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## LESSONS FROM AN AESTHETIC PRACTICE SALE WITH DOMINIC MAZZONE & DR. STEVEN DAYAN

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David Mandell:

Hello, I'm David Mandell, host of the podcast. I'm very excited about today's guests, two very accomplished folks. We're working together now and I think there's a lot of you, physicians who are listening, who will learn about a subject that we've covered a couple times and with some attorneys and other folks, which is why folks are interested in M&A, and what's going on in the industry from consolidation point of view, and what are the pros and cons and things that should be thinking about if they are considering a transaction.

So, let me tell you first about the two guests and then we'll bring them on.

Dominic Mazzone started his first business at the age of 16. By the time he was 30, several other companies. He then took a hiatus from the entrepreneurial lifestyle to manage Fortune 500 companies for Bell Canada. He co-founded Regent Global Funds, a small commercial real estate lending fund out of Chicago and EMAX hosting where he became fully exposed to the web and became immersed in the world of digital strategy. This led to the creation of Smashbox Consulting. Shortly after, he co-founded Basic Funerals, the first internet funeral company. Someday we'll do a whole another podcast about that. Dominic went on to four MedSpa partners, MSP, in collaboration with Persistence Capital. Since then, as CEO, Dominic has grown MSP to one of the largest medical aesthetic platforms in North America. We'll be talking about this. He is the author of Digital or Death. I like that title. He is a featured speaker, teacher, coach and has been engaged by many organizations such as Deutsche Telekom, European School Business Management Institute, et cetera. So that is Dominic.

Dr. Steven Dayan is a facial plastic surgeon in Chicago, professor, a researcher who has published over 110 articles in medical journals and five books. He's a New York Times and USA Today bestselling author. He's an AMA Foundation Leadership award winner and recognizes top doc by a number of organizations. He's a founder of a medical research company, a medical marketing company, a skin training center, a medical educational center, certainly what we would call a doctrepneur. And he remains on the cutting edge of aesthetic products thinking and education. He's a member of ASAPS, AAP, FRS, ASDS and has physicians in some of those organizations. He's also the current co-editor of Modern Aesthetic Magazine. He teaches a popular undergraduate course, The Science of Beauty and its impact on culture and business. That is Best Selling books, Subliminally Exposed, it's based and I have thumbed through that book. My wife read it. We both thought it was really interesting. He also used to run a one day Mastering the Business of Aesthetics course about 10 years ago, maybe more. We were trying to figure that out before we started recording and I was a speaker in that course. So, we've known each other for at least 10 years. So, with that, Dominic and Steven, welcome to the program.



Dominic Mazzone:

Thank you.

Steven Dayan:

Thank you.

David Mandell:

And we will link to their fuller bio in the show notes. Obviously, these guys have done a lot of great things. So, let's first step back and then we'll get to the present. And as we step back, I want to learn and have the audience learn a little bit more about the two of you.

So, Dominic, let's start with you. Obviously from the bio, a lot of entrepreneurship, you got it in your blood. So, how did that happen? Tell us where you grew up and kind of your story as you came into business.

Dominic Mazzone:

Yeah, sure thing. And before I start then I was feeling pretty good about my bio and then you listed Steve's bio and now I feel inferior. So, let me see if I can pump this up best I can. Yeah, so I started my first business at 16 living in San Diego. Originally from Chicago, but at that time the folks moved us out to the coast. So, at 16, I started a car detailing business, which was a great experience in both starting a business, running a business, promoting a business. I was also my first business partner, who was my best friend, who was way more interested in chasing girls than he was putting flyers on cars to get more business. So, it was a great experience. From there, gosh did so many different things.

By 17, I was promoting American bands in Tijuana, Mexico. That's a whole another podcast show and lots of stories. But yeah, have always had the entrepreneurial bug. It did absolutely come from my parents. My parents were both just incredibly hardworking people that started their own businesses and just pushed, pushed, pushed. And really have been fortunate in my life to have the opportunity to both have a lot of success and a lot of failure with the businesses that I've started because my favorite line is experience is what you get when you don't get what you want. And I would say that's what happens for anybody that's had a business that's failed, is that you will get that experience. And if you keep pushing on, it does lead to something else.

