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AB - Q1 2019 AllianceBernstein Holding LP Earnings Call

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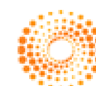

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PRESENTATION

Operator

Thank you for standing by, and welcome to the AllianceBernstein First Quarter 2019 Earnings Review. (Operator Instructions) I would now like to turn the conference over to your host for the call, the Head of Investor Relations for AB, Ms. Hallie Elsner. Please go ahead.

Hallie Elsner - *AllianceBernstein Holding L.P. - Head of IR*

Thank you, Jack. Good morning, everyone, and welcome to our first quarter 2019 earnings review. This conference call is being webcast and accompanied by a slide presentation that's posted in the Investor Relations section of our website www.alliancebernstein.com.

Seth Bernstein, our President and CEO; John Weisenseel our CFO, and Jim Gingrich, our COO, will present our results and take questions after our prepared remarks. Some of the information we present today is forward-looking, and subject to certain SEC rules and regulations regarding disclosure, so I'd like to point out the safe harbor language on Slide 1 of our presentation. You can also find our safe harbor language in the MD&A of our first quarter 2019 10-Q, which we filed this morning. Under Regulation FD, management may only address questions of a material nature from the investment community in a public forum. So please ask all such questions during this call. Now I'll turn it over to Seth.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Thank you, Hallie. Good morning, and thank you for joining us today.

We maintained strong underlying momentum in many areas of our business in the fourth quarter. Our results reflect continued success of our revitalized active equity platform, which attracted $1 billion to net new flows and a rebound in Asia ex Japan taxable fixed income flows. Firm-wide active flows were positive $2.2 billion, translating to a 2% active annualized organic growth rate and while adjusted revenues, operating income and margin were lower year-on-year, we remain focused on expense management.

Now let's get into the specifics. Starting with a firm-wide overview on Slide 3. First quarter gross sales of $23.1 billion declined 32% from last year's first quarter sales of $34.1 billion, which included 10 billion -- $10.1 billion of CRS fundings and $1.3 billion in sales related to option advantage in private wealth. Excluding these lumpy fundings, gross sales were slightly higher year-over-year. On a sequential basis, firm-wide gross sales increased 9%. Total firm-wide net flows were positive $1.1 billion and represent our third straight quarter of net inflows. The strong market recovery in the quarter and net inflows increased total assets under management to $554.7 billion at quarter end. That's an increase of 1% year-on-year and 7% sequentially. Average AUM was down 4% versus the prior year period but increased 1% versus the fourth quarter of 2018.

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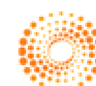

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Slide 4 shows our quarterly flow trend by channel. On the right side of the chart, you can see that firm-wide flows were driven by retail and private wealth. In retail, gross sales of $16.4 billion increased versus both prior periods and net inflows of $5.3 billion increased significantly, driven by a resurgence in fixed income in Asia ex Japan region and continued positive active equity flows. In private wealth, both gross sales and redemptions improved sequentially, leading to positive net flows of $500 million. In the bottom-left chart, you can see the institutional funding slowed and we were hit hard with redemptions largely in taxable fixed income due to a variety of factors and decisions made by our clients during the market dislocation in the prior quarter. This resulted in institutional net outflows of $4.7 billion.

Now let's turn to investment performance beginning on Slide 5. Our near-term fixed income performance has been challenged but we saw some improvement in the one-year number this quarter, as year-to-date performance has been generally quite good. More importantly, our three- and five-year track records remain strong, with 85% and 90% of our assets outperforming, respectively. In equities, our investment performance was solid, with 64% of assets outperforming for the one year, 59% for the 3 year and 87% for the 5 year.

Slide 6 and 7 provide more insight on retail fixed income and equity investment performance. The fixed income table on Slide 6 reflects our near-term performance challenges but also shows that long-term track records remain compelling. Performance in our income portfolios have been particularly strong. American income is top decile for the one year and top quartile for the five years. European income is top quartile for the one- and three-year periods and top decile for 5 year. Mortgage income remains top quartile for the 3- and 5-year periods, and AB income remains top decile for the three- and five-year periods. What's more, every eligible fund on this page was top half for the five-year period.

