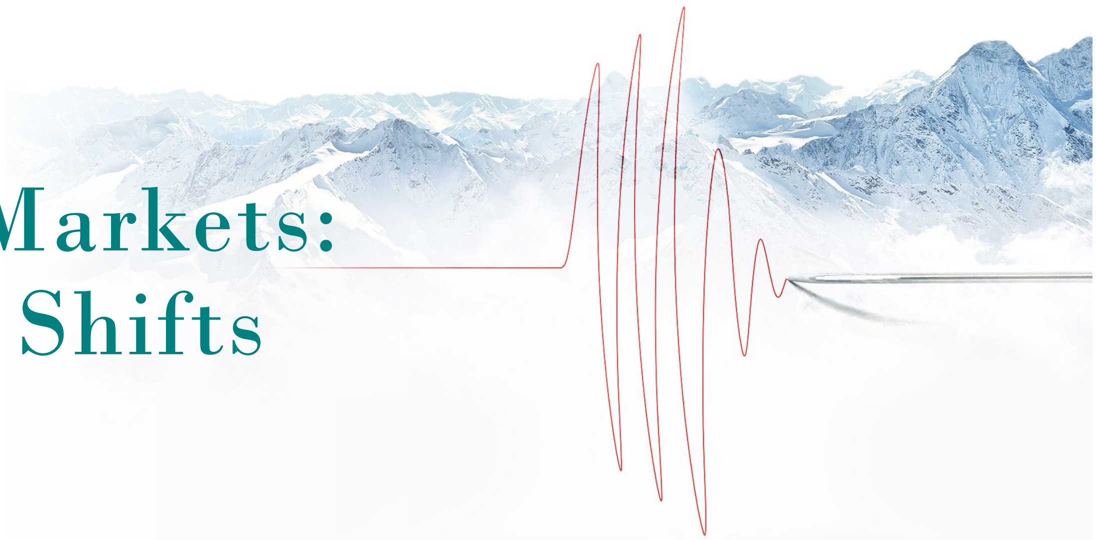
APRIL 2024 | ISSUE 6

TPG INSIGHTS

Private Markets: Tectonic Shifts



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>
> *- Peter Leav*

As private markets come of age, several tectonic shifts are reshaping the alternatives industry, with impacts that will be felt for decades to come. While the move from public to private markets continues apace, GPs are increasingly diversifying across asset classes and geographies, finding new ways to deepen and expand their LP partnerships, and introducing innovative product offerings to expand market access. Against this backdrop, we speak with three industry veterans—TPG CEO **Jon Winkelried**, Alberta Investment Management Corporation (AIMCo) CIO **Dr. Marlene Puffer**, and former McAfee CEO **Peter Leav**—to get their unique perspectives on these tectonic shifts and what they mean for the evolution of private markets. Winkelried and Puffer both emphasize a trend towards the greater consolidation of GP-LP relationships, which they suggest are becoming true partnerships spanning multiple asset classes, strategies, and geographies. From her vantage point as CIO, Puffer believes that external partnerships are particularly critical today when it comes to innovating into new areas, such as transition finance, or geographies, such as Asia, because you have to "walk before you can run." Amid heightened competition across alternatives markets, Leav—who has worked with 11 different PE sponsors as CEO—argues that the ability of a sponsor to establish trust, transparency, and clear alignment with management teams has never been more important for delivering successful transactions for all stakeholders.

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Interview with Jon Winkelried

Jon Winkelried is **Chief Executive Officer** of TPG, a position he's held since 2021, and has been a **Partner** of and was the **Co-Chief Executive Officer** of TPG since 2015. Prior to joining TPG, Winkelried spent more than 27 years with the Goldman Sachs Group, Inc. in various roles, including as **President and Co-Chief Operating Officer** from 2006 to 2009 and as a longstanding member of Goldman's management committee. Below, Winkelried discusses the evolution of TPG since its IPO in 2022, the outlook for markets for the rest of 2024, and the "tectonic shifts" he believes are set to reshape the alternatives industry.

Q: What are the biggest changes that you're seeing in private markets today?

Jon Winkelried: The industry is going through a very important phase of growth and evolution—with several "tectonic shifts" set to fundamentally reshape alternatives markets in coming years. At the broadest level, alternatives growth will continue to be fueled by the combination of outsized demand for private assets from asset allocators and strong supply because companies are increasingly staying private for longer.

The shift towards passive investing has been a big driver of how capital is allocated and the returns available in public markets. We've seen that private markets can generate reliable alpha and provide attractive all-in returns, particularly for investors that are willing to give up a bit of liquidity. At the same time, there's been a steady decline in the number of public companies and an increase in the number of private companies in recent decades, which creates a higher baseload for the provision of capital that's required from private pools.

The rapid rise of private credit has mirrored the shift from public to private in equity markets, but it's been accelerated by the pullback of banks and other traditional financial intermediaries from lending activity. While banks have been reducing their lending activity for years, the regional banking crisis last year accelerated the pace of private sources of capital stepping in to fill the void. Alongside a decline in the provision of public credit capital, private companies are also looking for more flexible sources of financing, a greater quantum of capital, and frankly a more streamlined, efficient user experience, which is much easier to accomplish in the private market.

The upshot of these trends is a tectonic shift towards greater competition and increased market consolidation across private markets. It just takes more capital to compete as an alternatives manager today. GPs need to have more diverse types of capital at their disposal to respond to the various needs and opportunities in the market, which creates a model bias towards platforms that can provide multi-faceted and flexible solutions at scale. Clients want to work with managers who they have a high degree of confidence in and who can provide exposure across many asset classes, geographies, and strategies. In this environment, it's essential for GPs to be the partner of choice to continue to thrive.

