

Pocket A

The opportunity in numbers



Building companies based on science

ABSTRACT - POCKET A

This Field Lab (FL) aims to provide a business plan ready to be turned into a new business venture. Over the course of this FL, the group of students working on this project explored a problem worth solving. They then identified a possible solution, designed to solve this problem. An extensive analysis of the market, its size, competition, and dynamics followed. At the same time the operational part of the solution was developed through an iterative approach. Lastly, a deep financial analysis was conducted to identify funding needs and possible exit scenarios. The FL at hand is meant to be understood as a pitch in front of potential investors.


ABSTRACT - THE OPPORTUNITY IN NUMBERS

The individual part of this FL looks at the financial side of the business. Based on data and hypothesis a financial model is built to understand the funding needs and financial returns. This includes a detailed analysis of the unit economics and revenue model. Furthermore, possible exit scenarios for the entrepreneurs and investors are developed.

KEY WORDS

Entrepreneurship – Venture Capital – Science – Leadership – Innovation – R&D – Entrepreneurial Finance – Startup – MedTech – QuickCommerce

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A person wearing a yellow hard hat, a white jacket, and a yellow backpack is walking up a set of stairs. The stairs have a metal railing. The background shows a modern building with large windows. The image is overlaid with a dark grey semi-transparent layer.

Bring fast and easy access to the right medication at any point in time

A person wearing a grey hoodie, dark pants, and a tan beret stands next to a silver bicycle. They have a large yellow and white delivery bag on their back. The background is a light-colored wall with a dark diagonal line. The text is overlaid in the center of the image.

**Building the pharmacy of the future for consumers,
while enabling local pharmacies to thrive in the
21st century**

1. Executive summary

2. Opportunity

3. Market & competition

4. Operating model

5. Sales & marketing

6. Financials

7. Roadmap

8. Appendix



Problem

While one can order conveniently groceries, the way patients purchase medication has barely changed over the past few years. Changing customer demands and new players in the pharmaceutical market put pharmacies under pressure to adapt.



Solution

Pocket A delivers pharmaceuticals to your doorstep by partnering with regional pharmacies across the country. Pocket A combines the strength of local pharmacies with a superior technological infrastructure and user experience. Pocket A acts as a pharmacy-enabler and not as competition.



Market

None of the existing players offer an appealing solution to address a large market. The total pharmacy revenue in Germany alone was €56.7bn, while the average pharmacy turns over €2.8m in revenue yearly, generating a net profit of €167k.



Operations

Operational excellence is the key to success in a competitive market. With a superior technological basis, an in-house rider fleet and a hyper local city hub approach, Pocket A tailors to both our partners' and customers' needs.



Financials

Pocket A is planning to raise €1.5m in a seed investment round from well-known investors. The funding allows to scale revenue quickly and break even in Q4 2023 with total revenue of €4m in 2023. This will be achieved by securing strong (financial) partners that also support strategically.



Outlook

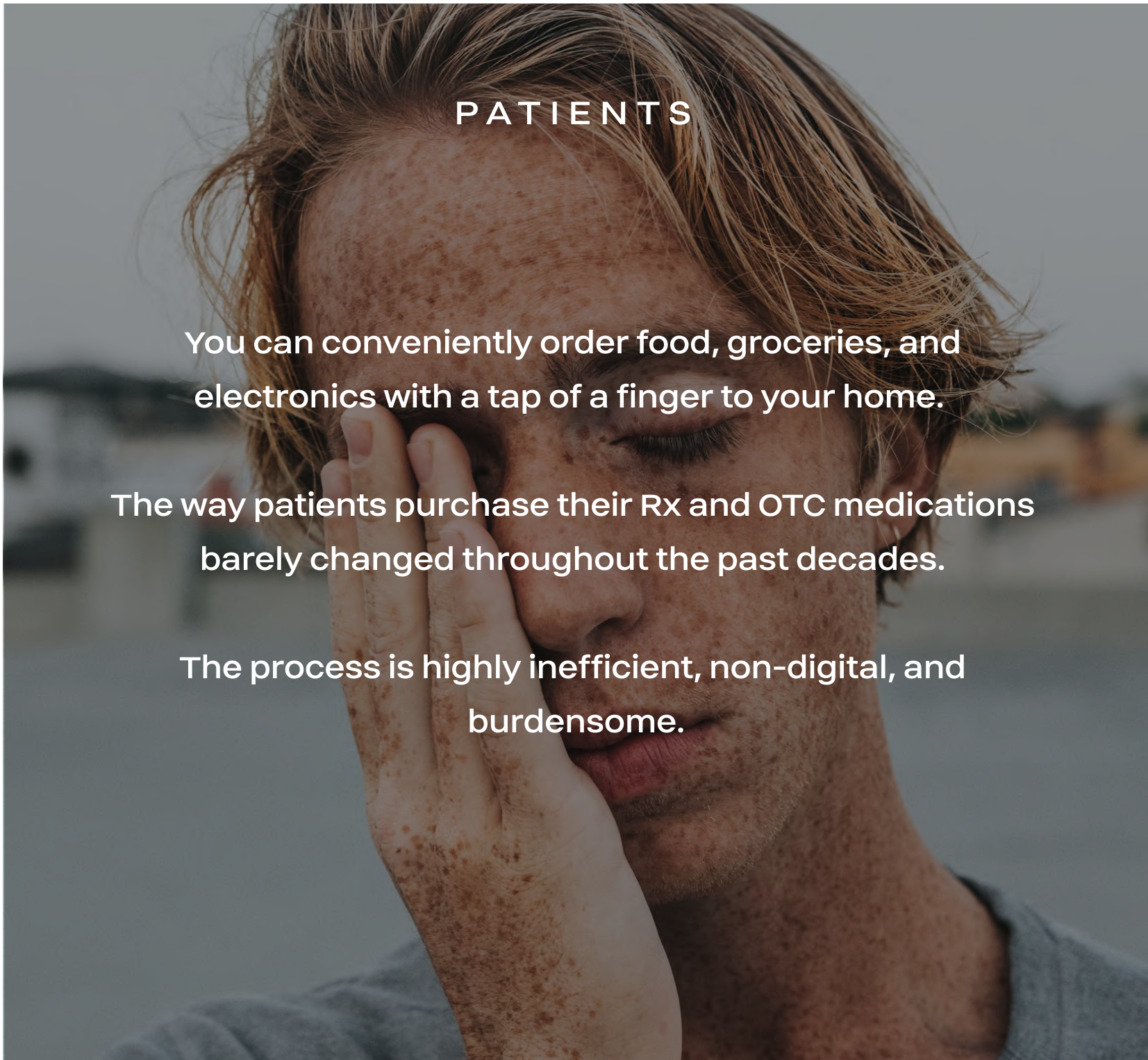
Within the next three years, Pocket A is aiming to expand the business first national-wide in Germany then expand to international markets. The long-term goal is to become the central health platform through which the patient's full journey is facilitated - from ordering pharmaceuticals to 1:1 consultation.

