CVC Capital Partners plc
Half-Year Results

Analyst call transcript

Operator:
Good morning, and welcome to the CVC Capital Partners plc 2026 Half-Year Results Call. Please be aware that this call is being recorded, and all participants are currently in listen-only mode. I would like to hand over to Bruce Hamilton to begin the meeting. Bruce, please go ahead.

Bruce Hamilton:
Thank you, operator, and good morning everyone. Today, we'll update you on our performance for the first six months of the year. We have up to 60 minutes for the call. We'll begin with the presentation and after that, we'll open the floor to questions. Presenting today are Rob Lucas, CEO, Rob Squire, Head of Client and Product Solutions, Peter Rutland, President, and Fred Watt, CFO. Rob, over to you.

Rob Lucas:
Thanks, Bruce, and good morning everyone. Welcome to our half-year results call. Starting on slide two, you can see the first half of 2026 was a period of real momentum, with strong performance across every part of our business. Once again, we've delivered record realisations at highly attractive returns, a track record that remains second to none. This is translating into fundraising momentum across all four platforms and each client channel, driving growth in fee-paying AUM, greater diversification, and still stronger financial performance. First, let me provide a bit more detail on our operating performance. Realisations continued at record levels up 79% LTM, and these continue to be delivered at highly attractive returns. Value creation saw further increases to 11% over the last 12 months, reflecting the benefit of our sourcing and value creation engines. In the first half of this year alone, value creation for PE and infra was 6%, with Europe / Americas delivering value creation of 8%.

Deployment continued at a consistent pace of €26 billion over the last 12 months to June, and with a strong pipeline going forward. And we saw broad-based fundraising momentum right across the business, with gross inflows of €11 billion, again showing the strength of our diversified platform. That operating momentum translates directly into our financial performance. With group fee-paying AUM up 9% year-on-year, fee-related revenues followed that trend growing 9% as well. Combined with strong performance-related earnings, first-half EBITDA has increased by 12%, and adjusted EPS is up 11% year-on-year. And our strong, predictable cash generation supports a dividend per share up 12% year-on-year. And this is alongside our ongoing share buyback programme. Fred will take us through the financials fully in a few minutes. Looking in more detail at realisations, our record last 12 months really does mark us out as an industry leader and follows a record year in 2024 and again in 2025.

Realisations in the first half of 2026 were up 19% compared to the first half of 2025, driven by exit strength right across our platform. These include notable exits from our Europe / Americas Funds VII and VIII, such as Naturgy, the Spanish-based energy company, and Rayner, our medtech eyecare company, as well as from Asia and infrastructure as highlighted on the slide. For the full year, we expect realisations broadly similar to last year. These record realisations feed directly into our track record of creating exceptional returns for our clients and delivering DPI that truly differentiates us. Over the past four and a half years, we've returned 33% more capital than we have called from our private equity platform. And within that, 40% more than we have called from our Europe / Americas franchise, something that is quite unique across our peer group. In an environment where our clients are ever more focused on DPI, this is central to our high confidence in our future fundraising, not least Fund X, which we'll be launching in six months' time.

Our returns over this period are equally strong, 3.6 times gross multiple of money, and 26% gross IRR across our private equity exits, or four times and 29% across Europe / Americas. But how are we able to consistently deliver these returns and realisations? For me, three factors stand out. First, the upper mid-market size of our investments gives us flexibility. We aren't reliant on the IPO markets to exit. Second, our prudent portfolio marks, which allow us to exit consistently at an uplift. And thirdly, and very importantly, our ability to drive strong alpha during our ownership, creating high-performing, valuable businesses. On the topic of investment performance, we are seeing very positive operating momentum across our portfolio companies. Over the last 12 months, we have delivered EBITDA growth of 13% across all of our private equity funds, and 14% across Europe / Americas Fund VIII. And importantly, this growth is broad-based as these funds are diversified with typically 30 to 40 investments in Europe / Americas funds. It's also worth noting this value creation includes the markdowns to our limited software exposure, in line with changes in public market valuations in the first quarter.

