

AITi (ALTI)

3Q 2024 EARNINGS

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CORPORATE PARTICIPANTS

Lily Arteaga, *Head of Investor Relations*

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Stephen Yarad, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Wilma Burdis, *Raymond James*

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

Operator

At this time, I would like to welcome everyone to AITi's Third Quarter 2024 Earnings Conference Call.

During the call, your lines will remain in listen-only mode. After the speakers' remarks, there will be a question-and-answer session.

I would like to advise all parties that this conference call is being recorded and a replay of the webcast is available on AITi's Investor Relations website.

Now, at this time, I will turn things over to Lily Arteaga, Head of Investor Relations for AITi. Please go ahead.

Lily Arteaga

Good morning to everyone on the call today.

Joining me this morning are Michael Tiedemann, our CEO, and Stephen Yarad, our CFO. We invite you to visit the Investor Relations section of our website at www.alti-global.com to view our earnings materials, including our investor presentation.

I would like to remind everyone that certain statements made during the call may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of the words such as anticipate, believe, continue, estimate, expect, future, intend, may, plan, and will, or similar words. Because these forward-looking statements involve both known and unknown risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. AITi assumes no obligation or responsibility to update any forward-looking statement.

During this call, some comments may include references to non-GAAP financial measures. Full reconciliations can be found in our earnings presentations and our related SEC filings.

With that, I'd like to turn the call over to Mike.

Michael Tiedemann

Thank you, Lily, and thank you all for joining us this morning.

In the third quarter, we made significant strides in expanding our global platform and further establishing ourselves as the preeminent global wealth management firm focused on ultra-high-net-worth clients with expertise in alternatives and impact investing. Our target market, the upper end of the global wealth band, represents a \$102 trillion adjustable market and is expected to grow by 7% CAGR by 2028.

In our view, AITi is the only public company tailored and continually curated to meet every need of this market. We believe the future is bright and I'm looking forward to sharing the progress we've made on our strategy with you today.

A transformative point in the execution of our strategy is the partnership established with Allianz X and Constellation Wealth Capital, or CWC, earlier this year. Before I turn to our financial results, I want to highlight this important milestone and AITi's ability to quickly leverage the capital and strategic relationship associated with our investment partners. Our partners' scale and network have allowed us to not only expand and strengthen our footprint, but importantly, to fortify our wealth management solutions.

Prior to closing Allianz's \$250 million investment at the end of July, we had already put capital to work from our partnership with CWC to fund the acquisitions of Envoi and East End Advisors. More on these in a moment, but these deals deepen our presence in key regions of the U.S., add OCIO capabilities, and enhance our relationships with the ultra-high-net-worth segment.

Our new partners represent more than just growth capital. They are strategic investors. A great example of this is the recently announced partnership with Allianz, which brings unprecedented private market access to the ultra-high-net-worth segment by allowing clients to invest alongside Allianz's balance sheet.

This unique partnership, enabled through a JV with Allianz X, will allow existing and prospective clients to benefit from Allianz's network and scale through access to leading third-party managers with outstanding track records, significant cost savings, and expanded investment opportunities, including secondaries and co-investments. The program will initially focus on the approximately \$1.5 trillion global private debt market, leveraging Allianz's longstanding and strong track record in this market. With approximately \$150 billion allocated to the private debt sector, the Allianz group is one of the largest private debt investors worldwide.

In summary, we believe this is just the beginning of our work together, and we look forward to updating you on additional service offerings, which will benefit our clients and other capital sources.

Let's move now to our financial results. On a consolidated basis, our assets under management and advisement grew 13% over the trailing 12-month period to \$77 billion. On a like-for-like basis, adjusting for acquisitions and dispositions, our assets increased 9% over that period. In the third quarter, AITi generated revenues of \$53.3 million, up 8% from the previous quarter, and 11% compared to the third quarter of 2023. Importantly, 97% of the revenues in the quarter were from recurring fees.

Consolidated Adjusted EBITDA was \$9.6 million, up \$12.6 million compared to the third quarter in 2023. It's worth noting that Adjusted EBITDA in our core Wealth and Capital Solutions segment was \$13.4 million, up \$8.2 million from the same quarter in 2023, representing an increase of 62%.

On this subject, before turning to quarterly highlights, I want to touch on the changes to the presentation of our segment reporting, which you will see reflected in our results. As discussed on previous calls, our team has prioritized thoughtfully restructuring our business to align with our go-forward growth imperatives. Consistent with Management's overall view of our core business, and in connection with the previously announced strategic review of our real estate businesses, we've changed the way we present our segments.

