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The Carlyle Group Inc. (CG)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Carlyle Group Fourth Quarter 2025 Earnings Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there'll be a question-and-answer session. [Operator Instructions] As a reminder, this call may be recorded.

I would like to turn the call over to Daniel Harris, Head of Investor Relations. Please go ahead.

Daniel Harris

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

Thank you, Michelle. Good morning and welcome to Carlyle's fourth quarter and full year 2025 earnings call. With me on the call this morning is our Chief Executive Officer, Harvey Schwartz; and our Chief Financial officer, Justin Plouffe.

Earlier this morning, we issued a press release and a detailed earnings presentation, which is available on our Investor Relations website. This call is being webcast and a replay will be available. We will refer to certain non-GAAP financial 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 have 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 everyone on the call today, please limit yourself to one question and return to the queue for any additional follow-ups.

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.

2025 was a record year for Carlyle. We significantly outperformed the targets we identified at the beginning of the year. We delivered record fee related earnings, up 12% year over year, materially exceeding our original forecast. We also had record FRE margins, 47%. We generated $54 billion of inflows, again significantly outperforming our original $40 billion target. Engagement across the global franchise and all client segments from institutional to wealth continued to build throughout the year. Transaction fees were a record $225 million, up almost 40% year over year. We closed out the year with record assets under management of $477 billion, driven by strong investment performance and robust fundraising across the platform.

Importantly, our 2025 results demonstrate the breadth, the depth and the durability of our global business. Before I walk through our results in more detail, let me just briefly comment on the macro environment. Looking back at 2025, despite concerns around shifting geopolitical dynamics, the market proved to be resilient. M&A and IPO activity accelerated as market sentiment improved. 2025 ended with credit spreads near all-time tights and equity markets at all-time highs.

Over the last several years, a lot has been written about low levels of monetization in the private equity industry. Carlyle has proven to be an exception to that narrative. Since 2024, we have been the number one private equity sponsor globally by IPO proceeds, generating roughly $10 billion of IPO issuance over the past two years. This number is more than any other firm in our industry, $10 billion.

The most recent example of this is Medline. The IPO raised more than $7 billion and an equity valuation of $49 billion, a milestone transaction for Carlyle and the broader market. This was the largest sponsor-backed IPO of all time, the largest healthcare IPO ever, and the largest IPO of 2025. The transaction was meaningfully oversubscribed and today it's trading more than 50% above its IPO price.

Medline is a great example of the types of businesses our teams look to invest in, a market leader in their sector with a great management team. Medline has an exceptional track record with more than 50 years of consecutive sales growth since inception, and Carlyle is quite proud to have partnered with Medline's founders and leadership team over the last four years.

But it's not just Medline. StandardAero marked the second largest sponsor-backed US IPO in 2024 and it's appreciated approximately 30% since its public offering. We listed two companies in Japan, Orion Breweries and Rigaku. Rigaku was the largest ever sponsor-backed IPO in Japan. And we IPO-ed Hexaware, which was the largest ever sponsor-backed IPO in India and the largest technology services IPO globally in more than a decade.

While it's clearly worth noting that we're the industry leader in IPOs over the past three years, what's equally important is the breadth and diversity of these offerings across geographies and sectors. More broadly, across our GPE portfolio, activity remained quite strong. We returned $18 billion of capital to investors in 2025 and $18 billion in 2024. Our teams remain highly focused on returning capital to our investors, and we expect exit momentum to continue into 2026.

All of this has contributed to our strong performance across our corporate private equity funds. Our latest vintage US buyout fund appreciated 17% for the year. Our third and fourth vintage Japan buyout funds appreciated 60% and 30%, respectively, and our most recent European technology fund was up 20%.

Moving on to Carlyle AlpInvest. 2025 was a record year of growth, reinforcing AlpInvest position as one of the most influential private market solutions platforms globally. AlpInvest returned over $10 billion to our investors and invested a record $14 billion, highlighting both the breadth of the market opportunity and the scale at which the platform is operating. We closed our largest ever secondary strategy at $20 billion, continuing to grow our co-investment platform and expanded our portfolio finance strategies.

Demand for secondary solutions remain strong as investors seek liquidity and portfolio optimization, and Carlyle AlpInvest continues to be a meaningful contributor to FRE growth and platform differentiation.

