



Episode 114: Private Equity Partnerships and Market Trends, With Geoff Cockrell

Episode Summary

The tables turn as McGuireWoods partner and host [Geoff Cockrell](#) steps into the guest seat, and [Gordon Maner](#), CEO of the AMB group of companies and co-founder of Frontline Healthcare Partners, takes on hosting duties. Gordon and Geoff explore critical dynamics in healthcare M&A, from preparing first-time sellers for the rigors of a transaction to navigating the delicate partnership between private equity buyers and founder-led businesses. They discuss current market conditions, the resurgence of provider services deal activity and why focusing on market power rather than investor type makes more sense for regulation.

Transcript

Voice over ([00:01](#)):

This is The Corner Series, a McGuireWoods series exploring business and legal issues prevalent in today's private equity industry. Tune in with McGuireWoods partner, Geoff Cockrell, as he and specialists share real-world insight to help enhance your knowledge.

Gordon Maner ([00:19](#)):

Well, hello everyone. Thank you for joining us at The Corner Series podcast. I am your new host for the day, Gordon Maner. I am the CEO of the AMB Group of companies, which is a healthcare-focused investment bank and wealth and asset management firm, as well as a co-founder and partner of Frontline Healthcare Partners, which is a lower-middle-market buyout firm, exclusively focused on the healthcare sector.

([00:44](#)):

It is an honor to introduce our guest for the day, and usually the host with whom I know you all have great familiarity, and a man that really needs no introduction. And I am going to just pause for a short

commercial break from our sponsors and we'll be right back. Wait a minute, Geoff, what's going on here? You don't have any sponsors?

Geoff Cockrell ([01:08](#)):

We have no sponsors, Gordon.

Gordon Maner ([01:09](#)):

Oh, goodness gracious. All right. Well, please welcome Geoff Cockrell to the podcast.

([01:16](#)):

Say hello, Geoff. Tell us about yourself, real quick.

Geoff Cockrell ([01:18](#)):

Thanks, Gordon. This will be fun. You get to ask me questions for a change. I was looking up the first deal that we did together, and it was fully 13 years ago. So, we've been either on the same or opposite sides numerous times. This will be a ton of fun and a long-time friend.

Gordon Maner ([01:34](#)):

Well, I think we both know we were much more handsome back then, but it is good to see you again friend.

([01:40](#)):

How was the summer? Let's start off with some light and fun. What'd you do this summer, highlights, lowlights?

Geoff Cockrell ([01:44](#)):

It was a busy summer chasing my son around. He spent some time in London with a school program. He's a business student. And then he was bopping around internships, including one with you over the summer, so it was a summer of chasing him around.

Gordon Maner ([01:59](#)):

That is fun. Certainly worst ways to spend the summer.

([02:01](#)):

Well, Geoff, since you asked, my summer was good, too. Thank you very much.

([02:07](#)):

I spent my summer chasing around my wife and kids in Nantucket, and I must say it is quite refreshing knowing that you are the poorest man on an island.

Geoff Cockrell ([02:16](#)):

You are the riffraff at Nantucket, for sure.

Gordon Maner ([02:18](#)):

There is no doubt about that. Well anyway, Geoff, I really appreciate you letting me guest host today. I call it guest host because I'm probably going to be like that terrible renter that actually becomes a squatter. I just may never leave. Okay?

Geoff Cockrell ([02:30](#)):

It's all yours.

Gordon Maner ([02:31](#)):

And to confirm, you are not billing me billable hours at the moment. Correct?

Geoff Cockrell ([02:35](#)):

I should charge you for life advice, but not today.

Gordon Maner ([02:39](#)):

All right. Great. Well, let's get started into it.

([02:41](#)):

I want to start by talking about the podcast and what got you into this mess. As you know, there's just not that many podcasts out there that are focused on even deal making and let alone healthcare deal making, but I have to ask, when you're on a long flight, do you actually listen to your own podcasts or do you just do like I do and tune into True Crime?

Geoff Cockrell ([03:00](#)):

Funny thing. I've never listened to it once.

Gordon Maner ([03:05](#)):

Why am I not surprised?