Q: How has the GP-LP relationship evolved during your time as the CEO of TPG?

Jon Winkelried: We're building far deeper relationships with our clients across a variety of dimensions. The largest pools of global capital have more partnership choices today than ever before. As a result, they're looking for managers who can provide great returns but also additional opportunities in terms of co-invest, investing across multiple strategies, and sizing up their investments to provide additional upside opportunity.

Another evolution relates to launching new funds and strategies. As we innovate into new areas with compelling return opportunities, we often partner with trusted clients to "anchor" the strategy. These anchor partnerships take on many forms, including multi-fund commitments and significant co-invest.

So, the dynamic between TPG and our clients is that our relationships are becoming true partnerships in which we are innovating and learning together.

Q: What do you see as TPG's biggest sources of future growth?

Jon Winkelried: Beyond deepening our existing client relationships, there are two channels that I view as particularly important. Private wealth is quickly becoming a critical source of growth for our industry because of the sheer size of the market and the fact that the high net worth, mass affluent remain significantly under-allocated to alternatives. There are currently more assets in high-net-worth individuals' (HNWIs) accounts with $1M or more than assets held by pension plans, sovereign wealth funds, and endowments combined. But the alternatives allocation of the private wealth segment is only around 2%. If that allocation were to increase by only 4pp to 6% by 2027, that would represent

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an $11T incremental opportunity for private alternatives managers. The gun has gone off in terms of the race to take a greater share of this fast-growing market. But it's still early days, and the opportunity is massive.

The other attractive aspect of private wealth capital is that it tends to be quite sticky, which is driving the creation of more semi-liquid and perpetual vehicles with longer duration than traditional drawdown funds. These perpetual vehicles may also be quite valuable for institutional clients who're more focused on long-term compounding and staying invested rather than the return of capital. As an alternatives manager, it's beneficial to have reliable sources of permanent capital so that you're not having to replenish your capital base every few years.

> "We're starting to see a significant shift in the funding base of most scaled alternative asset firms, which should drive a lot of growth for the industry in the coming years.

Finally, the recent convergence of the alternatives and insurance markets is another important evolution. This development makes a lot of sense amid the growth of life and annuity insurance products, which are essentially long-term investment vehicles. Insurers have realized that they can compete by generating higher yield on the assets side of their balance sheets and passing some of that on to their customers. It's a simple pricing game, but one that's going to be incredibly transformative for the alternative asset industry.

Big picture, we're starting to see a significant shift in the funding base of most scaled alternative asset firms, which should drive a lot of growth for the industry in the coming years.

Q: How has the experience of running TPG changed since the firm went public in 2022?

Jon Winkelried: We made the decision to go public for several strategic reasons, and at every step in the process, we were laser-focused on ensuring that the transition benefited all our stakeholders, including our clients, our team, and our shareholders. I didn't come to TPG with the notion that we were necessarily going to go public. But we eventually felt it was a strategic imperative to maintain our ability to continue to offer differentiated products, deliver excellent performance, retain best-in-class talent, facilitate founder succession, and maintain our culture of innovation and growth. I'm pleased that we've seen our thesis play out over the last several years.

I still get the question from clients about why we made the decision and how it impacts our firm, so let me walk you through our rationale and experience to-date. As an LP or firm stakeholder, we felt strongly that it had to be the case that when you looked at our firm the ownership structure made sense and that the most important people affecting our day-to-day investing decisions had a meaningful stake in our long-term performance and success.

The IPO provided a unique opportunity to address these issues in a systematic way. Second, we were able to codify the firm's governance structure, and we created a thoughtful succession plan from the founders to the next generation of leadership. Third, it provided us with the resources to grow and potentially make an acquisition, as we've already done with TPG Angelo Gordon.

Lastly, the impact on firm culture has been incredibly positive by creating a common currency where everybody has a stake in the firm in terms of owning stock and sharing in each other's success, which has created a very strong "one firm" mentality. More than two years on, I believe we've more than delivered on our goals. We're in a better position than ever because we've got the tools to attract and retain the best talent and take advantage of new opportunities for our clients and our people, which has created a self-reinforcing flywheel that's incredibly important in running a firm like TPG.

Q: What do you expect for markets in the rest of 2024?

Jon Winkelried: I'm generally quite optimistic. While public equities are a bit off from their recent highs, the rebound in public markets since the start of the year has revitalized confidence, which has translated into more opportunities and transaction activity. This is certainly the case in our deal pipeline, where volumes are up meaningfully across almost every strategy.

Interest rates appear to have reached somewhat of a comfortable equilibrium above pre-Covid levels. Market exuberance about the pace of Fed rate cuts has eased, though cuts are still priced for later this year. I would advocate for being cautious about lowering rates too quickly given the strong economic outlook and the value of having firepower in the event of a downturn or significant market dislocation.

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The outlook for private credit depends somewhat on where rates ultimately settle, but I think the strong tailwinds for the asset class still have a lot of room to run. Private credit is becoming the fixed income substitute of choice for many of the largest pools of capital in the world. In PE, the other side of the market recovery is that everything is now more expensive. We're sticking to our playbook of remaining selective and focusing on industries and companies that have demonstrated strong secular growth and resilience across the economic cycle.

Stepping back, we're benefiting today from what could be one of the greatest waves of technological change and productivity growth we've ever seen in AI and the acceleration of the ubiquity of data in our lives. There's good reason to believe in the strength of the economy and to expect that the technological advancements we're seeing will have lasting effects in terms of investment opportunities and returns over time.

