

08-May-2025

# The Carlyle Group Inc. (CG)

Q1 2025 Earnings Call

# CORPORATE PARTICIPANTS

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Harvey Mitchell Schwartz

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John C. Redett

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**Brian Bedell** 

Analyst, Deutsche Bank Securities, Inc.

**Brian McKenna** 

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Analyst, JPMorgan Securities LLC

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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, and thank you for standing by. Welcome to The Carlyle Group First Quarter 2025 Earnings Conference Call. At this time all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Again, please be advised that today's conference is being recorded.

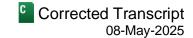
I would now like to hand the conference over to your speaker today, Daniel Harris, Head of Investor Relations. Please go ahead.

### **Daniel Harris**

Head-Public Investor Relations, The Carlyle Group Inc.

Thank you, Daniel. Good morning, and welcome to Carlyle's first quarter 2025 earnings call. With me on the call this morning is our Chief Executive Officer, Harvey Schwartz; and our Chief Financial Officer and Head of Corporate Strategy, John Redett. Earlier this morning, we issued a press release and a detailed earnings presentation which is available on our Investor Relations website. This call is being webcast and a replay will be available. We will refer to certain non-GAAP financial measures during today's call. These measures should not be considered in isolation from or as a substitute for measures prepared in accordance with Generally Accepted Accounting Principles.

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We have provided reconciliation of these measures to GAAP in our earnings release to the extent reasonably available. Any forward-looking statements made today do not guarantee future performance, and undue reliance should not be placed on them. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our Annual Report on Form 10-K that could cause actual results to differ materially from those indicated. Carlyle assumes no obligation to update any forward-looking statements at any time. In order to ensure participation by all those on the line, please limit yourself to one question and return to the queue for any additional follow ups.

And with that, let me turn the call over to our Chief Executive Officer, Harvey Schwartz.

# **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

Thanks, Dan. Good morning, everyone, and thank you for joining us. I'll quickly touch on this quarter's record results, and then share my perspective on the macro environment. First quarter performance was quite strong, hitting record levels. Quarter's highlights include record fee-relating earnings of \$311 million, that's up 17% year-over-year; record FRE margin, 48%; our highest level of distributable earnings in several years at \$455 million; and record assets under management of \$453 billion. Across the board, for margin expansion the FRE growth through investment performance and fundraising, you can really see the strategy coming together as we progress towards our goals for this year and beyond.

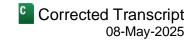
Now, let me shift and talk about how we're thinking about the current environment. We ended the year with a very high level of market optimism and very high expectations. The markets were fully risk on. Of course, as we saw, the recently announced trade policies very quickly impacted investor sentiment and risk appetite. With respect to our global portfolio, we think about this in terms of first order effects and knock-on impacts. With respect to first order effects, the effects of the tariffs are contained to a limited number of investments. The majority of our Global Private Equity portfolio is services-oriented, with 80% of companies based in the US.

Second order effects on the economy are beginning to emerge, as we've seen in some of the recent economic data, but given where we are in terms of the policy implementation, the long-term effects of the trade policy are too difficult to forecast at this point. From a Carlyle perspective, we are exceptionally well positioned to lead in this environment. Our investment horizon and our capital base are long term, and our capital light model affords us the ability to capitalize on compelling new investment opportunities. In a dynamic environment like today, you need experience, scale, brand and a diversified platform to meet the shifting demands of private capital and serve the needs of our clients.

With \$84 billion of dry powder, we are well positioned to be active in this market environment as opportunities emerge. Although we are going through this period of uncertainty, the macro trends driving demand for private capital remain strong, and likely will be reinforced over the coming years. Over the past two decades the number of public companies in US has been cut nearly in half, while the number of private companies have increased by more than fivefold. For investors looking to drive returns and capture the next generation of market growth, private market access has never been more important.

