

07-Feb-2024

The Carlyle Group, Inc. (CG)

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to The Carlyle Group's Fourth Quarter 2023 Earnings Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will be given at that time. As a reminder, this call is being recorded.

I'd now like to hand the call over to Daniel Harris, Head of Public Investor Relations. You may begin.

Daniel Harris

Head, Public Investor Relations, The Carlyle Group, Inc.

Thank you, operator. Good morning and welcome to Carlyle's fourth quarter and full year 2023 earnings call. With me on the call this morning is our Chief Executive Officer, Harvey Schwartz; and our Chief Financial Officer, John Redett. Earlier this morning, we issued a press release and a detailed earnings presentation, which is also available on our Investor Relations website. This call is being webcast and a replay will be available.

We will refer to certain non-GAAP financials measures during today's call. These measures should not be considered in isolation from or as a substitute for measures prepared in accordance with Generally Accepted Accounting Principles. We've provided reconciliation of these measures to GAAP in our earnings release to the extent reasonably available. Any forward-looking statements made today do not guarantee future performance, and undue reliance should not be placed on them. These statements are based on current management expectations and involve inherent risks and uncertainties, including those identified in the Risk Factors section of our Annual Report on Form 10-K that could cause actual results to differ materially from those indicated. Carlyle assumes no obligation to update any forward-looking statements at any time.

In order to ensure participation by all those on the line today, please limit yourself to one question and then return to the queue for any additional follow-ups. In our earnings presentation this quarter, you'll find several additional pages in the part of the release starting with page 6 that Harvey and John will refer to during our remarks. As I mentioned, you can find the presentation on our IR website to follow along.

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

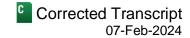
Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Thanks, Dan. Good morning, everyone, and thank you for joining us. Our firm finished 2023 with significant momentum. We set several records last year, which you see on page 6. They include: record FRE at \$859 million, record Q4 FRE margin at 43%, and we finished the year with record AUM at \$426 billion. We also raised \$17 billion of capital in the fourth quarter, our third largest fundraising quarter in the history of the firm. We want to thank our investing clients for the trust they put in us as their fiduciary and the entire Carlyle team for their hard work. Again, we finished the year with significant momentum, which sets us up for success in 2024.

Now please turn to page 7 of the document. In today's discussion, John and I are going to focus on four key areas: first, enhancing stakeholder alignment and changes we plan to make to our compensation model; second, optimizing capital and our approach to returning capital to shareholders; third, strategic initiatives in 2024; and lastly, we will delineate explicit financial targets for 2024.

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Now turning to page 8, enhancing stakeholder alignment. Today we're announcing a shift in our compensation strategy explicitly designed to enhance alignment across all of our stakeholders: our investing clients, our employees, and you, our shareholders. Carlyle has a performance-driven culture, and our senior investing professionals want their compensation more tightly tied to performance. Shareholders also get more of what they value most. A significant step-up in steady recurring fee related earnings and FRE margin. And our investing clients also benefit from our teams having more skin in the game. It is a win-win-win for each of our stakeholders, our investing clients, our senior employees and our shareholders.

Second, I'd like to discuss changes to our capital allocation strategy, and please turn to slide 9. We've increased our share repurchase capacity by an incremental \$1 billion for a total of \$1.4 billion. Given our strong balance sheet and positive outlook, this incremental capacity provides us flexibility to return excess capital to shareholders. At this share price, our board and senior leadership see tremendous value in the enterprise. The opportunity to return capital to shareholders is clearly quite compelling. John will walk through our thinking about capital management and our approach in more detail.

Now moving to page 10, I want to touch on several strategic initiatives. Global Credit & Insurance is positioned for strong growth. Global Credit is now our largest segment with almost \$190 billion of AUM. We have driven a nearly 300% increase in credit AUM over the past four years. In Insurance, we added \$29 billion of AUM in 2023 from Fortitude, including the Lincoln Financial transaction. We have strong momentum coming into 2024 and a deep pipeline of growth opportunities.

In Investment Solutions, we also have great operating momentum. We've grown AUM 70% over the past four years to \$77 billion. Our secondaries and co-investment strategies are producing attractive returns for their investors and are well-positioned to capture opportunities in the current environment. Global Investment Solutions should see FRE shift sharply higher in 2024 as the effect of strong fundraising impacts our results.

