TOPIC: GROWTH CAPITAL

Minority Partnerships with Private Equity

CLAIRVEST

Private equity firms can help accelerate the growth trajectory of a physical therapy platform by providing access to capital, strategic advice, support for rapid M&A, expertise for de novo expansion and experience in hiring and onboarding senior executives.

ANGUS COLE
Managing Director, Clairvest

RAHIL MANJI
Vice President, Clairvest

KOLE KISIL
Senior Associate, Clairvest

There are several private equity investment styles, and it is critical to choose a partner that aligns well with the entrepreneur's goals and aspirations. One of the most important factors to consider is if the founders are comfortable giving up control to a private equity firm, or if they would prefer to retain control. Each has trade-offs and will result in vastly different partnership structures. With minority partnerships existing management remains in control of the business and drives the business' strategy and vision. In contrast, selling a control position to private equity allows the new owner to control day-to-day operations and decision making.

How Do Private Equity Firms Help Physical Therapy Businesses

There are several business or operational reasons why entrepreneurs partner with private equity firms including:

- Increasing access to money for expansion to strengthen the opportunity for growth
- Partnering with individuals who have experience in growing and scaling businesses
- Providing multi-disciplinary experience and perspectives on the business:
  - Support for increased M&A through sourcing, screening, and executing transactions
  - Increase the pace of de novo openings through robust systems and processes, along with a greater ability to sustain operating losses

Pictured Above: One of Mountain Land Physical Therapy's clinics

  - Support for patient services expansion resulting in value-add for both patients and payors
  - Guidance with negotiation strategies for increased reimbursement
  - Operational and compliance improvements to drive productivity
  - Clinical excellence to improve patient care
- Professionalizing the management team and operations of the business

How Can a Minority Partnership Help an Entrepreneur Achieve Their Goals

A minority partnership with private equity has various unique advantages including:

- **De-Risking your personal life while maintaining significant equity upside:** Entrepreneurs typically have at least 100% of their net worth invested in a business and substantial personal guarantees. A minority partnership can help an entrepreneur take some chips off the table while maintaining material equity upside to capture future value growth.

- **The ability to remain in control and drive the business' strategy:** When a private equity firm pursues a minority partnership with an entrepreneur, it typically means they believe in the entrepreneur's vision, allowing the entrepreneur to remain in control day-to-day, with the support of an experienced partner when strategizing future growth plans.

- **Clean up messy shareholder structures:** Many times, entrepreneurs seek capital from friends/family as they begin growing their business. This can sometimes lead to messy shareholder structures with misaligned interests over time. A minority deal with private equity can help clean up the capitalization table, while ensuring that the entrepreneur and the private equity firm are aligned to the future vision and growth of the business.

Clairvest's Experience in the Physical Therapy Space

Clairvest entered into a minority partnership with Mountain Land Physical Therapy in 2023, backing Rick Lybbert and Jason Lobb (CEO and COO) to execute on their vision.

"Our vision is to continue expanding throughout the Mountain West region to positively change as many lives as possible. We will continue to create value by providing excellent patient care, growth opportunities to our employees, and a values-driven culture that establishes trust. We are excited to have Clairvest join the Mountain Land Team; they bring valuable experience and expertise that will ensure our vision becomes a reality."
- Rick Lybbert,
CEO of Mountain Land

If you are an entrepreneur interested in growing your business, please contact Angus Cole (angusc@clairvest.com), Rahil Manji (rahilm@clairvest.com), and Kole Kisil (kolek@clairvest.com).

Learn more about Clairvest: www.clairvest.com