

A promising prognosis for online medical-records firm

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Sam Chebib, president and CEO of Nightingale Informatix Corp., which ranks as the fastest-growing Canadian tech company

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Mount Sinai Hospital is conducting a medical experiment that many would say was a long time coming.

Patients at the Toronto teaching hospital's 100 clinics are trying out a Web-based application that allows them to access their medical records online. Outpatients can check physician reports and lab results as well as schedule appointments, transfer medical records or even submit their own test results - from anywhere in the world with Internet access.

Called Nightingale On Demand, it is being used by more than 2,000 physicians across Canada.

"We are trying to monetize the value of the five million patient records that we're managing by offering an enhanced service to the patients," says Sam Chebib, president and chief executive officer of Nightingale Informatix Corp., which created Nightingale On Demand.

Until now Nightingale On Demand was used primarily by doctors and health care professionals. Mr. Chebib says it has reduced potentially fatal errors, patient waiting times and office clutter by eliminating the need for bulky filing cabinets.

This month Nightingale also rolled out its Priority Access portal, which provides a secure communications tunnel between physicians and their patients.

Increased efficiency is expected to lead to increased profit for users as well as Nightingale Informatix, which tops the 2008 Deloitte Technology Fast 50, a list of the 50 fastest-growing Canadian technology companies.

The company, which is based in Markham, Ont., reported the biggest revenue growth of any Canadian technology firm over the past five years - a staggering 23,078-per-cent increase.

"It's the last untapped market from an information technology perspective," says Mr. Chebib, who estimates that only 20 per cent of the 800,000 physicians in North America have kicked the paper habit and switched to electronic records. "The question is not whether this is going to happen or not, but rather when."

Nightingale's customer base includes physicians, clinics and hospitals across the U.S., but the biggest top-line boost for the company came through contracts for three of the largest electronic medical-records projects under way in Canada - the Nova Scotia Department of Health, the Ambulatory Record Management System at Mount Sinai, and the Alberta Orthopedic Society.

"That credibility and validation you get with these large contracts ends up driving the smaller side of the business," Mr. Chebib says.

Nightingale Informatix is a tiny company by stock market standards. Revenue for the past quarter came in at slightly less than \$5-million.

The stock trades at around 20 cents with a market cap of \$15-million, and the company has yet to turn a profit. Mr. Chebib says he expects to be in the black "very soon" and revenue growth should remain strong.

"We may not necessarily grow at 20,000 per cent over the next five years but we hope to continue our growth at a very respectable pace," he says.

The largest holder of Nightingale stock is the New York-based IT hedge fund Emancipation Capital Master Ltd., with a 17-per-cent stake, followed by Mr. Chebib, who owns 16 per cent of the outstanding shares. The Altamira Health Sciences Fund holds less than 1 per cent of Nightingale, but the fund's manager, Natcan Investment Management Inc., declined to comment on the company.

Obtaining objective information about a small company can be frustrating for investors but Nightingale Informatix has attracted independent analyst coverage from New York-based Thomas Weisel Partners - something rare for a company of its size.

Analyst Blair Abernethy recently downgraded the company from "market overweight," or a buy, to "market weight," also known as a hold. However, he has maintained a price target of 75 cents for the stock based on 2009 earnings estimates.

"We expect to see business in Ontario begin to ramp up in the next two quarters as funded doctors move to implement systems. However we remain cautious as this project has faced numerous delays in the past and end-use adoption rates can be slow," he says.

Other risks, according to the report, include the loss of existing contracts and debt coverage - something that may not have been as much of a concern before the current global credit crisis.

The report also stacks Nightingale up against three other public companies in the Canadian health-care IT space. While revenue for Nightingale is expected to grow 34 per cent for 2008,

SXC Health Solutions Corp. is counting on an 819-per-cent revenue lift, and Logibec Groupe Informatique Ltée is expecting growth of 57 per cent.

The third, MediSolution Ltd., is expecting revenue to grow only 3 per cent in 2008.

Mr. Chebib says he's pleased with his balance sheet after paying off half of the company's \$12-million debt earlier this year. "We continue to chip away at it but at the end of the day debt is a healthy part of the capital structure."

Another potential risk in health care technology is security. Mr. Chebib says his system eliminates the risk of confidential paper files being stolen or destroyed in a clinic break-in and contends it is superior to the current online banking system.

"The investment that we make in our data centres - from backup hardware to firewalls - by far exceeds any security any individual clinic can put into place," he says.

The health care sector is also heavily dependent on government financing. But Mr. Chebib says 70 per cent of Nightingale's revenue is generated from unsubsidized market segments, and that number is expected to rise over the next two years.

"Early on it's a good catalyst in that it provides an incentive for physicians to jump on the bandwagon," he says. "Then I think the government should butt out and let the market look after itself."

In the meantime, he doesn't see any downside to this year's federal elections in Canada or the U.S.

"Both sides of the house in Canada and the U.S. are very supportive of electronic health records."

Dale Jackson is a producer at Business News Network.