These structural shifts are already showing up in Carlyle's results. We are seeing strong momentum across our key growth areas, and believe the trends we shape in global markets will continue to play to our strengths. Now, I'll touch on our businesses and growth areas that we've been focused on over the past two years. Carlyle AlpInvest generated record FRE in the first quarter, nearly double the first quarter last year. AUM in this business grew 12% over the past year to a record \$89 billion. The business continues to diversify across client solutions. A

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good example of this is our latest portfolio of finance fund, which held its final close last month at more than \$4 billion, more than 3 times the size of its predecessor.

In Global Credit, quarterly fee-related earnings surpassed \$100 million for the first time, an increase of nearly 50% from last year. The significant demand for private credit solutions continues to drive inflows, and our investment opportunities continue to expand. Recently our private credit team has [indiscernible] (00:06:00) into significant opportunities in European lending. With less competition, it's leading the strong growth to value, particularly, in private credit deployment is up 150% year-over-year. We also had a strong start to the year in insurance with Fortitude announcing more than \$8 billion in reinsurance transactions. Fortitude's annuity reinsurance agreement with Taiyo Life Insurance Company was their sixth transaction in Japan.

Carlyle's long-term track record in Japan, alongside strong investment origination capabilities, have helped Fortitude develop a leading presence in the market. Our pipeline of growth opportunities remains healthy as insurance companies seek to transfer risk and improve capital efficiency. And our strategic initiative to grow capital markets continues to accelerate.

Over just the past six months, we generated a record \$150 million in fees. We see substantial opportunity for long-term growth in this business, although the near-term market environment may slow the pace of activity.

Moving on to Global Wealth, as you know, two years ago, we prioritized this initiative by aggressively adding to the team and leveraging our global brand to drive growth. As a result, evergreen inflows have doubled over the past year.

In Global Private Equity, we remain focused on driving value in our portfolio of companies and monetizing assets. We've generated \$20 billion of realizations over the last 12 months. In the first quarter, we successfully IPO'ed Hexaware Technologies in India. This was the largest ever sponsor-backed IPO in India and the largest technology services IPO globally in more than a decade.

We also closed a nearly \$1 billion secondary sale of shares of StandardAero and a \$1.4 billion of [ph] a prior asset (00:07:53). John will touch on this in more detail.

We saw continued appreciation in our two latest vintage US buyout funds, and the underlying portfolio companies continued to grow EBITDA at double-digit rates through the first quarter. The portfolio remains well-positioned in the current environment.

[ph] To close, (00:08:13) Carlyle is much more diversified today than it's ever been. During these periods of market volatility, breadth of our platform enables us to mobilize where opportunities present itself. We will continue to invest in our growth, leverage our long-term investment horizon, and capture value creation opportunities in the private markets.

With that, let me now turn the call over to John, who will walk through our results in more detail.

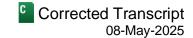
### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Thanks, Harvey. Good morning, everyone. As Harvey said, our first quarter results were strong. We delivered record FRE, FRE margin and assets under management. DE of \$455 million was a record start to the year.



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As a management team, we're focused on accelerating long-term growth, while also achieving our near-term goals. We remain comfortable with our ability to meet our 2025 financial targets, but realize the situation is fluid and the market backdrop is uncertain. We continue to invest in our businesses to better position Carlyle for long-term success.

We finished the first quarter with \$453 billion of AUM, up 6% year-over-year. Growth was driven by \$50 billion of inflows over the past year, including \$14 billion in the first quarter alone. We generated record FRE of \$311 million in the first quarter, 17% higher than the first quarter last year. Overall, we saw strong growth in Carlyle AlpInvest and Global Credit, while Global Private Equity was in line with expectations.

Transaction fees more than tripled in the quarter compared to the same period last year. The \$150 million in transaction fees we generated over the past two quarters is more than any prior year. Carlyle Alphvest generated \$66 million in FRE in the first quarter, nearly double the level from the first quarter of 2024. Management fee growth of nearly 40% year-over-year led to a record FRE margin of 58%. [ph] We have (00:10:32) good momentum across all areas of Carlyle Alphvest, with strong inflows into our secondaries platform, portfolio finance, and our global wealth strategy.

