REFINITIV STREETEVENTS

EDITED TRANSCRIPT

AMG.N - Q2 2023 Affiliated Managers Group Inc Earnings Call

EVENT DATE/TIME: JULY 26, 2023 / 12:30PM GMT

OVERVIEW:

Company reported Adjusted EBITDA of $214 million, cash of $7 billion, EBITDA of $17 million.

CORPORATE PARTICIPANTS

Jay C. Horgen *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Patricia Figueroa *Affiliated Managers Group, Inc. - Head of IR*

Thomas M. Wojcik *Affiliated Managers Group, Inc. - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Alexander Blostein *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Michael C. Brown *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

Patrick Davitt *Autonomous Research US LP - Senior Analyst of US Asset Managers*

Ritwik Roy *Jefferies LLC, Research Division*

Maggie Cao *BofA Securities, Research Division*

PRESENTATION

Operator

Greetings, and welcome to the AMG Second Quarter 2023 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Patricia Figueroa, Head of Investor Relations for AMG. Thank you. You may begin.

Patricia Figueroa - *Affiliated Managers Group, Inc. - Head of IR*

Good morning, and thank you for joining us today to discuss AMG's results for the second quarter of 2023. 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 and AMG assumes no obligation to update these statements. 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 a reconciliation of any non-GAAP financial measures, including any earnings guidance announced on this call. In addition, we posted an updated investor presentation to our website this morning 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 Tom Wojcik, Chief Financial Officer. With that, I'll turn the call over to Jay.

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Thanks, Patricia, and good morning, everyone. AMG's second quarter results reflect the positive impact of our capital allocation strategy across both growth investments and share repurchases. During the quarter, we announced a new partnership with Forbion, marking our seventh investment in alternatives over the last 4 years, further evolving the composition of our business toward in-demand strategies.

We continue to see attractive new investment opportunities and advanced several of them during the quarter. Looking ahead, we expect to deploy additional capital toward private markets and liquid alternatives through investments in new and existing Affiliates. Given our robust financial flexibility, which will be further enhanced by the proceeds from the Veritable transaction, along with our capital allocation discipline and differentiated partnership model, AMG is uniquely positioned to deliver significant shareholder value over time as we continue to execute on our long-term growth strategy.

In June, we announced a minority investment in Forbion, a leading European life sciences venture capital and growth equity firm with more than $3 billion in assets under management. Forbion is well-positioned to benefit from strong investor demand for the development and commercialization of innovative drug therapies. The firm will be our first Affiliate focused on venture capital, bringing further diversification to our business profile.

And, this new partnership broadens our participation in private markets, as well as life sciences, a sector with robust client demand trends and meaningful societal impact.

The Forbion team chose to partner with AMG because of our unique approach, which preserves their operational autonomy and investment independence while providing access to our strategic capabilities. The Forbion partners were attracted to AMG given our firm's deep cultural alignment, including our respective entrepreneurial cultures and long-term partnership orientations, as well as our capital formation capabilities, which we expect will expand Forbion's client base.

Building an enduring multi-generational firm is of paramount importance to the Forbion partners, as reflected in the firm's deliberate design of an incentive structure that ensures long-term alignment, and AMG's expertise will further advance Forbion's ability to achieve this objective. As evidenced by some of our recent new investments, we are seeing greater demand for firms in private markets that are seeking succession planning-oriented partnerships, given the inevitable need for next-generation leadership transitions at firms that now have operated for decades. AMG's proven approach and 30-year track record in this area are unmatched, making AMG a uniquely attractive partner to independent private markets firms seeking succession-oriented solutions.

Taking a step back, over the last few years, AMG has broadened its strategic capabilities, enhancing our existing Affiliates' competitive position and providing an even more attractive value proposition for perspective Affiliates. Today, we offer the broadest array of partnership solutions available to independent firms, including strategic and business development support, succession planning, product development, capital formation capabilities, growth capital and insights on the most significant questions that independent firms face. Our ability to engage and collaborate with our Affiliates to magnify their success has yielded tangible results.

