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# Ukrainian Medical Access Academy

Capstone project, Group MBA20

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## Executive Summary

Ukrainian economy demonstrates the signs of transition to the growth phase after the long period of the financial and economic tension. But today, Ukraine as well as the whole world faces a real challenge – how to introduce effective anti-epidemic measures to curb COVID-19 with minimal negative effects on the country's economy. The restrictive measures are already affecting the work of businesses, government agencies, and institutions, as well as the daily lives of millions of people.

Following independence in 1991, Ukraine was left with a centralized public sector health system and a small private sector, primarily consisting of pharmacies, diagnostic facilities, and some private physicians. The centralized system provided few incentives for rational use of resources or cost control.

Ukraine is currently undergoing a five-year National Health Reform Strategy to work towards Universal Healthcare Coverage (UHC). The main barriers to accessing innovative medicines are their limited availability and high cost. Ukraine still suffers from Healthcare-funding deficit. Several years in a row Ukrainian Healthcare is being underfinanced and can't meet 5% of GDP target, requested by Law (2.9% of GDP in 2020).

Ukrainian patients have the poorest access to innovative treatment in Europe – more than 100 times less state per capita spending for innovative and original pharmaceuticals vs. countries in CEE region. Therefore, a lot of Ukrainian patients have scarce chances to receive modern cutting-edges treatment solutions. The most suffering groups of patients are those with oncological and orphan diseases.

Ukrainian pharmaceutical market develops much faster than the Global Market (+4.5% in 2019). This makes it attractive for foreign investors. Unlike European pharmaceutical markets, Ukrainian market is driven by out-of-pocket (OPP) spending (89%) with very small share of state financing (11%).

Since a lot of patients have no access to expensive treatment solutions (usually innovative drugs) and must apply for the state financing in different sophisticated ways. This creates demand for Medical Access skills and knowledge. Producers of expensive treatment solutions also must struggle for state funding from their end. This makes certain industry capabilities critical for success in Ukraine: Market Access, Medical Affairs, Governmental Affairs, Medical Legislation etc.

Ukrainian training companies propose corporate and individual training programs on soft skills, sales, marketing. Some educational programs are available on HTA. Very limited domestic proposals are available on Medical legislation. No domestic proposals were found on Market Access, Medical Affairs, Governmental Affairs. Experienced foreign companies with reputation target Ukrainian customers, but do not propose competitive price and relevant content. Competition in this segment is low and current environment provide good business opportunities.

Ukrainian Medical Access Academy (UMAA) – a new company which core business model is development, sales and delivery of educational products for corporate and private customers in Ukraine. Company's Value Proposition is "Affordable superior quality Ukrainian educational programs for pharma industry professionals and Public Healthcare stakeholders. Programs are relevant for Ukrainian Health Care system and cover specific topics which are essential for doing successful pharmaceutical business in Ukraine as well as for providing access for Ukrainian patients to modern pharmaceutical treatment solutions".

Company organization is LLC, which consists of General Participant's Meeting (GPM), Director and private entrepreneurs – services providers Marketing & Sales manager, Accountant, Study Support Manager, Tutors.

UMAA will start from 7 programs at Y0 and will expand its portfolio till 19 programs at Y4. Key product characteristics are: 1) Emphasis on topics, which are not covered by existing educational on Ukrainian market; 2) Relevance for Ukrainian Health Care system; 3) National and International tutors' engagement.

Due to the nature of the business, project doesn't require big initial investments. Company will be founded with a planned statutory capital in the amount of UAH 1 358 th.

The annual sales volume is planned at the level of UAH 2 659 th for Y0. With CAGR at 32% the estimate revenue for the 5th year of the project is UAH 10 813 th. Both EBITDA and Net Income have the positive value in every year of the project first 5 years lifetime. The NPV is UAH 2 025 th with the IRR at 58%.

## Abbreviations

BEPS	Base erosion and profit shifting
BP	Business Partner
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
CEE	Central and Eastern Europe
CEL	Centre of Excellence
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CPT	Corporate Profit Tax
CRM	Customer Relations Management
D/E	Debt-to-Equity
DCF	Discounted Cash Flow
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization
EIU	Economist Intelligent Unit
F2F	Face-to-face
GA	Governmental Affairs
GDP	Gross Domestic Product
GM	General Manager
GPM	General Participants' Meeting
HC	Healthcare or Headcount
HCPs	Healthcare Professionals
HTA	Health Technology Assessment
IPP	International pharma industry professionals
IRR	Internal Rate of Return
KPI	Key Performance Indicator
LLC	Limited Liability Company
MA	Medical Affairs
MkA	Market Access
MM	Million
MR	Market Research
MVP	Minimum Viable Product
NBU	National Bank of Ukraine
NGO	Non-governmental Organization
NIP	Non-(pharma) industry professionals
NPP	National pharma industry professionals
NPV	Net Present Value
OECD	Organization for Economic Cooperation and Development
PIT	Personal Income Tax
PPE	Plant, Property, Equipment
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RONA	Return on Net Assets
TBD	To be developed
TBD	To be developed
UHC	Universal Healthcare Coverage
UMAA	Ukrainian Medical Access Academy
USC	Unified Social Contribution
VAT	Value-added Tax
VCA	Value Chain Analysis
WACC	Weighted Average Cost of Capital
YTM	Year to Month

## Geopolitical Analysis

According to the [Stratfor Worldview](#), Ukraine is the quintessential borderland state. The country borders three former Soviet states (Russia, Belarus and Moldova) and four countries in the European Union (Poland, Slovakia, Hungary and Romania). Ukraine also has a coastline along the Black Sea to the south. The country consists of flat and fertile plains, except for the Carpathian and Crimea Mountains. Due to its location and abundance of agricultural and mineral resources, Ukraine has been contested between regional powers for centuries. This competition is currently playing out in an extreme form today, with a Western-backed government confronting a Russia military aggression in eastern Ukraine. Maintaining sovereignty and unity in the face of this competition is Ukraine's primary challenge.

### *PESTEL analysis for Ukraine focused on Healthcare*

**Political:** Curtain political instability due to the government recent change; permanent low intensity war conflict on the East; COVID-19 pandemic breakout; before pandemic investment climate was attractive – [Fitch](#) affirmed Ukraine at 'B', but then [worsened](#) the rate to 'BB'.

**Economical:** GDP growth (+3,3% in 2019), but decline in 2020 due to COVID-19 outbreak (minus 4-8%); inflation becomes controlled in 2019 with trend to decline (4.1% in 2019), but increase in 2020 (up to 11%); minimal wages increase; budget expenditures on Healthcare increase (+14% in 2020); high rate of shadow economy.

**Social:** population decrease (- 250.8 th in 2019); up 2 MM people work abroad (stable numbers in 2019); low, but consistent growth of standards of living; high proportion of the low-income cohort in population; high demand for effective treatment options. Unemployment growth up to 12% is expected in 2020 due to COVID-19 pandemic.

**Technological:** increasing trend of digitalization and access to high quality medical information e.g. in English

**Law:** complicated legal system; extremely low trust level in judicial system (less 9%); high rate of discrepancies between laws and Ministry of Health decisions; state procurement procedures are badly regulated.

## Macroeconomic Trends

Ukrainian economy demonstrates the signs of transition to the growth phase after the long period of the financial and economic tension. In 2019 the annual consumer inflation rate has slowed down to 4.1% per annum (2018 – 9.8% per annum), which is the lowest level since 2013. GDP showed the consistent growth at the level of 3.45 per annum (2018 – 3.3% per annum) As a result of inflation targeting policy by NBU, the key policy rate was at the beginning of 2019 was 18%. During 2019, as a result of inflation slow down, the NBU gradually declined the key policy rate to the level of 13.5% by the end of 2019 (since March 2020 – 10%). In the current year the further decrease of the key policy rate is planned by NBU under condition of control of the planned inflation rate, but due to COVID-19 outbreak inflation is expected at 11%.

During 2019 the national currency revaluated by 14.4% against US dollar and set a world record among the national currencies. This revaluation was favored by the following main factors: slowdown of inflation, increase of real GDP, significant inflows of foreign currency from non-residents as a result of state bonds placement, money transfers from labor migrants, decrease of world prices oil prices.

Along with that, the production output index in 2019 was 91.4% in comparison to 2018. Among the industries which showed were minerals extraction, food production, timber processing, pharma and chemical industry. The volumes of construction works have increased by 20% in comparison with 2018. The overall decrease of the production index is caused by the decrease of the demand for major items of Ukrainian exports (agricultural commodities, metallurgy) as well as by sharp revaluation of the local currency which had a negative impact on export activities of the Ukrainian exporters.

In 2020-2021 Ukraine must redeem the significant amount of the state debt, which will require the mobilization of significant external and internal financing in the challenging economic and political environment. Moreover, recent political developments along with upcoming world financial downturn have increased the level of political and economic uncertainty in the country and, despite certain improvements in 2019, the business environment in Ukraine remains unfavorable.

**The situation regarding COVID -19.** Today, Ukraine as well as the whole world faces a real challenge – how to introduce effective anti-epidemic measures to curb COVID-19 with minimal negative effects on the country's economy. The restrictive measures are already affecting the work of businesses, government agencies, and institutions, as well as the daily lives of millions of people.

The updated basic forecast by Dragon Capital for 2020 predicts a 4% decline in GDP and devaluation of the hryvnia to 30 UAH / \$ (at the end of the year) – in case the quarantine measures continue until May (the average rate is expected to be 29 UAH / \$, that means the devaluation of about 11% to last year's rate). According to a less optimistic forecast, if quarantine is extended for a longer period, the GDP may decrease by 9% and the hryvnia will fall to 35 UAH / \$. Furthermore, unemployment is expected to rise in such circumstances.

It is worth noting that Ukraine is ready for a possible crisis better than in 2008 or 2014 – this was the opinion of the participants of the discussion. Thus, for example, the current account deficit of the balance of payments is substantially lower (last year the deficit was lower than 3% of GDP, and in 2008 it was 8%). Exports are dominated by soft commodities (agricultural products), which amount to 40%, in 2008 it was 12%, and the fall in consumption of these products or their prices is not expected.

At the same time, it should be mentioned that the country does not have enough strength to smoothly overcome the situation. Moreover, if we had previously experienced the financial crisis, now it is somewhat different. There is a workforce crisis, a great impact of the emotional and psychological component and the need to act for a lasting time under uncertainty.

**Following the latest developments in the country and in the world, Cabinet of Ministers of Ukraine has subsequently changed the major macroeconomic assumptions for the current year. Thus, the previously forecasted GDP growth at the level of 3-3.5% p.a. was changed into decline starting from 3.5% up 8%. The**

annual inflation index was increased from 5.5% to 11% and the local currency exchange rate was set at the level of 29 UAH instead of 27 UAH per 1 USD.



## Tax legislation

For the sake of applicability, in this section we are describing Ukrainian taxation applicable to our project only (source: [WOLF THEISS](#))

### *Corporate profit tax (CPT)*

Standard rate: 18%. Special tax rates exist for insurance, betting and lottery activities.

Taxable profit is determined as financial result before tax calculated under the Ukrainian accounting standards or International Financial Reporting Standards (IFRS), subject to applicable adjustments. If a taxpayer's annual income does not exceed UAH 20 million, the taxpayer may opt not to make any adjustments to profit / loss before tax for CPT purposes.

### *Capital gains*

No special regime exists. Capital gains (losses) are treated as ordinary business income (losses).

### *Carryforward of losses*

Losses may in principle be carried forward indefinitely. There is no provision for group taxation or consolidation.

