Full Cycle Business Exits - How to Navigate the Pitfalls - Alastair Macdonald: Ep #420

Full Episode Transcript

With Your Host

Dr. David Phelps

Dentist Freedom Blueprint with 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: Hi, David here. On this week's podcast edition, I have brought back my good friend Mr. Alastair Macdonald. You've heard him before, if you listen to the podcast.

Alastair comes with a world of experience, not only in international guidance. And I mean international, actually being through the rivers in the wilds of Zimbabwe, but also as a long-time guide and advocate for financial freedom.

He's been in the world of high finance Wall Street and has also been involved in healthcare practices, veterinary care practices. He's gone through multiple business iterations, exits, bringing capital to the marketplace, and also exiting at the right time.

The conversation we're having today, I think is so relevant to so many of you. I don't care what your age is, where you are in practice or business, whatever that business may be. It could be dentistry, it could be another business, but understanding the options that you have and the considerations that you need to be making before you make the jump to any decision are critical.

This is an area where most of you will do this one time, you'll sell and exit a business one time in your life, and to do it well is a crux move. So, I hope you enjoy the conversation.

There will be an opportunity on the back end of this podcast to do some additional work with Alastair, should you care to, but I think the conversation itself will be meaningful in its own right, enjoy.

We've had some recent conversations between ourselves and with some of the great people we have the privilege to work with in terms of where we are in the economic environment today. We've gone through 40 years from 1980 to interest rates of being 20% all the way down to rates being historically low down to next to zero.

And we're probably on the upswing now with the Federal Reserve trying to fight down and fend off the inflation that they had a lot in part to deal with. Amongst all of this, the low interest rates fueling the asset bubbles that we've seen both in the financial markets and in the business and real estate markets.

We're seeing a timeframe where I believe (and I think you believe as well) that people have kind of bought into the — well, this is the way it is, this is the new normal, and I can grab onto the coattails of this major growth expansion in these asset classes, and I can grab that and I can get these multiples in returns.

Again, whether it's real estate or speaking today, more about our friends in dentistry, in healthcare, which you've been a big part of. And grabbing these multiples, these buyouts that we'll get into, and taking these big chips off the table, but not necessarily understanding what's the other side of that trade.

And this is where it gets tricky, and I think this conversation needs to be had and I'm glad to do it with you today. So, let's pick it up there.

I alluded to the long run in the secular cycle of lowering interest rates over 40 years. What else can you add to the conversation about how we got to now?

Alastair Macdonald: That’s the crux piece. One of the dangers of external capital coming into any particular industry, is it creates a sense within that industry that there is something unique about them.

Mortgage brokers believed this back in 2005. The home flippers and construction companies believed this in 2005 and 2006. Zero profit tech companies believed this in 2000. Oil companies believed this in ‘89.

In each case, when we do pay attention to the larger scale, we understand that this is not new, it's just new to us. And the reason I say this is having traversed multiple different industries, built businesses in different industries, I've watched the flow of what I refer to as hot money in and out now for 25, 27 years.

And doing so, there's a couple of iconic themes that emerge every time. The first is — and there's risks to it but there's language and themes that emerge, and those themes are that you don't understand … this is special because …

Take real estate, for example. Back in ‘05, the framing, which we know psychologists will tell us that we are largely driven by emotion. And we use a thing called framing, which is where we build a logical construct to explain what is really just a feeling.

So, this framing language back in ‘05 sounded like, “You don't understand nobody's making any more land, houses always go up, everybody's moving here for the lifestyle, et cetera, et cetera.”

Now, the irony for me at the time as somebody that was cautioning about a giant housing bubble about to burst, is I had clients all over the United States and they were all convinced that everyone was moving here, wherever that was, for the lifestyle.

It's a mathematical impossibility that everyone's moving everywhere for the lifestyle. So, even though those things are true, that no one is making more land, and everybody does need to live in a house, that does not at all justify loans calculated to an infinite leverage of your income.

It doesn't justify the household owner spending 5, 6, 8, 10 times their household income to buy a home. The same has happened over the last several years in dentistry.

