Blue Owl Capital, Inc. (OWL)

4Q 2024 EARNINGS

February 6, 2025

Operator
Good morning, and welcome to the Blue Owl Capital’s Fourth Quarter and Full Year 2024 Earnings Call. [Operator Instructions] I'd like to advise all parties that this conference call is being recorded. Thank you.

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

Ann Dai
Head of Investor Relations
Thanks, operator, and good morning to everyone. Joining me today are Marc Lipschultz, our 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 Shareholders 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 fourth quarter of 2024, reporting fee-related earnings, or FRE, of $0.23 per share, and distributable earnings, or DE, of $0.21 per share. For the full year 2024, we reported FRE of $0.86 per share and DE of $0.77 per share.

We declared a dividend of $0.18 per share for the fourth quarter, payable on February 28 to holders of record as of February 19. And we also announced an annual fixed dividend of $0.90 for 2025 or $0.225 per quarter, starting with our first quarter 2025 earnings, up 25% from the prior year.

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 so much, Ann.

We capped off a highly successful year for Blue Owl with a record quarter of fundraising, reflecting the ongoing diversification of our business and high levels of investor interest in our differentiated products. This brings our total equity raised in 2024 to $27.5 billion, about 75% higher than 2023. And including debt, we raised over $47 billion, also a record for us.

On top of our robust fundraising, we deployed substantial amounts of capital across the business, including a record $52 billion of gross deployment in credit, driving 26% FRE growth for the year.

Taking a step back, we have now grown FRE at least 25% each year since we've been public, despite highly inflationary periods, geopolitical events, rate volatility and a significant slowdown in capital markets. To us, this has been an incredible test of the durability of our business and the power of permanent capital.

We've had a very active year across the business, with some simple themes that defined our direction of travel – innovation, diversification and scale. And thinking about what we've accomplished this year, I'd like to call out a few highlights that exemplify these themes.

On innovation, we've been very aligned with the ongoing evolution of the alternatives industry, focused on asset classes such as direct lending and GP stakes that have expanded to meet the financing needs of the private markets. Net lease has followed a similar trajectory, becoming a truly institutional category. All of these market opportunities have significant runway ahead of them, and we expect to meaningfully participate in that growth given our leadership positions in each area.

In thinking about where the puck is going next, we have made strategically important acquisitions in markets with growing capital needs, namely alternative credit and digital infrastructure. We've also expanded our insurance capabilities to deliver a more holistic solution in that market. And we brought on a real estate credit manager with an incredible 30-year record to take advantage of the disintermediation we're seeing there.

It's clear to us that private solutions providers are going to take an increasingly larger role in the financing of all of these markets. We plan to meet these opportunities head on with differentiated strategies, product innovation and best-in-class market leaders that have invested in these asset classes for decades.

On diversification, it's apparent even in our 2024 results how much more diversified our business is today than a couple of years ago. This diversification spans investment capabilities, sources of capital and geographic footprint. Looking ahead, we see tremendous growth for both the newer businesses under our umbrella and our existing capabilities. We plan to continue expanding our global distribution while introducing new strategies and product structures that further strengthen Blue Owl's value proposition for institutional, private wealth and insurance clients.

On scale, we ended the year at a quarter of a trillion dollars of AUM and pro forma for the acquisition of IPI, which closed on January 3, we now have $265 billion of AUM. Over the past decade, we have seen the largest managers consolidate market share in the alternatives industry. We expect this trend to continue for the next decade, and we fully expect to be one of those consolidating managers.

With the full suite of capabilities we have today and our scaled permanent capital, we're able to create even more of the bespoke solutions that counterparties are looking for, further positioning ourselves to be the first call.

And, subsequent to year-end, we closed the merger of OBDC and OBDE, our publicly traded diversified lending BDCs, resulting in the second largest publicly traded BDC with assets under management of about $21.5 billion. We're also working towards the proposed merger of OTF and OTF II. Once merged and listed, we expect to have the largest technology-focused BDC in the markets.

Zeroing in on the fourth quarter, we had our highest quarter of fundraising with $9.5 billion of equity capital raised and over $18 billion including debt raised.

Private Wealth fundraising remained very strong at nearly $4 billion, driven by our perpetually distributed products and fundraise for GP stakes. For the year, Private Wealth drove over $13.5 billion of equity commitments, an increase of 50% year-over-year. And we are excited about what 2025 will bring with an alternative credit product launching shortly and currency-specific solutions coming for OCIC and ORENT, in addition to the ongoing cross-selling and expansion on existing platforms.

We had our highest quarter of fundraising in our institutional channel, raising $5.6 billion across a variety of strategies, including a number of mandates within credit, large-cap and mid-cap GP stakes, insurance solutions and real assets. For the year, institutional fundraising drove half of total capital raised and doubled from the prior year. As of this week, we're approaching $1 billion committed for our European net lease strategy, headed towards our $1.5 billion hard cap, and we are also approaching $1 billion of capital committed for our GP-led continuation strategy.

Our fourth quarter results reflect the impact that both organic new product development and recent acquisitions are having on the range of fundraising across Blue Owl, and we see much more to come ahead. The over $47 billion we have raised organically across equity and debt over the past 12 months is equivalent to 29% of our AUM a year ago.

