

Ask the Expert

Todd Nickerson

Chief Development Officer

Rock Dental Brands





There is a DSO out there for everybody, for sure. It depends on what your desires, and needs, and wants are, first, and foremost. Then you say, "Okay, how do I fit that in with a certain group?"

Rock is not a cookie cutter type of organization.

In this episode, Dustin speaks with Todd Nickerson, Chief Development Officer at Rock Dental Brands, about private equity updates, practice valuations, finding the right partner and the future of orthodontics and group practices.

Listeners will learn the best ways to boost EBITDA, how to accurately assess payroll if your spouse works in the practice, the best-size practice for private equity and a big myth about how large a practice needs to be before joining a DSO or OSO.

Todd reviews the current headwinds and trends in private-equity backed deals and how listeners can best position their practices for growth and success, regardless if they have any interest in joining one of these groups or not.

If you are curious about What's New in Private Equity for 2023, please join us in Orlando for a fun evening where you can meet with Todd and Dr. Mark Dake, co-founder of Rock Dental Brands. Visit events.burlesonseminars.com/rock-dental-orlando to learn more and secure your seats with a fully-refundable seat deposit.

Dustin Burleson:

Hey everyone, it's Dustin Burleson. I'm so honored to have Todd Nickerson here from Rock Dental Brands. Todd, welcome to the show.

Todd Nickerson:

Good to see you, Dr. Burleson, as always, my friend.

Dustin Burleson:

Yeah. Tell us your backstory, I know probably, there's a bio somewhere on the website, but everyone wants to know right now in 2023, at the time of this interview, what's new in private equity? You've been there and done that, can you share with the listeners, or our viewers, where you've been, and where you're headed?

Todd Nickerson:

Yeah, for sure. I can't believe I'm going to say this, but this is my 25th year in dentistry. I started fresh out of school, selling Ormco brackets with Ormco, and helped launching the first Damon bracket, and so, got to work with Dwight Damon and I just fell in love with orthodontists, and the engineering, and all the torques and angulations. I was kind of a nerd school engineer guy, and lucked into it back in the day.

And so, from that I really just kind of progressed through the traditional sales representatives of selling brackets, and wires, and aligners, and those type of things, and eventually got hooked up with a private equity orthodontic group, which really started my foray into that.

And then really launched into a bigger platform of a company called Smile Source, which was an independent franchise dentistry that was private equity owned. And that led me to an oral surgery platform that we had tremendous success with, as well, and that has brought me here to another orthodontic platform with Rock Dental Brands.

So, this will be my fifth private equity company within the dental space. So, exciting times. And I think there are certainly pros and cons to everything that we do in this world, and I think I want to make sure people understand the wonderful things that this type of opportunity affords them, as you well know, and I look forward to sharing that with you.

Dustin Burleson:

Yeah. So for anyone who's new to our world at Burleson Seminars, most of our docs know that we partnered up with Rock Dental Brands in 2021. And what I liked about your group is that the transparency you guys shared with us. It reminds me, our first real estate deal we did, I had a friend that pulled me aside and said, "Listen, here's how this works. You can ask for this over here, but we're going to take it back here."

Todd Nickerson:

That's right.

Dustin Burleson:

So what I learned very quickly is the best partnerships are win-win. And we obviously... I'm biased, I have wonderful things to say about Rock Dental Brands, but maybe walk

the viewer through, who's trying to figure out... It's just so funny to watch orthodontists get so excited about EBITDA, and multiples, and all these things. I just zoom way out, and say, what is private equity's role in healthcare? How can this be better for doctors? This is kind of where I always start. What would you say to someone who says, how's this going to help me as the doc?

Todd Nickerson:

Man, well, that's a long answer. I think I probably want to start with your first comment about EBITDA, right? I know when I first started talking the term EBITDA to doctors 10 years ago, you would've thought they were talking to me about pulpectomy or something. That was foreign.

And that's what any good partnership is, to your point, the puts and takes, and what can a good partner in this do? And I think I always get on you when you say the word, "I sold my practice." We really did. I mean, there's a financial transaction, but we're partners in this right now. This is a partnership, and I think that's the first step that anybody wants to look for.

There is a DSO out there for everybody, for sure. It depends on what your desires, and needs, and wants are, first, and foremost yourself. And then you say, "Okay, how do I go fit that in with a certain group?" Rock is not a cookie cutter type of organization. Everybody's got their hot buttons, and what they like, and what they want to do. Some want to practice a couple years, and transition out. Some want to take the burden off of their practice, and just focus on the clinical, and some just want to be

partners, and continue to grow, and use some of the capital that private equity can do to expand their brand, and go build some new practices, and help with recruiting.

