

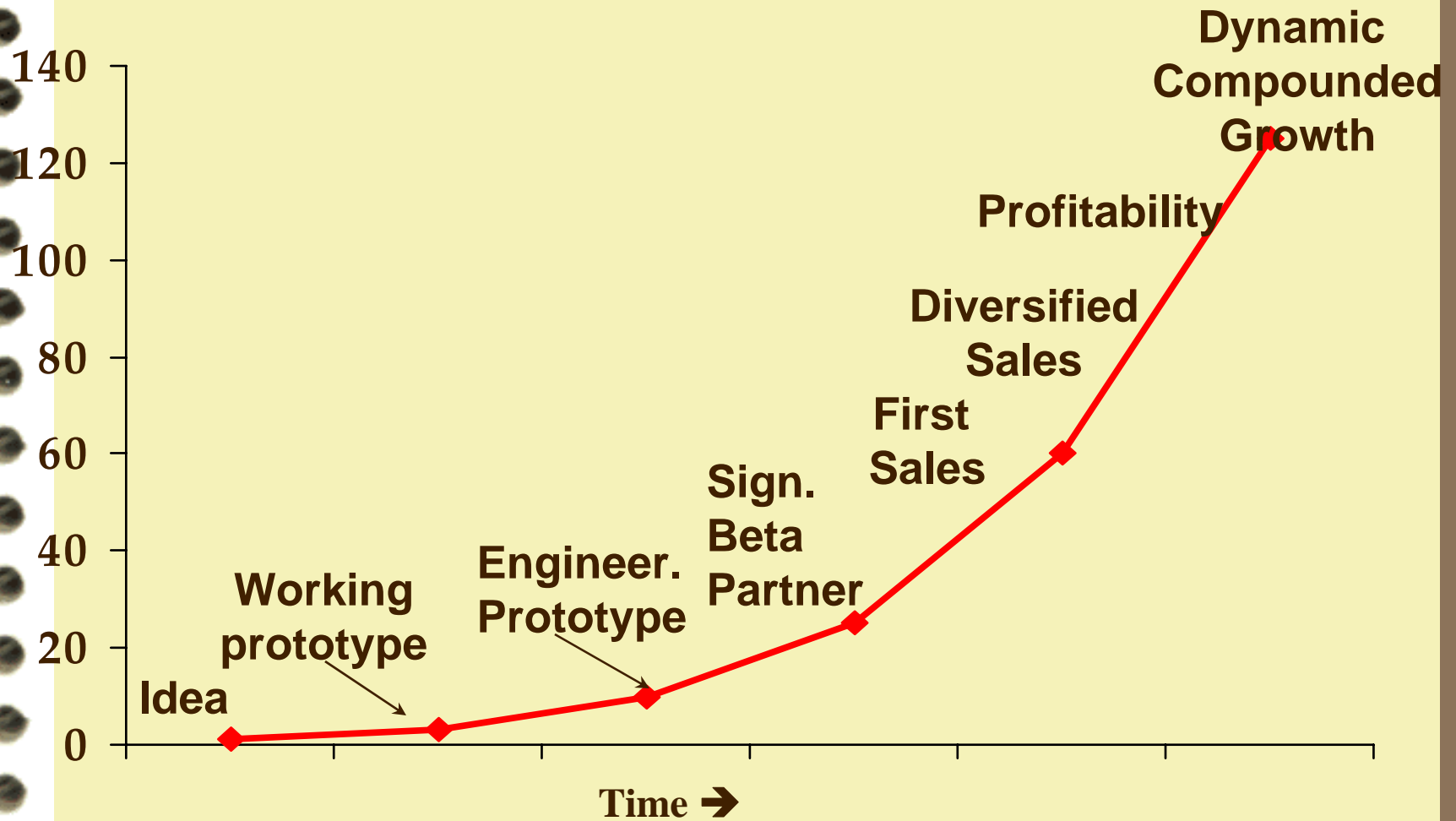


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