

# 3Q21 Earnings Presentation

November 9, 2021



# Forward looking statements and non-GAAP financial measures

## **Forward-Looking Statements**

*Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “will,” “could,” “expect,” “believes,” “estimates,” “predicts,” “potential,” “plans,” or “continue,” the negative of these terms and other comparable terminology that conveys uncertainty of future events or outcomes. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results to differ materially from statements made in this presentation, including in relation to our ability to attract and retain advisors, shifting investor preferences, our financial performance, investments in new products, services and capabilities, our ability to execute strategic transactions and successfully integrate Voyant, general market, economic and business conditions, demand from our customers and end investors and our operating results. Other potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020. Additional information is set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021. All information provided in this presentation is based on information available to us as of the date of this presentation and any forward-looking statements contained herein are based on assumptions that we believe are reasonable as of this date. Undue reliance should not be placed on the forward-looking statements in this presentation, which are inherently uncertain. We undertake no duty to update this information unless required by law.*

## **Use of Non-GAAP Financial Information**

*To supplement our financial information, which is prepared and presented in accordance with generally accepted accounting principles in the United States of America, or GAAP, we use non-GAAP financial measures: adjusted EBITDA, adjusted EBITDA margin and adjusted net income. The presentation of these non-GAAP financial metrics is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We believe that the presentation of non-GAAP financial information provides important supplemental information to management and investors regarding financial and business trends relating to our financial condition and results of operations. For further information regarding these non-GAAP measures, including the limitations thereof and reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure, please refer to our earnings release and Form 10-Q.*

# Record quarterly results

## Key Operating Metrics

**\$2.8b**

**Net flows**

*Up 134% y/y*

**203k**

**Households**

*Up 11% y/y*

**2,749**

**Engaged advisors**

*Up 15% y/y*

## Top Line Financials

**\$139.7m**

**Revenue**

*Up 30% y/y*

**\$101.5m**

**Net revenue**

*Up 38% y/y*

## Bottom Line Financials

**\$44.8m**

**Adj. EBITDA**

*Up 53% y/y*

**\$29.9m**

**Adj. net income**

*Up 65% y/y*

# The depth of our platform and our focus on advisor growth and scale across multiple affiliations differentiates us from other providers

## Broker Dealers

Compliance and supervisory services

## Asset Managers

Asset management



Ecosystem that empowers growth-focused, independent fee-based advisors with the highest quality capabilities and services



Fully integrated technology platform with solutions that enable dynamic conversations between advisors and their clients and enhance advisor effectiveness



Personalized support to create a trusted relationship that empowers advisor growth and investor success



Curated investments solutions and insights that help investors of all sizes achieve their unique goals

## Custodians

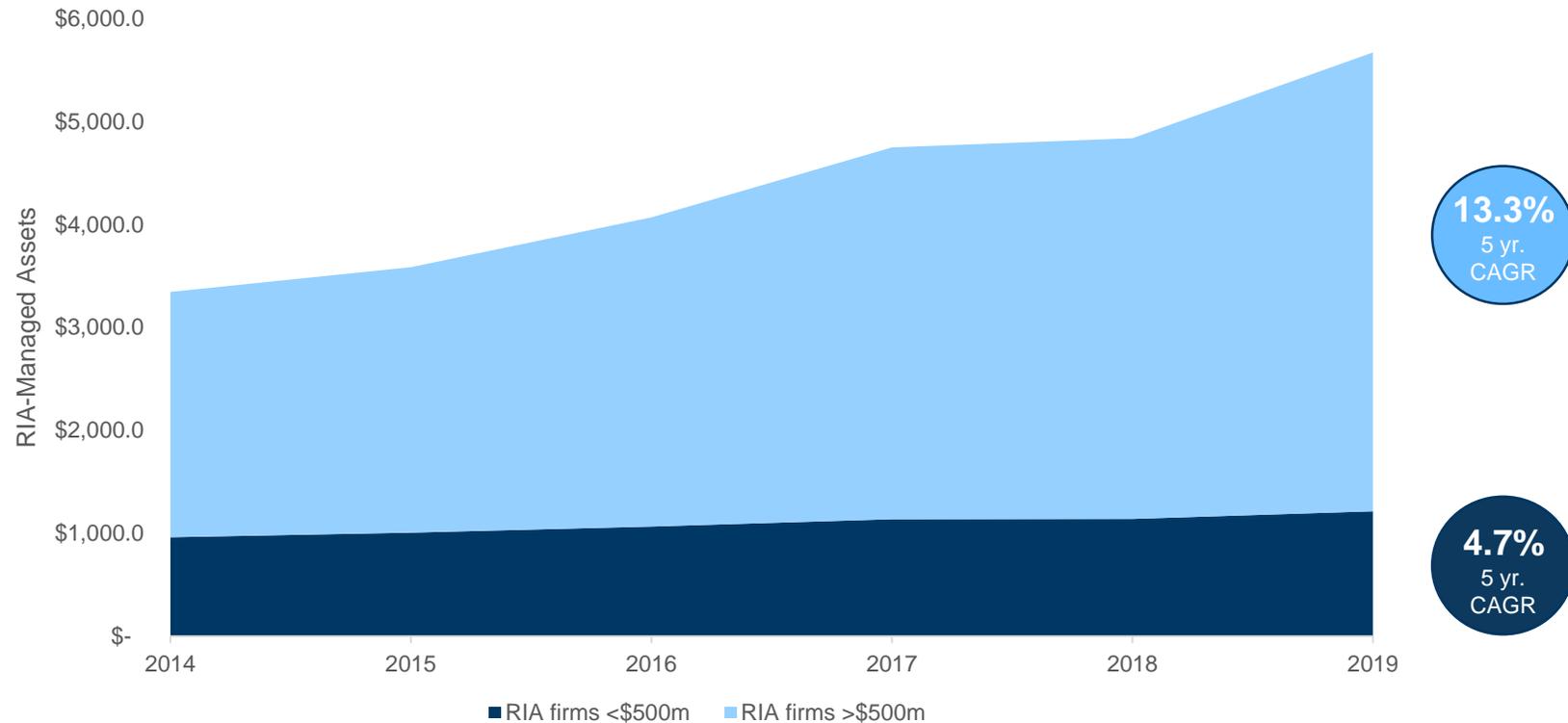
Safekeeping of assets, recordkeeping and securities transactions

