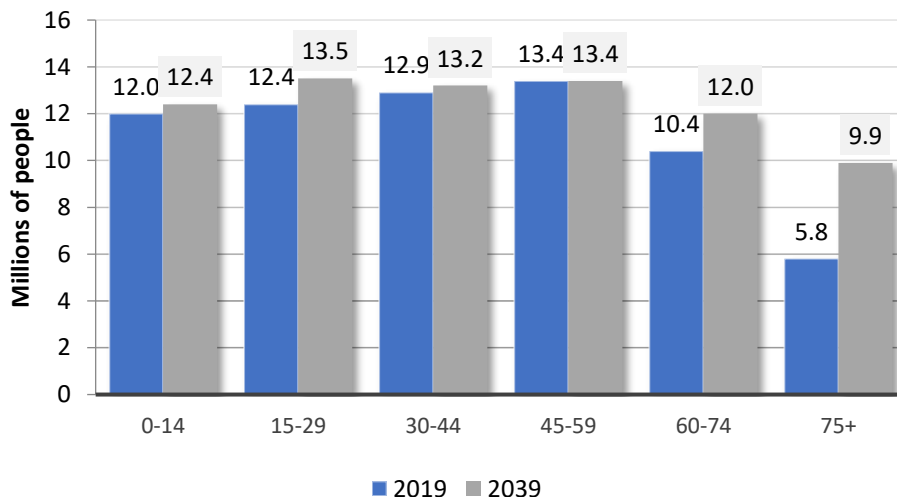
Inpatient Procedure	% of total
Spine	32%
Orthopaedics	27%
General Surgery	29%
Gynaecology	12%

Source: One Health Group, SEAL Advisors

**Spine and orthopaedic are attractive areas**

Spine and orthopaedics are particularly attractive areas for One Health as they benefit from powerful growth drivers in terms of an aging demographic, physical inactivity and an increasing proportion of the population being obese<sup>9</sup>. With estimates that over 33% of the UK population will be over 60 years old by 2039 compared to 24% in 2019, as well as the fact that around 75% of people aged 45-74 are overweight or obese (28% of all adults being considered obese)<sup>10</sup>, it is no surprise that One Health has focused in these areas where there is high (and increasing) demand.

**Figure 6: UK Population age groups, 2019(A) vs 2039(E)**



Source: Government Office for Science, SEAL Advisors

**Steady growth in procedures**

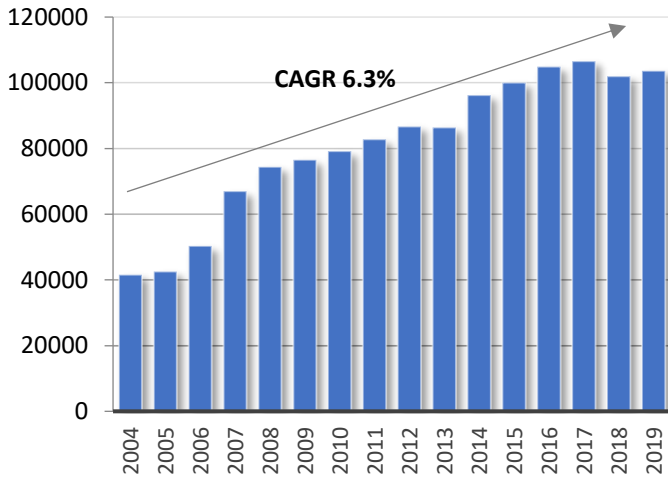
Focusing on two particular areas of elective orthopaedic procedures, Figures 7 and 8 show that the number of primary knee and hip replacements for individuals based in the UK has grown at 6.3% and 5.5% CAGR respectively between 2004 and 2019. This has also been skewed towards the older demographic (not shown here) which given the expected proportion of over 60s by 2040 is likely to have

<sup>9</sup> See American Academy of Orthopaedic Surgeons (2015), Position Statement – The Impact of Obesity on Bone and Joint Health and Barrett et al (2018) “Total hip arthroplasty outcomes in morbidly obese patients: a systematic review” for further details on the links between obesity and orthopaedic issues

<sup>10</sup> Carl Baker, Research Briefing, House of Commons Library, Obesity statistics, 16 March 2022

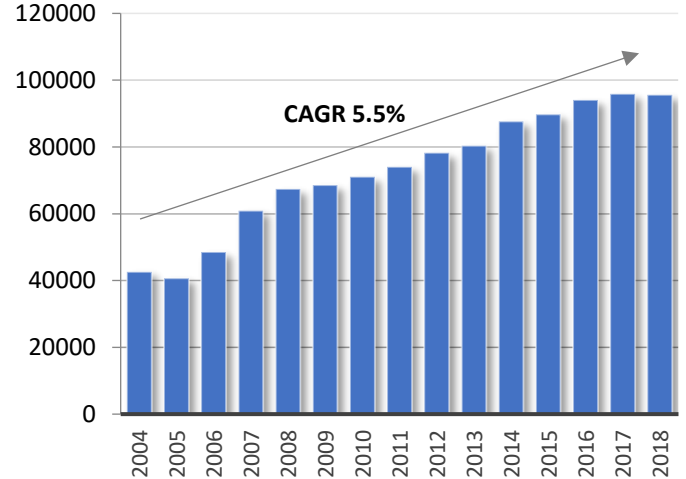
significant implications for the volume of procedures such as knee and hip replacements that need to be carried out each year.

**Figure 7: Growth in knee replacements (UK), 2004-2018**



Source: National Joint Registry, 17<sup>th</sup> Annual Report, 2022

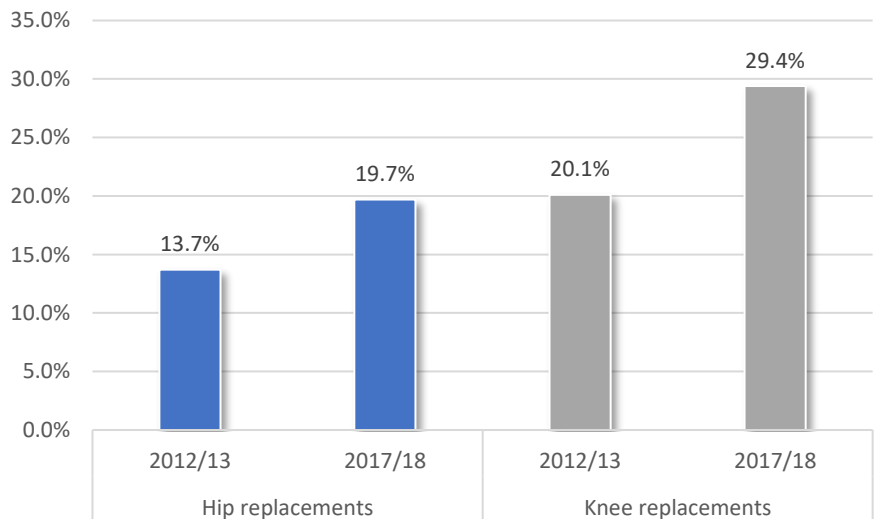
**Figure 8: Growth in hip replacements (UK), 2004-2018**



Source: National Joint Registry, 17<sup>th</sup> Annual Report, 2022

Another important trend for One Health Group is the proportion of these procedures being performed by the independent sector has increased over time. According to NHS Digital, for the NHS financial year 2017/2018, 29.4% of NHS funded knee replacements were carried out by the independent sector, up from 20.1% in 2012/13. For NHS funded hip replacement, the independent sector accounted for 19.7% of procedures in 2017/2018, up from 13.7% in 2012/13.