### *Tax rates:*

18% - Standard Corporate Income Tax rate. The basis for taxable profit is profit calculated in statutory books of the company. Certain additions and deductions of the revenues and expenses are used within legislation requirements in order to reconcile between the EBTs in Income Statement and EBT in Profit Tax calculation.

20% - standard VAT rate (almost all domestic supplies and imports);

7% - VAT rate import / supply within Ukraine of medicines and medical equipment;

0% - VAT rate on export of goods, export-related services, certain other services (e.g. consultancy, IT, certain telecommunication services, etc.).

### *Simplified tax regimen (unified tax)*

Subject to certain requirements (e.g. types of activities, level of revenues, number of employees), legal entities and individuals registered as entrepreneurs are entitled to use the simplified tax regime and pay unified tax.

There are four groups of the unified taxpayers. Groups 1 and 2 of the simplified tax regimes are available for individual entrepreneurs only, Group 3 – for both legal entities and individual entrepreneurs having annual income (revenues) up to UAH 5 million (approximately USD 181,800), and Group 4 – for qualifying agricultural producers (both legal entities and individuals).

The law provides for certain limitations, when an individual / legal entity is not entitled to opt for the simplified tax regime. For instance, a Ukrainian subsidiary of a foreign entity cannot be registered as a unified taxpayer.

Group 3 of the simplified tax regime is widely used by individual contractors, e.g. consultants, software developers, etc.

Under Group 3 of the simplified tax regime, individual entrepreneur shall be subject to the following taxation (the taxes and duties specified below shall be payable by the entrepreneur):

- Unified tax: the entrepreneur may choose either (i) 3% of revenue + VAT (to be paid on the general basis), or (ii) 5% of revenue (VAT inclusive);

- Unified social contribution (USC): the minimum monthly amount required by law (regardless of whether any revenue was received during a month) - 22% of the minimum salary established by law.

However, an entrepreneur may, at his/her sole discretion, pay USC in the bigger amount then specified above. The maximum amount of the monthly USC constitutes 22% of 15 minimum salaries established by law.

#### *Employment taxation*

Employment income is subject to the following taxation:

- Unified social contribution (USC): 22% of employee's remuneration – payable by the employer out of its own funds and charged on top of the employee's remuneration. The maximum employee's monthly remuneration to which the USC applies is equal to 15 minimum salaries established by law; the amount of the employee's remuneration exceeding this threshold is exempted from USC;
- Personal income tax (PIT): 18% of the employee's gross remuneration – to be withheld by an employer on employee's behalf, as tax agent, from the employee's remuneration;
- Temporarily military charge: 1.5% of the employee's gross remuneration – to be withheld by an employer on employee's behalf, as tax agent, from the employee's remuneration.

#### *Ukraine Double Tax Treaties*

Ukraine has concluded 74 double tax treaties. These double tax treaties are important for foreign investors and foreign individuals who provide services in Ukraine. They generally mitigate the effects of Ukrainian domestic tax law. Ukraine generally follows the OECD Model Convention in concluding its double tax treaties and has adopted the OECD Commentaries as the basis for interpreting them, though not itself an OECD member. As with treaties in general, the key provisions of Ukraine's double tax treaties allocate taxing entitlements between Ukraine and its treaty partners in key areas such as permanent establishment, withholding tax on dividends, interest and royalties and taxation of capital gains.

#### *Project's Legal form and taxation*

Upon our analysis of tax rules and provided under Ukrainian law, we conclude that a limited liability company ("LLC") is the one which suits our purposes the most. The regulation on LLCs is simple, straightforward and involves a great deal of flexibility in terms of formation of their corporate governance structures. In addition to the management and controlling bodies provided by law participants of an LLC have a right to establish any other bodies they deem necessary. This gives its participants almost unlimited opportunities in tailoring corporate governance structures of LLCs. Moreover, considering that our business venture will have two participants the legal form of LLC will allow us to ensure that the decision making on the most significant business issues and profit sharing will be conducted by such two participants on 50/50 basis.

Corporate governance structure of the LLC will consist of the following bodies:

- a General Participants' Meeting (the "GPM") – the highest governing body of an LLC composed of its two participants (i.e., two business partners), which takes the most important and strategic decisions;
- an individual management body - a Director (one of the participants will be appointed as a Director) – the body that manages day-to-day activity of the company. The law allows appointing a participant as a Director of the company who will provide his managerial services to the LLC on a free of charge basis; and
- other bodies established by the participant(s) (if necessary).

The LLC will apply for the simplified tax status as a legal entity which aggregate annual profit does not exceed UAH 5 million (the third group of taxpayers under clause 291.4 of the Tax Code of Ukraine). Considering that according to our financial projection during the first three years the profit of our business

will not exceed UAH 5 million per annum we will be able to benefit from the reduced CPT rate at the level of 5% of the profit, which is one of the lowest CPT rates in the world. As the business will evolve, we might need to reconsider our corporate and tax structures. However, at this initial stage it perfectly suits our needs within a midterm (three years) horizon.

We will also hire other persons to perform tutor, marketing & sales, accounting, administrative functions. To reduce our costs and considering that these persons will perform their functions on a part time basis, we will hire them as a private entrepreneur based on a civil contractor arrangement. This will also allow such persons to reduce their individual profit taxation rate from 18% to 5%.

International tutor will be primarily selected from countries, with which Ukraine has Double Tax Treaties. His/her income will be taxable in a country of origin. For reporting purposes in Ukraine non-resident status of such service provider will be confirmed by respective document.

We do not consider any offshore corporate structures at this stage due to the high maintenance costs in comparison with the level of similar costs related to establishment and maintenance of LLC with simplified tax status in Ukraine; and recent BEPS regulation which is expected to come into effect this year.

#### *Summary for Tax Legislation*

- CPT standard rate in Ukraine is 18%
- Simplified tax regime (unified tax) allows tax rate 5% for enterprises with annual income less UAH 5 MM
- The legal form of choice is LLC consisted of 3 bodies: GPM, Director and private entrepreneurs – services providers

## Market & Industry Analysis

### Ukrainian Public Healthcare and Medical Access analysis

Following independence in 1991, Ukraine was left with a centralized public sector health system and a small private sector, primarily consisting of pharmacies, diagnostic facilities, and some private physicians. The centralized system provided few incentives for rational use of resources or cost control. And while Ukraine established universal access to a guaranteed basic package of health services in the public sector, free to citizens and registered long-term residents, there were continued challenges with funding shortfalls, and “a sweeping gap between people’s expectations, built on the Constitutional promise, and reality”. A very high percentage of medicine costs are paid by patients, and many medicines are unavailable. It is estimated that because of corruption, the Ministry of Health has lost \$100 million of its \$250 million budget for pharmaceuticals. The country’s essential medicines list was not modernized until mid-2017, and patients have been treated with old medicines based on outdated treatment protocols. State procurements have suffered from duplication, inefficiency, and conflicts of interest. A study of public procurement in 2015 found that more than 4,630 medicines were procured using public funds the prior year, but only seven medicines accounted for 20% of the [expenditure](#).

Ukraine is currently undergoing a five-year National Health Reform Strategy to work towards Universal Healthcare Coverage (UHC). Key components of the reform include: a guaranteed package of services for all citizens, funded by general taxation; restructuring of clinics and hospitals to become autonomous institutions with patients choosing their providers; implementation of a reference pricing approach for state procurement of medicines; implementation of a new e-health platform; and the development of a Health Technology Assessment (HTA) initiative.

The main barriers to accessing innovative medicines are their limited availability and high cost. Currently, patients access new medicines through clinical trials; medicine donations by manufacturers on a case-by-case basis; third parties (e.g. donor funds, international mechanisms); and appeals to manufacturers for humanitarian aid.

Despite increased Healthcare (HC) state budget in 2020 (114 bn UAH; +14% vs. 2019), Ukraine still suffers from HC-funding deficit. Several years in a row Ukrainian HC is being underfinanced and can’t meet 5% of GDP target, requested by Law (2.9% of GDP in 2020).

Ukrainian patients have the poorest access to innovative treatment in Europe – more than 100 times less state per capita spending for innovative and original pharmaceuticals vs. countries in CEE region. Therefore, a lot of Ukrainian patients have scarce chances to receive modern cutting-edges treatment solutions. The most suffering groups of patients are those with oncological and orphan diseases.

Ukrainian inconsistent and controversy HC-legislation make the access to already allocated funds a big issue. HCPs, patients’ groups and pharmaceutical industry professionals are expected to operate deep legal knowledge and be skilled in Medical Access – generalizing concept describing all activities, which results in getting access to effective treatment solutions for state budget costs.

There are more than 50 politically active [patients’ organizations](#) in Ukraine. Patient associations in Ukraine have pressured the government to provide access to innovative medicines in the past. One example is the partially successful “right to life” program in which the government covered 35% of medicine needs while the rest was covered by the manufacturer as humanitarian need. There is also a new reimbursement program established in mid-2017 for 21 essential medicines for the treatment of cardiovascular disease, type 2 diabetes, and asthma, which led to an 85% increase in daily defined dose consumption of medicines. Negotiated managed entry agreements are currently being considered for orphan diseases, certain types of cancer, and hepatitis C. These will be facilitated by legislation which is currently being amended by the Ministry of Health to include long-term agreements with manufacturers through a central procurement body, established in 2018.

## Analysis of Pharmaceutical industry in Ukraine

According to [Proxima Research](#) analytics, pharmaceuticals sales in Ukraine after dramatic decline in 2014-2015 demonstrate stable double-digit growth in value (+20.3% in 2019) and mild decline in volume (-4.4% in 2019). At the end of 2019 Ukrainian pharmaceutical market amounted at 3.8 Bn USD with positive prognosis for growth in 2020 and further years.

Top 10 pharmaceutical companies create 1/3 of market value. Six companies from Top 10 are local producers.

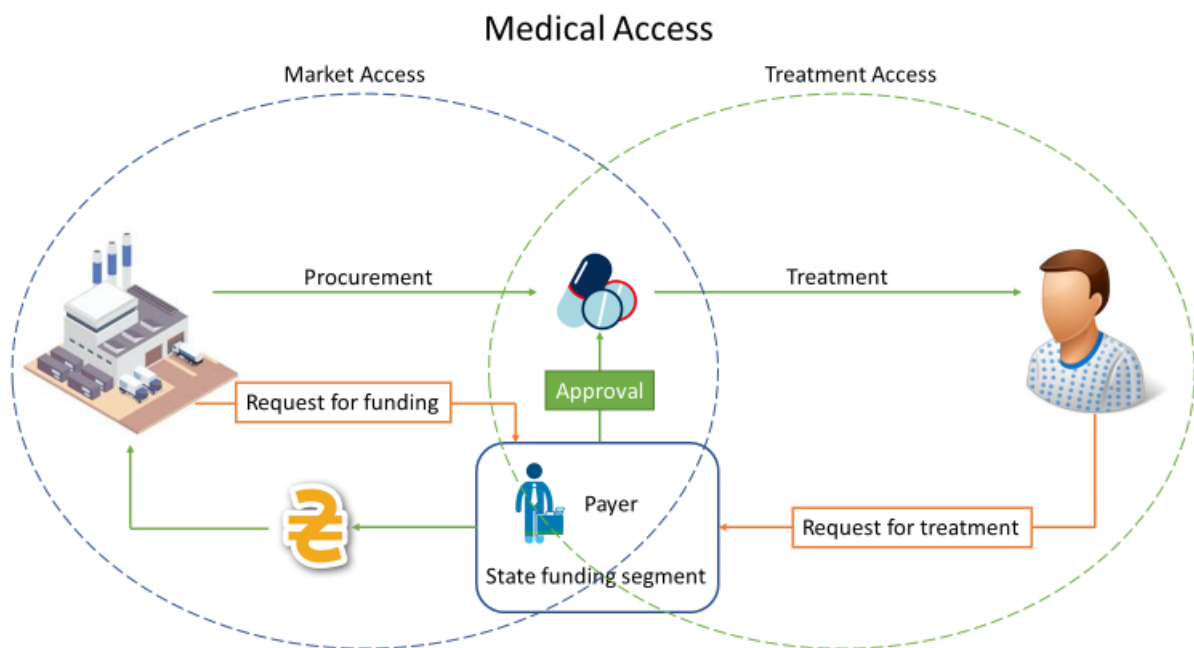
Ukrainian pharmaceutical market develops much faster than the Global Market (+4.5% in 2019). This makes it attractive for foreign investors.

