

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

Finola Burke	+61 (2) 9258 1161
Moirra Daw	+61 (2) 9258 1161

tmt@edisongroup.com

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2015 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document 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. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2015]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.