LSEG STREETEVENTS

PRELIMINARY TRANSCRIPT

PAX.OQ - Q3 2026 Patria Investments Ltd Earnings Call

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PRESENTATION

Unidentified_1

Good day and thank you for standing by. Welcome to the Patria third quarter 2026 earnings call.

At this time, all participants are in a listen-only mode.

After the speaker's presentation, there will be a question-and-answer session.

To ask a question during the session, you will need to press *11 on your telephone. You will then hear an automated message advising your hand is raised.

To withdraw your question, please press *11 again.

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Andre Medina, Investor Relations Director. Please go ahead.

Unidentified_2

Good morning, and welcome to PACE's third-quarter 2026 earnings call. Speaking today, our Chief Executive Officer, Alex Seig, and our Chief Financial Officer, Rafael Benaday.

This morning, we issued a press release and earnings presentation available on our Investor Relations website, Annual Form 6-K, furnished to the SEC.

A replay will be available on our IR website.

As a reminder, today's call contains forward-looking statements, including statements relating to our guidance and targets, which are subject to risks and uncertainties, do not guarantee future performance and undue reliance should not be placed on them.

Please refer to the forward-looking statements, disclaimer and risk factors in our most recent Form 20-F.

Past reports on the IFRS, and we will reference certain non-IFRS measures. Definitions and reconciliations to the most directly comparable IFRS measures are in the earnings presentation.

With that, I'll hand it over to Alex.

Unidentified_3

Thank you, Andrea. Good morning, everyone.

Our third quarter results reflect progress towards our 2026 guidance.

And strong fundraising momentum across our increasingly diversified platform.

To start, our resilient fee-related earnings continued to exhibit solid growth, reaching $52.8 million in the third quarter and $160.4 million year to date, or $1.01 per share.

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Up 16% on a per-share basis versus the same period last year.

With nine months behind us, we remain confident in delivering full-year 2026 guidance for fee-related earnings, and at this point in the year, we can provide you with a narrower range of expectations.

Between $225 and $235 million, reflecting potential impacts of recent market volatility on incentive fees.

Distributable earnings were $46.9 million in the third quarter 2026, totaling $139.9 million year-to-date.

Or $0.88 per share, up 14% on a per share basis compared to the first three quarters of 2025.

Rafael will soon take you through the quarter results in more detail.

Powering this growth is our continued fundraising success.

We raised $2.4 billion in the third quarter, bringing our year-to-date total to $6.9 billion and effectively achieving our $7 billion full-year target one quarter ahead of schedule.

This year-to-date performance positions 2026 to be another record year in fundraising.

In excess of the $7.7 billion we raised in 2025.

It is worth noting that credit and GPS led our fundraising at approximately 40% and 22% of the year-to-date total, respectively.

Infrastructure. And the multi-asset SMA announced in the second quarter, which is expected to be allocated significantly into infrastructure, represent an additional 23% of the year-to-date fundraising.

These asset classes, comprising nearly 85% of our fundraising, are expected. To continue to attract global and local investors in the current scenario.

A key driver of this fundraising momentum has been our ability to partner with some of the world's largest institutional investors, including institutions in Latin America to develop investment solutions tailored to their specific objectives.

Year-to-date, we raised nearly $2 billion in mandates, SMAs and liquidity solutions with leading global clients seeking to allocate capital in Latin America through our credit, infrastructure, private equity and real estate products, as well as with global and local clients seeking to allocate globally. Through our GPMS business.

Mandates of this kind are generally expected to have longer duration than co-mingled drawdown funds and to allow capital to be recycled.

While our drawdown funds typically have a 10-year term and six to seven years of duration, our SMAs.

In general have indefinite terms, with 70% of our mature SMAs already over a 10-year duration.

In addition to management fees, they can generate diversified fee streams connected to structuring services and investment performance.

We have a significant pipeline of bespoke mandates for the next quarter for 2027 and beyond.

We have also been able to offer purpose-built new products to address the needs of local investors seeking to invest locally.

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Stolas, the Brazilian CLO manager we acquired earlier this year. Is a prime example of this strategy and has been an important growth driver of our business this year, raising approximately $945 million year-to-date. POLIX has been particularly successful with institutional investors, developing customized, closed-ended, multi-year. Diversified funds investing predominantly in the senior trenches of the CLOs it originates and structures.

Of course, in addition to the contribution of a diversified platform capable of creating investment solutions for clients, our fundraising momentum would not be possible without differentiating. Investment performance. Over 85% of our free earning AUM, excluding SMAs and third-party managed funds, is in funds performing at or above their benchmarks since inception.