TPG INSIGHTS

Interview with Dr. Marlene Puffer

Dr. Marlene Puffer is the **Chief Investment Officer (CIO)** of the Alberta Investment Management Corporation (AIMCo), one of Canada's largest institutional investment managers responsible for the investments of pension, endowment, insurance, and government funds in Alberta. At AIMCo, she's responsible for Total Fund Investment Strategy as well as the asset classes: Real Estate, Infrastructure, Private Equity and Private Debt and Loan, Fixed Income, Private Mortgages, and Public Equities. Previously, Dr. Puffer held **CEO, senior roles, and board positions** at major Canadian pension funds and investment dealers. Below, Dr. Puffer discusses AIMCo's priorities across alternatives markets, the evolution of the GP-LP relationship, and the biggest trends she sees in private markets today.

The views stated herein are those of the interviewee and do not necessarily reflect those of TPG.

Q: How's the macro outlook influencing AIMCo's portfolio construction and asset allocation process today?

Marlene Puffer: As one of Canada's largest pools of public capital, portfolio construction at the level of asset allocation is critical at AIMCo. But unlike some of the other "Maple 8" Canadian pensions, we don't control our long-term strategic asset allocation. We're not a single pool of capital. Instead, our clients—comprised of 15 different groups that include pension plans and government endowments—dictate that, though we're responsible for providing detailed advice and can overweight and underweight asset classes relative to their target long-term asset mix if we deem it reasonable.

From my seat as CIO, there are three big themes in the market that stand out to me today. First, while interest rates have come down globally, I don't expect them to fall as swiftly or to a level nearly as low as during the last cycle. That makes fixed income-related asset classes far more attractive than they've been in a long time, and it raises the hurdle rate for other asset classes.

Second, it's impossible to ignore the importance of climate and the impact of the climate transition across every asset class. Third, we've learned a lot of lessons from the Global Financial Crisis and March 2023 banking crisis about the importance of maintaining sufficient liquidity to meet clients' cashflow needs as they make pension payments, which influences our portfolio construction process and how we plan for the possibility of extreme events.

Q: What's the role of alternatives in AIMCo's asset allocation process?

Marlene Puffer: AIMCo and many of our peers spent the last 15-20 years with our heads down investing in private assets to get up to target allocations even as capital bases were continuing to grow. But we're now at the point where most of us are being hit by the denominator effect, and that's not going away. So, the growth of capital has slowed overall, as have new allocations into private assets given many of those allocation targets are close to or have already been met. As a result, our focus has shifted towards thinking much more about relative value across private asset classes in a total portfolio context that weighs risk-return, diversification, and prioritizes opportunities that merit putting the marginal dollar to work.

The role of alternatives is to diversify against the public markets. It's also critical though to diversify within your alternatives allocation—both in terms of strategy and geography. A major challenge is that the secondaries markets are still nascent for many of these asset classes. That limits your ability to be nimble as a CIO and pivot into new areas such as digital infrastructure or multi-family housing—to name a few examples in real estate—if they appear particularly attractive.

In a capital constrained environment, relative value within and across asset classes is critical. The skillsets of being more targeted with new opportunities and managing what you already own alongside your partners becomes essential. Alternatives will continue to play their traditional role of portfolio diversification and delivering strong risk-adjusted returns. But the focus has shifted somewhat to seeking greater diversification, lower volatility, and more control over asset performance in our alternatives allocation.

Q: How are you viewing the outlook for private debt given the higher interest rate environment?

Marlene Puffer: It's an excellent asset class. The floating rate component means you benefit from today's higher interest rates. Private debt also provides a degree of inflation protection. At the moment, we're expanding our private debt allocation and getting more involved in the large-cap space, where we've been the least active historically. Security selection and credit analytics are at the heart of ensuring that private debt strategies continue to perform well across the cycle. It requires deep partnerships, a strong team, and an ability to avoid defaults across the cycle and carefully choose co-investment opportunities to thrive in this space, and I feel confident in our ability to do just that.

Q: What role do you see transition finance playing in AIMCo's portfolio in coming years?

Marlene Puffer: It's long been a major topic of focus for us. We've made significant investments in renewable energy via our infrastructure portfolio for quite some time, even as we've

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maintained core investments across our portfolio in traditional energy. But as it relates to decarbonization, we've carved out a meaningful allocation—the Energy Opportunities Pool.

In particular, we realized that the opportunity set in decarbonization is fairly distinct from our traditional and opportunistic infrastructure allocations, which by design are relatively de-risked and cashflow oriented. These investments also don't quite fit the mold of growth equity, where transition financing often falls in private equity, and we've never had much VC exposure, where there's been a lot of innovation in the area of early-stage climate transition technologies.

Our aim in participating in financing the climate transition is to contribute to decarbonizing heavy emitting industries because there's a lot of opportunity, and we feel uniquely positioned to execute on it. We're generally comfortable with our existing carbon footprint, which we measure carefully through a detailed taxonomy. While we recognize that it might go up again before eventually coming down, that's fine if the end result is sizable emissions reductions in high emitting industries from the introduction of technologies that are proven but have yet to achieve widespread adoption. We're optimistic about our ability to have an outsized impact in this area, particularly by teaming up with experienced partners on a global scale.

Q: How do you weigh the tradeoff between direct investing and partnering with outside alternatives managers?

Marlene Puffer: No matter how large you get as a fund, you can't be good at everything. There will be areas where you've built expertise, but it's critically important to find external partners from whom you can learn, especially if you're innovating into new areas. You have to walk before you can run. To take a few examples, in private markets, AIMCo does a lot of direct infrastructure investing because we've built a very strong team with extensive global expertise over many years. The same is broadly true in real estate, though we're also thoughtful about working with external partners in this area who can help execute on direct investments.

