K1 Video

Speakers: Samir Kaji and Neil Malik

Transcription:

Title of Podcast: Moats in Motion: Software Investing in the Age of AI[1]

Samir: [00:00:00] Neil, it's good to see you and thanks for being back on the show. I think it's been exactly a year since you were on last year.

Neil: Wow. A few things have happened since then. Thank you so much for having me back. I think we should probably caveat this entire conversation that it's taking place in mid-April because. Within a very short period of time, things may have changed substantially,

Samir: And they have changed so substantially. In fact, this is the reason I reached out to you because when we were sitting here a year ago, obviously we're still talking about AI and the implementation of AI. It's reached the fever pitch where now we've read the headlines of SaaS-pocalypse: are SaaS companies dead? What is the impact of these AI companies? Of course, you've been a software investor for a very long time, through multiple cycles and

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maybe a good place to start to refresh the audiences a little bit about yourself in K one and then the history of investing in really profitable in many cases, software companies, and your view today relative to maybe. We were talking about a year ago.

Neil: Yeah. Yeah. So taking it back to the origin story we're going back over 15 years now, and candidly, when we were talking about investing in founder owned, bootstrap businesses companies that had, frankly, not taken venture capital the word technology was not well received. I think a lot of people in the prior decades had been burned. By technology obsolescence, by inventory risk and just the share capital required to build traditional technology companies. In hindsight it was very fortunate and fortuitous for us. To have selected investing in application software companies that were at that time moving from this thing called application service provider to what's today commonly known as SaaS where one did not need to host the applications inside their four walls where one would have the ability to store and activate their applications in the cloud. And this was. Revolutionary thinking for the industry back then. Since that time we've seen the advent of mobile versus desktop. Desktop and the advent of APIs, creating massive distribution for applications and the infrastructure layer. Was left behind and a lot of the value, I think in the industry accrued to the applications. And now I think we're going into clearly what is going to be talked about for many years - the next chapter.

Samir: In every 10 to 15 years, like you do see these technological shifts, right? I, you, some people call 'em super cycles, some people call 'em just, platform shifts and it goes back in history, semiconductor PCs, the internet, mobile cloud, obviously. Cloud created the advent of SaaS where you remember the old, you used to buy a license and there was maintenance related to it in the old install.

Neil: You're trying to date us now. Okay.

Samir: Yeah. It's, yeah, I know. It's, this is, this reminds me of the late nineties, early two thousands where that was the case. And now you have companies within the AI space that are not only building, but scaling at speeds that we've never seen. You think about it, like we were talking about Anthropic right before this call.

Anthropic just 27 months ago was doing about $87 million in revenue. Today, it's $30 billion faster than anything we've ever seen in the history of technology. So it does feel like, oh, not only the size and scale, but the compression of the timeline for all this to happen. Just to kinda give you an example. The PCs took about 12 years to get to 40% adoption. In the US the internet took about five. And AI, LLM use is about two years in terms of getting to 40% of the US households. Now that's because we now are very, tech, tech adoption is at the all time high. Like of course we've seen people use it, but that also creates a really unique challenge from an investing standpoint because so much is happening and you have existing companies that are now forced to quickly adapt to this new environment. Plus you have, how do you now

invest in this market when your playbook over the last like 10 to 12 years was based on SaaS? So I'd love to get into your mind of how do you think about the existing portfolio, what needs to be done to futureproof these companies? Because this is a question all investors are asking. If you're a SaaS fund, are you screwed or is there ways to actually come out the other side?