But I also got some corporate polish in telecom, WorldCom out of Chicago and then Bell up in Canada. And I like that I got a chance to work in a large corporation. I like that I had the opportunity to see how it all runs when you have an organization that's larger than, say, 50 or a hundred people. I was able to see what kind of CEO I didn't want to be and also the kind of CEO I wanted to be. So, I've been really fortunate that way.

And then all the experiences you mentioned, the first internet funeral business, gosh, we made a lot of people happy and a lot of people in the industry mad with that one, which was a lot of fun. And a lot of



experience through consulting has led me to come up with this idea for a medical aesthetics consolidation and the launch of it and took two plus years to kind of put this whole thing together with a lot of people saying no, a lot of people telling me that it was an absolute impossibility, you cannot do it. That was both doctors telling me that, private equity funds telling me that. And really just continued to push and push and push until we got to a point where it was just going to happen.

And I found a great financial sponsor who believed in not only myself, but really believed in the idea that consolidation of medical aesthetics creates an environment where you can actually provide better patient experience than inferior patient experience. I think there's a lot of folks out there and you see a lot of articles that really try to latch on to say that consolidation in healthcare is a bad thing. Well, I can tell you firsthand that for us, it's all about Michelin star patient experience and I would say that we're probably considerably more compliant than your typical mom and pop shop, which is providing a lot safer environment for the patient.

David Mandell:

And that makes sense. I mean, one of the things as you mentioned the entrepreneur life of there's got to be some failures in there, I was looking for the quote but I couldn't find it. But it basically was what leaders need to be is experienced and experience means you failed at some point. That was basically the essence of it. At some point, I'll find the quote and put it in the show notes, but that was the essence of it. And those of us who have done multiple businesses know that you learn from those things and you learn a lot better than from the winds because you realize some things that you won't do again.

And we'll come back to, I do like your point, that consolidation and systemization can actually give a better patient experience. I think it can raise the floor a bit and raise the bar as well, right? Because we know all the way back to Model T Fords that if you are going to systematize, you can take out some of risks and take out some mistakes. It doesn't mean there isn't and I'm sure Steven will talk to us when we get there, still allows for a lot of autonomy for the physician. But you can, in terms of processes in a practice or business processes, you can raise the floor. Well, there's a lot of variability when you got 10 different people doing 10 different things. But I want to come back to that.

So, Steven, let's talk about you. Where did you grow up? What got you interested in medicine way back then and into aesthetics before you even came to the idea of what you're doing now? Try to go back into the time machine and tell folks where you came from that way.

Steven Dayan:

Well, I'll try to be brief cause I really want to get to some of the nuts and bolts of this conversation. But I think it is important to start where I came from. I'm a son of immigrant parents, first generation American. My dad grew up on the streets of Morocco and him and all his brothers, and they learned by living on the streets. And truthfully, I think the best business experience I've ever had or business training I've ever had comes from listening to them. None of them were educated by formal education. I don't even think my dad finished high school and I learned so much from them. And I think that's the



school of hard knocks is the best school. Having said that, being a first generation American, we were all kind of pre-programmed to be doctors, I think, before we were even born. So, I was kind of put on that track, I guess. But I loved it.

I was a poor student in high school, turned it on in college, and it got super driven and motivated and I wanted to be a neurosurgeon. I mean, I loved it. I couldn't think of anything bigger, going from a high school almost dropout to a neurosurgery was the ultimate pinnacle. So, I set my sights on that. Was finishing up medical school, was number one in my class in medical school. Could pick any residency program I wanted.

So, there was a guy in the community, a doctoring community, who I respected so much. He had a huge house in the suburbs, a pool, a great practice, and a beautiful daughter. And I was convinced I was going to get his practice, his house, his car, and marry his daughter. It was all worked out. I planned it out. So, I'm graduating from medical school, I call him up and let's keep his name under wraps here. So, we'll come up with another name. Dr. Jones, I'm graduating from medical school. I'm number one in my class, I'm going into neurosurgery. Can you give me some advice? He said, don't do it. Don't do it? I'm like, I want to be a neurosurgeon. It's like, can you imagine being a neuro? Anyways, he says don't do it. He convinced me to go do something else more genuinely or more favorable or more nice where the people are wonderful. I said, okay.

