Private Equity Investment and the Evolution of Medical Physics Service Groups

July 14, 2022
Agenda

- What is Private Equity?
- PE Myths vs Realities
- Why is PE interested in Medical Physics?
- PE in practice in Medical Physics
What is Private Equity?

- Investment funds organized as limited partnerships to invest in private businesses

  Limited Partners (LPs) tend to be public pension funds, insurance companies, university endowments and high net worth families seeking to grow their capital to meet future financial needs

- Private equity funds invest in private companies and look to grow them over a 3-5 year time horizon while improving operations

  Growth is typically achieved by greater focus on organic revenue growth, mergers and acquisitions and development of new products and services

  Operations are improved by investing in technology to improve productivity and provide data for better decision making, adding subject matter experts to “professionalize” small businesses, and leveraging scale to better negotiate with vendors and customers at scale

  Currently, there is ~$2T in “dry powder” raised by private equity funds to deploy in various industries, including healthcare
Myth vs Reality: Myth
Purpose
Our purpose is to enable **healthier** and **safer** outcomes for our communities

Niche
Comprehensive medical physics and radiation safety solutions in the United States
Myth vs Reality: Reality

BALANCED SCORECARD

- Customer satisfaction rate
- Customer retention
- Delivery & quality performance

Customer Relationship

Financial
- ROI
- Cash flow
- Financial results

Internal Processes
- Activities per function
- Process alignment & automation

Education & growth
- Job satisfaction
- Employee turnover
- Specialist knowledge and skills
- Training opportunities

VISION & STRATEGY

MARKETING THEORIES EXPLAINED
Why Is Private Equity Interested in Medical Physics?

- Broader interest in healthcare
  - Largest sector of the economy
  - Highly fragmented
  - Waves of consolidation
  - Trend of outsourced specialized services
- “Late to the party” relative to specialty practices within healthcare
  - Dental, ophthalmology, dermatology, biomedical engineering, service and repair organizations all currently meaningfully invested in by private equity
- Demand driven consolidation
- Highly fragmented
- Secular growth trends in physics
- Mission critical nature of services provided
- Benefits of scale economics
- Many owners seeking to solve for succession, diversification or growth capital for expansion
PE in Practice at a Medical Physics Practice: KGHP

- Invested in KGHP in 2014
- 16 total team members
  - 10 physicists
- Flat management structure
  - Owners made all of the decisions
  - Limited leadership opportunities available
- Old equipment
- Poor IT infrastructure
- Limited benefits
- Imbalanced workload for staff
- Very few documented processes
- Low to moderate growth
- Lots of uncertainty around the future and what it meant to be owned by private equity
Today, KGHP has 33 team members
- 24 physicists
The team is led by its Michele Loscocco (a physicist)
- Directors, managers and team leads (all physicists)
Significant growth
- Revenue has more than doubled in the last 5 years
Newer equipment
Better compensation
More attractive benefits

- Peer review process in place
- Robust IT services and support
- BOSS software to optimize workload for staff
- Leverages Apex Support resources for recruiting, sales and marketing, and IT support
- Data to measure customer satisfaction and employee engagement
- **Team has opportunity to invest in Apex as shareholders**
Getting Closer to the “Apex”

Core Target

2023
3 Year Picture

2022
1 Year Plan

2021
Year in Review

2021
Year in Review

2022
1 Year Plan

2023
3 Year Picture

Core Target
Most Organizations are operating at **20 – 40%**

AIM FOR **100%**

GOAL IS **80%+**
Core Values

PASSION FOR EXCELLENCE
Our clients expect and deserve excellence. Competence is not a sufficient standard by which we measure ourselves and our work.

OWNERSHIP
We own and master our job duties and role. We will not blame others for our shortcomings. We will get the job done. Period.

POSITIVE ENERGY
We believe that positive energy is contagious. Positivity, humility, and empathy are the foundation of meaningful collaboration.

BUILDING PARTNERSHIPS
Trust is something that is earned over time. We are not just vendors or contractors to our clients. We are trusted advisors.

AGILITY
We are nimble, responsive, and maintain a healthy level of open-mindedness and creativity to respond to our clients and team.
Pathway to Excellence

Optimize your practice to create a better ROI for you and a better experience for clients and employees.

**ASSESS**
- Objective: Assess current financial performance and business systems

**ONBOARD**
- Objective: Onboard practice onto Apex BOSS system and integrate key Apex support functions
  - Entrepreneur Operating System (EOS)
  - Finance
  - HR
  - IT

**MEASURE**
- Objective: Measure KPIs across key business functions to establish baseline and future targets
  - Employee engagement
  - Customer satisfaction
  - Time to hire
  - Capacity
  - Margins
  - Market share
  - Pricing

**OPTIMIZE**
- Objective: Improve partner practices and streamline operations over a 12-18 month period
  - Increasing EBITDA
  - Increasing Pricing
  - Achieving & Maintain 70+ NPS Score
  - Maintaining or Increasing Employee Engagement (4.6 or higher)
  - Reducing Time to Hire (60 days or less)
  - BOSS Utilization
  - EOS Implementation
  - Peer Review and Apex University Participation
One way direction interface to non-cloud system
Practice Leader Dashboard — Financial Review
What A PE Backed Medical Physics Practice Looks Like
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“If you want to go fast, go alone. If you want to go far, go together.”

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