Neil: Yeah, no, I think, very important, timely questions. Look, I think what we've seen particularly over the last several months has been nothing short of a massive wake up call. I think clearly there has been a single brush that is painted every technology company that's publicly traded. I just got off the phone with a publicly traded s and p 500 CEO. And it doesn't matter the business model. They're all looking at massive declines in their stock prices. And like any herd thinking I think clearly the market's overreacted. On the one hand, I think we haven't seen these valuations in almost 15 years which makes the idea of deploying capital right now pretty exciting for those of us that have a dry pool of capital. It certainly makes it incredibly difficult, I think, for the private equity industry to be fundraising in this sector right now, which we can get into. And then for the existing portfolio, there's clearly also gonna be a bifurcation. And I think we'll over time see this in the public market where companies that have more robust capabilities, companies that have unique data sets that AI just doesn't have access to. Companies that have been highly integrated into the backbone of the technology stack I think are gonna fare reasonably well. But there's also no question that there needs to be a cultural shift in the existing portfolio of firms in the alternative industry where that clock speed of development, that clock speed of innovation you know, whether it's getting new code out the door or as something as simple as making sure your tickets are getting closed out faster than before because we're using the latest and greatest tools. Those are all the kind of early signs we're looking for in our portfolio to demonstrate that the velocity that we've seen and we just talked about. Change occurring is happening inside the existing portfolio. And I think if you look at technology's curves and life cycles, you do see this significant increase in innovation by the incumbents when they recognize that, oh there's something out there that I need to start paying attention to. And I think that's absolutely universal. At this point before a year or two ago, people would ask about AI today. The central conversation

Samir: When you look across and I forget the number of companies you've invested. I think it's north of what, 300 companies probably. Yeah. And you mentioned something I think that's interesting, which is when you look at a headline and it says SAS apocalypse headlines are not good at nuance at all. They don't actually go to the second and third order actual realities. And I think about SaaS. There are certain SaaS companies that are gonna be highly insulated because of either they're highly vertical and trust-based compliance, regulatory, they have unique data or distribution that's already embedded. But on the other side, there are also companies that are also more likely to be ripe for disruption. We're switching costs are starting to decrease and they may have to either remodel their entire tech stack or their product, or have, or face massive margin compression. When you look across all your portfolio companies, I almost think it's like this green, yellow, red, like red being, okay, these are problems that we need to figure out. How do you, how do you triage that, to understand which companies are

insular, against this, and how do you then implement future proofing for the companies that might be yellow or red?

Neil: Yeah, look the day that Saas-pocalypse became the headline or somebody coined that phrase was the day of our ELPAC meeting. But what I was able to point to that day which was in early February and what I can share with you today is on, at a portfolio level, taking all of our active investments. Our bookings as of Q1, March 31st are about 10% higher than they were in Q1 of last year. I can also share with you that our retention of clients is higher than it was last year.[2] And I think it's incredibly important to look at observable data. Obviously there are sentiments and there are prognostications that we need to absolutely take seriously, but I think first and foremost, it's important to look at the underlying health of the portfolio at large, and then underlying each exec, company, and obviously when a portfolio, you're gonna see a range of outcomes which we'll talk about. But yeah, I think the companies that have what I'll call thinner capabilities the companies that are not as deeply integrated, maybe more horizontal are going to face a tougher time. Where I think we've, when we touched on this we feel pretty good if we're in regulated markets where we have the system of record or validated data that's not generally accessible to the LLMs that the accuracy of that data is required to hold up to scrutiny.

Samir: Right?

Neil: And that's always, thankfully for us, been a critical part of our underwriting along with a lot of financial metrics around growth and retention and margin and capital efficiency and customer diversification and the like. But there's no question that the wheel of innovation is spinning faster. And we're not gonna get the benefit of 10 years of historical financials. If we're looking at a new deal we've gotta look at where the puck is going to use a Gretzky analogy more than ever before. And I think we benefit from having that library of experiences where we've had some phenomenal successes in those almost 300 deals. Also had some real learnings over the years and I think this is a period that we and our peers are gonna continue to learn. But it's pretty evident which companies are thriving today, and we feel like that's a pretty good indication for the foreseeable future which might not be that far as it was in the past that we're in pretty good stead, some pattern recognition we've seen. We have a business in the portfolio called simPRO. So you hear about Jensen talking about. Plumbers and electricians and folks that work with their hands and, or people that move atoms instead of, bites and bits.

