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AMG.N - Q2 2026 Affiliated Managers Group Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Greetings and welcome to the AMG second-quarter 2026 earnings call. (Operator Instructions) Please note this conference is being recorded.

I will now turn the conference over to your host, Patricia Figueroa, Head of Investor Relations. Please go ahead.

Patricia Figueroa - *Affiliated Managers Group Inc - Vice President, Investor Relations*

Good morning and thank you for joining us today to discuss AMG's results for the second quarter of 2026. Before we begin, I'd like to remind you that during this call, we may make a number of forward-looking statements, which could differ from our actual results materially due to a number of factors, including those described in today's earnings press release and our most recent Form 10-K and subsequent filings with the SEC. And AMG assumes no obligation to update these statements.

Also, please note that nothing on this call constitutes an offer of any products, investment vehicles, or services of any AMG Affiliate. A replay of today's call will be available on the Investor Relations section of our website along with a copy of our earnings release and reconciliations of any non-GAAP financial measures, including any earnings guidance provided. In addition, we have posted an updated investor presentation to our website and encourage investors to consult our site regularly for updated information.

With us today to discuss the company's results for the quarter are Jay Horgen, President and Chief Executive Officer; and Dava Ritchea, Chief Financial Officer. With that, I'll turn the call over to Jay.

Jay Horgen - *Affiliated Managers Group Inc - President, Chief Executive Officer, Director*

Thanks, Patricia, and good morning, everyone. Today, AMG reported another quarter of record results. including the highest second-quarter earnings in our company's history. Adjusted EBITDA of approximately $316 million and economic earnings per share of $8.29 grew 44% and 54% year over year, respectively, reflecting the strength of our diversified business and the ongoing execution of our strategy.

Assets under management increased to a record $942 billion, driven by net inflows and markets, and setting the stage for ongoing earnings growth momentum in the second half of 2026. We continue to generate strong organic growth with $13 billion in net inflows in the quarter and $56 billion in net inflows over the last 12 months.

Importantly, these figures understate the exceptional momentum in higher-fee, higher-margin alternative strategies, which attracted $29 billion in net flows in the quarter and approximately $100 billion over the past 12 months. Given this significant growth and our increasingly attractive business profile, we continued to repurchase shares at an elevated pace, deploying approximately $189 million toward repurchases in the quarter and approximately $375 million in the first half of 2026.

The momentum across our business highlights the successful execution of our strategy and is a result of the ongoing evolution of our earnings profile toward alternatives. Today, alternatives account for more than 60% of our earnings, and this contribution is expected to grow meaningfully over the next 12 months.

As we have discussed in prior calls, four secular trends continue to drive our organic growth profile: first, the accelerating client demand worldwide for secondary strategies across private markets; second, the ongoing client demand for infrastructure strategies broadly; third, the growing demand for absolute return strategies within client portfolios; and fourth, the continued expansion of tax-aware investing. Together, these four growth areas -- secondary solutions, infrastructure, absolute return strategies, and tax-aware strategies -- have been the driving force behind the $100 billion in net inflows into our Affiliates' alternative strategies over the past 12 months.

Looking ahead, we expect ongoing strength in alternative strategies as clients increasingly seek differentiated sources of return and diversification, against the backdrop of a more complex market environment. With five consecutive quarters of alternative-led net inflows so far, and increasing exposure to structural growth areas, AMG is well-positioned for sustained organic growth and earnings momentum.

More broadly, over the last 12 months, our assets under management have increased by approximately $171 billion or 22%, including $69 billion as a result of new Affiliate investments. Following an active first half, including the completion of our investments in BBH Credit Partners, HighBrook Investors, and an incremental minority investment in Garda Capital Partners, our pipeline remains strong.

In the second quarter, we saw a notable increase in new investment opportunities, including a number of high-quality independent firms managing alternative strategies, and that trend has continued into the third quarter. We are excited to execute on this expanded opportunity set and we see meaningful potential to form new partnerships that further diversify our business and drive earnings growth.

