Medical Data Vision | 3902 |

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On **August 13, 2018,** Medical Data Vision (MDV) announced earnings results for 1H FY12/18.

1H FY12/18 results

MDV's consolidated results for 1H FY12/18 were sales of JPY1.5bn (+10.4% YoY), operating loss of JPY40mn (profit of JPY144mn in 1H FY12/17), recurring loss of JPY40mn (profit of JPY143mn in 1H FY12/17), and net loss attributable to parent company shareholders of JPY87mn (profit of JPY85mn in 1H FY12/17). Sales increased and earnings dropped YoY. According to the company, sales were in line with forecast, while results at the operating and recurring lines surpassed plan by JPY200mn each.

Cumulative quarterly earnings

Cumulative	FY12/16				FY12/17				FY12/18			
(JPY mn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	519	1,037	1,732	2,632	645	1,334	2,109	3,226	704	1,473	-	-
YoY	8.6%	8.6%	2.7%	9.1%	24.3%	28.6%	21.8%	22.5%	9.1%	10.4%	-	-
Data Network Service	317	620	999	1,438	309	700	1,108	1,571	310	722	-	-
Package	121	225	400	611	91	259	405	593	68	229	-	-
Maintenance	195	394	597	805	212	428	648	872	222	453	-	-
Others	-	-	-	21	6	13	54	105	19	39	-	-
Data Use and Application Service	201	415	733	1,194	335	632	1,000	1,654	393	750	-	-
MDV analyzer	60	125	193	263	75	150	221	296	74	155	-	-
Ad hoc analysis service	131	266	504	858	248	456	715	1,263	286	547	-	-
Others	9	24	35	71	11	26	66	94	31	46	-	-
<YoY>											-	-
Data Network Service	6.9%	4.9%	-6.3%	-0.7%	-2.4%	12.9%	11.0%	9.2%	0.3%	3.1%	-	-
Package	-2.9%	-7.8%	-25.5%	-16.3%	-25.0%	15.0%	1.3%	-2.9%	-25.3%	-11.6%	-	-
Maintenance	13.9%	13.7%	12.9%	12.0%	8.6%	8.5%	8.5%	8.3%	4.7%	5.8%	-	-
Others	na	na	na	na	nm	nm	nm	488.8%	216.7%	200.0%	-	-
Data Use and Application Service	11.5%	14.8%	18.2%	24.0%	66.2%	52.2%	36.5%	38.5%	17.3%	18.7%	-	-
MDV analyzer	0.9%	1.5%	3.8%	9.6%	23.2%	19.9%	14.8%	12.5%	-1.3%	3.3%	-	-