> "No matter how large you get as a fund, you can't be good at everything … It's critically important to find external partners from whom you can learn, especially if you're innovating into new areas.

In private equity, the split in terms of co-invest/direct investing versus outside management is closer to 40/60. That makes sense because delivering on a scaled, diversified global private equity strategy requires a sizable team. You need to be in the day-to-day pipeline of deal flow. The model of having partners who can help with that and execute on co-invest works well. In private debt, our strategy is evolving from a somewhat more small-cap oriented approach with many partners to leveraging our existing relationship in other asset classes to increase our footprint. In general, each asset class merits its own thought process and requires a careful assessment of how to best get in front of deal flow and leverage expertise that's difficult to build internally.

Q: What's AIMCo's approach to manager selection across alternatives markets?

Marlene Puffer: We're focused on working with a handful of partners in a very strategic way where we can deepen our relationships, understand each other's long-term goals, and work together to achieve those goals. So, we've taken a close look at our top external partnerships across all asset classes, and we're being thoughtful about leveraging their strengths and how we can be a meaningful partner to organizations that are, in many cases, large managers with diverse expertise. To be meaningful to them, we have to have a sizable allocation to their strategies. But we're also getting smarter about partnering across more asset classes because many of these organizations have strengths in more than one area.

> "We're focused on working with a handful of partners in a very strategic way where we can deepen our relationships, understand each other's long-term goals, and work together to achieve those goals.

Building these deeper partnerships aligns with our broader long-term strategy. A concrete example of this is that many of our existing partners are actively helping us to achieve our goal to expand and further diversify across Asia in a way that's deliberate and opportunistic.

At the same time, we're also conscious of the power of our capital to move the dial in helping new managers to get established, which is one reason we have allocations such as first-time, women-owned, and diverse-owned managers. When it comes to external managers, our view is that relationship portfolio construction is an important consideration alongside investment portfolio construction.

Q: Stepping back, what do you see as the biggest trends that will shape private markets in the years ahead?

Marlene Puffer: Geopolitics is a more important force in private markets than ever before, and it will only continue to be front and center. The relationship between China and the rest of the world has drastically impacted the opportunity set across Asia. And that's only one example among many.

Climate, as we've discussed, is a massive megatrend. But another important aspect of climate is how we're going to deliver all the energy needed to power AI-related activity in a sustainable, renewable fashion. Solving that problem is going to create myriad opportunities across infrastructure, real estate, private credit, and private equity.

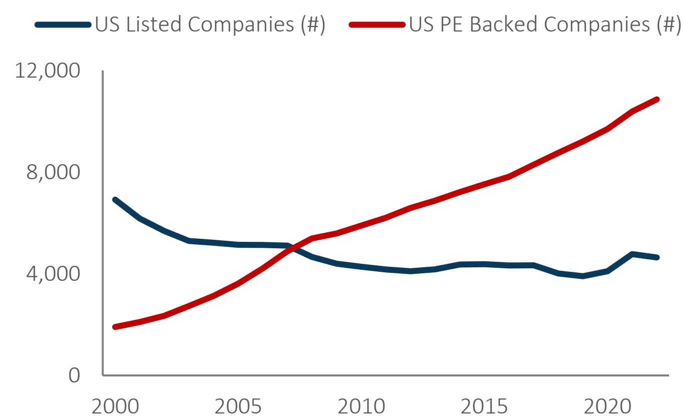
Lastly, ending where we started, it's worth reiterating that interest rates aren't going back to zero. High rates will remain an incredibly important piece of the puzzle when it comes to allocating capital for the long term.

TPG INSIGHTS

Tectonic Shifts In Pics: Private Markets Come Of Age

The Number Of PE-Backed Companies Has Risen 5x Since 2000

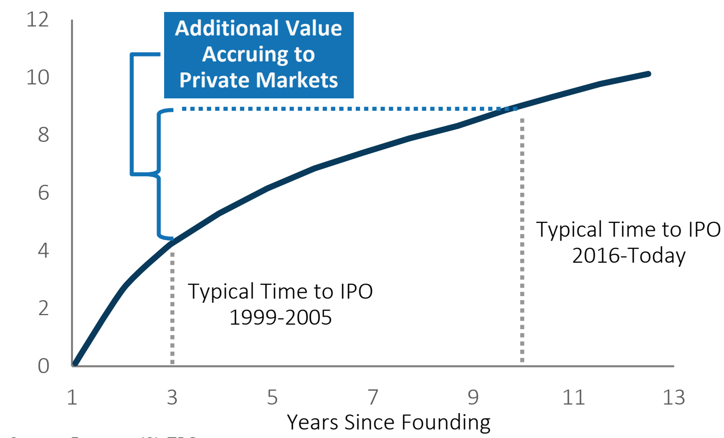
US Listed Companies and PE Backed Companies, Count



Note: Only includes domestically listed US companies.
Source: World Bank, World Federation of Exchanges, TPG.

