

P10 Holdings (PX:NYSE)

P10 Holdings is a leading multi-asset class private market solutions provider in the alternative asset management industry.

PX quote = \$10.31/share

Opportunity

Currently, P10's stock price is driven more by market flows than by an inspection of its high-quality earnings. As opposed to its peers which depend on volatile performance fees, 95% of P10's revenue comes from long-term contractually guaranteed, predictable management fees which don't shrink in a down market. In addition, new fund openings in the existing strategies are projected to create low double digit revenue growth in 2023.

Until the market figures this out, I will sit on P10's 9% free cash flow yield and wait this out.

Framing Quotes: High Quality Earnings

“Our revenue is composed almost entirely of recurring management and advisory fees, with the vast majority of fees earned on committed capital that is typically subject to ten to fifteen year lock up agreements. We have an attractive business model that is underpinned by highly recurring, diversified management and advisory fee revenues, and strong free cash flow. The nature of our solutions and the integral role that our solutions play in our investors’ investment decisions have translated into high revenue visibility and investor retention.”

2nd paragraph of 2022 10-K business description,

Framing Quotes

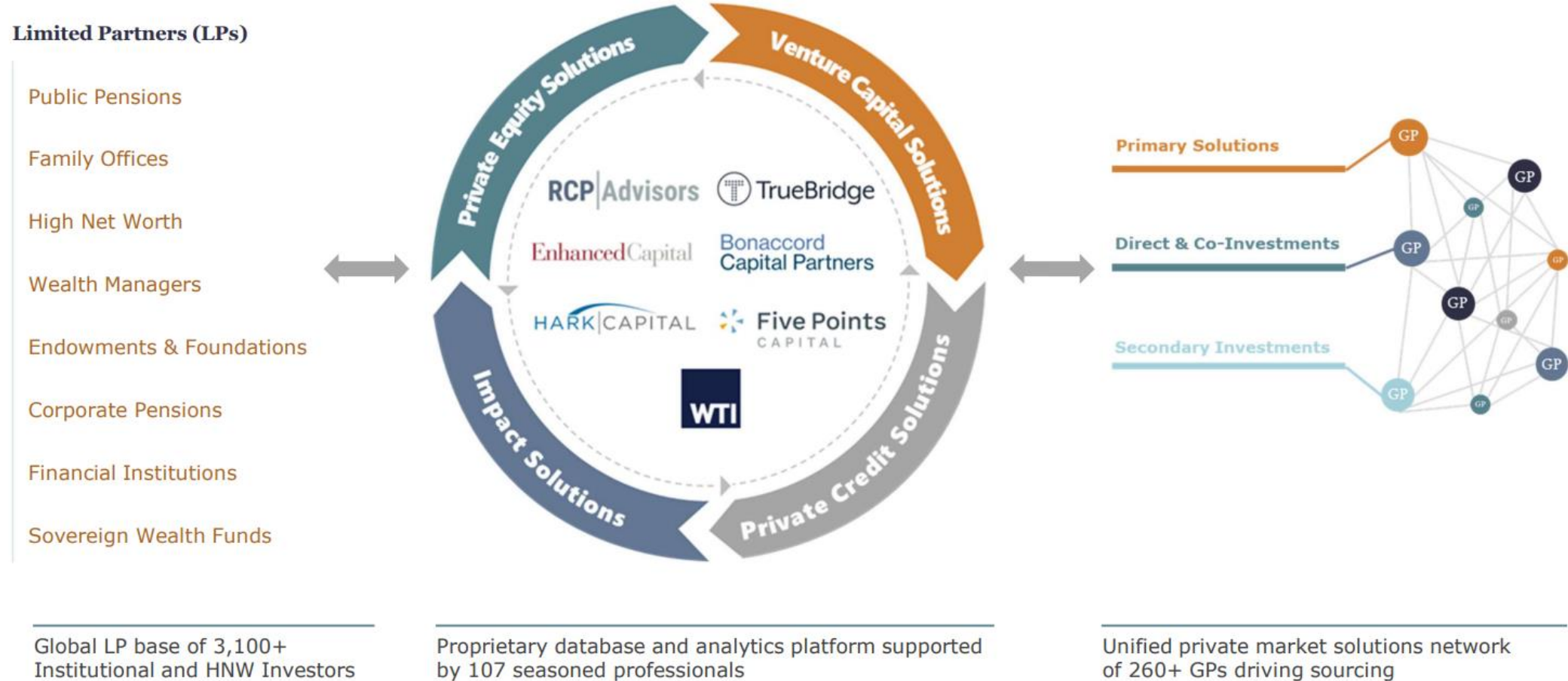
Removing Carry = Better Alignment

We specifically aim to eliminate perceived challenges facing many publicly traded alternative asset management firms,

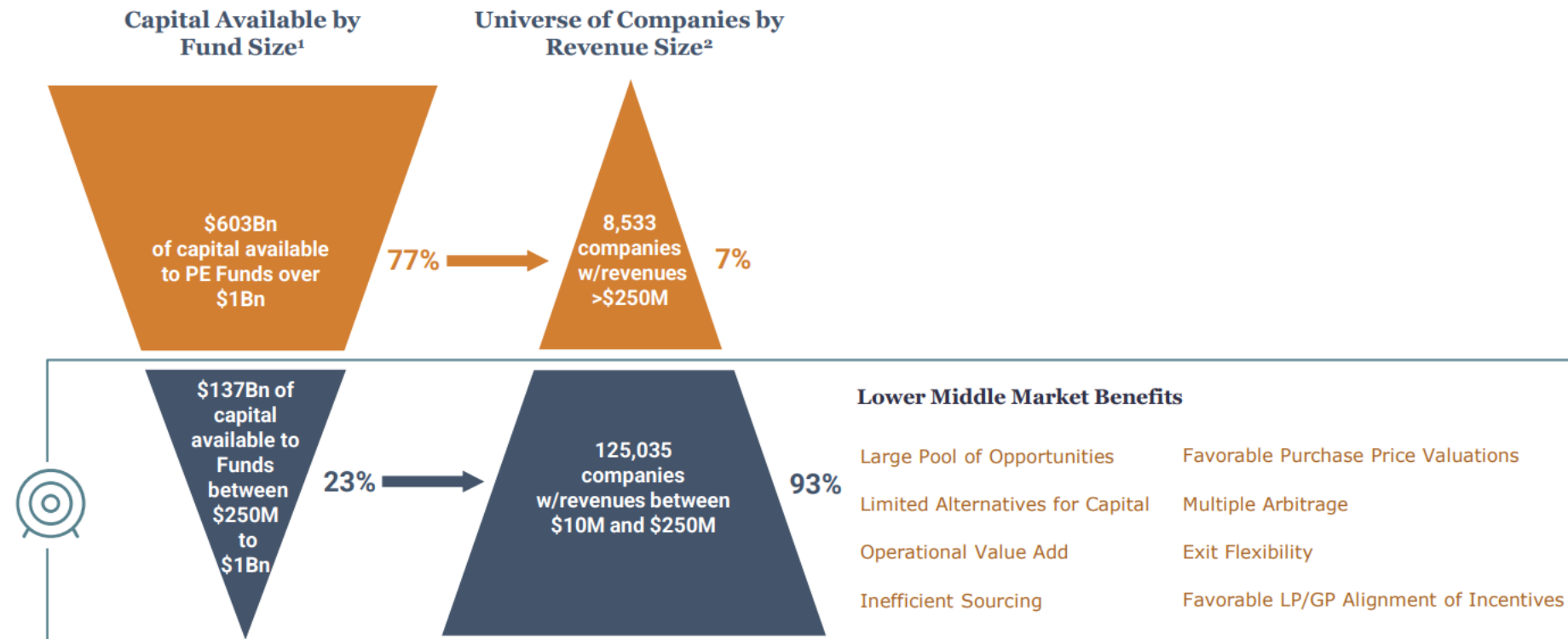
- (i) earnings volatility due to lumpiness of carried interest,
- (ii) tax complexities from the ownership of management and advisory fees and carried interest in publicly traded partnerships and
- (iii) potential misalignment of interest between investment professionals and the shareholders.“