## FinTech Firms

Specialty service or technology solution

# 1 Meet advisors where they are

## Over 15k subscale RIA firms are growth-challenged

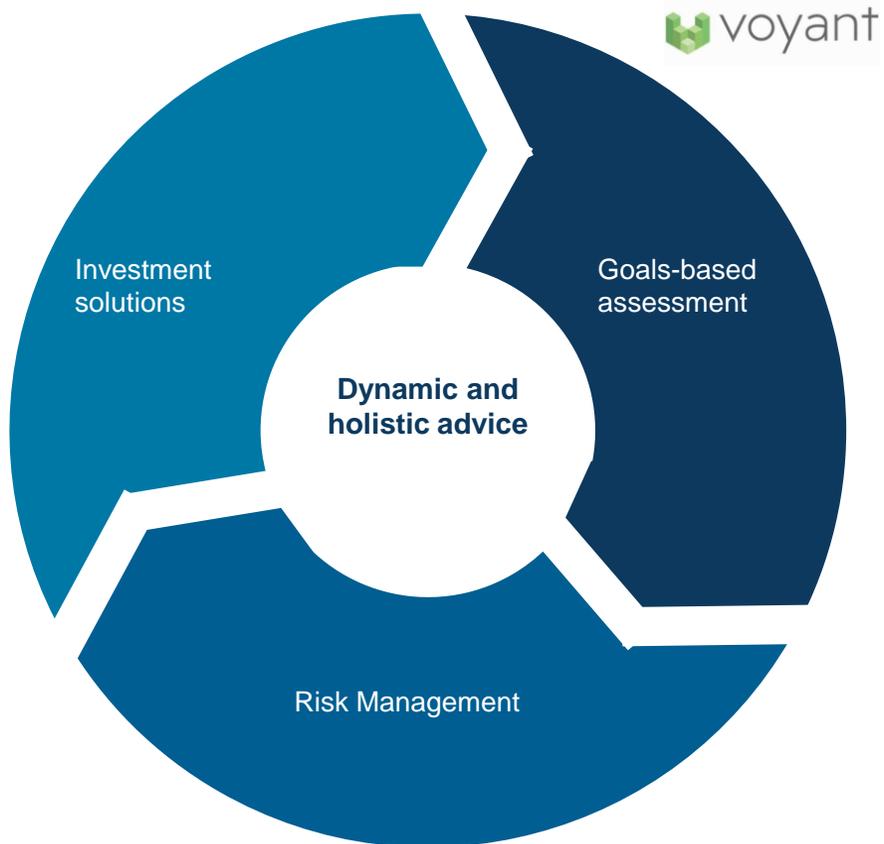


Source: Cerulli: U.S. RIA Marketplace 2020



- Building a strong pipeline of qualified leads
- Expanded AMI leadership team to increase focus on growing RIA offering
- AMI officially approved for leading custodian's RIA referral program