In Global Credit and Insurance, we continue to see strong momentum across the platform. Direct lending had a record quarter of originations. We continue to grow and invest in the platform, adding key leaders and talent. We've added a new head of direct lending and senior origination professionals, enhancing origination and integration across our private credit strategies. Our performance continues to be strong, with realized losses across the portfolio running at an average of just 10 basis points per year over the past decade.

Additionally, we continued our leadership position in CLOs. Amidst a record level of industrywide issuance, Carlyle priced a record 39 CLOs last year. Carlyle was the most active CLO manager for US activity, and CLO inflows of $7 billion in 2025 were up almost 20% from the prior year.

I also want to touch on the momentum we have in Global Wealth. In 2025, we continued to see significant progress in our strategic approach to Global Wealth. We had another year of record inflows, almost doubling evergreen wealth AUM year over year. Demand was strong across our evergreen suite.

We soft launched CPEP, our private equity solution for individual investors in the US with a select group of leading RIAs. With the launch of CPEP, we've established our three key solutions across each of our businesses with options to access Carlyle for credit, secondaries and now PE. This is all the result of the strategic investment that we started to make three years ago.

We continue to invest in resources across the entire wealth spectrum, including mass affluent, retail and retirement. We expanded our wealth organization meaningfully this year, growing head count by approximately 50%, and added specialized capabilities to support sustained growth across channels. We hired a head of retirement solutions, a new role at Carlyle, reinforcing our conviction that wealth and retirement are long-term growth engines for the firm.

In conclusion, we enter 2026 with strong momentum. In 2025, we delivered on our strategy in a very concrete way. Growing fee related earnings, significantly exceeding our inflows target, deploying a record amount of capital, turning money to investors and positioning our portfolios to take advantage of a more functional exit environment. We will continue to build on the strategy and foundation we've established over the last several years. Our focus remains on investment performance, disciplined capital allocation and delivering long-term value for our global investors and shareholders.

We also announced that we are hosting a shareholder update at the end of February. Look forward to seeing you there. At the event, we will share multiyear financial targets, more insights into the strategic direction of the firm and how we will continue to build on our success.

With that, let me turn the call over to Justin.

Justin V. Plouffe

Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

Thanks, Harvey. Good morning everyone. I just like to start by saying how excited I am to assume the CFO role and have the opportunity to work more with each of you. And of course, a big thank you to John Redett for his time and leadership to CFO and for his help and guidance, which has made this transition so seamless.

Turning to our results, in 2025, we had our third best year ever in terms of distributable earnings. We generated $1.7 billion in DE for the year or $4.02 per share. This was up 11% from the prior year and is our highest level since 2022. For the fourth quarter, we generated $436 million of DE or $1.01 per share. Fee related earnings were a record, $1.24 billion in 2025, a 12% organic growth rate driven by sustained operating momentum across the firm. The full year results significantly exceeded our initial guidance, and for the fourth quarter FRE was $290 million.

Total fee revenues were a record $2.6 billion for the full year, a 10% organic growth rate. Fee revenues were primarily driven by Carlyle AlpInvest, which was up 46%, and Global Credit, which was up 13%. For the quarter, fee revenues were $670 million, an increase of 2% year over year. Our full year FRE margin was also a record

47%, up from 46% last year. This margin expansion reflects continued operating discipline and the scalability of our model.

Three years ago, we outlined an organic growth strategy, which has clearly been successful as we have delivered consistent earnings growth. We continue to invest in priority growth initiatives such as Global Wealth, Insurance Solutions and asset-backed finance, among others, and see significant opportunity in each for continued growth. We remain focused on investing for growth and expect that margins will further expand as revenues continue to scale.

In addition to record financial metrics, we had an incredible year of activity across the platform in 2025. Inflows totaled $54 billion, well above our initial guidance and our third best year on record. Inflows increased 32% year over year, led by Global Credit and Carlyle AlpInvest, which each increased by more than 60%.

Evergreen wealth inflows were also a record in 2025, which more than doubled the prior record set in 2024. For the fourth quarter, we generated $9.2 billion of inflows across the firm, with more than half of that total from a diverse set of strategies in Global Credit. Deployment was a record $54 billion in 2025, up more than 25% versus last year, led by a more than 40% increase at Carlyle AlpInvest and nearly 30% growth in Global Private Equity. We deployed $17 billion in capital in the fourth quarter alone. With $88 billion of available capital across the firm, we are well positioned to continue deploying capital throughout our business. Realized proceeds totaled $34 billion, almost 20% higher year over year and our second best year on record, reflecting improving exit conditions. We returned 17% of beginning value over the past year, significantly higher than the industry average. We realized $12 billion of proceeds in the fourth quarter alone for our fund investors.