**Figure 9: % of NHS funded procedures performed by the independent sector**



Source: NHS Digital, SEAL Advisors

**Strong trends in favour of One Health Group**

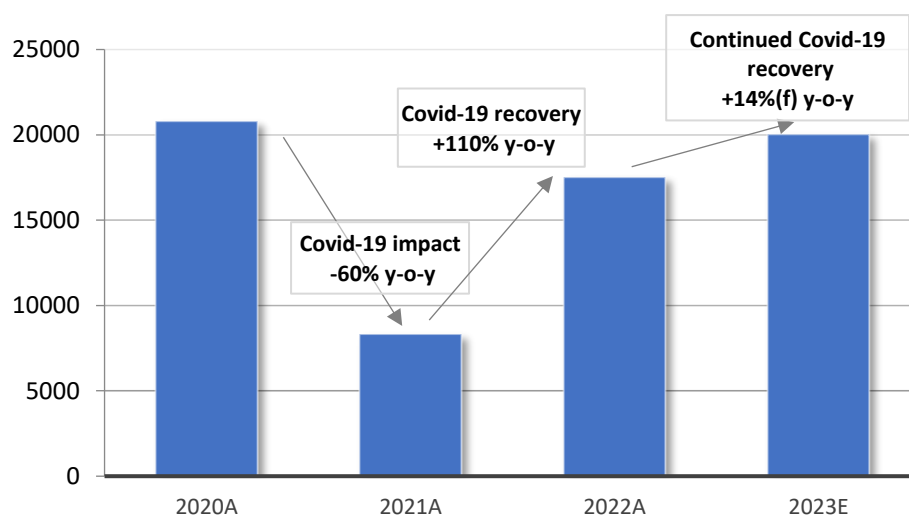
While we have focused on just two particular areas of orthopaedic surgery, this increasing trend of the number of elective operations and the proportion being carried out by the private sector on behalf of the NHS is occurring across the spectrum of spinal, orthopaedic, and general surgery. As a result, this provides a very positive backdrop for companies like One Health Group.

## 1.4. Outlook, Growth and Forecasts

### Post Covid-19 recovery to continue in 2023

Looking at One Health's historic financials we can see that in the ten-year period between 2011 and 2020 (see Figure 5), the company recorded positive revenue growth in nine of the ten years. Following the Covid-19 related fall in 2021 the company has experienced a very strong rebound and FY2022 revenues were only 5% below that of 2019. In the near term we expect One Health's top line growth to continue to experience a continued Covid-19 related recovery and for revenues to grow year-on-year by 14% in FY2023. This is simply driven by the number of procedures moving back towards its long-term level.

**Figure 10: One Health Group's revenues and impact of Covid-19**



Source: One Health Group, SEAL Advisors

### Medium term drivers

For the medium term we expect growth to be driven by two drivers:

1. Continued growth in the number of procedures carried out using third party facilities (i.e., operating theatres in private hospitals)
2. The opening of its own surgical hubs with operating theatres allowing it to increase the number of procedures above that possible using third party facilities

### Plan to open own facilities

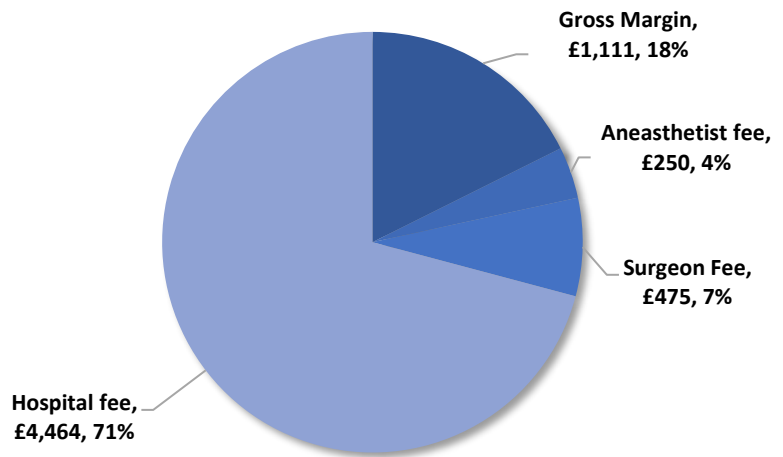
The second point listed above is an important part of One Health's long-term growth plans as it is both a natural development of the company and will allow it to address two issues they encounter with regards to relying solely on third-party operating facilities. The first of these issues is that access to operating theatres is the main limiting factor to the number of procedures they can carry out. They are not limited by the number of patients being referred to them, nor are they limited by the numbers of surgeons or anaesthetists required to carry out the procedures. The limiting factor, and the main bottleneck they encounter is securing hospital capacity to carry out the procedures and maximising the use of operating theatres in the most efficient manner.

### The economics are favourable

The second issue relates to the economics of procedures and the set tariffs paid by the NHS. To explain this, Figure 11 shows the breakdown of the cost allocation of a hip replacement, the set tariff for which is £6,300. As the chart shows, around 71% or £4,464 goes to the hospital providing the operating theatre capacity and theatre support staff. Around 7% or £475 amounts to the surgeon's fee with the anaesthetist being paid £250, or 4% of the total procedure

price. This leaves £1,111 as gross profit for the independent sector provider, equating to a gross margin of 18%.

**Figure 11: Hip replacement procedure cost allocation based on NHS tariff (£6300)**



Source: One Health Group, SEAL Advisors

#### Owning facilities makes sense

Given this combination of the economics of procedures and potential bottlenecks of using third party facilities, it is no surprise that One Health should wish to own its own operating theatre facilities and associated ward space. To this end, the company aims to open two fully owned surgical hubs over the next five years. These are likely to be situated in North and South Lincolnshire, both of which are areas deemed by the company to have large unmet demand for NHS funded elective surgery. Each hub is expected to consist of a single operating theatre and 13 beds for post-op recovery. This is a similar concept to the physician-owned ambulatory centres to be found in the US.

#### Hubs cost c.£3.5m to build

In terms of numbers, each surgical hub is likely to cost in the region of £3.5 million to build and be capable of generating a gross margin of c.50% on an annual revenue figure of c.£5 million. The opening of owned facilities would entail directly employing theatre support staff and nurses to operate the facilities, which would add to the company's overheads, since these would be FTEs. However, not only would this mathematically raise the company gross margin, since revenues earned through its own hubs would earn a gross margin almost three times current levels, but the company's operating margin should also rise (despite the extra FTEs and facility depreciation) since the company will be able to exploit economies of scale to earn a larger share of the economics.

#### Benefit from economies of scale

In this respect, the operation of a surgical hub of this type is similar to the commercial operation of any facility which relies on throughput to cover overhead cost and make a profit. High-capacity utilisation will be key to maximising returns, and in this respect the company believes that, at maturity, it should be able to carry out six to seven hip or knee replacement procedures based on a 12-hour day comprising three surgical sessions. This compares favourably to the throughput achieved by both the private sector (around five to six procedures over the same period) and the NHS itself (less than three procedures). While the company only has immediate plans to open two of these hubs, it has identified locations that would be suitable for additional hubs in the future.



## The Outlook in Numbers

### 16.4% CAGR revenue growth forecast

Table 3 summarises our five-year forecasts which take into account the continuation of the existing business model and the launch of two self-owned surgical hubs which add to revenues from 2025 onwards. As highlighted in Figure 10, our near-term revenue forecast for 2023 is based on a continuation of the post-Covid-19 recovery. Here we are factoring in just over 14% revenue growth to take total revenues to just over £20 million. From 2024 onwards we take a more conservative view on top line growth from the existing business and expect medium growth to be just below 8% year-on-year, with the rest of the growth coming from the self-owned hubs. For the group we are forecasting total revenue CAGR of 16.4% between 2022 and 2027.