Close to 80% of our fundraising over the last 12 months has been in those asset classes.

That are more consistently delivering on investors' objectives.

For example, InCredit, which had another very successful quarter of fundraising, its 12 main strategies, which comprise $11 billion of free earning AUM, have outperformed their benchmarks year to date, one year and since inception.

Meanwhile, our active infrastructure vintages are ahead of their benchmarks and our GPMS funds continue to deliver attractive excess returns.

You can see more details in the return section of our earnings presentation.

In addition to driving fundraising, success in our investments can unlock performance fees. Over the long-term.

At our IPO, carried interest was largely confined to our flagship privacy and infrastructure funds.

Today, more than 30 products and SMOs carry performance fee potential across more than $15 billion of performance fee eligible AUM.

More than 40% of which is undeployed or has been invested for less than four years and therefore has a number of years ahead to perform and compound.

Now, a word on the conclusion of the electoral cycle across our key markets in Latin America, capped by the Brazilian election on October 25th.

In Colombia, Peru, and Chile, recent elections have brought new administrations.

Both countries represent about 30% of our free-earning AUM.

Investors have generally received these outcomes positively, adding to the improvement in sentiment toward the Indian region.

In Brazil, voters chose continuity.

New Zealand markets reacted with volatility, and it is too early to assess the full implications for the macro outlook.

As of the third quarter 2026, we have 40% of our free earning AUM invested in Brazil.

Of which approximately 60% or approximately 25% of our total fee earning AUM comes from local clients and 40% or approximately 15% of our total fee earning AUM from global clients.

This latter portion is held in structures with no redemption rights, denominated in US dollars.

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That charge management fees on commitments or on costs.

Of the remaining 25% of the fee earning AUM, approximately 20% or 5% of our total fee earning AUM is allocated to long-duration private equity and infrastructure funds that charge on commitments or costs.

Approximately 35% or 9% of our total fee earning AUM in credit funds, and approximately 45% or 11% of our total fee earning AUM is in real estate.

Overall, around 20% of revenues is yellow denominator.

While the outlook remains constructive for credit, our real estate funds, of which virtually 100% is in non-redeemable permanent capital vehicles, are publicly traded and may adjust to a higher interest rate context. But given their scale and liquidity, we see a clear pathway to continue to raise capital in this business.

To asset for shares exchanges.

In sum, given the diversification of our investor base of our assets and of our revenues and expenses by geography, asset class and currency, we see the limited impact of the Brazilian election on FRE and we do not currently expect the outcome to materially. Affects our fundraising.

Nearly 90% of our fee-earning AUM has no or limited residency, and our FRE has very low sensitivity to foreign exchange.

For example, a 10% movement in hard currencies.

Relative to soft currencies impacts our FRE by only about 2%. With respect to performance-related earnings , the current environment could be raised from private and growth equity exits and with them near-term realizations.

However. Our near-term expectations regarding Infrastructure 3 related carry, which totaled approximately $17 million of net accrued performance fees in the third quarter, did not change.

As with respect to private exits, we were already not predicting any performance fees in 2026.

Nor in 2027.

Importantly, the underlying fundamentals that make Latin America an attractive market for investors remain unchanged.

Its diversified commodity exposure, its rich physical minerals reserves, its abundance in cost-competitive renewable energy.

And its low exposure to geopolitical risks, just to name a few.

Finally, since our IPO, the growing diversification of our platform has enhanced our ability to engage global investors and has proven our ability to raise capital and perform well across very different market and political environments.

Our business is intentionally built for resilience, not by chance, but through a very well articulated plan and executed strategy.

To conclude, as we approach the end of the year, we project a meaningful sequential uptick in total revenues, helped by structuring fees.

From some of the mandates we described earlier, as well as the incentive fees that are typically realized in the fourth quarter.

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Although, with respect to the latter, we will need to observe the relative performance of some of our credit funds denominated in dollars and their resulting incentive fees.

Given the recent market volatility, mainly in the Brazilian exposed securities.

These factors, combined with our continued cross-discipline, lead us to expect fee-related earnings in the range of $225 to $235 million for this year, or $1.42.

To $1.48 per share, a year-over-year growth between 11% and 15% on a per share basis.

We also believe that with $4.8 billion in pending free earning AUM, fundraising momentum, ongoing expense management and the continued investment outperformance.

We remain on base to deliver our 2027 fee-related earnings target of $260 to $290 million or $1.50 to $1.80 per share.