Approximately 25 000 people ([0.15%](#) of all active labor force) employed in pharmaceutical industry in Ukraine. Excluding production facilities, human capital structure of the typical pharmaceutical company in Ukraine includes 1/3 of field force and 2/3 of office-based [employees](#).

On the other hand, Ukrainian market is driven by out-of-pocket (OPP) spending (89%) with very small share of state financing (11%). This situation significantly differentiates it from other European markets, where the share of state expenditures on pharmaceuticals usually exceeds 70%.

Medical Access concept is shown on Exhibit 1.

Exhibit 1. Medical Access concept



Hence Ukrainian market is highly dependent on households' purchasing power, a lot of patients have no access to expensive treatment solutions (typically innovative drugs) and must apply for the formally free-of-charge treatment in different sophisticated ways. This creates demand for Medical Access skills and knowledge.

At their turn, producers of expensive treatment solutions also must struggle for state funding from their end. This makes certain industry capabilities critical for success in Ukraine: Market Access, Medical Affairs, Governmental Affairs, Medical Legislation and some other.

Another issue, which international producers in Ukraine often face, is extended onboarding period for foreign management assigned for executive positions in Ukraine.

## Analysis of pharma post-graduate education market with emphasis on Medical Access

There are 115 local pharma producers in Ukraine and 77% of them are profitable (2018). Domestic pharma industry has historically limited employees training capabilities and uses outsource to close this gap. The demand for pharma industry specialists at the labor market in Ukraine is constantly growing, and it, in turn, is due to the active development of the national pharmaceutical [sector](#).

International pharmaceutical companies have internal training programs for their employees including Market Access and other essential capabilities. The issue is their very low relevance for Ukrainian business realities.

According to the recent [survey](#) of 845 respondents (preliminary HCPs), 98% are interested in additional education on HC-related topics: legal issues – 92%; state procurement – 86%; pricing for drugs and medical devices – 85%; Health Technology Assessment (HTA) – 82%; economic and clinical analysis – 81%.

Ukrainian training companies propose corporate and individual training programs on soft skills, sales, marketing. Some educational programs are available on HTA. Very limited domestic proposals are available on Medical legislation. No domestic proposals were found on Market Access, Medical Affairs, Governmental Affairs.

### *Summary for Market & Industry Analysis*

- Ukrainian market of pharmaceuticals is growing but significantly differs from other European Markets
- Medical Access is an issue in Ukraine for all stakeholders: patients, industry professionals, HCPs
- Ukrainian training companies do not propose any education content on Medical Access topics

## Competition

As a 1<sup>st</sup> step of competition analysis, Strategic Group was defined. Competitors were assessed regarding location, portfolio and other characteristics. Findings are summarized in Tables 1 and 2.

Table 1. Competitors. Part 1

	<b>Centre for executive leadership for pharma (Brussel, Belgium)</b>	<b>Agency of Medical Marketing (Kyiv, Ukraine)</b>	<b>MABIT mini-MBA program in pharmaceutical business (Kyiv, Ukraine)</b>	<b>Vienna School of Clinical Research Public Health and Medical Education (Vienna, Austria)</b>
<b>Portfolio</b>	Live courses on Medical Affairs, Market Access and Pricing, Business Development and Licensing, Strategic Pharma Marketing	Sales Force in Pharma effectiveness courses	Courses on Business administration for pharma professionals	Courses from non-profit organization on Public and Health Economy for pharma industry and non-profit organizations
<b>Program Duration</b>	1-2 days	2 days	7.5 months	3 days
<b>Program Type</b>	In-class	In-class	In-class	In-class
<b>Program complexity level</b>	Fundamentals, Advanced	Fundamentals, Advanced	Fundamentals, Advanced	Advanced
<b>Programs for NGOs and non-pharma industry professionals</b>	No	No	No	Yes
<b>Tutors competence level</b>	International	National	International	International
<b>Tutors origin</b>	EU	Ukraine	Ukraine	Austria
<b>Price per program (average), [UAH]</b>	80000	5000	27000	95000
<b>Price per hour (average), [UAH]</b>	5000	300	100	2000
<b>Focus on pharma industry critical capabilities: M&amp;A, GA, MA, Medical Legislation</b>	High	No	No	Moderate
<b>Location</b>	Brussel, Belgium	Kyiv, Ukraine	Kyiv, Ukraine	Vienna, Austria
<b>Attendance requires international travelling</b>	Yes	No	No	Yes
<b>Program relevant to Ukrainian Healthcare Environment</b>	No	Yes	Yes	No
<b>Language</b>	English	Russian	Russian	English
<b>Geographic coverage</b>	Europe	Ukraine	Ukraine	Europe/Asia
<b>Link</b>	<a href="#">Link</a>	<a href="#">Link</a>	<a href="#">Link</a>	<a href="#">Link</a>
<b>Targeting pharma specialists with advertisements in Ukraine</b>	Yes	No	No	Yes

Table 2. Competitors and matching to our project. Part 2

	<b>HTA Academy (Kyiv, Ukraine)</b>	<b>Coursera</b>	<b>MIM-Kyiv</b>	<b>UMAA (our project)</b>
<b>Portfolio</b>	Short educational seminars on basics of Health Technology Assessment concept, Health Economy	Online specializations mostly for junior personnel in HC and pharmaceutical business	MBA Program for senior management in Healthcare	Courses on Medical Affairs, Market and Medical Access, Pricing, Medical Legislation, Governmental Affairs for pharma industry and other professionals, NGOs etc.
<b>Program Duration</b>	1-2 days	up to 7 months	15 months	1 month
<b>Program Type</b>	In-class	Online record	In-class	In-class
<b>Program complexity level</b>	Fundamentals, Advanced	Fundamentals	Advanced	Advanced, Fundamentals
<b>Programs for NGOs and non-pharma industry professionals</b>	Yes	Yes	Yes	Yes
<b>Tutors competence level</b>	International	National	International	National, International
<b>Tutors origin</b>	Ukraine	USA	Ukraine	Ukraine, EU
<b>Price per program (average), [UAH]</b>	7000	Free	600000	28000
<b>Price per hour (average), [UAH]</b>	850	Free	1000	600
<b>Focus on pharma industry critical capabilities: MkA, GA, MA, Medical Legislation</b>	Very low	No	No	High
<b>Location</b>	Kyiv, Ukraine	Internet	Kyiv, Ukraine	Kyiv, Ukraine
<b>Attendance requires international travelling</b>	No	No	No	No
<b>Program relevant to Ukrainian Healthcare Environment</b>	Yes	No	Yes	Yes
<b>Language</b>	Ukrainian	English	English	English, Ukrainian
<b>Geographic coverage</b>	Ukraine	World	Ukraine	Ukraine
<b>Link</b>	<a href="#">Link</a>	<a href="#">Link</a>	<a href="#">Link</a>	n/a
<b>Targets pharma specialists with advertisements in Ukraine</b>	Yes	No	No	n/a

To follow up, domestic Ukrainian educational product on core capabilities for pharma industry (Market Access, Governmental Affairs, Medical Affairs) doesn't exist on the market. Local educational companies propose limited range of educational programs for pharma mostly of general scope.

The demand from non-pharma industry stakeholders (NGOs, patients, policy influencers, etc.) on education on Medical Access, Ukrainian HC-policy and legislation is also not met.



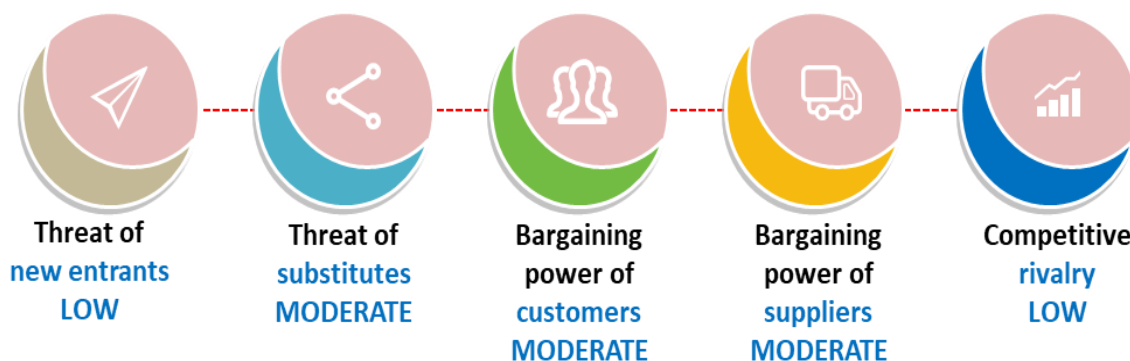
There are also no specialized programs for foreign pharma industry executives.

It was agreed that Ukrainian competitors can't be used for benchmark analysis.

Two international educational companies (CEL for Pharma and Vienna School) propose educational products of high quality which cover core pharma industry capabilities (CEL for Pharma) and for education from non-pharma stakeholders (Vienna School). These companies selectively target Ukrainian pharma industry specialists with ads via professional social networks (Linked In). Vienna School has experience in educating Ukrainian customers and focuses mostly on non-industry capabilities.

Industry's Porter's 5 Forces were assessed. Results are presented on Exhibit 2.

Exhibit 2. Access Education industry Porter's 5 Forces



*Competitive rivalry* in the industry is LOW:

- Number of competitors is limited;
- Pharmaceutical industry in Ukraine has double digit YoY growth;
- No proposals for education on medical access are currently available in Ukraine.

*Barriers to entry* are LOW: education industry doesn't require big investments to start

*Threat of substitute* is MODERATE:

- A lot of business education programs are available on the market;
- Very limited number of pharma business / Health Care education relevant to Ukraine is currently available

*Bargaining power of customers* is MODERATE: Demand exists, but it is limited by 1) the size of the segment; 2) moderate price sensitivity and elasticity of the product.

*Bargaining power of suppliers* is MODERATE: there is a limited number of candidates for tutor's role due to the specificity of the topic and their participation at other programs.