Now turning to business performance. In Credit, we had another solid quarter of deployment. Specifically for direct lending, gross and net originations were over $13 billion and $2 billion for the quarter, reflecting a high level of repayments and refinancings that stayed within our system.

Taking a step back, consider the environment we've been in this past year. The CLO market returned in full force at the beginning of 2024, supporting historically high levels of broadly syndicated market activity, driven by refinancings. In the midst of that environment, we deployed nearly $52 billion on a gross basis and $16.6 billion on a net basis in 2024. So even in a tepid M&A market, with active broadly syndicated markets competing, we doubled net deployment year-over-year. And I think it's a great demonstration of the power of scale and incumbency coming together to drive strong origination outcomes for the investors in our products.

Credit quality metrics in direct lending continued to reinforce the strength of our underwriting. On average, underlying revenue and EBITDA growth was high single digits across the portfolio with no significant step-ups in non-accruals or amendment requests and we’re at 11 basis point average annual realized loss rate.

As for the alternative credit, the team is already well integrated and working with direct lending and insurance solutions on transactions, having completed several deals that bring together the sourcing and execution capabilities of our combined credit platform.

During the fourth quarter, we announced a sizable forward flow agreement with Upstart and have subsequently seen significant demand from large lending platforms looking to partner with us as a source of stable capital.

More broadly, we view the addition of alternative credit as a strategically important expansion of our credit capabilities, focused on lending to Main Street segments such as consumer spending, small business borrowing and residential finance. These complement the corporate leaning of our direct lending businesses very nicely. Not only are the Main Street opportunity sets very significant in their own right, but having a scaled alternative credit capability under the umbrella sharpens our 30,000-foot view of the broader credit marketplace, enhancing outcomes for investors across the board. Finally, we're making great progress towards launching a new alternative credit product for both the wealth and institutional markets and look forward to providing an update in coming quarters.

In GP Stakes, 2024 was a year that proved out our longstanding thesis -- that the largest and most diversified managers are best suited to navigate and thrive in this next stage of the alternatives industry. Over the past year, the AUM of our partner managers increased by approximately 11%, and we continue to see significant interest for managers looking to source growth capital for their businesses to better position themselves in a market landscape that favors scale.

As we mentioned in our last earnings call, we completed 2 strip sales for Fund III during the third and fourth quarters, returning significant capital to our LPs and bringing new investors into the strategy. These sales generated $1.4 billion of gross proceeds at a 4.1x gross multiple on invested capital, 2.7x net. Between the strip sales, other opportunistic liquidity events and regular distributions from partner manager earnings from our flagship products, we distributed $2.4 billion to GP Stakes fund investors in 2024, during a period where many GPs struggled to provide liquidity to their LPs. This not only benefits the current investors in our strategy, but provides an excellent case study for prospective investors.

In Real Assets, we continue to actively deploy across our drawdown fund, our non-traded REIT and now real estate credit. In net lease, we are over 75% committed for Fund VI at year-end, after having just completed fundraising in the first quarter of 2024. This sets us up extremely well to be back in the market in 2025.

Market dynamics in the net lease market remain fairly unchanged for us, as we utilize our scale and proprietary relationships to drive premium cap rates and monetize at a meaningful spread. During the fourth quarter, we deployed nearly $4 billion of capital, bringing full-year deployment to over $7.5 billion at an average 8% cap rate. Concurrently, we monetized over $0.5 billion during 2024 at an average 5.9% cap rate, reflecting incredible spread capture.

As we look at the quarter and into the first half of 2025, we have a number of new products and structures to talk about, underscoring the ongoing diversification of real assets. For instance, we raised over $0.5 billion during the fourth quarter for our European net lease strategy, which is now approaching our $1 billion target and well on our way to the $1.5 billion hard cap. On top of that, we anticipate a co-mingled real estate credit product to be launched in the first half of the year.

And of course, the IPI acquisition closed on January 3, adding more than $14 billion of AUM on a pro forma basis. This figure reflects an incremental $3.3 billion raised during the fourth quarter, prior to the closing of the transaction. Since the transaction announcement, AUM has already increased 35%, driven primarily by capital raising. We expect to finish up the current vintage of our flagship digital infrastructure fund at the hard cap of $7 billion in short order, and we are very excited to show the market what we can do with this business. In fact, you'll hear more about our plans tomorrow at Investor Day.

Bringing it all together, we're highly confident in how Blue Owl’s positioned for the future. There's a lot more to say on this front, but I think we'll save that for Investor Day. We're looking forward to seeing you in person or on the webcast. And I think it will be a very illuminating and educational morning as we lay out our 5-year strategic plan for Blue Owl and show you the chessboard we have in front of us.

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

Alan Kirshenbaum
Chief Financial Officer
Thank you, Marc, and good morning, everyone.

We're ending 2024 on a strong note with over a quarter of a trillion dollars of assets under management, our 15th consecutive quarter of management fee and FRE growth, and a record fundraising quarter for the firm. Some additional highlights for the year include management fees up 30%, and 91% of these management fees are from permanent capital vehicles. FRE up 26%, DE up 22%, and as you can see on Slide 12, we raised $9.5 billion of equity in the fourth quarter and $27.5 billion in 2024, an increase of 74% from the prior year. And inclusive of debt, we raised $47.5 billion in 2024.

