

THE DAILY CHECK-IN WITH GOLDMAN SACHS

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Liz Bowyer: Hi, Nishi.

Nishi Somaiya: Hi, Liz.

Liz Bowyer: You help run Goldman Sachs's private investing business with a focus on growth equity and technology companies. How are you thinking about the broad investing opportunity in this space in 2021?

Nishi Somaiya: There are many themes that we're focused on in technology currently, but it would be remiss of me to talk about those without reference to the pandemic and what that's done for the acceleration of digitization of multiple sectors. I think it was Satya Nadella, the CEO of Microsoft, who said last year in April when delivering the company's first-quarter earnings just a few months into the pandemic, "We've experienced two years of digital transformation in two months."

Think about us working remotely using collaboration platforms such as Zoom or Microsoft Teams. These are technologies that have been around for multiple years but are only now seeing huge adoption from consumers and enterprises alike.

Liz Bowyer: And what are some examples of the specific themes that you'll be focused on this year?

Nishi Somaiya: For us, we segment the themes across four key verticals. One is the digitization of the enterprise, whether that comes in the form of hyper automation, use of artificial intelligence, or cyber security would be another example there.

The second key vertical is financial technology. The digitization of that landscape began multiple years ago, but we expect that it will continue and expand into more complex products such as mortgages or life insurance.

Health care. With changing demographics, a dynamic regulatory

environment, data, and disruptive technologies are all reshaping the way that health care is delivered worldwide.

And finally, the last vertical would be in consumer, which is a very large landscape. But with the Millennials and Generation Z becoming such a large part of the population, they're driving structural shifts in the market, forcing businesses to adopt online and digital practices, be it across retail, leisure, or media.

Liz Bowyer: So in the consumer space, what are the investment opportunities that you focused on?

Nishi Somaiya: So the consumer sector spans many types of businesses. But one of the things we've seen increasingly is the utilization of online delivery platforms, food delivery platforms globally as various regions have gone through their phases of lockdowns. You know, restaurants using the platforms as a means to survival. And consumers using the platforms as an alternative to eating out, which is no longer often an option.

Many people are familiar with the US business DoorDash, for example, which capitalized on this trend last year, exhibiting north of 250% year-on-year growth rates and ultimately IPO-ing hitting a \$60 billion valuation on its IPO debut.

We invested in a European food delivery business called Wolt, which is operating in 23 countries. Similarly exhibiting triple-digit year-on-year growth, surpassing expectations as more restaurants on board themselves to the platform. And increasingly a repeat usage from their growing customer base becomes a feature of the business.

Liz Bowyer: You also mentioned enterprise software. What are you seeing there?

Nishi Somaiya: With the increasing digitization of the enterprise, cyber security has always been a topic for consideration. I would say in this COVID world it's become a topic of the utmost prevalence. With employees now working from home, there are multiple new vectors for cyberattacks and data leaks requiring companies to find new ways to address issues such as home security and compliance.

40% of companies suffered a security incident breach of some sort last year, and this has spurred a huge rise in the global information security market, which is predicted to be up 125

billion this year and strongly growing.

Liz Bowyer: So given all the trends that you're describing and trends that preceded the pandemic, we've seen valuations of technology and software companies soar in recent years. So how should investors be thinking about this asset class?

Nishi Somaiya: I'll answer that in both a macro and micro way. From a macro perspective, I think we're at the beginning of a multi decade period of unprecedented technological advancement. If you think about the rate of adoption of new technologies, it took the TV 25 years to reach 25% adoption. It's taken the smartphone less than five years. If you look at the flow of private investments into software as a percentage of GDP, it's growing exponentially. And it's overtaken private investment into industrials.

Online consumption of content has overtaken hours spent watching TV. The way we are utilizing, consuming, and transforming businesses with data is a powerful trend. And for innovators who can capitalize on that trend, there are huge addressable markets for them to explore.

On a more micro level, these companies are often growing at 80%, 100%, 200%-plus growth rates compounding at that level, which means you can very quickly grow into these valuations. Similarly, from a private investor perspective, we choose to invest in the private landscape where comparisons are obviously made to relevant companies in the public space but valuations are less driven by technicals that can often underpin strong moves in public markets.

Liz Bowyer: And Nishi, from your seat in London, how do you see these investment opportunities playing out across EMEA?

Nishi Somaiya: So growth equity has been a much younger asset class in EMEA than the US or China, for example. And this has really been driven by the flow of venture capital funding. However, over the last three years we've seen a shift whereby venture capital dollars into European technology are outpacing the growth of dollars flowing into the US and China by three times, albeit off a materially lower base.

The way this is manifesting is we're seeing the number of unicorns -- that is, technology companies with valuations of a billion dollars or more -- emerging from EMEA grow rapidly to north of a hundred last year. This alongside the quality of

developers and technology expertise that sits in pockets such as Berlin or Israel or London leads to a very fruitful ground of investable opportunities for investors. We're really able to help these European companies expand their footprint geographically to the US or Asia where there are very deep markets and can be very transformative in helping the companies along their growth journey.

Liz Bowyer: And what do you see as some of the biggest challenges that you face as a long-term investor in this space?

Nishi Somaiya: Well, as a long-term investor, you have to be prepared to go on a journey with the companies that you invest in. None of us have a crystal ball and can predict what the next three, four, five years will look like. And as a result, it's incredibly important for us that we do very deep diligence on the way into these businesses and not just looking at their unit economics and sustainability of business model through growth but also really get to know the management team and entrepreneurs that we are backing.

In growth equity in particular, we are often a minority shareholder where we're really partnering with talented entrepreneurs to build transformative companies. And we have to be very aligned at the outset on the vision and the strategy for that business and how to achieve that growth. And often things don't go as planned, and you have to be able to pivot. You have to be able to work together collectively to come to the right outcome. You have to iterate, take risks. And all of these things are things that you have to work through together.

And, you know, I always tell the teams it's a little bit like getting married. You're going on a journey together. You can't predict exactly how it will all play out, but you're all very motivated for it to be a successful collective outcome.

Liz Bowyer: So given these dynamics, what do you look for in the management teams of the companies you invest in?

Nishi Somaiya: Yeah, many of the attributes will be similar to the things that we look for in good managers in our own business. I think resiliency is critical. Building a company is hard work. And you have to be able to pick yourself up when things go wrong and go out at it again. And not only that, but you have to get others around you to do the same. Clarity of communication and being able to inspire others with your vision and your direction is also very important. The ability to

proactively seek advice I think is also quite key, particularly in this partnership dynamic, as I outlined. Knowing when you need to use a sounding board or have a debate about something, be willing to take on different points of view, but then have the ability to make a decision as a leader of the business.

And finally I'd say passion is critical. Having that passion is what's really going to drive you, give you the energy and the enthusiasm to keep pushing these companies and pushing yourself to deliver the best. I think for investors and companies alike, the chemistry between the individuals as well as having a very robust understanding of the business model is key.

Liz Bowyer: Thanks, Nishi.

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Nishi Somaiya: Thanks, Liz.