Ticker:	OHGR
Price:	174p
Mkt Cap:	£18.29
Listing:	AQSE/APX
Sector:	Healthcare
Country:	UK

Equity Research

One Health Group

Full year results 2023

One Health Group has reported a strong operational and financial performance in its first year as a listed company. Patients seen and procedures carried out experienced strong growth resulting in revenue and profitability coming in ahead of forecasts. The outlook remains positive, and the company offers an attractive combination of defensive growth at an undemanding valuation.

- Listed on Aquis in November 2022, results reported today are its first full-year numbers as a listed company
- Revenues came in at £20.5 million, an increase of 17% year-on-year and slightly ahead of our £20 million forecast
- Underlying operating income was £1.5 million an increase of 12% on 2022 and c.16% ahead of our estimate of £1.3 million
- The main drivers to the strong performance were a higher than forecast number of surgical procedures and a higher than forecast gross margin
- Full year dividend is 6p and the company ended the period with cash on the balance sheet of £3.3million
- Despite better-than-expected results for the year just gone, at this early point in the new financial year we are keeping our forecasts largely unchanged
- On our current forecasts One Health's shares trade on one-year forecast EV/EBITDA and PE ratios of 9x and 14.8x respectively
- Over the longer term, we expect the company to generate 5-year CAGR 16.5% and 34% for revenue and EBITDA
- Our DCF based valuation using discount rates of between 11% and 13% and terminal growth rates of 2% and 3% indicates a valuation range of between £30 million to £42 million
- The outlook remains positive as OHG widens it support for NHS patients and is accepted as an integral part of the solution for tackling NHS waiting lists

Summary financials and forecasts (March y/e)

(£'000)	2022A	2023A	2024E	2025E	2026E	2027E
Revenue	17,515	20,502	21,650	25,352	30,600	37,577
EBITDA*	1,376	1,566	1,700	2,231	3,829	5,899
Operating Profit*	1,346	1,513	1,648	1,965	3,455	5,417
EPS* (p)	10.5	11.3	11.7	14.0	24.7	39.0
DPS (p)	0	6.0	6.1	6.2	6.3	6.4
EV/Sales (x)	0.9	0.8	0.7	0.7	0.6	0.4
EV/EBITDA	11.9	10.2	9.1	7.9	4.9	2.5
PE (x)	16.5	15.4	14.8	12.4	7.0	4.5

**Pre-exceptional* — *Source: SEAL Advisors*

Financial year in review

Leading provider of NHS services

One Health Group is a leading independent provider of NHS funded medical services to GP referred patients in England. Its four main areas of focus (and split of inpatient procedures in the year to 31 March 2023) are orthopaedics (60%), spine (15%), gynaecology (10%) and general surgery (15%). Founded in 2004, the company is based in Sheffield, UK and its activities are focused in the North and Midlands of England.

Inaugural full year results

Its shares were listed on Aquis in November 2022 and we initiated coverage in January of this year (link to initiation of coverage). Today the company has published its inaugural full year results as a listed company.

Good progress on all fronts

The reported results show good progress over the year both operationally and financially. Full year revenues were slightly ahead of our forecasts at £20.5 million (SEAL est. £20 million) representing year-on-year growth of 17%. This was driven by a higher number of medical procedures of c.6,300 compared to our estimate of 5,571. This was partly offset by mix (i.e. type of procedures carried out) where revenue per procedure fell by 9.5% year-on-year. This is not an area of concern but simply reflects the variation in procedure type that occurs from year-to-year.

