



# Business Update

**T. Rowe Price Group, Inc.**  
September 15, 2022

A copy of this presentation, which includes additional information, is available at [troweprice.gcs-web.com/investor-relations](https://troweprice.gcs-web.com/investor-relations).  
**Data as of June 30, 2022, unless otherwise noted.**  
All figures are U.S. \$, unless otherwise noted.

# Forward-looking statement

This presentation, and other statements that T. Rowe Price may make, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act, with respect to T. Rowe Price's future financial or business performance, strategies, or expectations.

Forward-looking statements are typically identified by words or phrases such as “trend,” “potential,” “opportunity,” “pipeline,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “intention,” “estimate,” “position,” “assume,” “outlook,” “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve,” and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “may,” and similar expressions. Forward-looking statements in this presentation may include, without limitation, information concerning future results of our operations, expenses, earnings, liquidity, cash flows and capital expenditures, industry or market conditions, amount or composition of assets under management, regulatory developments, demand for and pricing of our products, the timing and expense related to the integration of OHA with and into our business, future transactions, new products and services, dividends, stock repurchases, and other aspects of our business or general economic conditions. T. Rowe Price cautions that forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements, and future results could differ materially from historical performance. Forward-looking statements speak only as of the date they are made, and T. Rowe Price assumes no duty to and does not undertake to update forward-looking statements.

We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in our most recent Form 10-K filed with the Securities and Exchange Commission.



# Opening and T. Rowe Price Overview

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Rob Sharps

CHIEF EXECUTIVE OFFICER and PRESIDENT

# We are a global asset management firm focused on client success

## Independent Investment Organization

We are focused solely on investment management and related services

## Alignment of Interests

We are a publicly owned company with significant employee ownership

## Financial Strength

We maintain substantial cash reserves

## Global Investment Platform

We offer a full range of equity, fixed income, and multi-asset solutions

## Long-Tenured Portfolio Management

Global equity, fixed income, and multi-asset portfolio managers average 16 years<sup>2</sup> of tenure at T. Rowe Price

## Culture Is Central to Our Long-Term Success

We are performance-driven and collaborative

Founded in **1937**

**\$1.3 T** in assets under management<sup>1</sup>

**924** investment professionals worldwide

Local presence in **16** countries

**7,771** associates worldwide

<sup>1</sup>Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc., and its investment advisory affiliates, including Oak Hill Advisors (OHA), and is as of August 31, 2022. Preliminary data. Subject to adjustment.

<sup>2</sup>Represents T. Rowe Price Associates, Inc., and its investment advisory affiliates, excluding OHA.

Figures include OHA.

# A confluence of secular and transitory factors is impacting our results in 2022



## Secular Factors

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- “Barbelling” flows to passive, alternatives
- Fee pressures and vehicle migration
- More concentrated distribution models
- ESG and regulation



## Transitory Factors

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- Market declines in equities and bonds
- Value/growth rotation
- Performance challenges in certain strategies
- Inflationary impact on expenses

# We have been investing in new capabilities to position ourselves for long-term growth with tangible success

- Investing in our fixed income and multi-asset capabilities
- Growing our presence in EMEA and APAC
- Building coverage of the wealth channel in the U.S.
- Expanding vehicle range, including ETFs and SMAs
- Developing ESG strategies and capabilities
- Growing investment data insights capabilities
- Launching TRPIM,\* a new adviser platform
- Acquiring OHA, an alternative credit manager