**Table 3: Revenue forecasts for One Health Group**

(£'000)	2022A	2023E	2024E	2025E	2026E	2027E
<b>Total Revenues</b>	<b>17,515</b>	<b>20,038</b>	<b>21,601</b>	<b>25,294</b>	<b>30,530</b>	<b>37,491</b>
<i>Growth (%)</i>	<i>110%</i>	<i>14.4%</i>	<i>7.8%</i>	<i>17.1%</i>	<i>20.7%</i>	<i>22.8%</i>

Generated from:

Existing business <sup>1</sup>	17,515	20,038	21,601	23,285	25,102	27,060
<i>Growth (%)</i>	<i>110%</i>	<i>14.4%</i>	<i>7.8%</i>	<i>7.8%</i>	<i>7.8%</i>	<i>7.8%</i>
Owned facilities	0.0	0.0	0.0	2,009	5,429	10,431
<i>Growth (%)</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>170%</i>	<i>92%</i>

<sup>1</sup>Refers to procedures taking place at third-party facilities

Source: SEAL Advisors

### No assumed price inflation for procedures

We have assumed no inflation in the ASP (i.e., the average revenue per procedure) which is fixed at the 2022 value of c.£3,600 and the number of procedures is estimated to be below the pre-Covid-19 level until after 2025. The surgical hubs are only expected to contribute partially in their first year of opening and a full contribution is not expected until 2027. At which point both surgical hubs are estimated to be carrying out c.1,450 procedures per hub, per year.

**Table 4: Estimated number of procedures per year for One Health Group**

	2022A	2023E	2024E	2025E	2026E	2027E
No. of procedures	4,870	5,571	6,006	7,033	8,489	10,424
<i>Revenue/procedure (£'000)</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>

Source: SEAL Advisors

To estimate the contribution from the new surgical hubs we have effectively worked backwards from revenue. We have assumed that at maturity each hub can achieve a revenue contribution of just over £5 million. Based on constant ASPs of £3,600 which implies each facility would be undertaking c.1,450 procedures per year when fully operational.

### The economics of new facilities

Table 5 gives a breakdown of the assumptions of a new hub at maturity. As the table shows, 1,450 procedures per year for a mature hub would mean between 4.7 to 5.7 procedures per day, depending on whether procedures are also carried out on Saturdays. This sort of daily rate tallies with what is currently being achieved by the private sector and looks eminently achievable. It is envisaged that One Health would open more clinics in the vicinity of these new surgical

hubs, meaning that it can effectively source its own NHS-funded patients for treatment in these owned facilities.

**Table 5: Assumptions and estimates of surgical hub activity at maturity**

Assumption	Value
Estimated annual revenue per facility	£5.2 million
Assumed ASP (£k)	3.6
Implied no. of procedures per year	1,449
Operational days (ex. weekends and public holidays)	253
Procedures per day	5.7
Operational days (ex. Sundays and public holidays)	305
Procedures per day	4.7

Source: SEAL Advisors

**Gross margins to reach 26%**

In terms of profits, Table 6 shows that gross margins are expected to rise from 16.5% (FY203E) to 25.9% (FY27E) as the company is paying away less of the total procedure fee for the use of third-parties treatment facilities.

**Table 6: Gross margin forecasts for One Health Group**

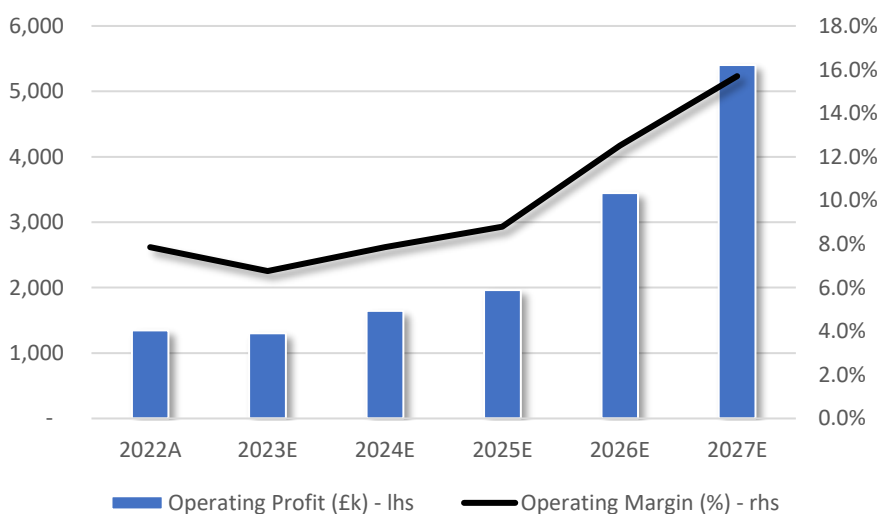
%	2022A	2023E	2024E	2025E	2026E	2027E
Gross margin	20.4%	16.5%	16.8%	18.8%	22.6%	25.9%

Source: SEAL Advisors

**Profits to grow faster than revenue**

Despite the increased overhead resulting from the opening of the hubs and despite the fact that depreciation on the facilities will be expensed through the P & L, the company should benefit from significant economies of scale, with the result that the operating margin is expected to increase from c.6.8% in FY23E to 15.7% in FY27E, driving growth in operating profit above revenue growth.

**Figure 12: Forecast operating profit and margin for One Health Group**



Source: SEAL Advisors

## 1.5. Forecast Summary

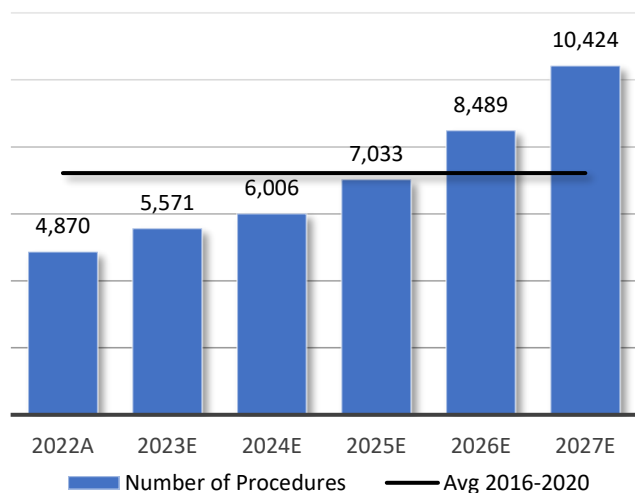
Details of the forecast P&L, balance sheet and cashflows for One Health Group are provided in Tables 12 -14. Below we provide a summary of our key forecasts.

