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Blue Owl Capital, Inc. (OWL)

Q4 2021 Earnings Call

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CORPORATE PARTICIPANTS

Ann Dai
Managing Director & Head-Investor Relations, Blue Owl Capital, Inc.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

Michael Rees
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.

OTHER PARTICIPANTS

Glenn Schorr
Analyst, Evercore Group LLC

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Patrick Davitt
Analyst, Autonomous Research LLP

Craig Siegenthaler
Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Blue Owl Capital Fourth Quarter 2021 Earnings Conference Call. During the presentation, your line will remain on listen-only mode. I'd like to advise all parties that this conference is being recorded.

I would now like to turn the conference over to Ann Dai, Head of Investor Relations of Blue Owl. Please go ahead.

Ann Dai
Managing Director & Head-Investor Relations, Blue Owl Capital, Inc.

Thanks, operator, and good morning to everyone. Joining me this morning are Doug Ostrover, our Chief Executive Officer; Marc Lipschultz and Michael Rees, our Co-President; and Alan Kirshenbaum, our Chief Financial Officer.

I'd like to remind our listeners that remarks made during the call may contain forward-looking statements, which are not a guarantee of future performance or results and involve a number of risks and uncertainties that are outside the company's control. Actual results may differ materially from those in forward-looking statements as a result of a number of factors, including those described from time to time in Blue Owl Capital's filings with the Securities and Exchange Commission.

The company assumes no obligation to update any forward-looking statements. We would also like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our press release available on the Investor Resources section of our website at blueowl.com.

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This morning, we issued our financial results for the fourth quarter of 2021 and reported fee-related earnings or FRE and distributable earnings or DE of $0.12 per share. We also declared a dividend of $0.10 per share payable on March 7 to shareholders of record as of February 28. During the call today, we'll be referring to the earnings presentation, which we posted to our website this morning. So, please have that on hand to follow along.

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

Douglas Irving Ostrover

Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

Thank you, Ann, and good morning, everyone. Today, we reported outstanding growth for Blue Owl with AUM growth of 77%, fee-paying AUM growth of 60% and revenue growth of 73% for the year. With permanent capital driving 98% of our management fees and robust demand for our income-oriented strategies, we are starting 2022 with strong momentum and high visibility into our future growth.

More broadly, 2021 was an extraordinary year for alternative asset managers with robust levels of fundraising and investment activity across the space. Allocations to alternatives have continued to rise across institutional and retail investors, driven by a need for yield and demand for differentiated, uncorrelated returns. And managers were able to deploy their dry powder across a wide spectrum of investment opportunities, driving record M&A activity for the year.

As a solutions provider to the alternative space, Blue Owl has benefited from these ongoing secular tailwinds, providing the capital that managers require to finance acquisitions in their funds through our Direct Lending business and the capital that managers need to expand and diversify their platforms through our GP Solutions business.

We closed on our acquisition of Oak Street at the end of 2021, adding a triple net lease real estate capability that further broadens the solutions we offer. I'll discuss our strategic vision for Oak Street in a few minutes, but suffice it to say we've been running on all cylinders across Blue Owl. We're very pleased with the results we've announced today which cap off a year of growth and transformation for the firm and the industry.

Before I cover business performance, I'd like to spend a moment on a subject that is top of mind for investors these days: inflation and the interest rate environment. Higher-than-expected inflation has impacted expectations for the pace of rate hike, driving market volatility and adjusting investors' views on earnings growth for many public companies.

For Blue Owl specifically, we anticipate a net positive effect on our business from a rising rate environment. We expect direct lending to be a beneficiary of rising rate as investor demand would increase for senior secured floating rate assets. And over time, the effect of rising rates would be positive for the net interest income of our loan portfolio. For GP Solutions, market volatility should drive demand for products managed by large diversified managers, benefiting the types of firms Dyal has typically taken stakes in.

With respect to Oak Street, we believe there will continue to be strong demand for real estate strategies with long-term contractual income that are positively correlated to inflation and backed by investment-grade tenants. Contractual rent escalations are structured into all of Oak Street's triple net leases. And 100% of all operating expenses, including cost increases, are borne by the tenant, which further limits the strategies from any adverse effects of inflation.

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Moving on to our quarterly and full-year results, Blue Owl generated meaningful growth across all metrics with strong direct lending gross originations of $7.6 billion for the fourth quarter and nearly $24 billion for the year. AUM grew 34% quarter-over-quarter to $94 billion, reflecting the Oak Street acquisition and nearly $4 billion of equity raised across the platform. Pro forma for the Wellfleet acquisition, which we announced this week, AUM would be over $100 billion.

On a year-over-year basis, we have grown AUM by 77% and fee-paying AUM by 60%. But even excluding Oak Street, we still grew AUM and fee-paying AUM organically by 48% and 38%, respectively, year-over-year. Our fee-related earnings for the quarter reached $165 million, up 17% from the prior quarter as a result of new capital commitments and significant capital deployment. This substantial growth has been reflective of the initiatives we've highlighted over the past couple of quarters, ongoing fundraising and GP Solutions and fundraising and capital deployment, indirect lending across a number of new and existing products. And in the first quarter of 2022, our revenue and earnings will further benefit from the addition of Oak Street.

Retail was a meaningful contributor to our results for the quarter. Of the $3.9 billion of equity capital raised during the fourth quarter, retail constituted approximately 40% or $1.6 billion, a meaningful step-up from the roughly $1 billion in the third quarter and 3 times the $500 million raised in the second quarter. While the Oak Street transaction did not close until the end of the quarter, Oak Street raised a further $175 million from retail during the fourth quarter and would have brought our total retail fundraising to roughly $1.8 billion.

