

Blue Owl Capital, Inc. (OWL)

1Q 2024 EARNINGS

May 2, 2024

Operator

Good morning, and welcome to the Blue Owl Capital First Quarter 2024 Earnings Call.

[Operator Instructions]

I'd like to advise all parties that this conference call is being recorded.

I will now turn the call over to Ann Dai, Head of Investor Relations. Please go ahead.

Ann Dai

Head of Investor Relations

Thanks, operator, and good morning to everyone. Joining me today are Marc Lipschultz, Co-Chief Executive Officer, 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'd also like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our earnings presentation available on the Investor Resources section of our website at blueowl.com. Please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Blue Owl fund.

This morning, we issued our financial results for the first quarter of 2024, reporting fee-related earnings, or FRE, of \$0.20 per share, and distributable earnings, or DE, of \$0.17 per share. We also declared a dividend of \$0.18 per share for the first quarter, payable on May 30 to holders of record as of May 21. 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'd like to turn the call over to Marc.

Marc Lipschultz
Co-Chief Executive Officer

Great. Thank you very much, Ann.

We reported another strong quarter of results for Blue Owl this morning with 12 straight quarters of consecutive management fee and FRE growth since we've been a public company. We're very pleased with the predictable, consistent and robust growth we've been able to generate for our shareholders across a range of market backdrops, reflecting the benefits of our FRE-centric and permanent capital heavy business model.

Said plainly, our earnings consist almost entirely of management fees, so we're not subject to the volatility and uncertainty of revenues tied to realized gains and capital markets activity. And having long-duration capital means very little leaves our system, providing us with a resilient asset base that grows faster than our peer group for the same number of dollars raised.

We think the market is starting to understand and appreciate the value of these stabilizing attributes and how they contribute to our premium growth profile. On a 12-month year-over-year basis, we grew FRE revenue and FRE by 24% and DE by 20%. We're humbled to be among the leaders in these metrics across our whole peer group, that includes very accomplished firms in our industry, and it's something we don't take lightly as we continue to plant the seeds for future growth at Blue Owl.

Globally, demand for differentiated income-driven returns remains very strong, and we continue to see good interest in our Credit, GP Strategic Capital and Real Estate strategies across institutional and wealth investors.

During the quarter, we held the final close on our latest triple net lease fund, bringing in nearly \$500 million. We raised \$5.2 billion total after receiving approval to exceed our hard cap of \$5 billion. This fund was the largest U.S. focused real estate fund in 2023 and more than double the size of its predecessor fund, demonstrating significant investor demand despite a very challenging backdrop for real estate fundraising in general.

In the wealth channel, gross flows into our perpetually distributed products reached \$2.1 billion in the first quarter, 16% higher than the fourth quarter and almost double of what we raised in the first quarter of 2023. And in April alone, we've raised close to \$1 billion in those perpetual products.

We also closed on \$1.4 billion of institutional capital in our direct lending business across separate accounts and closes for our first lien lending and strategic equity strategies, complementing the continued growth in wealth.

And our new mid-cap GP Strategic Capital strategy is off to a very good start with over \$0.5 billion raised during the first quarter.

Subsequent to quarter end, we announced 2 acquisitions that further expand our suite of investment offerings and broaden the markets to which we provide capital solutions.

First, we made a preferred investment into Kuvare and announced our intention to acquire Kuvare Asset Management, reflecting a creative and accretive way to broaden Blue Owl's value proposition to the insurance space. The global life and annuity market is over \$20 trillion in size, and an increasing number of insurance companies are looking to partner with specialized asset managers that can create better risk-adjusted returns through differentiated sourcing, underwriting and structuring.

By adding a set of more IG-focused credit and real estate capabilities to Blue Owl's existing and scaled origination platforms, we can bring a more comprehensive insurance asset management solution in the marketplace. We will also benefit from Kuvare's growth, as we expect they will continue to take market share in an expanding annuities market. Acquiring Kuvare Asset Management adds \$20 billion of AUM to Blue Owl, not inclusive of incremental growth at Kuvare.

I think we approached this acquisition in a very Blue Owl way, meaning we came from a mindset of providing solutions to, not competing with, our clients. We had no desire to become balance sheet heavy, or to become an insurance company. Instead, we plan to partner with them and allow them to continue to do what they do best, underwriting liabilities, while we focus on what we do best, managing assets. This solution's mentality is in keeping with what you see across the rest of our business. In direct lending, for instance, we provide financing solutions to sponsors for their portfolio companies. In GP stakes, we provide capital to the sponsors themselves. We prefer to help them grow their businesses as opposed to competing with them in those businesses.

Now turning back to M&A. The second transaction we announced recently was our intention to acquire Prima Capital, an investment manager focused on real estate lending with approximately \$10 billion of assets under management. Structurally, we see an increasing need for capital to finance real estate have been interested in expanding our

capabilities in this area. Prima struck us as a great fit for Blue Owl given its leading position, high-quality portfolio and strong historical track record through cycles, and we expect to leverage Blue Owl's scale and expertise to accelerate expansion. Pro forma for these 2 transactions, Blue Owl's AUM would exceed \$200 billion crossing another meaningful milestone.

Now moving on to business performance. In credit, we saw a fairly constructive environment for deployment with elevated repayment activity. As a reminder, the return of syndicated market activity reflects greater market participant confidence, which, over time, will enable increasing M&A activity. We've proven we can deploy significant capital when syndicated markets are active, and we believe we're well positioned to do it again.