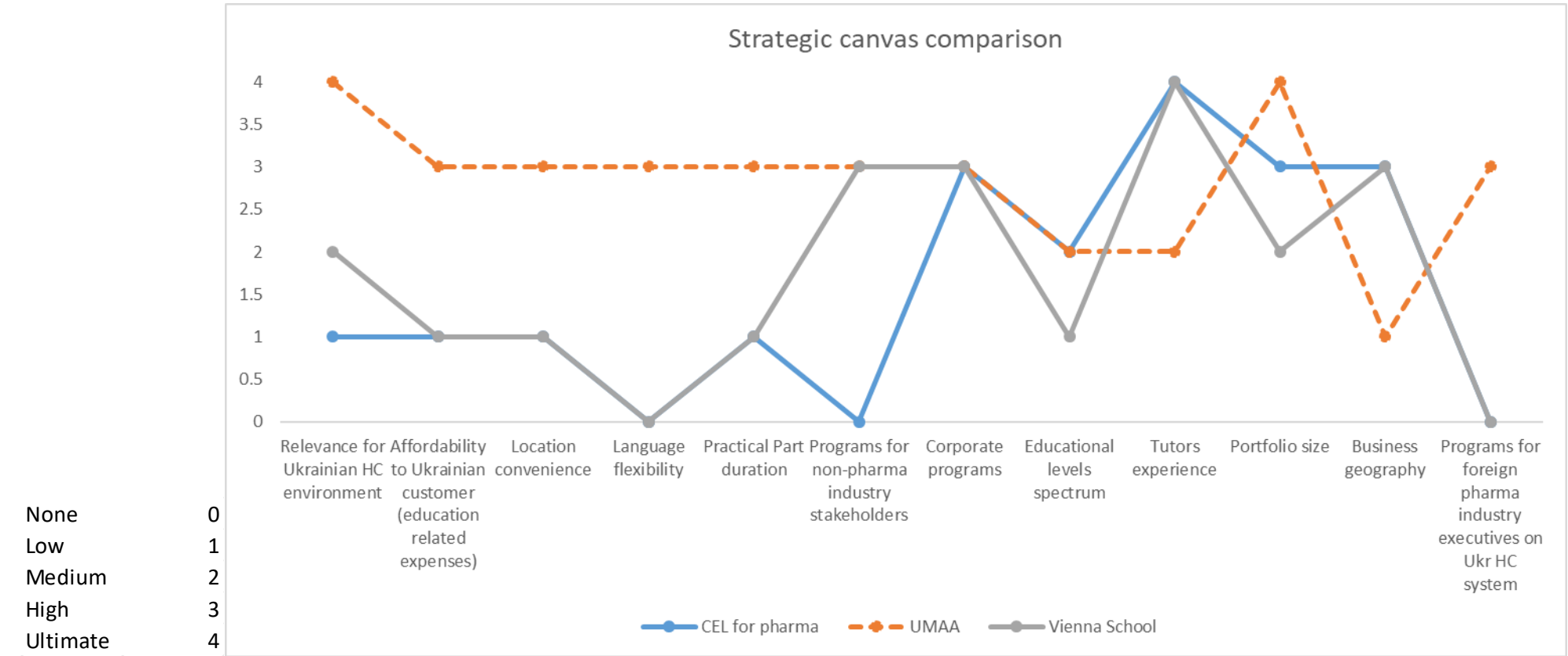
CEL for Pharma and Vienna School were selected as main competitors. Main advantages and disadvantages of their proposals are listed below in Tab. 3.

Table 3. Advantages and Disadvantages of companies, selected as main competitors

<b>Advantages:</b>	<b>Limitations/disadvantages:</b>
International tutors	High prices and related costs (travel, accommodation)
High quality programs	English language only
Portfolio size	Distant locations
Internationally aligned content	Short sessions with very limited practical part
Experience on the market	Very limited relevance to Ukrainian HC environment

Strategic canvases of both benchmarks and our project are shown on Exhibit 3. Best differentiation versus competitors can be achieved via 1) focusing on the relevance for Ukrainian Healthcare environment; 2) high quality; 3) affordable price and convenient location; 4) language flexibility; 5) solid practical part.

Exhibit 3. Strategic Canvas comparison



**Summary for competition analysis:**

- Similar domestic Ukrainian product doesn't exist on the market
- Experienced foreign companies with reputation target Ukrainian customers, but do not propose competitive price and relevant content
- Competition in this segment is low and current environment provide good business opportunities.

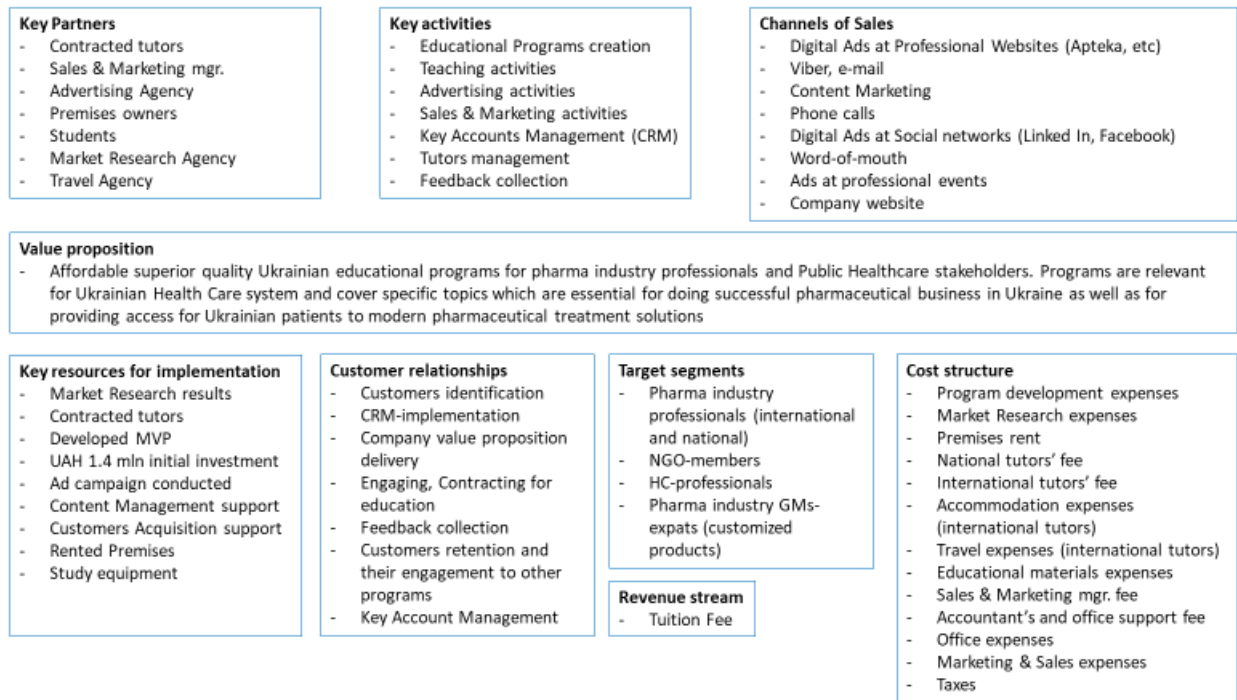
## Project Description

Key project characteristics are shown in Tab. 4

Table 4. Key project characteristics

<b>Name of the company</b>	<b>Ukrainian Medical Access Academy (UMAA)</b>
<b>UMAA business model</b>	Development, sales and delivery of educational products for corporate and private customers in Ukraine
<b>Revenue Stream</b>	Tuition fee
<b>Value proposition</b>	Affordable superior quality Ukrainian educational programs for pharma industry professionals and Public Healthcare stakeholders. Programs are relevant for Ukrainian Health Care system and cover specific topics which are essential for doing successful pharmaceutical business in Ukraine as well as for providing access for Ukrainian patients to modern pharmaceutical treatment solutions
<b>Covered unmet need</b>	Lack of domestic Ukrainian educational product on capabilities, which are critical to ensure access for Ukrainian patients to modern pharmaceutical treatment solutions
<b>Company vision</b>	UMAA is a leader of the Ukrainian postgraduate education for pharma industry and Public Health Care sector
<b>Strategy for competitive advantage</b>	Focus through Differentiation
<b>Company mission</b>	To ensure Ukrainian pharma industry professionals and other Public Health Care stakeholders can receive all needed knowledge and skills to provide Ukrainian patients with access to the best possible pharmaceutical treatment solutions
<b>Operating model (POLISM):</b>	
<i>Processes</i>	Develop Value Proposition → Test the Market → Conduct Market Research → contract tutors → develop programs → advertise/sale product → contract premises → deliver programs → collect feedback → Retain clients
<i>Organization</i>	GPM, Director, Marketing & Sales manager, Accountant, Study Support Mng., Tutors
<i>Location</i>	Ukraine, Kyiv
<i>Information</i>	Specialized sites, journals, conferences, digitals channels
<i>Suppliers</i>	Contracted tutors, co-working platforms owners, travel agency, advertising agencies, Market Research agency
<i>Management system</i>	LLC, governed by GPM

## Exhibit 4. Business Model Canvas



## Corporate Governance

UMAA is an LLC governed by the GPM, which consists of 2 people – Business Partners (BPs). General and Operational management duties will be a responsibility of a Director – Business Partner assigned annually. Organizational Structures for the Years 0-4 are shown at Exhibits 5 and 6.

### Exhibit 5. Organizational Structure for Years 0-2

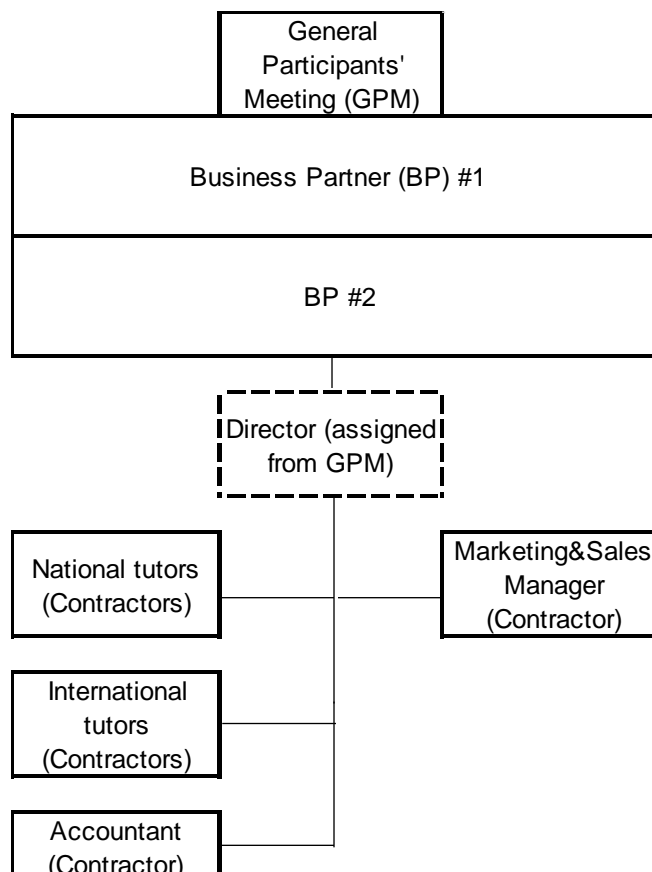
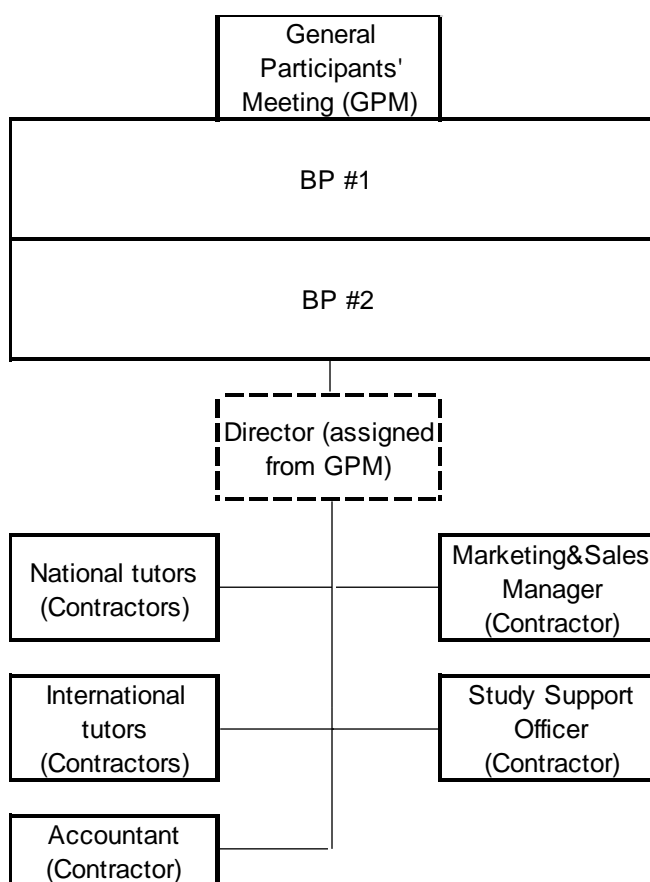


Exhibit 6. Organizational Structure for Years 3-4



Shareholders Structure and Income distribution are shown at Exhibit 7.