Opportunity

PROBLEM



There are two sides to the underlying problem, both of them get addressed by Pocket A

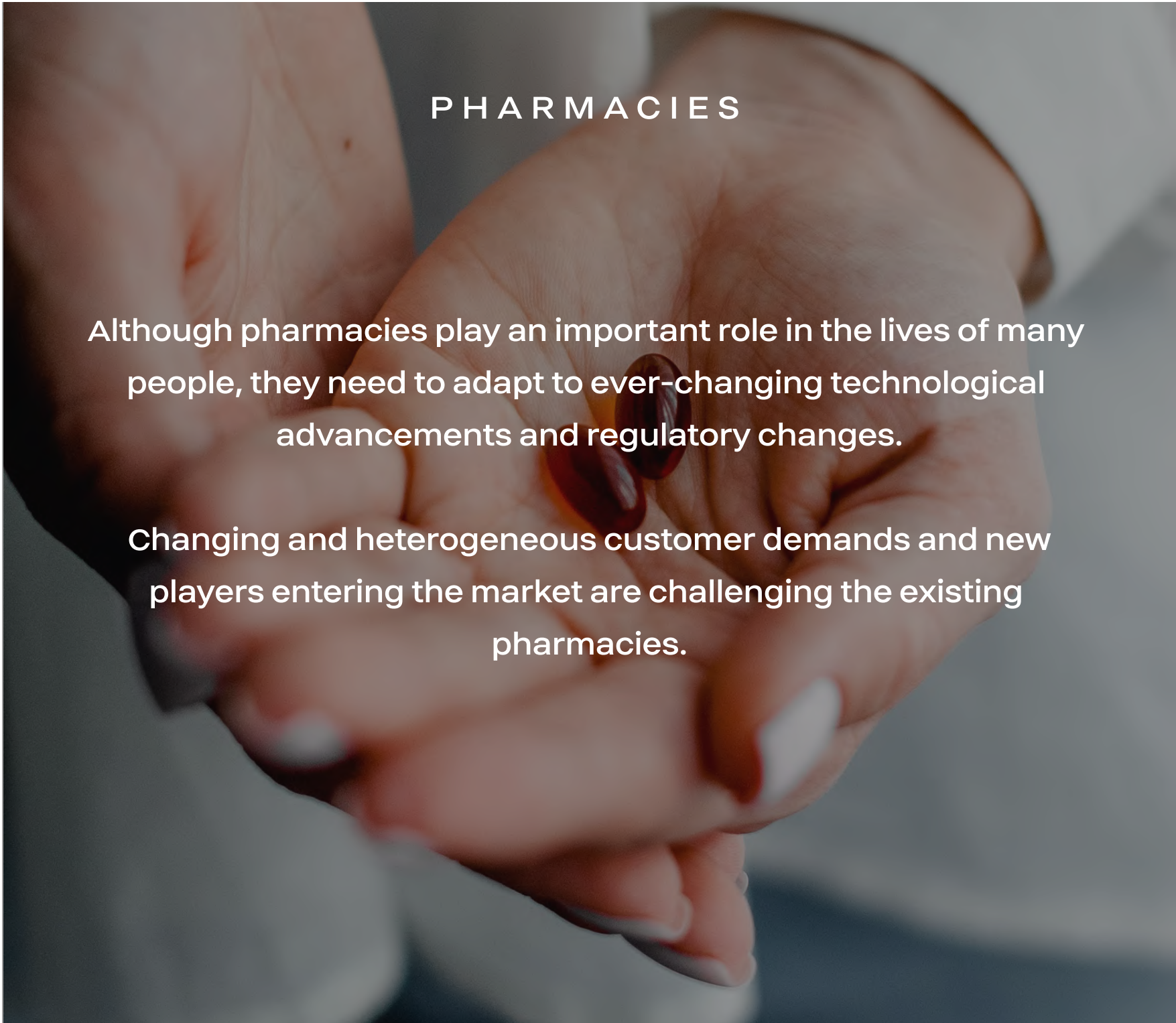


PATIENTS

You can conveniently order food, groceries, and electronics with a tap of a finger to your home.

The way patients purchase their Rx and OTC medications barely changed throughout the past decades.

The process is highly inefficient, non-digital, and burdensome.



PHARMACIES

Although pharmacies play an important role in the lives of many people, they need to adapt to ever-changing technological advancements and regulatory changes.

Changing and heterogeneous customer demands and new players entering the market are challenging the existing pharmacies.