With this value creation, a number of our funds have seen strong progress in gross MOICs over the last six months. With Europe / Americas Fund VIII, for example, increasing to 1.5 times from 1.3 times six months ago. As I've said previously, the importance of AI for portfolio companies can't be overemphasised, and we are putting material resources into preparing ours for this enormous technological change. AI will have disruptive effects, but can also be massively beneficial for those who really embrace it. This is why we are very much focused on accelerating the adoption of agentic AI across our portfolio companies to drive further value creation, including by using partnerships with all the major providers. In our investment process, we are also leveraging AI platforms to enhance knowledge sharing and to support investment decision-making, including for due diligence. We were early adopters, taking our whole senior team out to Singularity University on the West Coast in early 2020 to better understand the significance of large language models.

Since then, we have fully embedded the AI opportunity and risk lens into our investment committee decisions. More broadly, the strength of our network shows in the breadth of our capital deployment across the platform, and the way our teams work together. In the first half of the year, we acquired the Animal Nutrition & Health business of dsm-firmenich, an investment made possible by the combined efforts of our Benelux, DACH, and chemicals teams. In sports, media and entertainment, where we are a world leader, we acquired the world's largest online chess platform, Chess.com, and made an investment in Equine Network, which is a leading North American equestrian sports league. Both investments combined the expertise of our SME sector team with our US platform.

In the first half, this led to a deployment pace that remained consistent with a three to four-year investment cycle, running at a similar level to the prior year, and our healthy pipeline gives us real confidence as we look forward. We have built CVC into one of the world's broadest and most diversified private markets leaders. This breadth is a huge competitive advantage as clients consolidate relationships, and are looking for partners who can serve them across multiple strategies, channels, and geographies. As you can see on the left of this slide, our four platforms are all in sizeable and very attractive markets, private equity, credit, secondaries, and infrastructure. Within each of those platforms, our unparalleled global network of 30 offices, and our specialist teams provide the deepest origination funnel in our industry.

This is complemented by a highly aligned, very distinctive compensation model, and a business that is fully integrated as One CVC. As you can see on the other side of the slide, we are proud to have the highest quality client base and relationships. Our consistent track record of outperformance through the cycle has helped us create deep, long-standing relationships with the top LPs in the world. And at the same time, our fundraising capabilities continue to broaden and expand across the insurance and private wealth channels. All this means we're extremely well-positioned for growth, benefiting from the trends at work in our industry. We are gaining market share on the back of our consistent outperformance and investor appetite for Europe. We are demonstrating strong growth in credit, infrastructure, and secondaries. In each case, we are using the power of the CVC network to keep scaling these platforms and broaden them further, including into adjacent products, and client segments.

And in private equity, we are confident in future growth driven by Fund X, which we expect to be the same size or larger than its predecessor, which is still the largest private equity fund ever raised. This all underpins our previously guided double-digit CAGR in fee-paying AUM to 2028, and a clear path to a substantial step up in our earnings in 2028 as we activate Fund X.

With that, I'll hand over to Rob to take you through fundraising. Thanks, Rob.

Rob Squire:
Thank you, Rob. And good morning, everyone. I'll start my section with an update on our closed-end institutional capital raising. Slide 11 shows that our strong execution in this channel continued in the first half, with momentum across our entire platform here at CVC. We held two highly successful final closings during the period. Firstly, our CLO Equity Fund IV with commitments of $1 billion, a 25% increase on the predecessor Vintage III, powering $15 billion of CLO issuance. Secondly, we closed our maiden European middle-market buyout fund, CVC Catalyst, with aggregate commitments of $3.4 billion. This total is 70% above our initial $2 billion target and offers yet one more data point on the strong institutional demand for European private equity. In our secondaries business, SOF VI had closed $9.3 billion at the half year, and we'll hold a final close there in the coming weeks with more capital.

