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THE WALL STREET JOURNAL.

Goldman Veteran Launches Buyout Fund --- GrowthCurve to focus on firms in technology, healthcare, information and financial services

By Miriam Gottfried
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The Wall Street Journal
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B6
English

Sumit Rajpal, former co-head of the merchant bank of Goldman Sachs Group Inc., is launching a new private-equity firm targeting companies that are sitting on valuable troves of data that can be used more effectively to spur growth.

The new firm, to be called GrowthCurve Capital, will focus on companies in the technology, healthcare and financial- and information-services sectors and target deals with an enterprise value between $500 million and $1 billion, firm officials said.

Mr. Rajpal, who left Goldman in February 2020 after a 20-year career at the investment bank, has hired 19 people for the new firm including three seasoned investors who will lead deals in each sector.

Sanjay Swani, a veteran of private-equity firms Tailwind Capital and Welsh, Carson, Anderson & Stowe, will be the firm's chief investment strategist and lead its technology investments. Matthew Popper, previously a managing director in Goldman's merchant bank, will oversee investments in financial and information services. And Vignesh Aier, formerly at private-equity firm New Mountain Capital, will run healthcare investing.

Mr. Rajpal has also recruited four operating executives with specialties in digital transformation, artificial intelligence, data analytics and human capital. Unlike at most buyout shops where operational specialists are often brought in to evaluate strategy and improve companies after they have been acquired, these executives will sit on GrowthCurve's investment committee and evaluate deals when they are first proposed.

Firm officials said the operating partners will help GrowthCurve identify companies in possession of valuable data sets that haven't been tapped because of a lack of awareness, technological know-how or financial resources.

"Now is the right time for private equity to embrace the potential of data analytics and AI," Mr. Rajpal said in an interview. Hedge funds and the fintech industry have more readily adopted those disciplines, he said.

Mr. Rajpal joined Goldman in 2000 and was named a partner in 2010. As head of the merchant bank's financial- and information-services investing business, he led some of its top-returning deals, including an investment in credit-reporting bureau TransUnion that produced more than $1 billion in profit.

He became co-head of the merchant bank in 2019.

Mr. Rajpal also had an early hand in building Goldman's consumer bank, known as Marcus, pitching then-Chief Executive Lloyd Blankfein on the idea in 2014.

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THE WALL STREET JOURNAL.

Technology
Goldman Seeks Startup Investors --- Bank has raised more than $3 billion from clients to invest in young companies

By Peter Rudegeair
834 words
21 May 2021
The Wall Street Journal
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B4
English

Goldman Sachs Group Inc. wants to help its clients get a piece of the next big startup.

GS Growth, a unit of the bank that buys stakes in maturing startups around the world with the firm's money, spent recent months courting outside investors, according to people familiar with the matter. Its first client fund, West Street Global Growth Partners, raised more than $3 billion by early May, capital that will be invested in fast-growing closely held companies in the financial-**technology**, business-software, consumer and healthcare sectors, the people said.

Recent investments earmarked for the fund include British digital bank Starling Bank Ltd., Indian food-delivery startup Swiggy and regulation-**technology** company ComplyAdvantage, the people said.

The demand could be huge: Endowments, family offices and other institutional investors, tired of low interest rates, are anxious to get an early slice of the next potential Robinhood Markets Inc. or Roblox Corp. And Goldman, which has long relied on businesses such as trading that have high highs and low lows, is eager for the steadier revenue streams that come from earning management fees on clients' money.

The category that GS Growth plans to focus on, growth equity, includes startups that have rapidly expanding customer bases and revenue but aren't quite ready for an initial public offering. The asset class is becoming an investor favorite, with more than $200 billion flowing into growth-equity funds since 2019, according to data provider Preqin Ltd.

An earlier effort to invest Goldman clients' money into startups had mixed results. A growth-equity fund from Goldman Sachs Investment Partners, run out of the bank's asset-management division, had some notable winners, such as an early bet on **fintech** startup Plaid Inc. There was also at least one high-profile loser: Outcome Health, whose founders were criminally charged with running a $1 billion fraud scheme. They have pleaded not guilty and are awaiting trial.

The competitive challenges have only grown greater since then. In recent years, private-equity firms such as Blackstone Group Inc., hedge funds like Tiger Global Management and venture firms such as Sequoia Capital have each raised multibillion-dollar growth funds.

And while the Goldman name might go far with **fintech** players, especially because the bank could become a major customer for many of those companies, it is often outshined in Silicon Valley. There, founders of nonfinancial startups are often more likely to have Peter Thiel, Marc Andreessen and other venture capitalists at the top of their funding wish lists, and Goldman is less able to play kingmaker.

