Blackstone Fourth Quarter and Full Year 2022 Investor Call
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Moderator: Good day and welcome everyone to the Blackstone Fourth Quarter and Full Year 2022 Investor Call. During the presentation your lines will remain on listen-only. If you require assistance at any time, please press star zero and your telephone coordinator will be happy to assist you. If you would like to ask a question during the call, please press star, then one. I'd like to advise all parties that this conference is being recorded. And with that let me hand it over to Weston Tucker, Head of Shareholder Relations. Weston, please go ahead.

Weston Tucker: Terrific. Thanks, Matt, and good morning and welcome to Blackstone's fourth quarter conference call. Joining today are: Steve Schwarzman, Chairman and CEO; Jon Gray, President and Chief Operating Officer; and Michael Chae, Chief Financial Officer. Earlier this morning, we issued a press release and slide presentation, which are available on our website. We expect to file our 10-K report next month.

I'd like to remind you that today's call may include forward-looking statements which are uncertain and outside of the firm's control and may differ from actual results materially. We do not undertake any duty to update these statements. For discussion of some of the risks that could affect results, please see the "Risk Factors" section of our 10-K. We'll also refer to certain non-GAAP measures and you'll find reconciliations in the press release on the shareholders page of our website.

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On results: we reported GAAP net income for the quarter of $743 million. Distributable earnings were $1.3 billion or $1.07 per common share, and we declared a dividend of $0.91 per share, which will be paid to holders of record as of February 6th.

With that, I'll now turn the call over to Steve.

Steve Schwarzman: Well, thank you, Weston and good morning and thank everybody for joining the call. 2022 represented the most challenging market environment since the global financial crisis. Central banks around the world embarked on one of the most aggressive tightening cycles in history, to combat the highest inflation in a generation. In the United States, we saw the highest level of inflation since 1981. The federal funds rate here rose from basically zero at the start of the year to 4.5% - the largest increase in 50 years. Equity markets fell sharply as a result, with the S&P down 18% for the year, Nasdaq down 33%, the public REIT index, not to be forgotten, down 25%. The intra-year movements were even more extreme, with these indices down 26 to 37% at their lows. In credit, the high-yield and high-grade indices declined 11% and 13% respectively. Overall, the "60/40" portfolio had one of the worst years on record.

And against this extremely unfavorable market backdrop, Blackstone delivered earnings and dividends growth for our shareholders. Distributable earnings, for example, rose 7% to $6.6 billion in 2022, while fee related earnings increased 9% to $4.4 billion - a record year for the firm on both metrics, despite the collapse in equity and debt markets. In the fourth quarter, although we had fewer realizations due to the environment, we generated strong DE of $1.3 billion - reflective of the firm's substantial earnings power, which has grown dramatically over the past several years.

Most importantly, Blackstone distinguished itself compared to almost all diversified liquid securities managers by preserving our limited partners' capital. In a year in which the typical

investor lost somewhere between 15 and 25% of their money, our limited partner investors had a highly differentiated outcome. Our flagship strategies in real estate, private credit and secondaries appreciated 7 to 10% while those losses were occurring elsewhere. Our hedge fund solutions business achieved a gross composite return of 5%, with positive returns every quarter of the year. Our corporate private equity, tactical opportunities and liquid credit strategies were down only modestly for the year between 1 and 3%.

One of Blackstone's core principles since our founding in 1985 involves the preservation of capital as a necessary component of the investments we make. We assess investment opportunities rigorously, always with a focus on not losing our clients' money. In addition, of course, we seek returns that significantly exceed public market benchmarks over time. This year, we are proud that we again executed on this foundational principle. Our approach to investing has enabled us to grow from having no assets in 1985, to becoming the largest alternative asset manager in the world today. As you would expect, our investors are rewarding us, including remarkable inflows of $226 billion just in 2022, which drove 11% growth in assets under management to a record $975 billion. Our inflows this year alone would qualify as a top-ten alternative manager, out of the over 10,000 alternative managers globally.

When Blackstone and others started in the alternatives business, institutional investors provided almost all the capital for investment. That business remains robust today as institutions are continuing to increase allocations. In the vast, $85 trillion private wealth channel, a new generation of investors is starting to experience the benefits of alternatives as well - a development led by Blackstone, where we have the largest market share. Twenty years ago, we started raising money in this channel by offering access to the same high-quality products we offered institutions. Over a decade ago, we built a dedicated private wealth team - which today comprises approximately 300 people globally - where we invested significantly to establish the leading sales and service organization in our sector, interfacing with the largest wealth distribution systems. Six years ago, we launched our first large-scale, customized products for individual investors. These products were designed to provide attractive returns by investing in longer term assets, and therefore capture the premium for illiquidity which is the basis of much of our business. And we structured these products to provide liquidity over time, subject to limits - as it is essential to match the time horizon of investments with the duration of capital. This is a foundational principle of portfolio construction.

And these products have worked exactly as intended. Blackstone's largest product in the private wealth channel, BREIT, has delivered 12.5% net returns annually since inception six years ago for its largest share class, earning over three times the public REIT index. There's been a lot of talk about public REITs - we've out earned them by three times. In 2022, BREIT's net return was over 8% while equity and debt markets were melting. Its growth and net operating income, in 2022, was 65% higher than public REITs through the latest available public data. That's some performance. Blackstone's second-largest product in this area, BCRED, has achieved 8% net returns annually - significantly outperforming the relevant credit indices - and is yielding over 10% today exclusively in floating rate debt. The response to our performance has been extremely positive. In 2022, our sales in the private wealth channel totaled a remarkable $48 billion - not exactly what you're hearing in the media. In the fourth quarter - despite market headwinds, our sales were a robust $8 billion, including $4 billion in our perpetual vehicles and $4 billion in other strategies. On a net basis, after repurchases – we saw positive net inflows in this channel of $3 billion overall in the fourth quarter, with strong demand for our drawdown products. Specifically, our perpetual strategies saw moderate net outflows in the quarter of approximately $800 million. As one would expect, flows in these strategies are impacted by market cycles. We believe we're seeing a temporary decline in an otherwise very positive long-term growth trajectory.

