

Talks at GS

Michael Horvath, Co-founder & CEO, Strava

Kim Posnett, Moderator

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Michael Horvath: You can't just focus. You have to decide what you're going to be best at and do that. And you have to get an A in it. You can't get B's and things.

Kim Posnett: Good afternoon. I'm Kim Posnett. Nice to see you all. I'm thrilled to be joined today by Michael Horvath, the CEO and co-founder of Strava, a digital fitness platform and sports community which I assume you all know. Strava has grown, really, it's an unbelievable growth story over the past few years in particular. And the pandemic was a major force for Strava, for good, in the past many years.

The app now has over 100 million registered users, and it's actually become so popular that over half of the people who ran the London Marathon tracked their race on the app in the last marathon. So today we're just going to talk about Michael's journey as an entrepreneur. Michael, welcome and thank you for joining us.

Michael Horvath: Great. Thanks. Thanks so much for having me. It's been a really incredible journey for me as an entrepreneur to get to this stage with a company, and so I'm always excited to tell the story.

Kim Posnett: So let's just start with the basics. Let's start with what Strava does. You know, what does it mean to be a digital platform for athletes?

Michael Horvath: Yeah, that sounds very sort of business-y, tech-y. But if you aren't familiar with Strava, it's a way to track a workout. It's basically track your workout. But the key piece is you share it with people you care about. The community on Strava, in global context, it's over 100 million people. But it's the people you care about. Maybe you're following a few people, they're following you, and they get to see your activities. So it's a network that encourages people to be more active because people keep people active.

Kim Posnett: And so your co-founder is an important part of the Strava story. So you and your co-founder, Mark Gainey, wrote a business plan for Strava in the mid '90s, okay? That's 15 years before you launched the company.

Let's start with the very, very beginning. Like, what inspired Strava? What inspired that business plan? And can you talk a bit about what happened when you tried to launch the product the first time?

Michael Horvath: Yeah. So you say it's a 20th century idea that's brought to life with 21st century technology. But if you go back to 1994, I was a newly minted PhD economist, and my first job was teaching at Stanford University. And Mark had graduated from college. We were classmates at Harvard in the '80s.

So in 1994, I'm not sure if you remember that time or ever read about it, there was this thing called the Internet and it was new. And so Mark would come to my office at Stanford because I had an Internet connection, and he didn't. And we would talk about what is this thing going to do for us in our lives?

And so the story of Strava starts with us saying, well, you know what we really miss is we miss the team. We had met on the crew team in college. And it doesn't matter where, you know, which team or what sport, but that idea of being part, connected through sport with other people,

the teammates showing up every day for practice, working to be at your best so you can do things together to win races and in that context, we missed that. And so could the Internet bring back the team for us? Could we create the virtual locker room, is what we said.

And that sounds like a great idea! Let's go write a business plan. And by the way, this is a great way to ruin an academic career. So we write the business plan, and we take it around to website development companies. That's what the first Internet companies were. They built websites. And now, if any of you have, you know, 10-year-old kids, they can build your website. And they said, "Let's get this straight. You want people to share personally identifiable information with complete strangers on the Internet?"

Kim Posnett: Yeah.

Michael Horvath: Yep, that's what we want. He's like, "That's never going to work, and no one's ever going to share personal information with strangers on the Internet." You know, there was no concept of a network at that time.

So we tabled the idea. They said this is a bad idea, but they gave us a great idea, a great problem to go solve, and we built a completely different company, a very boring enterprise software company called Kana Software that three years later we took public with Goldman's help. Goldman was lead underwriter for Kana Software and we took it public in 1999.

Kim Posnett: Let's spend some time on Mark, your co-founder, a great friend of yours. Probably one of the most important decisions an entrepreneur makes is who his or her co-founder is. You know, what was it like building companies with him? And what was your key to success as co-founders?

