

StepStone Group Reports First Quarter Fiscal Year 2025 Results

August 8, 2024

NEW YORK, Aug. 08, 2024 (GLOBE NEWSWIRE) -- StepStone Group Inc. (Nasdaq: STEP), a global private markets investment firm focused on providing customized investment solutions and advisory and data services, today reported results for the quarter ended June 30, 2024. This represents results for the first quarter of the fiscal year ending March 31, 2025. The Board of Directors of the Company has declared a quarterly cash dividend of \$0.24 per share of Class A common stock, payable on September 13, 2024, to the holders of record as of the close of business on August 30, 2024.

StepStone issued a full detailed presentation of its first quarter fiscal 2025 results, which can be accessed by visiting the Company's website at <https://shareholders.stepstonegroup.com>.

Webcast and Earnings Conference Call

Management will host a webcast and conference call on Thursday, August 8, 2024, at 5:00 pm ET to discuss the Company's results for the first quarter of the fiscal year ending March 31, 2025. The webcast will be made available on the Shareholders section of the Company's website at <https://shareholders.stepstonegroup.com>. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time to register. A replay will also be available on the Shareholders section of the Company's website approximately two hours after the conclusion of the event.

To join as a live participant in the question and answer portion of the call, participants must register at <https://register.vevent.com/register/Bla3a01bd21a304498b91619c08e074cf8>. Upon registering you will receive the dial-in number and a PIN to join the call as well as an email confirmation with the details.

About StepStone

StepStone Group Inc. (Nasdaq: STEP) is a global private markets investment firm focused on providing customized investment solutions and advisory and data services to its clients. As of June 30, 2024, StepStone was responsible for approximately \$701 billion of total capital, including \$169 billion of assets under management. StepStone's clients include some of the world's largest public and private defined benefit and defined contribution pension funds, sovereign wealth funds and insurance companies, as well as prominent endowments, foundations, family offices and private wealth clients, which include high-net-worth and mass affluent individuals. StepStone partners with its clients to develop and build private markets portfolios designed to meet their specific objectives across the private equity, infrastructure, private debt and real estate asset classes.

Forward-Looking Statements

Some of the statements in this release may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking. Words such as "anticipate," "believe," "continue," "estimate," "expect," "future," "intend," "may," "plan" and "will" and similar expressions identify forward-looking statements. Forward-looking statements reflect management's current plans, estimates and expectations and are inherently uncertain. The inclusion of any forward-looking information in this release should not be regarded as a representation that the future plans, estimates or expectations contemplated will be achieved. Forward-looking statements are subject to various risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, global and domestic market and business conditions, our successful execution of business and growth strategies, the favorability of the private markets fundraising environment, successful integration of acquired businesses and regulatory factors relevant to our business, as well as assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity and the risks and uncertainties described in greater detail under the "Risk Factors" section of our annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on May 24, 2024, as such factors may be updated from time to time. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we use the following non-GAAP financial measures: adjusted management and advisory fees, net, adjusted revenues, adjusted net income (on both a pre-tax and after-tax basis), adjusted net income per share, adjusted weighted-average shares, fee-related earnings, fee-related earnings margin, gross realized performance fees and

net realized performance fees. We have provided this non-GAAP financial information, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in this earnings release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in this earnings release. The presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, the non-GAAP financial measures in this earnings release may not be comparable to similarly titled measures used by other companies in our industry or across different industries. For definitions of these non-GAAP measures and reconciliations to applicable GAAP measures, please see the section titled "Non-GAAP Financial Measures: Definitions and Reconciliations."

Financial Highlights and Key Business Drivers/Operating Metrics

<i>(in thousands, except share and per share amounts and where noted)</i>	Three Months Ended					Percentage Change
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	vs. FQ1'24
Financial Highlights						
GAAP Results						
Management and advisory fees, net	\$ 138,115	\$ 142,123	\$ 151,492	\$ 153,410	\$ 178,015	29%
Total revenues	178,011	191,422	(14,612)	356,810	186,401	5%
Total performance fees	39,896	49,299	(166,104)	203,400	8,386	(79)%
Net income (loss)	49,446	59,251	(23,419)	82,542	48,045	(3)%
Net income (loss) per share of Class A common stock:						
Basic	\$ 0.34	\$ 0.42	\$ (0.32)	\$ 0.48	\$ 0.20	(41)%
Diluted	\$ 0.34	\$ 0.42	\$ (0.32)	\$ 0.48	\$ 0.20	(41)%
Weighted-average shares of Class A common stock:						
Basic	62,834,818	62,858,468	64,068,952	64,194,859	66,187,754	5%
Diluted	65,739,470	66,198,129	64,068,952	67,281,567	68,593,761	4%
Quarterly dividend per share of Class A common stock ⁽¹⁾	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	20%
Supplemental dividend per share of Class A common stock ⁽²⁾	\$ 0.25	\$ —	\$ —	\$ —	\$ 0.15	(40)%
Accrued carried interest allocations	1,277,783	1,331,778	1,203,847	1,354,051	1,328,853	4%
Non-GAAP Results⁽³⁾						
Adjusted management and advisory fees, net ⁽⁴⁾	\$ 138,301	\$ 142,327	\$ 151,943	\$ 153,808	\$ 178,514	29%
Adjusted revenues	152,780	149,800	185,123	177,357	221,165	45%
Fee-related earnings ("FRE")	44,402	43,827	50,664	50,900	71,656	61%
FRE margin ⁽⁵⁾	32%	31%	33%	33%	40%	
Gross realized performance fees	14,479	7,473	33,180	23,549	42,651	195%
Adjusted net income ("ANI")	29,388	30,173	42,116	37,716	57,241	95%
Adjusted weighted-average shares	114,673,696	115,118,060	115,232,927	115,512,301	118,510,499	3%
ANI per share	\$ 0.26	\$ 0.26	\$ 0.37	\$ 0.33	\$ 0.48	85%
Key Business Drivers/Operating Metrics <i>(in billions)</i>						
Assets under management ("AUM") ⁽⁶⁾	\$ 142.6	\$ 145.8	\$ 149.0	\$ 156.6	\$ 169.3	19%
Assets under advisement ("AUA") ⁽⁶⁾	497.0	512.9	510.5	521.1	531.4	7%