In Global Credit, first quarter revenue of \$232 million grew 28% year-over-year, driven by capital market fees. Global Credit also experienced strong first quarter inflows of \$7.5 billion. The rapid growth of Carlyle AlpInvest and Global Credit has driven these businesses to account for 50% of our firm-wide FRE, compared to 34% in 2023.

In Global Private Equity, results were in line with our expectations, given expected step-downs in several funds. Management fees should increase in the second quarter, as we recently activated management fees on our latest US real estate fund.

A highlight in our private equity business is US buyout, our largest flagship strategy, which continues to perform particularly well. The last two vintages each appreciated 2% to 3% in the quarter and around 18% over the past year. Along with this depreciation, we also returned significant capital to investors. Across all of our US buyout strategies, we returned nearly \$8 billion of proceeds to investors over the past year.

More broadly, across the Carlyle Investment Platform, we returned \$31 billion in proceeds, more than 40% higher than the prior 12-month period. This is indicative of the strength of our diversified global investment portfolio and further upside when markets are more active.

In our evergreen strategies, we manage \$26 billion in AUM, up 27% over the past year and we continue to actively invest in our wealth capabilities. With head count in this area increasing by 100% over the past year, this remains a major driver of long-term growth for Carlyle.

Wrapping up, while market conditions remain dynamic, Carlyle is built to perform across market cycles. Our nearly 40-year track record, long-term capital base and global scale provide a strong foundation for continued growth. We are confident in our ability to deliver attractive results for shareholders, while continuing to be a trusted partner to our investors.

With that, let me turn the call over to the operator for your questions.

# QUESTION AND ANSWER SECTION

**Operator**: [Operator Instructions] Our first question comes from Ben Budish with Barclays. Your line is open.

Benjamin E. Budish

Analyst, Barclays Capital, Inc.

Hey, good morning and thanks for taking questions.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Morning, Ben.

Benjamin E. Budish Analyst, Barclays Capital, Inc.

Maybe to start – morning, Harvey. Maybe [ph] just starting with something (00:13:50) high level. I mean, you talked a little bit about the macro drop, just given your portfolios like Global, can you talk a little bit about how you're viewing the impact in trade policy and tariffs on investment and funding activity? And how is that maybe feeding into LP discussions you mentioned in Q1, especially earlier in the year, you had returned a lot of capitals. How is that sort of impacting LP discussions more recently? Thank you.

### **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

Sure. So I think actually just stepping back for a second, I talked a bit about some of those in my prepared remarks. We obviously came in to the year with very, very high expectations. The tariff policy implementation, I think, market participants obviously were caught a bit flat-footed with the initial announcement. I think subsequent to that, the administration has done a thoughtful job of bringing together how they're thinking about the broader implementation of the full policy set.

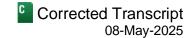
I was at Milken earlier this week, and I heard the Treasury Secretary talk about the three legs of the stool. And I think that the articulation and the understanding across market participants is really, I think, having a much more positive impact on what was the initial sentiment reaction.

Now, more broadly, I would say, the discussions with LPs, there's a sort of [ph] four-term (00:15:19) focus that everyone has in the marketplace. And I've talked to more CIOs and CEOs in the last couple of weeks than maybe in my entire career. I would say, so obviously, there's a lot of focus on headlines expectations day to day, because the market just wants to see sort of where the policy is heading in terms of progress.

But I would say, broadly speaking, this is not an environment, where I would say, is either a red light or a green light. I would say, it's sort of different shades of yellow. But the vast majority of the senior folks I've spoken in the last several weeks are, I would say, cautiously opportunistic. So very much looking for opportunities to deploy capital in one variant or another. Each conversation finishes with, hey, we're open for business.

And that shouldn't really be surprising when we think about where the S&P is relative to the start of the year and where capital markets are. But I would say that people are deploying capital, but they're being very, very

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thoughtful about it. And the more progress we see on policy implementation, obviously, the more positive reaction we have in the marketplace.

Now, the one big question out there that everyone's focused on, as are we, is where is the dialogue sit with China, because it is hard for market participants, including us, to see the backdrop in terms of second order effects in the economy. If the US and China, the two largest economies in the world, are in some very long, sustained trade embargo or trade war, it's hard to imagine that really being good for the global economic environment. So that's really the biggest question on people's minds. And they want to see progress.