In equities on Slide 7. While we've seen our most notable underperformance in our value and emerging market strategies, our concentrated growth, low vol, global core, large-cap growth and small and mid-cap strategy have been notable performers. Solid long-term track records like these have been a major driver of our continued active equity net inflows.

Let's move onto our client channels beginning with retail on Slide 8. We've spent years investing in our retail product offerings to better serve clients, that our business is more diversified and less reliant on a single offering. And while we've been successful reducing our leverage to the Asia ex Japan fixed income market, the outlook for a steadier rate environment attracted those investors back to the market. The top-left chart shows the resurgence in industry-wide retail bond fund sales in the region. Industry sales for just January and February were up in all three categories compared to the entire fourth quarter. The rebound in sales positively affected our overall sales and flows in the quarter. AB's Asia ex Japan sales were up 18% year-on-year, more than doubled versus the fourth quarter of 2018. Because of the increased diversity of our offering, we also saw a noteworthy sales strength in other regions during the quarter, including sequential and year-on-year sales growth in U.S. retail, which had its best sales quarter since the second quarter of 2007 and sequential increases in EMEA and Latin America.

Channel net inflows of $5.3 billion were our best in 19 years. And our sources of flows are diverse, 13 funds attracted net flows of $100 million or more in the first quarter, with 7 of them fixed income and 6 of them active equity. American income portfolio and global high yield were each net flow positive during the quarter, the first time we've seen that since the third quarter of 2017. Our innovation efforts are paying off too. Today, 14 retail services launched since 2009 have $1 billion or more in assets under management. And we continue to educate the market place on FlexFee. Clients both understand and are embracing this concept thanks to continued outreach and success of new digital tools that help calculate fees. We added $100 million in assets during the quarter to bring our total external assets to $240 million, all before these funds hit their three-year track records.

Now I'll talk about institutional on Slide 9. Like in retail, we're seeing the benefits today of years we've spent rebuilding our active equity franchise. The top-left chart shows continued active equity sales and flow momentum. Active equity gross sales of $2.2 billion represent our 7th straight billion dollar-plus equity sales quarter and our active equity net flows of $900 million were positive for the 5th straight quarter. This is impressive especially considering the industry-wide contraction. While total channels sales were down versus both prior periods and $4.7 billion of net outflows increased, driven by taxable fixed income redemptions, we're encouraged by our quarter end pipeline of $11.4 billion, an 18% increase versus the fourth quarter. Our actively managed pipeline of $9.7 billion, which excludes CRS, is the highest it's been since tracking began more than 7 years ago. This bodes well for our future revenues and fee rate. In fact, 50% of our $4.2 billion in new pipeline of adds in the first quarter were in active equity strategies. Plus, adds in taxable immunities, emerging markets debt, Arya Partners and U.S. treasury short duration resulted in the pipelines annualized fee base exceeding $30 million for the 6th consecutive quarter.

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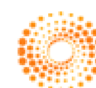

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Moving to private wealth management on Slide 10. After the volatility of the fourth quarter, the value of our advice came through for our clients as both sales and redemptions improved. Excluding inflows from last year's first quarter option advantage launch, gross sales of $3.3 billion were our best first quarter sales in 10-plus years. And net flows returned to positive territory with $500 million. We continue to make progress appealing to a broader and more affluent client base, and added $700 million in commitments to our suite of alternative and focused equity services during the quarter, bringing total deployed and committed assets to $9.8 billion at quarter end. That's the bottom-left chart.

Clients are increasingly attracted to our responsible and impacts investing portfolio offerings, assets in a diverse array of responsible equity and fixed income services totaled $1.9 billion at quarter end, a 23% increase since year-end. We're seeing strong client engagement as well, with the number of client meetings up 5% compared to the first quarter of 2018. And we've had a positive response to our Women and Wealth content campaign, podcast and microsite. Plus, traction with other focused Bernstein Insights podcast including The Pulse and Inspired Investing.