([03:06](#)):

But do tell me. What got you into starting the podcast, and let's just start from the history and where it is now.

Geoff Cockrell ([03:12](#)):

As you know, I'm a student and mentee of Scott Becker, one of the most brilliant business development minds that I've ever known. And one of the things that he instilled in me is that, when you're trying to maintain and develop a network of people that you're trying to do something over time that is providing value to a lot of people without asking anything from them. And in my world, you can

invite people to things. You can visit with folks for lunches and whatnot. You can write thought leadership, which is pretty tedious and difficult. And it was actually his recommendation that I look at doing a podcast in something that I knew about, keep them short, but that that could be the vehicle of providing value out in the world. And it's been a ton of fun. You get to talk to a lot of interesting people, you get a lot of perspectives on the industry and sector that you work in, and you get a little bit better at it on your feet, which makes it a little easier, but it's been a ton of fun, but it's probably Scott's direction more than anything.

Gordon Maner ([04:12](#)):

Okay. So, it wasn't just an opportunity to pick up chicks. That's refreshing.

Geoff Cockrell ([04:15](#)):

That's correct.

Gordon Maner ([04:16](#)):

Good.

([04:16](#)):

Well, you have done so many deals and a variety of deals and you're absolutely known as a leading advisor in the healthcare sector to private equity firms and to emerging companies. How do you bring that experience to bear on your own podcast? You got to think your level of knowledge is so far above and beyond many others. How do you simplify it for what the audience can actually feel is actionable?

Geoff Cockrell ([04:40](#)):

Yeah, a couple things.

([04:41](#)):

One is, when you're talking to a guest, I always try to not direct them to what I want to talk about, but let them direct towards something that they know about themselves. And then I've usually got enough background information on most of the different sectors that I can give my 2 cents. But the real driver is to let people take you to areas that they know about and are interested in.

([05:10](#)):

And then, as far as taking complex ideas, I had a law professor when I was in school that used to say that, if you can't explain something well enough so that a reasonably intelligent middle schooler can understand it, then you probably don't understand the topic well enough yourself. If you really try to break things down to the more simple components, even complex ideas lend themselves to that.

Gordon Maner ([05:34](#)):

That's great. I have no idea what you're talking about. But then-

Geoff Cockrell ([05:36](#)):

[inaudible 00:05:37].

Gordon Maner ([05:36](#)):

Well, let's talk about some of the more surprising things that you've heard on this podcast. What have you heard that was the most paradigm shifting viewpoint?

Geoff Cockrell ([05:47](#)):

I think the biggest evolution that I've had with the podcast, we've been doing it for a few years now, has been responding to some of market pressures on the sector in which I spend time, meaning healthcare, private equity investing has been taking a lot of shots in the press and some political leaders. And that has been just so antithetical to what my lived experience has been with respect to working with private equity investors. And I see them being focused on solutions that improve access to healthcare or outcomes or meaningfully driving towards reductions in system costs that the slings and arrows of the industry, I take a personal affront to them.

([06:35](#)):

I've tried to bring people on that have a perspective on the more beneficial side of private equity investing in healthcare. We just did a couple mini segments with Lauren Makhoul from Avalere, which they do kind of consulting work and have done deeper analysis of some of the real math of what the impact of private equity investing in healthcare has been on system costs. Whether it's guests like that or when I'm talking with a private equity investor or a platform executive, I'm really trying to draw out their own story of how investing in healthcare can improve those dynamics, because I think it's a story that needs to be told, and it's one that frankly the private equity world is not very good at telling. So, I'm trying to draw that out.

Gordon Maner ([07:23](#)):

That's great.

([07:24](#)):

You bring up some of the evolving nature of healthcare and some of the risks and political pressures. Where do you think the next few trends will be within your podcast?

Geoff Cockrell ([07:34](#)):

It's always interesting when you're in a shifting market to hear people's live fire assessments of that. So we like the podcast lived through the dynamics of provider services, investing, being all tailwinds behind it and then abruptly those changed. Talking to people through that evolution has been interesting, and I feel like we're at another inflection point in the economy with interest rates likely coming down, that there's also a market that there are a lot of private equity buyers that have held too many assets for too long, so there's sale pressure. It feels like we're on the precipice of another

evolution in the market, so hearing people's live fire assessments of that is probably the most interesting and what I would expect.