On the back of this success, we feel well positioned to now broaden our secondary platform into new adjacencies, including the imminent launch of Credit Secondaries and, over time, the launch of Infrastructure Secondaries. And on infrastructure, we've closed €5.2 billion of aggregate commitments at the half year into our Value Add IV and our DIF Fund VIII. Combining this capital with further closings already held in July and other IC approvals received, we're now over 75% complete on our combined €8 billion target. When taken as a whole, we see this execution demonstrating CVC's capacity to raise institutional capital at scale as we broaden our platform. The support and the partnership that we're seeing day in and day out from our longstanding client relationships provides all of us with real confidence in our pipeline to 2027 and our Fund X raise specifically. Pre-marketing for that process is now well underway and is very much in line with expectations. CVC's outstanding investment and realisation metrics combined with our proven underwriting model for that specific process underpin our confidence in delivering a fund at the same size or larger than its predecessor.

Now turning to slide 12. And as Rob referenced, we see CVC's platform continuing to gain share in each of our channels. And I want to quickly detail the structural drivers that I'm seeing firsthand, which position CVC so strongly. First, as we've referenced on prior calls, we see the vast majority of our clients continuing to concentrate their capital with fewer and fewer GPs, focusing both their time and their energy on relationships that can span multiple asset classes. Secondly, we see an ever-growing emphasis on partnering with managers that can demonstrate a proven track record of generating alpha across economic and market cycles. And I see this focus point especially gathering even more momentum in the years to come.

Third, institutional clients are placing ever more weight on actual cash-on-cash returns and actual DPI metrics instead of mark-to-market paper gains. On this front, CVC's track record is second to none. And fourth, we continue to see a rebalance in our private market portfolios towards greater European exposure. Given CVC's leadership position in European private equity, credit, secondaries, and infrastructure, we feel very well-placed to be the partner of choice for our clients. Now, Rob referenced several of these trends as emerging or indeed accelerating since the start of 2022. And as we show on the right-hand side, during that time period, we've generated in excess of €100 billion of gross inflows onto our platform. While the aggregate scale of that capital is pleasing and is set to jump again with our Fund X process, what's most encouraging is the acceleration in the year-on-year cadence of these flows as we broadened our platform, specifically the growth in flows to secondaries, infrastructure, and to credit. And I fully expect this cadence will amplify further when we onboard the Marathon products in the coming months and years ahead.

So lastly from me, on slide 13, we cover private wealth, and I'm pleased to report that we've continued to make good progress in the channel with around €7 billion of aggregate value now in our evergreen structures. This total is more than four times the level of just a year ago and is 90% up on the values which I provided at the full year results. During the first half, we accepted over

€2.6 billion in subscriptions, and we had gross redemptions of around €80 million, implying net inflows to our evergreen products of around €2.5 billion. As a reminder, we see these vehicles as an important long-term opportunity for CVC to accept different forms of capital alongside our long-established strength in the traditional closed-end format.

Aside from private wealth, we believe these structures will be the conduit for defined contribution retirement plans to gain exposure to private markets, including over time, the emerging 401(k) opportunity in the United States. I'm pleased to report that from a standing start just over two years ago, we now have active evergreen offerings in each of private equity, credit, secondaries, and infrastructure with multiple vehicles tailored to the large US market.

In conclusion, as is the case with our closed-end funds provided that we maintain strong performance, I have every confidence that the long-term trajectory of these vehicles will be incredibly positive as clients in this maturing area increasingly seek to align their capital with high performance managers.

So with that, I'll now hand over to Peter to provide an update on the developments that we're seeing in credit and insurance.

Peter Rutland:
Thank you, Rob, and good morning everybody. We have significantly scaled our credit platform in recent years to build market-leading positions in both private and liquid credit. Today, we are a top three manager in European private credit and the number one CLO manager in Europe. The quality of our underwriting is reflected in our outstanding performance track record with very low default and loss rates, an annualised default rate of just 0.2% since inception in European direct lending, and 0.2% loss rate in CLOs well below industry averages. In direct lending, this is partly because European private credit markets have a more favourable dynamic in terms of capital supply and demand than in the US. But in addition, like in private equity, portfolio diversification in credit is a key driver of this outperformance with, for example, software exposure well below industry averages. This performance has driven strong growth and we have scaled our European direct lending programme from €1 billion to over €10 billion in only two vintages and a 30% CAGR in our credit fee-paying AUM since 2020.