Over the past several years, we have meaningfully enhanced the efforts of Affiliates, including through product launches and asset gathering support. On our U.S. wealth platform, we launched one of the first evergreen funds in the private equity space, the AMG Pantheon fund, and have successfully scaled the strategy since. This fund has grown to more than $2 billion in assets under management and is one of the most highly regarded private markets products in the U.S. wealth channel.

In the institutional channel, we have successfully supported Comvest in growing its private debt platform from approximately $2 billion at the time of our investment to more than $8 billion today, through growth capital and enhanced institutional capabilities, yielding broader opportunities across both the U.S. and global client base.

We've also been successful in magnifying the growth of multiple Affiliates by leveraging AMG's scale and strategic relationships globally, enabling Affiliates to efficiently access hard-to-reach marketplaces. We have recently facilitated client wins in the Middle East, Korea, Australia and Japan, extending our Affiliates reach beyond their own historical geographic focus. AMG's abilities to strategically engage across a range of growth initiatives can materially improve Affiliates' long-term success.

In addition, our proven ability to create value together with our existing Affiliates, differentiates AMG to prospective new Affiliates and as an increasingly important consideration as excellent independent firms seek a strategic partner. As we continue to cultivate attractive opportunities to partner with the highest-quality independent firms in areas of secular growth, we are well-positioned to increase our new investment activity, further evolving the composition of our business towards in-demand strategies.

More broadly, the growth investments we have made over the last few years have already played a critical role in reshaping AMG's business, accelerating the evolution of our strategic profile from predominantly traditional long-only exposures to a substantial contribution from alternatives. In the last 12 months, approximately half of our earnings were generated by alternative strategies, including private markets and liquid alternatives. And, as we continue to execute on our growth strategy, we expect the composition of our earnings to reflect an even greater contribution from alternatives, both private markets and liquid alternatives.

Further, given our focus on high-performing independent firms and our ongoing strategic evolution towards areas of secular growth, we expect AMG's long-term organic growth profile to improve. And while active equity outflows in the current macro environment, obfuscate the underlying momentum in our business, specifically in alternatives, the actions we have taken over the last few years are producing results -- as evidenced by the shift in our earnings composition, meaningful flows into alternatives, and the significant growth in our earnings per share over the past five years.

Looking forward, we are well-positioned to continue to evolve our business through growth investments in new and existing Affiliates, given our track record, pipeline and significant financial flexibility. And, our financial flexibility will be further enhanced by the proceeds of the Veritable transaction announced last week.

For more than a decade, AMG and Veritable enjoyed a productive and prosperous partnership, that saw Veritable more than double its assets under management as an independent firm. However, when this opportunity presented itself, both AMG and the Veritable partners recognized the strategic benefits of a full combination with Pathstone. And given our alignment and collaborative approach, AMG supported this successful outcome for all stakeholders.

Consistent with our disciplined capital allocation framework, we will deploy the considerable proceeds from the transaction to benefit our shareholders, prioritizing growth investments and returning any excess capital thereafter to shareholders. Since 2019, we've invested more than $1.5 billion in growth areas with alternatives accounting for approximately 2/3 of that total, while also returning more than $2 billion in excess capital.

Looking ahead, our opportunities to invest for growth have been steadily building, including as a result of our broadened capabilities. Given our enhanced opportunity set, our excellent capital position and our unique competitive advantages, we are confident in our ability to generate incremental value over time. And with that, I'll turn it over to Tom to review the details of the quarter.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thank you, Jay, and good morning, everyone. Our high level of activity in the second quarter reflects the increasingly attractive opportunity for AMG to execute our growth strategy and evolve the composition of our business. During the quarter, we simultaneously invested for growth, returned capital to shareholders and strengthened our balance sheet to enhance future flexibility. In the past 90 days, we announced a growth investment in Forbion, completed our Accelerated Share Repurchase program and repurchased additional shares, sold our remaining stake in EQT and announced the Veritable transaction, which will add significant capital to our strong balance sheet.

Taken together, we have and will continue to reshape the composition of AMG. We expect that our strategic activity levels will remain elevated going forward. As we further evolve our business mix toward areas of secular growth and return excess capital to our shareholders to drive long-term earnings per share growth and value creation.

