AlTi (ALTI)

1Q 2023 EARNINGS

May 22, 2023

CORPORATE PARTICIPANTS

Lily Arteaga, *Head of Investor Relations*

Michael Tiedemann, *Chief Executive Officer*

Kevin Moran, *Chief Operating Officer*

Christine Zhao, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Wilma Burdis, *Raymond James*

PRESENTATION

Operator

Good afternoon. My name is Shamaley, and I will be your conference operator today. At this time, I would like to welcome everyone to AlTi's First Quarter 2023 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 would like to advise all parties that this conference call is being recorded and a replay of the webcast is available on AlTi's Investor Relations website.

I will now turn the call over to Lily Arteaga, Head of Investor Relations for AlTi.

Lily Arteaga

Good afternoon to everyone on the call today. Joining me this afternoon are Michael Tiedemann, our CEO; Kevin Moran, our COO; and Christine Zhao, our CFO. Please visit the Investor Relations section of our website at www.Alti-global.com to view our earnings materials, including our updated investor presentation, which provides more details on the topics discussed on this call.

I would also like to remind everyone that certain statements made during the call are not based on historical facts, including any statements relating to financial guidance and may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. AlTi assumes no obligation or responsibility to update any forward-looking statements.

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

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

Michael Tiedemann

Thank you, Lily. Good afternoon, everyone, and thank you for joining us today for our first quarter 2023 earnings call.

The first quarter of 2023 was transformational for AlTi. We entered the public markets through the completion of our business combination on January 3rd and, in parallel, we strengthened our balance sheet with a $250 million credit facility.

For a brief summary of our Q1 performance, on a consolidated basis, AlTi generated revenues of $58 million, Adjusted EBITDA of $11 million and ended the first quarter with $67 billion in assets under management and advisement.

Our net loss for the quarter was $90 million, reflecting large one-off items related to the transactions and non-cash fair value changes totaling $89 million. Normalized for these unusual items, adjusted net income attributable to AlTi was $1.3 million or $0.02 a share.

Since the year-end 2021, shortly after announcing the deal, we've grown our total assets by 12%, generated steady growth in our wealth management business and our alternative strategies outperformed their competitive benchmarks in a historically challenging market backdrop.

Later in the call, I'll provide more details on our financial performance, but I will say clearly, we still have work to do and as a Management Team we have established a clear path for value creation for 2023 and beyond. We're centralizing our operations and business development teams to enhance top line growth, addressing our cost structure to expand margins, and executing on strategic acquisitions that will accelerate our business in the years to come. We're excited about this strategic pipeline of opportunities and we look forward to this next phase of growth.

Before diving deeper on that path, I do want to reintroduce the firm to our public shareholder constituents.

AlTi has two business lines, a global wealth management platform with leading impact and multi-family office capabilities and a robust alternative asset management platform, which includes both public and private real estate investment capabilities. For over 20 years, AlTi's companies have structured their respective businesses to serve the needs of high-net-worth clients and institutional investors. We combine the service mentality of a dedicated family office with the gravitas of a world-class global institution investing across asset classes. We provide our client base access to some of the most sophisticated solutions available worldwide.

Our business is focused on two pillars: investment solutions and wealth services, both of which are established and reinforced by a growing foundation of recurring revenues. For the Wealth Management business, our recurring revenues are generated from the comprehensive solutions and services we provide to large families, foundations and institutions. These clients are distributed across the United States, Western Europe, Asia and Latin America. Due to the breadth of our differentiated platform, we believe we will continue to attract teams, talent, and ultimately, clients to serve.

As it stands today, our Wealth Management business is one of the few global multi-family offices and the only one publicly listed. We've established a leading impact investment platform which will continue to be a key driver of growth in future years as it is seamlessly integrated into our offering.

Our Asset Management business generates recurring revenues by providing growth capital, infrastructure solutions and marketing support to alternative managers and real estate platforms. We deploy capital through minority investments and create long-term partnerships with the underlying managers. AlTi portfolio managers are also recognized as domain experts and proven managers of risk. Our focus is to identify, invest into and be an active growth equity partner to these specialist managers. We believe our long history of successful operators differentiates us from other sources of capital in our conversations when we approach these talented managers to discuss future partnership with AlTi.