Annualizing this $1.8 billion quarterly fundraising figure over our September 30 AUM, we are generating 9% organic growth just from our current retail flows, which we think we can grow meaningfully over time. And this doesn't take into account any institutional fundraising, new products that we plan to introduce to the market, or continued expansion of our retail syndicate. This represents the highest level of organic growth from retail that we are aware of within the publicly traded peer group. And these assets are permanent capital. In January, we raised a further $725 million from retail across direct lending, GP Solutions and real estate.

So we have already made meaningful strides in expanding our retail presence. We are still in the early innings of this initiative. We're optimistic about the future of our retail business, and we continue to invest for growth. During the quarter, we added to our distribution platform globally, including in Asia. And in January, we announced an agreement to bring access to our retail products to the Canadian market, which is a large market under-allocated to alternative. We look forward to sharing more development about our growing retail business throughout the year.

Moving on, I'd like to provide some brief comments on Oak Street, and then I'll end my remarks with a look at the year ahead. We see a terrific growth trajectory ahead for our real estate strategy, given the vast opportunity in triple net lease. Oak Street brings scale and expertise to a fragmented market, and they've built a very strong brand in the space. Their products meet an important void in today's market, providing much needed long-duration income to institutional and retail investors, while helping businesses unlock value from their balance sheet. And their business fits very well with our platform vision of being a one-stop shop solutions provider.

Looking back at 2021, we have accomplished a great deal in a short period of time, including completing the Owl Rock and the Dyal merger, announcing and closing the Oak Street acquisition, expanding our already robust retail distribution, and further expanding our institutional relationships. We achieved all of this, while maintaining our strong track record and launching new products.

Looking ahead, we remain focused on growing our Direct Lending, GP Solutions and Real Estate businesses while evaluating new opportunities organically and through M&A. Fundraising continues for our GP Solutions

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flagship strategy, which has reached $6.2 billion of equity committed to the fifth fund to-date, keeping us on track to meet or exceed our initial target. We continue to raise equity across retail and institutional channels for our direct lending strategies, where, as a reminder, we generally earn fees on total assets, which includes leverage. And as I mentioned earlier, we plan to support Oak Street's existing robust growth trajectory with the resources of the Blue Owl platform, expanding the opportunity set in real estate.

Each of these strategies and each new product within them can be meaningful to our growth trajectory. We have a stable earnings base with 98% of our management fees coming from permanent capital. Between new capital raise and the earnings potential embedded in capital that we have already raised, we have high visibility into the drivers of our growth over the next couple of years. And with the current average fee rate of over 1.5% and FRE margin of 60%, the incremental profitability from each dollar of new capital raised and deployed is very powerful.

Finally, let me end by expressing my appreciation for the support that all of our stakeholders have shown us throughout the year. We're very grateful for your trust and partnership, and we look forward to another great year in 2022.

With that, I'd like to turn the call over to Marc to give you an update on our Direct Lending business. Marc?

Marc S. Lipschultz

Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

Great. Thanks, Doug. 2021 was a very strong year for direct lending volumes across the industry, driven by record amounts of LBOs and corporate M&A. Blue Owl's permanent capital base has allowed us to create flexible, creative solutions for borrowers. Combined with our broad network of relationships, this has resulted in a year of record gross originations for the firm.

As you can see on slide 16, gross originations were $23.6 billion for 2021, including $7.6 billion of gross originations in the fourth quarter, driving record net funded deployment of $5.1 billion for the quarter. Despite some volatility in December, market conditions remained supportive of M&A activity, and this favorable investment environment has sustained through the early days of 2022. The trends for this coming year are likely to be driven by push and pull of a healthy economy, inflation, policy changes and supply chain imbalances. However, we ultimately expect the year to remain constructive for credit markets.

Direct Lending ended the quarter with $39.2 billion of AUM, reflecting 13% growth from the prior quarter alone as a result of strong capital raising and deployment. For the year, Direct Lending AUM grew by 45%, driven by those same fundraising and deployment trends. And our opportunity set continues to expand as private market AUM grows, deal sizes increase and a greater portion of financings get done with direct lending firms.

Over the course of 2021, we evaluated over 40 investments with facility sizes in excess of $1 billion and signed or closed on roughly half of them. And we closed on over 100 investments in total across Owl Rock for the year, a sizable increase from the roughly 60 investments closed in 2020.

Performance remained strong with gross appreciation of the Direct Lending products in the mid-teens for the year, and we've continued to focus on downside protection with a weighted average loan to value in the low 40s across Direct Lending portfolios. Our credit performance remains strong with annualized net realized losses of approximately 5 basis points since inception.

We've raised $2.5 billion in direct lending strategies during the fourth quarter; of which retail constituted $1 billion, primarily for our Core Income Fund, one of our diversified lending BDCs. Also contributing to the fundraising

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during the fourth quarter were closes on our diversified lending and tech lending products. And in January, the Core Income Fund raised nearly $400 million of capital, over 50% of the retail flows we generated for the month, and we continued to expand our syndicate.

This week we announced the acquisition of Wellfleet Credit Partners, a CLO manager with over $6.5 billion of AUM as of December 31. Wellfleet will sit within the Owl Rock division, adding to our existing credit capabilities with a focus on liquid performing credit. The addition of Wellfleet strong capabilities, together with a deep institutional knowledge of the syndicated loan market and strong credit research platform, will support the ongoing growth of the Owl Rock business. And in turn, the scale of Blue Owl's platform will provide Wellfleet with additional access to resources and growth opportunity.

Our Direct Lending business continues to broaden in scope and size, and we remain optimistic about the growth opportunities we see ahead, supported by a robust demand from both retail and institutional investors.

Let me spend a moment on our Real Estate business. We ended the quarter with $15.4 billion of AUM, up 24% quarter-over-quarter. Fee paying AUM of $8.2 billion grew 35% quarter-over-quarter. We saw a strong tailwinds behind capital raising for the entirety of 2021 with total inflows of more than $1.5 billion in a year where we had no flagship strategy actively raising capital. Oak Street's also had a very strong year from a deployment perspective with nearly $5.1 billion of acquisitions for 2021, including properties under development.