## 2 Deliver a holistic, differentiated experience



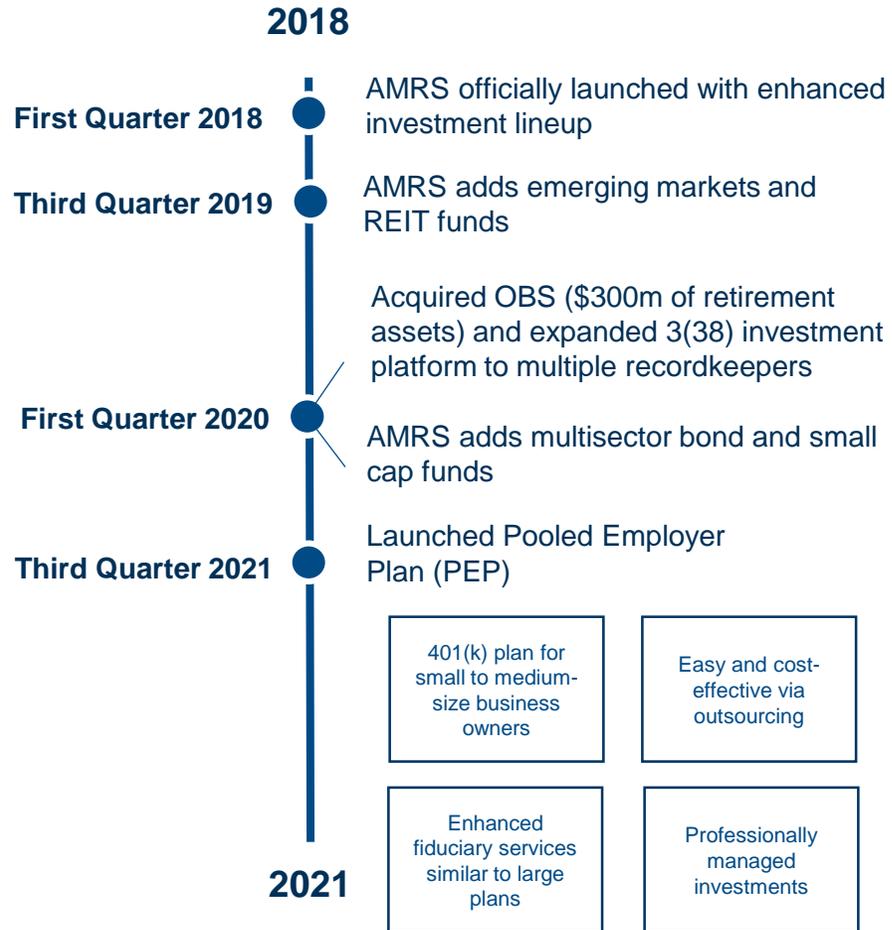
### In July, we closed on our acquisition of Voyant

#### Voyant Update

- Added a single sign-on from eWealthManager allowing Advisors to sign up for a free trial
- AssetMark has been hosting live demos of Voyant for all of its advisors
- Income Planner, powered by Voyant, is aiding in income conversations between advisors and their clients.
- AssetMark has started discussing Voyant with several large broker dealer partners.
- Positive reaction from AssetMark advisors

# 3 Enable advisors to serve more investors

## AssetMark Retirement Services (AMRS)



## Separately Managed Accounts (SMA)

*The amount of money in separately managed accounts has increased 52.7% over the last year.<sup>1</sup>*



**Professional Management**

Asset managers with knowledge and specialized expertise in the specific asset class



**Improved Tax Efficiency**

Each investor has their own tax basis plus ability to harvest gains/losses



**Transparency**

Holdings of individual securities that show what investors own



**Lower Cost Potential**

No fund expenses, unlike mutual funds and ETFs

<sup>1</sup>Source: The Cerulli Edge – U.S. Managed Accounts Edition: Q3 2021 Edition

## 4 Help advisors grow and scale their businesses

*AssetMark's Business Consulting team supports advisors' businesses at every stage of growth through individualized guidance and by identifying opportunities to increase value, drive growth, and boost performance.*



### Marketing

- Value Proposition
- Target Client Profile
- Marketing Plan
- Referral Management
- Center of Influence Process



### Client Experience & Operations

- Segmentation
- Client Services Checklist
- Sample Service Model
- Client Opportunity Review
- Technology Self Assessment
- Technology & Outsourcing Resources



### Business Strategy & Planning

- Business Assessment Tool
- Economic Modeling
- Creating a Powerful Strategic Plan
- Value Maximization Plan
- Goal Planning
- Monitoring & Tracking Progress



### Empowering Advisors' Team

- Sample Compensation Plan
- Compensation Strategy and Structure
- Sample Job Descriptions
- Career Ladders
- Performance Reviews
- Hiring and On-Boarding

# 5 Pursue Strategic Transactions

## Strategic Growth and Scale

Augment the advisor experience through the addition of high impact capabilities and at-scale infrastructure

# 1

### Strategic Growth

Deliver high impact capabilities to enable advisor practices and accelerate organic growth

- Financial Planning
- Practice Effectiveness
- Compliance
- Digital Marketing
- Lead Generation
- Risk Profiling
- Rebalancing / Direct Indexing
- FMO / Trust



