

Talks at GS

Timo Boldt, CEO of Gousto

Clif Marriott, Moderator

Recorded: November 21, 2022

Timo Boldt: In the early stages of being an entrepreneur, it's all about resilience and rejection and being okay.

[MUSIC INTRO]

Clif Marriott: Welcome to Talks at GS. I'm very happy today to have Timo Boldt from Gousto. Hopefully you know of Gousto, but just to introduce Timo, Timo is the founder and CEO of Gousto, a company that pioneered the meal kit subscription industry.

Since its launch in 2012, Gousto has gone from strength to strength, evolving into a data first business and reaching unicorn status in 2020. In 2021, Tim launched Bento. We'll talk a little bit about that in a minute, which is a software company that sells Gousto's subscription technology to businesses around the world.

Timo, thanks a lot for joining.

Timo Boldt: Thank you so much for having me.

Clif Marriott: Maybe, Timo, you could just start with what is Gousto and how is it different from other platforms that are similar?

Timo Boldt: So, you choose whatever you like to eat. And you click on a button. And the food gets delivered in the exact portion. So, there's no food waste. But you still have to cook. And it's family friendly, [UNINTEL], 10 minute recipes, anything you like. 75 recipes on the menu every week. 2.6 times more than the competition. But who's counting? Faster lead time. Lower price point. So no, it's been fun. We've built it for ten years now.

Clif Marriott: That's great. So, when you launched it in 2012, how many other operators were there? Were you pretty new on that spectrum?

Timo Boldt: No one. No one. And then to be fair, quite quickly we had like 12 or 24 competitors emerge. We had one in the same building. They looked down on us, like literally. A Swedish company with ten times more funding.

They saw exactly what we did. They counted our boxes going out of the office/the factory. And so, it actually always felt like the barriers to entry are quite low. But the barriers to scaling are very high.

Clif Marriott: So, what was the big reason you were able to differentiate yourself and be successful in this market, and actually on a global stage?

Timo Boldt: I mean, I think we've focused more on the customer than most companies, on the virtuous circle of amazing kind of quality product, driving high retention, referral rate. And therefore, we can invest more. We've always thought about do we internationalize. Do we focus? We've always focused. We've always tried to put the customer first. And across the dimensions of the value proposition, the customers obsess about really focus on them and push the boundaries and create space between us and the competition. And I think that's worked ultimately over time.

Clif Marriott: Perfect. So, maybe before we go into more around Gousto, can you just talk about your journey as an entrepreneur? I know that you worked at a place

similar to this before you started Gousto. So, maybe just that journey, the vision you had, the passion you had around food. And maybe you could talk a little bit about that and why you ended up doing this.

Timo Boldt: Yes. So, as you can tell, I'm German. The thick accent has never gone. I lived in California. When I was 16, graduated from high school in California. Had a godmother, so, not family by blood, but she built 50 food businesses. Most of them failed. Some of those succeeded. And on balance, she's done really well. And so, she kept on pushing me. No kids. No mortgage. Why are you working in finance?

As one did pre 2008, I started in finance. I worked in investment banking. Joined a hedge fund spun off from Goldman Sachs. I was the only non-Goldman Sachs employee. Worked in a hedge fund. Became a VP when I was 26 running a long/short hedge fund. But never kind of saw the purpose in it, personally. And just loved food and cooking.

And so, kind of combined the passion for entrepreneurship, food, quality, my experience living in California, and this

then merged into Gousto in 2012. And I worked 100 hours in hedge funds. So, I had, like, no model or proper plan. I just knew I wanted to try this. Moved from very high income to no income following my passion. And luckily, it's paid off. Although, it didn't, you know, always feel that way. And overnight success took ten years.

Clif Marriott: And I've listened to a couple podcasts or interviews you've done preparing for this. But I understand you looked at a variety of different ways to go after the food category, including opening a restaurant, opening a retail concept. How did you settle in on meal kit?

Timo Boldt: I was completely naïve in 2012. I like, looked, at High Street shops and thought, you know, you walk in. You get to experience these beautiful kind of high quality ingredients. You pick them up yourself. You build a recipe yourself. Only to realize that 40 percent of all food is wasted in the UK. If food waste was a country, it would be the third largest country after China and the US. And so, that from an ethical perspective didn't make any sense. Plus convenience. Plus health kind of led me then to look at online models.