Turning to our second quarter results. Adjusted EBITDA of $214 million included $20 million of net performance fee earnings and reflected the ongoing execution of our strategy to invest in secular growth areas as well as strong performance in liquid alternative strategies. Economic earnings per share of $4.45 grew 10% year-over-year and benefited from incremental share repurchases as well as discrete foreign tax benefits.

Net client cash outflows, excluding certain quantitative strategies were $7 billion, driven primarily by global equities, which offset continued strength in alternatives.

Turning to performance across our business and excluding certain quantitative strategies. In alternatives, we again reported strong results with nearly $2 billion in net inflows in the second quarter. These inflows reflect nearly $2 billion in private markets flows at Pantheon, EIG and Comvest. Our Affiliates continue to generate outstanding investment performance, and their excellent long-term track records across credit, real estate, secondaries and infrastructure are driving fundraising momentum. While net flows in liquid alternatives were essentially flat, our absolute return-oriented strategies continued to see strong demand with $1 billion in inflows that were offset by lockup expirations on beta-sensitive strategies that generated performance fees in the quarter. Overall, our alternatives Affiliates have outstanding performance across a wide range of products, and are positioned to benefit from forward demand trends as clients look for uncorrelated and differentiated return streams to add diversity to their portfolios.

Industry headwinds in global equities continued, and we saw approximately $6 billion in net outflows. And while overall near-term performance in global equities remains mixed, our Affiliates' strong long-term track records across multiple cycles position them to recapture client demand over time.

In U.S. equities, we saw a net outflows of approximately $2 billion. Our collective long-term investment performance remains excellent in this category, and we are seeing pockets of client demand strength at several Affiliates.

Finally, in multi-asset and fixed income, flows were flat in the quarter, and we saw ongoing demand for fixed income strategies at GW&K and Artemis.

Now moving to third quarter guidance. We expect third quarter Adjusted EBITDA to be between $190 million and $200 million based on current AUM levels reflecting our market blend, which was up 2% quarter-to-date as of Tuesday, and including net performance fee earnings of up to $10 million. This includes a partial quarter of earnings from Veritable and does not include any impact from Forbion and I'll describe each of those transactions more in a moment.

Turning to specific modeling items. For the second quarter, our share of interest expense was $31 million, controlling interest depreciation was $2 million, amortization and impairments were $29 million, and intangible related deferred taxes were $15 million. We expect all of these metrics to remain at similar levels for the third quarter.

Our effective GAAP and cash tax rates were approximately 20% and 11% respectively, reflecting discrete foreign tax benefits, and we expect them to be 26% and 17% for the third quarter. Other economic items for the quarter were negative $1 million, which included $1 million of realized economic gains. As I mentioned last quarter, we expect realized economic gains to be $1 million to $2 million per quarter. Our adjusted weighted average share count for the second quarter was $37.6 million. We expect our adjusted weighted average share count to be approximately 37 million shares for the third quarter. On our year-end call in February, we guided to a performance fee earnings range of $125 million to $175 million. Given more muted investment performance in absolute return strategies in the first half of the year, we now expect full-year performance fee earnings to be closer to the lower end of that guidance range. Many of our performance fee-generative strategies continue to see strong demand and deliver excellent investment performance, and this earnings stream remains a source of strength and diversification for AMG.

Finally, turning to the balance sheet and capital allocation. Our balance sheet is in an excellent position and remains a source of strength as we look to generate shareholder value. This month, we completed the sale of our EQT position, generating total gross proceeds of $890 million since the closing of the transaction. That capital has contributed significantly to growth investments, share repurchases and reducing our net debt.

As Jay discussed in the quarter, we announced a new partnership with Forbion, in line with our strategy to increase our exposure to secular growth areas, including private markets in the attractive area of life sciences. We expect the Forbion transaction to close in the second half of the year and plan to fund the purchase price with cash. In addition, the Veritable transaction announced last week will generate $294 million of pretax proceeds or approximately $225 million on an after-tax basis. Veritable contributed approximately $17 million of EBITDA in 2022, and we anticipate the transaction will close later in the third quarter. Taken together, we expect these two transactions to generate incremental earnings per share of approximately 2% to 3% once the proceeds from Veritable are fully deployed.

