

TPG (Q1 2026 Earnings Call)

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Corporate Speakers:

- Gary Stein; TPG Inc.; Head of Investor Relations
- Jon Winkelried; TPG Inc.; Chief Executive Officer
- Jack Weingart; TPG Inc.; Chief Financial Officer
- Todd Sisitsky; TPG Inc.; President
- James Coulter; TPG Inc.; Executive Chairman and Co-Founder

Participants:

- Glenn Schorr; Evercore; Analyst
- Alexander Blostein; Goldman Sachs; Analyst
- Craig Siegenthaler; Bank of America Securities; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Kenneth Worthington; JPMorgan; Analyst
- Brian Mckenna; Citizens; Analyst
- Michael Brown; UBS; Analyst
- Benjamin Budish; Barclays; Analyst
- Steven Chubak; Wolfe Research; Analyst
- Arnaud Giblat; BNP Paribas; Analyst
- Bart Dziarski; RBC Capital Markets; Analyst
- Michael Cyprys; Morgan Stanley; Analyst

PRESENTATION

Operator^ Good morning. And welcome to the TPG's First Quarter 2026 Earnings Conference Call. (Operator Instructions) Please be advised that today's call is being recorded. Please go to TPG's IR website to obtain the earnings materials. I will now turn the call over to Gary Stein, Head of Investor Relations at TPG. You may begin.

Gary Stein

Thanks operator, and welcome everyone.

Joining me today are Jon Winkelried, Chief Executive Officer, and Jack Weingart, Chief Financial Officer. In addition, our Executive Chairman and Co-Founder, Jim Coulter, and our President, Todd Sisitsky are here with us for the Q&A portion of this call.

I'd like to remind you this call may include forward-looking statements that do not guarantee future events or performance. Please refer to TPG's earnings release and SEC filings for factors that could cause actual results to differ materially from these statements. TPG undertakes no obligation to revise or update any forward- looking

statements except as required by law.

Within our discussion and earnings release, we're presenting GAAP and non-GAAP measures, and we believe certain non-GAAP measures that we discuss on this call are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to the nearest GAAP figures in TPG's earnings release, which is available on our website. Please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any TPG fund.

Looking briefly at our results for the first quarter, we reported a GAAP net loss of \$123 million and after-tax distributable earnings of \$282 million, or \$0.70 cents per share of Class A common stock.

We declared a dividend of \$0.59 cents per share of Class A common stock, which will be paid on May 26, 2026 to holders of record as of May 11, 2026.

I'll now turn the call over to Jon.

Jon Winkelried

Good morning, everyone. Thank you for joining us.

TPG entered 2026 with strong momentum following a record year of capital formation and deployment. Our first quarter results reflect the continued acceleration of our growth objectives across the platform.

Our fee-related earnings grew 36% year-over-year and exceeded \$1 billion on an LTM basis for the first time in TPG's history. Our after-tax distributable earnings per share grew 46% compared to the first quarter of last year, and total AUM grew 22% to \$306 billion. Our capital formation, deployment, and realization activity each delivered a step function increase year-over-year, growing 75%, 96%, and 103%, respectively.

Our performance this quarter is particularly notable given the complex macro backdrop. The convergence of AI disruption, private credit stress, and geopolitical conflict has created significant market uncertainty. However, our business is intentionally built to be resilient through cycles. Our long-duration capital base provides earnings stability and embedded growth, and we've delivered some of our best-performing vintages during periods of dislocation. We view the current environment as an opportunity and have never felt more confident in the positioning of our franchise and our ability to successfully execute on our growth drivers. Our clients are leaning in and looking for additional ways to partner with us, and the momentum across our business continues to accelerate.

Before I review the quarter, I want to provide additional context on two areas that are top-of-mind for our investors:

- First, the AI transformation and its implications to our investing business;
- And second, the state of private credit through the lens of our portfolio.

I'll start with AI. AI has created significant disruption as well as opportunity across sectors, particularly in software. As we assess the impact of AI, we continue to see

meaningful value in certain enterprise software models, and the strong performance across our software portfolio reinforces this view.

We've evaluated each of our software companies through a framework based on "offensive opportunity" and "defensive risk" and have high conviction that the vast majority are well-positioned to benefit from AI. Our software portfolio today is relatively young, with an average hold period of approximately three years. We are investing significant capital and specialized resources to ensure that these companies take full advantage of the opportunities that AI unlocks. Overall, our software companies continue to deliver strong results and are increasingly leveraging agentic solutions. This momentum was clearly reflected in the first quarter, with aggregate bookings in our TPG Capital and TPG Growth software portfolio growing more than 20% year-over-year.

Looking ahead, the impact of AI remains dynamic across industries and will continue to be an important input into our disciplined investment approach. TPG's relationships and differentiated access to leading AI companies give us real-time visibility into how business models are evolving. These insights directly inform our investment decisions and value creation plans, and we remain highly confident in our ability to continue delivering strong performance for our investors.

Turning to private credit, while the asset class has been under heightened scrutiny more recently, our credit portfolios are healthy, and we have strong conviction in the long-term growth outlook for our business. Private credit has become an integral part of the global financing ecosystem, as borrowers with increasingly complex capital needs seek speed, flexibility, and execution certainty. Although some retail-oriented credit vehicles are experiencing elevated redemptions in the current environment, institutional demand for enhanced yield continues to increase.

As we look across our Credit business, we're seeing accelerating growth driven by several dynamics.

- First, our strong performance. During the quarter, each of our credit strategies outperformed their respective benchmarks. Our returns remain at or above our targeted ranges, and we continue to maintain very low and stable loss ratios. Additionally, given our de minimis software exposure in credit, our portfolios are well-insulated from broader industry concerns.
- Second, our differentiated credit strategies are resonating with clients, who are increasingly looking to diversify their private credit exposure.
 - Our direct lending business, Twin Brook, operates in the lower middle market, which is characterized by strong lender protections and more favorable competitive dynamics. Twin Brook's strategy is built around rigorous underwriting and cash flow lending, with no ARR loans or PIK at origination. Its portfolio largely consists of senior secured, first-lien loans with financial covenants. In addition, as the revolver lender, Twin Brook benefits from an embedded "early-warning system" to proactively identify and manage company-level stress.

