

WittKieffer



**DECODING THE
PHENOTYPES OF CEOS**
in PE-Backed Physician
Specialty Practices

A Comparative Study
WittKieffer 2024

KEY TAKEAWAYS

CEOs of PE-backed physician specialty practices

01 Three distinct phenotypes

We observe three distinct CEO phenotypes: the **first-time CEO** (40%, an operator or a physician), the **repeat CEO** (40%, bringing on average 7.4 years of previous CEO experience), and the **founder** (20%, variable attributes). Examining company performance reveals no significant deviations in the strategic financing and investment strategies based on the CEO phenotype, except a stronger propensity for repeat CEOs.

02 Relevant CEO and operations experience

Although CEOs come from a wide range of backgrounds, including physician, private equity, and strategy, CEO and COO experience remain the most prevalent: 37% of CEOs had held a CEO position previously in their careers, and 28% had held a COO position.

03 CEO hiring across the investment cycle

Our data shows that there is not a definitive point in the deal cycle to hire a CEO, with the start dates evenly spread between pre-deal, growth stage, value maximization stage, and refinancing. However, across the investment cycle internal promotions are rare, with the vast majority of CEOs appointed being external hires.

PortCo CEOs: **THREE PHENOTYPES**

First-time CEO ~40%

OPERATOR (~ 22%)

- Immediate previous experience as COO, President, or General Manager
- MBA degree
- Current average tenure: 3.5 years

PHYSICIAN (~ 10%)

- Clinical experience, in many cases complemented with CMO experience
- Usually hired into physician practices with smaller number of sites
- Generally hired pre-deal or >5 years post-deal

OTHER (~ 8%)

- Backgrounds as Chief Strategy Officer, CFO, or clinical innovation

Repeat CEO ~40%

EXPERIENCED CEO

- Have on average 7.4 years of CEO experience at 1.6 (with a maximum of 5) companies prior to current CEO appointment
- MBA or MHA degree
- 75% held immediate previous role at a PE-backed specialty physician practice or similar PE-backed healthcare organization
- Alongside CEO experience, most typically have COO or financial experience in their work histories

Founder ~20%

FOUNDER OF THE PRACTICE

- The attributes of a founder are varied, split between ex-physicians and seasoned CEOs/COOs
- The majority have some CEO experience prior to founding their practice
- In the case a founder stays on as CEO following a PE takeover, they have an average tenure of 13.2 years

We do not observe significant deviations among CEO phenotypes in pursuing different strategies, such as investments/acquisitions, expansion, or refinancing.

Phenotypes and Strategic Growth

**First-time
CEO**
~40%

SIGNIFICANT INVESTMENTS/ACQUISITIONS

- 57% of speciality practices led by first-time CEOs publicly announced significant investments or acquisitions since 2021

RECENT OR UPCOMING EXPANSION

- 48% expanded or announced upcoming expansions in past year

RECENT REFINANCING

- 71% recently refinanced



Debt financing



Development capital



Acquisition by PE firm



Other (e.g., equity crowdfunding, dividend recapitalization)

Repeat CEO
~40%

SIGNIFICANT INVESTMENTS/ACQUISITIONS

- 63% of physician speciality practices led by repeat CEOs publicly announced significant investments or acquisitions since 2021

RECENT OR UPCOMING EXPANSION

- 38% expanded or announced upcoming expansions in past year

RECENT REFINANCING

- 90% recently refinanced



Debt financing



Development capital



Acquisition by PE firm



Other (e.g., equity crowdfunding, dividend recapitalization)

Founder
~20%

SIGNIFICANT INVESTMENTS/ACQUISITIONS

- 57% of physician speciality practices led by founders publicly announced significant investments or acquisitions since 2021