**Table 7: Forecast year-on-year growth for One Health Group**

March y/e	2023E	2024E	2025E	2026E	2027E
Revenue	14.4%	7.8%	17.1%	20.7%	22.8%
EBITDA (pre-exc)	-1.6%	25.2%	31.3%	71.6%	54.0%
Op. Profit (pre-exc)	(3.3%)	26.2%	19.3%	75.8%	56.8%

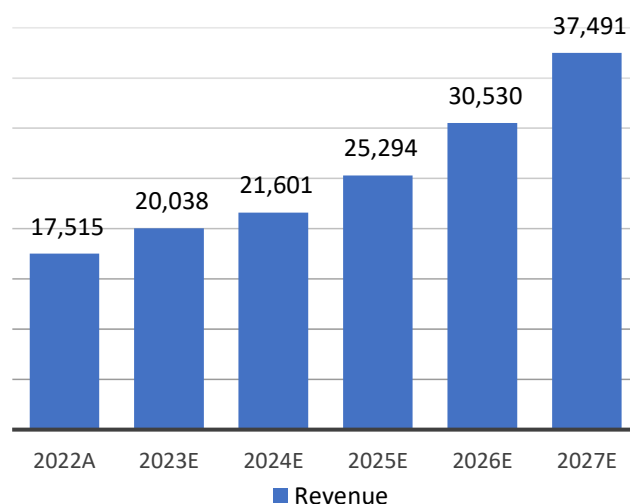
Source: SEAL Advisors

**Figure 17: Forecast number of procedures per year**



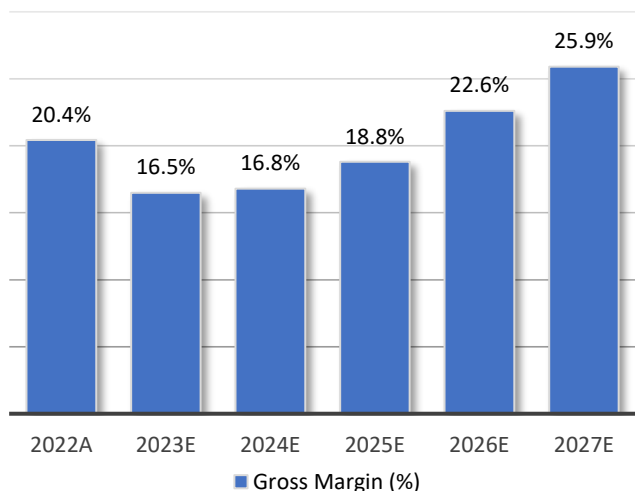
Source: SEAL Advisors

**Figure 18: Revenue forecasts**



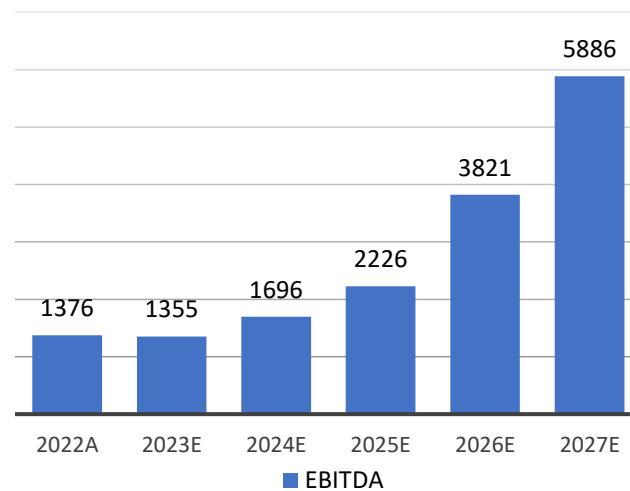
Source: SEAL Advisors

**Figure 19: Gross Margin (%) forecasts**



Source: SEAL Advisors

**Figure 20: EBITDA (pre-exceptional) forecasts**



Source: SEAL Advisors

## 1.6. Management Team and Board

### Highly experienced senior team

One Health Group benefits from a highly experienced board and senior leadership team providing deep expertise in healthcare, finance, operations and personnel management. A brief summary of the main team is given below.

#### **Derek Bickerstaff FRCS, Non-Executive Chairman**

Derek is a (recently retired) Orthopaedic Consultant Surgeon who specialised in knee surgery with senior positions in Sheffield NHS teaching hospitals. He founded One Health after leaving the NHS in 2000 in pursuit of a better way of operating through outsourcing services from the NHS. He is recognised as one of the UK's leading knee surgeons and took referrals nationally and internationally including many high-profile athletes.

He held appointments as the Knee Tutor at the Royal College of Surgeons of England and served as an executive member of the British Association of Surgery of the Knee. He has also served on the board of the Journal of Bone and Joint Surgery. Derek is frequently invited to lecture on knee surgery at national and international meetings.

#### **Adam Binns, Chief Executive Officer.**

Adam joined One Health Group as Project Director & COO in January 2018, taking on the role of Finance Director & COO in May 2018 and Chief Executive in July 2019. Prior to joining One Health Adam worked extensively in senior financial, operational and commercial roles across retail, logistics and manufacturing. He is a member of the Chartered Institute of Management Accountants.

#### **Nick Parker, Non-Executive Director**

Nick Parker has more than 30 years' experience in financial management and leading businesses to develop robust commercial growth. Nick has held several CFO and CEO roles throughout his career including CFO of Dyson and Volex plc and a successful stint at one of Yorkshire's cultural landmarks Sheffield Wednesday FC.

#### **Helen Pitcher OBE, Non-Executive Director**

Senior Independent Director and Chairman of the Remuneration and Nominations Committees. Helen is an experienced Chairman, Board member, Board facilitator and Coach. She works across the range of FTSE, Professional Service, Private Equity and Family firms, where she has led some of the biggest Board Evaluations. Helen is also a coach to many leading CEOs, Chairman and NED's. She was awarded an OBE for services to Business in 2015.

#### **Zack McMurray, Non-Executive Director**

Zak practiced at Sheffield's Woodhouse Medical Centre for 20 years after qualifying as a doctor in 1988. In 1999 he was elected to the board of the South East Sheffield Primary Care Group. He acted as mental health and commissioning lead before taking over as PEC Chair. He moved to become Joint Clinical Director of Sheffield Clinical Commissioning Group, eventually leaving his practice in 2014 to become Medical Director. A current member of the Quality Assurance Committee, Primary Care Commissioning Committee and the Sheffield Health and Wellbeing Board, and sitting on the CCG Governing Body, Zak is a committed champion of NHS principles at the highest levels.

### **Shantanu Shahane, Medical Director**

Shantanu is a Consultant Orthopaedic Surgeon. He was appointed as Medical Director in July 2019. He has brought a genuine passion for developing and promoting clinical leadership to enhance patient care. He has board responsibility for Clinical Governance and Quality and Heads up the One Health Group's Clinical Governance Team, leading the delivery of high-quality clinical care for patients. Shantanu also leads the strategic transformation of healthcare provision, through partnership within and across established Surgeons, Anaesthetists, Physiotherapists, Clinic and Hospital Partners. He has a key role in promoting and supporting quality improvement across the organisation.

### **Jessica Sellars, Director of Operations and Service Development**

Jessica joined One Health Group in May 2005 and holds both BA (Hons) in Business Studies and MSc in Leadership and Management from Sheffield Hallam University. With over 15 years' experience of working within the Healthcare Sector, she has achieved various internal promotions within the Senior Management Team, and today she holds the position of Director of Operations & Service Development. Jessica works closely with the CEO on the establishment, development and optimisation of day to day operations in the organisation, in addition to developing and implementing key strategic growth strategies.

### **Lisa Johnson, Head of Finance**

Lisa joined One Health Group in 2004 and has been instrumental in the growth of the organisation since it was established, successfully working her way up from finance assistant to Head of Finance. She is responsible for delivering the organisation's financial strategy, working closely with NHS and independent hospital partners on contract negotiation and delivery, consultant management, and leading the finance team.

### **Nicole Gent, Head of Service Delivery, Engagement and Wellbeing**

Nicole joined One Health in 2015 and has been fundamental in developing and nurturing the Patient Liaison Team to meet the demands of increasing patient numbers as the business has grown. This team represents more than half of the total workforce and is the lynchpin day to day between our Patients, hospital partners and Consultants. Nicole is key to ensuring excellent patient satisfaction, and the delivery of our NHS contracts in addition to demonstrating impressive people management skills whilst also driving our engagement and wellbeing agenda.

