Dustin Johnson

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SPEAKERS

Dustin Johnson, Steve Divitkos

S Steve Divitkos 00:01

Dustin, welcome to the show.

D Dustin Johnson 00:03

Thanks, Steve. Happy to be here.

S Steve Divitkos 00:05

So maybe we can begin with the easy stuff. If you could just tell us a little bit more about yourself and a little bit more about where you are in your own search process.

D Dustin Johnson 00:16

Yes, absolutely. So, myself, and my wife and partner, Camilla, we did a traditional search, we started our search in mid 2021, we did the traditional search, and we did that for a couple of years. After we had a few deals in there, one of the deals broke had kind of the last minute. And that left us, left us in a tough position in our search. So we actually ended up closing our search fund, and then pursued a search on a self funded basis, after which we have found a deal, a smaller deal. And now we're pursuing that deal and very close to closing it. So we're really excited.

S Steve Divitkos 01:05

Awesome, awesome. And before we hit record, you mentioned that probably measured in days, two weeks to closing. So I'm keeping my fingers crossed and rooting you guys on from the sidelines. So you guys have a very unique perspective, you've been searching for a while you're close to closing a transaction. I'm sure you've reflected on your search process as we all do, and thought through the things that you could have done different, things that you wish you did, things that you wish you didn't do. So getting to the major question of today, if you magically had the opportunity to redo your first 90 days of your search, knowing what you know now, what might you do differently?

D Dustin Johnson 01:43

Yeah, no, it's a great question. So there's a few things that I mean, I obviously have had a lot of like searcher chats, and had a lot of time to reflect on kind of our process. I mean, I think there's a few things, first of all, everyone, I mean, it's easy to say, in retrospect, what I would do different, I think, kind of the process, you learn through the process. So it's kind of easy to say, oh, you know, I would change things. But I think through the process, you kind of learn things as well that like, you know, there's value in that. But that being said, I mean, going back to the beginning, I would say, at least for myself? And I see lots of searchers really focus on like, what is the tech stack that they're going to use? And like the tech stack, and they really spend a lot of time I know, I spend a lot of time on kind of thinking about what is that going to be with software? How am I going to do it all? And I actually think it's a little bit of a it's a it's a distraction in that like, it's not a differentiator, I think, probably 10 years ago, you know, doing this, like mass outreach, and that was harder to do. So it was more of a differentiator. I think now, like, I would not spend very much time on like, what is the tech stack? You know, you could pick a few things, I think it's pretty easy on search funder, that sort of thing. Find out what's good, what works, and just just get through that quickly. It's not a differentiator, I think. And it leads to then the second point, which is, I think, at least for us, and what I see other searchers is like, really spend time thinking about what makes you different, what is your differentiators? And even real things that are like really personal like what are you like, and what kind of thinking through from the lens of what type of business owner are you going to be able to connect with? Because I was, to be honest, pretty surprised of how many messages and how many people are reaching out to business owners, and it's difficult to get their attention to be honest, and especially in this day of mass email and all this stuff. So really thinking about like, you as a person and thinking about then what kind of business owner and what kind of person is going to be are you going to bond with to create that? Because at the end of the day, I think what gets you kind of in the door with the business and kind of advancing those conversations is a lot about like personal connection, and not just personality, per se but like, you know, what interests you have and those sort of things. And then as you do that it's really like spending time thinking about the messaging that now you're going to do this outreach and it may be like a mass outreach. But like really tailoring the message to what makes you unique and what kind of business owner you want to engage with or what kind of person you're going to engage with. And acknowledging like this is the thing I think you have to acknowledge that like, you can't be everything to everyone, and, you know, different examples would be someone that's really kind of you know, type A person that is really into software, that message is kind of going to be different than to be someone who's more soft spoken and someone into more people topics and, and or impact or this sort of thing. It's a different message, and I don't think you can like win every person, you have to kind of acknowledge, you're not going to be attract to everyone, but really tailoring a message that you think is you and really connects with someone on the other side. So, and one way I'll just say when we did that, personally is because we did end up spending quite a bit of time on this, we think it made a big difference for us. And then we ended up creating videos, like so in our emails, we had had videos that, you know, had us and talking about, you know, what we want and our values and our mission. And I think when we started doing that it really started connecting with not everyone, but some then some people that like really connected with that and advanced some transactions that we worked on. So then maybe the last one, I would say is also think long term about the search, I know, when we started searching, we kind of got in there and started sending all these messages, you want to get the reps in, and that's great, it is really good to like get reps in and speak with business owners, and just go through it a few times, so that you. But do think like, I think there's this tendency to want to, like jump from vertical to vertical in pretty short periods of time and just kind of like really, really go through a lot of contacts. But in reflection, I think for us, it's kind of when we, when we kind of deep dove into an area and just kind of stayed in that area and really started making connections and said, we were just going to do in our case, it was behavioral health and mental health. And so then start getting really knowledgeable. So that you know, you get on the line, and people can tell you've spent a lot of time in this, you've spoken to a lot of businesses, you really know what you're talking about, you have connections in the industry. And so it's tempting, it's tempting to go from thing to thing, because you want results quickly, and you want more more conversations. But I think if you think longer term of what business you really want to run, what area you really want to be in, and then just kind of stay in that and get really knowledgeable, you will end up making more contacts, you end up getting more traction, I think with people. Even though it's a smaller sample is a smaller universe, of course, there's that risk, I think the outcome is better, and that you just become much more knowledgeable. And it's clear to business owners that then you A, really want to be in that space, you know what you're doing, and then you end up kind of getting more traction with businesses than just kind of jumping around. So yeah, I think those are for me some of the major kind of takeaways. If I was doing it again, and trying to get up the up the curve faster.