Ad hoc analysis service	15.0%	19.8%	23.5%	25.1%	89.5%	71.7%	41.3%	47.2%	15.3%	20.0%	-	-
Others	50.0%	46.4%	45.8%	97.2%	20.8%	5.7%	86.4%	32.4%	181.8%	76.9%	-	-
Cost of sales	94	198	313	458	119	249	446	620	155	334	-	-
YoY	1.5%	-2.0%	-18.3%	-11.3%	27.0%	25.5%	42.8%	35.3%	30.2%	34.4%	-	-
Cost ratio	18.1%	19.1%	18.0%	17.4%	18.5%	18.7%	21.2%	19.2%	22.1%	22.7%	-	-
Gross profit	425	838	1,420	2,174	526	1,085	1,663	2,606	548	1,138	-	-
YoY	10.3%	11.5%	8.8%	14.6%	23.7%	29.4%	17.1%	19.9%	4.3%	4.9%	-	-
GPM	81.9%	80.9%	82.0%	82.6%	81.5%	81.3%	78.8%	80.8%	77.9%	77.3%	-	-
SG&A expenses	413	846	1,296	1,743	462	940	1,491	2,037	580	1,179	-	-
YoY	13.7%	8.3%	7.6%	8.0%	11.7%	11.2%	15.1%	16.8%	25.5%	25.3%	-	-
SG&A-to-sales ratio	79.6%	81.6%	74.8%	66.2%	71.6%	70.5%	70.7%	63.1%	82.4%	80.0%	-	-
Personnel expenses	241	507	760	1,015	275	552	841	1,146	321	335	-	-
Other expenses	171	337	535	727	186	387	650	890	258	264	-	-
YoY	13.7%	8.3%	7.6%	8.0%	11.7%	11.2%	15.1%	16.8%	25.5%	25.3%	-	-
Personnel expenses	15.3%	12.2%	9.4%	9.5%	14.1%	8.9%	10.7%	12.9%	16.7%	-39.3%	-	-
Other expenses	11.8%	3.1%	5.3%	5.8%	8.8%	14.8%	21.5%	22.4%	38.7%	-31.8%	-	-
Operating profit	12	-7	124	431	64	144	172	569	-31	-40	-	-
YoY	-45.6%	nm	23.4%	52.6%	441.6%	nm	38.6%	32.1%	nm	nm	-	-
OPM	2.3%	-0.7%	7.1%	16.4%	9.9%	10.8%	8.1%	17.6%	-4.5%	-2.7%	-	-
Non-operating income (expenses)	-1	-1	-2	-15	-1	-1	-3	-4	0	0	-	-
Recurring profit	11	-8	122	416	63	143	169	565	-31	-40	-	-
YoY	-46.6%	nm	24.0%	48.4%	460.6%	nm	37.9%	36.0%	nm	nm	-	-
RPM	2.2%	-0.8%	7.1%	15.8%	9.8%	10.7%	8.0%	17.5%	-4.5%	-2.7%	-	-
Extraordinary gains (losses)	-	0	0	-122	-	-17	-18	-18	-0	0	-	-
Income taxes	6	1	46	116	17	41	75	193	23	53	-	-
Net income attributable to parent company shareholders	5	-10	76	178	46	85	76	355	-52	-87	-	-
YoY	-50.6%	nm	33.1%	8.7%	758.2%	nm	-0.2%	99.0%	nm	nm	-	-
Net margin	1.0%	-1.0%	4.4%	6.8%	7.2%	6.4%	3.6%	11.0%	-7.4%	-5.9%	-	-