And so, the first part about EBITDA though, I was laughing to myself, because our CFO just has a very simple quote to that is, "It's just math." There is no secret science to how this thing works. EBITDA is just math. So, there are puts and takes, and it comes from left pocket to right pocket. The profitability of your practice is the profitability of your practice. You can do all kind of funny things with it, but ultimately it's just math. And so, when I talk to people, even some of your clients that are outside of our market, and I'm giving them guidance on what to do on this, you just have to be careful with something that sounds really, really good financially, upfront, that's way better than anything else you see. Because again, it's just math. The private equity world lives in this space, and we know if you buy it for this, we can get the returns on the back end. When you start getting over the top and paying way too much money on the front end, that dilutes everybody else. That brings the equity piece down, that brings the value, and the big piece of this, which is your equity, to a very low multiple.

And you've seen that now, with a couple of DSOs out in the space that overpaid, and when it came time to have a liquidity event, there was no return on the equity. And I would imagine that if I'm a partner, and Dr. Burleson, I come to you in four years and say, "Hey, remember that equity we talked about, and it was going to be this? Well now it's zero." You're not a happy partner anymore, right?

Dustin Burleson:

No.

Todd Nickerson:

And so, I try to tell people that, that there's just a window that we live in. If you want to go take that upfront, more money now, and not getting the equity on the back end, great, that's on you. You have your own desires and needs. But for us, we were very transparent about that. Again, it's just math, and I tell people that, and if we have to stretch here, we can't stretch here, because ultimately we have to live in that window.

So, that's foreign to some folks. Again, it's not clinical, it's financial, and some guys just don't quite understand that yet. And I completely understand it. It took me 25 years to understand it.

The second part of your question is, what do we bring to the table? And I think it's just this macro look at everything. These economies of scale that can be from the marketing piece, to the supply chain management, and I kind of have a hot button of things I think we do really well.

I think the biggest challenge in our world for you guys is staffing. The employment crisis isn't just an orthodontic crisis. It's all over the country, and how do we recruit, and retain employees? How do we recruit and retain associates, more importantly? How are we out there at the schools, and doing the dinners, and meeting all these



I think the biggest challenge in our world is staffing. The employment crisis isn't just an orthodontic crisis. It's all over the country. How do we recruit, and retain employees? How do we recruit and retain associates? And there are just economies of scale that you can't do on your own.

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So those are really the big pieces that our guys gravitate to, because they understand that. That's the immediate challenge that I have in my practice today, is I'm having a hard time keeping people. I'm having a hard time recruiting new people. I want to transition with an associate, but how do I do that? Because as you well know, and you talk about it in your seminars, that's a whole different world nowadays.

The associates, that are coming out of school, the residents, their look and feel is different. Their desires are different than it was when yours, they don't ultimately want to even own their own practice anymore like they used to. So, that's a big challenge.

And then for us is, how do we alleviate the burdens you don't like to deal with in your practice? Which is typically the nonclinical stuff. Sometimes guys really like to do that, but for the most part it's like, "I don't want to deal with HR, and this whole new 401k plan, and the insurance programs, and those type of things." That, again, from economies of scale, we can do that really well, and take that off the plate of the doctors.

Dustin Burleson:

Yeah, it was neat for us to see inside that world, and see things that are truly, I think, night and day on efficiencies, on pricing, on reimbursement. It's really kind of fun. So I saw maybe a couple months ago, the German chancellor, to bring a controversial topic again, he's like, "There's no place for private equity in healthcare."

And my knee jerk reaction was like, "Oh great. So you want healthcare to be like the DMV, right? You want no innovation, you want no forward progress." I feel like, in my world, and the members we work with, this is an exciting time. I kind of feel like we've got lightning in a bottle in dentistry, to do some really cool stuff with people that are interested in an industry that's been kind of high margin, highly profitable, but really under organized for a long time.

Most doctors just can't compete at the level that a Rock Dental Brands can, or an Aspen Dental, or Heartland Dental type enterprise. I thought that was an interesting statement from the head of a country, that usually is pretty efficient, but I don't know.

Todd Nickerson:

Yeah. Not surprising. And to your point, I think the dental space, and specifically the specialties within dental have been really untouched for a long, long time, from all type of things. What makes them so attractive in the private equity space is, generally speaking, it's a high cash business, high collections business, with low government interference.

