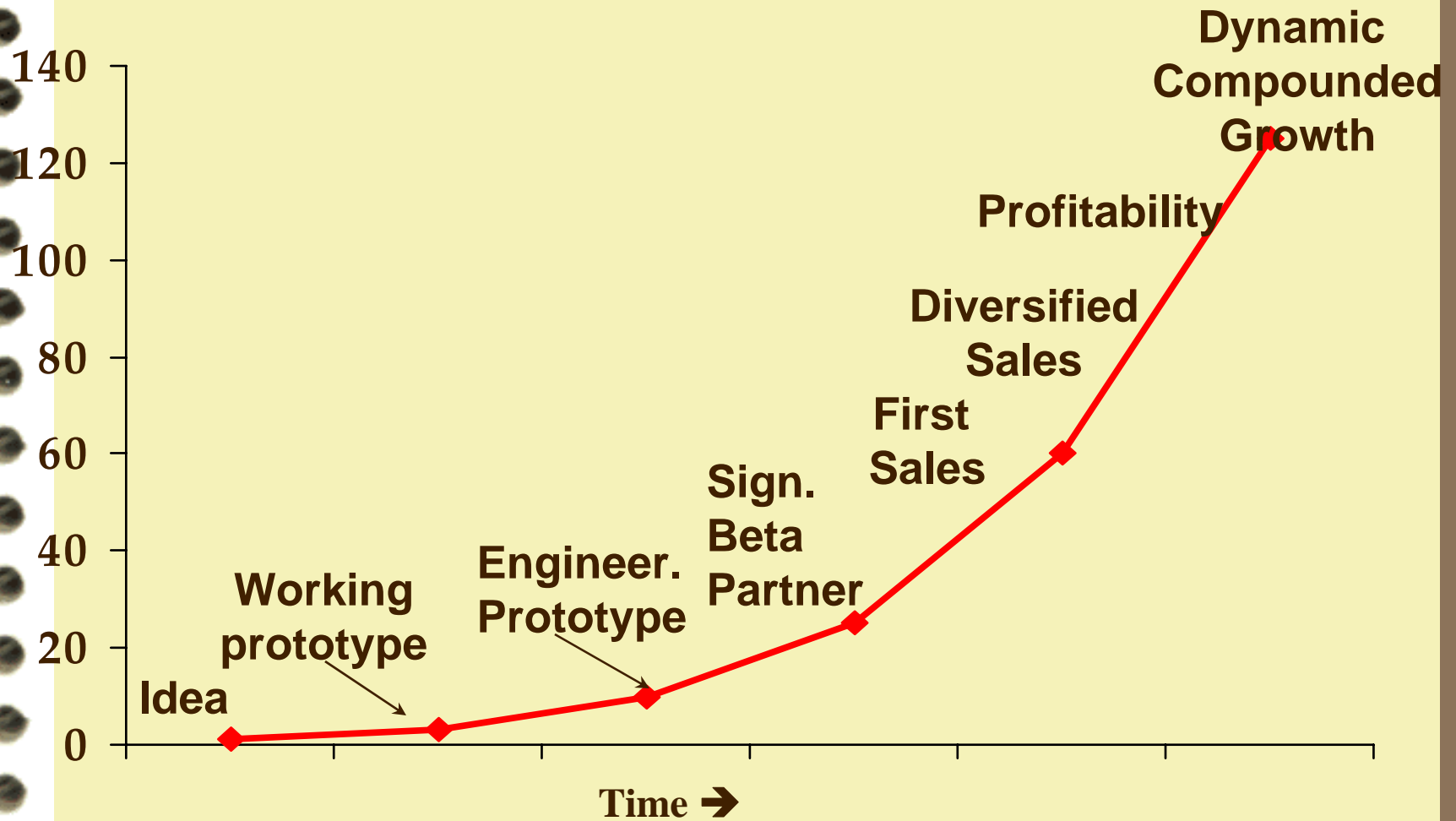




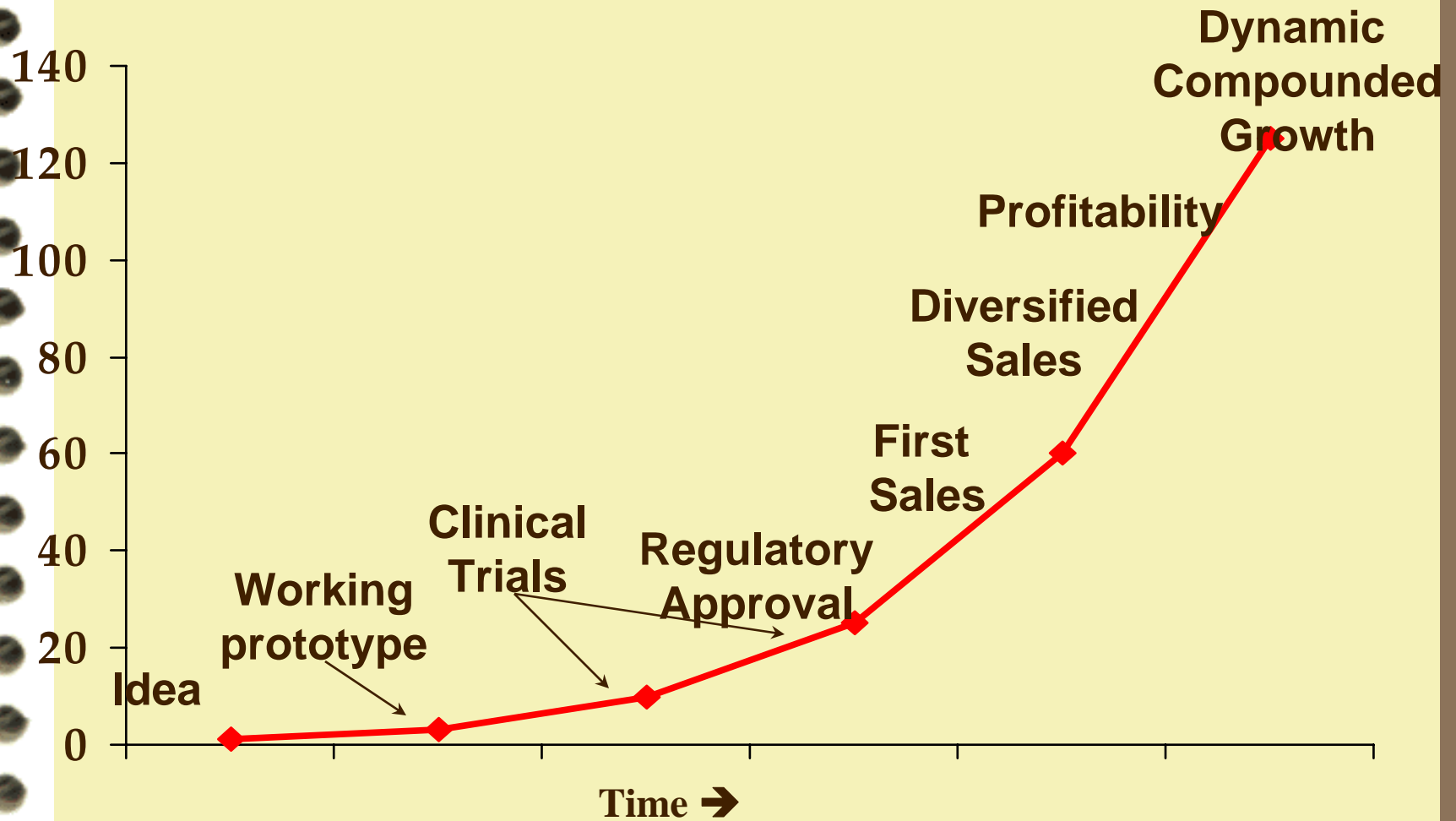
Summarizing Your Business Idea

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

