GCM Grosvenor 2024 Third Quarter Results
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GCM Grosvenor Speakers:

- Stacie Selinger, GCM Grosvenor, Head of Investor Relations
- Michael Sacks, GCM Grosvenor, Chairman and Chief Executive Officer
- Jon Levin, GCM Grosvenor, President
- Pam Bentley, GCM Grosvenor, Chief Financial Officer

PRESENTATION

Stacie Selinger: Thank you.

Good morning and welcome to GCM Grosvenor's Third Quarter 2024 Earnings call. Today I am joined by GCM Grosvenor's Chairman and Chief Executive Officer Michael Sacks; President Jon Levin; and Chief Financial Officer Pam Bentley.

Before we discuss this quarter's results, a reminder that all statements made on this call that do not relate to matters of historical fact should be considered forward-looking statements. This includes statements regarding our current expectations for the business, our financial performance and projections.

These statements are neither promises nor guarantees. They involve known and unknown risks, uncertainties, and other important factors that may cause our actual results to differ materially from those indicated by the forward-looking statements on this call. Please refer to the factors in the Risk Factors section of our 10-K, our other filings with the Securities and Exchange Commission and our earnings release, all of which are available on the Public Shareholders Section of our website.

We'll also refer to non-GAAP measures that we view as important in assessing the performance of our business. A reconciliation of non-GAAP metrics to the nearest GAAP metric can be found in our earnings presentation and earnings supplement, both of which are available on our website.

Our goal is to continually improve how we communicate with and engage with our shareholders and in that spirit, we look forward to your feedback.

Thank you again for joining us, and with that, I'll turn the call over to Michael.

Michael Sacks: Thanks, Stacie and good morning, everyone.

We are pleased to report another strong quarter on our way to a strong full year of growth in 2024.

On a year-to-date basis our Fee-Related Earnings increased 18% and Adjusted Net Income increased 24% over the same period in 2023. Our Fee-Related Earnings margin was 41% for the quarter compared to 31% at the end of 2020, and we continue to believe that we have margin expansion opportunity.

We believe that “we succeed when our clients succeed”, and this quarter we again delivered value to our clients. Performance across our business was solid in all investment verticals. Absolute Return Strategies performance has been particularly strong, with our multi-strategy composite generating a 12.5% gross rate return over the last 12 months. We similarly enjoyed portfolio appreciation year-over-year across Private Equity and Infrastructure strategies. Real Estate valuations have largely stabilized and the environment there is good with regard to investment opportunities.

Capital formation activity continues to improve across the business, and we are seeing signs of improvement in realization activity. We raised $1.4 billion of new capital in the quarter, bringing our year-to-date fundraising total to $4.8 billion, a 34% increase year-over-year. We have seen tremendous growth in late-stage pipeline opportunities, which are up over 70% today from a year ago with every investment strategy showing real pipeline growth. We continue to expect fundraising in the second half of the year to exceed the $3.4 billion we raised in the first half of the year, and we see strong fundraising momentum heading into 2025.

The composition of our recent fundraising highlights the key business drivers we’ve discussed on recent calls – the shift to private markets, the shift to direct oriented investment strategies, the power of our separate account model, and the particularly strong tailwinds behind infrastructure and private credit.

Over the last three years, 89% of the $20 billion of capital we have raised was for private markets strategies, and nearly 50% was for direct oriented strategies. Today, 71% of our AUM is in private markets strategies and 40% in direct oriented strategies. Both of those numbers will continue to increase based on recent fundraising trendlines. Notably, the financial performance of our Absolute Returns Strategies has stabilized as expected.

Earlier this year Jon discussed the stability and growth embedded in our separate account business. The re-up cycle of separate accounts is a powerful foundation of our growth. 42% of our year-to-date fundraising has been in Private Equity, largely driven by separate account re-ups. Our separate accounts are programmatic in nature and are core exposures inside of our clients’ portfolios. We have a considerable re-up pipeline looking out over the next year.