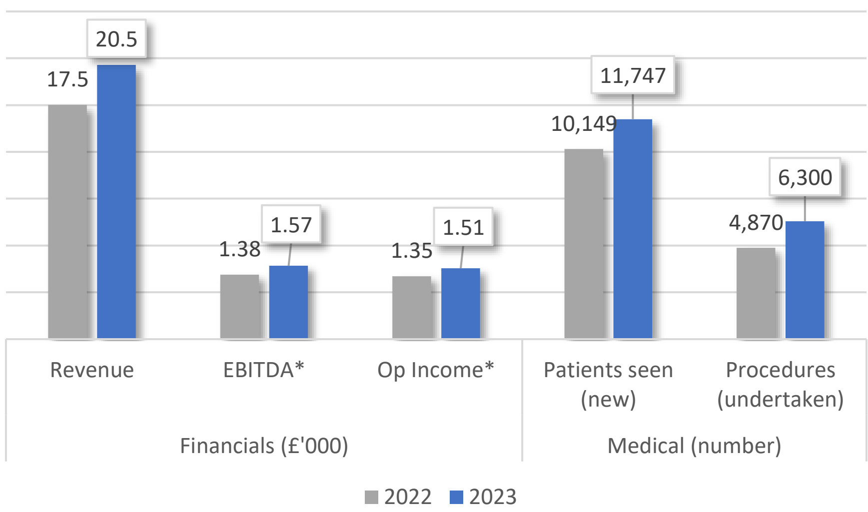
Ahead of forecasts

Underlying operating profit of £1.5 million was higher than expected (SEAL est. £1.3 million) with an EBITA margin of c.7.4%, 90bps ahead of our forecast driven by a higher gross margin of 17.7% versus our expectation of 16.5%. Underlying EPS of 11.3p was marginally below our 11.7p estimate which was a result of a higher share count and a higher net interest charge. Full year dividend of 6p per share was higher than our forecast 5.6p and the company ended the year with a healthy cash balance of £3.3 million.

Increased number of patients seen

From an operational perspective, the number of new patients seen increased by c16% to 11,747 and procedures undertaken was up year-on-year by 29% to 6,300. The company made good progress in expanding the availability of surgical operating capacity with existing and new private hospitals and attracted eight new NHS surgical consultants. Total consultants (excluding anaesthetists) is now 58 which provides an excellent basis for continued growth.

Figure 1: Year-on-year summary – One Health Group



Source: One Health Group, SEAL Advisors

Actual vs forecast 2023 & forecast summary 2024-27

Actual vs forecast (FY2023)

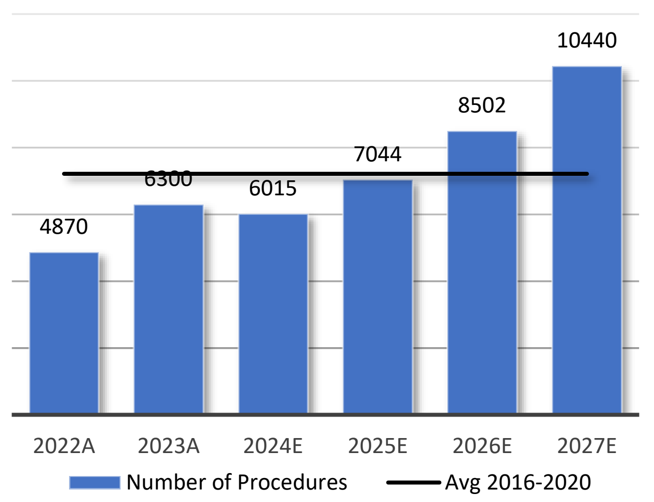
March y/e	2023A	
	F'cast	Actual
Revenue	20,038	20,502
EBITDA*	1,355	1,566
Op. Profit*	1,302	1,513

**Pre-exceptional* *Source: SEAL Advisors*

One Health Group reported full year 2023 financials which were ahead of forecasts at the revenue, EBITDA and operating income level. Despite the strong performance, we are keeping our forecasts largely unchanged at this early stage of the new financial year. Two changes we have made are; 1) a slightly lower capex estimate for the surgical hubs (reduced by a total of £400k over two years) and 2) an expectation of a more progressive dividend policy over the forecast period.

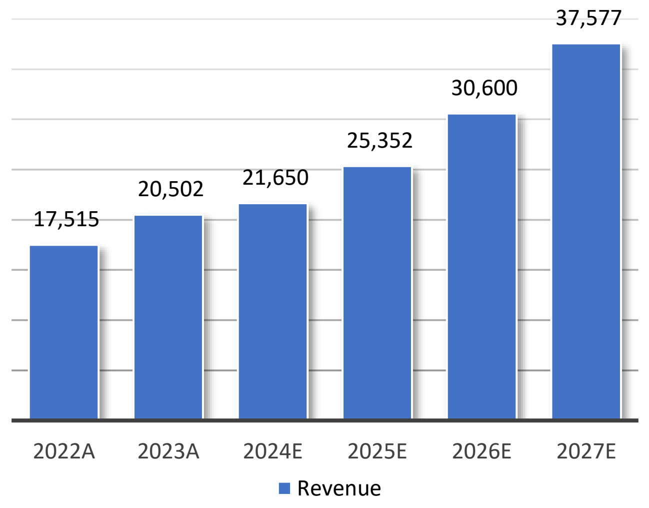
We will re-assess our forecasts at the half year stage when we have more visibility on the number and type of procedures being carried out by the company. On current forecasts we expect 5-year CAGR in revenue and EBITDA to be c.16.5% and 34% respectively.