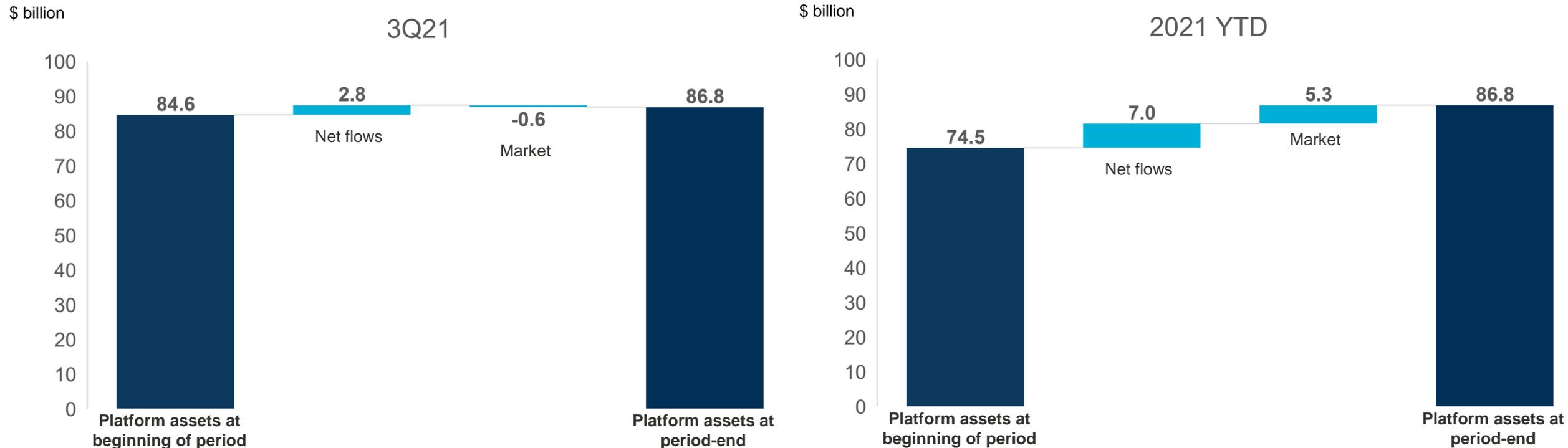
# 2

### Scale

Monetize at-scale infrastructure through buying assets under management

- Stable advisor base that fits AMK profile
- Unique or differentiated investment capability (we add) or investment solution continuity
- Custody overlap

# Platform assets – 3Q21 and 2021 YTD



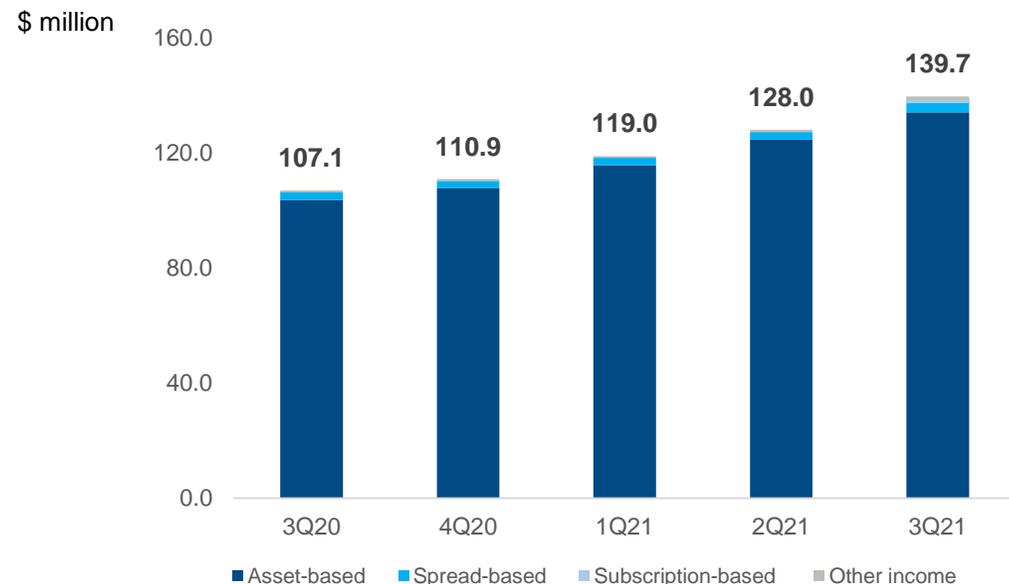
**12.5%** Net Flows as a % of Beginning-of-Period Platform Assets<sup>2</sup>

<sup>1</sup>As of September 30, 2021.