Companies Are Staying Private For Longer, Leaving More Value To The Private Market

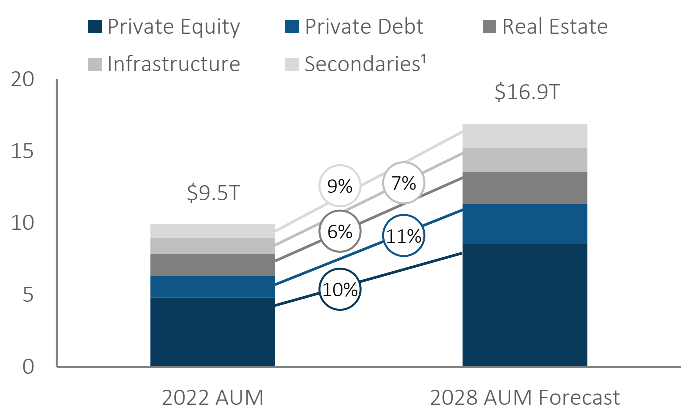
Ratio of EV to Invested Capital vs. Years Since Company Founding



Source: Evercore ISI, TPG.

Expected AUM Growth Is Strong Across The Entire Alts Landscape

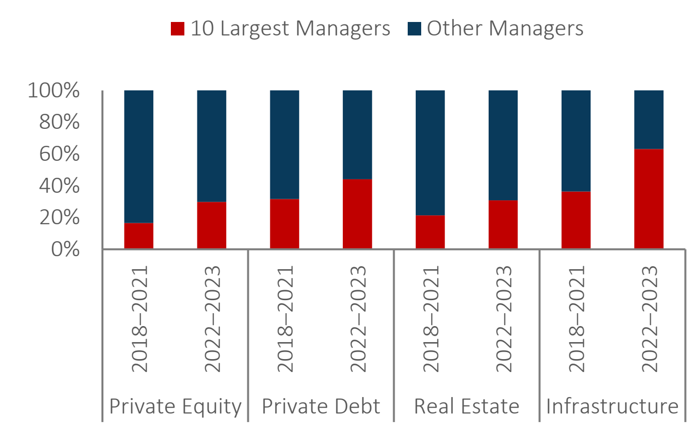
Alternative Asset Global AUM and Expected AUM, $T



1. Secondaries also includes funds of funds.
Note: Bubbles reflect asset class CAGR, based on Preqin's 2028 AUM Forecast.
Source: Preqin "Future of Alternatives 2028", TPG.

The Largest Managers Are Increasing Their Share Of Total Funds

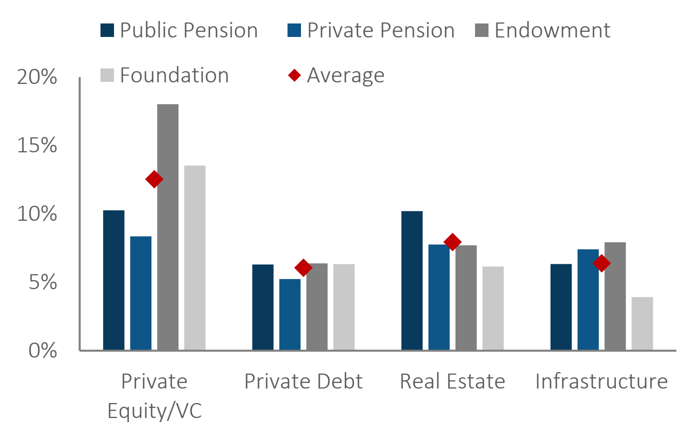
% of Private Capital Raised by Top 10 vs. Other Managers



Note: Only includes North American managers, data as of Nov. 2023.
Source: Preqin, TPG.

Institutional Allocations To Private Markets Have Room To Grow

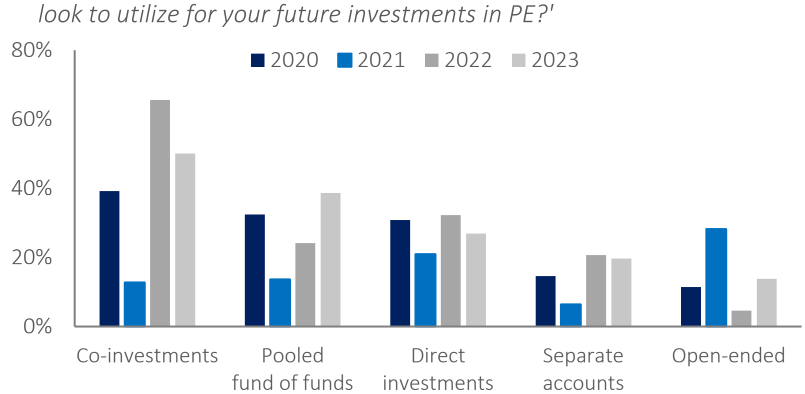
Median Target Allocation to Alternatives, %



Note: Only includes North American managers, data as of Feb. 2024.
Source: Preqin, TPG.

Institutions Are Looking To Deepen Their Investment Partnerships, Including Via Co-Invest

Preqin Investor Survey Responses To: 'What structures will you look to utilize for your future investments in PE?'



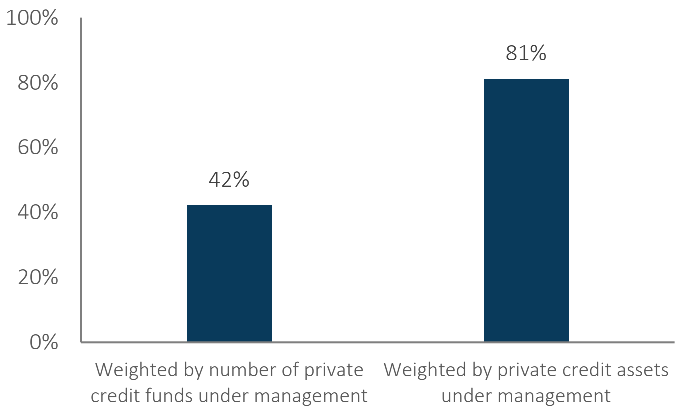
Note: Sums to greater than 100% because multiple responses allowed, data as of November 2023.
Source: Preqin, TPG.

