

## Eric Levine of Eric Levine Global

**Speaker1:** [00:00:04.77] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin with Investor Connect. Today, we're here with Eric Levine, founder and CEO of Eric Levine Global. Eric, thank you for joining us.

**Speaker2:** [00:00:31.05] Oh, it's my pleasure. Thank you for having me.

**Speaker1:** [00:00:33.27] So so what was your background before investing in early stage companies?

**Speaker2:** [00:00:36.81] You know, I started off as an actor. I was right out of right out of the get go. My dad was an athlete, so he. Was on the Canadian water polo team and volleyball team was best friends with the Weeder Brothers who kind of started the whole bodybuilding muscle and Fitness magazine. And so I I was into the that whole gym thing growing up. So naturally, you know, the very first shot at it, I'm going to get into the fitness industry and I did that as early as 20 was about twenty two when I started investing in my own company.

**Speaker1:** [00:01:21.41] Well, that's great. And so what excites you right now?

**Speaker2:** [00:01:24.50] Well, again, in the fitness industry, as you know, with with covid around the world, the government has shut down fitness centers, even though the data is clear that it doesn't. We're not a transporter of covid. I mean, it's clear and it's independent studies around the world have shown that. Nevertheless, so many of my colleagues have been forced to shut month after month and then restart, make a deal with the landlords and then pay for the staff and then only to be shut down again a week or two or three later. I mean, it's insane. So I'm here looking at helping as many people as they can getting their feet back, because it's a very interesting time, as you can imagine, in our industry as well as all the other industries. But specifically in our group, a lot of online product has come out, which is wonderful. People are still scared to go back into the fitness world. So I'm looking at many opportunities, myself personally. Unfortunately, there are many opportunities that came about through covid that.

Wouldn't or shouldn't have happened, but smart investors can see distressed situations, and my group is looking at those as well as our moral viewpoint, if you want to look at it, is these operators that got in trouble or had to close up wasn't necessarily their their fault. And wherever possible, we're looking at. Coming through this situation and keeping them on board in some sort of an equity position, operations, et cetera, so it's not a complete catastrophe, it's a way of building their their fortune back up. So that's kind of what we're looking at. That's kind of what's pretty exciting right now. And the banks realize this and some of the banks are very flexible in their viewpoint on today how to get how to get most of their money back and make this a win situation.

**Speaker1:** [00:03:43.68] Great. So you see a lot of startups and a lot of investors in this space. What's your advice for people investing in startups in the fitness sector? What do you tell them to do before they write that check?

**Speaker2:** [00:03:54.12] Well, if they're you know, they have to look at the operator, the operators track record. For some reason, the fitness industry has attracted many hobbyists, people that would like to exercise or but they don't have the experience to to run a fitness center. It looks like it's not like Field of Dreams. Build it and they will come. Procrastination is our number one enemy. And everyone says tomorrow. How do you get them to say now? And let me bring in a friend. So if you're investing in a startup, it's all about the operator. What is the experience, you know, in that person or that team? You can't you can't back a rookie situation. Not now. We're in a very unique situation. We're not sure how many of the old members are still going to come back or in that area, etc.. So for an investor, I'd be investing in companies that have a good long track record. If you yourself have been in the industry quite some time, you've been an executive and this is your shot. Look for an opportunity like we are a distressed situation whereby you can pick up the. The club, the clubs for pennies on the dollar, the banks will and the landlords will. Be flexible, they should be, because there's so much product on the market, I mean, retail is everywhere, it's all available. So you've got to make a deal with the landlord. You have to trust in. The operator of that operator is you make sure that the landlord has put in covid language whereby if you're legally shut down, you're not paying anything and flexibility from them. You need three to six months rent free and go for it. Find the right up. There's so much fitness equipment out there, you don't pay anything. You know, a treadmill is

ten thousand dollars plus new. You can pick them up for a thousand dollars each right now. So be smart. Yeah, there's opportunity if you're if you're placed well.