To help break down the fourth quarter fundraising numbers across our strategies and products, in Credit, we raised $4.3 billion. $3.1 billion was raised in our direct lending strategies, of which $1.7 billion came from our non-traded BDCs, OCIC and OTIC. We also closed on approximately $1.4 billion across SMAs and ODL, our institutional evergreen product. The remainder was raised across investment-grade credit, alternative credit and our GP-led secondary strategy. Overall for the year, in credit, we raised $13.9 billion, including $7.3 billion in our dedicated wealth products, OCIC and OTIC.

In GP Strategic Capital, we raised $3.2 billion during the quarter, including another $1.7 billion for our large-cap strategy, bringing the latest vintage to $7 billion. We've always expected the fundraise here to be somewhat back-ended, which means, overall, we're a little ahead of where we thought we would be with our $13 billion target. I would continue to assume more fundraising comes in back-ended this year than straight lined. We also held a second close for our mid-cap strategy, bringing it up to $1 billion raised to date.

And in Real Assets, we raised $1.9 billion, primarily from ORENT, European net lease, an SMA and insurance solutions. As Marc mentioned earlier, we are approaching $1 billion raised for our European net lease strategy. Overall for the year, in real assets, we raised $4.9 billion, including $2.5 billion in our dedicated wealth product, ORENT, in which we expect to see an increase to the $2.5 billion level for 2025.

We've mentioned the ongoing breadth and diversification of fundraising, and this quarter is another great example of the power of our organic growth engine. We generated robust flows from our established direct lending, GP Stakes and net lease products while approaching the $1 billion mark for 3 new strategies: European net lease, our GP-led secondary strategy and our mid-cap GP Stakes strategy. Over 30% of our capital raised in the fourth quarter came from products which did not exist or were not part of our platform a year ago. We're very proud of the progress we have made in expanding Blue Owl's suite of capabilities, and we'll have a lot more to talk about regarding the diversification of our business tomorrow at Investor Day.

We continue to have high levels of visibility on earnings growth, with substantial embedded earnings driven by future deployment and a listing of our software lending BDC. AUM Not Yet Paying Fees was $22.6 billion as of the end of the fourth quarter, corresponding to over $300 million of incremental annual management fees once deployed. This number has increased from $14.5 billion this time last year, reflecting robust fundraising in products that earn fees upon deployment.

Upon a listing of our software lending BDC, we have approximately $135 million of incremental management fees that will turn on. These 2 items alone would represent an increase in management fees of nearly $450 million or 20-plus percent growth from our 2024 management fee level. These aspects combined with our business model of being virtually all permanent capital and 100% FRE, just gives us a higher quality of earnings than any of our peers in the industry.

Focusing now on our credit platform. Our credit portfolio gross returns were 3.1% in the fourth quarter and 13.9% over the last 12 months. Weighted average LTVs remain in the high 30s across direct lending and in the low 30s specifically in our software lending portfolio. As Marc mentioned earlier, our overall portfolio continues to perform extremely well.

For our GP Strategic Capital platform, total invested capital for our fifth GP Stakes fund, including agreements in principle, are over $11.6 billion of capital, with line of sight into over $4 billion of opportunities, which if all are signed would bring us well through the remaining capital available in Fund V. Performance across these funds remained strong with a net IRR of 22% for Fund III, 39% for Fund IV and 19% for Fund V.

And in Real Assets, we continue to deploy meaningful amounts of capital in our latest net lease drawdown funds, which is over 75% committed. Even with robust deployments, our net lease pipeline continues to grow with approximately $34 billion of transaction volume under letter of intent or contract to close. With regards to performance, gross returns across our Real Estate portfolio was flat for the fourth quarter and 4% for the last 12 months and continues to compare very favorably to the broader real estate market over this time period. The net IRR across our fully realized net lease funds has been 24% for investment grade and creditworthy tenants, reflecting a favorable value creation driven by our scale and solutions-based partnerships.

Okay. Let's wrap up with a few remaining items to cover. On our effective tax rate, we ended the year at just under 4%, in line with where we guided everyone to at the beginning of this past year. For 2025, you can expect an effective tax rate in the mid- to high single digits. And for the few years beyond, you should see our effective tax rate increase a little bit each year, maybe a few percent per year. So overall, the story here remains the same. You should expect our effective tax rate to be lower for long.

As a reminder, we pay our tax receivable agreement out during the first quarter, so expect a higher level for the first quarter of 2025. This is the same timetable as in 2024, higher effective tax rate in the first quarter and much lower for the second, third and fourth quarters.

As we announced earlier, our dividend for 2025 is $0.90 per share. We are very pleased with our 2024 results, our industry-leading growth and how we built a differentiated business, a steady, consistent, predictable cash flowing business that will continue to pay the bulk of our earnings out in dividends.

