TPG (Q3 2025 Earnings)

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Corporate Speakers:

- Gary Stein; TPG; Head of Investor Relations
- Jon Winkelried; TPG; Chief Executive Officer
- Jack Weingart; TPG; Chief Financial Officer
- Todd Sisitsky; TPG; President

Participants:

- Glenn Schorr; Evercore; Analyst
- Craig Siegenthaler; BofA; Analyst
- Kenneth Worthington; JPMorgan; Analyst
- Alexander Blostein; Goldman Sachs; Analyst
- Steven Chubak; Wolfe Research; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Michael Cyprys; Morgan Stanley; Analyst
- William Katz; TD Cowen; Analyst

PRESENTATION

Operator^ Good morning. And welcome to the TPG's Third Quarter 2025 Earnings Conference Call. (Operator Instructions). Please be advised that today's call is being recorded. Please go to TPG's IR website to obtain the earnings materials. I will now turn the call over to Gary Stein, Head of Investor Relations at TPG. Thank you. You may begin.

Gary Stein

Thanks operator, and welcome everyone. Joining me this morning are Jon Winkelried, Chief Executive Officer, and Jack Weingart, Chief Financial Officer. In addition, our President, Todd Sisitsky, is also here and will be available for the Q&A portion of this morning’s call.

I'd like to remind you this call may include forward-looking statements that do not guarantee future events or performance. Please refer to TPG's earnings release and SEC filings for factors that could cause actual results to differ materially from these statements. TPG undertakes no obligation to revise or update any forward- looking statements except as required by law.

Within our discussion and earnings release, we’re presenting GAAP and non-GAAP measures, and we believe certain non-GAAP measures that we discuss on this call are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to the nearest GAAP figures in TPG's earnings release, which is available on our website. Please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any TPG fund.

Looking briefly at our results for the third quarter, we reported GAAP net income attributable to TPG Inc. of $67 million and after-tax distributable earnings of $214 million, or $0.53 per share of Class A common stock. We declared a dividend of $0.45 per share of Class A common stock, which will be paid on December 1, 2025 to holders of record as of November 14, 2025.

I'll now turn the call over to Jon.

Jon Winkelried

Good morning, everyone. Thank you for joining us today.

TPG delivered strong results in the third quarter. Our total AUM grew 20% and quarterly fee-related earnings grew 18% year-over-year. The flywheels across our business continue to accelerate, led by robust capital formation across all asset classes and a record quarter for deployment. I'll spend a moment on each of these important areas.

This was an outstanding fundraising quarter. We raised a near record $18 billion of capital, up 60% from the second quarter and 75% year-over-year. This was driven by a successful first close in our flagship private equity funds and strong credit fundraising, where we continue to experience a step-function increase in capital formation. We've made substantial progress against our previous guidance of raising significantly more capital in 2025 compared to 2024. Year-to-date, we've raised over $35 billion of capital, which already exceeds our full year 2024 fundraising.

- In Private Equity, we raised $12.3 billion in aggregate across our strategies. This was primarily driven by $10.1 billion raised in the first close for our flagship buyout funds, TPG Capital 10 and Healthcare Partners 3, including commitments that are signed but not yet closed. We received strong support from our existing clients who increased their commitments by 12% on average over the prior vintage.

  These results reinforce our confidence that TPG is positively differentiated within the private equity market, where fundraising has been perceived as challenging in the current environment. Our clients continue to lean in and look for more ways to partner with us in private equity given our distinct and highly disciplined approach, and consistently strong performance. As a result, we believe we are outperforming in private equity fundraising relative to the broader market and gaining share.

- In Credit, after reaching an inflection point last quarter, we maintained our strong fundraising pace and closed $4.8 billion of credit capital in the third quarter.
  - In Middle Market Direct Lending, we announced the closing of a $3 billion continuation vehicle, which we believe is the largest-ever private credit CV. This unique transaction enabled us to extend the duration of our capital base for a portfolio of high performing senior loans in collaboration with several strategic partners.
  - In Structured Credit, we raised $1.4 billion across the strategy and launched our new liquid securities focused open-ended fund.
  - And in Credit Solutions, we continued fundraising for our third flagship fund, bringing the total capital raised to date to $4.3 billion. We expect to hold a final close in the fourth quarter and for the fund to be meaningfully larger than its predecessor.
  - Year-to-date, we have raised nearly $12 billion of credit capital in what has been a breakout year for our franchise. As a result of our fundraising momentum, we ended the quarter with record credit dry powder of over $16 billion. Credit AUM not yet earnings fees stood at nearly $11 billion, which represents over $100 million of annual revenue opportunity that we expect to flow into management fees over time.

- In Real Estate, we held a final close for our inaugural real estate credit strategy, bringing total commitments across the main fund and related vehicles to $2.1 billion, which exceeds our initial $1.5 billion target by more than 35%. We raised approximately $1 billion of capital in the final close, driven by the strength of TRECO's initial portfolio.

TRECO adds to our long track record of expanding into adjacent strategies through organic innovation. Early in the current cycle, we identified a compelling opportunity to invest in real estate credit at attractive risk-adjusted returns given the significant contraction in valuations and available leverage. We're seeing our thesis prove out, with the fund outperforming its initial return projections and generating double-digit cash-on-cash yields. TRECO is an important extension of our investment capabilities in both real estate and credit, and we expect to scale this strategy over time.

Additionally, our fundraising success has been amplified by our increasing penetration into the fastest-growing distribution channels, including insurance and private wealth.