On that note, we look forward to providing you with more details on our various initiatives.

And our updated growth expectations for the years ahead up to 2030 at our December 7 Investor Day in New York.

We hope to see many of you there in person.

With that, I will hand the call to Rafael to review our financial results.

Thank you.

Unidentified_4

Thank you, Alex, and good morning, everyone. Let me walk you through our third quarter results.

We delivered another quarter of solid financial performance.

Total fuel revenues were $98.3 million, up 16% from a year ago.

Year-to-date, total fuel revenues are up 22%. This growth was driven primarily by the expansion of our fee-earning asset base, which grew 24% year-over-year on net organic inflows, positive investment performance and acquisitions.

Our management fee rate remained broadly stable at approximately 84 basis points.

Looking ahead, we expect fee revenue growth to pick up in the fourth quarter with the seasonal incentive fees and the structuring fees I'd like to mention, in which we report within other fee revenues.

Structuring fees are becoming a more consistent part of our revenues, even if they are timing and size can vary from quarter to quarter.

Turning to profitability, fee-related earnings for the third quarter were $52.8 million, up 7% year-over-year.

Our FRE margin was 53.7% in the third quarter 2026.

We expect margin increase in the fourth quarter due to the contribution of higher margin incentive and instructing fees combined with cost discipline.

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Also, it's worth reiterating that our financial results are well insulated from currency volatility.

We continue to estimate that a 10% movement in high currencies relative to soft currencies impacts our FRE by only about 2%. Distributable earnings were $46.9 million in the quarter or $0.30 per share.

D per share was flat versus the third quarter 2025 due to the low effective tax rate of 3.3% in the third quarter of 2025, which reflected one-off credits related to our UK operations. As discussed during our third quarter 2025 earnings call.

Year to date, DE per share totaled $0.88, up 14% compared to the same period one year ago.

Stock-based compensation was $10.1 million in the quarter and $33.7 million year-to-date, or about 11.3% of total fee revenues, in line with our guidance.

Transaction costs declined to $8.7 million, and as I mentioned last quarter, we expect a similar amount. For the fourth quarter with additional decrease from the first quarter of 2027, given that we reduced the pace of M&As.

Our balance sheet remains an important source of financial flexibility. We continue to manage our capital structure prudently, maintaining a disciplined approach to liquidity, leverage and capital allocation.

An updated view of our incurred liabilities through 2028 is available in the reconciliations and disclosures section of our earnings presentation.

Overall, our third-quarter performance reinforces our confidence in the strength of our business model, the scalability of our platform and our ability to deliver sustainable earnings growth.

We look forward to sharing more about our long-term strategy and growth opportunities at our upcoming Investor Day in New York on December 7th.

With that, we are happy to take your questions.

Unidentified_1

Thank you.

At this time, we will conduct the question-and-answer session. As a reminder, to ask a question, you will need to press *11 on your telephone and wait for your name to be announced. To withdraw your question, please press *11 again.

We do request that participants please limit to one question and one follow-up question.

Our first question comes from the line of Craig Siegenthaler of Bank of America. Your line is now open.

Unidentified_5

Good morning. This is Ivory Gal on for Craig. So Lula has been Brazil's President for the most part of the last 20 years. So what changes do you expect to financial services or the private markets business in Brazil with his next administration?

Unidentified_6

Hi, Ivory. How are you? This is Alex here.

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Thank you very much for participating in our call. I have here with me.

That our partner and head of IR, together with Andre Medina, member of his team, also Daniel Sovencino, which is now our head of capital formation and partner for Patria. So thanks a lot again.

Well, of course, it's hard to say how Lulu is going to behave in his fourth term, but.

Our vision is that it's going to be pretty much the same as his last four years as President. I think he's been pretty consistent, I think, over the last three terms, the way that he runs the country.

And I think he will continue being the same for the last four years of his political career as President of Brazil.

What does that mean, I think, for Brazil and us? I think we.

Lula has always, I think, run a primary surplus. And in his first bandit, he actually did run even a total surplus, extremely physically disciplined.

I think the challenge of Brazil right now is that in his third term and going into his fourth term, you have a high level of debt that he's going to have to tackle in some shape and form.

The way that we see him tackling over past governments was actually being pretty much disciplined and actually, our view at least, he will have to actually present a somewhat conservative budget for next year where the main issue of Brazil today, which is the high indebtedness level, will be tackled.

