Digital Disruption in HealthTech: Pioneering a New Era in Healthcare

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H2 2024

Allied Advisers: Client Spotlight

Key Takeaways from Jay Nitturkar, Founder & CEO, pVerify (1/3)

Allied Advisers conducted an interview with Jay Nitturkar, former Allied Advisers client, to understand how he bootstrapped pVerify to nine-figure ARR and successfully exited to DoseSpot/PSG Equity. pVerify is a leader in real-time healthcare APIs for Eligibility, Insurance Discovery and Prior Authorization.

Q1. What was the inspiration behind pVerify and what market gap were you trying to address?

- As Director of Operations in medical billing, I saw physician practices lose over 20% of revenue due to insurance claim denials and patient delinquencies
- Traditional verification methods were inadequate and time-consuming
- pVerify was created to provide comprehensive and efficient patient insurance and benefits verification, offering customizable products and excellent customer service to address the issues

Q2. How did you build your customer segmentation and go-to-market strategies? How did you enable customer acquisition, growth and retention?

- We developed a niche SaaS product targeting physicians and hospitals, initially focusing on specialist offices for quicker sales cycles and better ROI
- We relied heavily on SEO and targeted Google AdWords campaigns to manage customer acquisition, despite limited funds
- Inbound leads from effective SEO efforts became our main revenue source, with ~20% conversion rate
- The strategy we used included offering a free trial to potential customers, which boosted conversions and aligned with a product-led growth (PLG) strategy
- Exceptional customer service led to strong word-of-mouth referrals and high client satisfaction in the healthcare industry

Q3. How did you compete against companies which were well funded compared to you?

- We competed against well-funded companies by offering customer-centric products and exceptional 24/7 customer service from offices in the USA and India. Additionally, the quick implementation times in days outpaced competitors who often took weeks or months

Note:
- Responses are from Jay Nitturkar, Founder & CEO, pVerify
- Questions are from Ravi Bhagavan, Managing Director at Allied Advisers

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Q4. What was the rationale in building an offshore team?

- Setting up an offshore team in India was driven by our need to lower operational costs for software development and customer service while ensuring round-the-clock support for our customers through two shift operations

Q5. Were there any seismic shifts, pivots or changes in product strategy along the way that changed the complexion of your business?

- Yes, early in our company's history, we offered a standalone portal for insurance verification in physician offices. However, we found that it lacked integration with customers' software, leading to lower retention
- To address this, we introduced REST API that could be seamlessly integrated into HealthTech operations
  - This API was customizable for medical specialties, provided parsed benefits data and significantly reduced development time
  - Its scalability allowed us to handle thousands of transactions per second, which greatly appealed to our clients as they scaled their businesses

Q6. What fundamental traits did you look for in employees when you hired them and how were you able to achieve a high employee retention rate?

- We looked for employees with industry knowledge, domain expertise, self-motivation, and versatility, and also prioritized high talent and low ego
- By providing significant freedom, flexibility, and varied work, we foster pride in their contributions, leading to high retention

Q7. You were able to bootstrap your business to 9-figure revenue before
a) How were you able to scale your business without the aid of outside capital?

- The earlier portion of profitability came from paying customers and efficient offshore development, managed by a lean US team. Our rapid growth was driven by strong brand recognition and word-of-mouth referrals

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Q7. You were able to bootstrap your business to 9-figure revenue before

b) Were there key motivations for staying away from outside capital other than dilution? What have been the benefits of bootstrapping?

- Yes, complete ownership allowed us to make quick decisions without external interference, crucial for navigating in a competitive industry

c) Do you have any regrets for not raising capital that may have spurred growth and achieved this end objective more quickly?

- No regrets. While capital might have accelerated growth, not diluting our stock led to a better exit. Vertical SaaS doesn't need as much capital as other fields

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Q8. What were your motivations for an exit?

- I aimed to secure pVerify's growth and my team's future by joining a larger company. After 15 years, it was time for an exit strategy for personal financial rewards and to benefit our loyal key employees

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Q9. How did you prepare for the sale of your business? What were your expectations of the investment banking firm you selected and were they met?

- I hadn't considered exiting until I met Allied Advisers. Despite frequent investor solicitations, my focus was on growth. Allied Advisers explained the market and exit process, prompting me to commit to M&A. After meeting Ravi Bhagavan, I trusted his team to guide me through my first exit, including preparing materials, marketing to buyers and negotiating terms

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Q10. What lessons can you share from your journey for budding entrepreneurs?

- Find a niche within a niche and aim to be the best
- Start a business with recurring monthly income and no inventory, like SaaS
- If bootstrapping, be prepared for a long, demanding journey but cut losses if there's little traction within 2 years
- Keep proper books and separate personal and company expenses
- Get a good corporate lawyer from the start and ensure partners and initial employees are motivated for success

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HealthTech Brief Overview

Transforming HealthTech: Shifting from Defense to Offense

Technology is transforming healthcare by making it more efficient, accessible and personalized, leading to better patient outcomes and lower costs.