RECENT OR UPCOMING EXPANSION

- 43% expanded or announced upcoming expansions in past year

RECENT REFINANCING

- 74% recently refinanced



Debt financing



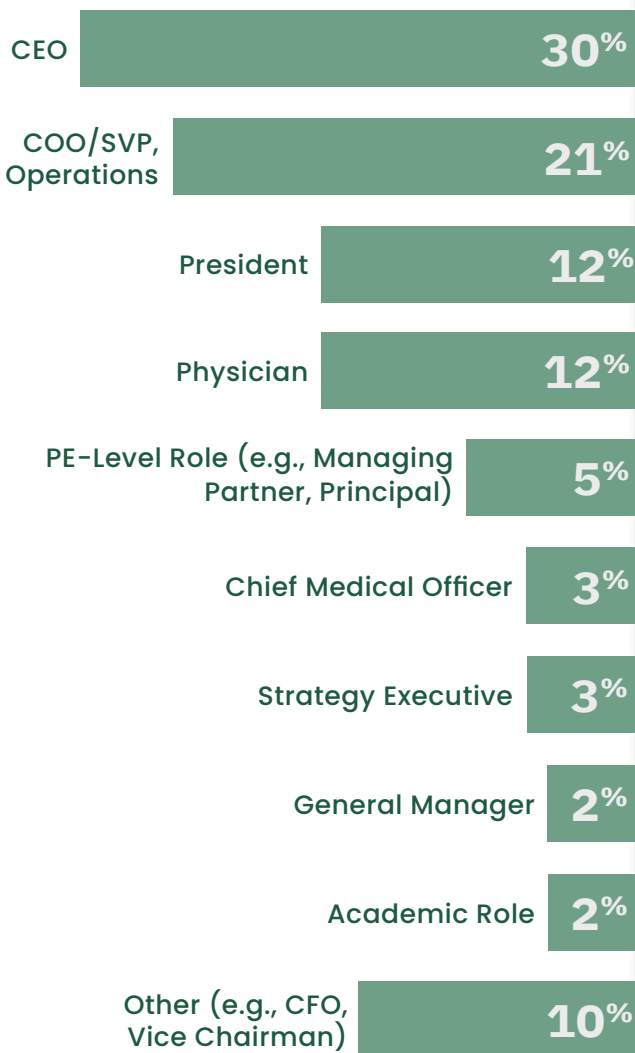
Development capital



Acquisition by PE firm

Relevant CEO and Operations Experience

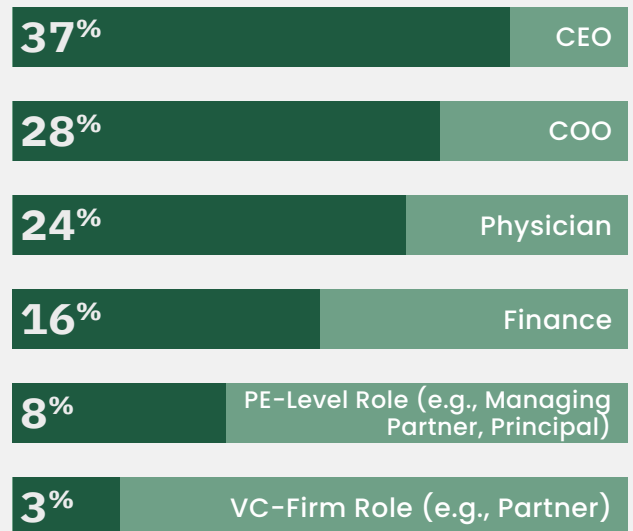
Role Immediately Prior to Current CEO Appointment



8.1 YEARS

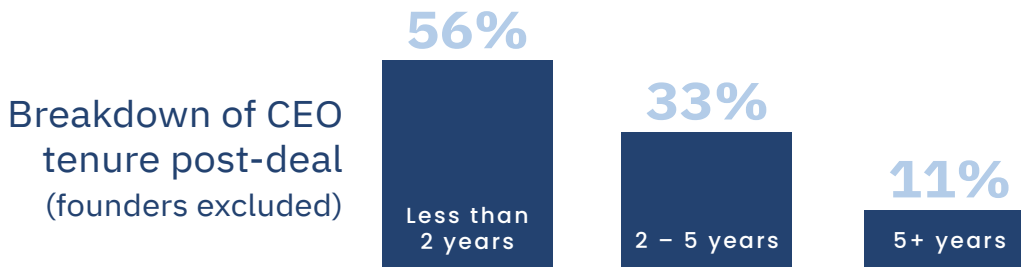
of CEO experience prior to current appointment (average of those who previously held CEO positions, including repeat CEOs and founders with CEO experience)