Some of the firms that GS Growth will have to compete with, like Tiger Global and SoftBank Group Corp., have distinguished themselves on both the speed at which they deploy capital and the size of the checks they are willing to write. Goldman employs a more regimented due diligence and approval process than other firms and has historically been constrained in the amounts it is willing to invest, some of the people said.

Where GS Growth hopes to have an advantage is in its global footprint and relationship network. The more than 75 investment professionals in the group are fanned out across the Americas, Europe and Asia to connect with startup chief executive officers at a local level. Its three leaders -- Darren Cohen, Nishi Somaiya and Stephanie Hui -- are based in New York, London and Hong Kong, respectively. The bank can also leverage the connections of Goldman's investment bankers and private wealth managers for introductions to under-the-radar entrepreneurs.

"Where capital is abundant, having that edge in sourcing is what allows you to be one of the world's best," Ms. Somaiya said.

Group Helps Attract

Outside Money

Goldman formed GS Growth two years ago.

The idea was to bring together the separate fiefs within Goldman that used the bank's balance sheet to invest in startups. Each had slightly different mandates but didn't clearly broadcast them or their holdings to the general public. Most didn't even have websites.

That occasionally led to mission creep. Entrepreneurs were confused, and Goldman portfolio managers were annoyed, when different teams at the bank contacted the same company, with seemingly no coordination, some of the people said. Goldman hoped that creating the new group would also help it attract outside money.

More broadly, Goldman wants to invest clients' money in any number of so-called alternative assets, such as leveraged buyouts, distressed debt and other hard-to-access deals. The bank said in a recent filing that it had raised about $53 billion in investor money for alternative assets, well on its way toward a goal to raise $150 billion by 2024. That number doesn't include GS Growth's contributions. The $3 billion the client fund raised beat Goldman's target and it is continuing to raise money, people familiar with the matter said.

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THE WALL STREET JOURNAL.

Uber Executive Tapped To Run Goldman Bank

By Peter Rudegeair
250 words
18 May 2021
The Wall Street Journal
J
B9
English

Goldman Sachs Group Inc. is poaching an engineering executive from Uber Technologies Inc. to run Marcus, its **digital-banking** unit.

Peeyush Nahar is set to join Goldman on June 1 as a partner and head of its consumer business, according to an internal memo reviewed by The Wall Street Journal. At Uber, Mr. Nahar oversaw teams that developed software for payments, insurance and financial-**technology** services. Earlier in his career, he spent 14 years in a variety of roles at Amazon.com Inc., including building out a lending business for merchants selling on the retailer's online marketplace.

Since its 2016 launch, Goldman's Marcus has expanded beyond its original offering -- high-yield savings accounts -- and into unsecured installment loans, personal budgeting software, digital-investing tools and, soon, checking accounts. Goldman also nabbed deals to issue credit cards for Apple Inc. and General Motors Co., the Journal previously reported.

Along the way, Goldman has experienced a number of growing pains, including higher-than-expected loan losses, product delays and executive turnover. Mr. Nahar will fill a role vacated earlier this year when Marcus chief Omer Ismail left Goldman to run Walmart Inc.'s new **fintech** startup.

One of Mr. Nahar's tasks will be achieving targets that Goldman executives had set for Marcus before the coronavirus pandemic hit last year. Those include amassing more than $20 billion of loan balances and attracting more than $125 billion of deposits by 2024.

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THE WALL STREET JOURNAL.

EXCHANGE --- Ex-Goldman Official Tapped For Chairman of Bitcoin Firm

By Paul Vigna
546 words
17 April 2021
The Wall Street Journal
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B11
English

Galaxy Digital Holdings Ltd., a bitcoin-focused firm offering banking and institutional services, named former Goldman Sachs Group Inc. executive Michael Daffey as its chairman ahead of a planned U.S. stock offering later this year.

Mr. Daffey, 54 years old, succeeds founder Michael Novogratz, who will remain chief executive.

Mr. Daffey was most recently the chairman of Goldman's global markets division, which generated more than 40% of the firm's overall revenue in the first quarter. His last day was March 31.

The appointment is Galaxy's latest maneuver as it prepares to make a public stock offering in the U.S. later this year. Its shares are already listed on the Toronto Stock Exchange. In March, it named Alex Ioffe as chief financial officer; Mr. Ioffe previously held the same position at Virtu Financial Inc.

Galaxy Digital began as an investment-management firm but has since expanded into more financial services, including investment banking and trading. On Monday, it filed a submission with the Securities and Exchange Commission for a bitcoin-focused exchange-traded fund.

"We are trying to build a 21st-century, customer-focused merchant bank," Mr. Novogratz said, referring to the kind of bank that caters to commercial clients and high-net-worth investors.

