Playing the Practice Arbitrage Game - Is the Window Closing? - Kyle Francis: Ep #414

Full Episode Transcript

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Dr. David Phelps

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Welcome to the Dentist Freedom Blueprint, a podcast about freedom—freedom from expectations of society and the traditional path to success that has been ingrained in us from our early years, I'm joined by mavericks, renegades, and non-conformers to discuss an anti-traditional path to financial freedom, freedom of time, relationships, health, and ultimately freedom of purpose. My name is Dr. David Phelps. Let's get started.

David Phelps: Good day, everyone. Dr. David Phelps here from the Freedom Founders Mastermind community and the Dentists' Freedom Blueprint Podcast.

Today, we're going to have a really fun conversation, one that I'm always interested in with somebody who really understands the dental industry, the current market, the financing arbitrage opportunities.

There's so much going on today that I think it's really worth our time to talk to somebody who has that finger on the pulse of that arena. And today, it's Mr. Kyle Francis. Kyle, how are you doing, sir?

Kyle Francis: Pleasure to be with you, David. Thank you.

David Phelps: Good to be with you too. It's not uncommon for me to get the opportunity to meet people that are thought leaders, provocateurs in the marketplace like you because we both run in circles, there was a lot of crossover.

And we found out just a few weeks ago that we have a lot of mutual friends, which is again, as I said, not surprising.

A little bit of background about Kyle. I know that you got your bachelor's from Baylor down here in Texas, so that's a good thing, that bodes well with me.

But also, my other hometown, where actually I was born — not hometown, home state, Colorado, went on to get your MBA there at the University of Colorado with specialties in finance and strategy. So, you come with that background.

In 2007, you created what today, the company's called Professional Transition Strategies, and you have facilitated over 400 dental practice transitions exclusively as a seller's representative. And I think that's important to know. Buyers and sellers both need representation.

Your M&A work has resulted in over $2 billion in total deal flow for your clients. Your specialty is offering unique options to sellers, allowing them to explore individual, group, and private equity investments to achieve the transition goals that they may have.

Along with your M&A work, you've also consulted for practices, medical device companies, and for groups of practitioners. You've used this knowledge to build more than 100 medical and dental startups.

You've helped construct another a hundred locations. Most recently, you've been an advisor to many practice groups across the country. You've also owned all or part of more than 30 practices. You've been an investor in multiple DSO concepts.

The only thing you just didn't tell me about is, like how many root canals have you done? How many implants have you placed? That's an impressive resume, but they sat in our chair.

You know nothing about dentistry. No, I'm just kidding. I'm just kidding.

Kyle Francis: I'll tell you what, fortunately, you don't want these hands near a mouth. Trust me.

David Phelps: Well, and at the same token, I think most of us — not all, but most of us are smart enough to know that we may have (I'm talking about from the dental side, the technical side) all that skill and all our time to put into that side of the equation.

But the world today that we live and we work and the opportunities there, but also, I think the mine fields that exist, particularly in doctors and many want to figure out, well, how do I take my skillset and how do I leverage it? How do I leverage what I've learned to do? That's not for everybody.

I mean, some people might find a good place to have a boutique, a solo practice, and they may never want to grow or merge or do any arbitrage exits, and that's fine. That's fine.

But for those who have the bent on, how do I do this the right way? It's not a place or a space where you want to just like go out there and throw it to the wind and see what you can do.

I think having advisors, consultants, people who have been down the pathway and can give advice is the key. And that's certainly something that you have all that experience in doing from many different facets.

So, let me start in Kyle by asking you this question; 2007, that’s when Practice Transition Strategies was basically formed, so that was right on the crux of the last great recession, the financial recession that everybody had to muddle through, get through to the other side.

And then since then, coming out, say 2009, 10 and on up, we've had this great expansionary economy for lots of different reasons, but let's just say, it's been expansionary.

My forte is more in real estate. Yours has been more in the practice expansion opportunities with private equity. What are we sitting on right now in terms of the overall global economy and the economics right now as opposed to what we now can look back retrospectively on 2007?

Are we in a different place? Still an exciting place? What do you see on the horizon?

Kyle Francis: Man, that's a really good question. I don't think I've been asked that way quite yet. So, maybe to give a little bit of context there, a lot of what's going on within the dental space is not new. And quite frankly, there's nothing really new under the sun. Essentially, what private equity is doing is they're deploying their playbook.