Investors continue to increase allocations to Infrastructure and Private Credit, and we are well positioned to be part of the solution for them. You may have seen analyst reports about a sell-side event we hosted last quarter spotlighting the competitive advantages of our infrastructure platform – we are experienced, we are global, our track record is good, we can implement all different types of investments, and our sourcing engine is powerful. These differentiators have led to success with our Infrastructure AUM doubling over the last 4 years. We see further growth in the future.

In the case of Private Credit, we are positioned to provide holistic solutions for client portfolios. That includes serving as a single point of entry for the entirety of a client’s private credit allocation and providing complementary credit co-investment and secondaries exposures. Investors continue to grow and evolve their private credit allocations, so the growth potential to scale with them is significant. Credit was our fastest growing vertical by AUM over the last year, and we expect continued momentum there.

We remain confident in our 5-year growth target of doubling 2023 Fee-Related Earnings by 2028, and this year's anticipated growth puts us on pace to achieve that goal. At the same time, we see significant latent earnings power in our incentive fee opportunity which will benefit growth in Adjusted EBITDA and Adjusted Net Income to an even greater degree.

And with that, I will turn it over to Jon.

Jon Levin: Thank you, Michael.

The individual investor channel, for good reason, is quite topical in our industry these days. And we have a lot going on in this area at GCM. So that will be the focus of my comments today.

Individual investors account for roughly half of the total global AUM, so approximately $150 trillion. And this AUM is significantly under allocated to alternatives. Even if individual investors just get to a 15% allocation, which is around half of a typical institutional target, that is still trillions of dollars, so the opportunity is massive.

The individual investor channel is not a singular, homogenous group. It's a broad spectrum of individuals in terms of asset and accreditation levels, who are reached through a broad spectrum of distribution channels. Success requires a sophisticated and multi-faceted approach to delivering solutions to these individuals.

For the past several years, we've focused on strengthening our presence on wirehouse distribution platforms. We've raised capital via a range of vehicles, including registered funds, qualified purchaser specialized funds and custom solutions for single individual investors as well as for advisors who may use a single tailored solutions for multiple clients. We've raised capital in the US, Europe, and Australia across absolute return strategies as well as private market strategies. We've raised over $3.1 billion since 2020 from individual investors, comprising nearly 10% of our fundraising over that time period.

The next stage of our growth plan is centered around launching a suite of interval fund private market products for both accredited and non-accredited individual investors. It will be sold through a broader range of distribution partners, including RIAs, independent broker dealers, and the wirehouses. Success in this market hinges on a strong investment strategy, a well-designed product, and robust distribution resources.

This quarter, we reached two significant milestones in our growth strategy, both centered on forming new partnerships around new registered products. First, we announced that we will serve as a core independent manager to the Axxes Private Markets Fund. We will be Axxes' investment partner, focused on sourcing and executing a diversified portfolio of private equity co-investments and secondaries.

Second, we announced a new strategic partnership with CION Investments focused on infrastructure. CION has a long track record of successfully raising capital from the individual investor channel, and we're excited to partner with them to distribute a product to a broader audience. As you may recall from our second quarter call, we secured a $300 million anchor commitment for this effort. Such an anchor commitment is a great advantage in this market, as it provides immediate scale at launch.

While both of these partnerships are in their early stages, we're very excited for their potential growth over the coming years. We also look forward to continuing to expand our suite of products and distribution capabilities. We are excited to update you on future calls about our achievements in this area.

And with that, I'll turn the call over to Pam.

Pam Bentley: Thanks, Jon.

We are pleased with our strong results in the third quarter, which built on the momentum we enjoyed over the first half of the year. Year-to-date Fee-Related Earnings grew 18%, Adjusted EBITDA grew 21%, and Adjusted Net Income grew 24% over the same period in 2023.

