

Doctor Care Anywhere

Expanding footprint beyond the UK

Doctor Care Anywhere (ASX:DOC) is a UK based telehealth business which seeks to address the fragmentation prevalent in traditional healthcare systems by bringing together Primary and Secondary Care through its proprietary technology platform and its own clinicians. By providing online video and phone consultations through this modality, it offers private health insurers the opportunity to reduce costs (reducing unnecessary appointments) while at the same time improve patient experience and outcomes (increased speed from diagnosis to treatment). DOC listed on the ASX in December 2020, raising A\$102m at an issue price of A\$0.80/share, with \$47m representing a shareholder sell-down and \$65m new funds for expansion in the form of marketing and new vertical opportunities (mental health in particular). The group's current membership base represents circa 2.2m people (eligible lives), with DOC currently claiming 0.43m activated lives (signed up and providing personal details), mostly corporate employees who pay no out of pocket to use the service. COVID has been the major driver of telehealth adoption and recent consultation growth given the rolling lockdowns in the UK, with activated lives increasing from 145k in Q4CY19 to 433k in Q4CY20. Near-term growth centres around increasing activated lives across the existing membership base, increasing eligible lives through the Allianz partnership, growing the recently launched mental health offering and entering new regions. The group reported an EBITDA loss of £8.7m in CY20 (A\$15.5m), slightly better than prospectus forecasts.

Business model

DOC has partnered with AXA (~80% of revenue) in the UK and Allianz in Europe to provide their customers with a telehealth service to diagnose and treat medical issues through video and phone consultations. DOC employs its own doctors, its panel consisting of ~160 GPs, 22 specialists and 9 triage professionals. In treating channel partner patients, DOC receives revenue from the number of GP/specialist consultations (employee utilisation) and rebates from referred diagnostics. The COGS of the business relate to the payment of the doctor panel for their services. Operating costs include software technology costs and corporate overheads. Longer-term DOC wants to replicate the UK model in APAC and across Europe, and better utilise/monetise patient data. Good progress has been made, with the business expanding into Ireland in October 2020 and its new partnership with Allianz in Europe.

CY20 result commentary

DOC delivered impressive growth over CY20 with revenue +102%, consultations +306% and activated lives +199%. These numbers exceeded prospectus, as did the forecast EBITDA loss, coming in at £8.7m against a forecast £10.2m. DOC has activated 433k lives relative to an eligible lives membership base (the client base of its partners) of 2.2m.

ANZ peers are bricks & mortar healthcare players

While DOC is a "telehealth" company, at the end of the day the business model employs health professional and relies on the utilisation of these professionals to derive revenue and EBITDA. This is similar to Healius (ASX:HLS) in pathology, Virtus (ASX:VRT) and Monash IVF (ASX:MVF) in the IVF space. The company highlights US listed players Teladoc (NYSE:TDOC) and Amwell (NYSE:AMWL) as companies that provide the same services as DOC.

Historical earnings and ratios

Year end	Revenue (£\$m)	EBITDA Adj.* (£\$m)	NPAT Adj.* (£\$m)	NPAT Rep. (£\$m)	EPS Adj.*(c)	EPS Rep. (c)	EV/Sales (x)
06/18a	2.0	(6.1)	(7.0)	(7.0)	nm	nm	125.3
06/19a	5.7	(5.5)	(6.4)	(6.4)	nm	nm	43.9
06/20a	11.6	(8.7)	(8.7)	(31.3)	nm	nm	21.6

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

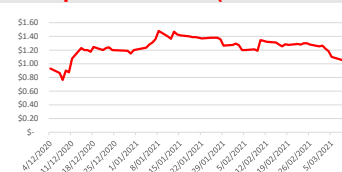
Healthcare services

12th March 2021

Share details

ASX Code	DOC
Share price	\$1.00
Market Capitalisation	A\$318.5M
Shares on issue	318.5M
Net cash at 31/12/2020	A\$68.0M
Free float	55.45%

Share performance (since listing)



Upside Case

- Better utilisation of their doctor panel
- Execution of European expansion
- Rollout of additional clinical pathways

Downside Case

- Patients revert to "face to face" consultations post COVID, reducing utilisation
- Multiples of tech and more specifically telehealth stocks contract
- New technology

Catalysts/upcoming events

- Q1 FY21 trading update (April 2021)
- Q2 FY21 trading update (July 2021)

Comparable companies (Aust/NZ)

Virtus (ASX:VRT), Healius (ASX:HLS), Monash IVF (ASX: MVF)

Top 5 shareholders

Caraini Holdings	13.9%
Caledonia Invest	9.4%
Bhikhu Patel	8.2%
BGF Investment	6.8%
Pie Funds	5.0%

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FINANCIAL SERVICES GUIDE

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