Our reputation as a strategic partner that can magnify the competitive advantages of independent firms while preserving their independence, continues to distinguish AMG in the marketplace. No other institutional partner can match our 30+ year track record in meeting the needs of and magnifying the opportunities for independent firms, which is why AMG's unique approach continues to strongly resonate with prospective Affiliates. And given our competitive differentiation, our robust capital position, and our strong pipeline of new prospects, we have a sizable opportunity to drive additional earnings growth and further evolve our business profile through new investments.

AMG's business is highly diversified across 40 Affiliates operating in private markets, liquid alternatives, and differentiated long-only strategies. This unique business profile generates significant unencumbered cash flow, enabling us to navigate periods of uncertainty and changing market conditions while also making accretive investments in new and existing Affiliates.

In addition, given our forward growth prospects and the strength of our capital position, we have been a buyer of AMG shares in size, repurchasing more than 10% of the company's shares outstanding in the last 12 months, and nearly 25% since the beginning of 2024. And we expect to continue to take advantage of this opportunity, especially during periods of dislocation in our share price.

Our attractive business profile and our ability to invest substantial capital in the areas of highest growth and return across new and existing Affiliates and share repurchases, provides us with the opportunity to continue to generate a long-term compound annual growth rate and economic earnings per share of between 15% and 20%, as we have done over the past 5 years. And given the ongoing successful execution of our strategy, that growth rate has accelerated. In 2025, we generated growth in economic earnings per share of more than 20%. And we expect that growth rate to be approximately 40% in 2026.

As we look ahead, our capital allocation decision-making will continue to be, by far, the most impactful element of our strategy. We expect our cumulative free cash flow over the next five to seven years to approximate our entire current market capitalization, enabling us to continue to deliberately evolve AMG's business towards areas of growth in our industry. And with our unique partnership-centric, cash-generative, return-focused model, we will continue to deploy that capital with discipline, further diversifying and enhancing our earnings power and our ability to create long-term value for shareholders.

And with that, I'll turn it over to Dava.

Dava Ritchea - *Affiliated Managers Group Inc - Chief Financial Officer*

Thank you, Jay, and good morning, everyone. In the second quarter, AMG's business momentum continued to increase, supported by strong organic growth, record assets under management, and accelerating year-over-year earnings growth, which have together resulted in a record cash flow generation in 2026. Our results underscore the benefits of our diversified Affiliate model, the positive impact of our strategic focus on areas of secular growth, and the cumulative impact of our disciplined capital allocation decisions.

As we look ahead to the second half of the year, we see ongoing organic growth momentum at our Affiliates managing alternative strategies and, given our strong balance sheet and record cash flow, we expect to continue to deploy capital in ways that support long-term EBITDA growth and shareholder value creation, including through growth investments in new and existing Affiliates and return of capital through repurchases.

Starting with our results for the second quarter. AMG's AUM ended the quarter at $942 billion, the highest level in our history, representing a 7% increase from the prior quarter. Investment performance contributed 6% to AUM growth, driven by strong equity market gains and net inflows representing 1.5% of beginning AUM.

On an LTM basis, our AUM grew 22%, driven by the addition of new Affiliates, positive investment performance, and record net inflows for our alternatives Affiliates. Over the same period, our fee-related earnings, which exclude net performance fees and catch-up fees, grew 39%, representing a growing contribution to EBITDA and further enhancing the earnings quality of our business. Overall, these results highlight the scale and diversity of our business and the ongoing successful execution of our growth strategy.

Turning to flows, AMG's Affiliates generated net inflows of $13 billion in Q2. This headline result understates the strength of the underlying flow profile and alternative strategies, which generated a record $29 billion of net inflows in the quarter, as well as the positive impact of those flows on our earnings profile. Over the last 12 months, our organic growth has had an outsized impact on our EBITDA growth rate, as net inflows in alternatives have enhanced our overall fee rate and margin profile.

