

ALISON MASS: Welcome to our series of special episodes of Talks at GS where we're going to be speaking with some of the world's greatest investors. And today, my guests for this episode are Antoine Flamaron and Mathieu Chabran, the co-founders of Tikehau Capital.

So, Antoine and Mathieu, I'm really, really excited to have you join us to discuss your investment outlook at what is clearly an unprecedented time in the global markets. So, thank you so much for being here.

MATHIEU CHABRAN: Thanks for having us, Alison.

ANTOINE FLAMARION: Thanks for having us, Alison. A great pleasure to be with you.

ALISON MASS: So, Mathieu, you were in New York City through the pandemic launching a business, hiring people, raising capital, and making acquisitions. So, where are you focused now looking at both sides of the Atlantic, across asset classes, across industries and geographies?

MATHIEU CHABRAN: Yes, you're right Alison. This is timing, you know, being in New York at the start of the pandemic, you know, to launch a business. But it's been a great, you know, great experience to actually kickstart North American operations at that time because that gave us, you know, opportunities to effectively settle down, hire people, you know, we even acquired a business, you know, during the pandemic. And effectively be ready for when, effectively, we would get outside of this situation, of this pandemic.

And ironically, you know, that's starting both the change in administration. There's a kind of reset which creates opportunities for people like us. You know, having been hopefully focused, focused on our people first. That was key. Focus on our portfolio companies. Obviously, you had to go through this crisis. And last but not least, you know, focused on the roadmap. And I think that's where we are at this stage.

We really believe, Alison, in the structural tailoring for private markets. You know, given the macro environment, you know, we're in. We want to focus on these strategies. Those are private credit, obviously. Those are real assets, real estate, with all the question marks around that, but infrastructure, massive play, particularly here in the US, and this minority private equity investment which is effectively what is lacking,

certainly, you know, in Europe where we don't-- you know, companies are lacking the equity base. And as much of it, there is a lot of capital to acquire companies, we're trying to develop a real strategy to provide capital, you know, to companies, you know, and help their expansions.

ALISON MASS: So, it would not be a chat with great investors in 2020 or 2021 without talking about SPACs. Antoine, I'm curious about how you view SPACs as an investment opportunity from both sides of the Atlantic. We saw that you just announced your own SPAC. And I know that you can't specifically talk about your own vehicle. But give us your views on the market, specifically in Europe.

ANTOINE FLAMARION: Our view is that it's a good tool to have and to use to finance companies. So, we decided to launch a series of SPAC, partnering with Bernard Arnault. And Tikehau has a culture of partnering with, you know, companies, individuals. We announced last year that we launched an aerospace fund partnering with Dassault, Airbus, Thales, for instance. And I think, you know, part of our DNA is really partnering with these people.

And I think in this SPAC environment, because, you know, it's really becoming a super hot topic, everybody is about SPAC. You've got, you know, probably 200 new a day now [UNINTEL] SPAC. So, we really see that as a tool to finance companies. And really in an industrial way, i.e., you know, you have to find the right companies. And obviously, Europe is very late. Stock markets are really, I mean, much narrower than in the US. So, hopefully, you know, the SPAC could help a company to transition and grow. And we really see that as a good way for us and for the companies to grow.

ALISON MASS: So, let's pivot to ESG. And Mathieu, can you talk a bit about how Tikehau has historically incorporated ESG into your strategy? And also tell us about your energy transition fund that you just closed with over a billion euros raised.

MATHIEU CHABRAN: Our approach has always been, you know, that if you step back to 2015, the Paris Agreement, right, since we've been celebrating the Paris Agreement, there were some very ambitious goals set at the time. And as we celebrated the fifth anniversary, we realized that we were, you know, lagging by far. Because people realized that by switching off the global economy for almost, you know, nine months, 12 months, that only reduced by 5 percent the 51 billion tons of CO2 or greenhouse gases

emission that we're effectively producing.

So, the issue is not about, you know, switching off the economy. It's not about not taking a plane anymore. It's about effectively directing those global savings. And we only need, you know, 10 percent of the 8 trillions of asset management to effectively tackle the issue. So, that's what we've been trying to address, to be, I guess, you know, fairly innovative. Because when we launched this fund that you were referring to in 2018, not many people understood the rationale. You know, we started with our own balance sheet, 100 million euro. We always do that. Skin in the game is paramount, even more so, you know, for this very important topic. And then, you know, we closed a few days ago at a billion plus euro for a first-time fund.

But you know, all of these concepts no longer make sense. It's about effectively capturing these global savings. Directing them to the real companies, the real SME where we can effectively boost their ability to reduce these GHG, these greenhouse gases emissions and then make an impact. And for us, it's not about doing more or less ESG, it's about making impact institutional.

ALISON MASS: So, I want to pivot a little bit to talk about creating the right investment culture, which you clearly have. And I want to talk about your careers as investors.

So, Antoine, starting with your entrepreneurial journey following a stint at Goldman and founding Tikehau, you've both built something that started small and has now grown enormously since founding the firm in 2004. So, can you talk a little bit about that journey? And we also often hear from successful entrepreneurs about moments of doubt that they had along the way. So, were there ever any periods where you questioned if you could actually make it?

