AssetMark Financial Holdings, Inc.

Second Quarter 2022 Earnings Conference Call

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C O R P O R A T E   P A R T I C I P A N T S

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Natalie Wolfsen, *Chief Executive Officer*

Gary Zyla, *Chief Financial Officer*

C O N F E R E N C E   C A L L   P A R T I C I P A N T S

Patrick O'Shaughnessy, *Raymond James & Associates, Inc.*

Ryan Bailey, *Goldman Sachs*

Gerald O'Hara, *Jefferies*

P R E S E N T A T I O N

Operator

Good afternoon, everyone, and welcome to AssetMark's Second Quarter 2022 Earnings Conference Call.

Today's call is being recorded.

Now I'd like to turn the call over to Taylor Hamilton, Head of Investor Relations. Please go ahead, Mr. Hamilton.

Taylor Hamilton

Thank you. Good afternoon, everyone, and welcome to AssetMark's Second Quarter 2022 Earnings Conference Call.

Joining me are AssetMark's Chief Executive Officer, Natalie Wolfsen; and Chief Financial Officer, Gary Zyla. Today, they will discuss the results for the second quarter and provide an update to AssetMark's business outlook for 2022. Following our introductory remarks, we'll open up the call for questions.

We also have an earnings presentation that Natalie and Gary will reference during their prepared remarks. It can be accessed on our IR website at ir.AssetMark.com.

Before we get started, I'd like to note that certain statements made during this conference call are forward-looking statements. These forward-looking statements represent our outlook only as the date of this call, and actual results could differ materially.

Additionally, during today's conference call, we'll be discussing net revenue, Adjusted EBITDA, Adjusted EBITDA margin and adjusted net income, all of which are non-GAAP financial metrics. Please refer to our earnings press release and SEC filings for more information on forward-looking statements, risk factors associated with our business, and required disclosures related to non-GAAP financial information.

With that, I'll go ahead and turn the call over to my colleagues.

Natalie, take it away.

Natalie Wolfsen

Thanks, Taylor.

Hello to everyone on the call, and welcome to our second quarter earnings call. I hope everyone is having a great summer.

My prepared remarks today will focus on AssetMark's evolution of becoming more than a TAMP and how we continue to evolve by executing on the five key components of our growth strategy. After I'm finished, I'll turn the call over to Gary to discuss our financial and operating results for the second quarter and to discuss the impact of market volatility and rising rates on our financials.

Starting on Slide 3. We realized record results among many key financial metrics in the second quarter. On the top line, we realized record revenue of $151.2 million, up 18% year over year. On the bottom line, we realized record Adjusted EBITDA of $49.6 million, while also realizing Adjusted EBITDA margin of 32.8%, our highest as a public company. Reported net income for the quarter was $25.3 million, almost as much as we reported for the full year of 2021. Our ability to be more than a TAMP for our more than 8,600 advisors and 220,000 households is the driving factor in our ability to achieve these record results.

Now let's turn to Slide 4. Over the last year, we've diversified our revenue with the acquisition of Voyant and have realized greater revenue contribution from spread as interest rates continue to rise. We continue to add more advisor capabilities, have enhanced flexibility in how we serve advisors, and have positioned the Company to serve more channels, including the growing RIA channel. This will only be accelerated through the announced acquisition of Adhesion Wealth, which will also lay the groundwork to provide advisors a more modular unbundled outsourcing option. I'm extremely pleased with what we've accomplished and the direction the Company is going. Continued execution on the five components of our growth strategy will further evolution of being more than a TAMP in the years to come.

As we do every quarter, let me provide an update on our growth strategy. The first component, on Slide 5, is to meet advisors where they are catering to varying affiliations and new growth-oriented or mature advisors. In June, we announced the acquisition of Adhesion Wealth, a leading provider of wealth management technology solutions to RIA, RIA enterprises and asset managers. Adhesion's platform enables over 2,800 fee-based advisors across 180 RIAs to deliver better investor outcomes while successfully growing their practices by providing outsourced overlay trading services, client engagement technologies, and managed accounts program.

