

TPG (Q4 2024 Earnings Call)

February 11, 2025

Corporate Speakers:

- Gary Stein; TPG; Head of Investor Relations
- Jon Winkelried; TPG; Chief Executive Officer
- Jack Weingart; TPG; Chief Financial Officer
- James Coulter; TPG; Executive Chairman, Co-Founder

Participants:

- Kenneth Worthington; JPMorgan; Analyst
- Alexander Blostein; Goldman Sachs; Analyst
- Michael Cyprys; Morgan Stanley; Analyst
- Glenn Schorr; Evercore; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Michael Brown; Wells Fargo; Analyst
- Arnaud Giblat; BNP; Analyst
- Daniel Fannon; Jefferies; Analyst

PRESENTATION

Operator

Good morning and welcome to TPG's fourth quarter and full year 2024 earnings conference call. Currently, all callers have been placed in a listen-only mode, and following management's prepared remarks, the call will be opened for your questions. If you would like to ask a question at that time, please press star 1 on your telephone keypad. If you need to remove yourself from the queue, press the pound key. At any time, if you should need operator assistance, press star 0. 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.

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 Executive Chairman and Co-Founder, Jim Coulter, and our President, Todd Sisitsky, are 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 fourth quarter, we reported GAAP net income attributable to TPG Inc. of

\$13 million and after-tax distributable earnings of \$261 million, or \$0.62 per share of Class A common stock.

We declared a dividend of \$0.53 per share of Class A common stock, which will be paid on March 7, 2025 to holders of record as of February 21, 2025.

I'll now turn the call over to Jon.

Jon Winkelried

Thanks, Gary. Good morning, everyone.

To begin, I'd like to take a moment to remember the life and legacy of David Bonderman, or "Bondo" to those of us who had the privilege to call him a friend and colleague. David was a legendary investor and an innovative leader in the alternative asset industry. He co-founded TPG in 1992 after following an unconventional path to investing, and his unique and collaborative style continues to resonate within our firm. David was known for architecting some of the most complex and transformative deals in our industry and pioneering private equity in Asia. His passion and relentless quest for knowledge extended far beyond investing, — into music, sports, and environmental

conservation. While we are deeply saddened by David's passing, we will honor his legacy by continuing to apply the same level of intellectual curiosity, enthusiasm, and creative problem-solving to our work at TPG.

In my comments this morning, I'll review the strong progress we made in 2024 across investing, fundraising, and business-building. I'll then share our strategic priorities and outlook for 2025.

Starting with our progress in 2024:

- First, we entered the year having recently closed our acquisition of Angelo Gordon. We were focused on integrating our firms and bringing our people and capabilities together. We successfully executed on those objectives and are operating as one, fully-integrated firm. Importantly, we have begun to realize the revenue synergies and business-building opportunities enabled by the combination.
- Second, we exceeded the ambitious fundraising targets we set for ourselves, raising \$30 billion in 2024.
- Third, we expected to make significant progress on organic growth and innovation, which we did. For example, we raised nearly \$2 billion for our inaugural GP-led secondaries fund, TGS, which we believe is the largest first-time fund of its kind. And we successfully launched a transition infrastructure strategy with \$2 billion in anchor commitments ahead of a first close.
- And finally, in an evolving market backdrop, we continued to execute interesting and creative transactions, deploying \$33 billion and realizing \$23 billion across the firm.

Looking ahead to 2025, we've positioned ourselves to deliver accelerated growth.

- We expect to raise significantly more capital in 2025 compared to 2024. In addition to several flagship campaigns, such as TPG Capital and Healthcare Partners, we expect a number of our newer strategies to contribute meaningfully to our growth. Jack will discuss this in more detail.

- We are actively expanding our client relationships across the full breadth of our franchise, as well as discussing large, cross-firm strategic partnerships. We expect these efforts to drive greater inflows in 2025.
- We are also growing our presence in important distribution channels such as private wealth and are on track to launch our new evergreen private equity vehicle targeting the retail channel.
- And, building on the success we've had with TPG AG, we continue to evaluate inorganic opportunities that further increase the scale, origination capabilities, and diversification of our franchise.

Now I'd like to review some highlights from the fourth quarter and full year of 2024.

First, we had a very strong year in capital formation, raising \$30 billion, which represents a 54% increase from 2023 on a pro forma basis.

- We successfully grew private equity and infrastructure fundraising year-over-year, raising \$14 billion in 2024.
 - In the fourth quarter, we held a first close for our inaugural Rise Climate Transition Infrastructure fund. We secured anchor commitments of \$2 billion from three large, strategic clients ahead of formally launching our campaign, and closed on \$1.3 billion in the quarter. We are excited to expand our Rise Climate franchise into an adjacent asset class and to address the substantial and growing need for transition infrastructure capital. Importantly, this is our first infrastructure investing strategy as a firm, and we see significant opportunity to grow our capabilities in this major asset class over time.
- In credit we raised more than \$12 billion for the year, which exceeded our \$10 billion target. We raised nearly \$3 billion in the fourth quarter among our diversified set of strategies including direct lending, structured credit, and credit solutions.

In addition, we've continued to be extremely active in introducing our credit teams to

our most important firm-wide client relationships. Many of the dialogues are focused on scaled, multi-product credit commitments, and we anticipate meaningful conversions in 2025.

Throughout the year we also continued to deliver organic innovation.