**Speaker1:** [00:06:09.64] So what's your advice for people running start ups in this sector? You talk about being a good operator, but what do you tell them to do before they go out to raise funding?

**Speaker2:** [00:06:17.23] Well, A, they have to find an excellent location that is in that was profitable in the past but had to be shut down due to unforeseen circumstances. A landlord put to put the package together that shows that the old run rate of fifty thousand dollars a month rent is now thirty thousand with six months rent free and it's never going back to fifty. So that extra fifteen twenty thousand dollars of eBid monthly goes to the bottom line. Now you put a package together or the investor sees Prie covid this company was doing all right post covered with the deductions that you're getting from the landlords and your track record of having such a great long run doing what you were doing. It's a very attractive parcel for any investor that's looking to get into the health fitness wellness arena.

**Speaker1:** [00:07:15.22] Well, that's great. So let's talk about the industry itself is changing dramatically. Where do you see it evolving from here?

**Speaker2:** [00:07:22.66] Well, a ton of a ton of money has gone into the home fitness markets, starting with CULLITON a couple of years ago. I mean, the valuation has gone up kind of like Bitcoin or more. Apple is now into it. Everyone is doing it. All the big players. What it did do was obviously during the pandemic allowed people to work out at home with a much higher quality of experience. I mean, CULLITON bikes are not cheap, the mirror is not cheap, but people are paying for it because it's a long term investment in themselves and that's going to continue. I don't think that that segment will go away when the brick and mortar clubs reopen. That being said, the brick and mortar has. A never ending story with with society, it's a place to meet friends, it's a place to be motivated. It's a place to grow, to get healthy. It's a healthy nightclub. It's a healthy bar, and that'll never go away. Some people will be afraid for a while, you know, until everything is whatever the words are, herd mentality, whenever it's all clear. And some will stay with their home units. But I'm looking at the people that have the brick and mortar clubs to have your own online system where it's it's a it's a hell. It's a new tool to keep your members

happy when they can come to your club and to attract people that are never going to come to your club. But your online product is so good that they'll pay you a reduced membership fee anyway. So the online is huge. It's gone, you know, probably 100 times bigger than it was because of it. And yes, it will slow down, but it's not going to be something that won't be a good investment over the next year. Three in five years. It'll be a great investment.

**Speaker1:** [00:09:34.11] Right. And so let's talk about your investment thesis in this segment. What do you look for? For a good fitness club, aside from operators and location? What makes for a good investment opportunity?

**Speaker2:** [00:09:47.10] Well, for me, we're able to with my group. I'm I'm also a partner in new evolution ventures in my my partner, Mark Mastrov, probably the most one of the most important people in the industry. So fortunately, we're actually given many opportunities of the banks. No, no us. We've been very successful in doing what we're doing now by taking over some distressed situations and turning them around for the bank. I mean, the bank, the banks have lots of money out there. And if you can show the bank that they can get 50 cents back on the dollar in three or five years, they're all yours because no one expected what what when everyone's gone through and there's a lot of good people out there that got hurt without any warning, as we talked about earlier. So for us, we're in a position that we're actually given opportunities as well as we're on the market. We're looking we're in the we're in the the flow chart of what's going on around the world. And so we're privy to a lot of early situations that are all the way down yet. But we're looking for through situations that go through a book, which go through a car wash, as they say, come out the other side without any liability with a bank, that is. Passionate about getting their money back, backing us as operators, giving them an equity stake and moving forward as a team. And that seems to be a very strong winning formula.

**Speaker1:** [00:11:31.30] That's great. So let's talk about the challenges in the space today, what you see as the challenges for the startup.