Our pipeline continues to remain robust with nearly $2.9 billion of transaction volume under a letter of intent or contract close. Oak Street continues to see high quality creditworthy companies exploring sale leasebacks as an alternative to more traditional capital raising, and our investors should continue to benefit from that trend. As of today, we've invested more than 45% of the equity of our fifth closed-end fund.

Performance remains strong with a net IRR of 26% on average across our fully realized closed-end funds and the Net Lease Property Fund, our open-ended strategy, has returned 20% net since inception. We've continued to focus on strong underlying credit quality in our funds. And since inception, we have never had a tenant miss a rent payment, go bankrupt, or default on a lease. All things we are very proud of. As the year progresses, we expect to launch our sixth closed-end fund and continue to accept capital into our Net Lease Property Fund, which saw more than $1.1 billion of inflows in 2021.

So with that, let me turn it over to Michael to discuss GP Solutions.

Michael Rees

Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

Thank you, Marc. As you heard during Doug's comments, the alternative asset management space has continued to expand meaningfully, with increased allocations from institutional and retail investors. Our GP Solutions business benefits from these tailwinds as more firms enter our investable opportunity set and as these managers' needs for capital continues to expand.

From a fundraising perspective, our Dyal funds attract LP interest tied to investing in the continued growth of large, diversified managers within the private markets industry, as we certainly saw the evidence of these trends across our partner-manager relationships with robust fundraising, deployment and realizations. During the fourth quarter, Dyal was very active, finalizing strong partnerships with top tier private asset managers such as CVC, MBK, Landmark Properties, Warwick Re, and I Squared. In 2021, we entered into agreements in principle to commit $3.9 billion to six managers across private equity, credit, real assets and insurance, an investment pace that reflects the robust opportunity set.

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Our GP Solutions business ended the quarter at $39.9 billion of AUM, up 11% quarter-over-quarter, reflecting $1.5 billion of new capital raise and $2.6 billion of appreciation across the portfolio. Year-over-year, we have grown AUM by 52%, driven by $4.5 billion of capital raised and $9.8 billion of portfolio appreciation. And as Doug alluded to earlier, in addition to the $1.5 billion raised during the fourth quarter, we have closed on a subsequent $400 million of capital as of January 31, bringing us up to $6.2 billion raised for the fifth fund in our GP equity stakes strategy.

We remain confident in our prior capital-raising expectations for this strategy and anticipate that fundraising will continue through the first half of 2022. Further, we look forward to launching a follow-on vehicle sometime in 2023 as we become more fully committed in our current fund.

We are optimistic about what this next year holds for the GP Solutions business given the constructive transfer growth we're seeing across the alternatives landscape and the demand we're experiencing for our strategies. Market volatility and shifts to the status quo create interesting fundraising and investment opportunities across the entire private markets landscape, and we will benefit from that environment as the premiere capital solutions provider to these managers.

With that, I will turn things over to Alan to discuss our financial results.

Alan J. Kirshenbaum

Chief Financial Officer, Blue Owl Capital, Inc.

Thank you, Michael. Good morning, everyone. On our call today, I'll cover some of our accomplishments from this past year, I'll walk through our current results and financial position, and most importantly, I'll take us through what we think we can accomplish in 2022.

As Doug commented earlier, it's been a tremendous year of growth and transformation for our firm and for the industry. Blue Owl came together in May of 2021, and in our short history as a combined firm, we have significantly grown our AUM, permanent capital, revenues and FRE, all of the key metrics that matter. And 98% of our management fees are from permanent capital, as Doug mentioned earlier. Although we have only been a public company six months from June 30 to December 31, our AUM has grown 51%, our permanent capital has grown 38%, our revenues have grown 31% and our FRE has grown 27%.

To put some numbers on this, our AUM at June 30 was $62.4 billion, and at December 31 is now $94.5 billion. Our permanent capital was $56.9 billion at June 30, and at December 31 is now $78.8 billion. Our adjusted FRE revenue was $209.8 million for the second quarter of 2021, and for the fourth quarter was $274.9 million. And our adjusted FRE was $130.1 million for the second quarter of 2021, and for the fourth quarter was $165.3 million.

We are very excited about and very focused on continuing our double-digit growth, both organically and through potential M&A. We have also begun to see the synergies of the Owl Rock and Dyal combination and have now added the Oak Street Real Estate business to our platform, and are working to expand those synergies.

Okay. Let's cover our quarterly results. We closed our acquisition of Oak Tree at the end of December. So although you'll see these numbers in our AUM metric, you will not see them in our P&L results until 1Q 2022. Our fourth quarter had strong double-digit growth. On slide 11, you can see adjusted FRE revenues of $274.9 million, up 17% and FRE of $165.3 million, up the same 17% both compared to the prior quarter. As a reminder, our fourth quarter was also impacted by the significant tax benefit I talked about on last quarter's call.

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So what did taxes look like in 2022? To give you some guidance here, it's best to step out and give you a little more color around our structure, because the merger between Owl Rock and Dyal was a taxable transaction for certain shareholders, Blue Owl now has certain tax benefits that we will be able to use for a number of years. It's hard to predict what those benefits are year-to-year, but for 2022, you should assume an overall tax rate in the low-single digits. And as for 2023 and 2024, for now, we would suggest using a low-teens tax rate. Again, taxes are hard to predict, but as we go through the year, we will continue to update you on what future tax rates may look like.

