

Corporate

Current price **19.5p**

Sector **Healthcare Equipment & Services**

Code **TLY.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **35.5**

Shares in issue (m) **182.2**

52 weeks **High** **Low**

25p **8.7p**

Financial year end **March**

Source: Company Data, Allenby Capital

Key Shareholders

Premier Miton **14.12%**

Cavendish AM **8.23%**

Columbia Threadneedle Inv **6.33%**

D & M Newlands **5.53%**

Liontrust Inv **4.47%**

Michael Steel **4.21%**

Harwood Capital **4.02%**

Source: Company Data, Allenby Capital

Ian Jermin

0203 328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

Totally plc (TLY.L)

Strong performance in unprecedented turbulence

The year to March 2020 saw the successful acquisition of Greenbrook Healthcare which was consolidated for around nine months and the launch of a new innovative insourcing business, Totally Healthcare. Group revenues, however, came in lower than consensus forecasts due to delays encountered with the NHS awarding new tenders due to Brexit and the general election and these delays are likely to persist due to the COVID-19 disruption. Nevertheless, over the period the Group announced over £30m of new contracts and over £20m in contract extensions across its business. It is currently impossible to judge outcomes for Urgent Care, Planned Care and Insourcing at this early stage in the Group's financial year and so we are temporarily withdrawing our forecasts. However, in the longer term Totally's investment proposition is undiminished and it will continue to benefit from its leading position in outsourced healthcare services.

- **Strong year to March 2020** - Despite the disruptions to normal business flow from the Brexit negotiations, then the general election and more latterly COVID-19, Totally reported a strong performance for the year to March 2020. The principal highlight of the year was the complementary acquisition in June 2019 of Greenbrook Healthcare which extended the geographic coverage of the Group's Urgent Care services, particularly in the Greater London area. This business contributed £32.8m to Group revenues in the nine months of consolidation. The integration of the business has proceeded seamlessly.
- **Margins improved and a healthy cash balance** – In the last financial year the Group reported revenues of £105.9m (2018/19: £78.0m) and gross profit of £19.2m (£12.1m) with gross margins rising from 15.5% to an underlying 17.2% as a result of an improved performance in the Urgent Care business and the launch of the Insourcing business,, Totally Healthcare. EBITDA was £4m (£1.1m) and underlying PBT of £1.4m before the amortisation of acquired contracts of Vocare and Greenbrook.
- **Delays in NHS tendering** – Disruption to normal NHS processes caused by Brexit and the general election had the effect of delaying the award of tenders and this is likely to continue while the NHS is focused on handling the COVID-19 pandemic. Nevertheless, during the past financial year the Group was awarded over £30m of new contracts and over £20m in contract extensions.
- **Forecasts temporarily withdrawn** – at the current early stage in the Group's financial year, COVID disruption has created a business environment with a much higher than normal level of uncertainty and volatility, therefore we are temporarily withdrawing our forecasts until greater clarity is available.

Year End: March

(£m)	2018A	2019A	2020A	2021E	2022E
REVENUE	42.5	78.0	105.9		
ADJ. EBITDA	0.2	1.1	4.0	Forecasts temporarily	
ADJ. (L)/PBT	-1.1	-0.2	1.4	suspended due to	
ADJ. EPS (p)	-2.8	0.1	1.1	COVID - related	
NET CASH (£m)	10.2	7.5	8.9	uncertainty	
DIVIDEND (p)	-	-	0.5		
PER (x)	-	-	17.7		
YIELD	-	-	2.6		

Source: Totally plc, Allenby Capital. Allenby Capital acts as Nomad & Broker to Totally plc (TLY.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Final results summary

