![Allenby Capital]

Company Note

Interims

9 November 2020

Corporate

Current price	**17p**
Sector	**Healthcare Equipment & Services**
Code	**TLY.L**
AIM	**AIM**

Share Performance

	1m	3m	12m
TLY.L	-3%	+0%	+28%

Source: Thomson Reuters, Allenby Capital

Share Data		
Market Cap (£m)		**31.0**
Shares in issue (m)		**182.2**
52 weeks	High	Low
	25p	**9.25p**
Financial year end		**March**

Source: Company Data, Allenby Capital

Key Shareholders	
Premier Miton	12.99%
Stonehage Fleming IM	9.31%
Richard Sneller	6.50%
Columbia Threadneedle Inv	6.33%
Harwood Capital	5.70%
D & M Newlands	5.53%
Liontrust Inv	4.47%

Source: Company Data, Allenby Capital

Ian Jermin

0203 328 5664

i.jermin@allenbycapital.com

www.allenbycapital.com

Equity Research

Totally plc (TLY.L)

Managing COVID-19 challenges successfully

The fact that Totally was able to deliver a set of interim results that were ahead of the comparative period speaks volumes to the Group's resilience and innovation in the face of unprecedented challenges brought on by the COVID-19 pandemic. The delivery of a pre-tax profit (against a loss in the comparative period) when its Planned Care and Insourcing services were severely constrained by the temporary suspension of elective care in many localities illustrates the benefit of the Group's diverse operations. Urgent Care secured a significant number of contract extensions worth a total of £27m and experienced unparalleled demand for NHS 111 services. The Group is well placed and well balanced to achieve continued growth even in these unprecedented times.

- **A return to first half profitability** – For the first time in several years, Totally has delivered a profit before tax in its first half. This was achieved during a period when two of its services were effectively shut down for an extended period of time. Of course this was balanced by unparalleled demand in its Urgent Care division, particularly for NHS 111, whereas normal face-to-face services were constrained by the virus and associated lockdowns.
- **Strong first half metrics** – Turnover in the first half increased by 9% to £54.1m delivering a gross profit of £10.2m (H1 2019: £9.8m) and underlying gross margin of 18.7% which was ahead of management expectations and of the comparative period (17%). EBITDA of £2.3m was reported (H1 19/20: EBITDA loss of £2.1m) after a £1m charge relating to the amortisation of acquired contracts. Profit before tax came in at £0.1m (H1 19/20: £2.6m loss) and net cash stood at £12.3m, up from £8.9m at the year end. A dividend of 0.25p has been proposed (H1 19/20: 0.25p) and will be payable in February 2021.
- **Macro outlook still very uncertain** – As England faces a second lockdown, the dynamics of the Group's businesses are varied. Whereas some Planned Care and Insourcing services recommenced in certain parts of the country these will now be subject to further possible suspensions while demand for NHS 111 services will once again experience significant demand. As we move into 2021 and assuming an easing of lockdown restrictions, we can anticipate Planned Care and in particular the Insourcing activities to show strong growth as elective care resumes in response to the increase in waiting lists.
- **Forecasts remain suspended** – Given the lack of visibility and the continuing volatility in demand for Group services it is impossible at this juncture to offer reliable forecasts and these therefore remain suspended for the time being. Suffice to say that Totally has reacted very positively to the pandemic to date and the unprecedented challenges that COVID-19 has brought. We believe that the Group will continue to respond positively to the changing market dynamics and is well placed to deliver continuing strong growth.

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	10.2	7.5	8.9	uncertainty	
DIVIDEND (p)	-	-	0.5		
PER (x)	-	-	15.5		
YIELD	-	-	2.9		

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.