And luckily, kind of, I stumbled upon the idea to do this online. Initially we had Gousto bags we were selling in markets, in market stores, London, Oxfordshire, and luckily just became an e-commerce for online business.

Clif Marriott: How did you convince investors and customers to join the platform or join you for the journey?

Timo Boldt: So, I invested my very modest life savings into this. Moved back into student accommodation. Tiny, tiny kind of one bedroom flat in Oxford. And then step by step convinced some people to join. Went onto *Dragons' Den*, which we didn't take money, but from a PR perspective, this was amazing. We saw website traffic spike.

And then we convinced some people to join at some point. We met some food entrepreneurs. I think people always only remember the success you have. And they don't see the failure. I'm sure I got rejected 100 times, 150 times. And I think the mental model has to be, like, you've got to be fine with hardcore rejection.

I messaged 50 people asking, "Do you want to mentor me?" One of them was Al Gore. And I sent Christmas cards

literally saying, like, "You don't know me. Would you like to mentor me? Here's why I think you should." And 49 people said no. I mean, 49 people never responded. One said yes.

Clif Marriott: Was it Al Gore?

Timo Boldt: Yeah.

Clif Marriott: Oh, that's great.

Timo Boldt: And so, since then I've had dinner with Al Gore three times. Not with Al Gore one on one. With people. But no one ever remembers the 49 people who didn't respond.

And so, I think in the early stages of being an entrepreneur, it's all about resilience and rejection and being okay.

Clif Marriott: So, since then, it's been a ten year journey building Gousto. You've now created a profitable business. You've become a unicorn. It feels to me that your culture is a big differentiator versus some of the other tech companies, in particular in this space broadly defined. Can

you talk a little bit about how you've built the culture of Gousto and what have been the focus areas?

Timo Boldt: Yeah. I am most proud of the people that work at Gousto. I love them dearly. They are all superstars. Some of them, like my chief of staff, joined us as an unpaid intern ten years ago. We then took the difficult decision to pay him 700 pounds. He's still in the business. He's managed every function once.

Ricardo, one of my closest friends from university joined. Left five years later. Rejoined now. And so, there's a huge amount of consistency in the senior team at Gousto. And they inspire me every single day. I trust them completely. I've invested so much time into operating model, you know, how do you scale a large organization that has 2,000 employees. And so, that's been my biggest learning. It is all about people. It's all about culture. Dream. Deliver. Care is kind of the framework we have.

And then we have ownership principles that bring alive every one of those values so that the winning behaviors are as easy to repeat as possible. And people get awards and holidays and equity and champagne bottles for living these

values on a day to day basis.

Clif Marriott: So, let's move to something that I think was part of what you talked about in your origin discussion, which is around sustainability. And so, making the process of delivering food to customers and reducing waste effectively. Can you talk us through that process?

Timo Boldt: Yeah, I mean, to be brief, if you push salads and meat into 10,000 stores across the UK, you end up wasting an enormous amount. Whereas if you centralize it and you know exactly how many people want to order what type of recipe, you pretty much place an order based on forecast. You only order what you need. You go straight to the farm. Whereas the supermarkets go to the intermediary and the food processing company and the big FMCG company.

And so, we have a much, much shorter, more localized, more seasonal supply chain. And then we know exactly what customers want. And that's kind of allowed us to do that.

Why 23 percent? I mean, that's 7 kilos of CO2 emissions

you're saving every time you eat Gousto. Why not 50 percent? Why not 60 percent? And so, totally aware. Just needs to get better all the time. We've taken 50 percent of plastic out in the last two years. And it needs to still get a lot better. This year we moved from 58 to 72 percent recyclable plastic. Everything has to be recyclable, compostable, reusable. And so, we're pushing, leveraging technology, and really smart people collaborating on it so that we'll still get even better. But it's something we're really proud of.

Clif Marriott: That's great. Maybe you can give us a flavor for some of the suppliers you use and where you get your food from if you go direct to the farm or, for example, to other places for some of your vegetables.

Timo Boldt: Yeah. So, I mean, all the meat comes from UK farms. We've known these farms for a long time. We see them as partners. They're integrated into the supply chain. We work with them. We work with them on innovation. Every time we need to reduce plastics, we obviously need to go to the farm and understand why they're using plastic and what alternatives exist from a performance, quality, taste perspective. And so, we're very integrated from a

supply chain perspective.

