**INVESTMENT SUMMARY:**

Vega Ventures has identified an opportunity to acquire an established home healthcare agency based in the Greater Los Angeles Area, California (“Project Echo”), which has established strong relationships with several large hospitals and medical facilities throughout southern California. With significant upside potential already proven by similar-sized competitors, coupled with a proprietary training program to minimize risk for their partner facilities, Vega Ventures Fund III (“VV Fund III”) shareholders are positioned to realize a healthy return on invested capital.

Vega Ventures has sourced this prospective deal through continued leads generated through its established professional network of healthcare professionals and business owners throughout Southern California. The General Partners intend to lead Vega Ventures’ pre-transaction and post-transaction interactions with Project Echo to help protect shareholder interests. In an effort to secure this prospective investment opportunity, Vega Ventures is expanding its shareholder base and accepting new investments in order to facilitate the size of this investment opportunity. As soon as enough capital commitments are secured to pursue this investment, Vega Ventures will commit additional time, energy and resources to move this deal to the finish line.

|  |  |
| --- | --- |
| Capital Required: | $10.5 MM USD |
| Fundraise Timeline: | Expected to close financing round by July 2019 |
| Use of Proceeds: | Acquisition capital for VV Fund III’s acquisition of Project Echo |
| Investment Timeline: | Exit expected before the end of 2025 |
| Targeted ROI: | Potential for 3x-5x return on capital over a 4-6-year period |

This information has been prepared to give investors a better understanding about Project Echo. The goal of this Investment Summary is to give a general overview of the field, of the company and of the opportunity. Upon request, we can provide additional analysis as due diligence continues to progress, which may help investors understand the opportunity in greater detail.

**Investment Opportunity Highlights**:

* The structure of the investment will follow a traditional private equity model, wherein limited partners’ (“LP”) investments will be managed by the fund’s general partners (“GP”). Aligning incentives between GP and LPs increases the likelihood of a successful outcome for all parties.
* The acquisition and management of Project Echo will be coordinated and directed by the general partner deal team at Vega Ventures, LLC, VV Fund III. Having an experienced and dedicated team of executives and deal professionals will increase the likelihood of a successful outcome for VV Fund III’s shareholders.
* Project Echo is a proposed acquisition of an established home healthcare company in a growing industry which is set to continue growing at 10%+ for the next 30 years due to the rapidly aging population of the United States.
* The company is located in, and provides service to, one of America’s most populated urban areas, which also happens to be a retirement destination for many wealthy individuals due to the moderate climate and the robust network of healthcare services located throughout southern California.

**Industry Overview**:

According to a recent Economic Census, there are 22,975 home health care service establishments in the U.S., employing nearly 1 million people and generating revenues of over 46 billion dollars. The main receivers of home healthcare services are seniors who require skilled and non-skilled assistance, including help with ADLs (activities of daily living) and IADLs (or instrumental activities of daily living), but they are not the only group that requires care and companionship. Additional home healthcare service recipients may include: anyone with a terminal illness who wishes to die at home; disabled or chronically sick adults or infants; and, adults who need assistance because they are disabled or recuperating from a hospital stay.

The number of people using home healthcare services is set to continue to grow as population statistics show that in 2010 over 45 million people in the U.S. were aged over 65, up from nearly 37 million in 2000. As shown in the table below, supplied by the Population Division of the U.S. Census Bureau, by the year 2020, nearly 62 million people will have reached retirement age. This is the largest group of retirees in the history of the U.S. and will create continuing demand for home healthcare services and facilities.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Age | 2010  (in thousands) | 2020  (in thousands) | 2030  (in thousands) | 2040  (in thousands) | 2050  (in thousands) |
| 65+ | 40,229 | 54,804 | 72,092 | 81,238 | 88,547 |
| 85+ | 5,571 | 6,597 | 8,745 | 14,198 | 19,041 |
| 100+ | 79 | 105 | 208 | 298 | 601 |
| Total | **46,059** | **61,536** | **81,045** | **95,734** | **108,189** |

Additionally, the companies that provide home healthcare services are only just beginning to discover franchising as a method for growth. Of the current businesses, only 17% are franchises. Since the year 2000, the number of franchise brands that are in this sector has quadrupled to over 3,000 franchised businesses, representing a clear growth path for companies with the right strategy, team, and financing to capture the franchising opportunity.