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[2] The aggregate increase of 9% YoY bookings is as of 04/15/2026 and calculated from 3/31/2025 to 3/31/2026 for 28 buyouts in the K1 portfolio. The increase in retention refers to increases in both LTM Gross Dollar and Punitive Gross Dollar Retention as of 03/31/2026 from prior year for the same buyout cohort. Net Retention decreased by 1% in the same period for the same cohort. Portfolio company operating data is not indicative of future results.

We're the system of record. We're the ERP for plumbers and electricians and HVAC professionals. We are the backbone that run their businesses. Everything from invoicing and workflows and CRM all wrapped into a complete system. And now we are able to, with the use of the latest technologies. Do preventive maintenance and predict when things may happen or get invoices out faster. And these are enhancements that we're able to quickly innovate with the available technologies that are out there to add more value to our end clients. And I think it gets back to some of the fundamentals we were talking about. We have, conversely in the legal space, highly regulated an industry that has some real AI darlings out there today at

Samir: RV Lara, right? Or two that everyone talks about.

Neil: Our on it platform, we adjudicate $15 billion of legal spend $2 million contracts. Tens of millions of invoices are going through our platform, between enterprises and their law firms. And we have been able to build a lot of know-how from that data. So that plus less intensive use of the foundational models, we believe is part of the moat at that business. And that's the unique place of having a network effect or a platform model between two different constituencies. So I think that's another example of a model that is, I think, more resilient in this new AI world. And regulated industries would be another one to talk about where you've got to have something completed for the benefit of a certification or maintaining compliance. Our smarsh business that, you know, benefits from the SEC regulations around all communications within RIAs, financial services firms, banks, insurers, there's a requirement to be able to retain and search all these communications. What started off as email has proliferated? So while we would sell per user per seat for email for a firm like ours, and we'd have, now we have a hundred plus employees, but now we've got the platform that we have to pay for the email but then the WhatsApp and then the, in this instant messenger and all the other communication types. And most recently what we've seen is with some legal cases. Human communication with LLMs is discoverable. The courts are saying that's communication.

Samir: Interesting.

Neil: That opens up a whole new conversation. In these regulated businesses, we already have 125 petabytes of live communications within the organization, within the enterprise that's a particularly unique place. I've seen videos recently of factory workers with cameras, showing how they're putting some packaging together or I think it was delivery drivers being paid to show how they navigate the streets on their bicycles before they make deliveries.

Samir: Yeah. This is

Neil: An example of that in a white collar context where. We have all the emails, we have all the communications in real time. As if we think about what is that worth where, this

catchphrase of data's, the new oil. These are examples I think of business models that I think not only survive, but probably thrive going forward.

Samir: You mentioned this cohort analysis that you did across the portfolio and you saw, the retention rates, be, high. They continue to, grow,

Neil: improve. Yeah.

Samir: And you did describe some of the things that help a company be a little bit more insulated relative to some other companies that may not have the same insulation. But if you look at a more granular level. Are there certain outliers that actually, from a retention standpoint, were improving dramatically relative to the cohort? And was there any unique insight that you had in looking at those companies and saying, okay, these are much more insulated than I thought they were and this could then inform how I make net new investment decisions as you're, actively deploying capital?

