

Portfolio Management Business Development Investment Research Global Perspective

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Health Segment

I've been writing investment research on ANGI since 2/7/2014, calling for the organization to change its business model and drop the paywall to the Consumer Review. This investment research can be read on Bloomberg, Thomson Reuters, FactSet – or the Capital Executive LLC website.

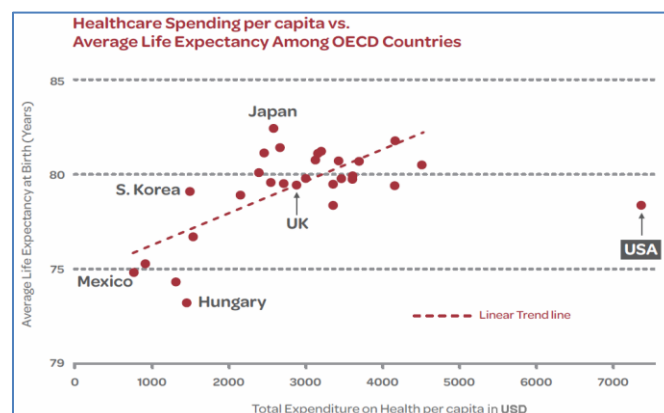
The business objective for ANGI is to encourage consumer engagement and maximize consumer membership, because this type of strategy creates the most attractive market for the service provider. And this is precisely the strategy practiced by Facebook (FB). Now look at FB, it's beginning to realize the significant, monetization benefits of serving 1.7B monthly active consumers or 1.2B daily active consumers of the service. Note to the Market! This is just the beginning of the service extension offered by FB in the market.

By dropping the paywall to the Consumer Review, ANGI has positioned the organization to create significant value in the market, because the strategy not only encourages consumer engagement but also increases consumer membership. However, if ANGI ever expects to maximize consumer membership, ANGI has to practice an efficient monetization strategy for the fair price and service quality guarantee.

The only way to maximize the consumer membership is to freely offer the ANGI service to the consumer segment of the market. By sacrificing the consumer membership fee, ANGI can effectively monetize its service to the home segment of the market, because this type of strategy aligns the economic interests between the consumer and the service provider.

If ANGI sacrifices the consumer membership fee for the Home Segment of the market, ANGI could attractively monetize its service to the Health Segment of the market. In fact, the Health Segment represents a potential goldmine to ANGI – if ANGI correctly positions the service in the market.

According to World Bank data from 2016, the Gross Domestic Product (GDP) of the U.S. was \$17.9T. Furthermore, the U.S. spends approximately 17% of its GDP on Health Care expenditures, ranking the U.S. near the bottom in terms of market efficiency compared to the established standards for OECD countries. In fact, the following illustrates the degree of market inefficiency within the U.S. Healthcare System by charting the relationship between life expectancy and per capita spending on healthcare within the OECD countries.



Source: (Forbes)

By any reasonable measure, the U.S. Healthcare System remains dramatically inefficient compared to other countries, especially considering life expectancy relative to the dollar spent. The sheer enormity of the inefficiency within the U.S. Healthcare System creates the potential goldmine for ANGI.

IF **structured properly**, the Consumer Review would definitely improve the efficiency within the enormously wasteful, U.S. Healthcare System, because the Consumer Review represents direct feedback from the market, and this eventually creates the efficiency within the market.

U.S. GDP (\$M)	\$	17,946,996				
% Healthcare		17%				
Healthcare Expenditures	\$	3,050,989				
Efficiency created in the Market						
			1%	5%	10%	20%
Annual Savings - Healthcare Expenditures (\$M)	\$	30,510	\$ 152,549	\$ 305,099	\$ 610,198	
Efficiency Fee (\$M)						
		1%	\$ 305	\$ 1,525	\$ 3,051	\$ 6,102
		2%	\$ 610	\$ 3,051	\$ 6,102	\$ 12,204
		5%	\$ 1,525	\$ 7,627	\$ 15,255	\$ 30,510
		10%	\$ 3,051	\$ 15,255	\$ 30,510	\$ 61,020
		20%	\$ 6,102	\$ 30,510	\$ 61,020	\$ 122,040

Examine the preceding table. If the Consumer Review only improves the efficiency within the market by 1%, the annual savings on Healthcare expenditures would be ~\$30.5B. Now, if ANGI provided the service to the market, ANGI could realize a 1% Efficiency Fee assessed against the Annual Savings of Healthcare Expenditures, e.g., ~\$305M.

Target Market: The Health Insurance Industry and the Government (Medicare / Medicaid). Payors of the Waste!

For additional thoughts on ANGI, please visit the Capital Executive LLC website (Strategy/ANGI).

Sincerely,
Ken Copley
Capital Executive LLC