Growth Equity: Investing in Innovation

- As innovation accelerates, new growth businesses are overtaking industry leaders across sectors and geographies. Growth Equity’s ability to identify and execute on these secular trends makes it an important source of capital regardless of the economic cycle.
- Growth companies are innovating at the expense of legacy incumbents providing a clear pathway to asymmetrical upside returns as these companies either seek to achieve standalone success or are acquired by an incumbent.

Why Growth Now

**Round sizes are increasing**

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<th>(Median Deal Value $M)</th>
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<tr>
<td>1</td>
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<tr>
<td>34</td>
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<td>27</td>
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<tr>
<td>52</td>
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<td>77</td>
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**Companies are staying private longer**

<table>
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<th>(Median IPO Age)</th>
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<tr>
<td>2000</td>
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<td>6 years old</td>
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Why Blackstone Growth is Different

**Characteristics of Blackstone’s Approach to Growth Equity**

- Focus on capital preservation
- Seek to avoid binary risks
- Generally does not rely on leverage
- Emphasis on scale and seeking to improve operations

**Characteristics of Traditional Venture Capital**

- Binary technology, business model, and market risks
- Returns usually dependent on outsized winners
- Typically high loss rates
- High sector and geographic concentration

**Characteristics of Traditional Leveraged Buyout**

- Usually control-focused
- Generally biased on mature growth profile
- Financial engineering may play a prominent role
- “Value creation” vs. “growth potential”
Blackstone Growth

“The scale, geographic reach and global operating resources that Blackstone can provide fast-growing companies are unparalleled, and we believe represents a compelling competitive advantage.”

Jon Korngold
Senior Managing Director
and Global Head of Blackstone Growth

ENDNOTES
3. Source: University of Florida January 2022, Median Age and Fraction of IPOs with VC-and Buyout-backing
4. The opinions expressed herein reflect the current opinions of Blackstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Based on Blackstone’s review of fund terms from certain growth equity funds, which may not be representative of all growth equity funds.
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Capitalized terms used herein but not otherwise defined have the meanings set forth in the “Important Disclosure Information” section.

In considering any investment performance information contained in the Materials, prospective investors should bear in mind that past or estimated performance is not necessarily indicative of future results and there can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met.

Conflicts of Interest. There may be occasions when a Fund’s general partner and/or the investment advisor, and their affiliates will encounter potential conflicts of interest in connection with such Fund’s activities including, without limitation, the allocation of investment opportunities, relationships with Blackstone’s and its affiliates’ investment banking and advisory clients, and the diverse interests of such Fund’s limited partner group. Please also review Section III: “Risk Factors, Potential Conflicts of Interest and Other Considerations—Potential Conflicts of Interest” in its entirety prior to making a decision to invest in the Fund. There can be no assurance that Blackstone will identify, mitigate, or resolve all conflicts of interest in a manner that is favorable to the Fund.

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Epidemics/Pandemics. Certain countries have been susceptible to epidemics which may be designated as pandemics by world health authorities, most recently COVID-19. The outbreak of such epidemics, together with any resulting restrictions on travel or quarantines imposed, has had and will continue to have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and thereby is expected to adversely affect the performance of the Fund’s investments. Furthermore, the rapid development of epidemics could preclude prediction as to their ultimate adverse impact on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Fund and the performance of its investments.

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Illiquidity and Variable Valuation. A Fund is intended for long-term investment by investors that can accept the risks associated with making highly speculative, primarily illiquid investments in privately negotiated transactions. There is no organized secondary market for investors’ interests in any Fund nor is there an organized market for which to sell a Fund’s underlying investments, and none is expected to develop. Withdrawal and transfer of interests in a Fund are subject to various restrictions, and similar restrictions will apply in respect of the Fund’s underlying investments. Further, the valuation of a Fund’s investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold.

Leverage; Borrowings Under a Subscription Facility. A Fund may use leverage, and a Fund may utilize borrowings from Blackstone Inc. or under its subscription-based credit facility in advance of or in lieu of receiving investors’ capital contributions. The use of leverage or borrowings magnifies investment, market and certain other risks and may be significant. A Fund’s performance will be affected by the availability and terms of any leverage as such leverage will enhance returns from investments to the extent such returns exceed the costs of borrowings by such Fund. The leveraged capital structure of such assets will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such assets or industry. In the event an investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the investment, which may adversely affect the returns of such Fund. In the case of borrowings used in advance of or in lieu of receiving investors’ capital contributions, such use will result in higher or lower reported returns than if investors’ capital had been contributed at the inception of an investment because calculations of returns to investors are based on the payment date of investors’ capital contributions. In addition, because a Fund will pay all expenses, including interest, associated with the use of leverage or borrowings, investors will indirectly bear such costs.
Material, Non-Public Information. In connection with other activities of Blackstone, certain Blackstone personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities, including on a Fund’s behalf. As such, a Fund may not be able to initiate a transaction or sell an investment. In addition, policies and procedures maintained by Blackstone to deter the inappropriate sharing of material non-public information may limit the ability of Blackstone personnel to share information with personnel in Blackstone’s other business groups, which may ultimately reduce the positive synergies expected to be realized by a Fund as part of the broader Blackstone investment platform.

No Assurance of Investment Return. Prospective investors should be aware that an investment in a Fund is speculative and involves a high degree of risk. There can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met (or that the returns will be commensurate with the risks of investing in the type of transactions described herein). The portfolio companies in which a Fund may invest (directly or indirectly) are speculative investments and will be subject to significant business and financial risks. A Fund’s performance may be volatile. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of their investment. A Fund’s fees and expenses may offset or exceed its profits.

Reliance on Key Management Personnel. The success of a Fund will depend, in large part, upon the skill and expertise of certain Blackstone professionals. In the event of the death, disability or departure of any key Blackstone professionals, the business and the performance of a Fund may be adversely affected. Some Blackstone professionals may have other responsibilities, including senior management responsibilities, throughout Blackstone and, therefore, conflicts are expected to arise in the allocation of such personnel’s time (including as a result of such personnel deriving financial benefit from these other activities, including fees and performance-based compensation).

Russian Invasion of Ukraine. On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this Material, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund’s investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to the Fund and the performance of its investments and operations, and the ability of the Fund to achieve its investment objectives. Similar risks will exist to the extent that any portfolio entities, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

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