As a final note, from the entire management team here at Blue Owl, it's been an extremely successful few years, and we're very proud of what we've accomplished for our shareholders. At our Investor Day tomorrow, we're looking forward to laying out what we think is a very achievable path for continuing to lead our industry with robust long-term growth. We look forward to seeing you in the audience or on the webcast.

Operator, can we please open the line for questions?

Operator
[Operator Instructions]
Your first question comes from Glenn Schorr from Evercore ISI.

Glenn Schorr
Evercore ISI
Maybe I'll ask on gross to net deployment, probably not the number you want it to be, but I'm curious how much you focus on that in credit in any given quarter. And do you think that's a function of the deal environment? Or does that say something about the attractiveness of deals out there? Just curious how we should look at that.

Marc Lipschultz
Co-Chief Executive Officer
Yes. Thanks for the question, and great to have a chance to chat with you this morning. So gross to net has a couple of dimensions to it. So, look, the one observable fact is the net deployment, of course, relates to getting new dollars to work, but I guess I'd start with this. The incredibly active, both gross, and ultimately net, year in total, I would take as a sign of great strength. I mean this was a very tepid M&A year. And so when you think about how much we -- what activity we had in a year that was both low on M&A, but

with a very open syndicated market, actually foretells of very good things to come in 2025, as we see the M&A market turn active again.

Again, we're always all waiting for the "dam to break", and I'm not here to call the time it will happen. But clearly, there's already been an uptick in M&A pipeline and activities, compression of bids and asks. So I think we're, like many people, pretty optimistic that 2025 will be a more favorable M&A environment. So I start with -- actually, it's a pretty interesting baseline year because our most active overall origination year in a macro setting, you would not consider "good for direct lending."

Now the gross to net itself has 2 dimensions. It's actually a really good news from the point of view of credit, and it's really good news from the point of view of the power of incumbency, because what you're seeing in gross to net often, obviously, as you know, is refinancings of credit facilities that were done some time ago. And so what we ended up getting to do, of course, is relook at the credit and redecide if we still want to own it. So it's really kind of a credit-enhancing exercise, number one. Number two, speaks a lot to the power of incumbency, which is a huge advantage we and just a couple of others have, which is once these loans are in our system, they often stay with us. And I think that also is a positive.

So when we look at it, I have to say we don't look at a -- like a large gross, low net as a problem, we look at it as a set of data, in context. Obviously, we want some quarters that have big net. But we love some quarters that have big gross and low net also. So the balance is good. I don't think -- the one thing I would say, it's like, to me, it doesn't reflect anything about some market dynamic change. I think it's exactly what you'd anticipate would happen in a market that is more open and active again, but doesn't have tons of M&A, so people end up focusing on refis as opposed to new things.

Now eventually, you run out of refi. So I will say we've -- obviously, a lot of companies have done their refi cycle, so odds are we'll start to see that compress in any case.

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

Craig Siegenthaler
Bank of America
My question is on organic growth. So you ended the year with strength on the fundraising front, almost $10 billion, a record quarter. You've just recently planted seeds through 4 strategic acquisitions, which aren't even close to scaled yet. And now the

macro backdrop is strengthening. So, without stealing too much thunder from your Investor Day tomorrow, what does the fundraising outlook look like for 2025? And maybe you could break apart some of the bigger drivers?

Marc Lipschultz
Co-Chief Executive Officer
Sure. Well, I honestly couldn't encapsulate it better than you did. I think the overall take is we have big flagships, we have continued accelerating success in wealth, more platforms, we have some new wealth products -- our alternative credit continuously offered product, which we will be out with in 2025. I think it's going to do very well with, as you know, new acquisitions like data centers. Again, we're continuing our flagship, which has already been extremely successful, rapidly moving toward its hard cap. And then we'll be back again with digital infrastructure and continuously outperform in not-too-distant future.

And so yes, I think we have a lot more ways to win. Frankly, a more, probably kind of bullish, animal-spirited environment. So yes, we go in on a strong foot. And well, I guess we end the year on a strong foot without all those benefits yet, and then, those coming into play.

Maybe, Alan, I'll let you comment a little bit about direction of travel from there.

Alan Kirshenbaum
Chief Financial Officer
Sure. Thanks, Craig, for the question. Look, we are, as Marc said, very bullish about what we think we can do in fundraising in '25. Well, obviously, we'll hit a number of aspects of this tomorrow, during Investor Day, and we'll take that out a number of years, not just 2025. But we certainly are expecting a meaningful increase from our level in 2024, when we think about equity fundraise and what we can do in 2025.

Operator
Your next question comes from Steven Chubak from Wolfe Research.

Steven Chubak
Wolfe Research
So wanted to ask a question on expense. So G&A was up 41% in '24. I recognize merger costs, higher wealth distribution expense, it's going to impact that growth rate. How should we think about the normal growth rate for OpEx just given plans to continue to

lean into retail, but also investing to help scale some of the more nascent strategies in ABS, insurance and data centers?

Marc Lipschultz
Co-Chief Executive Officer
So let me -- why don't I take a crack at sort of the qualitative inputs of that, and then, Alan will comment quantitatively. So number one, and you implicitly put your finger on it, look, we invest in having the best people. We invest in having the best distribution. And our -- one of our core pillars is excellence, and when we're going to do it, we're going to do it great. And so sometimes that takes upfront investment. We've never hesitated to do it, and we've been able to yield the benefits of it.