So, I decided I want to be a surgeon and plastics was something that I really wanted to do. And plastics was, I was an artist so I went the plastics route. And I couldn't be more thrilled that I went that route. And I think plastics is one of the last fields, perhaps the last field of medicine, where patients choose you because of who you are and not because some insurance plan puts them on there. So, I really like that opportunity.

David Mandell:

Yes. And that's a very good point. And that gets into another other topics we would talk maybe at another time, about branding and how you get your name out there and you drive patient demand, but that's for another time. And I do want to focus because I try to keep these to 30 minutes because physicians are busy and they don't have that much time to maybe they do it on their commute or on their workouts.

So, you had a very successful practice. I've known you for 10 years. The bio, people can tell you were doing a lot of things in addition to seeing patients. You have the entrepreneur gene in you as well. But just tell us an overview of your practice as you're speaking to other physicians. And then when did you start to get on your radar that there might be a possible fit in doing a deal somewhere, even if you didn't know what that was going to be?

Steven Dayan:

So great question. I think it's really important that we go through this in rather detail. I started out plastics in a boutiquey practice in a time period where people weren't... I went straight to cosmetic. I didn't ever do anything other than cosmetic and I was trained in ENT as well. So, I didn't do any ENT, straight cosmetic and decided to take no insurance from the get go. So, I was willing to starve for a while



and built a boutique practice and grew incredibly fast at a crazy clip before there were social media. And I was really fortunate and lucky.

So, I separated my practice into multiple divisions. Research, each one's a long story, but I want to get into it right now. But research is a big part of what I've been doing. I wasn't necessarily so excited about research that I had to be a researcher. It fit well. I got laser devices. I got the latest and greatest. Being intensely curious, brought in lasers. It wasn't a huge money-making portion of my practice for many years, but it put me on a trajectory to become one of the experts in the country, in the world, on new, latest and greatest devices and treatments. So, I did research. I started a training program for estheticians because truthfully, estheticians were gatekeepers and they were sending me lots of patients. And I'm like, okay, so I'll start teaching them. So, I started teaching in my office and then that grew like crazy.

Then I started a marketing company because I wasn't going to the emergency rooms to sew up ladies and kids in the middle of the night because that's how we were told to grow our practices. I just went straight out and started doing what I call "guerilla" marketing and it worked. And people started asking me for my materials. So, I started a marketing company. So, I've been very entrepreneurial when things were working. And it was up to about 40 or so people in my office. And my practice is facial plastics. I do a hundred percent upper above the clavicles, but we do a lot of laser devices in other parts of the body. I have, right now, three other physicians I work with. We have three other injectors, a whole host of estheticians. And we're probably about a staff around 30 right now. And so, it's been going on for years now.

Where did I decide to maybe consider consolidation? It's a big, big, big decision. And I stress that a lot of us think about this and I'm getting calls now daily from colleagues, thinking about it. For years, dermatology consolidated. Even before that, there was internal medicine. There were dentistry. And it was always

David Mandell:

Pain management, we saw that a lot, pain first in our practice. Ophthalmology too, yes. But go ahead.

Steven Dayan:

And everyone said aesthetics will never consolidate. It just doesn't make sense. It's not going to work. It's not going to work. So, I thought, okay, well it doesn't work. And for a lot of reasons, it doesn't seem to work because if you have one solo practitioner, why is someone going to buy that and that sole practitioner breaks his arm or gets hit by a bus, what's going to happen? It's not a good business deal for a consolidator or a group that wants to put together a bunch of physicians. But I have a practice that's over 50% non-surgical. And I have other people who are doing treatments.

So, my practice is a little bit unique and different than some of the other plastics practices. I teamed up with the dermatology group and we do research and we've collaborated on research. They were going to market. So, I got tagged on along with them. I worked out a deal with them that if they sell, I'll join



them in the sale. So, that's where I first got introduced to this concept. That was about five years ago. Since then, I've kind of kept my ear to the ground so to speak and listening and there's been more and more buzz. I will tell you, I've signed four letter of intents.