We also completed the execution of the $225 million accelerated share repurchase we announced at year-end, and repurchased an additional $44 million worth of shares in the quarter, bringing the total capital deployed towards share repurchases to $269 million in the first half of 2023. And given the combination of our strong liquidity position and recurring cash flows, we now anticipate full year repurchases of more than $500 million, inclusive of the ASR. As always, these expectations remain subject to market conditions and new investment activity.

Given our significant liquidity and capital flexibility, we currently have approximately $500 million in capital that we can deploy toward growth investments over the second half of 2023, incremental to the funding of Forbion and the elevated share repurchase guidance I provided for the year. Our approach to investing in the growth of our business is intentional. We generate substantial cash flow and a diverse set of growth opportunities is available to us across investments in new Affiliates, innovating alongside our existing Affiliates, and investing in AMG capabilities.

Looking ahead, given our disciplined capital allocation framework and distinct competitive advantages, we remain well-positioned to execute on our growth strategy and generate shareholder value over time. Now we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Dan Fannon with Jefferies.

Ritwik Roy - *Jefferies LLC, Research Division*

This is actually Rick Roy on for Dan. So earlier on the topic of the Affiliate investments, you mentioned private markets and liquid alts as potential areas of interest. Just given the recent sale of Veritable to Pathstone that occurred in the quarter, do you also see wealth management as an immediate-term priority and perhaps any interest in trust or custody services and things of that nature?

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Well, thanks for your question, Rick. Let me address the wealth question in the context of our strategy. And maybe I'll just state our strategy is to invest in areas of secular growth. We do think wealth is one of those areas, liquid alternatives, private markets, Asia and sustainability are the other areas. And maybe then to just go right at your question, wealth continues to be an area of focus. And we do approach wealth really in two ways to capture the secular growth trend. And that's first by investing directly in wealth management firms that want to remain independent. And while that universe of potential partners has become smaller, given consolidation trends in the industry, specifically within the RIA channel where roll-up strategies have become the dominant business model where we see these strategies are generally PE sponsored and they're taking out costs and putting leverage on the business. That has also driven up pricing, and you can see that in the proceeds we got on the Veritable transaction. However, there are opportunities for partner-owned firms that see more value in remaining independent. And we currently have a number of them in our pipeline.

The second primary way that we experienced growth in the wealth channel is through opportunities by investing AMG capital to expand our Affiliates access to the channel, especially in alternatives both liquid and private markets. We see growing demand for our private markets and liquid alternatives in that channel where AMG has been successful in bringing Affiliate strategies to market and strategically supporting the infrastructure necessary to grow. Of the numerous opportunities within wealth, the introduction of private markets in the U.S. and non-U.S. markets continues to be the largest growth area for us. The democratization of alternatives, not just private markets, but other areas of alternatives is a major secular trend. We continue to see this play out as individuals increase allocations to both private markets and liquid alternatives. We think that's going to be further enabled by technology, regulation and product packaging. So again, coming back to your question, wealth is going to continue to be a major focus for us. It's multifaceted, as I just mentioned, and we do have a long-term strategy to try to capture opportunities in the space. Thank you for the question.

Operator

Our next question comes from the line of Alex Blostein with Goldman Sachs.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

I was hoping we could spend a little bit more time on the pivot you've been articulating over the last couple of quarters towards faster growth areas, particularly the alts. Do you anticipate that also involving pruning of the sort of traditional businesses? Any opportunities you guys see to either reduce stakes or sell as a whole or part of the traditional business?

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Thanks, Alex. I'll start, Tom.-- It's a really good question, and it really talks to the shape of our business. So I might take a minute and elaborate. And then Tom, if you have anything to add. It is true that the shape of our business is changing. Today, right around half of our EBITDA is coming from alternatives, both private markets and liquid alternatives. Differentiated active equities is something like 35% to 40% and the remainder is multi-asset. I think there's an IR slide on that, and it's worth just noting and even comparing that to 3 years ago, 5 years ago. So it's definitely changing. Most of that's coming from our investments in new Affiliates. We did our seventh alternative investment just with Forbion and, as you probably saw in the release and in my prepared remarks, it's a very exciting business focused on life sciences. It's our first investment in venture, in this area and also in life sciences, so it's very diversifying for us. So we are shaping our business through new investments in growth areas. Also, investments in existing Affiliates. A few years ago, we made a second investment in Systematica, we made investments in our distribution that have helped Affiliates like Pantheon grow in the wealth channel. So when you think about capital, sometimes it's easiest to think about it as a new investment, but often times, it can be done in existing Affiliates or directly in capabilities to help Affiliates grow. So what you're really seeing, and I think I said in my prepared remarks, our flows are being obfuscated by the underlying momentum in alternatives.