Assets under management were at a record high of $80 billion as of quarter-end, a 5% increase from a year ago, and Fee-Paying AUM also increased 5% year over year, ending the quarter at a record $64 billion. Contracted-Not-Yet-Fee-Paying AUM ended the quarter at $7.9 billion, an 11% increase from a year ago due to stronger fundraising. As a reminder, our Contracted-Not-Yet-Fee-Paying AUM typically converts to Fee-Paying AUM over the next few years and provides a tailwind to our top-line growth.

Private markets was once again a key growth driver in the quarter, with private markets Fee-Paying AUM growing by 7% year-over-year. Our private markets business now represents 71% of total AUM and 66% of our Fee-Paying AUM.

Private markets management fees grew 6% for the quarter and 8% year-to-date compared to the prior year. For the full year '24, we expect total private markets management fee growth to be 9-11% over the prior year. Where we fall in this range will depend on the exact timing and amount of specialized fund closings in the fourth quarter.

At the beginning of the year, we spoke about our expectation that our Absolute Return Strategies management fees would stabilize in '24, and we are on track to meet that goal. Third quarter ARS management fees increased 2% year-over-year, and consistent with our prior guidance we expect full year '24 ARS management fees to be stable relative to last year.

Turning to our expenses, our compensation philosophy is to align and incentivize our greatest asset, our talent, through a combination of annual and long-term awards, including FRE-related compensation, incentive fee-related compensation, and equity awards. We remain disciplined in managing compensation expenses, and third quarter FRE-related compensation with $37 million. Stock-based compensation was $4 million in the quarter, and consistent with last year we expect a seasonal uptick in the fourth quarter relative to Q3. We plan to continue to use our buyback program to manage dilution from our equity compensation awards.

Non-GAAP General and Administrative and other expenses were $19 million in the quarter, and due to some seasonality, were down slightly on a sequential basis. We do expect those levels to increase next quarter.

Pulling together these factors, on a year-over-year basis Fee-Related Earnings grew a healthy 9% in the quarter and 18% year-to-date. As Michael noted, consistent with our long-term guidance, we expect to enjoy FRE growth this year consistent with our 5-year guidance to double FRE from 2023-2028.

Turning to incentive fees, we realized $23 million in the quarter, comprised of nearly $3 million of ARS performance fees, and more than $20 million of carried interest. As Michael noted, ARS investment performance has been very strong, positioning us to generate meaningful performance fees this year. As of quarter end we had $26 million of accrued, unrealized annual performance fees, which are incremental to the $13 million of annual performance fees we've realized year-to-date.

ARS investment performance has continued to be strong thus far in Q4. Our gross unrealized carried interest grew approximately 5% year-over-year to $816 million as of quarter end. We believe our incentive fees provide significant, embedded earnings potential, which we look forward to being unlocked as the capital markets strengthen and M&A activity accelerates.

Our balance sheet is strong, and we are maintaining a healthy, quarterly dividend of 11 cents per share. There is room for future dividend growth as we enjoy positive momentum in our earnings. We also continue to repurchase shares under our buyback program, and year-to-date we've repurchased $33 million of stock, leaving $32 million remaining in our share repurchase plan as of quarter end.

To close, we have confidence in our 2024 and long-term financial objectives and look forward to the opportunities ahead to deliver value to our clients and shareholders.

Thank you again for joining us, and we're now happy to take your questions.

Operator: Thank you. [Dial-in instructions] Our first question is coming from Crispin Love with Piper Sandler.

Crispin Love: Thank you. Good morning everyone. Just first off on fundraising. Michael, you reiterated that fundraising in the second half should be higher than the first. But just in order to do that, you're going to need the best quarter of the year with over 2 billion of fundraising. First, can you just speak to your confidence there? And if there is anything specific driving that that's worth calling out, whether it's infrastructure picking back up, continued strength in PE or just other areas. Thank you.