**Speaker2:** [00:11:39.61] Well, fear, you know, the media constantly. It's just, you know, I've I've been around the world. I've never seen where media thinks it's their job to destroy everybody's positivity, you know, and that's where it seems, whether it's fake news, which I believe a lot of it

is. But the sentiment of fear, I mean, you know, caution. Yes. Awareness, yes. Information, absolutely. But fear based doesn't do anybody any good. So. That misinformation, fear based reporting is something that we all have to be aware of in a startup. How did. If you're taking over an existing club or a club, how did they handle the membership? On the way down before closing, how do they communicate with the members? Do the members still feel like they're members? Do the members want to come back? Are you a marketing specialist? Do you know how to get them back? I mean, we're people are people and they need to have the right motivation. They need to feel good about it. They need to be feel safe. And they and, you know, in this were the previous people honest and great communicators, because I've seen both. I've seen where companies kept building their membership through the pandemic and I've seen where it hasn't been that way. So make sure before you invest that the membership that you think you're buying. Is there? Because even in a beautiful situation where the club owners handled it properly, you're probably looking at 50 percent or less returning in the first 90 days to six months, you'll build it back up and but make sure your flexibility with the landlord is there. The bank, all creditors are understanding of the situation. If you're able to take it out of a B.K. carwash situation, that's not as important. But don't count on the old membership to be anywhere near the levels that it was before. And be prepared to market market market, market your product and be very aggressive on the amount of spend you're going to need to attract the older the old members back then bringing in a friend and all the new members.

**Speaker1:** [00:14:28.63] Well, there's many different kinds of fitness centers out there. There's yoga, there's Pilates. There's a variety of different things out there, weight, strength and otherwise. Those with amenities, those without amenities. You had to pick one or two of those types that you think are good opportunities for investors to pursue. What would you put at the top of the list?

**Speaker2:** [00:14:47.80] Well, you know, again, it depends on a lot of variables, location, experience, competition. But on a broad stroke, the problem at the moment with the latest surge in the last few years is boutiques, your spinning clubs, your boxing clubs, your plotty studios, etc. and they did extremely well. The problem that they're having now is the spacing issue. The governments have gone from six feet to 12 feet, which brings a spinning studio down from 60 bikes to 20 bikes, you got to pay the instructor, you're paying the rent, you're paying all the other stuff. How do you go with one third revenue? So unless that. Is figure it out, the

boutiques will be hurt. Because of that, just that, for instance, in my opinion, in the next year or two, the ideal would be low cost, high value situations in neighborhoods with excellent parking, with a good reputation. People don't mind spending 15 bucks a month or ten dollars every two weeks to check it out and see how I feel. I am using it because, I mean, quite honestly, the low cost, high value clubs I've seen around the world, there's nothing better. You're not going to get that that value anywhere else. You have a multi-million dollar facility available for you, 30 days a month for 10, 15, 20 dollars a month. It's the value is much, much more than the investment that the members are required to make. And in this uncertain time, that's where I would go very well.

**Speaker1:** [00:16:43.11] In the last few that we have here, what else should we care that we haven't?

**Speaker2:** [00:16:46.41] Well, I think that for all the entrepreneurs out there, it is a great time for you to join forces with an experienced group. If you have money, you've done well now and you have some money set aside. You want to join an experienced group. There are many people out there that are looking for partners. They're looking for investors right now. So there's many industry circulations online going LinkedIn, there's many ways of finding opportunities, don't do it yourself, but join an experienced group would be the way to go. And the fitness industry is here forever. Everyone every industry has been hurt. But now that it's reopening, there will be a resurgence of power because everyone everyone's gained 15 pounds. We all are at our best, but we all are ready to do it again. So that's what I would recommend.

**Speaker1:** [00:17:51.77] All right, well, how best for listeners to get back in touch with you?

**Speaker2:** [00:17:55.16] Well, simply they can reach me and Eric Levine, global dot com, Eric LDV I any global dot com. That's the easiest way. I'm on LinkedIn the same the same address.

**Speaker1:** [00:18:12.73] Great. Thank you for joining us today and hope to have you back for a follow up soon.

**Speaker2:** [00:18:16.82] Thank you very much. It's been great. I appreciate it. Thank you.

**Speaker3:** [00:18:23.41] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Connect, Doug. Paul Martin is the director of investor Canek, which is a 523 non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.