Fee-earning AUM (“FEAUM”)	87.4	87.3	89.4	93.9	100.4	15%
Undeployed fee-earning capital (“UFEC”)	16.9	18.1	21.4	22.6	27.6	63%

(1) Dividends paid, as reported in this table, relate to the preceding quarterly period in which they were earned.

(2) The supplemental cash dividend relates to earnings in respect of our full fiscal years 2023 and 2024, respectively.

(3) Adjusted management and advisory fees, net, adjusted revenues, FRE, FRE margin, gross realized performance fees, ANI, adjusted weighted-average shares and ANI per share are non-GAAP measures. See the definitions of these measures and reconciliations to the respective, most comparable GAAP measures under “Non-GAAP Financial Measures: Definitions and Reconciliations.”

(4) Excludes the impact of consolidating the Consolidated Funds. See reconciliation of GAAP measures to adjusted measures that follows.

(5) FRE margin is calculated by dividing FRE by adjusted management and advisory fees, net.

(6) AUM/AUA reflects final data for the prior period, adjusted for net new client account activity through the period presented. Does not include post-period investment valuation or cash activity. Net asset value (“NAV”) data for underlying investments is as of the prior period, as reported by underlying managers up to the business day occurring on or after 100 days, or 115 days at the fiscal year-end, following the prior period end. When NAV data is not available by the business day occurring on or after 100 days, or 115 days at the fiscal year-end, following the prior period end, such NAVs are adjusted for cash activity following the last available reported NAV.

StepStone Group Inc.
GAAP Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share amounts)

	As of	
	June 30, 2024	March 31, 2024
Assets		
Cash and cash equivalents	\$ 141,633	\$ 143,430
Restricted cash	735	718
Fees and accounts receivable	58,334	56,769
Due from affiliates	100,277	67,531
Investments:		
Investments in funds	145,519	135,043
Accrued carried interest allocations	1,328,853	1,354,051
Legacy Greenspring investments in funds and accrued carried interest allocations ⁽¹⁾	617,539	631,197
Deferred income tax assets	195,417	184,512
Lease right-of-use assets, net	95,374	97,763
Other assets and receivables	61,436	60,611
Intangibles, net	294,623	304,873
Goodwill	580,542	580,542
<i>Assets of Consolidated Funds:</i>		
Cash and cash equivalents	53,802	38,164
Investments, at fair value	158,222	131,858
Other assets	2,048	1,745
Total assets	<u>\$ 3,834,354</u>	<u>\$ 3,788,807</u>
Liabilities and stockholders' equity		
Accounts payable, accrued expenses and other liabilities	\$ 132,380	\$ 127,417
Accrued compensation and benefits	124,973	101,481
Accrued carried interest-related compensation	652,123	719,497
Legacy Greenspring accrued carried interest-related compensation ⁽¹⁾	470,003	484,154
Due to affiliates	223,471	212,918
Lease liabilities	118,068	119,739
Debt obligations	172,118	148,822

Liabilities of Consolidated Funds:

Other liabilities	1,757	1,645
Total liabilities	1,894,893	1,915,673
Redeemable non-controlling interests in Consolidated Funds	142,547	102,623
Redeemable non-controlling interests in subsidiaries	5,931	115,920
Stockholders' equity:		
Class A common stock, \$0.001 par value, 650,000,000 authorized; 67,931,869 and 65,614,902 issued and outstanding as of June 30, 2024 and March 31, 2024, respectively	68	66
Class B common stock, \$0.001 par value, 125,000,000 authorized; 45,889,135 and 45,030,959 issued and outstanding as of June 30, 2024 and March 31, 2024, respectively	46	45
Additional paid-in capital	363,529	310,293
Retained earnings	2,995	13,768
Accumulated other comprehensive income	297	304
Total StepStone Group Inc. stockholders' equity	366,935	324,476
Non-controlling interests in subsidiaries	1,027,558	974,559
Non-controlling interests in legacy Greenspring entities ⁽¹⁾	147,536	147,042
Non-controlling interests in the Partnership	248,954	208,514
Total stockholders' equity	1,790,983	1,654,591
Total liabilities and stockholders' equity	<u>\$ 3,834,354</u>	<u>\$ 3,788,807</u>

(1) Reflects amounts attributable to consolidated VIEs for which the Company did not acquire any direct economic interests.