Historically, these strategies have also generated co-investment opportunities for our real estate, public and private market platforms. Currently, AlTi operates in 22 cities across 10 countries and has a senior leadership team with depth and a proven track record of successfully integrating teams and driving growth post integration.

The industrial logic behind the forming of AlTi was to address and participate in macroeconomic trends that will shape Wealth and Asset Management in coming decades. High-net-worth individuals represent over $470 trillion of global wealth today, on a projected path to more than $600 trillion in 2026, Approximately $70 trillion of that market is changing hands and transitioning to younger generations, namely GenX and Millennials. These generations are more focused on impacts and value-based investing, the innovation economy and ultimately receiving those services from an independent advisory firm that aligns with their core principles.

Additionally, we see increasing demand for alternatives across investor classes. From institutional investors to family offices to ultra-high-net-worth individuals, demand for alternatives have come into full focus over the past few years. The alternative asset management total addressable market is estimated to grow to $23 trillion by 2026, representing 11% CAGR since 2011. AlTi is serving a large and rapidly expanding market with a unique set of solutions. Even amidst recent market volatility, we have more conviction than ever in our founding thesis and the industrial logic of our combination.

With that said, interest rate hikes and ongoing market volatility present an opportunity for us to lean into our strengths and go deeper into our core business: Wealth and Asset Management. We spent close to 15 months closing the business combination and emerged as a public company in a very different market. The cost of debt capital has more than doubled. The banking system has come under intense pressure and private markets are undergoing a period of repricing rarely seen.

For AlTi, this 15-month period meant the three private businesses bore much of the cost burden associated with operating as a public company, without the benefits of being one. We lacked the ability to execute strategic transactions as we went through the audit and SEC review period. Additionally, due to regulatory restrictions, we are unable to execute on growth and cost synergies, which will be an important offset to public company costs.

Despite these headwinds, our wealth management business has grown steadily and our alternative strategies are consistently producing uncorrelated returns, proving their durability in challenging markets. Since closing the business combination in January, our Executive Team has gained expanded visibility into our entire organization.

I'll now ask Kevin, our Chief Operating Officer, to detail the 90-day review we've recently completed.

Kevin Moran

Thank you, Mike.

We have now concluded our first operating quarter as AlTi and senior leaders have spent a lot of time visiting our offices worldwide. In January, we began a global analysis to assess the best ways to optimize our platform.

This review has been guided by the following principles. First, leverage our competitive advantages and collaborate to accelerate organic growth. Second, achieve organizational efficiencies and right size our cost structure. Third, execute accretive acquisitions to generate topline momentum. And lastly, to streamline our capital structure. I'll provide more color on each of these.

We believe a key to our success will be consistently generating organic growth. Both our Wealth and our Asset Management businesses generate recurring revenues, which are foundational to AlTi and we will continue to invest in growing these revenue streams. Our Wealth Management business will benefit from industry consolidation within our core markets across the United States, Europe and Asia, as well as the tailwinds we laid out earlier in the call.

As a global multi-family office with centralized operations, we are uniquely positioned to serve the increasing client demand for cross-border solutions. AlTi is able to provide local services, preserving the feel of an independent family office, combined with the resources and investment depth of a global organization. Within Asset Management, we will continue to build innovative solutions focused on alternatives in real estate, which will generate recurring revenues from committed long-term capital bases.

Our focus on making growth equity investments into specialty managers is a differentiator. Our global presence and decades of operations position us well to be a destination for talent in years to come. As we invest into our strengths, we may exit non-core assets to generate capital to recycle into our strategy.

Turning now to organizational efficiencies and cost structure. We're implementing a number of initiatives to improve organizational efficiencies across the Company. Our near-term cost management plan includes: first, simplifying the organization across all levels and roles to streamline SG&A expenses; second, tightening operational controls as we centralize various functions and systems; and third, implementing equity compensation for a broad base of employees.