We've also made progress growing our wealth strategy. The Carlyle brand is a unique and powerful asset. Since inception, we raised nearly \$50 billion of wealth assets. We are incredibly appreciative of the trust that our wealth management partners have placed in us on behalf of their clients. We look forward to continue to work with them as we grow this business together. We are excited to have our Credit Interval Fund, CTAC; and our PE secondary fund, CAPM, in the market today and we will have a PE product in the market in the next several quarters.

Now switching to expense management. While we focus on growth, we are also keeping a careful eye on expenses. In 2023, we grew head count as we continue to invest across our platform. At the same time, we delivered expense savings in other areas. Again, while growth remains our key area of focus, executing our strategy in a disciplined manner will allow us to expand margins at the same time.

Before I pass it to John, turning to page 11, let me give you a quick preview on our 2024 financial targets. We are targeting FRE of \$1.1 billion. We are targeting FRE margins to increase to a range of 40% to 50%. We are targeting inflows to exceed \$40 billion in 2024. And again, we have significantly increased our ability to return capital to shareholders by expanding the share buyback capacity. Again, we intend to be active buyers of our stock as we see strong value in returning capital to you, our shareholders.

We began 2024 with clear momentum. And with that, let me now turn the call over to John.

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.



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Thanks, Harvey. Good morning, everyone. I want to cover several topics this morning and echo a few comments Harvey made: first, stakeholder alignment and changes to our compensation strategy; second, capital allocation; third, I want to provide some comments on our 2023 results; and lastly, our 2024 financial targets.

Updates to our compensation strategy were driven by our desire to create an even better stakeholder alignment and drive fee related earnings to our shareholders. Essentially, compensation for our senior people will become more success-based. As a result, our earnings mix will increasingly shift to a more shareholder-friendly feerelated earnings model as our compensation changes phase in over the next few years. This should show up in two main ways, and if you want to follow along, flip to page 8.

Our FRE-related cash compensation ratio will decline to 30% to 35% from 45% to 50%. Our realized performance revenue compensation ratio will increase to 60% to 70% from 45% to 50%. I want to be clear. This is not about changing the overall level of compensation, but rather having a higher portion of compensation being success-driven. This change should be neutral to DE over time.

In connection with these changes, we incurred a onetime noncash GAAP charge of \$1.1 billion, largely related to the value of future carry going to employees. This will allow us to generate higher FRE for shareholders more quickly. Even after this charge, our net accrued carry balance ended the year at \$2.4 billion and continued to represent over \$6 per share in future earnings for our shareholders.

In addition, we awarded performance stock units to a select number of senior professionals that have the accountability to help us achieve our growth objectives. These units are highly aligned with shareholders as they only vest with significant share price appreciation.

As Harvey mentioned, we now have the capacity to buy back \$1.4 billion in stock. This is in addition to an expected annual dividend to shareholders of over \$500 million. Our strong balance sheet provides us the flexibility to both return meaningful capital to shareholders and, importantly, invest for growth. These are not mutually exclusive decisions. Investing into our businesses remains our top priority.

Moving on, let me highlight just a few of our year-end results. We generated \$1.4 billion in DE, or \$3.24 per share, our third best year on record. We produced \$531 million in net realized performance revenues despite a difficult market backdrop.

Turning to fee-related earnings. We produced a record \$254 million of FRE in the fourth quarter with a FRE margin of 43%, also a record. And for the year, we produced a record \$859 million in FRE. As we already noted, we expect a meaningful shift higher in 2024 for both FRE and margin.

Finally, as Harvey mentioned, we had a strong finish to the year in terms of fundraising, bringing in \$37 billion in 2023, more than 20% higher than the prior year. Included in that total is more than \$9 billion in new capital raised by Global Credit in the fourth quarter alone. We have significant momentum going into 2024. We expect FRE to be approximately \$1.1 billion, more than 25% higher than 2023. We expect our FRE margin to increase to 40% to 50%. And lastly, we expect inflows to be more than \$40 billion.

In closing, we produced record results in 2023 and we finished the year with strong momentum.

Now let me turn the call over to the operator so we can take your questions.



QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Alexander Blostein with Goldman Sachs. Your line is open.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Hi. Good morning, Harvey. Good morning, everybody. Thanks for the question.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Good morning, Alex.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

So, first, appreciate all the – hello. So, appreciate all the strategic changes you guys are making today. That's great. And obviously, the more explicit disclosure is also very helpful. I was hoping we could start with the discussion on the momentum you highlighted in your prepared remarks. As you look out into 2024, particularly with respect to fundraising, I know you highlighted about \$40 billion. So I was hoping you could walk us through that. And then sort of related to that, as you think about the momentum in the business, how does that inform the pacing of the share repurchase announcement you guys made today as well? Thanks.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Okay. Alex, thanks. So you really could feel it build. As a new CEO coming in in 2023 and new to the company, as you know and we talked about this, I really felt like my priority was to spend time with my teams and time with my all PEs and my investing clients. And I spent – I mean, I think I met with over 300 investing clients during the course of the year and obviously spent a lot of time internally. And that was really about my teams getting to know me, which is more important even to me getting to know them. And you could really feel it. I think I even talked about in the third quarter, we could feel the momentum building in terms of the focus, the execution, receptivity of the brand. And it all came together with these record results, record FRE, record margin, the cost saving initiatives and you see in the fundraising.

In terms of coming into 2024, the momentum feels good and 2023 backdrop complicated and I feel cautiously optimistic about the environment in 2024, which should provide a tailwind and maybe some upside on these targets. Specifically around fundraising, I'll make two comments. One, I know you're all focused on a quarter-to-quarter. We really think about fundraising in terms of how we provide the best value to our LPs. By putting this together, we put together where you think we built up knowing what we'll be focused on in the course of the year. And so we feel good about these numbers.

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

And Alex, in terms of the buyback part of your question. Look, we've been spending a lot of time thinking about capital allocation, and we're going to take a much more disciplined approach in terms of how we execute on capital allocation. I think the \$1.4 billion buyback is an important first step. And we don't think the stock reflects the

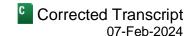
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true value of the franchise. So you should consider us to be active buyers of our stock. I think it's also important to remember we have a very strong balance sheet which enables us to have the flexibility to – in addition to giving capital back to our shareholders via a \$1.4 billion stock buyback and our dividend, we have the flexibility and balance sheet strength to continue to invest in our business for growth.

Alexander Blostein Analyst, Goldman Sachs & Co. LLC	Q
Great. Thanks very much.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Thanks, Alex.	
Operator: Thank you. Our next question comes from Ken Worthin	ngton with JPMorgan. Your line is open.
Kenneth B. Worthington Analyst, JPMorgan Securities LLC	Q
Hi. Good morning. Thanks for taking the question. As we look at cr looks like 50% more than you raised in the first three quarters of the deck on CLOs and CTAC, but it feels like there's more to these fundraising this quarter in credit and sort of how that should continuous.	e year combined. And you gave some color in numbers. So, can you flesh out the jump in
John C. Redett Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.	A
Yeah. Thanks for the question. I would say, look, I think it's really to quarter. There's obviously going to be a lot of volatility. We had a ga great year for fundraising in credit as well. And I expect important continue well into 2024. We've got good visibility on that. It was rearising money for CLOs, as you mentioned, CTAC, which is our recCCOF, we raised money for as well, and Carlyle's strategic solution it's pretty consistent across the platform. I think the important takes a good year, but we have really good momentum going into 2024 fundraising more broadly.	great fundraising fourth quarter. We actually had tally that that momentum in credit fundraising will ally spread across all of our products that were tail credit products, always in the market. Ins., which is our kind of asset-backed fund. So away is not focusing quarter-to-quarter. We had
Kenneth B. Worthington Analyst, JPMorgan Securities LLC	Q
Great. Thank you.	
John C. Redett Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.	A
Thanks, Ken.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Thanks, Ken.	

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Operator: Thank you. Our next que	stion comes from Pa	trick Davitt with Autono	mous Research.	Your line is
open.				

Patrick Davitt

Analyst, Autonomous Research US LP

Hi. Good morning, everyone.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Good morning, Patrick.

Patrick Davitt

Analyst, Autonomous Research US LP

You mentioned the compensation framework will phase in. So, what are you assuming for 2024 in your \$1.1 billion guide? And in that vein, what are you assuming for transactions and FRPR? And if realizations do remain subdued, do you have a commitment from employees to these compensation ratios? In other words, will you have to abandon these targets if the realizations don't get better? Thank you.

