

08-Feb-2024

Apollo Global Management, Inc. (APO)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Apollo Global Management's Fourth Quarter and Full Year 2023 Earnings Conference Call. During today's discussion, all callers will be placed in listen-only mode; and following management's prepared remarks, the conference call will be open for questions. Please limit yourself to one question and then rejoin the queue. This conference call is being recorded.

This call may include forward-looking statements and projections which do not guarantee future events or performance. Please refer to Apollo's most recent SEC filings for risk factors related to these statements. Apollo will be discussing certain non-GAAP measures on this call, which management believes are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to GAAP figures in Apollo's earnings presentation, which is available on the company's website. Also note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Apollo fund.

I will now turn the call over to Noah Gunn, Global Head of Investor Relations. Please go ahead.

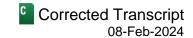
Noah Gunn

Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Thanks, Donna; and welcome again, everyone, to our call. Earlier this morning, we published our earnings release and financial supplement on the Investor Relations portion of our website. And in short, fourth quarter results rounded out an exceptionally strong year for both our Asset Management and Retirement Services businesses. Our two primary earnings streams: Fee Related Earnings and Spread Related Earnings, grew more



Q4 2023 Earnings Call



than 25% to a record \$4.9 billion in 2023. Combined with Principal Investing Income, HoldCo financing costs and taxes, we reported record adjusted net income of \$4.1 billion or \$6.74 per share for the full year.

One change to highlight in our financial reporting included with this morning's results. Beginning this quarter, within Retirement Services, you'll see Spread Related Earnings excluding notable items. And further down the page, we provide additional information highlighting the delta to arrive at our long-term return expectation for Athene's alternative investments.

This information is useful in order to understand how we think about Athene's earnings power on a multi-year basis, excluding quarterly mark-to-market fluctuations. And importantly, this change has no impact on historically reported SRE or the magnitude of historically reported notable items. So joining me to discuss our strong results in more detail and outlook for the year ahead are Marc Rowan, CEO; Scott Kleinman, Co-President; and Martin Kelly, CFO.

And with that, I'll hand it over to Marc.

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

Thanks, Noah. And it's my pleasure to actually walk through what was a very strong year, both in growth and execution. You had told me at the beginning of the year that we were going to grow 25% plus in FRE and 26% in SRE, and that we would do that successfully. We would be doing a victory lap here. And I assure you, we are in fact doing that victory lap.

Those ranges, while I wish they were recurring every year, are not the normal expectation you should have for the business. We've consistently guided all of our investors to, what I believe and we believe is, the long-term growth rate in FRE which is 15% to 20% in a non-flagship year and to low double-digit growth in SRE.

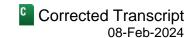
2023 was truly exceptional. Recall that particularly in our SRE segment, in our Retirement Services segment, we are not a near-term profit maximizer. 2023 was extraordinary. We ended the year holding more than \$12 billion of cash. We also use the very strong results to begin the creation of a counter-cyclical portfolio which had us, for the first time in a long time, make a significant move into treasuries.

While this costs us near-term SRE, it gives us flexibility to redeploy into very strong origination volumes, which you will hear about. In the third quarter, just – excuse me, in the fourth quarter, just to highlight how strong originations volumes were, we did north of \$30 billion of originations. We hope to continue up that pace. And having a pile of cash and a treasury portfolio, will allow us to continue to grow SRE in the low-double digits, which is what we seek to do.

Away from earnings, margins were up over 200 basis points. AUM hit a record \$651 billion. Inflows were \$160 billion. And Athene had record inflows of \$66 billion. Even in inflows, Athene is not a near-term profit maximizer. This was an opportunity to really shape the kind of business and the kind of distribution that Athene wanted. And we would expect to exceed this number in terms of originations – organic originations for Athene moving into 2024.