- This includes our new Rise Climate Transition Infrastructure fund that I just discussed, which is experiencing strong momentum. Last week, we announced the fund's first investment, the \$2.2 billion take-private of Altus Power, one of the largest U.S. commercial-scale providers of clean electric power. This also represents the first take-private transaction for our Impact platform.
- For our first GP-led secondaries fund, after holding a final close in the back half of the year, the fund is approximately 70% committed or deployed. We expect to be back in the market later this year with our second vintage, which we believe we can scale meaningfully as we continue to build a market-leading strategy.
- In the fourth quarter, we held a first close for our new Hybrid Solutions fund. This is a natural extension of our Private Equity and Credit Solutions franchises and is an excellent example of how we're collaborating across the firm to execute differentiated deals and build new businesses. Our teams have already signed or closed 5 transactions to date.
- And just yesterday, we held a first close for TECA, our new dedicated mid-cap strategy focused on developed markets in Asia. TECA leverages our longstanding presence in the region and is consistent with our strong track record of building out adjacent strategies. We received commitments for nearly half of our target fund size and expect to immediately seed the portfolio with two investments.
- In private wealth, we made important investments to grow our capabilities. This includes developing additional perpetually offered solutions like TPOP, our new private equity vehicle, and continuing to grow the size of our private wealth team. Private wealth is a high priority growth area for the firm, and we believe 2025 will be an inflection point for us in this channel.

- Finally, we delivered step-function growth in our capital markets revenue in 2024, driven by the further integration of our broker-dealer across our platforms and strategies. We expanded our product expertise in project finance and structured credit, and notably, began to capture incremental revenue from our credit platform during the year. We expect our capital markets business to be a significant contributor to revenue growth over time.

Turning to deployment, we had a robust fourth quarter to close out one of our most active investing years on record. We deployed \$10 billion of capital in the fourth quarter and \$33 billion for the full year 2024, and I'll highlight a few examples.

- In TPG Capital, during the fourth quarter we closed the acquisition of a majority stake in Surescripts, which is a unique healthcare IT network business that connects U.S. providers, payors, and pharmacies. Surescripts' existing shareholders, all of whom are strategics, selected TPG as their partner to control and transform this important business due to our extensive track record in corporate partnerships, and our leading healthcare and technology franchises.
- We also announced that Rise Climate and our portfolio company, Intersect Power, entered into a strategic partnership with Google. As part of this collaboration, Intersect Power is targeting \$20 billion in renewable power investment by the end of the decade to support an innovative approach to data center development. Google is also a member of the Rise Climate Coalition, demonstrating the power of our strategic relationships to drive differentiated opportunities.
- Within our credit strategies, we deployed nearly \$5 billion in the fourth quarter and over \$16 billion in 2024.
 - Our Middle Market Direct Lending platform, Twin Brook, had a record year with over \$11 billion of gross originations. During the year, Twin Brook transacted with nearly 70 unique sponsors, demonstrating our leading position in the lower middle market. Our incumbency among a

growing base of high-quality sponsors and borrowers is a powerful embedded source of origination. We completed nearly 300 add-ons with over 100 existing borrowers in 2024.

- In Structured Credit, we deployed more than \$3.5 billion during the year. We continued to leverage the power of our longstanding partnerships with some of the largest financial institutions in the world to help solve their financing and capital needs. We recently completed a significant capital relief trade with one of the largest banks in the U.S., and we upsized a forward flow arrangement with a leading consumer finance company to purchase \$1.3 billion of whole loans.
- And in Credit Solutions, our deployment pace has continued to accelerate as we find significantly greater relative value in the private markets. We are building a portfolio of bespoke, bi-laterally negotiated, senior-secured investments with significant downside protection. We believe Credit Solutions is well-positioned as a lender-of-choice, and our pipeline continues to build given the growing number of companies seeking creative solutions to address their capital needs in a higher-for-longer rate environment.
- Similarly, in real estate, higher rates and dislocation in certain parts of the market have continued to create interesting opportunities for our franchise. On a combined basis, TPG and TPG AG Real Estate deployed more than \$2 billion in the fourth quarter and \$6 billion during the year.
 - After taking a cautious deployment approach in 2022 and early 2023, TPG Real Estate began to increase its investment pace at an attractive point in the cycle. TREP deployed nearly \$2 billion of capital in 2024, primarily in the residential, industrial, and student housing sectors, with over 40% invested in European assets. We've focused on executing transactions of scale arising from liquidity and valuation pressures, and acquired high-quality assets from motivated sellers including public companies, pension

funds, and banks.

- TPG AG Real Estate also had a busy year, deploying over \$3 billion of capital and acquiring more than 90 properties globally. This was broadly diversified across our U.S., Europe, and Asia businesses, and notably, our Asia platform launched its first real estate credit strategy in South Korea with an important strategic partner.

The fourth quarter was also strong from a monetization perspective. We generated \$7 billion of realizations in the quarter and \$23 billion for the full year, a 50% increase from 2023 on a pro forma basis. Importantly, our realized performance revenues totaled \$105 million this quarter, which is the highest level since early 2022. Jack will provide more details on what drove this result, but I wanted to highlight a changing dynamic in our transaction activity. During the two-year period from 2022 to 2023, we deployed nearly 1.5 times the amount of capital we realized across our private equity strategies. While our deployment pace has remained very strong in 2024, our realizations stepped-up meaningfully in private equity and we returned more capital than we invested during the year. As we talk to our clients, our DPI has consistently been a point of differentiation and strength.