Turning now to segment performance. Carlyle AlpInvest generated a record $274 million of FRE for the year, up nearly 60% and almost four times the level from just two years ago. Growth was driven by strong institutional and global wealth fundraising and continued scale benefits across the platform. AlpInvest distributable earnings were also a record, $319 million in 2025, almost 70% higher than last year. The business remains well positioned for further growth, as net accrued carry ended the year at $656 million, up 21% year over year. For the fourth quarter, AlpInvest DE was $67 million, up 12% from the fourth quarter of 2024.

In Global Credit, we delivered a record $402 million of FRE for 2025, up 21% from the prior year. FRE has grown at a 20% organic CAGR over the past three years. Net realized performance revenue tripled year over year, contributing to a record $481 million of DE in 2025. For the quarter, FRE increased 4% year over year to $102 million, and DE was up 7% to $123 million. Global Private Equity realized over $18 billion of proceeds in 2025, the highest level in the past three years. In addition, we've already signed or closed $7 billion of proceeds in Corporate Private Equity just year to date. Strong appreciation in our two most recent US buyout funds drove net accrued performance revenue to nearly $2 billion.

Finally, I'll say a few words on capital management and the balance sheet. We ended 2025 with a strong balance sheet, including $2 billion of cash, over $3 billion of investments, and almost $3 billion of net accrued carry. Our net accrued carry was up 9% sequentially in the fourth quarter, driven by strong appreciation in several of our largest funds. Together, these assets represent approximately $23 per share of pre-tax value. And on capital management, we returned a record $1.2 billion of capital to shareholders between dividends and share buybacks during 2025.

Looking ahead, we enter 2026 with solid momentum across the platform. We expect continued growth, supported by a diversified fundraising pipeline expansion in global wealth and improving capital markets conditions. While the macro environment remains complex, it is generally constructive for deployment and realization activity. We look forward to providing additional detail at our 2026 shareholder update on February 26.

With that, I'll now turn the call over to the operator to take your questions.

QUESTION AND ANSWER SECTION

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

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning, Harvey. Welcome, Justin, officially to the CFO role. So...

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

A

Hey. Good morning, Alex.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Thanks, Alex.

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Good morning. So, Harvey, to your point, Carlyle showed a lot of momentum in beginning to drive pretty meaningful realizations in the private equity portfolio in 2025. You sound constructive, but obviously the environment has changed a bit just in the last couple of days here. So would love to get your thoughts on how you thinking about sort of sustainability in this monetization momentum into 2026, how dependent are you guys on the equity market exits versus more M&A transactions that you might see in your backlog. Thanks.

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

A

I'd be reluctant to extrapolate the last week's volatility into something that becomes longer stretched. We're all going to have to see how the market responds to this kind of reallocation of capital and some concerns about capital spending.

I'll tell you we – we get our best information, Alex, we've talked about this before, from our proprietary data and our portfolio. When we look across all the companies that we own and interact with, the January data looks very good. So if you were just to look at that data, you would feel very good about [ph] PDP (00:17:27) growth, margins, EBITDA generation. And so I can extrapolate that obviously from our portfolio, given the size of it to the broader economy in the US and globally.

But it looks pretty good. Obviously, the markets have demonstrated some jitters and we'll all navigate through that. But I would say in aggregate, again, we're all going to deal with the market environment we get. But, credit spreads have moved a bit. There's a bit of hesitation. It's a bit of a – how would I say it, a bit of a sell first, ask questions later as people readjust their portfolios.

But, the economic engine feels quite good. Having said that, the markets have demonstrated some fragility and we've talked about that. But I don't think that should be surprising given we're at record highs. But again, going back to the engine and the performance, it feels very good.

Operator: Thank you. Our next question comes from Glenn Schorr with Evercore. Your line is open.

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

Hey, Glenn.

Glenn Schorr
Analyst, Evercore ISI Q

Hello there. How are you?

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

Great.