But you don't understand there's a limited supply of dentists (absolutely true). Everyone needs a dentist (absolutely true). It's a robust recession resistant — not recession proof business et cetera.

All of these are true. We still get to be precious but none of these things support or justify 16, 17 times EBITDA as a check paid to the departing docs, which is exactly what was happening back in March, May of 2018.

So, when we bear this in mind, when we can actually invite the humility to help ourselves consider that it may not actually be unique to us, that's actually helpful because it forces us to become students of the general flow of capital so that we can anticipate exactly where it's going next, and how it's likely to get there.

This is also understanding this as I do, intimately from decades of familiarity with it, having profited on the flow of capital anticipating its flow into the veterinary space, and my own building a practice and exiting and so forth.

When we do this, we can actually anticipate exactly how deals are going to change, how long it will last, and what the actual feeling is likely to be at the end of it. And I think that you can't do this from inside the silo of dentistry. We have to take the macro view and say, where else has this shown up, what has been the historical precedent, and how do we navigate a strategy through this?

David Phelps: No question about it. And with the recent historic rapid rise in interest rates, there's change in everything. There seems to be a complacency delusion about the markets.

You've talked about the psychological emotional aspects, and I think there's so much FoMo still driving all asset classes: “Well, there's still more left here. This will never end.”

But the change in the cost of capital has to have a dramatic effect on what this long tail looks like in a lot of these transactions that are put together. And it changes the risk parameters, does it not?

And the way these transactions are being structured today has really put the risk more on the seller than the buyer, as they have to do it. As the people who are very wise about this are recalculating, what does this really mean? The sellers are taking on a lot more risk and many times, don't even realize that they are.

Alastair Macdonald: They don't realize it because they are being sold on an even greater future by these private equity groups. And to your point about the cost of capital, what's fascinating to me — and this is true in multiple industries. It's true in the SaaS space, it's true in the audiology space, which I've had recent experience, is that we know that the rise in the cost of capital is going to and has, and will continue to put a serious drag on the valuations of houses because they're just not affordable.

We know that difference between a 2.65% mortgage rate in January of ‘21 through a 7% rate (just a month or two ago) is going to put a drag on the returns and therefore, bring down the valuations.

We know this in mortgages, yet we don't seem to be honest with ourselves to say, “Isn't it true that as true with a house, so too it will be true with other multiples in other industries?”

The answer is, of course, it will. And we know that it is not a coincidence. For example, that the deals are 15 times, which I personally saw and worked with an arm — 15 times for a sale of a practice in 2018 as a check, an actual sale, has now completely shifted and specifically shifted powerfully in 2020. Starting around the middle of 2020 it was not COVID-related.

Certainly, COVID made things complicated, but it was not entirely related to that. It's not a coincidence that from 2020, we have seen that 15 times EBITDA for a general practice, 18 times and more for a specialty, now become 5 times check upfront, plus another earn out of another 3 or 4 times. So, basically, supposedly giving you 3 times in the future.

To your point, this is private equity de-risking their exposure, pushing it back onto the seller, and using their future labor to pay them with. This is an extremely important point.

In a sentence, it's this (and it's my belief), every practice owner today needs to understand with crystal clarity the difference between a sale and a buyout. These are radically different things and I've got more to say about that.

So, all of these things are connected. The cost of capital rising has an impact on valuations because the more we pay for something, the lower the return we will get. It is as true of a rental property as it is of a dental practice.

David Phelps: Speaking of rental properties, that's the area that I grew up with and I used a lot of what I call “creative financing” which is exactly what we're talking about here today.

When a seller of a house that I wanted to buy and I was typically not the cash buyer because I didn't have unlimited cash back in the day. I had to work differently, I had to structure things differently.

And so, when someone would give a cash offer to a seller that was probably a reasonable offer for the current market, but they didn't want to accept it. Everybody always wants more, we always want more.

So, many times I could come along behind that low ball cash offer, and I could offer, well, whatever you want. How much do you want? I could deliver it to you if you just give enough time.