Interim results summary

EXHIBIT 1: INTERIM RESULTS SUMMARY

	H1 20/21	%	H1 19/20	Year
	£m	*change*	£m	£m
INCOME STATEMENT				
Revenue	54.1	*10.0%*	49.2	105.9
Gross profit	10.2	*4.1%*	9.8	19.2
Underlying gross margin[1]	*18.7%*	*10.0%*	*17.0%*	*17.2%*
EBITDA (before exceptional items)	**2.3**	*9.5%*	**2.1**	**4.0**
EBITDA margin	*4.3%*	*-0.4%*	*4.3%*	*3.8%*
Profit/(loss) before tax	**0.1**		**-2.6**	**-3.4**
Cash (excluding lease liabilities)	12.3	*46.4%*	8.4	8.9
Dividend (p)	0.25	*0.0%*	0.25	0.50
BALANCE SHEET				
Non-current assets	43.7	*-9.9%*	48.5	45.0
Current assets (excluding cash)	10.9	*-18.0%*	13.3	11.5
Cash	12.3	*46.4%*	8.4	8.9
Total assets	66.9	*-4.8%*	70.3	65.3
Current liabilities	-28.2	*-3.1%*	-29.1	-26.1
Non-current liabilities	-4.4	*-17.0%*	-5.3	-4.8
Total liabilities	-32.6	*-5.2%*	-34.4	-30.9
Net assets	**34.3**	*-4.5%*	**35.9**	**34.4**
CASH FLOW				
Cash generated from operations	2.4	*100.0%*	1.2	4.6
Working capital changes	3.6		-1.2	-1.7
Net cash flow from operating activities	5.0		0.0	2.9
Cash flow from investing activities	-0.9	*-89.0%*	-8.2	-8.6
Cash flow from financing activities	-0.7		9.1	7.1
Cash at end of period	**12.3**	*46.4%*	**8.4**	**8.9**

Source: Totally plc.

1 Underlying gross margin reflects the margin after provisions relating to performance-related incentives.

Margins pre-provisions were H1 20/21 20%; H1 20/19 17% and for the year to March 2020 18.1%.

Revenues increased by 10% from £49.2m to £54.1m with the majority of the gain being generated by strong demand within the Urgent Care division, specifically around the ongoing support provided to the NHS over the COVID-19 pandemic in the field of NHS 111 services and supplemented by additional services over and above that originally contracted. Conversely, revenues from the Planned Care and Insourcing divisions were lower reflecting the temporary reduction in demand for elective care.

Gross profit increased by 4.1% from £9.8m to £10.2m with underlying gross margins increasing from 17% to 18.7% which was ahead of management plans. Further down the P&L, admin expenses (before depreciation and amortisation) were contained through direct cost savings and rose by just 1.2% to £7.8m leading to an EBITDA of £2.3m, a rise of 12% against the comparative of £2.1m.

First-half pre-tax profit of £0.1m (the first for many years), was reported after a £1m charge relating to the amortisation of contracts acquired from Vocare and Greenbrook (H1 19/20: £2.5m). Excluding this charge adjusted PBT was £1.1m against £0.6m for the comparative period which also excluded exceptional costs of £790k. Going forward this amortisation charge will gradually decline as the acquired contracts are amortised on a straight-line basis over their finite lives and are due to complete in FY27. We anticipate the charge falling to c. £0.5m in FY26 and FY27.

Cash balances strengthened from £8.9m at the year end to £12.3m, a level required to satisfy the large swings in working capital that the Group typically experiences over the course of its financial year.

Overall the Group generated net cash of £3.4m in the period after an increase in capex to £806k (H1 19/20: £142k) due to investment in IT infrastructure, including upgrades to the telephone system to facilitate effective working from home for some staff. Cash inflow was also supported by an unusually strong net inflow of working capital of £2.6m (H1 19/20 outflow of £1.2m) driven in part by HMRC payments, deferred VAT and PAYE/NI.

The Board is proposing to pay an interim dividend of 0.25p (H1 19/20: 0.25p) and this will be formally declared and announced ahead of its proposed payment in February 2021.

By Division

Totally operates through three business divisions: Urgent Care; Planned Care and Insourcing.

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 as necessary.

Revenue levels in the first half were largely unchanged over the comparative period with additional services relating to the COVID-19 response support provided to the NHS, the extension of existing contracts and unprecedented demand for its NHS 111 services compensating for the reduction in revenue allied to face-to-face patient activity due to the lockdown.

Over the half year period, the division has secured a number of significant contract extensions as well as funding to pilot additional clinical services worth a total of £27m.

Throughout the period it has been able to respond effectively delivering existing and new face to face and remote healthcare services including further innovation of NHS 111 service delivery in response to unprecedented demand while increasing capacity as a direct result of COVID-19. In addition, the division successfully deployed clinical resources into emergency departments to assist patient flow and protect the NHS through front door streaming of symptomatic patients.

Many of these new services continue to be provided including:

- Partnership with the Home Office and commissioners in North West London providing initial health screening assessment to asylum seekers.

- Delivering a new operationally integrated National Clinical Assessment Service across all of its 111 services, providing increased scale and enabling a national rather than local response to call activity.

- Running COVID secure clinics to support the NHS in combatting the demand caused by symptomatic COVID patients.