- Third, while private wealth represents a relatively small portion of our capital base today, we continue to experience strong demand for our products in this channel.
 - In the first quarter, TCAP, our non-traded BDC, reported gross inflows of \$193 million and redemption requests of \$31 million representing just 1.3% of total shares outstanding, well-below the industry average. TCAP ended the quarter with \$4.7 billion of AUM, up 33% year-over-year.
 - Additionally, given our attractive mix of credit strategies and strong performance, our clients have expressed interest in a TPG multi-strategy credit interval fund, which we plan to launch next year.
- And finally, current market dynamics are creating a compelling deployment opportunity in private credit. Having successfully scaled our capital base through 2025, we're well-positioned with \$19 billion of credit dry powder to execute on a broad range of opportunities.

Now, I'll review our activity in the quarter.

Coming off a record 2025, we raised more than \$10 billion of capital in the first quarter, which increased 75% year-over-year.

- In Credit, following last year's positive inflection point, our baseline capital formation has fundamentally re-rated higher, and we raised \$4.4 billion in the quarter.

Notably, in February, we closed our long-term strategic partnership with Jackson Financial, which is off to a strong start and tracking ahead of our plan. We received \$2 billion of initial commitments into our Asset Based Finance business, which we've started to deploy, and last week, we closed a Jackson rated note feeder in our Middle Market Direct Lending business. Looking ahead, we're focused on continuing to expand our credit capabilities across the return spectrum to serve our broader base of clients.
- In Private Equity, we raised \$4.9 billion in the quarter, including \$925 million towards our rolling first close for Rise 4, our impact fund. We also raised additional capital for TPG 10 and Healthcare Partners 3, bringing total capital raised for these two funds to nearly \$13 billion, including commitments that are signed but not yet closed.
- In Real Estate, we recently began fundraising for our fifth TREP opportunistic fund and second Japan Value fund, and expect to launch our sixth Asia Real Estate fund in June. Additionally, in our Net Lease business, we established several new strategic partnerships, raising \$1 billion for our fifth fund through April, and we expect to complete fundraising in the second quarter.
- Within the private wealth channel, in addition to TCAP, we continued to see strong inflows into TPOP, our perpetual private equity product. Across the TPOP strategy, monthly subscriptions increased throughout the first quarter, driving \$545 million of inflows and bringing total AUM to \$2.1 billion at the end of March, just ten months after our initial launch.

Overall, we remain on track to raise more than \$50 billion this year, supported by the strength and stability of our institutional client relationships. As this complex environment drives a wider dispersion of performance across the industry, we believe we're well-positioned to continue taking market share given the differentiated returns we've delivered for our clients.

Moving to deployment, we continued our robust pace with more than \$14 billion invested in the quarter, which nearly doubled year-over-year.

- In Credit, we deployed \$5.7 billion of capital, up 42% year-over-year.
 - This includes \$2.5 billion in our Asset Based Finance business, where we continued to expand our market-leading position in home equity-related mortgage finance. We also completed several transactions in equipment finance receivables, as well as new or upsized flow arrangements in both consumer and home improvement lending.
 - In Middle Market Direct Lending, despite the macro headwinds, Twin Brook generated \$1.8 billion of gross originations in the quarter. Twin Brook's existing portfolio continues to be a powerful source of embedded origination, with add-on acquisitions representing approximately 50% of deal flow in the quarter. We also added a dozen new borrowers, bringing our portfolio to more than 310 companies.
 - In Credit Solutions, we're seeing a growing demand for flexible, customized capital solutions, as borrowers are increasingly seeking execution certainty amid heightened volatility. Stresses in certain parts of the credit market are creating attractive opportunities to lend to high-quality companies facing balance sheet pressure.
 - During the quarter, our Credit Solutions team led a \$450 million financing for a new joint venture with Xerox to manage and unlock value from certain IP assets. This deal demonstrates TPG's ability to provide creative, liquidity-enhancing solutions to address long-term capital structure needs.
- Across our Private Equity strategies, we deployed nearly \$7 billion of capital in the first quarter, which represents 2.5 times the capital invested in the prior-year period.
 - As we've highlighted previously, our approach to investing and portfolio construction continues to be a differentiator for TPG. By leveraging our proprietary sourcing engine, deep operational capabilities, and extensive experience in structured partnerships, we've built a distinctive private equity portfolio.
 - In our two most recent TPG Capital funds, 9 and 10, approximately two-thirds of our investments have been corporate partnerships or carve-outs with meaningful downside protections, including several with put rights. These features provide increased transparency into exit timing, counterparty certainty, and in some cases, minimum return thresholds, which are

particularly compelling in the current environment.

- Complex corporate carveouts are a core strength of our platform and have generated strong historical returns for us. Our corporate partners often retain an ongoing equity ownership stake, creating strong alignment and shared incentives around long-term value creation. In March alone, we closed four carve-out transactions in TPG Capital.
- Across our GP-led secondaries businesses, our investment pipelines are accelerating as sponsors increasingly use solutions-oriented capital to drive liquidity. We expect industry deal volumes this year to exceed 2025, which was a record year for single-asset CVs.
 - During the quarter, our GP Solutions and Life Sciences funds partnered to close a \$3.8 billion continuation vehicle for Curium Pharma, which is a global leader in nuclear medicine and diagnostics. Curium exemplifies the power of TPG’s platform as one of the few scaled investors in GP-led secondaries with deep healthcare and life sciences expertise. The deal was sourced and completed through the close collaboration of our investment professionals across 4 platforms and 3 geographies. We believe this is the largest single-asset CV ever completed in Europe.
- Within our Impact platform, the opportunity set continues to expand globally, driven by powerful and evolving market dynamics. Rising residential and industrial electricity demand, together with the rapid scaling of AI and data centers, is placing unprecedented strain on power systems around the world. At the same time, the ongoing disruption across global energy supply chains driven by geopolitical conflict is accelerating the push for greater energy independence and security. Against this backdrop, we see a substantial and growing need to modernize and expand critical energy infrastructure and services, and TPG is playing a leading role in meeting these significant, long-term capital requirements.
 - In the first quarter, Rise Climate announced the acquisition of Sabre Industries, a leading provider of highly engineered infrastructure for power utilities, data centers, and telecom. Sabre’s mission-critical solutions are needed to support the modernization and reliability of America’s electrical grid, and to meet the increasing demands of large-scale data center development.
- Turning to Real Estate, we had an active deployment quarter across our strategies, with \$1.8 billion invested.
 - TPG Real Estate closed six investments in the quarter, including a high-quality senior housing portfolio as well as a scaled grocery-anchored retail platform. Both are in “needs-based” sectors benefitting from recession resiliency and limited supply growth.
 - Additionally, in Asia, we continue to capitalize on differentiated supply-demand dynamics and demographic shifts. We recently acquired a number of office

assets in Japan, where office fundamentals remain strong with low vacancy rates. We also initiated a multi-family development project in Seoul, as South Korea's rental housing market is undergoing a structural transformation driven by smaller households and rising homeownership prices.