To your question, I think it's sort of driven by the Veritable transaction. And so maybe to talk about our strategy generally with respect to our existing Affiliates. Our business model is based on a competitive advantage, which is we help Affiliates remain independent and aligned with clients, and we've developed a range of capabilities that enable those firms to maintain their independence over the long term. So when a partner chooses AMG, they're choosing independence and they benefit from the capabilities that we have to offer. So there's really no intention by us or even by them at the initial investment, to do anything other than remain independent and access our strategic resources. It is a cornerstone feature of our partnership approach. So we expect the vast majority of our Affiliates to remain independent, remain with us, because that's what they chose at the time of the partnership.

So there's not really any change in strategy here. There's no intention to do anything different other than continue to help independent firms over the long term, but all businesses and partnerships evolve, and sometimes circumstances change, such that independence is no longer the optimal structure. So in that case, given our alignment with the partners and the clients and our business model, we do collaborate with Affiliates to consider strategic options that are in the best interest of all stakeholders, including our own shareholders. And in some rare cases, this may result in some other strategic transaction like the consolidation transaction. Veritable was one of those exceptions. But I do think it's an exception. We and Veritable recognize the compelling strategic benefits of a consolidation transaction in this case and because of our alignment and collaborative approach, we supported the successful outcome. But while a change in ownership is possible, it's unlikely, and we remain committed to our strategy to help independent firms remain independent and then strategically support them.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

And I think Jay covered it very well. And maybe I'll follow up just with a couple of points. With respect to continuing to grow that secular growth bucket, as Jay walked through the categories, we'll do that in really 3 ways: one, through new investments; two, through pointing the AMG capabilities, largely around product and distribution, more towards those growth areas; and three, there's going to be a natural organic growth difference between some of those businesses and businesses that are facing more organic growth headwinds. So we're really attacking that business mix shift opportunity as part of our strategy in a number of different ways.

I think very importantly, and again, Jay covered much of this. There's no proactive part of our strategy to move away from our existing very high-quality active equity-oriented Affiliates. In fact, in many ways, quite the opposite. These are high-quality businesses with a very strong long-term track records with very unique investment capabilities. And we're focused in working with many of these Affiliates from a strategy perspective on how those investment capabilities can be better delivered to clients over time. Whether that's adjacent strategies, whether that's new wrappers and taking advantage of new trends in the market. But ultimately, a lot of these businesses have delivered very strong returns over time. They continue to be an important part of our cash flow and we're working with them to continue to ensure that they're great businesses that are delivering for clients and are an important of the overall AMG story.

Operator

Our next question comes from the line of Craig Siegenthaler with Bank of America.

Maggie Cao - *BofA Securities, Research Division*

This is actually Maggie Cao filling in for Craig. It would just be helpful to get an update on how your M&A pipeline has evolved over like the last 6 months, and if you're seeing any signs that sellers now are more motivated to execute over the near term?

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Thanks, Maggie. Maybe I'll start by saying unlike the general environment for M&A within asset management, across all of asset management, I think we're seeing a steady flow of opportunities and transactions. So asset management really hasn't slowed down. And we're continuing to see high-quality independent partner-owned firms in our pipeline. I'd like to say I have an obvious answer to why we continue to see steady flow where the rest of the general M&A environment has really slowed down. It's possible that asset management has really quite a dynamic group of partner-owned firms and even larger firms in our industries. There's a lot going on in it. And so I think that's why we kind of continue to see a backdrop that's constructive. So it's constructive for us, too, because expectations have come down. Valuations have moderated in a lot of areas, including in private markets and we're seeing structures that better share risk between the buyer and seller. So AMG hasn't done anything different, but the market's kind of moved more our direction. We see that as an incremental tailwind, but what I would really want to land here is our pipeline has really grown over time for some of the actions that we've taken over the last few years. And I think the first one is really focusing on the areas that we want to focus on -- those areas of secular growth, primarily alternatives, both liquid alternatives and private markets, we mentioned wealth earlier, sustainable investing, and Asia would be another big theme for us. We've been methodically targeting these areas over the last several years, which has generated significant pipeline for us. We've expanded our product universe across the globe, increasing our resources, human resources to originate and maintain relationships in this universe.