Which a lot has to do with leverage buyouts. That's the use of low-cost capital though most of the time, debt, very similar to the way that buildings are bought. So, you say you're on the real estate side, you end up taking a mortgage out, that mortgage ends up financing that cash stream going forward.

So, really, that's kind of what private equity ends up doing here. So, this is not the first part of medicine that has been consolidated. If you look back to the 1980s, you look at hospital systems, you look at orthopedic groups, you look at heart surgeons — you look at all those different folks, and they've been consolidated already.

Now, the reason for that is because there were a whole bunch easier than dentistry. You have really, really, really big chunks of EBITDA that they can go out and buy for large multiples.

Now, dentistry has always been much more of a cottage type of profession. Which is going to be most practices, nearly all of them are going to be under $5 million in revenue. And because of that, it's notoriously hard to consolidate.

So, you have all of these different mom-and-pop shops out there, and so that's the reason that they weren't consolidated in the first round. So, some people end up talking about dentistry as one of the last bastions of medicine left to consolidate.

So, if you're asking me the question, “What happened from 2007 on?” I guess what I would say is yes, leverage buyouts started increasing pretty dramatically over the course of time. I would love to say that I was prescient whenever I entered dentistry just because I had this background. I did not, I had no idea it was coming.

But overall, I think what we've learned is going to be that competition has increased along with the consolidation. So, there's not one type of consolidator that is kind of ruling the market.

If you look at the largest one out there right now, Heartland, they have less than 1% market share. And so, overall, there's still a long road to go. We've been consolidating the dental industry for the last 10 years, primarily.

Now, that doesn't mean DSOs didn't exist beforehand, they just didn't call themselves DSOs, they were umbrella corporations, those kind of things. And over the next seven years or so is

whenever we're expecting to find a stasis in the dental consolidation world.

In the interim, what I would say is going to be … there's a lot of arbitrage opportunities. Which means you're taking the equity from the practice that you currently have and then investing it into a group that can grow way faster than what an individual practice can. There's a lot of reasons for that. We can dive in as much as you want to, to some of those reasons.

But what I would say is going to be back in 2007, there were very, very few options. So, I could sell the practice to an individual, I could sell the practice to a DSO and essentially, there's no arbitrage, which means I'm selling it for maybe a little bit of a higher purchase price, but it's going to feel like a reverse mortgage.

And then, as competition has increased, what that allows for is going to be the doctor themselves gets to be a private equity investor into this new world going forward.

So, the longer time that you have in that environment, typically, the better financial outcome that you'll end up having. That isn't always the case. But my thought is going to be if you're asking me if it's exciting or not, the answer is yes.

There's a lot of capital on the sidelines. All the private equity funds just did brand new raises in 2020 and 2021. They just upped their debt deals as well. And so, that allows for a very long runway in terms of capital going forward.

So, my thought is going to be that is it something that somebody should consider? I think you should at least talk about it. That doesn't mean you should or shouldn't. You gave the example of boutique.

I've got tons of examples of folks that end up looking at different offers from DSOs and private equity funds and determining it's just not the right fit for them. That's fine.

So, if I'm looking at it, 30 to 40% of practices going into the future are not going to be consolidated. They'll still be mom-and-pop. That doesn't mean that mom-and-pop dentistry is going away by any stretch of imagination. It just means there's an opportunity and maybe you should consider it.

David Phelps: Yeah, no, that's very good. Good lay of the land. So, you mentioned at the top that the consolidation and the opportunity for private equity to enter the space, a very fractured dentistry, as you said, kind of maybe the last bastion. But entering that arena, the arbitrage is based on what we've known as the lower or cheap money that's been out there, lower cost of capital.

Now, that's been what's we've had running for well over a decade. But what's happened recently, and how does that change going forward? Because now that cost of capital has gone up significantly.

I mean, and people say, “Well, it's only gone up from a federal funds rate of zero back in March to four right now, and they're probably shooting for five.” But that's a 500% increase.

This is not my forte, it's just what I see as more of an outside look and understand what I know about real estate, and I know what that's doing to our real estate right now. It's changed it completely. This is your background.

So, how do you relate what you see in dentistry, which you've been working on for a number of years, to what kind of we see on the real estate side? Compare and contrast for me so I can kind of differentiate the runway that you see that's nice, a long

runway. In real estate, we've been taking chips off the table but reallocating in other places.

Kyle Francis: Yep, absolutely. Well, so if you look at the original consolidation within medicine, it was done in a much higher-rate environment than what we were looking at this moment.