We also see substantial future growth potential. We have continued to invest in our product offering. Notably, the acquisition of Marathon, which closed on July 1st, brings us market-leading performance in a number of attractive sub-sectors, especially in the US market, including the fast-growing asset-based lending, structured credit, and real estate credit, with minimal exposure to the US direct lending market. This significantly expands CVC's addressable market opportunity across all our routes to market. Indeed, with this broadened product suite and our market-leading performance, we are confident that we can continue to scale in the institutional channel.

In private wealth, as just touched upon by Rob, we see significant further growth potential from the €3.5 billion we've reached in our CVC-CRED vehicle in just two years. And in insurance, the addition of Marathon's capabilities will allow us to further accelerate our growth in that segment. Indeed, the size of the insurance opportunity is considerable, and we are well-positioned to win. Insurers need to improve the risk-adjusted returns on the asset side of their balance sheets to meet the competition from insurers backed by alternative asset managers.

We have already raised €18 billion over the past five years. And given the focus on the insurance channel, we're now bringing together our insurance expertise more closely with our credit expertise into one credit and insurance organisation. Our credit investing capabilities together with our experience in insurance private equity and technical expertise from our Global Insurance Solutions team mean that we can create solutions that are highly attractive to insurers. This broadening of conversations we can have with insurance clients is illustrated by the $3.5 billion strategic partnership we entered into with AIG at the beginning of the year.

And with that, I'll hand you over to Fred to take you through the financials.

Fred Watt:
Thank you, Peter, and good morning everyone. Starting with slide 17 and fee-paying AUM, which as we can see, grew 9% year-on-year to €153 billion. As Rob noted earlier, that growth was led by credit, secondaries, and infrastructure, which together were up 19% year-on-year. Private equity was in line with the June '25 levels reflecting on the one hand strong realisations, but offset by fee-paying inflows with the completion of Catalyst and also the positive momentum we've seen in private wealth. Moving to slide 18 and turning to the P&L. Fee-related revenues were up 9% versus the first half of '25 in line with fee-paying AUM growth at €771 million. As you can see on the slide, fee-related revenues included €22 million of catch-up fees relating mainly to the capital closed in H1 for Catalyst and SOF VI.

Fee-related earnings were up 11% to €442 million and FRE margin of 57% also benefited to some extent from those catch-up fees. Performance-related earnings of €110 million were up 15%, tracking in line with our expectations and also tracking our prior guidance for the year. Taking both FRE and PRE together, EBITDA increased 12% to €554 million. And finally, profit after tax was €434 million up 10% with the effective tax rate excluding carried interest at around 20.5%, higher than last year, but within the range of 19% to 21% that we discussed at our full year results. Turning to slide 19 on costs. Total operating expenses grew 7% year-on-year reflecting our focus on cost discipline alongside investment in our growth areas such as private wealth and insurance. For the full year, we continue to expect total cost growth to be slightly below 10% with higher growth in the second half due to the phasing of hirings. And consistent with what we said in March, we expect total cost growth to revert to mid- to high-single-digit percentages from 2027 onwards. Turning to performance-related earnings in slide 20. The basic message here is that we are reaffirming all guidance set out at the full year results in March. Firstly, the future carry potential embedded in funds already raised remains unchanged at €5 billion with carried interest recognised in the first half offset by carry on new capital closed in the period. This will flow through the P&L over the coming years and is based on our key funds achieving the midpoint of their target ranges.

Secondly, on the outlook for PRE, we're also reaffirming the guidance that we set out at our full year results, including for 2026. The strong realisations we have delivered in the first half gives us increasing visibility and confidence in delivering this. Our unchanged expectation is for aggregate PRE of around €600 million to €700 million over 2026 and 2027, with the most likely path still being 2026 at around the 2025 level, followed by a first step up in 2027 with expected initial carry recognition of Asia V. Finally, we continue to expect that a further substantial build will then follow across 2028 to 2029 as Fund VIII recognises its initial IFRS carry given the IPO perimeter and IFRS accounting effects we have discussed previously.

