

THE BEACON:

The latest news and happenings at HarborHouse



Autumn in Maine. A promising pilot. From the acquisition front. Another Chris.

Chris Nemeth & Brendon Reay
Thu 10/5/2020 1:30 PM

"...the important question, whether societies of men are really capable of establishing good government from reflection and choice, or whether they are forever destined to depend, for their political constitutions, on accident and force."
— Publius (Alexander Hamilton), The Federalist, #1

Friends,

GREETINGS FROM BLUE HILL, ME (44.4140° N, 68.5867° W)

As you probably know, Autumn is indeed a special time in New England ... and in Maine, especially. There's still enough sunshine that it's (mostly) good to get outside, the summer tourists have (mostly) headed back to the cities, the kids have (mostly) returned to school. The fall colors of the trees, the blueberry barrens, etc. are so rich and vibrant that they actually precipitate another "tourist season".

But for us year-rounders, the vivid beauty of fall brings with it a sense of gravity, as everyone begins to make preparations for the coming winter. Boats are hauled from the water. Outdoor furniture, lawnmowers, and weed-whackers migrate to the shed or garage. Cords of firewood are purchased and stacked. Snowblowers are fired up (whew, it starts!) and snow shovels are found tucked away in the the back of the shed. Snow tires are put on. Winter coats are brought out from their summer hiding places. Mittens mended.

In a small community like this, these preparations and this shared concern actually extend beyond one's immediate family. Neighbors check in on neighbors. The community checks on its infrastructure. There's a palpable sense that we'll need to lean on one another if we're to make it through another winter. One interesting example is our local bookstore, Blue Hill Books (www.bluehillbooks.com). When Samantha Haskell took over the store a few years back, the previous owners worked with her and with the broader community to try to figure out how to give her the best shot at being able to maintain the store's sales, particularly over the long winter season (when the town's population falls to roughly ¼ of the summer). Together they formulated the idea of a "book CSA program", along the lines of a farm CSA model, whereby customers might essentially pre-pay for the books they anticipate they'll purchase during the year. Fast forward three years. Not only has this proven to be an effective financial model for the store (smoothing cash flow, enabling the store to forward-plan inventory purchases, investments, etc.), it's given everyone in the community a sense of ownership and agency to support those things which have value and are cherished locally. As Blue Hill's Jonathan Lethem (local author, winner of the MacArthur Fellowship) says: *"It's like a form of collective self-possession to say, We want our bookstore to*



Blue Hill Books (Blue Hill, ME)

thrive in a town. It's a form of politics, really. It's saying, We make our world, so let's make a good one." (You can read more about the bookstore and its innovative "CSA model" in the following New Yorker article: <https://www.newyorker.com/books/page-turner/a-c-s-a-for-books>).

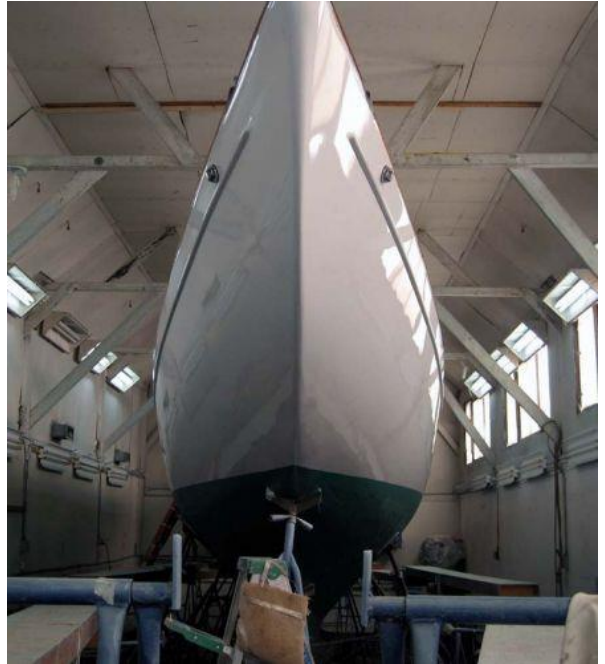
HOPE SPRINGS ETERNAL

One day in the middle of the summer, a striking and alluring boat mysteriously turned up on a mooring in the middle of Center Harbor. She was long. *Really* long – over 50-feet, in fact. Sleek, narrow and “racy”. And appeared to be designed in an era when building a huge, ocean-going, mahogany-planked, wooden racer might have been considered a reasonable, practical thing to do. To be sure, she had seen better days. But she was still a stunner. The name emblazoned on her tiny stern simply read: “HOPE”.

It turns out that this boat has a pretty special pedigree. She was built in 1929 by reknowned designer John G. Alden, for his personal use. She's 51-feet long, and is a “one-design” racer/cruiser in a category of boats called Q-Class yachts. (Apparently, Dennis Connor, of America's Cup fame, is a big fan of Q-Class racing). However, HOPE had recently fallen into such a state of disrepair that she was donated to the Brooklin Boat Yard, in lieu of ultimately being hauled to the scrap yard.

