Complete Transcript: HALO Talks with Richard Steere
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Pete Moore:

This is your host, Pete Moore. And I am pleased and humbled to announce the launch of my one and only book, Time to win again, 52 takeaways from playing and watching team sports to ensure your business success.

Pete Moore:

Those of you who know me personally, and anyone who listens to halo talks or any length of time, know that I am an avid sports fan and a big believer in the value of team sports. What I've seen over the past 25 years, helping businesses grow raising capital, being an entrepreneur myself in coaching and mentoring executive in the sector. It's the lessons learned on the field perfectly apply to business entrepreneurs, executives, managers, you name it. Every company that's a strong company has got a good team. It's a quick read. There's also illustrations in there from our good friend, mark cruelty free tunes. If you go to integrity, sq.com, enter your email address and we will send you information on the book and the entrepreneurs' survival kit as well. Be great. Take names. Go halo.

Pete Moore:

The is Pete Moore on halo talks NYC on location, Dallas, Texas with a good and old friend of mine. Rich steer new Heights capital welcome. Finally to a halo talks. Thank you, Pete. It's

Richard Steere:

Good to be here. Good to be in Dallas at Ursa again.

Pete Moore:

So you were one of the original investors in the health club industry, as I like to say. So you were one of first movers into what we now call the H V L P 2.0. Now you've got some orange theories and, and you've done some other interesting things in and around the halo sector. So why don't you just give your background first on the banking side and then turn it into a private equity guy and then we'll talk about the industry and the nuances of it.

Richard Steere:

Yeah, so I, I started in the industry as a M and A advisor helping privately held companies, raise capital or sell. And I was an industry generalist and did that for 10 years and went out to search for a business to buy and, and invest in. And I had a group of investors who were former clients, so I had helped cash out their business. So they had capital to invest and pretty quickly into that search and process. I was introduced to a group of entrepreneurs that happened to be the fitness edge and the edge fitness clubs, and went up went up to Connecticut and met them and, you know, was really impressed by what they had built and their passion and talent for the industry. And so I was not a fitness expert or had experience in the industry before, but they absolutely had elements of a good business and good partners.

Richard Steere:

And so we were able to you know, strike a, strike, a deal. We invested, we bought control of the company and the original founders who were brothers, Jim and Vincent Sanon stayed on. And we went through a period of time where that was in 2008 where we had to kind of restructure the company and come up with what is today, the edge fitness club, the H V P model mm-hmm <affirmative>. And that really started to take off and grow and began kind of the early elements of, of scaling that company. And you know, we, we were partners for seven years and new Heights sold that business and, and moved on and has stayed involved in the fitness industry. We've invested in orange theory, fitness at the franchisee level. We are investors in fresh meal plan, which is a freshly prepared meal service that have, has been focused on, on gyms in the fitness sector and active lifestyle. We are co investors in ABC fitness which is a, is kind of the predominant building company to gyms throughout the country. And we are, are now kind of early supporters and investors in, in restore hyper wellness again at the

Pete Moore:

Okay franchising. We got franchisee or franchisor franchisee. Okay. We'll talk about that privately to working on something on that front. So let, let's talk for a minute about, you know, rewind the clock you go and you meet with the San own brothers. They've obviously got a nice mouse trap that they're generating strong unit economics. What's your, you know, what, what, what did you provide to them that they couldn't do on their own as, as entrepreneurs?

Richard Steere:

You know, the business was also at that time, less mature, less sophisticated, less data driven. And that was actually a kind of a good time, right. Fit for me coming in with financial skills, analytical skills and, and the ability to kind of crunch numbers and help them look at the business quantitatively mm-hmm <affirmative>. So they bootstrap that business. They started in the eighties as gold gyms, franchisees and so they're true gym guys. And so they were at an inflection point where they still wanted to move on with the industry, still wanted to lead in the industry, and they needed a partner who brought the skills that I had that could help their business and really take it from a collection of clubs and brands into an enterprise and help them manage that enterprise, not only financially, but from an organizational standpoint, with, with people and disciplines and overall kind of just brand development. Yeah. So

