Bill:

Welcome back, everybody. Good afternoon. My name is Bill Katz. I cover the asset managers and the retail brokers for Credit Suisse. I'm delighted to be at the 24th Annual Financial Services Forum, and this is my first year with it. And it's just been a terrific, terrific couple of days. So I thank everyone for coming and I couldn't think of a better company to sort of cap off, for me, day two. Affiliated Managers Group Ticker AMG with us today, pleased to have Jay Horrigan, who's the CEO of the company. I've known Jay for quite a bit of time. AMG itself was founded back in 1993 and has about $650 billion of assets under management. It's a very unique affiliation model, works with key partners around the world investing opportunistically to drive long-term value and has arguably been pivoting the franchise very nicely over the last couple of years under Jay and the new team's senior leadership into some of the faster growth areas, which I think we'll explore a bit today, including the alternative managers, Impact, ESG, Solutions, Private Wealth Managers. So I'm very [indiscernible] on that side. So Jay, first of all, welcome on behalf of Team Bill.

Jay:

Thanks. Thanks to Credit Suisse, but thank you as well. You're right, we've known each other for quite some time.

Bill:

All those exotic products way back when. Yes, we won’t go into that today. Okay. Well, listen, wonderful to see you. Thanks so much again for making the trip. So in your strategy, you talk very frequently about sort of five areas of growth. You've talked about private markets, liquid alternatives has been a very topical area, wealth management, you've been at the forefront of high quality, sustainable platforms and increasingly the APAC region.

I mean, you had a transaction away from you, but I think that's sort of a tactical dynamic. So as you think about the next several years, any shift of that thinking and then within this bucket, maybe it's all going to work, how do you sort of think about where the incremental growth comes from?

Jay:

Okay. Well, let me start. Your question is a good one and it was well put. And I think it makes it really easy for me to answer. The short answer is I do think those are still the same areas. But let me describe our strategy and how we got to think about where we're putting our capital.

So at the very highest level, we're investing our capital in areas of highest growth and return. And then right underneath that statement, I would put we're making new investments in areas of secular growth. We're engaging with our affiliates to help them to magnify their efforts, to accelerate their business plans and to really invest in business development opportunities in those same areas of secular growth and other areas that they see long-term benefits to their franchise.

And then we attach a very disciplined capital allocation framework to investing in one or two, which is new investments or existing affiliates. So I wanted to start there because then I'm going to hone in on the new capital going out to new partnerships. So we took a big step back four or five years ago. Now, and it was really part of lessons learned over the full 30 years that we've been in business.

And at that point it was 25, but now it's 30, which is getting ahead of client allocation trends and getting ahead of capital that's being formed around the globe to invest in opportunities. If we get that right, that really does add significant returns to our organization. And so we spend a lot of time thinking about that. And we've had the same slide in our deck for all four years that I've been in this seat, which is we invest in liquid alternatives, private markets, wealth, Asia and ESG or sustainable investing.

And the reason why we have come to those areas and those are pretty broad areas because I think there we could get deeper into each one if we wanted to. But those really have specific goals within portfolios. Right. And so, you know, very simply, I think liquid alternatives, it is an area that acts as a diversifier. Portfolio insurance in some cases, surrogate to either fixed income or equities. It also is a place where we've seen alpha in the last two years plus three years even, but really the last two years. Private markets, obviously, it's an area that’s been in high demand. But ultimately, the capital markets, more businesses are private than they are public. There's a lot of capital that is formed around both corporates as well as project-based financing like infrastructure. And therefore, the private markets have been, you know, have been a big growth area and there's been a lot of non-bank asset management functions that that have grown up in on the buy side in the last decade since the global financial crisis. So there's a lot of opportunity for capital formation there.

Of course, within wealth, it's not only the managers of wealth, but getting into channels with products that that wealth can buy like private markets so that you can think about wealth as not only an asset management function, but also a channel itself. Asia is the fastest growing region in the world. So clearly that's got a long, a long cycle to invest. And then of course sustainable investing, objective based investing around things that are important to, you know, pools of capital around the world. So that's really the strategy.