Glenn Schorr
Analyst, Evercore ISI Q

So, look, you're in an interesting spot to comment on what's going on in perception versus reality in the direct lending and credit world because you have a piece in CTAC, you have a piece in your Secured Lending Fund. But for the most part, you've built a big credit business outside of what's in the line of fire right now, at least publicly, right, so in your CLO and your ABS business. So, my gut is – forgive me for putting words in your mouth, you've been probably thinking about having a bigger presence in direct lending world over the last couple of years as you've seen the growth, and software exposure excluded. I'm curious how you think about the state of play, how you think about credit quality and exposures out there, and more importantly, how does any of this informed how you're thinking about growing your credit platform, including a bigger presence in the wealth channel? Thanks. Appreciate the thoughts.

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

Hey. Thanks, Glenn. Well – or maybe, if need, I'll let Justin fill in some details on the credit business because he was a key driver of building that over the last 20 years.

But what I would say with regards to how we're being informed by all this, there was a lot of discussion last year about direct lending and sort of marginal market participants coming in and sort of driving spreads tighter and maybe terms a bit too aggressively. Ironically, when I showed up three years ago, some of the conversations I had about – I had with you were things like, hey, you guys should be bigger in direct money. Now, we've been very systematic and thoughtful about how we've been doing that.

But we've really been, I'd say, kind of positioning for the opportunity set to open up like this. And so we feel quite good about it given our footprint and ability to scale from here. As I mentioned, we've added a new head of direct lending and Justin drove a lot of that along with Mark Jenkins obviously in new origination. So, we feel quite front-footed.

On the wealth front, we continue to add the platforms. Actually we were positive on all our flows and the fourth quarter was one of our best quarters ever across the entire platform, including credit. And we're launching on more platforms.

And so again, momentum feels good. There's this nervousness that has gripped the market for the last couple of days. But again, we're being thoughtful, very thoughtful about deployment. But we feel good about the positioning the breadth of the franchise. I don't know, Justin, if you'd add anything.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Well, that's exactly right. And we've built our credit business specifically to cover, really, the full universe of what private credit has to offer to be diversified and build durable portfolios that should do well through cycles. And, of course, we've been managing credit for more than 25 years through multiple cycles. So, I think our credit business is really an all-weather business I guess incredibly well positioned to weather any of this volatility. And we're seeing that result in terms of investors' appetite. As Harvey said, we had significant inflows into our credit wealth funds this quarter. So, we're in a good position. We feel really good about our portfolio in our business.

Glenn Schorr
Analyst, Evercore ISI

Q

I don't know what we'd do with the detail that we got yesterday, but a lot of the companies were able to provide that software and related exposures as a percentage of AUM, a percentage of each of the businesses. Are you able to give us a little apples-to-apples to put things in perspective?

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Yeah. Software investing has never been a big driver for Carlyle. As you know, our power alleys have been in things like aerospace and defense and healthcare and industrials. So it's never been a huge driver of our business. I think others were giving a percentage of AUM. Ours is 6% of total AUM, which I believe is below others. But again, not a huge driver of our business and not something we think is problematic.

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

A

We try to use the broadest possible definition of that 6%...

[indiscernible] (00:22:31)

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

That's right. Exactly.

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

A

...all inclusive, as – however you could think about it. [ph] Top (00:22:35) part of caps, tax, everywhere it could be. But as Justin said, this is not a piston in the engine that has been a key driver of Carlyle strategy.

Glenn Schorr
Analyst, Evercore ISI

Q

Thank you, guys.

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

A

Thanks, Glenn.

Operator: Thank you. Our next question comes from Mike Brown with UBS. Your line is open.

Michael C. Brown
Analyst, UBS Securities LLC

Q

Great. Good morning, guys.

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

A

Morning, Mike.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Hey.

Michael C. Brown
Analyst, UBS Securities LLC

Q

So, maybe I'll ask on the margin here. So it reached 47% here in 2025. And, looking at the segment, it looks like AlpInvest was the best driver followed by Credit. GPE's margin climbed a bit here. AlpInvest had some tailwinds from catchup fees. And just looking forward here, so Justin you mentioned that margins – you expect margins can continue to expand. Can you maybe just touch on each segment – which segment could see the most expansion in 2026. And then longer term, which segment drives the margin higher longer term, which one could kind of be the biggest growth engine there?