So, if you're looking at the eighties and nineties, it was a much higher rate environment. If you look at whenever I started within dentistry, it was still a higher-rate environment at that point. And these types of leverage buyouts were still going on.

And again, dentistry is just one of the hundreds industries that have gone through a consolidation wave. What I'll tell you is this, is that whenever you do a leveraged buyout, yes, you're levering a certain amount of debt on a practice or on a business, whatever it is that you're purchasing.

However, you're not levering an amount that is going to be substantial enough to end up affecting the long-term ability to pay that note on a yearly basis.

So, let's say on a real estate type of deal, if you end up levering towards something like 70% or 80% on a deal kind of depending on what type of product that ends up being — we're not even coming close in dentistry to having that type of leverage here.

Now, that doesn't mean that we don't end up seeing some sort of change in multiples. That can affect multiples going forward. Because essentially, this all comes down to what is your EBITDA? What is your rate of return on your investment? All those kind of things. And then you have to be able to handle your debt covenants going forward as well.

So, if the debt covenants are structured to a place where if you don't have a certain amount of ongoing net income in comparison to those debt payments, that can end up striking a chord that says “Okay, we need to lower our leverage rate.” And so, is that possible going forward? I think the answer is yes.

But if they just redid their debt deals and essentially, already have locked in interest rates, primarily over the course of the next three years, it just means we have a longer leeway than what is typical.

So, I think one is going to be, I don't look at this as a scary thing. So, if leverage buyouts can occur in 20% interest rate environments, leveraged buyouts can occur during a 7% interest rate environment as well. So, my hope is that it doesn't go to something like that.

So, my hope is that it does cap out around the 5% rate and so 7%, 8% is going to be where our new life is going to be living. But who knows? So, I guess the other thing to be thinking about here is going to be — this is one of my favorite stats by the way.

If you look at what happened in 2008, 2009 (and all of the banks were having a very, very, very hard time during that time), the only profitable part of Bank of America during 2008, 2009 was their practice lending division for dentists. That's it. You can go back into all of their different corporate documents during that time and find it out.

So, it's kind of a unique place because dentistry just kind of chugs along at 5%, 6% growth year over year. So, it's kind of a boring industry. And so, if you look at it from a private equity

perspective, they actually use it as a hedge for all of their more risky environments.

So, yes, it shows explosive growth, but really, the reason it shows us explosive growth is probably threefold. And I know there's a long answer to your question, but I think it's kind of an important one, which is going to be one, dental practice is severely undervalued for essentially, all time.

I wrote a white paper back in 2007 about how they're systemically undervalued in comparison to nearly every other industry out there. And it's because there's these implicit debt caps that banks put in place that didn't allow for any additional leverage for an individual to pull out. That's thing one.

So, private equity came in, solved that problem. And they started to pay about a 20% premium above what the market was day one. Along with that, what we found is going to be as the speed of the consolidation ramps up and the competition ramps up as well, that ends up increasing the multiple that can be paid because the multiples for the large companies end up being paid in greater proportions as well.

And that mirrors what happened in medicine, by the way. So, there are multiple private equity rounds, and then some of those end up going public. Some of those actually came back out of public and became not-for-profits, interestingly enough, and will be interesting to see where dentistry ends up going from that.

But I would say that over the next couple of years, there's a very, very high likelihood that there will be multiple private companies going public in this space as well.

And it's something that's already been talked about a fair amount, but that's also going to drive multiples because then there's even more arbitrage that can be gained.

So, my thought is that again, we have about a seven-year time horizon for that purpose. It will be interesting to see what interest rates end up doing. The folks who will feel that the most are going to be the practices that are a little bit smaller because most likely, they'll end up being paid a smaller sum just to be able to fund that overall growth.

So, that way, the arbitrage doesn't hurt on the backend as much, but we'll end up seeing the way that it ends up working. We have not seen any sort of multiple decrease to this point, but it could happen. We just haven't seen it yet.

David Phelps: That's very, very helpful. Very, very good context. Let's just lay out what the liquidity or sale options just for our framework today, just so we're all on the same page for a doctor today. Let's just lay those out.

And let's maybe go into a little bit of the difference between a joint venture sale where there's participation in the practice, and one where there could be stock ownership in the parent company.

A lot of people get confused about that and I think it could be very helpful to delineate that for some of our listeners today that have heard these terms but just not really sure what that means.

Kyle Francis: Sure. So, originally, whenever I started the company, there was essentially one option. If one doctor wanted to retire, I sell it to one other doctor. We end up getting it appraised by a broker or a bank and essentially give that amount.