We have been running Patria for the last 25 years under his leadership or the leadership of the Labour Party, and we have been able to actually navigate and be very successful. So particularly for Patria and the way that we actually did shape the company over the last years, more guided to credit products, we see that our fundraising will continue to be pretty positive in Brazil, again mainly because of the shift of our products that we offer in Brazil today.

As mentioned in my part of the call.

Around 20% of the revenues are real denominated, around 35% of the revenues are assets that are invested in Brazil versus over 85%, 90% when we did go public. So we did diversify the business away from Brazil very significantly over the last five years.

And only our FRE is only affected by 2%. When soft currencies do devalue or weaken versus hard currency.

And that's what we saw in the last years for us here. So again, we are not at all pessimistic. We are even cautiously realistic about what's going on in Brazil right now. I think we are where we were two months ago. Which is basically when we did develop and actually write our three-year plan that we gave out in our PACS 2024 day, December of 2024. We gave out our 2027 guidance for FRE and we continue to confirm that.

So we will deliver the guidance for this year between. $225 million and $235 million, we narrowed the gap a little bit because potential effects on our incentive fees, but still delivering a 11% to 14% growth on FRE per share basis versus last year, year-over-year and we also gave.

The message that we are confirming the guidance for 2027, $260 million or $290 million, and now growing also another 10% to 15% year-over-year, '27 over '26.

Because why can we do that today? Because we have less exposure to Brazil. We still think that Brazil is going to perform reasonably well as it did over the last four years.

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Our menu in Brazil has shifted to more the credit products which do better doing higher interest rate environments.

Within the credit products, our main product is the structuring, originating a structure of CLOs where we place the senior notes so within a more.

Eventual tighter credit scenario, we're fine because the senior notes has, as the junior notes is a buffer, and we have been performing extremely well over the last four years. And as we move out of Brazil, the other two-thirds of our business, which is today outside of Brazil, the Andean region doing pretty well, I think better than what we expected in. December of 2024 because we had a shift politically to the right, mainly in our key markets, Chile, Colombia, and Brazil and Peru, I'm sorry. And a third of the business is already outside of ATAM where we have a lot of success in structuring liquidity solution related products for our clients globally that wants to be exposed to private activity mid-market.

Globally the way that we have been able to do that. So again, the final message is different moving parts in our business, but relatively less exposed to Brazil, more exposed to a third of the business outside of Brazil, in the end, confirming the guidance for this year, confirming the guidance for next year on FREDE. I think the same, I think we saw, I think we did try to convey that during my part of the message here that these also going to grow on a per share basis 10% to 15% this year 2026 versus last year 2025 and 2027 versus 2026 the same.

I'd like to point out that our EPS, our earnings per share, should start performing very well 2027 versus 2026 because as we focus more on organic fundraising and we do a smaller number of acquisitions, very selected pointed acquisitions as we did by all of the main asset classes that we wanted, we went into credit, we went into GPMS, private equity solutions, we went into real estate Brazil.

Now we're going to be more selected. So the reduction, substantial reduction on transactions costs on deferred payments in 2026 will push earnings up, net income up significantly in 2027. So our earnings per share are going to grow more than the 10% to 15% that I mentioned for FRE per share and DE per share. So again, because of what we did, again, by strategy, not by chance, we're pretty much positive with 2027.

I hope I answered your question.

Unidentified_5

Yes, thank you. Very comprehensive. And then for a follow-up, last quarter you pointed to the data center initiative as one use of your infrastructure drive powder and said you had line of sight to deploying about $1 billion of pending infrastructure fee earning AUM. So how much of that $1 billion has started earning fees since then? And is the data center initiative a meaningful part of it?

Unidentified_7

Hi, Ivory. This is Jose here. So you can see in our presentation that from the $1 billion that we had in pending fee-earning AUM as of the end of 2Q, we now have $0.7. You can also see on the fee-earning AUM rollover that there has been deployment in infra north of $200 million.

Part of that, a substantial part of that is also going into the data centers.

Of course, you have other INFRA funds and vehicles deploying, but that's a meaningful part of our deployment. And we should continue to see healthy deployment out of the INFRA program, not only for data centers, but also for the other vehicles, co-investments, and et cetera.

Unidentified_5

Thank you.

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Unidentified_1

Thank you.

Our next question comes from the line of Ricardo Bookbiguel of BTT Pactual. Your line is now open.

Unidentified_8

Good morning and thank you for the opportunity to ask questions.

This quarter realization and particularly private equity pressure the fear in the and I understand that we should see further realizations over the coming quarters. So could you comment on how much in realizations for PE or even infrastructure should we expect?