Michael Horvath: Yeah, so we met when we were teenagers. You know, we say we've known each other quite a long time, and I'm now 56. So you think about that's a lifetime of working with your friend and working on many different things. And so a couple things that I think I would just want to stress is, one, is we know each other really well. All the warts, all the good things, too. And that's an important aspect to what I think has made us get through some really hard times. And we can go into what those

hard times were. Some of them were business related, some of them are personal. But it's the understanding is, like, this person matters to you, and even when you have to say the hard things, it really is important that idea that you're going to help them the most when you can really have the honest conversations that you need to have.

And especially true when you're trying to build something. What's riding on building a company goes beyond just is the company going to be successful or not? Are people who invest in the company, are employees going to see value to all the work that they've created? For Mark and me, it's also this aspect where we feel responsible for the outcome. We feel a deep sense of ourselves in the company.

But again, that's where I think the key thing we keep going back to is we don't always wear the company hat when we're talking to each other. Sometimes you have to put on the friend hat. And it's important to understand the distinction between the two, so the friendship is something you have to keep investing in, like in any relationship.

One more thing I'd say is, like, we complement really well. We don't think the same way. We operate with different

philosophies. For instance, I'm a researcher. I'll go research things and figure out the answer. He's a relationship genius. I think he can secretly interview anyone he's talking and get anything he wants to know out of their brains and into his. So he does a lot by talking to others to get smarter on something. And when you put those two together, I think that's a really great combination that's made us successful.

Kim Posnett: So then 2007/2008 roll around. That's the year after the first iPhone came out, to put it in historical context.

Michael Horvath: You're making me sound really old. Everyone's like, "Wow."

Kim Posnett: And so that's the year that you launched the Strava website. You know, what was the original version of Strava like?

Michael Horvath: We call it the Green Machine. And I got to bring another person into the story here, Davis Kitchel, Davy. Davy lives in Norwich, Vermont, and I lived in Hanover, New Hampshire, at the time we were starting

Strava. And Mark lived in Portello Valley, California. And so Davy comes into this picture because he completely on his own was interested in understanding could he take GPS data and essentially build ways for him to figure out is he climbing the hill from the road to his house in Norwich faster than he did the last time?

And if any of you know about Strava, one of the key parts of the experience in Strava is something called the leaderboard, the segment leaderboard. So Davy was inventing, on his own, something that became a really critical part of Strava's early story. And we got together in 2008 and built the Green Machine, which literally all it was was a Strava leaderboard on a few segments in Vermont and some in California in the Bay Area. And we got a few friends on each side of the country to start uploading activities to this Green Machine.

And it was magic. These people who were five or six people on each coast would tell us that it was motivating. They were doing things like calling in sick to work so they could go ride their bikes. We're like, "Hmm, maybe this has got legs." And so that's where, by the end of 2008, we had enough proof points that this was different. This was

motivating. This was engaged, and we were going to really put our energy and our money behind this.

Kim Posnett: So for the first couple years, though, you were, I believe, an entirely self-funded operation. And your only form of marketing was word of mouth. So was that just viral? Was that by necessity? Was that by design? And how did that -- I don't know if it's a philosophy -- influence the growth of the company and the evolution of the company?

Michael Horvath: Yeah, that's right. So we started that summer of 2008 with the Green Machine. Launched the public-facing website that anyone could register for in the middle of 2009. And by the end of the year, I think we had a total of 5,000 people on Strava. And we had turned on the subscription. It was going to be a subscription-based experience.

We were funding it ourselves. Mark and I were putting the money in. And the reason for that is we were not sure this could be a venture-backed business. We didn't know subscription as a way of consumer concept for a digital experience wasn't really well developed. Back then, you

would pay to download an app. You would pay, say, \$10 to download an app, and that's all you'd pay for the whole -- you can use that app as long as you wanted. And that model didn't seem sustainable to us. You know, the cost of running a service over time, if you're going to be using it for many years, far exceeds that initial cost. So we wanted to build a subscription business behind this.