Now, when you look at where we are today, about 45% of our business is in alternatives, about 45% of our business is in equities. A good chunk of that equities is in sustainable strategies today. And then we have a multi asset segment as well. That's up a lot on the alternative side from just four years ago. And I said in our recent earnings call, when you look at the last nine investments or the $1.3 billion of growth investments that we've made around the strategy that I just described, two thirds of that has been in alternatives, roughly split between private markets and liquid alternatives.

And one third has been in ESG-related/sustainable-related investing. So that has increased our exposure in growth areas significantly. Today, more than half of our business, we think, is in growth areas, long term secular growth areas. When you then take that and look forward from here, we do see a continuation of those same themes. The exact mix will be hard to predict, but we do think that the growth areas will surpass 50% -- they already really have, but they're on their way, if we continue to to invest all of our capital that we put out to new investments in those growth areas, you would see the growth becoming more like 60%, maybe even two thirds of our business over time. That's why when we say in the different setting that ultimately growth for us, top line growth for us is an output of our strategy because the input is where we’re placing our capital today.

So $1.3 billion over the last four years have gone into growth investments. We have not been able to put all of our capital in growth investments and that's also why we've done $1.9 billion of repurchases during that period.

Bill:

Okay. Maybe we could double click into a couple of these. Let's talk about maybe liquid alts. As I think about like the frequency of the conversations that you're having with us, liquid alts seems to be probably one of the biggest swing factors. And you've seen bull market, a little bit of a pullback and now sort of back in sort of maybe a relevance opportunity set.

So talk a little bit about maybe just help us understand what we're talking about with liquid alts because it's a pretty broad array of what's out there. There's the equity long/short portfolio, there's some trend following and everything in between. And then what are you hearing from the client base, given the very strong track record over the last couple of years and even longer term now?

Jay:

Yeah. Okay. Well, you know, maybe just break it down and please come back to me if I don't answer your specific question. To break it down, liquid alts are really just a word put on strategies that are not private markets. They're liquid. They can trade in public markets and obviously there are the primary fixed income and equity markets, but there’s also the derivative markets, there's commodities markets, there's lots of markets that you can trade in.

And so liquid is just a word that's put on those businesses that trade in some or all those markets. They have strategies that can either go long or short or even across markets. And so, you're right, it's a pretty broad area. But juxtaposing that with just being long an asset and looking for appreciation, which a lot of people will call long only, this is not that.

So what is important to note, though, is that for the longest time, really ten years, the longest time in the last sort of global financial crisis, you know, plus period, the very best thing that one could do is be long growth with the cheapest cost to owning that growth. Right. And that was because the central banking system around the globe was pumping liquidity into the markets, risk taking was full on and being able to buy growth really cheaply was really the right way to do it. So, buying growth passively would have been the easiest thing that you could have done in that ten years.

In the last year, clearly that has changed, but I think it started in the fourth quarter of 2021. At least that's when we noticed it in our own business, which is things started, dispersion began between markets, dispersion began between assets within markets, strategies that had really almost been pushed aside by portfolio allocators over this period, like the CTA business, all of a sudden started to come back because of the dispersion, because of the lack of correlation, because of the choppiness, the volatility that we saw in markets and alpha was created in those years. It was created in almost every bucket within if you use an HFRI index, if you looked at what the main buckets are, alpha was being created in each of those buckets. So if you were left out, if you were at a portfolio and did not include these diversifiers, these sort of insurance protecting-type products, then your performance in 2022 was well below others who had these products. ‘21 as well, but really it manifests in 2022.

So, whether that's event driven type strategies or it’s relative value fixed income type strategies or it's macro strategies or CTAs or multi strat. All those buckets that I just described, they produced alpha in ‘22 and in the prior years, I think it hasn't really fully been written up in the popular press. You know, you’re starting to see some of this come to light, but it really was a pretty good last two years, maybe even last three years for these strategies. And to put it in context, some of the CTAs in 2021 and 2022 performed so well that their ten-year numbers are better than the S&P 500, not that that's the comparison set. But just trying to give you a sense for how well they performed.