**Financial Highlights**:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2016  (millions) | YoY Growth | 2017  (millions) | YoY Growth | 2018  (millions) | YoY Growth |
| Revenue | $21.64 | *TBD* | $23.73 | *+9.7%* | $26.97 | *+13.6%* |
| COGS | $15.34 | *TBD* | $16.84 | *+9.8%* | $18.88 | *+12.1%* |
| Op Ex | $4.57 | *TBD* | $5.61 | *+22.8%* | $5.35 | *-4.6%* |
| Net Income | $1.73 | *TBD* | $1.28 | *-26.0%* | $2.74 | *+114.1%* |
| EBITDA | $3.16 | *TBD* | $2.92 | *-7.6%* | $4.10 | *+40.4%* |
| *Margin* | *14.6%* |  | *12.3%* |  | *15.2%* |  |

**Potential Exit Alternatives**:

* Management Buyout
  + Once a professional management team is in place at the company, VV Fund III may seek to identify key personnel who have a vested interest in the long-term success of the business. Depending on the talent and interest level of these key personnel, we may choose to groom, train, and prepare this group of key personnel for an eventual management buyout.
* Sale to a PEG, Family Office, or Other Professional Investor
  + The home healthcare industry is currently a highly sought-after acquisition target, attracting the interest of many fund managers and professional investment groups. The attractive long-term trends of this industry will continue to attract attention from professional investors for several decades.
* Sale to Industry Competitor
  + The highly fragmented nature of this industry lends to a strong strategic growth strategy via consolidation and tuck-in acquisitions. We’ve seen significant M&A activity in this space amongst existing competitors. Several large healthcare groups are actively growing their portfolio of services/geographies by acquiring or merging with established home healthcare operations.
* Initial Public Offering (IPO)
  + An IPO will become a viable exit alternative once the company is able to implement a successful franchise strategy, capturing a nation-wide footprint.

**Reasons to Invest and Future Growth Potential**:

* Professional and experienced executives and deal teams managing the due diligence, deal close, management transition, and ongoing operational efforts required to ensure a timely and successful outcome for VV Fund III’s LPs.
* Potential for larger scale franchising operations.
* Growth of a rapidly aging population ensures steady flow of patient referrals for the next 20-30 years
* Substantial government support for the home healthcare industry due to the strain and rising costs of traditional healthcare networks in the United States.
* Current market need for home healthcare services to support and supplement hospital-based care.
* Vega Ventures Management Team has identified potential, future investment opportunities through strategic technology development in support of healthcare services. Following initial fund success, an expanded and interconnected provider “network” may create an attractive environment for additional product and service offerings.

***Disclaimer***:

*This publication is for general circulation only and is intended to provide basic preliminary investment information to current and prospective investors. This publication does not form part of any offer or recommendation, nor does it consider the investment objectives, financial situation or needs of any specific person. Before committing to pursue an investment in any Vega Ventures acquisition target, please seek help from a financial adviser or similarly competent investment professional regarding the suitability and viability of any investment opportunity introduced by Vega Ventures. We encourage any prospective investor to read and understand the relevant investment offer documents as they become available, including the risk disclosures, which can be obtained upon request, and must be reviewed before participation in any Vega Ventures investment opportunity may commence. If you do not wish to seek professional financial advice, please consider carefully whether this investment opportunity is suitable for your particular risk appetite and investment objectives. Investment performance is not guaranteed, and investors are encouraged to take all necessary measures to understand the inherent investment risks and opportunities before making any investment decisions.*