So, let's say, we're talking about $2 million practice with $400,000 in EBITDA or a million dollars going to the doctor on an early basis. In that case, we're looking at something around $1.6 million from a traditional bank.

If we use the old Mercer type of transition, which, by the way, still works. There's nothing wrong with it at all. You can still sell 50%, 33%, 33% going forward. That model does work, and you can lever that up from $1.6 million to around $2 million, dollar on dollar revenue.

So, that's a good way of increasing liquidity in that way, but it takes a little bit of time to do that. So, it's typically going to take you five to seven years in order to have those different things happen because there's multiple loans that need to be paid off or refinanced as you go.

The next way is going to be, let's say that you end up selling all of it to a DSO, but you're looking to retire earlier rather than later. You don't really care about the equity arbitrage, all that kind of stuff.

I've got $400,000 in EBITDA, my thought is I can probably get $2.4 million for it, so I can get a little bit of a different change. You might have to stay on board and work for a couple of years.

Sometimes, we end up having short time horizons depending on what the acumen of that doctor is and how replaceable they are. And I know the replaceable sounds weird in a way, but replicatable is probably the better way of thinking about it; replicatable in terms of treatment protocol.

The next way of looking at it is going to be you can sell it all to somebody and essentially, roll a certain amount of that money

into a stock program. So, that stock program, there's a lot of variations here, but long story short is you want your stock to be living at the same place that the private equity companies is living.

Because they're very smart in the way that they want to structure things. You want to ride their coattails on their smartness. So, if you end up getting a different type of stock, the reason that you're getting that is because they think there's a benefit by having you have that.

And so, very, very rarely do we end up transacting with a group that has a different type of stock for dentists, and they do on their own. And the reason being is I just think I'm putting the dentist in a bad spot if I end up doing that.

So, look, there's different preferred equity stakes and all that kind of stuff people end up throwing around. My thought is I would just rather have it live wherever the private equity company's stock is.

And that grows very, very dramatically. You're talking about 40% compounding five times over five years type of stuff. And so, if you end up putting a million dollars into that platform, it's going to spit out five in the year five of that. And I've got hundreds of comps at this point to show that's the case.

So, that can be a very, very nice way of doing it. Now, here's the thing; the reason that that hasn't resonated nearly as much is going to be, if you think about it from a founder's concept, there's this thing called founder's syndrome. Which is going to be all of these practices are the babies of the different practice owners, they're a member of their family and how on earth can we justify selling a member of your family.

And so, because of that, joint ventures have definitely become more in vogue. Maybe even sexy is the right word to say. There's a lot of them that are out there now.

Well, there's 350 different DSOs, probably a third of them now are going to have joint venture type of concepts. And that essentially, allows for kind of a median way of thinking about this, which is rather than just having your own practice, we're just selling all of it.

And now, you have a stock holding that is really kind of hard to quantify on a day-in-day-out basis because it's not going to be paying you dividends. Now, what if you just sold a percentage of the practice?

They're minority, equal and majority investors in that world. So, you end up choosing the right one that fits for you, and you end up selling, call it a 60% stake within the practice. You keep a 40% stake of the revolving net income going forward.

And so, essentially, it's just kind of a way of easing yourself into a new investment category. Which is, yes, I'm still getting a certain amount of investible income here. So, on a quarterly basis, I'm getting some sort of dividend for the amount that I still own.

However, that practice now, is going to be worth way more in that new environment instead of trading it, call it at 6, 7, 8 times, is going to be trading at 12, 13, 14 times multiple. So, your EBITDA is going to be worth way more than what it was going to be beforehand. So, it's a nice way of thinking about it.

If you look at joint ventures from a just straight dollars and cents standpoint, they don't typically perform quite as well as an investment as the groups that hold co-investments with a lot of

doctors in that same holding company. And the reason being is you're not getting all of the benefit of risk aversion there. So, you're still owning a certain percentage of your own practice.

Look, if I'm looking at my own way of thinking about this or my ethos, I would be way more attracted to a joint venture type of concept. Just because you could actually see the benefit with your own two hands.

You can also have more entrepreneurial-based joint ventures as well where you can have multiple practices have stakes within those practices, transact those practices with the private equity company going forward.

It's just a lot easier to set up some of that rather than just going to, again, having that holding at the holding company level.

But people choose for a variety of reasons different types of scenarios, and there's also hybrids between those as well now. So, now you can have a joint venture for part of it, a holding company stake for another part of it.