StepStone Group Inc.
GAAP Condensed Consolidated Statements of Income (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30,	
	2024	2023
Revenues		
Management and advisory fees, net	\$ 178,015	\$ 138,115
Performance fees:		
Incentive fees	841	6
Carried interest allocations:		
Realized	41,804	14,473
Unrealized	(25,170)	49,364
Total carried interest allocations	16,634	63,837
Legacy Greenspring carried interest allocations ⁽¹⁾	(9,089)	(23,947)
Total performance fees	8,386	39,896
Total revenues	186,401	178,011
Expenses		
Compensation and benefits:		
Cash-based compensation	78,224	70,081
Equity-based compensation	19,179	8,472
Performance fee-related compensation:		
Realized	20,848	9,102
Unrealized	(10,923)	24,211
Total performance fee-related compensation	9,925	33,313
Legacy Greenspring performance fee-related compensation ⁽¹⁾	(9,089)	(23,947)
Total compensation and benefits	98,239	87,919
General, administrative and other	41,011	33,277
Total expenses	139,250	121,196

Other income (expense)

Investment income	2,595	3,086
Legacy Greenspring investment loss ⁽¹⁾	(1,255)	(2,866)
Investment income of Consolidated Funds	7,635	2,362
Interest income	2,057	431
Interest expense	(2,990)	(2,012)
Other income (loss)	(351)	227
Total other income	7,691	1,228
Income before income tax	54,842	58,043
Income tax expense	6,797	8,597
Net income	48,045	49,446
Less: Net income attributable to non-controlling interests in subsidiaries	16,615	9,630
Less: Net loss attributable to non-controlling interests in legacy Greenspring entities ⁽¹⁾	(1,255)	(2,866)
Less: Net income attributable to non-controlling interests in the Partnership	13,324	19,860
Less: Net income attributable to redeemable non-controlling interests in Consolidated Funds	5,671	1,553
Less: Net income attributable to redeemable non-controlling interests in subsidiaries	362	—
Net income attributable to StepStone Group Inc.	<u>\$ 13,328</u>	<u>\$ 21,269</u>
Net income per share of Class A common stock:		
Basic	\$ 0.20	\$ 0.34
Diluted	\$ 0.20	\$ 0.34
Weighted-average shares of Class A common stock:		
Basic	66,187,754	62,834,818
Diluted	68,593,761	65,739,470

(1) Reflects amounts attributable to consolidated VIEs for which the Company did not acquire any direct economic interests.

Non-GAAP Financial Measures: Definitions and Reconciliations**Adjusted Management and Advisory Fees, Net**

The following table presents the components of adjusted management and advisory fees, net. We believe adjusted management and advisory fees, net is useful to investors because it removes the impact of consolidating the Consolidated Funds which we are required to consolidate under GAAP.

<i>(in thousands)</i>	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Focused commingled funds ⁽¹⁾⁽²⁾	\$ 67,119	\$ 70,481	\$ 78,633	\$ 80,434	\$ 104,798
Separately managed accounts	55,744	56,431	55,838	55,945	57,376
Advisory and other services	14,101	13,740	16,069	16,147	14,769
Fund reimbursement revenues ⁽¹⁾	1,337	1,675	1,403	1,282	1,571
Adjusted management and advisory fees, net	<u>\$ 138,301</u>	<u>\$ 142,327</u>	<u>\$ 151,943</u>	<u>\$ 153,808</u>	<u>\$ 178,514</u>

(1) Reflects the add-back of management and advisory fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

(2) Includes income-based incentive fees of \$1.1 million for the three months ended June 30, 2024, \$0.8 million for the three months ended March 31, 2024, and \$0.6 million for the three months ended December 31, 2023 from certain funds that are regulated as a business development company.

Adjusted Revenues

Adjusted revenues represents the components of revenues used in the determination of ANI and comprise adjusted management and advisory fees, net, adjusted incentive fees (including the deferred portion) and realized carried interest allocations. We believe adjusted revenues is useful to investors because it presents a measure of realized revenues.

The table below shows a reconciliation of revenues to adjusted revenues.

<i>(in thousands)</i>	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Total revenues	\$ 178,011	\$ 191,422	\$ (14,612)	\$ 356,810	\$ 186,401
Unrealized carried interest allocations	(49,364)	(55,371)	129,584	(151,757)	25,170
Deferred incentive fees	—	942	—	1,450	6
Legacy Greenspring carried interest allocations	23,947	12,603	69,700	(31,093)	9,089
Management and advisory fee revenues for the Consolidated Funds ⁽¹⁾	186	204	451	398	499
Incentive fees for the Consolidated Funds ⁽²⁾	—	—	—	1,549	—
Adjusted revenues	<u>\$ 152,780</u>	<u>\$ 149,800</u>	<u>\$ 185,123</u>	<u>\$ 177,357</u>	<u>\$ 221,165</u>

(1) Reflects the add-back of management and advisory fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

(2) Reflects the add-back of incentive fees for the Consolidated Funds, which have been eliminated in consolidation.