Neil: Yeah, no, I think it's a combination of looking inside the portfolio and also in the. External environment. In the earlier waves of companies we would see, we saw chatbots. Chatbots, gave way to LLMs. And then we have this concept of, oh, that company's just an LLM wrapper. And I think we have a real concern about any business whose engine is a foundational model. Because whether it's this month, next year, or in a few years time, the likelihood that those foundational models capabilities continue to grow, I think, make it incredibly hard to invest in what I'll call an AI native business that's simply extending the current capabilities of whatever release is out there. And we've been digging in on a number of companies like, oh, there's a no-code, low-code, or This is one that's gonna be a little, allowed you to be a full stack developer in a browser. And we think that we're gonna be talking about that like chatbots in a few years. So that gives us some confidence that, going back to system of record, going back to data, having the unique. Position of being the single version of the truth, whether it's for your employees records, whether it's your customer records, whether it's your debits and credits in your general ledger, that is a moat. Now, by the same token, a moat is not always is easy to defend if we're static, and that gets back to the innovation piece. But businesses that are more workflow oriented. Where it's a business process, re-engineering to use a term from the nineties again. These are cultural transformations that our customers have to go through to get the benefit of AI. I think developing these great new products is one thing. Do you give it away as a freemium model? Do you charge for it and try to demonstrate that X percent of my revenue is now ai or do you send out forward deployed engineers? To actually help our clients utilize the tech, get used to the tech and see the benefits for themselves and then figure out what's the business model behind it and make those investments. Because I think adoption and the speed of adoption, not only to build the products with it, but get your customers to use it, is the holy grail today. Today we've got two major foundational LMS we subscribe to here inside the firm within a year, I think it'll be one if not sooner. And like we talked about, the velocity is moving, faster than ever before. And the idea that you can invest in a horizontal,

point solution, I think it's a very dangerous place to be. And I think there's benefit to being highly verticalized. There's benefit to being the backend operating system of that organization that relies on it. But I don't think we take anything for granted. We've gotta continue to innovate. I think a great example of this is that we have a business called Ropy. It's actually in the Bay Area, one of our few investments in that part of the country. This founder had frankly a point solution helping community banks and credit unions communicate with their customers. So whether they were late on a. Mortgage or a car loan or they had a change of address that they needed to correct. But over time they became the entire front end platform with, through a variety of different channels of communication. So now anytime a customer of a credit union hears or wants to talk to their bank, they're going through one of rep's communication channels. Today, that company is innovated, where if somebody calls and says, Hey, I'm moving from Texas to Florida. I need to change my registration. I want to make sure that my loan paperwork is all documented. You have to go through a mind numbing series of steps. But now they have an agentic layer that in the front office kicks off a back office action and eliminates massive number of steps and human involvement.. I think that's just one example of how we can learn from our existing case studies to inform and no, I'll be honest with you, this is not a sector that most people in Silicon Valley would be really psyched about. Going deep on, but that's true. A lot of vertical market software.

Samir: Yeah I, and I think that's true and there are obviously a ton of examples of really successful vertical companies and what historically has been unsexy sort of industries, right? You talk about the plumbers, the electricians, things like that. But these are massive markets. Audit tax one question I have is when we look at any sort of fund, right? So you're raising a fund, you have your entry price, you have your exit price, and ultimately what you're looking to do is have that exit price of these companies, especially not like Venture, which is very power law based. It is totally fine within a venture portfolio if you have 25 companies and only three or four drive nearly all the returns. If those companies are big enough to return a fund or more in private equity, it's a very different thing, right? ou're not looking for the grand slams with the expense on the other end being a zero, right? So you're reducing the tails on each side, but. You invested in some of these companies, let's say, and this is not just you, but any private equity firm that's doing SaaS as invested in companies where the multiple pre 2026 was significantly higher. Like I'm looking at the chart right now and I'm just gonna read it off to give you, you know what I'm seeing right now, but from 2019 to 2021, two th Q3, Q 2021 was the all time peak of SaaS multiples, but it went from 10.2 in 2019 to 14.5 in 2020 Q3, 2021, which is really the peak. SaaS multiples were 18.6. Today they're at 5.9. And so clearly the market has made a firm decision that they're repricing these SaaS companies with the belief that they are going to have margin compression and AI is going to usurp some of these companies. So when you think about the entry price, which the exit price, how do you now reconcile that the market is now paying differently for some of these companies? And even if they're growing, let's say, they're improving net retention. That the multiples have now compressed? What needs to happen for those portfolios to be successful?

