

JAKE SIEWERT

This is Exchanges at Goldman Sachs, where we discuss developments currently shaping markets, industries and the global economy. I'm Jake Siewert, and I run Corporate Communications here at Goldman. So today we're at the Goldman Sachs Builders and Innovators Conference in Santa Barbara, and this is a conference where we pull together a hundred intriguing entrepreneurs from all across the country and around the world.

And today we are going to be joined by two of those entrepreneurs and also Gregg Lemkau, our co-head of Investment Banking. Brynn Putnam is here, and she's the founder and CEO of MIRROR, a fitness startup. And Ryan Petersen is here. He's the founder and CEO of Flexport, which is a logistics company. So thank you all for joining us.

JAKE SIEWERT

So, Gregg, just give us a little context around kind of the state of entrepreneurship. You've been coming to this conference for a long time and been helping bank entrepreneurs for even longer.

What's the environment like right now for startups and for funding?

GREGG LEMKAU

So I'd say, as you know, this is the eighth time we've done this conference, and the environment and atmosphere at the conference is indicative of the environment for entrepreneurship, which is hugely energizing. A bunch of great ideas. And it's been interesting to see the exchange amongst the entrepreneurs about what they're doing across so many different categories.

I think the state of entrepreneurship generally is quite exciting right now. The public equity markets and the private equity markets are so focused on growth and attracting growth and they're looking for

new businesses and new business ideas and new categories that have been developed. And so to be able to be here and talk to the various people who've built these businesses and companies and have them engage with each other and share best practices and share problems and share challenges is quite exciting.

JAKE SIEWERT

So, Brynn, Ryan, this is your first time at the conference?

RYAN PETERSEN

First time. Thank you for having us.

BRYNN PUTNAM

Yes, first time.

JAKE SIEWERT

All right. So talk a little bit, just quickly, about what your pitch is on your company. Brynn, we'll start with you.

BRYNN PUTNAM

Sure. MIRROR is a nearly invisible interactive

home gym. When it's off, it's a full-length mirror, and when it's on it streams live and on-demand fitness classes, and, as of last week, also one-on-one personal training for just \$40 a session.

RYAN PETERSEN

Well, Flexport is a platform for global trade. We make it easier for companies to buy and sell products across borders, ship them by air, ocean, truck and rail.

JAKE SIEWERT

Okay. Cool. So, Brynn, you didn't start out as an entrepreneur. Talk a little bit about the path that took you to founding MIRROR.

BRYNN PUTNAM

Yes. I've spent my whole life in health and wellness, but started off as a professional dancer at the New York City Ballet when I was a teenager. Went to Harvard. Kept dancing professionally, and then got involved in fitness really as a side hustle, a way to make ends meet while I was dancing.

When I retired, I opened a chain of fitness studios called Refine Method that are now about 10 years old. And learnings from Refine Method led to the creation of MIRROR about three years ago.

JAKE SIEWERT

Okay. So this is your retirement plan.

BRYNN PUTNAM

Absolutely. Doubling down.

(LAUGHTER)

JAKE SIEWERT

Ryan, you were a little bit more business background, and you've started another company. Talk a little bit about that and how you ended up starting Flexport.

RYAN PETERSEN

I've started a bunch of companies, actually. I've never had a job, other than I made pizza at Domino's when I was in high school.

BRYNN PUTNAM

It's a job.

RYAN PETERSEN

I still reference Domino's Pizza in executive committee meetings, and like, "What? You were a pizza boy." My first business was importing stuff from China and selling it on the internet. So it wasn't a startup. We didn't call it a startup. We were just trying to make money. And then ...

JAKE SIEWERT

What kind of stuff?

RYAN PETERSEN

Motorcycles. it was a troublesome business that I had. From there, I was very frustrated by like the experience of shipping stuff. I thought it was really difficult, especially for a small company, to deal with these big, bureaucratic shipping companies. So I just eventually decided to start a company to compete with them, make it better for entrepreneurs.

JAKE SIEWERT

So what's a key trend that you're tapping into,

Brynn?

BRYNN PUTNAM

To me, success in fitness today kind of focuses on three themes, I would say, convenience, curation and quality. And we're really tackling those by building kind of the only direct channel into the home for original contact via MIRROR.