By January 2027, which I understand is the next semiannual AUM adjustment. And if possible, if you could give us some sense of what's reasonable to expect in terms of renovations for the 2027 as a whole would be great.

Thank you.

Unidentified_7

Ricardo, Jose here again. Thanks for the question. First of all, it gives me the opportunity to point everyone towards page 24 of our updated deck or the presentation on this quarter, where we actually highlight the management fee mechanics as well as the sort of the different seasons in which each of our drawdown funds is at this point. I think it's very important to contextualize where all the funds are.

As you will see. For that, as well as where the different funds are in their lifetime, you see that our base case quite reasonably is that P6 and P7 should see no significant change in their asset base over the next, let's say, 15 months if we count the fourth quarter, right?

I would say, even marginally speaking, in the current scenario, even less likely that you'd divestments from P6 and P7 at this point in their lifetime. So we don't expect a change in that part of the private equity fee basis, right? Where should we expect a change? In Fund 5, which has been in divestment mode for a while now, and you've been following that. And you can see in the figures, in the presentation itself, that as you pointed out, Ricardo. The lower fee base is a result of certain divestments in the private equity, right? So these divestments will affect how much we charge in fees in the first semester of 2027.

Reminding everyone, as you see here in the presentation, that by September 2027, you would end the collection, the fee collection period for Fund 5. So we have a limited time on Fund 5, but Fund 5 has become a very small part.

Revenues and this drop in the Fund 5 fee earning AUM base is being compensated partially by inflows coming from the co-investors.

I think most notably recently, the Bun Medica deal, which we.

Raised in Chile, we're finalizing the raising in Colombia, this is why we haven't closed and the Colombia part is not yet in our inflows, you're likely to see this over the next few months, possibly in the fourth quarter, but that's compensating the effect of the P5 drop on the fear in AUM. Net-net looking into 2027, we expect to see an effect of less than 5% or around 5%, let's put it that way, of yearning for private equity next year.

And I should mention, since the compensation is happening due to co-investments, that the fee basis for these co-investments is very close to the LTM average for the private equity division. So I think.

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We do not expect well, I'll let you guys judge what's NIFA, what's not, but it's like the 5% ballpark effect on private equity, which as of this quarter is 17% of our net revenues. So that's for you to size the importance and judge the relevance.

Unidentified_8

Thanks. That's super clear. And for my follow-up, if you could provide more color on what drove the quarter-over-quarter, the client personal expenses during Q3, and what should we expect for this line over the coming quarters also be helpful.

Thank you very much.

Unidentified_7

I'll probably not make some comments, but I'll just, we're basically...

Number one, we continue to work on integrating the acquisitions.

But certainly this quarter, an effect of our adjusting as a result of our narrowing of the range, the narrowing of the range means that we're narrowing and we can talk more about it, but we're narrowing our expectations for the year. We adjust provisions for bonus and performance-related payments.

As we should, right?

As we adjust the expectations for the overall delivery of the year, we adjust also expectations for payments related to performance in the company.

And going forward, we do think this is a level that we should expect something around that level going into the fourth quarter.

Unidentified_8

That's good.

Unidentified_6

Rafael, do you want to complement anything that Jose mentioned?

Unidentified_4

No, I think that Jose said that we've seen the sequential decline in compensation expense was primarily driven by these adjustments that we had in our bonus accrual to better align the year-to-date provision with our year-to-date performance as well.

Unidentified_1

Our next question comes from the line of William Baranjar of Itau BBA.

Your line is now open.

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Unidentified_9

Thank you.

Thank you, everybody, for the presentation. I have a question here regarding fundraising. So last year, you delivered better than initially expected fundraising. This year, you're already at $6.9 billion.

Compared to the 7 billion annual target, so I wanted to understand, what is the main reason in your view for, these expectations being and wanted to ask about the pipeline for twenty-seven and compared to your current view on twenty-seven.

Where you and us could be seen as more conservative? Where could the beats come if it comes again for a third sequential year? But that's it, right?

Unidentified_7

Yeah, well, I think that...

The overall -- and we put that on the remarks, Alex, I think, spoke about that. I think we see the fundamental drivers of our fundraising, they are relatively intact, of course, that you see a little more volatility in Brazil post-election and you see a marginal improvement in the conditions in the Andean region. But essentially, when we look at what is -- even in Brazil, let's take the case that is in vogue right now.