Finally, we are off to a strong start for monetizations in 2026, with nearly \$9 billion realized in the first quarter, which doubled year-over-year. This included the sales of OneOncology to Cencora in TPG Capital and Intersect's digital power business to Google in Rise Climate. These two strategic exits were both achieved less than four years after our initial investment, generating highly attractive returns and demonstrating the power of TPG's corporate relationships and innovative deal structuring.

Before I hand it over to Jack, I want to highlight our continued momentum in launching and scaling new businesses. Organic innovation remains a core tenet of our growth as we strategically expand into areas where we believe we have a right-to-win. Over the past 3 years, we've raised approximately \$13 billion of capital across our new and emerging strategies, and we expect to meaningfully scale that over time.

To share a few highlights:

- First, in TPG Sports, we've raised \$1.1 billion for our inaugural fund through the end of April and recently announced our first investment to acquire Learfield, a leading media and technology company powering college athletics.
- Second, Advantage Direct Lending, our new core middle market direct lending strategy, has deployed nearly \$600 million of capital across 16 investments through April, and we continue to receive strong investor interest.
- And lastly, TĒCA, our Asia growth equity strategy, has built a compelling portfolio across healthcare and technology, capitalizing on the opportunity set across Australia and Southeast Asia. We expect to complete our inaugural fundraise over the summer.

The success of these strategies and other new initiatives is a testament to our long-standing partnership approach in identifying and building next-generation investment opportunities with our largest institutional clients.

I will now turn the call over to Jack to walk through the financials.

Jack Weingart

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

TPG had a very strong start to the year, driving significant year-over-year growth despite a volatile macro backdrop. I'll begin by reviewing our financial results in the first quarter and then provide an updated outlook for the remainder of 2026.

We ended the quarter with \$306 billion of total assets under management, which grew 22% year-over-year. This was driven by \$56 billion of capital raised and \$22 billion of value creation, partially offset by \$28 billion of realizations over the last twelve months. Our fee-earning AUM grew 23% to \$175 billion at the end of March.

AUM subject to fee-earning growth totaled \$45 billion at the end of the quarter, including \$33 billion of AUM not yet earning fees, with the largest component coming from our Credit platform. Following a very successful credit fundraising period, we are well-positioned to deploy capital into an expanding set of compelling opportunities in the current environment. Our Credit platform generally earns fees on deployment, and we have visibility into approximately \$140 million of annual revenue opportunity as this capital is put to work.

We reported fee-related revenue of \$557 million in the first quarter, up 17% year-over-year. This was driven by management fee growth of 15% and transaction and monitoring fee growth of 33%. Excluding catch-up fees, management fees grew 3% sequentially and 18% year-over-year. On the capital markets side, our revenue opportunity has continued to grow due to our robust deployment pace, as well as the broadening of our capabilities across all our platforms and geographies. In the first quarter, we generated fees from over 25 different transactions across 9 strategies, demonstrating our continued success in diversifying this revenue stream. We believe our capital markets business will continue to be a significant contributor to our FRR growth over time.

Fee-related earnings for the quarter were \$247 million, which grew 36% year-over-year. As Jon mentioned, on an LTM basis our FRE crossed \$1 billion for the first time in our firm's history. This is a significant milestone for TPG and represents a 31% annualized growth rate since our IPO.

Our FRE margin was 44.3% in the quarter, which is a 620 basis point expansion from the first quarter of 2025. As expected, cash compensation and benefits were seasonally elevated in the first quarter due to a \$15 million employer tax expense associated with the annual vesting of RSUs. We continue to realize the benefits of greater operating leverage across our firm and remain confident in our ability to achieve a full year 2026 FRE margin of 47%.

We generated \$68 million in realized performance allocations in the quarter, exceeding the \$50 million we had previously guided to. This was anchored by the strategic sales of OneOncology and Intersect Power. Looking ahead, while the current market volatility may impact the timing of realizations across the industry, we maintain an active pipeline

of liquidity prospects across each of our strategies and expect to continue generating strong DPI for our fund investors.

Moving to our balance sheet, we used our revolver to fund our \$500 million investment in Jackson common stock in connection with the closing of our strategic partnership in February. We subsequently issued \$500 million of senior notes and used the proceeds to pay down our revolver. Consequently, our net interest expense increased to \$26 million in the quarter, and as of March 31st, we had \$2.3 billion of net debt and \$1.7 billion of available liquidity to fund additional growth initiatives.

The seasonal RSU vesting I discussed earlier also generated tax deductions, resulting in an effective corporate income tax rate of 8.3% in the first quarter. We expect our tax rate to remain in the high-single-digits to low-double-digits until we utilize our remaining deductions.

Altogether, we reported first quarter after-tax distributable earnings of \$282 million, or \$0.70 per share of Class A common stock.

Moving on to value creation in our investment portfolios.

