

CORPORATE

 Current price **18.5p**

 Sector **Health Care Equipment & Services**

 Code **(TLY.L)**

 Listing **AIM**
SHARE PERFORMANCE


	1m	3m	12m
TLY.L	-12%	-27%	-49%

Source: Thomson Reuters, Allenby Capital

SHARE DATA

 Market cap (£) **14.4m**

 Shares in issue (m) **59.79**

52 weeks	High	Low
	42.5p	17.2p

 Financial year end **31 March**

Source: Company Data, Allenby Capital

KEY SHAREHOLDERS

Unicorn Asset Management	9.63%
John & Michael Harrison	9.60%
Legal & General	7.64%
Killik & Co	5.85%
Seneca Partners	5.64%
David & Monique Newlands	5.32%
Royal London AM	4.68%

Source: Thomson Reuters

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TOTALLY PLC (TLY.L)
Continuing progress in a receptive market

Following a 15-month financial period to March 2018 these interim results include a full six months contribution from Vocare (acquired 24 October 2017). Progress has been made with existing contracts being renewed/extended and new contracts won. The Group continues to refine and reorganise Vocare's operations and procedures which were deemed by management to be inadequate post-acquisition and already much has been achieved. The buy & build strategy remains in place and the Group is very well placed financially with £9m of net cash still on the balance sheet (over 80% of the current market cap). We make no changes to our forecasts which see a continued build in EBITDA and a move into pre-tax profit in FY2019.

- Maiden first half contribution from Vocare** – Revenue increased from £3.5m in the six months to September 2017 to £40.2m, the significant uplift being almost wholly due to the inclusion of Vocare. Gross profit increased from £1.1m to £5.7m although the gross margin fell from 30% to 14.2% due to the lower margin typically available to Vocare. Nevertheless, the aggregate margin continues to improve, already having achieved management's target of 14% and there is potential for this to rise to 17%.
- Further restructuring at Vocare** – The acquisition of Vocare took longer than anticipated to complete and considerable changes have had to be made to restructure the business to establish a platform suitable to generate for further organic growth. Consequently, we anticipate some further restructuring costs to be included in the full year results. Importantly, management has successfully improved its performance in the delivery of Vocare's urgent care delivery services, working closely with the Care Quality Commission in that regard.
- Pipeline of opportunities remains strong** – Totally's pipeline of potential contract opportunities remains strong and the Group is well placed to deliver integrated urgent care services and to consolidate the UK's NHS outsourced healthcare services market, estimated to be worth over £20bn per year. New contracts have been won in the period and existing contracts either renewed or extended.
- FY2019 forecasts unchanged** – We are not making any changes to our forecasts for FY2019 and FY2020. Prospects remain sound and opportunities abound in a strong market for the delivery and support of NHS integrated urgent care. In the recent budget we note the Chancellor announced an additional £20bn of spending on the NHS over the next five years. It is also worth noting that, for example, if a 17% gross margin was achieved, this would equate to an additional gross profit of £1.85m over our current year forecast. With the Group enjoying a strong cash position equivalent to 81% of its current market capitalisation, the potential for higher gross margins, increased funding for the NHS and a strong pipeline of contract opportunities, we believe that the shares are undervalued.

EXHIBIT 1: SUMMARY OF FINANCIALS

Year End: March (£000)	12/2016A	2018A*	2019E	2020E
REVENUE	3,977	42,535	85,000	90,000
EBITDA	(1,159)	183	1,400	2,350
PBT (REPORTED)	(1,492)	2,109	(2,500)	50
PBT (ADJUSTED)	(1,828)	(1,681)	(1,500)	50
DILUTED EPS (p) (ADJUSTED)	(9.86)	(3.99)	(2.51)	0.08
NET CASH/(DEBT)	921	10,210	6,922	4,467

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

6 MONTH SUMMARY

ACTIVITIES

Totally is a provider of a range of out-of-hospital services to the healthcare sector in the UK. Its reverse takeover of Vocare in October 2017 forms part of the Group's stated buy and build strategy and extends the Group's capabilities into the strategically important UK integrated urgent care market.

SUMMARY FINANCIALS

6 months to 30 September	2018	2017
	£000	£000
Revenue	40,164	3,530
Gross Profit	5,689	1,058
<i>Gross margin</i>	14.2%	30.0%
EBITDA adjusted	95	(804)
<i>EBITDA margin</i>	0.2%	(22.8%)
Profit before tax (adjusted)	(1,452)	(1,344)
Diluted EPS (adjusted)	(2.81p)	(2.54p)
Cash outflow from operations	(867)	(646)
Change in cash and cash equivalents	(1,222)	(2,754)
Net cash	9,002	14,459

Results for the six months to September 2018 reflect the inclusion of Vocare for the full six months and therefore a comparison with the six months to September 2017 is not relevant.