Functional Background: Past Experience During Entire Career



Preference for External Candidates

External / Internal Hiring



HIRING TRENDS

(CEO appointments within the last two years):

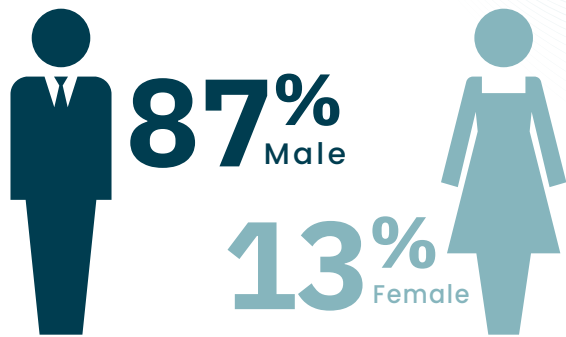
- Trend to more external hires (67% came from outside the company vs. 33% internal promotions)
- Trend to a no-risk hire with previous CEO experience (51% of recent hires have held a CEO role in the past)

CEO Hiring Across the Investment Cycle

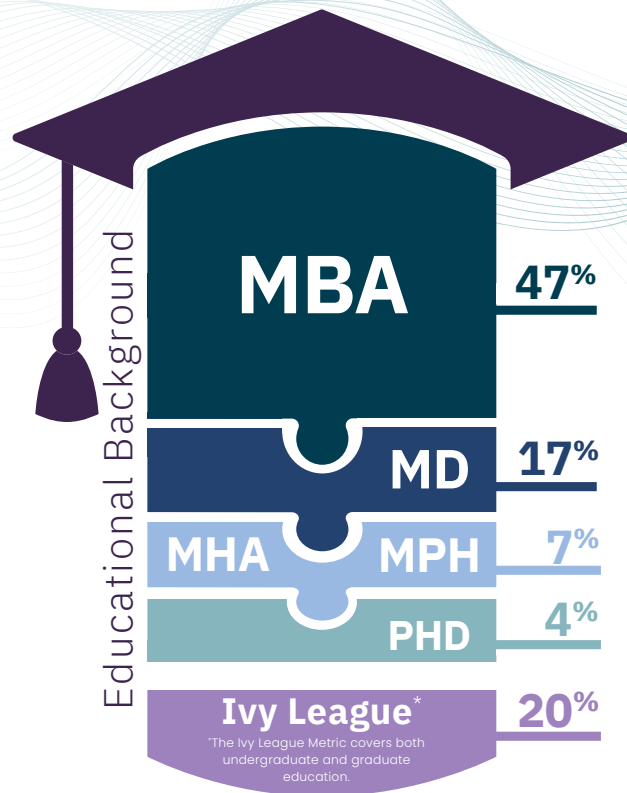
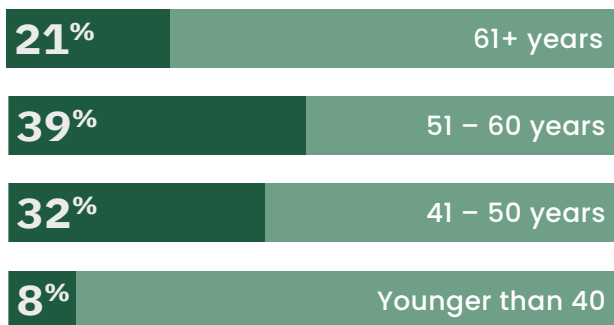
CEO Hiring in Investment Cycle Stage (excluding founders)



Demographics



Age Distribution



52 YEARS
Average age of CEO

Backup: Methodology



PitchBook was employed to create a robust dataset of PE-backed speciality physician practices, covering various disease areas, across the US.



PitchBook, BoardEx, and LinkedIn were used to create a comprehensive dataset about the current CEOs of 105 identified portfolio companies.



Data analysis

Data analysis was performed in late 2023 to identify trends and patterns in CEO hiring and backgrounds. Alongside these trends, three “phenotypes” of typical CEO profiles have been identified.