Figure 3: Procedures per year (number)



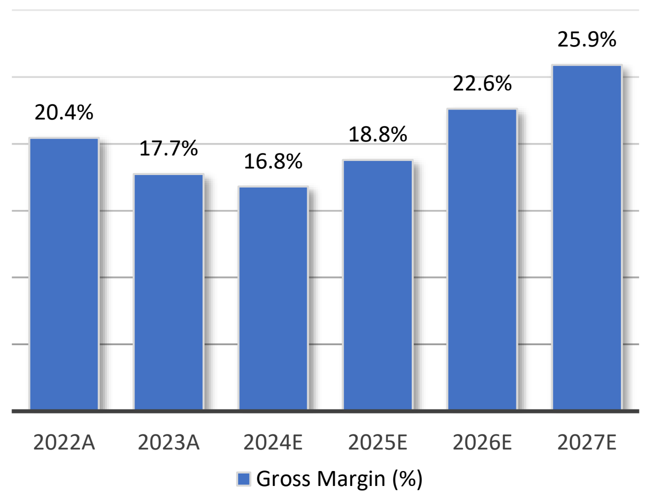
Source: SEAL Advisors

Figure 4: Annual Revenues (£'000)



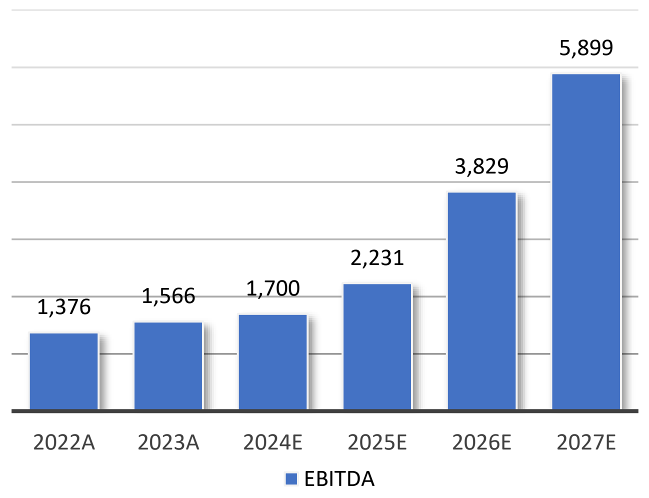
Source: SEAL Advisors

Figure 5: Gross Margin (%)



Source: SEAL Advisors

Figure 6: EBITDA (pre-exceptional, £'000)



Source: SEAL Advisors

Valuation update

DCF valuation preferred method

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. Using the DCF approach also takes into account the capex required to open and operate the company's own surgical hubs as well as the free cash generated as the hubs become fully operational.

Table 2: Free cashflow estimates for One Health Group

March y/e	*2023A**	2024E	2025E	2026E	2027E
Operating cash flow	209	1,867	2,311	3,885	5,919
Tax	(152)	(390)	(465)	(821)	(1,294)
Capex	(23)	(108)	(3,427)	(3,453)	(188)
Unlevered free cash flow	34	1,369	(1,581)	(389)	4,437

**Included for comparison purposes, not included in the DCF estimate.* *Source: SEAL Advisors*

Wide valuation range of £25m to £57m……

…..a more reasonable range between £30m and £42m

Using a wide discount rate range of between 10% and 14% and terminal growth rates ranging from 1% to 4%, table 3 shows we estimate a DCF based valuation range for One Health of between £25 million and £57 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 £30 million and £42 million.