We expect the initiatives executed will result in approximately $9 million of cost savings in 2023 alone and at least $16 million of annualized net cost savings. The initiatives I've outlined are underway and we expect them to offset a significant portion of the recurring public company costs. This plan sets us on the path to reach our stated long-term EBITDA margin target in the mid-30s.

In addition to accelerating organic growth and optimizing our cost structure, we are also pursuing strategic investments that strengthen our platform. Since our listing in January, we have hit the ground running and have executed three transactions. On the Asset Management side, we increased our stakes in two of our external strategic fund managers: Arkkan, a Hong Kong-based Asian credit and special situations manager, and Zebedee, a London-based European long/short equities manager and Investors Choice Award Winner in 2022.

We've increased our positions by 3% and 5%, respectively, reflecting our conviction and their ability to continue to outperform their peers across market cycles and our ability to help them grow. Both Zebedee and Arkkan have proven track records of strong performance, particularly in the most challenging market conditions. Existing and prospective clients value the expertise and differentiated approach they take and we are thrilled to deepen our positions as we further our long-term relationship.

On the Wealth Management side, last week, we were excited to announce AlTi's expansion into Singapore through the acquisition of AL Wealth Partners, a multi-family office with approximately $1 billion in assets. This transaction grows our presence in Asia, and specifically in Singapore, which has emerged as a global financial capital for wealth management. Since 2017, the number of family offices in Singapore has grown more than nine times, from approximately 80 to over 700 today. The firm was founded in 2007 by Anthonia Hui and Leonardo Drago to focus on the needs of ultra-high-net-worth individuals and families around the world.

AL Wealth Partners had been rebranded as AlTi and will be fully integrated into our Wealth Management platform. The existing team will continue to lead the business on the ground, and we believe our Singapore office will serve as a great example of the local global dynamic Mike described earlier. We are excited about these additions to AlTi's platform and are confident they will create long-term value for our shareholders.

Our final area of focus during the strategic review has been our capital structure. The SPAC vehicle accomplished two of its three goals. First, we were able to create a world-class board and governance structure, while attracting key talent. Second, we were able to merge three businesses and complete our public listing in one fell swoop, which would not be possible under a traditional IPO. That said, the high redemptions resulted in little capital on our balance sheet due to market conditions at the time of close, despite raising a PIPE of $165 million.

In order to secure the necessary liquidity to fuel strategic growth, we executed a $250 million senior credit facility led by BMO. As seasoned portfolio managers ourselves, we are acutely aware of the complexities that our capital structure presents to prospective investors, specifically as it relates to the warrants and short-term limited liquidity of the shares. To that end, we recently announced a warrant for share exchange, which will alleviate the warrant overhang while increasing our public float.

We also filed the registration statement for the 19 million Pipe shares. The combination of this, plus the 5 million newly issued shares from the exchange, will raise our float to approximately 22% of shares outstanding.

To conclude on the 90-day review, we have simplified our branding to aid in long-term client awareness and eventually, realize the full brand potential of our combined businesses.

As of April 19, we rebranded to AlTi Tiedemann Global, positioning us for an eventual transition to "AlTi". Near-term, we deemed it prudent to preserve the Tiedemann brand's 40-year history and track record. In the long-term, we see immense opportunity to operate simply as "AlTi". Iconic brands embrace simplicity as they become synonymous with the industries in which they do business. Our goal is that AlTi will achieve that same iconic status as the leading wealth and alternative management firm worldwide.

Now I'll turn the call back to Mike to discuss our financial performance.

Michael Tiedemann

Thank you, Kevin.

I want to note that our results are presented as a comparison between predecessor and successor companies, as required by the accounting guidelines. In our case, Tiedemann Wealth Management Holdings is the predecessor company and AlTi is the successor. As such, the year-over-year results are not directly comparable.

In the first quarter, AlTi's AUM and AUA increased 3% sequentially to $67 billion, reflecting a strong performance in the wealth management business. Wealth Management experienced a 7% quarter-over-quarter increase to $46 billion, driven by new business wins, inflows from existing clients and market performance. Our business development efforts generated more than $1 billion in new client flows and we benefited from approximately $600 million in incremental assets from existing clients. The positive performance of both equity and fixed income markets in the first quarter also contributed to the asset growth.