To provide additional visibility into our revenues for the quarter, we experienced strong revenue growth from both Direct Lending and GP Capital Solutions. During the quarter, we booked $23.8 million in catch-up fees for Dyal Fund V from new investor commitment. Starting off in 2022, new LPs committing to Dyal Fund V will pay a higher management fee during the course of the investment period instead of paying a catch-up fee at their initial close. So we're not expecting catch-up management fees in 2022. Also, as of December 31, the fee holiday for Dyal Fund V investors ended, which will add approximately $10 million per quarter in management fees, starting in 1Q 2022.

Finally, as it relates to revenues, we generated annual Part II fees from portfolio realizations in our tech BDC, ORTF, resulting in $3.8 million net of performance compensation. We announced a dividend of $0.10 per share for the fourth quarter. This is our third straight quarter where we increased our dividend and represents approximately 85% of DE, which continues to be our dividend target.

Moving on to slide 12, we reported AUM of $94.5 billion, fee-paying AUM of $61.4 billion, total permanent capital of $78.8 billion. AUM not yet paying fees was $11 billion as of December 31.

Because we closed the Oak Street acquisition during the fourth quarter and are now including their AUM in our numbers, I'll provide AUM growth both with and without Oak Street. AUM grew 34% to $94.5 billion quarter-over-quarter, driven primarily by the addition of Real Estate, as well as by significant deployment of capital in Direct Lending, capital raising across the platform, and portfolio appreciation in GP Capital Solutions.

If you look at our AUM before adding Real Estate numbers, we grew AUM organically by over 12% quarter-over-quarter. Fee-paying AUM grew 31% to $61.4 billion quarter-over-quarter, driven primarily by the addition of Real Estate, significant deployment in Direct Lending, and capital raising across the platform. Before adding in the Real Estate numbers, we grew fee-paying AUM organically by 13% quarter-over-quarter.

AUM not yet paying fees reached $11 billion, including $6.1 billion in Direct Lending, $2.6 billion in GP Capital Solutions, and $2.3 billion in Real Estate. This AUM corresponds to an expected increase in annual management fees totaling over $140 million, primarily upon deployment for Direct Lending and upon the conclusion of the fee holiday for GP Capital Solutions, which ended this past December 31. And as I noted on our call last quarter, if our tech BDC were to go public, we expect that could be another incremental $65 million of annual management fees.

As Marc highlighted earlier, we had another strong quarter of deployment in Direct Lending with gross originations of $7.6 billion and net funded deployment of $5.1 billion. That brings our gross originations for the last 12 months to $23.6 billion with $11.9 billion of net funded deployment. So as it relates to the $6.1 billion of AUM not yet paying fees in Direct Lending, it would take us approximately two quarters to fully deploy this based on our average net funded deployment phase over the last 12 months.

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Turning to our balance sheet, we continue to be in a strong capital position. As you can see on slide 21, we currently have over $1 billion of liquidity with a very long-dated capital structure. This includes the $400 million unsecured debt issuance we did last week. As it relates to our revolver financing, we have amended and upsized this facility, making it unsecured debt, tightening pricing, upsized from $150 million to $715 million of commitments and reset the three-year maturity.

Finally, I'd like to take a couple of minutes here to cover a few other items. First, I'd like to discuss our employee stock program. In May of last year, in connection with the closing of our merger, our board of directors approved a 100 million share employee program. Under this program, we have issued roughly 45 million shares to-date or about 3% of our shares outstanding. About 75% of these shares were issued to employees in connection with our merger to reflect their significant contributions and to create long-term employee retention across the platform with a vesting period of generally five years.

The remaining amount of shares were issued under two other programs. First, we recently offered employees a one-time option to exchange existing long-dated cash incentive awards issued under previous program. For Blue Owl stock, it continued to align our employees with our shareholders and with the management team who own 25% of our stock. Almost everyone opted for Blue Owl shares, resulting in roughly 7.5 million shares issued.

And second, as a result of our normal course year-end compensation process, we issued roughly 2.5 million shares or less than 1% of our shares outstanding. In trying to provide some level of guidance for you all for how to think about this in the future, we could typically issue about 1% of shares outstanding as part of our annual compensation process.

So to wrap up here, when I think about our growth plan and what we think we can accomplish in 2022, here's how I would frame it out. In 2021, we posted $900 million of revenue when you look at Owl Rock and Dyal combined revenues for the year. In 2022, we believe we can post over $1.3 billion of revenues, which would represent a 45% growth rate in our revenues year-over-year.

Okay. Thank you again to everyone who joined us on the call today. With that, operator, can we please open the line for questions?

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QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Your first question comes from the line of Glenn Schorr with Evercore ISI. Please state your question.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Hi. Thanks very much. You just got me on that 45% growth. Can you talk about what you think is the contribution maybe from the acquisitions coming on board relative to what would have only a few months ago been core Dyal and Owl Rock just aggregate the 45%.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Sure, Glenn. Thank you very much for the question. So some of the numbers I put in my remarks just now, let's revert back to them just for a second as part of that. So we have about $11 billion of AUM not yet paying fees that we think will generate about $140 million of annualized management fees. And if our tech BDC were to go public, that could be another incremental $65 million of annualized management fees. That's a little over $200 million of annualized management fees, which is roughly half that's about 20% or a little more than 20% on the $900 million. And so that gets us halfway there without any equity fundraising across any of our products for the whole year.

So you can think of that as almost half of that or at least a quarter of that is already in the grounds and has to get deployed. It has to get put to work. Fee holidays have to roll off. And the rest is us continuing to grow our business through fundraising.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Very cool. Any reason why you would not do the tech BDC? It seems like a no-brainer, I'm just trying to think through the downside of why wouldn't it happen?

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

There's no reason that we think of today. We want to be careful because that's an SEC registrant and not provide too much comments here on this call. But there's no reason we could see sitting here today that we wouldn't look at some point in the future to list that vehicle.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Got it. Maybe I'll just do one more. Your...

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Sure.