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

So it's one of the reasons when we're going through our remarks and in the prepared pages, we put out a range. Look, this is super important. We're going to execute on this compensation change very deliberately. The range really gives us the flexibility to execute on this deliberately. Look, we have no idea what the market backdrop will look like. But look, I think you should walk away from this thinking. Our intent is for this to be DE neutral. The vast majority of our employees will not be impacted. There will be some variability in compensation for our senior folks and year-to-year. But if you look at it over a couple of year period, our intent is for compensation to not be up or not be down, and that's how we'll manage it.

I think it's also important to point out, and I mentioned that in my remarks, the senior people that will have some variability in their compensation, we did grant them performance stock units. So we really have great alignment with our senior people. These performance stock units are really shareholder friendly. They only vest upon share price appreciation and, quite frankly, I think everyone here and on the call hopes they actually do that because they're very shareholder-friendly instrument.

In terms of the 2024 \$1.1 billion FRE target, look, it's a 25% step-up from our \$859 million FRE in 2023. We feel very good about it. It really is three components. It's growth, which we're very focused on. Two, it's the compensation change. And third, we will continue to manage the business prudently in terms of expenses. We have no intention of cutting to the bone, but we will manage the business prudently. But it is a growth, prudent expense management and compensation changes.

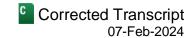
Operator: Thank you. Our next question comes from Chris Kotowski with Oppenheimer & Company. Your line is open.

Chris Kotowski

Analyst, Oppenheimer & Co., Inc.

Yeah. Can you hear me?

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Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Yeah. Hey Chris. Good morning.

Chris Kotowski

Analyst, Oppenheimer & Co., Inc.

Hey. Good morning. Sorry. I was wondering, in your \$40 billion fundraising target, if you could drill down into the composition of that a bit more, and in particular kind of even if you can't give us the numbers, but kind of like what should we expect during the course of the year relating to the two big flagship funds in Europe and Asia that you're raising?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Yeah. So I think you should think about it broadly across the platform. We have a lot of momentum, as you saw, coming off the record fundraising and the activity in the fourth quarter. But you should expect to see really good fundraising activity in credit across the private equity platform, our real estate business, our private equity business, across infrastructure, the whole space. So we built this model up across the entire franchise. I think in private equity, like the rest of the industry, specifically I'm talking about the narrow definition of private equity, corporate private equity. I think there will still be headwinds in the industry for that. But across our platform, we feel good about the \$40 billion number. I will emphasize with John again, we report these numbers quarterly. We just don't think about fundraising, we don't run the business for a quarter, but we feel good about the momentum in the business, really good about it.

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

And the only thing that I'd add is in the solutions business, we have a couple of funds in the market and we're seeing great momentum in solutions as well in addition to private equity and credit.

Chris Kotowski

Analyst, Oppenheimer & Co., Inc.

Okay. Great. And then just kind of curious, the \$1.4 billion share buyback authorization. Is that conceived of as a one-year authorization or is that more flexible? Because when you add the \$1.4 billion and you add the dividend, actually, it ends up speaking for quite a lot of your likely DE at the end of the year?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Yeah. So, again, the way John framed this and let's just take a step back, I think many of you have known me for years, in terms of how I think around the discipline of capital. But just taking a step back, when we think about capital, we think about growth and shareholder alignment, returning capital to shareholders and investing in growth. And we think about this really purely through the lens of really where is the marginal ROI. So the first thing that's most important about this is the investing in growth, and we have capital available for that. This allocation to share repurchase reflects the fact that when we look at the enterprise value of our firm, it's quite compelling to return capital to shareholders.

So we haven't narrowed this to one year, for sure, but what we want to do is give ourselves the full range of flexibility. We're going to be very disciplined, very systematic about this in terms of driving growth, returning

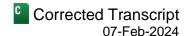
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capital to shareholders and finding the balance, effectively the efficient frontier of where that exists. And that's how we're thinking about it. But it's not a one year because, as you implied, in addition to the dividend, which is \$500 million this year, that's how we think about it. But again, as John said earlier, you should expect to see us be active buying the stock back.

