

Logical Images gets surge of new funds

By SMRITI JACOB

Logical Images Inc. has attracted \$2.7 million in funding from Ticonderoga Capital Inc.—allowing the medical imaging software firm to boost sales staff and enter new markets.

Based on the influx of new contracts, Logical Images plans to more than double its employment from 20 to 50 staffers in the next 12 months.

The company, which develops image-based point-of-care diagnostic decision support software tools, targets hospital systems, public health agencies, the military and related markets. Its core product, VisualDx, based on a digital library of more than 1 million images from research institutions as well as individual physicians, aims to speed visual recognition and clinical decision making.

The equity partnership with the Massachusetts private equity firm is a new milestone for the local company. Logical Images, which has offices at Winton Place, has funded itself with angel investments and sales flow since its inception. Logical Images' predecessor, Healthscience Visions Inc., was established in 1994. The firm in 1999 got its current name.

"The real strength for (seeking funds) now is getting the product out so that people that are unaware of the product can know about it and learn about it, and license it," said Arthur Papier M.D., CEO and co-founder of Logical Images. "What we find now is that we show the technology to physicians and hospitals across the country and their reaction is that 'Why haven't we seen this before?'"

"The lesson to us is that we're under-marketed."

Logical Images hopes to change that with the new funding. In addition to expanding its sales team, the company plans to increase its marketing and advertising budgets. It will reserve roughly half the funds for working capital.

"It's a long sales cycle, and the more people you have out there generating op-

portunities in the sales cycle, the better your chances are for making the numbers from one year to the next," said Michael O'Connor, president and chief operating officer of Logical Images.

Logical Images plans to hit the \$6 million to \$8 million revenue range this year, a 300 percent to 433 percent increase from \$1.5 million in 2005. It posted \$3.5 million in 2004; the decline last year was due to a delay in contracts. Company officials expect revenues of \$12 million to \$14 million next year.

The VisualDx software system, which has 18 components, is installed at 400 sites in emergency rooms nationwide, up from more than 300 locations in

March. Logical Images expects to up that number to 700 sites by the end of the year.

"If we are able to do that, that is about 20 percent of the emergency rooms in the entire country, so we hope that kind of market penetration will make subsequent sales easier," O'Connor said. "The more you sell, the easier it gets, the broader acceptance a product has, the more comfort people have signing up for it."

By the end of 2007, Logical Images hopes to increase its penetration to 30 percent to 40 percent of emergency departments.

"That is a tall order, that is a big, audacious goal, but we've set high goals for ourselves," O'Connor said. "And, depending on the level of the government agency we're dealing with, if we can interest state-level authorities, making all of the emergency rooms in their state prepared to the same level, and give them the same kind of resources, that makes our job a little easier."

Logical Images' product, its customers and growth are among the key reasons Ticonderoga Capital was drawn to the company.

"VisualDx is the only tool available that creates the visual differential to assist clinicians in diagnosing patients," said James Vandervelden, partner at Ticonderoga Capital. "And, (Logical Images has) a patent-pending technology with a very large proprietary digitized image collection."

Ticonderoga Capital has more than \$150 million in capital under management and focuses roughly 50 percent of its time on growing health care information technology companies as well as technology-enabled health care services. Vandervelden has joined Logical Images' board to offer advice with strategic planning and growth.

"Logical Images clearly falls in the sweet spot of the type of investing we do," he said.

For Logical Images, Ticonderoga Capital understood its market better than other firms, O'Connor said. The firm started its search for an equity partner last fall.

"(Ticonderoga Capital) pretty quickly understood our product and its potential and I think understood the success we had relatively quickly in public health and in the military, and saw this as very attractive to their participation," O'Connor said.

The process of seeking funds, Papier said, was easier than it was a year or two ago.

"A number of companies became interested in us and then it really became a question of choosing the right partner," he said. "Choosing your investment partner is more than just raising the money, it is choosing a partner that can help you grow the business as well."

Logical Images does not have immediate plans for another round of financing.

"We couldn't say when we would do that, but that is always a possibility a year or two years down the road," O'Connor said. "It depends on what success we achieve and how quickly we achieve it."

Said Vandervelden: "The expectation is that the company would be able to achieve its aggressive growth plan through internally generated cash flow."

A part of Logical Images' growth plan is the creation of a consumer version of its product. The company is working on building the tool that would allow individuals to self-diagnose and self-treat.

"There is a lot of information available on the Internet and some of it is good and some of it is not good at all, but I think we can make a significant contribution by putting image-intensive resources out there for consumers to use," O'Connor said.

Logical Images expects to put the consumer version online by the end of the year or by early 2007. The firm still is planning



Current jobs: **20**

Projected '07 jobs: **50**

Projected '07 sales:
\$12 - \$14 million

its business model for the consumer product, but O'Connor said possibilities include advertising revenue or a partnership with a pharmaceutical company.

"We're focusing our effort on building the tool and we'll see what the best partnerships will be," he said.

Additionally, Logical Images is getting ready to unveil the e-commerce end of its business. In two weeks, individual physi-

cians will be able to license sections of its technology online. The company expects revenue streams to develop as early as next month, Papier said.

"They will be able to purchase modules that fit their specialty," he said. "In other words, we have 18 components in the system—if you're a pediatrician; you only need five of them."

Papier said individual physicians will be

able to access this technology in the price range roughly similar to subscription costs for a medical journal—\$200 to \$300 a year.

"Our No.1 focus is to expand the sales of VisualDx, expanding existing markets and expand to new markets," he said.

Added O'Connor: "There are a lot more opportunities in the future that we haven't even touched yet."

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