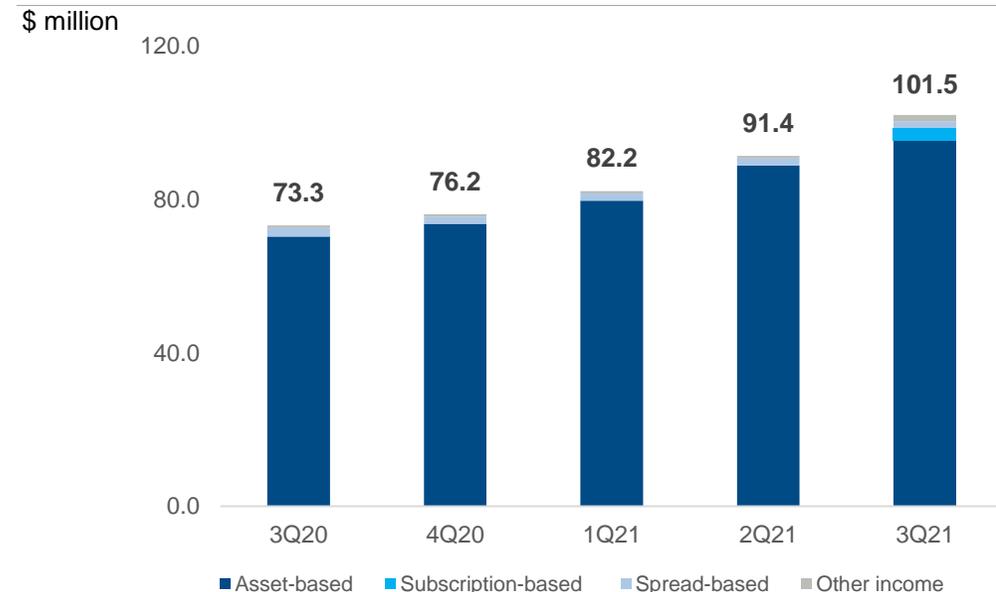
<sup>2</sup>Calculated as annualized net flows of \$7.0 billion divided by beginning-of-period platform assets of \$74.5 billion as of January 1, 2021.

# Third quarter results highlighted by strong top line numbers

**Total revenue (3Q20-3Q21)**



**Net revenue (3Q20-3Q21)**

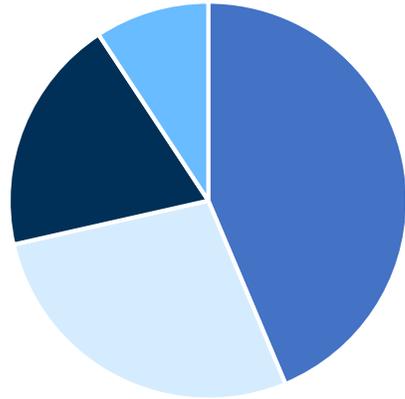


(dollars in millions)

	3Q20	3Q21	VPY
<b>Total revenue</b>	<b>\$107.1</b>	<b>\$139.7</b>	<b>30.4%</b>
Asset-based	103.8	134.2	29.2%
Subscription-based	-	3.2	NM
Spread-based	2.6	1.2	(53.0%)
<b>Revenue less cost of revenue</b>	<b>\$73.3</b>	<b>\$101.5</b>	<b>38.5%</b>
Asset-based	70.4	95.5	35.6%
Subscription-based	-	3.2	NM
Spread-based	2.2	1.7	(21.6%)

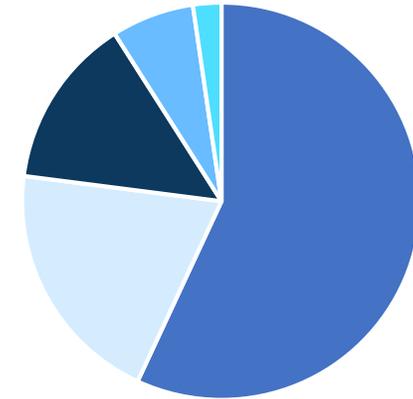
# Revenue TAM across all channels is ~\$21.7 billion

**A \$6.3 trillion  
asset total  
addressable  
market  
(TAM)...**



■ IBD ■ Retirement ■ RIA ■ Bank Trust

**...translates  
into a ~\$22  
billion revenue  
TAM  
(net of related variable  
expenses)**



■ IBD ■ Retirement ■ RIA ■ Bank Trust ■ Voyant

**Based on 2021 full year guidance, AssetMark has approximately 2% of the overall revenue TAM,  
with a long runway for future growth.**

Source: Cerulli, 2020 U.S. Broker/Dealer Marketplace Annual; Cerulli, 2020 U.S. RIA Marketplace Annual; Cerulli, U.S. Retirement Markets 2020 and internal estimates.

IBD TAM includes Independent Broker Dealers with <\$500M in asset and Insurance Broker Dealers of all sizes.