I'll finish our business overview with the sell side on Slide 11. After holding up well in 2018 as the industry adopted to the implementation of MIFID 2, Bernstein Research had a challenging first quarter as did many of our peers in the equity trading business. Revenues of $90 million were down 21% year-on-year and 22% sequentially, driven by significantly lower client trading volumes across all three regions and lower volatility in the U.S., shown on the bottom-left chart. While disappointing, we're playing the long game in this business and know that a differentiated offering was what will ultimately drive client activity. We continued building our offering in other promising areas around the world, particularly in Asia. In the first quarter, we launched on 3 new sectors, hired a new Asia quant analyst and hired and promoted 3 analysts to cover China A-shares. And we added access to 3 new dark pools in Japan and expect Indian trading to go live later this year. While not a first quarter event, we closed our acquisition of Autonomous Research on April 1. We're now covering approximately 230 financial stocks across the U.S. and Europe and added 26 analysts globally.

I'll close by highlighting some of our first quarter accomplishments on Slide 12. We continued to deliver differentiated returns for our clients with our diverse products. And we further scaled and commercialized our offering, with momentum in active equities and in diverse regions. We remain focused on expense management and executing our relocation to Nashville. We're proud of what we've achieved during the quarter despite the presence of some headwinds.

Now I'll turn it over to John to review our financials.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Thank you, Seth. Let's start with the GAAP income statement on Slide 14. First quarter GAAP net revenues of $795 million decreased 8% from the prior year period, operating income of $168 million decreased 25%, and the 19.9% operating margin decreased by 310 basis points. GAAP EPU of $0.49 compared to $0.60 in the first quarter of 2018. As always, I'll focus my remarks from here on our adjusted results, which remove the effects of certain items that are not considered part of our core operating business. We base our distribution to unitholders upon our adjusted results, which we provide in addition to, and not as substitutes for, our GAAP results. Our standard GAAP reporting and a reconciliation of GAAP to adjusted results are in our presentation's appendix, press release and 10-Q.

Our adjusted financial highlights are included on Slide 15. First quarter revenues of $658 million, operating income of $159 million and our margin of 24.1%, all decreased year-on-year. We earned and will distribute to our unitholders, $0.49 per unit compared to $0.73 for last year's first quarter. Lower base, performance fees and Bernstein Research services revenues primarily drove the weaker financial results. Revenue, operating income and margin decreased for the fourth quarter of 2018 due to lower performance fees, Bernstein Research services revenues and the usual first quarter sequential increase in our compensation accrual. As discussed on our previous earnings call, our adjusted financial results for the first quarter of 2018 included $78 million of performance fee revenues, $35 million of operating income and $0.13 EPU related to the Real Estate Equity Fund 1 which is in the process of liquidation.

We dove into these items in more detail on our adjusted income statement on Slide 16. Beginning with revenues. First quarter net revenues of $658 million decreased 16% year-on-year. First quarter base fees decreased 4% from the same prior year period due to lower average AUM across all 3 distribution channels. Compared to the first quarter 2018, total average AUM decreased 3.2% and the portfolio fee rate of 41.2 basis points was essentially flat year-on-year. First quarter performance fees of $4 million compared to $84 million in the same prior year period, which included

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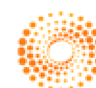

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the $78 million from the Real Estate Equity Fund discussed earlier. So excluding the Real Estate Fund, performance fees would have been only slightly lower year-on-year. First quarter revenues for Bernstein Research services decreased 21% year-on-year on lower revenues in the U.S., Europe and Asia primarily due to significantly lower client trading volumes across all 3 regions, a stronger U.S. dollar also contributed to the decline in Europe. Investment gains of $4 million increased by $1 million year-on-year on higher seed investment gains. Other revenues increased 23% compared to the same prior period because of higher dividends and interest earned on our broker-dealer investments. Interest expense increased $8 million for the first quarter year-on-year from higher interest paid on broker-dealer customer balances due to the higher interest rates.

Moving to adjusted expenses. All in, our total first quarter operating expenses of $499 million decreased 9% year-on-year. Total compensation and benefits expenses decreased 13% year-on-year driven by lower incentive compensation which was partially offset by higher based compensation, fringe benefits and other employment costs. As discussed on last quarters call, we accrued compensation at a 49.5% of adjusted net revenues for the first quarter this year compared to 48.5% for the same period in the prior year and 45.2% for last year's fourth quarter.