In Asset Management, AUM and AUA declined 6% sequentially to $21 billion, reflecting the divestiture of certain assets in the U.K. public real estate business and a reduced NAV reflecting the weakness in the public sector real estate. This is partially offset by stable flows and positive performance in the alternatives platform, and all the strategies remain above their high watermark preserving their earnings power.

In total, AlTi generated revenues of $58 million in the first quarter. Revenues in our Wealth Management division, which consists entirely of recurring management and advisory fees, were $31 million for the quarter. In Asset Management, revenue was $27 million, of which two-thirds were recurring.

On a consolidated basis, 84% of AlTi's total revenue in the first quarter was from recurring fees, which include management and advisory fees, as well as the management fee component from our GP stakes and alternative business. Our global team is intently focused on growing our recurring revenue base and consistent free cash flow, enabling AlTi to successfully operate across all economic cycles.

Being able to consistently reinvest into our business, maintain a healthy balance sheet, and preserve liquidity to make select acquisitions will be critical to remain a leading firm in our business lines.

Operating expenses in Q1 were $101 million, reflecting $50 million of one-time expenses related to the transaction, as well as significant investments in our public company infrastructure. These one-time expenses comprised of $31 million in non-cash, share-based compensation expenses associated with legacy long-term incentive plans and $19 million of transaction-related expenses, mostly professional fees.

The investments in public company infrastructure, which we began to incur in 2021, are not yet offset by the revenue or cost synergies of our business combination. Further, our results do not yet reflect the growth initiatives we began implementing since closing. We're playing the long game and we know that our decisive actions since our listing will set us up to realize the full potential of our merger.

Below the line, our other expenses include $39 million related to non-cash increase in fair value associated with investments, and earn-out and warrant liability driven by our share price appreciation in the quarter.

Adjusted EBITDA, as mentioned earlier, was $11 million, resulting in a margin of 19% for the period. Our margin was impacted by a lower level of fees earned by transaction activity in real estate and merchant banking, as well as increased costs from our investment in public company infrastructure.

The initiatives to achieve revenue and cost synergies are beginning to be implemented and we've only recently resumed our inorganic growth strategy. We're confident that as our growth strategies take hold and the cost-saving initiatives start flowing through the results, AlTi will be well-positioned to expand margins and generate shareholder value.

Turning now to our balance sheet, our $250 million five-year BMO credit facility is comprised of a $150 million revolving credit facility and a $100 million term loan. At quarter end, we had drawn $133 million, and our last 12-month EBITDA leverage multiple is 2.4 times.

We believe AlTi is well positioned to grow its global platform to achieve operating scale. Our strategic review will allow AlTi to further lean into its strength, continue to organically grow recurring revenues, prioritize accretive growth opportunities and position the platform for continued success.

At this time, we're committed to achieving our long-term goals of high-single-digit annual growth rate in assets, low-teens annual topline growth, and Adjusted EBITDA margin expansion into the mid-30s.

In closing, I'd like to acknowledge our clients, who've put their trust in AlTi on our path to becoming a public company and our employee base, who've remained focused on their service to them. 2023 will be a year where we set the table for the next decade of growth and fortify our two primary businesses: Wealth Management with a leading impact platform and Alternative Asset Management, including public and private real estate.

Our exceptional team will continue to drive organic growth and capitalize on strategic acquisitions in the coming quarters. As a reminder, our employees are significant shareholders in AlTi, which creates strong alignment with a broader investor base.

With that, we'd like to now open up for questions. Operator?

Operator

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

Our first question comes from the line of Wilma Burdis with Raymond James. Please proceed with your question.

Wilma Burdis (Raymond James)

Hello. Good evening. Quick question for you guys on the float, so the float looks like it's on track for 22%. It sounds like the PIPE shares were registered, and then that also benefits somewhat from the warrant exchange program, could you give us a little bit more detail on the warrant exchange program? And is it still ongoing? What's the goal there?