Personally speaking- I've been in finance for over 50 years, and I'm frankly quite surprised by the intense external focus on the flows for BREIT at a time of cyclical lows in stock and bond markets. For those of us that build and create businesses, what's going on is highly predictable. It should be expected that flows from high net-worth individuals would decline for nearly all types of new investments in this environment. Having navigated five major market declines in my career, I've learned that focusing just on what's happening at the bottom of cycles misleads the public regarding likely future trends for appreciation and growth in well-constructed and historically high-performing products. My experience is these market bottoms often last for relatively short periods of time and are followed by a resumption of historic trends. At Blackstone, we're focused on the long-term - not next month - and rather than simply counting balls and strikes, we're working to win the World Series. And as we all know, not all World Series are won four games to zero - all people remember is who won the World Series. And that is our intention, and that has been our experience with the vast bulk of our products. Our funds are built on performance, and our consistent experience over nearly four decades has been that, with strong returns, flows will follow. The need for very high-quality products in the private wealth channel is very substantial, and we're bringing something highly differentiated in terms of our portfolio and performance.

What we've created for individual investors is so good that one of the most sophisticated institutions in the world contacted us and indicated they wanted to invest as well. Earlier this month, the University of California system invested $4 billion in BREIT, and is investing an additional $500 million beyond that - which we announced yesterday - with an effective six-year hold. This investment builds upon a 15-year relationship between our firms. I had the pleasure of meeting with UC's Chief Investment Officer over the holiday period, and he said they consider BREIT to have one of the best positioned real estate portfolios in the United States. This investment provides BREIT with substantial additional firepower and flexibility, and represents a powerful affirmation of the portfolio and its performance.

It also illustrates the significant advantages of buying products from Blackstone. Investors in our funds get access to the full capabilities of our firm - not just those of an individual portfolio manager - including our intellectual capital, relationships, creativity and the many other benefits that come from our leading market position. We use these advantages to drive the best outcomes possible for our customers. Our distribution partners understand this as well, and they've told us they plan to continue to expand their clients' access to alternatives. Blackstone's commitment to the private wealth channel is stronger than ever, and we believe our performance in this cycle will ultimately provide impetus for significant growth in this area. Our returns in the face of adverse markets, and adverse media, are proof of concept that our disciplined approach to institutional asset management applies for the benefit of individuals as well.

In closing, as we move into 2023, Blackstone is uniquely positioned to navigate the challenges of today's world on behalf of all of our investors. As a whole, our portfolio is in excellent shape, with an emphasis on downside protection as well as upside when asset values ultimately recover from this cycle. With almost $187 billion of dry powder, we have more capital than almost any other financial investor in the world to buy assets opportunistically when values are low and liquidity is scarce. We have lived through many cycles and have always emerged stronger, growing the firm to greater heights. Public market investors who don't understand our model historically have run the risk of missing out on Blackstone's substantial long-term stock performance. Our people own 36% of Blackstone's equity, and I can tell you this is a group that is extremely bullish on our firm's prospects.

And with that, I'll turn things over to Jon.

Jon Gray: Thank you, Steve. Good morning, everyone.

The true measure of our success is the returns we generate for clients. Despite a very tough year for markets, we've continued to deliver for them. Nearly all our flagship strategies outperformed the relevant public indices in 2022 as Steve highlighted, the result of how we've positioned investor capital, along with our value creation focus.

We do not own the market. It matters where you invest.

There is no better example of this than in real estate, where we've achieved 16% net returns annually in our global opportunistic funds, across the many economic and interest rate cycles of the past 30 years. More recently, given our concerns around rising interest rates and inflation, we concentrated over 80% of our current real estate portfolio in sectors where strong cash flow growth could help offset these headwinds, including logistics, rental housing, life science, office, hotels, and data centers.

Logistics is the largest exposure across Blackstone, comprising approximately 40% of the entire real estate portfolio. Fundamentals globally remain extraordinarily strong. In recent months, releasing spreads - the increase in rents as expiring leases rollover - were 65% in our U.S. holdings, accelerating to a record 75% in December; approximately 50% in the U.K. and 30% in Europe overall; 20% in Australia; and 100% in Canada. At the same time, construction starts for warehouses, along with most types of real estate, are now falling sharply, which is further tightening an already-constrained new supply pipeline.

Of course, these exceptional fundamentals do not apply everywhere. In traditional U.S. office, for example, secular challenges have been exacerbated in a post-pandemic world. We've written down the equity value of traditional U.S. office assets dramatically since 2018, and fortunately, such assets represent only 2% of our global real estate portfolio, versus approximately 50% fifteen years ago.

In private equity, our concentration in the travel and leisure, energy, and energy transition areas have had a meaningful impact on our results. We largely avoided unprofitable tech and did nothing in crypto. Our thematic approach has led to 14% year-over-year revenue growth in Q4 for our corporate private equity operating companies. Margins in our portfolio have proven to be resilient, reflective of our focus on high-quality businesses with pricing power. And in our non-insurance corporate credit business, with nearly $200 billion of total AUM, over 90% of our investments are floating rate, which has benefited returns as rates moved higher. Finally, in BAAM, we emphasized macro and quant strategies, yielding outstanding results for our investors in liquid securities.