Noting the outsized market share the direct lenders have seen over the past 1.5 years, the longer-term secular trend has been one in which sponsors have increasingly gravitated towards direct lenders for the value proposition they offer, and we see this trend continuing. We see healthy sponsor appetite to deploy incremental dry powder and monetize existing investments over time, and we expect Blue Owl to play a meaningful role in new capital deployment and refinancings.

As Alan will detail, direct lending metrics remained strong. We have had just 7 basis points of annualized realized loss, which has largely been offset by realized gains. And the underlying revenue and EBITDA growth of the portfolio remains in the low double digits on average. High level, our observation is that the economy is sound and rates are likely to be higher for long. While we would have loved for spreads to stay 100 basis points wider as they were a year ago, we believe the opportunities we're seeing today offer very compelling spreads for the risks we're being asked to take.

In our GP stakes business, our partner managers continue to benefit from 2 meaningful secular trends, growing allocations to alternatives and GP consolidation. Collectively, our partner managers now manage nearly \$1.8 trillion, giving us an unparalleled view over the alternative asset management industry. Over the past decade, we've observed significant diversification across the industry, including the emergence and scaling of notable asset classes, such as private credit, as well as the expansion in the universe of investable assets for private capital. We've also seen market share accrue to the most established, largest private market managers where our flagship funds have a leading market share.

In addition, now that we've closed on some initial capital for our mid-cap strategy in partnership with Lunate, we also are able to invest in the most exceptional managers that were not the right fit for our existing mandate. We're ready to capitalize on a visible pipeline of differentiated managers who are at an earlier stage of development and we think investors are very excited about this opportunity as well.

In real estate, we continue to actively deploy capital at attractive cap rates close to 8% behind our 4 major themes: digital infrastructure, onshoring, health care real estate and essential retail. The capital needs in each of these areas is very significant and we have a good line of sight into capital deployment. In addition to the success we saw with our drawdown fundraise, which is now finished, we continue to see a meaningful step-up in private wealth flows. First quarter flows in our perpetually offered net lease product were 45% higher in the fourth quarter as a result of the stronger production from new distribution platforms.

In summary, we're pleased with the continued expansion of our existing business, and to supplement the robust growth we're already generating, we've announced some new acquisitions in areas that we find adjacent, strategic and synergistic, and which could become quite substantial in the coming years.

With that, let me turn it to Alan to discuss our financial results.

Alan Kirshenbaum
Chief Financial Officer

Thank you, Marc.

Good morning, everyone. Thank you for joining us today. To start off, we are pleased with the strong results we continue to report, with the first quarter of 2024 being our 12th consecutive quarter, every quarter since we listed, of both management fee and FRE sequential growth, the only public alternative asset manager that has demonstrated this over this period. We've been able to achieve this because of our differentiated asset base and earnings profile, with long-duration assets creating a recurring revenue profile while fundraising adds new layers to our layer cake of management fees and FRE.

So let's go through some of the key highlights on an LTM year-over-year basis through March 31st. Management fees are up 22%, and 92% of these management fees are from permanent capital vehicles. FRE is up 24%, and our FRE margin is right on top of our 60%

target. And DE is up 20%. As you can see on Slide 12, we raised \$4.7 billion in the first quarter and \$16.7 billion for the last 12 months. Inclusive of debt capital, new capital raised was over \$28 billion over the last 12 months. I'll break down the first quarter fundraising numbers across our strategies and products.

In Credit, we raised \$3 billion. \$2.6 billion was raised in our diversified and first lien lending strategies, of which \$1.3 billion was raised in our non-traded BDC, OCIC, up over 100% compared to the first quarter of 2023. The remainder was raised across software lending and our newly launched strategic equity strategy.

In GP Strategic Capital, we held an initial close of approximately \$600 million for our new mid-cap strategy. In Real Estate, we raised approximately \$1 billion with nearly \$500 million for the sixth vintage drawdown fund, bringing that fund to its final close at \$5.2 billion. And over \$500 million in our non-traded REIT, ORENT, up more than 70% compared to the first quarter of 2023. We are seeing increased engagement on the distribution platforms that added ORENT in late 2023 and continue to see opportunities to expand distribution globally for this product. We're pleased with the increasing breadth of fundraising across strategies and products, which will continue to expand with the expected closing of our announced acquisitions of Kuvare and Prima.

In addition, we've had very few assets leaving the system, with distributions, redemptions and capital return aggregating just 4% of our average AUM over the last 12 months. We believe this number is approximately double for our peers, and could increase further for them during more active monetization environments, highlighting Blue Owl's more durable asset base.

Finally, to supplement the staying power of existing AUM and the benefit of ongoing fundraising, we have substantial embedded earnings that we will unlock over time. AUM not yet paying fees was \$16.8 billion as of the first quarter, corresponding to roughly \$240 million of incremental annual management fees once deployed. This equates to a fee rate of approximately 1.4%. We also have approximately \$135 million of incremental management fees that would turn on upon the listing of our remaining private BDCs over time. These 2 items alone would represent an increase of over 20% from our 2023 total FRE revenues.

Moving on to our Credit platform. We had gross originations of \$8.9 billion for the quarter and net funded deployment of \$2.9 billion. This brings our gross originations for the last 12 months to \$24.9 billion with \$9.8 billion of net funded deployment. Our credit

portfolio returned 3.7% in the first quarter and 17.4% over the last 12 months. Weighted average LTVs are in the high 30s across direct lending and in the low 30s, specifically in our software lending portfolio.

For our GP Strategic Capital platform, total invested commitments for our fifth GP stakes fund, including agreements in principle are over \$11 billion of capital with line of sight into over \$3 billion of opportunities, which if all signed, would bring us through the remaining capital available in Fund V. And performance across these funds remained strong with a net IRR of 23% for Fund III, 42% for Fund IV and 15% for Fund V, which compare favorably to the median returns for private equity funds of the same vintages.