Before I wrap up, I want to make a few comments about our Global Partner Meeting that we hosted in Brooklyn a few weeks ago. Every two years, we bring our entire Partnership together to discuss the investment landscape, our growth strategy, and our culture. Since our IPO, we've doubled our AUM to nearly \$250 billion and during the meeting, we spoke extensively about our path to doubling our AUM again to \$500 billion over the next several years. We set some very ambitious goals for ourselves and the full force of our partnership is engaged in driving the next leg of growth for TPG.

With that, I'll turn the call over to Jack.

Jack Weingart

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

I'll begin with a discussion of our financial results and investment performance, before

wrapping up with our outlook for the year. As Jon noted, 2024 was an outstanding year across the firm, including a strong finish in the fourth quarter, with after-tax distributable earnings of \$261 million, our highest level yet as a public company.

Our fee related revenue in the fourth quarter was \$461 million, consistent with the third quarter. This included \$19 million in FRPR, primarily attributable to incentive fees from one of our direct lending SMAs. For the full year, FRR of \$1.8 billion increased 37% year-over-year, primarily driven by the contribution from TPG AG following the closing of the acquisition in November 2023. We reported fee-related earnings of \$190 million for the fourth quarter and \$764 million for the full year, which increased 26% compared to 2023. Our 2024 FRE margin was 42%, consistent with our previous guidance that we would exceed 40%.

As Jon mentioned, realized performance allocations totaled \$105 million in the fourth quarter, which is the second highest quarter since we went public three years ago. This reflects the strength and increased diversification of our business, as well as our ongoing efforts to drive monetizations across the firm. It is important to highlight that \$43 million, or 41%, was generated by our Credit strategies, including Structured Credit, Credit Solutions, and Middle Market Direct Lending. In addition, on the private equity side, our Capital and Growth platforms generated \$35 million and \$23 million, respectively, from monetizations primarily within the technology sector. For the full year, realized performance allocations were \$195 million compared to \$74 million in 2023. Our clients remain very focused on DPI as a key performance metric, and our ability to drive successful realizations continues to be a real differentiator for TPG . This is particularly important as we look to significantly increase our capital raised in 2025.

After-tax distributable earnings for the fourth quarter totaled \$261 million, or \$0.62 per share of Class A common stock, which increased 27% compared to the year-ago quarter and 38% sequentially. For the full year, after-tax DE of \$837 million increased 43% versus the prior year primarily due to significant growth in management fees from the addition of TPG AG, as well as the meaningful increase in realized

performance allocations I just discussed.

We finished 2024 with \$246 billion of total assets under management, up 11% year-over-year. This was driven by \$30 billion of capital raised and \$19 billion of value creation, partially offset by \$23 billion of realizations over the last twelve months.

It is also important to note that even with a strong investment pace, our dry powder increased from \$51 billion to nearly \$58 billion in 2024, which represents 41% of FAUM. AUM subject to fee earning growth was \$28 billion at the end of the fourth quarter, which grew 15% year-over-year. This included \$19 billion of AUM not yet earning fees, which increased 37% over the past year, primarily driven by successful fundraising across our Credit platform, which generally earns fees on invested capital.

Our net accrued performance balance was \$974 million at the end of the fourth quarter. Even though we generated more than \$100 million of performance-related earnings for shareholders in the quarter, we still maintained a net accrued performance balance of nearly \$1 billion due to strong value creation that I'll discuss shortly. Our performance eligible AUM at the end of the fourth quarter totaled \$209 billion, or 85% of our total AUM, of which \$163 billion is currently generating performance fees.

Turning to our portfolio, we have continued to generate strong investment performance, with positive value creation across all our platforms for the fourth quarter and full year 2024.

- Our PE portfolio in aggregate appreciated more than 3% in the fourth quarter and 10% over the last twelve months. Overall, the portfolio companies within our Capital, Growth, and Impact platforms continue to meaningfully outperform the broader market, with revenue growth of approximately 16% over the last twelve months.
- In credit, our portfolio appreciated over 3% in the quarter and 13% over the last twelve months.
 - In Middle Market Direct Lending, we've continued to maintain our disciplined

- credit underwriting and strong fund performance as we've scaled. As of December 31st, Twin Brook's current fund, Middle Market Direct Lending V, is tracking above its targeted return range with a gross IRR of 18% and net IRR of 14%.
- Our Credit Solutions platform also had strong results for the quarter and the year, as our Credit Solutions funds generated net returns of more than 5% in the fourth quarter, and from 11.5% to over 14% for the full year. These returns far outpaced the U.S. High Yield Bond Index, which generated a return of just 17 basis points in the fourth quarter and 8.2% for the year.
 - In addition, our second Essential Housing fund generated a net return of 3.2% during the fourth quarter, and 13% for 2024.
 - Lastly, in Structured Credit, our Asset Based Credit fund's net IRR since inception remained above its target range at nearly 14% at the end of the fourth quarter. Our Mortgage Value Partners fund, with \$6.5 billion of AUM, generated a net return of 12% for the year with significantly less volatility than the broader market indices.
 - In real estate, TPG's real estate portfolio appreciated 3% in the fourth quarter and 10% over the last twelve months. This outperformance was primarily driven by the platform's continued focus on assets with positive secular demand trends and operating fundamentals such as industrial, data centers, purpose-built single family rentals, and student housing. Additionally, TPG AG's real estate portfolio appreciated 60 basis points in the fourth quarter and more than 2% over the last twelve months.