Like others in the crypto sector, Galaxy has seen its operations flourish amid a boom in the price of bitcoin and other cryptocurrencies. At the end of March, its assets under management had risen to $1.28 billion, from $356 million a year earlier. Though the company hasn't reported its full financial results for the first quarter, it posted a profit of $335.7 million for the fourth quarter of 2020, versus a loss of $31.2 million a year earlier.

Such numbers have Galaxy and others in the crypto space eyeing the public equities market. Cryptocurrency exchange Coinbase Global Inc., which has also seen exponential growth, fetched an $85 billion valuation on Wednesday in its stock-market debut. There are only a handful of other U.S. publicly traded companies in the sector, including Riot **Blockchain** Inc. and Marathon Digital Holdings Inc.

"There's a dearth of good, public equities in the crypto space," Mr. Novogratz said. "I think you'll see other companies try to fill out that portfolio."

Mr. Daffey, an Australian, started at Goldman in 1994. He became a managing director after six years and a partner after two more. He became chairman of the global markets division in 2020, managing some of the company's most important hedge-fund clients.

Messrs. Daffey and Novogratz worked together at Goldman in Asia in the 1990s. Mr. Novogratz later worked at Fortress Investment Group before founding Galaxy in 2017.

Mr. Daffey said he started paying attention to bitcoin in March 2020 as the coronavirus pandemic surged. The topic became one he heard about from clients daily, he said, and that got his attention. "It reminds me of Wall Street 20 years ago," he said.

He was circumspect about how he will handle his new job, which he doesn't officially begin until Sept. 1. "This is a great, new next chapter for me. I have a lot to learn," he said.

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THE WALL STREET JOURNAL.

Heard on the Street

Wall Street Banks Do More With Less --- Investing arms of JPMorgan, Goldman posted huge returns, suggesting they may be undervalued

By Telis Demos
606 words
15 April 2021
The Wall Street Journal
J
B12
English

[Financial Analysis and Commentary]

The resilience of big banks' lending books may be the big news this quarter. But their Wall Street arms may not be getting enough credit for their own performance.

JPMorgan Chase and Wells Fargo have started doing what investors were expecting, which is to release reserves for potential credit losses taken at the height of the pandemic's economic shock. Defaults haven't materialized to the levels feared, and the economy looks to be on an upswing. JPMorgan released $5.2 billion worth of reserves in the first quarter, and Wells Fargo released $1.6 billion.

That is important to see, but ultimately these are paper profits, not more cash to be put to work. Reserve releases also don't necessarily get fully reflected back into the bank's core equity capital, since regulators gave banks a form of pandemic relief by delaying some of the impact of loss reserving on key capital levels.

It is core capital, not just earnings, that is needed to fuel banks' shares further, as growing deposits weigh down balance sheets. This is key to avoid constraints on future lending, when demand picks up, or buybacks, to boost returns in the meantime. JPMorgan issued $1.5 billion worth of preferred shares in the quarter, as it had said may be needed to stay well clear of leverage-ratio minimum levels.

Given these constraints, the even better news for investors is that core Wall Street businesses are generating huge earnings without needing to use substantially more capital. That wasn't always the case, as volatility and volumes could sometimes force banks to take on even more risk to keep up. JPMorgan said its corporate and investment bank's return on equity was 27% in the first quarter, up from 26% in the fourth quarter. That figure was just 14% at the end of 2019. At Goldman Sachs, global markets return on average common equity was up over 10 percentage points over the quarter, to about 27%.

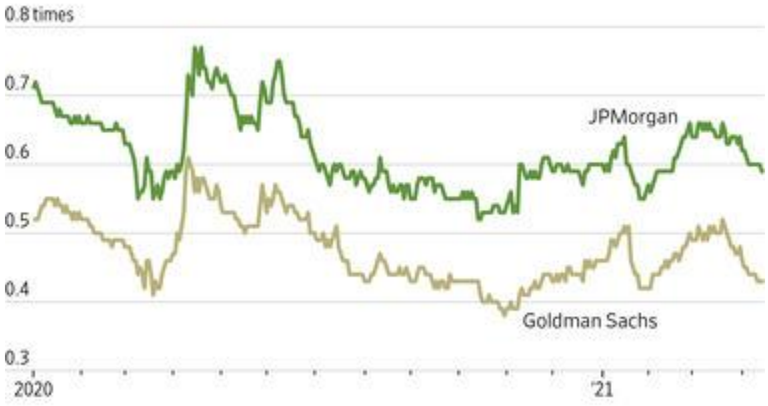
This may be part of a larger shift on Wall Street after years of stepped-up regulation and **technology** change. A study by bank analysts at Morgan Stanley and consultants at Oliver Wyman found that in 2020, every dollar of revenue in markets and investment banking required 21% less balance sheet and 34% less value-at-risk than 10 years earlier. Good performance from capital efficient units such as merger advisory also helps.