Pete Moore:

In, in a lot of businesses, you see the entrepreneur, I, and it takes a business can grow to a certain level. At some point, they look at their personal balance sheet and they say, right, I'm on the hook for 10 leases. I'm on the hook for these 10 loans. You know, the business is generating EBITDA and, and things are going well, and there's money in the checking account. However, you know, there there's an overhang and I probably can't really grow, you know, off of my, my own personal balance sheet anymore. So talk about, you know, your relationships with debt funds, you know, bringing in this institutional capital and how conversations with landlords and, and debt financing sources change when somebody like you gets involved.

Richard Steere:

Absolutely. That that took place with, with fitness edge at the time, those guys were personal, guaranteed on leases. They were, you know, in, in the midst of taking on planet fitness as a major challenge in the industry and coming up with the edge fitness clubs, as a response to that, where they could still lead and grow. And, you know, they had to think back and reflect on their own partnership, their own personal balance sheets and how much they would be willing to risk to continue to grow and take on bigger spaces, bigger leases. And so when we invested, yes, we brought in equity capital, but we also brought in a lending partner and we were able to present the business at, at a holding company level. So where before maybe landlords would've looked at them as partners in different gyms, they were now able to kind of see a holding company and release in certain instances, those personal guarantees and absolutely going forward that afforded the company. And then personally, as kind of the leading executive of the businesses no longer to have to extend themselves personally on leases or for that matter, any more than kind of their prorata ownership to invest in grow in, in new locations. So I think that was a really significant milestone for them where we were able together kind of accomplish that goal.

Pete Moore:

So, you know, and we've talked about this on, on several podcasts before, but you know, when private equity, he comes into a business, there's no one from the private equity firm that's signed in a personal guarantee. There's no debt, that's recourse debt. And what I've used as an analogy is, you know, you and I are playing with a chess or a checkers board, but I'm playing chess. Or in this case, you're playing chess. And me as an entrepreneur, I'm, I'm kind of playing checkers on this team landscape because you could grow much faster than I can because I, I'm not looking at what my personal liability is where you're setting up and saying, Hey, it's a portfolio company. And this portfolio company kind of has to stand on its own. That

Richard Steere:

That's correct. And then also, you know, from an equity standpoint, you know, we're bringing a group of investors, right. That are either our investors are limited partners to the transactions. So that helps diversify the risk as well. And it also, you know, helps or at least it, it presents to landlords that there is a point with which you can't, you cannot longer kind of jump over the wall and ask people to personally sign. So the business has to stand by itself and the balance sheet has stand by itself. Mm-Hmm <affirmative>, but it certainly helps when you've got a strong equity partner that's got experience in capital. Yeah.

Pete Moore:

So how do you, when you take a look at whether it's the edge, or you look at other deals, a lot of entrepreneurs like to run their own business and they, they, that's why they started the business originally. So the question is, you know, when you come in and say, Hey, look, I think this business is great. I think this entrepreneur is great, but I don't think they're ready to have a partner. You know, how, how do you think through that? Or like, what's your, how is like your, your, your, your sense of like, Hey, I get what they want to do, but I'm probably not the right person, or I'm not the right firm to do that, cuz I don't think they understand what the relationship is going to be going forward. How do you think about that? Yeah,

Richard Steere:

I think one of the first ways to observe is that partner or that operator ready for a partner is what have they done in growing their business? Have they had to bring in you know, outside talent and executives to the company that they've been able to basically elevate within promote within delegate give responsibilities too. So it's not just a hundred percent controlled by one partner or two partners that have started the business. Have they brought on any outside capital or any lenders at all? Even if it's a local bank that they've had to report to mm-hmm <affirmative> and you know, I think also the other part is what, what have they been doing from a reporting standpoint? Are they creating transparent financials, maybe if it's not even shared in the, in the organization, but between themselves and their accountants, is that a discipline that they're used to and do they use financials and quantitative metrics to manage their business groups? For sure. You're going to need to be able, able to communicate that way to your outside financial partners and to your board and, and to the lenders as well. Got

Pete Moore:

It. So, so assuming they have some of those, or at least some tea leaves of that, that gives you a little more confidence that, Hey, we're going to have meetings and it's going to be constructive and it's going to be quantitative, not, you know, qualitative, I guess.