**Operator**: Thank you. Our next question comes from Alex Blostein with Goldman Sachs. Your line is now open.

### Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Hey. Good morning, everybody. Thank you for the question as well. So, Harvey, I wanted to double-click into private equity for a second. So very good momentum outside of private equity. Obviously, you talked about AlpInvest and real estate and credit, all of that is moving along nicely. But given the fact that there is just so much focus for you and really the industry broadly as well on DPI performance and just the elongated sales cycle we're seeing in private equity.

How are you thinking about the corporate PE franchise for the next 12 to 18 months? What does it mean for CP IX in terms of both sizing and timing? Thanks.

### **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

So on timing, I don't see any major adjustments going back into the market on CP IX. That'll really be driven by our pace of deployment. You saw that we were very active in deploying capital in CP IX last year.

I think more importantly across the private equity complex, a couple of factors. One, towards the end of this year, beginning of next year, we will be launching our wealth platform, and that'll bring in a whole separate stream of capital. There's a lot of appetite for Carlyle on platforms globally across all of our solutions.

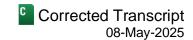
In terms of the dynamic, I'll tell you, the way we're thinking about it and the way we're managing our business is, obviously, our teams have done a really good job, and John highlighted US buyout in terms of the portfolio and the amount of capital we return across our private equity complex really makes us a bit of a positive outlier.

So we've been actively returning capital. I mean, off the top of my head, if I think about the last nine months or so, we took StandardAero public, I mean, it was the third largest IPO of the year in the US. We did Hexaware, which John spoke about in India, which is the largest ever private equity-owned company in India. We did Rigaku, largest ever private equity-owned entity in Japan. And so our teams have been navigating this market environment, I think, quite thoughtfully.

In terms of private equity broadly, I think that the marketplace will continue to see some headwinds. I think that – those headwinds, if you have scale like we do and diversification, I think it's much more easily navigated. But we're really quite proud of the performance, particularly in our US buyout business.

I don't know, John. What would you add?

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### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Yeah. Look, this is the business we've talked a lot about in the past. We made some changes to our US private equity business. I would just echo what Harvey said, we're very happy with the PE performance in our US buyout business. Again, good appreciation this quarter. If you look at over the last 12 months, around 18% for our two latest vintages. So the performance is tracking to our expectations. And also, just what Harvey said, we have been very active on the realization front. And Harvey listed a couple of those. And quite frankly, we even had a realization in our Asia buyout business post-trade Liberation Day, we saw the big block of a company we owned in India. So we're continuing to execute and that's what we're focused on.

**Operator**: Thank you. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

#### Michael Patrick Davitt

Analyst, Autonomous Research US LP

Hi. Good morning, everyone. So nice to see you had some chunky insurance wins. But how should we be thinking about those relative to the kind of roughly \$40 billion flow guide you were expecting for the year? Is this counting towards that? Or should we consider it incremental to that? And then, more specifically, within that flow track, could you update us on how the wealth product flows are tracking? How the redemption requests are tracking since Liberation Day? Thank you.

### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Yeah. So when we put out the \$40-billion-ish in the fourth quarter results, we view the \$40 billion as a flow number, so you should assume the [ph] 14 (00:21:21) tracks to that \$40 billion flow number we put out there.

In terms of wealth, I would say we've had very, very strong performance. Again, this is an area we have been talking about a lot. We're very focused on making investments in that space. Fundraising in the quarter was up 40%. The amount we have in the evergreen products is up 70% year-over-year. So we're very pleased with the progress we're seeing in wealth.

And again, we only really have two products in the market that CTAC, our credit product, and CAPM, our secondaries product in. And if you look at the trajectory of CAPM, it's really quite impressive in terms of the fundraising. In terms of kind of post-trade policy shift, I'd say the dataset we're looking at it's limited to April. But we have not seen anything in the data that would give us pause. April actually was a good month. So based on what we're seeing, we feel pretty good.

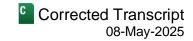
Operator: Thank you. Our next question comes from Brian Bedell with Deutsche Bank. Your line is open.