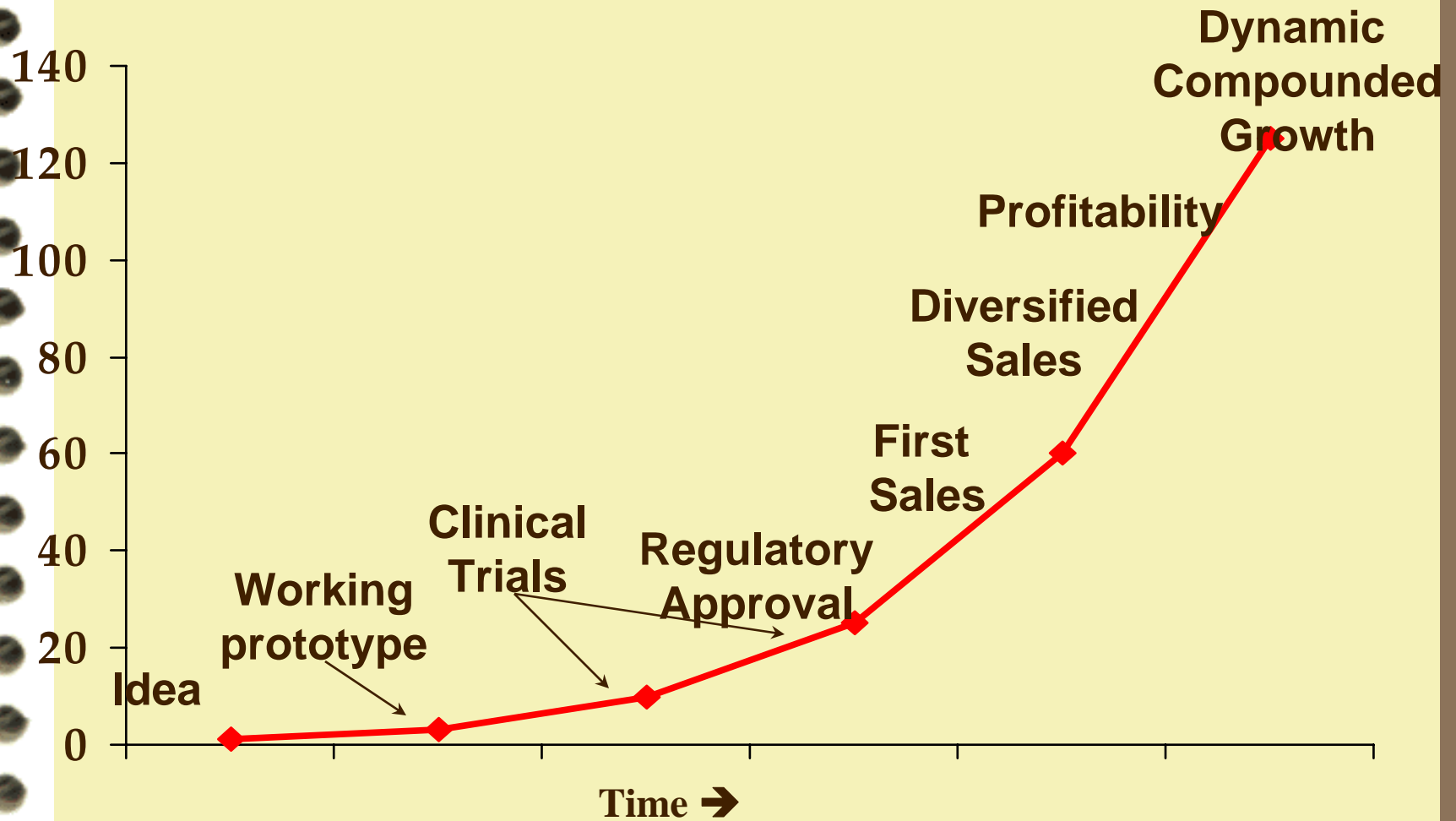
# Summarizing Your Business Idea