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Glenn Schorr
Analyst, Evercore Group LLC

Q

...your inception today performance across Owl Rock and [ph] GP stakes (00:32:51) are great, but I didn't see anything on 2021. Can you give us something about absolute and relative performance in 2021?

Michael Rees
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Thanks, Glenn. It's Michael Rees. The GP Solutions business from a performance at the fund level continues to be extremely strong. Our most recent funds are running at IRRs at 24% for Fund III and 96% for Fund IV and Fund V is so high it's not material to report. So on a relative performance basis, our products continue to do exceedingly well, and in a corporate perspective, our fundraising is – and our market position, again, couldn't be stronger and they've probably been enhanced over the last 12 months from the pre-IPO timeframe.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Marc, you want to comment?

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Yeah. So on the lending side, we had for all of 2021 in total across the various lending products mid-teens gross returns, so we were very pleased with the continued performance. And as I did note, credit performance remains a true bright spot, which, of course, is our core focus. Since inception, we continue at that 5-basis-point realized annualized loss rate. So we're very happy with where the results landed.

Glenn Schorr
Analyst, Evercore Group LLC

Q

All right. Great. Thank you for all of that.

Michael Rees
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Thank you, Glenn. Appreciate it.

Operator: Your next question comes from the line of Alex Blostein with Goldman Sachs. Please state your question.

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Hey. Good morning. Thanks for taking the question, everybody. I was hoping maybe we could start with unpacking some of the retail dynamics you saw in Q4 and obviously the guidance and the observations you've provided so far in the first quarter. I guess, first, feels like lots of momentum. Can you specifically parse out what ORCIC flows were in the fourth quarter? And then, bigger picture, as you're looking into 2022, can you help us frame how you're thinking about building on that momentum across both the ORCIC as well as the tech fund and inaugurating Oak Street, just the – a little more color would be helpful?

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Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Great. Thanks, Alex. This is Marc. Let me just start off. So on ORCIC, which as you know has been our primary retail product this year, in the fourth quarter alone, ORCIC, we raised roughly $1 billion. So as you know, I look back at the prior quarters. That is a quite substantial continuing ramp, but still with only a couple of platforms, really in the wire house side that we're distributing. And Doug will comment in a minute on the forward thoughts about retail and some of the growth we see.

In January alone, we raised $400 million for ORCIC. So we're very, very pleased. I know if you think back to where we were six months ago on this topic, we're already at that level of $400 million a month, which was, I think, even above some people's thoughts and expectations about where we'd ultimately get to. And we're still with those two platforms at this moment of any scale.

As to 2022 and more broadly, tech and other, let me turn it over to Doug.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Yeah. Hey, Alex. I don't think we're ready to give any broad projections. But if it's okay, maybe I can take a step back and just remind everybody on the call that we've been at this – the retail space for six years, and I think we've built a really strong brand, we have broad distribution. And I think right now we're one of the top players. In fact, I think, in credit, we're number two. In terms of resources, we've got a big team; we are covering the largest wire houses, independent broker dealers, RIAs, family offices.

And I don't know the exact number, but I think we're covering well over 100,000 FAs today. We've got over 50 dedicated professionals in sales and support, and we are continuing to add head count. We've been active in the US, and now we're very active in non-US markets as well. And I think you saw in the last couple of months we announced an expansion of our distribution presence in Asia and a new partnership in Canada.

And as Marc referenced, we raised over $1.6 billion of equity capital across retail this quarter. $1 billion of that was from Direct Lending and our Core Income Fund and almost $600 million in GP Solutions. And if I add in Oak Street, that gets us to $1.8 billion for the quarter. And I think Alan referenced this, but if you think about where we ended September at $83 billion of AUM and you run-rate our fourth quarter flows, that's 9% organic growth just from our current retail flows. Doesn't include any institutional fundraising, doesn't include new products we plan to launch and ,most importantly, it doesn't include continued expansion of our retail distribution syndicate. Marc said this, but the $1 billion we raised was just from two wire houses for the quarter. And I can tell you with 100% certainty, we're adding to that syndicate.

So flows remain strong. In January, we raised another $400 million for Core Income Fund. And I guess, so where does that leave us for 2022? One, we think our products are very competitive. Our performance has been really strong. And one of the unique things about our platform is that we focused on the retail investor from day one. Our goal was really simple when we launched, give the retail investor the identical experience as our institutional investor. And I can tell you that's what we've done, and that is a story that is clearly resonating with retail.

So where does that leave us? We're optimistic as it relates to retail. No big predictions right now. We're going to have a lot more to say about this in the upcoming quarters.

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Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks for that color. My second question is around GP Solutions business. It looks like the pace of fundraising has been a bit slower than we expected. I think I heard, Michael, you said $6 billion or so in funds; now you still feel optimistic about getting to $9 billion. But I think it's taken a little bit longer.

So what's going on on the ground that perhaps is leading to a slowdown relative to maybe the earlier pace of fundraising? And how are you thinking about the opportunity set for the next bit? I think you said 2023 is now your sort of expectation.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Yeah. Thanks, Alex. As we had reported last quarter, we extended the fundraising for Fund V into calendar 2022 to accommodate the deployment schedules of the large institutional investors around the globe. It is a very busy fundraising calendar out there, which is fantastic for our GP Solutions segment. Many of our largest partners are raising flagship funds that are quite sizable.

And so we're working with our large institutional investors to slot into this first half within their calendar. And because we've been deploying capital all along in Fund V and have a really good substantial base to work off of, we're in no real rush. We will close this thing, as I alluded to, at or even possibly above our targets and pull in the Fund VI fundraise likely sooner than what had been originally provided as guidance before the IPO.

So very confident in our momentum and our targets and the pace of deployment across our business. We target about $4 billion of deployment a year. We hit that almost to the penny last year, consistent with prior years as well. So absolutely, no change to our business model or our momentum. Just allowing the institutional investor to utilize some of their 2022 budget for us.