#### **Brian Bedell**

Analyst, Deutsche Bank Securities, Inc.

Great. Thanks. Good morning, folks. Thanks for taking my question. Maybe just [indiscernible] (00:22:36) expenses, very good FRE margin in 1Q. Seems like it's tracking a little bit ahead of the run rate expected for the year. So maybe, if you can talk, John, a little bit about that run rate, is this a good run rate for G&A as we move through the year? And should we be expecting any additional expenses related to the retail wealth efforts?

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#### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Yeah. So I would say, the 48% FRE margin, we're very happy with where that margin is. And look, we've been very, very – we've talked a lot about how we don't see expenses as a way to get that margin higher. We're much more focused on driving that margin higher via growth. And we're investing in the business heavily, as we said on the last earnings call. The 6% FRE growth we gave for 2025 really reflects continued investment in the business.

So the 48% you're seeing in the quarter reflects heavy investment in the areas we've talked about in the past, where we see growth coming from. So I wouldn't expect that to escalate. I think it's pretty well planned out throughout the year.

In terms of G&A, look, the first quarter number was clearly higher than the first quarter of last year. I would just say, the first quarter of last year had some kind of one-off positives. So I don't think it's a good reference point. But I'm happy with where G&A is. I think it's pretty close to a good run rate-type number. I kind of think of 100 issues is a good run rate G&A. Again, fourth quarter, yeah – if you compare first quarter against fourth quarter, fourth quarter is always a bit elevated. But we're very pleased with where G&A is and kind of 95 to 100 issues is kind of how I think about a run rate.

Operator: Thank you. Our next question comes from Brian McKenna with Citizens. Your line is open.

#### **Brian McKenna**

Analyst, Citizens JMP Securities LLC

Thanks. Good morning, everyone. So AlpInvest has experienced some pretty impressive growth over the past year. And it seems like the business remains well-positioned moving forward. But how should we think about related fundraising for the balance of this year? I know CAPM will be in the market. But what else will you be raising capital for? And then, just bigger picture, if I look at AlpInvest FRE, it now represents 20%-plus of firmwide FRE. So where can this contribution go longer term?

#### **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

So, well, I'll kick off and I'll hand it over to John for a bit of a detail. But I would say that one of the initiatives over the past years was really to better integrate the AlpInvest team into the broader strategy of the firm. That included obviously driving the CAPM solution through the wealth channel, and really, leveraging the entire distribution capability of the firm. And so we are really starting to see the convergence of those strategic efforts, plus the great performance by the team.

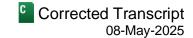
I was just in Amsterdam. We celebrated the 25th anniversary of AlpInvest. And so now, this is also an area where LP is globally. Regardless of institution, sovereign wealth or the wealth channel, there's huge interest in this category. And I would say, I expect that to continue for an extended period of time. So as we continue to leverage the brand and the platform, I think there's significant upside from here. But we're really pleased, and obviously, all this has been done across the entire platform organically.

# John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Yeah. The only thing I'd add – I mean, look, I'll echo a little bit what Harvey said. We couldn't be more pleased with how this business is performing. I mean, the organic growth rate numbers are really, really strong. The FRE

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margin is very impressive. And, look, I think the secondary market, as a whole, the market continues to grow at very elevated levels. We think activity levels are going to accelerate given the current market conditions.

So we think it's a really attractive space. I think the thing you need to think about in terms of this business and its ability to have a sustainable long-term growth rate is, we will wrap up fundraising at some point, probably midyear for a secondaries fund. But that fund is already 57% committed. So there's a very clear growth path for this business. We will probably be in the market sometime soon with the next vintage of the fund. So the growth rate is kind of impressive looking back. But also, as you think about this business going forward, I really, really like the growth path.

Operator: Thank you. Our next question comes from Ken Worthington with JPMorgan. Your line is open.

### **Kenneth Brooks Worthington**

Analyst, JPMorgan Securities LLC

Hi, good morning. Thanks for taking the question. We're seeing some potential for stress in the endowment sector, and the financial media is suggesting their position in private markets could decline. I guess, maybe first, do you think this is a legitimate topic or might it be overblown?