Patients face a tedious medication purchase process with three major problems



LOW CONVENIENCE
IN OTC

Patients with acute symptoms are in need of quick medication intake (eg. I have a headache -> I need Aspirin). These days, they need to visit the pharmacy or wait multiple days for the delivery to get the medication.



LONG WAITING
TIMES

Patients need to visit the doctor to get the prescription, and then pick up the medication at the local pharmacy or send the prescription via postal service to an "online" alternative. This process leads to considerably long waiting times, especially if certain (RX) medication is not available.



INSUFFICIENT
CONSULTATION

Local pharmacies have limited resources to hire pharmacists with profound medical expertise. They cannot provide consultation services outside of the pharmacy, resulting in a poor customer experience.

On the other side, pharmacies are also facing various challenges everyday



NEW PLAYERS

With the rise of quick commerce, the competitive landscape is getting denser - there have been multiple players entering the pharmaceutical (online) market, like DocMorris, ShopApotheke, or Gesund.de.



LABOR SHORTAGE

The healthcare market faces severe problems with labor shortages across all aspects of healthcare. Pharmacies have already had problems finding and retaining the staff they need.



CHANGING CUSTOMER DEMANDS

Heterogeneous and ever-changing customer demands are challenging existing pharmacies. Not only millennials and Gen Z are demanding high-convenience services in different industries.

Pharmacies play a vital role in people's lives but they need to change

Local pharmacies play a very important role in everyone's life - for both, old and young people. They provide much more than simply medicine supply.

However, pharmacies are not irresistible to change. The unprecedented shift to online and people's demand for convenience and seamless experiences challenge local pharmacies. Stationary pharmacies need to focus on multi-channel strategies if they want to remain competitive in the long-term compared to pure online providers.

Pocket A is here to enable local pharmacies to get ready for the future.



Financials

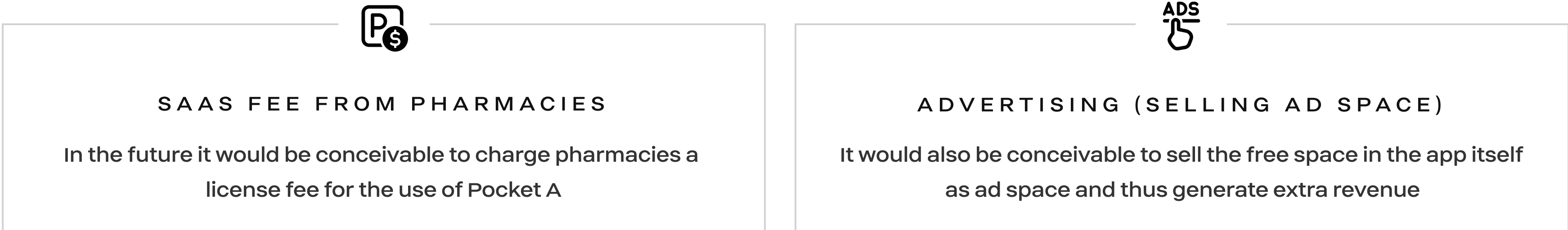
- REVENUE MODEL
 - FINANCIAL PROJECTIONS
 - UNIT ECONOMICS
 - FUNDING
 - EXIT OPPORTUNITIES
-
- FULL FINANCIAL MODEL AVAILABLE [HERE](#)



Pocket A's revenue is based on three pillars, complemented by two future options



Additional future revenue streams



Favourable unit economics supported by best-in-class retention rates and CLV



RX MARGIN

€9+ / each



OTC MARGIN

40%



CUSTOMER RETENTION RATE

>85%



RECURRING ORDERS

1.5 months



CUSTOMER LIFETIME

>5 years



CUSTOMER RETURNS

<1%

Pocket A plans to raise a 1.5m seed investment round for its Berlin launch in 2022

TYPES OF AVAILABLE FUNDING SOURCES



Bootstrapping



Operational



Investor

In our case, being a technology and operational-heavy business creating high network effects, we want to raise investor funding.

For our upcoming seed round, we are planning to raise money from a Venture Capital fund with known expertise in our industry and a syndicate of business angels that not only support with money but can help us by providing knowledge and relevant industry contacts.

RAISING A €1.5M SEED ROUND NOW

Invest now to be part of a category defining company leading pharmacies into the 21st century.

€1.5M invest on €8.5M pre-money valuation

- ✓ Used for launch in Berlin and tech development
- ✓ €0.2m convertible loan already secured from



Several potential investors can be identified for the current and upcoming rounds

SEED ROUND



- Berlin, \$100M early-stage fund, healthcare only
- Ticket size: \$0.1 m upwards



- Swiss, \$125M early stage fund, healthcare focussed
- Ticket size: \$0.5 - \$3m



- Berlin, \$200m early stage fund
- Ticket size: \$0.25 - \$5m



- Berlin, \$200m early stage fund, sector agnostic
- Ticket size: \$0.5 - \$10m



- Stockholm, \$300m early stage fund, sector agnostic
- Ticket size: \$0.5 - \$10m

FOLLOWING GROWTH ROUNDS

To secure follow on funding, we want to establish good relationships with potential growth and later-stage investors.