- In private equity, fundamentals across our portfolios continue to be strong. While valuations for certain companies experienced multiple compression reflecting broader public market valuation resets, underlying financial performance remains healthy. Our portfolio companies across our Capital, Growth, and Impact platforms generated LTM revenue and EBITDA growth in the mid-to-high teens, continuing to outperform the broader market. During the quarter, the value of our PE portfolio declined 1%, reflecting generally lower average valuation multiples, partially offset by strong earnings growth.
- Turning to credit, the performance of our portfolios across strategies continues to be strong, resulting in attractive returns relative to public benchmarks. Our Credit platform appreciated 2% in the first quarter and 11% over the last twelve months.
 - Digging a little deeper, in Middle Market Direct Lending, we continue to see the benefits of our disciplined underwriting, and our focus on the senior-most part of the capital structure. Our portfolio has maintained a conservative average loan-to-value of 42% at closing, and our borrowers continue to generate healthy organic EBITDA growth. As a result, non-accruals remain extremely low at just over 1%, and our average interest coverage ratio has held steady at over 2 times.
 - In Credit Solutions, we continue to deliver significant alpha by providing highly negotiated, bespoke financings focused on senior-secured, cash-pay instruments often attached to specific assets and collateral. In the first quarter, our second and third flagship funds generated time-weighted net returns of 2.4% and 6%, respectively. Both funds meaningfully outperformed the U.S. High Yield Bond Index, which was negative for the same period. Our strong performance was driven by broad-based appreciation across our portfolios and the successful monetization of several positions, including xAI, Dish DBS, and Optimum

Communications.

- Lastly, in Asset Based Finance, our portfolios are anchored by strong structural protections and collateral support across our high-conviction investment themes. Our first ABC fund's net IRR since inception remains in the top half of its target range at 11.6% at the end of the first quarter. Our Mortgage Value Partners fund generated net returns of 1.3% in Q1, bringing LTM returns to 8.2%, outpacing many broader credit indices with significantly less volatility.
- Our Real Estate platform appreciated approximately 2% in the first quarter and more than 8% over the last twelve months. These returns were driven by the continued strength of our data center, industrial, and senior living portfolios in the U.S., and hospitality and office investments in Asia.

Turning to our fundraising outlook, we continue to expect capital raising to exceed \$50 billion this year. Following the \$10 billion we raised in the first quarter, we expect our remaining fundraising to be weighted towards the back-half of the year, driven by the following:

- In Private Equity:
 - First, the completion of our TPG Capital 10 and Healthcare Partners 3 campaigns by the end of the year;
 - Second, final closes for our Rise Climate private equity funds, TRC 2 and the Global South Initiative. As of the end of April, we've raised \$9 billion across the two funds and related vehicles, including capital that has been committed but will close at a later date. We expect to complete our campaign in the third quarter;
 - Third, continued progress across our Climate Infrastructure, GP Solutions, Tech Adjacencies, Rise, Sports, and Asia growth equity funds;
 - And fourth, initial closes for our next generation funds for Peppertree and TPG Next.
- In Credit I would highlight the following:
 - Further commitments from our long-term, strategic partnership with Jackson to our Middle Market Direct Lending platform;
 - Final closes for our sixth Twin Brook direct lending and second Asset Based Credit drawdown funds;
 - An initial close for our fourth Essential Housing fund;
 - Additional closes for our Hybrid Solutions fund;
 - Continuous fundraising across our evergreen vehicles, including Advantage Direct Lending;
 - And the formation of additional CLOs and various SMAs.

- In our Real Estate platform, we continue to expect 2026 to mark the beginning of a multi-year, major fundraising cycle. This includes the next vintages across our TPG Real Estate Partners, Asia Real Estate, Japan Real Estate Value, and TPG AG U.S. Real Estate strategies.

Finally, I'd also like to share some thoughts on private wealth and our progress and priorities in the channel.

- Retail investors remain under-allocated to the private markets, with less than 5% penetration today and significant runway for further growth over many years. We view the near-term industry headwinds in credit retail vehicles as cyclical rather than structural, and continue to see strong demand across the industry in private equity, infrastructure, and secondaries, with early signs of renewed interest in real estate as well.
- At TPG, we believe we are well-positioned to grow in the private wealth channel. I spend a meaningful amount of my personal time on our wealth efforts, and the feedback I've received from distribution partners and financial advisors has been overwhelmingly positive. Our differentiated investment style and strong performance are truly resonating, and demand continues to grow for TPG's products. As a result, our private wealth inflows in the first quarter grew more than 130% year-over-over.
- Looking ahead, we see a clear path to accelerating inflows as we continue to grow with our existing partners and expand our distribution network globally. Earlier this week, in fact, we formally launched TPOP with an important new international distribution partner, which will begin contributing capital in June. And we have several additional distribution partners in the pipeline for TPOP in the coming quarters as we continue to strategically build our global distribution footprint.
- In addition to expanding distribution for existing evergreen products, we're actively working on launching new products, including a non-traded REIT, as well as a multi-strategy credit interval fund. Similar to TPOP, these funds will provide investors with exposure to the full breadth of our investing strategies across each asset class.

Overall, we expect our private wealth franchise to be a significant contributor to TPG's long-term growth.

The strong financial and operating results we reported today, including crossing the \$1 billion LTM FRE threshold this quarter, are a direct result of our multi-year focus on scaling our investment platforms and driving meaningful operating leverage across the firm. As we head into the balance of 2026, we have clear line-of-sight into continued growth and margin expansion, and creating meaningful long-term value for our investors.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We will take our first question from Glenn Schorr with Evercore.

Glenn Schorr^ With so much good stuff going on, forgive me, I'm going to pick on the one issue that I can possibly find. So I'm curious if you could help us think through the marks in PE in the quarter. It seemed to be very focused on the 2020 and prior vintage which is a good chunk of the net accrued.

So the question is just how broad are those? A few specific names? How broad is it? Obviously we want to know if there's how much software related. And then how you feel about now with the markets up and these fresher marks, how you feel that the exit environment is for that piece of the portfolio. Very much appreciate it.

Jack Weingart^ Glenn, thanks for the question. I would characterize this, as I mentioned in my comments on the call the overall private equity valuation change during the quarter was really driven by us choosing to take down our valuation multiples consistent with what we saw in the public markets.

Like we always do in our valuation process, we take into account multiple factors. We rerun DCF analysis. We do look at public market comps, private market comps, transactions in the company's equity.

And overall, I would characterize it as a broad-based decision to reflect market changes during the quarter which as of March 31, we don't refresh that during the month of April because we value as of the end of the month.