So, rather than a sale, which is that cash upfront money, I'll do a buyout. And my buyout was, I'll give you some now, I'll give you some later. Some of it might be tied to the market and we can make deals.

So, I think it's very relevant that I was sort of doing that back in the day. Now, we're in a world today where that's happening right in front of us.

Alastair Macdonald: You are poised to start going into the peak DSO space. It's perfect for you, mate. It's really important that we're kind of honest about this stuff.

And the reason I'm so animated about this is with my work over the years with docs, with specialists, and so forth, what I have seen happen is really a slow-motion kind of protracted bad deal for so many docs, and they're being sold with techniques that they don't understand.

While they might have built spectacular businesses, they are in entirely different businesses than private equity. Private equity is not in the dentistry, they're not in the business of dentistry. They're in the money business.

They make money by buying something and selling it for greater amount. The antithesis of a standard buy and hold investment, which is a practice, and this creates its own problems.

There are two things that hot money does without fail in every industry, every time, and they're both dangerous. And my recommendation is docs need to find an advocate to guard them against the influence of these two risks.

The first is they distort timelines. So much so that when I tell you that I quite literally get contacted by D-4 students who share with me (for some unsolicited reason) their business plan and how it is that they're going to go out, own a practice within the first year, plug in (which I love you just plug in associates apparently), and then they plan on, they looking to get an exit in three to five years.

That is a distortion of timeline. What used to be a long, honorable career for 20, 25 years is now a 3 to 5 years essentially fix and flip of a business that is actually in the nurturing business. This is dangerous. So, it collapses timeframes.

The second is it perverts incentives. A perversion of incentives — this individual is quite literally going through dental school to get out of dentistry. Now, I'm not saying this is bad, but it absolutely … you don't need to be — you can be a strong swimmer, but if there're dangerous, drunk hooligans in the pool, everybody is at risk.

My point is that the perversion of incentives that hot money does where it collapses timeframes, distorts the incentive, people are likely to act very expediently. And what gets sacrificed? Well, obviously, patient care is one of the first things.

The second is any sense of connective culture building and practices. It's really not about profitability, it's just about building an asset as fast as you can.

All of these things — these individuals create a very dangerous environment for those that have been working for 10, 15, 20 years on building this lifelong asset, which now represents the bulk of their net worth.

It's now dangerous in the pool because there's a bunch of crazy people doing crazy things with ridiculous timeframes.

David Phelps: So, what are you seeing on the backside of some of the structures that have been put together? You often talk about having the responsibility, but losing the authority to do what you need to do as an equity “partner.”

Now, that you've sold a portion of a practice entity to somebody else, you still have the responsibility to maintain certain metrics for this earnout that's supposed to happen over some timeline, which again, is never guaranteed.

And I think we're going to see those timelines of these recapitalizations that have been promised, these multiples down the line, pushed out to longer and longer periods of time. It's happening in real estate. Same way, same flow of funds, as you said, it's happening in all the different various markets.

So, what are the traps, Alastair? A few of them — I know there's many, but what are the few of the traps that those who are naive to have these structures are put together are potentially falling into?

Alastair Macdonald: There's really three traps. The first is monetary, there are financial traps. The second are cultural and the third are the experiences of the owner, seller doc, the financial one, I'll come back to in a minute.

The cultural one comes down to what we know in game theory as being alignment of incentives. So, we can have a powerful incentive structure. You have an incentive to sell, I have an incentive to buy. But it is our incentives beyond the deal where we move from incentive structure to incentive compatibility.

That is a big, big difference. You and I can agree that we want to get to the sale, but if you're going to stick around and because of the first trap, the financial, you have to, I quite literally will own you. All it takes is 51% ownership of your practice and I own you.

Not just that, every little piece of your remaining embedded equity is now in my hands. You've now gone from a person who has spent their life investing in themself to handing your largest piece of your net worth, your nest egg over to somebody whose track record, you will never know, you cannot ask because past performance cannot dictate future expectations and results.