EXHIBIT 1: FULL YEAR RESULTS SUMMARY

INCOME STATEMENT

Y/E March	2020	2019	% change
	£m	£m	
Revenue	105.9	78.0	35.8%
Gross profit	19.2	12.1	59.1%
<i>margin</i>	18.1%	15.5%	17.2%
Admin expenses (before D&A and exceptional items)	-15.2	-11.0	38.7%
<i>as a % of revenue</i>	14.4%	14.1%	2.1%
Underlying EBITDA	4.0	1.1	261.7%
<i>margin</i>	3.8%	1.4%	166.4%
D&A	-2.3	-1.1	109.1%
Underlying operating profit	1.7	0.0	
Net interest	-0.3	-0.2	31.6%
Underlying pre-tax profit/(loss)	1.4	-0.2	
Statutory pre-tax profit/(loss)	-3.4	-1.8	86.6%
Tax	0.4	0.3	27.8%
Underlying post tax profit	1.8	0.1	1814.9%
Statutory post tax profit/(loss)	-2.9	-1.5	

BALANCE SHEET

Non-current assets	44.9	29.6	51.7%
Current assets	21.7	16.2	34.0%
Total assets	66.6	45.8	45.4%
Current liabilities	-27.4	-19.1	43.5%
Non-current liabilities	-4.8	-0.8	500.0%
Total liabilities	-32.2	-19.9	61.8%
Net assets	34.4	25.9	32.8%
Net current assets	-5.7	-2.9	96.6%

CASH FLOW

Cash from operations	2.9	-1.8	
Cash from investing	-8.6	-0.9	
Cash from financing	7.1	0.0	
Net cash generated	1.4	-2.7	
Cash at year end	8.9	7.5	18.7%

Source: Totally plc

Full year results included the acquisition of Greenbrook Healthcare for nine months; therefore year-on-year (yoy) percentage changes are not on a like-for-like basis.

Cash balances remained strong at £8.9m (2019: £7.5m) a level which is required to satisfy the large swings in working capital that the Group typically experiences over the course of its financial year. This figure included the payment of a maiden dividend in February 2020 and the Board is recommending the payment of a maiden final dividend of 0.25p payable in October, giving a total of 0.5p for the year.

Revenue of £15.9m included a contribution of £32.8m from Greenbrook which was acquired in June 2019 and thus was consolidated for approximately nine months of the financial year. Stripping this out it is apparent that the organic performance of the Group indicated a 6% reduction in revenue from £78m to £73.1m. We believe this reduction in revenue was caused by the hiatus of new tenders from the NHS due to Brexit and the general election.

Nevertheless, gross margin rose from 15.5% to 18.1% (underlying 17.2%) largely as a result of an improved performance in the underlying Urgent Care business and the launch of the insourcing business, Totally Healthcare.

Administration costs as a percentage of revenue was relatively stable at 14.4% (2019: 14.1%). Depreciation rose in the period from £0.6m to £2m in the main reflecting the adoption of IFRS16 and the £1.5m depreciation charge relating to right-of-use assets. The statutory loss before tax of £3.4m is stated after charging exceptional items of £2m (£1.5m relating to the impairment of goodwill and £0.5m being the cost related to the acquisition of Greenbrook Healthcare).

In addition, for the sake of clarity we have excluded charges relating to the amortisation of acquired contracts. For the past three years there has been a significant charge on the P&L relating to the amortisation of the intangible value of contracts acquired through the acquisitions of Vocare and Greenbrook. In the 15 months to March 2018 this was £1.3m, in 2019 it was £1.7m and in 2020 it had risen to £2.8m. These contract values are amortised on a straight-line basis over the life of the contracts with the current balance standing at £6.5m as at 31 March 2020.

We believe that given the significance and transitory nature of this non-cash charge it provides a better representation of the underlying performance of the business by excluding this charge in our underlying calculation of profit and earnings.

Nevertheless, organic growth was strong in the business in spite of the fact that revenues were lower than consensus market expectations due to delays in the NHS awarding new tenders mainly as a result of Brexit negotiations and the general election which limited the number of bidding opportunities on new contracts. We were also encouraged to see a further improvement in Care Quality Commission ratings where 26 of the Group's 27 registered services were rated as good.