Now, certainly, when you saw some of the specialties go through in COVID, oral surgery wasn't as untouched as... I mean orthodontics wasn't as untouched as some of the other specialties, because it's kind of something that folks will put on the back burner. It's not an urgent medical need, but people still want to take care of their kids' teeth. You'll put... Putting gas in your car, or having an extra night out, to take care of your kid's teeth. And so I'm going to say, kind of pandemic proof, but not certainly pandemic proof, but for the most part it wasn't as crunched as some of the other things that were out there.

Dustin Burleson:

Yeah.

Todd Nickerson:

And so, then you get through that, and then not having government interference in your practice as far as, for the most part, Medicaid, or high Medicaid practices. Still, we don't ever believe that Medicaid is going to go away, especially with children, but still, it could be, with the stroke of a pen, it could change. And for the most part, our partners don't take a lot of that. So, we're alleviating government interference, in a high cash business, and



Most doctors don't want to deal with HR, and 401k plans. They don't want to fight with the insurance programs, and those type of things. From an economies of scale standpoint, we do those things really well, and we take that off the doctor's plate.

then you're dealing with people that can understand that, and they want to grow, and there's opportunities for that. So, that's why private equity really likes this space. And for whatever reason, it was just untouched. Probably before the fact that when you look at the numbers of it, I don't know how many orthodontists there are in the country nowadays, you probably got a better feel for that. How many we got?

Dustin Burleson:

10 to 15,000 in North America, so it depends on how you count them. Some states don't license them specifically, they license everyone the same, but let's say 10,000.

Todd Nickerson:

Right. And then you got what? A couple hundred, 140,000 in the general dentistry world. So, which numbers looks great, right? Which I always talk about people wanting to complain about their practice management software, they're like, "Man, this XYZ is, it's not giving me what I want."

Well, I mean, when you go back to XYZ company, and it's like, "Well, there's only 4,200 users on this side. When I can go deal with the 60,000 users I have on this side." You don't get that attention. And again, that probably comes back to what makes it so great at Rock, is the ability to have those economies of scales, and not have to worry about those types of things.

Dustin Burleson:

Yeah, that's cool.

Todd Nickerson:

But yeah, I think that's probably one of the big reasons private equity lacked getting into this, was just the overall white space that was available until they got into it.

Dustin Burleson:

Yeah. What have you seen change? Everybody wants to know what's changing in 2023. Everyone's curious about interest rates, and are the deals drying up? Are the valuations changing? What's changing in private equity?

Todd Nickerson:

Yeah, I would say the valuations are coming back to real world. Back to my point about, it's just math. Those that got out of over their skis over the last year to 18 months, when multiples were just crazy, are having a hard time on the recap side. They really are, because they overspent on the front end.

Again, you can't expect that on the front end, and then also expect the big return on the back end. Again, it's just math. So, when doctors are looking at these kind of

partnerships, they need to ask the questions, like, what is the equity value going to be like? How's your debt service thing? Because most of these private equity companies will use their money, but also borrow money, to your point. So with finance rates now, how does that affect multiples nowadays? I think you're... Ultimately, we'll see all of this come down, and we've seen it dramatically, just since the first of the year.

And that's good, because it needs to get back to that realistic point. What we were really pleased with at Rock, is that we made really smart decisions, it's a credit to our private equity company, it's a credit to our leadership, and within Rock. But when these deals got so out of control, we decided, "We don't need to do that. We need to make sure that we're taking care of our current partners, just as much as we are, as our new partners."

So we made those decisions to do fewer, better deals, that ultimately, again, fall into the parameters of what our math is, so that we can live up to the promises that we've made on the equity end. So, I think you'll definitely see that. And I've seen the broker deals dry up a little bit because of that. I've seen the interest rates, obviously are going up, are affecting what private equity wants to do, and then ultimately I think that's going to bring everything back to a real world, just like real estate. This boom can't go on forever, whatever goes up, it's got to come back down. You'll see that in the deal flow, and the amounts paid for those now, for sure. But I think that's a good thing.



The valuations are coming back to real world numbers. It's just math. Those that got out of over their skis over the last year to 18 months, when multiples were just crazy, are having a hard time on the recap side, because they overspent on the front end.

Dustin Burleson:

Yep. Yeah. Kind of give listeners an overview for... I don't know that everyone knows that Rock is multi-specialty. What specialties do you cover? How many locations do you have? Not specifically, but how big is Rock Dental Brands?

Todd Nickerson:

When Dr. Dake founded the company, it's primarily an orthodontic company. I'd say 75% of our practices now are orthodontic. We do have some oral surgery practices, about 10%, about another 10% in the general dentistry world. And then, really making a heavy push in the pediatric dentistry world.

