

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PAX.OQ - Q4 2024 Patria Investments Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 12, 2025 / 2:00PM GMT

CORPORATE PARTICIPANTS

Rob Lee *Patria Investments Ltd - Head of Shareholder Relations*

Alexandre Saigh *Patria Investments Ltd - Chief Executive Officer, Director*

Ana Russo *Patria Investments Ltd - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Beatriz Abreu *Goldman Sachs - Analyst*

Ricardo Buchpiguel *BTG Pactual - Analyst*

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Patria fourth quarter and full year 2024 Earnings Conference Call.

(Operator Instructions)

I would now like to hand the conference over your speaker today, Rob Lee, Head of Shareholder Relations. Please go ahead.

Rob Lee - Patria Investments Ltd - Head of Shareholder Relations

Thank you. Good morning, everyone, and welcome to Patria's fourth quarter 2024 Earnings Call. Speaking today on the call are our Chief Executive Officer, Alexandre Saigh; and our Chief Financial Officer, Ana Russo; and our Chief Economist, Luis Fernando Eleutério Lopes for the Q&A session.

This morning we issued a press release and earnings presentation. Detailing our results for the quarter, which you can find posted on the investor relations section of our website or on Form 6-K files of the Securities and Exchange Commission. This call is being webcast, and a replay will be available.

Before we begin, I'd like to remind everyone that today's call may include forward-looking statements which are uncertain, do not guarantee future performance, and undue reliance should not be placed on them.

Patria assumes no obligation and does not intend to update any such forward-looking statements. Such statements are based on current management expectations and involve risks, including those discussed in the risk factors section of our latest Form 20-F annual report.

Also note that no statements on this call constitute an offer to sell or a solicitation of an offer to purchase an interest in any Patria fund.

As a foreign private issuer, Patria reports financial results using International Financial Reporting Standards, or IFRS as opposed to US GAAP.

Additionally, we would like to remind everyone that we will refer to certain non-IFRS measures which we believe are relevant in assessing the financial performance of the business, but which should not be considered in isolation from or as a substitute for measures prepared in accordance with IFRS.

Reconciliation of these measures to the most comparable IFRS measures are included in our earnings presentation.

Now, I will turn the call over to Alex. Alex?

Alexandre Saigh - Patria Investments Ltd - Chief Executive Officer, Director

Thank you, Rob. And good morning, everyone. The fourth quarter was exciting and indeed transformational year for Patria, as we raised \$5.5 billion exceeding our full year fundraising targets of \$5 billion. Fundraising included approximately \$300 million. We raise in our advisory business for third party managers, for which we earn a placement fee with a balance of \$5.2 billion contributing to our asset base.

A wide variety of strategies and products contributed to our fundraising most of which did not exist at our IPO. We also achieved our 2024 FRE fee-related earnings target of \$170 million or \$1.12 per share. Reflecting the resiliency of our business and the momentum we have built heading into 2025. As we highlighted at our recent investor day on December 9, the greater diversification of our platform is spinning off. And we are confident in our new 3-year targets we introduced at Investor Day.

Now, let me quickly summarize our Full Year 2024 and Fourth Quarter results before we move on to some of the other highlights for the quarter.

First, we are pleased to report that we achieved our full year 2024 fee-related earnings target of \$170 million up 15% from 2023, while fee-related earnings per share reached \$1.12 up 13%. For the fourth quarter, fee-related earnings reached \$55 million, up 35% from the prior quarter and 18% from fourth quarter 2023. On a per-share basis, fee-related earnings of \$0.36 in the fourth quarter rose 35% from the third quarter and 13% year-over-year.

Heading into 2025, we believe we are on track to reach our full year fee-related earnings targets of \$200 million to \$225 million or \$1.27 to \$1.43 per share. Next, we generated over \$41 million in Performance-Related Earnings or PRE driven primarily by the previously disclosed sale of our Chilean desalination project Aguas Pacifico in Infrastructure Fund III.

With this monetization, we believe we are on track to deliver on our updated cumulative Performance-Related Earnings guidance through 2027 that we announced at Invested Day of approximately \$120 million to \$140 million. As a reminder, we expect our Infrastructure Fund III with approximately \$47 million of net accrued carry remaining as of year-end to be the primary source of caring generation through 2025.

Since 2022, including Aguas Pacifico, our infrastructure strategies will have returned over \$2 billion to investors. Putting it all together we generated \$189 million of distributable earnings for the full year and \$89 million in the fourth quarter. On a per share basis, we delivered \$1.24 and \$0.58 respectively.

Next, the net accrues performance fee balance of \$319 million or \$2.08 per share declined 30%, mainly due to our significant realization in Infrastructure Fund III, the appreciation of the dollar, which has partially reversed scores so far in the current quarter and lower marks on publicly traded holdings in our carry funds.