Chris Kotowski Analyst, Oppenheimer & Co., Inc.	Q
Okay. Great. That's it for me. Thank you.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	Α
Thank you.	
Operator : Thank you. [Operator Instructions] Our next question comes from Brian McKenna vour line is open.	with Citizens JMP.
Brian McKenna Analyst, Citizens JMP	Q
Thanks. Good morning, everyone.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Hey, Brian.	
Brian McKenna Analyst, Citizens JMP	Q
Hey, Harvey. I know you're deemphasizing performance income a bit just with the comp chang but I'm curious, how are you thinking about the rebuild of net accrued performance revenues or 20% apples-to-apples year-over-year decline in 2023, on the heels of solid realizations and spet that rebuild as it relates to the contribution from some of the more recent flagship private equity	ver time after a ecifically kind of
John C. Redett Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.	A
Yeah, Brian. It's John. I wouldn't say we're deemphasizing performance revenue or carry realiz very core component of our business. And we expect it to be a core component of our business. You're right. Less of that is going to shareholders and more is going to employees, and shareholders high-margin fee earnings as part of this comp reset. As I said in my remarks, we still have of roughly \$2.4 billion, which still represents \$6 a share, I'd say still a very meaningful percenta price.	s going forward. olders are getting e net accrued carry
Brian McKenna Analyst, Citizens JMP	Q
Got it. Thank you.	

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Harvey	Mitchell	Schwartz
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Chief Executive Officer & Director, The Carlyle Group, Inc.

Thanks, Brian.

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

Brian Bedell

Analyst, Deutsche Bank Securities, Inc.

Hi. Great. Good morning, folks. Thanks for taking my question and congrats on the comp change and FRE. Maybe just to talk about the FRE margin, the range – not the comp range but the actual margin target range of 40% to 50%. I guess, sort of what is at both ends of that on what would be the key variabilities? It's a little bit wide for this year. And then in line with that, as we sort of march through 2024 and get to 2025 and 2026, longer term, is the intent to show or to build on the FRE margin each year and have a sort of a longer term, more steady growth profile to that? And if you can comment on the contribution from capital markets business? I know, Harvey, you've been working on building that up and it looks like you've reported very good capital [indiscernible] (00:26:52) for the fourth quarter as well.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

So let me take a step back a little bit and just tell you how we're thinking about as a leadership team. First of all, thanks for noting the capital markets momentum. Pretty muted environment actually for capital markets. The team really came together and embraced the focus and we think that'll carry through into 2024 for sure.

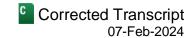
In terms of the compensation model change and the range, one of the reasons why John's throwing out that range is, first and foremost for us it's about talent. It's about attracting and retaining the best talent. We have an extraordinary team here. And we want to make sure that as we introduce this, we actually have the flexibility to make sure that we do this methodically, patiently and over time. So you'll see us move within this range and you'll see periods of outperformance and periods where basically this acts as a shock absorber. But this is an output. We're going to manage the talent and make sure our talent gets paid for their performance, first and foremost. That's the most critical thing because that will deliver for everyone in the long run. That will deliver for our investing clients and that'll deliver for our shareholders. But that's how we designed the model.

Brian Bedell Analyst, Deutsche Bank Securities, Inc.	Q
Great. Thank you.	
Daniel Harris Head, Public Investor Relations, The Carlyle Group, Inc.	A
Take the next question, operator.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	Д
[indiscernible] (00:28:41)	



Daniel Harris Head, Public Investor Relations, The Carlyle Group, Inc.	A
Operator, we're ready for the next question.	
Operator: Our next question comes from Ben Budish with Barclays. Your line is open.	
Benjamin Budish Analyst, Barclays Capital, Inc.	Q
Hi. Good morning and thanks for taking the question.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc. Hey Ben.	A
Benjamin Budish Analyst, Barclays Capital, Inc.	Q
Harvey, in the deck, you identified Investment Solutions as one of your strategic initiative typically we see sort of two major funds kind of go and raise flagships around the same very large pickup in AUM, followed by maybe a period of flatter AUM growth. You indicate sharp upswing in 2024 in terms of FRE. But just curious, given that you identified that a might that cadence change in 2025 and 2026? Does this mean potentially more vehicle mill fundraising? What should we expect to see there? Thank you.	time and so we see like a ated that we should see a is a strategic initiative, how
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
So, in 2024, look – I showed up a year ago literally almost to the day. And I was the luctual amazing franchise businesses and some great talent. One of those things is our second the course of the year, their growth – and as we indicated in our prepared remarks, we' FRE. It's an incredibly talented team with a huge amount of momentum. There's aspect continue to build. There's a financing component in that business. Obviously, I mention launched recently CAPM. I think this is a tremendous opportunity for our wealth clients, with really consistent performance. So I think you'll see us grow this business in a prude maybe it didn't get highlighted as much, but this is a really strong team with a lot of more	dary business. And over re expecting a doubling of its of that business that we ed the fact that we've just It's a diversified portfolio ent way. I think historically
Benjamin Budish Analyst, Barclays Capital, Inc.	Q
Understood. Thank you.	
Operator: Thank you. Our next question comes from Brennan Hawken with UBS. You	ır line is open.
Brennan Hawken Analyst, UBS Securities LLC	Q
Hi. Good morning. Thanks for taking my questions.	