So, I think ultimately you'll see our growth come around the ortho, and pedo side of things, because that's our

bread and butter, that's our core. That's what we're good at. When we share things with you guys, and share metrics, it's really good for us to do that, because now we have over 110 practices. And so, that scale is that kind of, the more we're getting there, the better we're getting at that, and it'll always be an orthodontic led company for us.

Dustin Burleson:

Cool.

Todd Nickerson:

And especially in the south.

Dustin Burleson:

Yeah, exactly. Kind of highlight what states you're in, and where you're focused on.

Todd Nickerson:

Yeah, I don't know if you can say this politically correct anymore, but the Mason Dixon line in the south. So really Tennessee, and south to Florida, and not any further west than Texas.

Dustin Burleson:

Yep.

Todd Nickerson:

And really, that's for our partners. What we want to make sure that we can do, is operationally support our new partnerships. And so, if we go to every state in the Union, how can I possibly give you an area manager with feet on ground, that can give you some of that global analyzation

experience that we can do? They need to be there for you. So, we're very concentrated in the southeast, because of the fact that we want to make sure that we can support that operationally.

Dustin Burleson:

Yep, yep. What do you say to the listener who says, "Listen, I'm very fascinated by all this. I'm looking at a partnership, but maybe I'm not ready yet." What are some tips you would give a doctor, maybe an orthodontist listening, who says, "What can I do to go grow my EBITDA, if I want to sell a year or two from now?"

Todd Nickerson:

Yeah. Again, I'm going to make you put a quarter in the swear jar. I hate that word sell.

Dustin Burleson:

Oh yeah. Sell. *Join, partner.*

Todd Nickerson:

Yeah. Going to partner there. Your swear jar is getting big. And for anybody outside of the south, you need to probably understand what a swear jar is. Again, I think the biggest thing you can do is really strategize the back end of your practice. Meaning, let's look at my expenses, let's look at how we're paying. Are we overstaffed? All those type of things, because those things drop dramatically right down to your bottom line of EBITDA. And then ultimately, you want to make sure that you're not overextended, and orthodontists especially love to do this, have three or four locations, and a staff at each location. Well, that's not good. That sucks down your

EBITDA because you're overextended in a lease, and people, where you could really be more effective in those. So look at some of the existing lease structures, and see is there a way to get out? Do I really need to go to this one location, one day a month? Does that make sense? And so now you got a \$3,500 a month lease payment, and you've got to have to keep a front desk person there. And so, really kind of start to look at scaling yourself a little bit. And then, ultimately I say, "Hey, what's your exit strategy?" I think that's probably the first thing I asked you. Doesn't mean you have to exit tomorrow, doesn't mean you have to exit in 10 years, but what's my strategy? I can tell you for sure, that the exit strategy 15 years ago looks a lot different than it does today.

It doesn't mean it's your fault. It just means the economy has changed, that the kids coming out of school with this huge amount of debt, they don't qualify to buy practices, nor do they want to run their own practices. And so, how does that look now? Do I want to take my equity off the table now, with a certain return on that? Or do I want to run with that, and hope that it's there in two to five years? And so again, everyone's exit strategy is different, but I think that's the ultimate first question I ask anybody, is tell me what good looks like for you, and what's that strategy? And then we can work back. I really do think if you're talking with any of these companies in the DSO space, just tell them what your concerns are. For the most part, they're going to... And there's different platforms, and different means. Do you want to sell it outright altogether? Do you want to sell a piece of it? Do you want to fully brand with someone else, or do you want to build from scratch?

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The exit strategy 15 years ago looks a lot different than it does today. The economy has changed. Kids are coming out of school with this huge amount of debt. They don't qualify to buy practices, nor do they want to run their own practices. And so the big question is, 'Do I want to take my equity off the table now, with a certain return on that? Or do I want to run with it, and hope that it's there in two to five years?'

I mean, it's all those type of things are out there for you, but ultimately you can find that good match to partner with, for sure. And then I think if they're honest and true, they'll tell you, "Hey," this is what we always tell everybody here. "Here's the EBITDA, here's how we calculate it. Here's some things specifically in your practice that can drop down to the bottom line." And they say, "Heck, I'm willing to do that tomorrow, then we'll give you credit for it now." So when we take over and partner, in let's say it's the 1st of January of that month, and we know exactly what that EBITDA is, you can get credits for those as well.

So, just being open, and true, and get somebody to evaluate your practice. Take the time to let somebody evaluate it.

Dustin Burleson:

To, yeah, know your numbers. Any big red flags you guys see? I think of payroll, often when we look at members' balance sheets, and profit and loss, and cash flow statements, any number... You don't have to share specific numbers, but sometimes I'll be like, "Wow, we're spending 38% of revenue on payroll." Any big red flags you guys look for?