Within alternatives, we delivered another quarter of record-breaking flows, including a rising contribution from private markets fundraising. Over the last 12 months, net inflows in the category were approximately $100 billion, driven by the four key themes that Jay discussed, including secondaries, infrastructure, absolute return, and tax-aware investing. This flow profile further illustrates the positive impact of our evolving business mix as AMG's exposures continue to shift towards higher-growth alternatives, building an even more durable foundation for organic growth and cash flow generation over time.

Our private markets Affiliates raised $8 billion in the quarter, driven by a diverse set of Affiliates, primarily in infrastructure, secondaries, and specialized areas where our Affiliates have deep expertise. Institutional demand for our private markets strategies remain strong, supported by durable client demand trends. Fundraising activity was broadly distributed across multiple Affiliates, strategies, vintages, and channels, illustrating the differentiated and diversified nature of AMG's private markets offerings.

In liquid alternatives, our Affiliates generated $21 billion in net inflows in the quarter, with contributions from several Affiliates. Net inflows were positive across client channels with $16 billion of net inflows from wealth clients into tax-aware strategies along with $5 billion of combined net inflows from institutional and retail clients across both absolute return and beta-sensitive strategies.

The quarter highlighted the breadth of demand for our Affiliates' liquid alternatives capabilities as institutional and individual investors continue to allocate to strategies that can complement traditional portfolios through diversification, liquidity, and less-correlated return streams across market environments. Our differentiated long-only equity strategies saw net outflows of $14 billion, but we expect flows in these areas to improve over the medium- to long-term, consistent with the generally improving trend we have seen in recent quarters and as the overall earnings contribution of these Affiliates within our broader business has decreased to 35%.

In multi-asset and fixed income, net outflows of $2 billion were largely driven by seasonal outflows from money market and short-duration fixed income funds. We expect flows in this category to normalize to historical levels of modestly net positive organic growth, but we may experience second-quarter seasonality on a forward basis, given the increased exposure to wealth clients from the addition of BBH Credit Partners this year. Overall, the quarter's flows highlight the benefits of our evolving business mix and the growing contribution of alternatives to our organic growth and earnings over time.

Turning to second quarter financial results, we reported adjusted EBITDA of $316 million, which grew 44% year-over-year. Fee-related earnings, which exclude net performance fees and catch-up fees, grew 39% year-over-year, driven by positive organic growth, investment performance, and margin expansion at some of our largest Affiliates.

Net performance fee earnings of $10 million in the second quarter were at the high end of our guidance range and increased $5 million from the prior year period. In addition, we reported incremental fees of approximately $7 million, primarily related to catch-up fees at private markets Affiliates. Economic earnings per share of $8.29 grew 54% year-over-year, driven by these factors and the impact of share repurchases, which have reduced our average economic share count by more than 10% from the prior-year period.

Now, moving to third quarter guidance, we expect adjusted EBITDA to be in the range of $315 million to $325 million, based on current AUM levels reflecting our market blend, which was down 2% quarter-to-date as of July 29. This includes recurring fee-related earnings of $315 million, up from $299 million in Q2, no material private markets catch-up fees, and net performance fees of up to $10 million. Based on this, and assuming an adjusted weighted average share count of 26.3 million, we expect third quarter economic earnings per share to be between $8.43 and $8.71, the midpoint of which represents approximately 40% growth versus Q3 2025.

Finally, turning to the balance sheet and capital allocation. We continued to repurchase at an elevated rate, with approximately $189 million in shares in the second quarter, bringing year-to-date repurchases to $375 million. For the full year, we expect to repurchase approximately $600 million, subject to market conditions and capital allocation activity.