Michael Sacks: Thank you. Thanks for the question. We wouldn't have said that with a quarter to go or less than a quarter to go if we weren't confident and we included what we call the near-term pipeline, some of which includes opportunities where you've already won but you haven't finished contracting yet and gotten going. We tried to give you an image of how significantly that pipeline has grown from a year ago. That's something that particularly when you're talking about near-term pipeline we're tracking very closely, and there are names next to numbers and that sort of thing.

We do have confidence that we are going to deliver on that. And that's a good, solid quarter of fundraising. It certainly wouldn't be necessarily the best quarter we ever had. We think it's doable and we reiterated that because we do have confidence. And importantly, I think we also tried to touch on this in the prepared remarks, but it really is when you look at near-term pipeline verbal and in finals, like real pipeline, very near-term high visibility, it's every strategy where that pipeline is larger than it was a year ago. Every one of our strategies.

The fundraising environment has improved. This is going to be an up year from a fundraising perspective relative to last year, and we expect it will continue to improve into next year. And we're very happy about that.

Crispin Love: Thank you, Michael. I appreciate that. Just one that's a little bit of a longer-term question. But when you think about your revenue and FRE makeup over the intermediate terms next few years, can you just provide some just general thoughts here? Fee-related revenues has been about 80% or so of revenues in what's been a tepid deal market. But with your carried interest earnings potential and then also just following the election which has renewed some optimism in deal activity, would you expect that 80% share to decrease over the coming years? I know it's difficult with time, but just curious on your general thoughts here.

Michael Sacks: Well, I think a little bit that's why we talk about things the way that we do. So we want to run a management fee-centric business that has good, solid top line organic growth and then has some margin opportunity. And we're getting very good fee-related earnings growth. As we've said and reiterated on this call, doubling from the end of '23 FRE is a goal of ours and we think we are well on our way to that goal this year and wee are standing by our confidence and our belief that we can do that. That necessitates and we believe we have real opportunities for solid management fee growth going forward and growth in fee-related earnings.

We also have tried to make it clear that because of the unique nature of our particular carry and the history evolution of our particular carry and the macro environment where transactions were depressed, we think we have very significant earnings power inside of that carry asset. We included a couple of new pieces of information in the earnings deck. We try to help you see that. And we think we have significant earnings power there. We would anticipate that our adjusted EBITDA and adjusted net income actually grow faster than our fee-related earnings grow over the next four years or so, which we also feel very good about.

With regard to your comment on the election, I think the one thing that we do think is highly likely as a result of the election is that transaction activity picks up and you do see more transactions and that is good for the carry line and it's good for deployment. And we do think that's a likely outcome of the election.

Crispin Love: Great. Thank you and appreciate you taking my questions.

Operator: Our next question is coming from Bill Katz with TD Cowen.

Bill Katz: Okay. Thank you very much. And we did notice the extra disclosures. So thank you. So maybe just coming back to the algorithm to drive toward your doubling of FRE growth. It sounds like you're softening up your guidance a little bit for this year from double digits down to a 9 to 11, depending upon timing. So that would suggest a little more margin expansion. As you look out over the next several years, can you unpack where you think you can get to in terms of the revenue growth for FRE versus the margin? The margin looked like it improved pretty significantly quarter on quarter, including very good leverage on comp. I'm just trying to understand the algorithm as we look ahead to the next few years.

Michael Sacks: Sure. I think that what we want to do over that time period, and obviously it's not linear, but we believe you can drive. And I want to put a pin for a second in the individual investor market in answering this question. But we believe our core business, with our core competencies and capabilities now that we can drive private market management fee growth 10% or better. We believe we get compounding and keep capital, frankly, if performance keeps up in ARS will at some point we'll actually see some capital come into that strategy. And so you can compound your ARS. And we can see that top-line management fee growth at that 10%, hopefully 10% plus range over that entire period of time.