Adjusted Net Income

Adjusted net income, or “ANI,” is a non-GAAP performance measure that we present before the consolidation of StepStone Funds on a pre-tax and after-tax basis used to evaluate profitability. ANI represents the after-tax net realized income attributable to us. ANI does not reflect legacy Greenspring carried interest allocation revenues, legacy Greenspring carried interest-related compensation and legacy Greenspring investment income (loss) as none of the economics are attributable to us. The components of revenues used in the determination of ANI (“adjusted revenues”) comprise adjusted management and advisory fees, net, adjusted incentive fees (including the deferred portion) and realized carried interest allocations. In addition, ANI excludes: (a) unrealized carried interest allocation revenues and related compensation, (b) unrealized investment income (loss), (c) equity-based compensation for awards granted prior to and in connection with our IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in the private wealth subsidiary, (d) amortization of intangibles, (e) net income (loss) attributable to non-controlling interests in our subsidiaries and realized gains attributable to the profits interests issued in the private wealth subsidiary, (f) charges associated with acquisitions and corporate transactions, and (g) certain other items that we believe are not indicative of our core operating performance (as listed in the table below). ANI is fully taxed at our blended statutory rate. We believe ANI and adjusted revenues are useful to investors because they enable investors to evaluate the performance of our business across reporting periods.

Fee-Related Earnings

Fee-related earnings, or “FRE,” is a non-GAAP performance measure used to monitor our baseline earnings from recurring management and advisory fees. FRE is a component of ANI and comprises adjusted management and advisory fees, net, less adjusted expenses which are operating expenses other than (a) performance fee-related compensation, (b) equity-based compensation for awards granted prior to and in connection with our IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in the private wealth subsidiary, (c) amortization of intangibles, (d) charges associated with acquisitions and corporate transactions, and (e) certain other items that we believe are not indicative of our core operating performance (as listed in the table below). FRE is presented before income taxes. We believe FRE is useful to investors because it provides additional insight into the operating profitability of our business and our ability to cover direct base compensation and operating expenses from total fee revenue.

The table below shows a reconciliation of GAAP measures to additional non-GAAP measures. We use the non-GAAP measures presented below as components when calculating FRE and ANI (as defined below). We believe these additional non-GAAP measures are useful to investors in evaluating both the baseline earnings from recurring management and advisory fees, which provide additional insight into the operating profitability of our business, and the after-tax net realized income attributable to us, allowing investors to evaluate the performance of our business. These additional non-GAAP measures remove the impact of Consolidated Funds that we are required to consolidate under GAAP, and certain other items that we believe are not indicative of our core operating performance.

	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
<i>(in thousands)</i>					
GAAP management and advisory fees, net	\$ 138,115	\$ 142,123	\$ 151,492	\$ 153,410	\$ 178,015
Management and advisory fee revenues for the Consolidated Funds ⁽¹⁾	186	204	451	398	499
Adjusted management and advisory fees, net	<u>\$ 138,301</u>	<u>\$ 142,327</u>	<u>\$ 151,943</u>	<u>\$ 153,808</u>	<u>\$ 178,514</u>
GAAP incentive fees	\$ 6	\$ 4,946	\$ 17,891	\$ 2,496	\$ 841
Incentive fee revenues for the Consolidated Funds ⁽²⁾	—	—	—	1,549	—
Adjusted incentive fees	<u>\$ 6</u>	<u>\$ 4,946</u>	<u>\$ 17,891</u>	<u>\$ 4,045</u>	<u>\$ 841</u>
GAAP cash-based compensation	\$ 70,081	\$ 74,851	\$ 73,619	\$ 74,411	\$ 78,224
Adjustments ⁽³⁾	(531)	(574)	(574)	(461)	(428)
Adjusted cash-based compensation	<u>\$ 69,550</u>	<u>\$ 74,277</u>	<u>\$ 73,045</u>	<u>\$ 73,950</u>	<u>\$ 77,796</u>
GAAP equity-based compensation	\$ 8,472	\$ 5,916	\$ 14,032	\$ 13,937	\$ 19,179
Adjustments ⁽⁴⁾	(7,171)	(4,644)	(12,610)	(12,210)	(16,785)
Adjusted equity-based compensation	<u>\$ 1,301</u>	<u>\$ 1,272</u>	<u>\$ 1,422</u>	<u>\$ 1,727</u>	<u>\$ 2,394</u>
GAAP general, administrative and other	\$ 33,277	\$ 31,729	\$ 48,001	\$ 54,310	\$ 41,011
Adjustments ⁽⁵⁾	(10,229)	(8,778)	(21,189)	(27,079)	(14,343)
Adjusted general, administrative and other	<u>\$ 23,048</u>	<u>\$ 22,951</u>	<u>\$ 26,812</u>	<u>\$ 27,231</u>	<u>\$ 26,668</u>
GAAP interest income	\$ 431	\$ 977	\$ 827	\$ 1,429	\$ 2,057
Interest income earned by the Consolidated Funds ⁽⁶⁾	(244)	(249)	(540)	(612)	(907)
Adjusted interest income	<u>\$ 187</u>	<u>\$ 728</u>	<u>\$ 287</u>	<u>\$ 817</u>	<u>\$ 1,150</u>
GAAP other income (loss)	\$ 227	\$ (872)	\$ 4,408	\$ (1,308)	\$ (351)
Adjustments ⁽⁷⁾	(376)	403	(4,301)	395	(72)
Adjusted other income (loss)	<u>\$ (149)</u>	<u>\$ (469)</u>	<u>\$ 107</u>	<u>\$ (913)</u>	<u>\$ (423)</u>

(1) Reflects the add-back of management and advisory fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

(2) Reflects the add-back of incentive fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

(3) Reflects the removal of compensation paid to certain employees as part of an acquisition earn-out.