Our core business results are now reported through the Wealth and Capital Solutions segment, which includes results of the global wealth management business, the internally managed event-driven strategy, and our stakes in three externally managed alternative investment strategies. This is the segment in which we will be investing capital, and the one in which we will drive future growth.

The results of the real estate co-investment and fund management business are now being presented in the International Real Estate segment. A key conclusion of the strategic review is that these real estate businesses are not additive to our long-term strategy. In light of this takeaway, several strategic options are currently under consideration, and our objective is to finalize a course of action by end of year.

In our view, this revised presentation of our segment results better captures the fundamental strength of our core business and offers the investment community clear line of sight on our strategic progress. Our segment results for prior periods have been recast to be consistent with the new presentation. Steve will provide more details on the impact of the changes in our results.

As I mentioned earlier, our target market currently represents a massive \$100 trillion plus opportunity, with clients increasingly demanding integrated capabilities from a trusted advisor. AITi is uniquely positioned to capitalize on this market momentum due to our comprehensive wealth management solutions, conflict-free,

independent advice, unique global footprint, expertise in impact and alternatives, and client-centric teams with an eye towards long-term growth.

In our Wealth and Capital Solutions segments, we experienced 22% asset growth year-over-year, driven by organic and inorganic growth. The acquisitions of East End Advisors, a \$6 billion AUM advisory firm, and Envoy, a \$3 billion AUM wealth manager, earlier this year, are highly complementary to our platform. They enable us to effectively compete in the OCIO market and expand our presence in the Midwest, respectively. We've made significant progress on the integration, and our teams are collaborating on investment analysis and are creating a strong combined business development pipeline.

Lastly, globally, we feel confident that we are positioned to execute select strategic deals in complementary geographies based on our disciplined approach and acquisition criteria.

Turning to organic growth. We are pleased with the performance of the wealth management business, which recorded a 13% increase in assets in the last year, boosted by strong market performance. Our alternatives strategies are also performing well, most notably the Asian Credit and European Long Short strategies.

As we continue to focus on the scale and operating leverage of our platform, I'm pleased to announce that we recently welcomed Phil Dundas as CTO, Chief Technology Officer. Phil will further our efforts to incorporate technology throughout our business to support our goal of delivering best-in-class services to our global client and investor base, and ensure we have a robust platform to execute our growth strategy.

As we've already begun to see this quarter with the launch of the AITi-Allianz private debt program, we believe our growth initiatives will be enhanced through expanded lead generation opportunities, innovative solutions, as well as by the ability to leverage our partners' presence as we enter new markets. This is a very exciting time at AITi.

With that, I'll turn the call over to Steve to take you through a deeper dive on our financials.

Stephen Yarad

Thank you, Mike.

As Mike mentioned, we continue to simplify our financial reporting, which we believe provides a clearer picture of AITi's underlying strengths and core business results.

On that note, I want to offer a little more color on the changes to our segment reporting. Concurrent with the closing of the investment from Allianz at the end of July, Management commenced a strategic review of the real estate co-investment and fund management businesses. One of the outcomes of the review to date is the decision to change the composition of AITi's reporting segments. As discussed earlier, our go-forward segments are Wealth and Capital Solutions and International Real Estate.

The Wealth and Capital Solutions segment includes the results of our global wealth management business, the internally managed event-driven strategy, and our stakes in three externally managed alternative investment strategies. International Real Estate includes the businesses previously reported as real estate co-investment and real estate fund management.

Additionally, in order to reconcile the aggregated segment results to our GAAP results, corporate activities are reported separately. These corporate activities include certain compensation and non-compensation costs primarily related to public company reporting, and certain other items primarily related to fair value accounting, which are not directly attributable to the underlying businesses.

Due to these changes in segment reporting, we were required to assess goodwill and intangible assets for impairment. The assessment involved comparing the estimated fair value of the previously reported wealth management and strategic alternatives segments to the net book equity allocated to each segment. Where the estimated fair value was below the segment net book equity, a non-cash impairment charge was recorded.

The results of this assessment were as follows. For the previously reported wealth management segment, fair value exceeded net book equity, resulting in no impairment of goodwill. For the previously reported strategic alternatives segment, impairment charges totaling \$116.1 million were recorded, which included the following components:

- A \$44.9 million intangible asset impairment resulting from declines in forecasted net cash flows attributable to the investment management contract with the event-driven strategy due to AUM outflows over the past 12 to 18 months. We view this impairment as more of a timing issue, as GAAP required that we perform the assessment at a time that we consider reflects a cyclical low for this strategy. Overall, we remain confident in the prospects for this strategy as it continues to be profitable and generated historically high incentive fee revenue in 2023.
- A \$69.7 million goodwill impairment charge primarily attributable to declines in forecasted net cash flows from the real estate co-investment and fund management businesses. All goodwill previously attributed to these businesses is now written off. In addition, a \$1.5 million intangible asset impairment was also recorded related to the changes in forecasted cash flows to these businesses.

