

06 June 2022

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Healthia Limited (HLA)

Health Services

BUY

HLA A\$1.48 TARGET PRICE A\$1.72

Healthia Ltd (HLA) is a holding company engages in the operation and expansion of podiatry and physiotherapy clinics, and Business-to-Business businesses in Australia. It also intends in identifying, acquiring and integrating new clinics and organically growing its portfolio of clinics and other allied health businesses.

Company Data

Number of shares	128.3M
Market Capitalisation (\$m)	189.3
Free float (%)	56.9
12-month high/low	\$2.44/\$1.475
Average Daily Turnover (\$m)	0.089987
% S&P/ASX200	0.009%
DDM Ranking	N/A
% All Ordinaries	0.007%
GICS Industry Group	Health Care Equipment & Services

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	140.4	197.5	261.1	284.4
EBITDA (\$M)	21.5	24.5	42.7	47.4
Reported NPAT (\$M)	9.2	8.4	19.8	21.5
Adjusted NPAT (\$M)	11.3	10.9	19.3	22.3
Reported EPS (c)	6.0	3.7	13.1	13.6
Adjusted EPS (c - FD)	10.7	8.6	13.5	15.7
Adjusted EPS growth (%)	175.7	0.2	25.7	16.1
Adjusted P/E (x)	13.7	11.0	10.9	9.4
Dividend (c/sh)	4.5	3.9	6.3	7.4
Gross yield (%)	4.4	3.7	6.1	7.2
Net yield (%)	3.1	2.6	4.3	5.0
ROIC (%)	8.2	4.8	8.4	9.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

FY22 Financial Performance Update

On 6th of June 2022, Healthia Limited (HLA) announced FY22 financial performance update, with the following highlights:

Forecasted FY22 Financial Performance:

- FY22 Revenue is expected to be in the range of \$195m-\$200m;
- FY22 statutory EBITDA is expected to be in the range of \$30.0m-\$32.5m;
- FY22 underlying EBITDA is expected to be in the range of \$22.5m-\$25m;
- Since H122, COVID impacts has driven increased patient appointment cancellations and significant team member absenteeism due to illness and isolations resulting from COVID;
- During H222, HLA has seen continued impacts to its trading conditions and financial performance largely due to increased patient cancellations, abnormally high staff absenteeism, labour market challenges and isolated flooding events;
- HLA believes trading conditions and financial performance over the past several weeks are now at a level that provides greater certainty enabling HLA to provide this forecast;
- FY22 has been a significant year for HLA, during which it positioned itself as one of Australia's largest providers of allied health services with over 300 allied health businesses across Australia and New Zealand;
- During FY22, HLA successfully completed the acquisition of the 63 Back In Motion group clinics and has committed and deployed a total of \$112.5m capital on acquisitions.

Earnings Guidance:

- HLA maintains its previous earnings guidance that it is expecting to commence FY23 with an annualised portfolio of greater than \$40.0m in EBITDA;
- The ongoing impacts from patient cancellations and staff absenteeism will continue to improve compared to H222 to date.

Acquisition Update:

- HLA has entered into binding agreements to acquire Bay Hand Therapy and Sunshine Coast Hand Therapy;
- HLA will continue to focus on growth through strategic acquisitions while also focusing on integrating its newly acquired businesses and executing on organic growth activities; and
- Given the large current pipeline of potential acquisition opportunities, HLA remains confident of deploying the stated capital target of greater than \$20.0 million on new acquisitions in FY23.

Earnings changes

HLA gave FY22 underlying EBITDA guidance in the range of \$22.5m-\$25m which is lower than the market expectations of \$30.6m. However, FY23 EBITDA guidance is in line with market expectations of \$42.7m. Hence, we expect negative earnings revisions of 20% for FY22, but we do not expect any earnings revisions for FY23 and for future periods.

Valuation

We are initiating coverage on HLA with a 12-month target price of \$1.72 and with a BUY recommendation. The price target is underpinned by our valuation.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Barclay Pearce Capital Recommendation Proportions

Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)