Todd Nickerson:

That's a huge one, right? That's a big one. And even specifically in that, and I can always say this with tongue in cheek, but typically, when there's a spouse involved in the practice at a high payroll. I was talking to a client the other day, and they got a... Paying their spouse \$50,000, and I was like, "Well, tell me what they do." "Well, they really oversee the office manager." I'm like, "Okay, not a problem there, but that 50,000 times six affects you to the tune of about \$300,000." And he's like, "Well, she's gone tomorrow."

Dustin Burleson:

She's gone tomorrow.

Todd Nickerson:

So, I think those are the immediate red flags that we see from the staffing allocation. Then when you start looking at the key performance indicators of the practice, and starts, and collection rates, and those type of things, those

are things that we kind of steal internally and say, "Okay, I know that if we're going to pay this for the practice. We can increase these things X, Y, Z."

Certainly the overhead, and supply chain management is immediate dropdown to the bottom line. Staffing is a big one. The marketing, and all that, that goes into that as well. And then the biggest thing for us, that we do really, really well, is collections. And taking that burden off of the doctor, and the practice, A, it eliminates stress, helps them focus more time where they want to clinically, but we do it really, really well. And those are the things that we look at from key performance indicators.

Dustin Burleson:

Yeah. Anyone that hasn't been down to Little Rock to see Rock's headquarters, I was very much sold on the group before we partnered, but seeing that kind of cemented my decision, like, "Wow, they've really built something pretty cool from the operations side."

Todd Nickerson:

Yeah, it was the same thing for me, Dustin, when I was out looking for what my next stop looked like, and I got a chance to meet Dr. Dake, and I had known him from my Ormco days for many years, and I always joke, and every time I'm in front a group of orthodontists, I say, "If you don't like Dr. Dake, that's something wrong with you." Right?

Dustin Burleson:

Yes. Everyone says that. They're like, "He's just-"

Todd Nickerson:

Genuine.

Dustin Burleson:

The calmest, nicest. He's just got a... He just understands life. I mean, he's just a good, solid, amazing person.

Todd Nickerson:

Yeah.

Dustin Burleson:

Yeah, That's how I'm using your line, describing him the same way, because it's true.

Todd Nickerson:

It really is. It really is. And then, meeting Kristi Crum, CEO, and the entire leadership team, it truly is a servant attitude that we have. In fact, the first thing you see when you walk in the support center is, "We serve those who serve our patients." And Dr. Dake is very specific about, "You must take care of the patient the right way, everything else will follow."

And so, for me, that sold me on it as well, but we now are up to about 110 employees there at the support center. That is inclusive of our call center, as well. Doesn't mean that you have to use a call center. Those are things that you can kind of... As we said earlier, not cookie cutter, but if you so desire to use that, from the marketing, to the IT. We didn't even talk about cybersecurity, which is probably a huge issue that's going on as well.



The individual practices are the ones we really enjoy, because of the fact that we know that whatever their path is, if it's two years, five years, 10 years, that we have the ability to go out, and recruit an associate, or bring in an existing associate to that practice. It's a win-win.

We have a total team source out there that can take care of those things, and make sure that we're not getting hit. And everybody says, "It won't happen to me," but if you get hit with a ransomware, it is life altering, shuts you down. Terrible. So, that's a big piece of the things from an economy scale that we can bring.

And then of course, taking the HR, and 401K and payroll off of your burden, but all that's housed there in the support center. And to your point, if anybody ever wants to come visit that, we love to have them there.

Dustin Burleson:

Yeah, I noticed that more and more with members outside of dentistry, cybersecurity, and compliance are huge. I

mean, entire municipalities, cities are being held ransom for their data. I mean, if you don't think it'll happen to you as a solo practitioner, I mean, I hate to bang the fear gong, but I mean, as a solo practitioner sitting on a little raft, in choppy waters...

I see what they've done at Children's Mercy Hospital where it has 10,000 employees, where I work part time. It's unbelievable how seriously they take cybersecurity, and how easy it would be for me, pre-partnering with Rock, to have had my server completely locked up, and held... And usually, the authorities say, the cops will say, "Pay the ransom."

Todd Nickerson:

Yeah.

Dustin Burleson:

That's the only thing they've got. So that's a little bit terrifying. To get on a more positive note, what would you say to the doctor who has some ideas of how they could grow EBITDA? What if they're afraid that they're too small? I hear that a lot from like, "Well, I'm not big enough for a DSO to be interested in me."

