

Aldicion Group Limited (ALC)					CASE:	BASE	DATE:	1/06/2021		
The Story										
Aldicion is targeting the patient management systems in hospitals, replacing antiquated unconnected manual an analogue processes and records with interconnected digital and app solutions via a range of products based on acquisition and development. Growing from a base in ANZ it is now penetrating the UK NHS Trust market with relationships with 27 of over 200 trusts it has shown good penetration but has plenty of growth to go. Sales growth slowed during Covid, but ALC was able to grow relationships via the free offer of its product to assist with Covid, providing opportunity for a reacceleration of growth going forward. It has also engaged with the Australian Defence force showing it's products have application beyond hospitals and in broader patient management environments which provided additional paths for growth and development to extend the runway of opportunity										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
% Recurring	56.1%	87.7%	Up front non-recurring revenue is expected to be flat which recurring product rev grows.							
Revenue	-17.0%	5.0%	Healthcare is growing above general economic rates.							
Gross Margin %	26.3%	92.7%	Change in proportion of revenue from low margin service to high margin software product							
EBITDA Margin %	-20.2%	48.1%	Operating leverage at scale driven by high GM%							
Tax	23.4%	27.5%	Australia based							
Capital Spend	124	212	Capital light business							
Share Count Changes	990,694	1,328,416	10% growth expected this year (cap raise + ESOP) then 2%							
Discount% : EV/EBITDA	10.0%	15.00	Low risk business, well supported by capital markets and with very strong growth							
The Cash Flows (A\$'000)										
Year	Dilution	% Recurring	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	1,089,763	64.8%	25,074	22,064	88.0%	- 891	-3.6%	- 327	130	- 695
2	1,111,559	65.6%	32,000	28,200	88.1%	1,129	3.5%	217	137	776
3	1,133,790	71.8%	39,000	34,850	89.4%	5,912	15.2%	1,523	143	4,246
4	1,156,466	77.8%	45,000	40,750	90.6%	11,985	26.6%	3,188	151	8,647
5	1,179,595	80.4%	51,000	46,450	91.1%	16,607	32.6%	4,453	158	11,996
6	1,203,187	82.5%	57,000	52,150	91.5%	21,175	37.1%	5,704	166	15,305
7	1,227,251	84.1%	63,000	57,850	91.8%	25,686	40.8%	6,938	174	18,574
8	1,251,796	85.5%	69,000	63,550	92.1%	30,138	43.7%	8,156	183	21,799
9	1,276,832	86.7%	75,000	69,250	92.3%	34,527	46.0%	9,357	192	24,979
10	1,302,368	87.7%	81,000	74,950	92.5%	38,851	48.0%	10,539	202	28,111
Terminal	1,328,416	87.7%	87,480	81,119	92.7%	42,049	48.1%	11,406	212	30,431
The Value (A\$'000)										
Terminal Value (Diluted)			470,385	Cashflows discounted for dilution						
PV (Terminal Value)			179,892							
PV (FCFF of next 10yrs)			58,864							
Value of Operating Asset			238,755							
Adjustment for Distress			-	Failure Probability = 0% Strong cash position, sticky customers and product, SPP over sub						
Adjustment for Future Options			47,751							
- Debt & Minority Interest			-	Option Case = 20%, Acquisitions, Product development an upsell opportunities.						
+ Cash & Equivalents			12,541							
Value of Equity			299,048							
Value per share (Base Currency)			\$ 0.30	Insider Holding%: 29.6%; 4p Rem Report; GlassDoor: Rec 95%, CEO 100% (5 Rev)						
FX Rate			1.000	Current Price	%					
Value per share (A\$)			\$ 0.30	\$ 0.45	-33%					
Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)										
Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.										