Potential for gross margin to increase to 17%

Revenue was £40.2m and gross profit £5.7m with gross margin of 14.2% (H1 2017: 30%) reflecting the lower margin associated with the Vocare business. Adjusted EBITDA was £0.1m and stated before an exceptional credit of £0.9m relating to the revaluation of contingent consideration. The Group notes that its target of 14% gross margin has already been achieved with further expansion expected to 17% implying a theoretical improvement to gross profit from £12.6m to £14.5m based on our current revenue forecasts.

Significant adjustment to contingent consideration

As a reminder, in the last financial period the anticipated contingent consideration relating to the acquisitions of Optimum Sports Performance Centre, About Health and Vocare were revised downwards given the expected performances of these businesses over the remaining earn-out period. Also included was the expectation that the £1m deferred consideration on Vocare would not be payable.

New and extended contracts won

Since the period ended March 2018, the Group has been successful in winning new business and renewing or extending existing contracts, including:

- 1) A contract announced in April with Virgin Care for Vocare to provide GP Out-Of-Hours (OOH) services to MHS West Lancashire Clinical Commissioning Group (CCG). The contract is for four years with option to extend by a further two years valued at around £5m over the 5+2-year period.
- 2) In May, the Group announced a contract renewal with Northumbria Healthcare for GP OOH services worth £6m over the 4+2-year period.

- 3) In May, Vocare won a £0.8m contract for an 11-month extension to an Emergency Department Front Door service to NHS Vale of York CCG.
- 4) In July, About Health won an £0.8m pa 2+2-year contract with North Tyneside, North Durham and South Tees CCG for Referral Management services (RMS).
- 5) In July, About Health won a new contract and several contract extensions worth in total around £1.7m pa.
- 6) In September, About Health was awarded a 3+2-year contract with the NHS Blackpool and NHS Fylde & Wyre CCGs to provide Tier 2 Community Dermatology Services worth £0.7m per annum.
- 7) In October, Vocare was awarded an 11-month contract extension to provide NHS 111 services across the whole of Staffordshire worth £3.3m and will run until March 2020.

Strong net cash position of £9m and a much-reduced level of contingent consideration

The Group ended the period in a strong financial position with net cash of £9m representing around 81% of the current market cap of £11.1m. This reflects the fund raise of £17.6m in March 2017 and thus the Group is well placed to continue its stated buy & build strategy in the UK out-of-hospital healthcare sector particularly as the contingent consideration still outstanding has been reduced to just £2m.

SUMMARY FINANCIALS

EXHIBIT 2: SUMMARY FINANCIALS				
	£000	£000	£000	£000
Y/E March	Dec 2016A	*2017A	FY 2019E	FY 2020E
INCOME STATEMENT				
Revenue	3,977	42,535	85,000	90,000
Gross profit	1,377	7,025	12,600	13,500
margin	34.6%	16.5%	14.8%	15.0%
Total operating costs	-2,536	-6,842	-11,200	-11,150
as a % of revenue	63.8%	16.1%	13.2%	12.4%
EBITDA	-1,159	183	1,400	2,350
margin	-29.1%	0.4%	1.6%	2.6%
Reported profit/(loss) before tax	-1,492	2,109	-2,500	50
Adjusted profit/(loss) before tax	-1,828	-1,681	-1,500	50
Net Profit	-1,516	1,797	-2,500	50
Weighted Average Shares (fully diluted)	18.8	49.9	59.8	59.8
EPS adjusted (fully diluted) (pence)	-9.9	-4.0	-2.5	0.1
	£000	£000	£000	£000
Y/E March	Dec 2016A	*2017A	FY 2019E	FY 2020E
CASH FLOW				
Net cash inflow from operating activities	-2,207	-3,479	-2,650	300
Net cash outflow from investing activities	-3,285	-3,876	-652	-2,755
Net cash inflow/(outflow) from financing activities	6,131	16,581	0	0
Cash and cash equivalents at end of the year	998	10,224	6,922	4,467
	£000	£000	£000	£000
Y/E March	Dec 2016A	*2017A	FY 2019E	FY 2020E
BALANCE SHEET				
Assets				
Non-current assets	12,764	32,888	30,297	28,169
Current assets (excluding cash)	2,053	9,784	10,306	10,406
Cash	998	10,224	6,922	4,467
Total Assets	15,815	52,896	47,525	43,042
Liabilities				
Current liabilities	-2,625	-21,908	-21,506	-16,950
Non-current liabilities	-8,067	-3,650	-25	-25
Total Liabilities	-10,692	-25,558	-21,531	-16,975
Net Assets	5,123	27,338	25,994	26,067
Net (debt)/cash	921	10,210	6,922	4,467

* 15-month period

Source: Totally plc; Allenby Capital plc

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