JAKE SIEWERT

Okay. And, Ryan, how about you? I mean, you described a little bit about the impetus for it, but what are the trends that businesses are looking for that the current market wasn't serving?

RYAN PETERSEN

Well, in general, there's pretty much a lack of technology in international freight companies ... that you'd like to be able to see where your stuff is, when is it going to arrive, what paperwork are you going to need, all the regulatory-compliance things across borders. There's a huge amount of complexity, and I've always felt like the industry ...

George Bernard Shaw has this quote. He says, “Every profession is a conspiracy against the laity.” And it seems like freight forwarding is just the poster child for that with like all kinds of acronyms and weird terms that no one understands and seems like they’re used to take advantage of the customer. So we thought a combination of technology and then a really customer-obsessed culture ... we try to help our customers win ... that you could actually make a much better version of the service.

JAKE SIEWERT

So who are your customers? How did you start?
And how did you start building your market?

RYAN PETERSEN

We’ve now got about 10,000 companies that trade on the platform. So it’s kind of 1,000 companies in the U.S., a few hundred in Europe and then all their factories around the world. We connect companies

to their factories, make it seamless for them to trade and transact freight shipments. So it's a lot of up-and-coming brands, a lot of fast-moving sort of like new direct-to-consumer brands and then more traditional companies that are trying to transform themselves, make themselves more agile and less slow moving.

JAKE SIEWERT

So companies like Brynn. So how did you start marketing? How did you really build your customer base?

BRYNN PUTNAM

You know, I come from a bricks-and-mortar business. My first studio was started with \$15,000 of my own savings, and studio one had to pay for studio two, pay for studio three. So I really believe in a customer flywheel, and I think that you build a great customer flywheel by being a customer-obsessed business. So for us, it was really thinking not as sort of a tech-first company, but as

a customer-first company about what kind of content, what kind of community, what kind of interaction would really inspire our customers to tell five friends. And that's how we sort of have thought about building the business.

JAKE SIEWERT

And, Ryan, did you fund this with \$15,000 or was this your ...

RYAN PETERSEN

My first business, yes, I borrowed \$15,000 from my mom, actually. That was ...

(LAUGHTER)

JAKE SIEWERT

How'd that work out? You're still welcome home?

RYAN PETERSEN

I paid it back. I paid it back. We're even.

JAKE SIEWERT

You can go home for Thanksgiving.

RYAN PETERSEN

Yes, and then I started a number of businesses

along the way. One of them is still going. It's pretty successful and quite profitable. So that one was able to fund Flexport for the first four years. People don't know this, but I was the only employee of Flexport for four years, trying really hard to get something off the ground, and I've probably put ... before we raised any capital, yes, almost a half-a-million dollars into it from money that I had made in previous companies. So eventually I went on and raised tons of money, but in the beginning, we were very bootstrapped and self-financed.

JAKE SIEWERT

And what was the pitch that worked with investors?

RYAN PETERSEN

Mostly, I show them the size of the market, and then there's no company ... It's a multi-trillion-dollar market. Like literally, it's 10 percent of GDP is global logistics. And the top hundred players ... Actually, I can go further down the list. I never

bothered. I counted the top 100 and none of them were founded after Netscape. So you're sort of saying, "Look, it's a huge market with kind of sporadic companies that haven't been reinvented for a long time."

JAKE SIEWERT

So, Gregg, you deal with a lot of companies like this. How do these narratives fit in with your own experience helping startups get funding?

GREGG LEMKAU

Yes, well, it's fascinating because the stories and the companies are quite different, but the themes are consistent in terms of what we see. So I think what Brynn has tapped into around health and wellness and unique experiences that consumers are looking for is exactly what the market is looking for right now. You know, I like that concept of customer flywheel, but as a user of her product and knowing people who use it and love it and the word of mouth and the way that spreads is quite

impressive, and that's exactly what investors are looking for. They're looking for products that people are passionate about.

On Ryan's side, if you think about what investors are looking to fund, they look for TAM. I mean, and probably there's no bigger total addressable market than what he's going after. If it's 10 percent of global GDP, it's a pretty significant market, and can the existing business be disrupted, and whether it's with technology or a different approach. And so, you know, these themes are quite consistent to what we see all day long. And I'll just say one aside ... and you can cut this out of your podcast, if you want ... but I'm laughing at your comment about regulations.