And you've done so and yielded the third most dangerous thing which your experience of sovereignty in your own practice. You will come out of the backside of this deal unless you have an advocate, unless you have somebody that helps you in the structuring of this, unless you're educated to build this into the scaffolding that you agree to; you will end up with a disparity between your authority and your responsibility.

Just as you say, this is where (and I use this example) you are working on a patient as a now junior partner in your own HQ, your own flagship, your own baby, and you hear some new trainee at the front desk just say or do something horrendous.

You are not going to stop caring, more than likely, it's probably your name still on the banner. So, you now in this situation, have all of the responsibility. It's your reputation, it's your equity tied up in there, but you do not have an equivalent amount or dose or ratio of authority.

You can't go in there and say, “Hey, we're doing this, you're out in this. You can't do this.” You have to call HR. You have to reach up the food chain, get permission, et cetera, et cetera.

However it is that has got to be structured, I believe that sellers docs need to understand and this needs to be built into the culture while they own the practice, everybody has an equivalent authority as they do responsibility. The ratio must be 1 to 1. Can't be 1 to 2, 0.5 to 1, can't be any of these things.

But back to the financial piece, as a result of the rise in the cost of capital and the hottest money having left dentistry, and some will disagree with that. Here's a very easy litmus test to know whether or not what I'm saying is true.

When I say the hottest money has left, I'm saying it's their money. It used to be true that private equity believed so much in dentistry that they would literally pay you 15 times, give you a check, and they own the practice. That is peak hot money, some cases up to 17 times for a general practice, just four and a half years ago.

What has changed? We're now going to give you 60%, 70%, meaning that we still believe in it, but don't quite believe in it enough to use our money.

And this is sold to us as saying, “Well, you'll have retained equity, you'll get 60% upfront. You'll get 20% in this flagship of yours and then 20% in the collective securitization of all these other practices.”

There are so many perils here, David, so many pitfalls. Not all of them are bad, it is the deals that need attention. We need to pay attention to how we agree to it. So, what has this got to do with the finances?

This is a buyout. And I can't tell you how often we hear the term, someone will say, “Oh, I've sold my practice.” And all it takes is a 30-second conversation to realize, no, you've become a tenant in your own home. You haven't sold anything, this is a buyout.

Now, this is not to say that we cannot negotiate with the right advocate. The buyout is the one that promises you 10 times, the sale is the one that promises you 5. Now, they can't promise you 10 times. They can't because it's in the future. I also have a fairly cynical interpretation of this that I'll share in a minute.

The issue here is that when I become a subordinate partner inside my own flagship, all of those things I talked about (the cultural incentives, the alignments, and so forth beyond the sale, the culture in the practice) — if somebody is buying you as in the money business, they measure success by money. And there's nothing bad about this, they're in the money business.

Their incentives are immediately misaligned with yours in terms of building cultural cohesion, paying attention to patient experience and so forth. We know this, because if they cared so much about that, they would've gone to dental school, they just don't.

So, coming back to this position that we find ourself in financially, the difference between a sale and a buyout is me saying to you, “Your house is worth reusing eight times.”

I'm hearing eight times for a general practice. It's thrown around a lot. As a sale, I would love somebody to show me an eight-time sale for a general practice in the last six months. I would love it. I can't wait to be wrong about this. I'm an advocate for docs. I would love that to be true. So, if you hear this, please prove me wrong.

And here's a definition, I'm buying a house for eight times. I'm going to give you $800,000 right now, it's my house. Instead, these are buyouts.

And that's the difference of me saying, “I'm going to pay you 800,000. You're going to make 800,000 for your house. But for now, I'm going to give you 500,000. And if you and the wife could just move into the back room, my wife and kids are going to move into the living room. We'll live here. And what we're going to do is over the next three to five years, give you 30% of your rent as credit to this 800,000 once if we find someone else to pay 800,000 for it.”

That is the difference between a sale and a buyout. A well-structured deal gives you all the benefits of the buyout, all of the benefits of the sale. This is critically important.