Obviously things have bounced back a bit during the month of April. But we did take multiples down broadly and it was offset by very strong earnings growth.

And to give you a little more color behind that, in the TPG Capital portfolio, the overall impact of earnings growth was an increase -- would have been an increase in values by \$1.2 billion. The impact of multiple reductions was negative \$2.4 billion.

So it really was strong earnings growth, offset by broad-based changes in our valuation multiples. In our growth platform, it would have been an increase of \$600 million from earnings growth, offset by \$1.1 billion of value decline from bringing valuation multiples down.

So that's kind of the overall characterization of what drove the changes Obviously if market conditions continue to improve, we'll reflect those increasing valuation multiples on our marks.

Todd Sisitsky^ Yes. I mean each one of these valuations is also company by company. And Glenn, the thing I just want to make sure I added here, I'm really excited about this portfolio.

We move through different cycles. Good markets, bad markets, this is a portfolio across private equity I think we'd be excited about in any environment. And it's continued to perform very well. It's been very steady quarter-over-quarter.

Some of those leading indicators, the software bookings, as Jon mentioned, actually are stronger still. The other thing I just would point out, we had two strategic exits in the context of the quarter which were important, one to Google and one to Cencora. And both of those exits happened at premiums to our marks, so I think our track record of trying to be down the middle, but also great opportunities for upside around strategic exits is pretty consistent.

Operator^ Our next question comes from Alex Blostein with Goldman Sachs.

Alexander Blostein^ I was hoping to dig a little bit more into the credit business and how it's positioned for the current environment. We've seen accelerating fundraising from you guys there for the last couple of quarters. And to your point, the dry powder remains quite elevated.

As you look out into the opportunities that are likely to present themselves in the next 12 months which part of the credit verticals do you expect to be most active? And are there any implications on the fee rates, we should consider as well because I think those do differ quite a lot by different verticals like I think credit solutions. So kind of deployment outlook and the blend of that on the fee rates. Thanks.

Jon Winkelried^ I think as you can tell from the quarter and our results, deployment opportunities have been healthy. And I think we continue to see that's the case as we continue through the year.

I would say that just to start with where you ended, looking at our Credit Solutions business, based on what we see going on in the markets overall, the increased volatility, there are areas where there is balance sheet stress in the market. There's much more dispersion in terms of how certain names in the credit markets are being valued.

And with the interconnectivity, besides, obviously the quality of our capabilities and our team in Credit Solutions with the interconnectivity that we have also across the firm, the connectivity with our private equity franchise, what we're seeing is opportunities being sourced on both the credit side of the house and on the equity side of the house that are providing really interesting financing opportunities for us in credit solutions.

And I would say the pipeline of opportunities there has never been stronger. And we're trying to do exactly what you would expect you would do, which is to sift through what the opportunity set looks like to find things that are going to be the most interesting to us and that we choose to execute on.

You're right that, obviously that tends to be with it being a value-add part of the market, that tends to be a higher fee construct pool of capital. But I think that overall, we're going to continue to see a lot of interesting opportunities there.

And I would say that we feel like we're in a category of very few firms in terms of our capability set there, both looking at historical capability and returns -- in this environment, as our LPs are looking around for opportunities to deploy capital, where should they be shifting.

I mean I think that -- between the fourth quarter of last year, and the first quarter of this year. The conversations we're having with LPs, I would say, are distinct in the sense that people are really trying to find the areas where premium returns will be available in the market as a result of what's going on.

So I would say that the kind of questions that were getting from our LPs is creating an increased focus on people wanting to partner with us to deploy capital in those kinds of opportunities.

And then the second area I would say is in our asset-based finance business and in structured credit broadly, I would say if there's an area where I see the opportunity for us, both as a result of both our insurance relationships as well as large institutions looking to diversify exposures, looking to diversify exposures away from EBITDA risk.

We continue to see that as a very substantial growth area for us across a number of different verticals in that space, whether it's whole business securitization, whether it's the residential mortgage market, nonqualified mortgage market, things like that. So I would say that those are the two areas where I would point you to.

Operator^ Our next question will come from Craig Siegenthaler with Bank of America Securities.

Craig Siegenthaler^ I wanted to follow up on a comment you made earlier in the call relating to your software book. Jon, you talked about investing significant capital and specialized resources to ensure that these companies take full advantage of the opportunities that AI unlocks.

Should we assume that this could include follow-on investments, and does that mean that Fund X could invest in a Fund VIII portfolio company? And then separate from your

existing portfolio companies, what is your appetite to lean into cheaper public software valuation today and take privates over the near term.

Jon Winkelried^ Okay. I'm going to let Todd take that one.

Todd Sisitsky^ First, just on the more specific question. the way that we really -- unless it starts at the outset when we have an investment at the end of a fund life, we do not start to cross-over and come in from new funds.

What we do at the end of a fund cycle is that we maintain reserves in order to be able to support companies for, hopefully, offensive and also for defensive reasons. And so we feel comfortable with the reserves we have and the funds that we have in the ground.

I think your broader question is, do you see opportunities? And the answer is yes. We're very selective. There are a series of characteristics of things that we look for in software companies. And from our perspective, we have seen some really interesting opportunities.

So if you look at what we've done recently, just to give two quick examples and maybe give some color to that. both of what I'm going to describe are following that carve-out and corporate partnership dynamic that has been such a rich area for us as a private equity franchise. The first is Velotic, which is essentially the merger of two carve-outs at very attractive multiples for market leaders in the industrial software space, something we've studied for years.

It's a software space that's very closely integrated with operational systems and real-world workflows which makes it quite defensive. And we see a lot of opportunity from an AI application standpoint.

These have been companies that really haven't gotten that degree of focus. And an investment where we can bring resources to the table, plus we are partnered with an A-plus management team. So those were two carve-outs that actually were completed in March.

Another one we just finished carving out, we've owned for about a month is Optum UK U.K. It's a health care IT business, again, playing to both our strength in software and health care.

It's a data asset with a firm perimeter, so clear data mode. It's deeply embedded across the U.K. health care system. Again, we've owned it for about a month. We've already launched our first AI-based product there.

Both of these businesses are very defensive. We feel comfortable and excited about the entry multiple and we have great teams to drive them. So we feel like there's a lot of opportunity out there.

