

AITi (ALTI)

4Q 2024 EARNINGS

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CORPORATE PARTICIPANTS

Lily Arteaga, *Head of Investor Relations*

Michael Tiedemann, *Chief Executive Officer*

Kevin Moran, *President and Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Wilma Burdis, *Raymond James*

PRESENTATION

Operator

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

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

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

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

Lily Arteaga

Good afternoon to everyone on the call today.

Joining me this afternoon are Michael Tiedemann, our CEO; Kevin Moran, our President and CEO; Mike Harrington, our CFO; and Patrick Keenan, our CAO.

We invite you to visit the Investor Relations section of our website at www.alti-global.com to view our earnings materials, including our investor presentation.

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

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

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

Michael Tiedemann

Good afternoon, everyone, and thank you for joining us this afternoon.

I'm excited to share the significant progress we've made in 2024 as we advance towards our goal of becoming the world's leading independent ultra-high net worth wealth management firm with targeted expertise in alternatives and impacts.

Additionally, I'm pleased to introduce Mike Harrington, our CFO. We're thrilled to have him on board, bringing deep experience across key sectors and a proven ability to scale organizations while driving cost efficiency and strategic growth.

Twenty twenty-four has been a transformative year for AITi. We established groundbreaking strategic partnerships, advanced our growth strategy, streamlined non-core assets, and restructured our segments to focus on stable, recurring revenue businesses. Importantly, we strengthened our cost-cutting and efficiency initiatives to optimize our operations.

As a result, we are at a critical inflection point, poised for significant profitable growth and value creation in 2025 and beyond. Before diving into the results, it's worth noting that year-over-year comparisons are impacted by a one-time \$41 million incentive fee recorded in Q4 2023, which skews direct comparisons. On a consolidated basis, our assets under management and advisement grew 6% year-over-year.

In our core wealth and capital solutions segment, however, assets increased 15%, driven by the inclusion of East End and Envoi, along solid portfolio performance. For 2024, AITi generated \$207 million in revenues, with 96% of that coming from recurring management fees, a significant increase from 77% in 2023. This shift is a key indicator of the stability and sustainability of our revenue base.

Consolidated Adjusted EBITDA was \$17 million for the year. While our core wealth management and capital solutions segment delivered Adjusted EBITDA of \$37 million with a 19% margin, reflecting the stronger profitability of this key segment.

I would like to highlight the key accomplishments of 2024, which I mentioned earlier and are just beginning to be reflected in our financials.

Early in 2024, we announced a strategic partnership with Allianz X and Constellation Wealth Capital, which includes a combined investment of up to \$450 million and supports our ambition to become the go-to global multifamily office for ultra-high net worth individuals with a specialized focus on alternative investments. Importantly, these partnerships bring more than just growth capital. They offer strategic collaboration, which have already proven instrumental in executing on our strategic acquisitions in key markets globally, such as our recently announced acquisition of Kontora, expanding our reach, fortifying our team, and enhancing our service offerings.

A great example of the latter is our recently announced partnership with Allianz, which provides unprecedented private market access to the ultra-high net worth segment by enabling clients to invest alongside Allianz's balance sheet. This partnership, facilitated through a joint venture with Allianz X, is a game changer for our clients, opening doors to exclusive investment opportunities. Through this unique private market investment program, Allianz clients, both existing and prospective, will benefit from Allianz's extensive network and scale as an allocator. They gain access to leading third-party managers with exceptional track records, significant cost savings, and expanded investment opportunities, including secondaries and co-investments.

In November, we announced the first fund under the program focused on the global private credit market, which was estimated at \$1.5 trillion. Allianz, with approximately \$150 billion allocated to the sector, is one of the largest private debt investors worldwide, further underscoring the strength and potential of this collaboration.

We're excited by the fund's progress since its December launch. The joint venture launched and secured \$150 million in subscriptions solely from AITi's international wealth management clients for the January 1 close and is on track to secure at least an additional \$50 million in April. We expect robust, ongoing growth, including from the U.S. client launch scheduled in the second half of the year.

In 2024, we made significant strides in executing our growth strategy. We achieved 15% asset growth in our core wealth management and capital solutions segment, fueled by both inorganic and organic growth. The success stemmed from strategic acquisitions, enhanced business development efforts, a growing team, and a unique global offering designed for the expanding ultra-high net worth market. With a \$102 trillion addressable market growing at 7% compounding, the ultra-high net worth segment is wealth management's fastest growing market. During the year, our assets under management and advisement also benefited from the strong performance of our diverse portfolio exposures.

