

>> Announcer: Ladies and gentlemen, please welcome to the stage, Exim's Executive Vice President and Chief Operating Officer Jeffrey Goettman.

>> All right, hello everyone. Good morning. I'm glad to see you back for day two. I'm quickly learning that this is not a sprint, it's a marathon, but we had an awesome day yesterday. Highlighted by Brenden Bechtel and his impressive presentation. Of course, it was great to hear from Secretary Ross and Representatives Lucas and Moore. I thought Senator Heitkamp knocked it out of the park with her practical bipartisan view of the world. My expectation is that day two will be equally as good. I know many of you are curious to learn more about the realignment and other changes going on at Exim. I wanna put it in the context of what's happening in the world of elite global asset managers. Glenn Youngkin, the Co-Chief Executive Officer of the Carlyle group, and a good friend, will join me in a conversation. After that, we'll take a deeper dive into what's going on in energy. There's an interesting story to tell about the opportunities in the US industry today. And we've got some great panelists who'll be sharing their insights. Glenn's colleague, and the Co-Executive Chairman of the Carlyle group, David Rubenstein, will have a one on one conversation about the competing globally with GE's newest board nominee Larry Culp. After lunch, we'll recognize this year's small business award winners, chosen from the hundreds of small companies Exim helped grow last year. Be sure to stick around for that. So let's go ahead and get Glenn out here so we can get this show going. Hey Glenn.

>> How are you, good to see you. Good morning.

>> Hey, thank you for being here.

>> Great to be here, it's Friday morning in Washington. Sun's out, no traffic this morning. It's great.

>> Well so it's good that you're not focused on those kind of things and looking at infrastructure and the way roads work and airports work and things like that.

>> Yeah, absolutely. I don't know how many of you are involved in infrastructure, but it's become a little bit of a passion for me over the course of the last few years and I woke up this morning in New York and had to fight my way through LaGuardia as they're going through their major renovation and all I could think about, is it's gonna be better. It's gonna be better, it's gonna be better.

>> So thank you for being here and making that effort. I wanted to start with what your global outlook is and I don't know if people know this, but Carlyle manages about \$195 billion across the globe. They have industry sectors, geographic regions of investment portfolios, and what's really interesting is how they approach the business and the opportunities that they have to connect the dots to have a much more integrated view of the world. So Glenn, if you wouldn't mind, could you give us a little bit of a view of where you see the world going right now.

>> Sure, happy to, what I would first say is, if you watch the news every night and take what's happening on Fox, or CNN, or Bloomberg, are there others? They may be some others, and you take that as your benchmark or bellwether, for how the global economy is performing, you will conclude things are either not doing as well as they should, or on the edge of falling apart. And in all candor, that's totally wrong. We have about 270 companies that we own, either control of or very, very large minority stakes in around the world, and every month, and often times weekly, we gather up a number of the data streams from those companies and we have our economist team actually run those through an algorithm, and we have a pretty good beat on what's happening around the world. It's actually good enough that, a few years ago, when the government decided to take a break, while they were having a fight and actually shut down, we produced a GDP report, just because they didn't produce it for a week, and felt like well lets tell everybody what things going on, and what we see today is a strong economy around the world. Now I think there's two relative views. The first relative view is, for whatever reason, everyone jumped out in January and felt like the economy was gonna, the US economy and global economy was gonna grow at record levels. As a result, now that it's clear that it's gonna continue to grow strongly, but maybe not at record

levels, people are disappointed and Jeff, the challenge with that is, all of a sudden, we're disappointing. The reality is, when you look at the United States growing at a very stable and comfortable kind of 2.5% range, Europe growing at about a 2.5% range, Japan growing at two or two plus for the first time in at least probably our professional careers, China is a strong 5, 6% growth, India has begun to post much better growth numbers than it did a few years ago when Prime Minister Modi was in fact dealing with some of the policy and currency issues he wanted to deal with. Brazil has, in fact, moved back into growth mode, despite the fact that, I think if you've been a business leader, a political leader, you're probably gonna spend some time in jail, in Brazil, and when you factor all those issues together, you have a global economy that, for the first time in nearly 20 years, has got true synchronized growth. And that's not news worthy.