> The HealthTech industry grew due to digital disruption, with COVID-19 pandemic further intensifying this growth by demonstrating the need for virtual healthcare solutions boosting public confidence and investment.

Transformative Technologies Enter Healthcare

- AI, IoT, telemedicine, blockchain & wearables are reshaping healthcare, driving the Global Healthcare SaaS market to $77.4B by 2032 with a 10.5% CAGR

- IoT will exceed $1T in global spending by 2026, transforming healthcare with remote monitoring and automated workflows to reduce costs

Elevating and Improving Doctor-Patient relationship

- AI is set to save $150B in healthcare by 2026 through better diagnoses, efficient workflows, and early disease detection, and reduce Electronic Health Records (EHR) review time by 6x

- Widespread EHR adoption in 96% of U.S. practices improves data management, identifies overdue check-ups and addresses patient needs

Source: BGO Software, HealthTech World, SG Analytics, McKinsey

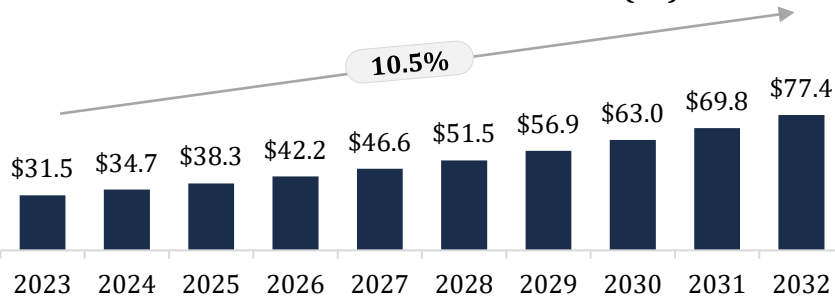# HealthTech Poised for Growth with Rapid Consolidation

As HealthTech companies experience valuation normalization and increased deal scrutiny, the sector is poised for significant growth post-consolidation, supported by a strong M&A outlook.

> *"That's going to be the story for the next year or so: Digital health moving from a curiosity, to a research tool, to an actual mainstream, accepted clinical tool. I think it's very exciting"* **– Corey Bridges, CEO, LifeMap Solutions**

Industry Key Trends

Global Healthcare SaaS Market Size ($B)

10.5%

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
$31.5	$34.7	$38.3	$42.2	$46.6	$51.5	$56.9	$63.0	$69.8	$77.4

Healthcare SaaS market saw 222 M&A transactions in 2023, with strategic buyers forming 56.3% of total deal volume and PEs maintaining their market share

### HealthTech M&A Valuations are at a Premium vs Broader Tech Industry Valuations

HealthTech	Broader Tech
5.0x	3.9x

■ EV/ Revenue
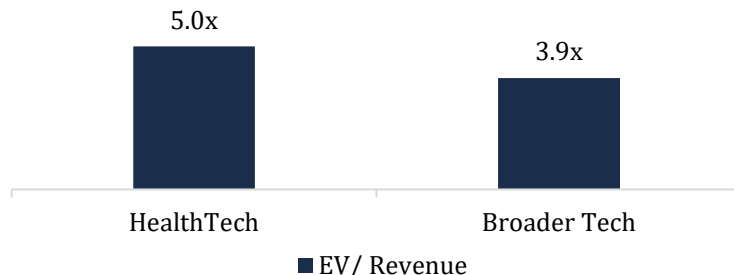
Recent Notable Funding Deals

Target Company	Lead Investor	Funding ($M)
N-Power Medicine	MERCK	$72
commure	AIX, GENERAL CATALYST, SEQUOIA, VINTHERA	$1,323
TEMPUS	FRANKLIN TEMPLETON	$346
Medable	Blackstone, TIGERGLOBAL	$304
cedar	Crew Capital	$268

Recent Notable M&A Deals

Target Company	Lead Buyer	Deal Value ($M)
cured.	innovaccer	NA
nextgen	THOMABRAVO	$1,800
CHANGE HEALTHCARE	Optum	$13,000
Cerner	ORACLE	$28,225
athenahealth	HELLMAN & FRIEDMAN, BainCapital	$17,000
inovalon	INSIGHT PARTNERS, NORDIC CAPITAL	$7,300
doc.ai	sharecare	$4,400
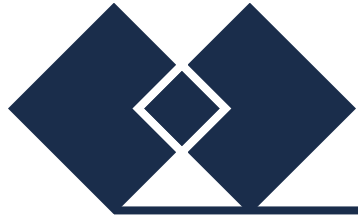
Spotlight: Select Private HealthTech Companies