For perspective and notwithstanding declines in the value of the public holdings in our carry funds in the fourth quarter, underlying business trends at our private equity portfolio companies generally remains strong.

In local currency terms EBITDA, our private active portfolio companies, rose approximately 14% on average over the past year as of September 2024, as we focus on resilient sectors of the economy within private equity, such as agribusiness, food and beverage, and health care.

Furthermore, within infrastructure, we invest in and develop across the region long duration assets, such as the Agro-specific desalination project mentioned previously, that benefit from secular, strong tailwinds. Other examples include data centers, cell towers, renewable energy, and toll roads. These infrastructure assets often enjoy the benefits of long-term service contracts with inflation escalators and are sometimes denominated in US dollars providing long-term resiliency against short-term fluctuations in interest rates and other macro factors.

The earning AUM of \$33 billion rose a robust 38% year-over-year but declined 3% sequentially driven substantially by dollar appreciation. However, it is important to put this in perspective.

Net organic inflows in fee earning AUM in the fourth quarter, were a positive \$380 million with each investment vertical except public equities, generating positive inflows. Our asset base remains very sticky with 20% in permanent capital vehicles and approximately 90% in vehicles with no or limited redemption rights.

As we highlighted at Investor Day, the fee-related earnings impact from FX volatility is modest, given that most of our expense base is denominated in local currencies providing a substantial natural hedge. We estimate that for every 10% change in soft currencies, our fee-related earnings impact is approximately 2%. And for perspective, only about 20% of our expense base is denominated in dollars versus over 55% of our revenues.

Since year end, the dollar has depreciated against most of the currencies relevant to our business. Dollar-denominated fee earnings AUM, account for approximately 55% of our asset base, with another 15% in other hard currencies. Dollar exposure includes close to 10% of our investments that are directly exposed to the United States primarily through GPMS.

As highlighted in the earnings presentation, in local currency terms, investment performance in 2024 was strong, particularly within credit. Local currency returns are increasingly important as we saw more assets from local investors to invest in local strategies.

Moving on to fundraising as I noted at the start of my remarks, we are very pleased to report that we exceeded our \$5 billion fundraising target for 2024, raising \$5.5 billion inclusive of approximately \$300 million of advisory assets for third party managers, for which we earn a placement fee. Indeed, achieving our target for 2024 means we exceeded the three-year fundraising targets which set back at our 2022 investor day. As we continue to benefit from the greater diversification of our product offering and distribution capabilities.

We believe we enter 2025 with positive fundraising momentum and are excited with the opportunity to achieve our 2025 target of \$6 billion. As we are actively fundraising across a number of funds and strategies, in addition to a variety of SMAs and GPMS, private equity and infrastructure.

Fundraising in the quarter and the for the full year was led by our credits and GPMS platforms, where we raise approximately \$1.4 billion and \$2.3 billion respectively.

Further, highlighting our progress in diversifying our platform and enhancing the growth profile of our business, is the progress we are making in building our local investment and distribution capabilities.

Approximately 70% of our fundraising in 2024 and 50% in the fourth quarter 2024, came from local investors investing in local products versus virtually nil in 2020, the year prior to our IPO four years ago.

Indeed, one of the benefits of our expanding investment and product capabilities is that we can better serve shifting investor demands within the region in response to changes in the investing environment.

In Brazil, for example, we have seen increased demand for our credit strategies as demand for more equity-oriented strategies have softened in response to higher interest rates.

Our efforts to diversify our business also increases our resiliency in the face of near-term macro headwinds. For example, and contrary to common perception, Brazil represents less than one-third of our investment exposure versus 90% plus at the time of our IPO only four years ago.

Reflecting on the macro environment, it is also important for investors to recognize that despite near-term macro headwinds within the region, in addition to global uncertainty that has been created by the recent election in the United States and its potential impact on cross-border flows. We believe Patria is well positioned to weather and indeed thrive in these uncertain conditions.

Latin America remains a very attractive destination for investors, long-term capital commitments, given its many positive attributes, including large internal markets with a growing middle class. Global leadership in clean energy and ongoing demand for infrastructure investments, not to mention competitive advantages in key business sectors such as agribusiness and low levels of geopolitical risk.

These competitive advantages are increasingly being recognized by larger, sophisticated global investors, such as sovereign wealth funds, as well as local institutions that are often required to invest locally. Many of our private active strategies, such as healthcare, logistics, and food and beverage businesses focus primarily on serving local, domestic and regional markets. And infrastructure by definition focuses on serving local market needs. In industries with an export-oriented component such as agribusiness, Asia and Europe tend to be our primary export markets.

