

Goldman Sachs Talks
Charles Stewart, CEO of Sotheby's
Kim Posnett, Moderator
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Charles Stewart: All contemporary art or art being produced today is really a lens or a mirror that shows who we are in a given moment.

Kim Posnett: Welcome to another Talks at GS. I'm Kim Posnett, global head of Investment Banking Services and co-head of One Goldman Sachs. And I am really excited to be talking to Charlie Stewart today, CEO of Sotheby's. For those of you who don't know, but over the past 279 years, Sotheby's has become the world's premium platform for art and culture. 279 years. Today, Sotheby's is the number one art business, the number one secondary art dealer, the number one secondary luxury platform in the world.

Charlie joined Sotheby's as CEO in October 2019. Before Sotheby's, Charlie held various executive positions in Telecom, entertainment, financial services. He was co-president and CFO of Altice USA. He served as CEO of Itaú BBA International. And prior to that, he spent 19 years in investment banking.

Today we're going to talk about Charlie's path to Sotheby's. His views on the evolution of the art markets and how technology is changing that entire industry.

So, Charlie, welcome and thank you for joining us.

Charles Stewart: Thanks for having me.

Kim Posnett: Let's start at the beginning. Why don't we talk about your career? It's been incredibly varied from your time in finance at Morgan Stanley, your leadership of Altice USA, and then your current seat as CEO of Sotheby's. How did you wind your way through your career?

Charles Stewart: Yeah. I started at Morgan Stanley as an analyst in the M&A department many years ago. As often is the case at, you know, premier, outstanding, international finance organizations, in my case it was Morgan Stanley, certainly, you know, here at Goldman, it gets a hold of you. I went for a two-year analyst program and stayed for 19 years. In my third year, I was, after two years of M&A, getting beat up in the M&A team, I moved to Brazil and opened Morgan Stanley's office in Sao Paolo. I think they

made me the chairman of Morgan Stanley Brazil because they needed someone to sign the lease. And that was an incredibly exciting time in Brazil. I stayed for three years. And then came back to New York for ten. Which I spent mostly focused on the media/telecom industry. And then I was running Latin America and was deputy head of banking in EMEA.

And after 19 years, you know, I left because I had a great opportunity and I wanted to pursue something outside of banking. And it wasn't because I'd never been open to leaving or doing something different. 19 years went by in a blink. But it was really because the firm did a very good job of constantly challenging, changing the goal posts and parameters of success. And that was exciting. And organizations with great culture, I think, do that really well. I see that all the time here at Goldman. The continuity is extraordinary that you have.

Having spent 19 at Morgan Stanley, there were so many other things that also interested me. And when you leave a place after so long, all of the sudden the world looks different. And I got to know a telecom entrepreneur called Patrick Drahi through a mutual acquaintance. And at the

time, Altice had just acquired Cablevision and another, Telco, a cable company in the US. And I came to be the co-president and CFO. That was really exciting.

We consolidated. Integrated. You know, my first operating role in a more industrial business. And took it public. And then four years ago that same group, Patrick Drahi, was the acquirer of Sotheby's. And so, I moved across from Altice to Sotheby's. And that sort of catches you up in a nutshell what I've been up to for the last 20 something years.

Kim Posnett: So, in October 2019 you become CEO of Sotheby's. What was that transition like from telecom, entertainment, financial services to the world of art and luxury?

Charles Stewart: Yeah, you know, in some ways it was back to what I knew from a financial services perspective. Because if you think about it, Sotheby's has some characteristics that are similar to investment banking or a Goldman Sachs in the sense that it's a very high-end, client service business. It's a global business. Requires deep collaboration and coordination across geographies, areas of

expertise, categories. And making that work in a very client-centric way. At the same time, there are risk decisions and trading and people and teamwork, you know, all of the elements.

So, from a business perspective, in some ways, I found myself on more familiar ground from having been in this large-scale cable business. But what made it different and what makes it different every single day are the art and objects and the collectors and collections that I'm surrounded by. And that's where it's been just absolutely fascinating.

Kim Posnett: So, October 2019. This is right before COVID. You step in as CEO. What was it like navigating the organization through that period? It's obviously very uncertain, turbulent times.

Charles Stewart: You mentioned earlier Sotheby's is a nearly three century old company. And I would challenge anyone in the room to name another company that's 279 years old. When you really think about it, it's hard to even think of companies that old. It's kind of a trick question because we're here in New York and the company is older

than the US, having been founded in London in 1744 as a book auctioneer.

But you know, you feel the value and importance of that heritage, but also the weight of it. And so, when I came in, and it seemed obvious to me that there were so many things that were a time to update, change, digital, all sorts of new opportunities. COVID, in a way, created just a very natural pivot to try new things.

The old way of selling art. You print a catalogue. Have an exhibition. And then have a live auction. Couldn't write or print a catalogue. Couldn't have an exhibition. Couldn't have a live auction. So, then it was, do you want to have a digital catalogue, a digital engagement experience? And ultimately, a digital auction?