And so we waited and funded it ourselves to the tune of about a million dollars in the first two years, to hire more people, to start building this. And then what changed that in late 2010 was we saw that, with a website, we're not going to get where we need to go. We need to build the mobile apps on iOS and Android. And that meant hiring. And so we realized that, in order to really get this going, we had to raise capital.

Kim Posnett: So then you roll forward to the pandemic. The business really, really took off in the pandemic, like a lot of other fitness companies and health and wellness companies. And we'll circle back to that. But I think you were adding 3 million users a month?

Michael Horvath: Yeah, so we roll into 2020 with about 50

million registered users globally, and it's about 80% outside the US. So it's really a global footprint already then. But at that period of March/April of 2020, we were adding about 3 million new registered users a month. And that's now settled down to about between 1 and 2 million.

But one of the things that you mentioned, sort of word of mouth. That's still the primary way in which Strava grows is we build an experience that, hopefully for a lot of the people who connect with it, it's engaging enough that you're going to tell your friends about it. You're going to tell people who you the will care about it, you're going to tell them about it.

So as the community gets bigger, it builds in a growth engine for the future growth because you have more people using it. You're going to have more people talking about it. And that's what drove our growth to the point where we crossed 100 million users.

But when you go through that rapid growth, all sorts of things start to break on a technology level. So we had to shore that up quickly. We weren't able to really start hiring until the second year of the pandemic just because it was

just difficult to stand up even just recruiting panels and things like that when we were so busy just keeping everything kind of live.

So if I have to say the reason we're still I think growing, again, goes back to the power of the word of mouth in the community as well as we had built more modern approaches to growth. We had built stronger, you know, a bigger marketing team that can help to drive the growth internally as well. So I want to give a lot of credit to the team that's now engaged in making sure the goodness can continue and we can reach more people.

Kim Posnett: So 80% of your users are outside of the US. What influence or impact has that had on your actual product?

Michael Horvath: Yeah. Well, we localize to more languages than we would otherwise. I'd say the community itself is also really connected globally, so there's all sorts of ways in which that benefits us. You can find you are connected to people even if you don't know them in real life, you can connect with people in any part of the Strava community. So it's an important thing to recognize that it's

just like where does someone live and exercise is maybe not the only part of the story. It's who they're connected to through Strava that also matters to them and how we represent that in the experience.

So I think another example is that, as I said, sport is organized differently. In Brazil, a lot of our community, I think it's the third largest market for us. Sport is organized much of it in group activity. And so building more functionality for groups is a really important aspect to be successful in a country like Brazil. And so we're investing heavily in group functionality. And so that could be everything from how do you coordinate an activity together to how do you celebrate that through the photos and ways it comes to life inside the Strava experience.

Kim Posnett: So at the beginning, as I think you all know, Strava was really oriented towards and built for cyclists and runners. And Michael just alluded to this. Now there's more than 50 activities supported by Strava, and the recent introduction of pickleball is notable. This is the nation's fastest-growing sport, in case you did not know that.

So where are you seeing the most growth and engagement on the app by sport? And where are you seeing the most engagement by community? You just mentioned Brazilian dynamics. But what are some observations from the data?

Michael Horvath: Yeah. Well, so the addition of many more sports to Strava is driven not because there are people who go really heavy into pickleball. I'm sure there are. But it's that people who run and ride also like to play pickleball. And so it's the idea that we want to capture your whole active life. Eventually even the non-active parts of your active life like sleep, nutrition, stress.

One of the biggest trends is that people who are on Strava are doing many different things. In the beginning, it was cycling only. Then it was cycling and running. And those are really distinct communities. Today, the biggest demographic trends are a younger audience doing many sports in a week, not just one, not just doing one sport. And so building in that we can be the record of their active life, we can be the record of their activities, requires us to think in terms of multiple sport types and multiple platforms that track their workouts.

Kim Posnett: So I want to transition to the power of data because we've talked a lot about that over time. You know, the Strava community globally gives you a lot of data. How do you use that information to improve the experience for the community? And how do you decide where to allocate your time and energy and resources in analyzing that data to get the most out of it?