(4) Reflects the removal of equity-based compensation for awards granted prior to and in connection with the IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in the private wealth subsidiary.

(5) Reflects the removal of lease remeasurement adjustments, accelerated depreciation of leasehold improvements for changes in lease terms, amortization of intangibles, transaction-related costs and other non-core operating income and expenses.

(6) Reflects the removal of interest income earned by the Consolidated Funds.

(7) Reflects the removal of amounts for Tax Receivable Agreements adjustments recognized as other income (loss), gain associated with amounts received as part of negotiations with a third party related to certain corporate matters, loss on sale of subsidiary and the impact of consolidation of the Consolidated Funds.

The table below shows a reconciliation of income (loss) before income tax to ANI and FRE.

	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
<i>(in thousands)</i>					

Income (loss) before income tax	\$	58,043	66,980	\$	(24,142)	\$	94,515	\$	54,842	
Net income attributable to non-controlling interests in subsidiaries ⁽¹⁾		(10,540)	(10,321)		(15,537)		(12,822)		(18,951)	
Net loss attributable to non-controlling interests in legacy Greenspring entities		2,866	3,966		2,222		33		1,255	
Unrealized carried interest allocations		(49,364)	(55,371)		129,584		(151,757)		25,170	
Unrealized performance fee-related compensation		24,211	28,712		(62,243)		84,014		(10,923)	
Unrealized investment (income) loss		(2,529)	(1,657)		5,559		(2,280)		(1,180)	
Impact of Consolidated Funds		(2,647)	(8,223)		(11,068)		(4,138)		(7,731)	
Deferred incentive fees		—	942		—		1,450		6	
Equity-based compensation ⁽²⁾		7,171	4,644		12,610		12,210		16,785	
Amortization of intangibles		10,661	10,661		10,661		10,423		10,250	
Tax Receivable Agreements adjustments through earnings		—	—		222		90		—	
Non-core items ⁽³⁾		(50)	(1,500)		6,335		16,780		4,137	
Pre-tax ANI		37,822	38,833		54,203		48,518		73,660	
Income taxes ⁽⁴⁾		(8,434)	(8,660)		(12,087)		(10,802)		(16,419)	
ANI		29,388	30,173		42,116		37,716		57,241	
Income taxes ⁽⁴⁾		8,434	8,660		12,087		10,802		16,419	
Realized carried interest allocations		(14,473)	(1,585)		(15,289)		(18,054)		(41,804)	
Realized performance fee-related compensation ⁽⁵⁾		9,102	1,720		15,444		11,421		20,848	
Realized investment income		(557)	(1,423)		(3,508)		(1,057)		(1,415)	
Adjusted incentive fees ⁽⁶⁾		(6)	(4,946)		(17,891)		(4,045)		(841)	
Deferred incentive fees		—	(942)		—		(1,450)		(6)	
Adjusted interest income ⁽⁶⁾		(187)	(728)		(287)		(817)		(1,150)	
Interest expense		2,012	2,108		2,562		2,649		2,990	
Adjusted other (income) loss ⁽⁶⁾⁽⁷⁾		149	469		(107)		913		423	
Net income attributable to non-controlling interests in subsidiaries ⁽¹⁾		10,540	10,321		15,537		12,822		18,951	
FRE	\$	44,402	\$	43,827	\$	50,664	\$	50,900	\$	71,656

(1) Reflects the portion of pre-tax ANI attributable to non-controlling interests in our subsidiaries and realized gains attributable to the profits interests issued in the private wealth subsidiary:

	Three Months Ended									
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024					
<i>(in thousands)</i>										
FRE attributable to non-controlling interests in subsidiaries and profits interests	\$	10,534	\$	9,463	\$	10,518	\$	11,559	\$	13,308
Non fee-related earnings attributable to non-controlling interests in subsidiaries and profits interests		6		858		5,019		1,263		5,643
Net income attributable to non-controlling interests in subsidiaries	\$	10,540	\$	10,321	\$	15,537	\$	12,822	\$	18,951

(2) Reflects equity-based compensation for awards granted prior to and in connection with the IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in the private wealth subsidiary.

(3) Includes (income) expense related to the following non-core operating income and expenses:

Three Months Ended

<i>(in thousands)</i>	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Transaction costs	\$ 37	\$ 163	\$ 670	\$ 3,985	\$ 672
Lease remeasurement adjustments	—	—	(106)	—	—
Accelerated depreciation of leasehold improvements for changes in lease terms	631	631	631	—	—
(Gain) loss on change in fair value for contingent consideration obligation	(1,249)	(2,868)	9,054	12,280	2,953
Compensation paid to certain employees as part of an acquisition earn-out	531	574	574	515	482
Gain from negotiation of certain corporate matters	—	—	(5,300)	—	—
Loss on sale of subsidiary	—	—	812	—	—
Other non-core items	—	—	—	—	30
Total non-core operating income and expenses	\$ (50)	\$ (1,500)	\$ 6,335	\$ 16,780	\$ 4,137

(4) Represents corporate income taxes at a blended statutory rate applied to pre-tax ANI:

	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Federal statutory rate	21.0%	21.0%	21.0%	21.0%	21.0%
Combined state, local and foreign rate	1.3%	1.3%	1.3%	1.3%	1.3%
Blended statutory rate	22.3%	22.3%	22.3%	22.3%	22.3%

(5) Includes carried interest-related compensation expense related to the portion of net carried interest allocation revenue attributable to equity holders of the Company's consolidated subsidiaries that are not 100% owned:

<i>(in thousands)</i>	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
Realized carried interest-related compensation	\$ 2,189	\$ —	\$ 660	\$ 910	\$ —

(6) Excludes the impact of consolidating the Consolidated Funds.