The other thing that's happened at AMG that's, I think, increased the probability of the pipeline is that we've broadened over the last 5 years, the partnership solutions that we offer to these independent firms to help them strategically, and that includes business development, support, succession planning, product development, capital formation capabilities, growth capital, insights to the most important questions that they face. And so this combination of targeting and originating the types of businesses that we would like to partner with and then offering those businesses even more strategically, we feel really good about our pipeline. As I mentioned in my prepared remarks, we've advanced several conversations this quarter. We announced Forbion just recently. We feel pretty good about being able to invest in growth, which we really have done over the last 4 years, I think, successfully. So we are constructive about our current pipeline. And we do think our 30-year track record of successful partnerships, being a good partner, and magnifying the success of our Affiliates -- is our main differentiator in the market relative to all other parties. And the fact that we're able to both keep firms independent as well as strategically engaged with them, makes us unique. So I think our partnership approach is resonating. The pipeline is strong, and we continue to see opportunities to invest for growth, and we have a lot of financial flexibility to do so. Thanks for your question.

Operator

Our next question comes from the line of Patrick Davitt with Autonomous Research.

Patrick Davitt - *Autonomous Research US LP - Senior Analyst of US Asset Managers*

This sits with the last question. So you've obviously mentioned a strong pipeline -- growing pipeline and you announced a couple of smaller transactions recently. Is there a pipeline of larger, more impactful deals in that pipeline? Or is it more of these smaller ones that we should expect to be the norm? And in that vein, is there a limit on the number of Affiliates you can support if you keep layering on a lot of these smaller ones?

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Thanks, Patrick. So the short answer is we actually have a good, diverse pipeline of small, medium and large transaction types. In the main, they range from on the low side, $100 million and maybe on the high side, it could be up to $500 million. That's probably our target zone for partnerships in terms of capital outlay. The other thing I would say is that we're only investing in some cases, 20%, in other cases, up to 50%, maybe just over 50%. So just to give you a sense for that's only half of the enterprise value of these firms. So it kind of helps to think about the framework. And when you look at our deployment over the last 4 years, we have really been disciplined in our approach. And we've also been intentional in our approach. So we are trying to strategically evolve AMG deliberately investing in those areas of growth and doing so with this approach to not make really outsized bets, it doesn't mean we can't do a large transaction. It just means that the bar is very high for those larger transactions and really sticking to our knitting of businesses that are in a growth phase and those businesses that we think we can strategically engage with and magnify their success. So hopefully, that gives you a little more color as to what we're looking for and also why we're looking for it. We do think that the investable universe for us is such that we can put out a majority of our capital in any period into growth investments and that could be in 2 or 3 a year, but depending on the size, that could be $500 million, $600 million, $700 million. And that's really a target for us in the sense of over long periods of time, we think that is a really doable thing for us to do. And as you probably remember and are aware, some of our smaller investments have generated some of the most significant returns. I mean, Veritable is an example of one that actually is right in front of us and you can see the returns based on the numbers that Tom gave you and Baring Asia, those were all $100 million to $200 million transactions that turned out to be significant. We like that size because when firms are in that growth phase, they can really see breakout growth. I think over our own history, when we analyze our own data, that tends to be a sweet spot for us.

But going back to the sort of capital deployment, since 2019, we've invested more than $1.5 billion in these areas of secular growth and we remain disciplined. I guess, looking back, if we could have invested more, we would have because during that same period, we've returned about $2 billion of excess capital. So we do have discipline. I think we are focused on growth. We like the size range that I mentioned, and I think that's likely where you're going to see us continue to do deals. It doesn't mean we won't look at a larger transaction if we do the bar is just high, and it will likely be some version of a very diverse business in that case. So I think that hopefully addresses your question here. But maybe the last point I would make is really over long periods of time, the goal for us is to build a diverse universe of independent partner-owned firms, so our shareholders get to participate in that profile because we think there's something special about those businesses. And in the main, they tend to be specialized businesses. So that's why the size makes sense, and that's why the growth focus for us makes sense.

