

**Exchanges at Goldman Sachs: Great Investors**  
**Investing with The Carlyle Group's Sandra Horbach**  
**Sandra Horbach, Co-Head, US Buyout and Growth, The**  
**Carlyle Group**  
**Alison Mass, Chairman, Investment Banking Division,**  
**Goldman Sachs**  
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**Allison Nathan:** Investors are facing one of the most challenging backdrops in recent years amid slowing economic growth, rising inflation, and geopolitical conflicts. I'm Allison Nathan, and this is Exchanges at Goldman Sachs Great Investors.

In this special series, Alison Mass, chairman of our investment banking division, and Katie Koch, chief investment officer of public equities in our asset management division, speak with the world's most respected investors about their investing strategies, career trajectories, and their outlook for markets and economies.

Sandra Horbach, who is co-head of US buyout and growth at The Carlyle Group, is a trailblazer in the private equity industry. Alison Mass spoke with Sandra as part of our

Exchanges at Goldman Sachs Great Investors series.

Alison, you're personally friends with Sandra and have said that she's one of the smartest people you know. What were you most excited to talk to her about?

**Alison Mass:** Well, what was really interesting to hear from Sandra is what it was like in the '80s, you know, in private equity. She worked for one of the most prominent, independent private equity firms and, candidly, one of the only independent private equity firms back then, Forstmann Little. And most of the private equity firms in the '80s, when she was there, were affiliated with banks, and they weren't as independent. So it was basically Forstmann Little and KKR were sort of the two big ones back then.

And so I was really interested to hear her stories from the '80s, what it was like in private equity, why she was attracted to private equity because it wasn't really a very well-known industry when she was in business school. I think she was in business school around the same time I was. You know, most people wanted to go to investment banking, not to private equity back then. So that was really interesting to hear her story and her decision.

And then, you know, as one of the few senior women in our industry, Sandra and I have known each other for four decades because back 40 years ago there were just very few of us. So, we were all always invited to the same panels, always invited to the same conferences, same meetings, same media. And so, we were kind of thrown together a lot, but she's truly been a trailblazer on diversity, women's issues, getting diversity on boards, diversity in her management teams, diversity at Carlyle. And just listening to her story and what motivated her and, you know, why she's passionate about that was fascinating to me.

She also has raised two daughters, so I always love talking to her about, you know, what her dreams are for them and their careers over the next 30-40 years versus what she and I went through. And she's just one of the smartest people I know, and I always learn something when I talk to her.

**Allison Nathan:** It sounds like a great conversation. Here's Alison Mass in conversation with Sandra Horbach.

**Alison Mass:** I'm Alison Mass, chairman of the investment

banking division at Goldman Sachs. And today I'm delighted to be speaking with Sandra Horbach, who I'm honored to also call my friend as we've known each other for literally decades. Sandra is the managing director and co-head of US buyout and growth at The Carlyle Group where she oversees Carlyle's three largest private equity funds with close to \$60 billion in capital under management.

We're going to talk with Sandra about her start in private equity, her perspective on the evolution of private markets, and how she's paved the way for diversity and inclusion at Carlyle and, candidly, across the whole industry. So, Sandra, welcome to the program.

**Sandra Horbach:** Thanks, Alison. It's great to be here with you.

**Alison Mass:** So, I have to start with your early days in investing because, after graduating from Stanford Business School in 1987, you joined Forstmann Little, which was an independent investment firm but in the private equity industry, which nobody knew much about back then. So how did you even get interested in private equity? And how

did you get to Forstmann Little?

**Sandra Horbach:** Well, it was a long time ago, as you said. And it really wasn't an industry that anyone knew about. But I had spent a couple years in investment banking and mergers and acquisitions before business school. And so, I was really fascinated with the idea of working on transactions with companies and understanding the drivers and levers you could pull to try to add value and grow businesses. And so, I heard about a handful of firms that were doing what we called leverage buyouts back then. And I got really excited about the idea to be on the ground floor of a new type of investing and a new business model. And I loved the idea of working with businesses and management teams.

So, I knocked on a lot of doors. No one was coming to Stanford to recruit at the time. And I was fortunate enough to get an offer and join Forstmann as the sixth investment professional.

**Alison Mass:** Wow. That's incredible. By the way, remind me. You talked about leveraged buyouts. My recollection is that Forstmann Little didn't really like leverage.