And in our Real Estate platform, our pipeline of opportunities continues to grow with nearly \$4 billion of transaction volume under letter of intent or contract to close. With regards to performance, we achieved gross returns across our real estate portfolio of over 6% over the last 12 months, comparing very favorably to the broader real estate market as a result of our distinctive net lease strategy and the timing of capital deployment. The net IRR across our fully realized funds has been 24%, which we think is impressive for essentially an investment grade and creditworthy tenant risk profile.

Okay. Let's wrap up with a few closing thoughts. On taxes, just a reminder that we expect to return back to a low single-digit rate, say, 2% to 3% for the remainder of 2024, which should result in a roughly 5% tax rate for the full year as I discussed on our last earnings call. In light of the recent acquisition announcements, I want to reiterate our outlook for a 60% FRE margin for the foreseeable future, investing dollars back into the business to drive long-term growth. Subsequent to quarter end, we closed a \$750 million, 6.25% 10-year bond offering. We were pleased to see such strong levels of interest with the deal nearly 4x oversubscribed from both investors who have been longtime supporters of our business as well as many debt investors that are new to our name.

Finally, I'd like to touch on the significant shareholder transition that we've achieved since Blue Owl went public. In May of 2021, about 10% of our shares were held in the hands of public investors. Our float was about \$1.5 billion. The other 90% of our shares were owned primarily by Neuberger Berman, management and private phase investors. Over the past 3 years, we have largely replaced our legacy private phase investors with long-term oriented public shareholders and we've also seen strong demand from public shareholders for the occasional sales by Neuberger Berman over the same period. Today, we have more than a third of our total shares in the hands of public investors, increasing our float to more than \$9 billion, 6x greater than where we started. As for

management, our lockup expired about a year ago, and there has been essentially no selling outside of charitable donations and estate planning. We're very pleased with the progress we've made in working through the technical overhang in Blue Owl stock and think that the shifting demand supply balance is a factor in how the stock has traded recently.

With that, I'd like to thank everyone who has joined us on the call today. Operator, can we please open the line for questions?

Operator

[Operator Instructions]

Our first question comes from Alex Blostein from Goldman Sachs.

Ann Dai

Head of Investor Relations

Alex, we can't hear you.

Alex Blostein

Goldman Sachs

Really nicely. You highlighted that, I think, in your prepared remarks as well. Can you pull back the layers a little bit and talk through sort of sources of increased sales? Is it same platforms, addition of new platforms? To what extent is it also including some broadening of the existing FA base within the platforms that you're already on? So just to kind of help us frame how to run rate the current pace of sales on a go-forward basis.

Alan Kirshenbaum

Chief Financial Officer

Alex, the very beginning of that, we didn't hear. Can you just repeat the very beginning, please? Apologies.

Alex Blostein

Goldman Sachs

Sorry. Yes. So I was just asking about the wealth channel trends you guys are seeing so far in the second quarter. It looks like April 1 subscriptions were really strong. So I was hoping to get a little bit more detail around the sources of strength in terms of new product, or new platforms rather, or sort of expanding footprint within the existing platforms, and how to think about the run rate on a forward basis.

Marc Lipschultz
Co-Chief Executive Officer

Absolutely. Thank you, Alex. So wealth has been and continues to be strong. You obviously know our position, which, of course, is now coming up on taking nearly a decade to build to this sort of platform, we really have a great embedded position with some products which are growing, as you say, sort of by expansion of usage in a platform. And then we have products that we have introduced that are growing by expansion of platforms. So actually, we see both when you look at our results in wealth.

So in credit, in our Core Income and our Tech Income products, what you will really see there is increased adoption – that is more FAs and more clients using the product. So this is the virtuous circle of we're on a lot of platforms and we've delivered great results for those investors, and so we have more FAs understanding how this is a really effective part of essentially a core allocation, and our product works really well for them.

And so, in the case of credit, I think you're seeing primarily the growth of user increases, more FAs, more customers. And of course, the beauty of that is this is still so limited in its penetration. When you really dive into the details, which obviously, we do, on what's really being sold in the platform, how many people are using it, how many clients does each FA that uses it have involved, you get very excited about the forward look in this opportunity set, which you can also see from the macro numbers when we just look at penetration of alts in general versus this very, very large world, call it retail, call it private wealth or whatever you want to slice it.

So we're seeing the virtuous circle of being a market leader in that credit platform as a very early participant and having, frankly, really, really great results. Real estate is a bit more of a study in the benefits; in this case, you get twofold benefits. Ultimately, become what we have in credit, which is you become more about deeper and deeper penetration. Today, we're still even in the early stages of this increased platforms. So we -- this year, we'll be adding quite a number of platforms in real estate and we're seeing the benefits of that as we bring this product onto new platforms, it's given us whole new audiences. Remember, this is a product where we're delivering a 7% tax-advantaged return, current plus appreciation with triple net leases on generally investment-grade, creditworthy counterparties. It's a really special product and consider this as a time when in real estate, most people are delivering negative returns and are having negative flows, we're growing and adding.

So I think you have both actually perfectly well studied. And listen, any given month, any given quarter, but the trend line is crystal clear, right, which is, we are continuing to see significant growth in wealth as a part of our platform, and the continuously offered products we're really zeroing in on because we always have episodic moments that we bring products like GP Solutions where you go on for a while and then you come back off of a platform. So we really feel good about wealth.