David Mandell:

Wow.

Steven Dayan:

Well, the fourth one I signed was with Dominic in MSP. So, I signed three prior to that. So, I did go down the road before. And to Dominic's point and your point earlier, a lot of failures leads to a lot of good experience in learning. And after going through this three times, I learned where I was best and where it wasn't. Ten years ago, my practice was zero. I was told my practices worth nothing. All of a sudden now you tell me five years later or seven years later, my practice is worth X multiple of my earnings. I couldn't believe that. So, I was interested.

Now why did I decide to go down this route? That's a long story. But the bottom line comes down to as a physician today, it's nearly impossible to run the back office, to run the regulatory, labor. All these laws and regulations and issues were taking up so much of my time that I couldn't do what I love to do the most. So, to bring someone in who can manage all that is hugely valuable. It's a reason why 70% of all doctors now are employed. And it's kind of sad.

When I came into practice 22 years ago, it was 25% of doctors were employed. Now it's 70%. And a lot of this is based on the way the country's going, but a lot of it's just gotten so hard to run your own practice. Day to day business is very difficult in medicine.

David Mandell:

Those are comments I've heard before. And I do want to mention, you did share with me a draft of an article that's not out yet. But by the time this airs, it may be. If it is, I will link to it. But you put some good thoughts in there to other physicians, hey this is why I thought about it. This is the things I learned. This is what you should be thinking about, et cetera.

Find it really interesting that you had three LOIs before. That means you really went down the road. I mean, you were dating. I mean, you didn't get married, but you were pretty close. Might not have the date at the altar yet, but I'm sure you learned some things along with your attorney to say, if it's not in there, and we had an attorney on this podcast in season two. And he basically just talked about LOIs. People think it's not important because it's not the final deal. But he said, a lot of that stuff, you want it in there because it's going to frame the deal. And yes, you can stick other things in but it's not so easy, major points. You want to get it out there because you might be able to learn at that point that it isn't a fit, right? And why keep going down the whole due diligence if you can save yourself three months and all the expenses and all of that. I imagine that was a bit of your experience with that.

Steven Dayan:



So, I do want to touch on this because I think it's super important.

David Mandell:

Yeah, I want you to.

Steven Dayan:

And the LOI, as physicians, we don't really know this stuff. It's not our wheelhouse. It's not our expertise. You got to get an attorney, critically important, who knows mergers and acquisitions. You cannot do this on your own. I get 10 contracts a week. Most of them, they're small and I'm okay with it. But this, you need someone who's an expert, who knows what they're doing.

LOI is critically important and you got to know what you want, but you don't even know what you want. So, talk to other friends and colleagues that have done this. Now of the three LOIs I was in, the one, the last one before I signed the one with Dominic was I was close. I was at the altar and I was in a non-shop clause. So, I couldn't shop while I was doing that.

Now I heard of Dominic because there were friends of mine in Canada who talked to me about MSP and his group and they were real favorable on it. But I was in a no shop, so didn't go there. I was going through my negotiations and it was getting intense and it always gets intense. So, that's part of it. You have to recognize, that's part of it. But I always believe that a contract and a deal is only as good as a two people consummated who shake their hands. You can always work things out if you like the people and you get along. The group that I was in was at the altar, I was about to sign with. I was so close. They were starting to get really squirrely at the end. They were starting to demand things. And I was like, this doesn't feel right. It doesn't feel right.

Our no shop clause expired. And I said to them, if we don't sign this by the time the no shop clause expires, I'm going to shop. And they were getting tough on me and trying to say, well, you got to sign now. And no shop clause expired. I called Dominic, I said, do you have a moment to chat? And I said, can you match this? He goes, I'll beat it. I'm like, you will? And he did. And not only that, more importantly, the more I started chatting with him, I was like, oh my gosh, it's such a better fit. It's such a better fit. And we all know that feeling. It's dating, basically. It feels right. I went back to that group I almost signed with, I said, sorry, I'm moving on. They go, what, after six months of negotiation, you're moving on? I said, yeah, I'm moving on. They go, you can't. I go, I am. Their senior executives called me. I had a fire alarms going off. They offered me more money, more things than I was getting now. But I already made the deal with Dominic and it felt so good.