2024, we see as a year of continued momentum, but we also see it taking shape slightly differently in 2023. Credit, we believe, will dominate 2024 growth at Athene and equity strategies other than PE. Martin will spend time in his remarks discussing the 2024 outlook and the finer details of Q4. I thought what I would do is, spend my time and provide a little bit of historical perspective and also a bit of a roadmap as to where we're going.

Q4 2023 Earnings Call



We've just come back from our Partners Retreat, where all 201 Apollo partners get together and we discuss the outlook. And I began those remarks by anchoring people in history. In 2008, we were \$44 billion of AUM. If you fast forward, we've grown 14 times; that's faster than Apple's revenue, that's faster than Microsoft's revenue, that's faster than semiconductors. Truly extraordinary.

I'd like to think that was all as a result of management acumen and management positioning, but we are the beneficiary of macro industry factors that drove not just us, but our entire industry. Dodd-Frank, substantial money printing, a research for excess return in a low rate environment, and the commoditization of debt and equity markets – public markets through indexation and correlation, were the powerful tailwinds that drove our industry and allowed us to grow 14 times.

Some of these factors are still here, but I have to say, the factors that are going to drive us going forward are different than the factors that in fact got us to 2023. As I think about the big drivers of our business, first, I think there is a fundamental rethink going on as to the difference between public and private. Most of us have grown up in an investment world where private was risky and public was safe. We had a private allocation and alternatives bucket and liquid allocation, and it was generally a relatively small portion of an institution or an individual's total strategic asset allocation and with good reason.

Private, at least in the old days, was risky. Private equity, venture capital and hedge funds dominated the private bucket. On the other hand, public was perceived as safe. Stocks and bonds, 60/40 portfolio. I believe we're moving to a world where public is both safe and risky, and private is safe and risky; and the difference is only a matter of liquidity.

I believe we are going to see a substantial pivot from institutions where they begin to think about private, not just in a traditional alternatives context, but they think about private as just another investment that has a little less liquidity. And the question they'll be asking is, am I being compensated for slightly less liquidity? I think that is nothing but a positive for our industry and for our firm.

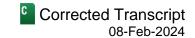
The second is, this continued commoditization of public market returns. We are at an extreme of indexation and concentration and correlation not just between debt and equity markets, but so much of our equity market is dominated by a handful of companies that — with outsized valuations and outsized PE, that really do drive the public indices. While that's going up, that feels great. That can just as easily go in the other direction.

Sophisticated investors, institutional and individual, understand this. And if they are seeking to separate themselves from the beta of the public markets and look for alpha, they will need to look for other solutions other than those in the public markets and through indexation. High net worth and the entry of individual investors into the private markets and alternatives, we are in the earliest early days of this. This hasn't even started. This is a \$65 trillion market that ultimately has the potential for private markets' investors such as ourselves and our peer group to be as large, if not larger, than our institutional market.

For us to get there, it's going to take education. We are evangelical in this, because what private investments can do for an investors' portfolio is well substantiated academically and through financial records. But the level of understanding of how private investments can be incorporated into these portfolios is very, very immature. I look at the largest pool of investable capital anywhere in the world, some \$12 trillion in 401(k).

These are the people in our country who need returns the most, and we force them to be daily liquid for 50 years. Why? I don't know why. I don't think there's a good reason why. And we're beginning to see cracks even in the

Q4 2023 Earnings Call



401(k) market of an allocation to private, which is different than an allocation to risk. But again, I think this is a very powerful trend that bodes well for our firm and for our industry.

Finally, we can't escape that we're all getting older. Our society is getting older. Europe is getting older, Japan is getting older, Australia is getting older. Most Western markets are getting older. Most markets have done a very poor job of retirement savings. The retirement savings crisis in the US is particularly acute. The numbers are well known. And I believe there is a substantial role for firms such as ours to play in buffeting investors' savings and allowing them to provide – allowing us to provide them guaranteed lifetime income.