The strength of our returns, over decades, reinforces the Blackstone brand and allows us to serve investors in more areas. While the fundraising environment remains challenging, we are in a differentiated position with LPs globally. We're seeing the greatest demand today for private credit strategies, including from insurance clients, and for infrastructure. In credit, the current environment is favorable for deployment, given the significant increases in base rates and wider spreads. Moreover, our investors benefit from our direct origination capabilities, which is a key differentiator for insurance clients in particular. That's leading to robust growth in this area, with $8 billion of inflows in Q4 from our large insurance mandates, bringing platform AUM to $160 billion. And we have line-of-sight to over $250 billion over time from existing clients alone. This includes our Resolution platform, where we recently announced an incremental $1 billion commitment from Nippon Life, Japan's leading life insurance company, to help accelerate the company's growth.
In Infrastructure, we raised $3 billion in the fourth quarter and $10 billion in 2022, bringing AUM to $35 billion in just five years. Performance has been outstanding, with 19% net returns annually

since inception. Again, it's about where we chose to invest - including inflation-protected areas like digital, transportation and energy infrastructure.

Turning to our drawdown fund business - we've raised approximately $100 billion to date for the current vintage of flagships, advancing toward our $150 billion target. In corporate private equity, we've closed on over $15 billion for the new flagship, and believe we will raise roughly a similar amount as the prior fund in a difficult private equity fundraising environment. In secondaries, we completed the fundraise for SP's flagship PE strategy at over $22 billion - the industry's largest - as well as SP's GP-led continuation fund at $2.7 billion. We also raised additional capital in Q4 for our renewables and energy transition-focused strategies in credit and private equity, targeting over $10 billion in aggregate. In real estate, we commenced fundraising for our latest debt vehicle, which we believe will be comparably sized to its $8 billion predecessor. And later this quarter, we expect to start raising our seventh European opportunistic strategy, targeting a similar size to the prior fund, which was €9.5 billion of third-party capital.

As with fundraising, our global scale and our reputation as a partner of choice are key advantages in deploying capital, particularly when the world becomes challenging. Our largest commitment in Q4 was for a majority stake in Emerson Electric's climate technologies segment. This $14 billion corporate carve-out was the result of a year-long dialogue, completed at a time when traditional financing sources were largely unavailable. Emerson remains our partner in the investment. The ability to source, structure and finance such a complex transaction at scale in a difficult investment environment highlights the very best of Blackstone. Other investments in Q4 included Core Trust, in partnership with HCA, another bilateral discussion with a high-quality corporate – and the privatization of Atlantia, one of the largest transportation and infrastructure companies alongside the Benetton family.

We're starting to see some interesting opportunities arise from the market dislocation, including from real estate funds seeking liquidity, leading to investments in logistics portfolios in Canada, the U.K. and Sweden. But it will take time for a volume of large-scale opportunities to emerge. Our latest fundraising cycle has positioned us very well with $187 billion of dry powder.

In closing- we continue to see global LPs increase their allocation to alternatives, and Blackstone is the leader in the space. For shareholders, our firm represents exceptional value. We've grown distributable earnings 20% annually for the past ten years - more than double the rate of the market. We've done that while paying out nearly 100% of our earnings through dividends and buybacks. Moreover the share count has barely grown over that decade, and we continue to operate with minimal net debt and no insurance liabilities. It is an extraordinary business model. And our brand and relationships with customers have never been stronger.

With that, I will turn things over to Michael.

Michael Chae: Thanks, Jon, and good morning, everyone.

The firm's results reflect strong performance in difficult markets. Our business continues to demonstrate remarkable resilience and fundamental strength in terms of investment returns, inflows and earnings power. I'll first review financial results and then will discuss investment performance and key elements of the forward outlook.

Starting with the results. Despite the challenging backdrop, fee- related earnings, net realizations and distributable earnings all saw meaningful positive growth for the full year; with FRE and DE reaching record levels, as Steve highlighted. FRE increased 9% to $4.4 billion, or $3.65 per share, powered by very strong growth in management fees and healthy margin expansion, notwithstanding

a decline in fee related performance revenues. Our expansive breadth of growth engines, and the activation of new drawdown funds throughout the year, lifted base management fees 25% to a record $6 billion for the year - and the 52nd straight quarter of year-over-year base management fee growth at Blackstone. At the same time, FRE margin expanded 75 basis points to 57.1% - the highest level ever for a calendar year - reflective of the firm's robust margin position and ability to manage costs with discipline in a difficult environment.

Fee related performance revenues were $1.4 billion for the year, driven by strong returns across our perpetual strategies, with contribution from twelve discrete vehicles. Looking forward, the set up for this high-quality revenue stream in 2023 and beyond is quite favorable, which I'll discuss further in a moment.

Distributable earnings increased 7% in 2022 to $6.6 billion or $5.17 per common share, driven by the growth in FRE along with a 4% increase in net realizations. The shape of the year was impacted by our realization activity, which of course is market dependent. We saw a record first half driven by certain large realizations of note, while the pace of sales slowed in the second half, reflecting overall market activity levels. FRE remained a ballast to earnings throughout the year - with 2022 comprising four of the firm's five best quarters for FRE in history.

In the fourth quarter, FRE was $1.1 billion or $0.88 per share. The year-over-year comparison was affected by the change in the crystallization schedule for BREIT’s fee related performance revenues in 2022. Previously, each full year’s revenues crystallized in the fourth quarter, which moved to a quarterly crystallization in the first quarter of 2022. Notably, excluding these revenues, the firm's FRE growth in the fourth quarter was positive 7%, more in line with the full year.