Gordon Maner ([08:26](#)):

Sounds good. Appreciate that.

([08:28](#)):

We're going to switch topics for a minute, but I just want to do eight minutes in here, just check on you. Okay. How's it feeling in the hot seat?

Geoff Cockrell ([08:36](#)):

It's great. You're doing a good job, too, Gordon.

Gordon Maner ([08:38](#)):

Thank you very much. I need that kind of assurance.

([08:40](#)):

Well, let's switch topics a little bit. Given the nature of your role, you're dealing with so many private equity clients, so many healthcare CEOs, many first-time healthcare CEOs thinking about a transaction. Let's talk about some of the dynamics at play when a private equity firm is courting a first-time seller. There's so many things that go wrong in that scenario, and there's so many things that I see that first-time sellers should know about ahead of entering a transaction.

([09:08](#)):

And in fact, maybe a business idea for me and you, we should write a book on this. I've yet to see one that truly walks a first-time seller through what they really need to do in order to be ready for the prime time. And we can follow up with you after that on that when you start writing it.

([09:21](#)):

But anyway, I'd love to know, what are the few things that you want to tell one of your clients when they're thinking about pursuing a private equity style transaction? What's your advice to them?

Geoff Cockrell ([09:32](#)):

Get a clean understanding of what the process is going to look like. I see lots of, especially sellers who've never done this sort of transaction before, they can be unprepared for the man-hours lift that is needed on their side and it can be super distracting to running a business.

([09:52](#)):

I would tell them to get their ducks in a row ahead of time, whether that is getting legal things in place, thinking through tax implications, which there's often embedded issues that you might be able to fix early but not fix late, so thinking about those things early, but getting yourself prepared.

([10:14](#)):

And then another glitch that I find sellers have is that it really, really helps to have competent worker bees in-house at the company. If everything is running through one or two hands in those in let's say the CEO or CFO if they have one, if everything's running through that individual, everything gets very, very bottle necked.

(10:33):

So, plan out the process more, get more of your ducks in a row, and make sure you have enough help internally on your side would probably be my front end advice.

Gordon Maner (10:42):

Yeah. I'll double click on that. I think that that's a really good point.

(10:46):

I always like to tell our clients that if they go on vacation and things slow down for a week or two, you're running a bad company. It is very much all about multi layers and having people and processes in place, and so that's very good advice.

(10:58):

Of course, one of the other pieces of advice for the seller, I think, is just to recognize that private equity is inherently very focused on the details. There are usually five investment committee meetings from an IOI to a closing, numerous check ins with the deal team, and then the entire partnership of that private equity firm weighing risks and reviewing the diligence that's been completed. By nature, transactions hit numerous roadblocks. Sometimes they stumble and sometimes they die. With that as a backdrop, how do you tell a healthcare board or CEO, "Stick with it. There's light at the end of the tunnel"?

Geoff Cockrell (11:35):

Part of my answer comes back to your first question of early things to do.

(11:41):

One of the things I would suggest is that sellers really think about who they are partnering with. Yes, headline numbers make a difference and are very, very important, but if it's not a full cash sale, which in healthcare deals it rarely is, you're going to be partnering with people for a longer period of time and really, really do the legwork to understand who your partner is. Talk to people that have gone through this process with that particular fund, with that particular individual before, get some perspectives of what their role might look like post-closing, get an understanding of what value the fund is going to bring after the closing.

(12:27):

It's easy to get completely caught up in just the comparative headline number, but you really are entering a longer-term partnership, and there should be a lot more diligence on the front end of knowing who your partner is when you get to that stage of the transaction.

Gordon Maner ([12:43](#)):

I'd also say that clients hiring an investment banker or advisory firm really does help, I think, push back on some of those roadblocks that come in, and you really have a quarterback for a transaction and an advocate, not a broker, but really somebody that knows the nuances or the potential issues that come up, can help value them, help weigh the risks. How do you think about partnering with investment bankers or having your clients reach out to advisory advocates in those processes?