Michael Horvath: Yeah. So we reference about over 2 billion activities came into Strava last year alone. And as we grow, that number goes up every year. So today, it's already the largest database of human movement that the world has. And what we do is we turn that into the experience itself.

And so if you think about what is Strava? It's user-generated content that becomes the experience that motivates other people to be active. People are glad to contribute to that because it feeds their own joy of using the product. And so we have free and paid users in the experience.

The free users are an incredibly important part of the value of what we can provide to everybody, right? So we think of

that as, like, a key piece of it. The user-generated content is the experience itself. It's a beautiful business. We don't pay for that content, but it provides motivation for everybody and especially drives the value of the subscription because a lot of what we build into the subscription is based in the data itself, recommendations, and how we help you discover the world around you through where people have been active and what they've done there.

Other things we can do with the data are really interesting, too. So we've used all of this data to create a tool called Strava Metro that is free to use for city planners, advocacy groups, trail organizers, to help them understand how people are using what's out there already, the streets in the city, the bicycle lanes, the trails. And through that, they can make better decisions around infrastructure investment. They can, for example, look at inequity and how infrastructure is implemented in cities that's generational based on all sorts of social injustice in the past that has left us with the cities we have today. Strava Metro can really shine a light on that and allow us to start rectifying that, as just an example.

Kim Posnett: So I want to ask a couple questions on trends that are shaping the fitness industry. The pandemic changed a lot of consumer habits, obviously. And priorities sped up and adapted from a digital health platforms and apps sped up. What trends do you see coming out of the pandemic across the industry? What do you think will be most meaningful, most sustainable?

Michael Horvath: Yeah. So we all spent more time on screens during the pandemic. Some of that was for good, and some it for not. But I think what that also did was most apps got better. They had to. Most experiences, digital experiences, improved as a result of higher usage and more people getting onto them. And we certainly put a lot of the growth that we had both in our community as well as in our revenue back into the product that we're now delivering. So it's gotten much better.

Another really big driver I think is that the concept that digital experiences for the consumer are worth paying for. That really came through during the pandemic. I know that, you know, post pandemic there's going to be a reversion to the mean. That's normal. But for most people, they're probably paying for one or two more things

digitally today than they were pre-pandemic. And that's a good thing for the companies that are trying to build these experiences.

These cost money. It's very expensive to run Strava from both the people side as well as the infrastructure. So the fact that more people recognize that it's worth paying for really helps us provide that service and build it out for the future.

Kim Posnett: I personally think that the healthcare, the wellness, the fitness industries are all kind of converging. Do you agree with that? And if you do, what does that mean for Strava, if that's a true statement?

Michael Horvath: Yeah, I think it's -- so today, it's an incredibly fragmented space -- health, wellness, fitness. All these things sound very big in general, but there are thousands of companies trying to do something in that space and that's bewildering for the consumer. So I think one other big trend we'll see is call it consolidation. But really it's more like thinking through how do we get down to the level of there are only a few experiences that can do a lot of things for consumers?

So for Strava, one of our strategic initiatives or if you think about the overarching strategic initiative for the next decade is being the center of connected fitness for active people. And also being the center of connected fitness for the whole industry of health and wellness. And so that other companies can plug into our platform and meet the same community but also that individuals can go to one place to see more of what they need to see for their health and wellness. So that's a big part of how we're architecting the experience as well as thinking about how we hire, thinking about how we partner with other companies so that we can be the hub of your active life, the center of your active life. The thing you check in in the morning, the thing you look at a few times during the day, and the thing you look at before you go to bed. It can help you lead a better, healthier life.

Kim Posnett: So you stepped down as CEO many years ago to take care of your family after your wife was diagnosed with a terminal illness. And how did that experience change your perspective on how work plays into life? And how do you take that experience in terms of advice you'd give to people who are undergoing life-

changing experiences but still coming to work?