Richard Steere:

Yes. And, and again, that they've done things through the development of the, of the business and the growth where they've had to, you know, relate to outside parties and bring in some of those outside parties as inside partners. And again, that can just be employees or hired executives that shows that they, they can both lead and, and be a partner.

Pete Moore:

Gotcha. So you've done minority deals, preferred deals. You've done structured equity deals. You've probably done some heads up common equity deals, but, but you're the majority control investor. Yes. And I've seen in a lot of transactions where the entrepreneur sells their business, they sell the majority control of the business, they get a liquidity event and then the next day they show up for war. They think that they're basically renting capital but they really have an employment agreement and, and they're wor working for someone else. So how has that, you know, evolved and how, how upfront are you about, Hey, look, this is how this is going to play out over the next three to five years and just kind of set the table of here's like our rules of engagement.

Richard Steere:

Yeah. I think, you know, if you went back to the early days in the, in the industry and where the, the sector was not as well covered from private equity firms, mm-hmm <affirmative> then there, there was not necessarily the, the awareness from the operators or the entrepreneurs about what these partners ships would be like and how they would work. And, and so they've heard stories, okay, you're selling your business. And so you've lost control of your business and you are just really under an employment agreement. And, you know, the industry has changed so much, including overall private equity, where there are many more choices for entrepreneurs and operators and they really kind of control the table about what they want for choices, both from a evaluation, as well as some of the qualitative factors.

Mm-Hmm <affirmative>. And so I, you know, what I think from an entrepreneur's perspective where that matches up to the investor is, again, it goes back to the, the leadership is, does that individual, even if they've, they've now going to be a minority shareholder, will they have the passion and the drive because they still view this as their baby.

Richard Steere:

And they view the financial partner as while being in control. Really the operator is in control because the at the board level, the financial partner, the private equity firm doesn't really want to step over and take, get involved in the day to day operations. So, you know, ideally a private equity firm should be complement and supportive from a strategy standpoint, as well as whether it's, you know, an external M and a factors doing acquisitions helping set up incentive plans for employees, which probably didn't exist mm-hmm <affirmative> in the company before. So I, you know, I think that those are the, those are the good ways that a private equity partner can, can come in by control of the business and still have a highly motivated, engaged, and ultimately deferential relationship. Mm-Hmm <affirmative> the former control owner. And, and most likely that control owner is the CEO of the business. Yeah.

Pete Moore:

So, you know, as you've gone through, I use this term a lot, you know, experience is what you get when you don't get what you want, you know, so you've got a lot of experience looking at different companies in different situations. When you, when you are, whether a majority control or a minority control, you know, investor, how do you, you know, how do you eloquently say, like, look, I've seen this movie before, let me kind of tell you where it's going to lead and trust me that, you know, this is an analogy that, that we're about to enter into, or like, you know, how, how do you kind of talk to entrepreneurs knowing that this is like their first time with private equity and, you know, it's obviously personal to them at the same time. Like there's a playbook that you have. Yeah.

Richard Steere:

And well, I think maybe starting with that playbook is it, it's an imperfect playbook in the sense that you, you, it's, it's a guideline for how you want the relationship to work. It's a guideline for how you see the business performing a over the next five to seven years, which is probably the timeline you're thinking about before you would want to sell the business. Mm-Hmm <affirmative>. And so that's an important part of, of investing is do you have a vision for when you can sell the, sell the company? And you know, so a lot of this is, is discussed and strategized in planned, but then you've got to kind of get into the partnership and, and stuff happens, like you said, right. So you have that experience. And so I, I think to guide an entrepreneur through who that partner could be and you know, it, it does, I think come down to some reference checks about what they've invested before, what that experience was like, and when they faced tough times, mm-hmm <affirmative>, how did they work through that with their, with their partner?