I'm like, that's when you realize it's not about money. I mean, it's about money, but it's one component of the deal. And you got to be super careful there because doctors and anyone get so blinded by oh my gosh, these big dollars. You got to recognize the whole deal is more important than just that one number.

David Mandell:



For sure. I mean, like I said, we've had some other folks. This is why it's so valuable to talk to you guys who are in it. But we've had investment banker on and what he said was... because it's how these practices find deals and shop around. You got to think about day two. Day one is when you get the check, but day two you got to go into work. And what's that going to be like day two and day three? Are you going to be happy that you're working with these people?

And we had an orthopedic practice on that did a deal two years ago and then they had to negotiate covid through that, right? And it's like, were they on the same page? Were they doing the right thing for the patients? Did the doctors feel like this private equity firm was just looking at the bottom line? When push came to shove during something nobody expected, ie Covid, were they there to help them support their patients? And in that case, they did feel that way.

So, Dominic, let's get back to you. And this is a question maybe that Steven will answer too, but it sort of gets to where we were just saying. There are lots of platforms out there. Should I just take the largest dollar? I mean, isn't that it? Isn't it kind of commodity and so let's just get the best multiple I can? Why would you, as an executive, think differently?

Dominic Mazzone:

Yeah, so just these all kind of dovetail into each other. But to what Steve is saying and what you said is that we like to say is that there's the quantitative aspect of fit and then there's the qualitative aspect of fit. And what I am seeing out there is you have groups out there that are out there and they're being competitive and they're being competitive with the dollars, but they're not being competitive with what your life is going to actually look like after close. There's absolutely no competition there when you have a group that has no management company in place, have no structure in place, no process and they don't give a damn. What they're trying to do is collect locations. And you don't want to be one of those locations that's just being collected. What we try to do is be a little bit different in the sense of... well, we try to feel a lot different, which is first things first.

The question that everybody's a little bit surprised that I ask in usually a first conversation is can you describe to me what you want your work life to look like six months after close? And most people honestly say, I haven't thought about that. And that's totally fair because it's not something you're thinking about all the time. And so, what I usually say at that point is, look, I like you to just take some time on that. We're going to come back to it. But that is one of the most important things because we want to make sure that we can actually meet those expectations.

The other thing is for us, we're called MedSpa Partners because it's partners. All of our selling physicians are partners in our mothership. And that is a really important aspect of what we do because we end up being in a situation where you want everybody to be running in the same direction and to care. And the thing is, when you're the one that's actually taking all the financial gain, it's hard to get people to care about the platform itself.

Steve can walk in front of all our clinics and go, I actually want a piece of that or I want a piece of that. And that feels good. And what that happen, it really kind of causes people to want to share, to want to give their best practices, to want to make sure that everybody succeeds. So, that portion of it, that fit portion is really important.





The other parts that are really important is streamlining. Nobody sells their business because they want more work to do. People are selling their practice because they want to be in a position to say, I don't need to have the responsibility for these things that I don't want to do, like accounting and bookkeeping. Steve mentioned the HR and HR is massive, these kind of things.

And so, from an earnings perspective, we're the largest platform in North America. There's people that can boast more locations, but we really focus on the best locations and the best doctors and the best clinic teams. And because of that, we have very large practices. And for us, it's about putting everybody in a situation where they can do their job better because we have a massive management company that's taking on all of this stuff that nobody wants to do and doing it in a way that already has standard operating procedures, already has answers for that, has an entire procurement department, has a marketing engine, has all these different things.

I know personally of platforms that are out there collecting, collecting, collecting, that have not done any integration yet. And they've been at it for over a year and with no integration. I don't know how they do it. It's tough. But I know it would add a lot of pressure and stress on the clinic itself in a post close. So, there are big differences.