**Sandra Horbach:** We used leverage, but we had our own subordinated debt fund --

**Alison Mass:** Ah, okay.

**Sandra Horbach:** -- in the place of going out and having to raise what we called junk bonds back then, or high yields. So, we did use leverage but a lot less of it. And we were really growth equity investors. So maybe a little ahead of our time back then in terms of looking for growth.

**Alison Mass:** Yeah, definitely early on that. No, that does remind me, I did remember that you had a little bit different philosophy with respect to using leverage. So since then, you know, you've blazed a path in the private equity industry making partner at Forstmann Little, the first female partner at a major private equity firm, before joining Carlyle in 2005 to launch the consumer and retail group. And during that time, you've identified and led a number of notable deals for the firm. And I'd love to hear a little bit about how you go about identifying the companies and the management teams that you want to work with.

**Sandra Horbach:** Well, so for the companies, we're really looking for market leaders that are well positioned in their respective sectors or industries. And we always like to find companies that have attractive secular tailwinds behind them and, importantly, where we can bring something to the table to really help drive value creation. So that's a critical part of our evaluation.

In terms of management teams, we're looking for CEOs that are focused on building teams and who care about culture and really trying to develop a culture that's going to be sustainable over the long term by empowering its employees to be the best that they can be. And, you know, we find, especially in today's disruptive environment, that CEOs need to be constant learners and have the ability to adapt and pivot quickly to changing circumstances. And we all know that the world is moving and changing faster than ever before, so we're looking for leaders who can handle that.

**Alison Mass:** And today, you're the co-head of US buyout and growth at a time when the private equity industry has seen tremendous growth. Deal sizes, valuations, and competition have all grown exponentially. So, what's stood

out to you as the biggest structural shifts in the industry in recent years?

**Sandra Horbach:** Well, there have been a number. And, you know, if anyone had told me going back when I started out in the business back in the late '80s that it would grow into be the industry that it is, I couldn't have imagined. So I think the first is really the specialization that we've seen across the industry. And so, in the early days, we were all generalists, but today, because of the size and scale and complexity of the business, and the need for value across the portfolios, you really need deep sector expertise, we believe, to be successful and to really be able to identify the right opportunities.

We also have seen tremendous amount of capabilities being brought into our businesses. And so, these are not just investment capabilities, which always existed, but these are functional capabilities with digital technology, talent, all the things that are helping us drive value creation across the portfolio.

And then we're seeing, you know, all of these large firms and successful firms expanding into different asset classes

and categories as well as fund structures evolving in terms of different types of funds that we're offering to our limited partners. So, we continue to innovate as an industry and raise the bar and continue to find interesting, exciting ways to offer capital opportunities and investment opportunities for our limited partners.

**Alison Mass:** So, I want to turn to your views on the macro environment. Markets are volatile, to be understated. Economic growth is slowing. Inflation and interest rates are rising, as are the risks around recession. So how are these macro factors shaping your views on the market today?

**Sandra Horbach:** Yeah, well, it is very hard to talk about the environment without talking about the market in the context of inflation, rising interest rates, obviously the war, the uncertainty. So, there's just a tremendous amount of volatility taking place right now. And the important thing for us is that we are long-term investors. You know? And so, we're not looking at the short term. In fact, oftentimes short-term volatility can create opportunities for us, really attractive investment opportunities. And so clearly we're focusing on looking for companies that are going to be able

to perform well in spite of these changes and difficult circumstances. But we're looking over a 5- to 10-year horizon. And then we're also looking, importantly, to how we can help the companies and create more value and not just be dependent on market conditions to see the growth.

**Alison Mass:** So, you invest across a variety of industries, ranging from health care to consumer, nearly all of which are being disrupted by technology. And I know that one of the mantras at Carlyle is that every deal is a tech deal.

**Sandra Horbach:** Yes.

**Alison Mass:** So how are you ensuring that your portfolio companies are digitized not only operationally but culturally as well?

**Sandra Horbach:** Well, Alison, you are absolutely right. We are in the midst of a digital transformation, and, you know, I saw that early on when I was running the consumer and retail part of our business. But digital transformation, we think it's, you know, really exciting, the opportunity and that it's creating a lot of new investment opportunities for us because, when you really parse it

down, what it is is using technology to be able to help businesses in all sorts of different ways. So, you can gain incremental efficiencies from digital customer engagement, from digital customer acquisition, software that allows for automation of workflow, processes, production, introducing robotics, IoT. There are just so many opportunities.