**\$39.2 B** fixed income  
5-year net flows

**\$34.7 B** multi-asset  
5-year net flows

**\$29.5 B** EMEA and APAC  
5-year net flows

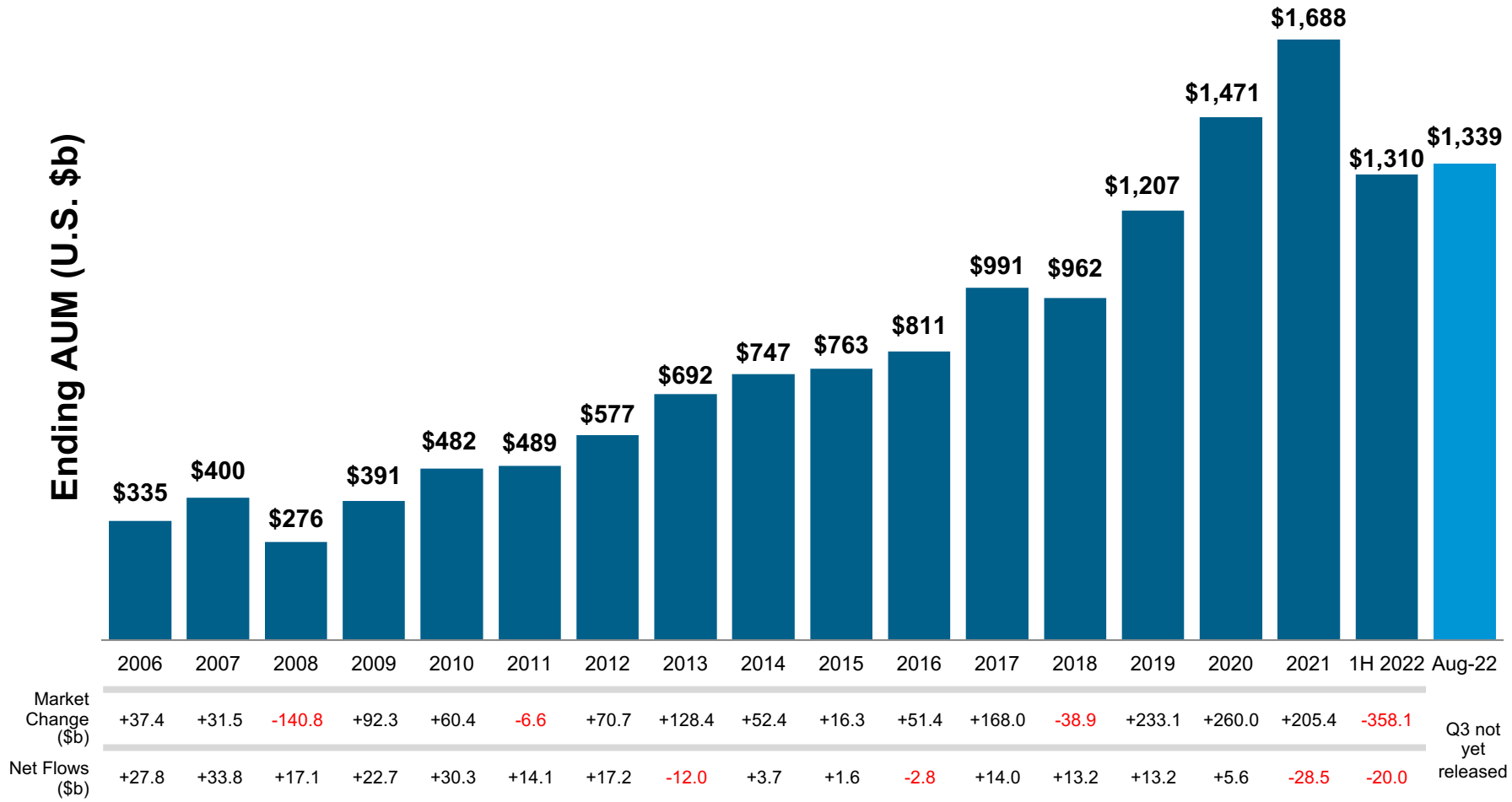
**8** new ETF products

**2** new impact strategies

**6** strategies with  
**\$165 B** in AUM moved to TRPIM

\*TRPIM - T. Rowe Price Investment Management, Inc., a separate SEC-registered U.S. investment adviser.

# Markets and flows have reduced assets under management—we have managed through this before



AUM for the period 2006–2020 does not include the acquired fee-based AUM related to the OHA acquisition. Net flows included OHA for 2022 only. Annual AUM change also includes distributions (net of reinvestments) and acquisition of AUM not included above but detailed in our quarterly releases and 10Qs. For 2011 and prior years, the distribution (net of reinvestments) was included in the market change figure.

Goal to Return to Positive Net Flows

This will take:

More constructive equity markets

Traction in growth initiatives

Improved performance in certain strategies

# Performance remains solid over the 3-, 5-, and 10-year periods

As of June 30, 2022

Asset Class	U.S. Mutual Funds Outperforming Morningstar Median <sup>1</sup>				U.S. Mutual Funds Outperforming Passive Peer Median <sup>2</sup>				Composites Outperforming Benchmark <sup>3</sup>			
	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
Equity	57%	55%	60%	79%	53%	48%	50%	71%	41%	50%	51%	79%
Fixed Income	53%	66%	62%	65%	44%	53%	55%	58%	21%	60%	63%	79%
Multi-asset	24%	78%	80%	90%	18%	84%	75%	86%				
<b>Overall</b>	<b>46%</b>	<b>65%</b>	<b>66%</b>	<b>77%</b>	<b>40%</b>	<b>61%</b>	<b>60%</b>	<b>71%</b>	<b>33%</b>	<b>54%</b>	<b>56%</b>	<b>79%</b>

**Past performance is not a reliable indicator of future performance.**

The investment performance reflects that of the T. Rowe Price-sponsored mutual funds and composites and not that of OHA's products.