- First, we have grown our capital from insurance clients by more than 60% over the last two years. Insurance represented 40% of TRECO's final close and over 25% of the capital raised for our Credit platform in the third quarter. We are continuing to create innovative access points and cross-platform solutions for our insurance clients. For example, we've closed more than $600 million of insurance capital in our first rated note feeder for Credit Solutions, which we believe is one of the few rated access points for this type of strategy in the market.
- Second, we are making strong progress in the private wealth channel, where we raised over $1 billion of capital across our drawdown and evergreen funds in the third quarter.
    - TPOP, our perpetually offered private equity product, continues to gain momentum with approximately $900 million of inflows since its launch five months ago, including $250 million in October. This accelerated pace was supported by the launch of TPOP on a leading international private bank platform in September. We are experiencing strong traction in Europe and Asia, and plan to launch on several additional domestic and international platforms over the next few quarters.

  Private wealth is an important growth driver for us and we remain focused on continuing to expand access to our products across geographies and investor types, which Jack will touch on further.

Moving on to deployment, as discussed on our last call, we expected our investment pace to accelerate into the back half of the year. In the third quarter, we deployed a record $15 billion, up over 70% year-over-year, and our activity was well-diversified across the firm.

- Our Credit platform drove over half of the capital deployed during the quarter, with $8.3 billion invested across our strategies, more than doubling year-over-year.
    - In Structured Credit, we deployed $3.6 billion of capital, half of which was driven by residential whole loan investments, where we continue to be a market leader. In Asset Backed Finance, we closed notable transactions across several of our verticals including non-bank credit card origination. We also completed a meaningful upsize of our joint venture with Funding Circle and Barclays in the U.K.
    - In Middle Market Direct Lending, Twin Brook generated $2 billion of gross originations in the third quarter, our highest volume so far this year. Importantly, given the steady increase in overall M&A activity, 70% of our origination was driven by new investments, bringing the total number of companies in our portfolio to over 300. Our pipeline remains robust, and we expect the fourth quarter to be our most active quarter of the year.
    - In Credit Solutions, as spreads remain at historic tights, our flexible mandate continues to create opportunities to provide tailored solutions in the private market. As an example,

    last year we formed a proprietary joint venture with Bluestar Alliance and Hilco Global to finance and acquire consumer brands and intellectual property. Our unique partnership brings together significant sector, operating, and financing expertise, enabling differentiated access to attractive opportunities. This was most recently highlighted by the JV's announced acquisition of the iconic Dickies apparel brand in September.

  Despite some recent concerns in the broader credit markets, including certain allegations of fraudulent activity, our portfolios continue to perform well. We have maintained a disciplined and highly selective approach to credit underwriting, with a focus on fundamentals and risk management. As a result, our annualized loss ratio since inception has remained stable at only 2 basis points for Twin Brook, 3 basis points for our private Asset Backed Credit business, and less than 40 basis points for Credit Solutions. We continue to uphold these same rigorous standards as we evaluate new investment opportunities, and Jack will share more details in his remarks.

- Across our Private Equity strategies, we maintained a healthy pace of deployment with $4.6 billion of capital invested in the third quarter, up nearly 40% year-over-year.
  - In TPG Capital, we announced the carve-out of Proficy, GE Vernova's manufacturing software business. This transaction is a culmination of the relationship we've built with GE Vernova over seven years across both our Capital and Climate strategies. Proficy aligns well with our expertise in corporate carve-outs and structured partnerships, which comprise 11 of the 16 most recent investments in TPG Capital.
  - Additionally, just a few weeks ago we announced the take-private of Hologic, a leading provider of diagnostic, imaging, and surgical products focused on women's health, for up to $18 billion. We are excited to partner with one of the premier scaled platforms in the women's health space, which has long been a thematic area of focus for us.
  - In Tech Adjacencies, we closed minority investments into several leading large language model developers, expanding our exposure to GenAI development and providing us with differentiated insights into this rapidly evolving area of the technology ecosystem. These investments follow the innovative debt financing that our Credit Solutions business recently anchored for xAI. We continue to evaluate opportunities to capitalize on the robust growth in this space and to partner with leading AI companies across each of our asset classes.
  - And in Rise Climate, yesterday we announced the acquisition of Kinetic, a leading international operator of zero-emission transport and infrastructure based in Australia. Kinetic aligns closely with our deep expertise in clean electrification and mobility, and represents the second investment by our Transition Infrastructure strategy.
- In Real Estate, we had our most active deployment quarter so far this year with $1.9 billion invested across TPG and TPG AG Real Estate.
  - During the third quarter, TREP completed the acquisition of the former Broadcom office campus in Palo Alto's Stanford Research Park. This investment is consistent with TREP's continued focus on selectively investing in office markets where we see compelling green shoots emerging, such as the San Francisco Bay Area. We believe the Bay Area is reaching an inflection point in demand, driven by the growth in AI-focused tenants.
  - In TPG AG Real Estate, we have maintained an active investment pace with nearly $2 billion deployed year to date across our dedicated regional funds. We are identifying and capitalizing on improving supply-demand dynamics in certain sectors, including senior

housing and hospitality in the U.S., and office markets in Japan, Korea, and London, which have low vacancy rates and attractive rental growth.

Before I wrap up, I want to share what I'm hearing from my conversations with our clients across the world, and how it's shaping our business and the opportunities in front of us.

- In Private Equity, institutional clients continue to face liquidity constraints and are consolidating their relationships among fewer GPs. Against this backdrop, we believe TPG is gaining share due to the consistently strong returns we've delivered. This has been driven by our focus on investing in deeply thematic areas and partnering with our portfolio companies to drive growth. Over the past decade, across our TPG Capital and TPG Growth funds, more than 80% of our value creation has come from earnings growth, compared to less than half for the S&P 500, where over 40% of the value was driven by multiple expansion. This differentiation is resonating with our clients and driving continued fund-over-fund growth across our private equity strategies.
- Additionally, we continue to see increasing allocations into private credit. Investors are diversifying their exposure into areas such as structured credit, lower middle market direct lending, and middle-of-the-capital structure opportunities, where we've built scaled investment strategies. Our clients are expanding their relationships with us across our Credit platform, including through multi-fund partnerships and seeding new strategies. As a result, our Credit AUM has grown 23% year-over-year, and it continues to be one of the fastest-growing areas within our firm.
- And finally, in Real Estate, we are well-positioned to play offense with over $12 billion of combined dry powder and continued positive value creation across our portfolios. Over the past two years, we've capitalized on the substantial market dislocation to acquire high-quality assets that are not typically available for sale. We believe the real estate market has stabilized and are seeing accelerating transaction activity. Our clients are expressing a growing interest in real estate, as demonstrated by the success of TRECO's recent fundraise. Given the strength of our distinctive portfolios, we remain confident as we prepare to launch fundraising campaigns for several of our real estate strategies in the coming quarters.