Our year-to-date repurchases of $375 million, together with the retirement of our junior convertible trust preferred securities in January, a portion of which effectively acted as incremental repurchases, have reduced our economic share count by 1.8 million shares since the beginning of the year. In addition, with the completion of our investments in Garda and HighBrook in February, we have allocated nearly $800 million of capital in the first 6 months of the year toward growth investments and capital return. As we enter the second half of the year, we continue to see an active pipeline of attractive opportunities to deploy capital in support of long-term growth.

Our balance sheet remains in a strong position, given our long-dated debt, low leverage, and access to our revolver. We recently extended the maturity of our $1.25 billion revolver to June 2031 with enhanced pricing and covenant terms. Our balance sheet is further supported by a healthy underlying business, generating recurring and growing annual cash flow of approximately $1 billion on an after-tax basis and ongoing access to capital markets. As Jay mentioned, we are seeing increased early-stage new investment activity, and our balance sheet is well-positioned to execute against that active pipeline while also repurchasing shares.

Our second quarter results reflect both the continued momentum in our business and the advantages of AMG's Affiliate model. Looking ahead, we remain focused on executing our strategy, evolving our mix towards higher-growth areas, investing selectively in growth opportunities with new and existing Affiliates and returning capital to shareholders. With a strong balance sheet, growing cash flow generation, and a disciplined approach to capital allocation, we are confident in our ability to generate durable earnings growth and compound shareholder value over time.

Now, we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bill Katz, TD Cowen.

Bill Katz - *Cowen and Company LLC - Analyst*

Okay, thank you very much. Good morning, everybody, appreciate you taking the question. Thank you for the updated financial guidance, it looks very impressive. So, Jay, a question for you, appreciate the broad nature of the flows. You mentioned a few things, secondaries, ARS, infrastructure and tax-aware, I think most investors are probably focusing on the tax-aware side of the equation.

How do you feel about the sustainability of that? You did speak to a pretty broad flow contribution. There's been a lot of scrutiny on that of late. And then, maybe the broader question underneath that is how you're thinking about the liquid alts outlook at large as well? Thank you.

Jay Horgen - *Affiliated Managers Group Inc - President, Chief Executive Officer, Director*

Yeah, thanks, Bill, and good morning. Well, let me start with context here and focus on tax-aware and then more broadly, liquid alternatives. So let me start by just commenting on the broader industry trend. As we've discussed in various settings over the past couple of years now, we believe that tax-aware investing represents a structural mindset shift in individual investor behavior. And we also see this as a long-term secular trend that continues to strengthen.

And the evolution of it is really impacting the entire wealth management ecosystem. So this is not a phenomenon that's driven by a single firm or a single product. We see it as a durable change across the entire industry.

At its core, the underlying drivers make sense because unlike tax-exempt institutional investors, individual investors have to fund their daily lives with after-tax dollars. So as a result, if an individual's investment objective is to grow its after-tax savings, then managers and advisers, they should at least take tax consequences into account when making their allocation decisions.

And this trend extends beyond liquid markets. It's evident in ETFs, it's evident in traditional tax-loss harvesting strategies, evident in long-short equity approaches, and frankly, across a whole bunch of different asset classes, including private markets. We see it in real estate, which has long been a tax-advantaged investment category for individuals and even private equity firms, they're expanding their offerings to through structures and products designed to help investors compound wealth more efficiently on an after-tax basis.

We see the effects of the shift visible throughout the marketplace. A large number of asset managers have either introduced or about to introduce tax-aware strategies. And you can see that reflected across the industry dialogue on this topic. And from our perspective, we're experiencing this trend most directly through AQR, but we're also seeing a growing interest in our Affiliates operating in real estate, infrastructure, and energy transition where the underlying strategies they possess inherent tax advantages and are tax-efficient for individuals.

So maybe to get more specific in answering your question, at the AMG level, these tax-aware strategies, they represent just over 10% of our earnings today. But maybe taking a step back now and talking more broadly about AQR, it's business profile is positively influenced by two of the four trends that I mentioned in my prepared remarks. The first, we just discussed, but the second is the increasing institutional demand for liquid alternatives and absolute return strategies.