>> Well, so speaking of news, you were, you know, I saw you on with Maria Bartiromo about a month ago, and you were, I was a little nervous after seeing that, figuring out how am I gonna compete with that.

>> You're not.

>> But one of the main topics was the growth in Europe and how that's being led by exports. So we have a really interesting perspective, on of the things we've been emphasizing here is, how much more Europe is focused on their export industries and supporting them, and supporting their national champions. We spoke, yesterday, about the fact, over the last three years, Europe's provided about \$200 billion of ECA Financing and we've provided 20. Just give us a feel for what the attitude is over in Europe and how they're competing around the globe.

>> Well there's two perspectives here. The first is, the simple reality that, particularly in an emerging market, the European Union out competes the United States, two to one. Just full stop, two to one. And as a result, when we think about the opportunities set for US businesses versus European businesses, we're literally down by half time with no real chance of coming back by the end of the game. It is that, the game is that stacked against us in these markets where we are truly losing two to one. Now, as an investor, where we are buying into companies and hoping to, in fact, improve them and run them better over a long period of time, where have we, where do we see the export opportunity? We've seen it in European companies. So over the course of the last five years, prior to this, kind of recovery in domestic economic consumption in Europe, it was an export game. We had great confidence that the European Union, and particularly many of the companies that were outwardly focused were gonna be supported in their export ambitions, and that really created a much better investment environment for capital, because, Europe was able to, in fact, count on that dominant share, particularly in emerging markets of their export economy. Interestingly, today, because of the growth of, the recovery of the consumer in Europe, you've got Europe breathing with both lungs. They're exporting and they're consuming. That's why the European economy, we think, is very sustainable over a number of years.

>> So competition is a big thing for us. One of the reasons we're realigning the bank is the competition around the globe. We now have 97 ECAs around the world that we're competing with. You have a fair number of competitors as well. We're trying to do things a little differently. More private business oriented. How does Carlyle compete with not only the Appolo's, Blackstones, KKR's of the world but how do you look at competition at Carlyle?

>> So first and foremost, if you're not getting up every morning and putting on your track shoes, and stretching out and running, then you're gonna get run over in today's business environment. We have unbelievable competitors. I have a favorite saying, and if you like college sports, I always think that Duke needs North Carolina and North Carolina needs Duke because they make each other better. And so in business, and particularly for us, it's the same way, so I look at that list of competitors that you named, and if we don't get up every morning and run hard, we're gonna lose. I think it's the exact same kind of competitive dynamic that requires what the Exim Bank does to continue to do and that's a whole different political topic in today's environment in order to get you guys moving strongly forward. Come on, you can't pick up the newspaper every day, Jeff, and see today's articles in the Wall Street Journal about what's going on globally between the United States and China. And what's going on between the United States and China is, yes there's a geo-political

framework, but this is a commercial battle. It's a commercial battle and if you're not providing the kinds of tools and capabilities to American business to compete overseas that the Chinese government is providing to their businesses to compete overseas, or the European Union is providing to their businesses to compete overseas, then we're kinda competing with one arm behind our back. And at the end of the day, this is about competition. If you sit on the sidelines and don't bring everything you've got, you're gonna lose.

>> Now with your sector, if I can switch over to sectors, and you've announced a big infrastructure fund and you've had energy funds, besides your regional funds, as well, what got you into looking at infrastructure, is that just US or is that around the globe?