We've made significant progress against our strategic priorities for 2025 and I'm pleased with the strength of our business across all key metrics. Our increased scale and diversification position us well to deliver accelerated growth and to generate long-term value for our shareholders.

I'll now turn the call over to Jack to discuss our financial results.

Jack Weingart

Thanks, Jon. And thank you all for joining us today.

As you can see from our strong third quarter results, we have been successfully executing on our growth strategy. On our last call, I discussed several key building blocks we've been putting in place to drive the next leg of our growth. These include:

- Scaling our credit platform,
- Launching our next series of private equity and real estate funds,
- And building new products and businesses.

Our Q3 results demonstrate that we are tracking well against these objectives:

- Our capital formation in credit is on pace for a record year in 2025, and credit deployment through the third quarter of nearly $17 billion already exceeds our full-year

2024 total.

- Fundraising for TPG Capital 10 and Healthcare Partners 3 is off to a great start, with more than $10 billion raised in the first close.
- And we continue to expand through organic innovation. As Jon mentioned, we raised $2.1 billion of capital for TRECO, our opportunistic real estate credit fund, including related vehicles, and approximately $900 million to date for TPOP, our new perpetual private equity product, which I'll expand on later. Additionally, earlier this year, we launched fundraising for our second GP-led secondaries fund, which is tracking to be significantly larger than its predecessor.

We ended the third quarter with $286 billion of total assets under management, up 20% year-over-year. This was driven by $44 billion of capital raised and $24 billion of value creation, partly offset by $26 billion of realizations over the last twelve months. Fee-earning AUM increased 15% year-over-year to $163 billion. These figures include TPG Peppertree, which closed on July 1st and added $8 billion of AUM and $4.5 billion of fee-paying AUM.

As a result of our strong fundraising in recent quarters, our dry powder has grown to a record $73 billion. This represents a real strategic asset at a time when, as Jon indicated, our teams are sourcing very interesting investment opportunities.

AUM subject to fee earning growth was $35 billion at the end of the quarter, which included $24 billion of AUM not yet earning fees. This represents a revenue opportunity of more than $220 million on an annualized basis.

Our management fees grew to $461 million in the third quarter, driven by the activation of TPG Capital 10 and the addition of TPG Peppertree to our Market Solutions platform. We generated $38 million of transaction and monitoring fees in the quarter and $163 million over the last twelve months. We continue to invest in building our Capital Markets franchise, and as we look to the fourth quarter and into 2026, we expect to drive further growth in transaction fees.

We reported quarterly fee-related revenue of $509 million, fee-related earnings of $225 million, and a 44% FRE margin, which tracks well against our previous guidance of exiting the year with a margin in the mid-40s.

Our distributable earnings for the third quarter were $230 million, which included $30 million of realized performance allocations driven by:

- our full exit from Sai Life Sciences, which has traded up nearly 70% since its IPO on the India Stock Exchange last December; and
- the full sale of Samhwa, a leading cosmetics packaging company in Korea. This marks a strong first exit in TPG Asia 8 less than two years after our initial investment in the company, and is a great outcome for our Asia franchise.

I'd like to take a moment to explain the relationship between our monetization activity and our generation of performance related earnings for shareholders. We continued to drive strong realizations across our portfolio, which increased nearly 40% year-over-year to $8 billion in the third quarter. The reason that PRE did not increase commensurately relates to the timing of profit allocations early in a fund's life. In addition to Sai Life Sciences and Samhwa, realizations during the quarter included early exits in several other funds, such as our highly successful sale of Elite in TPG Capital 9. These exits drove attractive profits and DPI for our fund investors but did not result in significant performance allocations, as the gains went to repay fees and expenses, which is typical for the first exits in a fund. Looking forward, this sets us up for increased performance allocations from the next series of exits in these young funds.

On an LTM basis, we've generated $262 million of performance related earnings for our shareholders, which is a 140% increase compared to the prior twelve-month period. Our clients recognize the differentiated DPI we've delivered and we have continued to drive monetization activity since quarter end.

- In October, we completed our first major liquidity event in our GP-led secondaries business, TGS, through a partial realization of CR Fitness, a leading Crunch Fitness franchisee, at an attractive valuation. Since our initial investment, our sponsor partner North Castle and the management team have driven exceptional growth at the company, more than doubling both the number of active clubs and EBITDA.
- And just last night, our Rise and Rise Climate portfolio company Beta Technologies, which has developed electric aircraft capable of vertical takeoff, successfully priced a $1 billion all-primary initial public offering. The IPO was very well-received, allowing the company to upsize the offering and price above the filing range.

Moving on to our balance sheet, we drew on our revolver during the quarter for several growth initiatives, including funding the cash consideration for Peppertree and seeding the portfolios for new businesses such as TPOP. We issued $500 million of senior notes during the quarter and used the proceeds to pay down our revolver. As a result, our net interest expense increased to $23 million in the third quarter. As of September 30th, we had $1.7 billion of net debt and $1.8 billion of available liquidity, giving us ample flexibility to continue pursuing new growth initiatives.

Given our increased diversification and strong financial profile, we recently received an upgrade in our credit rating from Fitch to "A-".