(7) Excludes amounts for Tax Receivable Agreements adjustments recognized as other income (loss) (\$(0.1) million for the three months ended March 31, 2024 and \$(0.2) million for the three months ended December 31, 2023), gain associated with amounts received as part of negotiations with a third party related to certain corporate matters (\$5.3 million for the three months ended December 31, 2023), and loss on sale of subsidiary (\$0.8 million for the three months ended December 31, 2023).

Fee-Related Earnings Margin

FRE margin is a non-GAAP performance measure which is calculated by dividing FRE by adjusted management and advisory fees, net. We believe FRE margin is an important measure of profitability on revenues that are largely recurring by nature. We believe FRE margin is useful to investors because it enables them to better evaluate the operating profitability of our business across periods.

The table below shows a reconciliation of FRE to FRE margin.

<i>(in thousands)</i>	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
FRE	\$ 44,402	\$ 43,827	\$ 50,664	\$ 50,900	\$ 71,656
Adjusted management and advisory fees, net	138,301	142,327	151,943	153,808	178,514
FRE margin	32%	31%	33%	33%	40%

Gross Realized Performance Fees

Gross realized performance fees represents realized carried interest allocations and adjusted incentive fees, including the deferred portion. We believe gross realized performance fees is useful to investors because it presents the total performance fees realized by us.

Net Realized Performance Fees

Net realized performance fees represents gross realized performance fees, less realized performance fee-related compensation. We believe net realized performance fees is useful to investors because it presents the performance fees attributable to us, net of amounts paid to employees as performance fee-related compensation.

The table below shows a reconciliation of total performance fees to gross and net realized performance fees.

	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
<i>(in thousands)</i>					
Incentive fees	\$ 6	\$ 4,946	\$ 17,891	\$ 2,496	\$ 841
Realized carried interest allocations	14,473	1,585	15,289	18,054	41,804
Unrealized carried interest allocations	49,364	55,371	(129,584)	151,757	(25,170)
Legacy Greenspring carried interest allocations	(23,947)	(12,603)	(69,700)	31,093	(9,089)
Total performance fees	39,896	49,299	(166,104)	203,400	8,386
Unrealized carried interest allocations	(49,364)	(55,371)	129,584	(151,757)	25,170
Legacy Greenspring carried interest allocations	23,947	12,603	69,700	(31,093)	9,089
Incentive fee revenues for the Consolidated Funds ⁽¹⁾	—	—	—	1,549	—
Deferred incentive fees	—	942	—	1,450	6
Gross realized performance fees	14,479	7,473	33,180	23,549	42,651
Realized performance fee-related compensation	(9,102)	(1,720)	(15,444)	(11,421)	(20,848)
Net realized performance fees	\$ 5,377	\$ 5,753	\$ 17,736	\$ 12,128	\$ 21,803

(1) Reflects the add-back of incentive fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

Adjusted Weighted-Average Shares and Adjusted Net Income Per Share

ANI per share measures our per-share earnings assuming all Class B units, Class C units and Class D units in the Partnership were exchanged for Class A common stock in SSG, including the dilutive impact of outstanding equity-based awards. ANI per share is calculated as ANI divided by adjusted weighted-average shares outstanding. We believe adjusted weighted-average shares and ANI per share are useful to investors because they enable investors to better evaluate per-share operating performance across reporting periods.

The following table shows a reconciliation of diluted weighted-average shares of Class A common stock outstanding to adjusted weighted-average shares outstanding used in the computation of ANI per share.

	Three Months Ended				
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024
ANI	\$ 29,388	\$ 30,173	\$ 42,116	\$ 37,716	\$ 57,241
Weighted-average shares of Class A common stock outstanding – Basic	62,834,818	62,858,468	64,068,952	64,194,859	66,187,754
Assumed vesting of RSUs	400,034	801,014	333,402	512,946	673,854

Assumed vesting and exchange of Class B2 units	2,504,618	2,538,647	2,553,899	2,573,762	1,732,153
Exchange of Class B units in the Partnership ⁽¹⁾	46,420,141	46,417,845	46,314,543	46,272,227	45,827,707
Exchange of Class C units in the Partnership ⁽¹⁾	2,514,085	2,502,086	1,962,131	1,958,507	1,849,846
Exchange of Class D units in the Partnership ⁽¹⁾	—	—	—	—	2,239,185
Adjusted weighted-average shares	114,673,696	115,118,060	115,232,927	115,512,301	118,510,499
ANI per share	\$ 0.26\$	0.26\$	0.37\$	0.33\$	0.48

(1) Assumes the full exchange of Class B units, Class C units or Class D units in the Partnership for Class A common stock of SSG pursuant to the Class B Exchange Agreement, Class C Exchange Agreement or Class D Exchange Agreement, respectively.

Key Operating Metrics

We monitor certain operating metrics that are either common to the asset management industry or that we believe provide important data regarding our business. Refer to the Glossary below for a definition of each of these metrics.