Operator

Our next question comes from the line of Michael Brown with KBW.

Michael C. Brown - *Keefe, Bruyette, & Woods, Inc., Research Division - MD*

I wanted to dig in a little bit on the Veritable proceeds and how those will be used. Can you just kind of walk us through the various levers that you're considering there and your accretion guidance? --I assume it's going to include a level of share buybacks, but it also includes some delevering. And then I guess, what are your thoughts on the timing behind that 2% to 3% accretion that you laid out? What are some of the variables we should consider when we think about how that could play through for 2024?

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Yes. So thanks, Mike. I'm going to have Tom take that one.

Thomas M. Wojcik - *Affiliated Managers Group, Inc. - Chief Financial Officer*

Thanks, Mike. The reality is, whether you think about the Baring proceeds or the Veritable proceeds, we really think about plugging all of that capital into our overall capital allocation strategy. So it's less about specifically where each of those dollars are going to be spent. And I think it's more about the quantum of capital that we have and ultimately, how we use the entirety of that quantum of capital to drive shareholder value over time.

As you know, we have a very strong liquidity position today, and that's going to be further enhanced when we receive the proceeds from the Veritable transaction. We recently announced the Forbion partnership, so we used some capital there. We've increased our buyback guidance for 2023 to at least $500 million. So again, another increase in capital allocation there. And as Jay talked about in both his prepared remarks as well as in the answer to several questions, we see a tremendous amount of opportunity in front of us to invest for growth. That's both at existing Affiliates as well as on the new investment front, and we're seeing a lot of opportunity across both of those areas. We also want to make sure that we maintain significant flexibility in our capital and in our liquidity given that we're in a more volatile time in markets, and we always want to be in a position where we are able to play offense and able to capitalize on the great opportunities in front of us.

In terms of how we use our capital from here, the goal is never going to be to push all of that capital out the door in a single quarter or calendar year. It's really going to make sure that we're prepared. In terms of uses, we have committed to paying down some of our debt, probably $200 million to $300 million or so in the wake of both the Baring and Veritable transactions. And as I think you know, we're holding some match duration treasuries against our February '24 maturities to do that and that's actually a positive carry trade for us right now given where rates are.

I also mentioned in my prepared remarks that today we have more than $500 million of cash, above and beyond contemplated share repurchases and contemplated debt repayment, that we can deploy toward growth over the course of the next several quarters. And that should translate into at least $1 of incremental earnings power. And also, as we've said, and I think we've really proven out over the course of the last 4 years, we're going to be very disciplined with our capital. And if we don't end up finding great growth investments over the medium term, we can continue to return additional capital through repurchases, and that's another opportunity for us to drive earnings per share growth over time. So again, just to go back to the specifics of your question, we talked about the combination of Veritable and Forbion together, adding about 2% to 3% to incremental earnings over time. That will be a combination of the actual EBITDA acquired with respect to the Forbion partnership, as well as the ultimate allocation of capital from the Veritable transaction across really a combination of growth investments, share repurchases and debt paydown.

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

That was a really good summary by Tom. I just wanted to maybe take it way back out here and just say, our business is really well-positioned today as you can see in the profile of the business, we have really good diversity across Affiliates. We don't have any significant contributor to our earnings. We have a broad-based set of Affiliates. Our profile is really leaning in towards alternatives, both liquid and private markets and leaning into growth areas. Our new investment pipeline continues. We've been very methodical and consistent in terms of making investments, again, the seventh investment we've made in alternatives in this most recent transaction Forbion and we continue to see good opportunities in that pipeline. And then to cap it all off, our financial flexibility and really our balance sheet strength has probably not been better, at least not in recent history. So we're very excited about the positioning of AMG today.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Mr. Horgen for any final comments.

Jay C. Horgen - *Affiliated Managers Group, Inc. - President and Chief Executive Officer*

Well, thank you all for joining us this morning, and we look forward to speaking with you next quarter.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.