What is driving our fundraising in Brazil is mainly the credit platform, right, mainly the CLO opportunity. And we expect it to remain growing at a very healthy pace as it's been growing over the past 12 months since we acquired or since the months that we acquired and as Solis have been growing in the past. So I think the outlook for that specific part of the business remains constructive. And so even in the context of Brazil, we continue to see a benign outlook for certain parts of the business, which are growing this year and should continue to grow next year.

I think GPMS continues to be a very important part of the business and driving growth. I think you continue to see mandates.

We have a good pipeline for mandates within GPMS that should continue to be a big part of our growth.

And also, I think this year, so far, because we're not raising a flagship and because some of the new initiatives such as the Infracore have not yet closed, but I think are well underway to close, and some SMA mandates that are in the works have not yet closed, I think you should see some of those kicking in as well and helping us grow.

Next year. So overall, we continue to be positive in the outlook.

We're not changing the guidance because it's hard to predict what will be closed in 4Q versus 1Q and etcetera, but we continue to be confident that we have a healthy pipeline to deliver and perhaps surpass our guidance in fundraising.

Next year, we gave a guidance for $8 billion. It looks very doable given that what we expect to do this year and what the pipeline looks like for next year.

Unidentified_9

That's great.

Thank you for the answer.

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Unidentified_1

Our next question comes from the line of Jeremy Grespon of JP Morgan. Your line is now open.

Unidentified_10

Hi, good morning, Alex, Rafael, Josette.

Thank you for the call. My question is just actually a follow-up from a few comments. I think Alex touched on fundraising, Josette touched a little bit on the private equity deployment, but my question is more how to think about average management fee rates going forward, if it's too early to call for an inflection or not. It's a little bit hard to us because I think there are a few moving parts happening here. You have private equity. Losing share, which is a higher than average fee rate, but you have the deployment of pending in infra. Maybe we're going to have lower share from real estate and public equities ahead with the Brazil outcome. Just want to get your sense and what is your base case today for the outlook of average rates going forward?

Unidentified_11

Thank you.

Unidentified_7

It's a hard question and I'll put it this way.

I think we're at the point, right, that after all the process of business development that we have implemented since the IPO with the average fees going from 1.5 to 0.85, which you see now, we are now clearly seeing that we don't have that sort of pressure. So in a sense, the growth in Fiori and AUM, the record fundraising that you see should more and more translate into.

Net revenue organic growth, not only in AOM organic growth, that we have been accelerating over the past few years, right? I think the first four years after the IPO, the CAGR in organic growth was 9%, if you do the calculation from the IPO to the end of '24, it is accelerating to ballpark 15% plus percent from the end of '24 until now. So we've been accelerating organic growth, but part of that has been mitigated by the pressuring fees. What we can say now is that we're at a point where certainly we don't have that level of pressure anymore. And we have the mix, a mix that, as you probably can gather from the comments earlier on, if you just look at the mix, it's hard to tell whether the fees are going to increase a bit or go down a bit.

But even intra each asset class, I think what we're seeing is the development of longer duration relationships with clients.

And so in some cases, you might have an SMA that where we are exchanging much longer duration, I think Alex mentioned in his comments, right, you have duration of 10 to 12 years in some mandates and then those could have slightly lower fees than let's say a flagship fund, but they will have a much longer duration.

At the end of the day, we're managing the company here looking at the FRE per share, DE per share and not looking at the average fee. We're looking at healthy ways of growing our bottom line and our per share economics. So hard to guide on that, but certainly whatever pressure we have or had in average fee, I think it's largely eased off and we expect now to see more net organic.

Growth in the UN being translated to organic growth in networks.

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Unidentified_10

That's clear.

Thank you. And if I may, a quick follow-up just on taxes.

We have a few companies that we cover not in the asset management side, but on financials that are based in specific geographies that they're calling for higher taxes given the minimum tax rate in 2027.

Under Pillar 2, do you see any impact for next year in terms of tax rate or no?

Unidentified_7

No, I think we'll continue to have, a similar level of tax for next year.

Do you mean connected to elections or something?

Unidentified_10

No, with changes in minimum tax rate depending on the geography.

There are a few payment companies specifically calling for higher average tax rate, because some of these are going to have a minimum threshold for tax, and even your holding is not in Brazil and not in Latan. I was just thinking here if there's going to be any implication to you or not as a read-through, but apparently no, right?

Unidentified_9

No, okay.

Unidentified_7

Thanks for clarifying this.

Unidentified_10

No problem.

Unidentified_9

Thank you.

Unidentified_1

Thank you.

Our next question comes from the line of Tiago Binsfeld of Goldman Sachs. Your line is now open.