Exhibit 7. Shareholders Structure and Income distribution

	Income distribution
BP #1	50% of Net Income
BP #2	50% of Net Income

Income is equally distributed between Business Partners.

## Operations

### Product description

The type of product which company produces, and sells is Educational Program. Educational Programs will be co-developed by contracted tutors and responsible GPM member.

### Key product characteristics

- Emphasis on topics, which are not covered by existing educational on Ukrainian market
- Relevance for Ukrainian Health Care system
- National and International tutors' engagement
- Extended practical time - not less than 60% of study time
- Live sessions
- Ukrainian and English languages

- Convenient study schedule: classes on Saturdays (9.30-17.30) and Sundays (9.30 - 13.00)
- Duration no longer than 1 month

*MVP (Minimum Viable Product)*

Educational program **Market Access for Pharma professionals (introduction)** will be our **Minimum Viable Product (MVP)**.



Key features and points of differentiation vs. competitor of the MVP described in Tables 5 and 6 respectively.

Table 5. Key features of the MVP “Market Access for Pharma professionals (introduction)” program

Feature	Explanation
<b>Content</b>	Market Access theory and practice relevant for Ukrainian Business Environment
<b>Key Customer Profile</b>	National Pharma Industry Professional International Pharma Industry Professional
<b>Total Duration (hours)</b>	48
<b>Target # of students</b>	10
<b>International tutor part Duration (hours)</b>	2
<b>National tutor part Duration (hours)</b>	46
<b>Theory part (%)</b>	40
<b>Practice part (%)</b>	60
<b>Education Format</b>	In-class
<b>Languages</b>	English, Ukrainian
<b>Location</b>	Kyiv, Ukraine
<b>Price (UAH)</b>	30 000



Table 6. Key points of differentiation of the MVP “Market Access for Pharma professionals (introduction)” program vs. key competitor’s program

	CEL for Pharma MkA program	UMAA MkA program
<b>Relevance for Ukraine</b>	Very low	High
<b>Need for international travel</b>	Yes	No
<b>Duration</b>	1-2 days	1 month
<b>Location</b>	EU, UK	Ukraine
<b>Language</b>	English only	Ukrainian, English
<b>Ukrainian tutors’ involvement</b>	No	Yes
<b>Practical part</b>	Very scarce	Solid
<b>Price (UAH)</b>	90 000	30 000
<b>Extra costs (travel, accommodation)</b>	High	None or low

Our year-by-year production volumes and pipeline products are shown in Tables 7 and 8.

Table 7. Production volumes

Year of operations	Number of programs	Number of Students	Number of Study hours
<b>Y0</b>	7	106	442
<b>Y1</b>	10	142	696
<b>Y2</b>	12	187	840
<b>Y3</b>	16	272	1200
<b>Y4</b>	19	342	1536

Table 8. List of products

Program	Hours
<b>Market Access for pharma professionals (introduction)</b>	48
<b>Market Access for pharma professionals (advanced)</b>	48
<b>Medical Affairs for pharma professionals</b>	48
<b>Medical Legislation for pharma professionals</b>	48
<b>HTA for pharma professionals</b>	48
<b>Health economy for non-health economists for pharma</b>	48
<b>Government affairs for pharma professionals (introduction)</b>	48
<b>Government affairs for pharma professionals (advanced)</b>	48
<b>Evidence based medicine and clinical epidemiology for pharma professionals</b>	48
<b>Regulatory Affairs for pharma professionals</b>	48
<b>Pharmacovigilance</b>	48
<b>Pharmacovigilance (advanced)</b>	48
<b>Pharma business development in Ukraine</b>	48
<b>Access to treatment</b>	48
<b>Evidence based medicine and clinical epidemiology</b>	48
<b>Medical Legislation</b>	48
<b>Negotiations and Legal Lobbyism in Medical Access</b>	48
<b>Pharma industry and patients: synergy for the sake of access</b>	24
<b>Ukrainian HC system and pharma business environment: opportunities to grow</b>	12

## Suppliers

Table 9. Premises providers

Name	Location	Price per hour [UAH]	Max capacity [people]	Link	Comment
<b>CHASOPYS EDUSPACE</b>	City Centre	720	30	<a href="#">Link</a>	
<b>Peremoga Space</b>	City Centre	1,000	60	<a href="#">Link</a>	Discounts available for long-term rent
<b>Data Hub</b>	City Centre	from 300	20	<a href="#">Link</a>	3 locations available
<b>Hub 4.0</b>	City Centre	1,650	50	<a href="#">Link</a>	Equipment included

Table 10. Market Research Agency

Name	Market Research budget [UAH]	Link
<b>Proxima Research</b>	250,000	<a href="#">Link</a>

Table 11. Advertising/Printing Agency

Name	Advertisement budget Y0 [UAH]	Printing budget Y0 [UAH]	Link
<b>Effect-Marketing</b>	270,000	15 900	<a href="#">Link</a>
<b>Space.ua</b>		n/a	<a href="#">Link</a>

Table 12. Travel Agency

Name	Travel/budget Y0 [UAH]	Service fee per booking Y0 [UAH]	Link
<b>Dinadis</b>	50,000	500	<a href="#">Link</a>

## Contractors

Table 13. Tutors HC, fee and hours contracted

Year	Local	International
<b>Y0 [#]</b>	2	1
<b>Y1</b>	3	1
<b>Y2</b>	4	1
<b>Y3</b>	4	2
<b>Y4</b>	5	2
<b>Tutors' fee [UAH/hour]</b>		
<b>Y0</b>	1,500.00 ₴	30,000.00 ₴
<b>Y1</b>	1,755.00 ₴	31,000.00 ₴
<b>Y2</b>	1,960.00 ₴	31,000.00 ₴
<b>Y3</b>	2,175.00 ₴	34,000.00 ₴
<b>Y4</b>	2,400.00 ₴	34,000.00 ₴
<b>Contracted hours/year</b>		
<b>Y0</b>	484	8
<b>Y1</b>	682	14
<b>Y2</b>	822	18
<b>Y3</b>	1,180	20
<b>Y4</b>	1,504	32

Table 14. Accountant HC and fee

Year	
<b>Y0-Y4 [#]</b>	1
<b>Fee [UAH/month]</b>	
<b>Y0</b>	10,000.00 ₴
<b>Y1</b>	11,000.00 ₴
<b>Y2</b>	11,500.00 ₴
<b>Y3</b>	12,000.00 ₴
<b>Y4</b>	12,500.00 ₴

## Sales and Marketing

### Marketing Objectives

Marketing Objectives shown in Tab. 15

Table 15. Marketing Objectives

#	Marketing Objective
<b>1</b>	To penetrate the market of postgraduate pharma industry and Public Health Care education in Ukraine and achieve 60% of market share in volume in 5 years
<b>2</b>	To achieve customer satisfaction rate of > 90% in one year
<b>3</b>	To achieve customer retention rate of >30% in 1 year and to maintain it for 5 years
<b>4</b>	To achieve and exceed UAH 2.6 MM Y0 revenue and EBITDA margin >10%
<b>5</b>	To achieve and exceed UAH 10 MM Y4 revenue and EBITDA margin >25%
<b>6</b>	Launch at least 2 new products every year

### Marketing Strategy

According to the Ansoff's product-market growth matrix the strategy for the **Year 0** will be **Diversification through organic growth**. Company will enter new market with new products.

**For Years 1-4** for new products (educational programs) the strategy will not change: diversification through organic growth. For existing products, the strategy will be **Market Development** primarily through new segments penetration and coverage of the new geographic areas.

### Value Chain Analysis

Hence the primary strategy for the company will be diversification, company products must have differentiation advantage. To identify it the Value Chain Analysis (VCA) has been conducted. Next steps completed:

- Step 1. Identify the customers' value-creating activities.
- Step 2. Evaluate the differentiation strategies for improving customer value.
- Step 3. Identify the best sustainable differentiation.

At the 1st step we realized that to have clear understanding of the customers' values, Market Research must be conducted. But before having access to results we did some analysis based on our perceptions. So, next values were identified:

- High quality domestic education on Market Access, Medical Affairs, Governmental Affairs, Medical Legislation, Health Economics, HTA and other topics yet not covered by existing proposals on the Ukrainian market
- Relevance of the education for the Ukrainian Health Care system
- Coverage of the current International trends and best foreign experience
- Suitable Study timeline and duration for busy employed people who have families

- Enough time to practice
- Fair price, convenient location and option to have sessions on native language

Based on our perception-based findings the best sustainable differentiation features were identified:

- Locate program in Ukraine, Kyiv (city center)
- Emphasis on core topics
- Live sessions exclusively
- High Relevance of the study content for the Ukrainian Health Care system
- Enough time for practice
- Education both in English and Ukrainian
- Engagement of both National and International tutors
- Short programs, weekends as study days
- Affordable price – lower vs foreign comparator

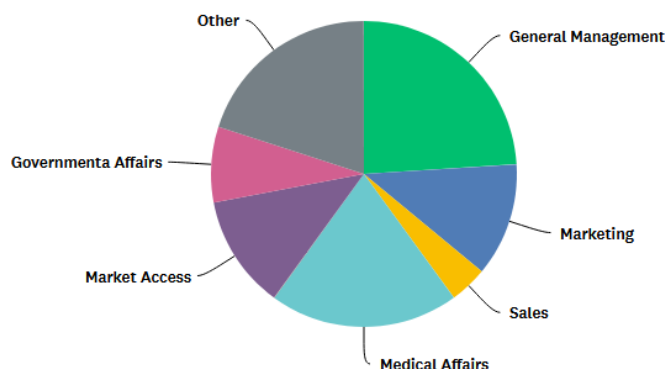
### Market Test

To check our perceptions, we've conducted the *Market Test*. We distributed [6-questions survey](#) in Linked In and Facebook, targeting Ukrainian Pharma Industry professionals. Segment selection is based on its expected highest potential and our current capacity to obtain relevant results.

We collected 25 responses, mostly from Ukrainian pharma industry professionals (84%). International producers dominated over national (88% and 12% respectively). Distribution by roles in organization have shown at Exhibit 8.

Exhibit 8. Distribution of survey responders by roles in organization

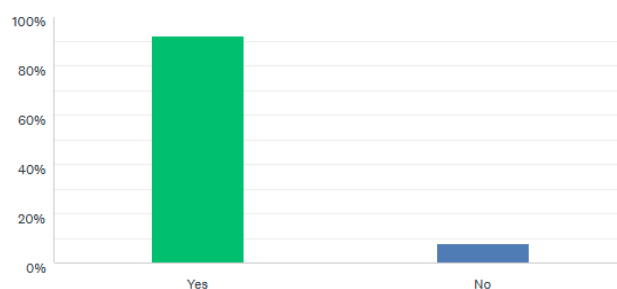
Answered: 25 Skipped: 0



The main question of our survey was *“Could you please consider having an in-class courses in Kyiv on Market Access, Governmental Affairs, Public Affairs, Medical Legislation, Medical Affairs? Courses are highly relevant for Ukrainian HC environment, conducted by both International and National tutors and include solid practical part”*. The majority of respondents answered *“Yes”* (see Exhibit 9).