Distributable earnings in the fourth quarter of 2022 were $1.3 billion, or $1.07 per common share, down from the prior-year record quarter. Stepping back, despite a muted backdrop for realizations for much of the year, our distributable earnings were above, or well above, $1 per share every quarter for the past six consecutive quarters - which had only previously occurred three times in our history. This reflects well the elevation of our earnings power that is underway.

Turning to investment performance. Against the volatile market backdrop of 2022, our funds protected investor capital. In the fourth quarter, the corporate private equity funds appreciated 3.8%, with strength in our travel related and energy holdings, along with our publics broadly. Our portfolio companies are well positioned overall, with continued strong revenue growth and resilient margins. In real estate, the core-plus and opportunistic funds depreciated 1.5 to 2% in the quarter. In the context of rising cost of capital, we've continued to increase cap rate assumptions across the portfolio, driving the fourth quarter decline. Notwithstanding this impact, our real estate strategy still saw significant appreciation for the full year, due to robust cash flow growth across our holdings. Of note, 10-year yields have moved meaningfully lower since year-end which, if sustained, should provide additional valuation support over time.

In credit, the private credit strategies appreciated 2.4% and the liquid strategies appreciated 3% - reflective of a resilient portfolio, generating strong current income against a stable backdrop for credit generally in the quarter. And in BAAM, the BPS gross composite return was 2.1% in the quarter - the 11th quarter in a row of positive performance. Overall - our portfolios are performing well in a challenging external operating environment.

Turning to the outlook. First, as it relates to realizations, we expect sales activity to remain muted in the near term, given market conditions. And as always, when markets ultimately stabilize, we would expect realizations to re-accelerate as well.

With respect to FRE, we continue to expect a material step up over the next several years led by the combination of: first, our drawdown fundraising cycle; second, the expanding contribution for perpetual strategies; and third, the substantial, largely contractual growth of our dedicated insurance platform. In terms of the drawdown funds, the fee holiday for our global real estate flagship has ended, and 2023 will include a nearly full-year contribution of management fees. We expect to launch the investment period for the corporate PE flagship later this year, subject to deployment, which will be followed by an effective four-month fee holiday. We will launch various other funds in the coming quarters, depending on deployment. In total, only $56 billion of our $150 billion target was earning management fees as of year-end.

Perpetual strategies continue to grow in number and scale, with over 50 discrete vehicles today. The combined Fee AUM of our four flagship strategies – BPP, BREIT, BIP, and BCRED – grew 30% in 2022 to $184 billion. This sets a substantially higher baseline for fee revenues entering the year. In addition to NAV-based management fees, over 30 of the perpetual vehicles are eligible to generate fee related performance revenues, and the firm will continue to benefit from the "layering effect" of these revenues. We previously noted that the BPP platform has four times more AUM subject to crystallization in 2023 than 2022, concentrated in the second half of the year.

Finally, in insurance, we ended 2022 with over $100 billion of AUM from our four large clients, generating $450 million of management fee revenue for the year. As these mandates grow over time, both organically and by contract, we anticipate fee revenues just from these mandates will more than double to approximately $1 billion in four to five years, including strong double-digit growth this year. These revenues carry attractive incremental margins given our extensive existing capabilities.

So to summarize – with multiple embedded key drivers, we have strong confidence in continued FRE expansion in 2023 and beyond.

In closing, despite the uncertainties of today's world, we entered the new year from a position of fundamental strength. Our earnings power has elevated dramatically over the past several years, and looking forward, we have great confidence in the future. With that, we thank you for joining the call and would like to open it up now for questions.

Moderator: Just a reminder everyone – please press star, then one on your telephones to queue up for questions. Please note that we would like you to limit your questions to one question only. Thank you.

And the first question is coming from Craig Siegenthaler with Bank of America. Please go ahead.

Craig Siegenthaler: Good morning, Steve, Jon. Hope everyone's doing well.

Jon Gray: Morning.

Steve Schwarzman: Thanks.

Craig Siegenthaler: So infrastructure partners is generating sizable inflows pretty much every quarter now. AUM's around $35 billion. What's been driving the improvement in fundraising momentum in infra? Is it partly the inflation hedge qualities? Is it more contribution from the private wealth channel? And also, is PIF still matching every dollar of inflow? I think that was up to $40 billion.

Jon Gray: So Craig, I would say the key reason it's grown, echoing what Steve was saying in his remarks, is performance drives inflows. So, this vehicle, if you look in our filing, has delivered 19% net since inception five years ago. Really remarkable for a fund that had a much lower targeted return. And so that's obviously attractive. I do think you hit on a key element, which is the inflation-protected nature of hard assets, particularly in this portfolio. What it owns in transportation infrastructure, an area we went very long post-pandemic, investing in Atlantia in Europe, the Autostrade in Europe, Signature Aviation here in the United States – that has been very positive for this fund – our push in digital infrastructure, data centers and towers where there's really strong underlying demand, and then energy and energy transition, of course, given what's going on. And so it really has a really exceptional portfolio that investors find attractive in an inflationary environment. It's delivered very good performance. And in general, I would say our customers are under-allocated to infrastructure and want to hold more here. And so, I think it's one of the things that everybody's been so caught up on – one product, the flows. Meanwhile, here's a product that didn't exist five years ago, has $35 billion of AUM, grew 53%, is delivering phenomenal performance, and I think will grow to be much, much larger than it is today. Specifically, you talked about private wealth. It's not really a product so far that we've tapped into the private wealth channel on. And then as it relates to our partners at PIF- yes, they are still matching us up to a certain size under our agreement. We also, in the number, have some co-investment, so there's still some additional capital. But I would just say the response from investors broadly here has been extraordinary and what we've built from scratch, what Sean Klimczak, who runs that business, has done, is truly exceptional, and we're really proud of this business and have a lot of optimism about the future.