In short, we find ourselves at \$650 billion as a relatively small entity in the scheme of asset management, surrounded by four massive markets. The market for fixed income replacement. Think of this as a rotation from institutions and individuals, normal fixed income portfolios into private as well as public, so-called private investment grade. The second is the high net worth market, moving from traditional out 60/40 allocation into private market allocation. The third is rotations out of active management and into other products. And finally, the retirement market.

Each of those markets offers us the opportunity to double our firm over a number of years. We just have to make sure that we are well positioned. We make the investments today and accept that the tailwinds that powered us to 2023 are not the same as the tailwinds that are likely to power us going forward, that the products that powered us to where we are, are not exactly the same as the products that are going to power us going forward.

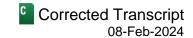
Fundamentally, we need to embrace change, but I like the position that we're starting from. We're starting from the only scaled player in private IG, a leading retirement services footprint, the largest hybrid ecosystem, all of which is fueled by origination. So, what do we need to do and what should you be looking for, as milestones for whether – in fact, we are proceeding positively toward a path to take advantage of the opportunities that surround our industry and surround our firm.

By far, the most important thing that we need to do is scale our origination. As you know, we have been running at roughly \$100 billion of annual origination, \$30 billion of which came in the fourth quarter. We need to rapidly move that up with a goal of somewhere between \$200 billion and \$250 billion of origination five years from now. As an alternative firm that provides excess return per unit of risk we can only grow as fast as we scale our capacity to create investments that in fact offer our clients excess return per unit of risk. If we grow too fast or simply seek to gather assets, we will commoditize our business; and ultimately, we will not like the results of that. So origination probably first and second.

Capital formation. Not only do we need to continue to build out our high net worth coverage, but if we are going to serve fixed income replacement, so-called private investment grade, the sale, the way things are sold, the client base is actually completely different than the traditional client base of an alternatives firm, building out a fixed income replacement sales force that speaks to clients in a language that they are used to speaking in, necessary ingredients to scale this and not just pick around the edges.

Finally, new products and product creation are the heart of financial services. If I go back and look at the beginning of my 40-year career now, levered loans, high-yield bonds, ETFs, securitized product either did not exist or in their infancy. We take for granted these four products as completely mainstream and dominant products, but we should not be naïve to think that they are going to be the products that dominate 15 years from now.

Q4 2023 Earnings Call



Clients and high net worth individuals are going to move out of public equities. I do not believe they are going to move into 10-year locked private partnerships. I believe they are going to move into things that are more hybrid. Hybrid, again, is the midpoint between debt and equity. Hence, to offer clients non-binary outcomes, while still providing attractive rates of return.

The product set here, while large for us, is immature for the entire industry. And I think you will see this year introductions of new products with risk rewards and liquidity requirements and partnerships that our industry has not seen before. I know that we and our peer group are hard at work trying to meet the needs of our investors and [ph] I truly (00:15:25) could not be more excited about where we sit in this ecosystem.

We are beginning to talk about our original five-year plan in hindsight. Martin and Scott will provide some context that we are well on our way and confident of meeting the objectives that we put out in our five-year plan. We are spending 2024 positioning ourselves to take advantage of the next new trends. The growth will be there going forward, but it will not look like or feel like the growth of the past. It will come differently, but I'm no less optimistic.

Finally, we're looking forward to our full Investor Day. And with us – you know the definition of full means long, in October of this year, and Martin and Noah will provide you details.

With that, I'll turn it over to Scott.

Scott Martin Kleinman

Co-President & Director-Apollo Asset Management, Apollo Global Management, Inc.

Thanks, Marc. Echoing Marc's sentiment, we entered 2023 focused squarely on executing the growth plan we set forth, and we achieved those goals. Both our Asset Management and Retirement Services business proved resilient and often opportunistic, as we navigated an uncertain investing backdrop, a changing rate paradigm, and an evolving financial ecosystem.