Halley S. Faust, MD, MPH  
Jerome Capital, LLC

# WHAT ADDS VALUE TO A COMPANY?



# WHAT ADDS VALUE TO A MEDICAL COMPANY?




# **KEY INGREDIENTS FOR A SUCCESSFUL START-UP**

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 **Focus**

 **Proprietary, competitive technology or service with extensions**









 **Clearly defined market demand of significant size**

 **Energetic, Experienced, and Dedicated Management Team**

 **Capital**

# The Odds of a VC Deal Closing

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 Read first paragraph of exec summ	100%
 Read 3-page executive summary	80%
 Skim full business plan	30%
 Call founders with questions	15%
 Visit with management once	8%
 Intensive due diligence	4%
 Make offer, negotiate price & terms	2%
 <b>Close deal, make the investment</b>	<b>1%</b>

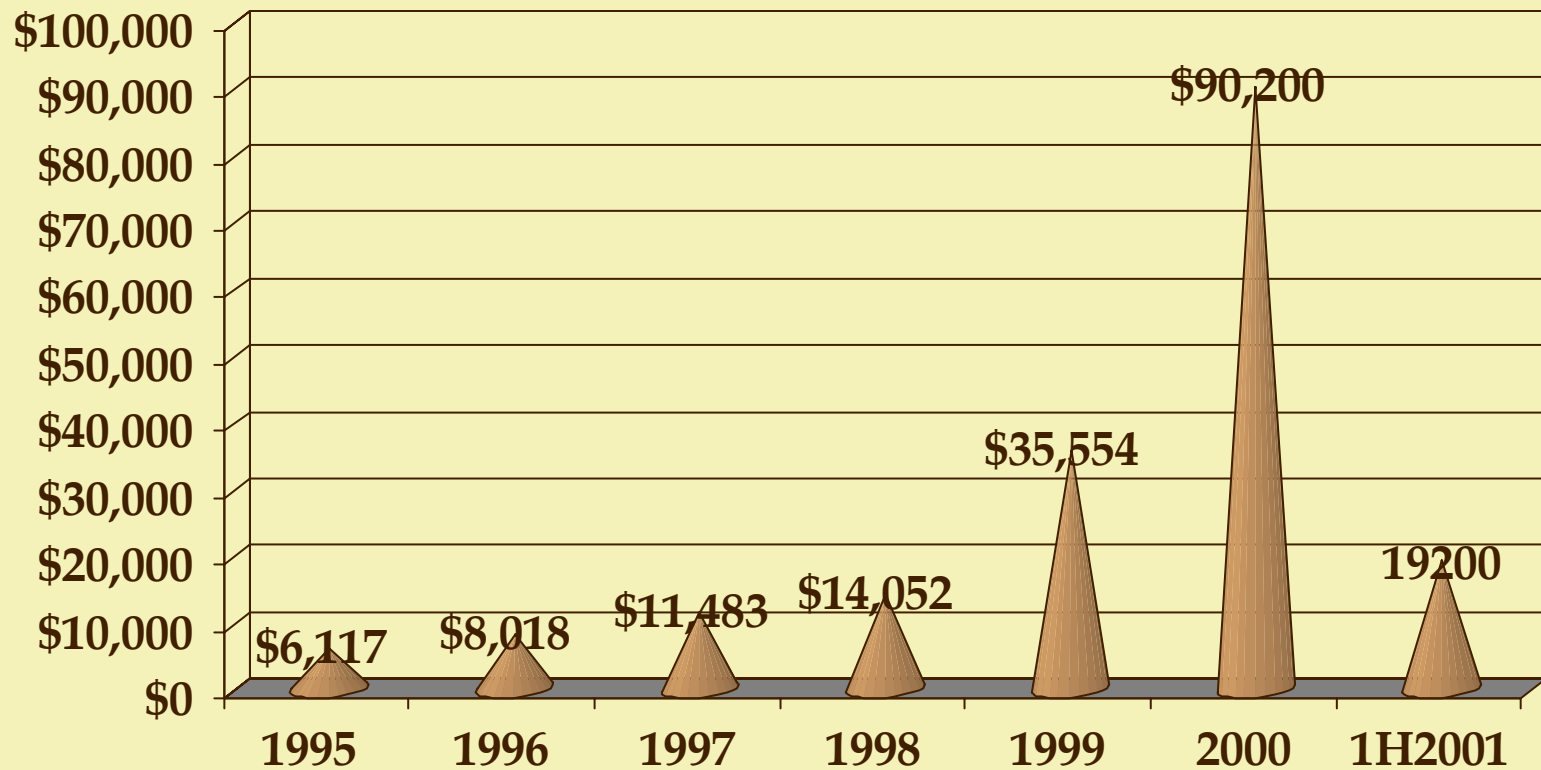
# What is The First Principle of a Business Plan?