With that said, to be specific, we've made a lot of those investments in the groups you've talked about. Acquisitions are part of that, bulking up those with additional team members, adding to our credit platform. So you're indeed already seeing a lot of the investments we made this year in anticipation of the kind of continued very strong growth, like as we just referred to in fundraising and activity we expect in 2025. So I would actually look at -- when you think about a year like this, it's more investing to support what's going to happen in 2025, not that we have to invest in 2025 to make what happens in 2025 occur.

So with that, let me just turn to Alan to give you a little more specifics on the numbers.

Alan Kirshenbaum
Chief Financial Officer
Thank you, Marc. Steven, I appreciate the question. Let me approach it a couple of different ways. One, I think, overall, we came in a little under on expenses, light on comp, a little heavier on G&A. Specifically for G&A, I think I would point out, we're certainly, to your point, seeing our acquisitions being folded in. In 4Q, there were a couple of one-time items in the quarter, not distribution costs related. But overall, we are right on top of the guidance for our 59% FRE margin for '24. And then for 2025, our guidance continues to be 57%, 58% FRE margin.

If you want a better feel for run rate levels and how we think about that, this year, and I think about it from an annual perspective, for 2024, we were at about 12% G&A as a percent of revenue, and we were at about 28.5% for comp. And so when I think about '25, for the year, the quarters will move around a bit, but for the year 2025, you could expect about the same ratio for G&A, so about 12%, give or take, of course, and with margins at

57%, 58%, that puts comp at about 30%, 31%. I hope that was helpful.

Operator
Your next question comes from Brian McKenna from Citizens JMP.

Brian McKenna
JMP Securities
I had a question on your BDC. So you just completed OBDC, OBDE merger, and then you're obviously working on the OTF merger. Are there any updated timelines for the OTF merger getting done and when that could be uplisted? And then beyond that, you're going to have 2 large BDCs in the public market. So how are you thinking about growth for both of these vehicles longer term from an equity and debt capital raising perspective?

Alan Kirshenbaum
Chief Financial Officer
Sure. Brian, thank you for the question. I'll take this, and if Marc has anything to add after that. For -- we did complete the merger of OBDE into OBDC. I think that's now the second largest publicly traded BDC out there. We are going through the merger as we speak between OTF and OTF II. We've commented publicly that that's on track to close in early 2Q. So things are going well there and on track. And you certainly could expect a listing shortly after that. We'll talk a little bit more about all of this tomorrow at Investor Day.

If you recall, upon a listing of that software lending -- merged software lending BDC -- that's an incremental $135 million of annualized management fees. And so, yes, we would expect that we will have at some point this year 2 publicly traded BDCs, slightly different strategy, obviously. We have our diversified lending, publicly traded BDC, OBDC, today. And at some point this year, we would expect that we have our software lending BDC publicly traded.

In terms of growing them beyond that, we could look at what some of our peers do in terms of what's called an ATM program, an at-the-money program, for raising capital as we go. We could look at that for OBDC. And certainly upon a listing of the software lending BDC, we could look at that for that as well.

On the debt raise side, we continue to do all of the things that we've done historically. We've meaningfully increased our revolvers across our BDC in 2024. We had a significant capital raise in what we call SPV drop-down structures, bilateral structures secured with banks, and we continue to raise a significant amount of unsecured debt. So we have a lot of tools at our disposal to be able to continue to raise both equity and debt dollars in what will be both publicly traded BDCs.

Operator
Your next question comes from Brennan Hawken from UBS.

Brennan Hawken
UBS
So I know there's going to be some movement here in Real Assets, and there already has been with Prima, and now, you've got IPI closed. When we think about 4Q and the fee rate for that business, is that the right jumping off point, fully reflected of Prima, or was there's some noise? And then what's the best way to think about -- I know you gave us the total AUM for IPI, but what's the fee-paying AUM and how should we think about the impact to the fee rate from that acquisition closing?

Alan Kirshenbaum
Chief Financial Officer
Sure. Thanks, Brennan. On the first one, yes, Prima's fully loaded into our AUM, fee-paying AUM and average fee rates. So that's reflective. When you think about the acquisition of IPI, IPI was running at about 115 basis points on fee-paying AUM. And so when we closed, we had about $14-and-change billion of AUM and about almost $11 billion of fee-paying AUM for IPI. So those are those 2 numbers. And on a go-forward basis, you could think of IPI running maybe a little higher than the 115 level, but that's how it blends into our real assets business.

Brennan Hawken
UBS
And then last quarter, Alan, you gave an expectation, thinking about 2025, and again, it's just sort of awkward because we're all going to get together tomorrow morning, but -- and we'll talk about probably more than just 2025, far longer timeframes. But the last time, on the third quarter call, you had laid out an expectation of FRE growth mid- to upper 20s percent. Are you still feeling like that's the right way to think about it as we're updating our models? Or should we revise that one way or another?