I mean, not everything grows in the UK. Herb growing season in the UK is three weeks. It's not fun. But a lot of great stuff comes from the UK.

Clif Marriott: Is there anything more you can do on reducing waste at that level, i.e. at the transport of, at the farm level, or the supplier level, and then in the transport level? I mean, where are you at on a scale of one to ten in that journey?

Timo Boldt: I think everything we directly control, we're, like, at a nine out of a ten. Everything that's in the supply chain, we're, I don't know, between a three and an eight. So, there's huge opportunity. I massively believe that offsetting doesn't make that much sense because everyone is claiming the same tree. The tree gets cut the next year. And it's still a dodgy kind of area that needs corporate governance.

Whereas decarbonization is so powerful. If we purchase an electric tractor for one of our farmers, that kind of emission is taken out of the system for the next ten years. And so,

that's what we focus on. How do you focus on decarbonization and how do you utilize AI forecasting modules to then kind of lower emissions?

Clif Marriott: Well, that's a good transition into our next topic which I wanted to talk about AI and data technology. You've talked about Gousto as a data company. You've invested in automation. You've invested in AI. What are some of the learnings you've gotten from that process from your customer base? Are there interesting facts about customers' eating behavior or ordering behavior that might be interesting that come out of that?

Timo Boldt: I mean, I love our customers. So, I can't talk negatively about customers. No, I mean, I think the one funny fact is every time we do a survey, people say, "Oh, I'm eating salad." And then you look at the data. It's like, no, you're not. No.

Clif Marriott: This is what happens when I go to a planned dinner. And for the planned dinner I will order a fish and a salad. But then when you order on the spot it tends to be a lot different.

Timo Boldt: Same. Guilty.

Clif Marriott: Guilty.

Timo Boldt: It's hard. But I mean, we do a ton of clever stuff. One of the things we learned is, for example, we've got 6,000 recipes. What goes onto the menu is not chosen by a chef, but by an algorithm. And that's optimizing for taste scores, for retention, for customer satisfaction. And over time we started putting CO2 tagging into the library so that we can now generate the exact same kind of customer satisfaction, but at a much lower CO2 rate. And that's been really amazing because as a customer, you don't notice any difference. It still tastes the same way, but it's kind of gradually making the menu less carbon intense, which I love. It's so clever.

And you see 27 year old PhDs in machine learning collaborating with people who have spent 30 years in supply chain, and chefs who've done 20 years in the kitchen. And only if they all work together, magic happens. And it's really powerful.

Clif Marriott: Amazing. Amazing to envision all those

people working well together. Have you seen by predicting people's behavior and maybe tailoring menus using that data, have you seen operating costs come down? And has that made your unit economics better and more efficient?

Timo Boldt: Yes. I mean, the biggest opportunity for us has been embedding technology in the supply chain and in the factories. So, if you go into a Gousto factory, it's a fairly automated, very modern thing that is run off AI. And so, we built the AI to understand do we put tomatoes at the first station? No, because then it gets squashed. The last station, 100 stations, ten stations? No human could possibly ever arrange these ingredients in any kind of sensible way. And so, AI is telling us how fast the boxes should go, where the boxes should stop, how the ingredients are arranged. And we've seen costs come down and down as a result.

And so, since 2012, we've dropped prices like every two years. This summer, for the first time, we've increased it by 5 percent. Supermarket inflation is at 14 percent. And so, in relative terms, it's still getting better value.

Clif Marriott: Maybe just on that topic, because it's so

relevant from where we are right now, where do you see input prices going versus your pricing of your kit? Do you think you're going to have to make more changes to keep the same level of profitability?

Timo Boldt: I mean, the message I'm giving to my team is you cannot predict the unpredictable. Extrapolating a rational prism makes no sense if the world is this uncertain. And so, the whole focus is on controlling the controllables. You know? Fight as hard as you can to protect the customer. Gousto is for the masses, not for the classes. So, we really want to have a mainstream offering. 80 percent of customers are scattered across the UK, not in London.

And so, fighting really hard to keep the prices tight. 2.99. 3.14. It is really a value.

Clif Marriott: A meal?

Timo Boldt: Yeah.

Clif Marriott: Per person.

Timo Boldt: Yeah. I mean, that's pretty competitive, I would say.