We believe this is a transformational acquisition for AssetMark. Let me explain why. First, the addition of Adhesion will further strengthen our ability to serve the rapidly expanding RIA market with an ecosystem a flexible purpose-built solutions that drive growth, efficiency and scale. As we've discussed in previous earnings calls, more and more advisors are moving to the RIA channel.

Second, the acquisition will enable us to provide a broader range of investment and technology solutions through a flexible and modular approach, including to those advisors that prefer to assemble solutions for their practice themselves versus fully outsourcing and delegating. This lays the groundwork for providing a more unbundled offering at AssetMark through Adhesion.

Third, this will greatly expand our total addressable market, as historically, through AssetMark institutional, we've been focused on outsourced-oriented RIAs with practice sizes between $25 million and $250 million. Adhesion's platform provides a more flexible modular offering, valued by larger RIAs. Simply put, we'll have expanded our advisor total addressable market by three times through the acquisition of Adhesion.

Lastly, the acquisition will benefit AssetMark's existing advisors by delivering value-added services and solutions, including direct indexing, tax transition, portfolio administration, practice analytics and client reporting. We expect Adhesion to close in the second half of the year and to be accretive to AssetMark's earnings in its first full year.

Turning to Slide 6. The second component of our growth strategy is to deliver a holistic differentiated experience to advisors and their clients. It's been one year since we've closed the acquisition of Voyant, which has greatly accelerated our financial wellness vision. Over the last year, Voyant has realized meaningful growth in both the number of enterprise and small and midsized business, or SMB, licenses.

Enterprise advisor and consumer licenses, which make up approximately 43 of Voyant subscription revenue, are up 6% and 17%, respectively. SMB licenses, which make up the remaining 57% of Voyant subscription revenue, are also up year over year. Feedback from our advisors continues to be positive, and we are pleased with Voyant's growth over the last year. In the second quarter, Voyant signed a new enterprise client in Canada, and we expect to see an acceleration in the number of enterprise relationships as key geographies open back up. The third component of our growth strategy is to enable advisors to serve more investors across the wealth spectrum, varying life stages and generations.

Let's turn to Slide 7. This quarter, I'd like to highlight two of our recent platform additions as well as provide an update on how we are supporting our advisors during this year's market volatility. Last September, we launched a curated selection of professionally managed SMAs, which cover a wide breadth of asset classes, investment styles, and asset managers. These have been actively used by our advisors and their clients with over 13,000 submitted proposals totaling $650 million since inception. Most recently, we launched our values-driven investment program, which launched four new ESG strategies in addition to a robust suite of ESG resources and educational materials. We're already seeing early adoption from our advisors with over 400 proposals submitted.

We continue to focus on timely education for our advisors. Their clients are confronting strong and persistent market volatility for the first time in two years. This type of environment is when financial advisors are needed most and have the greatest opportunity to prove their value. We help our advisors connect with their clients to provide context, resources and guidance to navigate recent volatility in an effective and consistent manner.

In the second quarter, we launched a market volatility toolkit, which includes curated and timely resources that guide and educate advisors so they can stay informed, feel confident, and provide their clients comfort in volatile times. Being there for our clients so they can be there for their clients is why advisors continue to choose AssetMark and why we continue to win new advisors.

The fourth component of our growth strategy, as seen on Slide 8, is to help advisors grow and scale their businesses by offering turnkey advisor solutions and programs. I would also like to provide an update this quarter on a couple of the offerings we've launched over the last 12 months. In January of this year, we launched a digital prospecting capability for advisors, a tool designed to streamline prospecting for financial advisors and provide them with insights to drive lead conversion. While still in the early innings, our advisors are actively using this tool with over 500 high-quality leads generated since launch.

In February, we launched our marketing advantage program, an all-in-one marketing platform that helps financial advisors build relationships and grow their business with a robust suite of ready-to-use tools. While still early, hundreds of our advisors are leveraging this platform and feedback has been extremely positive as advisors cite both time and cost savings. Helping our advisors grow and scale is a key component of our growth strategy, and we continue to dedicate resources here. In fact, over the last year, we have expanded our business consulting team by over 30%.

