



Transforming Nextech: How THL Helped Build a Market-Leading Healthcare IT Company

Key Takeaways:

01

THL Partners acquired Nextech, a software company that helps specialty healthcare providers run their practices more efficiently, in June 2019 and successfully exited its investment in July 2023.



02

The firm leveraged its Strategic Resource Group to revamp Nextech's go-to-market strategy, launch an integrated payments solution from the ground-up, build out the organization and leadership team, and make multiple strategic acquisitions to expand Nextech's product offering.



03

Under the joint leadership of THL and CEO Bill Lucchini, Nextech doubled in size and solidified itself as a leader in its core markets. EBITDA grew by ~100%, ARR bookings doubled, provider count increased by ~70%, ~30% of providers started using the new payments product, and the workforce grew from ~300 employees to ~500.



04

THL and Lucchini led Nextech through an uncertain period when Covid profoundly disrupted the company's customer base. Through careful account management, Nextech not only weathered the uncertainty of COVID, but deepened relationships with customers and accelerated business performance.



Background: The Evolving Healthcare IT Marketplace

The healthcare industry is in the midst of a digital transformation. Driving much of this innovation over the past decade was the Centers for Medicare and Medicaid Services' (CMS) work to incentivize the adoption of electronic health records (EHR) via its "meaningful use" initiative.

While a handful of large-scale players now dominate the acute-care EHR ecosystem, the ambulatory market remains much more fragmented and in need of further technological innovation and adoption. As provider practices in clinical specialties continue to scale and consolidate, their infrastructure and technology requirements increase in complexity, driving the need for integrated, mission-critical solutions that allow them to simplify and manage administrative tasks while enabling the delivery of higher-quality care.

For these reasons, specialized EHRs and practice management systems have been a focus of THL's healthcare IT ISO (or "Identified Sector Opportunity") for several years. This critical technology alleviates administrative burdens — like medical record keeping, appointment scheduling and reminders, patient engagement and communication, and billing and payments — that consistently rank as the top challenges physicians face every year.

Fortunately, the healthcare IT market offers promising opportunities to invest in companies whose software products increase efficiencies across the healthcare ecosystem, to the benefit of providers and patients alike.

One such opportunity was Nextech, a complete healthcare technology solution for specialty providers, which THL Partners acquired in June 2019 and successfully exited in July 2023.

Our investment in Nextech allowed us to combine our years of experience in Healthcare IT and Software with Embedded Finance, the skillset and experience of our Strategic Resource Group, and the expertise of our executive advisors, said Ganesh Rao, Managing Director and Head of Financial Technology & Services at THL.

We were able to turn Nextech into a dynamic SaaS platform offering specialty medical practices a more efficient way to run their core practice functions, including payments, while also delivering a better experience for their patients, added Shahab Vagefi, Managing Director in THL's healthcare practice.

The Nextech Opportunity

01

Nextech is an end-to-end technology platform that offers an array of solutions that drive clinician efficiency, better patient experiences, and improved operations for specialty medical practices in ophthalmology, dermatology, and plastic surgery.

02

THL purchased Nextech in June 2019 to support its next phase of growth. Over the course of four years, THL helped Nextech make critical investments to revamp both its product and go-to-market strategies, launch a brand-new payments business, and expand TAM through strategic acquisitions.

03

By THL's exit in 2023, Nextech was leading the marketplace as a professionalized HCIT software and fintech business with a powerful financial profile, sticky recurring revenue model, and highly engaged management team. EBITDA grew by ~100%, ARR bookings doubled, provider count increased by ~70%, ~30% of providers started using the new payments product, and the workforce grew from ~300 employees to ~500.

Go-to-Market Transformation through SRG Engagement

THL's Strategic Resource Group (SRG) worked side by side with Nextech's management to provide expert guidance and support. Rob Spies, Managing Director in SRG and the lead operating partner for Nextech, and Greg Hawes, THL Executive Partner and former executive at past THL portfolio companies Ceridian and Comdata, spent close to 12 months working full-time with Nextech on its go-to-market transformation. Under their leadership, the company refocused its go-to-market strategy, shifted its pricing and packaging model to incentivize recurring revenue, and drove improved productivity through more professional sales operations.