Todd Nickerson:

I mean, that's just a big old myth. In fact, at Rock, I don't want to say we prefer, because everybody's different, but we really encourage that, especially in our marketplace. Again, because of the concentration of it, we can have them... In our world, we call that a tuck in, if you will, it is bringing in an additional practice, and pulling them into the total marketing scheme of the platform there.



We love the independent, individual doctors. I would probably say at least 30 to 35% of our practices are one doc practices.

And so, the individual practices are the ones we really enjoy, because of the fact that we know that whatever their path is, if it's two years, five years, 10 years, that we have the ability to go out, and recruit an associate, or bring in an associate. And I think people kind of laugh at that. "Well, I can do that," or, "I've had success doing that." I said, "But nowadays it's just different."

It really is. And if you haven't tried to go out, and recruit an associate lately, it's a different world. And having 100 locations, you go into a school, there's an opportunity for someone to get back to where they're from. We had a gentleman the other day saying, "Man, I'd love to go to South Carolina." And we're like, "Okay, well, we may have an option for you."

And so doing that individually, on your own, first of all, you probably don't, but that's a big piece of it. And so, we love the independent, individual doctors. I would

probably say, Dustin, that I'm talking off cuff here, but at least 30 to 35% of our practices are one doc practices.

Dustin Burleson:

Yeah. Yeah, I was really inspired. You guys have been very gracious, and kind to invite me down, Kristi, to speak, and you at the annual providers meeting. I was really inspired looking around that room at the youth, and the energy. You guys have a great group.

Where I've gone to other associations and spoken, I was like, "Whoa, we're pushing the early dinner crowd here." I mean, everyone's over 75. Who's going to be running these practices in 10 years? So I was really inspired by that. And you don't have to share numbers, but I feel like Rock's got a real good handle on associates, bringing them in, right?

Todd Nickerson:

Yeah. If you ever get asked to co-speak at a Luby's at four o'clock for an orthodontic meeting, the crowd, the age of the crowd, the early cafeteria crowd. I think I would ask you to take a guess. Well, what do you think our average age of doctors is?

Dustin Burleson:

That's a really good question. I'd say I put it somewhere in the forties, right?

Todd Nickerson:

Yeah. Lower forties, 43.

Dustin Burleson:

Cool. Cool, cool, cool.

Todd Nickerson:

That's young, right?

Dustin Burleson:

Yeah.

Todd Nickerson:

As a 50-year-old, I think that's pretty young, right? I didn't used to say that young, but 50, 30 now, whatever it is. And so the runway is there. Again, I think that's another myth that's out there. This is an organization that I want to sell, go into, when I've got a two year runway lift.

And what we have seen over the past, not just with Rock, but in previous experiences, is that a guy will come in, and a doctor will come in and say, "Hey, I want to work two years." I'm like, "Okay, great. Let's plan for that." And you get to two years, they're like, "Man, I really enjoy this now."

Dustin Burleson:

I like it. Yeah.

Todd Nickerson:

"I'm reinvigorated. Can I go another two years?" And so, we see that more often than not.



Compliance is a big piece of what we do. We have a full-time compliance officer and team that goes through all of those things. When you're on your own, you just don't think of those things from cybersecurity, to compliance, things that are just not fun. You have to take care of that, and it's becoming increasingly important in your practice.

Dustin Burleson:

It's like Tom Brady saying he's going to quit again. He's just going to try to get more money out of the 49ers or someone.

Todd Nickerson:

Yeah, maybe so, maybe so.

Dustin Burleson:

We'll see. He's like, "I'm retiring again." Someone solves all those headaches for you and you realize, "This is pretty nice. I can come in, see patients, go home at five o'clock." I love that part of it.

Todd Nickerson:

Hey, my skylight's leaking. I don't have to go show up on a Saturday, or whatever is happening in the practice, you make a call, and we take care of it.

Dustin Burleson:

X-ray machine is down, hiring, management, all those things, including regulatory. Most docs, when we onboard them, don't realize how often they need to be doing OSHA trainings, and what real HIPAA compliance looks like, and you guys have that buttoned up, and nailed down, which is really cool.

Todd Nickerson:

And I probably should talk about that more often, but compliance is a big piece of what we do. We have a full compliance officer, and team that goes through all of those things. And you just don't realize, again, when you're on your own, you just don't think of those things from cybersecurity, to the compliance, things that are just not fun. You have to take care of that, and it's becoming increasingly important in your practice.

Dustin Burleson:

Yeah. I always look every year, the number of executive orders from the 1940s to today. It's just like, if you think there's going to be less regulation in the United States, I don't know. I got some swamp land in Florida I'd like to sell you.