Now turning to Slide 9. The final component of our growth strategy is to pursue strategic transactions by adding capabilities and assets that improve advisors' ability to serve investors and expand their businesses. As I've mentioned on previous earnings calls, we remain very focused on M&A and are a disciplined buyer, looking only to buy capabilities that we feel would be a strong fit for our platform.

Now I'll turn the call over to Gary, who will take us through a deeper dive into our second quarter results and then an updated outlook for 2022.

Gary Zyla

Thank you, Natalie, and good afternoon to all those on the call.

As Natalie mentioned, the second quarter was a record quarter among many of our key top- and bottom-line financial metrics. This is a direct testament to our ability to be more than a TAMP for our more than 8,600 advisors and a 220,000-household basis. As usual, I will start with a discussion of our platform assets, and then talk about our revenue, expenses, and then earnings, and I will conclude with an update on our outlook for 2020.

Starting on Slide 10, second quarter platform assets were $82.1 billion, impacted by $10.1 billion in market loss net of fees. Net flows for the quarter were $1.4 billion and are $3.5 billion for the year. Annualized net flow as a percentage of our beginning period asset is 7.5%. We are extremely pleased with our first half of 2022 organic growth, given the market volatility and the amount of money that continues to sit on the side lines. We continue to stay well engaged with our advisors and provide them with the resources they need to lead their clients through these volatile and uncertain markets. As Natalie mentioned, this, among other things, has allowed us to continue to win new advisors and share of wallet from our existing advisors.

Let's now turn our attention to our advisor metrics. Please turn to Slide 11. In the second quarter, we added 193 new producing advisors, or NPAs. As we always point out, growing the number of our engaged advisors on our platform is a key focus for Management, as it is crucial to drive further growth in our business and its financials. We define engaged as those that are over $5 million in assets in our platform. Our total engaged advisors by the end of the quarter, second quarter, were 2,663. This reflects 23 new engaged advisors in the quarter, offset by 175 advisors who dropped below $5 million due to market depreciation. Our engaged advisors make up 91% of our platform assets.

Turning to households. The number of households is up 12% year over year to 220,000. It is powerful to think that, that AssetMark is close to impacting the financial hopes and dream of over a quarter million American families.

Now let’s turn to Slide 12 to discuss this quarter's revenue, which is a record $151 million. As you know, we focus on our revenue net of related variable expenses. In the second quarter of 2022, our net revenue was a record $110 million, up 21% year over year, which is driven by asset-based net revenue, which was up 11% and $99 million, spread-based revenue, which was up a robust 260% to $6.5 million, and the addition of subscription-based revenue from Voyant, which was $3.3 million. This quarter, Voyant's revenue was impacted with foreign exchange pressure. Later during my prepared remarks, I will provide some detail on how increased rates and market volatility impact our financials.

Slide 13 details our year-over-year net revenue walk. As the waterfall shows, net revenue was up year over year, driven by the impact of our asset growth, which generated $13 million in additional net revenue. Also adding to our increase in net revenue is a $0.6 million reduction in asset-based expenses. As a reminder, this is ongoing savings that is primarily driven by restructuring agreements with our providers.

Year-over-year fee compression was approximately 1 basis point, in line with our expectations. Subscription revenue from Voyant added another $3.3 million in additional revenue, and Voyant's consulting revenue drove the increase in our other revenue line as well. Lastly, spread-based revenue increased almost $5 million year over year due to the improvement in our average yield from 29 basis points to 81 basis points.

Now let's discuss expenses. Turning to Slide 14, total adjusted expenses increased 17% year over year and $109 million and went down 2% quarter over quarter. Quarterly operating expenses were up 18% year over year to $60.4 million, driven by a $4.3 million increase in compensation expense and a $5 million increase in SG&A.

Let me quickly run through our adjustments for the quarter. We added back a total of $9.1 million, pre tax, which is comprised of three items. First, $3 million in noncash share-based compensation, we anticipate the quarterly run rate to be just under $4 million going forward. Second adjustment to expenses is $1.7 million of amortization expense related to prior acquisitions. We expect this to be our quarterly run rate throughout 2022. Lastly, $4.3 million related primarily to reorganization and integration costs and onetime costs related to the pandemic.