>> So infrastructure is one of those hot topics and I think there's been a real expectation that infrastructure investing, particularly in the United States, would offer all kinds of investment opportunities and returns for a long time, and the reality is, it just hasn't happened. There's been, yes, lots of investment in the energy sector, but it really hasn't presented itself in many other arenas. We felt, about two and a half, three years ago, that the United States was on the precipitous of having to do something. And we also felt like, given the gridlock in the political environment in Washington, and candidly the balance sheet of the United States, but also all of the states and municipalities, that the best opportunity to make a difference was to move private capital. We've seen that happen around the world. We've seen it happen in Europe. We've seen it happen in Australia. We've seen it happen in Canada, and as a result, we felt that that same kind of dynamic, by definition, was absolutely gonna have to happen here, just given the dire state of US infrastructure. We went out, we've got a global remit, but the reality is, we think that the largest opportunity set for capital to be invested in infrastructure is here in the United States. Yes, we think we'll do some overseas, but just given the need here, this is a rather interesting place to invest. I do get in a bit of trouble when I call the United States the largest emerging market infrastructure opportunity in the world. It just is.

>> So before I get started, I just was curious, are we on the precipitous or the precipice of something, I was just--

>> It would be the precipice if you didn't grow up in Texas, if you grow up in Texas, then it's strategy.

>> Okay So one of the things that we're looking at, we've done in the bank, is we've realigned our large bank support along industries. We feel like that provides us a better underwriting capability, a little bit more efficiencies, and opportunity to be better partners with the exporters here in the US, could you tell us a little bit about how you look, at Carlyle, how you orient your underwriting teams and people finding deals.

>> One, I applaud that. We've learned over the years, because Carlyle started out as a small group of folks here in Washington and over the years, as we've grown, we've recognized that in order to, in fact, compete, you have to really present yourself as an industry expert, and a geographic expert in everything you do. Because, by the way, that's what the competition's gonna do. And so we, over the years, have migrated from having generalists that did lots of things, to having a very strict specialist approach to just everything we do. If we're doing an investment, and recently, we were fortunate enough to have a chance to buy, along with the Chinese partner, McDonald's China. And we brought to bear, two sets of experts. Our experts, of course, in doing business in China and we have been there, now, for 22 years, but we also brought our quick service restaurant expertise, where we have teams that have invested in that sector for a long period of time, and so when it comes to building a business plan, and designing with management, a path to create value, we're just, we have very different capabilities than somebody who shows up and does some financial modeling. I think around the world today, from LNG or Petrochemical Plants, that I know you all are involved in, if you don't bring that kind of sector focus, then you're just gonna be a half step behind the people you're partnering with, and maybe a full step behind the people you're competing against in order to provide the kinds of capabilities that the market's looking for.

>> So what does a Happy Meal look like in China?

>> It's happy, it's chicken, not a burger. But one of the most amazing recognitions in China, when it comes to the very simple McDonald's offering is, it's as much food as it is the cyber experience for the customer when they go into a restaurant. Two just really fun facts, which is, the average Chinese consumer today, and they're younger than we are in this cohort, will spend anywhere from two to four hours on their telephone, and therefore if you don't have a way to engage with them when they're in your restaurant, and you don't have a way to engage with them to bring them to your restaurant and participate in, not only community, but also games, offers, and kind of interesting overall environment of looking at their phones while they're there, but focusing on McDonald's, then you're gonna lose them as a customer. But the other most amazing fact is, the fastest growing component of same store sales in McDonald's in China, is home delivery. Now I don't know how many of you all would like to get a Bic Mac, that got delivered in 22 minutes to your house with french fries, but I don't think it takes here. But in China, it is huge and so we're seeing more than 20% growth in the home delivery market for big cities, like Beijing, Shanghai, etc. So the cyber interaction with their consumers, and the complete home delivery, plus some menu modification have fundamentally changed McDonald's since we've owned it.

>> So that's a nice tie into one of the things that I think you, at Exim we've been talking a lot about how we have to use data a lot more, we have to gather data better, we have to analyze data better, to grow our small business and to create the thin-tech and sure-tech experience that, in just general financial interactive experience, there's a higher bar today than there's ever been. As you guys are looking at companies, in particular, but data has now become an incredible part of how you analyze businesses, right?