It'll ebb and flow in there. We'll have some years where it's higher and some years, but that's what we believe. We believe we have margins still on the FRE line. And then as we've said in the script and already answering the first question, the incentive fee line for us has a lot of upside and it has upside in it from the asset that exists today at NAV and it has upside in it from all the capital that's come into the firm over the last few years that has significant carry that isn't yet in the money.

That new slide that we included, that you noted what we were trying to show you there was how you had an asset, you collected most of the value of that asset as of a certain date, the assets much larger today than it was at that date despite your collections. And we have a lot of power behind that asset today that you don't see yet and so we feel very good about that.

We're committed to getting that FRE growth through a combination of good solid top-line organic revenue growth and from continued margin. And then we think the adjusted EBITDA and adjusted net income grow faster.

Bill Katz: Okay. Very good. And then maybe one for yourself or Jon just highlighted the retail opportunity set. I was wondering if you could maybe expand a little bit on, I think you mentioned a suite of services coming down the pike. I'm curious if you can talk about that. And then, relatedly, maybe it's already embedded in your prepared remarks, should we assume any incremental expenditures needed to drive that growth? Or do you think you have the right resources allocated to that opportunity? Thank you.

Jon Levin: Yeah. Maybe I'll start with actually the last part of your question first, Bill, which is that embedded in all the commentary Michael made with regard to our plans for the future and our goals with respect to the doubling of FRE in 28 as compared to '23. All of that contemplates in our minds whatever spending we need to do in our business to achieve those goals.

The reality of our business is that, and it's true, frankly, for other businesses in the space, is you have the ability to, based on the top line dynamics, you have the ability to keep your existing pool of talent happy on a year-over-year basis and invest in the business and still achieve operating leverage and margin expansion. And so every year we're investing in the business for various initiatives, individual investor being one of them. But that is not something that takes us away from the financial goals that we've laid out.

With regard to the broader opportunity, in individual investor, we laid out some more slides on that in our presentation. We commented on it obviously in the call. And so I know that's all hard to digest right away, and hopefully, you'll find some of that information valuable. But the bottom line from our standpoint was to make a few points. The point one being we've raised over $3 billion of capital from the individual investor over the last few years. So it's a real business today. We've raised that capital for all of our different investment verticals. We've raised it globally. And we've raised it in a bunch of different types of forms already today, meaning we have registered fund, for example in the absolute return strategies space. We have raised it for qualified purchaser or institutional closed-end funds capital from individual investors that are able to buy that type of product.

We've actually done separate account business in the individual investor channel. We've done that both for individual high net worth investors, but we've also actually done it for advisors or advisory firms, custom solutions that they can use for multiple clients. It's been a very active area of the business for us, but there's a lot more to do.

To your specific question, what we highlighted on today's call and really actually highlighted earlier in the quarter were two specific registered products that have launched or are in the process of launching - one around private equity and one around infrastructure and we're excited about the prospects for both of those as well. Hopefully, that answers your question, but happy to dive into any more detail on that Bill.

Bill Katz: Okay. I did pick all that up. I was intrigued by the suite of products that you had mentioned, but we can follow up offline. Thank you for taking the questions.

Operator: And again, if anyone would like to ask the question, it is star one on your telephone keypad. Our next question is coming from Ken Worthington with JP Morgan.

Ken Worthington: Hi. Good morning. Jon just wanted to continue the discussion on wealth management. How do the economics work with the partnerships compared to what they might look like if you sold directly through the wirehouse or RIA channel? Thinking about this on a dollar of AUM basis, because we assume that the partnerships will probably accelerate the dollar growth. Should we look at these partnerships like sub-advisor relationships so there's sort of an ongoing revenue share, or is it different?

Jon Levin: Yeah. Thanks, Ken. I think it's a good question. Maybe I'll make a broad comment on it first and then can make some specific comments on the two particular partnerships we talked about on today's call. I think in a broader sense of things, the idea that you can distribute through partnerships and the idea that you can distribute with your own internal distribution. One, are not mutually exclusive concepts.