## 1.7 The NHS, AQPs and Waiting Lists

### Significant increase in choice

When the NHS was established in 1948, the main choice patients were offered was which GP practice to register with. Over the following seventy years, people using the NHS have been given increased choice over the nature of the healthcare they receive. Following the National Health Service Act (2006), patients have had the right to choose their own treatment provider for certain procedures, either by the NHS, voluntary providers (i.e., 'third sector' companies), or private companies operating in the independent sector, known as Independent Sector Healthcare Providers (or ISPs). The importance of patient choice was reiterated in the NHS' 'Five Year Forward View' (5YFV/2014) published in 2014.

### AQP and patient empowerment

#### The role of AQPs

The provision of outsourced elective procedures to the NHS by third parties is carried out under what has subsequently become known as Any Qualified Provider (AQP). AQPs are a subset of ISPs<sup>11</sup>. The role of ISPs operating within an NHS framework was clarified with the Health and Social Care Act (2012), which outlined the ways in which private sector competition could be further utilized to improve outcomes within the NHS, with the AQP system as a cornerstone of this<sup>12</sup>. The intention behind AQP is to "*empower patients and carers, improve their outcomes and experience, enable service innovation and free up clinicians to drive change and improve practice*"<sup>13</sup>. This follows a general trend within Europe towards increasing patient choice when it comes to the provision of healthcare treatment, with governments facilitating the entrance of independent sector companies into the market. The commitment of the NHS to patient choice as represented by the support of independent providers is stated in the NHS long term plan (2019), where they see the use of such providers as contributing to improvement in waiting times and patient experiences of care<sup>14</sup>.

### AQP requires quality standards

For an independent company such as One Health Group to achieve AQP status, it must meet the requisite quality standards. It must also abide by the referral protocols set by NHS Commissioners, with clinicians offering patients a choice of qualified providers for the treatment required. Unlike the private sector, competition between independent sector providers is based solely on quality of service, rather than cost or price, with providers paid a fixed price determined by a local or national tariff. In order to foster competition based around quality, there is no minimum guaranteed volume of procedures between the NHS and independent providers, with AQPs entering into 'zero based' contracts with Clinical Commissioning Groups (CCGs) within the NHS.

### AQP is a demanding process

While the hurdles to achieve AQP status might seem relatively straightforward (i.e., the provider must be able to perform procedures to the stipulated quality levels and at the tariff prices), in actuality the registration and approval process is demanding, with the provider having to undergo extensive due diligence in order to get qualified. Independent providers seeking AQP status must register

<sup>11</sup> Note that all AQPs are ISPs, not all ISPs are AQPs. AQPs are a small subset ISPs. The definition of independent service provider is often unclear. In some instances, this umbrella may include the voluntary sector, charities or even local authorities. However, in keeping with DHSC (Dept of Health and Social Care) usage, it is taken to mean the private sector, ISTCs (Independent Treatment Centres) and social enterprises

<sup>12</sup> Jackie Walumbe, Deborah Swinglehurst, Sara Shaw 'Any qualified provider: a qualitative case study of one community NHS Trust's response, BMJ Open, Volume 6, Issue 2, 2016, page 1

<sup>13</sup> Dept of Health, 'Operational Guidance to the NHS: Extending Patient Choice of Provider', 2011, page 4

<sup>14</sup> NHS Long Term Plan (2019), p.74



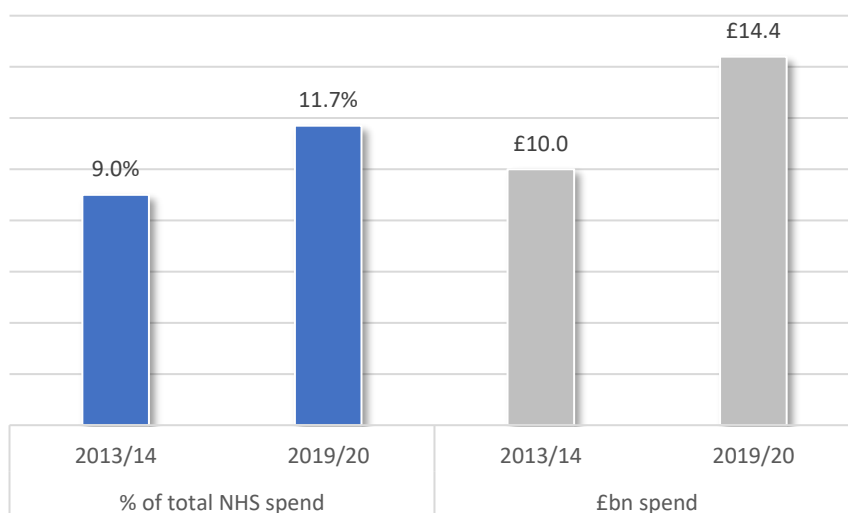
with the Care Quality Commission (CQC), which assesses whether or not the provider can meet the required NHS quality requirements and appropriate professional standards. With regard to ISPs, it is estimated that although there are around 250 ISPs operating in the UK out of independent sector treatment centres and private hospitals, only 32 of these have AQP status, One Health Group being one of them. The important point to note about AQP status (and relevant to One Health) is that once a provider has achieved AQP status, it is able to provide certain NHS services anywhere in England. As we noted in section 1, AQP also provides a significant barrier to entry to new potential entrants to the market.

### The Independent Sector and the NHS

**Private sector involvement is well established**

While media discussions of the role played by private sector companies in the NHS are often highly politicized, it is clear that private sector involvement is well established within the NHS, where non-NHS spend (i.e., private sector, third sector, other independent providers) increased by 44% between 2013/14 and now represents c.12% of total NHS annual spend.

**Figure 13: Growth in non-NHS provider spend, 2013/14 vs 2019/20**



Source: Sheaff et al, The Guardian, SEAL Advisors

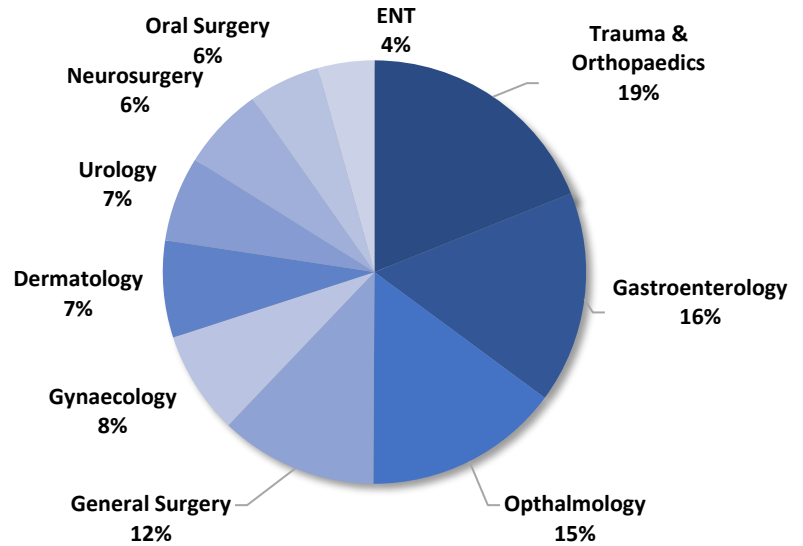
**Private sector involvement is growing**

There are some indications, however, that the above figures understate the true scale of NHS spend with the independent sector, which might be a much as twice the level indicated in the published data. Either way, it is clear that 1) NHS engagement with the private sector is well established; and 2) it is growing. To the latter point, a recent report by the BMA highlighted that NHS spending on the independent sector grew +16.9% y-o-y in 2020-21. Moreover, the BMA estimates that the independent sector carried out 5.2% of all NHS-funded elective activity in 2020-21, compared to 0.02% in 2003-04

Drilling down a little, Figure 14 shows that when it comes to the type of services provided, the bulk of treatments carried out by the independent sector tends to be concentrated across a relatively small number of disciplines. ISPs carry out just over 23% of the trauma and orthopaedics surgical operations undertaken by the NHS, almost 20% of gastroenterology procedures as well as c.15% of general surgery procedures. There is also considerable variation within these disciplines on a geographical basis. For example, within orthopaedics and

trauma, while only 13% of NHS elective procedures are carried out by ISPs in London, this figure rises to 32% in Yorkshire and the Humber and 36% in the South West.