A new revenue stream was initiated during the year through the establishment of Totally Healthcare in October 2019 which offers subcontract medical services/procedures to providers utilising the host's hospitals, premises and equipment for service delivery. In spite of the delays in NHS tendering activity, a number of new contract wins, rebids and contract extensions were awarded to the Group during the period, as follows.

New contract wins:

April 2019 – Vocare awarded new contract in Newcastle worth c. £1.94m per annum for five years.

October 2019 – Greenbrook Healthcare awarded a new contract in west Hertfordshire which commenced on 1 April 2020 worth around £2m per annum for four years.

February 2020 – About Health awarded five-year contract worth c. £1.7m pa.

Contract extensions:

June 2019 – About Health awarded contract extension worth c. £0.8m.

June 2019 – Vocare awarded a number of contract extensions worth c. £1.8m.

June 2019 – Vocare awarded three contract extension worth £4.2m.

October 2019 – Vocare awarded two contract extensions worth £16.6m.

May 2020 – Vocare awarded a number of contract extensions worth a total of £19.55m.

As noted above, delays in the provision of new invitations to tender (ITTs) were originally caused by the hiatus generated by Brexit and then the general election. Since then of course the usual ITT process has been further disrupted by the necessity for the NHS to focus resources on the response to the COVID-19 crisis.

Until the COVID-19 crisis recedes it is likely that ITTs relating to the contracting out of healthcare services by the NHS will be suspended. In the meantime, existing service providers are likely to have their contracts extended.

Divisional segmentation

Totally now operates through three business divisions:

Urgent Care

Totally's Urgent Care division encompasses the Group's two largest businesses, Vocare and Greenbrook Healthcare (acquired in June 2019). These companies provide urgent care services across England which include NHS 111, GP Out of Hours (OOH), Clinical Assessment, Integrated Urgent Care, Urgent Treatment Centres, Urgent Care Centres and Walk-In Clinics.

These services are provided under contract with local Care Commissioning Groups (CCGs) and can be awarded for up to five years with an option to extend the services by a further two years. In the current COVID-19 situation few if any new contracts are being let and existing contracts are being extended a necessary.

During the financial year, Vocare and Greenbrook handled 1.3m calls via the NHS 111 service (pre-COVID-19), provided over 18,000 GP OOH service visits and the treatment of around one million patients through its Urgent Care Centres.

Planned Care

The Group's Planned Care division comprises About Health, Optimum, Premier Physical Health and Totally Health and the services provided include dermatology outpatient services, physiotherapy, podiatry, referral management services and clinical health coaching.

These services are delivered to NHS prisons, the insurance industry, police, fire services and private clients across England.

In the financial year to March 2020, the division handled over 65,000 patient referrals from primary care practitioners, treated over 125,000 people through its physiotherapy and podiatry clinics and treated around 42,000 people in its dermatology clinics.

Due to the COVID-19 crisis, operations in Planned Care were temporarily suspended but in line with recent Government guidance, the Group has mobilised the division so as to be ready to recommence operations and support the NHS as soon as these services restart across the UK.

The last financial year also saw the award of the largest contract to date for the Planned Care division to deliver dermatology outpatient services across Manchester.

Insourcing

The Insourcing division is a comparatively new division for Totally, having been launched in October 2019. Insourcing services are provided where hospitals subcontract medical services and procedures to providers who use the host hospitals' premises and equipment for service delivery.

The service is usually provided after normal hours (i.e. weekends and bank holidays) when the premises and equipment are not being used and thus make efficient use of the hospital's infrastructure and equipment.

Totally utilises its own resources in terms of consultants and nurses and work across specialities such as endoscopy, ophthalmology, ear nose and throat (ENT), orthopaedics, urology and plastics while activities can include diagnostics, day-case surgery and outpatient activity. In this way Totally helps hospitals reduce long patient waiting lists

where otherwise it would not be possible to bring down these lists in line with Government requirements.