And one other comment just while we're on it, and it's not about wealth, it's just about product in general. You take April, as you said. So in April, we raised \$1 billion in these continuously offered products. And I think something that gets lost sometimes in a lot of the discussion and not -- I'm sure people appreciate it, but not all dollars are created equal. And if you just take a step back and when you raise \$1 billion in kind of high quality, high value-added products that we do, which we get appropriately paid for, and you square that against dollars raised, there's a lot of very commoditized products that all managers raise, and that's fine. Different people have different strategies. As you know, our focus has been very much on high value-added product. But if you take a step back and think about what we earn on something like \$1 billion in continuously offered products relative to, say, a highly commoditized product that we see people raising capital for, that literally can be the equivalent of needing to raise \$10 billion in a commoditized insurance-like product, or a more highly commoditized fixed income kind of product. So \$1 billion in April, quite literally, mathematically, could be the equivalent of \$10 billion of what many other people raise these days. So I think that gets lost in this conversation about -- it's not wealth, that's just about nature of product in general. Sorry to go off on that sidetrack, but I think it's an important point also that we talk about the nature of dollars raised.

Operator

Next question comes from Brennan Hawken from UBS.

Brennan Hawken

UBS

We've heard a bit more recently about spread compression in private lending markets. So I was hoping to hear your perspective on what you're seeing on the ground. And if we are seeing some spread compression, what you think that might mean as far as the outlook for FRPR that's begun to come through on the P&L for you?

Marc Lipschultz
Co-Chief Executive Officer

Absolutely. So look, spreads -- so let's start with this. Yes, there's been spread compression, it's point of fact. There was spread expansion a year ago, 1.5 years ago. Before that, spreads were tighter. I look over the long arc of time that we have done now about \$100 billion or so in originations, and it's no doubt the case that spreads go up and spreads come down. The key to our business is something really distinctive about private credit done right. Again, we are deeply focused on credit, credit, credit. Principal preservation, downside protection and strong income results. And that has worked. We're running at a 7 basis point realized loss rate.

So everything about doing this strategy, right, growing our business, which, of course, grows our fee base, is about delivering on the credit promise where we have been best of breed. And so the key to us, unlike many alternative products, let's call them the high octane products where vintage is a big question. If you get in at the right time, if you get out at the right time, you make great returns, but gee, if you get into the wrong equity product in 2021 and now you're sitting here today with couple of years of just dead time behind you, you're probably going to struggle with returns.

The big difference for us is unlike kind of moment in entry moment and exit moment, I think about this more as a box, a range, a band. The key is, do we have really strong credits, and are we getting an attractive return, attractive spread for those credits? And here's the good news on the corollary to have spreads compressed. They have compressed. Is it attractive? Absolutely. Absolutely. The credits that we are seeing and the return we are earning, remember, we're at a 5.32% 90-day LIBOR. So when you take spreads, it's -- of course I prefer the 100 basis points wider spreads than we were seeing 1.5 years ago. But the spreads we're seeing today aren't that different from what we saw 3 years ago, and those were really attractive loans and returns too.

So I'm not being dismissive, I'll always prefer a higher spread, but that isn't -- what matters to us is a band in which we're earning a very good return for a very moderated risk. And we're certainly operating in that band and feel good about it. As to FRPR, I mean we're in a pretty tight band, but I'll turn that over to Alan.

Alan Kirshenbaum
Chief Financial Officer

Thank you, Marc. Brennan, I guess what I would add to that is a few things. We continue to expect to see our Part 1 fees coming up quarter-over-quarter, year-over-year as we go

through 2024. There's a series of reasons for that. One, Marc just touched on the very strong fundraising we continue to see in our non-traded products like CIC and TIC. We continue to deploy good capital in products like OTF II. So as we continue to deploy, fundraise, we're going to continue to see strong increases in Part 1 fees. Also, if you go back to the end of last year, where the SOFR curve was and where it is today, throughout, let's say, 2024, we're still averaging, let's say, 20 or 30 basis points higher. And in 2025, where the curve is, we are 60 to 80 basis points higher today than where we were back in December. So we will continue to see strong returns on our Part 1 fees, at least we would expect to because of all these things.

Operator

Our next question comes from Glenn Schorr from Evercore ISI.

Glenn Schorr

Evercore ISI

Big picture question on credit. Obviously, direct lending, you're an animal, you're expanding in healthcare, infrastructure, you're expanding in real estate lending and Kuvare brings investment grade. Yet, I'm still going to ask the question of, do you feel like you have enough across private credit broadly? And maybe that's just really a question on what do you already have in asset-backed finance and what's your plan in terms of expanding there?

Marc Lipschultz

Co-Chief Executive Officer

Thanks, Glenn. And it's a great question. First, I want to reinforce, we indeed consider ourselves credit animals. Thank you for that. I like that one. With regard to the range of offerings, you characterized well, we certainly have built out adjacencies that take us from diversified direct lending, that led us, of course, a long time ago now to understanding the great merits of software lending, which has really worked. It led us to first lien lending, another derivative thereof that's really worked.

We now have, as you point out, with our new acquisitions with Prima, we add -- it's very strong-rated real estate-oriented debt at a time when that market is deeply disrupted. With Kuvare, we add, of course, other adjacent investment grade or stronger credit derivative opportunities. So we definitely have widened that range and we like that. To answer your question very spot on, we have some parts of alternative credit very strongly. As we've commented, but I'll share this again, beneath the surface, we actually do a lot of lending in areas people don't particularly share in our large business may not

focus on, but we have developed very strong skills in railcar leasing, in aircraft leasing, in ABL finance with Wingspire, in life settlements, in royalties, in healthcare as you pointed out, we've done about \$13 billion of loans. So there's a lot we have built organically, and we will continue to utilize that capability for both our diversified products and over time as appropriate in other specialized or asset-backed products.