Now let's turn to Slide 15 to discuss our earnings in the quarter. Second quarter 2022 Adjusted EBITDA was $49.6 million, up 24% year over year and the highest quarterly Adjusted EBITDA in our Company's industry. We are extremely pleased with our Adjusted EBITDA this quarter, which is a testament to our growing revenue diversification and the flexibility and disciplined management of our expenses. Adjusted EBITDA margin for the quarter was a record 32.8%, up a robust 150 basis points year over year.

Our reported net income for the quarter was a record $25.3 million, almost equal to our reported income for the Full Year 2021, while adjusted net income for the second quarter was a record $32.4 million or $0.44 per share. This is based on the second quarter diluted share count of 73.7 million. Our adjusted effective tax rate for the full year is unchanged at 23.5%. For further color, please see the adjusted net income walk on Slide 20.

Now let's look at the second quarter balance sheet. I would highlight two items.

First, we continue to do a great job of generating cash, adding $17.8 million to our cash position quarter over quarter and ending the second quarter with $116.5 million in cash. Additionally, we still have $375 million in our credit facility that is available to the Company. Our cash balance, as well as the low debt leverage, will give us flexibility in deploying cash for future M&A deals, which remains an important focus and the key component of our growth strategy.

Second point on the balance sheet, capital expenditures primarily reflect our long-term investments in technology to create new capabilities, improve scale, improve service. In the second quarter, our capital expenditures spend was $10 million or 6.6% of total revenue. In 2022, we are expecting our capital expenditures to be about 7% of total revenue as we continue to invest in the future in the business.

Before I discuss our 2022 outlook, I will be remiss to not provide some clarity on how we think about the impact of future rate hikes and market volatility on our financials. Turning to Slide 16. The left-hand column shows the annual impact of a 25 basis point increase in the Fed funds rate on our spread-based revenue. As a reminder, spread-based revenue was influenced significantly by interest rate changes and the amount of cash held by investors at our proprietary Trust Company.

Currently, the insured cash deposit, or ICD, portion of cash at AssetMark Trust Company is 5% of total assets, much higher than historical 3.5%. This is due to strategists allocating more to cash during this market volatility. For modeling purposes, we are using the 3.5% number to show a revenue impact of 25 basis point increase in Fed funds rate, which would equate to an additional $4.5 million in annual spread-based revenue.

Now let's turn to the impact on our asset-based revenue. As a reminder, we view our platform assets as a blend of 60% global equity and 40% domestic fixed income, equating to approximate 0.5 beta (phon) to the S&P 500. While we are committed to diversifying our revenue, I want to show that the impact of a 1.25% decline in this 60-40 global portfolio on our asset-based revenue. Assuming the current platform assets of $82 billion (phon) and no future asset-based fee compression, we would set a 1.25% decline to impact our asset-based revenue by $4.5 million. So simply put, a 25 basis point increase in the Fed funds rate could offset a 1.25% depreciation in our platform assets. We'd hope that this provides some clarity regarding the inflection point between interest rate hikes and market volatility.

Finally, let's turn to Slide 17 to provide an update on our 2022 expectations. We have flexibility in our business model, given that we bill and advance and have a strong track record of expense management. Despite the continued market volatility, I am pleased to announce that we are reaffirming our earnings outlook as well as EBITDA margin expansion target for the year. Let me share some perspective on this.

As a result of billing in advance, we have already collected revenue for three quarters of the year. While we have lost approximately $10 billion in platform assets in the market in the second quarter, we are getting a greater contribution from spread-based revenue than previously expected due to more rapid increases in interest rates as well as a greater amount of cash in AssetMark Trust Company.

Last time we spoke, we were assuming seven 25 basis point increases in the Fed funds rate this year would raise interest rates by about 2% by the end of the year. But we have already seen a 50 basis point increase in May and two 75 basis point increases in June and July. Now most expect rates to end the year over 3.25%. As a result of all this, we are narrowing our revenue build expectation from 16% to 20% to 16% to 18%.