As I stated earlier, these charges are non-cash and are neutral to Adjusted EBITDA. Further, we believe that the new segment presentation provides a clearer picture of the business activities that drive AITI's overall performance today and into the future.

With that said, I will now discuss our results in more detail.

ALTI generated revenues of \$53.3 million in the third quarter, reflecting an 11% increase compared to the third quarter of 2023, and 8% compared to the previous quarter. To review these numbers on a like-for-like basis, we need to adjust for the acquisition of East End Advisors and Envoi, as well as exclude the European Trust and Private Office Services business and the Public Real Estate business which were both exited. As such, on a like-for-like basis, revenues would also have been up 11% year-on-year.

Additionally, I'm pleased to report that recurring management fee revenue for the quarter was 97%, consistent with the level reported in the comparable quarter of 2023. Revenues in our Wealth and Capital Solutions segment increased 17% to \$51.7 million in the third quarter compared to \$44 million in the third quarter of 2023.

Our assets in this segment increased 22% year-over-year. This robust revenue growth compared to the prior year is primarily driven by the inclusion of East End and Envoi in our results, in addition to strong market performance. Excluding the impact of acquisitions and divestitures, assets increased 13% and revenues increased 9% compared to the same period in 2023.

In our International Real Estate segment, revenues totaled \$1.5 million in Q3 compared to \$4.1 million in the third quarter of 2023. The lower revenues this quarter reflect the impact of exiting and restructuring certain businesses since the prior-year period.

Net income before taxes allocated to corporate activities was \$2.1 million for Q3 2024, an increase of \$6.2 million compared to the prior year quarter. Higher net income in the period was primarily attributable to lower allocated operating expenses. The current period results also include higher unrealized gains to

certain items accounted for at fair value, as well as higher net interest income in the current quarter compared to the prior-year period.

GAAP net loss for the third quarter was \$111.4 million. As previously mentioned, the current quarter results include a total of \$116.1 million of goodwill and intangible asset impairment charges. Adjusted EBITDA for the third quarter was \$9.6 million, an increase of \$12.6 million compared to the prior year period. EBITDA contributions from the recent acquisitions of East End Advisors and Envoi were accretive and exceeded by approximately \$1 million the combined EBITDA contributions to the prior quarter results from management of LXI and from the European Trust and Private Office Services business, which has both been exited since the prior-year quarter. This demonstrates our ability to successfully deploy capital into higher margin businesses.

Importantly, Adjusted EBITDA in our core Wealth and Capital Solutions increased 62% to \$13.4 million and the Adjusted EBITDA margin was 26%, up from 19% in the comparable period in 2023.

Consolidated normalized operating expenses for the third quarter, which excludes severance costs, depreciation and amortization, and certain transaction and deal-related expenses, was \$47.2 million, compared to \$51.5 million in the third quarter of 2023. The prior-year period included \$4.3 million of foreign currency losses on certain intragroup funding arrangements that were restructured to reduce the associated FX exposure. We continue to focus on the overall level of operating expenses and to deploy initiatives to reduce recurring spend on compensation and non-compensation costs, while maintaining diligent control on investments in people and infrastructure to facilitate additional scalability and growth.

As I conclude my remarks, I'd like to touch on our capital structure. At quarter end, we had \$222 million in cash and \$128 million in debt, following the \$250 million Allianz investment received at the end of July. We believe that with our fortified balance sheet, unique global footprint, comprehensive service offering and ongoing collaboration with our partners, we are well positioned to execute on our organic and inorganic growth plan.

With that, I'll turn it back to Mike for concluding remarks.

Michael Tiedemann

Thank you, Steve.

We're pleased with the progress we've made so far this year. To date, we've welcomed Allianz and CWC as strategic partners, closed on two impactful acquisitions, established a unique private credit program with Allianz, and focused on driving operating leverage. We've done this while restructuring our business to focus on our core competencies. These are key steps to position AITi for robust growth, profitability, and deliver sustainable shareholder value.

With that, I'll open the call for questions.

Operator

Thank you. Ladies and gentlemen, we will now be conducting a question-and-answer session. If you would like to ask a question, please press star, and one on the telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, and two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from Wilma Burdis with Raymond James. Please go ahead.

Wilma Burdis

Hey, good morning, everyone. First question, could you talk a little bit about the demand for private debt in ultra-high-net-worth portfolios? Are a lot of these portfolios allocated to private debt right now, or is that going to be a new asset class for many of them? Maybe just talk about what you think an allocation could be over the longer run. Thanks.