The fundamentals across our portfolios remain strong, and we delivered positive value creation in each of our platforms for the third quarter and over the last twelve months.

- As Jon mentioned, recently there's been heightened focus in the market on credit quality due to a few high-profile defaults. Importantly, we have no exposure to those events, and the underlying health of our credit portfolios remains strong. In aggregate, our Credit platform appreciated 3% in the third quarter and 12% over the last twelve months.
    - In Middle Market Direct Lending, our portfolio comprises exclusively first lien loans with maintenance financial covenants, and we are a lead lender in nearly all our transactions. We have built in significant downside protection and take an active approach to portfolio management. As a result, our portfolio of more than 300 companies continues to perform well. Non-accruals remain extremely limited, at less than 2%, and our average interest coverage ratio has remained very stable at approximately 2 times.
    - In Structured Credit, our Asset Based Credit fund's net IRR since inception remained above its target range at 13.5% at the end of the third quarter. In addition, our flagship structured credit fund, MVP, continued to outperform credit benchmarks and returned 3% in the third quarter.

      Recent stress in the structured credit market has been evident in the subprime auto space. Several years ago, we identified weakening fundamentals in auto finance and our structured credit funds proactively rotated out of the sector. As a result, we currently have zero exposure.
    - Looking at Credit Solutions, our funds generated net returns ranging from

approximately 5% to 6% in the quarter, which far outpaced the U.S. Leveraged Loan and High Yield Bond indices.

  - In addition, our second Essential Housing fund generated a net return of nearly 4% during the third quarter, and more than 11% year to date.

- Turning to private equity, our portfolio in aggregate appreciated 3% in the third quarter and 11% over the last twelve months. Overall, the companies within our Capital, Growth, and Impact platforms continue to meaningfully outperform the broader market, with revenue and EBITDA growth of approximately 17% and 20%, respectively, over the last twelve months.
- TPG's real estate portfolio appreciated 3.5% in the third quarter and nearly 16% over the last twelve months. We continue to see strong performance and value creation in our data center, residential, and industrial investments. TPG AG's real estate portfolio appreciated by 2% in the third quarter and 3.5% over the last twelve months.

Our net accrued performance balance grew by nearly $200 million in the quarter to reach $1.2 billion, driven by our strong value creation in addition to $100 million of accrued carry acquired through Peppertree.

Turning to fundraising, we raised more than $18 billion during the third quarter including more than $12 billion in Private Equity and nearly $5 billion in Credit. Year-to-date through the third quarter, we have raised more than $35 billion across our platforms, which already exceeds the $30 billion we raised in 2024.

As Jon noted, private wealth is a strategic priority and an important growth driver for TPG. I'd like to share some additional details on our progress in increasing our penetration within this channel. During the third quarter, we raised over $1 billion of capital in the wealth channel and approximately half of these inflows came from our evergreen solutions, which continue to gain momentum as we widen our distribution partnerships globally.

- TCAP, our non-traded BDC, raised $235 million in the quarter and continues to grow, reaching over $4 billion of AUM at the end of September. TCAP is actively distributed by three of the largest U.S. wirehouses, and we recently launched on one of the largest independent broker dealer platforms. Twin Brook's focus on the lower middle market, conservative lending standards, and high credit quality is continuing to differentiate TCAP relative to other credit options available to wealth clients. We are actively expanding TCAP's distribution network and expect inflows to continue to accelerate.
- TPOP, our perpetually offered private equity vehicle, has been very well-received in the channel, exceeding our high expectations. TPOP has raised approximately $900 million in its first five months, and we are experiencing increasing momentum as we grow our distribution footprint and investment portfolio. From its activation date in June through September 30th, TPOP has delivered net returns of approximately 12% and as of quarter end, provided exposure to 41 individual TPG portfolio companies. We are very focused on expanding our distribution for this strategy globally in 2026.
- Finally, we continue to expand our partnerships with global banks and wealth platforms, adding more than 20 new relationships in the third quarter. Additionally, we are actively structuring several innovative partnerships to extend our brand and increase the accessibility of our products for the wealth community, including the RIA channel. We look forward to providing updates here in coming quarters.

Before I wrap up, I'd like to provide an update on our fundraising outlook. During the course of this year, as we anticipated, we've been experiencing a step-function increase in the pace of our capital formation, with a particularly robust third quarter driven by the strong first close for our TPG Capital and Healthcare Partners funds. Most of the remaining capital for these funds will be raised next year. Nonetheless, we still expect the fourth quarter to be an active period for fundraising across asset classes.

Looking at 2026, we expect to have another robust year of fundraising, similar to this year, driven by a number of ongoing and new campaigns.

- In Credit, we expect continued capital raising across all our existing businesses. In addition, we are working on launching several new strategies to further expand our Credit platform.
- In Private Equity, we will continue to be in the market with our Capital and Climate campaigns, and we expect to launch fundraising for the next vintage for our flagship Asia fund as well as our fourth Rise fund.
- On the Real Estate side, we expect 2026 to be an important and significant year for our franchise. We will begin fundraising for the next vintage of TPG Real Estate's flagship fund and TPG AG Real Estate's funds in both the U.S. and Asia.
- We also remain highly focused on diversifying our sources of capital and further penetrating the fastest-growing distribution channels.
  - In private wealth, we expect to grow our distribution network in the U.S. and internationally, and launch additional semi-liquid and yield-oriented products across asset classes.
  - Additionally, we continue to organically expand our insurance relationships and evaluate broader strategic partnerships and inorganic opportunities.

Based on the increased cadence and consistency of our capital formation efforts over the last few years, we have clearly been successful in expanding and diversifying our business. We are excited to continue building on this momentum and delivering differentiated results for our clients and shareholders.

Now I'll turn the call to the Operator to take your questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And we'll take our first question from Glenn Schorr with Evercore.