You've actually seen, I'm sure, a lot of the big brand name alts of firms that have very successful businesses in the individual investor space pursue both of those types of options simultaneously. I think that the comparison of the net revenue or the net margin, whether you use internal distribution or do it through partnerships, is not like a perfect science honestly. I think, roughly speaking the way you can think about it is that either you have to pay for distribution no matter what you do, and you can pay for distribution through partnership, or you can pay through distribution through internal, and that the mass of both of those is a good outcome when you get to scale.

I think I would argue that the difference between them is a little bit negligible or certainly not something that someone could do scientifically to make a clear conclusion. But I think the broader point is we're going to pursue both strategies and that's been something that's worked out well.

The other point to Bill's questions was we're going to be methodical on how we invest for that growth and that it still allows us to achieve our targets. I think specifically to the partnerships today, there actually can operate all differently. So in one particular case, we're a core independent manager, like a subadvisor. In that particular case, Ken, it’s kind of just like running a separate account almost. You're running a separate account for a pool of capital that you have a partner that is raising capital for you, obviously supporting them in that distribution process through your technical knowledge and through your manufacturing knowledge.

You can think about it as similar to just running a separate account. In one of the other cases, it's more of a call to think of it as a JV, where a dollar comes in, and you're sharing that dollar between the manufacturing and the distribution, and that speaks a little bit to the other point I was making, which is you're effectively "paying for the distribution through giving up some of the shares of the JV." But that's instead of paying your own internal distribution. And I think the math of it is still very good math from an asset management perspective, which is why you've seen others pursue that kind of hybrid strategy. Hopefully, that gets to your question. But if there's anything else on that, please follow up.

Ken Worthington: Yes. That helps a lot. And then maybe just as a follow-up, you have a handful of specialized funds in market. You had closes in the third quarter. You'll have more closes in the fourth quarter. Can you just maybe inform us what actually had closes in 3Q and acknowledging anything expected 4Q can slip into 1Q depending on just sort of timing of stuff? What, at least, is the hope or expectation for which of the handful are more likely that closes in 4Q?

Michael Sacks: Hey, Ken, it's Michael. We're going to have closes in most of the funds and market in Q4. On our private markets full-year management fee growth rate that Pam referenced, really the determining factor for where we land in that is going to be directly related to Q4 closes for two of our funds, specifically Elevate and IAF. As you know, every fund that we have successor fund that we've brought, with the exception of one fund that was $40 million less than the prior series, every fund that we've brought has been higher and bigger than the prior series of fund.

As I mentioned or tried to mention, our pipeline for our specialized funds in all of our strategies and for our separate accounts in all of our strategies is really up significantly. And that's that near-term pipeline. We plan to have Q4 closes that will help us to make those numbers that Pam talked about and then funds continue on into next year. The only fund that we might have a final close for would be Elevate. And so otherwise, everything else is still rocking and rolling. And we feel very good about the pipeline. We feel good about our track record of growing these specialized fund franchises and that's where we are on that.

Ken Worthington: Great. Thank you very much.

Operator: Our next question is coming from Stephanie Ma with Morgan Stanley.

Stephanie Ma: Great. Good morning. Just wanted to get your latest thoughts on the private credit industry outlook, particularly after the outcome of the election. If banks now have more appetite to step in again, how do you think this changes the competitive dynamics in private credit, and how are you thinking about implications and positioning for your business? Thanks.

Michael Sacks: Maybe, Jon, I'll try to take a little bit of that and then you jump in if I don't don't get to something. But I think that the private credit space is growing. Just the conversation, the trajectory is up and to the right. It's coming for very good reason. The demand is coming from everywhere in terms of type of client, geography of client, channel, etc. We don't think that's changing. And so can growth rates move a little bit based on risk-off, risk on and appetite. Sure.