So, what does that mean for AMG? What we have, you know, a kind of a 25% allocation to these strategies. It played out in ‘22. It helped our earnings. We grew 10% in earnings year-over-year, 50% over two years. You know, kind of top performing earnings growth for an asset manager. Performance of those strategies was a big component. Obviously, capital allocation was the other big component. Taken together, capital allocation and these liquid alternative strategies really gave us a lot of capital that we fall into this next year, 2023 front footed.

What's really interesting though, when you have good performance, it means that you're at or above your high watermark going into the year. We have good performance and you actually produced alpha. Then people start to notice. And so, it takes a while for portfolios to change. But we really do believe that portfolios need to change for this new environment. And if you're going to change your portfolio, you should be looking at these types of strategies. Our activity amongst client discussions at those affiliates that run these strategies, together with our own distribution efforts, we've seen the activity increase quite a bit. Again, some of those strategies had been left by the wayside for many years, are now coming back into the right way to allocate our portfolio is to be long assets, both private and public markets, but also include some absolute return and other strategies that can play across markets.

And I think that's going to be a major theme. My own view is going to be a major theme for the next 3 to 5 years. With the way central banks have really pivoted and none of us know what's going to happen with inflation, and none of us really know where the terminal rate is going to stop. And that's just going to continue to create more volatility and dispersion in markets and it’s going to be prime for these alternative managers.

Bill:

It's a terrific update. Within that, I just want to box off increased RFP activity. Maybe it's too opaque to understand, but do you have a sense of where the allocations might be coming from?

Jay:

So, it's a really good question. Let me back up and say when your main strategy was to own growth at the lowest cost that you could, you almost stop thinking about portfolio allocation altogether. I think portfolio allocation is one of the more important things that a sovereign wealth, a pension plan, an individual advisor can do for their clients.

But for a number of years, the best thing you could do is just own the FAANG stocks or an index that own the FAANG stocks. And so, for a decade, the idea of portfolio allocation and making money off of portfolio allocation, it really wasn't necessary. I think it's really important. So today I think portfolios are all going to adjust, all of them.

Now the question is which ones were under or over allocated. But I'll give you an example. If you're a pension plan and you had too much illiquid private markets, you're going to have to adjust that. You know, some people call that the denominator effect and it caused some unusual behavior. For example, in some portfolios, you're seeing lots of secondary assets being sold off, in the LDI portfolio, you're seeing, you know, lots of liquid assets being sold off, and that just gives opportunity for dislocation for those beneficiaries. So, what ultimately has to happen, though, is they don't sell off those assets in a uncoordinated way. They actually allocate new money in a coordinated way.

So, I do think that you're going to see pension plans adjust to more liquid assets, which plays well to liquid alternatives. I do think that they are going to think about diversifying their exposures in non-correlated asset basis. So, I think pensions are an example that could go this direction. I also think individuals as well, especially high net worth individuals. Those portfolios could use more absolute return in their portfolios. There's a big push within wealth to add private markets. And I believe that wealth is a long-term secular trend for private markets because they literally had no allocation at all. So, I do think that will go up. But in lots of other areas, the endowment, the foundation, the sovereign wealth, the pension, they were full up with private equity. So, the question is cyclically, does that go down for a while? I believe it does. And it gets replaced by more liquid, maybe more specialty products within alternatives. And I think that's what you're going to see. You're going to see all of these portfolios adjust based upon their starting point and what they need in order to be well balanced from an allocation perspective.

So, I think there's a lot of opportunity. One of the overreaching statements that I might just put out there is that we've been in a passive growth environment that hasn't been that value sensitive. So, the inverse of that is a more active, more value sensitive, more absolute return environment. And if that is the contrarian view to the environment that we were in, that is a good environment for AMG.