Our direct investment exposure to Mexico is quite limited at approximately \$1.2 billion or less than 3% of our AUM. With investments primarily in credit and public equities. Our GPMS business, which comprises approximately 30% of our fee earning AUM is focused on middle market private equity investments within Europe and North America, with over \$3 billion of our assets exposed to the United States and \$7 billion to European markets. In total, close to 10% of our assets are directly exposed to the United States, and our current direct exposure to Canada is immaterial.

We also wanted to take this opportunity to reiterate a theme that we covered in depth at Investor Day, namely that our ability to deliver our expanding range of investment capabilities through a broader range of investment vehicles and structures. Allows us to reach and better serve new pools of investors globally.

This is an under-appreciated but very important aspect of our evolution from a product centric alternative manager to a client-centric focused investment solution provider for our investors. For example, our enhanced SMA capabilities allow us to develop customized solutions for large, sophisticated LPs both globally and within Latin America.

The inherent complexity and customization of an SMA creates a very long dated relationship that often provides for the recycling and compounding of capital. We now have approximately 16% of our fee earning AUM in SMAs versus zero at the time of our IPO.

We have also been expanding the number of domiciles in which our investment products are registered and offered. Within credit, for example, re-domiciled our flagship dollar denominated high yield credit fund from Chile to a more widely accepted island listed fund. This greatly enhances the ability of global investors to efficiently and at low-cost access this important strategy.

As do our new Luxembourg-based UCITs us its structure and a US focused credit fund. We also continue to build locally domiciled vehicles to take advantage of our local investment capabilities and investors' home country buyers in order to attract both retail and institutional investors. Prime examples being our Colombia-focused private equity and infrastructure funds that co-invest alongside our flagship funds.

Pulling this all together, our financial results and strong fundraising provide additional evidence that our strategy to diversify and grow our business both organically and inorganically while also increasing its resiliency is paying off.

It's been only four years since our IPO, but as we highlighted at our investor day, which is available on our website. Over that brief period of time, we have greatly expanded our regional and global investor base and distribution capabilities. And have significantly diversified our investment and product platforms.

We are proud that we have been able to deliver on the targets we set out at our IPO as well as our first investor day in 2022. And are excited to deliver on the fundraising, fee-related earnings, and other targets we unveiled at our recent investor day this past December. Now, let me turn the call over to Ana to review our financial results in more detail. Thank you.

Ana Russo - *Patria Investments Ltd - Chief Financial Officer*

Thank you, Alex, and good morning, everyone. As Alex mentioned, the fourth quarter capital and exciting and transformative year for Patria, as we significantly enhance the diversification, growth potential and resiliency of our business, achieve our 2024 FRE and fundraising goals, and unveiled our new 3-year targets at our recent investor day.

We believe we are entering the year with the momentum necessary to meet our 2025 objectives.

Let's review our full year and fourth quarter results. As Alex highlighted earlier, we are very pleased that we achieve our fundraising target for 2024. Our FEAUM rose 38% year-over-year to approximately \$33 billion and this increase was largely driven by \$11 billion from acquisitions, mainly in GPMS and real estate partially offset by an FX impact of about \$1.9 billion due to the appreciating dollar of which \$1.5 billion occur in the fourth quarter.

Total inflow to FEAUM of \$4.2 billion were offset by the plan step down of Private Equity Fund IV, that we reviewed on our last earnings call, as well as the expected realizations in GPMS, dividends across the platform and redemptions in public equities.

In the quarter, Patria generated approximately \$380 million of net inflows, despite outflow pressure in public equities. However, mainly due to the appreciating dollar, FEAUM declined 3% quarter-over-quarter.

Although the appreciation of the US dollar negatively impact FEAUM, it had little impact on our FRE in the quarter. As we reviewed our investor day, our FRE has limited sensitivity to FX movements, as our expense base provides a substantial hedge against currency movements that may impact fee and our fee revenues.

Based on our current asset classmates, a 10% variance in soft currencies against the dollar impacts FRE by only about 2%. It's worth noting that since the end of fourth quarter, the dollar has depreciated against most currencies, including the real.

Assuming the average exchange rates in the relevant currencies in the past two weeks, we estimate FEAUM and net accrued performance fees would recoup approximately one-third and 50% of the FX impact in experiencing the fourth quarter, respectively.

Total fee revenue in the fourth quarter and full year reached \$93.2 million and \$300.8 million, up 41% and 25% from a year ago, respectively.

Four quarter total revenues increased \$27 million versus Q4 '23, driven by the full impact of the GPMS, Credit Suisse, VBI, and Nexus acquisitions and higher FEAUM.