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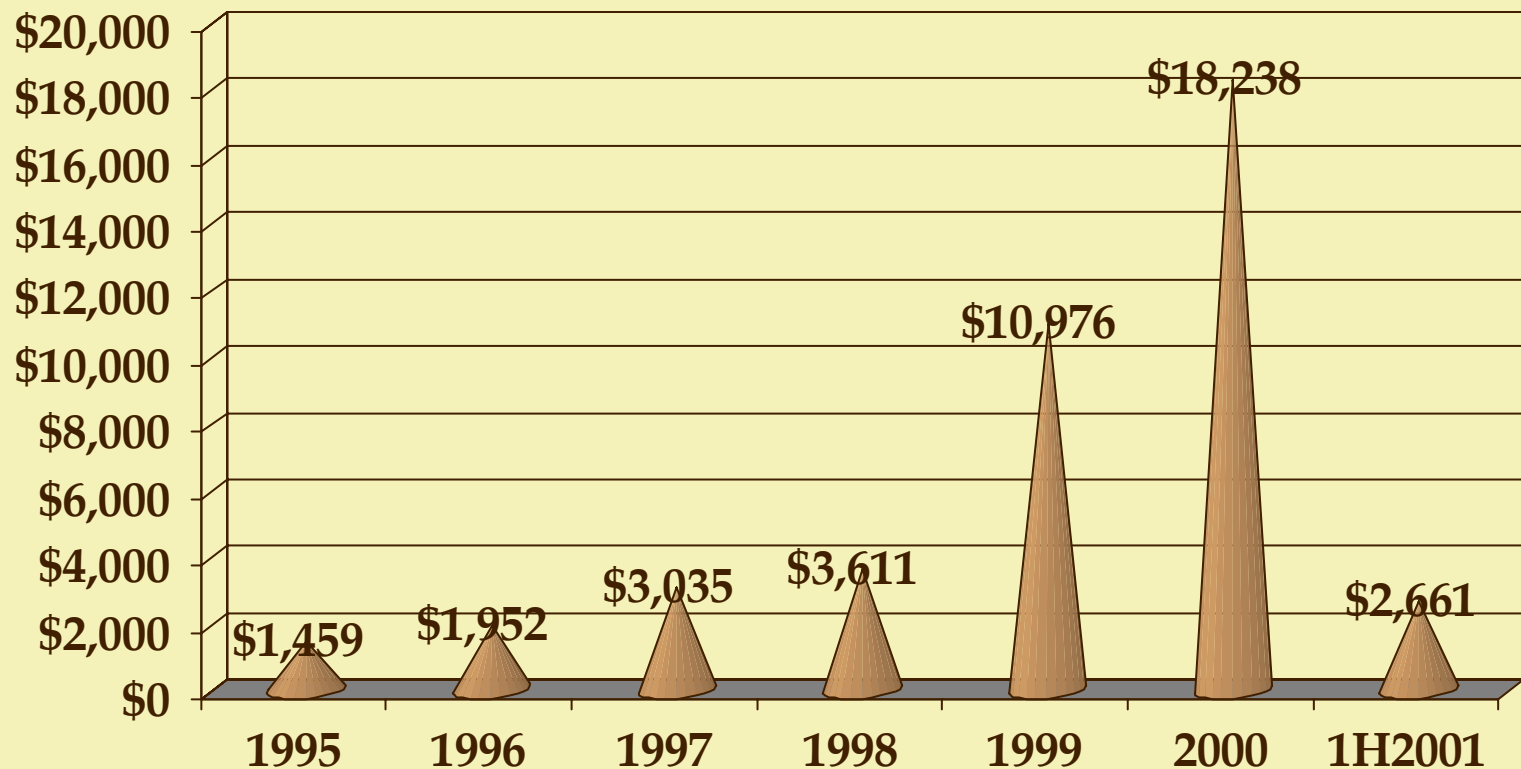
**CAPTURE THE IMAGINATION**