**Figure 14: Top 10 Electives – independent sector as a % of total NHS treatments**



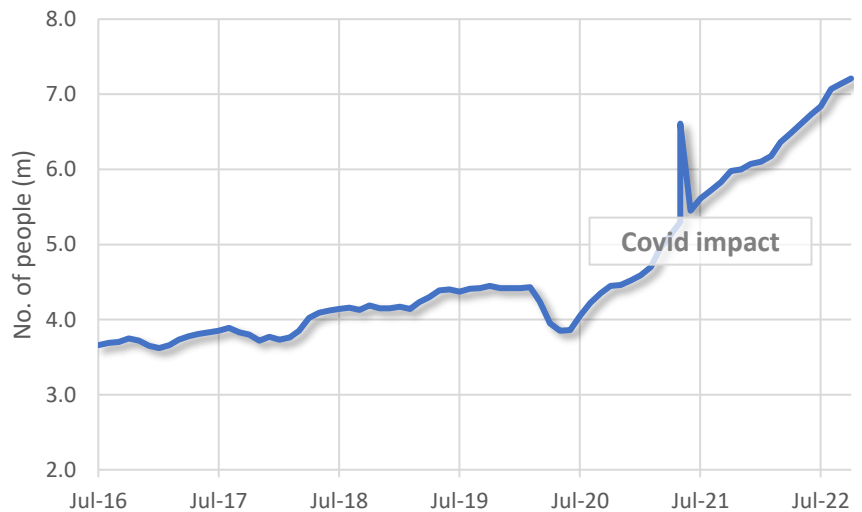
Source: Peytringet et al, NHS England, SEAL Advisors

**NHS waiting list now at 7.2 million**

**Addressing the NHS Waiting Lists**

The major problem that independent service providers (and specifically the AQPs) are helping the NHS solve, is the issue of long waiting lists. Even before the Covid-19 pandemic, the number of people on NHS waiting lists for consultant-led elective care was on an upward trend, rising from 3.7 million people in July 2016 to 4.4 million people in Sep 2019. As a result of the disruption to the NHS caused by Covid-19 and the associated lockdowns, leading the NHS to put elective surgery on hold, NHS waiting lists have ballooned to all-time highs at 7.21 million people as at the end of October 2022.

**Figure 15: Number of people on NHS waiting lists for consultant-led elective care**



Source: BMA (as of end October 2022), NHS Digital, SEAL Advisors

People are also, on average waiting much longer for treatment. Latest data from the BMA shows that the number of people waiting over 18 weeks for consultant-led elective care now stands at an astonishing 2.91 million people (end October 2022), which represents an almost 10-fold increase since 2016.

**Figure 16: Number of patients waiting more than 18 weeks for elective care**



Source: BMA (as of end of October 2022), NHS Digital, SEAL Advisors

### People waiting longer

As a proportion of the total, around 35% of the total NHS waiting list currently comprises people waiting over 18 weeks for an elective procedure compared to around 8% in 2016. Possibly more remarkable is data from the BMA showing that around 378k people are now waiting over 52 weeks for an elective procedure which is 365 times the level of July 2019<sup>15</sup>.

Faced with ever increasing waiting times, the government has announced an initiative to reduce waiting lists for consultant-led elective care. According to a February 2022 report by the NHS titled ‘*Delivery plan for tackling the Covid-19 backlog of elective care*’, the target is to eliminate waits of longer than a year for elective care by March 2025. They aim to do this by delivering around 30% more elective activity than pre-pandemic by 2024/5. Importantly for One Health Group is that one of the four key areas of delivery outlined in the report highlights the involvement of the independent sector, in which they state:

*“Increasing Health Service Capacity, through the expansion and separation of elective and diagnostic service capacity. The physical separation of elective from urgent and emergency services ensures the resilience of elective delivery, as well as providing service efficiency. This will include a strengthened relationship with independent sector providers to accelerate recovery.*”

### ISPs will be needed to address waiting lists

This is a strong indication that the NHS will increasingly turn to ISPs to help solve the issue of waiting lists. This is emphasized in the report where, as part of the NHS’ commitment to increase health service capacity, it is stated that:

*“More people [will be] offered the option of treatment by high quality independent sector providers, free at the point of care”<sup>16</sup>.*

<sup>15</sup> See British Medical Association (2022), NHS backlog data analysis

<sup>16</sup> NHS “Delivery plan for tackling the Covid-19 backlog of elective care’ 2022

Additionally, the report describes how “making effective use of independent sector capacity” will be a key means of increasing NHS capacity. It envisages doing so by co-ordination with independent sector providers as part of elective recovery plans and as a means of maximizing elective activity to reduce waiting times.

**Additional funding to address waiting lists**

The independent sector is also viewed as helping the NHS achieve its ambition of innovation and efficiency. Crucially, in order to secure independent sector involvement in the recovery plan, patients will be informed in a clear and consistent manner about the role that the independent sector can play in their treatment, as well as their rights around choosing an independent provider to supply that treatment. Importantly, this recovery plan will be backed by some £10.7 billion of government funding, spread across two years.

**Positive outlook for One Health**

Given the issues facing the NHS and One Health’s status as a key player in the independent sector, the outlook for its continued long-term growth and profitability looks extremely positive.

## 1.8 Summary & Conclusions

### Unique company

In summary, One Health Group is a unique company which has grown strongly since its foundation in 2004. Going forward we expect its growth to be driven by a combination of secular growth trends and company specific attributes. These include:

### Brand, Reputation and Quality

### Strong brand

Over its 18 years of operation, One Health Group has developed a strong brand and reputation for quality of service in providing elective medical procedures. In a recent survey, 99% Patients rate One Health Group good to excellent. They have also achieved 100% of quality targets set by the NHS.

### Experienced Operators

### Experienced company

Prior to the impact of Covid-19, One Health Group carried out an average of c7,200 surgical procedures each year and generated over £20m in revenue. On average they see between 10,000 and 12,000 new patients a year at one of their 30 CQC registered clinics. They have team of 60 surgeons and 40 anaesthetists operating in areas in the Midlands and North of England which are under-served by the NHS. They have been an AQP since 2011 and can treat patients from anywhere in England.

### Own Capacity Expansion

### Own capacity

Since 2011, One Health Group has grown revenue by over 13% CAGR and 18% excluding the recent impact of Covid-19. Going forward, the opening of its own surgical hubs will enable it to substantially increase procedure volumes. This will also have a positive effect on operating margins as the company benefits from significant economies of scale which it cannot fully exploit by relying solely on third-party hospital space.

### Right Place, Right Time

### Well positioned

The NHS is facing a crisis in the form of ballooning elective care waiting lists. In certain parts of the country, patients are waiting up to two years for a hip replacement. One Health Group is in a position to help the NHS significantly reduce waiting lists, thereby improving patient satisfaction and patient outcomes.

### Waiting List Reduction Initiative

### Essential service

The NHS plan for reducing elective care waiting lists includes the independent sector as a core part of the solution. This involves making patients more informed of their choices and their rights to use an ISP for their elective treatment. The more informed patients are about their rights to choose, the faster the growth rate for independent sector providers such as One Health is likely to be.

### Ageing Demographic and Increasing Healthcare Demands

### Positive outlook

There is a direct link between an ageing population and demand for orthopaedic and spine related medical procedures. As the proportion of the population aged 60 or over is expected to reach c.30% by 2040, the role of independent operators such as One Health Group in dealing with increasing procedure volumes will become even more important than it is today.