Michael Horvath: Yeah. So my late wife, Anna, was diagnosed with metastatic cancer in September of 2013, and Strava was about 80 people. Maybe it was 6 million in revenue, and I had been CEO for four years. And my first reaction is, well, we're going to figure it out. We're going to figure out how to care for Anna, and we're going to figure out how to keep running the company.

So remember Mark? Let's bring Mark back into the story. So what's an example of, like, a really tough conversation that Mark had to have with me was, "Michael, do you see what I see? I don't think you can do this. I think you really need to look at what your priority is differently." And after hearing that straight talk and think about it, I knew that he was right.

And so he stepped in to be the CEO of the company, and I moved back to New Hampshire with Anna and we spent three years together. But by prioritizing that over running the company, I gained a great deal. I mean, I gained the time with Anna and my children. I gained that sense of intentionality of what I'm doing is actually the most

important thing as opposed to doing something that maybe was perceived to be more important. So I came away from it more whole in my being. I came away from it feeling like I had done what I was meant to do.

And again, I was fortunate to have that ability to choose that path instead of staying with the job. Now, like, fast forward to today. So I came back in to run the company in 2019. I have been the CEO now for three years. And the company's dramatically different.

So think about it. I left at the time it was 80 people. Now it's 400. We've got -- we're a much bigger footprint as a community, a much bigger business, and a lot higher expectations, too. So I had to relearn, I guess, or I had to learn a different way of leading the company in these last three years. It was a different approach completely from what I took in the prior go as a CEO.

But I also look back at what allowed me to do that was the fact that I took a break. I don't think I would have been the CEO throughout all that time if I had stayed in the first place. I came back into it, and I was able to start fresh and start with a sense of: I have to approach this differently.

I'm a different person. The company's a different company, and we're going to make it great with that combination.

Kim Posnett: And when you came back in 2019, what was the reason? What was happening at the company that drew you back in?

Michael Horvath: Well, it was a really tough time in the company's existence. We had -- I'd say we diversified into a number of activities that were kind of getting us away from the core of serving active people with the best subscription experience we could. We put everyone focused on the subscription business that was really always there but had not seen enough love and had not been invested in.

So we grew it from, in 2019, it was maybe 20% of the company was working on building subscriber value, and now today it's over 90% of the company is still working on it. So it was a big focus for that time. And our business has really flourished. We doubled the community, but we more than tripled the number of subscribers in that time frame. And that's made all the difference is really just changing the focus.

You have to decide what you're going to be great at, the best in the world at. You can't just focus. You have to decide what you're going to be best at and do that. And you have to get an A in it. You can't get B's and things in many things. You have to get an A in something, and we chose to get an A in subscription.

Kim Posnett: I'm going to end with two questions. What is the best advice that you've gotten as an entrepreneur? Number one. And number two, what advice would you give to future founders and entrepreneurs in this room?

Michael Horvath: Okay, I'm going to ask three questions. What's the best advice as an entrepreneur? What advice would I give you? And then what's the best advice I've been given on a personal level. I'll start there.

My dad said, in your relationships, give before being asked. I think that one has always turned out to be accurate. And the biggest disappointments are when I fail to follow that advice.

The advice as an entrepreneur is trust your customer. Do

not listen to those investors. They don't understand when things are going to work, but your customer does. And if your customer says they like what you're doing, then keep doing it.

And then my advice is I'd focus, as the macroeconomist, the old saying that trends will swamp the cycles. So if you're too focused on the highs and the lows, you're going to miss what's happening when unfolding at a time scale of 10 and 20 and 30 years. And that's much more important. Health and fitness was something we could have picked up on in the '90s. It wouldn't have been very successful. We started it in 2008/2009, and it's been dramatically successful for Strava because of the long-term trend of how people are thinking about wanting to live a longer, healthier life. And that means making decisions in their teens and 20s and 30s to be able to enable that. And that's ultimately I think what's going to drive Strava for the very long is that trend of renewed focus and energy around living a healthier life.

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