So we have the organic tools. Are there other areas, to put it rhetorically, that we could add in an alternative credit or asset-based credit, absolutely true. So we continue to look at build, buy and they're neither mutually exclusive nor mutually required, which is to say, we've got a lot of tools to be successful in asset-based finance. We would be perfectly open to and interested in adding more tools. And we have our eyes open for that.

Operator

Our next question comes from Steven Chubak from Wolfe Research.

Steven Chubak Wolfe Research

Now that you've added both real estate debt and insurance capabilities to the platform, I was hoping you could just speak to your confidence level in hitting or approaching the dollar divi in '25, it might just be helpful to outline the roadmap similar to -- actually, Alan, how you laid it out last earnings call, just given the building block should look a little bit different than before.

Marc Lipschultz Co-Chief Executive Officer

Yes. Yes, thank you. Look, it is our favorite topic, we talk about all the time, which is continued path to the dollar dividend. And sitting here today, we continue to feel the same way. We are moving right toward in and around that dollar. And every quarter where we march forward up and to the right to quote, I think, Glenn's title, or the blue streak continues, I think, to use yours, we move a quarter closer and the band effectively gets tighter. When we complete steps, and it's not an enormously complicated ladder or set of steps, but when we get things done, like this quarter, we said, look, we expect it will include strategic acquisition as part of it. We did 2 this last quarter.

We expect we'll take other BDCs, or some of them, public over time. We did that with BDC III, which is trading really well. And meantime, OBDC trades had a premium to book. So we're slowly ticking it off in the sort of I'm going to compile and I'll also add

Brennan's title as well, we think we are the boring blue streak moving up and to the right. So I think I've merged with proper attribution, 3 titles together. And the destination, the goal is to get to that dollar, and we continue to feel good about being in and around that level. So let me turn it over to Alan to give you the building blocks to go with that.

Alan Kirshenbaum
Chief Financial Officer

Thanks, Marc. Steven, thanks for the question. We are on track to be in or around the dollar a share. I'm going to approach this in 2 ways, if that's okay. I just want to remind everyone, we have a significant amount of embedded earnings power in our business. We have about \$1 billion of revenues that would, over the course of 3 different things that would bring our 2023 revenues up over 60%. And so that \$1 billion of revenues is about a quarter of that, \$240 million, is just deploying the AUM that has not yet earning fees that we've already raised. We've got over \$200 million in BDC step-up fees, of which, to Marc's point, \$80 million we just turned on earlier this quarter in January.

And those 2 items alone, that's almost \$0.5 billion, that's over a 25% increase to our 2023 revenues. Then when you add fundraise for just our GP Stakes VI product and our 2 BDC non-traded products, that's another \$600 million over the course of this year and next year that would increase revenues by over 60%.

But to narrow in now on the dollar a share, Marc has already talked about a number of things. There's a lot of exciting things we're working on, almost all of those, as I think we've all talked about in the past, are actually dilutive to the dollar share. That's us putting dollars back into the business to focus on keeping our industry-leading growth beyond the dollar share, beyond 2025.

There's just 3 things now. So last quarter, there were 4 things we needed to do. Now there's 3 things we need to do to get in and around that dollar share. Marc touched on the fourth, which fell away now. We've done an accretive transaction. We've done 2. And so we checked that off. That's done. So there's 3 things left. And on my scorecard, at least, when I think of those 3 things, we've got fundraise for our non-traded products at CIC, TIC and ORENT. And as we just talked about in the earlier question, we are certainly on track and doing very well towards achieving what we need to and fundraise for our nontraded products. So I checked that as on track.

Fundraise for GP Stakes VI. We continue to get a lot of interest in that product, and we expect fundraising to go very well there. We expect to hit our \$13 billion target. So I consider that on track as well.

And then the third of the 3 items left is to list 1 of the 2 software lending BDCs. And I won't comment on timing for either of those. But we continue to think that there's something to do there over the course of this year or next year. So we are tracking very well to be in and around that dollar a share for 2025.

Operator

Your next question comes from Craig Siegenthaler with Bank of America.

Craig Siegenthaler

Bank of America

I think they got my last name better on your call than the last one. So my question is on M&A. You've added real estate debt and insurance just this year. And I think this morning, the FT is citing infrastructure as the next slightly white space. So I wanted to get your updated thoughts on M&A and real specifically, what do you think of infrastructure equity and infrastructure debt?

Marc Lipschultz

Co-Chief Executive Officer

Sure. So let me just take one step back and frame. Our business has a very, very clear DNA, right? We focus on being very deep in an adjacent and tightly bound set of products. And we've talked about this metaphor before, but there's different strategies, there's the -- all directions on the compass strategy, and many of our very successful peers pursue that strategy. Picture what we're doing as a northbound highway. It's got a lot of lanes. In the lanes we occupy, we intend to be the leader or a leader. We're clearly the leader in triple net lease, the leader in GP Stakes, a leader in direct lending, a couple of other cars, but pretty -- that makes for a pretty uncrowded commute when there's just a few cars in the lane. And then we've added some other pieces that are direct adjacencies and you know, then let me now get out of these exact ones and then answer infrastructure question.

So Prima and insurance, Kuvare, offer 2 quite different additions to our capability set. So look, we're in real estate, and we're in credit, and we have certainly watched for a very long time as to when we could do real estate credit. Well, not too hard to figure out the adjacency of that statement and we've said it on these prior calls before.