Craig Siegenthaler: Thank you, Jon.

Moderator: And our next question is coming from Glenn Schorr with Evercore. Please go ahead.

Glenn Schorr: Hello. Thanks very much. So I think Steve put it well earlier when talking about it's essential to match the duration of assets with the capital. And, you know, there's a perception, or reality in some ways, that the quarterly liquidity products don't do that. Now, they work and you're protecting shareholders, so I understand the bottom line. So my question is, we've been talking about for a while now and experiencing retail, the private wealth channel contributing 30 to 50% of flows for the company. So I'm curious, how you evaluate the client experience, the client being the FA, the platform, the end client that's asking for money and has to wait. And so, the bigger picture question is do you still have confidence in that 30 to 50%? Do you need some re-innovation of product wrapper? I know I asked something like that last quarter, but with three months more of conversations, I'd love to get your mark to market on all of that. Thanks so much.

Jon Gray: Thanks, Glenn. I think what's fascinating is when we talk to our clients, their experience vs. the media narrative. So, what we've heard from our clients is they're quite pleased. They're quite pleased that they invested in a product that has produced three times the rate of return as the public REIT market. So, they look at what's happened here as positive. Our clients and financial advisors understand that this was a semi-liquid product - that the basic trade off was to trade some liquidity here for higher returns - and that there were always, from day one, six plus years ago, limitations on liquidity. Now, there may be a small subset who've expressed some unhappiness, but frankly, the vast, vast majority of our customers are quite happy. And so, we think about this, you know, like a like a great restaurant that serves food. The weather outside's bad, the markets are tough back to Steve's comments, they're not quite as many people showing up right now, but the food is still really good. And we think, as the world reverts, as we work through the backlog of redemptions, we're going to continue. We will see flows return. By the way, we saw in 2020 a cessation of flows. You can look at products like this over time. You know, people are just taking a snapshot of today, and they're focused on the flows. What I find fascinating was, yesterday we posted our 8-K saying that

same store estimated NOI for BREIT was 13% for the full year, which is extraordinary for a portfolio of this size. No one covers that. What they're focused on is what the flows are next week. To us, what matters is delivering for the customer. So, I do believe fundamentally, as we get through this challenging period, people will come back to these products. I think as we talk about liquidity, you know, could there be, you know, tweaks to these different products over time, on the liquidity features, BCRED, for instance, does quarterly versus monthly. You know, we're not changing anything today, but certainly people are going to look at these. But at the end of the day, the product has delivered as designed. It's delivered strong performance, it's delivered on the liquidity promises it had. The media has created a different narrative, but the customers are fundamentally happy. That's why I believe as the world normalizes, we will again begin to see flows.

Glenn Schorr: Thank you.

Moderator: The next question is coming from Michael Cyprys with Morgan Stanley. Please go ahead.

Michael Cyprys: Great. Thanks. Good morning. Just more of a bigger picture question around growth and innovation. I guess if we look at your growth in recent years, many of the products that are contributing today did not exist five or ten years ago. So if we look out over the next five to ten years, can you talk about some of the white space that you see for innovation, for new business opportunities, opportunities for new strategies and just the overall opportunity set for Blackstone to innovate from here? And ultimately, how different might the Blackstone of 2030 look versus today?

Jon Gray: So, you know, I think there is still enormous opportunity in the alternative space. When you look at it aggregately, it's a roughly $10 trillion industry. We're about 10% of the industry. That compares to stocks and bonds over $200 trillion. If you throw in commercial real estate, residential real estate, other things, you can get up to $300 trillion. So I think there's a lot of room to grow, Mike. And I think where the most growth will happen, as you've seen, if you think about, sort of investments as a pyramid, at the very top are the highest returning strategies there. We've obviously done a great job in private equity, real estate private equity, growth, life sciences. But what we're seeing is a lot of growth in strategies where the return profiles are not as high - longer duration strategies - we think about, private credit is a huge area of opportunity because investors - be it insurance companies, or individual investors, or institutions - realizing now that they can lend directly to borrowers with help from somebody like Blackstone. That is a very, very big market. And we, today, are still a very small percentage of that. Specifically, we've talked a lot about insurance, but, you know, in industry where people are really now focused on performance and the incremental return that comes from originating private credit, we have this unique platform today that enables us to serve now four major clients. I don't see any reason why that platform cannot continue to grow. And as we have more scale, we can generate even more favorable returns.

Infrastructure, which we just touched on, I think there's a global opportunity. We started initially in the U.S., and that can certainly be a bigger global opportunity. I would say Asia, which I'm going to in a couple of weeks, in real estate, in private equity across the board - I think that's an area where there's a lot of growth in just credit in yield products generally are attractive for us. And the secondaries market, which you've seen, which benefits from the rise of the alternative space, can grow. So when we look out across our business, we still see lots of engines of growth. Even core-plus real estate, we're still a tiny fraction of that market. And so what we have, which is the great sort of special sauce of the firm, these wonderful people, but these relationships we built up. So if you look at what's happened with Cal Regent's $4.5 billion dollars committed in a short period of time, the transaction we did with Nippon Life that I referenced, we have a number of big investors who are looking at billion dollar plus commitments to various vehicles and funds. We've just got a

lot of goodwill, and the key for us is to find the right talent to pursue some of these strategies and then scale it up. So again, our optimism remains high. And what's interesting versus the last really sharp down cycle in '08, '09 is clients are actually talking about increasing their allocation to alternatives, something that's very different than the sentiment back then because investors continue to see the differentiated performance.