Neil: I think first and foremost growth is absolutely critical. The reason those companies were trading at those multiples in Q3 of 21 is 'cause we had massive stimulus and we were posting as an industry. Really substantial growth figures. Unfortunately the magic with Excel and spreadsheets is you prognosticate that for the next five years and your terminal value goes through the roof and capital that was deployed in that era is very difficult to make a meaningful return on. When you're paying 21 prices and you're exiting in 2025 you could be facing a massive change and exit multiple. And so if your multiple's cut in half, you gotta quadruple that business to do a 2x. And I think that's what attracts us to the small end of the market. 'Cause we think it's easier. To double, triple, quadruple a smaller business than a really large business. We also, right or wrong, are not able to and do not lever our businesses to the same extent as the large cap end of the market and all the stuff we've been hearing about private credit of late we work with banks and we're also working with founders where this is their first real generational wealth creation event. This is not candidly the second or third time where hey, a hundred million's not cool, a billion's cool and anything less is not worth my time. And if it doesn't work out, that's okay. This is their entire nest egg, something they've spent their entire life up until this point building. They might skew a little younger first time entrepreneur but they work seven days a week. They cannot afford to fail. And their entire heart's in it, but they also own a really substantial part of the business, in many cases, a majority of the business. And so they're not focused on the A round, gets to the B round, to the C round, and the valuation goes from, a billion to 5 billion to 10 billion because they know that if they sell this company for two, three, 400 million, which is a very liquid part of our industry for cash. They can actually make nine figures personally if they are willing to start off as a bootstrapper and then only raise the least amount of money that makes the biggest difference, which is a very, very different way of thinking then what I'd call the traditional venture backed startup. And over the last few years since the LMS came on board. Those young companies that have been started since 21 are using all of this technology, benefiting from it. But for those entrepreneurs that have figured out that, if you think about it, SaaS enables you to build a software company without having to build the whole stack. AI is helping you to do it without having to spend what you used to on a SaaS company. Why are these companies raising so much money? Now if you're gonna be a big horizontal play, I get it. There's lots of opportunities for the unsung, deeply verticalized unsung niche company that I think is still very much where we will focus going forward.

Samir: Yeah. And going back to your point of why do these companies raise so much money? Because number one, the capital is there and in certain industries and venture and growth, capital has often been used as the canon to try to create moat. Rarely actually works in the long term. You have to build great product and have something that people want consistently over somebody else. Your point around the debt financing or sort of the amount of leverage that these companies are using is actually a really important one because. As companies part, particularly in private equity, they can be heavily levered. And when the leverage becomes incredibly large, especially if it's pick loans where you know you, it's actually growing over time, not decreasing, and then eventually the rent's due. And if the rent's due at a time where.

You have margin compression, you have not been able to continue with your growth pattern because of all the things that are happening in the world. That becomes a very tough time. I don't know when that cliff gap happens. Like right now it's a lot of conjecture. People are talking, we're seeing some of it, but it hasn't created this widespread issue. I think within private equity funds yet. How do you forecast that? Over the next couple years, and I know you're a little bit different because your companies don't use that leverage, but I'm just curious about your more market view.

Neil: Yeah, no, I mean we do have leverage and so we do think about some of these issues. We're fortunate to be working primarily with banks in 2008 during the global financial crisis. There were similar concerns, oh all these loans are coming due - who's gonna step up and finance them? What we largely saw, but it was before these private credit funds really existed, was what they called waiving and amending. So nobody wanted the music to stop. There was no takeout financing. And so if no one's taking me out of my position I'm just gonna continue to waive and amend. Now at some point if the cash component of these loans cannot be met, that might be more when the rubber hits the road. I do think there will be an acceleration of stories of sponsors relinquishing control of assets. I do think the most leveraged companies that are privately held in private equity are at the very large end of the market. And those are the very credits and names that are embedded in a lot of the conversations around the BDCs. And those are the names that have credit agreements, that are some of the most loose agreements.