Turning to fundraising, we raised \$8.8 billion during the fourth quarter and \$30 billion for the full year, driven by continued broad-based credit fundraising and strong first closes across our Climate private equity strategies.

- As Jon noted, we raised more than \$12 billion across our credit strategies in 2024, which exceeded the \$10 billion target that we had set for the year.

- Additionally, we also raised more than \$14 billion in 2024 across our private equity and infrastructure strategies. This includes \$6 billion raised so far for our second Rise Climate fund and our inaugural Rise Climate Transition Infrastructure fund.

Overall, our fundraising momentum remains strong. We expect aggregate capital raising to increase significantly in 2025 compared to 2024, driven by the following:

1. Continued scaling of our credit platform as we successfully introduce and expand our client partnerships across our credit strategies;
2. Additional closes for our Climate private equity and infrastructure campaigns;
3. The completion of our TPG Growth campaign;
4. Initial closes for our next flagship buyout funds, TPG Capital and Healthcare Partners;
5. Initial closes for our next generation funds in our GP Solutions and Tech Adjacencies strategies, and Rise, our broad-based impact PE fund; and
6. Increasing penetration of the high-net-worth market generally, where we are building new products like TPOP and investing in our distribution team. Regarding the timing around TPOP, I'd like to note that we continue to make steady progress toward our goal of launching in the first quarter. This would enable us to collect indications from our initial channel partners, and position us to go live with the fund in the second quarter.

Stepping back, I'd like to provide some perspective on 2024 and our outlook for 2025:

- We entered 2024 excited about our acquisition of Angelo Gordon, and focused on putting the building blocks in place for our next wave of growth. We've made great progress and have begun to capitalize on the revenue synergies we discussed at the time of the acquisition.
- Financially, we always expected 2024 to be a transitional year with slower growth, as we raised significant capital to scale our credit businesses that wouldn't flow into FAUM until 2025, and as our new Climate PE and

infrastructure funds wouldn't activate until late in the year. Consistent with that expectation, fee-earning AUM of \$141 billion at the end of 2024 grew approximately 3% versus year end 2023. This was driven by several timing-related factors:

- First, in our Capital platform, step-downs and monetizations exceeded fee-earning capital raised by approximately \$2 billion, as we focused on driving performance and realization activity in advance of launching TPG X.
- Second, in the fourth quarter, the fee base in our first Rise Climate fund stepped down to actively invested capital after we activated TRC II at the end of September. The step-down was unusually large because there were a couple of signed investments in TRC I that had not yet closed as of year-end. Additionally, given the nature of our Climate strategy, we often stage our commitments to invest additional capital as we build portfolio companies. As the final investments in TRC I close, and as we make these follow-on investments, we anticipate a meaningful increase in actively invested capital, FAUM, and management fees for our Impact platform.

Additionally, in our credit businesses, much like in private equity, we have been focused on taking advantage of attractive market conditions to drive monetizations. Toward the end of the fourth quarter, we realized an incremental \$840 million in proceeds that had not yet been distributed to LPs at year end. Pro forma for this distribution, realizations in credit for the quarter were \$3.2 billion rather than our reported \$2.4 billion.

As we look ahead at 2025, we expect these factors to reverse and we expect to see significant growth over the course of the year.

- In our Capital business, FAUM should grow meaningfully this year as we hold first closes on our new flagship funds around mid-year.

- Likewise, in Rise Climate, we expect accelerated FAUM growth through both continued fundraising for TRC II and continued deployment and AIC growth in TRC I.
- On management fees, we expect to see growth in the first half of the year driven by continued progress on credit deployment, as well as fundraising for our Climate and Transition Infrastructure funds. We expect our growth to accelerate in the back half of the year with the activation of our new Capital funds. Additionally, as we progress through our Climate and Capital campaigns, we expect catch-up fees to step-up throughout the year and into 2026.
- We expect continued strength in capital markets revenue, driven by a solid pace of transaction volumes and the ongoing expansion of our broker dealer capabilities across all of our platforms, including Credit and Impact.
- We expect our compensation and benefits expense to increase as we continue to invest in our teams to drive organic growth, with a particular focus on private wealth and institutional distribution capabilities. We also expect to see a seasonal step-up of approximately \$15 million in the first quarter driven by employer tax expenses associated with our annual RSU vesting which just occurred in January.
- Taking all of this into account, we expect our FRE margin to decline modestly in the first quarter, and then expand throughout the year as we grow FRR and realize additional operating leverage. We expect to exit 2025 with an FRE margin in the mid-40s.

Wrapping up, we're pleased with the strong investment and financial performance we delivered for our stakeholders in 2024. We also made substantial progress across key drivers of our business including fundraising, deployment, and organic growth. We are entering 2025 with significant momentum, and we have multiple levers to generate accelerated growth during the year. We are excited about the opportunities for us to continue to provide differentiated returns to our clients and build long-term value for our shareholders.

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

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We'll take our first question from Ken Worthington with JPMorgan.