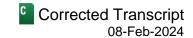
One thing that stayed constant, though, was our commitment to delivering excess return per unit of risk for our clients. Investment performance across our product suite was strong, with particularly robust returns in certain yield and hybrid strategies. For example, our direct origination portfolio appreciated 20% over the full year, while our hybrid value portfolio, credit strategies and Accord funds all returned more than 15% in 2023.

In our PE business, our flagship fund performance remained very solid, with Fund IX generating a gross IRR of 32% and 22% net life-to-date through year-end. Importantly, we've been able to generate these attractive returns while prioritizing senior secured, investment-grade credit quality, and a Purchase Price Matters investment philosophy. Off the back of this strong investment performance, we're seeing growing demand for our investment solutions in the marketplace. We raised \$44 billion of third-party capital in 2023, an annual record when excluding flagship PE activity, reflecting the increasing breadth of our product suite.

Athene's organic inflows continue to reach new heights totaling \$63 billion in 2023, driven by strong secular tailwinds and leading market share. Approximately \$23 billion or 35% of Athene's inflows were supported by continued growth through third-party sidecar capital. Altogether, organic inflows totaled \$107 billion across the platform during the year. As we look to 2024, we expect momentum across all avenues of capital formation to continue.

In our third-party asset management business, we expect to raise a record \$50 billion of capital, including annual fundraising records from both the institutional and global wealth channels. Coupled with the \$70 billion of

Q4 2023 Earnings Call



expected inflows from Athene, we expect to raise approximately \$120 billion of capital this year organically, which would represent an increase of 20% on a comparable basis, excluding flagship PE.

In a higher interest rate backdrop and with lingering impacts of the denominator effect on traditional private equity allocations, institutional investor focus has pivoted to asset classes that offer current income, inflation protection and access to areas of secular growth, namely credit, infrastructure and sustainability.

We believe we're well positioned to capture this demand with our direct lending, asset backed finance, opportunistic credit, and infrastructure equity strategies currently in the market in addition to our first-time clean transition equity fund. We're also focused on building upon the success we've had with third-party insurers last year who entrusted us with \$13 billion of capital and view this as an important client segment as we continue to scale our third-party credit platform. Overall, we've entered 2024 with a lot of momentum and expect a very strong first guarter for institutional fundraising.

Turning to Global Wealth, we closed out a transformative year for the business from launching new products, expanding distribution and educating the marketplace on the benefits of alternative assets. We've raised over \$8 billion of capital from this channel in 2023, up more than 30% from 2022 levels, and expect to grow off that base in 2024 despite not having a flagship private equity fund in the market. We believe our growing suite of semi-liquid perpetual products is important to that success with a few to highlight in particular.

We've seen steadily growing inflows for Apollo Debt Solutions, the non-traded BDC we manage, which totaled \$875 million in the fourth quarter, in addition to approximately \$345 million for January 1 subscriptions, a recent monthly record. These strong inflows follow industry-leading investment performance, with Class A shares delivering an approximate 16% net return for 2023, as well as expanding distribution, with ADS now live on five global wirehouse platforms and 60-plus selling agreements in place with independent advisors.

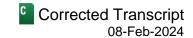
Looking forward, we're focused on expanding our private credit offering from corporate direct lending to assetbacked finance, which we believe will provide global wealth investors more fulsome and diversified access to our proprietary asset origination capabilities. Additionally, we're pleased with the growth we've seen in AAA, our innovative core equity replacement vehicle. Inflows from Global Wealth investors totaled \$1.5 billion in 2023 that weighted towards the second half of the year.

Looking ahead, we're focused on expanding shelf space to additional key distributors in the US and Europe, as well as launching additional points of access to reach different parts of the retail market. And lastly, Apollo Infrastructure Company recently launched in November to capture growing demand for private infrastructure assets. We believe the company offers differentiated access to the full spectrum of our infra platform, investing across sectors and the capital structure. Initial feedback from RIAs has been positive so far, and AIC is on track to expand distribution more broadly over the course of this year.