Additionally, fee revenues for the full year benefited from the \$13.8 million of incentive fees, \$12.3 million of which were recognized in the fourth quarter.

As a reminder, incentive fees are primarily realized in the last month of the year, and in 2024, were driven mainly by our credit platform and more specifically from our Latin and Chilean high yield and Chilean local currency strategies which continue to generate strong performance and new business flows.

Our management fee rate for the year averaged 96 basis points as we reviewed at our university today. We are diversifying our business and introducing new investment strategies and product structures which are key drivers of our growth. Consequently, our management fee rate will continue to evolve, and we expect our fee rate over the coming years to trend towards approximately 90 basis points.

Moving on, operating expenses, which include personnel and G&A expenses, total \$37.6 million in the quarter and \$128 million for the full year.

The increase was driven by acquisitions, with the remainder attributable to increased personnel expenses, reflecting salary increases and bonus, and continuing investing in our business in addition to the impact of inflation.

The increase in personal expenses in the fourth quarter compared to 2023 also reflects the 2023 impact related to the equity-based compensation program that we launched by mid 2023 and a seasonal increase in expense.

Putting it together, Patria delivered fee related earnings of \$54.8 million in the quarter, up 18% versus the prior year, and \$170.1 million for a full year, achieving our target and reflecting an increase of 15%.

Our FRE margin in the fourth quarter was 58.8%, helped by high margin incentive fees, while our full year margin was 56.5%, within the range of our 56% to 58% guidance.

Overall, as we enter 2025, we remain confident in our fundraising target of \$6 billion and in our ability to achieve our FRE target of \$200 million to \$225 million with an FRE margin between 58% to 60%.

On the subject of FRE and FRE targets, we also wanted to remind everyone that with our M&A in 2024, now fully reflected in our results, we are very focused on generating organic growth, and we expect only about 10% of our 2027 FRE target of \$260 million to \$290 million to come from acquisitions.

Next, as Alex highlighted, we realize a healthy performance fee in Q4 out of the Infrastructure Fund III. The realization put us well on the way to reaching our updated FRE target through 2027.

Also, our net financial and other income and expense in Q4 '24 total at negative \$3.7 million and a negative \$9.2 million in 2024.

This line item mainly reflects interest expenses on our credit facilities, partially offset by income generated in our new energy training platform TRIA.

Our effective tax rate in 2024 was 6.5%, representing an increase of 1.6% points versus 2023, reflecting our evolving business mix and new platforms located in higher tax jurisdictions.

Our four-year tax was within our 6% to 8% guidance, and it is expected to trend towards 10% at the end of the 3-year target period in 2027.

Regarding distributed earnings, we generated \$89 million in the quarter and \$189 million for the full year, up 26% and 2% respectively.

On a per share basis, Q4 '24 and full year 2024 DE were \$0.58 and \$1.24 respective.

Fourth quarter DE per share was up 22% versus 23%, mainly on higher FRE and PRE, but full year DE was essentially flat year-over-year due to higher financial expenses, lower PRE, higher taxes, and higher share accounts.

With regard to the share count, we finished the year at \$153.6 million shares in line with expectations and continue to expect the share count to average between \$158 million and \$106 million from 2025 through '27 inclusive of share repurchase, which will be focused on offsetting stock-based compensation.

Shifting to balance sheet as planned, we finished the year with approximately \$190 million of net debt as we funded M&A related payments and other year an obligation.

Our total funding is expected to reduce throughout 2025 in line with our objectives mentioned during tax day.

As we previously discussed, we expect to use proceeds from PRE mainly to pay down M&A related debt.

Finishing up on capital management items in keeping with our guidance, we announced fourth quarter dividend of \$0.15 per share. We did not repurchase share in the quarter, but it remains our intention to repurchase share in 2025.

Finally, why we believe FRE and DE are the best financial metrics with which to measure our results and ongoing earnings power and are the metrics that are most comparable with our alternative management peers, we would like to comment on some of the items in our DE to net income reconciliation.

You will notice that transaction costs, or M&A related expenses, rose in the quarter to \$13.7 million.

This mainly reflects the year-end catch up of expenses related to M&A, including legal, regulatory, and consulting fees, among others.

We would expect M&A expenses to approach nearly zero in 2025, as we have no current M&A plan over the next several quarters.

Also, our stock-based compensation was \$7 million in the quarter, bringing our full year total of \$20 million.

For 2025, we expect our full year stock based compensation to total around \$28 million to \$30 million as our program enters its third year.

Subsequent to 2025, we expect the pace of growth in our stock-based compensation costs to moderate.

Overall, we are pleased with our 2024 results and the momentum we have built as we continue to diversify and improve the resilience of our business. We believe we are on track to meet our FRE targets for 2025, and we are excited regarding the growth opportunities that lies ahead.