And assuming it's not overblown, can you talk about this from a risk perspective for Carlyle in future fundraising, if endowments slow investments in private markets? And then, the different perspective is what could this mean for AlpInvest in your secondaries and wealth business given your dry powder and fund raising potential there?

### **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

So I don't see the endowment shift down to some of the bigger headline numbers that you've seen, sort of being broad based or material to the business or to the industry. Obviously, we just spoke about it in the prior question. We're one of the leading providers of capital through our secondaries and co-invest platform and AlpInvest. And so using the short term will certainly be potentially opportunity for us to deploy capital into those flows. We will see all those flows as you would imagine. There won't be any flow we don't see, given the brand and the team. But I don't see this being a significant overhang in terms of allocation to private capital. I think, it's going to be more isolated. Now, that could evolve, but that's my viewpoint today.

Operator: Thank you. Our next question comes from Mike Brown with Wells Fargo. Your line is open.

#### Michael C. Brown, Jr.

Analyst, Wells Fargo Securities LLC

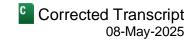
Great. Thank you for taking my question. So Harvey, there's headlines that continued to come out about a large life and annuity provider, and they're considering some strategic alternatives. Would Carlyle consider some inorganic growth in that space? Is that something that's going to be interesting to you in terms of the opportunity to manage something of that asset size? And can you just maybe touch on some of the strategic ways you could approach something like that, just given the size and complexity, would that have to be done via kind of partnership, maybe how could that work with Fortitude? Any interesting color here would be helpful. Thank you.

### Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

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Okay. So having been here a bit over two years now, I would say, initially when I got here, obviously we were very focused on repositioning the firm on all the strategic initiatives we've covered, and we feel really good about the progress we've made and the momentum in the franchise. But two years ago, I think, the notion of doing something inorganic would have been too soon. I would say, we're much more front footed in terms of how we want to think about that. But with respect to our engagement on opportunities broadly, it really is just in the corporate finance math and whether it makes sense. We feel really good about the breadth of the platform, whether it's our AlpInvest, secondaries, co-invest, portfolio finance, the credit platform, our CLO business, everything that's happening in private equity.

So there's no gun to our head in terms of having an asset class we need to fill. And all the growth we've talked about for the past two years culminating today, it's a 100% organic, everything the firm has done. So the firm is demonstrating now that we have the power to mobilize organically. Now, back to your question, I think, with respect to insurance space, and obviously, I can't talk about any specific transactions we look at. But in insurance space, the Fortitude partnership and our partners in Fortitude have really been fantastic for us in a number of ways, obviously, the pure benefits of the growth in Fortitude and our capital commitment there and our ability to work with great partners in that business. That's kind of the narrow definition of why it's been fantastic.

The other reason why it's been fantastic is, it's given us really, really great intelligence and asset management capabilities in the insurance space. So working with Fortitude has given us a multi-year advantage in terms of that skillset. And as you saw last year, as we grow our asset base, finance business and the transactions we've announced and the partnerships we've established. And so as all of this is converged together, it's also given us a much more multi-dimensional view on how to think about insurance. I think in the, maybe underneath your question, because I'll just wrap up with this point is, probably underneath your question is this question of, okay, capital heavy or capital light, you didn't express it that way. But I think that's sort of embedded in your question.

And so I'll tell you, the way that we think about it and our board thinks about it is not so much that capital heavy is negative or capital light is positive or vice versa. I think it's a bit of a Goldilocks thing. So there's sort of an optimal point of, you want a certain amount of capital, but not too much. But we have a preference for staying capital light. And if we can solve for capital light, I will tell you, when you go through market environments like you saw over the past six weeks, and you can wholly focus on deployment, managing your portfolio and not have to worry about a heavy balance sheet, you really see the benefits of that, and you can be extraordinarily front-footed with your clients. And so strong bias for capital light. But there at this point, I would say, any number of ways we could solve for an accretive acquisition if it makes sense for us in any part of the business.

