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# M3

## Medical platform

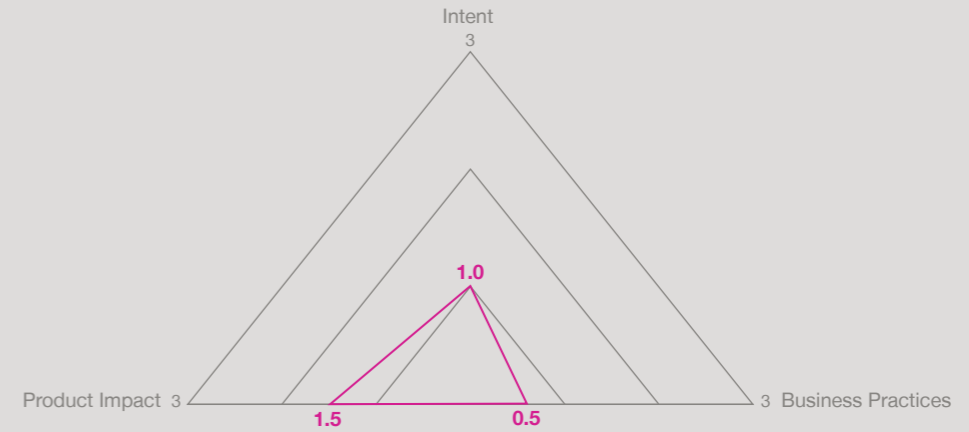


M3 operates medical portals predominantly in Japan, the US, UK, Korea and China. The portals aim to improve the efficiency of the healthcare sector by providing a range of contents and services online. M3 include access to medical research and academic journals, recruiting patients for clinical trials, marketing medicines and appointment reservations for patients.

## Investment Case

<p><b>What challenge is the Company tackling?</b></p>	<p>M3 leverages on-line tools to reduce costs, improve transparency and increase efficiency in the healthcare sector. For example, in the case of patients' recruitment to a clinical trial, M3 spent one year less than its competitors. M3's subscription base of doctors allows for targeted recruitment of patients and therefore the recruitment can be done quicker. While the obvious direct beneficiaries of M3's services are pharma companies, patients should also benefit from reduced drug development time and informed doctors. The company also runs a few patient-facing businesses in Japan, e.g. an online reservation system for clinics.</p>
<p><b>Is the Company's offering sufficiently different and better than the status quo?</b></p>	<p>M3 can help the healthcare system to move away from many inefficient practices. M3 provides substantially cheaper solutions while not compromising the outcomes. This process will take time, but with the world's largest subscription base of doctors, M3 is well-positioned to drive a global change.</p>
<p><b>Is there a committed management team? What have they done before?</b></p>	<p>The founder and the CEO of the company, Mr. Tanimura, is a visionary, hardworking and humble man. The company started offering online marketing services in Japan, but over time it has managed to expand to other businesses, while leveraging on the doctors' subscription base. While the online marketing share of revenue has been decreasing over the last decade, this business is still growing fast. The management feels as they have just started their quest for making the healthcare system more efficient.</p>
<p><b>How does the Company treat stakeholders?</b></p>	<p>Our investors have been engaging with the company for more than six years and have a high opinion of the management team. M3 has delivered strong performance for shareholders. However, there is limited disclosure on business practices and little English-language reporting. The company does seem to be a good place to work as organisation structure is not hierarchical and employees are empowered to innovate.</p>
<p><b>Is there a potential to create a profitable and defensible business?</b></p>	<p>In terms of subscription base, M3 has a superior position in its core markets relative to other independent platforms. Arguably, there is a network effect at play: good content/services attract doctors to the portal, while a large subscription base of doctors attracts content developers. The history suggests that doctors don't tend to switch platforms. This is a capital light and cash generative business with very attractive profitability metrics. Importantly, the company continues investing in the future growth. Some of new businesses such as clinical trials outsourcing are more capital intensive than online marketing. This could put a downward pressure on margins. However, M3's online marketing services are highly under-priced relative to their value to customers. The company's transition towards value-add pricing should be good for margins. M3 should be able to achieve an operating margin of 30%+ in the long-term.</p>
<p><b>Is the business attractively valued?</b></p>	<p>Japan spends ¥45trillion (~US\$424bn) on healthcare. M3's core business (2/3 revenues), the information portal doctors and drug marketing platform for pharmaceutical companies, operates within a subset of this: the medicine marketing budget, which is ¥1.5trillion (~US\$14bn) annually. With revenues of less than 5% of this ¥1.5trillion, we believe M3 can take a much large share of this marketing market thanks to its dominant network of doctors and increasing strong relationships with pharmaceutical companies. We believe this growth is underappreciated and that the market struggles to value M3's other businesses including clinical trials, R&amp;D funding, cloud based medical and records, where the addressable markets are continuously expanding.</p>

## Impact Analysis



### Product Impact

Different aspects of the offering provide for greater or lesser positive impact, but the majority are indirect. The clearest relationship with a positive outcome is in their recruitment for clinical trials. New areas they are developing, particularly using AI have the potential to increase the product impact significantly.

### Intent

Traditionally an opportunistic rather than mission driven organisation, their focus on inefficiencies in the healthcare sector has led them to generate positive outcome. With the company's new structure, intent is perhaps increasing but it remains to be seen how this evolves.

### Business Practices

A lack of disclosure makes understanding the business practices challenging.

	Relevant Targets	Relevant Products
<p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>	<p><b>Target 9.5</b> Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development.</p>	<p>M3 improves the efficiency of healthcare research including clinical trials.</p>