And so I was with Elon, one of these crazy Elon Musk discussions, and he was talking about the flamethrower that they built. And I don't know, like

every once in a while they try to sell stuff to make extra money at Tesla, and they did Tesla hats one time. And so they sit around having ideas like, “Why don’t we build a flamethrower?” He goes, “I used to watch that movie *Spaceballs* when I was a kid. When you’re leaving the store, like do you want to get a flamethrower?” So they get someone to design a flamethrower, and it was actually just a blowtorch, but they put a bunch of stuff around it. It looked like a flamethrower.

So they actually developed this product, and they’re going to go sell this thing for like, I don’t know, a couple of thousand dollars each. And they’re ready to sell it, and you can’t ship a flamethrower in the U.S. There’s restrictions against shipping a flamethrower.

GREGG LEMKAU

So they call it “Not a Flamethrower.” They literally

named the thing, “Not a Flamethrower.” They get around the thing and they sell out ... I think it was like the most money he made that quarter was on selling like 25,000 flamethrowers or something like that. So I can imagine ...

RYAN PETERSEN

I bought one of them. I don't know why.

(LAUGHTER)

GREGG LEMKAU

Did you really?

RYAN PETERSEN

And my wife is not pleased.

JAKE SIEWERT

Must be fun in the backyard. So we talked last year, Gregg, about the blurring between tech and really almost any industry. A lot of companies now are obviously tech companies. But how would investors think about tech company? Because you've seen some companies that claim to have revolutionary technology and really didn't. You

know, what are investors looking for in terms of how technology is used in the companies?

GREGG LEMKAU

So I think, so many of the companies we see say they're tech enabled, and you almost have to be. I can't imagine trying to compete in this marketplace and either disrupt a market or address a big consumer base without using technology. I think there is an interesting challenge with evaluating some of these companies and valuing some of these companies, because companies like to say that they're tech companies because they think it's going to get them a higher valuation, and the reality is it's just tech enabled. And I would just encourage all entrepreneurs just to use technology to help your company grow, but, ultimately, your company is going to grow and be mature one day. And so I wouldn't position it as a tech company if it's not a tech company. I'd position it as to what it ultimately is to your end consumers, and the

growth trajectory and profitability profile you're able to build will speak for itself over time.

JAKE SIEWERT

So, Brynn, there's obviously a lot of technology behind your product, so how do you think about that ... How do you describe the technology or do you just lead with the wellness and ...

BRYNN PUTNAM

Yes, and I think Peloton has proven to be a very interesting data point to that point that I think a lot of the pricing fluctuations that we're seeing now is because the market doesn't like uncertainty, and there is a lack of clarity as to is it an e-commerce company that sells bikes? Is it a SAAS business? Is it a media company? And when you look at the company, only 20 percent of its revenue comes from the subscription. Most of it comes from the hardware.

And so I think for us that's something that we're

really acutely aware of. We're building a content-agnostic platform with an eye towards how we can add additional revenue per user onto our baseline subscription of our time. So, for us, launching personal training last week was about adding value for our members, such that the subscription is secure, but also thinking about how we can increase the lifetime value, such that our enterprise value also truly reflects that of a best-in-class SAS business.

JAKE SIEWERT

And would you open source it or would you try to serve only your own products through the technology?

BRYNN PUTNAM

Yes, I think the phasing issue, to me, , I think going back to serve the top themes in fitness. I think our customer relies on us to be the curator of great experiences. And the way that we can do that is by owning those experiences in the early

days and being able to learn quickly. And then, over time, we imagine that a smaller and smaller percentage of those experiences will be MIRROR original and they'll be made through partners.

JAKE SIEWERT

So your business, obviously, you talked a little bit about how the incumbents are a little unsophisticated about how they use technology. How do you go in and describe what role technology plays and how it makes the customer experience better?

RYAN PETERSEN

I agree totally with what you're saying. Ultimately, you're going to be valued at sort of like discounted cash-flow basis ... on some time horizon, you have to be ... and I think the technology shouldn't increase your multiples, except to the extent that increases your free cash flow over time and makes things stickier or something. We do call ourselves a technology company, but also we're a freight

company, and we're not embarrassed to be both.