S Steve Divitkos 08:23

Fantastic. I have so many follow up questions for you. So let's take them in term. So I want to start with the first change that you mentioned, which is, you know, spending too much time on the tech stack and the internal technology that you're using to govern your search. Is it fair to say that this is an instance where you should say don't let perfect get in the way of good enough? Would you say that? That's kind of a fair summary?

D Dustin Johnson 08:46

Yeah, yeah, for sure. I mean, like, sure, some things are better than others, but I think these days, like it's pretty commoditized the outreach tools and like, they're all good, you know, or like many of them are very good. So don't get hung up on what's the best, right? Just kind of get going.

S Steve Divitkos 09:01

Yeah, and the second thing that you would do different in retrospect is highly tailored messaging and being clear on what your differentiator was. Can I ask like what was the differentiator that you articulated to business owners? And the reason why I asked this is because a lot of searchers for better for worse we all kind of look and sound similar and as a result our pitch, our respective pitches sound similar. So what did you use as your differentiator and what did you find worked versus maybe didn't work so well?

D Dustin Johnson 09:37

So for us, I mean, looking at our situation is unique, it's myself and my wife doing this together. So I think that was one thing I mean, like so that US pursuing this as a family you know, right away there, having a message that's like, family, awesome doing something together in a video shows kind of family oriented for us. It was quite important that we did something that like, has growth and that it is a great business but also has impacted like we're spending our time doing something that we believe in, that we, you know, is aligned with our values and has a positive impact in the world. So that was something that we're not like, that's an example, I think, have a message that like, we're probably with that message, there's going to be a lot of businesses that maybe it's not, that's not a big thing, and they're just not going to be interested. But that was for us was something we really wanted. So then people and crafting a message that's really genuine around that. I think people that aligned with that then really identified and said, hey, I want to, you know, I don't know who these people are, but like, I'm gonna take a call, I'm gonna have a call with them.

S Steve Divitkos 10:55

As you know, in our search fund ecosystem, there is this forever debate around highly tailored messaging and low volume versus high volume and low customization. In my own personal experience, both as a searcher and as an investor, I think both can work, and both cannot work. And I don't think there's like a clear, unambiguous answer. But having gone through the two years that you've gone through, where do you shake out on that spectrum? And why?