Michael Cyprys: Great. Thank you.

Moderator: The next one is coming from Ken Worthington with JP Morgan. Please go ahead.

Ken Worthington: Hi, good morning and thanks for taking the question. Wanted to dig into BPP and the outlook for growth in this product. So maybe first, have you gotten a reaction to the arrangement you made with UC and BREIT from customers of BPP? Maybe second, even outside of Mileway and BioMed, growth has been very strong for BPP. Has the outlook for growth over the next few years changed, as it seems like growth has stalled more recently there? And then lastly, do you see other Mileway and BioMed opportunities for adjacency growth in BPP? And what might the nature of those adjacencies look like?

Jon Gray: Thank you, Ken. A few things - we haven't really heard much from our clients in the institutional world around, you know, BPP vis a vis BREIT and the Cal Regents investment. I think there's a different dynamic given the different liquidity profile in BPP, where investors recognize you need new inflows in order to get redemptions done. In terms of the outlook, what tends to happen in these open-ended vehicles during periods of market dislocation is you do see a deceleration of flows. People want to sort of wait and watch. Capital allocation is more constrained, and you will see, in this area, a slowdown. By the way, it's happened in the past in the early 2000s in open-ended institutional real estate funds. It's happened in the '08, '09 period. And then as you come out of this, clients want to get invested and the fact that these funds can deploy the capital quickly into existing portfolios is attractive. But I would guess in the near term here, this area won't grow as quickly as other parts of the firm, like infrastructure we were talking about. In terms of large-scale recapitalizations creating more perpetual vehicles, I think that's an opportunity over time. We do it on a very selective basis. We're focused on maximizing returns for our customers. We have a number of these - Mileway, BioMed, Logicor, which is another large logistics platform. We have some smaller vehicles. Interestingly, BPP at $73 billion is made up of more than 30 different entities. So there's a lot of diversity in the customer base and the asset class here. And it's an area that we think can grow quite significantly over time. But in the near term, I think the growth will be a little more muted.

Ken Worthington: Great. Thank you.

Moderator: The next question is coming from Finian O'Shea with Wells Fargo Securities.

Finian O'Shea: Hi, everyone. Good morning. On private credit, I appreciate the color you had earlier on the U.S. direct lending potential via your insurance relationships. Of course, the BDC can continue to grow as well that complex. But beyond these, can you talk about the broader institutional efforts? And if you have an eye on expansion into, say, a fund complex or an evergreen for that asset class?

Jon Gray: We think there's a lot of opportunity in both the U.S. and Europe on direct lending with institutional clients. You rightfully pointed out, obviously, BCRED has been quite successful in that space, serving the individual investors. Some of this is in the insurance clients, but institutional clients see the same thing. If you look at a transaction we did in private equity, you know, with Emerson, their climate technology business, you know, we borrowed there, about one-third loan-to-

value and the spreads were 600 plus over. And if you think about where base rates are in upfront fees, that is a very attractive return. And so institutional clients, large pension funds and sovereign wealth funds are seeing this. We have a number of SMAs. It is an area that we would like to, and plan to, grow over time and I think that will be another feature. I think that's why this sort of direct lending capability, which has multiple ways to access capital, can grow to be much larger than it is today.

Finian O'Shea: Thank you.

Moderator: And the next question coming from Brian Bedell with Deutsche Bank. Please, go ahead.

Brian Bedell: Great, thanks. Good morning, folks. But just back on BREIT and BCRED. Just, Jon, if you had a crystal ball in the sort of near to intermediate term, on when you think the redemption requests might abate. And just in thinking about that, getting through the Asian investors, which obviously were heavier redeemers last year and burning through any of the folks that are not happy or want to redeem and getting to those happy investors, so to speak. Just in terms of the redemption profile, when would you think you'd might burn through those requests and get to more of a net positive profile? And if you can differentiate that with BCRED. And then also just are there more potential institutional investor opportunities in BREIT like UC?

Jon Gray: Okay, a bunch of questions here. I guess I'd start by saying, you know, we endured for a number of months some really negative press, as you know. And so rebuilding momentum takes time. I think the good news is if you talk with our distribution partners, financial advisors, underlying customers, the tone of those conversations has improved. There were a lot of concerns, many of which we saw as unfounded, that needed to be addressed, and the capital coming in from Cal Regents, $4 billion originally, another $500 million yesterday. It says a lot. It's a real affirmation. There's been a lot of discussion about that capital. But when you really look at what Cal Regents did, it was a subsidy we provided, Blackstone, not BREIT, on the downside of about 4% annually. And so unless BREIT performs for them, then they don't get the 11.25% that they're hoping to achieve. And that affirmation of the quality of the portfolio, and the valuation of the portfolio was very important for outside investors and for our individual private wealth customers and their financial advisors. In terms of, you know, would we do more of this? You know, we've had some people reach out. There's a limit to the number of units we own, and we'll just wait and see. But, we have had some folks reach out. We'll see what happens on that front. But we really like this transaction because obviously it gave a lot of valuable capital to BREIT. It gives, from a Blackstone perspective, we think the product can really perform as we talked about previously. We just need to achieve an 8.7% return, well below the product's historical returns, in order to generate incremental gain. And then above 11.25%, we get even more in terms of incentive fee sharing. So, we look at this as a transaction that makes a lot of sense for us, certainly very helpful for BREIT, particularly the duration of the capital. But we'll wait and see what happens in terms of more.