Glenn Schorr^ I appreciate the color you gave us on the relationship between monetizations and PRE and some monetizations early in funds life. What's interesting is 69% of your net accrued performance is now in funds that five years are older. So I'm just curious, really good monetization backdrop according to the banks, brokers, you guys. So just how does that inform us about the realization pipeline that you're looking at, given the age timing and all the other comments?

Jack Weingart^ Yes, good question, Glenn.

Let me start just by explaining that vintage page a little bit because I don't think we've done that in the past, and then Todd will expand a bit more on our outlook for PRE. But on that Vintage chart, when we say vintage the category vintages before 2020 and earlier, that refers to the vintage of the fund itself not to the underlying portfolio of companies. So the biggest category there, for example, is TPG 8, which is 2019 vintage fund. So those investments were made largely in 2020, '21, '22. And before we raised TPG 9. And then growth 5, the 2020 vintage fund, that's another big category in that kind of aged vintage bucket. And that's a 2020 vintage fund where most of those deals were done in 2021, '22, '23. So despite 2020 sounding like an earlier vintage, the vintage of the underlying investments are actually still pretty young. So that being said, that's what that page means. And Todd will expand more on our approach to monetization.

Todd Sisitsky^ Yes.

I think just to echo what Jack said, these are a lot of newer deals. We are folks who drive growth in those investments, it takes some time, a couple of years, but we feel like we're at the appropriate cycle in terms of the liquidity in those funds. And I'd say that without repeating much of what Jack said, I do feel like DPI and liquidity has been a real differentiator for us.

We approach it with a lot of intentionality. I think we bring the same level of focus and intensity that we do to the investment decisions, which I think has been a differentiator for us, which is part of the reason we were net sellers in Capital and Growth in 2021, '22. We were net buyers in '23 with the market foot back and then net sellers again in '24.

As I look forward, I feel like we are constructive on the liquidity prospects and feel like we presently have a number of assets we're exploring liquidity around. Jon mentioned actually the majority of TPG Capital investments in the last fund have been in some form of carveouts or corporate partnerships.

In many of the structural relationships, we actually know who the buyer of the business will be. In many of those cases, we have put call relationships, which I think is another interesting feature and a pretty unusual set of opportunities.

The majority of the sales in Capital over the last many years have been sold to strategic strategics. We've also mentioned some recent IPO as recent as yesterday. We've had more than 13 IPOs in India in the past few years. So we're taking advantage of those market opportunities as well.

But overall, we feel good about the momentum in the portfolio. We feel good about the dialogue we're having, and we're constructive on the liquidity environment.

Jack Weingart^ Glenn, my comments on the call were meant to basically indicate that we are still aggressive on the monetization front. The timing issue I described is how that flows through to PRE.

If the sales were made in more mature funds that had already had exits to pay down the fees and expenses, which is the normal way a waterfall works, the PRE during the quarter would have been probably twice the $30 million.

Todd Sisitsky^ Right. And so now essentially, we've cleared the decks. The next exit out of those funds should be -- should flow through to PRE.

Operator^ And our next question comes from Craig Siegenthaler with Bank of America.

Craig Siegenthaler^ We also have a question on realizations, but on aggregate realizations. For the first time since you IPO-ed almost four years ago, it is once again raining IPO and M&A announcements. If this continues, can you help us frame the level of realization potential out of your Growth and Capital businesses over the next year?

And the reason I'm asking TPG this is the last time we had this backdrop, in 2021, TPG was arguably the most active in the industry at monetizing. And it sounds like your commentary today is constructive, but maybe not super bullish.

Jack Weingart^ Maybe I'll start on that, Craig. It's Jack. The way I think about that, as you know we don't forecast realizations and PRE for a good reason. We're going to sell companies when it's the right time to sell companies, and we have all the complicated waterfall mechanics that I just talked about. That being said, the way I think about it from the top down is our accrued but unrealized PRE performance allocation balance is now up to $1.2 billion, right? We acquired some PRE from Peppertree.

That was half of that increase. The other half is from appreciation so we're seeing that balance start to grow again. And as you and I have talked about, one way to frame it is through a cycle, you would expect that we would monetize that balance over, call it, a 3- or 4-year time period. And the more attractive the market gets, the more we'll tend to lean into that.

But the most important question is what are the underlying companies? Have we achieved our value creation plan and is the right thing to do for our funds, our investors to sell that business? And that will be our framework for thinking about each exit through the course of the year next year.

Jon Winkelried^ Craig, it's Jon.

I think your interpretation of it is slightly off. I think that when we were talking about this, what we were trying to communicate is this intentionality around what we do and how we do it. And when you look at how we built our portfolios across Capital 8, Capital 9 and now into Capital 10, again, Todd just mentioned this, the dynamics of the strategic partnerships that we have in a number of cases, actually having strategics work alongside of us to know the business because they want an opportunity to acquire an asset.

I think that what we've done is try to set up our portfolios in a way where we have multiple pathways in terms of exit opportunities. You look at the size of our companies, the size of our businesses. One of the things that we focus on, obviously is creating value, which I mentioned in my comments, in terms of revenue growth, EBITDA growth and also trying to be intentional about where in the life cycle of that value creation, we actually start to think about selling or monetizing assets so that there is more in the tank as we think about who's ultimately going to buy the asset. And I think that if you look at our portfolios, we're actually overlaying that, by the way, is a perspective on where valuations are.

You made the point about '21, '22. We leaned in, obviously we sold our entire software portfolio back then because of the way we perceived valuations in the market, that turned out to be a very good decision.

I would say that the -- what we meant -- what we're meaning to communicate is that we're as focused on how we think about making decisions around the buy in our portfolio as we are on the sell. And I would say that you should expect us to be active as it relates to how we think about monetizing our portfolios. And so I just wanted to clarify because I think your interpretation is a little bit off.