And we went down that path. And to everyone's, somewhat, surprise, it was incredibly effective. So, there was no option. This was the only way to do it.

And then as is often the case when there's new technology adoption, once you've gone down that path and opened those doors, you don't go back when the situation changes.

So, in our case, just as an example, in 2019, in terms of all of the bids that we take across all of our auctions around the world, less than 50 percent of them, closer to 40 percent were online bidding in 2019. Last year it was 92 percent. So, it's a quantum change in how both the number of people and how you engage your audiences. And I think that combination of our pushing and the opportunities that COVID imposed on us led to that outcome.

Kim Posnett: So, let's start on category expansion. How do you make the decision where you want to prioritize when you're expanding? You mentioned sports collectibles. Things like that. How do you prioritize?

Charles Stewart: Well, we look at things, first of all, just where there's collector interest and where we think we can make a market. We usually start at the very high end of the markets and work down. So, in the case of sneakers, there was an ESPN series called *The Last Dance* that came out a few years ago. And we sold a pair of Michael Jordan game-worn shoes from *The Last Dance* that set a record for any pair of shoes. And we began to get into the category.

Then we had a collaboration a year ago with Nike and Louis Vuitton where after the designer Virgil Abloh unexpectedly and sadly passed away, there was a prototype of some shoes that he had designed, Louis Vuitton Nikes. And we had a couple hundred pairs of them. And over the course of a week, we had over 250,000 people visiting the website. The bidding was huge. And we raised \$25 million for the foundation, Virgil Abloh's foundation. I think the average price of the shoes was \$100,000. That gives you a sense of just how much demand is and connoisseurship at the very high-end of some of these new categories. And from there, we've just kept going.

Same with, especially, game-worn sports memorabilia. We sold a very famous Diego Maradona hand of God jersey from the '90s World Cup where those, if you know you. And that sold for-- I forget the exact number. But mid single digit millions of dollars. And then at the end of last year we sold a game-worn Michael Jordan championship jersey that sold for 10.1 million.

Kim Posnett: You've mentioned regional expansion too. So, historically, you've been concentrated in major cities. London, New York, Hong Kong. And you've expanded

your footprint to reach these new audiences. Talk about, you mentioned Asia, where those new audiences are located regionally?

Charles Stewart: You know, I think one of the things that changed during COVID was our audiences just, generally, became more fragmented. All of our, your audiences too, I presume. And you have to be closer to your clients. And especially in our business which is about physical objects that people want to interact with and see and touch, it's difficult. We have a 55-carat ruby that we're going to sell this summer in New York. And to see it and hold it and experience it is just simply different than seeing a photo of it.

So, we want to be close to our clients. Our markets are incredibly global. And our location strategy kind of reflects that.

Kim Posnett: You mentioned these new audiences. What's resonating right now with your newer audiences? And I know the answer will vary by region.

Charles Stewart: Yeah. Well, you know, we operate

entirely in the secondary markets. We don't produce anything. We don't represent artists. In the case of paintings or visual art, that's a role played by dealers. So, everything we do is secondary. And we're seeing this enormous rise in secondary markets across categories. A tiny, tiny percentage of any given category is actually traded, you know, in the course of a given year. 1 or 2 percent could be, you know, of all of the watches owned privately, for example. Things like that. Wine. Cars. All kinds of categories.

And so, we're seeing a growth in secondary markets. I think that's driven somewhat generationally. When my parents had anything of value, it was a family heirloom and would be there forever. What I see now with younger people, especially, is people buy fewer higher quality things knowing they might only own them for three to five years. And then a willingness to, and an intention even, to resell them and maybe they keep them, maybe they don't. But they know how to resell them. They know where to resell them. And that plays directly into what we do. And so, you know, there's this big growth in secondary markets.

And the second thing that we're doing is focusing outside of

just auctions because, you know, we are a very large direct seller of art. And increasingly of luxury products. But if someone is going to buy watches or wine or designer furniture or whatever it might be, they don't necessarily just look to when the next auction is. They might want to go buy it and just purchase it right then and there. So, growing in our buy now categories and building that sales channel up. It's digital. It also plays with our physical footprint, as I mentioned. And that's a big area of focus.

Kim Posnett: You just mentioned a moment ago technology, NFTs, blockchain. So, how did you design the strategy? Execute the strategy from a digital standpoint? You talked about more things moving online like auctions. Maybe spend some time on that.

Charles Stewart: Yeah. I mean, there are lots of components of our overall digital strategy. And when Patrick acquired Sotheby's, there was an enormous opportunity to inject technology and to use it differently.

We have an enormous art and object and client data set, which, as you can imagine, it's a data lake that is unique in our categories and enormously valuable and helps us

source and ultimately place the things that we do with the very high-end. So, there's one set of how do we use our object and client data in an intelligent way that benefits our clients and our business?

Secondly, there's just how do we engage our audiences? And I mentioned this earlier. But whether it's our social media platforms. Please go explore on Instagram, which in some ways has become the world's largest art gallery. Go explore the different Sotheby's sites. And so, engagement has changed.

