

Business Insider
18 November 2021

NFL MVP Steve Young's private-equity shop is betting big on Planet Fitness. Here's why he thinks gyms will win out over home workouts in the long run.



- **Steve Young's firm HGGC just invested in a large Planet Fitness franchisee.**
- **Planet Fitness' stock has climbed 13% in three months as gyms have reopened.**
- **The Super Bowl champ thinks demand will rise further as people resolve to get in shape next year.**

HGGC, the middle-market private-equity firm co-founded by former NFL quarterback Steve Young, has just bet on more Americans returning to the gym, specifically the low-cost Planet Fitness.

Young's firm purchased a majority stake in Grand Fitness Partners, a franchisee with 42 Planet Fitness clubs in Florida, California, New Jersey, and Pennsylvania, and he wants to double the club count in the coming years, including by buying more clubs among other potential acquisitions.

HGGC's investment comes as health clubs across the US entice vaccinated gym goers to return to crowded, group fitness after turning to at-home exercise machines like Pelotons and online workouts when the pandemic shuttered gyms last year.

Despite the growing popularity of at-home workouts, Young said Grand Fitness-owned Planet Fitness gyms had exceeded their pre-Covid membership numbers and revenue this year.

"Covid was the referendum on fitness. I think there is an inherent response to the pandemic where people are saying 'I need to get healthier.' We're going to lean into that," Young, who co-founded HGGC in 2007, told Insider.



While he declined to disclose membership numbers for Grand Fitness locations, a spokesperson for Planet Fitness said overall Planet Fitness membership count hit 15 million at the end of the third quarter this year, nearing the 15.5 million members it had prior to the pandemic in February 2020.

Young also declined to say how much HGGC agreed to pay for its stake in the Planet Fitness franchisee — a deal financed by Carlyle Group's credit arm and Goldman Sachs Asset Management. The private-equity firm evaluated proposals from "a number of lenders," but opted for Carlyle and GSAM due to their relationship with HGGC, he said.

'Our competition is the couch'

To be sure, fitness chains are still grappling with the financial repercussions of the pandemic.

Planet Fitness logged \$135 million in net income at the end of 2019, but this sunk to a \$15.2 million loss a year later as gyms closed and vaccines were in early development stage.

This year, the company has begun to turn it around, recording \$18.6 million in income at the end of the third quarter. Its stock price, too, had rebounded to \$91.3 on Wednesday, above its pre-pandemic high of \$87.5 in February last year.

HGGC, meanwhile, hopes to capitalize on gyms' broader reopening and consumers' desire to immerse themselves in crowds once again.

The firm, in line with its "judgement free zone" slogan, is eyeing would-be gym goers who may be on the fence about joining health clubs, or intimidated by group fitness. Such individuals may also be drawn to Planet Fitness' affordable membership costs, which starts at \$10 a month, far cheaper than an Equinox membership that can start nearer to \$200 a month in New York.

"Our competition is the couch, not other gyms. We're trying to grab folks thinking about fitness for the first time, or the first time in a long time," Young said.

Getting back in shape via Planet Fitness also stands to be far cheaper than a Peloton, which can cost upwards of \$1,500 for the exercise bike, plus roughly \$40 a month to access the company's online app.

Opportunity knocking

Importantly, HGGC's investment comes at a lucrative time for gyms.

January is the "Super Bowl for the fitness industry," as individuals look to uphold New Year's resolutions and work to maintain any broader health goals, Young said.

HGGC is working with Grand Fitness co-founders David Bidwell and Scott Linsky over potential new gym locations and possible acquisitions of existing gyms that were forced to close during the earlier months of the pandemic.

"There might be some M&A, but the focus is for more penetration in the areas where Grand Fitness already is," Young said.

Under the HGGC investment, Bidwell and Linsky will continue to lead the Planet Fitness franchisee and remain a minority investor alongside existing minority private-equity investor Monogram Capital.

"A large portion of gyms, be it mom n' pop units, or some corporate chains have gone out of business. That lends us an opportunity to build new gyms to drive revenue. Members that were part of those gyms will need solutions for their fitness," Bidwell told Insider.