

ID Holdings Corporation

(4709, TSE 1st Section) September 9, 2019

30% Operating Income Increase Primarily Due to Strengthened Project Management in Q1

Research Note

Quick Corporation
Toshiaki MaedaKey benchmarks as of
September 5, 2019

Share price	¥1,198
Shares outstanding	12,044,302 shares
Market capitalization	¥14,429 million

Issuance date of preceding report

Basic	July 5, 2019
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Results		Net sales ¥ million	YoY %	Operating income ¥ million	YoY %	Ordinary income ¥ million	YoY %	Net income ¥ million	YoY %	EPS ¥
FY2018	Results	26,515	14.3	1,667	32.9	1,724	35.3	1,028	65.2	93.15
FY2019	Company estimates (Announced May 2019)	26,800	1.1	1,670	0.2	1,710	-0.8	1,060	3.1	95.64
	Analyst estimates	26,600	0.3	1,670	0.2	1,710	-0.8	1,060	3.1	95.64
FY2020	Analyst estimates	27,500	3.4	1,760	5.4	1,800	5.3	1,120	5.7	101.06

Slight decrease in Q1 net sales due to wrapping up of major projects

The consolidated business results for the first three months of the fiscal year ending March 31, 2020 (Q1 FY2019) were as follows: net sales decreased 1% from the same period of the previous year, resulting in ¥6.56 billion, and operating income increased 28%, reaching ¥510 million. Despite an increase in sales of cybersecurity products and orders for consulting services, the wrapping up of major projects led to poor performance in system operation management and software development, resulting in a slight decrease in revenue. On the other hand, operating income increased significantly due to measures such as strengthening the project management system, promotion of active sales activities, and a shift of technicians towards high value-added fields.

In net sales by service, system operation management decreased 4% over the same period of the previous year, resulting in ¥3.0 billion. Although the company was able to acquire projects from existing customers in the financial sector and new customers in the public sector, the wrapping up of some major projects in the financial sector had a major impact. Software development decreased 3% over the same period of the previous year, resulting in ¥2.25 billion. Despite an increase in orders received in some areas of the public sector, the company was unable to cover the reactionary downfall associated with the completion of major projects in the previous period. Furthermore, in system infrastructure, the company was unable to use increases in the public sector to cover decreases in the transportation sector and the financial sector. Consequently, system infrastructure decreased 1% over the same period of the previous year, resulting in ¥570 million. On the other hand, cybersecurity, consulting, and training increased 37% over the same period of the previous year, resulting in ¥420 million. In addition to increased sales of cybersecurity products, there was also an increase in orders for consulting services. In other sectors, the company received large orders for products, and net sales increased 8% over the same period of the previous year, resulting in ¥310 million.

Net sales and operating income predicted to reach record highs due to management of reactionary downturn of major projects in previous year

In Q1, strengthening of the project management system led to increased profits, with income increased significantly even as revenue decreased. Quick Corporation views these trends as positive. In this analysis, Quick Corporation defers to the existing predictions for performance over the full year; however, further increases in income can be expected if improvement in income continues from Q2 and later. In the previous period, performance increased due to several major projects, and a reactionary downfall is predicted. Even so, net sales and operating income are expected to reach record highs. Since there will be an effect caused by the conclusion of projects for financial institutions and a reactionary downfall of major projects in the public sector, Quick Corporation is focused on whether or not the company will be able to capture new software investment demand. We forecast that the company will gradually recover from the reactionary downfall by establishing new projects in the public sector. The company will celebrate its 50th anniversary in October 2019. We believe that costs for anniversary events will be incurred in the second half of the period, but that the company will be able to absorb the costs.

Quick Corporation also defers to the existing future forecasts for the period ending March 31, 2021. Since there will no longer be reactionary downfall from major projects, we predict an increase in system operation management and software development services. Costs incurred with anniversary events will also reach a conclusion. Due to these factors, we predict that performance will reach a record high.

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