Michael Tiedemann

Hi, Wilma. Thank you. This is Mike and thank you for your interest in AlTi. Yes, the warrants program is ongoing. The exchange is ongoing as well, as we're continuing to prepare for the filing of the S-1. So, we're anticipating that to be in the second quarter. And yes, 22% is the total free float once both are complete.

Wilma Burdis (Raymond James)

Are the PIPE shares trading at this time or maybe I misunderstood?

Michael Tiedemann

No, they're not trading at this time.

Wilma Burdis (Raymond James)

Okay, got it. And then, could you talk a little bit about the EBITDA margin, I think it was 19%? Just talk about how that compared to your expectations and hopefully, just give a little color on when we should expect to see AlTi working through some of the public company costs?

Michael Tiedemann

Yeah, when we think about the investment that we've continued to make in public company costs and operating as a global business, the offsets really are through the synergies. When you think about the timeframe of cost synergies running through the system, it's a combination of system synergies plus streamlining of functions across the firm and across various locations. So, we are intently focused on executing that. It's hugely important as a human capital company to make sure that you're thoughtful, that you do that in a measured and precise manner. That's really where the 90-day review came into play.

But, we assume this is the beginning of that process, and the beginning of the improvement of that. We've been making, as we mentioned in our remarks, investments in public company infrastructure over the prior 15 months, really without the benefit of being public and being able to synthesize three businesses into one and the cost structures of three into one.

Wilma Burdis (Raymond James)

Thank you. If you could talk about the $1.7 billion of new client inflows in wealth management, does that include the $1 billion from the acquisition of AL Wealth Partners? How did that hold?

Michael Tiedemann

No. It doesn't, no. AL just completed in the beginning of Q2. This was actually new net client wins, as well as additional client additions. So, we've had a period—and I will say if you've ever been trying to generate new business while undergoing any kind of corporate combination that is a headwind that you face—so we're extremely proud of what our team was able to accomplish given all of that, not to mention listing in the process. This has been a real achievement by the business development team. And also a statement that clients and prospective clients see the capabilities we have as a global firm and all the resources that we have to work with them and serve them.

Christine Zhao

Wilma, this is Christine Zhao. Just to give a little bit more data to support what Mike described, the new client acquisitions continue to see very strong momentum. This quarter actually, we had over $1 billion alone from new client acquisitions across our Global Wealth Management platform. We also have existing client inflows, net inflows of about $600 million and very low attrition. So, this really demonstrates the resiliency of our Global Wealth platform.

Wilma Burdis (Raymond James)

Great, last one for me. If you can give some color on the investment in the Core Funds in the asset management side, that would that would be great.

Michael Tiedemann

The investments in the two transactions?

Wilma Burdis (Raymond James)

Sorry, just if you could talk about the investment performance in some of the funds in that investment?

Michael Tiedemann

Oh, investment performance, sorry. Yes, so just looking back at 2022, the alternative platform for principal funds had exceptional years in obviously a very challenging backdrop. Three of the four were positive, the lowest performing was down 31 basis points against a marketplace, Asia credit that was down mid-teens to 20s depending on the index. Substantially solid and also another example of the risk management capability of these teams. And in the first quarter, all four strategies are positive as well, anywhere from about 50 basis points to 2.5%.

Wilma Burdis (Raymond James)

Okay. Thank you very much.

Operator

We have reached the end of the question-and-answer session, and therefore, I will now turn the call back over to CEO, Michael Tiedemann, for closing remarks.

Michael Tiedemann

Great. Thank you, Shamaley. If there are further questions and I imagine there might be, we invite you to contact us with any of the questions that you have or schedule follow-up calls. I'd be remiss not to thank our clients once again across the entire firm, and very importantly, the AlTi team members and employees, who have continued their hard work and dedication to the clients we serve and also to the firm.

The Management Team is obviously confident that we have the right initiatives in place in order to execute our growth strategy, achieve margin expansion and deliver long-term shareholder value for years to come. We look forward to giving you—providing you with a Q2 update later this summer.

With that, we'll say goodbye. Thank you.

Operator

This concludes today's conference, and you may disconnect your line at this time. Thank you for your participation.