Lastly, turning to our balance sheet and cash generation on slide 21. As at 30 June 2026, we had a healthy balance sheet position with gross cash of €645 million and long-term debt of approximately €1.9 billion. This reflects the issuance of $550 million of US private placement notes and is adjusted for the cash used for the closing of the acquisition of Marathon, which took place on 1 July. Strong operating cashflow in the first half supported the payment of the 2025 final dividend of €250 million, as well as €194 million of share buyback completed out of the announced programme of up to €350 million. The net debt leverage ratio as of June was 1.2 times, adjusted for the closing of the acquisition of Marathon, well within our maximum leverage guidance of two times. The second half of the year will see continued strong operational cash flow, supporting the payment of a €275 million interim dividend plus further progress in the share buyback programme.

With that, I will hand back to Rob for some concluding remarks.

Rob Lucas:
Thanks, Fred. So to conclude, what excites me the most is not just the strength of the first half's performance, it's that every structural trend shaping private markets today, client consolidation, demand for alpha, insurance capital, private wealth, European allocations, and product diversification, they all play directly to how we have positioned CVC and how we've built our strengths. Our market share gains continue. The strong double-digit growth in EBITDA, EPS, and

dividends in the first half is underpinned by fundraising momentum, including the $3.4 billion raised for Catalyst and the $9.3 billion raised so far for SOF VI.

You've heard today about our strong growth in private wealth and insurance, with Marathon materially expanding our offering. At the same time, we remain firmly focused on our core institutional clients. We see continued growth in private equity, with increasing visibility and confidence in our ability to deliver Fund X at the same size or larger than Fund IX, alongside continued fast scaling in credit, secondaries, and infrastructure. This all underpins our previously guided double-digit CAGR in fee-paying AUM to 2028, and the clear path to a substantial step up in our earnings in 2028 as we activate Fund X. Thank you very much.

Now, just before I hand over to Bruce to start the Q&A, you'll have seen we announced in May that John Hourican will join CVC as CFO in September, and succeed Fred who will retire after almost 20 years with the firm. I'd just like to take a moment to recognise Fred for his exceptional contribution to CVC over nearly two decades. Fred joined in 2007, and has played a central role in helping us build CVC into the global business we are today, including of course our IPO in 2024. On a personal basis, Fred has been a trusted partner and colleague to me and to many others over the years, and externally as a trusted contact for many of you on this call.

On behalf of us all, thank you, Fred, for everything you've done, and best wishes for a happy retirement.
Bruce, over to you.

Bruce Hamilton:
Thank you, Rob, Rob, Peter, and Fred. Now let's open it up for the questions. Please try to keep to two questions per person. Operator.

Operator:
Thank you. If you would like to ask a question verbally, please either use the raise hand function at the bottom of your Zoom screen, or if you have dialled in, please press star five on your telephone keypad. If you wish to withdraw your question, simply lower your hand or press star five again to cancel. If you would like to ask a written question, please use the Q&A box on your Zoom screen. There will now be a brief pause while we register the questions.

Our first question comes from Hubert Lam with Bank of America. Please unmute and ask your question.

Hubert Lam:
Hi, thank you for taking my questions, but first I'd like to thank Fred. Thanks, Fred, for all the help since the IPO, and all the best in the future.

My two questions, firstly, on wealth. Any indications of slowing demand near-term for your wealth products, or do you see any change in terms of your goals or launches because of the more challenging backdrop within the evergreen sector? That's the first question. Second question is on credit. How do you see deployment opportunities now? You see more now just given the sector dislocation or is the lack of sponsor activity slowing your deployment activity? Thank you.

Rob Lucas:
Thanks, Hubert. Rob, would you like to take the first question there? And Peter, would you like to speak to the second?