Geoff Cockrell ([13:11](#)):

I think it can be really important at a number of levels, especially in the lower middle market end where a lot of companies are less polished from a financials perspective, and having a partner who can help get themselves in a position from a financial reporting perspective that they can be credible in that process is a huge lift. And I know you at AMB do that, and I think that's a huge value add, because absent that, there's a number of points where a seller is either just going to be lost or pretty susceptible to getting their pockets picked.

([13:45](#)):

The other thing I would tell a first-time seller is that sellers often immediately think they know who the buyer of their company is, and they could be completely wrong. They could be categorically wrong of who the type of buyer is. Their thoughts on it are limited to a few interactions with maybe one or two strategic potential buyers, but the universe is much wider. I think those two areas in particular are real value adds of an investment banker, especially for a first-time seller.

Gordon Maner ([14:19](#)):

Yeah. That's a great point.

([14:20](#)):

You're switching roles here a little bit. Think about same question, but for a private equity firm. It strikes me that so many private equity firms, particularly in the middle market and up, they're used to playing in very well-trotted and orchestrated auction processes and they frequently miss that partner dynamic. You enter into LOI with a new opportunity, and you're now on the same side of the table in many respects. It's not just trying to complete the transaction, but you're truly trying to partner understand the combined value creation plan. What's your advice to private equity firms looking to have that kind of partnership dynamic?

Geoff Cockrell ([14:55](#)):

I think the advice is to proceed with utmost care on the relational side.

([15:00](#)):

For a private equity fund that does a lot of sponsor-to-sponsor transactions where many of their deals are buying something from another private equity fund, the leverage is much more balanced. The skill

set in negotiating is much more balanced. The lawyer exercise is sometimes a little bit sharper, but it's fine.

(15:19):

You change those dynamics with a first-time seller, and the seller is going to be very attuned to the flavor of what negotiations look like. They're going to be very attuned to how conversations with council are going. And I think the advice, and you see a lot of private equity fund buyers who are very, very good at this and then some that frankly aren't, but approach the process with being very protective relationally. Because if there becomes a situation where you've eroded trust, that is going to play out in 10 other ways besides the way in which you might've lost that trust. So, lead with relationship ahead of sharper deal dynamics.

Gordon Maner (15:59):

Yeah. That's a great point.

(16:01):

Want to switch gears once more just to the state of the market. Talk to me about how you're feeling about healthcare M&A today, and what are you seeing as the major headwinds and tailwinds?

Geoff Cockrell (16:12):

We alluded to it earlier that one of the headwinds is the state regulatory environment. You have states up in the Northwest, and even California's looking at a new run at regulating private equity as an investor.

Gordon Maner (16:29):

Round two.

Geoff Cockrell (16:30):

We'll see what happens at Round Two.

(16:33):

My thought on it is, I think the focus on private equity categorically is just very much misplaced and focusing on participants that have market power and how they utilize that market power. Because each of the bad examples, and there have been very real bad examples of private equity investing, and those pretty singularly land on situations where private equity backed platform worked themselves into a very high degree of market power.

(17:05):

For starters, achieving that kind of market power is not really accessible for lots of different sectors, for lots of different sizes. To use those bad examples to paint such a broad color on private equity as an asset class, I think is hugely mistaken, and my hope is that some of those headwinds are going to morph away from focusing on the type of investor and focusing more on outsized market power in

instances where that's being abused. And that's a much narrower problem that any business should have to be careful if they are acquiring market power, be careful how you use it. I think that aspect of the evolution of a headwind, I'm actually hopeful that that will in time subside.

([17:52](#)):

But other kind market dynamics, whether that is the interest rate environment that appears to be getting a little bit better here very soon, labor dynamics where employees had so much market power, that feels like it might be subsiding. There's reason to think that some of the headwinds from a market perspective will be abating. And in addition, there's obviously still, as far as access to capital, private equity as an asset class is going to be an asset class, maybe a little bit more, maybe a little bit less, but it's going to be an asset class that's drawing a lot of capital. So, I think the tailwinds will start to balance the headwind.