Turning to our expense outlook. Our model has flexibility in our expense base. With our revenue expectation is coming down slightly due to market volatility and timing of the Voyant contract, we are also revising our expense growth outlook from 14% to 18% down to a narrow range of 14% to 16%. It is important to note that we will remain disciplined so that expense growth will not outpace our revenue growth.

Lastly, we are reaffirming our outlook for 20% Adjusted EBITDA growth for the year and EBITDA margin expansion of 100 basis points. Despite market conditions, we are on track for a record year and are extremely pleased about the strong possibility of growing the top and bottom line double digits in 2022.

With that, I'll hand it back over to Natalie for concluding remarks.

Natalie Wolfsen

Thank you, Gary, and thanks, everyone, on the call today.

This concludes our prepared remarks, and I'll now turn the call back to the Operator to begin our question and answers.

Operator

Thank you. Our first question comes from Patrick O'Shaughnessy with Raymond James.

Patrick, your line is now open.

Patrick O'Shaughnessy

Hi. Good afternoon, guys.

Curious about Adhesion. I was a little bit surprised to see that it only generated $7 million in net revenue in 2021, given the large number of advisors to which it has distribution. How could AssetMark accelerate the revenue growth of that business?

Natalie Wolfsen

Thanks, Patrick.

I'll start that question, and then hand off to Gary to get to the specifics about the revenue.

But first of all, we're really excited about Adhesion and the combination of Adhesion and AssetMark Institutional. The combination of the two businesses provides a full menu of services for RIAs. On the one hand, you have AssetMark, which is fully bundled, highly outsourced, and drives scale through advisors outsourcing much of their business. On the other hand, you have Adhesion that also provides outsourcing support and scale to advisors, but does it in a way that allows advisors to pick and choose the solutions they use, and key among those solutions is investment management. Rather than fully outsourcing investment management, advisors can continue to perform their own investment management.

What we're finding, Adhesion and AssetMark, is many advisors want to do both. They want to fully outsource part of their business and continue to drive investments for other parts of their business. And so the combination of Adhesion and AssetMark gives advisors the full menu to choose from. And so, our plan is to drive growth and to drive advisor growth by streamlining how advisors receive both types of services, offering leads that are in the AssetMark system that want a combination and leads that are in the Adhesion system that want a combination; the best of both worlds.

More to come on that in future earnings calls. But with that, I will hand off to Gary to talk about Adhesion revenue.

Gary Zyla

Hi, Patrick.

I think high level, and these are simple numbers, right, the $7 million of revenue probably represents somewhere about a blended rate of about 10 basis points, right, on the assets that we're talking about there. How are we going to expand that? We'll talk more and more on it in the future, but we're going to look to expand the services, or what value we can add to it, to basically take more revenue in the value chain that's available, right. That one focus is taking that 10 basis points and where can that go into the teens or whatnot?

Obviously, the second best way to increase the revenue is through the amazing synergies that we have between the two companies, (inaudible) how can we accelerate the growth of the assets on that platform to really create scale at Adhesion. We believe they are profitable now on day one, but we believe that we are going to be able to create great scale as we bring our advisor base, or part of the advisor base, that we work with to Adhesion. Hopefully that helped.

Patrick O'Shaughnessy

Yes. Very helpful. (Multiple speakers). Sorry, Natalie, go ahead.

Natalie Wolfsen

I was just going to say, Patrick, the other thing I just wanted to point out is that Adhesion serves a much larger average advisor size than AssetMark. As a result, the basis points of assets go down a little bit. The flip side of that is, just as Gary said, there are many more services that we can add to the Adhesion offering that we currently offer through AssetMark, or that are in development across both firms, and we think we can increase the revenue yield from that type of product development effort.

Patrick O'Shaughnessy

Got it. Thank you very much.

Then in terms of net flows, so obviously, it's a pretty challenging environment right now. Would you expect this below 10% annualized pace of net flows to persist for the next few quarters? Or do you think, particularly with the market rally in July, and then I guess today as well, that maybe sentiment improves, and you'll see those net flows pick up sooner rather than later.