Exhibit 9. Relevance of the project's value proposition to pharma industry professionals in Ukraine

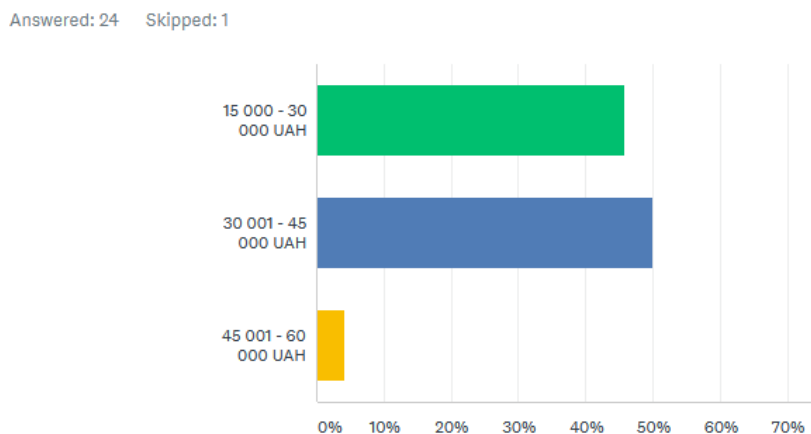
Answered: 25 Skipped: 0



Respondents were also asked to measure the level of their interest to proposal on numeric scale from 1 (lowest) to 10 (highest). The mean result was 8.1 (23 responders, 2 skipped).

We also asked respondents to select the most reasonable/affordable pricing range from their personal or employer's prospective. Results (see Exhibit 10) shown that range 30 001 – 45 000 UAH for the 48h in-class program collected most votes (50%) with range 15 000 – 30 000 UAH came second (45%).

Exhibit 10. Pricing proposal perception by pharma industry professionals in Ukraine



*Market Test conclusion:* pharmaceutical Industry professionals in Ukraine, who represent the most potential market segment, have strong interest to our value proposal.

As mentioned earlier, Market Research outcomes will help to review and amend these results as well as to quantify the target population.

#### Market Segmentation

Based on primary findings following macro segments were identified

1. International Pharma industry professionals
2. National Pharma industry professionals
3. NGO members
4. Non-industry professionals for whom Ukrainian Public HC-related knowledge is important
5. Pharma industry GMs from abroad (expats) who are new in Ukraine and need consultancy on how do business in Ukraine

Table 16. Major Segments' characteristics and micro segmentation

<b>International pharma industry professionals (IPP)</b>	<p><b>Relative size of the segment (assumption):</b> medium to high (further quantification by Market Research)</p> <p><b>Location:</b> primarily Kyiv. Also Kharkiv, Odesa, L'viv, Dnipro</p> <p><b>English language skills:</b> upper intermediate and higher</p> <p><b>Internal trainings:</b> regular, high quality</p> <p><b>Income status:</b> average to high</p> <p><b>Readiness to pay for self-development:</b> medium to high</p> <p><b>Existing demand for company value proposition:</b> high (suggested by Market Test, to be confirmed by MR)</p> <p><b>Interest for continuous professional development:</b> very high, part of corporate culture and daily agenda</p> <p><b>Customers potential (according to the matrix of customers' potential): High</b></p> <p><b>Potential for corporate product sales:</b> high (suggested by Market Test, to be confirmed by MR)</p> <p>This macro segment can be further segmented by:</p> <p><b>Employee basement:</b> 1) office-based; 2) field-based</p> <p><b>Geographic location:</b> 1) Kyiv; 2) other cities</p> <p><b>Current skills level on topics from company value proposition:</b> 1) medium to high; 2) low</p> <p><b>Current employment status:</b> 1) employed; 2) temporarily unemployed</p> <p><b>Origin:</b> 1) Ukrainians; 2) Foreigners</p> <p><b>Background education:</b> 1) Medical/pharma/biology 2) other</p>
<b>National pharma industry professionals (NPP)</b>	<p><b>Relative size of the segment (assumption):</b> high (further quantification by MR)</p> <p><b>Location:</b> Kyiv, regional centers</p> <p><b>English language skills:</b> from beginners to advanced</p> <p><b>Internal trainings:</b> more or less regular, different quality</p> <p><b>Income status:</b> average</p> <p><b>Readiness to pay for self-development:</b> medium to high</p> <p><b>Existing demand for company value proposition:</b> high (to be confirmed by MR)</p> <p><b>Interest for continuous professional development:</b> medium to high, supported by some employers</p> <p><b>Customers potential according to the matrix of customer's potential: High</b></p> <p><b>Potential for corporate product sales:</b> high (suggested by Market Test, to be confirmed by MR)</p> <p>This macro segment can be further segmented by:</p> <p><b>Employee basement:</b> 1) office-based; 2) field-based; 3) production sites based; 4) other locations</p> <p><b>Current skills level on topics from company value proposition:</b> 1) medium; 2) low</p> <p><b>Current employment status:</b> 1) employed; 2) temporarily unemployed</p> <p><b>Geographic location:</b> 1) Kyiv; 2) other cities</p> <p><b>Background education:</b> 1) Medical/pharma/biology 2) other</p>

<b>NGO members (NGO)</b>	<p><b>Relative Size of the segment (assumption):</b> small to medium (quantification by MR)</p> <p><b>Location:</b> all Ukraine</p> <p><b>English language skills:</b> from beginners to advanced</p> <p><b>Trainings attendance:</b> regular</p> <p><b>Income status:</b> below average - average</p> <p><b>Readiness to pay for self-development:</b> medium</p> <p><b>Existing demand for company value proposition:</b> medium to high (to be confirmed by Market Research)</p> <p><b>Customers potential according to the matrix of customers' potential:</b> High</p> <p><b>Potential for corporate product sales:</b> medium</p> <p><b>This macro segment can be further segmented by:</b></p> <p><b>Organization status:</b> 1)NGO activists; 2)NGO regular members</p> <p><b>Access to grants:</b> 1) Having access to financial grants; 2) not having access to financial grants</p> <p><b>Geographic location:</b> 1) Kyiv; 2) other cities</p> <p><b>Current skills on topics from company value proposition:</b> 1) medium to high; 2) low</p> <p><b>Background education:</b> 1) Medical/pharma/biology 2) legal; 3)other</p>
<b>Non-industry professionals (NIP)</b>	<p><b>Relative Size of the segment (assumption):</b> high (further quantification by MR)</p> <p><b>Location:</b> all Ukraine</p> <p><b>English language skills:</b> from beginners to advanced</p> <p><b>Trainings attendance:</b> sporadic</p> <p><b>Income status:</b> below average</p> <p><b>Readiness to pay for self-development:</b> medium</p> <p><b>Existing demand for company value proposition:</b> medium (to be confirmed by MR)</p> <p><b>Interest for continuous professional development:</b> medium to high</p> <p><b>Customers potential according to the matrix of customer's potential:</b> Good</p> <p><b>Potential If</b></p> <p><b>Potential for corporate sales:</b> low</p>
<b>GMs-expats from the industry (GM)</b>	<p><b>Relative Size of the segment (assumption):</b> 1-2 customers per year, unique VIP customers</p> <p><b>Location:</b> Kyiv</p> <p><b>English language skills:</b> advanced</p> <p><b>Internal trainings:</b> regular, high quality</p> <p><b>Income status:</b> very high</p> <p><b>Readiness to pay for self-development:</b> very high</p> <p><b>Existing demand for company value proposition:</b> medium to high</p> <p><b>Interest for continuous professional development:</b> very high, part of corporate culture and daily agenda</p> <p><b>Customers potential according to the matrix of customers' potential:</b> Good</p> <p><b>Potential If</b></p> <p><b>Potential for corporate sales:</b> low</p>

### Targeting

All mentioned above segments will be targeted.

NPP, NGO and IPP segments due to the high potential will be primary targets. GMs segment due to the very limited size will be secondary target. NIP segment is considered as an opportunity.

For IPP, NPP, NGO and NIP segments **Differentiated marketing strategy** will be applied.

For GMs segment **Customized marketing strategy and personal-based approach** will be used.

Table 17. Positioning Messages

For Segments NPP and IPP	<p>For pharma industry professionals Ukrainian Medical Access Academy proposes unique for Ukraine educational programs on core pharma topics: Market Access, Medical Affairs, Governmental Affairs, Ukrainian Medical legislation, HTA, Regulatory Affairs, Pharmacovigilance.</p> <p>All content is highly relevant for Ukrainian Business environment and aligned with International trends.</p> <p>Programs are developed and delivered by experienced Ukrainian and European experts and include many practical tasks.</p> <p>Products have affordable price and convenient for attendance. Corporate discounts are available.</p>
For Segments NGO, NIP	<p>For the members of patients' organizations and other NGOs interested in getting access to the treatment for budget costs as well as interested in the Ukrainian HC-policy shaping, Medical Access Academy proposes unique affordable educational programs developed and delivered by leading Ukrainian experts.</p> <p>Programs cover Ukrainian medical Legislation aspects, negotiation and lobbying skills, successful domestic and international cases, industry market access and pricing strategies and proposes solutions for the most typical issues.</p> <p>For groups discounts are available.</p>
For Segment GM	<p>For pharmaceutical industry Top managers interested in fast and qualified introduction to the Ukrainian HC-system, Ukrainian Medical Access Academy proposes unique personalized and highly practical educational seminars.</p> <p>Seminars cover specific features of the Ukrainian HC-system and highlight key differences vs. US, UK and EU pharma business environment.</p> <p>All content is highly customized and available on demand at any convenient time.</p>

#### *Market Research specifications*

Market Research will be designed and conducted as initial step to address next questions:

- 1) to estimate the size of targeted segments;
- 2) to identify unmet needs of targeted segments;
- 3) presence/absence of the demand for portfolio products;
- 4) customers' readiness to pay for proposed products
- 5) potential key accounts list etc.

Market Research budget cap is 250,000 UAH.



## Marketing Mix

**For NPP and IPP segments** educational programs will be developed and available during years 0-4 at respective prices (see Table 18).

Table 18. Product prices for NPP and IPP segments

Program	Y0 prices [UAH]
1) Market Access for pharma professionals (introduction)	30,000
2) Market Access for pharma professionals (advanced)	40,000
3) Medical Affairs for pharma professionals	30,000
4) Medical Legislation for pharma professionals	30,000
5) HTA for pharma professionals	30,000
6) Health economy for non-health economists for pharma	30,000
7) Government affairs for pharma professionals (introduction)	30,000
8) Government affairs for pharma professionals (advanced)	40,000
9) Evidence based medicine and clinical epidemiology for pharma professionals	30,000
10) Regulatory Affairs for pharma professionals	30,000
11) Pharmacovigilance	30,000
12) Pharmacovigilance (advanced)	40,000
13) Pharma business development in Ukraine	30,000

All courses will consist of 4 modules 12 academic hours each (48 academic hours in total).

Study days of the week will be Saturday (8 hours) and Sunday (4 hours).

Courses will be available in Ukrainian and English.

For these segments we're targeting lower prices versus true benchmarks (CEL for pharma and Vienna school) and go premium to proposals from Ukrainian companies.

Regular 5% discounts will be available for groups of 3 attendees and above from one company.

Both Ukrainian and International tutors will be engaged.

**For NGO and NIP segments** educational programs will be developed and available during years 0-4 at respective prices (see Tab. 19).