# US Venture Capital Investing 1995-1H01, All Stages (MM)



Source: PriceWaterhouseCoopers

# US VC Investing, 1995-1H01, Early Stage Deals (MM)



Source: PriceWaterhouseCoopers

# Fundamental Questions Posed by Funding Sources\*

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- 📄 **Is the business idea solid?**
- 📄 **Is there a sufficient market?**
- 📄 **Are the financial projections healthy, realistic, and in line with the investor's or lender's funding patterns?**
- 📄 **Is key management described in the plan experienced and capable?**
- 📄 **Does the plan clearly describe how the investors or lenders will get their money back?**

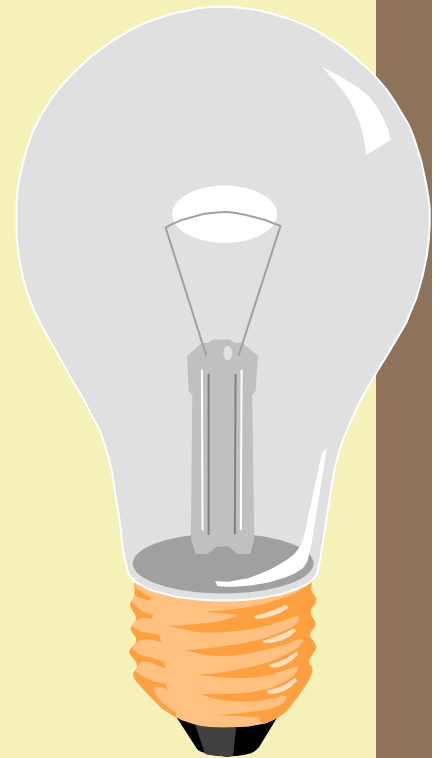
\*Rhonda Abrams, The Successful Business Plan: Secrets and Strategies

**Where to start?**

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**Something you know  
about**

**With a recognized  
market need**



# A recognized missing market need

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- price point
- product
- service capability
- area of unmet service
- clearly defined market niche



**This is Your Brand**

# A proprietary position

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 **Unique product or service with patent protection**

 **Unique management team's expertise/experience**

 **Trademarked brand equity OR ability to rapidly develop a branded position**

 **Black-box “undecodeable” knowledge**

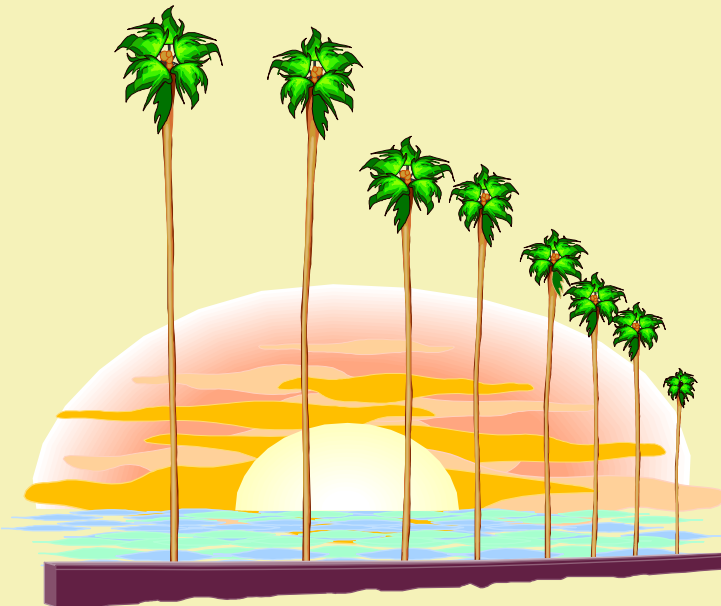
# Value-added beyond current products or services