Our platform's success in 2024 has been recognized with several prestigious awards, including Best Multifamily Office over \$25 billion for the second consecutive year, as well as Best Outsourced CIO. These accolades from the With Intelligence Private Asset Management Awards, laud the strength of our platform and client relationships and support our business development efforts. Strategic and accretive M&A remains a key priority and driver of both top-line growth and margin expansion as we build on our existing platform. We take a disciplined approach to our acquisition pipeline, carefully evaluating the prospective profile, footprint, service offerings, and fit within AITi.

In 2024, we actively executed a nostalgia with notable activity in the U.S. and Europe. In April, we completed the acquisition of East End Advisors, a New York based independent advisory firm. This acquisition added nearly \$6 billion of assets under management to the LLC Wealth and Capital Solutions platform, positioning us to better compete in the growing Outsourced Chief Investments, or OCIO, market. Since closing, the teams have been collaborating on investment analysis and client portfolio development, and we have a strong pipeline of potential new clients.

At the start of the third quarter, we successfully completed the acquisition of Envoi, a Minneapolis based wealth manager with \$3 billion in assets under management. This acquisition expands our footprint to the Midwest and positions us to serve the needs of the ultra-high net worth families and foundations in the region through a distinctive offering which combines Envoi's local expertise with our comprehensive wealth management services and global platform. Over the past few months, we've been integrating the business into our platform and leveraging our combined expertise to strengthen our business development efforts in the region.

Last year, we also fortified our European presence. In May, we completed the acquisition of Pointwise Partners, a London based wealth management firm, increasing our ownership to 100%. This transaction, which enabled us to deepen our operations in the U.K., demonstrates our ability to offer tailored services while benefiting from the backing of the global platform.

As referenced earlier in the call, with the acquisition of Kontora, this momentum has carried us into 2025. Last week, we announced the acquisition of this leading Hamburg based multifamily office with €14 billion under management, marking our entry into Germany, the third largest ultra-high net worth market in the world. This strategic transaction, the first European deal post-investment from our partners, will boost our assets in the wealth management and capital solutions segment to approximately \$76 billion, a 62% increase since our listing.

For the transaction, which we expect will be accretive to our EBITDA this year, we are leveraging the funding from Allianz X, earmarked for AITi's expansion into this attractive market. From the onset, we saw strong cultural alignment with Kontora's independent and entrepreneurial founder-run team. With nearly 20 years offering a range of services, including family office and investment solutions to ultra-high net worth clients in Germany and Austria, Kontora is an ideal fit as we expand our international platform. We look forward to supporting its growth by leveraging the significant scale benefits of AITi's global platform, including our superior access to world class investment opportunities at attractive terms.

Going forward, we will continue to focus on complementary domestic and international markets with attractive characteristics, including markets of significant size, which remain underserved by the independent wealth model. Our expansion plans will build on AITi's existing presence, as well as the relationships and footprints of our partners. As part of our ongoing focus on enhancing our core recurring revenue businesses, in 2024 we also took important steps to divest non-strategic businesses.

In the first quarter, we closed the sale of LRA, the advisor to the U.K. publicly traded fund LXI, for \$33 million, plus a contingent consideration.

In May, we completed the sale of our European Trust and Private Office Services businesses, which primarily serve third party clients, for approximately \$20 million.

As we mentioned last quarter, following a strategic review, we determined the business currently reported in our international real estate segment are not additive for a long-term strategy. They are currently in advanced stages of negotiating to exit this business and expect to provide an update next quarter. With these divestitures, we are sharpening our focus on the wealth management and capital solution segments, which will drive long-term recurring revenues and profitability.

I'll now hand the call over to Kevin to discuss our cost-cutting initiatives and provide a deeper dive into our financials, giving Mike Harrington, who is today celebrating his second week at AITi the opportunity to acquaint himself with our business and financials in more depth.

Kevin Moran

Thank you, Mike.

I'd like to join you in welcoming Mike Harrington to the team. We're excited to leverage his deep expertise as we embark on this catalytic year and look forward to his valuable insights on future calls.

To drive long-term profitable growth and maximize operating leverage, we kicked off a bold set of initiatives in late 2024 aimed at aggressively reducing costs and boosting efficiency and productivity. While we have made progress on our cost control since the listing, our cost base remains very elevated relative to the scale of our current business. This is a direct result of the cost tied to becoming a public company, integrating three companies in the business combination and adding several acquisitions in distinct geographies. As a result, we recognize the need for a more comprehensive approach, and in November we introduced zero-based budgeting, or ZBB, to streamline costs.