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Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Hey Brennan. How are you?

Dronnan Hawkan

Brennan Hawken

Analyst, UBS Securities LLC

I'm good, Harvey. I hope you're doing well. So understanding you guys have touched on this a little bit, but I'm hoping maybe we could peel a little because you've made a couple references to the comp change. John indicated it was phased in over time. And Harvey, I believe you indicated that it was a function somewhat as a shock absorber. So I'm sure there's nuance and layers to it. But maybe could you help us distill a little bit what is the phasing going to look over time? And even once it's fully phased, is the entire range still in play allowing for the shock absorbers? Could you just help us understand the difference in between how those two would play out over the next coming years?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

So what I would say, again, we're talking about incentive alignment across all our constituencies, pay for performance, and really managing this process over a very long period of time. It's not for a quarter or a year. And so, again, when I said shock absorber, the way I think about the compensation ratio is it will be dynamic reflecting the performance. And we want to make sure that we are investing in our talent, rewarding our talent consistently. But there'll be years where there'll be lower realizations and you may see the compensation ratio tick up a little bit. We're giving ourselves that flex. The most important thing about the financial targets we put out, because I know that's new, is our confidence around the margin, the \$1.1 billion FRE target and the fundraising and of course, obviously, the announcement around our share repurchase capacity. So we feel highly confident around those numbers, but we're giving you some insight into how we think about things as a leadership team.

Brennan Hawken

Analyst, UBS Securities LLC

Got it. John, though, you referenced a phasing period. Could you help us understand what that would look like?

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

Yeah. I think Harvey covered that. I mean, look, we're going to phase it in over a couple of years. We're going to be very deliberate in terms of how we do this compensation. We're a human capital business. It's a very important component of our business. So you should think of it over a couple of years. And quite frankly, I don't know what the markets look like. So we're going to kind of react to how the markets are. Again, I think the important thing to walk away from is not only do we create better stockholder alignment, our intent is not to pay people more or less. Our intent is really to have a performance-based, success-based compensation structure in place. And that's what we've achieved with this structure.

Brennan Hawken
Analyst, UBS Securities LLC

Great. Thanks for taking my questions.

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Harvey Mitchell Schwartz

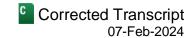
Chief Executive Officer & Director, The Carlyle Group, Inc.





Thanks.	
Operator: Thank you. Our next question comes from Bill Katz with TD Cowen. Your line	is open.
Bill Katz Analyst, TD Cowen	Q
Okay. Thank you very much for taking the questions this morning.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Hi Bill.	
Bill Katz Analyst, TD Cowen	Q
So I was wondering if you could just unpack – good morning and thank you again for the of we could unpack the \$40 billion just a little bit further. And I know you went through at a can you sort of underline just in terms of where you think you are in terms of Europe and upon opportunity? And then perhaps you said this in your prepared comments or I missed How many incremental shares are you issuing to management? And what are some of the assumption to vest that stock? Thank you.	very broad level. But Asia and some success I it in the supplement.
John C. Redett Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.	A
Yeah. Let me take the fundraising first. As Harvey said, in terms of Investment Solutions, momentum in secondaries and co-investment. In terms of private equity, we have great do buyout fund that will soon be in the market with our real estate product, which has fantasti our Asia buyout and European buyout, look, I think they will continue to face in 2024 indust we're seeing and our peers are seeing as well. But we do have a couple private equity pro I think will be very well-received with good demand. And I covered some of the multiple or market, which we're very optimistic about.	emand for our Japan ic returns. In terms of stry headwinds that oducts in the market that
In terms of the PE issues, again, these were targeted to the senior most level professional professionals are really the individuals that are accountable for growth, and these are the driving growth. I think these are very shareholder-friendly instruments. I think our shareho (00:35:31) the best. Think of it as roughly \$300 million of value and the share price appreciation and 60%. Again, these are very shareholder-friendly instruments. If our share price of these shares do not vest.	individuals that are lders [indiscernible] ciation targets are 20%,
Bill Katz Analyst, TD Cowen	Q
Thank you.	
Operator: Thank you. Our next question comes from Daniel Fannon with Jefferies. Your	line is open.
Daniel T. Fannon Analyst, Jefferies LLC	Q