 **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

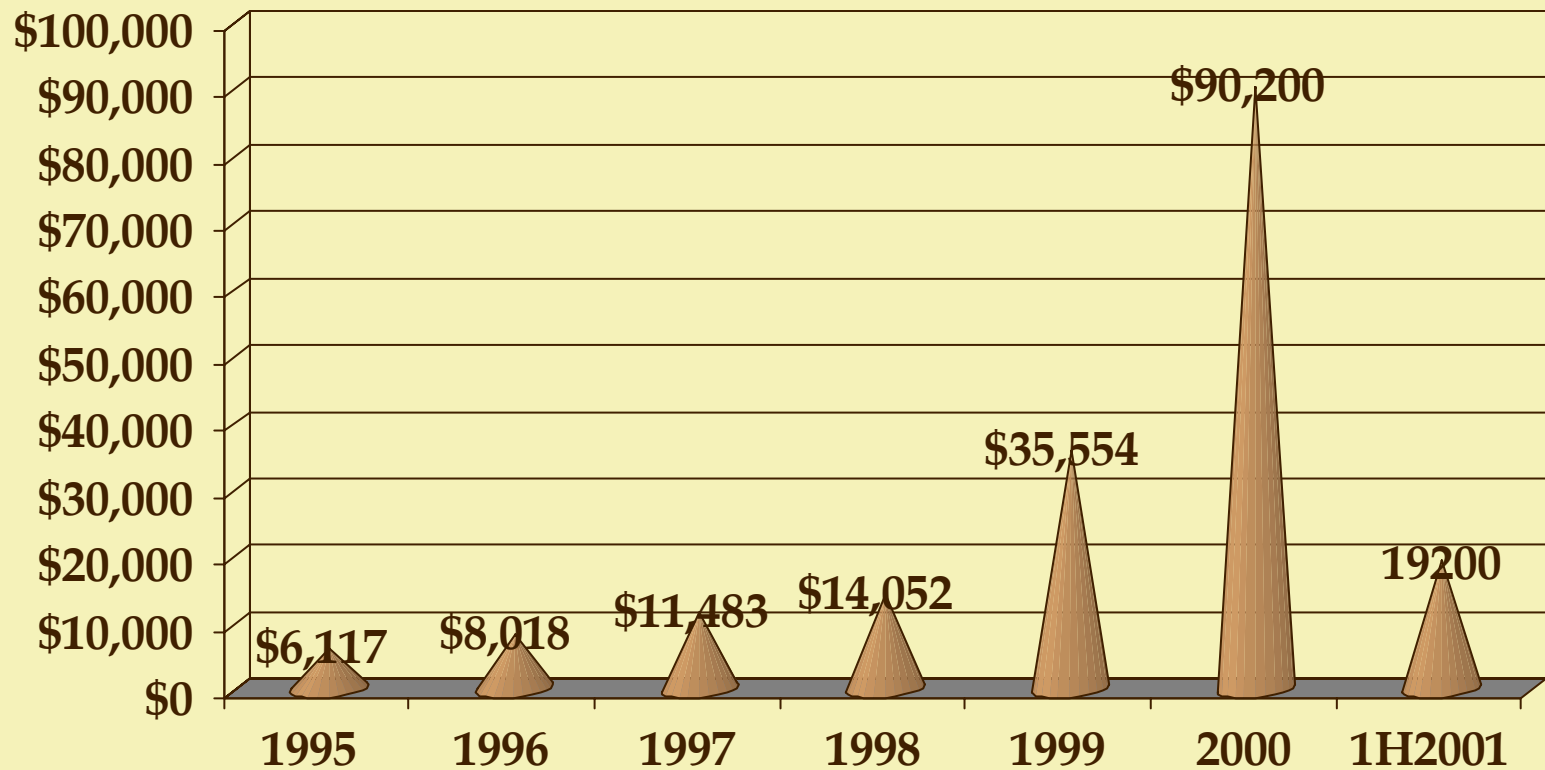
 Read first paragraph of exec summ	100%
 Read 3-page executive summary	80%
 Skim full business plan	30%
 Call founders with questions	15%
 Visit with management once	8%
 Intensive due diligence	4%
 Make offer, negotiate price & terms	2%
 Close deal, make the investment	1%

What is The First Principle of a Business Plan?