James Coulter^ Jim Coulter, Craig, I'd just note also that having watched disruption cycles over time, what's interesting to me about this one is that the early discussion has been all on defense which is probably appropriate.

But I suspect about nine months from now there's going to be a shift in tone to the second question you asked which is where can firms like ours play offense on AI.

I personally believe this will be the most positive weapon that we've seen in a long time in private equity, because we are and particularly at TPG, we are change agents, and this is going to be a great opportunity for change.

So I suspect we'll be talking about defense for the next three to six months. By the end of this year, I think we'll probably be talking about offense, and which firms can play that in this environment.

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

Brian Bedell^ Maybe just to shift the conversation a little bit back to the Impact franchise. I appreciate your comments, Jon, on the need for higher -- with the higher electricity demand, given AI data center build-out, maybe if you guys could comment on how you see this playing out over the next one to two years, both on the data build-out and also the supply chains that you mentioned, that's distressed from geopolitical issues and the stress on fossil fuels, and whether you see this as being a reacceleration of the energy transition theme? And then how can you position TPG to benefit from that, specifically on deployment? And then also more fundraising within the climate franchise broadly?

James Coulter^ Thank you for that question. It's Jim Coulter. We haven't touched on this for a few calls, so it's probably a good time to check in, because it's been both a fascinating and quite positive period in particularly the climate portion of our Impact platform.

As Jon mentioned, fundraising has picked up after what was a natural pause in the middle of last year. and we're over \$11 billion now fund cycle versus a fund cycle last time of \$7 [billion], and we're heading towards our final closes.

But what's more interesting is what's happening on the ground because while the discussion of decarbonization has gone down, maybe crowded out by other concerns, climate has gotten worse and the actual activity has gone up — spending was up quite substantially globally.

And even in the U.S. last year, as we talk about electricity, over 90% of the electricity addition was renewables, and it should continue in that direction for the next few years. And it's not just about decarbonization, it's obviously about electrification.

As you think about energy, fossil fuels are advantaged for heat, renewables are advantaged for electricity. And finally, energy security, the Strait of Hormuz may be bad for many things, but it's good for our business here which is people are concerned about their energy supply chain and renewables is one way to address that around the world.

So if you take that into our business, if you look at our last year, in spite of the lower discussion of this part of our business, it was our biggest deployment year and our biggest realization year.

And if you look underneath that, you find quite interesting activities — our \$6 billion data center initiative with Tata in India, \$5 billion sale of our digital power business to Google. At the same time we're launching the largest battery project in the world in California grid services at Pike.

So a real pickup, I think, overall in what's happening in the business and a pickup that I think should accelerate in future years. So we have a product that's on the right side of this trend. And frankly, on the right side of carbon which long term, I think, is a good place to be. And I think that will bode well.

Our clients have figured that out also. The private market has figured that out. And it's interesting, the public market has figured that out, lot of discussion in the MAG 7, but the Clean Energy Index absolutely trounced the MAG 7 last year.

So this kind of activity level, I think, bodes well for the future with the understanding that these markets are always fascinating and complex.

Operator^ Our next question comes from Ken Worthington with JPMorgan.

Kenneth Worthington^ So it was a good deployment quarter, transaction fees and capital market fees were strong this quarter. You've got some pretty big deals in the pipeline. I think Hologic just closed, Curium, VM, Kinetic. How should we think about some of these bigger deals translating into capital markets and transaction fees as the time comes.

Jack Weingart^ Look, as you know the translation of deal flow into capital markets fees will be deal deal dependent. On larger deals, we're more likely to use the syndicated loan markets which don't translate quite directly through to us as placing the entire debt capital structure.

On Hologic, we did play an important role, but it was a more broadly syndicated debt capital structure. We do, as I mentioned on the call, we continue to believe that capital markets is a real business that we continue to build. We've built it across the entire firm.

We're just starting to see the benefit of that in areas like the credit business. So there's a long-term growth trajectory to that business, predicting in one quarter is hard.

We don't have visibility into a quarter like Q4, where we had a massive quarter based on a handful of very concentrated large deals, but we do have visibility and continued long-term growth of that business.

Kenneth Worthington^ Okay. So nothing to call out for 2Q?

Jack Weingart^ No.

Operator^ Our next question comes from Brian McKenna with Citizens.

Brian McKenna^ Okay. Great. So what are you hearing from your larger LPs as it relates to the lower middle market direct lending strategy. Performance at Twin Brooke remains quite healthy and differentiated, return 2.5% net in the first quarter, 10.5% net last year. So I'm wondering if there's a -- this differentiation is starting to accelerate institutional flows into the strategy.

Jon Winkelried^ Good question. The answer is yes. I think the performance combined with the fact that we -- one of the interesting aspects of the market over the last several years has that just been very little dispersion within the lending space, whether or not you're looking at upper middle market or lower middle market.

And it's been sort of very consistent, steady, with spreads generally quite compressed in the market. We're starting to see that change. Portfolios are not all acting the same. And as a result of that, we're seeing differences in terms of how we're performing relative to perhaps other pools of capital.

And so as a result of that, it goes back to -- I think I mentioned it just briefly before. The conversations that we're having with our institutional clients are all focused on how to think about diversification across the space. And I would say that this -- the dislocation to the extent there's been some dislocation and nervousness about certain parts of the market, I think that has woken up a number of institutional LPs to look at their allocations and think about diversification and what parts of the market haven't they paid as much attention to.

And naturally lower middle market is now getting more attention as a result of that. The structure of the business, as I mentioned in my comments, is quite different.

In the upper middle market, you're competing essentially -- upper middle market direct lending is competing directly with banks and broadly syndicated loans. Our business does not compete with banks. In our business, we also are usually the only lender or certainly the lead lender.

And as I mentioned in my comments, -- we're also controlling the revolver within the context of the relationship. And so that gives you certain advantages in terms of understanding what's going on inside these companies on a real-time basis. So our clients are really figuring this out.

And we're seeing quite a bit of interest in the space. and I think it's going to continue to grow. The other thing, I guess, I would say which is important in terms of the dynamics of the flow is that again, a substantial portion, almost half of our flow is internally generated by the existing portfolio in terms of add-ons.