Kenneth Worthington^ I wanted to follow up on your annual TPG Partners meeting. You mentioned the doubling of AUM in the coming years. Where do you place a bigger presence in and an opportunity for insurance in your list of priorities, which you commented being credit, climate, growth in wealth as you highlighted, what is important? And were there themes that were -- that either reoccurred throughout your gathering or that you think might be helpful to shareholders as we think about the next couple of years here?

Jon Winkelried^ Yes. Thanks, Ken.

I appreciate that. Let me frame it in the following way. This is what I did at the partner meeting, and this is -- and we spent a lot of time talking about each of these drivers.

But I think the easiest way to frame it is there's sort of five core growth drivers that we think about in terms of doubling our AUM again. The first would be -- and some of these you'll recognize, but the first would be continuing to grow our core.

I think as you know we've always talked about our investing performance and the quality of our performance as well as the relationships that we have with our clients. And on the back of that, I think we have been -- since our -- we've been able to grow our fund over fund sizes anywhere between 10% to 30%. And that's been a core objective of ours, and we continue to be focused on our ability to grow in an appropriate way, vintage over vintage. So number one is growing our core.

Number two would be continue our track record of organic innovation, which we've talked a lot about on this call and importantly, scaling what we've built. I think as you know we've had a very good track record of growing our firm through organic innovation, a series of step-out strategies. And we generally see the opportunities built into them and then try to scale over time.

I think examples of that, that are important that we've already mentioned, but just to reiterate, are things like our secondary strategy, TGS, the fund raise that we're engaged in now for our tech adjacency strategy, TECA, which I mentioned, where we closed on nearly half of our target for our first fund, which is our first growth equity strategy in Asia. Hybrid, which I talked about, Transition Infra, which is off to a very strong start. All of these are sort of pillars of organic growth that are off to a very strong start, play an

important role in our overall mix of products and capabilities and all have the ability to grow and scale into their next-generation funds.

The third is inorganic additions to our business. Obviously when we went public, we talked about continuing to diversify our platform. We successfully did that with Angelo Gordon. I think we've executed very well in terms of the integration. As I said, we're operating as one firm. But there are other areas we think that we can based upon our capabilities and what we've learned about integrating strategies and integrating firms.

I think there are other areas where we can continue to be opportunistic and aggressive about adding inorganically areas just generally speaking, like continuing to expand our infrastructure capabilities like digital infra as one example. Another might be geographic in terms of expanding our footprint. Europe is an example where we spent some time but there are a number of other areas as well.

The fourth would be what we talked about on wealth and continuing to penetrate with both expanding our capabilities, expanding the breadth of our distribution capabilities on the private well site as well as product development. TPOP, which both of us mentioned, we are in the process of rolling it out and launching at the end of this quarter and beginning to form capital into the second quarter into the middle of the year. There are other areas where I think we feel we can continue to develop traction in that part of the market.

We have, as you know a BDC on the credit side, which is TCAP, which we can continue to expand its penetration we, at some point, will be focused on introducing an asset-based credit product. And then there are areas where I think we can penetrate in these types of products in our real estate franchise, given the exceptional performance of our real estate franchise and the ability to product development into that part of the market as well.

And then lastly is insurance, which obviously is kind of a category in a separate category, but is also goes back to the inorganic strategy. And on the insurance side, I think we continue to work on building our insurance capital base across several different vectors. One is essentially just continuing to expand our relationships. If you look at the progress that we made in 2024 and where we're managing assets on behalf of insurance companies, we made very good progress in continuing to broaden our partnerships.

Secondly, would be something on the -- that's on the M&A side, on the insurance side. We continue to do some work on that. We continue to look at a number of situations. The market continues to evolve in terms of the types of organizations that are looking for alternative asset management partnerships, we're not going to do something unless it fits us well unless we feel like it's the right fit from a perspective of growth over time. But we continue to work on it.

We continue to see an interesting pipeline of opportunities. And I think that over time our expectation is that if we -- once we find the right partnership, its ability to really lever our growth across, in particular, our credit platform, but also beyond that including what we're doing in infrastructure, infrastructure credit potentially as well as real estate and real estate credit.

It will have a relative kind of leveraging effect across those strategies, but probably lever our credit platform most significantly.

So those are really the five pillars, I think, that we've talked about and spend a lot of time on, and that's where we expect most of our growth to come from.

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

Alexander Blostein^ Just maybe to build on that, Jon. When it comes to insurance, we've talked about it for a couple of quarters. Maybe just remind us how important is it for TPG to remain fairly balance sheet-light and capital-light as you evaluate various insurance opportunities out there. And a bit of a follow-up to that, not so much related to insurance, but to partnerships broadly, we've seen a number of alternative asset managers form partnerships some of the larger traditional firms, more in the JV fashion, more in kind of product relation and distribution. How important is that for you guys as you're thinking about your plan over the next couple of years?

Jon Winkelried^ Yes.

Well I think on the first part of your question as it relates to the balance sheet considerations, and we've said this consistently. I think that we are open-minded.

I think the important -- I think the most important thing for us is finding the right partner in terms of quality, in terms of the ability to grow and the nature of how that partner wants to engage with us. And we, I think, have put a pretty high bar on that, and we'll continue to.

