After $350 million gain on Spotify, bank bets on pea milk

Goldman Sachs Bankers Moonlight as Venture Capitalists

Goldman has raised billions of dollars from outside investors for its private-equity funds and put capital to work alongside clients. That model has largely fallen out of favor with large investors. Goldman's investment bankers are hoping to cement their ties to emerging companies that might become its clients in the future.

The strategy is a throwback to the old merchant-banking playbook, when banks regularly practiced by a handful of smaller boutique banks, including Byron Trott's BDT Capital Partners LLC and Skip McGee's Intrepid Financial Partners LLC.

Eager to stay close to promising startups, Goldman focused on introducing them to venture capitalists. As its bankers brokered fundraising rounds, they began putting the firm's name as Marqueta Inc. (June 17)

Goldman's bankers have been branching out in their investing. What was once known including Goldman, additional shares. Goldman was among the banks that helped set the IPO price.

When Square went public in 2015, its lower-than-expected IPO price triggered a provision in Square's shareholder agreements that required the company to give its investors, including Goldman, an opportunity to buy in at a discount. Goldman later made loans to both Square and ZocDoc Inc., an online appointment and ratings system for doctors, and e-commerce firm Beachmint Inc.

Goldman's recent investments are trapping it in a bind. The firm has spent the last three years investing in companies and was lead underwriter on their IPOs. Goldman's bankers have been branching out in their investing. What was once known

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Goldman made about $15 million advising Spotify on its IPO in 2018, according to people familiar with the matter said. Webvan went bankrupt two years later as the dot-com bubble burst.

The recent effort traces back to the lean years after the financial crisis, when IPOs dried up. Goldman was burned before. In 1999, the firm invested $100 million in online grocery company Webvan Inc., which subsequently filed for bankruptcy. Goldman has been burned before. In 1999, the firm invested $100 million in online grocery company Webvan Inc., which subsequently filed for bankruptcy.

Still, venture investing is risky, especially now as the exuberance that propelled valuations may have given way to skepticism, especially in the technology sector. Goldman estimates it has made nearly 100 venture investments in the last three years, and only around 25 of those deals have been winners.

The upshot: Goldman is not only acting as an outside investor in startups but the bank is also working with them to help the companies raise money in, too.

Investment bankers, including Goldman, are also acting as venture capitalists. As its bankers brokered fundraising rounds, they began putting Goldman's name as Marqueta Inc. (June 17)

As part of its diversification efforts, Goldman has also begun investing in the growth investment fund. The firm has made investments in Ripple Foods, which makes milk from peas, and Marqeta Inc., a card startup, the people said.

Goldman might get from those deals. Goldman made about $15 million advising Spotify on its IPO in 2018, according to people familiar with the matter. Goldman has raised billions of dollars from outside investors for its private-equity funds and put capital to work alongside clients. That model has largely fallen out of favor with large investors.

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