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

A

So, we'll go into more detail that on the 26, I really hope you can join us for that, when we go through the multiyear plan. What I will say about the margin, just reflecting on the past three years is, I think what the team has done is pretty remarkable because they've managed to invest in the business, add resources, grow head count, really reposition the platform and drive the margins, 1,000 basis points basically since the day I showed up, and so it's been a really remarkable effort. But we'll go into more detail on all those things on the 26th in terms of the forward outlook.

Michael C. Brown
Analyst, UBS Securities LLC

Q

Okay. Looking forward to the update. Thanks.

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

A

Yeah. Thanks so much.

Operator: Thank you. Our next question comes from Bill Katz with TD Cowen. Your line is open.

William Katz
Analyst, TD Cowen

Q

Okay. Thank you very much. I presume the answer will be see you on the 26, but I'll ask it anyway. I was wondering if you can maybe talk a little bit about where you might stand in terms of capital raising, particularly for the Fund IX. Looks like Fund VIII had really good appreciation, hear your comments on the realization pace and the DPI metrics as well. And then I'm curious, you are running up against the conclusion of your repurchase program, and I'm wondering how you're thinking about capital priorities into the new year. Thank you.

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

A

Thanks, Bill. So I'm trying to figure out what I say before I say see you on the 26. So, a lot of the forward looking stuff we are going to go into obviously a much more detail on the 26. I would say that the client engagement and the fundraising is impressive for a whole host of reasons, but when I think about it and what the team has accomplished over the last couple of years, it really is about the diversification and the business mix, both across institutional clients. So, it's pension funds, it's insurance, it's sovereigns. And obviously the strategic pivot in the wealth channel now having basically all three flagship funds up and running.

But it's also geographic. And so you have this nice diversified set across clients and geographies and opportunities that's really driving all of it. And the success of the $54 billion that we brought in last year and the success over the last couple of years. And so we'll give you more insights. But I would say again, we feel quite well positioned for forward trajectory given the – when we look at the fundraising over the next couple of years, flagship vehicles that will be in the market, but everything that's gone into building and supporting those flagship vehicles and resources we've added. So – but we will see on the 26.

Operator: Thank you. Our next question comes from Patrick Davitt with Autonomous Research. Your line is open.

Patrick Davitt
Analyst, Autonomous Research US LP

Q

Hi. Good morning, everyone. Appreciate the software exposure at 6%, but I would imagine your CLOs have a fair amount of exposure. And those loans are obviously down a lot. So, could you frame the exposure, Justin, the CLO bucket and to what extent the performance as a result of this recent volatility could impact overcollateralization tests. Thank you.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Our CLO performance has been among the best in the industry. Our team has done a phenomenal job. Our software exposure is right on top of the index where we're not overweight, we're not underweight. And look when we invest in software – we've been doing this for many, many years, right? So we've had disruptive technologies before and our teams are very, very well positioned to address these. So, look our CLO business is the best in the world in my view. Their performance has been fantastic. I don't expect this recent volatility to affect them at all.

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

A

If anything – again, I don't want to make near-term market predictions because things are so sort of – I don't know, one day we could be tighter, one day we could be looser. But there may be some technical opportunities here in the marketplace across that business, which give us the opportunity actually to launch a few deals. So – but again, I think, look, Justin grew up in that business. The team's world class. But that's – we're kind of, as you said, right there with the index.

Operator: Thank you. Our next question comes from Brennan Hawken with BMO Capital Markets. Your line is open.

Marc Palucci
Analyst, BMO Capital Markets Corp.

Q

Thanks for taking my question. This is Marc Palucci on for Brennan Hawken. Within AlpInvest, the fees preceding this quarter, I believe, exceeded the $56 million reported for the full year. Could we read that to imply there were some negative catchup fees this quarter?

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

A

Not negative.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

No.

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

A

They're not...

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

They're not negative catchup fees this quarter. We did have catchup fees earlier in the year. But if you actually strip those out, AlpInvest management fees were up 4% quarter over quarter. So, the momentum there is still good.

Marc Palucci
Analyst, BMO Capital Markets Corp.

Q

Yeah. Thank you.

Operator: Thank you. Our next question comes from Steven Chubak with Wolfe Research. Your line is open.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Hi. Good morning, Harvey, and welcome, Justin. Appreciate you guys taking my question.