And I think it's sort of like is light a wave or a particle. Like, I don't know, you have to be both.

We use tech to do a few things. It's a network. So you want to connect companies with their suppliers, make that seamless communications. You need technology to make that work, really good chat function and it's in context about the shipment, what's going on, as well as with their underlying asset owners who are moving it, so trucking companies, ocean carriers. How do you connect everybody in one place to make it simpler. I think at the end of the day simplicity is what you're looking for in your supply chain. That means different things. Like if you're a very small company it's like, "Please teach me this and make it simple. Explain some of these terms. Make it a little easier to handle the regulatory stuff and just get good pricing."

If you're a big company, it's, "I've got to try to meet customer demand. The customer expectation is now two-day delivery heading towards two-hour, heading towards two-minute with the end consumer. And that's a really complicated supply-chain setup. In the old world, you could have one distribution center in Memphis and serve everybody from one site. And, now, if you want two-hour delivery, you've got to have 50-plus sites in every neighborhood, and that's a lot of complexity to coordinate. So how do you simplify that and make it manageable, and our tech helps with that a lot. So it depends on the scale of the company what people are using us for.

JAKE SIEWERT

So a lot of the entrepreneurs that we've heard from here talk a lot about how Everly failed and how it was awful and then somehow it turned around. Have you had moments like that? Do you identify

with that? Are there moments where you felt like giving up or were there moments where you felt like, “I got it. We’re making it,” I mean, or is it too early to tell?

BRYNN PUTNAM

Yes, I mean, I think for me, I signed the documents for my run of funding the day that my son was born from the hospital. So I literally closed my first run of money and then two weeks later, went to my first office and sort of, with a team of zero, I thought, you know, “What did I sign up for exactly?” (Laughs)

So I think that’s, you know, certainly a low moment. But I think, fundamentally, when you have like clear mission vision and you’re the type of person where like you see a wall and your thought is, “How do I get through that wall?” I just can’t imagine operating any differently when I hit those moments. It’s just sort of like in my DNA.

JAKE SIEWERT

So, Ryan, how about you? Is there a moment you thought, all of a sudden, Flexport's really going to take off or are you still getting there?

RYAN PETERSEN

Flexport has been fairly easy, compared to my previous companies which were like way harder. It's something like if you have a good business, sometimes, it's way easier than a really hard business. It attracts more talent. The success just sort of compounds on itself.

But, actually, I was working with my little brother. I did have a boss, technically, he was my brother, with this motorcycle company. We would have many, many spirals of debt where you don't have a lot of money. What we would do is buy products and then ... We didn't have enough money to buy the entire container load of motorcycles. So we'd put 30 percent down and then try to sell them while

they were on the water and hope that you had enough cash to pay the factory by the time they arrived. And then if you didn't have enough cash, you'd have to ... Well, you start racking up fees at the port of like ... So, now, because you don't have cash, you're generating fees and, yes, a lot of that. Entrepreneurship's not fun.

RYAN PETERSEN

Like I recently had ... Some celebrities here have started companies and like why? You know ...

RYAN PETERSEN

You're rich. Everything's easy. What are you doing?

JAKE SIEWERT

Well, it was interesting. One of those celebrities talked a little bit about how sherecharges. Do you have an opportunity to recharge? Do you think about it that way? I mean ...

BRYNN PUTNAM

I think like when you decide to build a business,

you're making the commitment that you're never going to have a checklist where you're going to say, like, MIRROR, check, finished for the day. I mean, it's just constant. So, to me, it's having a business that I love and a team that I love, so that when I am very much working continuously it doesn't really feel like work. It feels like spending time solving problems with people that I like spending time with.

So I'm attempting to integrate sort of more pauses into my day, but I do find that if you love what you do, then it doesn't really feel like work.

JAKE SIEWERT

Is that your experience or just working with your brother was enough? That would drive me crazy, but ...

RYAN PETERSEN

Well, he's my older brother, so there's like an implied threat of violence in every conversation.

(LAUGHTER)

RYAN PETERSEN

No, I've had to take better care of myself as you got bigger and have more responsibility, more employees looking up to you and stuff, and, you know, more sleep and less alcohol, try to really take care of myself has been really important. Because that stuff was leading me to have too much anxiety, and I think anxiety is pretty toxic. You've got to get it out of your bloodstream.