Also when you think about a risk-controlled way of allocating capital, you know your portfolio, obviously intimately well and have relationships with the sponsor. So as a result of that internally generated flow, the risk dynamics of how we're allocating capital also are slightly different.

So I think it's an area where we've got clearly increased interest. You also are seeing on the BDC side, differentiation there now, just by virtue of the flows that I talked about as it relates to TCAP. You're also seeing differentiation in the market there as well. So we're very encouraged by what's happening.

Operator^ Our next question comes from Mike Brown with UBS.

Michael Brown^ I believe you guys have exposure to some of the large AI LLM companies in your private equity portfolio, some of which could be candidates for the public markets over time here.

Can you maybe just outline where those positions sit from a fund perspective? Is it the growth or maybe tech efficiency fund? And how those are currently marked and maybe how you would think about that realization strategy and pacing if and when some of those companies ultimately go public.

Todd Sisitsky^ Yes, absolutely. Thanks for the question. We have, as you said, a portfolio of AI focused companies. And they are primarily in our Tech Adjacency fund, and in TPOP, they include Anthropic and OpenAI and SpaceX. We have a few other investments that we've been doing a lot of work on that would end up in Capital and Hybrid.

So it actually it's a pretty broad exposure across our private equity platform. And our view is that's been great, not only for the investments which continue to move in the

right direction for us, but also for the connectivity to all of the open AI players which has been very helpful for us, both in creating opportunities and engaging with our own portfolio companies and building our own expertise.

So I think that will continue to be a vibrant part of what we're doing, and it certainly helps that we're -- have our team on the private equity side based in San Francisco. And then on the exit front, I think it's hard to tell.

Of course, we're not in control of a number of those companies. So you're reading the headlines won't be that much different from what we know.

I do think that we should expect somewhere between one and three of the large companies to go public over the course of the next year to 18 months and probably one or two of those in a shorter timeframe.

Operator^ Our next question will come from Ben Budish with Barclays.

Benjamin Budish^ I wanted to ask about some of your upcoming fundraising and thoughts on what the sort of distribution environment means. Over the last few years, there's sort of been a increasing trends towards flagship fundraising is taking longer, a smaller first close, bigger final close. Curious near term, it sounds like you've got a pretty good line of sight.

But how are you thinking about the potential cadence of the real estate funds which you indicated are about to come back in size and be raising over the next couple of years, how does LTE appetite look like for that asset class? And what sort of macro factors should we be looking at that will inform whether or not we get back to a more normal fundraising cadence or what we've seen lately the sort of elongated cadence?

Jon Winkelried^ Well let me just comment on the real estate part of it, maybe then Jack could give a little color on sort of the kind of pattern of fundraising.

But on the real estate front, we've talked now for probably the better part of the last 1½ years about both the kind of the renewed interest that we're seeing from institutional LPs in the asset class.

We've been in a fortunate position in that we've had quite a bit of dry powder in the space. And as a result of that, have been pretty active in terms of taking advantage of opportunities that have been created as a result of the interest rate cycle that we went through and some of the other dislocation factors, whether it was COVID, the dislocation in office, and then obviously the spike in interest rates. That created a dynamic where there were a lot of assets that were frozen.

There were a lot of managers, I think, in the space that basically were kind of handcuffed in terms of their ability to be proactive, and we have fortunately not been in that position.

So as a result of that, I'd say the last year plus, we've seen some of the best opportunities that we've seen in a very long time. And we see a structural shift in the market in terms of the competitive dynamic as well as who has capital to solve problems in the space.

I mentioned in my comments, a couple of really interesting deployment opportunities that we've had in things like grocery-anchored retail, where we've made a big investment, opportunities that we see in Asia. Japan, as an example, with office and hospitality, we're seeing global opportunities across the space.

And as we've begun to roll out our fundraising progress in our opportunistic fund and our Asia fund, our net lease fund, I think we see a significant increase in interest across both the high-return opportunistic space as well as what you would think of as kind of income-oriented opportunities in real estate.

Jack mentioned briefly in his comments, some the beginnings of what we see as retail demand in the space as well. Not surprising that some form of real assets that generate income would be interesting in this environment.

So I think we're quite bullish, knock wood, that these fundraisers are going to be strong -- we're going to get very strong reception in the market.

Jack Weingart^ Yes. I was -- alongside real estate, I would think about Peppertree, the infrastructure business focused on cell towers, where a lot of the same dynamics exist and we've launched the next-generation fund from Peppertree and we're seeing equally strong demand there. When I talked in my comments about the backloading of the remainder of our fundraising for the year, I'd say there are really two things behind that.

One is that most of these -- most or all of the real estate and Peppertree fundraising that we're talking about is really going to have closings for the first time in the back half of the year.

So that's going to be a natural kind of kicker to fundraising in the back half of the year. The other dynamic is the barbell effect in private equity. We continue to see very strong demand. I think you asked about realizations.

We continue to be differentiated with LPs in our consistent production of DPI. That's not a limiter for us in demand for investing with us in private equity. We did have an unusually successful start to the TPG Capital campaign with TPG 10 and Healthcare Partners raising over \$12 billion last year.

The remainder of that fundraising, we have good visibility on, but it's going to have the natural typical barbell effect where the remainder of the capital chose not to come in the first close because they want to come in towards the later end of the close which will be the back half of this year.

Operator^ Next question will come from Steven Chubak with Wolfe Research.

Steven Chubak^ So I wanted to ask on AI risk across the broader portfolio. You spoke of the comprehensive review of the software book, noted the vast majority of the portfolio companies and software arguably beneficiaries of AI. Just wanted to see if you've done a similar review assessing AI risk across the broader private equity portfolio beyond software.

And just given the negative PE marks that you noted were largely attributable to changes in multiple versus any signs of deteriorating fundamentals. Whether that change was a function of multiple contraction in the public markets or just internal expectations for EBITDA growth to potentially moderate across the broader portfolio?

Todd Sisitsky^ Yes. Just to start on the last part of your question, it was distinctively just the public marks coming down, and we see like you the need to flow those through. As Jack pointed out, that was the end of the quarter was a particularly low point, at least recent low point, in the market.