**Operator**: Thank you. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

### Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Hey, good morning. Thanks for taking the question. I was hoping maybe you could elaborate upon the opportunity set that you see in Japan across your business.

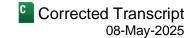
What's happening there at the micro level across Japan? Just curious if you could speak to some of the opportunities across the buyout business, but then also across Fortitude and on the credit side as well. Thank you.

### Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

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Yeah. So obviously the Japanese market has been incredibly dynamic. I've been in Japan a couple of weeks celebrating our 25th anniversary. I think, there are one or two firms that have actually stayed committed to Japan for that period of time, and the franchise is exceptionally strong, exceptionally strong. Obviously, they grew their funds significantly in the most recent fund raise last year, and my expectation is that, when they're back in the market in the next couple of years, that fund raise will just continue to grow, because the demand for LP interest and the opportunity set only continues to look better, at least right now. In terms of, I think, how do we extend that brand, we're capable of doing that a lot of ways.

We've been on wealth platforms in Japan, obviously working with Fortitude to leverage their skillset, and our brand has been very, very powerful. You've seen us, as I said in my remarks, our sixth transaction, so we're really a leader in the insurance space there. But all of this dates back to the 25-year history the firm has invested in Japan. I will say, the Japanese market is increasingly dynamic for a couple of reasons which are compelling. One, obviously, is this evolution of companies willing to become more dynamic in terms of their corporate stewardship. So that's fantastic for us, again, given our longstanding role in the region and our network. But also, there's a real push to extend asset management capabilities, and so we can play a valuable role there. So we're super enthusiastic about our position in Japan and the role in the region.

Operator: Thank you. Our next question comes from Bill Katz with TD Cowen. Your line is open.

### **William Raymond Katz**

Analyst, TD Cowen

Thank you for taking the question. Good morning, everybody. Maybe for John or yourself, Harvey, you've done a very nice job, as you highlighted on the transaction line. Could you unpack maybe the difference between the sort of regular way leverage to deployment versus where you stand in terms of the capital markets? And as you look ahead, how should we think about the flight path to growth over the first six months, last six months of levels? Thank you.

# Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

So if you want, I'll handle that. So again, this was a strategic initiative I launched two years ago. The team here was extraordinary in terms of managing the liability side of the balance sheet to the portfolio of companies. But there wasn't a process in place we're actually driving value in terms of the capital markets business beyond that. So we've protected the capability set added to it, and really restructured the incentive across the firm for driving value through capital markets. Now, what we're not doing is, we're not committing a lot of balance sheet. So we're not taking risk. This is really being driven by the execution and activity levels across the platform, whether it's in private equity, credit, infrastructure.

It's going to be activity-driven. And so quarter to quarter, it's going to be – you'll see, it'll be around deployment, restructurings and things like that, that we do in terms of the portfolio of company balance sheets and how we invest capital. But the trajectory here is quite good over the long term. A lot of the businesses weren't actually enabled, or in a position to actually participate in this. And so as we mobilize the firm across this, there's multi-year growth here. But as John said, the \$150 million that we generated just in the two quarters would have been the best year ever. And this is not in a high velocity environment obviously. So hard to put out a hard number on it. But again, I think, we're super proud of what the team is doing. But most importantly, we're not taking any capital risk here. So we're staying capital light in this model.

Operator: Thank you. Our next question comes from Kyle Voigt with KBW. Your line is open.



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Corrected Transcript
08-May-2025

### Kyle Voigt

Analyst, Keefe, Bruyette & Woods, Inc.

Hi. Good morning. Thanks for taking my question.

### Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Hey, Kyle.

**Kyle Voigt** 

Analyst, Keefe, Bruyette & Woods, Inc.

How are you doing? Just a question on real estate. Looks like CRP X was activated in April and has \$7.5 billion committed, so already almost larger than the prior vintage. Just wondering if you could give us an updated view on the sizing for CRP X. And if you could also just tie that into what we could possibly expect for GPE segment management fee step up in 2Q versus 1Q as that fund turns on, or even an update to the prior comments for the full year GPE management fee trajectory in 2025 would be helpful.

#### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.