Samir: Would you and I know we're close to time here, but one of the questions that I have been thinking about and I've asked a lot of people that are running firms is when you're evaluating a company that historically has been SaaS, are you at the point where you will not invest unless they have a very cogent and clear AI plan?

Neil: Absolutely right. Yeah. I think sitting through the product demo has never been more important and really understanding what is it that your software does versus being enamored with the financial performance of a company. That could be a young AI business who's got a whole bunch of POCs and trials, but not be necessarily contracted software revenue that's actually in deployment and being used by their client's employees. It could also be a traditional SaaS business where we have to really assume not only its current capabilities and these foundational models, but the capabilities in 12 and 24 and 36 months and this exponential rate of growth and capability, and how will this company react in that world and how will its clients choose to move from them or not? How difficult is it for them to move on or not? And our ability in this company to incorporate those capabilities in the same product again, I think it's easier in the niches when what we do is not gonna be on the roadmap of a foundational LLM that's incredibly important. Lately I think we've had a real interest in what I'll call infrastructure. I don't mean physical picks and shovels and data centers, however we're still a technology investment firm that I think really appreciates having capital like businesses, IE software broadly defined. We recently invested this year in a business called Spin AI. And this is a business that I think is absolutely critical for organizations today. We have probably 50 SaaS

applications that we're running here at K one. We need something that allows us to sleep better at night where if somebody's trying to come in and encrypt our files and hold us for ransomware or exfiltrate our data, a system that will quarantine. Those actions until a human can get back in the loop and not let those just happen overnight. Or if in some of those SaaS applications our administrator deletes some records that we didn't mean to delete, we need to be able to restore that. And best in class in this area is not to rely on the actual vendor you're buying. 'cause that's redundant. You need to have a third party. So this is a business growing 50% a year right now in this environment.[3] And I think it's a great example of. As cyber threats get more powerful. We haven't talked about mythos, but talk about an Oppenheimer moment. Yeah. There, there's, I think going to be I know there was over the weekend, I was just mentioning, I just talked to this Fortune 500 executive over the weekend. His team was all over this issue of the zero day vulnerabilities that may have just been exposed. And I think a lot of material organizations in our financial infrastructure are taking this very seriously.

Another example we took private, a business called MariaDB a couple years ago. AI needs a database to run off of. And the problem is the way AI interacts with databases, it requires a lot more compute power, a lot more responsiveness, and a highly transactional capability that traditional databases don't have these are capabilities that Maria DB does offer. Dramatically changed the earnings profile of the business as well. It's now quite profitable.[4] And we're talking about sub millisecond latency. We're talking about consolidating the stack in, in terms of analytics and AI workloads all into a single platform and going up against some of the larger incumbents that you would know. In this incredibly important arena. As we think about where we're gonna position going forward, I think infrastructure and the way we're talking about it again, not data centers, is a way where again, we can put out capital and look for a very high return on that capital that's not going into physical plant, real estate permits racks and hardware, things of that nature. These are a couple of key areas for us to potentially broaden the aperture, looking at payments and looking at areas where there's a responsibility to have a human in the loop. A dear friend who's at one of the largest imaging companies in the United States, they've been using AI for six years and they've gotten much more productive and much better at what they do when reading MRIs and CTs and x-rays, but their business didn't blow up. You need to have a human ultimately sign off on that read, even if the AI is really good at reading stuff that the human eye can't see. So these are the ways that we have to think around

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[3] Spin AI's revenue growth rate reflects management-reported year-over-year growth of 47% as of 03/31/2026. Revenue growth is not indicative of any investment returns and should not be viewed as such. Spin AI was discussed for illustrative purposes and is not representative of all K1 investments.