<sup>1</sup>Primary share class only. Excludes T. Rowe Price passive funds and fund categories not ranked by Morningstar. Source: Morningstar (see inserted disclosure on page 24 for information about this Morningstar information).

<sup>2</sup>Primary share class only. Excludes T. Rowe Price passive funds and institutional funds that are a clone of a retail fund. Mutual funds measured against the most appropriate style benchmark used for portfolio manager evaluation, which may not always be the prospectus benchmark. Net=NAV. Source: Morningstar.

<sup>3</sup>Net returns for composites are calculated using the highest applicable separate account fee schedule and compared to official GIPS composite primary benchmark. Excludes money market composites.

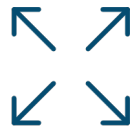


# We continue to focus on delivering for our clients and investing for long-term growth while managing through dynamic markets



## Pursue investment excellence

Focus on performance, deepen exposure to our strongest investment convictions



## Diversify and expand our investment capabilities

Expand ETF and SMA range; grow private market capabilities; bolster our fixed income, multi-asset, and custom investment solutions



## Globalize and grow our client base

Sustain market share in target date; invest in EMEA and APAC sales, client service, and marketing



## Deliver world-class client service

Deepen relationships with existing clients, strategic partners, platforms, and aggregators

# Adding a private markets platform through acquisition of OHA supports long-term growth

## Strategic rationale

- Growing demand for alternative credit
- OHA has a 30-year track record of growth and investment performance
- Opportunity to grow at intersection of the two organizations

## We are making strong progress against our 2022 priorities with OHA

- Sustaining investment performance for clients and maintaining pace of fundraising
- On track to complete light-touch integration of finance, legal/compliance, and HR processes
- Successfully coordinating on institutional distribution referrals
- Developing an offer for U.S. retail wealth clients to be in market in 2023



**\$57 B**  
**Capital Under Management\***

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\$24 B Private Markets

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\$16 B Liquid Strategies

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\$17 B Structured Credit

OHA is a T. Rowe Price company. See <https://troweprice.gcs-web.com/events> for a copy of the acquisition announcement presentation from October 2021. There is no guarantee that the strategies currently under evaluation will be launched.

\*Includes net asset values, portfolio value, and/or unfunded capital.



# Financial Overview

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Jen Dardis

CHIEF FINANCIAL OFFICER

Unless otherwise noted, OHA financial data are included in 2022 results but excluded from previous periods.

# Long-term financials remain strong, while headwinds have challenged the short term

As of June 30, 2022

	5 years	10 years	20 years	30 years
Net revenues	10%	10%	11%	12%
Diluted EPS (GAAP)	13%	13%	14%	16%
Dividends	16%	13%	14%	17%
Annualized total stock return	12%	10%	13%	16%