Going back to your original question between platforms, one size is not fits all. I just want to make one more thing really clear. We're not a private equity. We're a company that was formed for the sole purpose of being a medical aesthetics platform. We have a financial sponsor. That financial sponsor is just supplying the dollars. They're not supplying the decision making. They're not telling our doctors how to practice. They're not telling them what to inject. They're not doing any of those things. They're our financial sponsor. And we have an amazing financial sponsor that is provided us the opportunity to go out and focus on the business without having to focus on the capital and the credit. That's their job. Our job is to run a business. So, we are a business. We will always be in existence. Where our financial sponsor is in the future makes no difference to actually how we run the business.

David Mandell:

Yeah. I was writing that down as you were speaking. I was saying operator versus investment firm. And so, you're coming at it from, obviously there's a financial firm that you're partnered up with to provide capital so you can make acquisitions and all of that. But I'm not an expert, but I think there are firms that are really more aggregators in a financial point of view and they're probably like what you're saying, kind of learning the operation and they haven't really put some of the synergies in place. It's part of their plan, but they may have executed on that.

Dominic Mazzone:

That's a really great point, David. I like what you said, operator versus investment firm. For me, I founded this. I love this. I live it. I breathe it. I'm not a hired gun who's been brought into to do this. This is for all intent and purposes, my baby, and I love it and I love the people that are part of it because we all built it together. So, it may sound like kumbaya, it just happens to be kind of like that because we are all literally partners together. And this thing was started from scratch in a rented board room with three or four people... sorry, it was actually four people around a table, three besides me. And we're now at



our third birthday. We went from zero clinics to 30 clinics and we're the largest in North America. And we have now well over 500 employees, but it's still a family. And that is probably the biggest difference of all.

Steven Dayan:

Can I mention a couple things, David?

David Mandell:

Yeah, yeah. Yeah, absolutely.

Steven Dayan:

I was at a conference this weekend and I ran into another one, the MSP board members, and we were just elated to see each other. It was great to see her. And then we were talking to another guy in the group who is a dermatologist who's disgruntled or unhappy with his relationship with his private equity group or consolidator or platform he's in. And he was just really upset about it. And we were chatting back and forth. And as I'm listening to him, I'm seeing the things that are wrong with his platform and why it's not working. And people sitting on the table, they can get the impression all platforms are bad or all consolidation groups are bad. No, if you're with the right group, it's like anything else. If you join the right group, if you get into the right partnership, it could be fruitful and wonderful.

So, there's certain key things you have to look for as a physician. You got to check the boxes and a few key things. I mean, yes, it's got to be a right fit, but one of them that I thought MSP put forward that was important to me and now I realize it's even more important than I thought that I'm part of it is the board of directors, who's on it. Are there physicians on that board of directors? Are there physicians that you like that have experience in the same field as you? It makes a big difference. But there's some board of director physician who's a bureaucrat, who's been constantly involved in academics and that's not your practice. Well, they're not going to be thinking the way you're thinking. But when you have on the board of directors, physicians who are like you, who think like you, who have the same pressures and aspirations as you, it's all the difference in the world. And MSP never makes a decision without saying, what does our board of directors? What do the other physicians think? They run it through everyone. And I thought that was really important.

The second point I wanted say that I thought was really important about MSP, which differentiates it from a lot of the other ones, and one of the reasons why I went with it, was they didn't come in here and say, okay Steve, you're going to be an MSP physician, so put on the hat and put on the shirt and change the boards, change the title above your door, make sure you're MSP physician. Other groups were saying that to me, you got to be an MSP physician or you got to be a physician of this group and they want you to-

David Mandell:

Yeah, X, Y, Z.



Steven Dayan:

... adopt their name right away. I'm like, no, I'm Steve Dayan. I spent 22 years building my practice. I want my name. This be said, keep your name. And those were two really important issues to me. I think that everyone should check that box.

David Mandell:

Those are great points. Especially on the board, I hadn't thought about that before. I hadn't heard that before so I really appreciate that one. So, I've got a couple more questions. I want to stay on time. Again, we could sit here for a long time.

So, Dominic, question for you. When you're looking at a practice, what are some factors other than the EBITDA, other than the financials? The first thing doc's going to learn, they've heard this on this podcast bunch of times is they're going to say, oh, EBITDA, what's that? And then they're going to learn, okay, that's fine. And there's all that you want to make your practice financially as solid, but we've talked about that before. So, what are some maybe qualitative or other factors that you look for beyond just earnings to say, hey, this is attractive or this is something that is at turnoff?