Todd Sisitsky^ Just the last thing I would add and both Jon and Jack have referenced it. One of the reasons I think we're constructive on the exit is just the strength of the portfolio performance. We have a portfolio on an LTM basis across private equity that's growing EBITDA at 20% plus and none of the platforms on an LTM basis are below 15%. They're all really performing well. And that is, of course, we were saying about the strategic exits, but also IPOs, that's the best leading indicator.

Operator^ And we'll take our next question from Ken Worthington with JPMorgan.

Kenneth Worthington^ We're seeing far more concern about AI disrupting certain parts of the software technology and business services area. Two parts here. One, as you think about your investment portfolio, do you see any risks in the investments as that theme plays out? And then maybe hopefully more interesting, how do you feel about being on the winning side of this technological shift either through Peppertree or elsewhere in your various business verticals?

Todd Sisitsky^ Thanks for the question, Ken.

We've been very early investors in AI. We started over a decade ago with C3.ai and we had a number of the early predecessors to today's companies as well as a number of the companies that are in the headlines today. And actually, some are not even limited to the equity side. Credit Solutions actually did what I think is the first substantial debt investment leading a raise for XAI last quarter.

It helps that we're based in San Francisco. And with a good arm, you can probably hit more than half of the AI companies from our building. And we've invested significantly in AI capabilities. So we have an AI center of excellence in which our operations and business building team for AI adoption on each of the portfolio companies. We have a lot of investments recently in human Capital, including the former Chief Technology Officer at Accenture, and one of the co-heads of McKinsey's software business.

So AI is really part of everything we're doing now. It's moving quickly. It's part of every underwriting decision. Technology, in general, software, in particular, are certainly in our power alleys. I think you're specifically focused on the impact of AI there.

Our software portfolio is growing earnings at 22%, 23%. And I do think it's having a meaningful impact, but that is having an impact in both directions. There's some real opportunities and net beneficiaries from AI. So for us, we've been spending time in areas like vertical market software, fintech, cybersecurity. We've seen that in number of our recent investments.

We've probably been a little more cautious on some of the broader horizontal themes in industrial software, where we see AI changing the landscape very quickly. And again, every single underwriting decision not just in software, but particularly in software, has a high intensity focus on the impact of AI. Even in companies like health care IT, just to use one example, one of our largest investments in the last few years, there was a business called Lyriq, which we bought out of UnitedHealthcare. It looks at 60-plus percent of the primary claims in the U.S. health care insurance industry. And so you would think as an algorithm business, you have a big impact from AI. But for years and years, we have been the only ones that have a proprietary look at all that data so AI really isn't a threat. Instead, it's an opportunity for that business to expand its footprint beyond the primary claims-editing space.

So it's really a very company-by-company analysis and in the companies that I think we move into, we really feel like it's an opportunity. To your point, AI has a huge impact on health care. It has a huge impact outside of equity in -- on the credit side as well. And we feel like we have assembled the right team and the right internal rigor to make sure that we're thinking quite dynamically and in an intentional way about how to make sure that we're on the right side of AI and then leveraging AI to drive performance in our portfolio companies.

Operator^ We will take our next question from Alex Blostein with Goldman Sachs.

Alexander Blostein^ I wanted to spend a minute on credit. It feels like momentum in that business is finally starting to take off. We saw it with fundraising for the last couple of quarters, but it looks like deployment is also starting to catch up. So maybe spend a minute on how you see the growth evolving from here, where the incremental benefits on fundraising are coming from -- and I think one of the items you highlighted was launching new products when it comes to credit into 2026. I was hoping you could expand on that as well.

Jon Winkelried^ Yes. Sure. Thanks, Alex. It's Jon.

Look, I think as we said in our comments, this has been the underlying thesis of when we acquired the Angelo Gordon business was that it was a platform that had a multi-strategy approach in terms of across lending, structured credit solutions total return opportunities. And that inside of this firm, it would essentially step to the next level, both from the perspective of capital formation. But importantly, in terms of the overall ecosystem to originate and source transactions. And I would say that it's hitting on every cylinder in terms of the ability to scale the businesses.

If you recall one of the things that we said early on in the acquisition was that the businesses were out-originating the capital base essentially being undercapitalized and that's fundamentally changing now. You can see it in the scale of our capital formation across all of those businesses. You can see it in the uptick in acceleration of our open-ended vehicles as well like TCAP that Jack talked about in terms of the acceleration. If you look at the inflows, for instance, to TCAP, the slope of the line is steepening in terms of our inflows and the relevance of that product in the market. Same thing is happening in MVP in our structured credit business.

What we've done is we have begun now also to really think about the next level with respect to the various cost of capital -- the cost of capital of various investment strategies particularly to serve our insurance company clients. I mentioned in my comments, the substantial increase in engagement with insurance clients. That is continuing in this past quarter.

It's continuing again and really structuring various types of vehicles for our insurance company clients, whether they're funds of one or and moving now into things like IG risk in terms of being able to serve the insurance client across a range of assets and across a range of returns which is obviously what is necessary in order to serve that market.

We continue to have -- one of the things that we're observing in that part of the market is that I think there is an increasing awareness on the part of most of the life and annuity players in the market, but it's also getting broader than that, that not being -- not having partnerships in the alternative side of the business is very dangerous from a strategic competitive position.

So as a result of that, because we don't own a captive at this time we continue to see that dialogue increasing with respect to various forms of partnerships with a variety of different insurance clients, both here as well as internationally.

And so I think that that's going to be -- I believe that what will happen over the course of the next number of quarters, over the course of the next year or so, is we're going to continue to see step function increases in the engagement that we have in that market. Likewise, I think we're working on expanding our capabilities with respect to the retail wealth markets.

And one of the things that we've been focused on is how do we access that part of the market more effectively, more efficiently in much bigger size. And Jack alluded to this in his comments, but I think that hopefully, we'll have some things to talk about over the next couple of quarters where we've had some meaningful progress and that's really all we can say about it at this time.