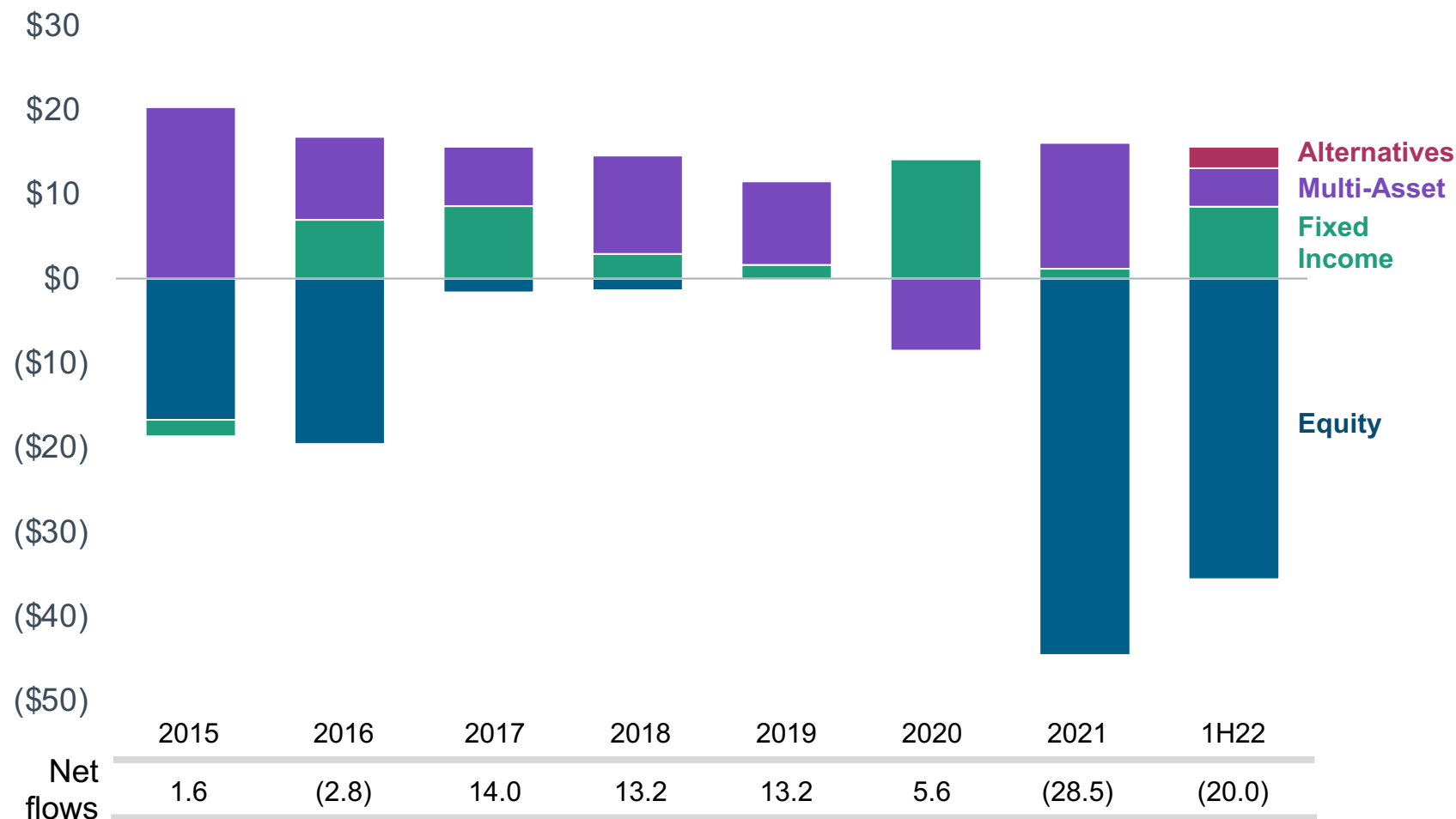
	1H21	1H22	Change
Net revenues (m)	\$3,756	\$3,376	-10%
Diluted EPS (GAAP)	\$6.63	\$3.88	-41%
Adjusted diluted EPS* (non-GAAP)	\$6.32	\$4.42	-30%
Regular dividends per share	\$2.16	\$2.40	+11%

Left chart: Compounded annualized growth for periods ended June 30, 2022. Right chart: January 1 – June 30 of 2021 and 2022.

\*See the reconciliation between GAAP and adjusted (non-GAAP) EPS on page 22. See the firm's 2021 Annual Report on Form 10-K for further information.