And so, we look at it from a standpoint of how has this company operated historically? And how can we apply these different types of levers, largely technology, to help them operate more efficiently or grow faster, you know, really expand their market opportunities?

So, we think it's an exciting time to be an investor. And we think that, as you said, every company today is a tech company in some respects. And we're seeing a real blur in convergence between our industry specialists, say, a consumer or financial services or health care, and our tech practice.

**Alison Mass:** Another structural change that's reshaping the investment landscape is environmental, social, and corporate governance, or as we call it, ESG. And I know that you don't have a separate ESG business, but you

integrate the impact investing across all of your global platforms. So how do you partner with your management teams to build ESG into their operations?

**Sandra Horbach:** Well, it's a really important initiative and has been at Carlyle for a long time. We believe that a key component of value creation across our portfolio takes place by, you know, really applying a comprehensive approach to driving what we call impact or others would call ESG across our businesses. And so, we never think of impact or ESG as a product. It's really a way of investing, and it's a process. And we believe ESG, and approaching it in a constructive, positive way is an enabler to businesses and for businesses to become more successful.

And so, the best companies embrace this and really want to see improvement. And we believe that, over the course of our ownership, we can really have a big impact in moving things forward in this area.

**Alison Mass:** So, something you and I have talked a lot about over the years, and I know you're very passionate about, is championing diverse talent. And one stat that truly stands out as evidence of that is that more than half

of Carlyle's assets under management are run by women. So, tell us about your efforts to increase diversity at Carlyle.

**Sandra Horbach:** Well, Alison, I really believe everyone plays a role in creating a diverse and inclusive culture within a firm. And at Carlyle, our employees are encouraged to set DEI objectives, focusing on steps they would take within their spheres of influence. And then we formally review those objectives on an annual basis, and we measure the progress. And then we compensate people on their ability to move the needle in their areas and their spheres of influence.

One of the things we're in the midst of doing is a DE&I award, where we have asked everyone in the organization to nominate anyone at Carlyle who's gone above and beyond --

**Alison Mass:** Wow.

**Sandra Horbach:** -- in terms of advancing DE&I.

**Alison Mass:** That's great.

**Sandra Horbach:** We started this last year, and we paid out a \$2 million award across 50 --

**Alison Mass:** Wow. That's a lot.

**Sandra Horbach:** -- of the awardees. And we had hundreds of recommendations and nominations. And we chose from those. And we're doing it again this year. And it's giving us the ability to recognize where people are really making an effort. And it's at all levels across the organization. So, we take steps in a lot of different ways, but we celebrate people who really help us raise the bar and make it an even more inclusive environment than it already is.

**Alison Mass:** Yeah. Well, look, Carlyle has been a leader in this, but I know you're being modest. But you personally have been a huge role model for everyone in private equity and, candidly, in finance.

**Sandra Horbach:** As have you.

**Alison Mass:** So anyway, but more specifically, what

advice would you give to women investors just starting out in this space?

**Sandra Horbach:** Well, I give a lot of advice, as I'm sure you do as well. And, you know, I think the thing that is most important for women is to use your voice, to really speak up, and to volunteer for tough assignments, and make yourself indispensable. And I always say that focus on doing the best job you can in your current role, and that will create opportunities for future roles.

And then I think it's really important to pick the organization and the people that you're going to align yourself with because, at the end of the day, we're an apprentice business and you want to pick the right culture and a team that is going to be your sponsor and care about your development.

**Alison Mass:** So, tell us about the importance of mentorship to you and how you go about raising up the colleagues around you.

**Sandra Horbach:** Well, mentorship is one of the pillars of our DE&I efforts, and we've been doing it for years. I think

we have over 500 people involved in our mentorship program. And so, it's incredibly important.

And equally as important to mentorship is sponsorship as, you know, really helping people advance in their careers and being very strategic about presenting them with opportunities and stretch assignments.