Todd Nickerson:

There you go.

Dustin Burleson:

I feel like there's going to be more compliance burden, and it's just so nice to have true professionals doing that. We don't want the compliance guys straightening the



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teeth, so why every orthodontist thinks they should be doing compliance, and regulation, and HIPAA, and security is just... Boggles my mind.

Todd Nickerson:

And nobody wants to go to lunch with the compliance guy, either that's no fun. Let's say. There's no black and white. I mean, there's no gray in that lunch. It's all black and white.

Dustin Burleson:

Exactly. "Here's the deal, man." Yeah, so I like that you talked about practice size, because that's probably one of the most common questions. Like, "Well, I don't know." They think they've got to be like three to five offices, with associates already running. But, I liked that little concept of a tuck in, because it works really well. And I feel like a lot of those docs probably say, "Hey, life's good now. I'm in." It's really neat.

Todd Nickerson:

Yeah. And I think you made a point about being on a raft in choppy waters. That's a good analogy, but I like to tell people, "It's really nice now that you're not on an island by yourself." And that can be clinical, for sure. And we've got a whole group of doctors that have some compliance around the forum, but you've got an issue with the case, and you haven't seen this before, and you want some immediate feedback, and advice.

Snap a photo, and obviously you want to make sure it's all HIPAA-compliant, right? But you can ask for advice, and get some unsolicited, phenomenal feedback back from doctors that genuinely want you to do the best thing by your patient, and people like that. I don't care what age you are, or what, I certainly ask for advice every day, and you're great about that as well.

We all need that, and you're learning every day, and just not being on that island and going to a meeting, and slapping high five, and say, "Dustin, how's your practice going today?" And everybody says, "Great." Right? "Great." Well, hey, we're not all doing great.

Most practices were down last year. Rock was up 6% as a whole, which is phenomenal. And I think a big piece of that is the ability to share, and find common ground with the doctors. It can be business oriented. We take care of that. Obviously that's our strength. But from a quality of clinical needs, that's also there too, and I think that's wonderful for folks, and they love that, the ability to share.

Dustin Burleson:

I saw that in Little Rock, in November, which I thought was really cool, and I don't think I shared this with you, but there were a couple doctors talking about dental monitoring, and in comes Dr. Dake, and he sits down, and just starts sharing how he does new patient consults, and everyone's kind of taking notes.

And that open sharing was really cool, but I do want to kind of talk clinic a little bit. I'm known for only talking about business and marketing, so I need to occasionally put on my orthodontic hat, which the residents are forcing me to do more of now that I'm teaching a little bit part time.

That brings me to, what are your thoughts on clear liners, in-house, dental monitoring? I know you're not an orthodontist, but you see this with the docs. I sat through the AAO midwinter meeting virtually, to get caught up on plastic, and attachments, and tooth... All these things that the residents want me to teach to them.

And I couldn't help but notice that a lot of orthodontists are trading their weekends and evenings for a lot of digital homework. They're printing their own aligners in the basement. They are on laptops doing Clin-Checks all the time. What are your thoughts on, if you can talk about clear liners, at Rock, Invisalign, Spark, in-house, dental monitoring, where do you see that working well in a large group?

Todd Nickerson:

Yeah. Again, my disclaimer is I'm not an orthodontist, right? I have worked for an aligner company, so I have a little affinity for that in the past, and I think we've all gotten over the hump that plastic can move teeth to a certain point. We can all check that box, right?

But, when you start getting into things that keep you away from being in the chair, with printing, and staying up, and after... I think that becomes a little bit traumatic for folks, now that everybody's got their desires, and wants, and needs, and if they want to tinker with that, great. But there are some phenomenal options that are out there. Again, being with a bigger company, we have a lot of those for you. We have a lot of doctors that do Invisalign. We have a lot that do Spark. We think there's advantages here and there to either one of those. And so, we give you the option of that. I mean, that's one of the great things about being at Rock, is you truly do have your clinical autonomy.

But we like to come to you and say, "By the way, have you tried this, and have you looked at this? And as a company, we are thinking about doing X, Y, Z on the dental monitoring. Would you like to beta test this for us, and give us your feedback?" And those type of things. So I think all of those things are on the table, but ultimately, our doctors get to make that choice. We get to show them the business side of why it makes sense, from a financial perspective, and then let them make the clinical decision that they want to do in their practice.



I couldn't help but notice that a lot of orthodontists are trading their weekends and evenings for a lot of digital homework. My favorite part of working for Rock was leaving the office at 5 o'clock so I could go be a dad and not have think about the office again until the next day.