Bill:

So, a Fed pivot to zero or working in pajamas on Zoom is not a good outcome. So you're saying?

Jay:

Yeah, exactly.

Bill:

So, let's just unpack that a little bit more, because that was my next set of questions. Let's stay with the global wealth management opportunity set. As I think about AMG, I think you've done a very good job of having strong relationships globally on the institutional front, and sort of working a little bit on one of the retail, but not as a primary of growth per se.

It seems like the tremendous opportunity for retail democratization. How do you see AMG strategy trying to pivot into that to sort of take advantage of that denominator opportunity, which is a de minimis allocation there?

Jay:

Right. So, I do agree with you that, you know, AMG's profile has historically been institutional-oriented, institutional quality strategies, institutional quality asset management, and ultimately attracting institutions themselves into those products where we have seen affiliates in general be successful in the wealth channels. They've developed, you know, largely on their own and AQR being probably the most notable of those.

But generally speaking, the effort in wealth was, you know, more of a 40-act type effort historically. Today, the opportunity set for independent firms into the wealth channel is significant because they're differentiated return streams. As I just described, we're seeing alpha in liquid alts and getting the right packages in place to go into the wealth channel, we see as a primary attribute that AMG can help our independent firms with because an independent firm doesn't build up the expertise as to know exactly what package that their strategy should be in, in order for a wealth advisor to introduce that to their client.

So, I think strategically from a business development perspective, we've never been more relevant to those firms that are that have those types of strategies as it relates to wealth. Right? I do think wealth for the whole industry is a big opportunity and so it'll be a big opportunity for Blackstone and BlackRock, but it will also be a big opportunity for AMG and especially for independent firms if they want a partner that can help them get into that.

So, it will not only play out into our own ability to generate organic growth, but it will play out in our attractiveness to the next new affiliate who wants to choose a business partner who has the opportunity set and can get them into the wealth channel in the right package. So, for us, it actually plays in both ways. It plays to our new investment strategy, but it also plays to our organic growth strategy.

Bill:

Is that a push pull? How are you doing that with the independent affiliates? Are they calling up the team and say, “Hey, look, you know, we sort of see what's happening with these non-traded REITS, or we think we have a great opportunity in BDCs, what have you, interval funds, we have a great opportunity. Let's start cranking up the machine” Or is it more top down where you are sort of going back and saying, “look, we think the conditions are right for you to sort of think about scaling.”

I know they're very, very independent, you don’t impact their manufacturing IP, but how do you sort of think about, you know, taking the raw inputs of AMG and pushing it into the pipe?

Jay:

So, we've had a measure of success which we've described, you know, in different settings. We were early in the private markets introduction of the Pantheon Fund. That was six years ago. Now that fund is up to about $1.5 billion. Each of the last, I guess five or six private markets businesses that we've invested in, in the discussion around making that new investment, we discussed new products with them as part of the new investment pitch, if you will. And the follow through has been that each of those are in product development with us to launch some sort of product, whether that's a debt focused BDC or a REIT- focused multifamily or a sort of another strategy within the digital infrastructure space that Peppertree is in, each of those conversations are in flight to develop products that are right for the wealth business.

So, it isn't aspirational. We've already done it with Pantheon and we are really working towards doing it with these other illiquid managers. And so, it will feed on itself. So, the more success we have, the more obvious it will be that we're the right strategic partner for independent firms.

Bill:

Understood. Let's pivot back to the alternative private side of the equation, notwithstanding the notion that there maybe there's a little bit of an allocation back to liquid side. In the fourth quarter, and I have to sort of go back and look at all the data, but my sense is that AMG actually had arguably one of the strongest, if not the strongest net organic growth quarter out of anybody.

And I don't think you have a big flagship cycle underneath all of that. So how do you sort of see the opportunity set for on the private side and I think you've talked about infrastructure in the past, the diversification of your footprint, maybe help us understand where a couple of the bigger drivers might be as we look out to 2023 and beyond.