In talking to the guys at the yard, a proper/full restoration of HOPE won't be a project for the faint-of-heart. The consensus is that she's a “ghost” boat ... meaning that virtually every plank would need to be removed and replaced with a fresh piece of wood. With boat yard labor rates clocking in at \$70/hour, you can only imagine how fast that math adds up. This kind of full-on restoration shouldn't be undertaken unless you have a fully-stocked wood and machine shop, a large crew of experienced craftspeople, and/or a massive trust fund just burning a hole in your pocket. (If you check those boxes, though, let me know and we'll put you in touch).

But even knowing that stuff, I made the fatal mistake of stepping aboard. Good heavens, to feel that boat and her history under your feet. To see the impossibly long lines of the deck arcing away from the narrow cockpit. To gape at the sheer scale, the towering height of the mast. Well, I can tell you, hardly a day goes by that I don't close my eyes and imagine what it would be like to hoist the mainsail and feel her come alive, racing up the reach. I'm hoping and praying that I have enough sense that all of this will remain just what it is ... an intoxicating daydream. But heaven help us, it's going to be a long winter. As the old saying goes, one can always hope, right?



HOPE, John Alden Q-Class design, 1929

A PILOT PROJECT FOR A PROMISING PRODUCT

During this past quarter we've been hard at work on a number of exciting opportunities. In addition to the continued optimization and scaling of our Nunchi knife brand



(more on that in next [Beacon](#)), we've been working to launch an Amazon pilot around a really well-designed/constructed backpack (brand name: MounntnGo). This isn't your generic, all-purpose day pack (you know, for the kids to go to school), but is super durable and carefully engineered for adventure travel, for photographers, or both. Your nephew the backcountry snowshoer/photographer? This is for him. Your niece shredding the powder at Vail and taking Go-Pro footage while she does it? From our perspective, it represents not only an interesting commercial opportunity (assuming we can work with our partners to lower the post-pilot landed cost), it's also an interesting and instructive use case. Given the magnitude of the Amazon market, it's a really difficult and noisy place to compete if you have general, generic products and listings. In other words, if you're somehow hoping that casual browsers will fortuitously trip over your listing on Amazon and then buy on impulse, you're going to be waiting a long, long time. Instead, Amazon is a keyword-search-driven platform. It works a lot more like a rifle vs. a shotgun. Which is incredibly powerful and valuable if you have a high-quality product that is purpose-built and focused on a specific use-case or market segment. Like these packs. Consider: how long would you have to wait for the narrow "adventure-traveler-photographer" customer to discover and ultimately buy your stuff in a big box environment? (Hint: a LONG time). But on Amazon, this is not only possible, it's likely. It's precisely what the platform is designed to do. Customers know how and prefer to search for specific, purpose-built items via an Amazon search vs. wandering the aisles of half a dozen different retail stores.

With this in mind, we've carefully structured a pilot to try this out with these packs, to see what kind of early traction we can generate, to gather necessary customer/market data, and to work on optimizing the post-pilot costs and supply chain. We'll let you know when the listing goes live. And we'll let you know how it goes. And, assuming it gets traction, there should be yet another investment opportunity (if you're interested) for the post-pilot, scale-up phase.

ON THE ACQUISITION HUNT

In July's [Beacon](#) we talked a bit about our plan to focus more on non-brokered, "proprietary" acquisition opportunities. The (really) good news here is that it's working. This past week we submitted an offer for the progressive acquisition of a solid, high-performing, high-growth business in the personal health and wellness space. The current management team has done an admirable job of keeping up with the meteoric, organic growth to date. But they're now a great candidate for our HHP team to partner up with them to optimize and scale this business. We're not able to discuss many of the specifics here, but we have a pretty clear idea about what the path to success should look like. Assuming we are able to steer this deal across the finish line in the next couple of months, optimizing and growing this company will likely be our principal focus for the next 12-18 months. Exciting stuff, and a big leap forward for our little firm.

AN ADDITION TO THE HHP TEAM

And just when you didn't think we could top that, we're tremendously proud to announce that we've welcomed a talented **new colleague, Chris Page**, onto our HarborHouse team. Like the two of us, Chris is fairly recent transplant to downeast Maine, having relocated 4 years ago from Miami. Chris' background spans finance, operations, and strategy. After a brief stint on Wall Street, Chris served as the Director of Corporate Planning for Royal Caribbean Cruises International, where he led a wide variety of initiatives and special projects (FP&A, capital projects, acquisitions, etc.). Since moving to Maine, Chris has served as the Chief Financial Officer of the esteemed Brooklin Boat Yard, where he has worked to improve the business' accounting and management reporting activity, institute a broad-based employee ownership program, and position the company for buy-side acquisitions. He's an active volunteer in the broader community, serving on the board for both The Bay School and the Island Community Center, and has recently started coaching boys' basketball. We're not sure we actually deserve someone like this, but he pulls the curve up, and we're deeply gratified to have him on the team.



Okay, that probably covers it for now. Let us know if you have an interest in or questions about anything we've discussed. As always, we'd love to hear how you're doing and what you're up to. Remember to get out and vote. We're thankful for you, and we'll be talking to you again in January.

Cheers,

Chris (chris@harborhousepartners.com) & Brendon (brendon@harborhousepartners.com)