[indiscernible] (00:29:10)

Steven Chubak
Analyst, Wolfe Research LLC

Q

So wanted to ask – hey, guys. So wanted to ask on transaction fees. Had another really strong year. You indicated you anticipate a more active monetization backdrop for next year. With transaction fees just nearly tripling over to a year timeframe, is there any way for you to help frame the revenue upside or potential? Are there any areas where you feel like you're underearning, and are there any remaining gaps on the platform in terms of your overall offering?

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

A

We'll give you more insights to that on the 26 in terms of the forward. I think...

Steven Chubak
Analyst, Wolfe Research LLC

Q

[indiscernible] (00:29:45)

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

A

...you really – I'm sorry, but you really kind of nailed it in terms of what I think is most impressive is this basically was almost a zero when I showed up three years ago. And what I think it really demonstrates is the agility of the platform, the way the team has led and built this business and really flexibly focus on our strategic priority. You may remember a couple of years ago, one of the workstreams I talked about was capital markets and transaction fees, and I think there were some skeptical people that thought we wouldn't be able to build this out. The short answer is – and we thought of it before, there are some gaps. There is still some businesses that – because of fund, historical fund documents, will come online. This is an opportunity set. But we still see upside. But we'll give you more color on that on the 26th.

Steven Chubak
Analyst, Wolfe Research LLC

Q

Fair enough. Thanks for taking my question.

Operator: Thank you. Our next question comes from Brian McKenna with Citizens. Your line is open.

Brian McKenna
Analyst, Citizens JMP Securities LLC

Q

Thanks. Good morning everyone. So there's clearly a ton of momentum in the wealth channel and it feels like flows are really beginning to inflect here. I suspect a lot of this has to do with your efforts on the branding front and what Carlyle has to offer these clients globally. But can you spend a minute talking about the Carlyle story you're telling in the wealth channel today? What's resonating with these distribution partners and their clients? And then, are there still opportunities to further enhance your brand in the channel?

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

A

So, this is obviously a strategic pivot three years ago and this is what we've done. First of all, the brand is global, iconic, long, long history. And that is fundamental to being on platforms, being recognized globally. David Rubenstein and the team have been going to the Middle East since the 1990s. We were the first to have a franchise in Japan. We stayed in Japan for 25 years. We're the only firm that didn't leave.

So it's this commitment geographically and the brand recognition, which is a cornerstone of an ability to deliver solutions. Obviously, performance is a key driver here, and the way the teams have thought about driving these solutions is about creating diversification. And so the breadth of diversification is quite important to our clients. And then, of course, there's the client engagement, working with our partners all over the world, getting very close to the advisors. I personally spend time with advisors. It's quite critical for us to understand their needs. We're not in the business of telling everybody that in every single person's portfolio, they should have private markets, but where it makes sense, we want to make sure that we're providing the most value-add in terms of a series of options with diversification that can be durable and deliver over the long term. So, we're very, very focused on that.

I will say the team's done a remarkable job of adding resources. We've done things that have been received very well by the market, like the Oracle Red Bull partnership. So there's been a multi-pronged investment here which is really driven this. And we think there's very, very long-term upside. And we're enthusiastic to see what happens ultimately in the retirement channel. So, again, long term driver, but we're being very disciplined about it.

Brian McKenna
Analyst, Citizens JMP Securities LLC

Q

Great. Thanks, Harvey.

Operator: Thank you. Our next question comes from Ben Budish with Barclays. Your line is open.

Benjamin Budish
Analyst, Barclays Capital, Inc.

Q

Hey, guys. Good morning and thank you for taking the question. Harvey, most of the forward-looking questions, I appreciate your saving for the investor update, but I'll ask maybe a two-parter anyway. Specifically for 2026, I'm just curious if you could talk about what you're expecting in terms of management fee growth. I think this year should be a bit of a funky year with some large flagships coming to market later in the year, realizations picking up which could be a headwind to fee earning AUM in the Private Equity segment. And so probably, this year not quite as indicative, at least from a management fee growth perspective of what I suspect you're going to talk about. So, curious if you can give any color there. And if you can't, maybe just one other question on the year, on the realization side, given where CP VII and VIII are, I think there's an expectation we should see realizations before, [ph] really as (00:34:07) performance revenues come in. I'm just curious how we might think about that trajectory as well over the course of this year. Thank you.

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

A

Yeah. Again, so I don't want to disappoint you, but we're going to go in such a level of detail on this on the 26th that I think giving you a fuller picture makes a lot more sense in terms of the strategy and how everything's coming together.