From the 2021 P10 Holdings Prospectus

Multi-asset Class Private Market Solutions Provider



Lower Middle Market Focus



Performance



Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
Fund-of-Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	2003	\$92	105%	13.6%	1.8x
Fund II	2005	\$140	109%	8.1%	1.5x
Fund III	2006	\$225	107%	6.7%	1.4x
Fund IV	2007	\$265	110%	14.5%	2.0x
Fund V	2008	\$355	121%	13.4%	1.7x
Fund VI	2009	\$285	114%	15.7%	2.1x
Fund VII	2011	\$300	110%	17.0%	2.2x
Fund VIII	2012	\$268	113%	20.8%	2.3x
Fund IX	2014	\$350	109%	16.7%	1.8x
Fund X	2015	\$332	108%	18.2%	1.8x
SEF	2017	\$104	95%	26.9%	1.9x
Fund XI	2017	\$315	97%	20.5%	1.7x
Fund XII	2018	\$382	93%	20.4%	1.5x
Fund XIII	2019	\$397	75%	18.4%	1.3x
Fund XIV	2020	\$394	51%	24.1%	1.2x
SEF II	2020	\$123	27%	-	-
Fund XV	2021	\$435	31%	-	-
Fund XVI	2022	\$433	6%	-	-
Fund XVII	2022	\$289	1%	-	-
Secondary Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
SOF I	2009	\$264	112%	21.1%	1.7x
SOF II	2013	\$425	109%	10.9%	1.4x
SOF III	2018	\$400	95%	44.4%	1.7x
SOF III Overage	2020	\$87	79%	40.7%	1.4x
SOF IV	2021	\$499	17%	-	-
Co-Investment Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Direct I	2010	\$109	82%	42.8%	3x
Direct II	2014	\$250	87%	27.1%	2.6x
Direct III	2018	\$385	89%	25.4%	1.7x
Direct IV	2021	\$645	28%	-	-

Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
Fund-of-Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	2007	\$311	93%	13.2%	2.9x
Fund II	2010	\$342	83%	21.5%	5.2x
Fund III	2013	\$409	92%	20.6%	3.4x
Fund IV	2015	\$408	91%	34.5%	3.7x
Fund V	2017	\$460	89%	43.7%	2.6x
Fund VI ²	2019	\$611	90%	35.5%	1.4x
Fund VII	2021	\$760	28%	-	-
Co-Investment Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Direct Fund I	2015	\$125	95%	36.8%	3.3x
Direct Fund II	2019	\$196	100%	33.5%	1.7x
Direct Fund III	2021	\$171	30%	-	-

Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
Credit Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
VLL I	1994	\$47	100%	63.3%	5.9x
VLL II	1997	\$110	100%	61.4%	2.7x
VLL III	2000	\$217	75%	4.3%	1.2x
VLL IV	2004	\$250	100%	15.9%	2.2x
VLL V	2007	\$270	75%	9.9%	1.8x
VLL VI	2010	\$294	95%	14.1%	1.9x
VLL VII	2012	\$375	100%	12.3%	1.8x
VLL VIII	2015	\$424	98%	12.6%	1.6x
VLL IX	2018	\$460	97%	17.4%	1.4x
WTI X	2021	\$500	24%	4.4%	1.0x



Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
Impact Funds (Fund size as of 12/31/22, performance as of 12/31/22)					
Impact Credit	-	\$845	-	7.7%	1.2x
Impact Equity	-	\$566	-	20%+	1.2x



Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
NAV Lending Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	2013	\$106	119%	11.0%	1.3x
Fund II	2017	\$203	75%	11.2%	1.4x
Fund III	2021	\$400	71%	13.2%	1.1x
Fund IV	2022	\$256	0%	-	-



Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
GP Stakes Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	2019	\$724	72%	19.2%	1.3x
Fund II	2022	\$447	26%	-	-



Fund	Vintage	Fund Size (\$M)	Called Capital	Net IRR	Net ROIC
Equity Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	1998	\$101	94%	12.7%	2.1x
Fund II	2007	\$152	99%	12.2%	1.7x
Fund III	2013	\$230	94%	25.4%	2.6x
Fund IV	2019	\$230	61%	-	-
Credit Funds (Fund size as of 12/31/22, performance as of 9/30/22)					
Fund I	2006	\$162	93%	12.2%	2.0x
Fund II	2011	\$227	100%	8.6%	1.7x
Fund III	2016	\$289	74%	22.5%	2.1x
Fund IV	2022	\$324	19%	-	-

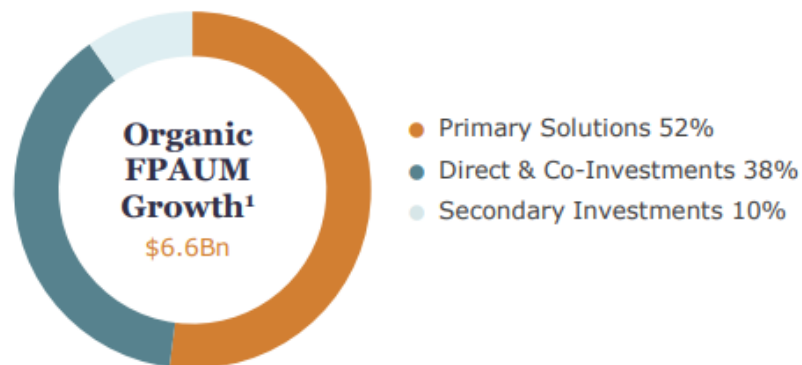
Fee Paying Assets Under Management (FPAUM)

DIVERSIFIED BASE AND GROWTH ACROSS VEHICLES

FPAUM Composition (As of Q4'22)



FPAUM Composition (As of Q4'22)