Transition cost related to our Nashville corporate headquarters relocation totaled $7 million for the first quarter, that's about a $0.03 reduction in EPU, of which, approximately $6 million were compensation related and included in the comp ratio calculation, with the remaining $1 million representing increased occupancy costs. We currently plan to continue accruing compensation at a 49.5% ratio in the second quarter, with the option to adjust accordingly throughout the remainder of the year, if market conditions change. First quarter promotion and servicing decreased 7% versus the same prior year period due to lower Bernstein Research services trade execution expenses on lower global client trading activity and lower transfer fees. The 18% sequential decrease from last year's fourth quarter was due to lower marketing, T&E, trade execution and transfer fees. G&A increased 5% versus the first quarter of the prior year due to increased trading hours and mutual fund proxy solicitation fees related to the contemplated sale by the AXA Group of its entire ownership interest in Equitable Holdings. The investment management contracts for our 40 Act Mutual Funds require us to obtain fund holder approval when there's a change of control of our parent company. Excluding these proxy solicitation fees, G&A would have been approximately flat year-on-year.

First quarter operating income of $159 million decreased 32% from the prior year, as revenue decreased more than expenses. If we exclude the $35 million of operating income contributed in the first quarter of last year by the Real Estate Fund in liquidation, the $7 million of transition expenses and mutual fund proxy solicitation fees discussed earlier, then the operating income would have decreased by 15% year-on-year, primarily due to the lower base fees and Bernstein Research services revenues.

First quarter operating margin of 24.1% was down 600 basis points year-on-year, excluding the impact of the real estate performance fees, transition expenses and proxy solicitation fees, the operating margin declined 250 basis points versus the prior year's first quarter. The sequential decline for last year's fourth quarter was due primarily to the higher comp ratio. You may have noticed that our first quarter adjusted operating income was $9 million lower than our GAAP operating income, this difference is primarily due to the deconsolidation of certain seed investments and our adjusted results which we had consolidated for GAAP reporting. Consolidating these results increased GAAP operating income but did not affect net income or EPU. All of the non-GAAP adjustments are outlined in the appendix of this presentation. The first quarter effective tax rate for AllianceBernstein L.P. was 5.3%, about as expected.

Finally, our Nashville corporate headquarters' relocation continues to proceed according to plan and there is currently no change to the guidance which we provided during our last earnings call. We still anticipate that the largest reduction in EPU during the transition period could be approximately $0.07 in 2019, and expect to achieve breakeven or possibly a slight increase in EPU by 2021.

And with that, Seth, Jim and I, are pleased to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Michael Carrier with Bank of America Merrill Lynch.

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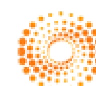

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Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

So maybe just the first question on the Bernstein Research services. So when I look at the decline, whether it's year-over-year or quarter-over-quarter, it makes sense what you said in terms of the volumes and the volatility, but it seems maybe a little bit weaker. So I'm just trying to figure out if there was anything in terms of mix. I think in the past you guys mentioned sometimes like timing of research payments are a bit off. So just any color on -- if that was it? Or if there was anything else that weighed on the results in the quarter?

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Michael, it is true, particularly when you look from fourth quarter into first quarter that you have a research timing issue and there's some modest issues year-over-year. But as John said, that the biggest issue by far is just the slowdown that we've seen in terms of overall market trading volumes.

Michael Roger Carrier - *BofA Merrill Lynch, Research Division - Director*

Okay. Got it. And then, John, maybe just on the pretax margin, so I think if you back out the adjustments and if we look at the year-over-year, it seems like the adjusted margin is still in maybe that 27%, 28% range. So just wanted to -- if I think about 2Q like going forward, all else equal, given where markets are, is that where you'd expect like the margin to rebound? And I think you guys had a target or an expectation in 2020 being around that 30%. Obviously, 24% versus 30% seems wide, but if the adjusted 27%, 28%, that's not too far. So just wanted to get an update on the outlook for the margin.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Sure. Michael, it's John. I think you did a great job of summarizing where we think probably the second quarter and so comes in, in terms of -- from a margin perspective, but we don't have those onetime items in there. We still have the margin target of 30%; however, we don't think it's likely that with the markets currently where they are right now, that we'd hit it in 2020. When we came up with the margin target, we were assuming markets that were more favorable than what we currently are at. But that still is our target and we still do believe it is achievable.

Operator

Your next question comes from the line of Bill Katz with Citi.