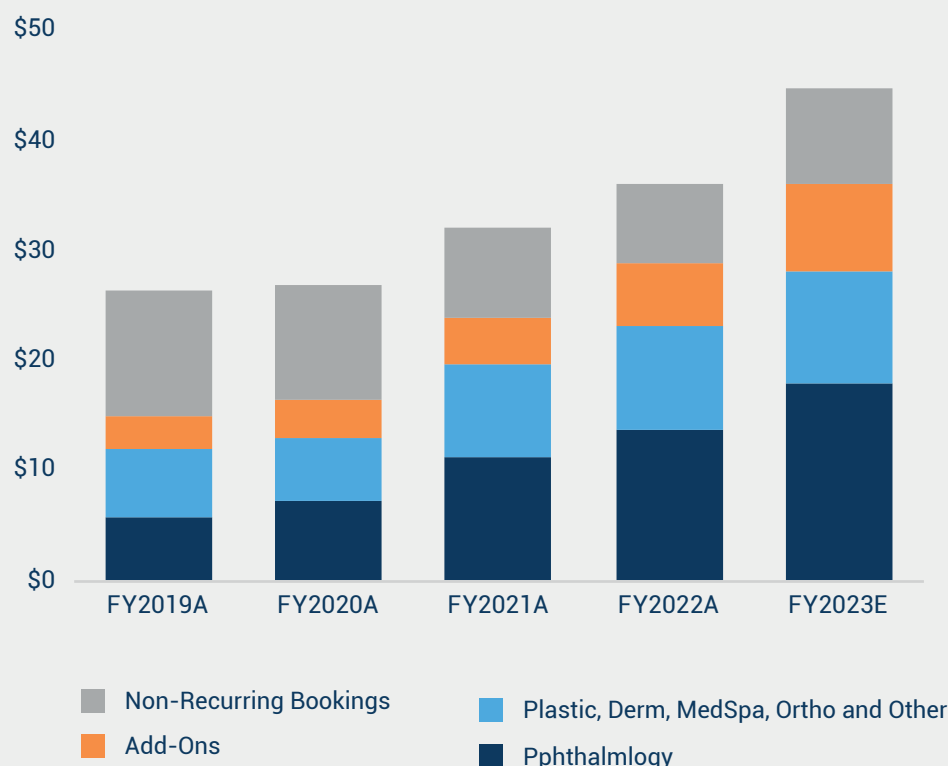


“Given its market-leading SaaS products, Nextech was primed for growth in ophthalmology, particularly with larger practices and consolidators,” said Spies.

“To achieve that pivot, we needed to rethink our approach to the marketplace – particularly, how we organized and incentivized our sales team. With a new pricing and packaging strategy, and a revised sales structure and incentive plan, we successfully doubled bookings productivity over a three-year period.”

With THL's guidance, Nextech developed a plan to reduce barriers to sales and, at the same time, shift the business towards subscription revenue. The company launched a new pricing model with significantly lower implementation costs offset by higher subscription prices. THL also went deep into the sales organization to engage and motivate VP-level executives and their teams with aligned compensation plans, and built a product roadmap that helped the sales organization win new business and support existing customers. These strategies helped build a strong growth engine for Nextech.

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Launched In-House Payments Solution with Support from Payments Industry Experts

As Rao noted in a 2021 media interview, the payments software space is undergoing a seismic shift.² A product that once belonged to banks is now offered by third-party firms and merchant acquirers. Companies are combining payments and software to create powerful business models and improved customer experiences — a strategy that is a key area of focus for THL.

“When we acquired Nextech, payments was not their priority, said Mark Bean, Managing Director in THL's Financial Technology & Services vertical.

“We saw an opportunity to accelerate monetization of their existing payment streams and create a better customer experience by building an internal payments solution from the ground-up.

THL did so by combining support from payments industry veterans with SRG's execution capabilities.

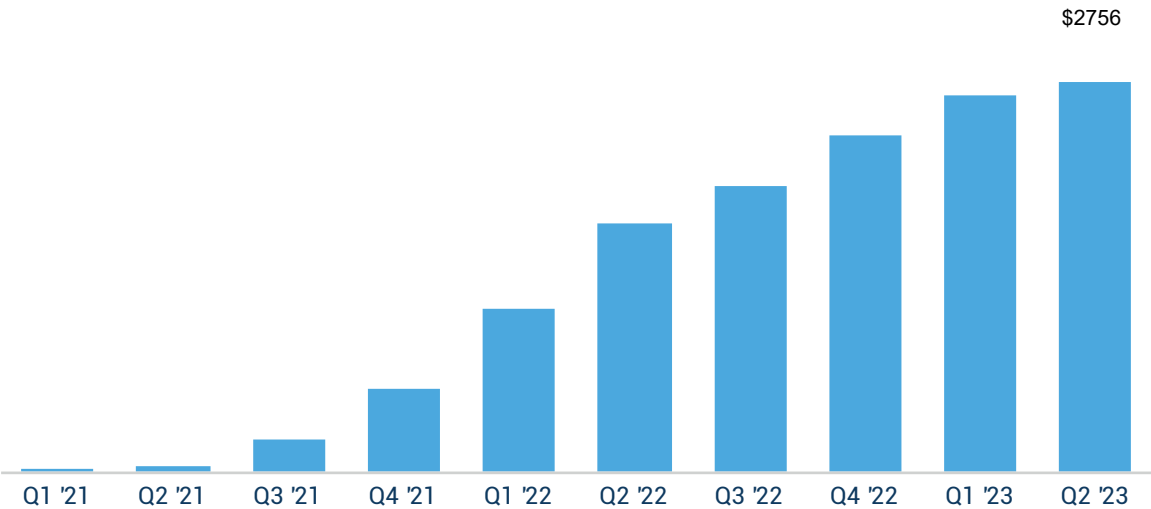
Following a payment facilitator (PayFac) model, Nextech's payments solution allows the company to process their customers' payments and earn a percentage fee from each transaction. When a patient swipes their credit card, Nextech manages the full transaction with the help of a third-party payment processor, Stripe. The benefit for Nextech is a new and profitable revenue stream. The benefit for the medical practice and its patients is a much more efficient payment process that is fully automated inside the software.