Jay:

For Pantheon, which I think most people are aware, that Pantheon is a fairly sizable private market solutions business, they run primaries, secondaries, co-invest, across you know, corporates, secondaries, infra, and real estate. So, I want my comments to not necessarily direct them at Pantheon because that is a pretty scaled, diversified business. But the other businesses that we've invested in, OCP, Abacus, Peppertree, Comvest, they're specialty managers.

They're very similar to you know the analogy is with even within the long only space, we have unique differentiated return streams within the long only space and they're very specialist in nature. So this very specialist concept we've been very focused on within private markets because we do think that there are still allocations, whether that's a special sits allocation or it's an infrastructure allocation or a direct lending allocation, though that is what we have been trying to do.

Some of that was our own effort to stay away from really high priced, really optimistic business plans in private equity, because that's what you were seeing. By the way, valuations have even come down pretty significantly there and the business plans are less optimistic than they used to be. So, there's maybe a building opportunity in that. But for the moment, we stayed away from that, and we really invested in specialty private markets and we're very happy about that. We're happy about both staying away from high priced private equity and investing in, you know, reasonably priced private markets.

I want to come back to Pantheon and just make the comment, though. You know, Pantheon is really well placed because they within their own business, they're broadly diversified. So, they can pivot from primaries to secondaries. They can use their overall profile to actually work with clients to allocate to those specialty areas like infrastructure, for example.

So, we're pretty pleased with our exposure. And I think that has led to follow through on fundraising. Of course, 2022 across the whole industry was a little bit of momentum that had been built from the prior years, but I think we're still well positioned on a relative basis with our private markets portfolio.

Bill:

Okay. Maybe to pivot a little bit and talk about capital return, or capital allocation, even broader than that. You also talked about $1.3 billion in deals and $1.9 billion in capital return. I might have those inverted. So, say north of $3 billion of capital deployed. I think the track record speaks for itself.

So on the acquisition side, the affiliate side. And we'll talk about capital return in terms of repurchasing on the other side of that. You've been speaking in the last couple of calls about AMG's business model becoming a bit more differentiated and maybe the market uncertainty pulling back some of the other players that are more episodic. Is that still the case? Where are we in terms of buyer seller expectation? That seems to be a theme of maybe some valuation shock, but maybe easing up a little bit. What's your sense of obviously are a couple of small transactions getting sort of filled in around the environment right now?

Jay:

Well, thanks. I appreciate this question because I really want to start by an important statement, which is capital allocation is fundamental to our strategy. As I said, it's kind of one of the three main principles under the umbrella of we invest in for growth and return. And so capital allocation is really important. So, we have a framework, we have a strategy.

And as it relates to new investments, I'm going to come back to the valuation point and the structural point, but I'm going to take it, zoom it way out and remind you and me of our history, because AMG is 30 years old this year and we've been involved in each of the first, second and third decades.

Bill:

You don't say that out loud, but okay.

Jay:

And so, in the first decade, AMG's primary focus was to allocate capital for succession planning, right? It was a really important issue in the nineties and early 2000s where very few people would invest in independent firms and leave them alone. And so AMG had developed an expertise in succession planning through an equity ownership model and we became very well known for that.

That model is still present. We've evolved over time. So, in the second decade we went from a kind of a full succession plan to being willing to own a minority interest in our firms and letting the full succession plan play out over a number of years. In some cases, it was because firms were a little young at that time frame. AQR would be an example inn 2004.

It was also the case that not everyone knew exactly how they wanted the ultimate outcome of their business to look. And so, the development of that was something we were willing to take some risk on, but we would get in early. And ultimately a number of those firms might, you know, eventually fall into a full succession plan or we might just own a minority stake for a really long time.

And this third decade, it's more characterized by strategic development, business development and growth capital. So in the most recent kind of transactions that we've done, the emphasis has been more heavily, as we just discussed, on what can we do to help these affiliates, both on the capital side as well as the distribution side and even the business development side.