We're mindful of the fact that I think that when you think about growth in the markets today, what we're finding and what we're observing is that there's sort of an interesting convergence going on between the market and our shareholder base, I think, appreciating and wanting us to continue to be focused on the, let's call it, the balance sheet light model and essentially drive our growth to FRE growth and some combination of FRE and PRE growth driving the value creation for our shareholders.

But on the other hand, wanting some of the leveraging effects of having a strong balance sheet and having some inherent ability to leverage that balance sheet to drive growth. And so I think, in fact, in conversations that you and I have had, I think you would call that sort of having your cake and eat it too strategy. And so I think that we're

trying to think through as we look at different opportunities, we're trying to think through that balance.

And to be honest with you, I think we're sort of going to know it when we see it in terms of what feels right for us, but I don't think that we'll end up in a position where we transform ourselves into further, when you think about the spectrum, I don't think will transform ourselves into a full-on kind of balance sheet heavy model. I do not think we will do that. I think it will be more of a hybrid structure when we find it. Being mindful of, I think, what kind of quality growth looks like in the market.

So that's how I would kind of think about that. And then with respect to other partnerships, I think -- what we see happening in the market is these partnerships are starting to evolve.

Just to look at insurance as an example, when you look at some of the traditional insurance companies, and their realization that the competitive dynamic, particularly in life and annuity has changed and evolved. And so you're starting to see a transformation in how some of the public companies on the insurance side and even some of the mutuals are starting to think about the importance of ownerships to enhance their asset management capabilities. And naturally, we are in that dialogue.

I think that based upon our capabilities as investors, the breadth of our platform and some of the more innovative investment strategies that we've been able to build, we are naturally in that dialogue with a number of them. And I think that it's -- I'm not sure that as we go forward, that will just be kind of one size fits all in terms of what these partnerships will look like.

And we continue to -- we're engaged in exploring them with, I would say, several sort of larger, more traditional companies. So that's on our radar screen as well and we'll continue to work on them. And my guess is that those will continue to play a role in terms of how our industry continues to adjust.

Operator^ Our next question comes from Michael Cyprys with Morgan Stanley.

Michael Cyprys^ Just coming back to your commentary around looking to double AUM over the next several years. It sounds like that could maybe be under five years, maybe I'm putting words in your mouth. But is that fair, just how you're thinking about that? You also mentioned of the biggest drivers. Just curious, which of those do you see as the most meaningful or to how much would you sort of anticipate from organic versus inorganic?

And then on the inorganic side, maybe just remind us of your hurdles, the criteria. And if you can elaborate on some of the areas that you're thinking about. You mentioned broadly, infrastructure and geographic expansion.

Jon Winkelried^ I think your characterizing of the timeframe, Mike, is fair. And I use the wordz several years. And so I think your characterization of it is fair and in the ballpark. I think that it's hard to predict exactly sort of what kinds of opportunities are kind of realizable when. So I'd leave it at that on the timing.

I think that with respect to sort of how to think about these drivers, I mean maybe one way to characterize that. I tried to take a shot and this you'll have to have to give us some leeway on this, but I tried to take a shot at thinking about through a combination of fund over fund growth, organic innovation, growing those strategies and continuing to build into the well channel and just our normal fundraising, the expansion of our expansion of our relationships into other products.

For instance, we mentioned that with AG now fully integrated. Our credit businesses, we are really benefiting from expanding relationships with large pools of capital, and we have -- if you looked at our pipeline sheet, what you would see is that there are a lot of new relationships that are opening up for our credit platform.

So if you look at all that, I think that without inorganic growth. I think that we feel like we don't -- we wouldn't double, but we would get a significant amount of the way there. So let's call it something like \$250 million to \$400 million, something like that.

And then using inorganic levers between tuck-in strategies or add-in strategies that we think are interesting like the categories that I mentioned as well as insurance. I think that either gets us there, puts us over the top and it could be -- don't hold me to those ratios because there could be some sort of mix of that depending upon the size of the opportunities that come along.

One of the things I think we feel, though, pretty strongly about is that if we see the right kinds of opportunities on the inorganic front, I think we feel like we have developed, clearly have developed the expertise to know how to execute on those deals and also to know how to integrate them because I think what we've learned in the course of the Angelo Gordon transaction has been invaluable on that.

And I think that if you know us well enough to know that I think the integration has gone extremely well. We're operating as one firm. We're starting new strategies together like hybrid, which is a co-sponsored strategy between PE and credit. You can't really do that in doing deals like we talked about last quarter, like Dish as an example, like DIRECTV Dish and what we were able to put together on the credit side there combined with our private equity capabilities.

You can't do that unless these teams are operating well together. So that's how I would -- that's how I'd frame it for you.

Operator^ Our next question comes from the line of Glenn Schorr with Evercore.

Glenn Schorr^ So I appreciate the aspiration versus target and there's a lot of moving parts, and we (inaudible) number, so I apologize. Curious within this (inaudible) about the asset growth and all the drivers underneath. How do you think about RE alongside with that? Meaning can it grow in lockstep with the asset growth given more drivers, and if you had any thoughts on how to define significantly more capital being raised next year, that would be great also. Appreciate it.

Jon Winkelried^ Well I think that I'll take a shot at it and then maybe Jack might have some perspective on this as well. But I think what -- if you look at the FRE growth dynamics and map that against the growth of our business. Maybe like the visual that I would use or the way I would frame it conceptually, Glenn, is that I think that our FRE kind of follows the growth of our strategies, the innovation, the organic innovation and it kind of stair steps because what ends up happening, right, is we start these new strategies, Vintage 1 is usually something that we kind of put together through some combination of partnerships that we have with strong relationships of ours, invest while we're doing that then raise more capital based upon people being able to tangibly see how we're investing, okay? And that sort of is what we use to build into kind of version.