Richard Steere:

And then the second part, which is important and is one of the harder things particularly at the kind of middle market or lower middle market stage is you're, you are moving from privately held tightly controlled decisions to now making decisions for partners that are outside the business that are counting on information, but also have great influence at the board level about how those decisions are, are made. And so I think that's a, for really big difference and, and can determine a successful or a success or failure in, in a partnership in the growth of the, of the business. And so you, you know, from a operator or CEO, who's partnering with private equity, their ability to drive the business and show to the board that they have command both over the organization, as well as the, you know, financial performance and really some of the key KPIs that communication and the efficiency of that on a regular basis to their partners is, is critical to keeping that confidence.

Pete Moore:

Yeah. So, you know, a as you kind of touched on, you know, things are going to happen, you know, whether, or it's COVID, whether it's a financial crisis a client recently said, you know, how am I going to diligence these private equity groups that you're introducing me to, I'm like, just have to call three of their portfolio companies and see if they really were flexible capital, or now when they stop getting their interest payments on the, on these unit tranch debt deals. So, you know, how much do you protect your personal and your, and your new Heights capital brand, and how much does that, you know, matter to, to getting other deals in the future.

Richard Steere:

And, and the protection of that brand is in, in what, in terms of how you might defer returns on capital or restructure

Pete Moore:

Things, or just, you know, basically making sure that you're very clear and transparent with the entrepreneur and the portfolio companies that you have, and that knowing that those portfolio companies at some point is going to be a reference check for the next deal that you want to do. And you know, what feedback do you want to have, or maybe, maybe it's a better to ask you a question. You, if somebody was to call a group that you've invested in and sold, what would they say about you? Yeah.

Richard Steere:

To answer that. So, yeah, I think that's, it's a, it's a good question. Obviously, we're, we're a small firm, we're industry focused primarily on consumer services of a lot of overlap and fitness and, and wellness. So that reputation is extremely important. You need to be able to have really good references to be, to be invited into the next opportunity. So, you know, the way that we approach investments is trying to be value add from a, from an industry standpoint of having had experience growing from a privately held business to an institutionally ready and scaled company, that's now demonstrated success and has the, the metrics and, and the financial reporting in place for kind of that next generation private equity firm. So we are a, I guess you could say kind of a roll up to sleeves partner that isn't necessarily just above and you know, at the board level where everything just shows up in a package, right?

Richard Steere:

It is mm-hmm <affirmative>, you are helping that business. You're helping those partners come along the path to be able to, to accomplish some things that we talked at, talked about early on in terms of the transparent reporting, understanding the communication. And then also just setting up the organization with the right people to help that entrepreneur and help that operator have the bandwidth to not only work in the business, but work on the business at an enterprise level. Mm-Hmm <affirmative>. So I think that's, you know, that's, that's our, our niche is, is in that stage.

Pete Moore:

I want to take a minute and tell our audience about two awesome workout recovery products I've been using for the last 18 months from higher dose.com leader in infrared technology for athletes. Like all of us are, we're an investor in the company. That's not why I'm telling you this. I'm telling you this because it works. You got an infrared hot in there. I'll listen to some podcast, burn 800 calories, get a mad detox and a P M F, which is a pulse electromagnetic field crystal mat that I lay on. And I recalibrate my cells to the normalize level, the earth. If you got somebody you like, and you're looking for a pretty awesome gift, they will love it. You could use this code halo 75, get $75 off, and you will, will not be disappointed higher dose.com, promo code halo 75. And now let's get back to our regularly scheduled program.

Pete Moore:

When you think back to, you know, take the edge or, or some of the other deals you've done when you made that investment to see where the company is today obviously there's a financial return and those returns have been very strong for, for your investors. But at the same time, you know, you basically built, helped build a chain that you know, was in Connecticut. Now it's in four or five different markets got NP is their, you know, institutional capital provider. There's probably hundreds of thousands of members at these locations that now have a place to work out. So how do you think intrinsically about, you know, look, you're, you're a finance guy and you're putting money to work, and you're an asset manager and you're getting people returns, but at the same time, you know, working in the halo sector is, is giving you ancillary, you know, rewards because, you know, you could sit back and say, Hey, look what, I've, what I've helped built, and like how many people it's affected. So how do you, how do you think about that when you kind of look at your career to date?