Institutions are increasingly directing their alpha allocations to liquid alternatives, given the attractive risk-adjusted returns, the enhanced liquidity profile, compared to private markets, say. And more broadly, AQR is a scaled provider of a broad range of compelling liquid alternative solutions, and that contributes to its appeal across both institutions and individuals on a global basis.

So from our perspective, we continue to see strong demand for AQR strategies across both institutional and wealth supported by the firm's long history of delivering pre-tax alpha. And to be clear, we continue to have a positive outlook on AQR's business momentum and their prospects.

And then to get to the second part of your question, just more broadly, in liquid alternatives, we feel really good about the opportunity. At the industry level, over the last 3 quarters, net inflows into liquid alternatives were at the highest level since 2007. And at the AMG level, nearly every one of our Affiliates managing liquid alternatives, including Garda, Capula, Verition, Winton, and of course, AQR, have seen net inflows over the past 12 months. And over this period, excluding tax-aware, our liquid alternative organic growth rate has been over 15%, which was supported by both institutional and retail demand.

So we're excited about both those trends, liquid alternatives and tax-aware. Thanks for your question, Bill.

Operator

Dan Fannon, Jefferies.

Hector Erazo - *Jefferies - Analyst*

Hi, this is Hector Erazo filling in for Dan Fannon. Touch on the quant strategies and their demand. Can you talk about the various Affiliates and strategies that are seeing the most interest, and if there are any capacity concerns across these products?

Jay Horgen - *Affiliated Managers Group Inc - President, Chief Executive Officer, Director*

Yeah, Thank you. Thanks for your question. Maybe, Dava, just start with our overall flow profile, and then I'll come back and follow up after that.

Dava Ritchea - *Affiliated Managers Group Inc - Chief Financial Officer*

Sure. So thanks for the question. And again, let me take it up a level and talk about the overall flow profile, and we can touch on a few of these themes sort of as go.

As we discussed, we're seeing the strongest momentum in the four key areas that are collectively driving our organic growth around infrastructure, secondary solutions, absolute return strategies, and after-tax investing. Those are precisely the areas where we've been building exposure over time, and they're showing up clearly in our net flows and forward fundraising outlook. These key growth areas drove our flows from alternatives where we saw a record $29 billion in inflows in the second quarter and nearly $100 billion over the last 12 months, and we're seeing these trends carry into July in both private markets and liquid alternatives.

By contrast, we continue to see some headwinds in our differentiated long-only business. We reported $14 billion in net outflows from equities this quarter, reflecting ongoing industry and performance headwinds. While the long-term flow trend is improving, we certainly expect some volatility quarter-to-quarter, and we continue to see pockets of strength where Affiliates have demonstrated a strong long-term investment performance track record.

In multi-asset and fixed income, we had net outflows of $2 billion, which were largely driven by seasonal outflows from money market and short duration fixed income funds, due to tax payment timing. Given our recent partnership with BBH Credit Partners, we expect to see the seasonality going forward in the second quarter. However, we expect this category to return to its modestly positive organic growth in Q3.

Finally, it's worth mentioning that our recent flow profile is one of the key drivers that is fundamentally changing the composition of our business and our earnings profile. As a result, our business is now more than 60% alternatives, up from about 50% 18 months ago and 35% 5 years ago.

Our earnings quality has improved with a higher proportion coming from management fee earnings and increased duration of capital. And our EBITDA contribution from flows is growing about 2 times faster than our asset-based organic growth rates suggest, given higher fee rates and margin expansion at some of our largest alternative Affiliates.

Jay Horgen - *Affiliated Managers Group Inc - President, Chief Executive Officer, Director*

And then to get to your sort of second question on capacity, we have a number of large-scale liquid alternative managers. They run multiple strategies across multiple types of products. Obviously, in liquid alts, that's a key issue as to how to manage your investment returns and your capacity. Our Affiliates have a long-standing track record of doing so.