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Got it. All right. Thanks. I'll jump back in the queue.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Thank you, Alex.

Operator: Your next question comes from the line of Robert Lee with KBW. Please state your question.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thanks, everyone. Good morning. Hope you're all doing well.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Good morning.

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Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

I guess my first...

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Hey, Rob.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

...hey. Just my first question, and then maybe going back to GP Solutions. I'm just curious, when you look at your opportunities that are out there, has the competitive environment changed at all? I mean, the Petershill transaction in any way, shape or form kind of changed the competitive dynamics when you're looking to deploy capital meaningfully one way or the other? I guess, that's my first question.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Yeah. Thank you, Robert. We're in a really unique spot within the alternative segment in that our opportunity set for deployment is growing faster than we and our peers are raising capital. So unlike other areas, we could be really selective. There's not a large capital overhang or dry powder. And so it allows us to be selective about the managers we partner with and maintain really good pricing discipline, which shows up in our fund returns that I had alluded to earlier.

There are really only three major players in the space: ourselves, Blackstone and Petershill. We typically focus on larger transactions, where, for a number of reasons, those two peers cannot typically operate.

And our competitive position within that does not change and is probably only strengthened as we've continued to raise large funds, $9 billion for Fund IV and now $9 billion on the cover of this fund.

So in addition to that, the needs for capital within the larger segment of these private markets firms continues to expand. As the big are getting bigger and the strong are getting stronger, they often need growth capital. And we are – as the prepared remarks said, we believe the leading provider of that capital for the top 200, 250 GPs in the space. So really good momentum and really proud of the competitive position that the team has created over the last couple of years.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thanks. And maybe on Wellfleet, just curious, I mean, obviously, bringing some new capabilities in, but is it possible to flesh out how we should maybe think about it from a financial impact perspective? I know CLOs have a more modest fee rate than your average generally, but any color you can provide on that?

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Yeah. This is Marc. More than happy to. So Wellfleet which may or may not be familiar to everyone is a really outstanding CLO manager in and of itself, $6.5 billion of assets under management. The acquisition of Wellfleet

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from our point of view or the way I'd suggest that you think about it is really a very tactical and effective addition to our platform.

You make, of course, a correct observation about the nature of the fee rates and CLOs. This isn't about our ambitions to get into lots of businesses of that type. But this is a very, very high-quality business that directly complements our direct lending capabilities. So what this allows us to do is to have a greater, broader and deeper look into the adjacent liquid markets. It also supports the management of capital, the liquid components of our retail products, or of our permanent private-for-life BDCs, for example.

So it really brings this great synergy of allowing us to continue to execute in the best-of-class level on our direct lending side in our current products, while allowing us to deliver the Blue Owl platform, its full support to this very high-quality CLO manager.

So I think that's the way I would think about it in terms of fit in our system. Financially speaking, a couple of observations. So it's not material one way or another, of course, to the overall financials of our business. It is accretive, to be clear, but not material. Well, we purchased it in line with multiples for other CLO managers, not disclosing the exact numbers, but in line with other CLO managers. So in of itself, accretive. It also, as I said, adds capabilities that we would have needed as a firm in any case. So there is effectively what amounts to cost synergy that is not an elimination, but foregoing of future costs that we would have had to absorb otherwise just to create capabilities to manage our current books.

So we think it's a very nice tactical and financial addition. I don't think it changes numbers in any material fashion.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.
A

And upon closing, Rob, those numbers will get folded into our direct lending numbers.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay. Great. And then, maybe just one follow-up for you, Alan. Appreciate the revenue forward guidance, but any update on how we should be thinking of kind of FRE margins heading into next year, any change to your targets or ambitions?

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.
A

Thanks, Rob. No. No changes to the guidance that I've previously provided on margins, on income to revenue on G&A. No updates on that. No changes to previous guidance.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay. Great. Thanks for taking my question.

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.
A

Thank you, Rob.

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Operator: Your next question comes from the line of Patrick Davitt with Autonomous Research. Please state your question.

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Hey. Good morning, guys. One more on Dyal Fund V, I think you said last quarter, it was 65% committed. So firstly, what is that number now? And if that's the case and you do $4 billion of deployment again this year would suggest you would need more than $9 billion this year. So why not launch Fund VI earlier than 2023? Thank you.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

A very good question. We did have a modest amount of co-investments that sort of brought that number down that was then topped back up by deployment in the fourth quarter. So the percentage deployment of Fund V is relatively in line with that prior number. And yes, we're raising capital throughout the first half and likely to be deploying it. We'll take a brief pause and then be right back on the road. The official launch date of Fund VI TBD, but your point is very valid that at this deployment rate, we're likely to be in the market relatively soon.

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Got it. Makes sense. Thanks. And then second question, more on the structural side and index inclusion side. First, I'm sure you've seen you're in the wrong MSCI index given your market cap, so curious if you've been working to fix that. And second, could you just speak to your willingness to adjust the share and governance structure to get into Russell in June? Thank you.

Ann Dai
Managing Director & Head-Investor Relations, Blue Owl Capital, Inc.

A

Hi, Patrick. It's Ann. Yeah. So we're very aware about the amount of AUM that follows these indices on a passive and active basis. So we're actively looking at both of those items that you mentioned. And we'll keep you updated as we do that.

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Thank you.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Thank you, Patrick.

Operator: Your next question comes from the line of Craig Siegenthaler with Bank of America. Please state your question.

Craig Siegenthaler
Analyst, BofA Securities, Inc.

Q

Thanks. Good morning, everyone.

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Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.
A

Morning.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.
A

Good morning, Craig.