Dominic Mazzone:

Yeah, it's a great question and I think some will be obvious and some not as obvious. For us, and Steve kind of touched on this a little bit earlier on, which is when you're selling your practice, you have to understand what you're selling is a revenue stream. And the predictability of that revenue stream is a big part of what someone's going to pay for it.

And when it comes to buying a practice, everybody wants to make sure that that revenue stream continues. Well, how does that happen? It happens because you have diversification from the treatment providers, which means it's not a single doc. It's not a single injector. We still buy practices that are single doc, single injectors, but it's always with the intention that is mutual, that we were going to bring other providers in to add some diversification. So, that's a big one. That's really important.

David Mandell:

Okay.

Dominic Mazzone:

The second one is, have they been experiencing growth? Is there growth? We're in an industry, fortunately, that continues to grow and grow and grow. And when you see a practice that is either not growing or not growing at the same clip, that tends to start bringing up questions.

Third thing for us is, is the doctor somebody that people want to follow? Meaning, are they good? I remember when I was advising on an orthodontics roll up, I saw doctors potentially that were just not positive people in their practice. And really, there was no way to fix that practice. There's no way to fix a practice when you have a negative leader. And that is so important to us because we've walked away from transactions. We went, nope, this is not going to work.



And with that, coupled with that is, will it be a good partner? Is this someone that understands what the overall vision is and are they going to end up being a good partner? Are they going to just want to fight us on every single thing for the sake of fighting? Because it's there.

Steve mentioned something else was really important, is for us, we're not a one size fits all model. Right now, David, we have 30 clinics. I would tell you that we have 22 different business models at this point. And they all thrive and they all work in their own way. And because the way we're set up, we're able to accommodate that. The thing we look for when we look for new practices is what is their thing? What is that special thing that is making this practice great? Is it the patient care? Is it the treatments are fantastic? Is it the general vibe of the clinic? People want to be there. That's really important.

Clinic manager for us is so important. Is there a clinic manager? Are they great? And or does the doctor feel that, hey, I don't have a clinic manager, so yes, let's bring in a clinic manager. Or yes, we have a clinic manager, but we could probably do better or they can be better trained. Those kind of things are really important to us. So, I'm giving you kind of the main things. And if you notice everything I've talked about, the majority of what I talked about was the people.

David Mandell:

People, yeah.

Dominic Mazzone:

It's the people, right? Even as the EBITDA. The business is the business, location is the location. We have locations that are big cities. We have locations that are in rural places, but it's about the people. Can you work with the people? So, that's the thing I want to stress most.

David Mandell:

Yeah. And I've said this before on this program many times, but in our business, the wealth management space, there's a lot of roll up. There's a lot of private equity firms, et cetera, right? And we haven't gone there yet. It's possible in the future that we might, but when I'm at conferences in our business, and I'm hearing the same things. Because there's a lot of good firms out there, you want to be in business with the people you want to be in business with. Because ultimately, again, three months, six months, 12 months down the line, that's going to be most important, who you're dealing with, who you're working with.

Dominic Mazzone:

Can I say one more thing?

David Mandell:

Yeah, one more thing and then I'm going to Steve, the last word. I have a last question for him.

Dominic Mazzone:



Yeah, not a problem. I think what's critical that nobody is talking about is that medical aesthetics is so different from the other consolidations in healthcare. This is not dental. Dental, your patients need you. They have to walk in the door. They have something that is required and they have to get it handled. In medical aesthetics, we have to fight for our patients. And to do that, it's a very different mindset from a perspective of care, from a perspective of what is a real patient experience.

And I've seen this before, you have platforms that have backing from a private equity fund that has a dental roll up or a veterinarian roll up or these kind of things, they tend to come at it with a bit of a hard hammer because they don't really understand how different this business really is. Us, we are a pure medical aesthetics platform. It's the only thing we do. And I think it is a very different perspective. So, I just want people to keep that in mind when looking at platforms and looking at what makes sense and talking to your dentist friends who are telling you their experience. This is completely different.