And there have been occasionally a few exceptions like exceptions to that, that are what I would call sort of like a bit of an outlier like what Jim and the impact team did on Climate one as an example in terms of raising a very large-scaled first-generation fund, which is unusual in our industry.

But generally, that's kind of how we innovate. And then what happens is based upon the success of that, we then can go into vintage 2 in a more normalized kind of capital formation way which expands the capital base and leverages our ability to do that and leverages on the team.

What we generally try to do is we generally try to use existing resources to the best we can to lever into these organic builds and then as the capital base grows, we add resources to it. We add in order for it to be kind of both FRE accretive, margin accretive, et cetera. But it usually takes -- I mean one of the things that if you study it, what you'll find is that organic innovation in our industry takes a long time to get to sort of scale fund sizes, but it pays off because obviously it's super accretive the way you build it, and it's very -- it's from a shareholder perspective, I think it's very value additive, and I think we've been able to do this consistently.

So I see it more like as a stair-step function, which for us, if you look at kind of where our platform is, and where our margins are, and what we've said we are trying to accomplish in terms of scaling our various platforms as well as the way we build into it.

For us, the key is that we continue to get to that level of scale where we really start to see that kind of next stage of margin expansion because FRE is kind of growing faster than -- and we're scaling the infrastructure essentially.

So that's how I would describe it. I don't know Jack, if you would add anything to that.

Jack Weingart^ Glenn, I would basically say what you're asking -- I think you're asking is about FRE margin expansion. And as we get to call it, \$400 billion to \$500 billion of AUM and scale FAUM similarly.

We should definitely see more operating leverage. I mean I talked about our near-term target for FRE margin. By the time we get to this kind of size, we should clearly be in the 50s. So not only should -- in my mind, not only should FRE expand alongside AUM, it should expand faster than AUM because we'll definitely be generating operating leverage on our expense base.

Operator^ Our next question comes from Brian Bedell with Deutsche Bank.

Brian Bedell^ Question on the -- I guess it's a 2-part question.

One on how you're seeing the impact from the partnership with Intersect Power, your portfolio company and Rice Climate and Google, in terms of the -- I guess, just first of all, the financial impact to TPG from that partnership? And then longer term, the potential for more of these types of partnerships in growing the Impact platform broadly? And I guess just linking into the \$500 billion to what extent do you see the opportunity and impact and the infrastructure, assuming that you're going to keep infrastructure in the Impact platform, this to be the fastest grower in your business overall, maybe even to get to the size comparable to the capital platform in five years.

James Coulter^ Sure. This is Jim Coulter. Let me give a report from the front lines on the climate impact side of the business where activity remains very high, while things are obviously shifting in the background. The Intersect Google relationship that you talked about is a very important relationship. And I think it is indicative of what's happening on the ground in the climate marketplace.

Let me give you four quick points on this.

First of all, we get questions from time to time on our existing portfolio. It's fascinating for us because we launched the climate effort in the middle of a Trump administration not expecting the IRA, et cetera. So as we build that portfolio, most of the capital went in before the IRA post the IRA as experienced investors in regulated industries. We knew which neighborhoods to stay out of. So we're seeing very muted effects in our portfolio. In fact, we just exited one of our positions, Nextracker which is a company that has grown very strongly throughout all this. So portfolio effects seem quite muted so far.

Secondly, there's a lot of attention on the U.S. right now. I would make sure that you pay attention to what's happening around the world; last year 65% of energy-related spending was on clean energy. And the question of how much drilling one is doing is dependent on whether you have fossil fuels to drill for, which is not true in most of the world. So the robust opportunities internationally remain high.

Third, to your point on data centers, there's a lot of attention right now on what's happening in Washington. Hence the effect on things like offshore wind and EVs, which were areas we've been quite vocal about avoiding historically. While that debate has been going on, we're seeing an absolute explosion of spending around the grid in the U.S. driven in part by data centers, but really a more broad-based electrification of our economy. And that's giving rise for the opportunities that you're seeing in places like Intersect. And you'll see a series of announcements from us of other opportunities to build out clean power backbones for what's happening in AI. And whether it's Deep Seek or OpenAI, the one thing that's clear is more power will be needed, and we are very well positioned in that world to provide returns on that. So I think this really is opening up underneath the atmospherics except what's happening in Washington is really opening up a very large investment opportunity for us.

And the last point is while the debate goes on in Washington, pay attention to what's happening on the ground. If you look at our recent investments, whether it's Intersect that could be tens of billions of dollars of spending at the company level at Intersect. We -- our largest deal in Climate was a European-based home decarbonization. They don't really care much about what's happening with U.S. policy. And we just did a take private that I think would not have been able to be done without some of the disruption in the market. So this disruption is creating opportunity.

So on the ground, we continue to see a lot of opportunity. Our investor base is 70% outside of the U.S. for the climate product. So far, we haven't seen any one step back, maybe we'll see some elongation to fundraising. But generally, long term, we feel very good about the trend. Obviously a lot of that trend is going to be infra related, eventually credit related to, and we feel good about our launch there and our ability to continue to expand the product set.