ZBB is enabling us to cut unnecessary spending, maximize resource efficiency, and redirect savings into key growth areas. We are in the final stages of its implementation, and we are confident that this initiative will deliver significant cost reductions. We look forward to sharing our progress on future calls.

As part of our broader cost optimization strategy, we also took decisive action in Q4 by divesting the back and middle office solutions for our alternatives platform, trimming our fixed cost structure by more than \$2 million annually.

Additionally, following the appointment of our CTO in October, we have begun transforming our technology platforms to enhance productivity, scalability, and efficiency. Key initiatives include building a core data platform to centralize analytics, incorporating AI initiatives, and transforming our CRM to establish globally consistent workflows that improve advisor productivity. These initiatives will also help reduce costs and accelerate acquisition integrations onto our platform.

As Mike pointed out, we're at a critical inflection point for AITi. By focusing on our core recurring revenue businesses and successfully executing on our cost optimization efforts, we're positioning AITi for sustainable long-term profitable growth and increasing shareholder value in 2025 and beyond.

I'll turn now to the results for the quarter and the year. AITi generated revenues of \$207 million for the year and \$53 million in Q4. To review these numbers on a comparable basis, we need to exclude the one-time \$41 million incentive fee recorded in Q4 2023 and adjust the acquisitions of East End Advisor and Envoi, as well as exclude the European Trust and private office services and the public real estate businesses which we exited. As such, on a like-for-like basis, consolidated revenues for the year would have been \$183 million, up 3% year-on-year. More notably, Q4 revenues on a like-for-like basis were \$46 million, up 20% from Q4 2023.

I'm also pleased to highlight a significant shift towards more predictable revenue streams. Our recurring management fee revenue for 2024 was 96% for the full year and 93% for Q4, a sharp increase from 77% and 51% for the comparable periods in 2023. This marks a major milestone in our transformation.

In our core wealth and capital solutions segment, we saw \$198 million in revenues for the year and \$51 million in Q4. Management fees grew 13% in Q4, driven by strong asset growth. Assets under management and advisement were up 15% year-over-year, boosted by the inclusion of East End and Envoi, as well as solid portfolio performance.

In our international real estate segment, which we've announced plans to exit, revenues were \$9 million for the year and \$2 million in Q4.

On a consolidated basis, Adjusted EBITDA for the year was \$17 million. However, our core wealth and capital solutions segment delivered Adjusted EBITDA of \$37 million, with an EBITDA margin of 19%, underscoring the profitability of our ongoing business.

Finally, consolidated operating expenses for the year decreased by \$54 million to \$292 million compared to 2023. This decrease was primarily driven by reductions in compensation expenses and professional fees, reflecting the absence in 2024 of the compensation associated with the one-time incentive fee recorded last year, as well as the streamlining efforts we've undertaken to position the business for sustained growth.

I want to reiterate that we are committed to driving further cost efficiencies across the organization. As part of our ongoing efforts, we are taking a more aggressive approach to cost management through the implementation of ZBB. This methodology will enable us to evaluate every dollar spent and prioritize investments that deliver the highest return. By continuously reassessing and realigning our spending, we are confident that ZBB will unlock significant savings, further streamline operations, and position us for sustained profitability moving forward. This disciplined approach to cost control remains a critical component of our strategy as we work to optimize our financial performance. We look forward to providing more details on the progress and outcomes of this initiative once we conclude the process and are able to share the full impact on our bottom line.

As I conclude my remarks, I'd like to briefly address our capital structure. In December, we repaid our credit facility as its terms no longer aligned with our current business model and growth strategy. As of year-end, we have no bank debt on our balance sheet. Looking forward, we expect our debt instruments to better match the funding requirements for both our organic and inorganic growth initiatives, providing the flexibility needed as we continue to scale. With our strengthened balance sheet, unique global presence, comprehensive service offerings, and ongoing partnerships, we are strategically positioned to execute on our growth plan.

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

Michael Tiedemann

Thank you, Kevin.

In conclusion, we're making significant progress in repositioning the business to focus on recurring revenues and in streamlining and right-sizing the organization to align with our strategic goals. With a large addressable market and our unique position in the wealth management space, particularly with ultra-high net worth clients and expertise in alternatives, we are well equipped to compete. Our strong strategic partnerships further enhance our capabilities. We are confident in our ability to execute on our strategy, drive profitable growth, and create long-term shareholder value.