Alan Kirshenbaum
Chief Financial Officer
No worries at all, Brennan, and appreciate the follow-on. So yes, we're going to talk a lot more about all of that tomorrow, very excited to get into all of that. Specifically for 2025,

I'm happy to talk about that now. Last quarter, to your good point, I talked about FRE revenue growth for 2025 in the upper 20% or more, fully on track, no change to that guidance. I talked about on last quarter's earnings call, FRE growth in the mid- to upper 20s percent -- fully on track, no change to that guidance. And on a per share -- FRE per share, you can think of that as about 20%.

Operator
Your next question comes from Alex Blostein from Goldman Sachs.

Alex Blostein
Goldman Sachs
Thanks for the question. I'll keep the big picture -- we'll keep the big picture stuff to tomorrow. I did want to ask about some of the near-term pipelines on the deployment side you're seeing. So it's a little bit of a follow-up to Glenn's question from earlier. But if you look at the M&A pipelines, there hasn't been a tremendous amount of announcements so far this year. So curious what you're seeing kind of underneath the surface in conversations with sponsors, and more importantly, what have been the recent spreads to which you're underwriting kind of newer loans to? Just trying to get a sense of the competitive nature in that market today.

Marc Lipschultz
Co-Chief Executive Officer
Look, we see things early, but not the earliest, right? The M&A adviser will often see the earliest views of pre-pipeline, and obviously, the PE firms know what they're spending their time on, on the sell side. So I think what I can say is we continue to have a good, sound level of activity. We've not observed an uptick, yet, as I said. I think we're optimistic, and I don't mean that in a rose-colored glass sense that 2025, we will see something more materially moving upward.

But in terms of activity level, what I understand and hear from the M&A advisers, they objectively are seeing more activity in the pipeline, starting more processes. The people feel that -- I don't know if it's unleashed or just, look, we're just through a lot of uncertainties from the fall, and people are ready to undertake activity. So I don't have some grand insight by any measure to offer, but except to say that our planning, our thinking, what Alan just talked about, is not predicated on some sort of market rally.

It's not predicated on a different environment than we've been confronting in this past year. So I would view that not so much as, call it upside to 2025 performance, but I would tell you that, that sort of dam break or uptick will certainly be welcome, but it's not necessary to our thinking. So that's kind of, I'd say, contextually where we are. It does seem it, but I can't tell you -- we will get on one of these calls where we will tell you, okay, now our IC pipelines are that much thicker and that many more things flowing through, as we've said prior quarters. That has not been the case yet. I can't say that's the case yet now. But I anticipate there will be a quarter this year where we'll be able to say that.

With regard to spreads, I'd say it's now relatively stable. We went -- we go through these ebbs and flows, we've all talked about this. Things cycle up, and needless to say, it is related to amount of activity, availability of public markets. And so we went to peak spreads in 2022. We came down in 2024 to, back down, again, 100 basis points probably on average across the portfolio, maybe 150 on a new originated loan. But we continue to hold on.

This is what's interesting. When you look over time and you look at the spread to the broader marketplace, we continue to hold on to a pretty steady couple of hundred basis points all in. So the product works. It's a durable all-market product. And some ebbs and flows along the way, but we view it as very banded. So we're perfectly happy. I'm happy to take more spread -- I mean, safe to say, but we're perfectly happy with the risk return we're seeing.

Operator
Your next question comes from Patrick Davitt from Autonomous Research.

Patrick Davitt
Autonomous Research
We might get into this tomorrow, but you mentioned the new alternative credit retail products. But there are a few products in that asset class with a significant head start on you, getting a lot of traction. So could you maybe speak a little bit about how you think your product fits in against the more established ones? Anything different about it you would point to? And your confidence in getting placement with several products already ahead of you?

Marc Lipschultz
Co-Chief Executive Officer
Well, I'm going to say ahead of us maybe is the eye of the beholder. I would actually suggest that we have probably one of the most advanced capabilities in alternative credit. Remember, Atalaya has been at this for 20 years. Yes, it's a hot topic today. 20 years ago, it wasn't exactly a hot topic, but they've been doing it for 20 years, delivering spectacular results. Incredibly low loss rates, great arrangements. We are a provider of

choice -- in fact, just this morning, another forward flow agreement that we announced of $2.6 billion with Pagaya.

So I would actually proffer we may be much more ahead than people understood. They just haven't focused on Atalaya, now Blue Owl alternative credit. In terms of product launch, yes, there's a couple that have launched products and, full respect, I think the infrastructure we have and the track record we have and the reception we've already received in rolling out our alternative credit platforms, or to be direct to your question, we're already out with platforms and with RIAs and for -- I think, for good reason, once you see the results, we are getting a very strong reception.

So I feel great, frankly, about where we will land. I don't -- again, I don't take anything away from the fact that there are couple of other wonderful products in the category. I think that's going to be a typical structure, as you know, in these wealth categories. There'll be a few participants that are going to be really the bulk of a given subcategory, given asset class. I fully expect we'll be one of them in alternative credit. We are one of them in direct lending. We're net leader in real estate, and I think we will be one of the key leaders in digital infrastructure.

So I think it's a very interesting market. We feel very fortunate to have started at it 10 years ago, which puts us in a position where -- kind of interesting gap, actually, which you'll find. We probably have the lowest brand recognition amongst the biggest firms, no shock there. But actually, if you look at how people view our brand, it's amongst the very best in the marketplace. That's a pretty nice gap to have. That gives us a lot of headroom.

