

# Orion Health Group

## Smart about health

Orion Health Group (OHE) is a dual-listed technology leader offering an end to end population health management solution (software and consulting services) and targeting those who both fund and provide healthcare services: private and public hospitals, healthcare provider networks, insurers, health information exchanges, research bodies and pharmaceutical companies. The company listed in November 2014, raising NZ\$125m to support additional research and development and assist in its transition to a subscription revenue model. About half OHE's revenues are generated in North America where the business has transitioned to delivery on a SaaS model, but its most rapidly growing market is the UK, where revenues grew 60% in FY15.

### Business model

OHE provides an end-to-end solution for Population Health Management, being the technology required to deliver preventative and proactive healthcare. OHE's point of difference is that it can connect all healthcare providers, from in hospital, out across the community and to the individual. OHE's modern technology is leading the way in meeting a huge and growing global demand for a better way to reduce costs and improve healthcare outcomes. Its scalable health data platform combines all forms of health related data – clinical, insurance claims and consumer – and integrates with its solutions for care coordination and patient engagement.

### Shift to subscription revenue model

Through FY15, OHE began its shift to a subscription revenue model with a global delivery platform and has completed this transition in its North American business. This enabled the company to lift its annualised recurring revenue base to NZ\$63m in FY15, an increase of 42%. OHE announced in July that in Q116 this shift assisted in establishing a strategic alliance with eHealth Technologies to provide access for health providers in North Dakota to medical images as part of a Health Information Exchange. The company has also secured a contract to support a large care co-ordination project in Cambridgeshire in the UK, which focuses on the care of the elderly. In its Q116 results release, OHE noted that operating cash flow in the six months to June was NZ\$1m.

### Valuation: Revenue growth of ~25% in FY16 and FY17

Consensus forecasts for OHE are for revenues to grow at ~25% for the next two financial years and for earnings losses to slow to a NZ\$0.145/share loss in FY17.

Consensus estimates						
Year end	Revenue (NZ\$m)	PBT (NZ\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
03/14	153.0	(1.9)	(0.9)	0.0	N/A	N/A
03/15	164.1	(50.7)	(42.3)	0.0	N/A	N/A
03/16e	207.8	(40.0)	(24.1)	0.0	N/A	N/A
03/17e	256.8	(23.5)	(14.5)	0.0	N/A	N/A

Source: Company reports, Thomson Reuters

## Information technology

Price\* NZ\$3.60/A\$3.49

Market cap NZ\$578m

\*As at 27 August 2015

Net cash (NZ\$m) at 30 June 2015 96.0

### Share price graph



### Share details

Code OHE  
 Listing NZX/ASX  
 Shares in issue 160.6m

### Business description

Orion Health Group is a leading software as a service (SaaS) healthcare company targeting the fast-growing market segments of big data, disease management and care co-ordination. The company has been in operation since 1993 and employs more than 1,200 people in 27 locations around the world.

### Bull

- Established strong position in the US, UK, Australia and New Zealand.
- Positioned to participate in the digitisation of healthcare.
- Strong and experienced management team and board.

### Bear

- Highly competitive market.
- Exchange rate risk; bulk of earnings generated in the US.
- Sector subjected to government policy and change.

### Analysts

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