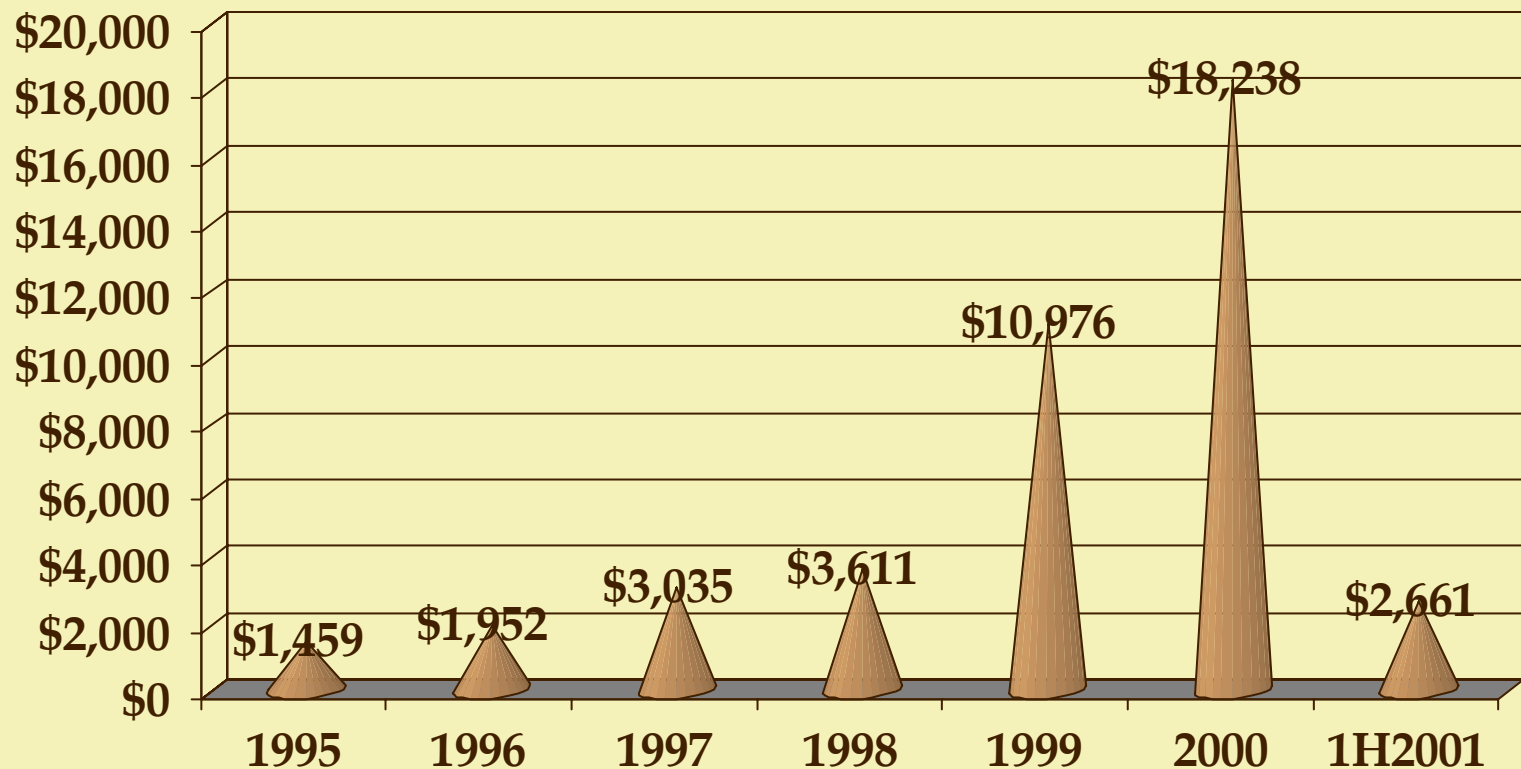
CAPTURE THE IMAGINATION

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*

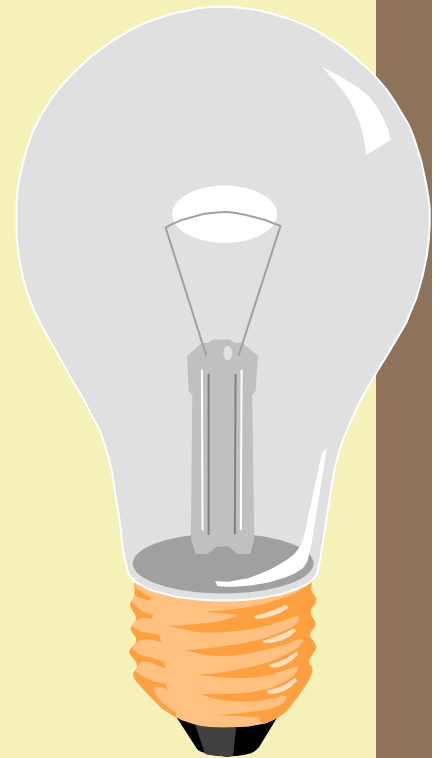
- 📄 **Is the business idea solid?**
- 📄 **Is there a sufficient market?**
- 📄 **Are the financial projections healthy, realistic, and in line with the investor's or lender's funding patterns?**
- 📄 **Is key management described in the plan experienced and capable?**
- 📄 **Does the plan clearly describe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

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

Where to start?