Source: Shared Research based on company data
* Figures less than JPY1mn are rounded up (in figures released by the company, amounts less than JPY1mn were discarded).

Due to cyclical tendencies in the buying period for the Data Use and Application Service segment mainly by foreign-financed companies, MDV's profitability tends to be lower in Q1 and Q2 each year than in Q3 and Q4 (Q4 being the most profitable).

Quarterly earnings

Quarterly (JPY mn)	FY12/16 Q1	Q2	Q3	Q4	FY12/17 Q1	Q2	Q3	Q4	FY12/18 Q1	Q2	Q3	Q4
	Par.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	519	518	696	900	645	689	776	1,116	704	769	-	-
YoY	8.6%	8.7%	-5.1%	23.8%	24.3%	33.0%	11.5%	24.0%	9.1%	11.7%	-	-
Data Network Service	317	303	378	439	309	391	408	463	310	411	-	-
Package	121	104	175	211	91	168	146	188	68	161	-	-
Maintenance	195	199	203	208	212	216	220	224	222	231	-	-
Others	-	-	-	21	6	7	41	51	19	20	-	-
Data Use and Application Service	201	214	317	461	335	297	368	654	393	357	-	-
MDV analyzer	60	65	68	70	75	75	71	75	74	81	-	-
Ad hoc analysis service	131	135	238	354	248	208	259	548	286	261	-	-
Others	9	15	11	36	11	15	40	28	31	15	-	-
<YoY>											-	-
Data Network Service	6.9%	4.8%	-20.3%	13.2%	-2.4%	29.0%	7.9%	5.4%	0.3%	5.1%	-	-
Package	-2.9%	-12.6%	-40.3%	9.3%	-25.0%	61.5%	-16.6%	-10.9%	-25.3%	-4.2%	-	-
Maintenance	13.9%	13.7%	10.9%	9.5%	8.6%	8.5%	8.4%	7.7%	4.7%	6.9%	-	-
Others	na	na	na	na	nm	na	na	na	216.7%	185.7%	-	-
Data Use and Application Service	11.5%	15.1%	23.3%	36.4%	11.5%	38.8%	16.1%	41.8%	17.3%	nm	-	-
MDV analyzer	0.9%	3.2%	7.9%	29.6%	0.9%	15.4%	4.4%	7.1%	-1.3%	8.0%	-	-
Ad hoc analysis service	15.0%	25.0%	28.0%	27.3%	15.0%	54.1%	8.8%	54.8%	15.3%	25.5%	-	-
Others	50.0%	36.4%	57.1%	200.0%	50.0%	-	263.6%	-22.2%	181.8%	-	-	-
Cost of sales	94	104	114	146	119	129	198	173	155	179	-	-
YoY	1.5%	-4.9%	-36.6%	8.8%	27.0%	24.1%	73.0%	19.0%	30.2%	38.3%	-	-
Cost ratio	18.1%	20.2%	16.4%	16.2%	18.5%	18.8%	25.5%	15.5%	22.1%	23.3%	-	-
Gross profit	425	413	581	755	526	559	578	943	548	590	-	-
YoY	10.3%	12.7%	5.2%	27.2%	23.7%	35.3%	-0.5%	25.0%	4.3%	5.6%	-	-
GPM	81.9%	79.8%	83.6%	83.8%	81.5%	81.2%	74.5%	84.5%	77.9%	76.7%	-	-
SG&A expenses	413	432	450	447	462	479	551	546	580	599	-	-
YoY	13.7%	3.6%	6.4%	8.9%	11.7%	10.8%	22.3%	22.0%	25.5%	25.1%	-	-
SG&A-to-sales ratio	79.6%	83.5%	64.8%	49.7%	71.6%	69.5%	71.0%	48.9%	82.4%	77.9%	-	-
Personnel expenses	241	266	253	255	275	277	289	305	321	14	-	-
Other expenses	171	166	198	192	186	201	263	240	258	6	-	-
YoY	13.7%	3.6%	6.4%	8.9%	11.7%	10.8%	22.3%	22.0%	25.5%	-97.0%	-	-
Personnel expenses	15.3%	9.5%	4.1%	9.9%	14.1%	4.1%	14.2%	19.6%	16.7%	-94.9%	-	-
Other expenses	11.8%	-4.6%	9.4%	7.3%	8.8%	21.1%	32.8%	25.0%	38.7%	-97.0%	-	-
Operating profit	12	-19	131	307	64	80	27	398	-31	-9 -	-	
YoY	-45.6%	nm	1.4%	68.6%	441.6%	nm	nm	nm	nm	nm	-	-
OPM	2.3%	-3.7%	18.8%	34.1%	9.9%	11.7%	3.5%	35.6%	-4.5%	-1.1%	-	-
Non-operating income (expenses)	-1	-1	-1	-1	-1	-1	-1	-1	0	0	-	-
Recurring profit	11	-20	131	293	63	79	26	397	-31	-9	-	-
YoY	-46.6%	nm	nm	nm	460.6%	nm	nm	nm	nm	nm	-	-
RPM	2.2%	-3.8%	18.8%	32.6%	9.8%	11.5%	3.3%	35.5%	-4.5%	-1.1%	-	-
Extraordinary gains (losses)	-	-0	-	-122	-	-17	-1	-0	-0	-0	-	-
固定資産除却費	0	-1	-1	-1	0	-1	-1	-1	0	0	-	-
減損損失	0	0	0	0	0	0	0	0	0	0	-	-
Income taxes	6	-4	45	69	17	23	35	117	23	29	-	-
Net income attributable to parent company shareholders	5	-15	86	102	46	39	-10	279	-52	-35	-	-
YoY	-50.6%	nm	nm	nm	758.2%	nm	nm	nm	nm	nm	-	-
Net margin	1.0%	-3.0%	12.3%	11.4%	7.2%	5.7%	-1.3%	25.0%	-7.4%	-4.6%	-	-

Source: Shared Research based on company data
*Figures less than JPY1mn are rounded up (in figures released by the company, amounts less than JPY1mn were discarded).