Retirement TAM includes all 401k plans below \$25 million and all ERISA-covered 403(b) plans. Overlaps TAM for IBD, RIA and bank trust if the advisor is working with retail clients. No overlap if advisor is working directly with plan sponsor

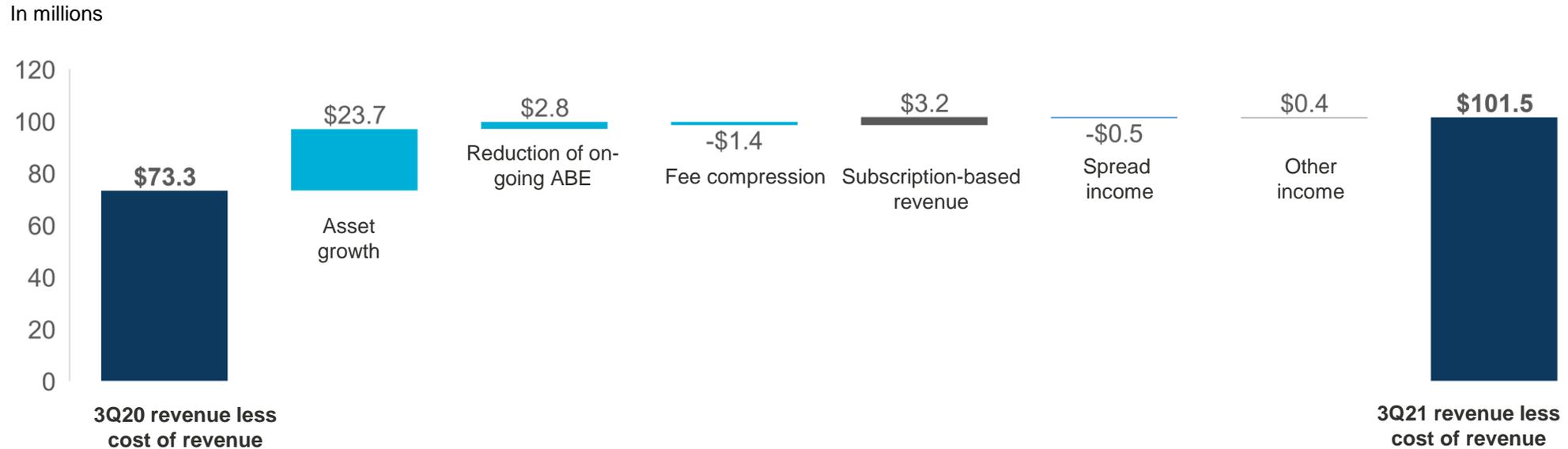
RIA TAM includes Independent RIAs and Hybrid RIAs below \$500 million.

Bank Trust TAM only includes Regional and Community Bank trust assets.

Voyant TAM calculation from their average Voyant Revenue per advisor for advisor products and consumer products

IBD bps rate assumption is 45 bps, while all others excluding Voyant, are 25 bps.

# Revenue less cost of revenue – year-over-year comparison



## Asset Based

\$23.7m increase due to a \$21.4b in billable asset growth and \$2.8m in reduction of on-going ABE, offset by:

- \$1.4m from fee compression (represents ~0.65 bps)

## Subscription Based

Addition of \$3.2m of subscription-based revenue from the acquisition of Voyant, which closed July 1, 2021

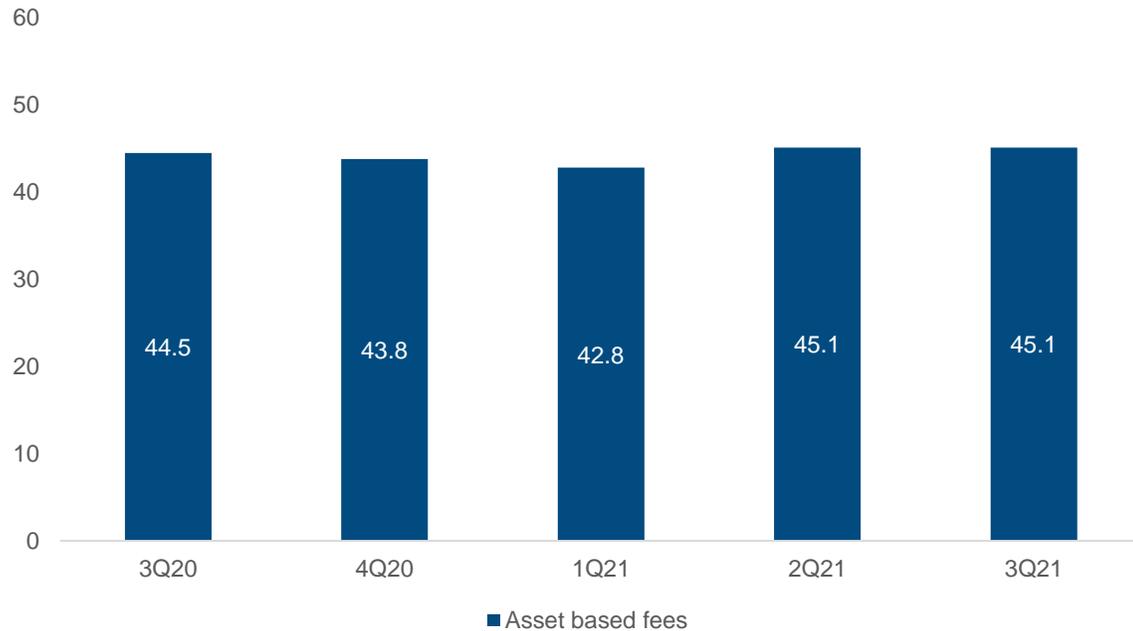
## Spread Based

Decreased \$0.5m year-over-year driven by yield decline from 0.33% to 0.27%.