Gordon Maner ([18:32](#)):

Yeah, I think a lot to unpack there. And we probably don't even have time, but I'll try to hit on a few. But let's go back to the first thing from a regulatory perspective.

([18:39](#)):

I think you would agree with me that regulating a monopoly is different than regulating who the buyer is. A public company monopoly is just as powerful, if not more, than a private equity monopoly. And the monopoly should be regulated itself, not the shareholder class. Wouldn't you agree?

Geoff Cockrell ([18:56](#)):

Totally.

Gordon Maner ([18:57](#)):

Yeah. It's very interesting.

([18:58](#)):

I agree with all of your comments, and it does seem like it's shaping up to be a relatively robust end of the year. With that in mind, are you seeing the demand from the investment banker, I guess I should say the supply and private equity of available deals, is it increasing, and then follow up question to that, where are you seeing the most heightened interest? I don't know if you're trafficking a lot in the staffing markets, but we just did a study at AMB on some of that, and I've noticed just an expansion of deals probably over about 2x greater than the rest of the healthcare services market over the last six months. So, we're seeing some things really unlock, but love your perspective. I think you get more of a view from the private equity side and the seller side than we do.

Geoff Cockrell ([19:42](#)):

Yeah. I think staffing is a good example.

([19:44](#)):

I think that a number of private equity investors in healthcare provider services had difficulty in managing the providers. There are some that are very good at it, but it's very, very difficult. And you've got providers that are controlling a lot of business. That can be very, very difficult to navigate.

(20:02):

Getting the alignment exactly right is difficult. There's just a lot of pressure on that. And a number of private equity funds have said, "You know what? Where you've got providers that are driving the business, I'm just going to take a pass." And there's been a certain amount of that. But you're kind of putting your finger on the provider services side that doesn't have that, non-retail, non-doctor-led sourcing of business, which then pulls you towards different forms of staffing businesses, whether that's hospitalists or radiologists or other things where the doctors are not leading the origination of business. There's been a ton of interest in various forms of that, and I think that's going to continue.

(20:46):

And then other things that are not just provider services have been getting a ton of interest. I've got several behavioral health deals going right now, and those can take a lot of different stripes, very different businesses under that broad heading, but a ton of interests still in all other manner of business services relating to healthcare, whether that's payer services, pharma services. So, other services that are not pure provider have just continued to have a ton of interest.

Gordon Maner (21:18):

Yeah. I completely agree.

(21:20):

Thinking about the provider side, because you mentioned potentially some weakness there from whether it's a price spread, from a deal terms and economics perspective, or just lack of interest, which is going to usually lead to some sort of price spread, how are you seeing buyers think about provider side today in deal making, and do you see deals getting done and priced accordingly?

Geoff Cockrell (21:42):

I think the pricing improvement has been a big driver. Some of what I do is representing private equity funds on the acquisition of a platform or the sale of a platform. But another big chunk of what I do is some of these larger platforms that are, themselves, the strategic buyer doing a series of acquisitions into that platform. And there were a number of large platforms where they were super, super active and then about 18 months ago that went to zero and has been at zero for a long time. We are now seeing them coming out of that. And I think that's a pretty decent early indicator of what to expect with these larger platforms resuming their strategy of being a buyer. That tells me that credit availability is improving, pricing is improving, and the fact that that is starting to come back I think is the best indicator of what to expect.

(22:35):

Coupling that with, you've got a lot of platforms of varying sizes, that the sellers really need to be out of them. I think there's going to be, not forced, but an increased interest in selling platforms. If you had an A+ platform, you could always sell that. Several years ago, you could have a C platform and still sell that. But the A-'s and B+'s are now coming back into vogue of being transactable. So, I think all of those pieces point to a rosier Q4, and Q1 of next year, in provider services.

Gordon Maner ([23:11](#)):

Love to hear it.

([23:12](#)):

All right. We're switching gears maybe to the last topic. Would love to just get your advice to young people thinking about entering healthcare finance, M&A, on the legal side or the finance side. As you know, you mentioned earlier, we were lucky enough to have your son, Charlie, this summer at AMB, and I must say he certainly has the brains of the family. You raised him well.