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📄 from the customer's viewpoint

📄 real or perceived

📄 more than a “nice-to-have”



# Typical Executive Summary

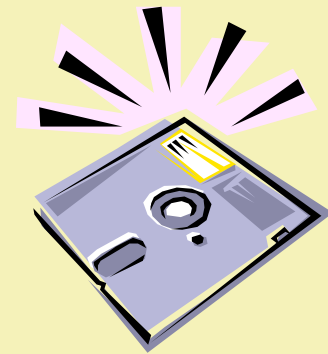
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📄 **Short (2-3 pages) & Concise “Grabber”**

📄 **In Plain English**

📄 **Includes explanation of**

- **Product/Service**
- **Market**
- **Management**
- **Key performance indicators**



# Y2K Requirements

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 **Public Summary**

 **Opportunity Statement/Elevator Speech**

 **Market Opportunity and Strategy**

 **Product or Service Concept**

 **Competitive Advantage**


 **Team**

# Public Summary

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 **Short**

 **Concise – every word counts**

 **Gives keywords of the product/service**

 **Delineates the customer**

# Public Summary examples

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- 📄 **Kelson is a pediatric practice management company adding value through negotiated managed care contracts and enhanced practice efficiencies.**
- 📄 **ESC Medical develops proprietary high intensity pulsed light products for the aesthetic medical market.**
- 📄 **D-Pharm uses proprietary lipoprotein RAP technology to develop new drugs with lower doses and fewer side effects.**
- 📄 **AmeriGroup is a multi-state managed healthcare company focused on serving people who receive healthcare benefits through state-sponsored programs, incl. Medicaid, CHIP, and Family Care.**

# Opportunity Statement/ Elevator Speech

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- 📄 **1-3 sentences**
- 📄 **Improve upon public summary**
- 📄 **What you can say before the VC gets to her floor**
- 📄 **Include all four key points: market, management, technology, and finance**

# Example of Elevator Speech

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TAD Biodiagnostics uses the rapid, unique, highly accurate, and proprietary “Tag and Drag” virus testing platform to detect HIV-1 and other infectious diseases and cancer. The initial HIV testing market is \$650 million in the US and \$1.5 billion worldwide. With our partnership with one of the largest diagnostic companies in the US our highly experienced and compatible management team expects to capture 10% of this market in the next three years.

# Marketing Strategy - 1

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- 📄 **Define how what you are offering meets a market need**
- 📄 **How will you position the product/service in the market?**
- 📄 **Define the Market Universe size in units and revenues**
- 📄 **Pricing strategy**
- 📄 **Sales cycle / selling strategy**



# SEGMENT YOUR MARKET

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- 📄 **A size you can manage**
- 📄 **Customers you can identify**
- 📄 **Customers you can reach**

# Marketing Strategy - 2

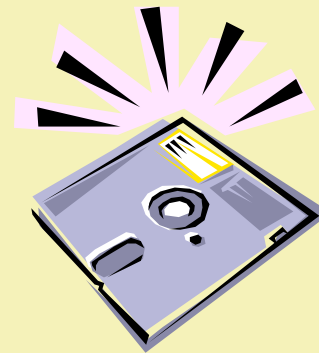
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 **Distribution strategy**

 **Show numbers re: market penetration**

 **PR strategy**

 **[Clinical studies or fulfilling other regulatory needs]**



# Product/Service Concept

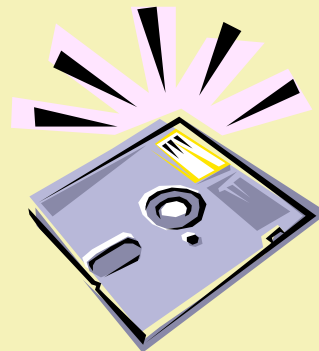
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📄 **What are you selling?**

📄 **To whom?**

📄 **What is proprietary or unique?**

📄 **Illustrate the unit economics**



# Competition

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📄 “If you don’t know your competition, you don’t know your market.”