There's all sorts of like secondary investment structures that you can put in place as well. So, they'll become hybrids of hybrids and it becomes a little bit complex. But I guess long story short, is the reason that it's become complex is because competition is very high.

And so, because competition is very high, the private equity company is saying, "Okay, we're willing to give up some of our return because it's way more important for this concept to grow." So, that's kind of the reasoning behind it.

David Phelps: The competition is the advantage for the sellers because they have these different options, and it just takes somebody

who's wise, just like you have a financial advisor who helps you with different iterations of insurance and estate planning, and there's so many things in the tax law. You really need somebody with your expertise to guide people through to sit and sort through those options.

Because you show it to the average dentist who's very, very smart, has a lot of wisdom, but this is something brand-new that you just haven't seen before if you're not in that space.

I was having breakfast with a longtime friend of mine, not in dentistry but actually in dermatology, and maybe dermatology's been out there consolidation a little bit ahead of dentistry, I don't know. But he sold out to private equity seven years ago, so some time ago, and didn't really have any help doing it.

He took 50% of the sale price on the front end and took 50% of stock ownership in the holding company. That stock ownership has gone to zero. I won't go into details. Oh yeah, to zero.

So, the reason I tell that story is not to scare people — but what can you help sellers do to look at the strength of that parent company? Look, there's longstanding, as we know, private equity that's been out there doing this for a lot of years.

And there's some that are private, some that are public, but getting inside their books and seeing what they're, but there's all a lot of new ones, new kids on the block is what I call them. How do you help a doc assess that aspect? Because the offers can look really good.

But again, I'm not saying everything happens like this one, but this was a sad case where he’s lost half of his practice price and that's gone.

Kyle Francis: That's unbelievable. Okay, well, so I'm definitely going to answer your question, but what I would also tell you is that one of my favorite stats in all of dentistry is going to be the success rate of dental practices or maybe the inverses of failure rate.

Failure rate is going to be a 0.3% failure rate in dentistry. It's the lowest in all industries except for veterinary. So, that's a good thing. It's very hard to kill a dental practice. Typically, it's like the four Ds; death, divorce, diagnosis, and disability. But beyond those things, it's really hard to kill a dental practice.

So, if you look at the success rate of DSOs from transaction to transaction as well, they end up going at a clip of about 97% over the course of time as well. So, that doesn't mean you're a hundred percent, there's no such thing as a risk-free investment, that doesn't exist.

However, if I look at it from a risk profile standpoint, the chances that a $2 million practice single provider is a more or is a less risky scenario than a hundred providers batched together is very, very slim.

But all that being said, they can fail just like anything. So, an answer to your question, the way that we end up looking at things is going to be based on a couple of key indicators.

The first one is going to be do the groups end up doing what they say they're going to do for the doctors that we work with. And I know that's a really low bar, but integrity means a lot.

And so, if you say that you're going to do something, which means I'm putting out a purchase price, I'm putting out an ROI, we're going through a due diligence process, we're not changing the deal. We're going through and actually getting the deal done to the specs that we had.

Thing two is going to be what is the track record of that group? And then if the track record is very, very short, then essentially, we're increasing our risk profile on that. So, as we go through, we typically put everything on a scorecard.

So, like, let's say that we have that same practice, $2 million, $400,000 in EBITDA, and we end up getting interest from 30 or 40 different groups on it. We end up narrowing it down to the top 5, 10 in order to introduce to the doctor based on what we think that they're going to be interested in. And we get offers from seven of them.

We get offers from seven of them. One of the things that we do is a risk analysis on each one which is going to be, have they gone through transaction (or transactions plural) in the past, how good were they for the doctors that they ended up working with?

Did they do what they said they were going to do? How easy was it for the doctors to end up exiting into the future as well? And retention rate. Retention rate matters a whole bunch. So, how often are doctors exiting from that platform?

If you have happy doctors, they're typically going to be willing to stay with you for quite some time as well. And our average age per client is 41, by the way. So, we want doctors to be able to continue on for as long as they want to into the future.

So, an answer to your question, we end up having a sorting process that ends up being where all of the different groups have to buy for the doctor's attention by putting out dramatic offers thing one, and then things that they can be able to show that they can do on the backend.

And if they can't show that, then most likely what they have to do is lever up in order to become attractive enough. Because then the risk profile changes.

So, let's say there's a group out there that has 10 practices, maybe they just got their first family fund investment and none of their doctors have ever gone through a recap.