Thank you everyone for dialing in, and we are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Beatriz Abreu, Goldman Sachs.

Beatriz Abreu - Goldman Sachs - Analyst

Hi, good morning, everyone. Congrats on the results and thank you for taking my question. I have two questions. The first one, would be a clarification on PRE.

So on the sale of Aguas Pacifico, press release, you mentioned that, the sale would be completed in one Q, although the transaction was signed, in the last quarter of 2024, so just wanted to understand. If we should expect something or an additional distribution on PRE or if all the distribution happened in four Q, also if you have any visibility regarding other exit strategies of Infrastructure Fund III, anything you're able to comment on that would be really helpful.

A second question would be on the redemption on public equities and credit strategies in four Q if you see that trend continuing or reverting into the first quarter of 2025. Thank you.

Alexandre Saigh - Patria Investments Ltd - Chief Executive Officer, Director

Thank you, Beatriz. Thank you very much for your question. This is Alex here and nice to talk to you again.

On PRE and then the credit redemption on PRE, I think we we did sign the deal late 2024. All the conditions pressed into the deal as of today have already been completed. So, the closing of the deal actually happened last week, so the deal is basically done. Of course, now you know that these, M&As, this is the kind of the normal process. Now you sign and then there are conditions precedents that includes several regulatory bodies and trust. We had other re conditions precedents also that has to do with this particular deal, but again, all the conditions Presidents were completed and resolved by last week, so the deal was closed.

It did generate approximately \$60 million of performance fees, all \$40 million, approximately \$40 million accounted for the general partner and \$20 million as bonus. We do break down the performance fees in 35% goes to the team, so 35% of \$60 million approximately \$20 million that's paid out to the team. So we do not account for that. That does not run through our P&L, but it is paid directly to the team, and \$40 million we account as performance fees approximately \$40 million which is 65% of \$60 million. All accounted for in the fourth quarter because the deal was, signed in the fourth quarter and by accounting procedures and measures we have to account it in the fourth quarter.

In just as a general comment, I feel comfortable that, we are on target there with the guidelines that we gave, in our last [back] day, December 9, 2024, the \$120 million to \$140 million of, performance fees over the next three years. So that's already accounting for that or if you go back to [tax] Day 2022 \$180 million for the 2024, '23, '24, '25 period. If you sum, what we already had, since the 2022 [tax] day to today is \$110 million, more or less, so another \$70 million to go for the \$180million, which is the guidance that we gave in '22 or the guidance that we're giving now the \$120 million to \$140 million for the next three years so.

I think we're going to be able to reach. Any kind of guidance there that you see fit, continuing on your question on other divestments, yes, of Infrastructure Fund III that you asked, yes, there's several other assets that we are, pursuing exits.

We're in infrastructure we there's still, several very interesting assets like a thermal, power plants that, we did, constructed together with Mitsubishi and Shell. So it's already, in operation, so, which is not the first, thermal plant in Brazil that uses the gas from the pre-salt oil exploration as energy. We also have toll roads in that fund. We also have a participation, in a parking lot business that we sold to Indigo, the French company, and all of these companies that are, in discussions for realizations, so we continue to see, a good momentum of realizations, for infrastructure funds which was your question and also for other assets as well in other funds of the portfolio, but specifically infrastructure funds that you asked, yes. Because it is already in the carry zone, which is the most obvious ones that will generate performances for 2025.

On the redemption, I think we know specifically, I think that if I understand your question, we saw a redemption on for our high yield credit fund, and in late 2024, but that was already reinvested or recommitted early 2025 was basically it's an SMA that the the mechanic of this SMA that once we have a realizations in this SMA, this is a credit fund strategy SMA with quasi sovereign funds.

In North America, and the mechanics is that once we have realizations, we have to give the money back to the investor and then this investor, actually recommits, and which this investor did early '25. So it was more of a movement that has to do with this particular clients and this particular SMA and the way that the SMA was constructed, it's a North American quasi sovereign fund, that invests with us for more than 20 years and we have this SMA with them for more than 10-15 years.

And you will see them once we do post the first quarter results, for 2025 that these resources were already reinvested back in the credit strategies okay.

We, actually the redemptions for our credit strategies, in 2025 were, very small, compared to the size of the funds. I think going back to 2022, we had the redemptions that were basically driven from, because of the, Chilean pension funds, the issues that we had back there that you know because of COVID, and then in 2023 redemption started diminishing. And in 2024 they were basically insignificant for the size of the fund and we foresee that in 2025 that's going to continue to be the same, small redemptions for the credit strategies, with net with a positive net new money flows, for those strategies. Okay, I hope I answered your questions.