Turning to investment activity, we had an active year of capital deployment totaling approximately \$150 billion in 2023. Looking forward, we expect many of the same themes that informed our investment pipeline last year, to remain pertinent in 2024, a shrinking global banking industry, lack of public market liquidity, and the need for structured financing alternatives, among others. With \$58 billion of dry powder at year-end, we're well-equipped to capitalize on this robust opportunity set.

Relatedly, debt origination volume totaled almost \$100 billion in 2023, as Marc said, including \$30 billion in the fourth quarter alone. It's worth mentioning that about half of this volume in both the fourth quarter and full year

Q4 2023 Earnings Call



originated from our ecosystem of 16 proprietary platforms. Over the next couple of years, we're focused on reaching our \$150 billion debt target – our origination debt target that we first laid out at Investor Day.

To reach that target, scaling our origination platform volume is essential and should encompass around 50% of that longer-term goal. We think we can achieve this platform volume goal by scaling our existing portfolio, especially through some of the larger platforms like Atlas and MidCap, and mid-sized platforms like Wheels and Alliant.

Importantly, growth in debt origination volume has helped fuel our capital solutions business. In 2023, more than 80% of capital solutions fees were debt related, up from only 55% in 2021. Our growing high-grade alpha business is one of the important contributors to this fee mix shift, which generated approximately \$10 billion of volume over the full year. In the fourth quarter specifically, we announced three transactions with repeat borrowers, Air France, Concord and Vonovia, showcasing the power of incumbency for large-scale structured investment-grade financing demand.

So with that, I'll turn the call over to Martin to go through our financials.

Martin Kelly

Partner & Chief Financial Officer, Apollo Global Management, Inc.

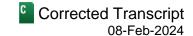
Great. Thank you, Scott; and good morning, everyone. So as demonstrated by our results, 2023 was a very successful year of growth and execution for Apollo. We delivered on the financial targets that we laid out more than a year ago, despite operating in a vastly different macro environment. In the Asset Management business, we achieved our 25% FRE growth target through fee revenue growth of more than 20%, coupled with decelerating expense growth which drove the 200 basis points of margin expansion. In Retirement Services, we grew SRE by 26%.

As Noah mentioned, you'll note a new presentation this quarter on page 10 of the earnings release to separate SRE, excluding notable items, which this quarter is \$748 million or 141 basis points of net spread from the difference between actual alts returns and the 11% long-term expectation, which this quarter is \$132 million or 25 basis points of net spread. This change in presentation reflects both where the industry is moving to and is being required to move to, as a presentation format. Importantly, we still continue to manage the portfolio expecting the same 11% long-term returns.

On this basis, our net spread, excluding notable items for the year, was 144 basis points. Considering our long-term expectations for alternatives returns, our net spread would be an additional 21 basis points higher and, combined, 30 basis points higher in 2023 versus 2022. Assisted by higher rates, this increase was driven by record organic growth, a favorable deployment backdrop and higher floating rate income. With these strong results across the business, we expect to exceed our stated goal of doubling our total earnings to \$5.5 billion by 2026, and we expect a mid-teens plus compound earnings growth trajectory over the next few years. Executing on our plan for 2024 is the next important milestone to achieving that target.

Before I get into the forward look, I'd like to discuss a few puts and takes in our fourth quarter results that will help form a better view of our run rate earnings power. On management fees, management fees declined modestly quarter-over-quarter due to Fund X catch-up fees of approximately \$25 million earned in in the third quarter. Athene's alternatives portfolio returned at 6.5% annualized in the fourth quarter, below our long-term expectation of 11%, with strong performance by these strategic origination platforms, partially offset by other investments held outside AAA.

Q4 2023 Earnings Call



Our operating tax rate benefited from large deductions related to employee stock compensation due to a higher share price, as well as one-time benefits related to Athene's redomicile and new corporate tax legislation in Bermuda in December. Going forward, we expect our effective tax rate to remain approximately 20% over the long term, subject to quarterly variability.