Craig Siegenthaler
Analyst, BofA Securities, Inc.
Q

So Patrick stole half my question, but the other half is, what is your prospects on moving to a fixed dividend? Just given the consistency and the predictability of your earnings stream, do you see any advantages there in terms of picking up long-only and passive ownership that sort of restricted to owning fixed dividend stocks?

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.
A

Thanks, Craig. Appreciate that. For the time being, for the next several quarters, we expect to maintain a variable – continue with the target that we've previously stated for distributions of DE. We are evaluating extensively the concept of moving to a fixed dividend. We expect to have more updates for you as we go through the next couple of quarters.

Craig Siegenthaler
Analyst, BofA Securities, Inc.
Q

Thank you, Alan. And just as my follow-up, sort of an open-ended question on Owl Rock. So how is the evolving macro backdrop impacting your fundraising prospects across private credit and your BDC vehicles? And it sounded like from your response to an earlier question around ORCIC, it's actually getting better in the first quarter. And so I'm interested in higher rates equate to higher Part 1 incentive fees and benefits your financials. But is it also accelerating the rotation away from liquid fixed income?

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.
A

Yeah. It's a good question. And I appreciate it. I think it's important to remember what we do. We originate senior secured floating rate instruments. And these are some of the best assets you can have in a rising rate environment.

I don't have all the data, but I think – and we're going to pull this together. But if memory serves me correct, when the Fed has increased rates more than a couple of times in any given period, floating rate senior secured risk has just been a great place to be. And so what we're expecting with the uncertainty around rates is there's going to be incremental demand for our direct lending strategies. And I also think these higher rates will benefit our net interest income over time.

On the retail fundraising side, again, we don't want to make any big predictions, but we're seeing consistent flows. The retail market is aware that rates are probably going to go higher and this is a good place to hide out. So we're really cautiously optimistic about our current syndicate, what we can raise. And as I mentioned, we're highly confident we'll grow that syndicate over time and hopefully we can get the corresponding flows with that.

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Craig Siegenthaler
Analyst, BofA Securities, Inc.

Q

Great. Thank you, Doug.

Operator: [Operator Instructions] You do have a follow-up question from the line of Glenn Schorr with Evercore ISI.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Hi. Appreciate it. One more quick on the retail front. So you now have kind of four brands with domain and dominance in their own right. What is your go-to strategy now in retail for each product and then for your wholesale, I'm just curious on how you're going to do this. I'm sure this is not the last acquisition you'll make either.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Well, right now, what we're – we offer a lot of products into retail. There are two types of way to access retail. One is, you go in and you do a – you're raising Fund V and you do a three-, four-week fundraise in a large retail institution. What we've been referring to is more of the retail that is continuously offered. Right now, the one fund we have in market that is being offered day in, day out every day of the year is our Core Income Fund, which is a direct lending strategy.

I think over the next couple of quarters, we'll share with you the other strategies that we will be rolling out into retail. We're not in a position to do that right now, but suffice it to say, we will be looking to take advantage of our distribution platform in these partnerships we've built with the large retail distributors.

Glenn Schorr
Analyst, Evercore Group LLC

Q

All right. But no comment on under which brand, in other words, I'm sure they're going to be coming with some of your newly acquired strategies. I'm asking, is everything going to be called Blue Owl or do they maintain their old brand?

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Oh, I see. Look, for now, we are going to maintain our brands. And I think over time, over the next couple of years, we'll roll everything into the Blue Owl umbrella. But for the foreseeable future, we'll maintain our distinct brands.

Glenn Schorr
Analyst, Evercore Group LLC

Q

Okay. Thank you.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

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Maybe just a quick addition on this topic of brands and acquisitions. As Doug said, we'll have a arc of time in terms of how we manage the actual brands. But the underpinning point is really anything we do we want to deliver a best-of-class experience for the investors. I mean, first and foremost, every time we ought to really be talking about how do we deliver that great experience, and that's why, we've really built the businesses in very kind of deep fashion in adjacent spaces, right; the market-leading business, exceptionally attractive returns in GP Solutions; market-leading business in Direct Lending; best-of-breed risk return solutions with Oak Street; the market leader in triple net lease solutions for investment-grade counterparties and continuing to grow and evolve from there.

So to us, again, we'll continue to evolve the exact marketing strategy and brand strategy. But I think what you really ought to take away is what you'll continue to see from us is that kind of depth and really focus on being best-of-breed and delivering for our investors, which will allow us to deliver best-of-breed FRE growth and revenue growth for our stockholders.

In terms of additional acquisitions embedded in your question, again, I want to amplify. We're not looking to be all things to all people. We're looking to be really great at a handful of adjacent products that create this ecosystem of private capital solutions for private capital users. So certainly, we get approached all the time. We'll continue to look at acquisitions. But I think we want to calibrate this properly. You should expect when we do do acquisitions, they're really very strategic to building around this ecosystem, so that we can deliver these great results and, again, deliver great growth and returns for our shareholders.

Operator: Your next follow-up question comes from the line of Patrick Davitt with Autonomous Research. Please state your question.

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Thank you for the follow-up. Quick one on the performance fee. Should we expect more of those or is that pretty idiosyncratic? And I assume there was no performance fee in the $1.3 million (sic) [$1.3 billion] (00:57:16) guide.

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.

A

There is no performance fee in the $1.3 billion guide. The Part II – so, that was a Part II performance fee from our tech BDC. You could expect – and that's calculated annually, not quarterly, like the Part I fees. So you could expect very, very small potential Part II fees that we take in each fourth quarter. It's really a rounding error, as you can see from the number here, but you could expect potentially some – each of 4Q each year.

Patrick Davitt
Analyst, Autonomous Research LLP

Q

Got it. Thanks.

Alan J. Kirshenbaum
Chief Financial Officer, Blue Owl Capital, Inc.

A

Of course. Thank you.