Here's the history with real estate credit. We, as a credit firm, of course, have been approached all the time with, I think now looked at close to 10,000 different loans, and certainly, we've been approached about real estate loans. And the phenomenon we have for years and years is we would be willing to do the work in our current diversified products, in theory, we could do real estate loans as a piece of it, but every time we finished doing the credit work on what was behind the leases, what was behind the credit, we ended up seeing like-for-like the spreads were way tighter and leverage higher than a comparable direct corporate law. So we didn't do it. And I don't know, at the time, we always said to each other, I don't understand why when you say the word real estate, all of a sudden, it's supposed to be at a tighter spread.

Well, lo and behold, it's not. It turns out, it's not. And here we are now, where the market has become very disrupted, and it becomes a very interesting point for us to bring our skills in real estate and credit into this highly disrupted market and by bringing Prima on board who are really good at this, and remember, again, this is a very focused strategy. Prima does something, single asset, single borrower-focused, risk retention, really good at it. This is much higher grade product. So they have a very good book. We're not spending time thinking about what is the workout going to look like in real estate as almost any real estate lender would. So that's a wonderful addition. We're using M&A in a sort of strategic and tactical way to add some terrific skills that we can build off organically. So that's a fill in of a really nice capability product and team.

Insurance, think about that as horizontal, right? We have successfully become a leader in delivering institutional solutions, institutional fundraising, wealth, where we're a market leader. The one we've been missing is insurance, delivering solutions properly packaged, properly structured for the insurance user. Remember, we always talk about this. We don't have different products for different people. We have different entry ramps, we customize the structures. We customized the continuously offered product because individual investors value some of that flexibility. It's different from what institutions value, so we customize their product.

Now, with Kuvare, we've added some complementary capabilities, but most importantly, we now have a way of customizing the solution for that user of capital. So now we have the third core leg of the stool. We now have wealth and we have institutional and we have insurance. So think about that as horizontal, taking our capabilities, and again, our product suite is particularly well suited to the insurance user, and now we have the abilities to bring that bundle together and deliver the solutions to, not compete with the

insurance industry. So I would say, those 2 you can see are quite different. One adds a capability right in our sweet spot. One is horizontal - it's not really about adding new products, it's about adding a way to deliver those products in a way that's perfectly packaged for its users.

So last, to the FT article. I mean, I can't control their title, and the emphasis on infrastructure is a little disproportionate. It's just compatible what we've observed before, which is when we think about our products, which is downside protection with strong predictable returns, generally current income, inflation protection, that brings you very naturally to a few areas. It brings you to, at the right moment, something like real estate credit. Okay, well, we have our foothold there. It brings you to things like asset-based lending, and we just talked about that. We have a lot of organic capabilities, and we'll have an eye on both organic and inorganic possibilities there. And to our way, another example would be infrastructure. I don't know if we'll do anything in infrastructure or not. Again, I think the emphasis is a bit excessive with the title. But I think if you read through the article or kind of incorporate it with what I'm about to say, it's a natural area that's adjacent for us because it's a space that is about lower risk, principal preservation, strong returns and income orientation, and that could either be in the infrastructure debt or infrastructure equity.

And so I view that as more an example of how we can stay very tight to our strategy, do what we do well, understand our DNA well, but do it in an adjacent product. Whether we do that or not, it's not as if, okay, next up. I think it's more about an example of how we think about the world strategically, which is to stay very deep in a very, very tightly balanced strategically aligned side of products.

Operator

Next question comes from Bill Katz from TD Cowen.

Bill Katz

TD Cowen

So just one of the debates comes up a lot is just a higher for longer backdrop, and how does that sort of, the ebbs and flows of that or puts and takes? So I was wondering -- I think the Part 1 fees are pretty straightforward. But I was wondering if you could talk a little bit about just the resilience of the platform, particularly on the credit side, if we were to stay in a higher for longer? And how to think through the bear case that it would have a pickup in credit losses against a portfolio that hasn't been proven over prior credit cycles as currently put together?

Marc Lipschultz
Co-Chief Executive Officer

Sure. Alan and I can probably just comment on it, but let me start with the headline. Look, we do floating rate debt, that is our business for our investors. And that mathematically definitionally means when rates are higher, the absolute returns for our investors are on average higher. And when rates are lower, on average, they'll be a little bit lower. Sitting here today, and -- look, there's a lot of things we've been right about and wrong about and that will continue to be true. But I will say that a year ago, and everyone on this call probably can check us on this one, we have been talking about the higher for longer case for quite a long time. And we see it through our portfolio. Remember, we have almost 400 companies that we lend money to, and we study them and work with them very, very closely. And what we have seen consistently for the last year and still today, is inflation has not gone away.

Now, that's consensus view. It seemed like a lonely voice in the woods a year ago, even 4 months ago, we'd go and have this conversation when the world was talking about 7 rate cuts. Now we're in a world where it's somewhere balanced between 0 rate cuts and 1, right, that's the new consensus. And that's a reality of what's happening from the ground up. We see wage pressures continue. You see cost pressures continue. Importantly, we see all these companies raising their prices. Someone's paying for that. So when you add it all together, inflation is not, of course is not raging the way it was 1.5 years ago, but it's very real.

So look, that does bring us to the higher for longer view from the ground up, we are not macro experts. But as a result of that, in a higher-for-longer world, which now seems pretty likely, of course, that does go through in ever higher returns for our investors and to a degree FRPR. Remember, what's really important, though, other than the small amount of variance around fee related, which is not -- the FRPR, which is a modest part of our revenue base. You have to remember, we at Blue Owl, I know you know this, but I'm saying it more broadly, we at Blue Owl get paid fees to manage the business.

There's no carry. We have no capital markets fees. We don't have all these other variable fees that other people have to manage, which is complicated. Our business is very straightforward. And even with gyrations in spread or whether we do have a rate cut, don't have a rate cut, those are really, really moderate impacts on our business. So I'm going to let Alan comment on that, and then I'll come back to the credit question you had.