Fee-Earning AUM

<i>(in millions)</i>	Three Months Ended					Percentage Change
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	vs. FQ1'24
Separately Managed Accounts						
Beginning balance	\$ 55,345	\$ 56,645	\$ 56,380	\$ 56,660	\$ 58,897	6%
Contributions ⁽¹⁾	1,425	1,036	1,109	2,757	2,085	46%
Distributions ⁽²⁾	(429)	(1,459)	(1,397)	(795)	(830)	93%
Market value, FX and other ⁽³⁾	304	158	568	275	120	(61)%
Ending balance	\$ 56,645	\$ 56,380	\$ 56,660	\$ 58,897	\$ 60,272	6%
Focused Commingled Funds						
Beginning balance	\$ 30,086	\$ 30,762	\$ 30,905	\$ 32,772	\$ 34,961	16%
Contributions ⁽¹⁾	796	992	1,898	2,429	5,653	610%
Distributions ⁽²⁾	(252)	(988)	(274)	(327)	(661)	162%
Market value, FX and other ⁽³⁾	132	139	243	87	131	(1)%
Ending balance	\$ 30,762	\$ 30,905	\$ 32,772	\$ 34,961	\$ 40,084	30%
Total						
Beginning balance	\$ 85,431	\$ 87,407	\$ 87,285	\$ 89,432	\$ 93,858	10%
Contributions ⁽¹⁾	2,221	2,028	3,007	5,186	7,738	248%
Distributions ⁽²⁾	(681)	(2,447)	(1,671)	(1,122)	(1,491)	119%
Market value, FX and other ⁽³⁾	436	297	811	362	251	(42)%
Ending balance	\$ 87,407	\$ 87,285	\$ 89,432	\$ 93,858	\$ 100,356	15%

(1) Contributions consist of new capital commitments that earn fees on committed capital and capital contributions to funds and accounts that earn fees on net invested capital or NAV.

(2) Distributions consist of returns of capital from funds and accounts that pay fees on net invested capital or NAV and reductions in fee-earning AUM from funds that moved from a committed capital to net invested capital fee basis or from funds and accounts that no longer pay fees.

(3) Market value, FX and other primarily consist of changes in market value appreciation (depreciation) for funds that pay on NAV

and the effect of foreign exchange rate changes on non-U.S. dollar denominated commitments.

Asset Class Summary

<i>(in millions)</i>	Three Months Ended					Percentage Change
	June 30, 2023	September 30, 2023	December 31, 2023	March 31, 2024	June 30, 2024	vs. FQ1'24
FEAUM						
Private equity	\$ 46,539	\$ 46,464	\$ 48,258	\$ 49,869	\$ 54,855	18%
Infrastructure	19,874	20,122	19,789	20,114	20,377	3%
Private debt	14,865	15,122	15,460	15,477	16,161	9%
Real estate	6,129	5,577	5,925	8,398	8,963	46%
Total	\$ 87,407	\$ 87,285	\$ 89,432	\$ 93,858	\$ 100,356	15%
Separately managed accounts						
	\$ 56,645	\$ 56,380	\$ 56,660	\$ 58,897	\$ 60,272	6%
Focused commingled funds						
	30,762	30,905	32,772	34,961	40,084	30%
Total	\$ 87,407	\$ 87,285	\$ 89,432	\$ 93,858	\$ 100,356	15%
AUM⁽¹⁾						
Private equity	\$ 73,511	\$ 76,031	\$ 78,221	\$ 81,942	\$ 89,329	22%
Infrastructure	28,521	28,678	28,307	30,003	32,756	15%
Private debt	27,099	27,520	27,782	28,491	30,336	12%
Real estate	13,469	13,612	14,646	16,201	16,912	26%
Total	\$ 142,600	\$ 145,841	\$ 148,956	\$ 156,637	\$ 169,333	19%
Separately managed accounts						
	\$ 85,058	\$ 85,387	\$ 88,890	\$ 93,938	\$ 103,003	21%
Focused commingled funds						
	44,389	46,266	45,508	48,545	51,682	16%
Advisory AUM						
	13,153	14,188	14,558	14,154	14,648	11%
Total	\$ 142,600	\$ 145,841	\$ 148,956	\$ 156,637	\$ 169,333	19%
AUA						
Private equity	\$ 251,880	\$ 264,327	\$ 266,246	\$ 270,350	\$ 279,909	11%
Infrastructure	53,593	55,146	57,528	60,339	62,599	17%
Private debt	17,525	18,026	17,916	21,976	22,280	27%
Real estate	173,992	175,369	168,802	168,455	166,659	(4)%
Total	\$ 496,990	\$ 512,868	\$ 510,492	\$ 521,120	\$ 531,447	7%
Total capital responsibility⁽²⁾	\$ 639,590	\$ 658,709	\$ 659,448	\$ 677,757	\$ 700,780	10%

Note: Amounts may not sum to total due to rounding. AUM/AUA reflects final data for the prior period, adjusted for net new client account activity through the period presented, and does not include post-period investment valuation or cash activity. Net asset value ("NAV") data for underlying investments is as of the prior period, as reported by underlying managers up to the business day occurring on or after 100 days, or 115 days at the fiscal year-end, following the prior period end. When NAV data is not available by the business day occurring on or after 100 days, or 115 days at the fiscal year-end, following the prior period end, such NAVs are adjusted for cash activity following the last available reported NAV.