Operator: Your next follow-up question comes from the line of Alex Blostein with Goldman Sachs. Please state your question.

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Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you for the follow-up as well. I had a bigger-picture question around origination dynamics, given the sort of current market backdrop. We've obviously seen a pretty material stop in net originations in both third quarter and fourth quarter out of your Direct Lending business. But given the environment, curious how you are seeing this spot activity today and your ability to deploy capital at sort of the same pace as we've seen recently.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Yeah, more than happy to chat about that. So as you did observe, origination activity in the third and fourth quarter, I mean, was extraordinary and appealing. And frankly, more indicative than not, I think of what we expect – well, let's set aside any given week, month, quarter, but in terms of the pace of deployment, remember, we're now sitting with $2 trillion in dry powder in private equity that will get deployed and it will require private capital solutions. And frankly, our solutions, I think in Blue Owl and Owl Rock in particular in terms of our share, but more generally private lenders, clearly picking up substantial share.

So when there's volatility in the markets, and it sometimes causes some slight pauses. Now activity continues to be strong. I mean, that – again, those were exceptionally strong and busy quarters. But overall, when we look at the pace of deployment through the course of last year, if I think about the quarter rise in total, if I took the whole year and just divided that by 4, that feels like a very reasonable pace to us over the arc of time. Again, there'll be little variances here and there, but we continue to be busy. I think others continue to be busy. And the built-in structural demand, quite frankly, seems extraordinary. This amount of demand, especially with the ability that we and just a couple of others have to deliver the biggest capital solutions, I think, is a pretty powerful tailwind for the business for years to come.

Alexander Blostein
Analyst, Goldman Sachs & Co. LLC

Q

Got it. Okay. Thanks very much.

Operator: Your next follow-up question comes from the line of Robert Lee with KBW. Please state your question.

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks again. Thanks for taking my follow-up. I don't think I've heard these many follow-up questions in years on the calls, so thanks for your patience.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

We appreciate the interest

Robert A. Lee
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you and thanks for taking the time. This is another maybe a question for Marc on deployment and whatnot. So as your quantum of capital continues to grow at a high rate, can you maybe talk a little bit about where you stand with maybe investing in your funnel, so to speak, your infrastructure to maintain your own investment

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discipline, you've got to look at more and more things. And then maybe from there, also talk a little bit about other verticals you may be thinking about, obviously, you did Wellfleet and Liquid Credit, but maybe your thoughts on the non-sponsor part of the marketplace would be great.

Marc S. Lipschultz
Co-Founder, Co-President & Director, Blue Owl Capital, Inc.

A

Sure. Happy to. Look, investing in the origination funnel and the ability to thoroughly evaluate credits is the bread and butter of our business, and we continue to invest in that heavily and we will. We have one of the largest dedicated teams for Direct Lending, highly experienced originators, underwriters. Today, we continue to grow the team. I think we may be up to about 75 and quite rapidly growing professionals just doing this Direct Lending business.

And so I think from that point of view, we continue to see enormous flow. So we're continuing with that same sort of pace you've seen historically. We're – roughly speaking, at the end of the day, it's about 5% flow-through from the top of the funnel to the bottom. And we intend to continue to see that kind of flow.

We cover about 600 sponsors today. We'll continue to grow the number of sponsors. Sponsors continue to grow as we have been beneficiaries of in the GP Solutions business, for sure. So candidly, we're always focused on how to see the most opportunities so we can pick the best ones. That 5-basis-point realized loss rate, which I think is best-of-breed, comes from that kind of investment in origination and underwriting.

So I think we see plenty of field out there to plow; again, go back to that $2 trillion of dry powder in private equity, that's a lot of demand. If we just take – let's just take a simple 50/50 cap structure, I mean, that's $2 trillion of new demand on top of refinancing the trillions of dollars that's in the ground. So we, and frankly, every one of our peers, we're pretty tiny corner of the business today. And maybe what I'll just do is part with this to a degree anecdotal, but it's a little more than an anecdote about the way the market has shifted.

If you go back about five years, there really hadn't been $1 billion direct lending solution done in the marketplace. This year alone for Owl Rock and we're not the whole market, we're a meaningful part of the market, we're not the whole market. We've seen $40-billion-plus financings we've been – that we've evaluated, $20 billion of which we've actually [indiscernible] (01:03:22). And so I think that tells you a lot about the way the market is pivoting towards seeing direct lending as an attractive solution even for the biggest and best companies.

Douglas Irving Ostrover
Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

A

Yeah. I'll just make one other comment. So we are going to continue to add resources. We are maniacally focused on that deal funnel. I think we're doing a great job in the sponsor community, the VC community, and we're taking a hard look at large private companies as well. We got involved with a dedicated tech lending strategy about four years ago. We saw that as an interesting niche. It's turned out to be much bigger than we ever imagined. We have close to $10 billion of loans in that sector. We have over 20-odd people focused on it.

And look, we're constantly evaluating, are there other large, sizable sectors like technology that we should make a push in? And my guess is over the next couple of quarters we'll be in a position to start talking about those.

So as Marc alluded to, the opportunity set is big. It's growing. And we're seeing just more and more private equity firms, and these private companies starting to say, this is a pretty good alternative to the large banks. So we're pretty optimistic about that deployment pace and where we can take the business.

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Operator: At this time, there are no further questions. I will now turn the floor back to Doug Ostrover for any additional or closing remarks.

Douglas Irving Ostrover

Co-Founder, Chief Executive Officer & Director, Blue Owl Capital, Inc.

Well, maybe we set a record going over an hour, but I want to thank everybody for the partnership and taking the time. I really want to thank everyone for all the great questions. We're available any time if anybody has any follow-up. And our goal is to continue to try to exceed expectations. So thank you and we look forward to talking to all of you soon.

Operator: This concludes today's conference call. You may now disconnect your lines at this time.

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