>> It really has, we have kinda basic saying, that there's not a single investment that's not a tech investment. Even if it's in kind of a more traditional industry, everything has a technology component to it. If you're not recognizing that, we believe, that you have a real chance that your competitor will recognize it and you'll be disrupted. As I've learned more about the opportunity set that you all are undertaking, in order to take technology and data, in fact, to really assess what export opportunity is for your particularly small and medium size business clients, that just is a game changer. We end up screening every one of our companies with a team to assess the disruption opportunity that that company has. And it just takes a different approach. If you have the people that have been doing business this way all the time doing that, then they're not gonna come up with it. But if you bring in outsiders, and actually allow those outsiders to think with them in partnership, then all of a sudden you can come up with some ideas that can fundamentally change things. I always say, if you don't do that, somebody else will, and you're gonna wake up one day and be unhappy. So I think it's a great initiative.

>> Thanks, we're gonna try and get there. Maybe you could loan some of your team members to us, it'll be a good less common opportunity.

>> Yeah, we should talk about that. They're pretty busy, but I think I might know a few.

>> So another interesting thing about, is change management, is you're trying to get change and you've not only had the change of going from being on the investor side to being COO, but now you're, it's a big change running a very large organization. What have been some of the realizations that you've had as a CEO and managing change?

>> I think there's one very real one that's apparent and I think David's gonna be here shortly, so my mentor and one of our founders will be here, shortly. I didn't really fully appreciate just how much a CEO does. I was the President of Carlyle and I thought I was really fully engaged, and I work hard. As the load of activities has been partially shifted, and if anybody's ever met David, he is full on all the time, so by no way has he offloaded everything he does at Carlyle. But it is an extraordinary amount of just day to day responsibility that actually keep the engines running and yet, try really hard to look down the road. In fact, the most important thing that a Chief Executive is supposed to do is look down the road, and yet, you can get consumed at keeping the engines running, and so, that always leads, then, to the natural conclusion that you just have to spend time on team. You have to spend time on team in order to free up your capacity to do the most important job which is look down the road, as opposed to get too mired or too stuck in the day to day. There's a real balance because there are so many

things that you need to pay attention to on the day to day basis. Recently Jeff and I were speaking and he says where you spending your time? And the most important set of constituents that we have are our investors in our funds and they will entrust capital to us for 12, 15 years in a blind pool. Those people are life blood and so you need to go spend time with them. But the reality is, if I spend all my time with those folks, then I would ignore all the other things and so finding a way to balance all this is a big challenge that I'm sure, as you've stepped into your position, you've found the same push and pull.

>> Yeah, for sure. There's more to do than you ever would have thought in terms of being able to balance. So I wanted to end with one personal note, Glenn. Besides the fact that I think you're one of the people that, I think, by age and by general perspective, is you're one of those E.F. Hutton people and it's great to have you here.

>> Said somebody who's getting disintermediated but the internet?

>> No it's somebody that, you know when you speak, I listen and we've gotta, but there's one time that, it seems to me, in your life history, that you made a choice that I'm not really sure I understand it, so when you're choosing, you were choosing a college, you had a chance to go play for Coach K, and go to Duke, and you chose to go to Rice.

>> Yes.

>> And I know now, congratulations to your daughter for rectifying that situation and is a recent accepted into Duke, it's an amazing thing and I'm glad the family now, can have completed the circle, but any last words here on how you could have done that?

>> In hindsight, it was the greatest decision I ever made, because if I hadn't chosen to go to Houston, TX and go to Rice University in Houston, TX, I would have never met my wife. And if I hadn't met my wife, my life would be different. I think it was one of the greatest decisions I ever made.

>> Fantastic.

>> There we go.

>> Ann's gonna be happy with that. Thank you very much. We're done, thanks Glenn.

>> Thank you.

>> Thanks a lot.

>> Well done.

>> you're awesome.