David Mangum, former President and COO of Global Payments Inc. and long-time partner to THL, joined Nextech's Board of Directors, chaired the company's payments steering committee, and spent considerable time in the trenches with company leadership, including serving as Nextech's interim leader.

“[With] vertically-tailored software...that helps operate a business — what I think of as the heartbeat of the company — you have the opportunity to integrate payment solutions that allow a software company to take a real friction point and turn it into an opportunity to engage customers and increase revenue,” Mangum said during THL's 2021 Annual General Meeting. **“Financial services are now becoming a core part of the technology stack that runs these businesses, not a standalone feature, and we're really just seeing the beginning of this notion of delivering embedded financial services as a core part of the software solution.”**

With THL's help, in less than 12 months Nextech launched its payments product and stood up a comprehensive payments organization, which includes a General Manager and dedicated resources across operations, product, engineering, sales, risk, and underwriting. To drive adoption of the native solution, THL led the commercialization effort in a PMO capacity, driving structured campaigns to introduce the product to the market and generate adoption. At exit, nearly 2,000 (or 30%) of Nextech's customers had adopted the product, which processed more than \$2.5B in run-rate payments volume.

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Additional highlights from THL's ownership of Nextech

THL's contribution to Nextech extends beyond the revamped go-to-market strategy and launch of payments. Immediately following the acquisition, the company increased its investment in R&D, expanded the breadth of Nextech's product offering through strategic M&A, managed the business through the start of the COVID-19 pandemic, and engaged an impressive leadership team to continue steering the ship.

01

Product investment and innovation.

In partnership with product and technical leadership, THL Increased investment in R&D by over 50% to enhance core infrastructure and accelerate the pace of innovation. Investments funded the build out of the R&D team and added near-shore capacity for delivery speed and flexibility. Key features delivered included virtual care and engagement solutions and enterprise functionality.

02

Strategic M&A to expand TAM.

During THL's ownership, Nextech acquired TouchMD, a visual consultation, marketing, and imaging software platform that enhances patient engagement for medspa, plastic surgery, and dermatology practices. With this acquisition, Nextech added medspa to its specialty set. "The TouchMD acquisition was very valuable strategically for the company," said Bean.

03

Crisis management during COVID.

The COVID-19 pandemic struck shortly after THL took ownership of Nextech. "Patients canceled appointments left and right, and then there were statewide mandates that non-essential medical practices close their doors," said Bean. "We were very concerned and wanted to make sure that Nextech was seen as a source of support to its customers and not a cash flow drain." To do this, and under Spies' and Hawes' active engagement, Nextech proactively offered new telehealth capabilities for free and offered subscription credits to the most heavily impacted customers. These measures helped Nextech deepen customer loyalty and minimize business disruption.

04

Management team expertise.

THL recruited a high-quality management team with deep SaaS and payments expertise, adding key executives during its period of ownership.

THL has been a great partner," said Lucchini. "They just have so much industry knowledge, whether it's M&A, market analysis, best practices in leading a company or just a tough project that I need some extra bandwidth on. I can always reach out to THL and they're incredibly helpful."³

As Bean summarized, "Together with Bill and the Nextech team, we took a good company and made it great."



To learn more about THL's Nextech investment or the firm's activity in Healthcare IT, Software with Embedded Finance, or other Healthcare or Financial Services sectors, contact our team today:

Ganesh Rao, Managing Director and Head of THL's Financial Technology and Services Vertical
grao@thl.com

Joshua Nelson, Managing Director and Head of THL's Healthcare Vertical
jnelson@thl.com

Mark Bean, Managing Director, Financial Technology and Services
mbean@thl.com

Shahab Vagefi, Managing Director, Healthcare
svagefi@thl.com

Sam Hendler, Managing Director, Healthcare
shendler@thl.com

Teri Tadros, Director, Financial Technology & Services
ttadros@thl.com

¹ The Top Administrative Challenges and What to Do About Them. Medical Economics Journal, January 2023. Volume 100. Issue 1.

² Investment Capital Funds Its Place at the Intersection of Software and Payments. PYMNTS. November 15, 2021.

³ The Nextech individuals were not compensated for their statements presented here. These endorsements nevertheless give rise to a conflict of interest by virtue of prior economic relationship between Nextech and THL. Please see THL.com Disclaimer for further details.