KEY METRICS

Primary Solutions

\$11.7Bn

FPAUM as of Q4'22

19%

Organic FPAUM CAGR
Q4'20 PF – Q4'22

Direct & Co-Investments

\$8Bn

FPAUM as of Q4'22

21%

Organic FPAUM CAGR
Q4'20 PF – Q4'22

Secondary Investments

\$1.5Bn

FPAUM as of Q4'22

33%

Organic FPAUM CAGR
Q4'20 PF – Q4'22

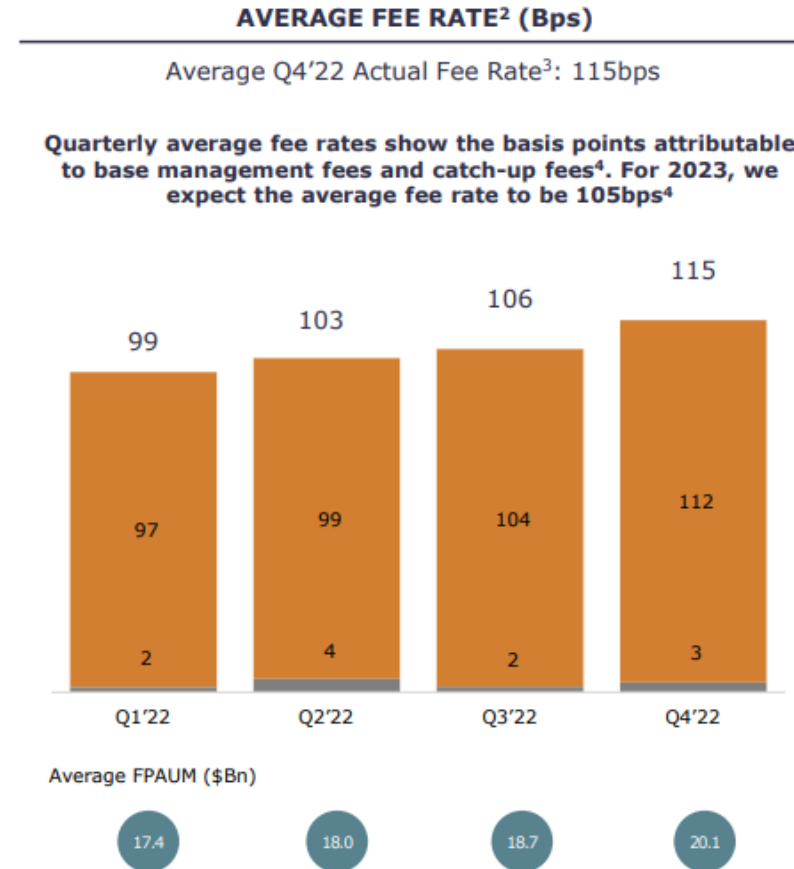
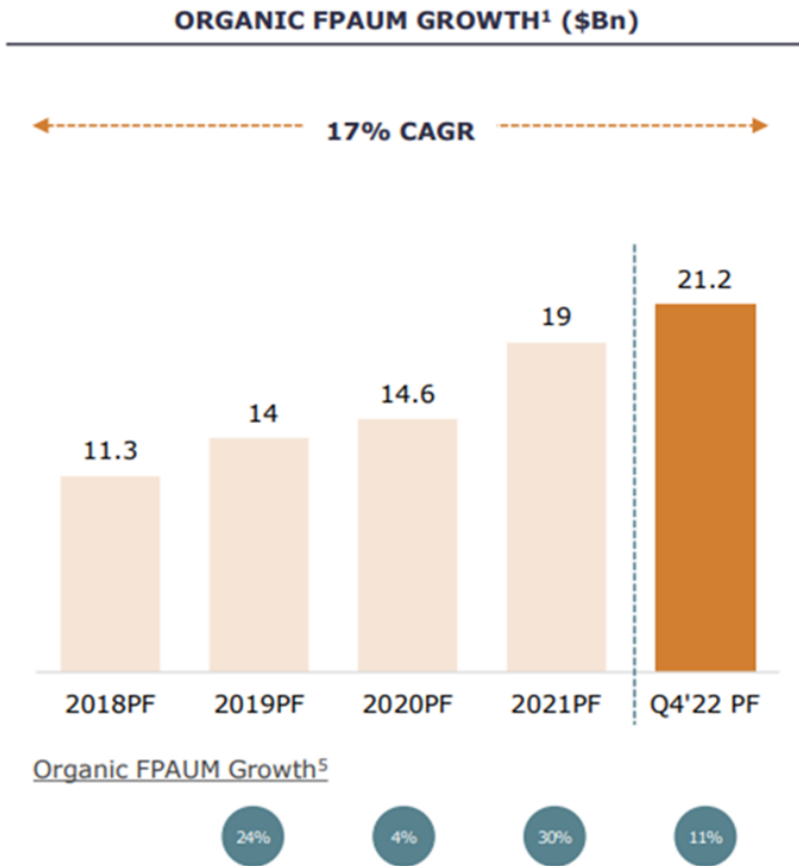
4Q and FY22 Results