**Something you know
about**

**With a recognized
market need**




A recognized missing market need

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



This is Your Brand

A proprietary position

 **Unique product or service with patent protection**

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

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

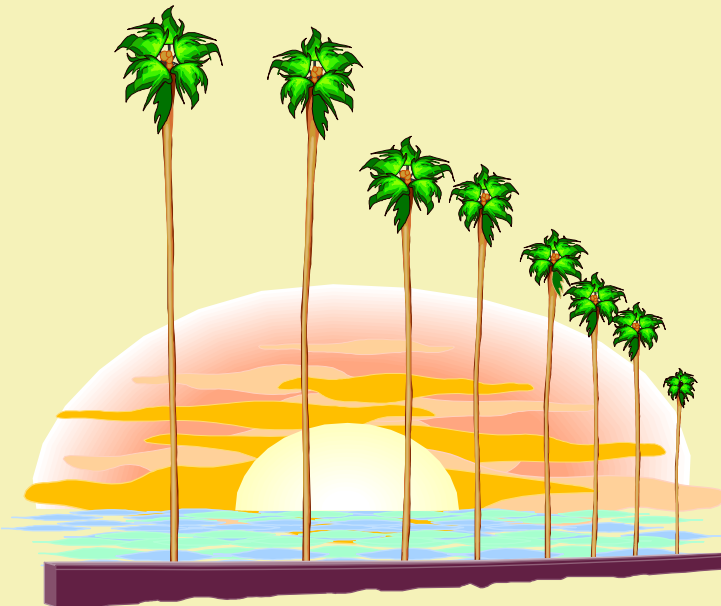
 **Black-box “undecodeable” knowledge**

Value-added beyond current products or services

📄 from the customer's viewpoint

📄 real or perceived

📄 more than a “nice-to-have”



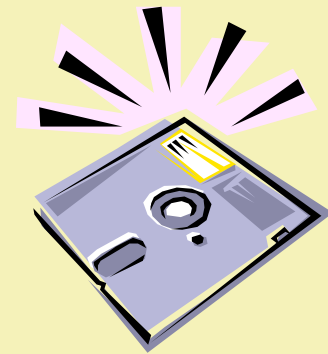
Typical Executive Summary

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

📄 **In Plain English**

📄 **Includes explanation of**

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



Y2K Requirements

 **Public Summary**

 **Opportunity Statement/Elevator Speech**

 **Market Opportunity and Strategy**

 **Product or Service Concept**


 **Competitive Advantage**

 **Team**

Public Summary

 **Short**

 **Concise – every word counts**

 **Gives keywords of the product/service**

 **Delineates the customer**

Public Summary examples

- 📄 **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

- 📄 **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

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

- 📄 **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

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

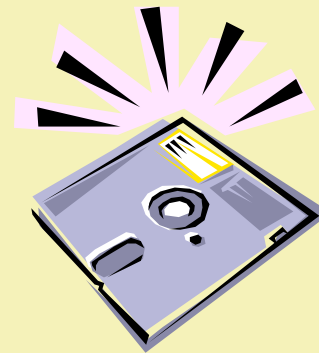
Marketing Strategy - 2

📄 **Distribution strategy**

📄 **Show numbers re: market penetration**

📄 **PR strategy**

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



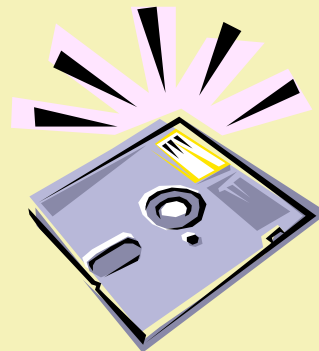
Product/Service Concept

📄 **What are you selling?**

📄 **To whom?**

📄 **What is proprietary or unique?**

📄 **Illustrate the unit economics**



Competition

📄 “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

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

Direct Competitor Comparison

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

Management Team

- 📄 **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.

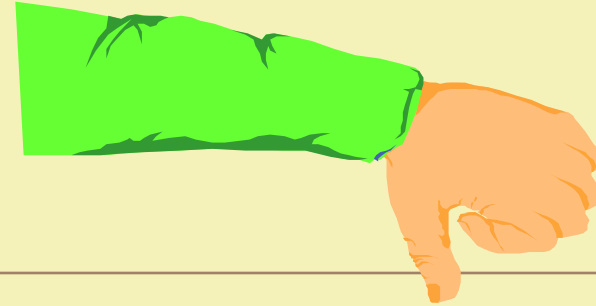
	Year 1	Year 2	Year 3	Year 4	Year 5
Units open	5	15	60	100	150
Gross Rev	\$2.5	\$7.5	\$30	\$50	\$75
GPM	50%	73%	70%	65%	60%
NIBT	(\$5.3)	(\$2.4)	\$5.2	\$11.4	\$17

BOARD OF DIRECTORS OF NEWCO, INC.

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



Risk Factors



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

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