Yeah. Kyle, let me start with the back end of your question first. In our GPE segment, you did see management fees down, and that was really driven by, we had a step down in two funds, one of which was our real estate fund. So that was reflected in the first quarter. The April 1st, we activated fees on our current real estate fund. So you'll see some growth in the management fees in the second quarter due to us activating the fees on that fund. So we'll benefit from that and see some growth in the second quarter in terms of management fees. Look, we're still in the market raising money, so we can't really comment on ultimate size. I would just say what we've said in the past, we expect it to be bigger than the predecessor.

**Operator**: Thank you. Our next question is a follow up from Brian Bedell with Deutsche Bank. Your line is open.

# **Brian Bedell**

Analyst, Deutsche Bank Securities, Inc.

Great. Thanks. Thanks for taking my follow. Actually, just want to come back on Fund IX. Given you're 70% committed on Fund VIII, just a thought process around being back in the market for that fund. Could that be as early as 4Q in terms of a potential fundraising? I guess, in your fundraising sort of target for this year or what you've outlined, is any consideration of Fund IX within that target?

# Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

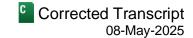
There's nothing in Fund IX for that target that we put out earlier this year. And right now, we're still holding to the fourth quarter kick-off for Fund IX, but we're not wedded to it. The environment stays like this, we'll see how the deployment goes in Fund VIII. But we're very, very focused on the performance of Fund VIII, which, as you've seen, has cracked up quite beautifully. So we'll see how we go on Fund IX. But it's going to give or take three to six months. That's your target zone. But there's nothing in the model for Fund IX.

#### John C. Redett

Chief Financial Officer & Head-Corporate Strategy, The Carlyle Group Inc.



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Yeah. There's no impact to this year for Fund IX. But I would say, there's nothing we're seeing day to day that would suggest we're not going to put it in the market when Harvey said. Again, the performance in CP VII and CP VIII continues to track ahead of our expectations, and we've been very active on realizations. So we feel pretty good about CP IX.

Operator: Thank you. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

### Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Thanks for taking the follow-up question. Just wanted to circle back just around the fundraising targets. I think you guys mentioned \$40 billion for the year, 6% after regrowth. Do those include the blocks from Fortitude? I think in the quarter you had \$4 billion, and I think there's maybe another \$4 billion coming in the second quarter. Just wanted to clarify if that's embedded in the \$40 billion fundraising, 6% [indiscernible] (00:41:14) growth for the

year.

### **Harvey Mitchell Schwartz**

Chief Executive Officer & Director, The Carlyle Group Inc.

Yeah. Michael, so when we put out our \$40 billion-ish of inflows last year for 2025, that was an inflow number. So it would include the flow from Fortitude. So we had \$14 billion in the quarter, which compares to \$5 billion first quarter last year. So almost 3x on an LTM basis, we're at \$50 billion. So we feel very good about our fundraising capabilities.

**Operator**: Thank you. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

**Michael Patrick Davitt** 

Analyst, Autonomous Research US LP

Hey. Thanks for the follow up. As you pointed out, I had some bigger realizations from CP VII in 1Q. How should we think about the triggers for that fund to start actually generating cash carry? And more specifically, and within that, does IRR need to be higher than 8% before you would feel comfortable doing that? Thank you.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Yeah. I mean, look, it's very hard to predict exactly when a carry fund hits carry. I would say, we're certainly well on that path. I mean, the performance in that fund you're referring to CP VII continues to improve. And we've had a lot of realization activity, and quite frankly, the pipeline of realization activity is heavy in that fund. So we feel very good. Ultimately, when that fund hits full carry, it's hard to exactly predict, but it's probably at some point over the next kind of 12 months.

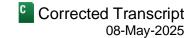
**Operator:** Thank you. This concludes the question-and-answer session. I would now like to turn it back to Daniel Harris, Head of Investor Relations, for closing remarks.

### **Daniel Harris**

Head-Public Investor Relations, The Carlyle Group Inc.



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Thank you for your time this morning. If you have any follow-up questions, feel free to reach out to Investor Relations after the call, and we look forward to talking to you again next quarter.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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