## 2.1 IPO, Interim Results and Valuation

**£2.2 million of new money**

### IPO and Proceeds

One Health Group was admitted to trading on the Apex segment of the AQSE Growth Market on the 24<sup>th</sup> November 2022. The gross proceeds from the IPO were £1.56 million at an issue price of 150 pence per share. On admission it had a market capitalisation of £15.05 million. The net proceeds from the IPO, after repayment of the of indebtedness by the One Health Group EBT Trustee are to be used for working capital for the continued development of the company and to fund irrecoverable VAT.

### Interim Results and Forecasts

**Company on track**

On the 14<sup>th</sup> December 2022, One Health reported its inaugural interim results as a listed company. For the half-year period to the 30<sup>th</sup> September 2022 the company reported turnover of £9.83 million and underlying EBITDA of £0.51 million representing growth of 17% and 15% respectively. This compares to our full year forecasts of £20.0 million in turnover and £1.36 million in EBITDA. Given our understanding of the nature of NHS contracts and the split between H1/H2 in terms of payments received, we are confident that the company is on track to achieve our full year forecasts.

### Valuation

**No direct peer group**

Within the listed company sector there are no direct listed peers of One Health Group in which to make a direct comparison in terms of valuation. One company that operates in the same broad area is Spire Healthcare (SPI). This company differs from One Health in that it is very asset heavy as it owns it hospital and clinic portfolio. Accordingly, its financial structure is very different to One Health as it has debt in the region of £427 million and an enterprise value of over £1.2 billion. With these caveats in mind, Table 8 below compares various valuation metrics of Spire Healthcare and One Health.

**Table 8: Spire Healthcare vs One Health Group**

Metric	Spire Healthcare	One Health Group
<b>Mkt Cap (£m)</b>	£920.8	£17.6
<b>Enterprise Value (£m)</b>	£1,276	£15.0
<b>Year end</b>	December	March
<b>EV/Sales:</b>		
+1 yr forecast	1.1	0.7
+2 yr forecast	1.0	0.7
<b>EV/EBITDA:</b>		
+1 yr forecast	6.1	11.0
+2 yr forecast	5.4	8.4
<b>PE</b>		
+1 yr forecast	66.1	14.9
+2 yr forecast	30.3	14.6

Source :FactSet SEAL Advisors



Given the lack of a direct peer group on which to base a comparative valuation our preferred method for providing a valuation range is to use a standalone discounted cashflow (DCF) model. The advantage of using the DCF in this situation is it takes into account the free cash flow generation over the period in which the investment in the surgical hubs will take place as well as the period in which the hubs will become fully operational and be generating cashflow.

**Table 9: Free cashflow estimates for One Health Group**

March y/e	2023E	2024E	2025E	2026E	2027E
Operating cash flow	1,381	1,767	2,306	3,876	5,905
Tax	(86)	(401)	(481)	(853)	(1,343)
Capex	(100)	(108)	(3,626)	(3,653)	(187)
<b>Unlevered free cash flow</b>	<b>1,195</b>	<b>1,258</b>	<b>(1,802)</b>	<b>(629)</b>	<b>4,375</b>

Source: SEAL Advisors

**Valuation range £23m to £53m**

Using a relatively wide discount rate range of between 10% and 14%<sup>17</sup> and terminal growth rates ranging from 1% to 4%, table 10 shows we estimate a DCF based valuation range for One Health of between £23 million and £53 million. Using a more reasonable range of between 11% and 13% for the discount rate and 2% and 3% for the terminal growth rate the indicative valuation range for One Health is between £27 million and £39 million.

**Table 10: DCF valuation range for One Health Group**

Growth rates	Discount rates				
	10%	11%	12%	13%	14%
1%	36	32	28	25	23
2%	40	35	31	27	25
3%	46	39	34	30	27
4%	53	44	38	33	29

Source: SEAL Advisors

<sup>17</sup> We use a higher discount rate than in previous analysis to reflect the increase in government bond yields

## 2.2 SWOT Analysis

### Strengths

1. High demand for service offering given ballooning NHS waiting lists
2. Focus on geographies with significant unmet demand for elective care
3. AQP status is significant barrier to entry
4. Aging demographic should lead to higher demand for elective care
5. Experienced management team and well-established operations

### Weaknesses

1. Currently reliant on securing sufficient capacity from private hospitals
2. To capitalise on long term opportunity set requires own capacity
3. Pricing is effectively capped, meaning volume is the lever for growth
4. Customer concentration is high (many ICBs but one NHS)
5. Reliant on GPs to make patients aware of their right to use ISPs

### Opportunities

1. Capitalise on likely increased propensity for NHS outsourcing
2. Continue to benefit from Covid rebound
3. Open own surgical hubs to capture higher value share
4. Adding in-house treatment capacity enables higher growth
5. Scope to expand current footprint of clinics, boosting patient flows

### Threats

1. Any resumption of Covid lockdowns would be problematic
2. Opening own treatment facilities carries execution risk
3. Third-party capacity may become more difficult to secure
4. Must ensure that maintains AQP status
5. Any change in regulations that limits ISP activity would be an issue

## 2.3 ESG Assessment

### Overview

One Health Group has a straightforward business model, with a small head office. It has an insignificant environmental footprint, and a strong social purpose. Few if any of the concerns around social issues in US Healthcare providers apply as One Health Group is largely funded through NHS Trusts. Corporate Governance is adapting from a private to a public company structure but the management team has significant relevant non-executive support and the current major shareholder is, and will remain, on the board.

### Environmental

One Health Group mainly operates from third party premises and so is not responsible for the operational compliance of the facilities with regulatory/environmental standards (such as pertaining to disposal of medical waste or access to controlled substances). It has limited impact on the environmental footprint of the facilities via direct or indirect GHG emissions which in any event are de minimis.

### Social

Given the nature of their operation and the relatively small workforce, it will take time to establish and monitor relevant social issues such as diversity. The senior management team is diverse in terms of gender with a good level of female representation throughout the business. The Consultant team is ethnically diverse though almost entirely male.

There is no likelihood of One Health infringing against the most material social disbenefits seen in US Healthcare providers which are failure adequately to ensure access to procedures for the less well-off, the possibility of predatory pricing, and the conduct of unnecessary procedures to inflate revenues, since procedures conducted by One Health are mandated and funded under the NHS at nationally agreed NHS rates or via private healthcare claims. Survey results suggest continuing high levels of customer satisfaction, and there are no material ongoing disputes with either customers or surgical or administrative staff.

Employee retention and training is exemplary, due to paying towards the upper end of local scales, while providing extensive non-financial benefits with a focus on employee mental well-being. The company is looking to re-initiate community engagement programmes which lapsed during Covid-19.

### Governance

The Board has Derek Bickerstaff the founding 60% shareholder as Non-Executive Chairman, with CEO and other Executive Directors balanced by three outside NEDs. There has been an element of board turnover in the past (2019) through specific non-disclosed circumstances which led to the departure of two directors. Pre the IPO, in addition to the 60% shareholder there are 20 other shareholders, 16 of whom are surgeons.