We created a long list, among them are:

TIGERGLOBAL

83NORTH

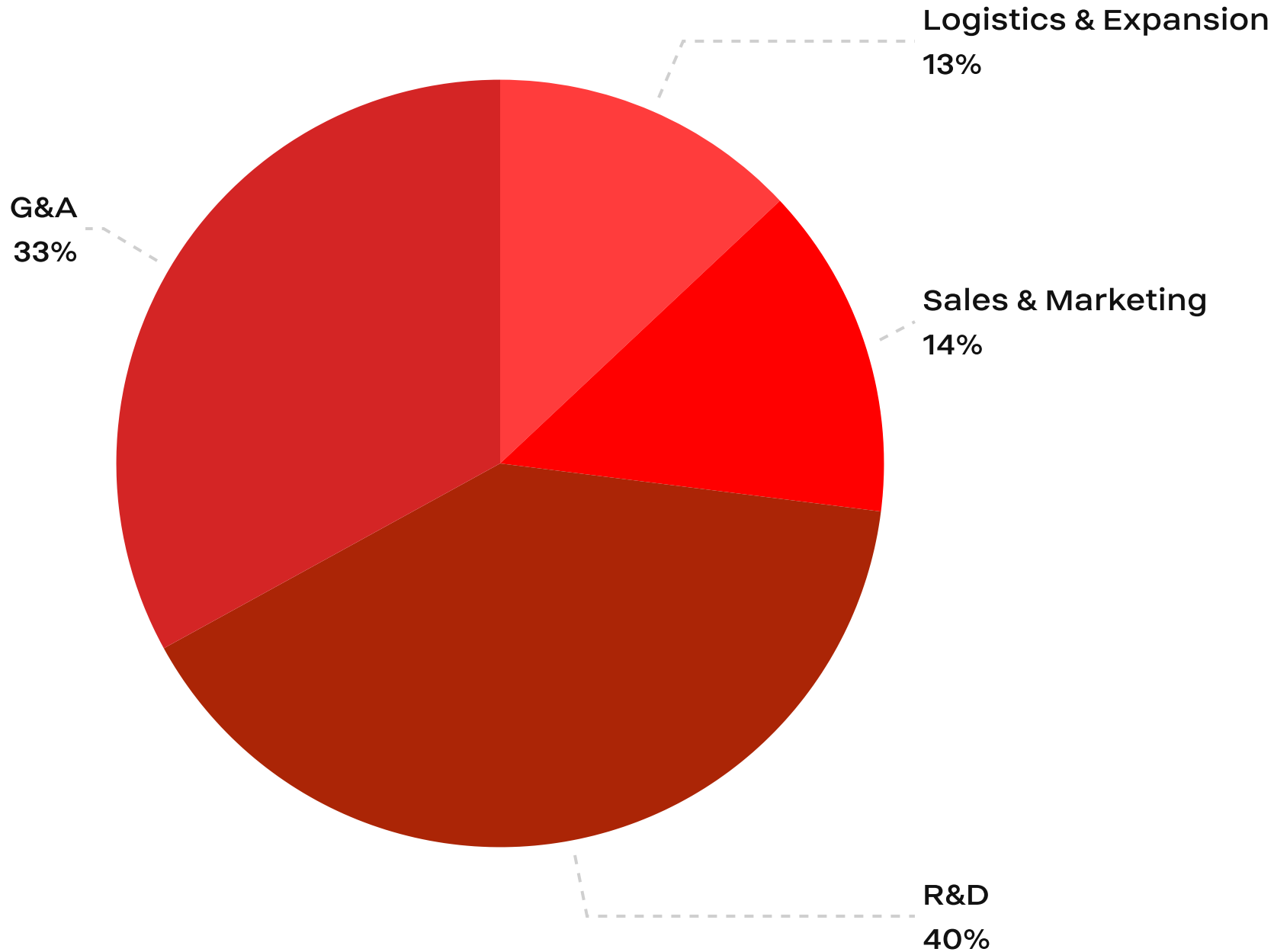
INSIGHT PARTNERS

COATUE

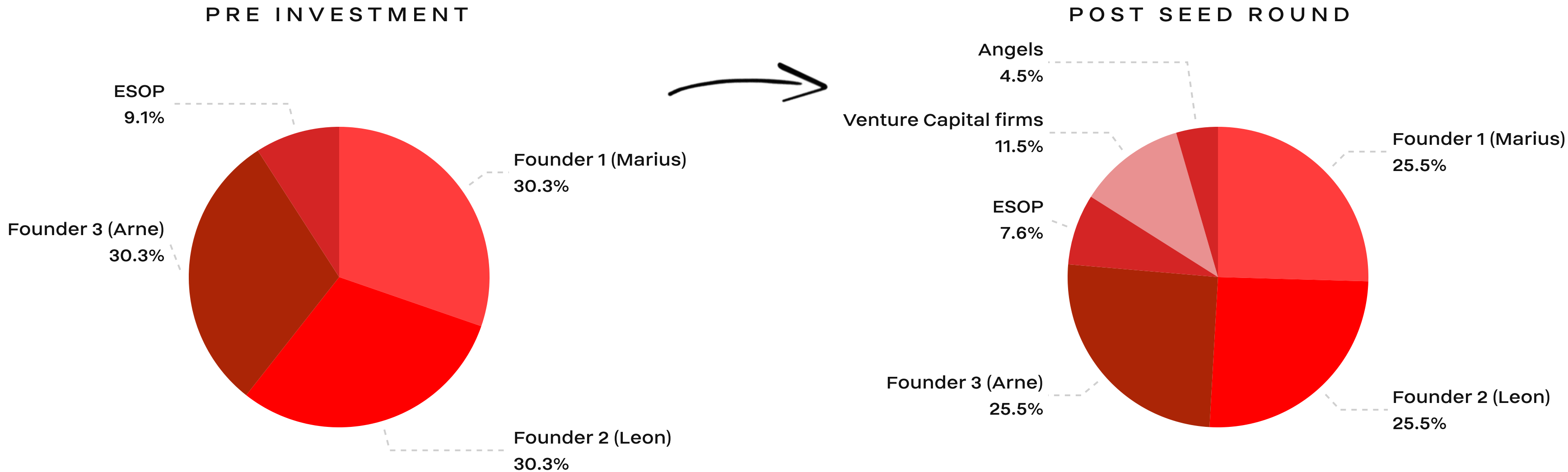
Investing heavily into R&D and growing Pocket A's user Base

The €1.5m will be primarily used to build the first version of our mobile application and to acquire a first strong user and pharmacy base. How we will use the funding:

- €600k (40%) for R&D: Salaries of Engineers, Data Scientists and Product Managers, Infrastructure and Tool Costs
- €210k (14%) for S&M: Salaries, Marketing Budget for B2C Marketing and B2B Sales & Marketing
- €190k (13%) for Logistics: Salaries for riders, onboarding new riders, onboarding pharmacies and expansion into new cities
- €500k (30%) for G&A: Salaries for founders, HR, Finance, Office Costs, Lawyers, equipment, travel, onboarding, etc.