📄 Who are they?

📄 What do they do well?

📄 What do they do poorly?

📄 How do you differentiate yourself? i.e.,  
**WHAT IS YOUR BRAND?**



# Types of Competitors Comparison

## Kelson

	<b>Kelson</b>	<b>Other PPMFs</b>	<b>PHO</b>	<b>Hospital</b>
<b>MC Expertise?</b>	Yes	Varies	Unlikely	Unlikely
<b>MD Control</b>	Yes	No	Variable	No
<b>Access to Capital</b>	Yes	Yes	Usually	Yes
<b>Strategic Conflict</b>	No	No	Yes	Yes

# Direct Competitor Comparison

	<b>PhyCor</b>	<b>Caremark</b>	<b>FPA Medical</b>	<b>Kelson</b>
<b>Model</b>	Large multi-specialty	Primary Care	Primary Care Network	Pediatric
<b># of groups</b>	26	8	5	20
<b># MDs</b>	1,330	800	1,350	330
<b>Geography</b>	mid-size cities	Major cities	Selected regions	East coast, Utah, Tennessee
<b>Ownership</b>	Own	Own	Manage	Manage

# Management Team

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- 📄 **Who is management?**
- 📄 **Why are they qualified?**
- 📄 **What are team's weaknesses?**
- 📄 **How will you fix those weaknesses?**
- 📄 **Who are advisers?**
  - **Board of Directors**
  - **Accountants, attorneys, bankers**
  - **Advisory Boards (scientific, investment, other)**



# Key Performance Indicators

## NewCo, Inc.

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	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Units open</b>	<b>5</b>	<b>15</b>	<b>60</b>	<b>100</b>	<b>150</b>
<b>Gross Rev</b>	<b>\$2.5</b>	<b>\$7.5</b>	<b>\$30</b>	<b>\$50</b>	<b>\$75</b>
<b>GPM</b>	<b>50%</b>	<b>73%</b>	<b>70%</b>	<b>65%</b>	<b>60%</b>
<b>NIBT</b>	<b>(\$5.3)</b>	<b>(\$2.4)</b>	<b>\$5.2</b>	<b>\$11.4</b>	<b>\$17</b>

# BOARD OF DIRECTORS OF NEWCO, INC.

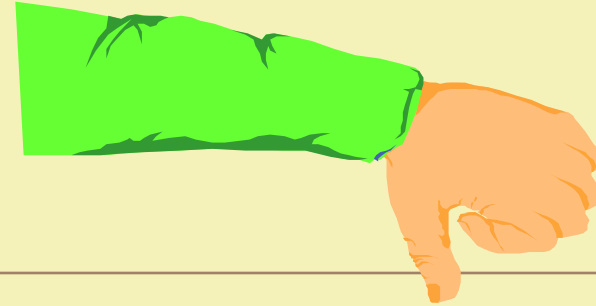
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- 📄 **Investors**
- 📄 **Industry Expert**
- 📄 **Founder**
- 📄 **CEO**
- 📄 **Key Adviser**
- 📄 **First Big Customer**



# **Risk Factors**

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**What is likely to make your enterprise fail?**

**Technology**

**Scale**

**Structure**

**Money**




**Management**

**Market response**

**Regulatory**

# Finance Strategy



-  **How much do you need to make the business self-sustaining?**
-  **How will you finance the business at various stages of its lifecycle?**
-  **How will you use the first (or next) round of capital (use of proceeds)?**

# Capital Requirements This Round

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R&D	\$2 million
Marketing Introduction	\$3 million
Manufacturing	\$2.5 million
<u>Working Capital</u>	<u>\$2 million</u>
<b>Total Capital Required</b>	<b>\$9.5 million</b>