Wall Street revenues may be near or at their cyclical high, but then again they may not be if the U.S. economy is about to enter a multiyear boom, as JPMorgan Chief Executive Jamie Dimon now says he expects. That should turn up plenty of opportunities for banks' trading desks, M&A advisers, and so on, not to mention their ordinary lending business.

On a price-to-tangible book value basis, JPMorgan and Goldman Sachs are trading near five-year highs. But on a price-to-forward-earnings basis, they are still significantly cheaper than the S&P 500, at about 59% and 43% of the index, respectively. Historically, such discounts reflected banks' capital intensiveness and earnings volatility. But there are signs now that both are improving.

Banks have just been through a real-life stress test featuring a once-in-a-century pandemic and a surge in unemployment to double-digit levels. Their strong performance suggests banks' discount to the rest of the stock market may be bigger than it needs to be.

Banks' forward price/earnings ratio relative to that of the S&P 500



Source: Factset

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THE WALL STREET JOURNAL.

Ad Firm GumGum Raises $75 Million

By Sahil Patel
455 words
14 April 2021
The Wall Street Journal
J
B13
English

GumGum Inc., an advertising-**technology** company that provides tools to analyze and place ads based on content across desktop, mobile and internet-connected TV platforms, has raised $75 million in new funding from Goldman Sachs Growth.

The new capital brings GumGum's funding total to $122 million. The company is now valued at nearly $700 million, almost tripling its valuation from its most recent funding round in 2019, according to people familiar with the matter.

Government regulations and new privacy rules instituted by Apple Inc. and Alphabet Inc.'s Google will limit the ability of advertisers, publishers and tech companies to track users and target ads based on identifiable data.

Going forward, marketers will have to revamp their data strategies, while ad-tech vendors and other companies are hurrying to find alternative ways to reach consumers.

One such alternative is contextual advertising: targeting ads by placing them close to relevant content.

"Privacy is global and regulation is global," Phil Schraeder, chief executive of GumGum, said in explaining why investors might be interested in the contextual approach.

GumGum uses computer-vision and **natural**-**language processing** technologies to scan and analyze text, images, video and audio to help match ads to content.

Video-data firm Iris.TV Inc., which also provides contextual ad **technology**, recently raised $18 million in a new round led by Intel Capital. VidMob Inc., whose software analyzes the quality of the creative content in digital ads and uses data to improve performance, raised $50 million in a Series C round in February that valued the company at $290 million.

Founded in 2008, GumGum said it counts more than 100 brands and 1,200 publishers globally as clients.

The Santa-Monica, Calif., company will use its new funds to expand its business internationally, including by acquiring other tech firms with complementary tools and services, Mr. Schraeder said.

GumGum is also investing in building out its contextual advertising tech for streaming video and TV, particularly as the sector draws more advertising dollars.

As part of the investment, Holger Staude, managing director of Goldman Sachs Growth, will join GumGum's board.

Existing investors include Upfront Ventures, NewView Capital and Morgan Stanley Expansion Capital.

GumGum laid off a quarter of its employees last April as the pandemic forced many marketers to pause or cut back their ad plans.

The layoffs hit the company's advertising and sports segments, which used its software to help brands and sports teams analyze and value sponsorships.

GumGum rebounded later in the year, Mr. Schraeder said, and now employs around 250 people around the world.

"As eyeballs shifted to digital screens and habits changed, we saw an extreme pickup in our business," he said.

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THE WALL STREET JOURNAL.

EXCHANGE --- Heard on the Street: Overheard

223 words
10 April 2021
The Wall Street Journal
J
B16
English

[Financial Analysis and Commentary]

If you were to cook up a name for a company guaranteed to get attention at the moment then you couldn't do much better than "RocketFuel **Blockchain**." And if you wanted a prestigious bank to associate with that company, then Goldman Sachs would be at the top of your list.

Following the release on April 1 of a news release titled "Goldman Small Cap Research Publishes New Research Report on RocketFuel **Blockchain**, Inc.," the penny stock surged by as much as 335% in four days. Several lines down is a notice that the research firm, which accepts payment for reports, "is not in any way affiliated with Goldman Sachs & Co."

And the report's subject, formerly known as B4MC Gold Mines Inc., and before that as Heavenly Hot Dogs Inc., doesn't appear to have any revenue and maybe not even a product, based on litigation about a patent that expired. The report was written by an analyst who, while he appears not to have lit the world on fire at more-established firms, has an auspicious name: Rob Goldman. Neither Mr. Goldman nor RocketFuel **Blockchain** responded to emailed questions.

Fortunately today's growth-stock investors, especially when they see the words Goldman and **Blockchain**, always read the fine print.

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