So, you know, I personally, I spend a lot of time, as I know you do, with women and men talking about career opportunities and ways that they can further their career and development. And sometimes it's helping them in personal situations because, as I've been told frequently, you can't be what you can't see. And so being the person who's laid the groundwork and done that, it is oftentimes helpful for people to understand it can be done. And, you know, we juggle a lot of different things in our lives and careers. And so to be able to talk with someone about that, it can be really helpful.

And then it's important to sometimes give people a push when they're doubting whether or not they really can go to the next level or strive for a different assignment or role. And so just being there to encourage someone to really

strive to be the best that they can and to not be afraid of taking risks to advance and take the next step.

**Alison Mass:** And speaking of juggling a lot, you know, you've also raised two amazing daughters. Talk to us about what your hopes and dreams are for them over the next 30-40 years, and how do they compare to the dreams you had for yourself when you were starting out in your career?

**Sandra Horbach:** Well, I'm very proud of my daughters. And I --

**Alison Mass:** As you should be.

**Sandra Horbach:** Thank you. And Alison, you know them well. And I'm excited that they're pursuing careers where they really have a passion and where they feel as though they're having an impact in helping others. And so I just couldn't be more proud of them, and I'm excited to see, you know, where they're headed in the future.

I hope that they will have more opportunities to fulfill their ambitions on a level playing field, and I hope that we will be in a position or they will be in a position where we won't

even be talking about diversity because it will be so embedded in the way people think and behave that it no longer has to be a subject of conversation like we've had here today. But I think the opportunities ahead are exciting, and I look forward to being a spectator in their careers going forward.

**Alison Mass:** That's awesome. So finally, I want to close out with a lightning round.

**Sandra Horbach:** Okay.

**Alison Mass:** Just some short answer questions, if you'll allow me. So what was your very first investment?

**Sandra Horbach:** A company called Stanadyne, which you've never heard of.

**Alison Mass:** No, I have heard of Stanadyne. Remember, I started five years before you did.

**Sandra Horbach:** It was a conglomerate, and we acquired it. And then we sold off some of the businesses. And the crown jewel in that company was a company called Moen,

which is Moen faucets, the number one single-handed facet company. I have a big faucet as a deal toy in my office still to this day.

**Alison Mass:** You always remember your first investment. So, what's the biggest lesson you've learned from an investment, either one that went particularly well? Or sometimes we learn the best lessons from ones that didn't go as well.

**Sandra Horbach:** Well, that's exactly what I was going to say. The lesson is that you learn the most from investments that do not always go in a straight line and sometimes have a few twists and turns along the way. And, you know, we always say that the toughest investments are the ones that we remember and work the hardest on but also get the most satisfaction from.

**Alison Mass:** Yeah, those are always your best war stories. So which investor, living or dead, do you admire the most?

**Sandra Horbach:** There are so many great investors out there, and I've been fortunate to work with a lot of them.

**Alison Mass:** Yes, you have.

**Sandra Horbach:** Forstmann Little and Carlyle. But I guess I would say Ted Forstmann, who's no longer with us, but he was such a pioneer in the industry. And I was able to work very closely with him for 18 years. And so, he taught me a lot, and I saw him really help build the industry. So, a lot of respect for him.

**Alison Mass:** So, what's the best piece of investment advice that you can give to our listeners that you wish someone had told you earlier on in your career?

**Sandra Horbach:** I would say quality always prevails. And that's true whether you're talking about the quality of a company, quality of a management team, or quality of the investment opportunity. But never forgo quality when you have the opportunity to invest behind that.

**Alison Mass:** That's great advice. All right, my last question, what are you reading or listening to currently?

**Sandra Horbach:** So I just finished reading a book called *The Happiness Advantage*. It was written by Shawn Achor.

And he recently spoke at our CEO forum where we bring all of our portfolio company CEOs together. And I wanted him to speak because I so enjoyed reading his book, which is a book for business leaders. And it's really about how to bring a positive attitude to your company as a leader and how to create an environment that fosters happiness in the workforce, and that those type of leaders and companies where you're able to do that achieve superior results. And there's a lot of statistics and research that goes behind his work. So, it was very uplifting and well received by our CEOs.

**Alison Mass:** That's great. I'll have to put it on my summer reading list. So, Sandra, it was such a pleasure to speak with you. Thank you for joining us. And thank you all so much for listening to this special episode of Exchanges at Goldman Sachs Great Investors.

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