William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. Just coming back to G&A for a moment, so thank you for sort of qualifying the impact of the proxy voting. But you also had trade and error within the sort of the prepared commentary or recent press release. Maybe it's just my lack of familiarity with that line, but it seems like that was sort of some new verbiage. So was there an added pressure point on G&A? Or maybe the better way to ask the question is, stripping out the noise, what's your reasonable run rate for G&A?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Sure. So Bill, it's John. The reason why I did mention errors, we have errors, trading errors every quarter typically. It just deals with managing clients' money and their portfolios. The reason why I called out this quarter, it was particularly higher than normal, and so if we had a normalized rate of error for this quarter, our G&A actually would have been down slightly. And I think when you're looking out into the future -- as we said, both on the promotion servicing and the G&A, the noncomp expenses, our goal is to try to keep them -- their rate of growth at roughly the rate of inflation.

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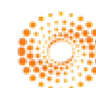

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William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. That's helpful. And then just couple of more for me. So just in terms of flows, certainly appreciate all the detail in the supplement. But just sort of zone in on the -- sort of the area weakness, I apologize for focusing on that, but the look on the institutional business, sort of, as we expected based on your monthly AUM releases. But any color you can provide on sort of the dynamics within fixed income bucket of AUM where there is some weakness obviously offset by good equity and alternative mandates and a good mix underneath that. But just what are you seeing incrementally around fixed income because the industry itself seems like it's -- I guess the question is, is it -- does it attract you guys? Is it something that's broader? Because you're really not seeing that on the retail side, in U.S. at least.

James Andrew Gingrich - *AllianceBernstein Holding L.P. - COO of AllianceBernstein Corporation*

Bill, the outflows that we had were really, I think, attributable to a number of factors but performance was -- has been a contributing factor as has been the cost of hedging and specific situations as well as portfolio decisions on the part of clients. But it is -- it was largely concentrated in things like IG and so forth. So that's where we sit.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

But Bill -- it's Seth. But I just would add that not necessarily as much in this quarter but in prior out quarters where we saw institutional outflows, those were a number of non-U. S. clients who were hedged into dollars and that has been a broader industry phenomenon.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

Yes. And Bill, it's John. I'd just mentioned that, this particular quarter, a large contributor to the institutional outflows was that we had -- there was a large -- two large outflows from one client and they were acquired. Which led to them taking back the mandate.

William R. Katz - *Citigroup Inc, Research Division - MD*

Can you size those?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

It was just a -- it's large. It would be -- how about approximately half of the institutional outflow number.

Operator

Your next question comes from the line of Alex Blostein with Goldman Sachs.

Your next question comes from the line of Robert Lee with KBW.

Robert Andrew Lee - *Keefe, Bruyette, & Woods, Inc., Research Division - MD and Analyst*

I guess my first question would be just kind of a more high level. I mean as AXA kind of separates itself from Equitable and you had to go through a proxy. What are your current expectations? Do you see any change in Equitable's relationship with AB? How are you currently thinking about that possibly evolving over the next several years? And then maybe as a follow-up, you've seen in the alternative space partnerships start converting to C corps, they've been -- those who have done it have experienced broadening investor bases. How's that -- is that impacted your thinking on possibly changing your public entity to a C corp?

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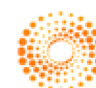

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Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Rob, it's Seth. Let me -- I'll ask John to answer the C corp conversion question but with respect to the relationship with Equitable, just a couple of observations first, since the IPO in the second quarter of last year, there have been 2 subsequent offerings by AXA. AXA's ownership, I think is now around 48.3% of Equitable, and that's what triggered -- just -- you didn't ask it this way, but I just -- to be clear, that's what triggered changes in our Board and in their Board composition as per their shareholder agreement with AXA. I don't see any changes in our relationship with Equitable. We are working more closely with them on different initiatives. They seem to be content with their holdings as they stand today and I think it's really status quo.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

And Rob, it's John. On the second question, the C corp question. We've done the analysis, it's actually very complex analysis. Looking at if we did convert what would be benefits or the adverse effect on both the firm and the unitholders. And at this point, at this juncture, we do not have -- currently have plans to convert for several reasons and so one is -- the first is tax leakage. There would be -- we have such a low effective tax rate compared to the corporate 21% tax rate that there's a very large tax leakage if we converted, and our P/E multiple, after conversion, would have to increase by -- in percentage terms low- to mid-double digits terms in order to just to avoid destroying shareholder value.