In that scenario, that is a riskier situation than Heartland with 2,200 practices. Now, I'm not saying Heartland's the right choice by any stretch of the imagination, but what I'm saying is going to be, it's a worthwhile discussion to consider the pluses and the minuses.

And then what we want to know is going to be where is your funding coming from? How much of a runway do you have? What is your goal over the next three years? What has your trajectory been to this point? What is your acumen in terms of an operator? All of those kind of things. And so, all of that goes into our risk analysis that goes on our scorecard.

David Phelps: Great, great answer. Last question: what are some of the attributes that a doctor, owner of practices, what are some of the key attributes? I know there's a whole laundry list of things that you could give, but what are some of the key attributes if someone want to make their practice potentially more saleable in whatever format or structure?

What would be some of the things that docs should be thinking about? And I know that it was part of your consulting when someone comes to you; it's like you'll help them with a list of things that they can do to start enhancing and getting them ready to put out to the marketplace.

Kyle Francis: Yeah, we do. And by the way, we don't charge for that. I think that I have a hard time giving very much advice until we understand what the practice is. So, but we work with sometimes folks over five years trying to come up with the right type of transaction structure.

The things that make a practice more attractive are going to be probably as follows. Thing one is going to be age and replicability of provider. And so, if you are someone who happens to be 70 in comparison to somebody who happens to be 35, there's going to be a different type of risk analysis going into that.

Especially if that person has specialized in doing all on four dentistry and TMJ work. So, then suddenly, it's like, "Okay, who on earth can we put in here to replace this person's acumen?"

That may be a really, really, really high cash flow practice, but the amount of buyers end up shrinking dramatically whenever we end up looking at that.

Next thing is going to be payer mix. So, payer mix is going to be if it's a PPO style practice that's going to be very, very replicatable in general. If it's fee-for-service, that would also be very attractive.

The more you go towards Medicaid, the harder it ends up being just because states can change their Medicaid regulations kind of at a whim, and has happened in the past as well.

There's a lot of white papers out there about how Medicaid and Medicare end up affecting all the different hospital transactions in terms of reimbursement rates. And so, there's a lot of smart quants that end up saying, "Well hey, if it happened in medicine, it can happen in dentistry as well." It really hasn't

happened in dentistry, just so you know, but it can affect the multiple as well.

The final thing is going to be trajectory kind of as slow and steady as you go type of trajectory is going to be the most effective and the most attractive. So, if you're growing by something between 5% and 10% per year, that's going to be typically very attractive.

If you end up having it being in stasis falling, that's obviously the least attractive, but there is some risk characteristics with really, really, really high growth companies as well. And the reason being is on one side, they'll end up saying, “Okay, so how can this continue?”

So, on the buyer's side, how does this continue? And on the seller's side, they're going to be worried about am I selling too early. And both of those are very, very reasonable.

But I think that again, you make the best decision by seeing what the market is telling you about your company and determining the best way for you to be making your decisions over the next couple of few years.

The final thing is going to be location. If you are going to be in a larger metropolitan area, again, it's easier to recruit there, those kind of things. So, if you happen to be in a smaller environment, then typically what is really, really great from a multiple standpoint is that you already have another person in there.

And so, if you're a single provider in a very small area, again, multiples get decreased just because they worry about how they're going to be able to find somebody to take that over in the long run. So, anyway, I think that those are probably the biggest things to be thinking of.

I would not worry; by the way. Lots of people talk about decreasing supply spend, decreasing payroll, all that kind of stuff. My thought is that your practice is your practice. I don't necessarily prep for sale on that kind of stuff.

Some groups will end up giving you pro forma projections on like what they think the practice will do over the course of time, and you can recoup a whole bunch of that by getting earn-ups into the future.

So, there are ways of making that kind of level out where I wouldn't necessarily worry about the minutiae very much. Unless there's just something that you want to do anyway.

If it's a strategic choice to focus on certain expense categories during that year, we'll then do that. But I wouldn't do it because you're going to be prepping for sale.

David Phelps: Yeah. A lot of really good advice, Kyle. I think this was a great conversation and I appreciate your time doing it.

So, Kyle Francis, Professional Transition Strategies, certainly you need somebody in your corner to help you, even if you're thinking about an idea of what your run rate may be in your career in dentistry. It's never too early to jump in and have those conversations, correct?

Kyle Francis: Look, I think beginning with the end in mind is key. So, the earlier you start, the better off you end up being.

David Phelps: Absolutely. Thank you so much, Kyle.

Kyle Francis: Yep. Thank you.

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