With that, I would like to open up the call for questions.

Operator

Great. Thank you. At this time, we will be conducting a question-and-answer session. If you'd like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question is from Wilma Burdis from Raymond James. Please go ahead.

Wilma Burdis

Hey, good evening. Could you talk a little bit more about the acquisition in Germany and why it makes strategic sense? Thank you.

Michael Tiedemann

Yes. Hi, Wilma. How are you? For starters, Germany, as a market, it's the third largest in the world, so it's clearly a strategic market to enter. It's a very challenging market to enter from the outside. Kontora was established as one of the premier independent operators dealing with families of very large quantum's and also in a very specific range of sophisticated manners. They were a perfect fit for the types of clients and also services that we provide globally for our families and that our families need. It was a terrific fit, founder-led, and obviously the association with Allianz was very helpful in the conversations and obviously the future of how we will approach that marketplace.

Wilma Burdis

Makes a lot of sense. Then following the deal in Germany, can you talk about where you are on deploying capital? What amount of capital do you have that remains to be deployed? If you could give us some color on the pipeline.

Michael Tiedemann

Yes, as you saw, we do not currently have a debt facility, as of 12/31 we have roughly \$65 million of available cash and we will pair that with acquisitions. We do have an active pipeline of organic growth, which is critically important, a very good pipeline both in the U.S., Europe, and the Middle East. Then team lift-outs, and obviously we are always evaluating great fits inorganic, larger opportunities.

Wilma Burdis

Okay, makes a lot of sense. Then is there anything else that we should expect from the strategic review on real estate, I guess financial impact-wise, or is that behind us?

Michael Tiedemann

The review was complete, and we are in the final stages of the divestment process.

Wilma Burdis

Okay, so no additional financial impacts in the following quarters or I guess (inaudible)?

Michael Tiedemann

No, we expect that to really be complete and behind us.

Wilma Burdis

Okay, great. Then can you talk a little about the normalized operating expenses? Is this a good run rate going forward or is there a lot more that can be done on the expenses?

Michael Tiedemann

I'm going to let Kevin, who has been leading the ZBB process, answer that one.

Kevin Moran

Hi, Wilma. I think I was on a call about two years ago, so I think we met a while ago. Yes, happy to answer the question. As I said in my remarks, we have undertaken doing the budgeting process of 2025 using the ZBB methodology. It's a very comprehensive, as ZBB dictates, very comprehensive review of all of our expenses across the entire firm. Very much a focus on optimizing and trying to reduce both the non-comp but primarily the non-comp expenses across the firm. For everything from occupancy to technology to G&A to obviously our professional fees, which have been a major expense for us over the last two years.

The combination of the strategic initiatives we made at the firm level, the divestments, Mike just talked about the divestment of real estate, the focus on really on the core part of the business, which is growing the wealth side, those are all helping dictate the changes we're making on the expense side. We do expect that our expenses going forward will be lower than they have been in the past. That would be across really all aspects of our non-comp expenses. We've also taken a hard look at our comp side as well and have streamlined the comp side so we can really make sure that we're investing into the growth part of the business, which is the wealth business.

Wilma Burdis

Okay, thank you. Then what are you seeing on the M&A arbitrage pipeline? I understand the M&A environment's a bit choppy. Just want to see if there's anything you're expecting this year in terms of that kind of activity.

Michael Tiedemann

I presume you're referring not the Company's M&A, but the actual fund's M&A pipeline?

Wilma Burdis

Yes.

Michael Tiedemann

Clearly the past or the prior years leading up to 2025 were arguably the most challenging regulatory environment for M&A focused traders in recent history. That has changed. The tone from, obviously from the top, but also from the new regulators that are taking seats and taking leadership positions, the communication has all been quite constructive. It's the beginning part of the year, there's volatility. This is an environment that actually will set up well for increased M&A activity. By all accounts, there is a big pipeline that bankers are working on. We're very constructive in the forward view of that strategy.

Wilma Burdis

Okay, thank you guys very much. Have a great evening.

Michael Tiedemann

Thank you, Wilma.

Operator

This concludes the question-and-answer session. I'd like to turn it back to Management for any closing comments.

Michael Tiedemann

Great, thank you all for listening in, and we look forward to updating you on our progress in May. Thank you.

Operator

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