Dustin Burleson:

Yeah. Yeah. That's cool. Yeah.

Todd Nickerson:

There's certainly advantages to all of those things.

Dustin Burleson:

Because I think that's another myth, is that if you join with a large group, they are going to tell you, "You have to use this bracket, you have to use this aligner, you have to use this company." I thought that was really cool. Nothing changed in our clinical protocol, which is really neat.

Todd Nickerson:

Yeah, 100%. and everybody says the word clinical autonomy. I've never heard a company say that, "No, you do have to do that." But with the bigger brands that are out there, you can do what you want to do, but if you don't use our lab, you got to pay for it." Right? "If you don't do this, you got to do that."

So yeah, you got the autonomy to do this. Like my dad told me, he said, "Son, I want you to go to school wherever you want to go to school. I'm going to pay for you go Texas A&M, but you feel free to go wherever you want to go." Right?

Dustin Burleson:

Yeah.

Todd Nickerson:

So, I had the autonomy to make that decision, but did I really? And I think there are... Not I think. I know there are DSOs out there that act that way. At rock, it truly is... You truly have the clinical autonomy. Our job is to go out, and make sure that we can get it at the best price, right?

Dustin Burleson:

Yeah. Your dad would like my high school chemistry teacher, he said, "It's a democracy. You have the right to be wrong."

Todd Nickerson:

That's right. Exactly. Exactly. And we joked before we got on, and our fathers, and our relationships, and I didn't want to be on the video portion of this, because my dad told me I had the face for radio, so.

Dustin Burleson:

The face for radio. Yeah. I shared with you that my dad said, "Hey you," one day, I was like 10 years old, he's like, "Hey, you want to lose 20 pounds of ugly fat?" I was like, "Yeah." I was kind of pudgy. He's like, "Cut off your head." So a very good, competitive relationship. He was the kind

of dad who, in a swim race, would rather hold you under, and semi drown you, than let you win. That's how I grew up.

Todd Nickerson:

Absolutely

Dustin Burleson:

With two brothers who are extremely competitive. So, yeah, I got a face for radio. Well, here we are.

Todd Nickerson:

Here we are.

Dustin Burleson:

Two people talking teeth on video, and audio I guess. We try to keep these around 30 minutes. What parting words do you have for anyone listening who says, "This is interesting. Should I go hire a broker? Should I just pick up the phone and call Rock?" What's your advice?

Todd Nickerson:

Re: Brokers – there's access to all of us. Everybody knows the players that are out there. Go to a website and submit your name, and you'll get all the content, and people contacting you as you want. Certainly if you live in the southeast and you think this is something for us, reach out to me. Reach out to you, and you can contact them.

But the thing with hiring a broker is, and their job is, like a real estate broker, is to go out and bid these things up as much as they can, because they get a percentage of that. And so, ultimately you're going to be giving away

somewhere around 10% of the proceeds of that, for something that you can do on your own with a few clicks of the mouse.

So, I certainly don't want to diminish my relationship with brokers. We use them all the time, but there's a lot of access to DSOs out there. You go click on our websites, and you'll get everything you need to, and you'll get contacted right away. We'd certainly love to talk to you at Rock, and if they come through Dr. Burleson, it means a lot to us, because that speaks to the quality of them, that they want to learn, and want to grow, and be part of these things, and that makes for a good partner in the future.

Dustin Burleson:

Cool. We'll post links in the bottom of this video, and then I'd be remiss to say, if I didn't say that we're kind of taking this show on the road. So we're going to be going throughout the country, starting down in Florida. So, if members listening, or docs somehow stumbled across this video, and want to see Todd in person, and meet Dr. Dake, I mentioned earlier, they're very transparent. I think even if you're just curious about private equity, to meet with Dr. Dake, and to listen to Todd's story, and see the data they have, it'd be worth their trip.

Todd Nickerson:

Yeah, we'd love to have you in Orlando. **[We can put the link on here, Dr. Burleson, and get you there.](#)** I know we have a small space, because we want to keep it intimate, so I'd say register early, bring a spouse. I think it's super important at this stage of these conversations to have your spouse involved, because this is typically your family

baby, that you guys have been running for a while, and I think they need to be engaged, and understand this as well. So, we have a spot for you, and your spouse to come, and we'd love to have you, and we promise that you'll be educated, and entertained.

Dustin Burleson:

Cool. Todd, this is hugely valuable for our members. Thank you so much for doing this.

Todd Nickerson:

You bet, buddy. Always good to see you, and I look forward to seeing you down in Orlando.

Dustin Burleson:

All right, I'll see you soon.

Todd Nickerson:

Thanks.

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