### 3.1 Financial Forecasts – Income Statement

**Table 12: Forecast Income Statement for One Health Group (SEAL Advisors estimates)**

Mar Y/E (£)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
<b>Revenue</b>	8,328	17,515	20,038	21,601	25,294	30,530	37,491
Gross Profit	1,816	3,580	3,306	3,629	4,756	6,904	9,710
Gross Margin (%)	22%	20%	17%	17%	19%	23%	26%
<b>EBITDA (pre-excep.)</b>	(51)	1,376	1,355	1,696	2,226	3,821	5,886
EBITDA Margin (%)	-1%	8%	7%	8%	9%	13%	16%
SG&A (ex-depreciation)	2,195	2,194	2,191	1,933	2,529	3,084	3,824
Depreciation	39	30	52	52	266	373	481
<b>Operating Income (pre-excep.)</b>	(419)	1,357	1,063	1,644	1,961	3,447	5,404
Operating Income Margin (%)	-5%	8%	5%	8%	8%	11%	14%
Other	83	0	(634)	0	0	0	0
Net interest	(4)	72	(40)	(39)	(37)	(36)	(33)
Other financial income	33	(39)	0	0	0	0	0
<b>Pre-Tax Profit (pre-excep.)</b>	(61)	1,379	1,262	1,605	1,924	3,412	5,372
<b>Pre -tax Profit (reported)</b>	(307)	1,390	389	1,605	1,924	3,412	5,372
Tax	58	(230)	(86)	(401)	(481)	(853)	(1,343)
Minorities	0	0	0	0	0	0	0
<b>Net Income (pre-excep.)</b>	(49)	1,150	1,176	1,204	1,443	2,559	4,029
<b>Net Income (reported)</b>	(248)	1,160	303	1,204	1,443	2,559	4,029

### 3.2 Financial Forecasts – Balance Sheet

**Table 13: Forecast Balance Sheet for One Health Group (SEAL Advisors estimates)**

Mar Y/E (£)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
<b>Non-Current Assets</b>							
Tangible Assets	409	1,116	1,164	1,220	4,581	7,860	7,567
Intangible Assets	0	0	0	0	0	0	0
Other L/T Assets	862	1,862	1,862	1,862	1,862	1,862	1,862
<b>Total Non Current Assets</b>	<b>1,271</b>	<b>2,978</b>	<b>3,026</b>	<b>3,082</b>	<b>6,443</b>	<b>9,722</b>	<b>9,429</b>
<b>Current Assets</b>							
Debtors	4,718	4,627	4,381	4,794	5,544	6,692	8,217
Cash	1,706	3,685	3,645	4,310	1,916	696	4,483
<b>Total Current Assets</b>	<b>6,424</b>	<b>8,312</b>	<b>8,026</b>	<b>9,103</b>	<b>7,460</b>	<b>7,388</b>	<b>12,700</b>
<b>Total Assets</b>	<b>7,696</b>	<b>11,291</b>	<b>11,052</b>	<b>12,185</b>	<b>13,903</b>	<b>17,110</b>	<b>22,129</b>
<b>Non Current Liabilities</b>							
L/T Debt	893	1,085	1,030	975	920	865	810
Other L/T Liabilities	0	22	22	22	22	22	22
<b>Total Non Current Liabilities</b>	<b>893</b>	<b>1,107</b>	<b>1,052</b>	<b>997</b>	<b>942</b>	<b>887</b>	<b>832</b>
<b>Current Liabilities</b>							
S/T Debt	40	14	14	14	14	14	14
Other Current Liabilities	2,790	4,758	4,538	5,022	5,852	7,055	8,601
<b>Total Current Liabilities</b>	<b>2,830</b>	<b>4,772</b>	<b>4,552</b>	<b>5,037</b>	<b>5,866</b>	<b>7,070</b>	<b>8,615</b>
<b>Total Liabilities</b>	<b>3,723</b>	<b>5,880</b>	<b>5,605</b>	<b>6,034</b>	<b>6,809</b>	<b>7,957</b>	<b>9,447</b>
<b>Net Assets</b>	<b>3,973</b>	<b>5,411</b>	<b>5,447</b>	<b>6,152</b>	<b>7,094</b>	<b>9,153</b>	<b>12,681</b>

### 3.3 Financial Forecasts – Cash Flow

**Table 14: Forecast Cash Flow for One Health Group (SEAL Advisors estimates)**

Mar Y/E (£)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Pre-Tax Profit - Reported	(307)	1,390	389	1,605	1,924	3,412	5,372
Depreciation	39	30	52	52	266	373	481
Other	(106)	242	913	39	37	36	33
<b>Op. cashflow pre-working capital</b>	<b>(374)</b>	<b>1,662</b>	<b>1,355</b>	<b>1,696</b>	<b>2,226</b>	<b>3,821</b>	<b>5,886</b>
Working capital movements	(370)	1,869	27	71	79	56	20
<b>Op. cashflow post-working capital</b>	<b>(744)</b>	<b>3,531</b>	<b>1,381</b>	<b>1,767</b>	<b>2,306</b>	<b>3,876</b>	<b>5,905</b>
Income Tax Paid	(220)	0	(86)	(401)	(481)	(853)	(1343)
Capex	(63)	(754)	(100)	(108)	(3626)	(3653)	(187)
Other	33	(39)	0	0	0	0	0
<b>Unlevered free cashflow</b>	<b>(994)</b>	<b>2,739</b>	<b>1,195</b>	<b>1,258</b>	<b>(1802)</b>	<b>(629)</b>	<b>4,375</b>
Disposals/Other	51	(998)	0	0	0	0	0
Net Finance Income/Costs	(4)	72	(40)	(39)	(37)	(36)	(33)
Dividends Paid	(347)	0	(560)	(500)	(500)	(500)	(500)
Share Issues/(purchases)	0	0	1,555	0	0	0	0
Debt Issued/(repaid)	(715)	268	(55)	(55)	(55)	(55)	(55)
Other	(25)	(101)	(2135)	0	0	0	0
<b>Change in cash and equivalents</b>	<b>(2034)</b>	<b>1,979</b>	<b>(40)</b>	<b>664</b>	<b>(2394)</b>	<b>(1220)</b>	<b>3,787</b>
Cash at year start	3,740	1,706	3,685	3,645	4,310	1,916	696
<b>Cash at year end</b>	<b>1,706</b>	<b>3,685</b>	<b>3,645</b>	<b>4,310</b>	<b>1,916</b>	<b>696</b>	<b>4,483</b>



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## A.2 Glossary of Terms

<b>AQP</b>	Any Qualified Provider (see page 17)
<b>BMA</b>	British Medical Association
<b>CAGR</b>	Compound Annual Growth Rate
<b>CCG</b>	Clinical Commissioning Group (now called Integrated Care Boards)
<b>CQC</b>	Care and Quality Commission
<b>CQUINS</b>	Commissioning for Quality and Innovation
<b>EBT</b>	Employee Benefits Trust
<b>ERS</b>	NHS e-Referral System
<b>FTE</b>	Full Time Employee
<b>GP</b>	General Practitioner
<b>ICB</b>	Integrated Care Board (formerly CCG)
<b>ISP</b>	Independent Service Provider
<b>PA</b>	Per annum
<b>PMI</b>	Private Medical Insurance

### **A.3 About Oberon Capital**

Oberon Capital is a trading name for Oberon Investments Ltd and is the corporate advisory and broking division of Oberon Investments Group PLC.

Oberon provides public and private corporate clients with access to capital via a broad and differentiated network of institutional and private investors. Our capabilities are supported by a hands-on, bespoke corporate advisory service that leverages the considerable experience of the Oberon Capital team, as well as the wider Oberon Group. Our ambition is to provide creative solutions combining old-fashioned relationship-based corporate broking with fresh innovation and imagination.

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### **A.4 About SEAL Advisors**

SEAL Advisors is the trading name of Scott Evans Associates Ltd.

SEAL provides specialist research services for companies, investment institutions and the legal services industry. All of SEAL's research is bespoke and tailored to the individual needs of clients. SEAL produces macroeconomic, thematic and issuer-sponsored research. In addition, SEAL provides advisory on all aspects of ESG.

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