(1) Allocation of AUM by asset class is presented by underlying investment asset classification.

(2) Total capital responsibility equals assets under management (AUM) plus assets under advisement (AUA).

Contacts

Shareholder Relations:

Seth Weiss
shareholders@stepstonegroup.com
1-212-351-6106

Media:

Brian Ruby / Chris Gillick / Matt Lettierio, ICR
StepStonePR@icrinc.com
1-203-682-8268

Glossary

Assets under advisement, or “AUA,” consists of client assets for which we do not have full discretion to make investment decisions but play a role in advising the client or monitoring their investments. We generally earn revenue for advisory-related services on a contractual fixed fee basis. Advisory-related services include asset allocation, strategic planning, development of investment policies and guidelines, screening and recommending investments, legal negotiations, monitoring and reporting on investments, and investment manager review and due diligence. Advisory fees vary by client based on the scope of services, investment activity and other factors. Most of our advisory fees are fixed, and therefore, increases or decreases in AUA do not necessarily lead to proportionate changes in revenue. We believe AUA is a useful metric for assessing the relative size of our advisory business.

Our AUA is calculated as the sum of (i) the NAV of client portfolio assets for which we do not have full discretion and (ii) the unfunded commitments of clients to the underlying investments. Our AUA reflects the investment valuations in respect of the underlying investments of our client accounts on a three-month lag, adjusted for new client account activity through the period end. Our AUA does not include post-period investment valuation or cash activity. AUA as of June 30, 2024 reflects final data for the prior period (March 31, 2024), adjusted for net new client account activity through June 30, 2024. NAV data for underlying investments is as of March 31, 2024, as reported by underlying managers up to the business day occurring on or after 100 days following March 31, 2024. When NAV data is not available by the business day occurring on or after 100 days following March 31, 2024, such NAVs are adjusted for cash activity following the last available reported NAV.

Assets under management, or “AUM,” primarily reflects the assets associated with our separately managed accounts (“SMAs”) and focused commingled funds. We classify assets as AUM if we have full discretion over the investment decisions in an account or have responsibility or custody of assets. Although management fees are based on a variety of factors and are not linearly correlated with AUM, we believe AUM is a useful metric for assessing the relative size and scope of our asset management business.

Our AUM is calculated as the sum of (i) the net asset value (“NAV”) of client portfolio assets, including the StepStone Funds and (ii) the unfunded commitments of clients to the underlying investments and the StepStone Funds. Our AUM reflects the investment valuations in respect of the underlying investments of our funds and accounts on a three-month lag, adjusted for new client account activity through the period end. Our AUM does not include post-period investment valuation or cash activity. AUM as of June 30, 2024 reflects final data for the prior period (March 31, 2024), adjusted for net new client account activity through June 30, 2024. NAV data for underlying investments is as of March 31, 2024, as reported by underlying managers up to the business day occurring on or after 100 days following March 31, 2024. When NAV data is not available by the business day occurring on or after 100 days following March 31, 2024, such NAVs are adjusted for cash activity following the last available reported NAV.

Consolidated Funds refer to the StepStone Funds that we are required to consolidate as of the applicable reporting period. We consolidate funds and other entities in which we hold a controlling financial interest.

Consolidated VIEs refer to the variable interest entities that we are required to consolidate as of the applicable reporting period. We consolidate VIEs in which we hold a controlling financial interest.

Fee-earning AUM, or “FEAUM,” reflects the assets from which we earn management fee revenue (i.e., fee basis) and includes assets in our SMAs, focused commingled funds and assets held directly by our clients for which we have fiduciary oversight and are paid fees as the manager of the assets. Our SMAs and focused commingled funds typically pay management fees based on capital commitments, net invested capital and, in certain cases, NAV, depending on the fee terms. Management fees are only marginally affected by market appreciation or depreciation because substantially all of the StepStone Funds pay management fees based on capital commitments or net invested capital. As a result, management fees and FEAUM are not materially affected by changes in market value. We believe FEAUM is a useful metric in order to assess assets forming the basis of our management fee revenue.

Legacy Greenspring entities refers to certain entities for which the Company, indirectly through its subsidiaries, became the sole

and/or managing member in connection with the Greenspring acquisition.

SSG refers solely to StepStone Group Inc., a Delaware corporation, and not to any of its subsidiaries.

StepStone Funds refer to SMAs and focused commingled funds of the Company, including acquired Greenspring funds, for which the Partnership or one of its subsidiaries acts as both investment adviser and general partner or managing member.

The Partnership refers solely to StepStone Group LP, a Delaware limited partnership, and not to any of its subsidiaries.

Total capital responsibility equals AUM plus AUA. AUM includes any accounts for which StepStone Group has full discretion over the investment decisions, has responsibility to arrange or effectuate transactions, or has custody of assets. AUA refers to accounts for which StepStone Group provides advice or consultation but for which the firm does not have discretionary authority, responsibility to arrange or effectuate transactions, or custody of assets.

Undeployed fee-earning capital represents the amount of capital commitments to StepStone Funds that has not yet been invested or considered active but will generate management fee revenue once this capital is invested or activated. We believe undeployed fee-earning capital is a useful metric for measuring the amount of capital that we can put to work in the future and thus earn management fee revenue thereon.