But we're very focused on the ability to deliver return streams that, in many cases, are a combination of liquid and illiquid or liquid and alternative products. And so we're putting ourselves in a position and growing our capabilities to be able to deliver that. I would say that other areas of growth for us there, we've talked about this before, I think you'll recognize this, but we have a best-in-class lower middle market lending franchise in Twin Brook. And one of the things that we have identified as a result of the sourcing capability that we have in both Twin Brook as it relates to our relationships as well as from Credit Solutions, where we're seeing larger bespoke transactions and sourcing in some cases, even that's coming through relationships we have with sponsors from our private equity business, we are building into the next level of lending.

We like to call it graduating companies. It's a little bit broader than that, but we like to call it graduating companies where we have companies — over 300 portfolio companies in Twin Brook they start life as companies that are generating $25 million of cash flow and less. And then they end up at $40 million, $50 million, $60 million, $70 million, $80 million of cash flow and we've been the lender to those companies for 3, 4, 5 years. We know those companies better than anyone. And so the risk dynamics of us extending into that part of the market is something that we have a reason to win. And so we are -- and we'll have more to say on this again also over the next quarter or two, where we'll formalize this, but we are building into the next leg of growth in that, and we're already seeding a portfolio and we already have some traction with respect to some LP partners of ours that will anchor the strategy for us. But it's just a little bit too early to roll it out, but we will be rolling it out over the next couple of quarters.

So hopefully, that gives you a sense for what the growth drivers are. Alex, when you cut through all that, we're basically early in a multiyear period of growth in fee earning AUM in credit, right?

As you alluded to, the fact that we're starting to see deployment pickup and in AUM. While that's been happening, our dry powder in credit over the past year has also increased by 35% or more. We have multiple channels for additional fundraising and AUM growth that will flow into FAUM. So we expect the next several years to be attractive growth years for our credit business.

Operator^ We can move next to Steven Chubak with Wolfe Research.

Steven Chubak^ So I wanted to ask on FRE margin lever. It came in above expectations in 3Q, 69% incremental margin, certainly a marked improvement versus 51% in 2Q. So while you reaffirmed the mid-40s FRE margin exiting the year, how do you think about this longer term, just given prior comments supporting meaningful upside to FRE margins as the business scales, whether that higher mid-60s incremental margin is, in fact, a sustainable run rate, even with all the investments you had spoken of and how it informs your outlook for the FRE margin trajectory next year and beyond?

Jack Weingart^ Yes. Good question. We are reiterating our guidance to exit this year in the mid-40s. As I've said, all along, that is not an end point for us. I think you're exactly right, you'd be looking at the incremental margins in connection with growth in FRR. And we do see that to be well above the mid-40s. How far above will depend because we are investing and building areas we want to grow in the next five or 10 years as a business.

We're investing in things like building up our private wealth distribution business and many other areas. And we're going to -- we'll continue to invest in our business. That being said, I would expect continued FRE margin expansion in the next couple of years. We have not yet given guidance on when we might get to, for example, 50%. But 45% is a step along the way.

Operator^ And we will move next to Brian Bedell with Deutsche Bank.

Brian Bedell^ Great. Maybe just to go back to your comments on fundraising outlook, great to see the really strong momentum here. I think, Jack, you mentioned '26, you obviously expect to be a robust year similar to '25. Just in terms of the new funds that you're bringing to market, just wanted to -- it seems like '26 should be even stronger than '25. I just wanted to make sure if I understand that correctly. And the reason I'm asking is because I think you've got Asia coming. Real estate, obviously is a large step function, RISE four is coming to the market. You still have Capital 10 in the market and then probably continued growth in credit and wealth.

So I just wanted to understand if that's the case. And if I could just throw in a question on the deployment and the transition infrastructure fund with Kinetic. Is that continuing to increase that deployment capability in terms of how you're seeing that form for fundraising for the RISE Climate segment of funds?

Jack Weingart^ Yes. Thanks for the one question, Brian. Look, on the outlook, I was intentional in my words. I think next year will be a continued robust year. There are some puts and takes versus this year. Obviously we had a very large initial close for TPG Capital and Healthcare Partners.

We do expect to raise some more money for that in the fourth quarter. So that next year will be likely less Capital 10 raised because we've already raised well over half of our target, we will have by the end of this year.

On the growth side, we had a big final close for Growth earlier this year. and our Growth franchise in the U.S. won't be in the market next year. On the real estate side, one of the things that might be throwing you off, I think when I talked about our flagship real estate launch being an important launch next year. The way we're currently thinking about it is the majority of that capital will probably raise the following year because we probably won't have our first close until the back half of '26.

So -- and you're right that we absolutely do expect continued robust fundraising on the credit platform, as Jon mentioned. So when you cut through all that, we see some puts and takes. But this year, being as strong a year as it was up more than 50% over last year, some might have expected a step down next year. We don't expect that.

Jon Winkelried^ On your sneak-in second question on deployment around TI and Climate, I guess, generally, first of all, we're -- across the strategies, I would say that we are seeing really unique deployment opportunities, really unique. And we like what we're seeing.

We think we're going to generate differentiated returns. And again, we've said this before, but we think that across these various types of climate strategies between private equity and infrastructure that it's a generational investment opportunity, and it's a global opportunity as well.

So I think that we've been quite active just to put a pin in that. I think we've deployed $2.3 billion of capital this year across those strategies. And obviously Kinetic being the most recent on the TI side, that was our second investment in TI. And so that continues to be a portfolio that we're building, and we're fundraising alongside of it contemporaneous with that. And I think when you look at the trends going on around in the world in terms of the demand for power on a global basis, electrification, co-location opportunity, storage, et cetera. We're seeing really interesting opportunities. And again, we're seeing it on a global scale. So we're very enthusiastic about what that ultimately will look like, and we're -- it's a very active strategy.