Rob Squire:
Sure. Good morning, Hubert. Obviously, I don't have a crystal ball, and so what I can tell you is that we're really pleased with the momentum that we're seeing. We had net inflows into all of our evergreen products in Q1 and in Q2. And so we feel incredibly well-positioned. And I've said on prior calls, we're really seeing that differentiation in terms of that European nexus play through in

terms of the reception that we're getting, not just sort of in the rest of the world space, but also specifically within the US wealth space. So that's how I'd answer that. Peter.

Peter Rutland:
Thanks, Rob. Yes, Hubert. As noted by some of our peers, there has been a muted level of activity in the first half, partly driven by overall industry new deal activity being lower. We see this more as a temporary phenomenon, and from our point of view, our underwriting remains extremely disciplined, and we are really focused on making sure we're picking the very best opportunities ahead of us.

Bruce Hamilton:
Next question, please, Operator.

Operator:
Our next question comes from Nicholas Herman with Citi. Please unmute and ask your question.

Nicholas Herman:
Hello? Can you hear me?

Rob Lucas:
I can hear you now.

Nicholas Herman:
Ah, okay. I think I had not unmuted my line. Perfect. Yeah, thanks for the presentation, taking my questions. Two for me as well, please. Firstly, on insurance, outside of the US players, I'm not really aware of such high integration between the insurance and credit teams. So it feels like that's quite or relatively unique. And I guess from a competitive standpoint, outside of your global US competitors, can you just talk about the competitive environment to win these insurance mandates, which there's clearly a significant opportunity there? And then finally just bring that all together. It feels like the AIG partnership and SMA was not really a one-off. Is that fair? That's the first one.

And then the second one, just a quick one on Fund X, just trying to conceptualise the guidance on Fund X to be at least as big as the last fund, given the clearly very strong DPI. Were Fund X to be the same size as Fund IX, what level of re-up rate would that broadly equate to? Thank you.

Rob Lucas:
Brilliant. Thanks very much, Nicholas. Peter, maybe you could just take the first question and Rob, Fund X.

Peter Rutland:
Sure. Thanks, Nicholas, for the question. And I'm not sure whether others have integrated quite as closely as we have. But certainly we think that to be successful with insurance clients, you do need this combination of the right products that we talked about in the presentation, as well as bringing an overlay of the expertise of the specifics that insurance balance sheets need to have. And absolutely, we do have big ambitions for the insurance market, and we hope and expect that the AIG partnership will not be the only strategic one that we will have in a few years' time.

Rob Squire:
Great. And in terms of Fund X, Nicholas, look, we will announce the target size, the cover amount at our annual investor meeting in London, in the second week of September. And then in terms of your question around re-up rates, as you know, we have a very proven underwriting process for that fund family where we re-underwrite every single line item over the course of the preceding 18 months. And so we're very confident that we will achieve industry-leading, quite frankly, re-up rates there. And I think that with this renewed appetite for Europe, I do actually think that the existing clients will probably contribute more into Fund X relative to what they were in Fund IX. So we feel quite positive again at this stage.

Nicholas Herman:
That's very helpful. Could you just remind us how much the existing clients contributed to Fund IX in that case, please?

Rob Squire:
I'm not sure we disclosed that, Nicholas.

Nicholas Herman:
No worries. Thanks a lot.

Bruce Hamilton:
Next question, please, operator.

Operator:
Our next question comes from Arnaud Giblat with BNP Paribas. Please unmute and ask your question.

Arnaud Giblat:
Yeah. Good morning and best wishes to Fred. Two questions, please. First, could I ask about Fund IX that is currently deployed at 65%. Could you talk about the investment pipeline that's currently active for that fund? And specifically, can you remind us, at what investment level does that fund need to be for Fund X to be activated? The second question is on SMAs. So you've done really well in developing rapidly a wealth channel. I suppose perhaps the next step is to take the secondaries and the broad-based four-platform approach to small institutions globally to try and sell a diversified investment to small institutions. I'm just wondering if that's something in the plan, and what sort of developments should we expect there? Thank you.

Rob Lucas:
Thanks, Arnaud. Let me talk to Fund IX and the investment pipeline, and also activation levels. So the pipeline is good at the moment, but the world out there is quite volatile. And so the flow rate can be quite variable. I mean, we are just very fortunate to have the people on the ground in the local markets, to have the local network, and we generally see opportunities and can secure those opportunities ahead of others in the market, particularly within, of course, the European context.

