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In April 2022, the Growth Equity business within Goldman Sachs Asset Management (“GS Growth”) led Newfront’s recent capital round, at a \$2.2bn equity valuation.

Through our research, we’ve developed an investment thesis around modern full-stack disruptors and how they are transforming large portions of the financial services sector. We invested in Newfront because of their unique marriage of technology and insurance & benefits domain expertise. We believe Newfront fits our thesis perfectly and represents the future of commercial insurance.

Newfront’s differentiation is derived from its unique business model that combines the core attributes of insurance & benefits brokers with enterprise software. As a broker, Newfront benefits from embedded growth with day-1 unit profitability, strong customer retention, and low cyclicality. The industry is characterized by stable growth; public commercial insurance brokers have traded up by 6.5% in the period from Dec-21 to Apr-23¹. As a tech enabled platform, Newfront can generate outsized organic growth, which we believe should allow it to sustain a premium valuation to an industry largely growing at single-digit organic growth rates. Ultimately, our investment thesis is predicated on Newfront trading as an insurance broker (albeit one with outsized organic growth); any premium to this represents further upside.

Below, we outline key reasons why we invested in Newfront, as well as how we’re actively partnering with their leadership on realizing Newfront’s potential and vision.

WHY WE INVESTED IN NEWFRONT

Attractive Market Opportunity

Commercial insurance and benefits brokerages in the U.S. earn over \$100bn² in annual revenues at attractive margins. Yet the industry has been constrained from innovating by legacy processes and technology. Traditional brokerages run on closed software systems that preclude automating workflows, ingesting data, and delivering differentiated user experiences. This foundational constraint is amplified by the industry’s complexity and historical capital deployment toward the mass consolidation of brokers, rather than toward building a more seamless technological experience.

Business Model Advantages & Unique Proprietary Technology

We actively invest in full-stack businesses which marry proprietary technology with operations, and which demonstrate know-how to improve client value propositions and drive efficiencies in complex industries. Newfront’s platform unlocks servicing capacity, driving a better client, colleague and trading partner experience; while at the same time capturing every key stroke and data point to drive better decision making for clients through deeper insights and analytics. Full-stack models are difficult to replicate, requiring more than just shipping code. Serving commercial insurance clients – with complex quoting workflows and ongoing service needs – is operationally intense. Newfront has spent five years doing this work, enabling them to meet mission-critical standards with a hardened platform. It would be difficult and time-intensive for a new entrant to reach parity, while incumbents would struggle with the massive amounts of unstructured data and numerous legacy platforms.

Leadership, Talent & Expertise

Full-stack fintech businesses require interdisciplinary teams that combine technology with industry depth. We believe Newfront has assembled a talented team that spans the best of these domains. Company leadership combines former founders, leading technical talent, and insurance industry experts.

¹ FactSet, using a market cap weighted index of MMC, AON, WTW, BRO, AJG, RYAN, and BRP.

² Research and Markets, Ibis World, Statista.

Newfront's founders include CEO Spike Lipkin (employee #5 at OpenDoor, ex-Blackstone); CTO Gorton Wintrob (3x technical founder, prior exits to Twitter and LinkedIn), Chairman Kurt de Grosz (founder and President of BenefitPoint) and President Brian Hetherington (President at Wells Fargo Insurance Services - P&C).

Newfront has a dedicated technology team led by Chief Product Officer Aaron Forth (past roles include CPO at Carta, technology executive at Strava, Intuit and Ebay). The team consists of seasoned product, data and AI experts who joined from companies such as Google, Uber, Lyft and LinkedIn. Newfront's insurance talent comes from established industry players and is considered to be some of the top talent on the market.

HOW DO WE PARTNER WITH NEWFRONT?

The relationship between GS Growth and Newfront extends well beyond a simple equity investment; we are partnering across several areas to add value to Newfront as they scale:

Customer Connectivity & Network

We leverage the Goldman Sachs network and established relationships across our global franchise with an aim to facilitate connectivity to prospective partners and customers. In addition, our portfolio companies gain access to our exclusive group of Operating Advisors spanning domains, with deep expertise to support their businesses.

Focused, Long-Term Investment Strategy

We opt for a long-term investment orientation, with the goal of benefiting from continued value creation over time, even after our portfolio companies go public. We pursue a concentrated investment strategy – leading a handful of deals per year per vertical – allowing us the opportunity to spend significant time and provide meaningful support to our founders.

Recruiting and Retaining Talent

We believe the backing of a global financial institution like Goldman Sachs resonates with employees and investors and provides validation of Newfront's foundation and stability.

SUMMARY

In closing, we believe that the \$100bn insurance and benefits market demands a more efficient and seamless risk management experience, and that Newfront has the insurance professionals and proprietary technology to deliver it.