David Phelps: We've both known people who have entered into negotiations working on an LOI (letter of intent) with a buyer, typically on a buyout type of structure. And many times, they get so far down the track with it and just start to wear out, just burnout because it's back and forth, back and forth.

And I think you've helped some people not go that far and at the last moment, be really taken advantage of one more time because they're just tired and worn out and just want to get a deal done.

The carrot's been out there so long, and they just want that bite. And that's another danger. These negotiations, they are complex and complicated. And if you don't have an advocate, it's easy to let your guard down at the last moment and give in to some concessions that you really in the forefront don't want to do.

Alastair Macdonald: It's true. I call this the foot sweep. I've trained and taught Brazilian jiu-jitsu for 20 odd years, and there's a particular take down that makes you feel like you're flying which is a foot sweep.

It's a phenomenal technique, and it's got to hit you right when you least expect it. And this is what happens, we go to close, we've been going through this for six months. I've asked for your P&L, I just need one more revision of this and I noticed your health insurance costs a little more this month. We're going to cut back on your EBITDA, blah, blah …

And as we get too close (here comes the foot sweep), this moment when both of your feet are off the air as you are running to the close and they tap your ankle and you go flying.

And because you're so fatigued by the process of it and everything that's been asked of your accountants and book keepers and your team, the secrets you've had to keep to not have a run on the house, so to speak, of your team running to your competitor — you're so fatigued, you just say, “You know what, fine, let's do it.”

And in that moment, they increase their yield 10, 20% instantly. It only happens all the time. The difficulty, I think, and this is critical for everybody — what is the solution? What do we do? And I don't want to leave our conversation without a solution.

We have to position ourself in a way that somebody truly understands how this money works on the macro and has sat on both sides of the deals. So, I've certainly done that. I've put deals together and I've exited my own practice.

So, I'm a product of the product just as you are with real estate. You've been on both sides of those creative financing solutions, giving you a crystal-clear idea of the incentives on both sides, the pitfalls, the perils, et cetera.

In my case, anticipating hot money moving into the veterinary space, I bought a practice in 2015 that I sold six years later to private equity for 23 times what I paid for it, and there's nothing incredible about me.

But with a few simple tricks and understanding, language to use, specific insistence in the contracts, how you negotiate … we've got to remember the buyers of these. This is all they do, it's all they do all day, all week, all year. You will do it once.

How do you ever expect to get in the ring with Floyd Mayweather on your first fight? It's going to end badly and not for Mayweather. So, if we do this well, it'll change your life. You do it poorly, it'll change your life, both ways.

I think it's important, people need to really arm themselves and it's tough to do because everyone has a dog in the fight. A broker wants to see the deal go through. Right out of the gates, we could say that's great.

That's a neutral position to hold. In my experience, it kind of can't be because the incentive is to close.

David Phelps: Exactly.

Alastair Macdonald: Who's there to advocate for the seller?

David Phelps: Exactly right. Understanding incentives is so important because everybody has theirs. And as long as you understand what they are, then it gives you a better opportunity to navigate through the negotiations and the dynamics that are in front of you.

But if you don't, you may perceive that somebody has your best interest and to an extent they do. But to your point, a broker, attorneys who — everybody gets paid on the back end of closing a deal, and if a deal's going to get closed, you've got all this pressure.

People have been taking you down the road and looking at you now, “Well, come on, sign, let's complete this.” And at that point, they're not looking out for you. It's human nature, not putting anybody down here.

Alastair Macdonald: It's a beautiful example, and you're right, nobody's bad, no one's good, it's just we pursue self-interest. Everybody does this.

And the greatest example of this, oddly enough, is when you're buying a house and the deal looks like it's going to fall apart and the broker says, “Here, take a little bit of my feedback to make it easy.”

That is all you need to know about … and again, no one is bad, we're all taking care of ourselves and our clients and our families. We just have to ask ourselves, “How is this person being compensated?”

And it equally, to me, it's hard enough to sell a house in an era of Zillow where you're still giving 5, 6% up to a broker. This is something you've been paying into for 20 years, let alone a practice.