Natalie Wolfsen

I mean, we certainly can't predict the future as it relates to the markets at AssetMark. One thing does seem very clear right now. That is that we're in a lower growth, higher inflation environment, which is unfamiliar to advisors and unfamiliar to investors. We haven't been in this type of environment for quite some time. In fact, much of this whole generation of investors and advisors, they haven't managed through this particular type of environment at all. And so, it's really, really important in environments like this to make sure that you're supporting your advisors with the tools and resources they need to support their investors so they make the best possible decisions in uncertain times.

The amount of time and effort it takes advisors to have those conversations with clients for their clients to absorb the conversations takes away from their ability to grow, as does macro influences like assets depreciating and bonuses being less than they were perhaps in 2021, fewer large businesses being sold, etc. What we do at AssetMark is we focus on supporting advisors in times like this and making sure that they're making the best possible impact on their clients. That impact results in referrals and lead flow and growth and new dollars being placed with the advisor when the market environment gets more comfortable for the investors. We saw an example of this in our compression and flows in 2020, and then the recovery and record year in 2021.

We don't know, Patrick, exactly what to expect in the coming quarters. But I do know that the fundamentals of our business are extremely strong. In fact, over the last year, we've added over 800 high-quality new producing advisors and over 20,000 households. We've also added the number of accounts. Underneath the net flow and asset numbers are really good fundamentals for the AssetMark business.

Patrick O'Shaughnessy

Got it. Thank you very much.

Operator

Our next question comes from Ryan Bailey with Goldman Sachs.

Ryan, your line is now open.

Ryan Bailey

Hi, everyone.

This ties into that last point, I think. It looks like households increased quarter over quarter, even as total advisor count fell. I was wondering if you could speak to what you're seeing from the existing advisor base in terms of adding new households, even during the market volatility.

Natalie Wolfsen

Yes. I will start the answer, and then I'll hand off to Gary to talk about the total number of advisors.

During market volatility, the reason we see household growth is many investors who previously felt that they did not need advisors find out in times like this that they need help and support, because the environment is much more challenging and the decisions that they make have much more profound consequences. You see household growth because when you see advisors winning these new households, that doesn't necessarily translate into net flow growth right away because asset values are depressed. Because in many instances, these new clients are just transitioning a part of their household to the advisor to see what the advice is like and to sort of try out the new model. That's why there's a lag.

The advisor has an opportunity with these new households, and then there's a lag as they make great impression and as markets recover and asset values recover. And so that's why we see household growth on our platform, but you don't necessarily see that flowing through to net new flow growth in the short term.

Then, Gary, why don't you talk a little bit about our advisor count and what's happening with our advisor count right now?

Gary Zyla

Yes. Hi, Ryan. Nice to talk to you again.

I think overall, quarter over quarter, our total advisor count has a much more relatively slow growth rate than our household count, or even our engaged advisor count, right. That's really not the most important metric for us, the total advisors is the engaged advisors. And while by math, our engaged advisor count went down because 175 advisors dropped below the $5 million level; they're still with us. They're still bringing in households. We did have $1.4 billion of net flows for the quarter. A lot of net flows is going to be new households that advisors that we're getting on.

That's why we talk about the household count that's almost more relevant to understanding the organic growth in the business than the overall advisor count. Again, the engaged advisor count has that noise in there sometimes in the market. Again, we also highlighted we brought in 23 new engaged advisors, right, excluding the market impact, we still didn't have our engaged advisors go up by about 1% just quarter over quarter as well.

Natalie Wolfsen

Then, Ryan, building on what Gary just said, while our advisor count is down just marginally, it's a little less than flat. It's up 2.3% year over year. We do have some amount of churn in our disengaged advisors. As Gary said, our quality is rising with our engaged advisor count rising, and then some advisors that are disengaged have left the platform.

Ryan Bailey

Got it. Understood.

Then, Gary, you may not be too happy about the direction of this question. But even though we have a very strong outlook for spread revenues, I think the forward curve is now forecasting cuts in 2023. Is there any interest in locking rates or extending duration, as some of your peers do in the advisory space?