And then I should answer, I guess specifically on your question on timing, I'd say the other positive sign out there, besides improved tone, is the majority of the redemptions we're seeing in January, it's still early, are coming from November and December - unfulfilled requests. So that to us is encouraging. But because those are outstanding, and because some investors now are making larger requests than they actually want to achieve because they expect to be cut back, we expect here in January, we will see an uplift in redemptions. But then to your point, we think over time, we'll be able to work down this backlog. Predicting the timing of that is not easy. I think continued strong performance from us is obviously important, continued confidence from the investment community and rebuilding that momentum. So at this point, I wouldn't put a timeline on it, but I would say I think the investment from Cal Regents was really important in terms of psychological confidence,

but we're going to have to wait and see how this plays out. But we feel what gives us our underlying confidence is what's happening in BREIT. The fact that in November, rents in the portfolio were up 10%. The fact that the rents in place are 20% below market. In our major sectors - rental housing and logistics - in Q4, we saw almost a 30% decline in new permits or starts. And now the ten-year Treasury, which has been a real headwind on cap rates, has come back down. So that makes us feel better about the outlook and that will be key, I think, to get more investors moving in our direction.

On BCRED specifically, there we have continued to have positive net flows. You know, the dynamic is a little different. There's less negativity around credit. There's obviously the headwind on these vehicles. There's less, you know, pressure, negative press around the credit space. There's the benefit from rising rates. And there you know, we again, we positioned the portfolio 100% floating rate, 98% senior secured, and the products yielding north of 10%, which should go higher as the Fed raises rates. So I think the dynamic there is more positive and again, I think performance will drive flows.

Brian Bedell: That's super helpful. Thank you.

Moderator: The next question is coming from Alex Blostein with Goldman Sachs. Please go ahead.

Alex Blostein: Hey, good morning, everybody. Thanks for the question. I was hoping to zone in on your secondaries business. You guys raised a potential amount of capital for the latest fund and it feels like there could be quite a bit of activity in the secondary space given changes LPs are making and obviously significant macro movement. So as you think about velocity of capital in the secondaries business, both LP and GP-led transactions, how do you expect that to shake out? What does that mean for maybe additional product innovation and fundraising within the secondaries franchise for Blackstone?

Jon Gray: Well, what anchors the secondaries business is that growth in alternatives we've talked about. We just continue to see that industry grow - our industry grow - it has been now for 30 plus years and we don't see that slowing down. And of course, investors at times will want liquidity. Today about 1% of the industry trades. That's why there tend to be sizable discounts when you're investing in secondaries. What we've seen growth in, of course, is in the private equity space. But we also have funds dedicated to real estate and infrastructure. And as you pointed out, GP continuations, which is very popular now where general partners like an asset or company they own, bring in outside investors and may invest from their new funds as well. And that's an area that we think can grow quite a bit. So, it feels to us like this is a business that's sort of coming into its own, that the industry can grow to be much larger than it is because of the need for liquidity and the growth in underlying alternatives. I do think the deal side will be a bit slow here as buyers and sellers have to find equilibrium. But I'm with you, Alex, that in the back half of the year I would expect we'll see a big pickup in activity, and our scale is a real competitive advantage because we're invested in 4,000 plus funds across all the geographies, all the segments, and that gives us the ability to be a one-stop-shop for the customers. So it's another area where there should be real growth over time. This is now grown to being nearly a $70 billion business. You know, by itself it would be quite large. It just happens to be inside of Blackstone.

Alex Blostein: Great. Thank you.

Moderator: Our next question is coming from Jerry O'Hara with Jefferies. Please go ahead.

Jerry O'Hara: Great. Thanks. Hoping you could just clarify some comments I believe I heard with respect to where you are on this 12 to 18-month fundraising time horizon towards $150 billion. And

specifically, what is sort of ahead of you where you see some of the larger sort of fundraising and what vehicles, what's the sort of make-up of the remaining sort of target goal looks like? Thank you.

Jon Gray: Well, thanks. I'm not sure we put sort of specific times. What we really focus on is sort of the vintage of funds we're raising. And as we said, and you pointed out, we had a $150 billion target that we've been talking about now for more than a year. The good news is we're at $100 billion, so we're two-thirds of the way through this. You know, obviously, large fundraises and secondaries, opportunistic global real estate, Asian real estate. We've made a lot of progress on our private equity fundraising. In the balance of the $50 billion – we're talking about raising a new BREDS V real estate debt fifth fund, which will be a meaningful chunk. We also said we're going to kick off, this quarter, our seventh European opportunistic real estate fund, you know, €9.5 billion of third-party capital last time and we're going to target a similar size again. And then, you know, we have more to get raised in green energy, both credit and equity. We have some smaller of the SP funds that are going to work their way through the system. And then we will launch, at some point in 2023, the next vintage of our life science business. So we've got a bunch going out there and the good news I think for us is, you know, we obviously are large in the U.S. institutional community, but we're big in Canada, we're big in Europe, the Middle East, Asia. And as you know, we've got insurance clients, individual investors and obviously our institutional clients. Interestingly, you know, everybody is focused on the semi-liquids but if you looked in the fourth quarter in the drawdown funds, we raised, I think $3 billion roughly across, you know, BREP and BXG, our growth fund and some other areas, from individual investors in our drawdown funds. And so that is just another tool we have in our toolkit to help us raise this capital. So we feel good about it, but I certainly would acknowledge it is a tougher environment than when we started.

Jerry O'Hara: Great. Thank you.

Moderator: And the next question is coming from Adam Beatty from UBS. Please go ahead.