By the way, all three of those generations are still very much a part of our culture and we still allocate capital to succession planning, to minority stake deals and to growth capital and strategic involvement and engagement. That has made us more relevant for independent firms than we've ever been. You can be strategic, but then you can be independent.

That's kind of part of where our business is today. And frankly, probably where we're headed even more in the future from a brand and a reputation perspective. We do believe very strongly that independent firms who want to remain independent are good for clients. It's good for the alignment there. You know, clients seek these firms out for the differentiated return streams, and we have a home for them.

So, we very much believe in the past and continuing to make ourselves better through evolution. So that is where our minds are today on where we're allocating capital to. So, the number of firms who come and speak to us, they have more needs than they did before, Bill, than they did in the first decade or the second decade. And I think we can satisfy more of those needs of independent firms.

I think the other thing we have learned from our own business over all these years, and I think we're better at finding structures for us to come together as partners. We always had the partial ownership model, which meant that the business owners of our affiliates believed in their growth. They believed that the success was really going to inure to the part that they did not sell us in that transaction. So, we always had that as part of our model. But increasingly we found structures that I think benefit the partners and AMG depending on what scenarios that we go through. So, we've had more discipline on the new investment side.

We've also focused on that part of the growth market with independent firms and that kind of 2-10 billion range where business values or enterprise value of +/- 500 million when we find them as opposed to getting really big transactions done where you had to have high conviction and it wasn't clear what the growth was. We find that the sweet spot of independent firms is in that zone where we can really help them.

So, the combination of structures that work for all parties, finding them at their growth phase, being more relevant to the firms today and being able to help them, those have all played to our reputation and our attractiveness. In this most recent period, we've seen some disruption on the buyer side. You know, it's been super competitive on the private equity side, high valuations, optimistic business plans.

What we see now is lower valuations and less optimistic business plans. But it's still a very crowded market. So, we've been very cautious there. Luckily, I think we've been very cautious there, at least as we look forward. In the areas that there isn't much buying at all in differentiated return streams, maybe it's a sustainable manager, a long only manager, or maybe it's a sustainable manager in the private market space that's very small.

It could be illiquid alternatives. We have not seen that much competition. We haven't seen it in the last four years. Maybe it'll come our way. Maybe our own results will start to have people be more attracted to those strategies. I mean, there's always competition, but we have not had you know, if you were ranking it over the time that I've been at AMG, it's kind of in the middle zone, maybe even a little less competition today for those strategies that are not private equity.

So, we do see that the combination of our attractiveness, our discipline and where we see the buyer universe and other opportunities, the opportunity cost. That's why I said on the call that we want to lean into some of these growth investments because we think that the returns will be even higher for us. We've been investing in the last four years at returns that have been mid to high teens on a cash-on-cash basis, I think we could do probably close to the high side of that in this current environment.

But the good news is because capital allocation is fundamental to our strategy, if we cannot make an investment where we believe we can make mid to high teens on a new investment, then we will return the capital to shareholders. And that's what we've done and that has produced low teens returns. So we've been in this kind of idyllic situation where our new investments have been high cash on cash return teens and the return of capital has been low teens.

So we've been very happy with that. And so that's what's driving our earnings from the $14ish range, you know, just four years ago to the $20.14 that we have today. So, it's, you know, in the 50% range growth for us. We see capital, whether it goes to new investments or repurchases to continue to be a teens level return for us. As long as that's the case, we should be able to grow our earnings per share.

Bill:

And maybe you said this, and I just wasn't listening closely enough. I think on the private equity side sounds like it, but are seller expectations more reasonable now? Because if you're saying that you think you can get high teens rather than mid-teens, it would sort of impute better value opportunity for you unless there's a different growth trajectory.

Jay:

So, you could actually break the market into the three pieces that we were just describing, which is private markets, liquid alternatives and long only. Right. So, as it relates to the private markets, I think generally people are aware, but I'll just state it flatly. That is really where the high valuations were. You know, there's some other pockets of the market where there's some high valuations, but that in the main is really where the high valuations were. In a typical business model that you would receive would have the next fundraise be 50% higher than the last fundraise and inside of three years. And in that period of time, they might have started a new product.