You've been working in it for 20, 25 years and you're going to give 7% of it away. Again, there's reasons why you would do that but that's a big, big incentive for somebody to get it closed.

David Phelps: I think the last thing I'll leave us with, and you can comment on this as well, Alastair, you mentioned you talked to D-4 students, who have this idea that they will get out into practice and plug in the associates and build this asset and exit within three to five years. And that's …

Alastair Macdonald: Beautifully, no one's thought of yet.

David Phelps: Exactly. And how many hardworking, entrepreneurial doctors do we know that have built something of real value. And yes, the burden of ownership is huge and there are so many different hurdles and challenges to navigate, notwithstanding just going through COVID the last couple years, and it's worn a lot of people down.

And I get that and I know you get that. On the other side, again, it's like the carrot, the private equity, the DSOs are hanging, saying, “We'll, take care of those things you don't like to do at all. Trust us, we've got you. And we'll give you this big multiple on a buyout, which has a lot in the backend that has to still be played out.”

And that's where I think the danger is again. And one thing that I know that you have shown a lot of people is that what you have, that business, that culture that you created with your hard work is not something that's going to be maintained, not even replicated by those who are wanting to play the money system, it’s just not going to happen.

If we as entrepreneurs wanting autonomy to begin with, as we set out from our education into the frontiers of our lives, that's what we really wanted. And is it easy? No, it's difficult.

But what took us to get to there is no different than what it takes us to maintain and resolve some of the issues that maybe we have put aside or become complacent about just because, well, we do get worn out.

There's ways to keep what you have is my point, without feeling like you have to make a sale or a buyout to somebody who says they're going to solve the problems, and yet those problems are still there.

Alastair Macdonald: They really are, and it's unfortunate part of it comes back to that same fatigue. One of the most common ways that this manifests itself is bringing in a partner just to get someone else to take some responsibility, get some skin in the game.

And that same fatigue, especially in a post-COVID world, drives docs to make profoundly dangerous decisions, where they bring on unqualified individuals who they believe making them an owner is implicitly making them qualified.

And there's a whole lot longer conversation, I know you and I could have about that, but it's the same phenomenon. The sense of fatigue and what happens? It's a lot like when you're really tired, you cannot trust your decision-making at that time. You need somebody else to say, “Hey, let me just catch you here, you're getting tired this is not the deal we agreed on or what have you.” Somebody that, as I said, advocates, they're hard to find.

So, the solution, in my opinion, what do we do? Well, I can only use myself as an example, which I would hope anyone advising anyone is an example of their own approach.

And that's certainly my hope is … well, it's two part. The first is that beautiful old Stephen Covey, build it with the end in mind. There is specific — there's language to use, there's terms to never use, there's things to ask for and not ask for.

There's timing of the delivery of requests and concessions. There are give-ups, there are requests, there's all of these things, very, very easy to learn once you know them, once you're taught them, it'll make perfect sense. And it is the antithesis of the standard.

For example, I'm getting to the end, and you can take the practice. You cannot signal weakness. It's a lot into the psychology of the negotiation that is actually fun. It's a way I teach that gamifies this process. You'll want to do it with everyone all the time.

You'll find yourself selling things to your husband and your wife and it's a fun thing to do. So, outside of that, then there's the specific deal structure that we have to be insistent on.

But working back from that, once we've got that in place, and I believe this is work that it is in everybody's interest to do. They learn how to start a practice, they learn how to get overhead right, but they don't ever think about what the exit looks like. The sooner you do it, the better you'll be at it like anything.

From there, we work back to the real magic that drives your EBITDA and makes you the most compelling sale on the block, which is build a business you wouldn't want to sell.

That's the solution. You wouldn't even want to. I believed in this so much. This is so much my philosophy, this is what drove me into the veterinary space, which everyone will say, “Oh, it's not like dentistry.”

Okay, you're right, it's not, your patients aren't allowed to bite you in the industry and it's a lot harder to hand a check to your patient in a vet practice than it is in a dental.