Operator^ Our next question comes from Mike Brown with Wells Fargo Securities.

Michael Brown^ So lots of commentary on the management fee dynamics in the fourth quarter and if there the pieces are in place for growth here in 2025, but just given some of the noise here, I was just hoping to maybe narrow in on the quarter-over-quarter movement in 1Q and maybe just the right range to consider here as we think about our forecast here for.

Jack Weingart^ Mike, I think what I said in my comments is we do expect obviously AUM and FRR growth throughout this year. We've been working hard throughout '24 to put the building blocks in place for that. If you think about the trajectory of that growth during the year this year, it should accelerate towards the back half of the year as we add more funds to the fundraising pipeline.

I talked a bit about the kind of roadmap for fundraising for the year. One of the big events for this year is going to be the addition of our TPG Capital and Healthcare Partners funds, where we expect to increase the size of that capital base fund over fund, just like we did in the last cycle, and we expect to hold our first close around midyear, so activation will depend upon when the current funds are fully deployed. But if you assume an activation in the back half of the year, that should -- that activation should accelerate FRR growth. So I'd expect moderate growth in the first quarter, accelerating towards the back half of the year.

Operator^ Our next question comes from Arnaud Gibrat with BNP.

Arnaud Gibrat^ Just a quick question on Intersect. If I have heard well it's a \$20 billion opportunity with Google. I'm just wondering how the economics of this is captured whether this is through a fund or through co-invest or what are the economics in that with that deal? Secondly, if I could just have a quick follow-up in the -- in bridging the growth in (inaudible) in the capital and Infra growth. I was wondering if there was any co-invest, I guess, gets captured in the AUM that probably -- that would never then turn fee paying. Is there any of that, or is this just a timing of activation thing?

James Coulter^ Yes. On Intersect, to be clear, that is a fund level investment and our opportunity to grow with that would be continued investment into Intersect as it moves forward with its strategy, but I think it's indicative of a larger trend, which is multiple opportunities like Intersect that are flowing into the market today because of this grid growth based on just a radical shift in the demand for energy in the U.S.

So think of it as ongoing opportunity to invest into Intersect and opportunity to expand that strategy as a way of driving growth in our infrastructure and climate activity.

On co-invest, Jack?

Jack Weingart^ On the co-invest, there's always -- I mean I mentioned some of the big drivers of the FAUM delta in Q4. But we always are going to have some of our capital raise come through, no fee, no carry co-invest vehicles. It's an important part of our business.

As I'm sure you know from all the LPs in the industry, delivering co-invest is kind of table stakes to their view of relationships. So every quarter, we will have a portion of our capital raising in no-fee/no-carry vehicles. That was the case for us in some of our credit

capital raising in Q4. And it was the case, for example, in TPG Capital, where we disclosed how much capital we raised, we're obviously not in the market for either Asia or the capital campaigns now.

So most of what you saw in the capital platform would have been in co-invest alongside the deals we're doing in capital. So that will go in cycles. But over time you should expect that to be an important part of our business as it is for our LPs.

Operator^ Our next question comes from the line of Dan Fannon with Jefferies.

Daniel Fannon^ I wanted to follow up on credit performance, good. And as we think about this past year, one year kind of post integration of the deal curious about just kind of the growth outlook where you are in kind of maximizing the integration and kind of pro forma leverage of that -- of the combined businesses as we think about 2025 and beyond.

Jon Winkelried^ I still think its early days in a lot of respects in terms of maximizing the combination.

I think you heard me mention the opening the dialogue with many of our largest pools of capital that are partners of ours. And obviously we -- in certain respects, with many of those the -- our credit teams were meeting some of those partners for the first time. And in any asset class, raising capital is a multi-meeting cycle, if you observe how that -- how the pace of that really works.

And so we're now at this stage, deep into that process, multiple meeting cycle with large pools of capital some of which we are working on customized multiproduct or multi-strategy SMAs, some of which are single product focused, depending on how those LPs want to allocate, but it's across the board, the engagement is really across the board now.

And so if you -- again, as I mentioned, like if you looked at our pipeline and where we expect to convert on a number of those dialogues. I think that those represent significant incremental allocations to those strategies that will meaningfully expand our capital base. And some of that's happened already where we were able to create those conversions, but there's still a lot of that on to come. So I think that in a lot of respects, it's still early days in terms of the expansion of the credit capabilities across the strategies. And remember, the platform is a multi-strategy business.

It's not a monoline business. So there are different types of partnerships with different types of LPs that are available to us that we're working on from across the distribution of different types of LP partners of ours. I think that also given the nature of the integration of AG into TPG and the combination of the combined brand, if you will, the reach that I think and penetration that we can have in the private wealth and kind of

mass affluent channels is different as a result of AG now being part of TPG and the relationships that we have with channel partners. And so I think that, that's also another area which -- where there's a lot of white space for us in terms of growing our penetration. So I think a lot more to come there.

Operator^ Thank you. 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. Thank you, Operator.

And thank you all for joining us today. We look forward to speaking to you again next quarter. And in the meantime if you have any questions, please feel free to reach out to the Investor Relations team.

Jack Weingart^ Thanks, everyone.

Operator^ This concludes today's CPG fourth quarter 2024 earnings call and webcast. You may disconnect your lines at this time. And have a wonderful day.