# Fixed income, multi-asset, and alternatives have been offsetting equity outflows

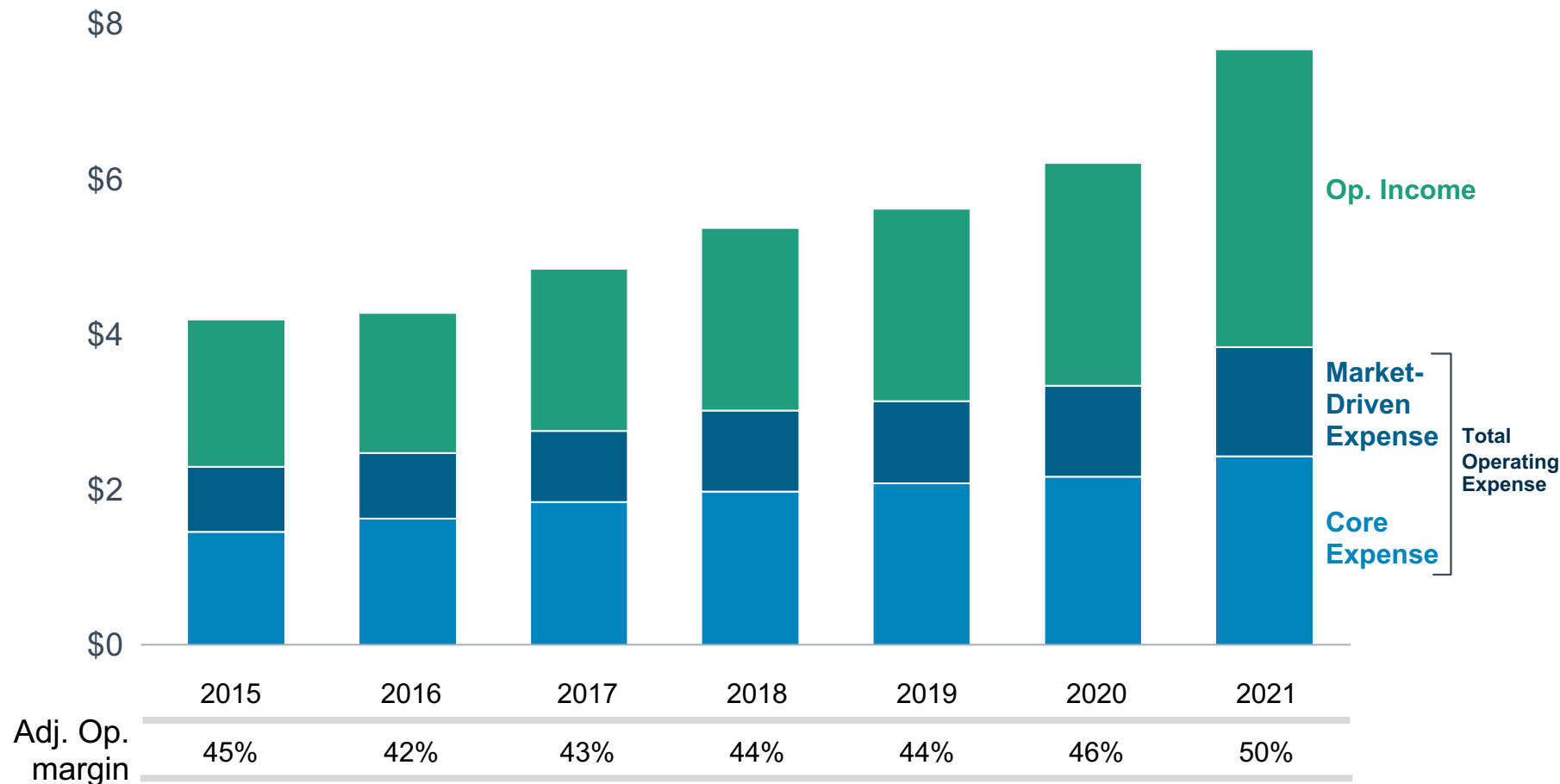
Net Flows by Asset Class (U.S. \$b)



We have been investing in fixed income, multi-asset, and more recently alternatives capabilities as diversifying sources of flows.

# We have invested into a rising market environment, building capabilities while expanding operating margin

Non-GAAP Operating Expense and Income (U.S. \$b)



Since 2015, average revenue growth of 10.6% per year has outpaced average expense growth of 8.9% per year.

Market-driven expenses are about one-third of total operating expenses, and the growth rates of these market-driven expenses align closely with revenue growth rates.

See the non-GAAP operating income and net revenues reconciliation on page 21. See the firm's 2021 Annual Report on Form 10-K for further information.