Private credit space in general, which is not just one strategy. And we talked in our remarks about different implementation methods that we're bringing to clients. That's just going to continue to grow. And it's just going to continue to grow. It's that we think it's a long-term trend. It's not a short-term trend that's going to stop and start. It may accelerate a little and decelerate a little, but it's going up and to the right, and it's going to go for a while. And we see it being a bigger and more important part of our revenue stream over time.

Jon Levin: Yeah. That's where I was going to go. Michael, I agree with that completely, which is I think there's, Stephanie, like cyclical aspects maybe of credit obviously like interest rates and things like that. But the secular trends for the private credit evolution are far more powerful than anything cyclical. I think when people focus on the secular trends, a lot of times they focus on the bank pullback. And the bank pullback is certainly something that we saw begin this trend after the GFC. But I actually don't think that's the most powerful secular driver.

I think the most powerful secular driver of the private credit evolution is the demand of the capital. We saw it happen with public equity to private equity. We've seen it obviously happen in other private markets asset classes. It's that the capital would rather invest in a way where you don't have the same amounts of day-to-day volatility. It might be there inherently, but it's not observed. And that's a feature, not a bug of the industry. I think that that shift for where the capital would rather have its money deployed in the credit markets generally is the most powerful trend. And that's a one-way train to the point Michael's making.

I think there's two areas where you're still just scratching the surface. We talk a lot about corporate sponsor-backed direct lending when we talk about private credit. But there's an entire area of credit markets outside of that that is still in the very early stages.

Then to Michael's point, on an implementation basis, getting to a place where it looks more like private equity, looks more like infrastructure, where you have co-investing, where you have secondary investing. That's going to be a huge part of the evolution and frankly, a huge part of where for in particular for GCM Grosvenor there's a tremendous amount of opportunity.

Michael Sacks: The last thing I would just add is in terms of sort of short term, and this is not about short term for us at all as both Jon and I have said. But if you believe that transaction activity writ large is likely to pick up in part as a result of the election, that's not going to shrink demand for private credit in the short term.

Stephanie Ma: Great. Thanks for that color.

Operator: Our next question is coming from Bill Katz with TD Cowen.

Bill Katz: Great. Thanks for taking the extra question. Just thinking through the opportunity set on the realizations, particularly for carried interest. I'm just looking through some of your disclosures. It looked like there was a reversal within the comp line. So, your comp I think was around 50-51% as a payout. Just wondering A, what was the reversal? And then B as you go forward, particularly given that the vast majority of the residual net accrued carried to GCMG is rising at a higher percentage of the total, how should we think about that payout ratio looking ahead? Thank you.

Michael Sacks: Yeah. I think that payout ratio, the idea that we're holding half of that or we're holding 45% of that. Without us talking to you about a change in comp philosophy, I think those historic ratios are perfectly comfortable for planning and for modeling.

The reality of that, depends a little bit on how robust the revenues are. I don't think just being candid, it's perfectly linear. And so, that ratio can improve for the firm and improve in direction for the firm if and when we see the revenues grow frankly, back to where we saw them a couple of years ago and in line with the very clear promise that they hold now. It's almost as the revenues increase, which we expect and which we've tried to walk people through, I feel like we have margin opportunity in that line absent a change in compensation philosophy, which would then benefit the FRE line.

Obviously, if we were ever to talk about that, that would be a change in philosophy. But I don't think what you're seeing here is just anything other than margin moving around a little bit based on revenue level and trying to accrue throughout the year to where we think we're going to end up for the year. I think we have more upside opportunity in that margin, as these revenues grow, which we anticipate them growing at a fast rate. We have upside opportunity in that margin. Again, absent us making some announcement like some others have, which is not something we're focused on.

Bill Katz: Thank you again.

Operator: And it appears there are no further questions at this time. I will now turn the conference back to the company for any additional or closing remarks.

Stacie Selinger: Thank you. Thank you, everyone, for joining us today and taking the time and for all of the questions. We are very happy to follow up with any additional questions or if not, we look forward to speaking with you again next quarter. Have a great weekend.