David Mandell:

Or ophthalmology or any other orthopedics, et cetera. My experience, when I get my shoulder worked on, I want it to be positive, but it's not as important because I'm not going to tell 10 friends who all by the way have shoulder issues. I don't have 10 friends who all have the same shoulder, but I might have 10 friends who all want to do something cosmetic at some point. So, reputation, word of mouth, all those kinds of things, crucial.

Okay, Steven, last question for you. And it's broad and you can go anywhere with it. I mean, you mentioned already some important things. But if I was calling and I was a doc and I had five minutes of your time, what should I be thinking about if I'm considering a transaction?

Steven Dayan:

Oh God, it's so much. And the article I wrote, I think, goes further detail. We are going to go first into that. We'll link to that. But first and foremost, it's got to be a right fit. And it's just important. It's like a marriage or it's like, can you work with this person for the next X amount of years? And that's the first thing. You have to make sure that you short up.

And you mentioned EBITDA, a lot of doctors don't understand what that means, but you've got to get your financial house in order. So, if you're thinking about going down this route, start looking at that now. You also have to make sure and think about this. Do you have another revenue stream? If you're 50% or more of your revenue or more than 50% your revenue, you might want to start looking to expand your practice to bring in other things before you even start going down this road. It's going to serve you better in the negotiations. Get a good accountant who understands this and a good lawyer. So, all those things beforehand.

Then once you start talking to the groups, I would say make sure it's a good fit. Talk to your friends who are in the group, critical. And doctors, they have this wonderful way. We speak our own language and we all know it. We know how to say something to someone and we get a message across regardless of how we say it. We know how to speak the same language. Talk to your friends in the group. They'll give you the details. They'll be honest with you. We're really good about that. So, I would suggest doing that. I did that and made a big difference for me.



And then make sure that, and then there's some minor points, which I mentioned earlier, like the branding and your schedule. How's that going to change? How many years do you have to give them? Then there's how much do you have to roll in versus how much equity, how much cash you get? And then when do you get paid out and earn announcements, and that's all negotiable, different factors that are vary on each practice.

Anyone wants to call me, I'm happy to talk with them about these things and give them some advice. I've been down this road multiple times. I feel really comfortable with it. But it's got to be a good fit ultimately.

And also, the group has got to be successful. I had a lot of people call me up, oh, let's put together a group, or this is a startup group. Those things go under so fast and so quickly. It's not that simple. MSP's been around three years and they've got an infrastructure. You want some infrastructure, but you don't want too much infrastructure where you're just a cog in a wheel.

David Mandell:

Yeah, yeah, it's a balance. But those are all good points. And yes, if you know, docs, I mean, first of all, your first point echoes exactly what some of the investment bankers et cetera said, which is before you even consider it, get your house in order. And that means a bunch of things. So, what you're saying is something, hopefully, that our listeners heard before, and you're confirming that. And getting the good advisors, you want to go. I mean, now you could be an advisor. I mean, see if you could be the M&A attorney almost.

Steven Dayan:

There you go.

David Mandell:

I've got four LOIs. You got another job. But for most of us, it might be the first from many of the docs that are going to have one or two they're looking at. And they got to get good advice, someone who's done it before, not just an attorney, not just your typical healthcare attorney, someone who does M&A. That's really crucial, right?

Steven Dayan:

Yes.

David Mandell:

Well guys, thank you so much for your time. I know you're both super busy. I really appreciate it. And we will put links, as I said in the show notes, to their bios and where you can learn more about them.



If you're in the cosmetic space and you're listening and you're thinking about this, feel free to reach out to them. We'll put their contact info in that article if it's a published that Steven recently wrote. So, guys, thanks again for being on.

Dominic Mazzone:

Thank you for having us.

David Mandell:

So, for all the listeners, as you know, every two weeks, we'll have another episode. If you're a physician or someone in the industry who thinks you have something interesting to say and maybe a topic we haven't hit on before, feel free to email me. Always looking for new guests and let your colleagues and friends know. Every two weeks, we'll be on and all the usual channels. So, thanks for listening.