# Our balance sheet remains strong

Increased the annual dividend for 36 years

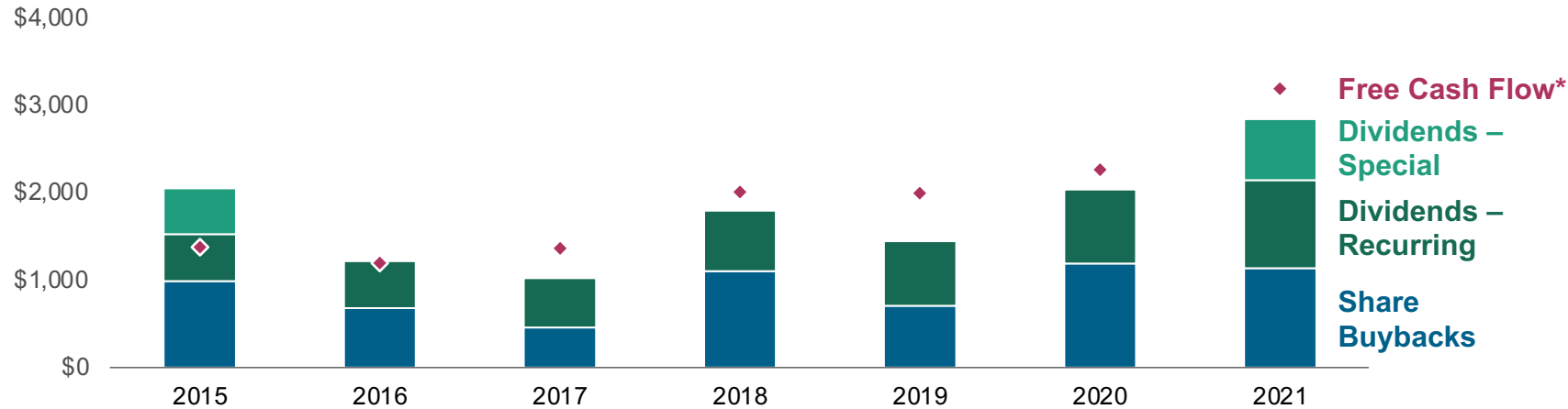
Balance Sheet Items (At 12/31 unless noted, U.S. \$m)	December 31, 2016	December 31, 2021*	June 30, 2022*
<b>Cash and Discretionary Investments</b>	\$1,906	\$2,077	\$2,607
<b>Seed Capital Investments</b>	\$1,264	\$1,300	\$998
<b>Debt</b>	\$0	\$114	\$102
<b>Stockholders' Equity Attributable to T. Rowe Price Group, Inc.</b>	\$5,009	\$9,023	\$8,964
<b>Cash and Investments per Outstanding Share<sup>1</sup></b>	\$12.95	\$14.64	\$15.97

\*This display does not include the non-controllable interest of our seed investments, which we normally consolidate due to our ownership.

<sup>1</sup>Excludes investments for supplemental savings plan liability and other investments.

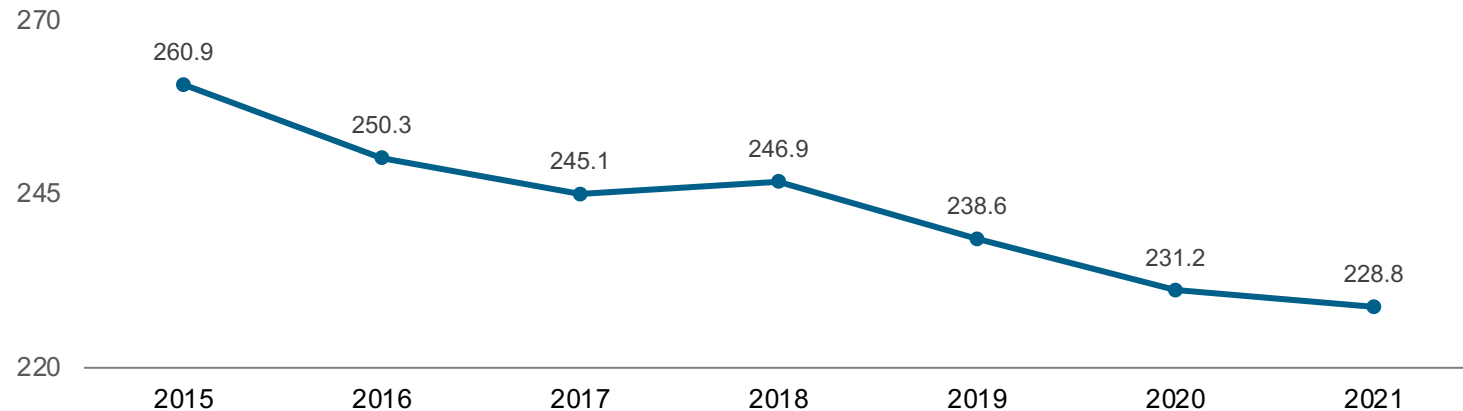
# Consistently creating value for shareholders

## Return of Capital (U.S. \$m)



## Weighted Average Shares Outstanding

(assuming dilution, millions)



\*Free cash flow equals net cash provided by operating activities minus impact of consolidated products minus additions to property and equipment. Please see page 23 for reconciliation.