Of course, I learned dental practices as well, but moving into the veterinary space was hinged on the anticipation of hot money coming into it. This was in 2015. It worked out beautifully. But because I built the kind of business that I wouldn't need to sell, that was my goal.

It was so effective that in the last year and a half of my ownership, I owned it living in the Caribbean while the practice was in Arizona. And when that call came in and it came into my office in the Caribbean, and I spoke to the CEO of — there's a certain approach that I took to putting ourselves out there and so forth.

What they basically said, quite literally in the initial conversation, “We've looked at your numbers, there's practices doubled in size every 18 months. You've done it with zero marketing budget, blah, blah. And I'm speaking to you in the Caribbean. This is exactly the kind of business that we're interested in owning.”

Yes, of course it is. They're based in California. Of course, they're interested. So, what this does is it gives you a deep confidence and comfort and love for the actual thing you've built.

You are needless when it comes time to the sale, the most powerful position to be in. And simultaneously, you own the type of business that anyone would want to buy from you.

David Phelps: Beautifully said, this is such a crux move that people are looking at right now or looking at in the very near future.

Alastair, we're not going to leave them hanging here. I know you have and you've done successfully a number of trainings online that have provided your insights, your experience on a number of different fronts. And this is one right now that I know you're very passionate about.

Let's talk a little bit about what that looks like …

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Alastair Macdonald: Of course, I've been navigating these personally and then professionally since 2015. I've been in the investment business since 22 years ago, 24 actually. So, this is all very familiar to me; the flow of capital, both sides of the deals, I've advised private equity groups and I've built practices myself.

And I'm not a broker, meaning there's no incentive for me to get a sale. But once a year I run a six-week training called a Full Cycle Dentist. I've also taught this in other areas, full cycle entrepreneur, about understanding what building a complete full cycle business looks like.

The messaging, the cultural things, incentives during recessions versus boom times. You live by the sword, die by the sword, there's things to learn. And these six-week trainings I do once a year and a very small cadre because I'm in the relationship business, I'm not in the transaction.

I'd like to know exactly who I'm working with so that I can make specific tailored, customized recommendations for them. These courses sell out every year just because I only do one a year. It's a small group, I do it once a year.

What is animating me this year is I've done a little over a quarter of a billion in navigated negotiated exits over the last 12, 13 months. And what I'm seeing is deals getting basically worse and worse for docs over the last 18, 22 months. Going back to the rise in interest rates, it's all connected.

And I've moved from being a support for those that I work with to an advocate for this because I'm watching people discounting their entire lives work. And I love this. I also probably as a function of my childhood, love taking on bullies, and there's an aspect of some of these deals that really look like bullying, but the docs are so kind and so assume the best of so many people that they are ripe to be taken advantage of.

So consequently, starting on the first Friday in March, I'm actually going to be doing a six-week specific full cycle exit training. It'll be six weeks, the sessions will be live, they'll be recorded if individuals join us or not. Q&A, case studies, real-time examples of everything that somebody needs to know, and they do need to know it.

You may not need it next week, but it's in your future. These problems, even if you choose not to do a DSO exit, the same principles apply.

And so, I'm excited to do that. And I'll be opening that up here in the next few days. I have a number of people on the waiting list already, but very excited about this.

So, for those that this seems appropriate or relevant, they can find this opportunity, they can find me at sovereigndentist.com or otherwise, go directly to fullcycledentist.com.

Fullcycledentist.com has the rough outline of everything we've discussed here, the expectations, the investment and what it is that the experience will look like. Those are two best options, sovereigndentist.com and fullcycledentist.com.

David Phelps: Excellent. Well, I'm happy to support what you do because I know how valuable it has been for me and for many others. So, thank you again Alastair, for the conversation today.

Alastair Macdonald: I appreciate it. David. I always enjoy our conversations and you're a perfect example of an authentic, clear, and sovereign business owner leading yourself, and it's a pleasure to know you.

Full Cycle Business Exits - How to Navigate the Pitfalls - Alastair Macdonald: Ep #420

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