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.

Due to the COVID-19 crisis, operations in Planned Care were temporarily suspended during the first few months of the first half but the Group began to remobilised the division in the latter months as local conditions allowed although these may have to be suspended again given the second lockdown. However, it is the current intention of management to continue to deliver services throughout the second lockdown with the continuation of planned care with all clinics working to new models of care in COVID safe environments.

As anticipated by management, demand in the first half weakened due to the pandemic with the result that income reduced by 50%. Service delivery continued, albeit at reduced margins as appointment times were increased and higher PPE costs were incurred to maintain staff and patient safety.

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 works across specialities such as endoscopy, ophthalmology, ear nose and throat, 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.

As with Planned care, service delivery was paused during the first half as elective care services were suspended in response to the pandemic. Services resumed in June in the Republic of Ireland and in August in parts of the UK as local conditions allowed, albeit at reduced margins as appointment times were increased and higher PPE costs were incurred. However, Insourcing revenues in the first half were maintained at 80% of the levels reported in the second half of the last financial year.

Given the growth in waiting lists across all clinical specialities, the backlog of work is healthy and ready to be delivered as and when hospitals and NHS Trusts are able to restart elective care.

Outlook for 2021

Urgent Care

We are hopeful that activity within Urgent Care will gradually improve in 2021 as the number of new COVID-19 cases reduce. Specifically, the demand on NHS 111 services, which has seen demand increase very significantly, 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, it remains the case that in the short term there are unlikely to be few, if any, new contracts opened for tender although providers of existing contracts will continue to have those contracts extended.

Nevertheless, the Group is finding a number of opportunities to expand on its existing agreements with commissioners as well as providing new targeted services in response to changing demands. These opportunities are a direct result of the excellent relationships Totally has built with its existing partners and the reputation it has with the NHS for providing high quality healthcare services. Management anticipates that this trend in the change of origination of revenue growth will continue in the near to medium term.

Planned Care

We anticipate Planned Care to slowly resume services over the course of the financial year although this is very much dependent upon the initial and ongoing disruption likely to be generated by the second lockdown and variations in restrictions on a regional basis. However, all healthcare providers, including the NHS, plan to continue to deliver elective care services which means that management anticipate all divisions continuing to operate through this period.

Insourcing

Again, as in Planned Care, we expect Insourcing services to increase gradually 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 both lockdowns. Waiting lists and referrals for healthcare services have increased markedly and estimates from the NHS suggest that over 10 million people are now waiting for treatments. The utilisation of Totally Healthcare's insourcing services will therefore be particularly important in supporting the NHS and other healthcare bodies 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 impossible to provide meaningful forecasts at this time. Thus the suspension of forecasts will continue but will look to introduce new forecasts when the outlook becomes clearer.

There is little doubt that as these results confirm Totally offers substantial growth prospects and is considered to be an attractive investment given its market-leading position in the fragmented healthcare services market. We believe the Company can look forward to a continuation of organic growth as the NHS resumes tendering activity and seeks to reduce waiting lists. We also continue to see the potential for complementary strategic acquisitions that add value to the Group's service portfolio.

Income statement

EXHIBIT 2: INCOME STATEMENT

	£m	£m	£m
Y/E March	**FY 2018A**	**FY 2019A**	**FY 2020A**
	(15 mths)		
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
margin	*16.5%*	*15.5%*	*18.1%*
Admin costs	-6.8	-11.0	-15.2
as a % of revenue	*16.0%*	*14.1%*	*14.4%*
Share option charges	0.0	0.0	0.0
EBITDA	0.2	1.1	4.0
margin	*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			
	£m	£m	£m
Y/E March	**FY 2018A**	**FY 2019A**	**FY 2020A**
	(15 mths)		
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	**FY 2018A**	**FY 2019A**	**FY 2020A**
	£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

	£m	£m	£m
Y/E March	**FY 2018A**	**FY 2019A**	**FY 2020A**
	(15 mths)		
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**
Movement in trade & other receivables	*1.1*	*1.1*	*0.5*
Movement in trade & other payables	*-3.3*	*-3.4*	*-0.9*
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

Disclaimer

Allenby Capital Limited (“Allenby”) is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority (“FCA”) (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research, and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this communication within the last 12 months, or have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country’s laws for which Allenby does not accept liability.
By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

Research Recommendation Disclosure
Ian Jermin is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at www.allenbycapital.com. Allenby Capital acts as Nomad and Joint broker to Totally plc.

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