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Thanks. Good morning. Wanted to follow up on non-comp expense. John, I think last quarter you mentioned \$40 million in run rate savings so far with more to come. Can you talk about kind of 2024 and what those numbers might look like and/or other initiatives you have in place to also complement that FRE margin expansion in addition to the comp stuff you announced today?

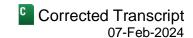
John C. Redett Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc. Thanks, Daniel. Look, I think if you look at our fourth quarter margin of 43%, which is a record for us, I think it really shows the progress we've made. To be honest, I think we've made progress faster than I anticipated. We're just going to continue to focus on expenses. We're not done. We're just going to manage the firm prudently in terms of expenses. I still think there's some opportunity going into 2024. But look, more importantly, this isn't going to be an expense story. We're much more focused on growth. We're investing in the businesses. But I would say there's probably some additional opportunity on expenses that we'll get at in 2024. But that's not going to be the story. It's going to be more about growth. Daniel T. Fannon Analyst, Jefferies LLC Thank you. Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc. Thanks, Dan. **Operator**: Thank you. Our next question comes from Steven Chubak with Wolfe Research. Your line is open. Steven Chubak Analyst, Wolfe Research LLC Hi. Good morning. Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc. Hey, Steven. Steven Chubak Analyst, Wolfe Research LLC Hey. So I wanted to ask on the CLO business. The originations in the liquid credit business picked up nicely in 4Q, admittedly remains fairly subdued, but the outlook in the space appears to be improving. How has the deployment landscape evolved just given the improving capital markets backdrop that you cited? And how should we think about the pickup in that business as we look out to 2024?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

So it's, again, an incredible franchise business for Carlyle, market leader. In the quarter, we raised our first captive equity fund, CLO Partners. I think it's accurate to say against what many people would have thought was a tough market backdrop, it really speaks to the strength of the franchise, the quality of team, and a 20-year franchise with long history of performance. The fundraise was oversubscribed, and they were literally in and out of the market in

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a few months. I think it's the fastest CLO captive equity fundraise maybe in the history of time. And so really, really proud of the work they have done and the momentum they have.

Now, again, the market backdrop has been improving. You're starting to see banks picking up, investing in AAAs again. This is all a reflection of credit spreads coming in tighter. So we feel good about the business momentum here and the team is extraordinary.

Steven Chubak Analyst, Wolfe Research LLC	Q
Great. Thanks for taking my question.	
Operator: Thank you. Our next question comes from Mike Brown with KBW.	our line is open.
Michael Brown Analyst, Keefe, Bruyette & Woods, Inc.	Q
Okay. Great.	
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Hey Mike.	
Michael Brown Analyst, Keefe, Bruyette & Woods, Inc.	Q

Hey good morning. The large share buyback authorization certainly made sense here given the valuation disconnect versus the peer group. Just wanted to ask about the potential for strategic M&A and if that could start to enter the equation a little more when you think about capital allocation. I know it hasn't been a top priority for you, Harvey, in your first year, but seems like that could eventually become an effective lever for Carlyle to consider down the road.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

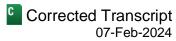
Yeah. So I would say, certainly open to it. Let me give you my framing. Again, many of you know me, but let me give you my framing. So our first principles approach, we see marginal opportunity that's very clear to us and growing and building on the base of the franchise, right. We have all the flex. We have a world-leading corporate private equity business, a world-leading real estate franchise, a world-leading secondaries business, a world-leading credit growing business. I just talked about the CLO business. So, all the footings of what we need to – as a global private markets manager, they're all in place and the brand. So we have a lot we can build off of. And you start to see again that momentum in the record results from last year and in the numbers we've given you for this year.

