

ALISON MASS:

Welcome to our continuing series of special episodes of "Talks@GS," where we're going to be speaking with some of the world's greatest investors.

My guest today is Orlando Bravo, who is the founder and managing partner at Thoma Bravo. So Orlando, thank you so much for taking the time to be with us. And we're really looking forward to your insights on what is an unprecedented global market.

ORLANDO BRAVO:

Thank you for having me.

ALISON MASS:

So to start, can you take us back to the early days of the pandemic and tell us what approach you took to opportunities early in the pandemic?

ORLANDO BRAVO:

You know, just early on in the pandemic, it was uninvestable, in our opinion, because there was no way to know where the world was going. Could

people spend money? Could people work? Could people survive, in many cases? So it was nearly impossible from a fundamental standpoint to project a business.

And what we say in times of crisis are two key things. Number one, it is better to be overly conservative than overly optimistic. Within that philosophy and framework, you look to take costs out.

And in case you took out too much, you can always add back to the business. And the second thing we look to do is we look to be very hands on. In times of crisis, you do to have be hands on as an investor, as a CEO, and as a leader. And -- and we did that until we could finally have some visibility into how the business world was performing.

ALISON MASS:

So given you invest in enterprise software, in your view, what impact has the current

environment had on the outlook for software and where you're seeing the biggest opportunities now?

ORLANDO BRAVO:

You know, the most basic thing on software, given what just happened, is it underscored the resiliency of the software business model. And we have been talking about that for 20 years now. And there were some blogs and hedge fund blogs, etc., that were saying, "Well, the recurring revenue of software, that's subscription revenue, is going to come under challenge."

And we didn't believe so because of some very fundamental factors. Software is now *the* business. And that proved to be resilient. That was number one.

And secondly, something that we did not foresee from the pandemic, it actually accelerated the entire move to digital by companies. They don't want any physical infrastructure or IT infrastructure on premise. It even moved -- companies moved quicker to the cloud.

And companies realized that without the right software systems to market to your customers, communicate with them, transact with them, you really can't operate. So -- so it actually fueled that transition that has been happening over the years.

And therefore as a result, you have increased valuations in the public markets of these companies as investors realize those two points.

ALISON MASS:

So your firm has had 40-plus years of PE investing experience, and you did your first software deal almost 20 years ago. So ten years from now, in 2030, when we look back on what impact this crisis has had on your investing strategy, what do you think that will look like?

ORLANDO BRAVO:

We were fortunate in this pandemic to have stuck

to enterprise software, which as we discussed proved to be very resilient once again and in some pieces of the industry it actually had tailwinds.

And secondly, we were fortunate to have had no strategy drift in the way we work with our companies, which is control with existing management the deep operations. That way we can react very quickly and do something about it if we saw some dislocation or some company-specific issues that were being affected.

So when we look at ten years from now, I think for our organization, our whole team feels even stronger that we should stick to what we're good at and what we understand, and that's enterprise software and the control environment.

ALISON MASS:

So if you think back on your career, what would you say is the greatest investing lesson that you've learned from a particular deal, whether

it's a deal that went well or a deal that ended up not working out so well?

ORLANDO BRAVO:

You know, the -- the greatest investing lesson has happened really universally across all the deals that I've worked on with our team. And -- and I -- I would summarize that in one sentence. And it is things are going to be like they are now.

It is very difficult to change the real trajectory of a business over a private equity investment environment or horizon of 3-5 years. So you really have to take a very practical approach to the one or two value creation levers that you want to deploy because it is likely that that company that has been around for 30 years with an established culture, set of procedures, processes, ways of communicating, ways of interacting with customers, that company is likely to behave in a very similar way, you know, after you buy it than -- than as before.

So you really have to be very humble about what you can actually change or affect and make sure that it's very little, that you have very few to-do's in that investment.

ALISON MASS:

So personally, what do you think has been the key to your success as an investor? And I also know that you were a competitive tennis player growing up. So I'm curious what you learned from playing tennis that has helped you as an investor.

ORLANDO BRAVO:

For me, the -- the -- the key to my career as an investor has been the fact that I actually listened very carefully to my mentors. And I had two. Carl Thoma on the deal side, on the values, on -- on what you really -- how you really can make money on a company. And Marcel Bernard, our operating chairman, on how you actually run a business.

And I actually listen to both of them. And I apply that to me. I basically apply their own philosophies into my own makeup and what I could do with that. And I always wanted to do something slightly different in -- in whatever I was doing.

And for me, that allowed me to apply those principles to software, which at the time there was very few to none private equity in software 20 years ago. And applied that fundamental philosophy of a deal side and on the operating side to a slightly new approach in a new -- in a new industry.

And -- and the analogies from tennis are, you know, you work so hard really early on because you have to focus on perfecting, you know, that moving forward and that approach. Hitting it in the same place with the same accuracy, with 95% accuracy and expecting the shot to come to a certain place and perfecting that next shot.

And you do it again and again and again. And you learn from a mentor and a set of strategies and philosophies. However, when you're in the match, you're on your own. And you have to apply that to yourself to whatever you feel at the moment based on that competitive dance that you have with the other player on the side of the court and what's working that day and what's not and what's maybe bothering the other player and maybe what's not.

So you kind of apply. You have to listen, but you have to apply that to your own -- to your own makeup and style.

ALISON MASS:

What would you say is the biggest challenge that Thoma Bravo faces today?

ORLANDO BRAVO:

Valuations. Public market valuations. Many of these are deserved and even more are really incomprehensible from a fundamental standpoint.

And being able to put an exit multiple on your investment in this market based on what's going on today is very challenging, and you have to be quite optimistic to do so.

ALISON MASS:

And finally, what advice would you have for someone starting out in investing today that you wish someone would have told you when you first started in your career?

ORLANDO BRAVO:

What I would tell young people is this is a completely open market. Private equity is just starting. And software is just starting. And if you really have an interest in the key attributes of these businesses, you should definitely pursue it. And you can definitely be a leader at it.

You can definitely build your own company. You can definitely be the next great investment firm in it. The world is always changing and there are so many opportunities. And the -- the younger generation is much more capable than my

generation is. And so on and so forth.

Just smarter individuals. More well-rounded individuals. More thoughtful. So new things will be created that way surpass, you know, as private equity as we -- as we know it today. And I wish somebody would have told me that to decrease that anxiety, right?

As a young person, you're really trying to get in. You're looking at role models. This -- this can easily be done. You just have to be very resilient and take your time.

ALISON MASS:

So Orlando, really appreciate you sharing your insights with us. And stay healthy and stay safe.

ORLANDO BRAVO:

Thank you so much.

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