D Dustin Johnson 11:26

Yeah, I totally agree with you. I don't think there's like a right or wrong, I would say though, focusing, at least narrowing it down to areas that like I've said, like, thinking about it long term, and thinking about what are your differentiators? And what are like business types that are going to be more aligned with your values and what makes you particularly unique? And then within that, you know, of course, the more messages you send, the better, and the more people you try to connect with the better. But for taking it to the extremes, would I rather send 5000 generic messages or 100 really customized ones to business, you know, in an area that I'm really knowledgeable about, I would take the 100 messages for sure.

S Steve Divitkos 12:20

Right. So first learning was don't over engineer your textile. Second learning was ensure you tailor your message and basically lean into what you have, what you've got, who you are, you guys happen to be a married couple. So you really leaned into that, which I really like. And then your third lesson or observation was the importance of staring, staying within one area or one vertical. And I want to ask you about this because as an investor now, I've noticed that by far, the number one place where people struggle is coming up with industry ideas. A lot of us come from generalist backgrounds, like you did Dustin, I know private equity, investment banking, consulting, these are kind of generalist areas. And as a result, we don't really have the luxury of saying, hey, I'm someone who worked in industry X for five years, therefore, I'm going to go buy in industry X for the next 10 years. So I guess the question is, like, how did you guys land on behavioral health? Where did that come from? And what might you say to searchers, who are having a really tough time trying to figure out, okay, I get at, you know, academically how helpful it is to stay in an industry, but I don't really know which one to pick?

D Dustin Johnson 13:28

Yeah, no, it's a super good question. And I'm gonna, like, contradict myself somewhat in this for sure. And that's what, you know, coming back to what I said initially, in terms of like, the value of, the process is also important. So it's easy to look back in retrospect and say, we should have, could have, would have, but yeah, I do think, you know, reaching out doing this general outreach, I guess, at the beginning, does help you kind of get a feel for different businesses and doing a more generic. But I do think, you know, like I said, that, I think if you if you spend time, and just like sit with yourself or sit with others, maybe even talk to others that you know, and that know you, and think about what type of business I'd like to run. What industries are generally of interest, and I think for us what that was, is, you know, we both had done some things in healthcare. And when we looked at the search fund, model outcomes, we kind of were like, you know, health care generally, there's been some really good outcomes from this. We are people, people, we want a business that has a service and kind of you interact with people. And so and doing something that like when you think about growth is like a multisite kind of execution, that really fits our personality. So it led us towards like, multisite healthcare, and we're like, yeah, multisite healthcare, then we're like, well, within that, I mean, there's so many things you can do. And then we started thinking, well, what actually interests me? Do I like want to study or look at, like studies on or research on dentistry? Well, nothing against dentists but it's not really my thing. But then we started really spending looking at different things and kind of like, yeah, this whole area of mental behavioral health is really interesting. It really aligns with what we feel like there's a purpose and impact behind, and so it was actually just more of a process of like, personal reflection and the things you act you like doing you like looking at, and you like thinking about, you like reading about you. So, unfortunately, I don't know if that's a perfect answer. But I think it's a bit of self reflection of like, if you can kind of do anything, what are the things that interests you? And you know, where do you want to spend your time?

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Steve Divitkos 15:46

I think it's so interesting, because I think what most searchers do is they will start with a commercially oriented thesis. So the industry X has good unit economics, good growth, etcetera. And then they'll and then after that, they'll try to figure out if that industry is consistent and aligned with their values in your in their interests. Sounds like you guys did the complete opposite, which I love, which is you started with what's aligned with our values and our interests, that will generate our surface area of ideas, and then we will figure out if there is an economic model that is also very attractive.

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Dustin Johnson 16:24

And the interesting thing, once you dive into it, like I mean, there's so many nuances in so many different verticals, that's like, for us in like in the area of like, mental health and behavioral health like substance use, even within like substance use disorder treatment, there's detox residential. There's a bunch of different kinds of business models of which some will lend themselves to kind of the search fund or good economics or bad economics but you I think a lot of businesses are like that you only kind of get there once you kind of like really get in the weeds of it. So it's a different approach, but I think it can get to a good outcome.

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Steve Divitkos 17:11

Dustin, these were fantastic insights. We are all pulling for you over the next couple of weeks for a smooth and drama free closing, which I know that describes no closing that I've ever been aware of. But nonetheless, we appreciate you sharing your insights with us and joining us today.