Under the COVID-19 pandemic these waiting lists have escalated and therefore the insourcing services that Totally offers will become more crucial to the ability of hospitals to manage patient waiting lists effectively. Around £1.6bn was spent by the NHS in outsourcing procedures to private hospitals in 2017 and therefore the use of the insourcing services provided by Totally could help reduce expensive outsourcing costs.

Outlook for 2021

Urgent Care

We expect activity within the Urgent Care Services to improve as the number of new Coronavirus cases continues to reduce. Specifically, the demand on NHS 111 services which saw demand increase by over 200% above normal levels during the worst of the COVID-19 crisis, will likely fall back to a more normal level and we might expect to see a resumption of patients utilising urgent care centres and GP OOH services. However, in the short term there are unlikely to be few, if any, new contracts opened for tender although providers of existing contracts will have those contracts extended.

Planned Care

We anticipate Planned Care to slowly resume services over the course of the financial year with the outcome for the second half improving over the first, assuming there is no second COVID-19 spike.

Insourcing

Again, as in Planned Care, we expect Insourcing services to ramp up gradually during the year as the NHS reinstates elective surgery, previously halted due to COVID-19. The outlook here is particularly positive due to the increase in waiting lists caused by the temporary shutdown. Waiting lists and referrals for healthcare services have increased and estimates from the NHS suggest that over 10 million people are now waiting for treatment. The utilisation of Totally Healthcare's insourcing services will therefore be particularly important in supporting the NHS in reducing these waiting lists.

Forecasts

Given the high degree of uncertainty surrounding the likely activity levels within each of the Group's operations, we feel it is currently disingenuous to provide forecasts at this early stage of the Group's financial year.

We are therefore withdrawing our previous forecasts but will look to reinstate new forecasts when the outlook is somewhat clearer.

In the medium to longer term, we still believe that Totally offers an attractive investment proposition given its market-leading position in the fragmented healthcare services market and can look forward to a continuation of organic growth as the NHS resumes tendering activity and complementary strategic acquisitions that add value to the Group's service portfolio.

Income statement

EXHIBIT 2: INCOME STATEMENT

Y/E March	£m FY 2018A (15 mths)	£m FY 2019A	£m FY 2020A
UNDERLYING			
Revenue	42.5	78.0	105.9
Cost of sales	-35.5	-65.9	-86.7
Gross profit	7.0	12.1	19.2
<i>margin</i>	16.5%	15.5%	18.1%
Admin costs	-6.8	-11.0	-15.2
<i>as a % of revenue</i>	16.0%	14.1%	14.4%
Share option charges	0.0	0.0	0.0
EBITDA	0.2	1.1	4.0
<i>margin</i>	0.4%	1.4%	3.8%
Depreciation	-0.3	-0.6	-2.0
Amortisation of computer software	-0.2	-0.5	-0.3
Underlying operating profit/(loss)	-0.4	0.0	1.7
Finance income	0.0	0.0	0.0
Finance expense	-0.7	-0.2	-0.3
Underlying profit/(loss) before tax	-1.1	-0.2	1.4
Tax	-0.3	0.3	0.5
Tax adjustment on add backs	0.0	0.0	-0.1
Underlying post tax profit/(loss)	-1.4	0.1	1.8
STATUTORY			
Underlying operating profit/(loss)	-0.4	0.0	1.7
Acquisition related costs	-1.2	-0.5	-0.5
Gain on remeasurement of contingent consideration	6.5	2.7	0.0
Impairment	-0.7	-2.0	-1.5
Amortisation of acquired contracts	-1.3	-1.7	-2.8
Other exceptional costs	0.0	-0.1	0.0
Finance expense	-0.8	-0.2	-0.3
Statutory profit before tax	2.1	-1.8	-3.4
Tax	-0.3	0.3	0.5
Statutory post tax profit/(loss)	1.8	-1.5	-2.9
WAS	49.356	59.795	155.696
FD WAS	49.948	59.795	155.696
Year end shares	59.795	59.795	182.186
Underlying EPS (p)	-2.81	0.13	1.13
Statutory EPS (p)	3.71	-2.52	-1.85