Alan Kirshenbaum
Chief Financial Officer

So 2 points here, I guess. One, I made the comment earlier in 2025, when you look at the curve today versus at the end of the year, we're at 60 to 80 basis points higher on the curve than where we were. To translate that to how that impacts our business, I mentioned in the last quarter's call when asked about a rate decline question, I had said that about 100 basis points of rate decline would be about \$40 million, 4-0, \$40 million of increased or decreased, and now in this case, it's increased as opposed to the question last quarter, which would be decreased, about \$40 million of increased annual management fees.

Marc Lipschultz
Co-Chief Executive Officer

And then let me tack back on to the credit question and attack it a couple of ways. First of all, and I said this before, within the land of our credit business, credit is everything. It's what we focus on. It's what we focused on from day 1. It's why we focus on the large end of the market. It's why we focus so intensely on low loan to values, which in our portfolio remains on average in the 40s. So we're -- and in software lower, our portfolio performance - you look at our -- we look at our most recent results, on average, the EBITDA and revenue in our portfolio companies grew on average, in the last quarter that we just finished our data analysis on, at double digits. So we understand and of course, we're always thinking about, the credit downturn, which is really economic downturn, right? There's no separate thing called the credit downturn unless you do credit poorly, and I feel confident we haven't done that.

And so at the end of the day, we're still growing robustly in our portfolio, on average. Of course, there's going to be peculiar credit issues. Of course, there's companies that have their own peculiar challenges. But remember, our nonaccruals are well below 1% of our book. And our loss rate historically now has been at 7 basis points per year. So I think we're starting from an incredibly good place. And here's I guess 2 things to take away from that. We care intensely about credit. As an investor in the Blue Owl stock, again remember, we get paid fees to manage these funds. So ultimately, that's not really a question that bears on the shareholder of Blue Owl in any meaningful way. It matters to us, and it matters a lot to our LPs, and that's what we work for every single day. So we're intensely focused on it, but it's not really an earnings question.

Last point, I think this is what also gets lost in the conversations about credit. I absolutely do get and agree that people -- we can say, hey, we just don't know because there's this new thing called private credit, not so new, and it hasn't been fully tested, well it has gone through a test, but it is a good way of just creating for those who wish to, uncertainty. There's a lot of data, a lot, right? I just told you our data on nearly \$100 billion of loans, and it hasn't exactly been smooth sailing in the land of COVID and wars and runs on banks. And again, it hasn't been a deep dark recession. But actually, deep dark recessions have happened in the land of leveraged credit.

This isn't new. We're making loans to the same companies, except with tighter documents and lower loan to values that the syndicated market did back in the 2000s, and we actually do know what that looked like.

And frankly, if it was that -- even that bad, so to speak, think about the returns. We're starting with unlevered returns today, depending on, again, which spread we're all using, 10% to 12%. You can take pretty meaningful changes and defaults and still have one heck of a risk return. So we think about it all the time. But I really think there's sort of a propensity to say like, this market is just untested. It actually is extremely well tested. It just hasn't been tested, frankly, in this more durable format. And I think what you will find, when that test comes in this exact format, I think you're going to find out that loan losses are lower. Because you have parties in bilateral arrangements, with very aligned incentives, which is, you know what, we all want this company to do well. We all want this company to thrive and pay back its capital. There aren't games, there aren't tricks, there aren't credit default swaps, there aren't creditor-on-creditor violence. All that stuff will happen in the syndicated market. So yes, you'll live that stuff again. In private credit, I would proffer that you're going to see a better experience when that version of days comes again.

Operator

Your next question comes from Patrick Davitt with Autonomous Research.

Patrick Davitt

Autonomous Research

My question is on Kuvare. Could you help us frame maybe how much run rate organic flow you expect from the insurance entity post close? Maybe how fast that has been growing? And then more broadly, contrast how you see OWL's insurance TAM versus others given your asset classes are generally outside of the lower fee "fixed income replacement" assets most of the other alts are focusing on?

Marc Lipschultz
Co-Chief Executive Officer

Sure. So I don't want to speak on behalf of Kuvare, the insurance company, which remember, we are buying the asset manager. And we're an asset manager, balance sheet light provider of management services, and they are a really strong insurance originator. So that's their side of the equation. I don't mean that in a lack of partner way. We're very much partnered. But I want to understand that they are the insurance company, we are their partner asset manager. With that said, we know that, for example, last year, they grew their book by \$5.6 billion. So part of this whole exercise was to get more capital freed up and focused on supporting the growth of their insurance company, including our \$250 million of preferred investment.

So last year was \$5.6 billion. They were looking for more capital to continue to grow and to grow, I think we'll continue to see very healthy growth. They have a great origination business. I've mentioned this before, but they punch way above their weight. Now here's a firm of a size, that is in the Japanese market, which is one of the most discerning markets, as I understand it, for these types of annuity products. And they're right in there with the very biggest and the very best. And I think it's a real credit to what they've done on the insurance origination and management side. So I won't forecast their number for them, but I think it is safe to say that given the growth they've had in the past, we expect to see that kind of growth continue, that's why they want the capital.

Alan Kirshenbaum
Chief Financial Officer

And the vast majority of that growth is going to come for assets that we manage going forward.

Marc Lipschultz
Co-Chief Executive Officer

Yes. And remember, we now acquired the whole of their asset management business, which means we do have all the product capabilities built out that you just described. So with this brings to us the ability to deliver the comprehensive solution you just postulated about others. So we do have all that now. Our focus isn't on the low fee products. But we have the capabilities now and it's not like we dismiss that or dismiss having the comprehensive set of solutions, it will be part of our growth profile going forward, too.