TPG INSIGHTS

Tectonic Shifts In Pics: Mapping The Next Decade In Alts

Alts Managers Are Increasingly Offering Many Asset Classes

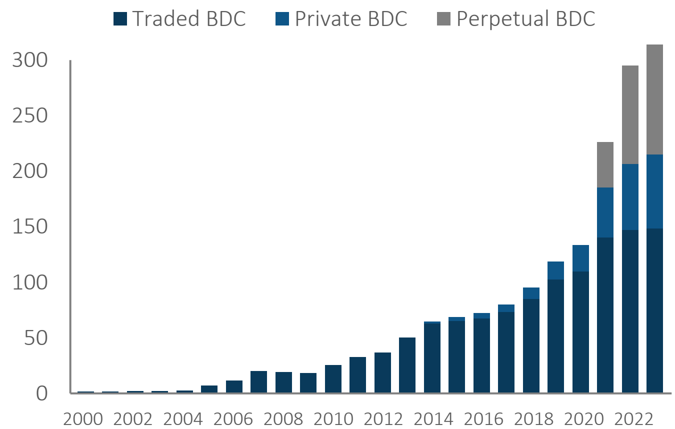
Share of Private Credit Funds Managed By Firms Also Managing PE Funds



Source: Pitchbook LCD, Preqin, IMF, TPG.

There's Been Significant Growth In Semi-Liquid Products

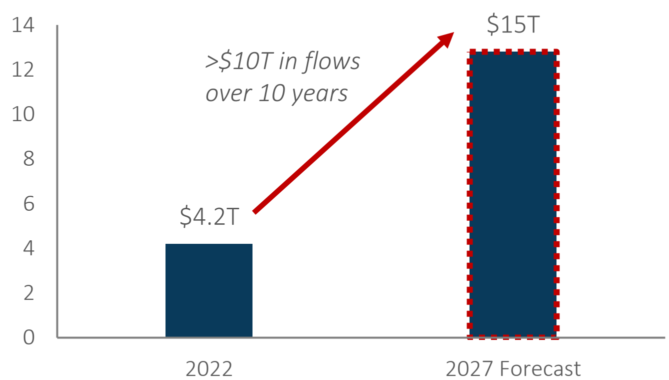
BDC AUM, $B



Source: S&P Capital IQ, IMF, TPG.

The Private Wealth Opportunity Is In the Trillions of Dollars

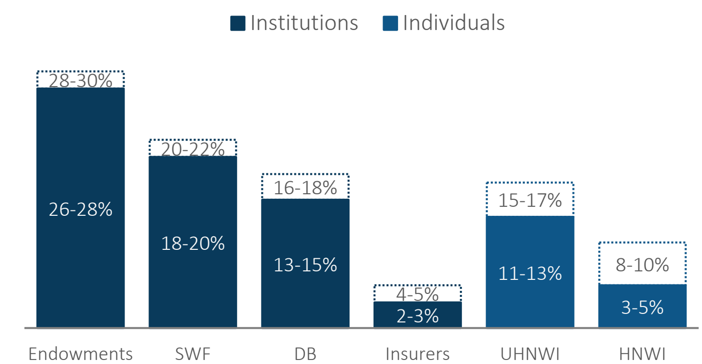
Estimated Global Private Wealth Alternatives AUM, $T



Note: Assumes PW TAM of $255T by 2027E and 6% PW allocation to alts.
Source: Bain, BCG, TPG.

Individuals Are Currently Underallocated To Alts Markets

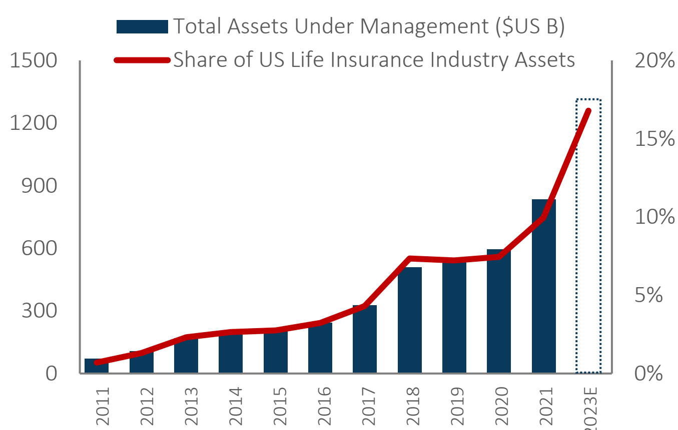
Private Market Allocations By Investor Type, % (2020-25)



Note: Solid bars represent 2020 PM allocation, dashed bars reflect expected 2025 PM allocation, Ultra High Net Worth Individuals (UHNWI) includes those with >$50M in investable financial wealth, High Net Worth Individuals (HNWI) includes those with $1-50M in investable financial wealth.
Source: Oliver Wyman, TPG.

Private Markets And Insurance Are Converging At A Rapid Clip

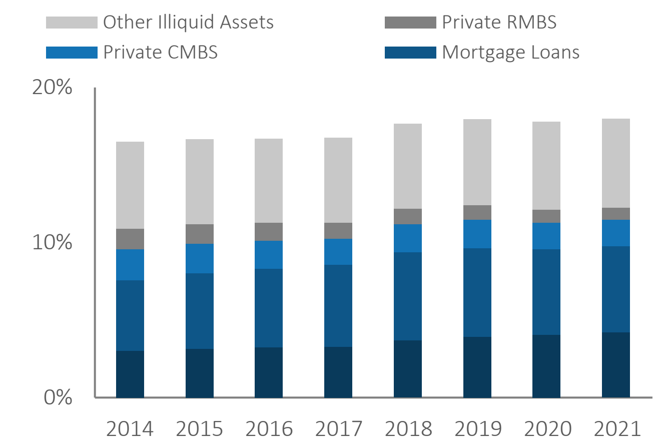
Assets of Alts-Influenced US Insurers, $B (lhs), % (rhs)



Note: Dashed bar reflects IMF expectation for end-2023.
Source: A.M. Best; individual annual reports of selected private-equity-influenced life insurers; IMF, TPG.