And then lastly, Athene's cost of funds in the third quarter included a 17-basis-point benefit from two items that we previously adjusted out as notable items. Q4 also included the full year cost of a new performance fee, which amounted to 7 basis points of costs in Q4. Combining these items provides a more appropriate comparison of the quarter-over-quarter change in cost of funds which, including these adjustments, was similar to the change in fixed income returns for the quarter.

So turning to our FRE outlook, we expect 15% to 20% growth, as Marc communicated. I'll walk through the key building blocks. Excluding the \$45 million of cyclical catch-up fees we earned in 2023 related to our flagship fee – fundraise, Fund X, we expect low- to mid-teens fee revenue growth in 2024, primarily driven by increasing management fees and fee-related performance fees. We expect management fee growth to be supported by the \$120 billion of total organic inflows Scott highlighted, as well as solid levels of capital deployment further supported by \$46 billion of fee eligible AUM not yet earning management fees.

For capital solutions, we expect another strong year of fee revenue generation, currently similar to 2023 levels. The revenue from this business has grown approximately 80% in two years and has already exceeded our five-year target. For expenses, we estimate our growth rate in total fee related expenses will moderate this year to a low double-digit level. We added approximately 350 people to our total head count in 2023 at the asset manager, with approximately half of net new hires located in North America and Europe and the other half in Mumbai.

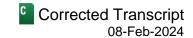
We expect very targeted head count growth this year in our business, with a continued focus on growing our India team. As the pace of growth in our head count declines, we should experience a commensurate favorable slowdown in the pace of non-comp expense growth. Combining this expense outlook with a solid revenue growth picture, we expect to drive an additional 100 basis points improvement in our FRE margin to approximately 57 basis points this year, on a path to 60% plus by 2026.

Moving to Retirement Services, we expect to generate low double-digit growth in SRE this year based on a few underlying criteria. In terms of basis, the growth outlook is built upon the exclusion of any notables and assumes an 11% return on Athene's alternatives portfolio, in line with historical experience.

Adjusting for the approximate \$70 million of excess earnings we earned in 2023 on assets related to the ADIP buydowns and the Venerable recapture, both as we previously communicated, \$70 billion of organic inflows funded with existing capital resources, including third-party sidecar capital, and net spread excluding any notable items and assuming a 11% return on of between 160 basis points and 165 basis points based on the current forward rate curve, which implies approximately five rate cuts by the end of 2024.

As it relates to interest rates and sensitivity, Athene has had a longstanding and intentional allocation to floating rate securities, while remaining duration matched. Holding floaters has and will continue to serve a range of strategic purposes, including assisting with asset liability matching, enabling offensive positioning within the asset portfolio during periods of market stress, and cushioning against any elevated surrenders. With the prospect of a Fed easing cycle on the horizon, we have reduced the amount of net floating rate assets to \$25 billion at yearend, and we expect it to further decline to \$20 billion by the end of the first quarter.

Q4 2023 Earnings Call



Turning to principal investing briefly, we expect our PII earnings stream to be below our multiyear average target of \$1 per share in 2024, with clear dependencies on both the public and private markets for monetizations and outcomes. On capital allocation, our priorities remain unchanged. We're focused on investing in our existing capabilities to drive continued organic growth rather than making strategic investments.

We also expect to continue immunizing regular way employee stock comp grants and to begin taking steps to reduce our share count to 600 million shares by end of 2026. We've also announced an increase in the annual dividend by 7.5% to \$1.85 per share, beginning with the first quarter of 2024, implying a dividend yield of 1.8%, slightly above the average dividend yield of the S&P 500 of 1.5%. Finally, our GAAP earnings totaled \$2.9 billion for the quarter and \$5.1 billion for the full year, retaining our eligibility for S&P 500 Index inclusion.

And with that, I'll turn the call back to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] The first question today is coming from Bill Katz of TD Cowen. Please go ahead.