[4] The MariaDB standalone profitability metrics referenced reflect management-reported operating data of (73%) EBITDA margins as of Q4 2023 at the time of K1's underwriting, compared to 8% EBITDA margins as of Q4 2025, representing 81 percentage points of Adjusted EBITDA margin expansion. EBITDA growth and profitability are not indicative of any investment returns and should not be viewed as such. MariaDB was discussed for illustrative purposes and is not representative of all K1 investments.

the corners and try to stay away from the emotional hype. Yeah, it's literally system one and system two thinking it's all about “thinking fast and thinking slow”. Great book if anybody's interested. Highly recommend it. But that's exactly what we've gotta be doing right now and looking past a lot of the, just the headlines.

Samir: Look, headlines sell, right? And it's easy to read a headline and not go to those second order, third order type of definitions that you really need to dig into to understand what's going on. And candidly, like there's the last mile concept that requires a human being to express judgment, discernments. Taste and even, me, who's very techno optimist about where things are. I've seen, I've seen multiple cycles. I definitely am probably more excited about the technology revolution today with AI. But at the end of the day. It. We're not there yet. We're very early. This is, some of these things that we're talking about will take a long time, even though they feel very compressed right now. This has always been a lot of fun, having these conversations, and I feel like there's so many different threads we could pull that even further. Each wish deserves its own podcast,

Samir: One final question. If you don't mind, and we touched on it throughout the conversation, but maybe just zooming out for a second and getting your overall macro take on the economy and technologies today.

Neil: Look, I think since the beginning of the year, the global macro economy is in a much more challenged state. I think the latest reports outta the IMF are predicting a recession. We're seeing protests in the UK and Ireland for fuel and fertilizer. We're hearing about a lack of cooking oil in places like the Philippines and in India. So I think these are going to be longer term problems that will not be remedied in a short timeframe. That will take some time to work itself out at the same time, domestically, we're running about a 6% Deficit of GDP that's two to three times higher than normal and interest expense and our budget is skyrocketing. And recently heard from an old professor of mine from undergrad named Jeremy Siegel talking about how the market's looking at a rate cut and he thinks it's actually more likely that we'll see an increase. Obviously a very big topic, but we do know that when rates rise, that capital scarcity that creates can be very impactful to valuations. Just like we saw a few years ago when we went from zero interest rates to something much higher. I also would take a step back and think about all the other hype cycles that are out there over these many years that, Samir, you and I have seen, we, we all remember the.com bubble, but even since then micro electronic MEMS companies B2B marketplaces daily coupon offers flash sales of fashion goods WeWork in SPACs, blockchain 3D printing the metaverse. NFTs and Ghost Kitchens and the list goes on. And the idea is in every one of those moments, those were the hottest things around. And in retrospect we have a different perception of those. And so we're very much, I think, in the middle of one of these hype cycles, and particularly as it relates to infrastructure build outs in the history of the United States railroads were viewed as hot as AI is today. Unfortunately, most of the investors in that build out did not fare well. Another example would be the electrification of the United States. Similar situation, investors piled in did not fare very

well. Telecom fiber overbuilt when telecommunications was deregulated and we were getting fiber to the home. Long haul fiber routes, much of which remain dark for many years. Also, again, a challenge. And so here we are now with infrastructure in the.com era. The application layer really got all the value. The infrastructure layer that got overbuilt in the.com bubble, did not really pay off for those investors. So now here we are not the same. But an analogous situation where we've got massive build out of data centers. We have foundational models, we have the legacy incumbents. And I think time is gonna obviously demonstrate where the value shifts and where the scarcity lies among these constituents. But I think it's important to have these historical examples in mind as we think about where we're headed going forward. And that's certainly how we're trying to think about where to allocate our capital in the coming year.

Samir: I appreciate you coming on and again, congratulations on all the growth. I've seen this since 2012. You've become, you've been, you've been a great partner. More importantly, it's just seeing the success of the firm and the companies you've backed.

Neil: Super grateful for the opportunity to be here with you, Samir. Incredibly grateful for the relationship and your support over these many years.