Financial Results (\$ in Millions)	Three Months Ended		Twelve Months Ended		Q4'22 vs Q4'21 YTD'22 vs YTD'21	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021		
Actual FPAUM (\$Bn)	\$ 21.2	\$ 17.3	\$ 21.2	\$ 17.3	23%	23%
Pro Forma FPAUM (\$Bn) ⁽²⁾	\$ 21.2	\$ 19.0	\$ 21.2	\$ 19.0	11%	11%
GAAP Financial Metrics						
Revenue	\$ 58.3	\$ 45.6	\$ 198.4	\$ 150.5	28%	32%
Operating Expenses	\$ 52.6	\$ 33.5	\$ 154.9	\$ 110.2	57%	41%
GAAP Net Income	\$ 4.8	\$ 1.5	\$ 29.4	\$ 10.8	221%	173%
Fully Diluted GAAP EPS	\$ 0.04	\$ 0.02	\$ 0.24	\$ 0.08	104%	194%
Non-GAAP Financial Metrics						
GAAP Revenue	\$ 58.3	\$ 45.6	\$ 198.4	\$ 150.5	28%	32%
Adjusted EBITDA ⁽³⁾	\$ 30.8	\$ 26.4	\$ 106.8	\$ 83.1	17%	29%
Adjusted EBITDA Margin	53%	58%	54%	55%	N/A	N/A
Adjusted Net Income ⁽³⁾	\$ 27.3	\$ 22.0	\$ 97.9	\$ 62.8	24%	56%
Fully Diluted ANI EPS ⁽⁴⁾	\$ 0.22	\$ 0.18	\$ 0.80	\$ 0.56	22%	43%

“For 2023, we expect P10 adjusted EBITDA margins to equate between 51% and 52%. This margin guidance reflects the full integration of WTI into the pre-existing P10 business model and the continued strong growth of our direct strategies which can carry a lower margin as they scale.”

- March 2023 Q4 2022 Conference Call

Growth in Assets and Fees



“We expect to maintain strong margins in 2023 while still hitting our \$5 billion gross AUM goal and growing revenue, adjusted EBITDA and adjusted ANI at double-digit rates on a year-over-year basis.”

- March 2023 Q4 2022 Conference Call

Tax Shield (NOLs/Amortization)

NOLs = 177mm at YE 2020

NOLs = 220 mm at YE 2021.

(4.99% ownership rules in place to preserve NOLs)

Tax Amortization of goodwill and finite lived intangibles of its acquisitions over 15 years

= 397mm YE 2022

= 321 mm at YE 2021

As new acquisitions step up the basis.

“With annual tax amortization and the use of the remaining NOL balance, the Company anticipates federal taxable income at \$0 for several years”

Acquisitions

Year	Manager	Asset Class	AUM (b)	Paid in cash (mm)	Paid in stock	Total	Total / AUM
4/2020	Five Points	Private Credit & Equity	~.8	\$46.7	\$20.1 mm (6.7 @ 3.0)*	66.8	8.4%
10/2020	TrueBridge	Venture Capital	~3.2	94.8	\$94.4 mm (28.6@3.3)*	189.2	5.2%
12/2020	Enhanced	Impact Investing	~1.7	84.4	\$26.9 mm (7.7@3.5)*	111.2	6.5%
9/2021	Bonaccord (85%)	GP stakes	~.72 [1.1]**	38.9	17 mm	55.9	7.8% [5.1%]**
9/2021	Hark	Nav Lending	~.20	5 + 2.2	--	7.2	3.6%
10/2022	WTI		~2.2	97 + 70	51M (3.92 mm @13)	218 max	6.7-10%

*Stock issued as convertible preferreds.

**Bonaccord AUM grew 400m in 1H2022 shortly after closing.

Buybacks

- Started slow, but in Q4 2022, 1,946,765 shares bought back at an average price of \$9.62 per share.
- 40 million authorized, half consumed.
- Not open market purchases, but block trades.
- Negotiated purchases for ~8% discounts.
- 100,000 shares bought @ \$8.51 on 16MAR23

Management

210 Capital

Robert Albert

Chuck Webb

Crossroads (CRRS)

Ellah Holdings (ELLH)

P10 Share classes

2 share classes with sunset provision in 9 years.

42.3mm class A, 73mm class B with 10 votes per share

Board owns 45%, Employees own 55% of company

P10 Specific Risks

- Management overpays for an acquisition – especially in stock.
- Acquisition integration risk
- Performance record begins to falter at a P10 asset firm.
- More competition comes to lower, middle market.
- Interest in Alts diminishes.