Bill Katz

Analyst, TD Cowen

Okay. Thank you. Good morning, everybody; and thank you for taking the question. So Marc, a lot of really good big picture type of views as you sort of think through the new order here. One thing I sort of picked up on your comments was the fact that you thought that it could be an opening in the 401(k) market. I was just sort of wondering if you could expand your views there.

And then maybe underneath that, can you talk a little bit about how you're sort of seeing the competitive landscape developing in the wealth management channel as everyone's sort of jockeying for position? Thank you.

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

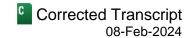
So, you are absolutely correct, Bill. I do see an opening in the 401(k) market. The 401(k) market is not limited by legal restriction. It's limited by a risk mentality as a result of substantial litigation over a long period of time. But I think we're seeing a stabilization, particularly as the suite of private products is no longer all high-fee, high-carry locked away in funds.

You're watching the first baby steps as fiduciary managers in 401(k) begin to mix in private into their heretofore public solutions, simply to get better outcomes and better diversification. The other thing we're seeing is, we're seeing a focus on guaranteed lifetime income or guaranteed income where annuities are going into target date funds and – for the same purpose. I believe we're going to see a continued migration. I don't have the number in front of me, but my memory is kind of plus \$1 billion this year in 401(k) and fiduciary retirement products.

I think, again, we're at the very beginning of this, just like I feel we're at the very beginning of wealth and I'll pivot to wealth. Much of what's happened in our industry, whether it is regulation which has been a negative or it's been the opening of the high net worth market's been a positive, has for the most part benefited the large multiproduct firms to serve the wealth channel, to serve RIA channels, to serve the global market. This is not a small exercise. This is 150 people in the field, product, infrastructure.



Q4 2023 Earnings Call



It does not make sense to do for one product, but only if you are firmly committed and moving your business and you see a future of a multiproduct variety. And so, I think that there are a handful of firms who have a right to play in this market and have made the investment. It's not 2, and I don't think it's more than 10. This market is growing. We are at the infancy of it. And each of the firms is kind of coming at this in their own way. I think there are good and bad that being done, I'll just give you our way.

We are focused on taking in money from this market not as quickly as we can, but as quickly as we can deploy, ultimately producing good returns, not having extreme volatility, thinking long and hard about whether we offer this market binary outcome products is how we're going to approach it. We want to position ourselves as the innovator in this marketplace rather than the largest in this marketplace. And I think we've made good progress in doing it. We have a lot of work to do, but I remain very optimistic.

Operator: Thank you. The next question is coming from Glenn Schorr of Evercore. Please go ahead.

Glenn Schorr

Analyst, Evercore ISI

Hi. Thanks very much. One small one, one big one, if I could. The small one is, if you could dive into the return differential and alternatives of your 11% over time versus what you've actually been experiencing lately. You talked about good performance on the origination platforms. When I look at your performance across the board, ex-European Principal Finance, everything's really good. So I'm curious what's falling short within the Athene portfolio?

And then, the bigger picture...

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

Let me hit that quickly, and then I'll – we will not – I'll get you – get your chance to ask a larger question in violation of the operator's policy, right. So, the easiest way to see it AAA, which represents all the platforms and all the investments, basically was circa 10% this year. Not quite the 11% that we hoped for, but generally good direction given that we are not focused on the kind of beta of the public markets and leveraged to tech and AI and things like that.

The difference between that and the Athene performance is a drag on certain insurance stakes. So, Athene holds outside of AAA its investment in Challenger and its investment in Catalina, its investment in Venerable. We had less appreciation this year in those stakes versus the overall portfolio, and that's the difference, Bill (sic) [Glenn]. There's really no other differences of note.

Glenn Schorr

Analyst, Evercore ISI

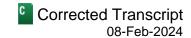
All right. Cool. And then my violation Part B is, you said \$200 billion to \$250 billion, I kind of remember \$100 billion to \$150 billion getting to \$150 billion, I know you were at a \$30 billion run rate; I know you bought Atlas. But curious how you bridge that extended and larger origination scale. Thanks.