Operator
Your next question from Crispin Love from Piper Sandler.

Crispin Love
Piper Sandler
On data centers, you've now closed IPI. There's articles about a potential Stargate investment out there. Can you discuss your views on data centers going forward, potential growth opportunities? And how you balance that in light of the recent DeepSeek news out there, which could impact the industry broadly?

Marc Lipschultz
Co-Chief Executive Officer
Absolutely. So you are correct, we have a very active and distinctive role in data centers. And you touched on 2 points, which I'm just going to call out. IPI, which is now Blue Owl

Digital I, a clear pioneer. We were just talking about this yesterday, the scale of this market, trillions, was certainly not that when IPI had the foresight to become a leader in the space, it was a much, much, much smaller world, but that means they have many, many more skills and relationships and lessons learned.

As a result, we have built and managed 85 different data centers with a gigantic active pipeline behind it. And so we have, I guess, I would dare say, a lot of insights into what's happening in that marketplace. And what we're seeing and hearing from the client base, and quite frankly, it's all -- you all know this well, there's some people out in the public market talking.

Look, DeepSeek is really, really fascinating. And we should -- look, it's all, keep front of mind Giffen's paradox, you have the idea that there's this disruptive technology, a, is to be expected, hoped for in the world of technology evolution, and in all likelihood, accelerates adoption. So it's not clear that -- what DeepSeek means exactly for ultimate compute, but here's what we can frame around that question. It may mean it all happens faster, it may happen broader, it may mean you need a little less compute to train a model, but then you do more inference.

I think it's hard to reach a conclusion other than what it tells us is that AI is happening more, faster, broader. That's great news for our strategy. So what I guess I would -- what I take out of from where we sit at Blue Owl in DeepSeek is a good news story, which is the megatrend, the overall notion of AI adoption is only happening faster. And the whole reason you use our strategy, the whole reason -- again, the DNA of our business is downside protected, very attractive returns with stability and protection and income.

So if you want to play in the edges of AI, people may make great money on the cutting edge. Or they may wake up and find out that someone was working on DeepSeek in China. We don't want any of those risks for our investors. So if you believe that 10 years from now, AI will be an important part of the kind of fabric of IT or the way we operate in this economy, then you want the picks and shovels, you want the infrastructure that goes with it. That's what we provide. So I would dare say we feel very, very good.

Now let's add that to a few macro numbers, and then, I'll move on. The announcements coming out of the people who really know what they're planning to do, and by the way, whose credit we ultimately get paid by, they made their positions clear. Even in the 2 weeks since DeepSeek, right, we've seen Meta come out and move their number to $65 billion. Microsoft, which when we signed our deal, I think we thought they were going to be around $50 billion, I think they've now come out with $80 billion. We're hearing $80 billion as a number around Amazon, I think; Google, $75 billion, they announced yesterday.

So the people that are spending the actual money have made their position clear, and that's our client base, and then, they pay us for 15 years with their near sovereign-like credit ratings. So all that feels very good. Last thing I'll say, not because I want to pound on this, but we're all trying to get our minds around just the evolution of the market. If you look at the demand for compute and the multitrillion-dollar opportunity that we're excited about, and others too, 75% of that was already anticipated to be for inference and to be for just cloud compute.

So even when we get into "does DeepSeek change the fundamental need for raw compute power for training models," we're really talking about modulation around that last 25%. So all that taken together, if you believe in AI and you want to have a great way to make a really attractive risk return, then you go with a pioneer, and actually, go-to partner in building and managing these data centers. We have 1,000 people inside of our operations group, more widely known as Stack, they're the experts on how to make that happen. It's a huge barrier to entry.

So DeepSeek is fascinating. I think it means join our strategy if you want to make sure you play the foundation of it. And then you can also do the cutting edge, and that will take technology skills that thankfully not decisions we have to make.

Operator
Your next question comes from Mike Brown from Wells Fargo.

Mike Brown
Wells Fargo
So, yes, lots of good questions. I just wanted to narrow in on maybe the credit results this quarter. Fees rose about $25 million quarter-over-quarter, and this would be the first full quarter with Atalaya. By my estimate, that should have added, I'd say, $20 million to $22 million in the quarter. So I guess, one, is that about right?

And then two, can you just help us understand some of the other drivers beneath the service and maybe why the fees ex-Atalaya didn't increase as much quarter-over-quarter?

And then finally, sorry, just maybe also any color on incremental increase into 1Q as we think about the go forward?

Alan Kirshenbaum
Chief Financial Officer
Sure. Thanks, Mike. I think your numbers are directionally correct on the Atalaya add. We certainly saw increases across all of our products in terms of management fees quarter-over-quarter. So we had a strong growth quarter in management fees across credit. We also raised capital during the quarter at higher fees. So you'll see an increase in that management fees from AUM Not Yet Earning Fees. And you'll see a little drop down in Part 1 fees. Effectively flat, but I think it was down about $2 million quarter-over-quarter.