More Commentary at

- Andy at BizAlmanac Substack
- David Waters @ Alluvial
- JP Morgan
- Morgan Stanley

Appendix

	Three Months Ended		Twelve Months Ended		Q4'22 vs Q4'21	YTD'22 vs YTD'21
	December 31, 2022 (unaudited)	December 31, 2021	December 31, 2022 (unaudited)	December 31, 2021		
<i>(Dollars in thousands except share and per share amounts)</i>						
GAAP Net Income	\$ 4,836	\$ 1,507	\$ 29,399	\$ 10,767	221%	173%
Add back (Subtract):						
Depreciation & amortization	9,205	8,049	28,028	30,703	14%	-9%
Interest expense, net	4,237	21,079	9,505	37,497	-80%	-75%
Income tax expense	(3,037)	(10,224)	6,064	(7,070)	-70%	-186%
Non-recurring expenses	2,870	4,975	9,587	8,807	-42%	9%
Recurring non-cash stock based compensation	2,584	965	9,587	2,416	168%	297%
Non-cash stock based compensation-acquisitions	4,534	-	9,029	-	N/A	N/A
Earnout related compensation	5,612	-	5,612	-	N/A	N/A
Adjusted EBITDA	30,841	26,351	106,811	83,120	17%	29%
Less:						
Cash interest expense, net	(2,162)	(4,285)	(6,784)	(17,997)	-50%	-62%
Net cash received/(paid) income taxes	(1,376)	(115)	(2,114)	(2,308)	1097%	-8%
Adjusted Net Income	27,303	21,951	97,913	62,815	24%	56%
ANI Earnings per Share						
Shares outstanding	115,373	102,916	116,751	72,660	37%	61%
Diluted Shares outstanding	122,916	119,571	121,655	112,332	3%	8%
ANI per share	\$ 0.24	\$ 0.21	\$ 0.84	\$ 0.86	14%	-2%
Diluted ANI per share	\$ 0.22	\$ 0.18	\$ 0.80	\$ 0.56	22%	43%

Above is a calculation of our unaudited non-GAAP financial measures. These are not measures of financial performance under GAAP and should not be construed as a substitute for the most directly comparable GAAP measures, which are reconciled in the table above. These measures have limitations as analytical tools, and when assessing our operating performance, you should not consider these measures in isolation or as a substitute for GAAP measures. Other companies may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

We use Adjusted Net Income, or ANI, as well as Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to provide additional measures of profitability. We use the measures to assess our performance relative to our intended strategies, expected patterns of profitability, and budgets, and use the results of that assessment to adjust our future activities to the extent we deem necessary. ANI reflects our actual cash flows generated by our core operations. ANI is calculated as Adjusted EBITDA, less actual cash paid for interest and federal and state income taxes.

In order to compute Adjusted EBITDA, we adjust our GAAP Net Income for the following items:

- ✓ Expenses that typically do not require us to pay them in cash in the current period (such as depreciation, amortization and stock-based compensation)

- ✓ The cost of financing our business
- ✓ Non-Recurring Transaction Fees include the following:
 - ✓ Acquisition-related expenses which reflect the actual costs incurred during the period for the acquisition of new businesses, which primarily consists of fees for professional services including legal, accounting, and advisory
 - ✓ Registration-related expenses include professional services associated with our prospectus process incurred during the period, and does not reflect expected regulatory, compliance, and other costs which may be incurred subsequent to our Initial Public Offering, and the effects of income taxes.

Adjusted Net Income reflects net cash paid for federal and state income taxes. In the first quarter of 2022 the Company received a state tax refund of \$353,000, thus increasing Adjusted Net Income.

Fully Diluted ANI EPS calculations include the total of all common shares, stock options under the treasury stock method, restricted stock awards, and the redeemable non-controlling interests of P10 Intermediate converted to Class B stock as of each period presented.