Data Network Service

The Data Network Service segment, which primarily sells packaged software for medical institutions, saw a total of 802 hospitals implement the large-scale DPC analysis benchmark system, EVE, and the company came to possess a large volume of benchmark data. In addition, the number of hospitals implementing the hospital management support system, Medical Code, increased by 30 since 1H FY12/17 to a total of 269 hospitals. Further, five hospitals have adopted CADA-BOX, which links electronic medical records (EMRs) with Karteko, a service that enables patients to store and browse portions of their medical history online, and CADA Kessai, a healthcare payment service which allows patients to freely set payment conditions.

Amid growing attention on the use of big data in medical-related industries, MDV has accumulated large volumes of medical data provided by hospitals, obtaining their consent for secondary use; the data volume represents 24.0mn patients, which equates to roughly one out of every five people in Japan. As of the end of June 2018, around 45% of the hospitals that had a DPC system used the company's product (as of end-June 2018).

Data Use and Application Service

Sales were brisk in the Data Use and Application Service, particularly in EBM (Evidence Based Medicine) mainly targeting pharmaceutical companies, where the company provides research and analyses leveraging its medical big data. As a result, sales were up 18.7% YoY to JPY750mn.

CADA-BOX

In FY12/18, MDV aims to introduce CADA-BOX to 24 hospitals. While new orders have slightly fallen behind plan (orders from three hospitals received as of end-1H), the company has a pipeline of 67 prospective hospitals that could potentially place orders, and thinks it will be able to secure orders in 2H as planned.

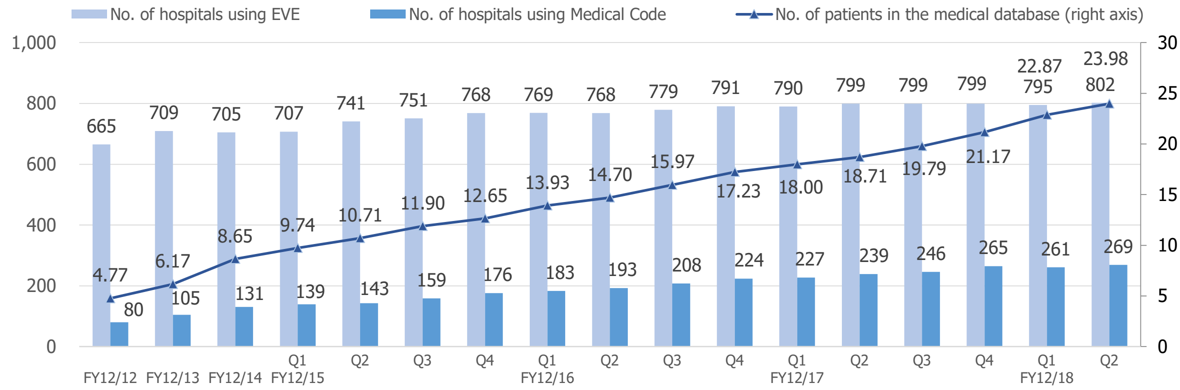
Outlook for FY12/18

MDV has not changed its initial forecasts for full-year FY12/18.

The company will continue to work on expanding its Data Use and Application Service, increase overall sales by promoting business growth of its subsidiaries, and invest in resources (hiring about 40 employees on a consolidated basis) to build its sales force. It also plans on expenditures to strengthen its services such as CADA-BOX, as well as security. MDV thinks it can maintain a recurring profit margin of around 17%, seeing itself in the second stage of recouping investments.

For full-year FY12/18, the company forecasts sales of JPY4.7bn (+45.7% YoY), operating profit of JPY799mn (+40.5% YoY), recurring profit of JPY800mn (+41.6% YoY), and net income attributable to parent company shareholders of JPY491mn (+38.7% YoY).

Number of hospitals using EVE and Medical Code, number of patient records in medical database



Source: Shared Research based on company data

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