Since 2015

Returned **84%**  
of non-GAAP operating  
income through dividends  
and buybacks

Weighted average share  
count declined by **12%**





# Questions

Please submit your written questions in the box  
on the left of the screen

# We are focused on the long term and positioning for the future



**A premier  
global active  
manager**



**Delivering  
performance,  
insights, and  
service for  
our clients**



**Committed to  
retaining and  
attracting  
diverse top  
talent**



**Innovating  
and investing  
to reach new  
clients**



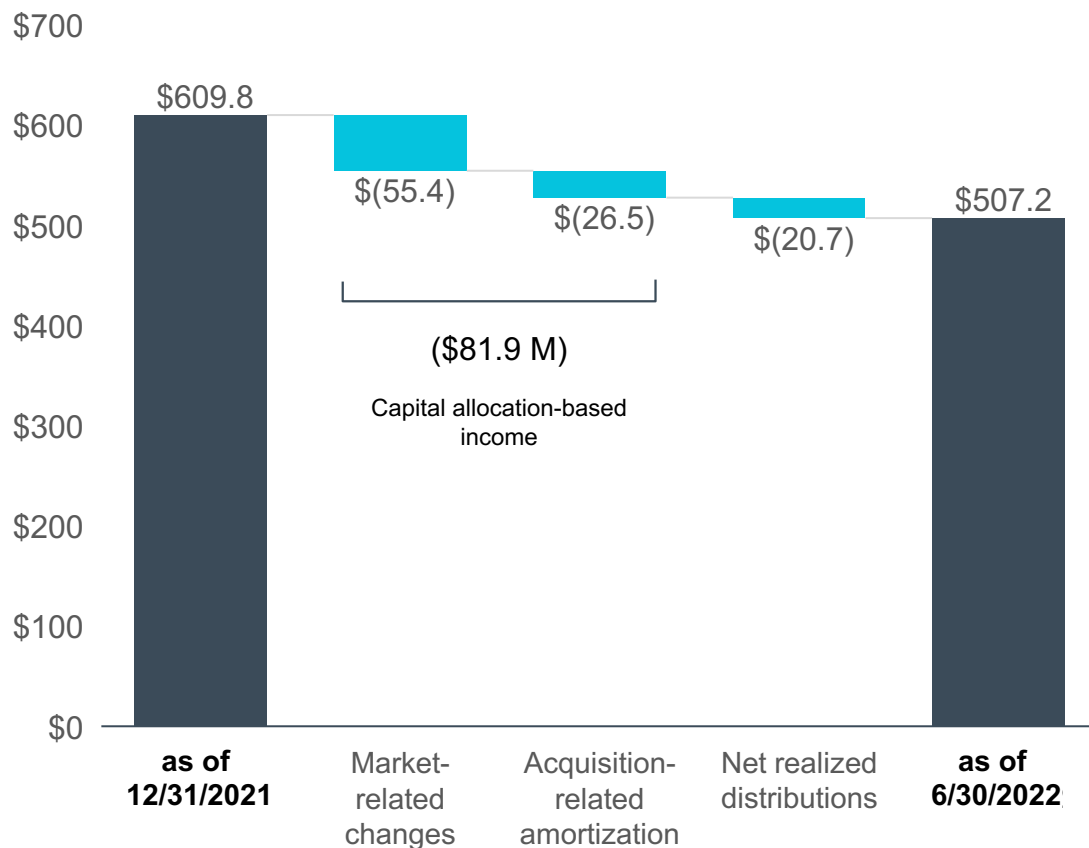
**Managing  
through  
near-term  
headwinds**



# Appendix

# Capital allocation-based income (carried interest)

## Investments in Affiliated Private Funds Carried Interest (6-Month Change, U.S. \$m)



- At the end of each reporting period, accrued carried interest reflects what would be due from each investment fund as if the fair value of the underlying investments were realized as of such date, regardless of whether the amounts have been realized.
- The change in accrued carried interest reflects amounts that are (1) realized and distributed by the fund, (2) market-related adjustments that are recognized as capital allocation-based income in the income statement, and (3) acquisition-related amortization.
- The change in accrued carried interest will fluctuate quarter to quarter.
- Accrued carried interest will be realized over a number of years.
- 50%–60% of accrued carried interest is expected to be retained in operating income with the remainder recognized as compensation expense.
- As of 6/30/2022, about U.S. \$18 B of alternative fee-basis assets under management are eligible to earn carried interest.
- Absolute performance of the U.S. high yield and levered loan indices are an indicator of changes in accrued carried interest.