Beatriz Abreu - Goldman Sachs - Analyst

That was very clear. Thank you, Alex.

Alexandre Saigh - Patria Investments Ltd - Chief Executive Officer, Director

Thank you.

Operator

William Beringer, [ITA BB A].

Unidentified Participant - - Analyst

Thank you, everyone for your time. I have two questions here. I think the first one is more related to the fundraising figure expected for 2025, which in the release is around \$6 billion. If you could give us a little bit more color on how you expect the breakdown of it by the strategist ?

And my second question is on that figure you disclosed so net debt of \$190 million. I just wanted to check if the indication given from you during the investor day of that debt for FRE are maintained. So if it is maintained, is it okay if I should expect the current gross debt levels to be maintained throughout until 2027.

Alexandre Saigh - Patria Investments Ltd - Chief Executive Officer, Director

Yes, thank you very much, William. Nice to talk to you as well. Thanks for your questions. I'll try to answer the fundraising question, then I'll turn over to Ana on the net debt.

We like to, give us the flexibility on the \$6 billion fundraising target. It's very hard to pinpoint exactly, of course we have a very well organized, planning for the whole year of 2025 and for '26 onwards, per asset class, we have 38 different strategies within these asset classes. Six asset classes that we have and per channel for geography, it's extremely well done and organized and by the commercial team that today is headed by Daniel Sorrentino, my partner.

But we don't give out the breakdown of the \$6 billion because we like to keep this flexibility and maybe we raise more here maybe we you know we close on an SMA and SMA they are chunky, right? Normally SMAs are \$500 million plus, [to a billion dollars to \$15]. So these chunks of SMAs can close and the SMA for a specific strategy and that can change the mix as we, as we move forward during 2025.

However, as we see things, during the year, as we mentioned, we did raise, around \$5.4 billion for in 2025, \$300 million of those were of placement agents related to fundraising which does not add to our fee earnings that UN base, we just received a fee. So we have to go from \$5.2 billion to \$6 billion so it is, of course a jump, but given what we have been doing and growing this ability of fundraising and more products, more strategies, more geography over time, we feel comfortable that we're going to get there.

Having said that, I, what I can say is, as I look into 2025, at least, within the Latin American region and going to Brazil specific and then I'll talk about the other countries. Given the high interest rates in Brazil still, for 2025 we're probably going to see more appetite for credit related strategies and infrastructure related strategy because of the inflation protection that we have for the infrastructure for our infrastructure strategies versus equities related strategies, number one.

We also see, in other countries in Latin America, but in Chile because of already the low inflation and low-interest rate environment in Chile and heading down, we see a turn in Chile already, for equity related strategies as investors want to position themselves, before the market actually starts, moving up again.

So, it's country by country, I'm giving you a general color as we move out of Latam, we still see a very intense interest in our GPMS strategies, interest rates in the US, continues to be high and everything there about, the general view of the US interest rates, with that, the divestments or, for the private active funds in general in the US, continues to be, smaller than the investors expect. So the general partners and limited partners look for, views in the secondary market which benefits our GPMS strategies in the US and in Europe. So I see, outside of that time GPMS, will, I think will benefit from this macroeconomic situation and in Latin America, it's country by country, but in the end I think it's, we like to keep the flexibility, and not give a specific breakdown on, the \$6 billion fundraising.

I'll turn to Ana now on the net debt.

Ana Russo - *Patria Investments Ltd - Chief Financial Officer*

Hi, good morning. So, our net debt as we go up \$190 billion that mentioned in this call is in my, in of our expectation. I think if you remember when we discussed our earnings call, the last earning costs in Q3, this is what our expectation. And this net that is impacted that our funding was impacted by our M&A payments and also the year-end obligations that we have.

So this was something that we expected to, as it was in line with our expectations. When we look going forward, we look into two things first is. We have a slightly reduction in the first half of the year which as we progress the first quarter and the second quarter, but a more, I would say, it's like, a more higher reduction in the second half of the year, but our debt to FRE ratio is expected as we discussed during the past day to be slightly below.

So that when we look into that, you can look into a reduction throughout the year, as we progress, through our 2025.

Unidentified Participant - - *Analyst*

Okay, thank you very much for the complete answer.

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

Thank you, William.

Operator

Ricardo Buchpiguel(Operator Instructions)

Ricardo Buchpiguel, BTG Pactual.

Ricardo Buchpiguel - *BTG Pactual - Analyst*

Good morning, everyone and thank you for the opportunity of making questions. I have also show here on my side.