And maybe to comment on just specifically on tax-aware, the vast majority of those strategies for us are long/short equities. And in that product, it's generally an MSCI World Index or an S&P 500 index. So these are deep markets and very diverse, so they do come with a lot of capacity for those products.

Operator

(Operator Instructions) Bill Katz.

Bill Katz - *Cowen and Company LLC - Analyst*

Okay, busy morning, but I'll take advantage of the opportunity here. You mentioned that you're seeing an acceleration opportunity on the deal pipeline. Just wondering if you could comment a little bit, maybe click in a layer deeper as to sort of speak to the kind of Affiliates? It sounds like more on the private markets side, maybe what you're seeing there. And how does that pipeline sort of compare from a 10-year perspective today versus beginning of the year? Thank you.

Jay Horgen - *Affiliated Managers Group Inc - President, Chief Executive Officer, Director*

Yeah. Yeah, thanks, Bill. Thanks for your question, appreciate it. Yeah, so on the new investment pipeline, the backdrop of this is that 2025 was one of our most active periods in our history. It was near record level of capital deployed. It kind of carried over into '26. We had a few new partnerships at the beginning of the year, HighBrook, and did a follow-on in Garda and we closed BBH Credit Partners, so we've already started this year off deploying about $175 million into growth investments in new and existing Affiliates.

And as you noted in my prepared remarks, we have actually seen a meaningful increase in new investment opportunities in our pipeline, that began, really, the tail end of the second quarter. It continues in the third quarter. It's a setup for a pretty significant pipeline for the back half of this year.

I think we believe, and it's hard to always know this, but it reflects the discussions that might have been delayed earlier in the year because of geopolitical uncertainty. So some of the first half shifting into the second half, and we're currently working through that pipeline. As you stated, we are focused on areas of secular growth. And in both private markets and liquid alternatives, we do have firms that we're speaking to in both of those areas. And that's also been reflected more broadly in the last several years of our new investment activity and frankly, in our profile at AMG.

And I'll just pause for a moment and say one of the notable things this quarter is that our long-only business is at 35%, but our alternative business is at 60%, and we see that 60% going to 70% in a relatively short order. If there's anything that surprised us in the most recent several years, it's just how fast that transition has occurred. We've gone from alternatives 5, 6 years ago at 35% to headed for 70% here in a relatively short period. And we see that because we have the flow profile, as we discussed but we also have the new investment activity, and it's adding new Affiliates in both private markets and liquid alternatives.

Look, we're quite constructive on our new investment opportunity. We offer really some key benefits in the market today. First, we offer independent firms, the opportunity to have a strategic partner in AMG where we can magnify their advantages but also preserve their independence. That makes us relatively unique or maybe unique, and that compares really favorably to control deals as well as the more financial-oriented buyers.

We've got a great reputation. We're obviously a good supportive partner, and we operate across private markets, liquid alternatives and differentiated long-only so we receive a lot of inbounds from firms in all of those segments. We've ourselves built proprietary relationships with a number of potential new Affiliates and their advisers. We've even gotten referrals from existing Affiliates, so we feel pretty good about our opportunity set there and deploying capital over the next 12 to 24 months.

And then maybe just to remind you a few more things about AMG, we typically are looking for check sizes in that $100 million to $500 million. We may go above that from time to time. And when we look at our current pipeline, we actually have some sizable transactions in that pipeline. Obviously, we have to work through it and make sure that the returns are commensurate with high teens returns that we require.

And I'll just say one last thing is that we remain disciplined in our capital allocation decisions. Our goal is to ensure that we deploy our capital to the highest-quality opportunities. As I mentioned, we target these high-teens returns on new investments. We've been able to achieve that, really, over a long period of time, short and long period of time. And if we can't, we'll obviously continue to return capital through repurchases, which we've done at scale in the last several years. Thanks for your question.

Operator

This now concludes our question-and-answer session. Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines and have a wonderful day.