But it was -- there's no change in our view with the prospects of these businesses. And in fact, again, there are some indicators that feel like they ticked up. To your broader question, we have done a systematic review of the risks in and outside of software.

Software does feel like the area that's most exposed to AI. When we look across our private equity portfolio, the TPG Capital business is the one with the most software exposure.

As we've told you before we sold everything in TPG VIII, a 2015 vintage fund. So there's - - all the software businesses are out of that fund. TPG IX and X are very -- those are two are recent portfolios, X is really just being built.

We feel very good about those portfolios. The businesses are really well positioned relative to AI. That was a core part of our deal underwriting in all of those cases. So leaves us with TPG VIII. As a reminder, we've now returned half of that fund in cash.

And the remaining value of \$13.7 billion, I think our work showed us that we had 7% that we would characterize in the mitigate category, where we do perceive some material risk from AI. So we're, of course, supporting the companies in the mitigate category. We see a lot of upside in the broader portfolio in that fund.

In fact, over 60% of that fund is in what we characterize as outperforming, strong momentum. And within that group, we see a number of companies that we do believe have breakout potential to the upside. So in any event, that's how we've done our work as it relates to AI exposure.

Operator^ Next question comes from Arnaud Giblat with BNP Paribas.

Arnaud Giblat^ Thank you. Good morning. A question on FRE margin guidance. Given the strong fundraising pipeline you have, deployments and the likely impact on positive development on transaction fees and content core year-on-year this quarter. I'm just wondering how I square this up with your 47% guidance for FRE margins. Is there something to be aware of in terms of cadence of cost growth? I'm just trying to reconcile the potential upside I see here.

Jack Weingart^ Look, we've been consistent in talking about the fact that we are going to drive FRE margin expansion over time. We are going to keep investing in our business, too.

We're going to keep -- we see lots of areas that we've talked about on the call that we're investing behind growth. The other thing I'd point out is assuming we hit our 47% margin target this year, it was 45% last year, it was 40% on a blended basis when we closed the Angelo Gordon acquisition, and the 45% margin last year had that unusually strong fourth quarter with the transaction and monitoring fees driving FRE margin up to 52%.

So 47% margin this year, I think, would be very healthy and would reflect continued operating leverage.

Operator^ Our next question comes from Bart Dziarski with RBC Capital Markets.

Bart Dziarski^ Just wanted to ask around the fundraising outlook. So you maintained your sort of \$50 billion-plus guide and gave lots of color on the back half ramp and the products that will drive that. But I wanted to ask more from the client perspective, like -- are there any geographic regions that are driving that? Is it re-ups, share of wallet expansion, new LPs. Would love additional color on that front with regards to fundraising.

Jack Weingart^ Yes. I'll start. It's Jack. I wouldn't call anything notable in terms of changes in mix. We've got, as you know a very broad and deep set of institutional clients. and the same geographic mix we've experienced in prior funds. We see about the same in the current set of funds.

I mentioned private wealth. Private wealth will be a part of that will be a bigger part of it this year than it was last year. but it won't be a main driver. This will still be driven primarily by our large institutional relationships around the world and by our effective success at cross-selling and doing more across businesses with our biggest relationships.

Jon Winkelried^ The only thing I would add is that we have talked over the course of the last year plus about the growing number of strategic partnerships that we have, large strategic partnerships with institutional clients that have been partners of ours for a long time. And we've talked also about the fact that we continue to see the largest pools of capital in the world wanting to do more with fewer and selecting us as a core institutional partner.

And in a number of cases, we have created strategic partnerships where we have, to some extent, I would say, enhanced visibility in terms of their partnership and their intent to partner with us across a range of strategies.

And so that also is a growing source of confidence as we go into these periods where, obviously there's volatility in the world, et cetera. But I would say that, as Jack said, it's not a mix shift, but it's helpful that we're a partner of choice for the largest pools of capital in the world and they want to do more with us.

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

Michael Cyprys^ I always want to ask about AI. I hope if you could update us on how you're deploying AI across the firm today. Where it has meaningfully, materially improved your processes? What sort of ROI you're seeing? And if you could talk about some of the use cases that you're looking to put into production over the next 12 to 24 months?

Jon Winkelried^ Thanks, Mike. Well a couple of things. I mean we had for a while now, and I think we've communicated this, we have a group of engineers and a team within our tech group that has been developing tools that have been rolled out systematically to the firm built on some of, obviously the large language models, but customized for what we're doing here at the firm.

We have very high engagement across the firm in terms of productivity tools, probably something approaching 80% of the firm now are using these tools on an active daily basis. So that's obviously a productivity tool, and we're strongly focused on continuing to train people to use those models very effectively. So we have coaches that are roaming around the firm actually helping people figure out how to be more productive.

The second thing I would say is that within our services organization, we are beginning to look at our head count, if I can use that term, both on a kind of a human and also agentic basis.

And where are there opportunities for us to enhance productivity and in some cases, limit head count growth as a result of using AI agents and certain seats to do functions that we think currently we can do in an accurate and effective and efficient way. And so that's already part of our planning process as we continue to think about our use of the tool.

I think the other thing, and Todd alluded to this before is that we have -- remember, our firm in many respects, is centered in San Francisco. We are basically walking distance from the large LLM companies. And we have invested in them. We have ongoing important relationships with them which will probably end up creating -- you'll probably see us creating ongoing types of interesting partnerships with a select group of those companies.

And so I think we have very good access to understanding how to engage and use the tools and also get the resources, frankly, because resources are, in some respects, the scarce commodity right now in terms of engineering talent or people that really understand how to implement enterprise engagements in these models.

And I think we feel like both doing that internally here as well as our portfolio of companies is something that we feel we're very well positioned to do

Operator^ And it appears that we have no further questions at this time. I'd like to turn the call over to Gary Stein for any closing remarks.

Gary Stein^ Great. Thank you all very much for joining us today. If you have any follow-up questions, please feel free to reach out to the Investor Relations team. Otherwise, we'll look forward to speaking to you again next quarter.

Operator^ Ladies and gentlemen, that will conclude today's call. Thank you for your participation. You may disconnect at this time. And have a wonderful rest of your day.