Business plans don't look like that anymore. I mean, I think for a private markets business, you know, flat might be the new up for the fundraising cycle. You know hopefully it's not, but the durations have been extended. So as soon as that happens with respect to people's view of their own business, valuations come down. Have they come down enough to make mid-teens work for us in private markets?

They have in the specialty areas, but in some of the high demand areas they may or may not have. But when you look at the liquid alternatives market, you can get teens returns there, especially given the cycle of if alpha's back and these businesses are generating strong returns for investors and doing what they are supposed to do in their portfolios, you're going to see flows.

And if you get flows and performance fees, it's pretty easy to make high returns. And in the long only business, you really have to find a differentiated strategy because flows have been the big problem in the long only business. But the pricing in long only almost reflects businesses that are going to outflow forever, which in some cases is not the case. So, if you can actually find a differentiated long only manager, you can buy that at an extremely low value today.

Bill:

Less so in the public markets though, right? That’s more of a private market comment?

Jay:

More of a private market comment.

Bill:

Yes. Okay. Understood.

Jay:

I mean, I do think that generally speaking, the public markets have come in both on the long only side and the private markets side. You don't have a lot of liquid alts out there to even benchmark off of. They've come in. But interestingly, to me, it's hard to imagine that you would see a long only manager at 6/7x and a private market manager at 17-20x.

It doesn't seem like that can exist forever. And so the question is which one’s wrong? Are they both wrong?

Bill:

We have our views. Okay, we'll do that in another conversation. So, in terms of balance sheet management. I know as a former CFO and banker you have very strong views and Tom is executing against that as well. Just playing devil's advocate for a moment. It seems like there's a lot of things you to do. The earnings power of the company is significantly higher today than where it was previously.

The annuitization of the business model is more durable today. The alts bucket you mentioned is a much bigger percentage. So, all of that would have a, I don't want to say greater permanency, but a greater probability of occurrence. Right? Why not lever up a little bit more and act more strongly and get in front of this rather more ratable free cash flow deployment leverage as your pay as you go type opportunity.

Jay:

So, yeah, I mean, look, it's a really good question. We ask ourselves that question all the time. So, you know, it's a topic that we're on top of ourselves. I would say that, you know, in the past four years, $1.3 billion in growth investments, $1.9 of share repurchases, we sort of struggled to meet our required rate of return on the growth investments to do more than half our capital.

I think our goal is to do more than half our capital in growth investments, which then still leaves a lot of capital for return. But we don't imagine levering our business up just to return capital. So, in order for us to really want to bring our leverage up, we would have to see the growth investments in order for us to want to do that.

We're at a sort of structurally relatively low level of leverage for us on a historical basis. You know, for most of the last four years, we've lived well below two. And only reason why we're at two now is because we did the ASR at the very end of the quarter. And that will that'll come down pretty fast.

So, if you assume two is a natural recency level, could we go up? Yes, but we would have to go up for growth investing, not for just pure return of capital. The other thing is obviously debt capital has gotten more expensive, so you really want to align it with your growth investment as opposed to kind of just putting it on an enterprise and sort of assuming that it's going to be part of a whole. I think it's much easier to do it on a growth investment opportunity. So, I think that just helps us think about it in a more judicious way.

All that being said, we have plenty of capacity. I mean, we've got, you know, $400 million of liquidity that we didn't put into our model guidance. We have over an $1 billion revolver. So, we have an opportunity to go get more liquidity and we can make those investments.

So, we just have to see the investment returns in the businesses that we make those new partnerships in. Because if we don't, I think we've committed to ourselves that at the moment our shares are trading at an attractive level. So, returning that capital is the right thing to do for investors.

Bill:

Great. We're just about out of time, rather than ask another question, let's say thank you very much for coming. It's great to see you. Appreciate you spending some time with us and the patience answering the questions.

Jay:

Thank you.

Bill:

Thank you so much.