## Other income

Increased \$0.4m driven primarily by Voyant.

# Asset-based yield trend analysis (3Q20-3Q21)



## Asset-based Yield Commentary

- Moving forward, we will only be reporting and discussing asset-based yield
- 3Q21 yield up 0.6 bps year over year driven by proactive measures to reduce on-going asset-based expenses (1.3 bps) offset by fee compression (0.7 bps)
- As we have historically communicated, we still expect a bp per year decline in asset-based fee yield as a result of mix shift.

# Adjusted expenses down driven by expense management

<i>(dollars in millions)</i>	Reported Expenses		Adjusted Expenses			
	3Q20	3Q21	3Q20	3Q21	VPY (\$)	VPY (%)
Asset-based expenses	\$33.4	\$38.7	\$33.4	\$38.7	\$5.3	15.8%
Spread-based expenses	\$0.4	(\$0.5)	\$0.4	(\$0.5)	(\$0.9)	NM
<b>Operating Expenses</b>						<b>29.3%</b>
Employee compensation	\$42.8	\$44.1	\$28.4	\$34.4	\$6.0	21.3%
SG&A <sup>1</sup>	\$19.6	\$23.9	\$15.5	\$22.3	\$6.8	44.0%
Interest expense	\$1.3	\$1.1	\$1.3	\$1.1	(\$0.3)	(21.1%)
Depreciation and amortization	\$8.7	\$10.6	\$3.6	\$4.7	\$1.1	31.4%
Other expense	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	NM
<b>Total</b>	<b>\$106.3</b>	<b>\$118.0</b>	<b>\$82.6</b>	<b>\$100.6</b>	<b>\$18.0</b>	<b>21.8%</b>

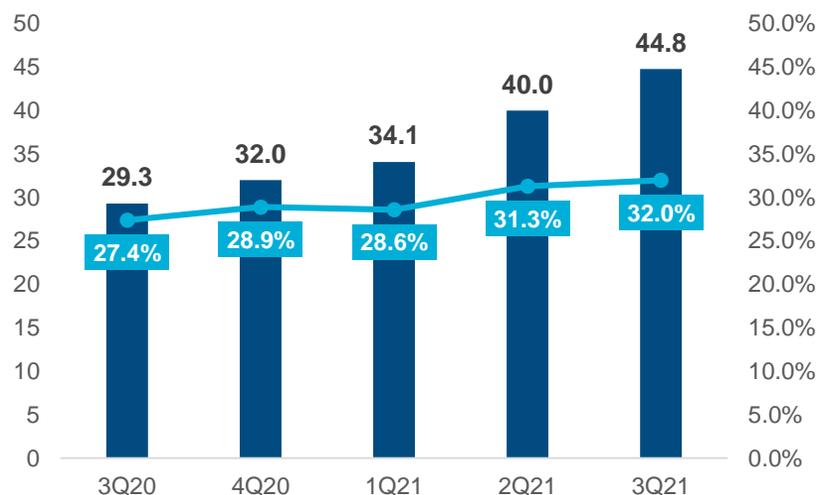
- Operating expenses were up 29.3% year-over-year driven by a 44.0% y/y increase in SG&A and a 21.3% y/y increase in employee compensation.
- The increase in employee compensation is driven by increased sales volume and headcount, up 21.0% y/y.

<sup>1</sup>Includes general and operating expenses and professional fees  
 Note: Percentage variance based on actual numbers, not rounded results.

# Record bottom line results

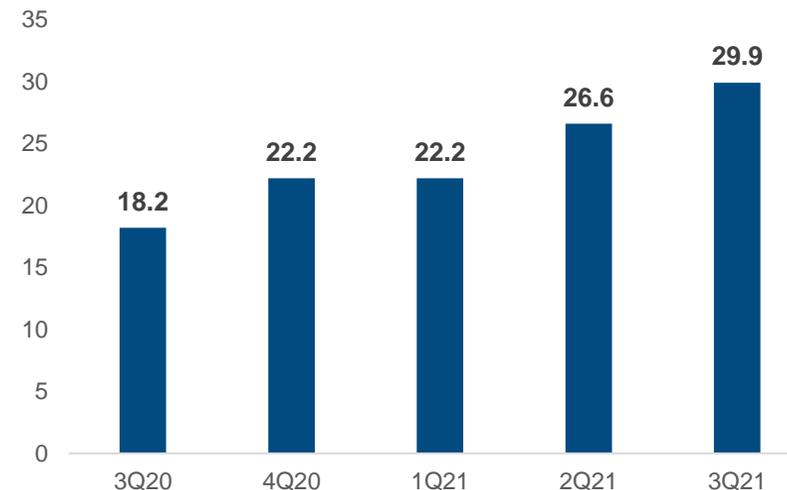
## Adjusted EBITDA and Adjusted EBITDA Margin (3Q20-3Q21)