JAKE SIEWERT

So, Gregg, you have a big job, big family. Do you ever disconnect, or you have a phone attached to you?

GREGG LEMKAU

I'd love to say I ... It's hard to disconnect. It is. I mean, the job is 24/7. You know, when I try to get away from it, intermittingly, if spending time with my wife and four kids, you try to be all there for them when you're there, but sometimes you get pulled

away and you can't do that, and you come back.

But it's hard. And in terms of recharging, and at

the risk of pandering to a fellow

podcaster, exercise is phenomenal, and the

products for those of us not using the MIRROR is

awesome. It truly is.

And I'll do everything. I used to go run all the time.

I have a Peloton, which I love and it gives you a

great cardio workout. But when you're done with

the workout on the MIRROR ... By the way, those

trainers are on you the entire time. So if you want

to disconnect, you're disconnected, because you

can't be thinking about anything other than this

trainer who is staring at you in front of.....

RYAN PETERSEN

You might die.

GREGG LEMKAU

... who is kicking your ass. And you're done with it,

and you feel like you had a total full-body workout.

So it's an awesome product. It's a great way to recharge.

JAKE SIEWERT

That's some excellent marketing ...

BRYNN PUTNAM

I was going to say, that will be rebroadcast

JAKE SIEWERT

So, Brynn, what's your biggest goal in near, medium term like next six months, 12 months or so? Where do you want the business to be when we're back here next October?

BRYNN PUTNAM

Yes. I think for us, really, you know, we view ourselves as a media company, and in order for us to really be a true media company we need to have as many MIRRORS in homes as possible. So for a year, two for us, it's simplistic, but it's just accelerating the speed with which we get more MIRRORS into more homes. We also start to think a little bit more about how we can expand our

subscription revenue through interesting premium content like personal training, and you'll start to see us moving beyond fitness into other categories kind of like dipping our toe in the water as we start to learn what makes a great MIRROR experience outside of our core offering.

JAKE SIEWERT

What do you expect for Flexport over the next six to 12 months?

RYAN PETERSEN

We've been in a grow-at-all-costs, get massive. It's a very scale-driven business. We went from ... while keeping customers satisfied. We have a pretty high NPS. So those have been the two metrics. We're now the seventh largest freight forwarder out of 6,000 on the Asia-to-U.S. lane.

There's been a lot of chaos with trade wars. A lot of uncertainty introduced. We're now paying \$1 billion a year to the federal government in tariffs

that we pay on behalf of our customers. And so a big shift for Flexport is those two things. It's one, how do we help our customers respond to the trade war, which means expanding geographically from just China-focused to all Southeast Asia, South Asia, building up global capabilities, and we were heavily concentrated on China-to-U.S. as a company. That's one.

And then two is really look at economics. How do we generate cash, so that we can reinvest in the business. I think we've gotten to scale. We've always said we've got to be at scale in order to have the economics work in our favor. And, now, as the number seven player, at some point, you have to ... you've got the minimum buyable scale and you need to start figuring out, "Okay. How do we make money?"

Now, the game that I'm playing with our team is

how do you make money without raising prices to your customers, which is a really fun game, and you'd be surprised how many people can't come up with a creative answer to that, such as cut costs.

(LAUGHTER)

JAKE SIEWERT

So unemployment is pretty low, and it's especially low for skilled workers. A lot of entrepreneurs talk about the struggle for talent. Have you found it hard to get good people or what's been successful in terms of getting good people?

BRYNN PUTNAM

No, I mean, I think to Ryan's point, when you have a good business that's growing fast, people are really excited to work with you, so we've been really fortunate that we've been able to find good people and grow our team pretty quickly.

JAKE SIEWERT

And you feel like this is easier than convincing

people to ...

RYAN PETERSEN

Well, no, but the hardest thing is talent and how high the salaries are, and we're in ... San Francisco is our headquarters. We've got like ...

JAKE SIEWERT

Which is a tough market.

RYAN PETERSEN

It's really tough, and it's really tough because even if you pay a lot, people still can't see the future of homeownership and settling down, and it's like ... You need some level of certainty in your life to be satisfied, and if you're looking forward ... "I'm doing really well, but I can't buy a house here." So it's hard to get, you know, the kinds of ... It's a frustrating situation for me as an entrepreneur to watch that and like see my team sort of suffer through that. So we've been doing a lot of hiring in other markets and had a lot more success, but in our core, which is where 200 of our 300

technologists are in San Francisco, it's tough to scale.