Adam Beatty: Thank you and good morning. Just to follow up on BPP, you talked a little bit about kind of slowing new commitments, you know, in the near or medium term. Just wondering in terms of existing clients and redemption requests, if those are elevated at all, whether that might be driven, you know, maybe by liquidity, as in the retail channel or just by some other reallocation. Also on that, to the extent that redemption requests were to be elevated, either now or in the future, does that impact at all your ability to collect performance fees? Thank you.

Jon Gray: Yes. So on BPP, as we talked about, it's $73 billion. It's made up of a lot of vehicles. The majority, I believe, of which are today not open on redemptions. We have in aggregate, I think the number is about 7% outstanding redemption requests across that entire platform. But importantly, as we talked about earlier, institutional investors understand that liquidity comes from new inflows, and that's very different than the expectations in the private wealth channel. And so, you know, I think that's why it's just a different dynamic. And the short answer is yes, I talked about it earlier. In this kind of environment, for a variety of reasons, we expect we'll see less in the way of flows in some of these vehicles. They're not all the same. There may be more interest, for instance, in core-plus Asia real estate, than maybe other geographies or other sectors. But this is an area, as I said, I expect the growth, the net growth in the near term will be far more muted. But because if you look at it aggregately, where we position the portfolio, we feel quite good. So if you look at this in BPP, we've got something like I think we've delivered 11% net across this platform over time. When you look at life science office buildings, logistics, residential, that's something like 70% of that portfolio. And so, I think that again, will be the key determinant. But right now, there are some near term headwinds in that space.

Adam Beatty: Very helpful. Thank you.

Moderator: Our next question is coming from Patrick Davitt with Autonomous Research. Please go ahead.

Patrick Davitt: Hey, good morning, everyone. Could you update us on how, I know it's early, obviously, but how LP, institutional LP commitment discussions, have evolved as we kind of restarted the process in January? More specifically, any signs that the backup in PE fundraising is starting to clear? And then more broadly, could you frame any asset classes that you're seeing, any meaningful shift in demand for, positively or negatively?

Jon Gray: You know, I would say this - the desire for alternatives remains very strong. Here in the U.S., New York state, the legislature actually increased the allocation for the big three pension funds here by roughly a third. You've heard some other CIOs publicly talk about wanting to increase allocation to alternatives. I was in Europe a couple weeks ago meeting with some large insurance companies and institutional investors. They wanted more on alternatives. There are some constraints today, certainly related to over allocation in the PE area, specifically with U.S. clients. There are some currency headwinds that's made it a little harder for overseas investors. And I would say there is a little bit of a shift. I think private credit is considered more attractive today. And so we see a lot of people moving in that direction. Infrastructure that we talked about earlier is considered quite attractive, secondaries. And I would say opportunistic real estate- we've had a very good response, both to our global fund, of course, and I expect we'll do fine with our European product as well. So I think these things tend to ebb and flow, but the overall path of travel is towards more alternatives, and that's obviously positive for the industry and positive for us.

Weston Tucker: Next question, please.

Moderator: The next question coming from Ben Budish with Barclays. Please go ahead.

Ben Budish: Hi. Thanks so much for taking my question. I wanted to ask about the FRE margin profile. You kind of beat the consensus expectations pretty nicely in the quarter. Just thinking about, you know, in fiscal ‘23 and over the next few years, you've kind of indicated a sizable step-up in FRE. You kind of indicated very, high returns, businesses to scale. Just wondered if you could kind of share your thoughts around, you know, FRE margin expectation for fiscal ‘23, and kind of how it should grow over the next couple of years. Thanks.

Michael Chae: Sure Ben. I mean, I think, look, the big picture, as you know, we don't give sort of spot guidance on FRE margin targets in the short term. But our track record over time of sustained expansion, I think is obviously evident. And I think in general, you know, substantively, we do feel like we have a high degree control and an appropriate level of discipline with respect to our cost structure. I would just say in terms of the near term outlook, you know, we remain confident in margin stability over the next year and also for the potential for continued expansion over time. In OpEx, I would kind of highlight, you did see we talked a lot during the course of 2022 about the resumption of T&E and sort of the difficult comparisons. And you did see, you know, a flattening of that year-over-year growth rate in other OpEx in the second half of the year. And so what I would say is in 2023, especially, I think in sort of the last three quarters of the year, you know, that year-over-year comparison will be even easier. So I would just say in general, without giving specific targets, we feel good about margin stability and the possibility and potential for continued expansion over time without putting an exact time frame on it.

Ben Budish: Okay, great. Thank you so much.

Moderator: Our next question is coming from Brian McKenna, JMP Securities. Please go ahead.

Brian McKenna: Thanks. Good morning, everyone. So you're clearly in a great position to deploy capital into the dislocation across markets with $187 billion of dry powder. A lot of this capital sits within your traditional drawdown funds and strategies. So how should we think about deployment activity moving forward for some of your retail products?

Jon Gray: Well, for the retail products, I think this is one of the reasons why getting this large slug of institutional capital was helpful, gives us the potential to start doing that. Obviously, the activity levels, though, overall will be related to flows. There's a correlation, of course, if we get new flows, net flows into BREIT and BCRED, and we think it is a good time because you can buy assets in some cases at attractive prices because of the dislocation. So I think that's how we see the world today. And that's why over time, as we think capital comes back here, that will allow us in these private wealth channels to deploy more capital. That would be a very favorable thing.

Brian McKenna: Thank you.

Moderator: And there are no further questions in the queue so let me hand it back over to Weston Tucker for closing remarks.

Weston Tucker: Great. Thank you, everyone, for joining us today and look forward to following up after the call.

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