So we do have that full range today. In terms of the addressable market, it's actually a really interesting question. We all know this is evolving, the relationship between insurance and asset management or alternative asset managers.

And there's different models, I don't think there's one singular right model. I will say that our model is built around staying very focused on being really good at asset management and letting insurance companies to be really good at insurance and being a partner to them as opposed to a competitor with them, which is very consistent with our model. We are a capital solutions provider with the picks and shovels, right? We do that. We provide capital solutions to GPs themselves with our GP Solutions business, help them grow their businesses. We provide capital solutions to corporate owners of real estate to help them grow their businesses. We provide financing solutions to PE portfolio companies. And now with our below strategic equity, we provide GP continuation capital. All of those are solutions to, for example, a private equity firm, not competition with the private equity firm. So I think we've got a very clear focus. And same thing in insurance. We are now -- we are their partner, and we're here to help them grow and not try to take growth from them.

Operator

Our next question from Crispin Love from Piper Sandler.

Crispin Love

Piper Sandler

You hit on this a little bit with a prior question, but just with the announced acquisition of Prima, you explain why you did the deal and how you do the credit work. But can you discuss what opportunities you're most interested in once the deal closes? Would you expect to be active in distressed areas such as deals in office or be active in multifamily or kind of other areas like CMBS in addition to deals more related to your triple net lease product on the debt side. Just curious on your thoughts here on where you might add capital in this part of the business when the deal closes?

Marc Lipschultz

Co-Chief Executive Officer

Sure. Well, let me start with this observation on every acquisition we make, our mission is to have a best-of-class team as a part of that, and we have that with Prima, which also means first job is to make sure we only enhance doing well what they already do once combined. And that's been true. Look at our Oak Street business, now the real estate business. That's a business that has thrived because they're great at what they do again.

Now we, but phrasing -- I'm purposely trying to be intentional about this idea of not ever disrupting, only enhancing the investment process. So our first job is to continue to do a fantastic job for Prima, the LPs, in the products they have.

Now with their capabilities and ours, there are opportunities for us to deliver great results to their existing or new LPs, and do so well for our shareholders. When you think about where we'll go, remember we also have now brought on a world-class real estate finance professional, Jesse Hom. Jesse Hom, who is quite well known in the world of real estate finance, having led this at GIC, will be joining us to lead this overall initiative. So Prima comes on board, we'll keep doing Prima really well and then we will extend -- to answer your question, again, remember our DNA and our comfort, our idea is to go into a market and find ways to take risk out and earn really attractive, stable returns. So that would tend towards leaning our mindset, not toward opportunistic, distressed, let's go find a messy office building, rather, hey, this is a dysfunctional market now, we can go in and do very high-quality things that are much lower leverage, much less deep in the cap stack and earn a very active return providing that capital.

So I think that frame of reference is likely to be more where we live than all of a sudden trying to move out to the periphery of return seekers, that's not our mission. Our mission is to have sleep at night well, money for our investors and deliver really good returns.

Operator

Our next question comes from Brian McKenna.

Brian McKenna JMP Securities

Most questions have been asked, but just a quick one from me. So you've clearly been active on the M&A front, and you've also made a number of senior hires as well. So I think integration of all these businesses and people will be important to the longer-term growth and success of Blue Owl. So what are you doing today to make sure integration of all this is successful over time? And I guess what I'm getting at is how do you make sure 1 plus 1 equals more than 2?

Marc Lipschultz Co-Chief Executive Officer

That is exactly right and exactly what we focus on and exactly where I think we've developed now, I'd say, our muscles to do it well. We think integration is critical. And that is part of -- again, the benefit here is don't disrupt anything about the strong investment

performance and practices of businesses, but enhance them with the intellectual capital and capabilities that we have. Bring the backbone that we have operationally to each of these companies to help support them doing an even better job at the investment business. I want to make sure we say this. We've talked a lot about M&A on here. The vast preponderance of our growth is organic. And the M&A is actually pretty moderate when you get down to a number of people, impact on business.

I just talked about Prima. It's a wonderful business. It comes with a wonderful team. It does something very specific, though. It's not -- this isn't some grand complex integration. Actually, it's pretty straightforward. And that's not to take it lightly. It's just to say to distinguish between complicated integrations and acquisitions, not something that we pursue with any great vigor, and relatively simple ones like a Prima. So an acquisition is not an acquisition in the generic sense. That said, I think we feel very, very good about our pathway. And let me just point back to real estate. So Oak Street, when we acquired Oak Street now our real estate business, I believe it had about \$70 million in FRE. And today, we're running at about \$200 million of FRE. Tripled that business. And Marc Zahr and his team and Jared and others have been phenomenally effective as an integrated part of this firm. Michael Reiter, who comes in as operational, integrates with our operations, that has been an absolutely case study for us in how we can do this. And so we learned our lessons. Again, we're not saying we're perfect by any measure. But I think we feel very, very good that we can handle these acquisitions, and we'll be very, very careful as we look and we'll continue to look at organic and inorganic growth, but let's not lose track of the fact that most of our growth has been, and likely will be organic growth up and to the right. The boring blue streak up and to the right.

Operator

We don't have any questions at this moment. I'd now like to hand back over to Marc for final remarks.

Marc Lipschultz

Co-Chief Executive Officer

Great. Thank you all very much. Really appreciate the time and your patience and your interest, and we're going to go away and be credit animals and try to do some more boring quarters for you. But we do appreciate it very much and back to it. Thank you.

Operator

Thanks for attending today's call. We hope you have a wonderful day. Stay safe.