So we will see how that pipeline flows through. We're being very selective, is the point here. And so although we are currently 65% deployed, I think we still are looking at that three- to four-year investment cadence in terms of the amount of time. And so hence why in terms of activation, we're still looking at the first half of 2028 to do that. In terms of the activation level, we'd normally do that generally around 95% level of deployment out of the prior fund. In terms of the SMAs, I don't know whether, Rob, you're happy to talk to that.

Rob Squire:
I'll be very happy to. Hi, Arnaud. Look, I think as I said to Hubert's question, we're very, very happy with the momentum that we're experiencing with the reception that we're getting within the wealth channel, more broadly defined. I think if your question was around smaller institutions, I think at this stage we've got plenty of runway in front of us within the private wealth channel, and many of those smaller institutions do invest in our closed-end structures already. I think over time, as I referenced, I really see these vehicles as being the linchpin to the DC, the defined contribution retirement space. We're already seeing that to a certain degree in Europe with ELTIF and LTAF. And so if that broadens the aperture, and part of that is smaller institutions, then that's great.

Bruce Hamilton:
Thanks. Next question, please, operator.

Operator:
As a reminder, if you would like to ask a question verbally, please either use the raise hand function at the bottom of your Zoom screen, or if you have dialled in, please press star five on your

telephone keypad. We will take our next question from Oliver Carruthers with Goldman Sachs. Please unmute and ask your question.

Oliver Carruthers:
Hi there. Oliver Carruthers from Goldman Sachs. I've got two questions, please. The first question on EUDL V, your next direct lending fund. So on slide 11, you're showing a €5 billion target for this fund. I think this is the first time you've disclosed this. Obviously that excludes leverage, co-invest and SMAs. I think you'd previously presented a target on a slightly different basis, inclusive of these numbers, back at your credit CMD back in October last year. But could you maybe give this five billion fee-paying AUM context in the momentum you're seeing with LPs and also the deployment landscape for European direct lending? We've just seen quite a few pretty strong peer raises in this space, and I'm just interested on your views on how your franchise is going there.

And then the second question, per your press releases in the last few months, we've seen quite a few exit announcements, particularly in Fund VII in Europe / Americas. Could you help us just understand how they will mechanically flow through to your performance fees as we think about the second half of this year, or maybe how much of that has already come through in the first half numbers that you've printed today? Thank you.

Rob Lucas:
Great. Thanks very much indeed, Oliver. Rob, do you want to just take the first part and then Fred, perhaps second part?

Rob Squire:
Sure. Hi, Oliver. So yeah, the EUDL V number that we've got on slide 11, that is an unlevered equity target. Obviously a reasonable proportion of that total is levered one to one. And then on top of that, again, as you rightly point out, you have a series of large SMAs that sit alongside that. And so if you recall, our EUDL IV was very successful at north of €10 billion. And again, I think on this raise, we'd certainly hope that we can conclude it larger than the predecessor.

Fred Watt:
Hi, Oliver. On performance fees and realisations. Yeah, and there's one or two that we did announce that are still going through regulatory approval, for example, which is why we're really guiding to unchanged in total, but more second-half weighted in terms of PRE. That's really in line with what we're expecting. So nothing material either way, but in line with our expectations.

Rob Lucas:
And in terms of the mechanics, Fred, Oliver was just asking about the mechanics around the treatment within Fund VII.

Fred Watt:
Yeah, so it's pretty much the same as any fund in itself. So there are some announcements we make where we sign the realisation, but then of course it's waiting for regulatory approval, in which case under IFRS, we're not able to recognise that from a PRE perspective. So that's pretty consistent with prior periods, but we're not changing our view in terms of timing here or our total for 2026.

Rob Lucas:
And of course, it's a 50% allocation through to the PLC within Fund VII. Nothing within Fund VI, 50% within Fund VII, i.e. 15% through to the PLC. And then once we get to Fund VIII, 100% or 30%. So, good. Thank you.