Gary Zyla

Yes. It's interesting. We're well aware of that, and we are very cognizant of that. At some point, that rates could probably come down as early at some point, probably in late 2023 or something, right. You could see that turn to get back to whatever the Fed thinks the long-term target is. We have not done that yet. We have looked into it. It's interesting, it's such a great hedge for our asset-based exposure.

There is the thinking, Ryan, is that trade-off of having a nice hedge on your activated versus muting it over time to reduce the volatility on that. We can talk more about it if we actually go into it; but we have not done that yet, but we are looking at it.

Ryan Bailey

Got it. Thank you.

Operator

Thank you. Our next question comes from Gerald O'Hara with Jefferies.

Gerald, your line is now open.

Gerald O'Hara

Great. Thanks, and good evening, folks.

Gary, perhaps one for you. Is it too soon to revisit, I suppose, the revenue contribution from Voyant that I think was previously discussed prior to some of the borders shutting down and the access, especially to the Canadian market, for that revenue contribution?

Gary Zyla

It's a very fair question. Hi, Gerry. How you're doing?

It's a very fair question. I think the way we're thinking about it now, we talked about, last year, Voyant contributing about $20 million last year, not to us, because we only had it for half of the year, but on an annualized basis. They're not quite at that run rate now, again, due to primarily the slowdown in Canada. That said, Natalie discussed a little bit, we have prospects in Canada, in England that we're very excited about. One way to think about it, Gerry, is that maybe the Voyant revenue growth is kind of a one-year delay due to the pandemic, due to the slow rollout. And that, by the time we get to later in this year, we'll be back to that $20 million run rate, which will get us back on track and the growth trajectory, the organic growth trajectory that we have planned.

Gerald O'Hara

Okay. That's helpful.

Then clearly, strong EBITDA margins, Adjusted EBITDA margins, in the quarter. Anything that would sort of prohibit that sort of margin profile from kind of continuing to grind upward as we look out over perhaps the next 12 to 18 months?

Gary Zyla

I'll start a little bit on the numbers, Natalie, I guess, and then you can follow up if needed on kind of our strategy, right, I guess.

But Gerry, what I would say is this is a very good quarter for margin. We did a great job in our expense management. Revenue was great, primarily driven by interest rates. Second quarter was a tough quarter for equity. We're going into third quarter now billing at a much lower level. I wouldn't be surprised if our revenue margin, quarter over quarter, takes a slight step back, because Q2 was so great, which is why for the full year we're kind of talking about a 100 basis point increase, not a 150 basis point increase we saw in just 2Q.

We are going to have—now, that all being said, we are still focused on expense management, trying to balance in the investments we're making for the future. And so, all that math going together is why we're targeting a full year 100 basis point increase, which will leave you to do the math. The third and fourth quarter are probably going to be a step back in 2Q, naturally due the revenue pressure on the asset-based revenue. But I'll pause there.

I don't know, Natalie. Any other thoughts on your side on our strategic investments, I guess, to make sure we're on the same page?

Natalie Wolfsen

Yes. In any given year, what Gary said is absolutely correct, because we bill in advance and because we have a set of initiatives that we think are the right growth initiatives for that year and the coming years. Gary's team and I, we work together to make sure that we're achieving our objectives and are expanding our margins as we lay out. In the future, we may choose to make strategic investments that we think will lead to outsized growth. We'll clearly share that with all of you. If there's an opportunity, we think it's a big opportunity, we'll want to make sure that we have the ability to invest in that for future growth and for future margin expansion. But, as Gary said, our business is a great business, and we feel like we're investing a tremendous amount in the future and are still able to expand our margins, given where we are now.

Gerald O'Hara

Okay, great. Thanks for taking the questions this afternoon.

Operator

There are currently no questions in queue, so I will pass the conference back over to Natalie for any additional or closing remarks.

Natalie Wolfsen

Thanks again to everyone on the call today. We all look forward to seeing you in person at upcoming investor conferences. Have a great day.

Operator

Thank you. That concludes today's AssetMark Financial Holdings 2022 Earnings Call. Thank you for your participation.