After our seed round all founders still own a diluted, yet significant, company share



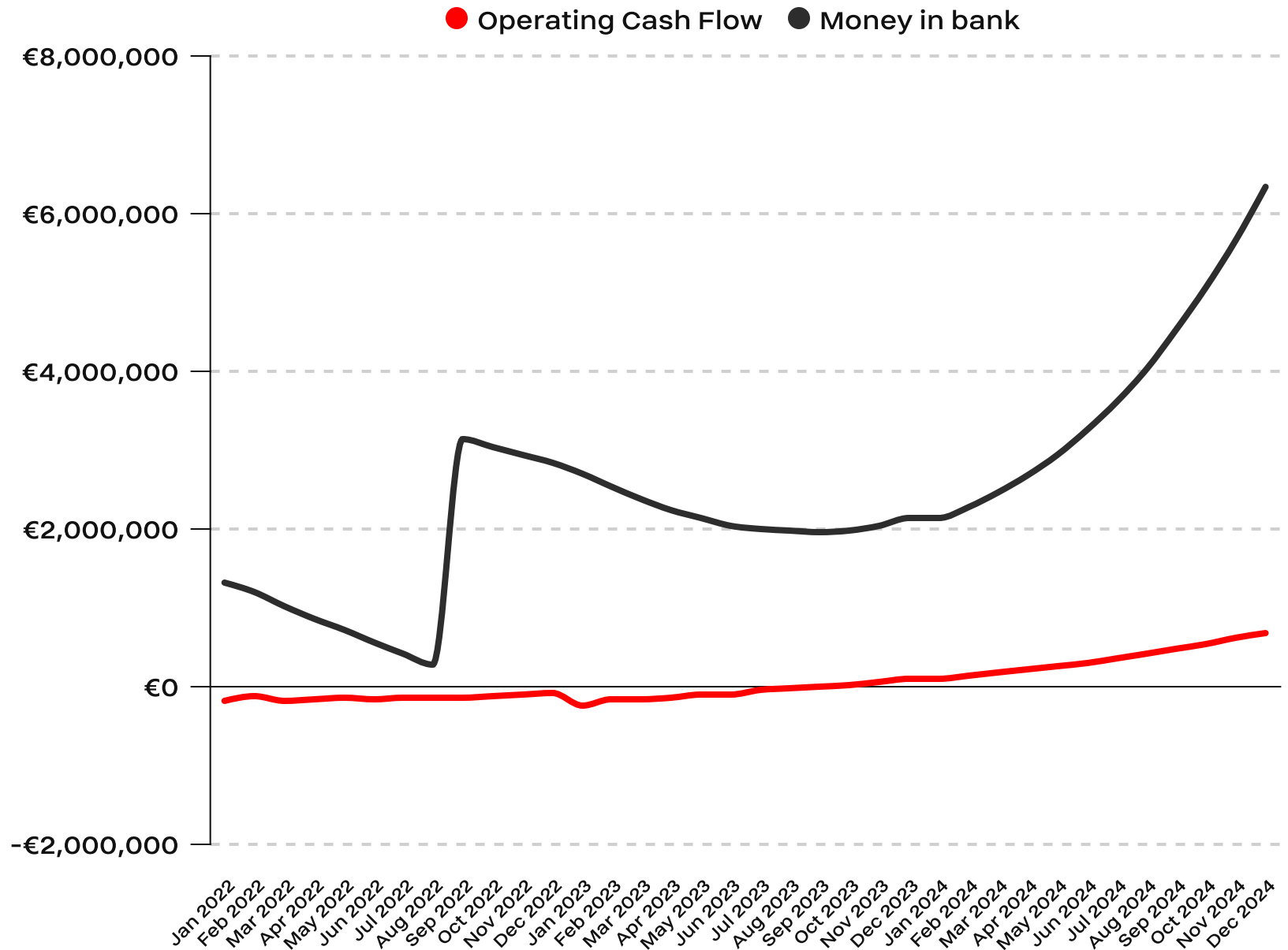
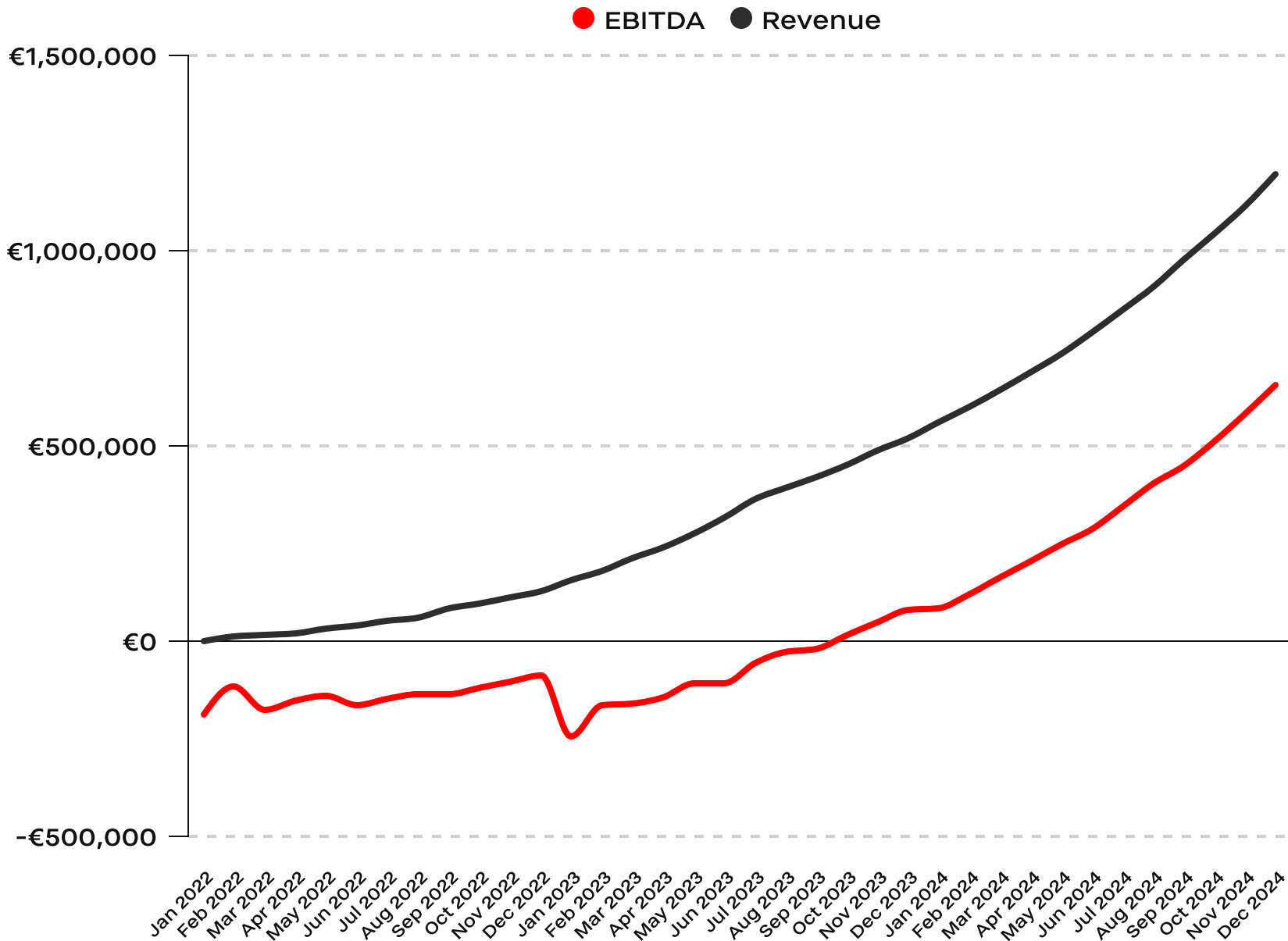
Based on 25.000 equally distributed shares across founders as of incorporation and issuing 10% new shares for ESOPs, equaling 27.500 shares after creating an ESOP pool.