Michael Tiedemann

Hi, Wilma. This is Mike. Yes, I'll answer the first part of the question related to "will this be an allocation?" It most certainly already is in many cases, but we believe and we've seen this with the growth of the space and the talent and continued success within the space as an area in which to allocate and then drive additive results to portfolios. There are nuances. There are tax differences, but ultimately the space generates a very competitive, a very consistent return that anchors portfolios and helps ultimately competitively diversify and help battle against inflation as you look forward in the coming years.

It is an important asset within portfolios for wealth management. It's an important asset beyond taxable or tax-exempt investors, on and offshore investors. There are obviously institutional demands and we think the partnership with Allianz and the structure itself is extraordinarily unique in so much that the fee structure is highly competitive, but then the co-investment and the secondary components will be increasingly interesting over time, specifically in more challenging times in the credit market. There are some differentiations as well as an extremely competitive fee structure within the structure.

Wilma Burdis

Okay. Thank you. Then could you talk a little bit about the run rate for expenses? It seems like overall it's improving a little bit. I know there's still some one-timers in there, but maybe just talk a little bit about that and what we can expect in the coming quarters. Thanks.

Stephen Yarad

Hi, Wilma. It's Steve Yarad. How are you?

Wilma Burdis

I'm doing well. How are you?

Stephen Yarad

I'm well. Good. Yes, I think as you've seen the year progress, you've seen progress on expenses overall on a gross reported basis and also on a normalized basis. Year-over-year I think you've seen significant progress in terms of the normalized expenses.

In any given quarter, you might see some one-timers or some increases depending on transaction expenses and the things that might be going on in a particular quarter. But generally speaking, I think we've been showing improvement. Where we're getting to now is I think in the short term perhaps a relatively good run rate, but we continue to work very hard on reducing expenses and keeping a very tight cost discipline. The story with expenses as we move forward is yes, we do expect to make progress in certain areas, but you might see some offsets as we continue to make investments in infrastructure and people as well.

Wilma Burdis

Can you talk a little bit about some of your tech focuses given the hiring of the CTO? Thank you.

Michael Tiedemann

Well, there's several components. The primary is the delivery of service and information to clients and so the consistency and the effectiveness in which that is delivered. The second is as an operating platform to create efficiency, collection of data, controls. There's a control environment we want to continue to improve. There's a data environment we want to continue to invest and improve. There are obviously efficiencies that can be created as we scale the platform. Having that architecture as robust as possible is an investment we think will pay off in spades and one that we are excited about from the standpoint of Phil's perspective and its immediate impact on the business as we begin to evaluate all these opportunities.

Wilma Burdis

Okay. Last one for me and then maybe I'll requeue, but can you talk about some of the impacts of interest rates on your business, short-term and long-term interest rates, how that impacts deployments and other things and any other interest rate sensitivity? Also related, talk about any potential U.S. election impacts on the business? Thanks.

Michael Tiedemann

Well, in dealing with large families, I'll answer the first question last. All is best to avoid discussing politics. In terms of our engagement with our clients, I think it's very clear we have a—and our research team immediately came out with a very thoughtful piece about the impact on our portfolios, which on balance, we were very well positioned for the outcome. Other than that, stay away from politics. There's no question that this will have geopolitical dynamics that will be likely different and currency effects that can arguably be different over time. But we will be talking about those in the coming quarters and certainly we'll be addressing that related to our portfolios and with our clients.

The first part of the question is related to interest rates. Obviously, at a corporate level, the rate will matter in terms of our debt load, but our long-term ambition is to use that capital market as an effective tool to fund growth. To the degree that rates are falling, that will obviously be helpful. But in terms of portfolios, it's an important dynamic for everyone to understand that for a 12-13-year period, portfolios had extraordinarily low suppressed interest rates as a large portion of their portfolios. Just that higher base rate now offers a much greater organic platform for these portfolios to compound towards the 6% target that we project.

On a portfolio level, in terms of our assets and for our clients, this is obviously a significantly more attractive fixed income environment. For the firm itself, we obviously will continue to manage and anticipate managing our debt very carefully. But falling rates will obviously be to the benefit of our ability to borrow.

Wilma Burdis

Okay. Thank you.

Michael Tiedemann

Thank you.

Operator

Thank you. As there are no further questions, I would now like to hand the conference over to Mike Tiedemann, CEO, for closing comments.

Michael Tiedemann

Thank you, Operator, and thank you all for joining us this morning. We look forward to updating you on our fourth quarter and full year 2024 financial results in the new year.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.