Clif Marriott: Let's talk about Bento. I mentioned at the beginning, so you launched this in 2021. And we were talking before that a number of great technology companies have kind of taken their inhouse, really good infrastructure, and used that to basically allow that to be used by external corporations or companies. Do you want to talk a little bit about Bento and what you're doing and where you're at on that journey?

Timo Boldt: Sure. So, the name Bento, the idea is a bento box in Japan is a little modular box with food in it. And Gousto's tech stack is very modular. And so, we're not selling technology end to end to recipe kit companies. What we're doing is we're taking one piece of the Gousto value stack and we're giving it to travel companies in Thailand or we just signed up a liquor company in Australia. And so, very, very different markets, verticals. And they all need subscription platform technology.

There's a huge gap in the market if you are between 5 million in revenue and 500, you know, it's a big decision to

spend tens of millions of pounds on building big teams. And so, there's a ton of engineering waste. And if 1,000 companies built the same stuff, why not just use ours? That's kind of the logic behind it. So, not saving food waste, but engineering waste, which has similar bad impact on the world.

And, I mean, it's an embryonic business. We hired great talent. Chief customer officer of sales for us, [UNINTEL], great companies, and they've done a fantastic job building a proposition that sells, well, some of the Gousto technology to other companies.

Clif Marriott: So, moving onto the customer and the consumer. We talked a little bit about input prices. We talked a little bit about some of the data conclusions you got from some of the data you collect and the AI. Let's just talk about consumer trends.

So, this movement, I mean, you've really started the company, or maybe there was a movement for a long time, but it feels to me the last ten years of moving into vegetarian, vegan, a whole lot of other different specifications in terms of eating styles. How have you

changed your business? And how big a driver of your businesses is that trend?

Timo Boldt: I mean, the biggest trends we're benefiting from, it's a seismic shift ten years ago, today, and in ten years are health, sustainability, and convenience. And I mean, we talked about sustainability. But if you take healthcare, Gousto will morph into become a preventive healthcare business because we are building the back-end capability of personalizing your recipes. And once we then understand, you know, your genetic disposition, whatever you want to achieve in life, cancer, menopause, anything in life can be treated, to some extent, obviously, you need medicine, but anything can be improved through what you eat, what you put into your body.

And so, if we can start to play a minor role in this, fueling people's potential, that'd be super exciting. And so, you can't see Gousto as a healthcare company today. But maybe in ten years. And so, we're just working by building or focusing on the capabilities on that journey.

And then convenience, obviously massive. You mentioned vegan, animal welfare. I mean, these are massively

important trends for us. We've seen kind of a step up in veganism, flexitarianism, like 10X bigger, obviously, or 100X bigger. And with increased choice a lot. So, I mean, now 44 - 45 recipes on the menu are vegetarian. 20 are vegan. Something in that direction.

Clif Marriott: What percentage are the breakdown between the various categories?

Timo Boldt: Roughly half is now vegetarian. I mean, it's 75 recipes. You can choose anything you like. If you like fish, there are like 20 options for you. So, it's a big menu. But yeah, vegetarianism is definitely rising. And that's amazing from different perspectives.

Clif Marriott: I have a couple questions just on the sector overall. So, as we talked about you, you were a frontier in this sector. Maybe there were other players. But you were one of the big first ones. There are, obviously, now a lot more competitors. And actually, a lot less competitors in some way. Some of them have not made it. How are you keeping to innovate and stay ahead? What are the key strategic ambitions that you have to continue to develop your business going forward?

Timo Boldt: Yeah. I mean, it's really simple. First of all, like there are 67 million Brits eating lunch and dinner seven days a week. So, if you do the very basic math, it's a billion meals eaten every single week. Gousto has 2 million meals eaten. So, our share of stomach is .2 percent. It's embryonic. Why not 1 percent? Why not 1.5 percent?

And so, as long as you make taste, price, convenience, health, sustainability better every single year for customers, you should move from a share of stomach of .2 to 1 to 1.5 percent. So, our entire focus is on how do you make this better for customers? What do they value most? When? And so, we're trying to prioritize kind of internally what customers care about. And as long as we get rid of these barriers, amazing things will happen.

Clif Marriott: With that then, I just want to say thank you, Timo, for joining us. Great discussion. And really appreciate you joining us here.

Timo Boldt: Thank you. Thank you very much.

Clif Marriott: Great. Thank you.

Timo Boldt: Appreciate it.

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