Private & Structured Credit Make Up A Growing Share of Insurer AUM

US Insurers' Allocation to Illiquid Assets, % Total Asset Allocation



Source: National Association of Insurance Commissioners, S&P Capital IQ, St. Louis Federal Reserve Bank, IMF, TPG.

TPG INSIGHTS

Interview with Peter Leav

Peter Leav is a **Senior Advisor** at TPG and a **Board Member** at TPG portfolio companies New Relic and Everfox. Previously, Leav was **President and CEO** of McAfee, **President and CEO** of BMC Software, and **President and CEO** of Polycom. He has also held board roles at leading software and enterprise technology companies, including Box and Proofpoint. Below, Leav offers his perspective on the value of working with a private equity sponsor like TPG, his key learnings from leading three successful exits as CEO, and what AI means for how businesses will operate and scale in the years ahead.

Q: What's the value for a management team of working with a supportive private equity sponsor?

Peter Leav: I've worked with 11 different private equity firms as a CEO. When it works well, the relationship is one of trust, transparency, non-negotiable integrity, and alignment. There is a healthy exchange built upon that trust that ultimately drives the best outcomes for stakeholders, including customers, partners, the market, employees, investors, and LPs.

The alignment between management and the sponsor is multi-faceted. It is strategic, including assessing markets, deciding where we play, how we win, organic and inorganic considerations, as well as operational. It involves choices such as what we measure, where to invest, divest, or reinvest. Other areas of shared focus revolve around the importance of culture and team, talent and recognition, and compensation.

Q: What's your experience been like working with different sponsors across multiple firms? What made the experience with TPG unique?

Peter Leav: TPG team members proved to be a trusted sounding board who understood the business with deep domain knowledge from having invested across the software and technology space for years. The partnership was never one-dimensional. It was much broader than how to approach a financing issue or price the IPO, which was a big part of what made it work. Prioritization was a critical part of our collaboration because companies far too often run on a business-as-usual model, which can be particularly pernicious.

There is a real danger of incrementalizing into oblivion and making modest tweaks while your competitors are taking bold steps. We understood the importance of that as a critical input to our strategic choices. For McAfee, TPG played a crucial role in helping to foster each of the areas of alignment we just discussed, and together we exemplified what a successful partnership can accomplish. With TPG, the word value was a constant—we as a team felt valued, TPG brought value, and together we created value. We are very proud of the results we drove, with a successful multi-pronged exit of IPO, divestiture, and sale.

Q: When you're coming into a new company, how do you assess the strengths and weaknesses of the existing team?

Peter Leav: Day one is never my first day. It's important to arrive prepared having done homework prior to the start date. I typically began with a learning agenda encompassing what I felt I needed to learn and a learning plan focused on how best to do so.

My approach was more Socratic than autocratic. It starts with taking inventory and asking informed questions, listening to team members throughout the company, customers and partners, and assessing energy across the firm. It is telling in an organization whether energy goes up or down when a leader enters or exits a room. The importance of learning the culture cannot be minimized. Words are important, but behaviors are even more so.

Additionally, quickly determining if there are any concerns in areas that are non-negotiable, for example integrity, is critical. Understanding where team members spend time, are we an outside-in organization, and are we results-driven are all key to understand as well.

It has been important to watch how leaders learn. Some learn like rolling a ball, others learn like rolling a brick. By asking informed questions, I was also able to see and hear if our leaders were hearing the voice of the customer, our partners, and importantly understanding market dynamics—who used "we" and who used "I" in discussing their teams.

Keeping a watchful eye on self-awareness and empathy was also key. It is a fallacy that a leader cannot be both results-driven and empathetic. Triangulating learnings and taking a survey of the entire organization proved to be very telling. Doing so helped to hasten my learning curve and ultimately enabled us to move more quickly and efficiently as we drove record-setting results.

With TPG, the word value was a constant—we as a team felt valued, TPG brought value, and together we created value.

> "It is important to watch how leaders learn. Some learn like rolling a ball, others learn like rolling a brick.

Q: How important is the management team to a successful buyout transaction?

Peter Leav: Incredibly important. A strong management team is essential to the long-term sustained success of a scaled business. The team is key to both understanding the pulse of the organization and for setting the tone. We felt leaders had a dual role in leading their organization while also being a part of the company's leadership team and appreciating what was the best decision for "us"—for the company.

> "A strong management team is essential to the long-term sustained success of a scaled business. The team is key to both understanding the pulse of the organization and for setting the tone.

Differentiating managers from leaders, and understanding who was neither, proved to be important. We had an adage at McAfee—"debate, decide, do"—which was very much needed to move at or above the pace and speed of the market. Speed without sacrificing quality was a critical driver injected into the culture that had multiplicative benefits, including enhancing our ability to see around corners.

> "We had an adage at McAfee—"debate, decide, do"—which was very much needed to move at or above the pace and speed of the market.