As we think about Part 1 fees, what I mentioned on last quarter's call, as you can think of, 3Q, 4Q as kind of a jumping off point as a run rate level, if you will. It will move up a little or down a little quarter-over-quarter, and then you'll see a step function upon a listing of the software lending BDC.

Operator
Your next question comes from Kenneth Worthington from JP Morgan.

Alex Bernstein
JP Morgan Chase
This is Alex Bernstein on for Ken. At the risk of double-clicking on the same topic again, just wanted to hopefully get a different flavor out of the delta between gross to net. You spoke about incumbency, which is definitely a key point. And maybe to help us better understand the power of that, as we look at what is actually net, which includes refi, as I understand it, that you're doing yourself for your own products. What's the difference between what is staying in the system and what might be exiting the system? And specifically, what's happening with the broadly syndicated market and with bank competition?

When we saw this topic first come up earlier in the year, so say, Q1 really when this sort of hit most people's attention spans, it made sense that there was more refi from the BSL in the context of that market being closed and then rates moving down over the course of that period while that market was closed and when it opened. We don't have that same dynamic today. So I wanted to understand why that number was, as a percentage, the conversion was lower in Q4 than it was for the whole year.

Marc Lipschultz
Co-Chief Executive Officer
Yes, sure. So a couple of dynamics to unpack. Again, I'll reinforce -- look, we -- net-net, it's ultimately a pretty healthy dynamic in the portfolio or an expected and healthy dynamic.

It also is -- not to be lost, it does accelerate OID, comes with prepayment benefit, so there's -- also not to be lost in this other benefits that come from these types of refinancings.

With that said, you put your finger on a good point about sort of the -- might call it the rush of refinancings in the first part of the year, which was indeed impacted partly by the reopening of the BSL market. I think a lot of -- and I won't be able to give you an exact number on this, but I would say directionally, a lot of what we're seeing are companies that are doing well, coming back, have grown, delevered and saying, "Look, the world is different from where it was a few years ago when I did my financing. And so I'd like to redo it." That does include redoing spread, often includes redoing and resetting the right size of the cap stack.

So it's not been a drawdown or a draw-away by the BSL market. We'll always have some things that move from us to the BSL market, from the BSL market to us. I actually would characterize qualitatively the refi now, again, as you said, as more about people just redoing cap stacks in a healthier environment, those who have healthy, more delevered businesses, than it is about the surge into BSL is back, and so, people that were kind of waiting out for time shifted.

So the BSL market, I guess, I'd say the effect of having a very full-bore, available BSL market, like that's already -- that's fully in the system. So as we enter 2025, that -- we've already experienced all that. And there will always be, again, loans that move back and forth. I think at the end of the day, for us now, a lot of refinancing has occurred. There'll always be some, thankfully, because we have healthy companies that are doing really well, and rightfully so, they have a chance to refinance, and they come to us because they like working with us, and they do it again.

Operator
Your final question comes from Bradly Hays from TD Cowen.

Bradley Hays
TD Cowen
Bradley Hays on for Bill Katz. You reached about $300 million in management fees from deploying AUM Not Yet Paying Fees. How should we be thinking about the cadence of deployment? Any color on the opportunity to deploy some of this dry powder into '25?

Alan Kirshenbaum
Chief Financial Officer
Sure. I'll take that, Bradley. So when we think about that AUM Not Yet Earning Fees, it's a little over $300 million of management fees. That, by the way, combined with the $135 million of annualized management fee increase from a software lending BDC increase, it's almost $450 million. Those 2 items alone would represent over a 20% increase from our 2024 management fee level.

Kind of timeframe, obviously, hard to tell. Generally speaking, most of that, I would expect can get deployed within the next year. And so maybe some of that tails into 2026, but we think we can deploy that roughly in about a year, and we're expecting deployment opportunities to be able to put that capital to work.

Operator
I'd now like to hand the call over back to Marc Lipschultz for closing remarks.

Marc Lipschultz
Co-Chief Executive Officer
Terrific. Well, look, thank you all. I guess, I'll make just a couple of final comments. It was a great quarter. And it was a great quarter measured in absolute terms in terms of results. But I also want to come back to a great quarter measured in durability of the model and of our growth. This has been a volatile world in the last year, the last several years, and we're going to talk about this more tomorrow.

We have continued, and will continue, a strong up and to the right march, and I think that durability really showed again in this quarter. We -- for all that's happened in the world, here we are plowing forward at rates of growth that have materially eclipsed the market, the peer set, and we're going to talk more about how we continue that path forward and continue to win as we look into the next 5 years.

So also, I'll say, we do indeed after these appetizers, we look forward to the main course, if you will, tomorrow. And we have a lot we're excited to share with you as how we pull all these pieces together. Doug is going to talk about the chessboard that he sees. And I think you'll all share this exciting vision for that chessboard. We saw it before and that's what got us to where we are now. We see the chessboard from here forward again. So we look forward to really have a chance to talk with you all about that and answer further questions.

And last, I'll just say thank you. Really, we do appreciate the time, the thought and the support, and we will keep working very, very hard to keep delivering on all these opportunities for you. Have a great day.

Operator
Thank you for attending today's conference call. You may now disconnect. Have a wonderful day, everyone.