I think, again, first principles, we would never take anything off the table. I think if the industrial logic makes sense, it's good for our investing clients, our teams and our shareholders will be open to it and we'll certainly consider things, but we're not feeling any pressure at this stage. Not with this kind of momentum.

Michael Brown

Analyst, Keefe, Bruyette & Woods, Inc.





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Okay. Thank you for the color.	
Operator: Thank you. Our next question comes from Michael Cyprys with Morga	an Stanley. Your line is open.
Michael J. Cyprys Analyst, Morgan Stanley & Co. LLC	Q
Hi. Good morning. Thanks for taking the question. Just wanted to ask on credit ar	nd insurance.
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Hi Mike.	
Michael J. Cyprys Analyst, Morgan Stanley & Co. LLC	Q
Hey, good morning. If you could just elaborate a bit on the deep pipeline of growth to for credit and insurance, maybe you could just update us on some of the steps growth there and best capture the opportunity set that you see in credit and insurance make sense and enter any areas that could make sense to fill in with hiring?	that you're taking to accelerate
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
So, again, you saw really strong performance out of the credit and insurance platf billion inflows in the fourth quarter. I think that we really like our positioning here. It is a huge amount of flexibility and allows us to be able to pivot in a number of different yery good about the future here. I think the pipeline of potential activity really reflected and really what will be happening for the foreseeable future in the insurate build on the Fortitude platform is quite clear. So we have a number of different growing. So the outlook over the next couple years feels quite good.	So the capital-light model gives ferent directions. And so I feel ects the partnership we have with ance sector. And the opportunity
Michael J. Cyprys Analyst, Morgan Stanley & Co. LLC Thanks.	Q
Operator: Thank you. [Operator Instructions] Our next question comes from Gle Your line is open.	nn Schorr with Evercore ISI.
Glenn Schorr Analyst, Evercore ISI Hello there.	Q
Harvey Mitchell Schwartz Chief Executive Officer & Director, The Carlyle Group, Inc.	A
Hey Glenn How are you?	

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Glenn Schorr

Analyst, Evercore ISI

All righty. Sorry, one more. I'm curious to put a finer point on the buyback versus investing conversation. So part A is just, will this result in a net reduction of shares or is this offsetting stock-based comp? But the bigger point I want to make is I hear you on all the growth areas and I see the momentum. There are also a bunch of areas that you're not yet scaled in across private markets and there's so much growth. So I'm just curious on how you balance this return of capital versus this plethora of opportunity across private markets that you could be putting money to work in? Thanks.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Yeah. So, again, that's why I underscored – and Glenn, you've known me for a long time. That's why I underscored and I took a step back and said, listen, we want to think about the approach to capital management. This gives us the flexibility to return capital to shareholders because we think the enterprise value is so compelling here. At the same time, we're not sacrificing growth. And so, when we look forward over the next couple of years, we wanted this flexibility and we will move back and forth. But we are 100% making sure we invest in growth. And we agree with you, we think the growth opportunities for Carlyle are pretty extraordinary and we have the momentum and I think you see it in the financial targets. So I would agree with you.

Glenn Schorr

Analyst, Evercore ISI

Net buyback, shares go down?

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

I don't know what John said earlier, what is it, about 10% of the market cap?

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

10% of our market cap.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

I think the math should be pretty easy on that. So I think if we end up utilizing all of this over the next several quarters, I think the math is pretty easy.

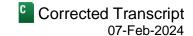
Operator: Thank you. There are no further questions. I'd like to turn the call back over to Daniel Harris for any closing remarks.

Daniel Harris

Head, Public Investor Relations, The Carlyle Group, Inc.

Thank you, operator; and thank you, everyone, for joining our call today, for your time and for your questions. Should you have any follow-ups, please give Investor Relations a call. Otherwise, we look forward to talking with you again next quarter.

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Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group, Inc.

Thanks, everyone.

John C. Redett

Chief Financial Officer and Head of Corporate Strategy, The Carlyle Group, Inc.

Bye.

Operator: Thank you for your participation. This does conclude the program and you may now disconnect. Everyone, have a great day.

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