Based on €1.5m investment at €8.5m pre-money valuation and €0.2m convertible loan from a VC at €6m cap prior to seed round. Equaling a total amount of 32.744 shares after the seed round.

A €1.5m Seed round and a €3m Series A allows overcoming the valley of death

The initial investment will allow a run rate until Q4 2022 when new funding will be needed.

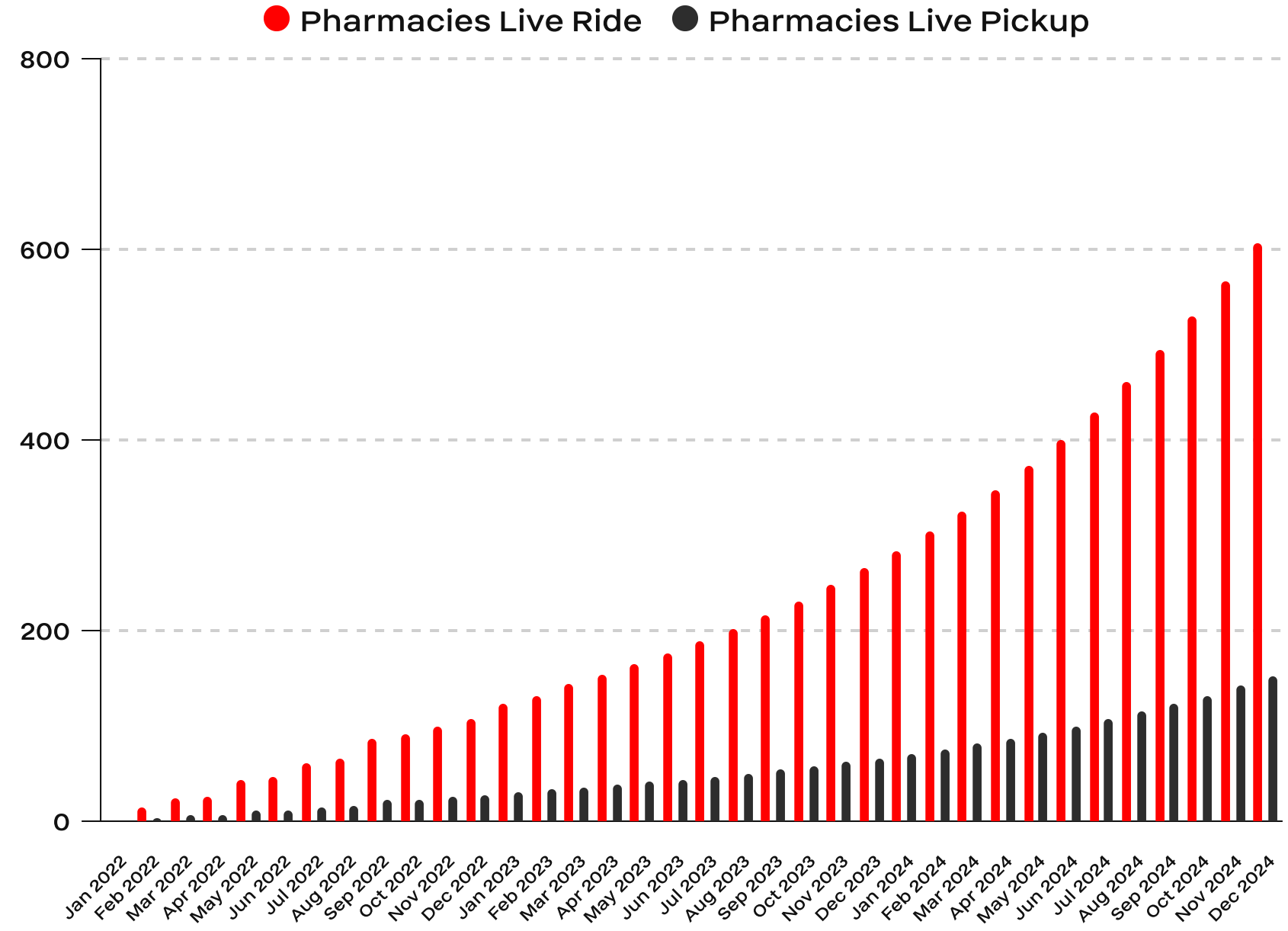
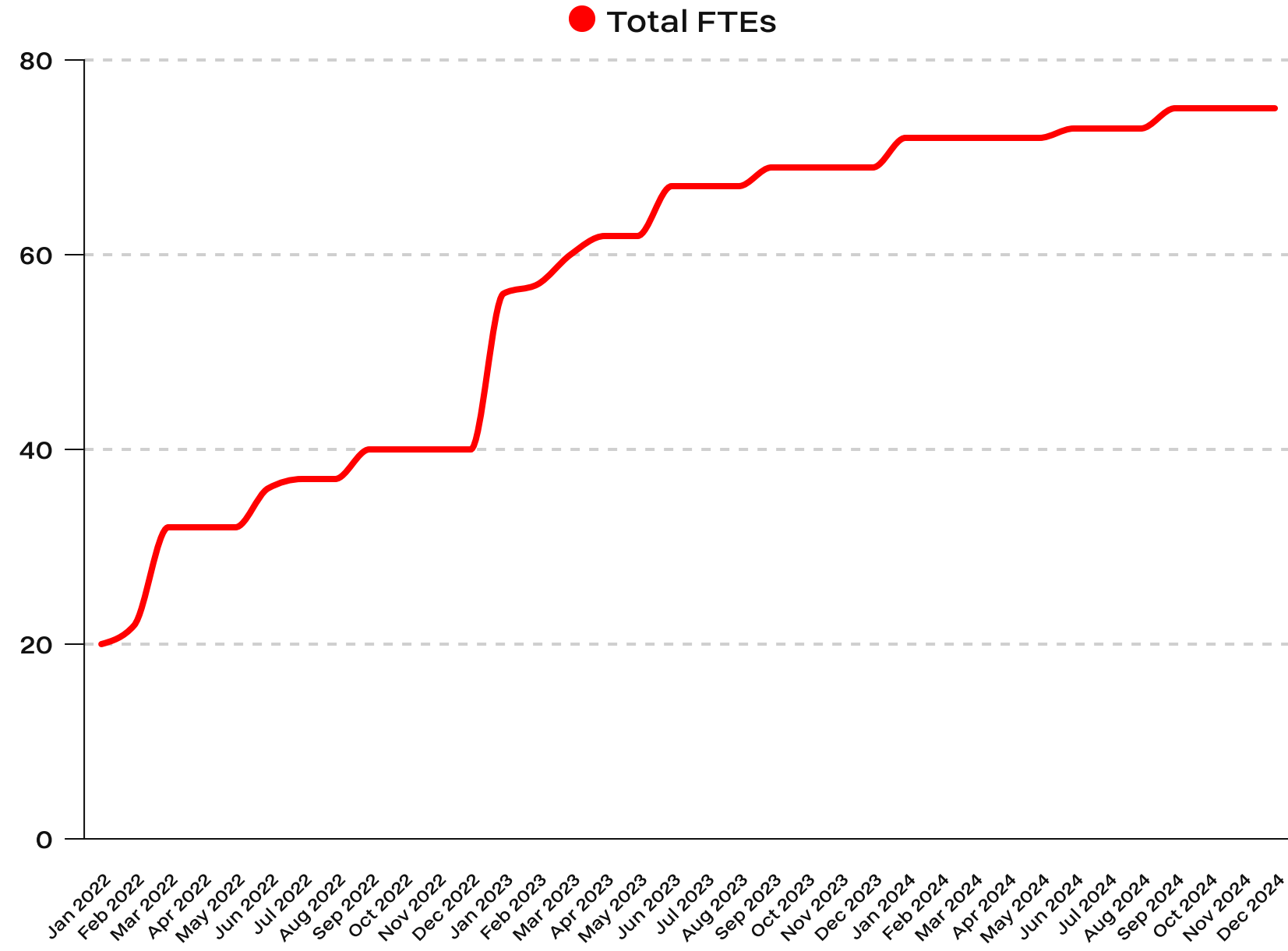
Planning to reach cash-flow profitability by October 2023 and total revenue of over €4m in 2023 and more than €10m in 2024.