JAKE SIEWERT

So, Gregg, as a close observer of startups and entrepreneurship, what does the future look like, particularly the next 12 to 24 months?

GREGG LEMKAU

The future of entrepreneurship is exciting, and just being around people like these two, who started their own businesses, and the passion you feel for what they're trying to do and what they're trying to build. I think the ability to start a business and scale it, given where technology is now, is phenomenal and only growing, if you can come up with a great idea, and you can reach the world incredibly quickly, as long as it's a good idea, and then you go execute on it.

So I think it's a great time to be starting a business.

As they both observed, it's not as glamorous as it

sounds. It's hard work, and there's failure along the way, but if you're got the right business model and the right people behind it, you're going to be able to be successful.

JAKE SIEWERT

So if you had one piece of advice for someone's who's starting off, what would it be?

BRYNN PUTNAM

This is sort of in the weeds, but there's a formula for raising money for building your first business and how you pitch and who you pitch to, and you should follow the formula, that I think as an entrepreneur you're often trying to be creative about how you solve problems, but there are certain things that have very specific rules and regulations and you should abide by them, especially when it comes to building your first deck.

JAKE SIEWERT

Okay. That's interesting. Well, how about you?

RYAN PETERSEN

I always tell entrepreneurs that you really need to know why you're doing something and make sure that you're sufficiently pissed off at the status quo and frustrated and like by the lack of whatever it is that you want to bring into the world, that if it's just to make money, the odds of making money through a startup are pretty low, like on a risk-adjusted basis, you're better off getting a job at a great company, if you're just trying to make money. So you've got ... And then if it's just to make money, pretty quickly, you're going to give up, because it's not going to come at any it's going to take a long time.

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00:26:09

00:26:19

And so that was for me ... And one was I wanted to solve a problem, and, two, I wanted to learn stuff. And I think, as an entrepreneur, you get to learn so much about the whole range of the human experience, everything from psychology and leadership and problem solving, creativity,

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accounting, finance, technology, everything. So if you're into learning and solving problems, then it's a great thing to start a company. If it's to make money, like just definitely just don't do it. Not that money's bad. Money's also ... But you should do it in another way.

GREGG LEMKAU

Easier ways to make it.

RYAN PETERSEN

Yes.

GREGG LEMKAU

Go work for Goldman.

(LAUGHTER)

JAKE SIEWERT

There's the pitch.

GREGG LEMKAU

There's the interview. You want to make money, come work for Goldman. Solve problems and learn accounting, all these great things.

JAKE SIEWERT

Gregg, what problems have we solved today? No, what advice would you give to some entrepreneurs as they think about starting up?

GREGG LEMKAU

Listen, I think these two have covered it well. Have passion. Be committed to what you're doing.

Know what you're trying to solve. I think Ryan's advice is ... you're trying to go start up a company saying I want to go start a billion-dollar company and sell it for X, that's not going to work. I mean, you may get lucky, but you need to have a real business idea that's differentiated. It's something that you feel passionate about, and you've got to, show up two weeks after giving birth and be able like, "Okay. Here I go. What am I going to do?"

And there's going to be dark days and tough days. And you've got to find people around you that can give you independent advice and perspective and tell you when you're going wrong and, by the way,

some days you'll listen to them and some days you don't listen to them. But it can be ... All the discussions I ever had with entrepreneurs, it can be really lonely, and they can be difficult. And so trying to find people who can help guide you through that ... And I think one of the great things about this conference is entrepreneurs building that work amongst themselves and being able to talk to each other about these same issues that they all face.

JAKE SIEWERT

All right. Well, thank you both for joining us, and really enjoyed the conversation.

GREGG LEMKAU

Thank you.

RYAN PETERSEN

Thanks for hosting us.

BRYNN PUTNAM

Thank you.

JAKE SIEWERT

That concludes this episode of Exchanges at Goldman Sachs. Thanks for listening -- and if you enjoyed the show, we hope you subscribe on Apple podcasts and leave a rating and comment.

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