So first we saw that she approved a pension reform this year that would add more money for the local pension funds, and I imagine that credit and public equities would be like very benefited with that, so I wanted don't you hear a little more on your thoughts on the potential of this reform with that and talk a little bit about the timing, on how you're expecting, potential impacts of that and also related to the reform. Yeah, I think another possibility that we could have is more inflows coming from pension funds, to infrastructure and private equity local products, right? You mentioned the call they are looking to build more, kind of a local specific products for each region. So I wonder if you guys are already kind of preparing to build more, local Chilean, private equities and infrastructure funds to in order to seize this opportunity.

And another thing that I wanted to ask is if you could talk a little bit about your expectations on real estate info this year, right? Because, it's an asset class that I believe it's more connected to the funding in Brazil, right? And given the tough macroeconomic scenario we are facing, it's fair to expect that perhaps will be harder for you to launch. New funds or the follow on these years, given the exposure, perhaps most of the growth would come from other regions in in the real estate segment. Thank you.

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

Yes, thanks for the question, Ricardo. Nice talking to you as well and, on the starting on the pension fund reforms in Chile, I think it's taking one step back. I think it's not only Chile. I think that in general, and given the kind of governments that Chile, Colombia, Mexico, that have recently elected.

These three countries, all of these three leaderships, these three Presidents of these three countries have actually approved reforms to increase the contributions to the pension funds. Of course, the increase of these contributions comes mostly from the employer, not the employee.

So in Mexico from around 6% to around 12%, in Chile the same trends of increasing contributions to the pension funds in Colombia the same. So, we're here in the Bank of America conference, the Bank of America Mexican economist did put out a report that the total pool of pension fund managed money of the Mexican pension funds, Colombian, Peruvian, Chilean, and Brazilians, which total approximately \$700 billion and will basically double to \$1.5 trillion in the next five years because of exactly what you said, plus, of course, and appreciation. So in these pension funds, they do have a home biased approach to investing plus regulatory restraints in investing outside of the country.

And in addition, in Colombia and in Mexico, pension funds are also required to invest in the assets that promote the development of the economy and private equity and infrastructure fits right into those categories, so they investing in our funds in Colombia and in Mexico private equity and infrastructure funds they comply with that requirements of the regulation, okay. And we're seeing that the same might happen in Chile as well. And interesting enough, the same is actually now being considered to happen in the UK, in the United Kingdom, which the current labor government is also proposing a legislation that UK pension funds will have to invest a percentage in promoting the local economy, the UK economy. And so our funds as well there in the UK can benefit from that.

Specifically in Chile, yes, and I think the strategy and in Colombia and in Brazil and as we move to Mexico, not at this moment we don't have this, strategy implemented in Mexico. We started then developing, local products for local investors. So, I'll tell you about the most recent ones, we are now currently, raising a private equity and infrastructure fund, in local Chile, Colombian pesos for the local Colombian pension funds. And we already got a significant commitment from some local Colombian pension funds to this private equity and infrastructure fund.

We did the same in Brazil, for local institutional investors, mainly pension funds, private equity and infrastructure, in Chile, for example, as, we mentioned a couple of minutes ago, the Aguas Pacific divestments, the desalination plant in Chile that we divested. The investors of this acquires, the group of investors that acquired this assets, one of them was a Chilean, pension fund, so you can see the interest of these pension funds in infrastructure related assets. So for all of our strategies, I'll take double click down, be it infrastructure, private equity, credits, public equities, we have and we continue to develop local strategies.

In credits and the question that you asked, we do have a local Chilean credit strategy which is extremely popular with our investors because and the very good returns. We also launched, now a local Colombian business credit strategy for Colombian investors. We have a local, public exit strategy in Chile, which, is our renowned Pionero fund that, actually did, reach its 30-year anniversary last year, with Pablo Echeverría, being the manager of this and the co-founder of Moneda with amazing returns since inception. We're also done launching as we speak a Brazilian public exit strategy.

And the way we see that our, manual of products developing, that for every asset class we will have a Pan regional dollar denominated strategy. We're going to have a Pan regional local currency denominated strategy, and we're going to have a country by country these five countries that I mentioned, Mexico, Colombia, Peru, Chile, Brazil, a local-to-local strategy for the five different asset classes.

So, we have, for example, in credits a pan regional dollar denominated credit strategy. We also have a Pan-regional local currency denominated strategy which invests in these five countries in local currencies, and we have a specific Chilean credit strategy, specific Colombian credit strategy, so the investors can actually choose now mostly investors that are outside of Latam.

They like the Pan regional dollar denominated strategy that focuses more on buying dollar denominated securities and the local pension funds because of their home buyers, because of regulatory issues, because they like to have assets and liabilities in the same currency. They prefer investing in the local strategies, so now yeah, this is exactly the core of our strategy, we think it's a major differentiating factor of Patria. I don't see

any other global alternative asset manager being able to do what I just mentioned because of the boots on the ground that you need to have in these five countries. We have over 80 people in Colombia today, we have over 150 people in Chile today, we have over 200 people in Brazil today developing these local strategies for these local investors.