Richard Steere:

I, I think, you know, personally, there's, there's a lot of pride and, and to the partnership, you know, if you want to look at the edge fitness clubs and helping them, you know, build that business in a way that they probably were not going to go pursue it doesn't mean that they couldn't have done it, but they probably wouldn't have pursued it right. Without having an outside partner come in and, you know, be at the table with them at that point really day to day, talking about how are we going to build this business? How are we going to work through these challenges? How are others going to look at us from an investment standpoint down the road? And so these, you know, those guys, Jim and VIN and the rest of the team had great instincts for how to build the company and build the product.

Richard Steere:

But they absolutely needed help for in the backend, from a corporate enterprise level. And so, you know, that is what I, what I brought to the table. And so I still have you know, a lot of confidence in the, in the brand and the business that they continue to be. Those partners continue to be involved in with NEP and, and build out you know, continue to build out even, and now through COVID and, and beyond. So there's definitely some pride in, in having been a part of that. And knowing that I, you know, as a partner, that the skills and experience that I brought to them are still relevant to other businesses today. And we continue to, you know, kind of run that same playbook with different types of businesses to help them build. So you, you know, and I think <affirmative>, we're fortunate to be in, in the, the halo space because you feel good about what you're doing, right? You are helping people help themselves. Yeah.

Pete Moore:

So, you know, given what's happened on the connected fitness side and some of these venture capital firms that have put both loads of money in, at, you know, multiples of revenue, or just multiples of nothing you know, to compete with the industry, you know, how do you stay disciplined in your, you know, quantitative approach to transactions? And, you know, basically say, Hey, I love this company. I just don't love it at this valuation. Or, you know, this management team, they might take money at this value from this type of firm, but they kind of don't, you know, they're basically setting expectations that they might reconsider, you know, down the road because, you know, they're selling someone, a business that is not going to really perform the way, you know, this hockey stick of projections work. So how do you stay disciplined and say, Hey, look, I'm a growth equity investor. I'm, I'm an LBO. And as much as you tell me that the, that valuation methodologies have changed, like I've done, I've been through three or four cycles myself, and they kind of don't <laugh>, you know, so how do, how do you kind of stay disciplined and not get brainwashed that, oh, there's a new normal now? Is there, is there ever new normal or not?

Richard Steere:

Oh, I, I absolutely think this is a, a new normal, that's been a long term evolution in the sense of, of the amount of capital that's covering the sector. And so there's a scarcity of ideas, concepts, and companies mm-hmm <affirmative>. And, and so that's driven up valuations, but you know, from, from our perspective and my outlook, like, just take the example of, of ABC fitness. You know, that was a company that traded at a very high valuation, but it brought scale it had tremendous market and it had EBITDA market share it, it did have you know, EBITDA, a strong track record of, of performance and, and growth. And so for me, that's worth a, a marque valuation and premium to get into an asset and a company that I knew well right. Versus let's just talk about connected fitness, where basically they're, they are the beneficiaries of being on trend, having a lot of capital looking for places to go, and those investors are structuring their investment where they're not necessarily partners in this from a capital standpoint, they always come in with a preferred, right. And so there's a huge headline number from valuation. And they're just taking a swing and they know they've got kind of the first, first round of, of capital out of the business. So that's, that's in general a, a bit different than what we would like to approach where we are more engaged as, as partners with the groups that we're investing

Pete Moore:

In. So just for a, an, an educational note for our listeners here when a series a round gets done and then a series around the series B round has the liquidity preference over the series a and the C and the D and the E. So there's basically a waterfall where the money goes back to the, to the last in first out on, on the capital side, and in this environment of chasing deals and valuations, and a fear of missing out, you might give someone a high valuation as a flyer, but at least know that you're somewhat, hopefully protected. You know, as, as the, as the first money back, you know, in, in a worst case scenario, who knows what that worst case scenario turns into or what the business is worth, but there seems to be a lot of follow on investments and a lot of sticker shock on, at least for my standpoint, on, on valuations that might not be supported by the, the actual company at this point.