Oliver Carruthers:
Thanks.

Bruce Hamilton:
Next question, please, operator.

Operator:
Our next question comes from Julian Dobrovolschi with ABN AMRO. Your line is now open.

Julian Dobrovolschi:
Good morning, gentlemen. And Fred, first of all, wish you a really happy retirement indeed. Two questions. First on the management fee rate, we've seen record realisations which have been shrinking the PE fee-paying AUM in the mix while credit, secondaries and infrastructure are now exceeding 50% of the asset base. And we also know that the strategies carry lower fee rates than PE, especially the credit and secondaries. So my question is, how should we think about the blended management fee rate margin over the next two, three years as the mix shifts away from the PE strategy? And the other one, really quick, just wondering how sustainable do you think is the 57% FRE margin in H1? So how much of that do you think we can actually sustain in the second half, given the fact that the OPEX is going to accelerate? Thanks.

Fred Watt:
Yeah, let me take both of these, Julian. Thank you. So in terms of fee rate, I think the blended rate we're still seeing as we look forward is still at around 1% of fee-paying AUM. You're right, credit is lower fees, but equally secondaries and infra are higher than the group average of 1%. So we're still seeing that overall blend moving in the consistent path towards that maintaining 1% on average fee rate. In terms of your margin point, it's really partly around... I get your point on expenses, but it's also partly around the catch-up fees that we saw in the first half. And I think if we spread that €22 million of catch-up fees across the full year, first half would've been at 56%, and that's probably in line with where we're headed for the second half as well.

Bruce Hamilton:
Thanks. Next question, Operator.

Operator:
Our next question comes from Michael Sanderson with Barclays. Please unmute and ask your question.

Michael Sanderson:
Good morning. Thank you for taking the question. Just a couple of quick ones, please. First of all, you mentioned the progress in MOICs. I was just interested if you were able to break that down at all between the earnings growth, the realisations you've seen, and what multiples you've applied, because clearly where we are at end of H1 '26 is nicely higher than where we were at the end of FY '25. So just interested if there's any more granularity you're willing to share on that. Second thing was Europe / Americas obviously, by its name, there is the opportunity to invest in two major areas. In the early conversations you're having around re-ups, is there any sort of discussion about how the allocation of Fund X might change or not versus prior vintages? I know it's all a long way off, but just interested to know whether there's a demand from investors that you're going to spend more in either of the individual geographies. Thanks very much. And thank you, Fred, for your help.

Rob Lucas:
Thanks. Thanks, Michael. Let me just take the second of your questions there, and then maybe Fred, you could just give a little bit of the breakdown in terms of the MOICs. Just in terms of Europe / Americas, as you know, we invest very bottom up. And so it all depends on where we see the very best opportunities, Michael, in terms of how we approach it. Having said that, we are putting 35 to 40 investments into a Europe / Americas fund. And generally speaking, the exposure to the Americas within that has been in the 15 to 20% region, something like that. And I think we'd probably see that as a similar level. There's no doubt that there has been increased investor appetite for Europe that we've seen over the recent months, and that's really, really come through. And certainly we see the ability to drive alpha within the European environment as particularly compelling at the moment. But it all depends on where we see the very best opportunities, and that's what will dictate. But I would've thought generally around that 15-20% level, as it's historically been something similar.

Fred Watt:
And on your point, Michael, so yeah, most of the uplift is coming from real earnings growth. So you see that in slide seven where we've set out the EBITDA and revenue growth in Europe / Americas in particular. So the vast majority is coming from that, but we're also seeing some uplift from realisations as well. And then we are realising at above the mark that we were holding assets in December. And so that continues, and so that's a contributor to it. But the biggest element of the growth in MOICs is from underlying real earnings growth at the portfolio level.

Bruce Hamilton:
Great, thank you. I think that there are no further questions. So thank you all for your participation, and we look forward to speaking again soon. Thank you.

Fred Watt:
Thanks very much indeed, everybody.

Operator:
This concludes today's call. Thank you for your participation. You may now disconnect.