The second reason is that our current partnership structure allows us to pay out all of our earnings as well as it allows us to buy back any units we issued to employees for stock-based comp to offset the EPU dilution, and this leads us to a payout ratio that's well in excess of 100%. A dividend yield is typically 8% to 9%, and we just don't see any corporate structures with payout ratios on those orders, of those magnitudes. The third reason is that even if we did convert, it would not necessarily increase our float because we still have the large majority owner. We also have the large employee ownership, with that large majority owner, it's not even clear that we even would be allowed to be included in an index. And then the fourth reason is, once you convert, that's it. So if the tax laws changed and the corporate rate is increased, it's over. So for those reasons we'll continue to monitor it and monitor the folks who did convert. But for us, it just doesn't seem to make sense at this particular point in time.

Operator

Your next question comes from the line of Dan Fannon with Jefferies.

James John Robert Steele - *Jefferies LLC, Research Division - Equity Associate*

This is James Steele filling in for Dan. Just had a question on the institutional channel again. Looks like the pipeline keeps building up, gross sales have kind of stayed the same over the past few quarters. So show for any insight on when maybe we might see some of the gross flows pick up just given the pipeline trend?

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

A number of the -- obviously, gross sales is influenced by -- as you point out, by how much of that pipeline actually funds in the quarter. Our anticipation -- given the indication to some clients is that we'll see a pick up in fundings here in the second quarter.

James John Robert Steele - *Jefferies LLC, Research Division - Equity Associate*

Okay. That helps. And then just as my follow-up. Now that Autonomous is closed, I can say you guys initially gave maybe slightly accretive by 2020. Just wanted to know if that's changed or if there's any new color on that deal?

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Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

No. No change. We still expect it to be accretive in 2020.

Operator

(Operator Instructions) Your next question comes from the line of Bill Katz with Citi.

William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. So just going back to sell-side business. So to the extent that we sort of stay in this depressed period of volatility maybe given what's going on with the interest rate policy, who knows. Any remedial actions you can take to potentially offset any sort of the bottom line pressure? Well, maybe another way of thinking about that is, can you bifurcate the margin of the asset management business versus sell-side business so we could try and ring-fence the pressure?

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

Bill, the -- all of our businesses including the sell side, we run from a P&L standpoint. So as you might imagine, the leadership of that business has already taken a series of steps and may take continued steps to address the fall off in revenue, be that head count or compensation related as well as discretionary expense.

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

And Bill, it's John. So the second question, we only report it as one segment, so we cannot break out the sell side separately.

William R. Katz - *Citigroup Inc, Research Division - MD*

Okay. And just one follow-up for me. Just coming back to your margin target of around 30% or so, certainly appreciate the market's had a tremendous decline in the end of the year, but similarly, we're off to a pretty strong start year-to-date. What is the biggest delta that is maybe truncating some of that margin improvement into 2020? And can you give us some sort of updated time frame, when you think you can get to that level?

John Charles Weisenseel - *AllianceBernstein Holding L.P. - CFO & Senior VP of AllianceBernstein Corporation*

So Bill, again, it's John. I think what we've said is, right now, if we had flat markets where they are currently, we would not expect to get to 30% by 2020. In terms of flexing the markets, you can see what our fixed income AUM is, and our equity AUM, and I think if you run scenarios off of there, you'd be able to see where you think it may be reasonable that we hit that target depending upon what your market assumptions are.

Seth Perry Bernstein - *AllianceBernstein Holding L.P. - President, CEO & Director of AllianceBernstein Corporation*

And I would just add, Bill, I mean, look we've always said that we need revenue growth to drive margin improvement. Last year, we came in at $2.9 billion or so in revenue and we were obviously high 20s in terms of margin. So I think, look, you should just absent some of the structural things that we're doing with our cost structure with respect to -- that will come out of, for example, out of the Nashville move. You should just think about the revenue level that we would need to achieve to see further margin improvement off of last year's numbers.

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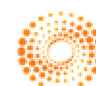

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Operator

There are no further questions at this time. I would now like to turn the call back over to the presenters.

Hallie Elsner - *AllianceBernstein Holding L.P. - Head of IR*

Thank you, everyone, for participating in our call. Feel free to reach out to Investor Relations if you have any further questions. Have a great day.

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