Regarding transactions, we improved each business and drove increased value through our team's steadfast commitment to our mission, alignment to strategy, customer success focus, operational rigor, and results. Some team members were more engaged than others in transactions—for example, IPO, sale, divestiture—but all played their roles so that the business and the value of the business continued on its positive trajectory during, through, and post transaction.

Q: You focused on leveraging innovations in AI and machine learning (ML) to drive product development and growth at both BMC and McAfee. How do you think these new technologies will impact companies across different sectors in the coming years?

Peter Leav: The impact of AI will be enormous. Likely, it will take the form of a hockey stick curve—slow and then very fast. The world will be forever changed. At BMC, we leveraged AI/ML, natural language processing (NLP), and bots in our IT ticketing software and used AI solutions and ML in our workload automation and even our mainframe business.

> "The impact of AI will be enormous. Likely, it will take the form of a hockey stick curve—slow and then very fast.

At McAfee, we were in the early stages of generative AI with telemetry and massive amounts of data fed to us from hundreds of millions of endpoints. We anonymized this data and with data scientists helped our customers to predict, prevent, and preempt cyberattacks through insights versus reacting after the damage was done.

Generative AI will forever change the volume and speed at which data can be turned into usable information. Machines will not just farm data but will create content. This change is bigger than previous technology adoption cycles. There will be many benefits and many watch items.

> "Generative AI will forever change the volume and speed at which data can be turned into usable information. Machines will not just farm data but will create content.

In addition to the productivity boon we will see, workforce changes will be significant. There will be a huge impact on utilities and a question around data center readiness. There will be needed societal safeguards, government engagement, legal issues, cyber threats, military threats, and nation-state cyber threats that will increase unlike ever before. Those are just some examples of what we are seeing, and I'm sure many more will arise as generative AI continues to take form in a much more significant way.

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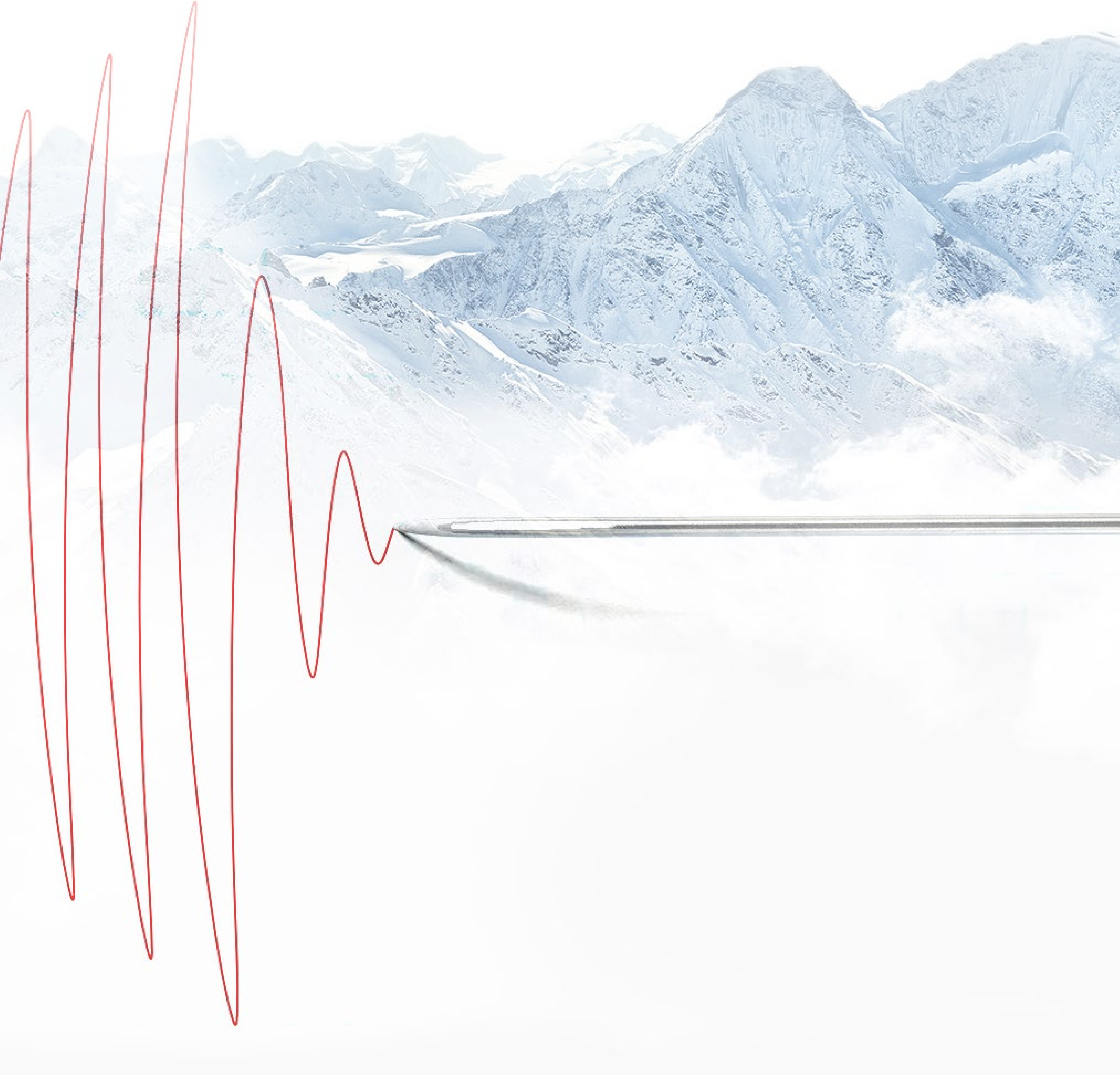

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