Table 19. Product prices for NGO and NIP segments

Program	Y0 prices [UAH]
1) Access to treatment	20,000
2) Evidence based medicine and clinical epidemiology	20,000
3) Medical Legislation	20,000
4) Negotiations and Legal Lobbyism in Medical Access	20,000
5) Pharma industry and patients: synergy for the sake of access (24 academic hours)	10,000

Courses will consist of 4 modules 12 academic hours each (48 academic hours in total), Synergy course is the only exception.

Study days of the week will be Saturday (8 hours) and Sunday (4 hours).

Courses will be available in Ukrainian.

For these segments we're targeting lower prices versus true benchmarks (CEL for pharma and Vienna school) and go slight premium to proposals from Ukrainian companies.

Regular 5% discounts will be available for groups of 3 attendees and above from one organization.

Only Ukrainian tutors will be engaged.

**For GM segment** highly customized individual educational product will be available (see Tab. 20)

Table 20. Product price for GM segment

Program	Y0 price [UAH]
1) Ukrainian HC system and pharma business environment: opportunities to grow	50,000

Course will consist of 1 module 12 academic hours in total.

Study days of the week will be Saturday (8 hours) and Sunday (4 hours).

Course will be available in English only.

We're targeting premium price for this product.

Only Ukrainian tutors will be involved.

#### *Product Development*

Educational Programs will be co-developed by contracted tutors and responsible GPM-member. Intellectual property rights will be transferred to UMAA.

#### *Promotion and Sales (All segments)*

Promotion strategy will be based on Market Research results and two advertising agencies will be involved.

Simultaneously with traditional promotion we're going to use person-based marketing and data-driven marketing solutions especially for the executives' program.

Strategy execution will be coordinated by Marketing & Sales Manager (0.5 FTE) under the supervision of Director.

**Main channels for promotion and sales** will be:

- 1) Digital Ads in Social networks (Linked In, Facebook)
- 2) Messengers: Viber and others
- 3) Content Marketing
- 4) Ads on Professional sites and in magazines (Apteka etc.)
- 4) Ads at Professional events
- 5) Promotional calls (visits)
- 6) Word-of-mouth
- 7) Company website

**Sales activities** will be the responsibility of Marketing & Sales Manager (0.5 FTE). Potential customers will be segmented by ABC-approach, split by accounts and added to Customer Relations Management (**CRM**) system.

Calls' KPI will be set at 12 promotional calls per day (at least 2 of them - F2F visits). Sales role will include Demand creation, Execution of Agreements, Shaping Orders etc.

To stimulate customers retention and sales of advanced level programs the **Medical Access Club** will be created. Potential customers and programs graduates will be invited for free membership.

Marketing and Sales budget is planned 270,000 UAH for Y0 with YoY increase +5-10%

#### Location

Classes will take place at rented premises. Marketing & Sales Manager will work field- and home-based. Accountant and Study Support Officer will work home-based.

#### People

For Y0 at least 1 international tutor and 2 national tutors will be contracted and payed on hourly basis. More tutors will be contracted as business develops.

Marketing & Sales Manager and Accountant will be contracted on Y0 and payed on a monthly basis. On Y3 Study support officer will be contracted and payed on a monthly basis.

For Y0-2 study support duties will be the responsibility of the Marketing & Sales Manager.

Legal and strategic consultancy support will be provided by respective GPM member. General management will be the responsibility of the Director assigned from GPM-members.

#### Processes

The delivery of education services will occur upon group filling. Every particular study program must be ready for review/approval at least 1 week before the expected launch date.

Minimal group size will depend on program. Maximal group capacity limit is 15 students.

During Y0 Director will report to the GPM on monthly basis and propose business development actions for the next month. At the end of the year GPM will approve the Annual report and next year business development plan, presented by Director.

## Resources and Implementation

Resources needed for project implementation (Y0) listed in a Tab. 21.

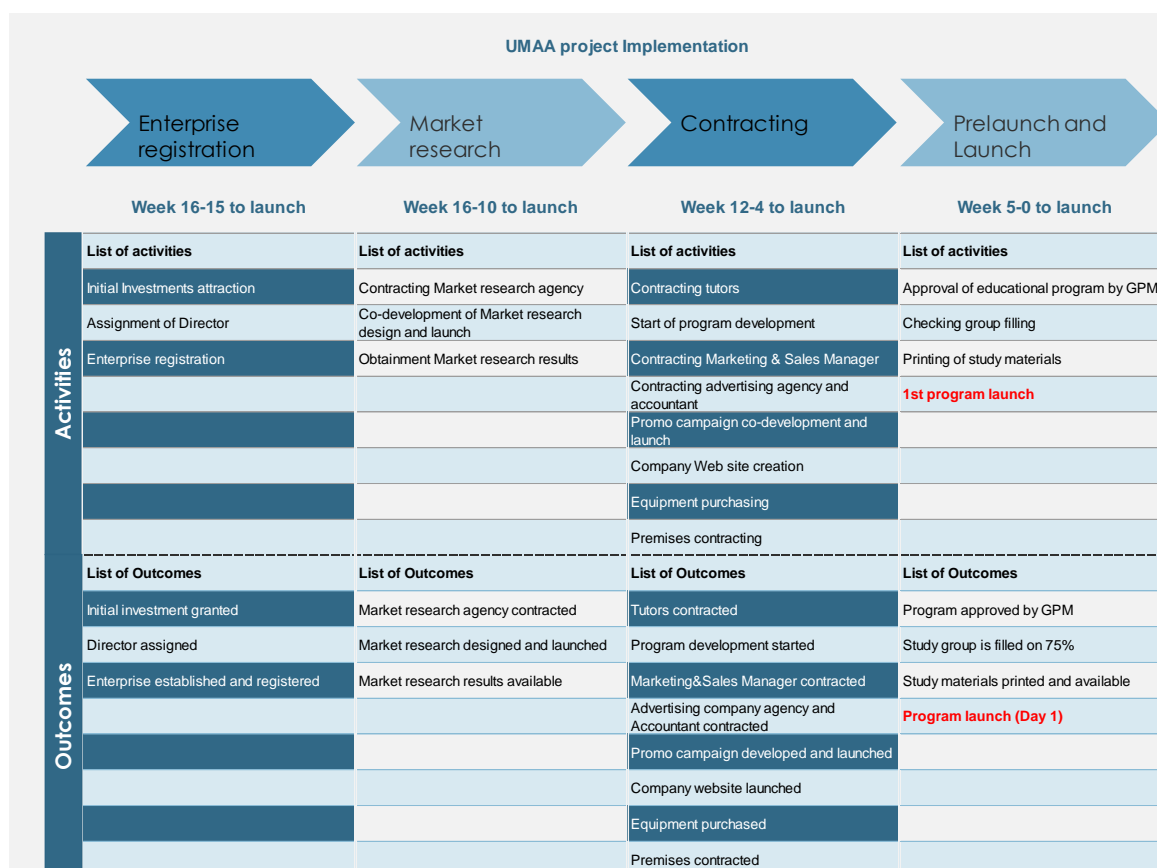
Table 21. Resources for implementation (Y0)

Manpower		Headcount
	Business Partners	2
	Marketing & Sales Manager	1
	Tutors	3
	Accountant	1
Money		UAH
	Market Research costs	250,000 ₴
	Laptop	10,000 ₴
	Projector	10,000 ₴
	Enterprise registration costs	25,000 ₴
	Programs development costs	87,500 ₴
	Working Capital injection (to cover 6-month operating expenses for Y0)	1,000,000 ₴
	Total	1,382,500 ₴
Materials & Equipment		Outcome
	Programs developed	#7
	Market Research results	In place
	Advertisement campaign conducted	In place

	Company website launched	In place
	Content Management support	Provided
	Customer Acquisition support	Provided
	Laptop	#1
	Projector	#1
	Rented Premises	In place
<b>Intellectual Property</b>	Study Content	#7

Project Implementation timelines are shown on Exhibit 11.

Exhibit 11. Project Implementation timelines



## VRIO analysis

VRIO analysis has been conducted (see Tab. 20) and revealed the unused competitive advantage of the project which can be transformed into long-term competitive advantage when enterprise organization be implemented, and culture cultivated.

Table 22. UMAA VRIO analysis

<b>VRIO analysis: long-term competitive advantage</b>				
UMAA	Valuable (V)	Rare (R)	Inimitable (I)	Organized (O)
	Yes	Yes	Yes	TBD

## Risk Analysis

Business risks were identified and stratified based on formula  $\text{Risk} = \text{Probability (\%)} \times \text{Impact (UAH)}$ . All risks related information is collected in Tab. 23

Table 23. Project risks and mitigation strategies.

Risk ID	Risk Type	Business Process	Business Process Owner	Risk description	Probability [%]	Impact [UAH th]	Risk size	Risk grade	Mitigation strategy/actions	Responsible person
RB1	Business	Market research	GPM	Market research results shows no commercial demand for portfolio products	10%	Critical	N/A	Critical	To stop/ postpone the project in case if the risk is confirmed, transformation into consultancy business	GPM
RPO1	Political	Business Continuity	Director	Significant decrease in demand (>25%) for company products due to country-related political and economic factors (after launch)	20%	900,000 ₺	180,000 ₺	Critical	Having in place "If we fail" plan; contracting corporate clients; non-stop Ad Campaign; contracting in UAH where possible; consider foreign business expansion	Director
RFI2	Financial	Program delivery	Director	Demand shortage due to the poor product feedback from customers	10%	900,000 ₺	90,000 ₺	High	Introduce quality control procedure for the product; encourage early feedback collection and implement immediate correction actions	Director
RFI3	Financial	Tutor wages payment	Director	UAH severe devaluation	20%	400,000 ₺	80,000 ₺	High	Negotiate long-term agreements in UAH where possible	Director
RB11	Business	Brand protection	Director	Tutor canceled agreement and launched own project	5%	1,100,000 ₺	55,000 ₺	Moderate	To foresee sanctions for the tutor in case of voluntary cancellation of the agreement. Add to the agreement obligation not to use company intellectual property	Director
RPE3	Personnel	Program delivery	Director	Contracted Ukrainian tutor unexpectedly cancels the agreement	5%	1,100,000 ₺	55,000 ₺	Moderate	Having short list of candidates; Negotiate agreement cancellation process and penalties; Non-stop scouting for tutors	Director
RB8	Business	Advertising campaign	Marketing & Sales Manager	Advertising campaign failed: insufficient number of customers attracted	20%	270,000 ₺	54,000 ₺	Moderate	Well prepared Ad Campaign; segments and channel investigation; vendor selection procedure in place	Director
RFI5	Financial	General administration	Marketing & Sales Manager	Y0 operating expenses 20% overrun	10%	430,000 ₺	43,000 ₺	Moderate	Implement financial planning process and control expenses	Director
RS1	Strategic	Strategic growth	Director	No demand for new products on Y1 (2nd year of operations)	5%	976,000 ₺	48,800 ₺	Moderate	Having in place "If we fail" plan; contracting corporate clients; non-stop Ad Campaign, propose new products based on collected feedback, Medical Access Club early launch	Director
RPE1	Personnel	Contracting tutors	Director	Ukrainian tutors with required skills and expertise are not available for contracting	20%	250,000 ₺	50,000 ₺	Moderate	Advanced scouting for tutors, propose attractive terms of cooperation	Director
RPE2	Personnel	Contracting tutors	Director	Foreign tutor is hard to contract	20%	150,000 ₺	30,000 ₺	Moderate	Advanced scouting for tutors, propose attractive terms of cooperation	Director
RPE4	Personnel	General administration	Director	Y0 high personnel turnover	10%	130,000 ₺	13,000 ₺	Moderate	Ensure proper selection process; propose attractive terms; track workload	Director
RB9	Business	International travel	Marketing & Sales Manager	Risks related to international travelling (flight cancellation)	16%	32,500 ₺	5,200 ₺	Low	Early flights booking with free cancellation option, Video lecturing option	Marketing & Sales Manager
RB14	Business	Program delivery	Director	Premises' owners unexpectedly cancels long-term agreement	10%	50,000 ₺	5,000 ₺	Low	Regularly scan premises proposals for back-up	Marketing & Sales Manager
RB6	Personnel	Program delivery	Director	Foreign tutor not available when course due because of sick leave	15%	32,500 ₺	4,875 ₺	Low	Video lecturing option as a back-up included into agreements. To have a local tutor (other foreign tutor) as a back up	Marketing & Sales Manager
RB5	Personnel	Program delivery	Marketing & Sales Manager	Ukrainian Contracted tutor not available when course due (sick leave, etc.)	5%	75,000 ₺	3,750 ₺	Low	Agree another tutor to be a back-up	Marketing & Sales Manager
RE3	Reputation	Program delivery	Marketing & Sales Manager	Miscommunication on classes schedule	5%	75,000 ₺	3,750 ₺	Low	Implement education process management system	Director
RB12	Business	Program preparation	Marketing & Sales Manager	Program not ready when course due	1%	300,000 ₺	3,000 ₺	Low	Project management, realistic timelines	Director
RB3	Business	Contracting premises	Director	All premises are busy and not available for contracting on Y0	1%	150,000 ₺	1,500 ₺	Low	Advanced scouting for premises	Director
RE1	Reputation	Program delivery	Marketing & Sales Manager	Contracted premises unexpectedly not available when course due	1%	33,000 ₺	330 ₺	Low	Keep premises back-up list; contracting penalties	Marketing & Sales Manager
RB7	Business	Technical	Marketing & Sales Manager	Office equipment failure	5%	5,000 ₺	250 ₺	Low	Check / test of the equipment beforehand. Purchase warranty	Marketing & Sales Manager