As we develop this, with our brand name and the Moneda brand name and the Bank Colombia JV. In Colombia, we not only we reach the institutional channel, we also reach other channels like the multi-family offices, the single-family offices, the digital platforms, the independence and financial advisors, etc. So going also into retail and mostly our retail related products are the listed funds and the more liquid strategies because of the nature and the profile of this retail investor.

So very excited this is the core of what we're doing, and I think we mentioned during my part of the earnings call script here that over 70% of what we raised last year and over 50% of what we raised in the fourth quarter of last year came from local investors in these local strategies.

As we, talk also about the real estate inflows in Brazil. Yes high interest rates do affect, I think the inflows for our real estate funds, but I would break down, the our real estate funds into two major categories, what we call the bricks and mortar strategies and the security strategies, right? And so we have these two strategies. We are, market leaders in most of the sub-segments of the real estate industry, investment trust industry in Brazil. So as this industry in Brazil is segmented by thesis, so you have, a strategy that focuses in corporate offices, a strategy that focused in logistics assets, another strategy that focuses in retail, assets, or real estate, of course, and strategies that focuses in buying securities by buying, the CRIs, that strategy, I think it's going to be very successful this year.

Because as other strategies might suffer because of the high interest rates, on the contrary, the security strategies do benefit from that, and as we see demand for those strategies and our funds have been performing very well. Where their market value, are now very close to, NEV, sometimes even, some of our funds even with a premium, to NEV so we see raising money for those strategies, but yes, I think the brick-and-mortar strategy, will be affected negatively because of the high interest rates in Brazil.

Outside of Brazil we have a real estate strategy in Chile and in Colombia. In Chile, as I mentioned, we see no interest rates coming down, so that's the opposite. Now we see investors actually willing to invest in in the real estate related strategies to lock in duration, in Colombia, not yet. I think, in Colombia, the interest rates are coming down but not the velocity that we see coming down in Chile.

So, it depends on the country, depends on the strategy that I just mentioned, but brick and mortar specifically in Brazil suffers with high interest rates. I hope I answered your questions. Thank you.

Ricardo Buchpiguel - *BTG Pactual - Analyst*

That that's very clear and just a very quick follow up, how much is the brick-and-mortar strategy over the total AM from the real estate?

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

Real estate Brazil is approximately BRL 23 billion. Let me, I think there's another question coming and I'll come back to you.

Unidentified Company Representative

Page 17. Will give you the investment performance. It will also give you the breakdown of the AUM and by Type.

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

So, I think the investor presentation Rob is just mentioning here, the investor presentation on page 17 we give, all of our real estate investments and trusts, AUM, NEV, and performance, and we'll do the math as I answer the other questions here over the call, but I know that the total is approximately BRL 23 billion. I'll give you the breakdown in a couple of minutes if you don't mind. Thank you.

Ricardo Buchpiguel - *BTG Pactual - Analyst*

Thank you very much.

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

Thank you.

Operator

(Operator Instructions)

I'm showing no further questions at this time. Oh, now I'd like to turn it back to Alexandre Saigh for closing remarks.

Alexandre Saigh - *Patria Investments Ltd - Chief Executive Officer, Director*

Okay, great. And just as a side note, Ricardo we're just doing the math. I'll, we reach out to you offline to give you this breakdown of the BRL 23 billion of weeks, how much is brick and mortar, how much is securities. So, thanks for your patience.

Now coming back to the closing remarks again, we know very pleased and extremely honored, and happy with the team, in the end of the day, we managed to read these results. Again, the guidance and reaching the target of \$170 million of the earnings and distributable earnings of \$189 million with performance fees of \$40 million plus etc. And extremely good year for now 2024 for us, extremely happy, we are a people business and I really want to congratulate the huge efforts that was done in environments that, at sometimes we're not very pro, the business that we faced in the globally geological issues, whatever around the world.

And now going into 2025 we're very excited now, we had a good January already, looking into the year. As I mentioned, I think we feel very comfortable in reaching the \$6 billion fundraising, targets, also we see that, we will know, deliver on the \$200 million to \$225 million FRE and also, with good perspective of generating additional performance fees with the sale of several of our assets of funds that do generate carry. Excited here and thanks for your patience. Thanks for, keeping up with us here for this call. I hope to see you presentially, in this, in this conference here or in a shortly as we visit you at your offices.

Thanks a lot. Talk to you guys soon. Bye-bye.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2025, Refinitiv. All Rights Reserved.