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Unidentified_9

Hi, good morning everyone. Thanks for the call.

Our question is on our margin trajectory. We see that FRE margin was 54%. That's down from one year ago, closer to 59%. And you mentioned you expect a positive outlook in the fourth quarter. But how should we expect or how should we think about margins beyond 4Q? Do you think that will be an inflection point?

Can you discuss a little bit what are the main efficiency drivers you working beyond the consolidation of the recent acquisitions?

Thank you.

Unidentified_7

No, I think, well, maybe I like to compliment and if then I want to compliment. I think what I'll say that. We have a standing guidance of 58% to 60% for next year. The main drivers are you stole my thunder there, Thiago, because the main driver is integration from acquisitions in the shorter term, right? But yeah, so I think that's the main driver. Of course, there are several initiatives that are related to investments in efficiency, including AI.

That would take a long conversation to describe here, but the main driver of margin gains that we expect looking into next year is better integration of the acquisitions.

Unidentified_6

Yeah, if I can complement this is Alex here, Thiago.

We have been able to integrate past acquisitions where we saw margin compression two, three quarters after the acquisition and then.

Margin improvement after that, back to the 5,860, we've seen the same trajectory for '27 after we did buy these businesses this year, which did operate with lower margins like Solids and WP, same with the GPMS or carve-out from the Arberdeen business. And then slowly, quarter after quarter, we bring it back to the 5860% overall.

In addition to that, as our other asset classes continue to scale, the margins continue to actually increase. So that helps also push the lower margin businesses to the average for the firm, 58%, 60%. It is a very scalable business in that sense.

And as we are putting more money to work with GPMS, as Jose mentioned a couple of minutes ago, very successful fundraising for that asset class.

And just give you some of the details of how we operate there.

As it's a fund of fund business, primary, secondary and co-invest.

We're making X amount of million checks for our relationships in the primary business, fund the fund business. We can double that size of the check and basically the same team doing the analysis. So if we're committing $20 million, $40 million for a specific fund.

Of a manager that we like, that we support, we can commit double that amount to the same fund of that manager that we support with the same team analyzing and doing the diligence, etc. So it's a very scalable business in that sense.

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Most of our businesses are very scalable, but the ones that are actually performing better in the fundraising cycle today, GPMS namely, we see that scalability to it. So besides integrating the businesses that we did acquire that. Did operate with lower margins, the businesses that we had already acquired continue to increase margin as they scale.

So these factors together make us comfortable that we'll come back to the 56% to the 58% to 60% FRE margin going forward.

As I also mentioned and using your question as a point of connection here.

We see that our SBC stock-based compensation kind of flattened out at around 12%, 11%, 12% of net revenues. So our FRE after SBC per share will continue to grow very healthily because we also have a policy of maintaining, as we mentioned, the number of shares outstanding at around 160 million shares.

That also puts us on a DE after SBC per share in a good shape to grow healthily in 2027 and even more so our EPS, our earnings per share, net income per share because as we stop doing very large acquisitions, transactions costs related to those acquisitions, deferred payments related to those acquisitions.

Are being run off, are being paid, and then, of course, not part of our expense lines as we go forward in 2027-28. So you'll see that the percentage of growth at CAGR of our EPS will be very healthy over the next couple of years and beyond.

So I hope I answered your question there, Charlie.

Unidentified_2

That's helpful.

Thank you all.

Unidentified_1

Thank you.

Our next question comes from the line of Nicholas Vasilier of BNPP. Your line is now open.

Unidentified_2

Hi, good morning.

Thank you for taking my question. I hope you're all doing well.

I'm just wanting a clarification on FRPR. So over the last couple of years, you've printed around just over 10 million every year in FRPR in Q4.

You've narrowed the guidance range for FRE by similar amounts.

So I'm just wondering how much of the FRPR achieved last year was related to vehicles that are focused on Brazil and might be sensitive to per-bit market valuations. And then related to this, I also seem to remember that over time. The proportion of your fee paying AUM that is charging fees on NAVs or market cap has increased a bit in your mix.

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And I was wondering if you could remind us how much it is today and how much of that is related as well to vehicles that are heavily focused on Brazil and if it could imply a bit more volatility in the coming quarters on your management fee revenues?

Unidentified_6

Thank you very much, Nicolas. This is Alex here.

On the incentive fee breakdown from our credit related products, we have funds that, of course, are exposed to Brazilian securities and, of course, using the Brazilian benchmarks, relevant benchmarks for that.

And we have funds also exposed to another benchmark, which is SOFR.