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athenahealth

- Provider of network-enabled services, mobile apps and data-driven insights to hospitals and medical organizations
- All-in-one solution that improves clinical effectiveness, patient experience and financial performance
  - Earned **4** 2024 Best in KLAS Awards, including Overall Independent Physician Practice Suite
- Previously owned by Hellman & Friedman, Bain Capital, GIC, Ares Management and Ergo Partners through a $17.0B LBO in Jan-22

- Acquired Weave (NYS: WEAV) for an undisclosed amount in Mar-24

eClinicalWorks

- Leader in Healthcare IT, providing comprehensive Electronic Health Record (EHR) and Practice Management (PM) solutions
  - Used by **850K+** medical professionals
  - **110K+** facilities running on eClinicalWorks
  - **6K+** employees
- To date, 19 eClinicalWorks customers have received the prestigious HIMSS Davies Award for excellence in implementing Electronic Health Records

- Has achieved remarkable success through bootstrapping, growing to approximately a billion dollars in revenue

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Epic

- Employee owned company that develops proprietary electronic medical record software application
  - **305M+** patients have a current electronic record
  - **82%** of HIMSS Stage 7 clinics in the U.S. use Epic
- As per Forbes, the company holds a 36% market share in the healthcare IT segment
- **#1** Overall Software Suite in KLAS for 13 years running
- Added 153 new acute care clients in 2023, now covering over half of the inpatient multispecialty beds across the U.S.

- Has achieved growth solely through organic means, without any acquisitions

innovaccer

- Developer of a data activation platform designed to assist healthcare organizations
  - **$1.5B+** healthcare cost savings
  - **54M+** patients on healthcare cloud
  - **96K+** providers across **1.6K+** locations
  - Trusted by leading US healthcare organizations
- Recognized as the **#1** company across categories by leading analyst organizations including Black Book
- Featured in Forbes, Gartner and other reputable news outlets

- Raised $250M through a combination of Series F-1 and Series F-2 venture funding from Kaiser Permanente, Mubadala Capital and other investors in Apr-24

Spotlight: Select Public HealthTech Companies

Spotlight: Select Public HealthTech Companies (1/2)

IQVIA™

- Leading global provider of advanced analytics, technology solutions and clinical research services to the life sciences industry
  - **120B+** healthcare records processed annually
  - **500+** studies in **75+** countries
  - **61+** petabytes, volume of proprietary data
  - **1.2B+** unique non-identified patients
- Has been selected as winner of the "Best AI-based Solution for Healthcare" award in 2023 AI Breakthrough Awards

- EV: $51,137M
- EV/ Revenue: 3.4x
- EBITDA Margins: 18.3%
- EV/ EBITDA: 18.5x
- Capital Raised before IPO: $4,200M

Phreesia

- Provides an integrated SaaS-based software and payment platform for the healthcare industry
  - Trusted by **4K+** healthcare organizations nationwide
  - Facilitates **>150M** patient visits annually
  - Has multiple integrations
- Named as one of Modern Healthcare's "Best Places to Work in Healthcare" for the Eighth Time
- Has a strong edge in the fast-evolving HealthTech sector with robust growth, improved margins, and lower balance sheet risk

- EV: $1,100M
- EV/ Revenue: 2.9x
- EBITDA Margins: (25.1%)
- EV/ EBITDA: NM
- Capital Raised before IPO: $119M

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R1

- Technology-driven revenue cycle management services for healthcare providers
  - Global team with **30K+** employees
  - Trusted by **30K+** providers
  - Expertise with **260+** proven methods
  - Leading tech automating **200M+** tasks daily
- Ranked **#1** by KLAS in multiple categories for 2024
- Driving consistent impact for clients and patients with a **15%** cost collection reduction, **1-3%** revenue lift and up to **46** patient NPS achieved

- EV: $7,653M
- EV/ Revenue: 3.3x
- EBITDA Margins: 23.3%
- EV/ EBITDA: 14.2x
- Capital Raised before IPO: NA

Veeva

- Leader in cloud-based software for the global life sciences industry
  - **875+** customers ranging from the world's largest pharmaceutical companies to emerging biotech
- Featured in NPR, Forbes, Fortune, CNBC and other reputable news outlets
- One of the most capital-efficient software businesses, went public in 2013, just six years after its launch, at a valuation of $4.4B. **Prior to its IPO, the company had raised only $7M in funding**

- EV: $24,748M
- EV/ Revenue: 9.9x
- EBITDA Margins: 22.6%
- EV/ EBITDA: 44.1x
- Capital Raised before IPO: $7M

Note: Data as of Jul 09, 2024.

About Allied Advisers

Allied Advisers: Investment Banking for Technology Companies and Investors

Allied Advisers is a global technology-focused boutique advisory firm focused on investment banking for entrepreneurs and investors. The Silicon Valley-based firm, with a presence in Los Angeles, Israel, and India, serves entrepreneurs and investors of technology growth companies globally on strategic advisory including M&A and capital raises. Allied Advisers bankers have completed technology transactions globally for clients with Fortune 50 buyers and top tier Private Equity firms.