Pocket A's ambitious goals: scaling to 70+ FTEs and 800 pharmacies until 2024

The initial investment will be used to hire a strong team with a focus on engineering to build a superior app and double the team until the next funding round with main hires in marketing, sales and product.

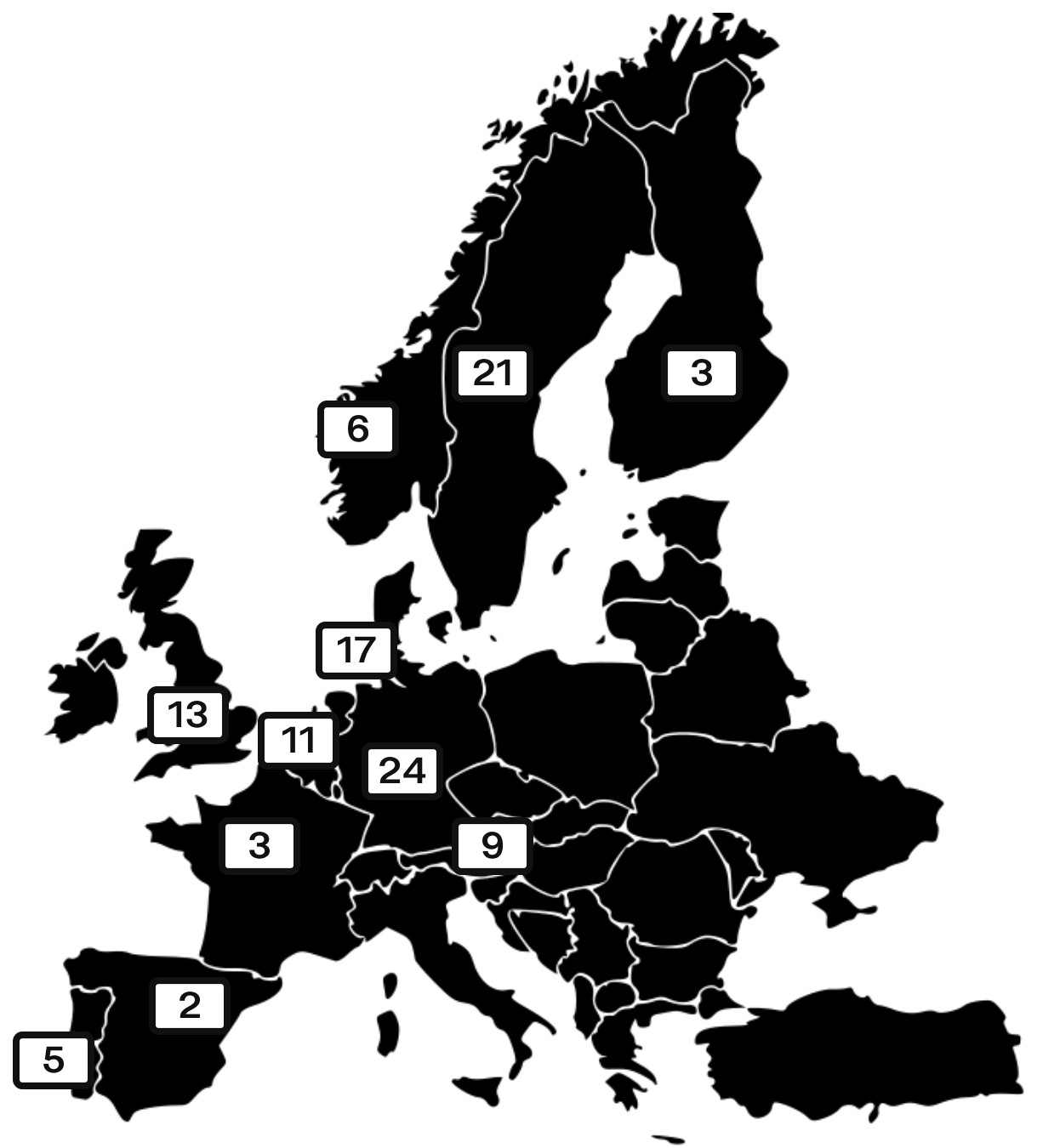
Pocket A scales towards almost 1.000 pharmacies in three years with a focus on our ride product (offering delivery for pharmacies) over pickup (only marketplace and no delivery).




ROADMAP



The interplay of three key indicators is decisive for successful expansion



 = Share (in %) of online purchases of pharmaceuticals (16 to 74 years) in selected countries in Europe (2018).

REGULATION

The European market is heavily fragmented in terms of regulations. While e-prescription is currently still in the development phase in Germany, other European countries no longer know any paper prescriptions at all.

ADOPTION

The use of mail order pharmacies is in Germany, the United Kingdom, the Netherlands, Sweden, and Denmark most widespread.

MARKET SIZE

Europe's biggest market for pharmaceuticals is Germany (€56.6bn), followed by France (€37.8bn) and Italy (€33.4bn). Nevertheless, Pocket A will only enter the latter two markets later after two years, as the adoption of digital solutions is more widely accepted.

Milestones to bring fast and easy access to the right medication at any point in time

SEED | Q1 2022

- Launch in Hamburg, Munich, and Berlin
- First order delivered in March 2022

SERIES B | Q2 2023

- Live in 20 cities
- Over 500 pharmacies under contracts
- Expansion into Denmark, Sweden and England

SERIES A | Q4 2022

- Expand into Tier 2 cities
- 100+ pharmacies under contract
- Hiring of employee no 37
- Over 50,000 completed orders

SERIES C | Q1 2024

- Expansion into Austria, Switzerland, Netherlands, France & Italy
- Becoming the central health platform through which the whole patient journey is facilitated