ANTOINE FLAMARION: We touched base earlier on skin in the game. As we describe, you know, we've seen that really investing your own money in your various investment data is a key to the success. So, you know, we had tons of moments of doubts. And we continue to ask ourselves questions all the way along. And I will let Mathieu comment on the pronunciation of Tikehau in the US, for instance, because people used to say "tee-kay-woo." So, you know, it takes a lot of time. But you know, if you put a lot of drive and energy, you continue to be curious successful.

ALISON MASS: So, Mathieu, I'd love to get your perspectives on this. Your business started in Europe, right? And it's grown to

include offices in Asia and in the US. So, can you walk us through the global expansion and what advantages and challenges that presented?

MATHIEU CHABRAN: So, Europe was, you know, a must. We had to be able to demonstrate, for then, our Asian partners, investors, and today, our North American investors that we had, you know, a differentiating story to tell. That effectively we were not one of those other managers who effectively tells you they can address Europe. But we try to do it in a fairly different way. We've mentioned some of these key differentiating factors, you know, about skin in the game, about being local. But this expansion, Alison, you know, has been some kind of a, you know, normal step. You know, we're going to be soon opening in Germany, for example, which was the last-- the last jurisdiction, the last country where we didn't have a local presence in western Europe. And then, you know, we have, once again a real differentiating story to tell.

ALISON MASS: So, Antoine, if you could think back on your career, what would you say is the greatest investing lesson that you learned from a particular deal, whether it's a deal that went well or a deal that ended up not going so well?

ANTOINE FLAMARION: So, maybe I could take as a first example, you know, our first deal back in 2004. We purchased a flea market in Paris. And at the time, you know, we'd just launched the firm with 4 million. And the first deal was 26 million. And you know, we always say, you know, think big. And we said, okay, we think big. 26 million. We only had 4 million.

And you know, we started discussing with investors. And we ended up having Goldman Sachs coinvesting with us in a flea market in Paris. Which I must say, was fairly unusual for a first deal, specific deal. And you know, it was really a contrarian deal. And it turned out that, you know, 12 months later the Duke of Westminster came to see us buying the flea market. And that's enabled us to do three times multiple for a first deal, having Goldman as a co-investor in the first deal. So, it was great.

Buying a flea market is not really a usual real estate deal. So, probably be contrarian would be the first lesson. And the second lesson is really think big. Because this deal was too big for us and almost impossible to achieve, you know, having 4 million and buying something for 26 million. And so, you know, put some ambition. And I think, you know, a little bit of luck, a lot of work, and that enabled us to achieve a great thing.

ALISON MASS: What do you think has been the key to your own individual investment success? What characteristics do you each have that has led to you being great investors? And maybe we can start with Mathieu on that.

MATHIEU CHABRAN: Listen, some key principles of, you know, the obvious ones, being curious, you know, thinking out of the box. But more importantly, never take anything for granted, you know? You should not-- you should not not do the job because someone else has given you a rating. Someone else has given you an opinion. Someone else has given you an overview. And that's-- you know, possibly this time, you know, in the cycle now, I would say, you know, Alison, which has been, once again, very accommodating, it's critical. You know? It's painful because, you know, when everyday you have to make sure that everyone is a little bit stressed, you know, and not just take some of the tailwinds of the market and the more accommodating policies. And that's something, I guess, that has made us or made me, effectively, disciplined in that respect. And now we're trying to replicate that with the new people who've joined us, you know, the people we train, the people, you know, we give exposure to, as early as possible. You know?

As much investment banking where we started, you know, was a great way to learn the business, you know, to get trained, we really think that there's-- you cannot cheat with experience. Let me put it this way. And be it deal experience, be it client experience, be it an investor experience, that's when you grow up.

ALISON MASS: So, Antoine, what do you think has been the key to your success as an investor?

ANTOINE FLAMARION: We are lucky because, you know, we are two founders, but we share in the same view on how to be successful at investing. And, you know, we are curious, first of all. Each time when we look at a situation, we are fairly agnostic, i.e., you know, we are not really following the trend. And as I said, you know, we'd rather create than compete. So, I think you know, be curious is one.

Pay attention to detail seems very obvious, but you know, when you do a deal and you've got tons of people advising you, the best law firm, the best accounting firm, the best strategy firm, the best investment banks. And, you know, you have to make your own judgments. And it's always challenging because, you know,

when you receive a nice presentation, a nice pitch book on a company, on a deal, you know, you always say, "Yeah, probably you're right. This company has the right characteristics. Blah, blah, blah." And I think always be curious. Don't be complacent. Continue to-- in the current context. And I think that's been a key for the time being for our development, our success.

ALISON MASS: My final question for both of you is, what advice would you have for someone starting out in investing today that you wish someone had told you when you first started your career? Antoine?

ANTOINE FLAMARION: Probably be more offensive, i.e., you know, continue to think big, be ambitious. Because, you know, very often when you're ambitious it doesn't seem that you're very humble. But you can be humble and be ambitious. So that would be my answer.

ALISON MASS: Okay. How about you, Mathieu?

MATHIEU CHABRAN: It's never too early. Don't be shy.

ALISON MASS: Kind of similar theme. That's great. Well, Antoine and Mathieu, thank you so much for doing this talk with me. It was absolutely fascinating. So, stay safe and stay healthy.

MATHIEU CHABRAN: Thanks so much.

ANTOINE FLAMARION: Thank you very much for this. And thanks for the time and your questions.

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