Geoff Cockrell ([23:33](#)):

I was a little worried sending him to you, Gordon. There's a 50/50 chance that I could have just in one fell swoop ruined him. So, time will tell.

Gordon Maner ([23:41](#)):

It's possible, but he wanted to stay I think. I take that sauce.

([23:46](#)):

Well, aside from your son, what advice are you giving young people thinking about entering a career in this market? There's a lot happening that's changing in the way that you and I worked as 20-somethings. Research can be done faster, AI, ChatGPT, information can be pulled. It should have the effect, I think, of limiting the available spots. But at the same time, it should have an opportunity to be more efficient on your side, and obviously the side that we're on in private equity and investment banking. I had my own take on the matter, and I think certain people will be successful versus others, but I'll save that. What's your advice to folks entering this business?

Geoff Cockrell ([24:28](#)):

I do think it's daunting, as AI is, and we encounter it in my arena of the law as well, where AI is laser focused on identifying heavy hour projects that can be automated and automated with mind-blowing dazzling efficiency. And that's going to continue.

([24:52](#)):

It is true that the need for entry level is going to be strained, but there's still need for the higher level activities. There, I'm not just talking about higher level legal activities or higher level banking activities, but the higher level meaning the things that make you a long-term success in the law or in banking. That comes back to what we were talking about earlier, developing relationships out in the world.

[\(25:24\)](#):

So, what I would tell young people is the same thing I might say to a young attorney who's in the zone of making partner, when you make partner, there's going to be a heightened expectation that you're out in the world, developing relationships out in the world or internally with existing clients, but outward facing activities. And I would tell people that those are still going to be the skills that will drive longer term success, and you should start thinking about going down the pathways of those earlier.

[\(25:54\)](#):

When I talk to people about how to develop business and develop relationships, one thing I try to dispel in their minds is the idea that it's ultimately a personality trait. And you can sometimes see people and meet people that have innate personality skills. You would certainly be one of them. Spend a little time with you in a lot of settings, you can feel a little bit of that. But there's lots of ways to be successful in development.

[\(26:22\)](#):

The one way that I know, being someone who lacks natural personality skills, is that you can be disciplined, and you can be organized, and you can work harder and longer at it than other people do. So, my advice to a young person is to start to hone, like Scott Becker told me, the disciplines around cultivating relationships out in the world where you're providing value to people for free, and work at that earlier. That was always going to be the catalyst to long-term security and success, and that's going to be a catalyst earlier now, and you need to just get over that there's going to be less entry-level tasks, and you need to get on with the ultimate goal of building the skill set and relationships that'll give you longer-term security.

Gordon Maner [\(27:06\)](#):

That is great advice. Since you paid me that small but nice compliment, I will actually allow you to send your billable hours for this pod.

[\(27:13\)](#):

Yeah, relationship building, I think it's just about everything. The only other thing I ever add to a young person is, what AI is not great at is curation, so being specialized and curated in whatever function and tasks that you're doing, excel there. That is going to get you ahead even if you're doing lower-level tasks. So, be very curative, be an artist, if you will, in addition to going out and building relationships. That's what brought us here together, and I think that's what's going to bring people together certainly in the future.

[\(27:40\)](#):

Geoff, this has been a ton of fun. I think we've got to wrap it up here. You have built a library of healthcare and private equity insights. It is quite an honor for me to help host your show one time, but I must ask, I'm going to see you next week though, right? I am coming back.

Geoff Cockrell [\(27:56\)](#):

Oh, yes. Oh, yes.

Gordon Maner ([27:58](#)):

You're my only friend that'll invite me on their pod.

([28:00](#)):

Yeah. Thanks again, Bud, and have a great rest of the week.

Geoff Cockrell ([28:04](#)):

This was fun. I really appreciate it. Switching the mic has definitely been a fun turn of pace.

Gordon Maner ([28:08](#)):

Well, thank you, man. You're great.

Voice over ([28:13](#)):

Thank you for joining us on this installment of The Corner Series. To learn more about today's discussion, please email Geoff Cockrell at gcockrell@mcguirewoods.com. We look forward to hearing from you.

([28:26](#)):

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