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**PRE
QUATE**

**Smart financial modelling
can drive 10x more with
40% less in investments.**

Start-ups often make a lot of mistakes while matching their USP to their business model to their revenue model. **Quattro*** learnt of the money they were leaving on the table when Prequate helped remodel their business.



0 Organization profile

company name:	Quattro *
model:	Healthcare
segment:	Pre-screening devices
age:	4 years
size:	HC: 40+ employees
round:	Series A

* Names of businesses have been masked with generic names to protect client confidentiality and honour executed non-disclosure agreements. Further, information which is extremely specific to a company and could be considered as critical nature, indicative of trade secrets, proprietary intellectual property or a sensitive part of a current or closed investment banking related transaction that Prequate assisted on have been substituted with similar information.

1 Overview

Initial plans of the company yielded:

- EBIT of 27% of \$10Mn by Year 5
- EBITDA positive from Year 3
- Raise amount of ~\$10Mn to finance continued R&D, working capital, inventories and commercialization pan-India

2 Problem statement

Quattro had developed a great product which was a revolutionary healthcare product that aimed at making available basic healthcare related services in hard-to-reach rural & semi-urban areas where facilities were not financially feasible for private healthcare providers. The devices built with state-of-the-art IoT backbone would be contract manufactured which was the rationale for building a more capital efficient VC-ready business.

They had begun approaching investors but had faced slow progress as the product sale business has some key limitations. The story of the impact that they will have was side-lined with questions around the challenges of running a hard-ware centric business.

3 Beginning a journey with Prequate

Prequate was brought in to help **Quattro** remodel their business and make them more attractive for VC investment.

Here is why we decided to work with them:

- The lack of an alternate solution that could have the same impact as Quattro's devices in making healthcare available to the masses at the point that it was required
- A management team that had demonstrated an ability to scale a blended (technology and services) led business in the past

4 Developing a deep understanding

Prequate started off with a deep-dive into the fundamentals of the product, its possible utilities – today and 3 years from now, its potential uses and type of data it was capturing.

We noticed that:

- Product had been designed with abilities to remotely manage the performance completely
- Model was built on a product sale model that netted cash on each product sold only
- Working capital requirements that bloated due to manufacturing lead times due to custom-built hardware
- Profitability needed significant scale which in-turn needed continuous inflow of money

The product could potentially deliver various benefits over time and develop a strong data-led moat, but the revenue model was built on a one-time transaction only.

5 Asking the right questions

Prequate deduced that the real business value would only be unlocked if this was a **value-in-use** model as compared to the current value-on-sale model that allowed for a better match between value and revenue.

This meant that the financial model needed to be able to address key questions such as >

- Is the model rewarding usage while de-risking delivery?
- Who gains from using the product over time and can all those gains translate into revenue to **Quattro**?
- Are we profiting from the continuing value of the product?

6 Getting to brass tacks

Prequate worked with all their key stakeholders:

- management
- current investors
- investment bankers
- sales teams
- industry mentors and advisors

to get a detailed understanding of the possible solutions that could help unlock most value for the organization.

We reworked the business model based on foundations from:

▲ **Perform a scalability assessment**

Identify the key attributes that provide sustaining value to the business and define possible scenarios over time

▲ **Fit an ecosystem fundamental to test**

Develop a new financial model to assess the potential NPV of the business using an eco-system approach as compared with the BAU model

▲ **Redesign the revenue model**

Develop continuing revenue streams that are based on usage along with stress testing assumptions

▲ **Develop a new fund raise strategy**

Create new fund-raise plan with different financing possibilities using the balance sheet strength and continual revenue inflows to isolate shorter term capital needs

7 Solution snapshot

Prequate through deliberations derived a:

- ▲ **a new business model:**

- ▲ of a local entrepreneurship led-model loosely based on the principles of 'franchising' with revenue share arrangements with local partners.
- ▲ create local entrepreneurs and provide them with an investment opportunity with guaranteed returns.

- ▲ **Re-strategized their product roadmap:**

- ▲ to include vernacular support that allow for better local management of the hardware and factor costs for the same.
- ▲ to include a 100% self-service product positioning that uses visual aids and requires little to no human interference in operation and maintenance.

- ▲ **Re-strategized their GTM:**

- ▲ to move from toward using non-profits and healthcare bodies as local activation partners by striking 'access' and 'disease-management' chords.
- ▲ onboard local champions to be able to survey, reiki, create and activate local entrepreneurial talent at a local level.
- ▲ partner with non-profits doing healthcare related charitable activities to enhance awareness, reach and provide brand acknowledgement.

8 Result?

Measurement period: **45 days**

Increased attractiveness from funders:

- ▲ Selected from 500+ applications for a coveted non-equity grant
- ▲ Allowed for adding in some venture debt as to drive higher IRR
- ▲ Healthcare access under a \$ was a new mantra

Cashflow required:

- ▲ Cash required as equity dropped from ~\$10M to ▼ \$6M

Profitability growth:

- ▲ Projected EBITDA in Y5 grew by ▲ 10x
- ▲ PAT in Y5 grew 17% to ▲ 37% in Y5

Continuity revenue:

- ▲ Every \$1 was now able to generate over \$8 over a 5Y period

Unlocked high-value revenue potential:

- ▲ Big data and analytics as a business potential opened up as a new potential revenue stream in Y3 with over 10M anonymized health related data points gathered

PRE QUATE

website

If you want to
see what else we do

See our thought
leadership

see more

book time

If you want to book
a quick call with the team

About Prequate

Prequate is a management ^ finance advisory that acts and manages as a Business Finance, Strategic Finance & Management Assist group. Over the last 10+ years, Prequate has worked with 350+ businesses in 20+ industries across 25+ countries and has been covered by various publications for its breakthrough approach to advisory.

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