Source: Totally plc

Balance Sheet

EXHIBIT 3: BALANCE SHEET

Y/E March	£m FY 2018A (15 mths)	£m FY 2019A	£m FY 2020A
Assets			
Non current assets			
Intangible value of acquired contracts	3.9	2.1	8.7
Goodwill	0.0	26.2	30.5
Computer software	0.0	0.5	0.5
PP&E	1.0	0.6	0.8
Deferred tax	0.6	0.2	0.3
Right of use assets	0.0	0.0	4.1
Total non current assets	32.9	29.6	44.9
Current assets			
Inventory	0.1	0.1	0.1
Trade & other receivables	9.7	8.6	12.7
Cash	10.2	7.5	8.9
Total current assets	20.0	16.2	21.7
Total assets	52.9	45.8	66.6
Liabilities			
Current liabilities			
Trade & other payables	-21.5	-18.8	-25.7
Tax	0.0	0.0	0.0
Deferred acquisition consideration	-0.5	-0.3	-0.3
Lease liabilities	0.0	0.0	-1.4
Total current liabilities	-22.0	-19.1	-27.4
Non current liabilities			
Deferred acquisition consideration	-2.6	0.0	0.0
Other payables	-1.1	-0.8	-0.8
Deferred tax	0.0	0.0	0.0
Lease liabilities	0.0	0.0	-2.7
Total non current assets	-3.7	-0.8	-3.5
Total liabilities	-25.7	-19.9	-30.9
Net assets	27.3	25.9	35.7
Total equity & liabilities	53.0	45.8	66.6
BALANCE SHEET RATIOS			
	£m	£m	£m
Short-term financial debts	0	0	0
Long term financial debts	0	0	0
Gross debt	0	0	0
Cash and cash equivalents (including restricted cash)	10.2	7.5	8.9
Net (debt) / cash	10.2	7.5	8.9
Acid test (Current Assets / Current Liabilities) (x)	-0.91	-0.85	-0.79

Source: Totally plc

Cash Flow

EXHIBIT 4: CASH FLOW

Y/E March	£m FY 2018A (15 mths)	£m FY 2019A	£m FY 2020A
Loss for year	1.8	-1.5	-2.9
Option & warrant charges	0.1	0.1	0.0
Amortisation and depreciation	1.9	2.8	5.1
Impairment	0.7	2.0	1.5
Tax expense recognised in P&L	0.3	-0.3	-0.5
Finance income	0.7	0.1	0.3
Revaluation of contingent consideration	-6.5	-2.7	0.0
Cash flows from operating activities before WC movements	-1.0	0.5	3.5
<i>Movement in trade & other receivables</i>	<i>1.1</i>	<i>1.1</i>	<i>0.5</i>
<i>Movement in trade & other payables</i>	<i>-3.3</i>	<i>-3.4</i>	<i>-0.9</i>
Net movement in working capital	-2.2	-2.3	-0.3
Net cash flow from operating activities	-3.2	-1.8	3.2
Income tax paid	-0.3	0.0	-0.3
Net cash flows from operating activities	-3.5	-1.8	2.9
Investing activities			
Purchase of PP&E	-0.2	-0.3	-0.3
Development of intangible assets	-0.4	-0.5	-0.3
Acquisition of subsidiaries net of cash	-0.9	0.0	-8.0
Deferred consideration paid	-2.4	-0.1	0.0
Net cash flows from investing activities	-3.9	-0.9	-8.6
Financing activities			
Issue of share capital	16.6	0.0	9.3
Borrowings/IDF increase/(decrease)	-0.1	0.0	0.0
Finance lease payments	0.0	0.0	-1.6
Dividend	0.0	0.0	-0.5
Net cash flows from financing activities	-2.4	-0.1	0.0
Net increase in cash and cash equivalents	9.2	-2.7	1.4
Cash at beginning of year	1.0	10.2	7.5
Cash and cash equivalents at end of period	10.2	7.5	8.9

Source: Totally plc

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Allenby Capital, 5 St Helen’s Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com