Richard Steere:

They're very frothy evaluations and frothy and hard for us to, to justify given the way that we've invested and partnered in the past. Mm-Hmm <affirmative>.

Pete Moore:

So, you know, from a standpoint going forward here, you know, obviously in the blue states that, that you're looking at, or that you're invested in, there's a different recovery curve than there is in, in red states, we've had investors call us up and say, don't show me anything in a blue state, you know, for at least six months, if you've got some red state deals, I'll, I'll look to do that. Has that ever been in a, in an investment criteria, and do you think going forward, you're going to start to look at like, you know, what's the state political environment, you know, with whether it's in a halo company or whether it's in a retail business. Cause I never really calibrated that. We used to do like country risk back in the day. Right? What's the volatility of Brazil. And you know, but not, you didn't say like, what's the volatility of like California versus like Texas or Florida. I feel like that's almost a financial risk return cap. What is a cap M model back in the day capital asset pricing model. There you go. Good. One. How do you think about that?

Richard Steere:

I, I, I do think that it's, it shifted to a cultural consideration where before I, I, I think that folks looked at California, which were invested in, and some people would resist investing there because of the assertive regulatory framework within the state and then just the overall higher cost of, of labor. Yeah. you know, the way we kind of think about it is the labor is higher in California, but California is, is its own ecosystem. And we're selling a consumer service to that local economy where the locals benefit as, you know, wage earners that have higher earnings and higher wages to be able to spend by back into consumer services. Right. So I think, you know, that for us has not been a, been a risk. I think COVID has certainly demonstrated that you know, a more assertive government can get involved in your business in ways that you would not like. So do I think it's a factor going forward? Yes. That being said, you know, there are certain states like California that are tremendous economies have great appetite for, for fitness and wellness services and will be great investment opportunities, but it is, it does take, I think, a higher level of execution and operating partners than you could expect in states that are going to be more, more lax.

Pete Moore:

Yeah. So you know, let's say somebody said, Hey, I'm looking at this deal in New York or California and this, you know, recovery trend that the bankers are telling me, you know, is on this diagonal trajectory back towards pre COVID numbers. Yeah. It's just not happening yet. So what's kind of your Chris, the ball for, you know, when there's some kind of level of normalcy and do you kind of long term, I think over a five, 10 year period, obviously the, the sector is, should be fine. And, and benefit, who knows what the comp competitive deal landscape's going to look like, but you know, how do you think about investing today? If you had a deal or say, you know what, I'd rather just wait 3, 6, 9 months. And like, I don't want to have to underwrite that risk or I, I will underwrite it because I get a better deal. How, how do you think about that?

Richard Steere:

I think today, the, the market I is discounting because of COVID in, in, in these sectors, particularly fitness so that you can get a discount. I don't know if you're getting a deal, cuz again, there's plenty of money to go around that has covered the sector. They're familiar with the assets and so they are ready to invest. And they are expecting accordingly a discount, but there are not, I would say steeps steep deals, but you know, the outlook, the way we think about it is we have to be prepared for kind of steady state mm-hmm <affirmative> through, through the winter here between 21 and 22. And then we expect you know, coming out of like, let's say winter or early spring to see a trajectory like we saw in, you know, February to July eye of 2021 mm-hmm <affirmative> where the business will continue to recover and somewhere between, you know, 90 to a hundred percent recovery.