Operator^ And we will take our next question from Michael Cyprys from Morgan Stanley.

Michael Cyprys^ I wanted to ask about M&A. You guys have done a number of inorganic transactions already over the last couple of years. So just curious, as you look at the platform today, what's left to fill in to accelerate one scale or presence, where may inorganic activity be helpful? I'm just curious what you're seeing on that front? And how do the recent transactions inform your approach as you look forward?

Jon Winkelried^ Yes. Sure. Thanks, Michael.

Look, first of all, I would say that we have been -- as you know we've been very focused and intentional about the type of inorganic activity that we've engaged in. And we feel like where we have executed -- we're executing really, really well. And there's a lot you have to appreciate.

We've talked about this before. You have an appreciation for the fact that it begins with the deal and -- but that's sort of like the tip of the iceberg and most of it is underneath from there in terms of execution, integration and really making it work, cultural engagement, and then growth. And we feel like we have been very successful at it, and we feel like we've developed a lot of skills in terms of understanding how to do it. So it's something that we feel will be a kind of arrow in our quiver in terms of growth on an ongoing basis.

One of the other things that I think we see happening is that because of the overall trend line in our industry, which is, I think, the kind of the bigger getting bigger, a trend towards consolidation, I think that one of the things that we see happening is we -- because of our are having established our bona fides and being able to do this well. I think we are the recipient of a lot of incoming across a range of different strategies. And that is very helpful because obviously we have a good look at what's going on. And in many cases, what we're finding is that potential targets or counterparties want to engage with us on a proprietary basis which is also an attractive way to at least evaluate whether or not it's something that makes sense for us and if so, then execute on it on terms that make sense.

I would say that our overall business development effort is pretty active just in terms of seeing opportunities and evaluating them. We're going to be picky as you'd expect. There are areas that I think without getting into too much detail, I think there are areas in the market that continue to be interesting to us. Obviously -- and there's not only product strategies, but also geographies as well. I think that we're continuing to focus on how to continue to broaden our footprint in Europe, as an example and there may be sort of opportunities there that develop for us. Nothing to do right now today, but I mean that's just an area that interests us because we are a global firm.

We could find opportunities that I would describe as kind of tuck-ins or fill-ins in our credit strategy that might be interesting to us. There are areas potentially related to the build and infrastructure that might be interesting to us because obviously we have two pieces to that now, TI and then also Peppertree. And I think we want to continue to think about how does that part of the market expand for us. There's a lot of interesting developments going on in the market as it relates to secondaries in our market, as the primary markets across all the asset classes grow, I think the secondary flows are going to become more and more important to the market. So that's another really interesting area.

Operator^ We'll take our next question from Bill Katz with TD Cowen.

William Katz^ I appreciate all the guidance and discussion so far. Maybe just two areas of growth seems still being the wealth and the capital markets areas. So I'm wondering if you can maybe update us on maybe where you see the incremental spend. And then on the wealth side, in particular, just sort of curious, you mentioned a number of times, new products, new geographies, maybe unpack that a little bit in terms of where you see the greatest opportunity in the near term.

Jon Winkelried^ Jack, why don't you start with wealth?

Jack Weingart^ Sure, Bill, thanks for the question. Look, wealth is a multiyear build for us, right? The starting point was launching TPOP alongside our existing products and the existing evergreen products, MVP and TCAP and getting the flagship private equity product in the wealth channel on the Evergreen side launched effectively. And that, as I mentioned, is off to a great start with lots of room to grow from here. The $900 million is the latest AUM number we've announced there, and we see substantial continued growth through the rest of this year and next year. Part of that growth, all of that so far has been almost entirely on three platforms. In the platforms in which we are selling TPOP, we are one of the most attractive or high volume private equity evergreen products, if not the most active. So it's extremely well received, but we're very early in the expansion across additional distribution partners so through the course of next year, you'll see that. You'll see us expanding partnerships to broaden out and globalize effectively the placement of TPOP.

Along with that, there are several additional products that we feel like we're well suited to bring to market. The first would probably be a multi-strategy credit interval fund. We talked about how well received TCAP is as a direct lending BDC. The other businesses, as we've talked about, that we have in credit through Angelo Gordon are also distinctive businesses in structured credit, credit solutions, et cetera. So having a credit interval fund that much like TPOP sees all of our private equity deal flow, that benefits from all of the flow across our credit platform.

We're seeing strong demand for that in mid-stage discussions with potential channel partners who want to see that product. And then the next tent pole would be in real estate. We have no nontraded REIT at this point. We have an excellent real estate business that's diversified across lots of different components. So we're in active discussions with channel partners who would like to see a real estate product from us. So that's kind of a near-term roadmap with more to come.

Jon Winkelried^ I think that you should expect that our capital markets business will continue to grow. Obviously it's a transactional business. So the general flow of opportunities is correlated -- capital markets will be correlated to that but one of the things that has happened over the course of -- I'm sure you've seen it in the trajectory of our revenue over the course of the last several years is that as we have been embedding our capital markets capabilities into each of our platforms in each of our product areas, we're involved in -- as a capital provider, as a capital arranger across almost all of our businesses now. And with the addition of our credit franchise, it's taken sort of a next step with respect to our ability to use the broker-dealer and use our capital markets capabilities to distribute and to source. So I think that our outlook for that is that as the firm grows, it will continue to grow.

Operator^ This concludes the Q&A portion of today's call. I would now like to turn the call back over to Gary Stein for closing remarks.

Gary Stein^ Great. Thanks, Operator. Thank you all for joining us today. If you have any additional questions, please feel free to follow up directly with the IR team.

Operator^ This concludes today's TPG's third quarter 2025 earnings call and webcast. You may disconnect your line at this time. And have a wonderful day.