Again, the only thing I'll go back to on realizations is how proud we are of our team. A couple of years ago, the Global Private Equity leadership really decided that our clients wanted monetizations. They took advantage of a very attractive market environment, it was a very deliberate strategic decision across the platform. As I said before, it was global. We were a market leader. We monetized more IPO assets really than anybody in the world. And so we're quite proud of what they've done. But this is strategically how they position the platform. But we'll go into a whole host of detail on the 26th, but – so I apologize for leaving you a little bit short on the kind of near-term questions.

Benjamin Budish
Analyst, Barclays Capital, Inc.

Q

All right. No worries. Thank you.

Operator: Thank you. Our next question comes from Ken Worthington with JPMorgan. Your line is open.

Kenneth B. Worthington
Analyst, JPMorgan Securities LLC

Q

Hi. Good morning. Thanks for taking the question. So, 2025 was a good environment for the CLO market. How is 2026 looking for Carlyle here for CLOs sort of inside and outside the US, and the software and AI angst sort of impact the outlook here? And then along the same lines, you set up a fund to help with the equity pieces. To what extent are you utilizing that equity and how much dry powder does that fund still have?

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

A

I'll let Justin get into the details of the CLO business. What I would say on the on the AI impact of things, again, this is more of a broad market environmental atmospheric, I think. I mean, again, we've seen the fragility in the markets. I think they're really just trying to process what the implication is across markets and industries. But specifically on the CLO business, I'll turn it over to Justin in terms of how we feel about the marketplace and the environment.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Yeah. We've had a incredible two years in our CLO business in terms of issuing new deals, but also resetting deals and extending the life of those deals. So the team has been incredibly active in that regard, and that makes our business just more durable, right, over time.

Now, the year started off in CLOs constructive, I'd say. Spreads are tight on both sides of the arbitrage. I think we're going to have another active year. I don't know if it'll be the record year over the last two years, but our team is, in my view, the best in the business. If there is activity in the CLO market, we will be participating and the business is really well positioned now that we've extended the life of so many deals over the last two years.

Kenneth B. Worthington
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thank you.

Operator: Thank you. Our next question comes from Michael Cyprys with Morgan Stanley. Your line is open.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you. Just a question on the credit business continues to...

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

A

Hey, Michael.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good morning. Question on the credit business continues to put out meaningful growth across the overall credit platform. Just curious if you could elaborate a bit on some of the steps you're taking to enhance origination, to expand your sourcing funnel, and what actions might you look to take here in 2026.

Justin V. Plouffe
Chief Financial Officer & Member-Risk Committee and Capital Markets Oversight Committee, The Carlyle Group Inc.

A

Yeah. We've done a number of things to enhance originations, really, not just last year, but over the past five years in the Mark Jenkins leadership. I mean, recently, just in the past year, we did hire Alex Chi from Goldman Sachs to come in, fantastic track record, 30 years at Goldman in that business. We hired Mike Meagher, who's got decades of experience in origination. We've actually built out our origination team even beyond that, just in the last few months.

And that's just in direct lending alone. So, we've got a fantastic origination engine. We did – the most originations we've ever done in credit in the past years – in the past year, in 2025 with almost $30 billion of originations. So that engine is hitting on all cylinders. And as I said, it's a broad-based, durable business across many, many different parts of the private credit universe. And so no matter where the market goes, we have a strategy. We have a team that we think is ready to take advantage of it. So, we feel great going into 2026.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Q

Any steps you might take here in 2026 around expanding sourcing from here, or is it all done enhancing the origination machine?

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

A

It's mostly done, but we'll get more into the strategy on the 26 in terms of how we're positioning, because we do think we have some unique levers we can pull. But in terms of the resource build out, Justin and the team have done a great job in the past year.

Michael J. Cyprys
Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks. Looking forward.

Operator: Thank you. I'm showing no further questions at this time. I'd like to turn the call back over to Daniel Harris for closing remarks.

Daniel Harris

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

Thanks everyone for your time today. I know it's been a very busy week. We look forward to seeing all of you on February 26 for the shareholder update. And if you have any questions following today's call, feel free to follow up with Investor Relations.

Harvey Mitchell Schwartz

Chief Executive Officer & Director, The Carlyle Group Inc.

Have a great weekend.

Operator: Thank you for your participation. You may now disconnect. Good day.