# Non-GAAP operating income and net revenues reconciliation

U.S. \$m

	2021	2020	2019	2018	2017	2016	2015
Net Revenues, GAAP basis	\$7,671.9	\$6,206.7	\$5,617.9	\$5,372.6	\$4,342.4	\$4,284.8	\$4,200.6
Non-GAAP adjustments:							
Consolidated Investment Products	5.5	8.6	6.8	6.2	5.6	6.5	
Net Revenues, Non-GAAP basis	\$7,677.4	\$6,215.3	\$5,624.7	\$5,378.8	\$4,348.4	\$4,291.3	\$4,200.6
Operating Expenses, GAAP basis	\$3,961.9	\$3,461.0	\$3,230.9	\$3,011.2	\$2,746.1	\$2,551.4	\$2,301.7
Non-GAAP adjustments:							
Consolidated Investment Products	(6.7)	(6.5)	(7.9)	(6.5)	(6.7)	(6.5)	
Supplemental Savings Plan Liability	(83.0)	(111.8)	(73.2)	5.6	11.7		
Acquisition-related transaction costs	(31.9)						
Nonrecurring Dell			-	15.2	50.0	(66.2)	
Operating Expenses, Non-GAAP basis	\$3,840.3	\$3,342.7	\$3,149.8	\$3,025.5	\$2,777.7	\$2,478.7	\$2,301.7
Operating Income, GAAP basis	\$3,710.0	\$2,745.7	\$2,387.0	\$2,361.4	\$2,108.8	\$1,733.4	\$1,898.9
Non-GAAP adjustments:							
Consolidated Investment Products	12.2	16.4	14.7	12.7	12.3	13.0	
Supplemental Savings Plan Liability	83.0	111.8	73.2	(5.6)	(11.7)		
Acquisition-related transaction costs	31.9						
Nonrecurring Dell			-	(15.2)	(50.0)	66.2	
Operating Income, Non-GAAP basis	\$3,837.1	\$2,873.9	\$2,474.9	\$2,353.3	\$1,873.4	\$1,812.6	\$1,898.9
Operating Margin, GAAP basis <sup>1</sup>	48.4%	44.2%	42.5%	44.0%	48.6%	40.5%	45.2%
Operating Margin, as adjusted <sup>1</sup>	50.0%	46.2%	44.0%	43.7%	43.1%	42.2%	45.2%

<sup>1</sup>Operating margin is equal to operating income divided by net revenues.

# Reconciliation between GAAP and adjusted (non-GAAP) EPS

As of June 30, 2022

	1H21	1H22
Diluted earnings per common share, GAAP basis	\$6.63	\$3.88
Non-GAAP adjustments:		
Acquisition-related adjustments	-	.04
Consolidated T. Rowe Price investment products	(.14)	.30
Other non-operating income	(.17)	.18
Non-operating income of investments designated as an economic hedge of the SSP Plan less compensation expense	-	.02
Adjusted diluted earnings per common share	<u>\$6.32</u>	<u>\$4.42</u>

# Free cash flow non-GAAP reconciliation

U.S. \$m

	2021	2020	2019	2018	2017	2016	2015
Net cash provided by (used in) operating activities	3,452.0	1,918.9	1,522.7	1,619.9	229.5	170.5	1,530.5
Impact of consolidated products	(23.7)	560.1	679.6	558.2	1,322.3	1,173.2	-
Adjusted net cash provided by (used in) operating activities	3,428.3	2,479.0	2,202.3	2,178.1	1,551.8	1,343.7	1,530.5
Additions to property and equipment	(239.1)	(214.6)	(204.6)	(168.5)	(186.1)	(148.3)	(151.3)
Free cash flow	3,189.2	2,264.4	1,997.7	2,009.6	1,365.7	1,195.4	1,379.2

# Additional information

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## **Investment performance overview (slide 8)**

<sup>1</sup>Source: Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. The chart reflects the percentage of T. Rowe Price funds with 1-year, 3-year, 5-year, and 10-year track record that are outperforming the Morningstar category median.

<sup>2</sup>Passive Peer Median was created by T. Rowe Price using data from Morningstar. Primary share class only. Excludes money market mutual funds, funds with an operating history of less than one year, funds with fewer than three peers, T. Rowe Price passive funds, and T. Rowe Price funds that are clones of other funds. This analysis compares T. Rowe Price active funds to the applicable universe of passive/index open-end funds and ETFs of peer firms. The chart reflects the percentage of T. Rowe Price funds with 1-year, 3-year, 5-year, and 10-year track record that are outperforming the passive peer universe.

<sup>3</sup>Composite net returns are calculated using the highest applicable separate account fee schedule. Excludes money market composites. All composites compared to official GIPS composite primary benchmark. The chart reflects the percentage of T. Rowe Price composites with 1-year, 3-year, 5-year, and 10-year track record that are outperforming their benchmarks.



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