Richard Steere:

Yeah. Great. And I think the leaders in these markets that have, have hung on and have had strong operating disciplines and, and you know, an important part of the recovery now is, is your human capital management mm-hmm, <affirmative> take and care of your, your leaders in, you know, whether it's gym management, whether it's studio management, whether it's your regional management it, labor is scarce like, like in everywhere else in the economy. So you need to be able to keep your team together. You need to keep them motivated and that's a key differentiator and, and how you're going to recover yeah. Is keeping your, your team together and keeping them motivated. So you know, I think that's not easy to do, especially for distracted owners or, or operators that haven't invested in, in their own infrastructure to support the, the growth of their business or the recovery of their business. And so the stronger will, I think, come out of this stronger or the onus. And so, you know, we think we've invested in great teams and platforms that will, you know, make the difference between getting to 90% recovery to a hundred percent. Yeah.

Pete Moore:

Plus, yeah, no, and I know so many assets, so I, I believe that you have invested in great managers that make good decisions. So in closing, you got any quotes that your business quotes or things that come up at a board meeting where they're like, ah, that's a, that's a steer or

Richard Steere:

You know, we, we would talk about this in the edge and I still use it as, as a famous Mike Tyson quote, which is, everybody has a plan until they get the hit in the first punch. Right. Right. And so that's what happens in life is you have a plan and you go in as partner and then you get hit, you get knocked down and then how do you respond? Yeah. And how do you keep it together as partners? How do you keep it together for your business and get back on your feet and re strategize, take a deep breath not panic and, you know, plan as partners. And then start to communicate that to the, the rest of the rest of the company of, of how you are going to, you know, proceed and move forward. And in, in any, in any business, you, you can have multiple plans and maybe one's the perfect one, but you're not likely to pick that, but several of them will work. And it's just the likelihood of success will depend upon, you know, your alignment to execute together. Yeah.

Pete Moore:

I've seen most success stories is when ownership and management are aligned, good things happen. It's usually ownership that that sometimes crushes businesses, but the right private equity group or the right individual on a board to set let's speak the right decisions. Let's not panic. And let's take a long term view. And I think that that's going to, how life works, take a long-term view. And,

Richard Steere:

And maybe just add one more thing, which because I have been involved in the industry and invested particularly on kind of the brick and mortar <affirmative> brick and mortar brands whether they be independent or part of franchises, you know, it's, it's harder for financial investors sometimes when they're first getting involved to understand the intuition of the entrepreneurs in this sector about how they sell. Yeah. and they grow their businesses. And I think that's kind of an important learning point is it's really hard to bring someone in at a top level executive and just take over the company and say, oh, I saw what these guys built, but I don't like the way they do it. And it's a little bit hard to understand let's bring it our own team cuz they get it. They did it in this, you know, they did it for pizza HUD and they can do it here.

Richard Steere:

It's never actually worked that way. So yeah. You can bring in an executive to partner with the entrepreneurs that have built the business, but you have to respect the culture yeah. And give them some leeway and bandwidth to, you know, both work within the requirements that you have as a financial investor with regards to information and data. But you've got to also flex your, your systems and requirements to allow them to have that to sustain that culture cuz it's a people business and it's, it's really important. And that, that part is sometimes misunderstood by investors. Yeah.

Pete Moore:

I think a lot of private equity firms want to institutionalize a business. And I think from what you've done and from what other people have done is you, you kind have be like an preneur, a financial partner. I don't understand that you're backing an entrepreneur. You're not backing a, you know, this robust season management team that has these credentials, but they're street smart. They know how to make money and you got to support 'em but you also got to, you know, maybe put some guardrails up on the on the bowling alley, but you got to let 'em tick take big swings at the pin. That's that's

Richard Steere:

A great, that's a great analogy. I like that. Yeah.

Pete Moore:

Great. So good to see you again in person. Great to see you look to some deals together and glad everything's working out and you've been a great asset to the industry. So keep staying in the halo sector. Don't venture out into anything too extreme.

Richard Steere:

I, I won't, I enjoy this sector and it's, you know, even through COVID, it's nice to see that there are emerging trends, whether it has been through, you know, digital connected fitness, or now what we see more on the recovery side and fitness starting to incorporate some of those recovery aspects in, into their own business, but also standalone recovery businesses, thriving too.