So it's different benchmarks.

We, I think, conservatively narrowed the gap by $10 million, which was around $10 million to $12 million that we posted as incentive fees for the fourth quarter of 2025.

So we're not some of the funds that are not exposed to Brazilian securities are more exposed to.

Other securities around the region, Latin America, and are exposed also to other benchmarks like SOFR that I mentioned, they have different performances. So overall, I think what we see that a third of the securities in our credit portfolio are somewhat related with Brazil, so that could suffer. But of course, we also have to understand how the benchmark also suffered, so we continue to outperform the benchmark, but conservatively given the volatility, not the outperformance of the team, we decided to be more conservative.

If we continue to outperform the benchmark as we have, we might have a good surprise and then we might be able to again post FRE closer to the top of the new range that we gave of $235. So given the volatility, Nicholas, and given that it's very hard to say what's going to happen and how the markets might react and how our team is going to perform with such volatility, we decided to be more conservative, not more than that.

But your second part of the question was on NAV.

Most of our funds that are NAV, the charge fee and management fees on NAVs that are exposed to Brazil are our real estate listed trusts.

We were already operating prior to the first ballots of the Brazilian Presidential elections with these funds.

At a certain discount to book value, they're already trading at 5% to 15% discounts to book value. So when we did actually project 2026 numbers, we didn't have the first ballot.

In our minds, we didn't expect Mr. Bolsonaro to win the first ballot for Brazilian Presidential election. So we expected these funds to continue to trade at a 5% to 15% discounts to book value, and our projections reflect that.

After Mr. Bolsonaro won the first ballot for the Brazilian Presidential elections, these funds actually traded up closer to NAV.

And then after Mr. Bolsonaro lost and Mr. Lula won, they traded back to the same 5% to 15% discount that they were traded before Mr. Bolsonaro won the first ballot. So we had three weeks there of an up and then down again. So they went back to where we were expecting. So nothing really changed, to be H1st, besides these three weeks, which is a very small period during a 52 week period here.

And when we did actually work on the budget, which was October, September, working on the 2027 budget, our expectations were that Mr. Lula would win the election because at that time, Mr. Lula was ahead of the polls.

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So when we do confirm the FRE guidance for 2027, $260 million, $290 million.

Is a budget that was actually produced or worked on with an expectation that Mr. Lula would win his fourth term.

Again, being a little repetitive here, we were not expecting to have this uptick in the market with Mr. Bolsonaro coming out first in the first ballot. We expected Mr. Lula actually to win and come out first in the first ballot and become President of Brazil in the second ballot.

So these three weeks of exception did not really affect our numbers. I hope I answered your question.

Unidentified_9

Thank you very much for the details. That's all for me.

Unidentified_6

Thank you.

Unidentified_1

Thank you.

I am showing no further questions at this time, so I would like to turn it back to Alex Sake, CEO, for closing remarks.

Unidentified_7

Just, Alex, before you take the concluding remarks here, just a correction. I was warned by the finance team. We had the adjustment of the provisions. And the performance-related metrics in compensation in the third quarter. It should normalize in the fourth quarter in a level around more closer or closer to what we had in the second quarter, but still margins improving given the seasonal and natural better revenues that we have in the business because of better management fees, incentive fees, structural fees and so forth in the fourth quarter.

Unidentified_6

Okay.

Thank you, Jose.

So again, thank you very much for all for participating. I know it's a busy day for you guys with other of our peers posting results.

I finish the call here extremely happy and positive about Patria and what we have done with our business over the last five years.

We did actually buy strategy and with, I think, a very well executed plan.

Put Patri in a very good position to continue performing on the diverse different scenarios, we are outperforming in GPMS outside of Latam, we're outperforming Latam ex-Brazil with a very positive Andean region.

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Outlook and even with Mr. Lula's support mandate, which we already predicted that Mr. Lula would win the elections for President of Brazil, we see 2026 delivering the guidance for FRE. We see 2027 delivering the guidance that we gave you guys as well on the absolute number, on a per share basis growing around 10% to 15%, '26% versus '27.

So again, happy to be able to take this call with all of you. And as the last notes, we will then be presenting our 2030 plan, which of course includes 2027, which I just mentioned, in New York in person at the Nasdaq building December 7, Monday, starting.

Middle of the day around with a light lunch and taking on the early part of the afternoon for another three hours. So I hope that you guys can join us in person better but online great. I hope to see you there. So also thank you guys for your support and thank you for another year of 2026. See you then.

Thank you very much. Bye.

Unidentified_1

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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