And then you get into more of the infrastructure elements. And you mentioned blockchain. We all went down the blockchain and NFT path, especially in 2021. And there is definitely a lot of opportunity there. We haven't even talked about OpenAI which is a little more 2023. But yeah.

Kim Posnett: We'll get there.

Charles Stewart: Things coming there as well.

Kim Posnett: Okay, before we get to OpenAI. NFTs. What's your take on that asset class? And prediction?

Charles Stewart: Yeah. I've always thought that there is a place for digital art. Digitally created art. And you just look at how younger people, I'll use my three children as an example, interact with technology and are comfortable with it in ways that don't always make sense to me or to older people. And we all see this playing out everywhere.

And creators themselves are more and more comfortable using digital tools and really creative things. But I think we're at the very early stages of that becoming fully formed. And I think there is so much possibility for the use of digital, of technology to create art and to do things that you can't do in sculptural or canvas-based forms, of course. So, I think we're at the very early stages.

You know, the 2021 phenomenon was as much about the rise of crypto and people beginning to understand what blockchain meant as it was about digital art itself. Digital art, in some ways, was a use case that everyone got interested in. There was a huge amount of activity. But just like the early days of the internet, you sort of see the sudden rise, and then it cycles. But over ten years, there's something quite transformational happening. I think you'll

see the same in art.

Kim Posnett: How is blockchain technology impacting your business today, if at all?

Charles Stewart: Yeah, so, what I believe is that blockchain, much like in financial services, creates the opportunity to think about the backend of the business quite differently. Record keeping. And in the art world, it's still quite antiquated. Once someone buys a piece of art, how do you store the provenance? How do you prove you own it? How do you prove title? How do you insure it? How do you go to resell it and what do you need? It's really paper based. And big collectors have rooms full of files. Paper files. Maybe they've scanned them or whatever. But ultimately, it's the same thing.

So, you know, blockchain, I think, creates an opportunity to rethink a lot of how that works and to dramatically simplify and accelerate some of that. I think it also has the potential to reduce the possibility of fraud or forgery because you can include high-res scans or even prove that the work has been authenticated by the artist or the artist's estate. And store that on a token. You know, those are

really interesting use cases. We're at the very, very early stages of proving out any of that. But I think over time those will be significant changes to how the art market works.

Kim Posnett: What trends or new art forms are you watching most closely? NFTs. AI are two of them. What else are you focused on?

Charles Stewart: Well, we're seeing tremendous interest in young, living artists. They may have been producing for a while or rediscovered. And then all of the sudden there are enormous waiting lists and the markets and demand for it really spikes. And you see often very high prices in our markets for young artists. And so, that's a trend.

And the type of art that they're product, I mean, first of all, all contemporary art or art being produced today is really a lens or a mirror that shows who we are in a given moment. You know? It was the same of, you could look back at Warhol producing back in the early '60s and the rise of mass media and the commentary he was making about it. That was art of that moment that still resonates with us today. It was important. It was original. Basquiat. The rise

of social justice in the '80s and the commentary that is even more resonate with us today.

And so, the issues that we see around the world, whether it is the rise and implications of technology, whether it is social justice, whether it is museums rethinking their commitment to different communities of creators, whether it's women artists or the Black/brown communities, these are all huge trends that we see in terms of what our collectors are looking for. And it's a really encouraging, exciting time to see so much great, important art with so much interest in it that's being produced today, kind of as we speak.

Kim Posnett: So, I'm going to end on this question because I see we're at time. This has been an unbelievable discussion. And this is, perhaps an unfair question, but what trend or style or technique or technology do you think has the potential to have the greatest impact on the art market over the next 50 years? Unfair, right?

Charles Stewart: That's a little bit unfair question because I don't know. But the answer is that you look for art that is truly original. Something original has happened. And the

way to consider it is to look back on art from 50 years ago or 100 years ago. And why are we so struck with Renaissance art or the beginnings of Impressionism? It was the artists who were at the very beginning of a movement who did something that, at the time, was considered outsider, probably massively unappealing. And so, it needs to be something original, something new, that has staying power. I think it's maybe hardest to predict what we all as a society will care about in 50 years. So, you know, when I talked about, you know, Basquiat producing in the 1980s with a focus on social justice and his viewpoint, and we sit here today and it's probably more relevant, certainly front of mind, in ways that we look back on what he was doing and look at him as an absolute prophet or visionary at that time.

So, you know, things that are really original, are really new, the starts of movements, those tend to be the things that have the most value. The rise of pop art. Warhol. Liechtenstein. You know, the rise of minimalism. Or abstract expressionism. Pollack. The rise of impressionism. You look at these movements that have stuck with us. Picasso at the front of cubism.

So hard to say who those artists are today. The answer may be in a gallery at Avenue B. Or in a studio in Brooklyn. Or in Nigeria. Who knows? But it's certainly something that's original that hasn't been done before that draws upon everything that's come before it. But that changes it in some way that is, you know, really original and will still be important to all of us in 50 years. Good luck with that.

Kim Posnett: Yeah. Good luck with that. Charlie, thank you so much. This has been great.

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