\$ million and %



## Adjusted Net Income (3Q20-3Q21)

\$ million



(dollars in millions, except per share data)

	3Q20	3Q21	VPY
Adjusted EBITDA	\$29.3	\$44.8	52.6%
Adjusted EBITDA margin	27.4%	32.0%	460 bps
Reported net income	\$8.6	\$12.3	42.5%
Adjusted net income	\$18.2	\$29.9	64.5%
Adjusted EPS <sup>1</sup>	\$0.25	\$0.40	60.0%

<sup>1</sup>Calculated using 3Q21 adjusted number of common shares outstanding, diluted of 74,687,000.

# Outlook for the remainder of 2021 points to a record year

<i>(dollars in millions)</i>	2020	YTD2021 <sup>1</sup>	2021 Outlook	y/y growth at midpoint
Revenue less cost of revenue	\$296.7	\$275.0	<b>\$377-\$379</b>	27.4%
Adjusted EBITDA	\$115.0	\$118.9	<b>\$157-\$158</b>	37.0%
<i>Adjusted EBITDA margin</i>	26.6%	30.7%	<b>29.5%</b>	~300 bps
Adjusted net income	\$73.2	\$78.6	<b>\$102-\$103</b>	40.0%

YTD Adjusted EBITDA and Adjusted net income are already greater than full year 2020

Note: 2021 expectations include the impact of Voyant's second half 2021 financials

# Introducing 2022 outlook

	2022 Growth Outlook	Commentary
<b>Platform assets</b>	13.5-15.5%	Targeting net flows as 10% plus of beginning of period platform assets plus 3.5% market appreciation
<b>Revenue less cost of revenue</b>	18-22%	Good momentum from 2021; expectation for strong organic growth to continue in 2022.
<b>Operating expenses</b>	16-20%	Significant investment in growth opportunities planned. Disciplined expense growth will not outpace revenue growth.
<b>Adjusted EBITDA</b>	20%+	EBITDA outlook reflects overall strong 2021 momentum. Naturally dependent on the macro environment and US equity markets.

Based on growth outlook above, we are targeting 2022 adj. EBITDA margin expansion of **100 bps.**

# Appendix

# Adjusted expense reconciliation

*(dollars in millions)*

	3Q20			3Q21			Adj. Expense VPY
	Expense	Total Adjustments	Adjusted Expense	Expense	Total Adjustments	Adjusted Expense	
Asset-based expenses	\$33.4	-	\$33.4	\$38.7	-	\$38.7	15.8%
Spread-based expenses	\$0.4	-	\$0.4	(\$0.5)	-	(\$0.5)	NM
Employee compensation	\$42.8	(\$14.4)	\$28.4	\$44.1	(\$9.6)	\$34.4	21.3%
SG&A <sup>1</sup>	\$19.6	(\$4.1)	\$15.5	\$23.9	(\$1.6)	\$22.3	44.0%
Interest expense	\$1.3	-	\$1.3	\$1.1	-	\$1.1	(21.1%)
Depreciation and amortization	\$8.7	(\$5.1)	\$3.6	\$10.6	(\$6.0)	\$4.8	31.4%
Other income	\$0.0	(\$0.0)	\$0.0	\$0.1	(\$0.1)	\$0.0	NM
<b>Total</b>	<b>\$106.3</b>	<b>(\$23.6)</b>	<b>\$82.6</b>	<b>\$118.0</b>	<b>(\$17.3)</b>	<b>\$100.6</b>	<b>21.8%</b>

<sup>1</sup>Includes general and operating expenses and professional fees  
 Note: Percentage variance based on actual numbers, not rounded results.

# Adjusted net income walk

<i>(dollars in millions)</i>	3Q20	3Q21
Revenue less cost of revenue	\$73.3	\$101.5
Operating expenses*	\$43.8	\$56.7
Interest expense	\$1.3	\$1.1
Depreciation and amortization*	\$3.6	\$4.7
Other expense	\$0.0	\$0.0
Adjusted Income before taxes	\$24.5	\$39.0
Provision for income tax*	\$6.4	\$9.1
<b>Adjusted effective tax rate</b>	<b>26.0%</b>	<b>23.5%</b>
Adjusted net income	\$18.2	\$29.9

2021 effective tax rate is 23.5%, lower than 26% in 2020 due to created tax efficiencies.  
We will true-up to the actual rate at year-end.

Note: Asterisk denotes line item numbers post adjustment