Table 3: DCF valuation range for One Health Group

	Discount rates				
Growth rates	**10%**	**11%**	**12%**	**13%**	**14%**
1%	39	34	31	28	25
2%	43	38	33	30	27
3%	49	42	37	33	29
4%	57	48	41	36	32

Source: SEAL Advisors

Financial Forecasts – Income Statement

Table 4: Income Statement (actual and forecasts) – One Health Group

Mar Y/E (£'000)	2022A	2023A	2024E	2025E	2026E	2027E
Revenue	17,515	20,502	21,650	25,352	30,600	37,577
Gross Profit	3,580	3,636	3,637	4,767	6,920	9,732
Gross Margin (%)	20%	18%	17%	19%	23%	26%
EBITDA (pre-excep.)	1,376	1,566	1,700	2,231	3,829	5,899
EBITDA Margin (%)	8%	8%	8%	9%	13%	16%
SG&A (ex-deprecation)	2,194	3,255	2,317	2,979	3,626	4,490
Depreciation	30	53	52	266	374	482
Operating Income (pre-excep.)	1,346	1,513	1,648	1,965	3,455	5,417
Operating Income Margin (%)	8%	7%	8%	8%	11%	14%
Other	0	90	0	0	0	0
Net interest	72	(78)	(24)	(26)	(32)	(24)
Other financial income	(39)	0	0	0	0	0
Pre-Tax Profit (pre-excep.)	1,379	1,435	1,623	1,939	3,423	5,393
Tax	(230)	(85)	(390)	(465)	(821)	(1,294)
Minorities	0	0	0	0	0	0
Net Income (pre-excep.)	1,150	1,176	1,234	1,474	2,601	4,099
Net Income (reported)	1,160	256	855	1,030	2,066	3,441

Source: SEAL Advisors

Financial Forecasts – Balance Sheet

Table 5: Balance Sheet (actual and forecasts) – One Health Group

Mar Y/E (£'000)	2022A	2023A	2024E	2025E	2026E	2027E
Non-Current Assets						
Tangible Assets	1,116	1,347	1,403	4,564	7,643	7,348
Intangible Assets	0	0	0	0	0	0
Other L/T Assets	1,862	1,691	1,691	1,691	1,691	1,691
Total Non-Current Assets	2,978	3,038	3,094	6,255	9,334	9,039
Current Assets						
Debtors	4,177	4,307	4,599	5,351	6,501	8,030
Cash	3,685	3,285	3,933	1,622	482	4,163
Total Current Assets	7,862	7,591	8,531	6,973	6,983	12,193
Total Assets	10,841	10,629	11,626	13,228	16,317	21,233
Non-Current Liabilities						
L/T Debt	1,085	1,071	1,016	961	906	851
Other L/T Liabilities	22	60	60	60	60	60
Total Non-Current Liabilities	1,107	1,131	1,076	1,021	966	911
Current Liabilities						
S/T Debt	14	14	14	14	14	14
Other Current Liabilities	4,308	3,799	4,259	5,090	6,296	7,845
Total Current Liabilities	4,322	3,814	4,273	5,105	6,311	7,860
Total Liabilities	5,430	4,945	5,349	6,126	7,277	8,771
Net Assets	5,411	5,685	6,277	7,102	9,040	12,462

Source: SEAL Advisors

Financial Forecasts – Cash Flow

Table 6: Cash Flow (actual and forecasts) – One Health Group

Mar Y/E (£'000)	2022A	2023A	2024E	2025E	2026E	2027E
Pre-Tax Profit - Reported	1,390	341	1,244	1,495	2,887	4,735
Depreciation	30	53	52	266	374	482
Other	245	349	403	470	568	682
Op. cashflow pre-working capital	1,664	742	1,700	2,231	3,829	5,899
Working capital movements	1,869	(532)	167	80	56	20
Op. cashflow post-working capital	3,534	209	1,867	2,311	3,885	5,919
Income Tax Paid	0	(152)	(390)	(465)	(821)	(1,294)
Capex	(754)	(24)	(108)	(3,427)	(3,453)	(188)
Other	(39)	0	0	0	0	0
Unlevered free cashflow	2,741	33	1,369	(1,581)	(389)	4,437
Disposals/Other	(1,001)	1	0	0	0	0
Net Finance Income/Costs	72	(78)	(24)	(26)	(33)	(24)
Dividends Paid	0	(710)	(642)	(648)	(663)	(676)
Share Issues/(purchases)	0	368	0	0	0	0
Debt Issued/(repaid)	268	(53)	(55)	(55)	(55)	(55)
Other	(101)	38	0	0	0	0
Change in cash and equivalents	1,979	(400)	648	(2,311)	(1,140)	3,681
Cash at year start	1,706	3,685	3,285	3,933	1,622	482
Cash at year end	3,685	3,285	3,933	1,622	482	4,163

Source: SEAL Advisors

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