## SWOT Analysis

Exhibit 12. UMAA SWOT analysis

<b>Strengths</b> <ul style="list-style-type: none"><li>• Unique for Ukraine Study products</li><li>• Both International and National tutors involvement</li><li>• Cost-effective business model</li><li>• Minimal amount of investments required</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Limited size of targeted segments</li><li>• Limited business geography - location in Kyiv only</li><li>• Dependency on tutors – main contractors</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Pharma industry growth</li><li>• Low access to original &amp; innovative pharmaceuticals in Ukraine</li><li>• No similar proposals from other Ukrainian companies</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Vulnerable political and economic environment</li><li>• Black Swans (coronavirus pandemic and financial crisis)</li></ul>

## Financial Summary & Investment Indicators

As the project relates to the delivery of the educational services, it does not require the big initial investment into the property, plant and equipment. For this purpose, the limited liability, as it was highlighted in the earlier chapters, the Limited Liability Company will be founded with a planned statutory capital in the amount of UAH 1 383 th. The capital will be paid in by the owners according to the agreed proportions. The major part of the capital (~ UAH 1 000 th) will be used as working capital to provide necessary financing for the startup activities of the project – to finance market research activities, to elaborate study programs and respective materials, to make necessary down-payments for the premises rent, tickets, office supplies, etc. The rest of the capital will be used to finance the purchase of PPE. The purchase of PPE represents only office equipment such as laptop and beamer. The other amenities will be supplied by the rent services provider. The source of financing will be the own costs of the founders. The use of the external financing sources is considered to be unfeasible due to the required amount, high interest rate from local banks and the necessity of the collateral. Further need of the external financing will be considered upon the first 5 years financial performance and future development plan. The rate for the discounting (WACC) of the future cash flows is set on the level of 20% considering the following parameters (see Table 24):

Table 24. Weighted Average Cost of Capital

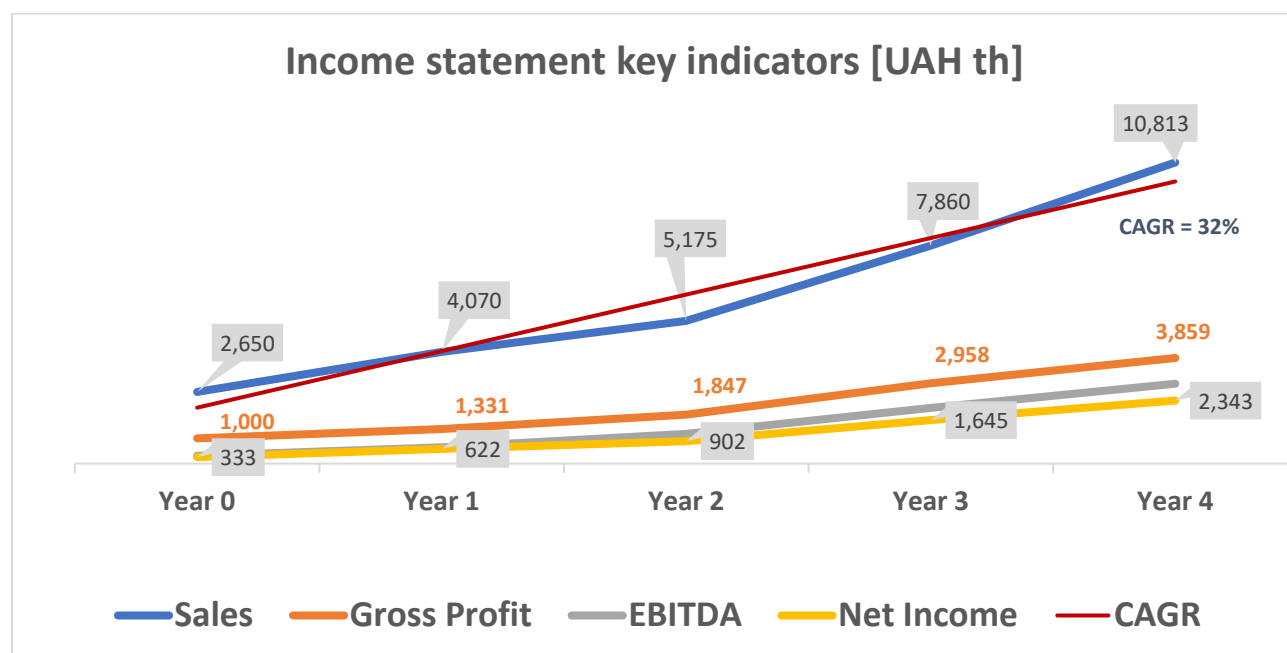
Name of Variable	smb	Y1	Source or Formula
Beta			
Asset beta (Unlevered)	$\beta_U$	0,8954	Damodaran
Market Debt-to-Equity	D/E	30,54%	Damodaran
Weight of Debt	$W_d$	23,39%	Weight of Debt based on D/E ratio
Weight of Equity	$W_e$	76,61%	Weight of Equity based on D/E ratio
Income tax rate	Tax	18,00%	Tax Code of Ukraine
Relevered beta	$\beta_L$	1,1196	$\beta_L = \beta_U * (1 + (1 - \text{Tax}) * (D/E))$
Cost of equity (Ke)			
US risk-free rate	$R_f$	2,58%	Treasury Yield Curve Rate, 20 Yr, 31/12/17
Relevered beta	$\beta_L$	1,1196	$\beta_L = \beta_U * (1 + (1 - \text{Tax}) * (D/E))$
Equity risk premium	ERP	4,75%	Damodaran
Country risk premium	CRP	4,69%	YTM Ukraine-2027 (7,75%; USD) less YTM 10-Year T-Bonds
Size premium	SRP	5,59%	Morningstar (Ibbotson)
Specific risk premium	CSP	0,00%	Company specific risks table
Cost of equity, USD	$K_e$	18,18%	CAPM: $K_e = R_f + \beta * \text{ERP}$
Expected CPI, USA	CPI USD	2,10%	Economist Intelligent Unit (EIU)
Expected CPI, Ukraine	CPI UAH	5,00%	Economist Intelligent Unit (EIU); Cabinet of Ministers
Cost of equity, UAH	$K_e$	21,53%	CAPM: $K_e = R_f + \beta * \text{ERP} + \text{CRP} + \text{SRP} + \text{CSP}$
WACC			
Cost of equity	$K_e$	21,53%	CAPM
Cost of debt	$K_d$	18,60%	National Bank of Ukraine
Weight of Debt	$W_d$	23,39%	Based on Industry average D/E ratio
Weight of Equity	$W_e$	76,61%	Based on Industry average D/E ratio
Income tax rate	Tax	18,00%	Tax Code of Ukraine
<b>WACC</b>	<b>WACC</b>	<b>20,07%</b>	<b><math>WACC = W_d * K_d * (1 - \text{Tax}) + W_e * K_e</math></b>

With this level of WACC used in the DCF calculation of the project, the NPV under the basic scenario is UAH 2 025 th with the IRR at 58%. The time period for calculation is 5 years.



The detailed calculations for the financial part of the project (basic scenario) are shown in the separate file (Capstone Financial Model) The Summary of the Key Performance Indicators is shown below in the Exhibit 13.

Exhibit 13. Income statement key indicators



The annual sales volume is planned at the level of UAH 2 659 th for the 1<sup>st</sup> year. With an annual compound growth rate at 32% the estimate revenue for the 5<sup>th</sup> year of the project is UAH 10 813 th. The both EBITDA and Net Income have the positive value in every year of the project first 5 years lifetime. The profitability ratios are shown in Tab. 25.

Table 25. Key Profitability Ratios of the Project [%]

	Year 0	Year 1	Year 2	Year 3	Year 4
Gross Margin	38	33	36	38	36
EBITDA Margin	14	17	22	26	27
Net income Margin	12	15	17	21	21
ROA	18	8	9	13	14
ROE/RONA	19	32	39	57	64
ROCE	23	44	65	120	171

As it is seen from the table above, the sustainable level of the Gross margin/Sales provides the decent level of the return on assets, equity and capital employed/ The development of the last (ROCE) is especially promising with an increase by more than 7 times since the beginning of the project due to the absence of the need for additional capital injections from the partners due to the positive development of equity. Thus, in the year five the projected net income is at the level of UAH 2 343 th which is almost twice as much as the amount of contributed capital.

Considering the macroeconomic environment, different scenarios were assessed in order to evaluate the possible impact on project results. The summary of those scenarios is shown in Tab. 26 below.

Table 26. Summary of the Key Project Development Scenarios.

Key Financial Indicator	Unit of measurement	Baseline *	Optimistic **	Pessimistic***
Number of Participants	People	➡ 1,049	⬆ 1,259	839
Average income per capita	Th. UAH	● 29	● 35	● 23
Marketing costs	Th. UAH	1,550	1,700	1,550
Other costs	Th. UAH	● 21,777	● 21,777	● 23,955
EBITDA	Th. UAH	⚠ 7,240	✓ 20,581	✗ -6,208
Description of the scenarios		<p>• Based on Assumptions which were used as a basic for financial model calculation</p>	<p>• Market activities +10% costs but created greater demand for the services which results in the increase of participants and av.price by 20% vs basic scenario</p>	<p>• Substantial decrease of the demand which results in the decrease in the number of participants and av.price by 20% vs basic scenario and other costs increase due to the inflation and local currency devaluation.</p>

Please note that in case of pessimistic scenario forecast, the partners will decide to freeze or postpone the further execution of the project until the situation will allow proceeding. At this moment of time, according to the “going concern” concept the losses will be fixed by partners proportionally to their contributions and assets (if any) will sold at the market price valid at the moment of sale.

In case of failure we also consider transformation of our project into consulting business with appropriate structure and financial assumptions. Another option in case of misfortune will be going into cooperation with existing educational institutions (e.g. KSE) through the launch of separate course.

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## Appendixes

### Appendix 1. Financial Model