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

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Q4 2023 Earnings Call



So when we set out our five-year targets a little over two years ago, we – the five-year target was to get to \$150 billion of origination. I believe that we are – and that would be, "2026". I believe that we are well on our way to achieving that target. \$30 billion of run rate, and really high quality run rate, in the fourth quarter was very encouraging. The plans for this year also call for continued tick up in origination volumes.

Origination is the lifeblood of our business. When we step back and we start thinking about the next five years, which would carry us five years from today to power the business to where we want to be. If we want to serve the fixed income replacement market, essentially if we want to go to institutions and offer them private investment grade in place of their current fixed income allocation, we need to originate more. If we want to play a role in allowing high net worth investors and institutional investors to pivot out of active management of equity, I believe they're going to pivot into hybrid. We need to originate more hybrid.

And fundamentally, if we're going to grow our business, it is limited not so much by the amount of capital raised. And I respect that capital raising is a very important part of this, and sometimes it's easy and sometimes it's difficult. But in the long run, a firm that offers excess return which all of the alternatives firms do, we are only as good as our capacity to generate investments that produce excess return per unit of risk.

It is the lifeblood of our business. And we are very focused on moving past the \$150 billion original five-year goal and ramping that to as close to \$250 billion, which I believe is a realistic target going out. More to come in October of this year at Investor Day. But this is job one and two for our firm to sustain growth, and truly for every firm bill.

Operator: Thank you. The next question is coming from Alex Blostein of Goldman Sachs. Please go ahead.

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Thanks. Good morning. So Marc, just to build on that. You talked about origination being the lifeblood of the business fairly consistently for quite some time now, which all makes sense. As you look to grow this business further, scale and accelerate origination capabilities, what sort of needs to happen for you guys to get to those numbers? Is it more coverage? Is it more boots on the ground? Is it more capital which, I guess, some of that will come in through AAA? Is it more product? Is it more acquisition of origination platforms? So I'm just trying to kind of, again, think about what's within your control to really accelerate this growth further.

Marc Jeffrey Rowan

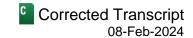
Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

So, some of it is more boots on the ground and building out, what we call, high-grade alpha or high-grade solution. And that's been, as Scott highlighted, a very good business and a very unique product for us. And one, quite frankly, that doesn't make a lot of sense across asset management unless you are both an agent and a principal. We built this business to power Athene. We then decided for good and valid reasons that we should be fully diversified, so we began to power third-party insurers because after all we want 25% of everything and 100% of nothing.

And now, we also discover that institutions, as they are evaluating how to improve their performance in their traditionally public-only investment-grade bond portfolio, are willing to begin to move toward private [ph] as long as it is at the (00:41:46) same rating. This is happening with extraordinary speed in the conversation in the consulting world and with the innovators. And I believe it's going to continue to happen.



Q4 2023 Earnings Call



In terms of where the volume comes from, yes, there will be more people with more coverage. But for us, we have 16 origination platforms. Only a couple of them are at scale. This is about growing the origination platforms. We are focused – and I don't think we need a 17th, although that may result, but that is not the goal. We are not short of opportunity. It's now about focus and execution and simply delivering. I mean, even a \$20 billion origination platform or \$22 billion which is MidCap, is still has lots of room to grow.

MidCap is way to US, just building out their European business, adding products. They have the capacity to double that business. Atlas has the capacity to double their business. Alliant more than doubled their business. We have to actually scale what we have and execute. And we're doing it in a very supportive environment.

Recall that we are the beneficiary of regulatory choice around the globe where regulators have decided that they prefer more of the debt capital in markets to come from the investor marketplace than from the banking system. That does not mean the banking system doesn't play a vital role or that it will shrink. It simply means that credit growth, which typically follows GDP.

I believe much of that growth is going to occur in the investment marketplace. Some of that will incur in pure beta products, investment-grade bonds and high-yield bonds that we are just not all that interested in. But we're talking about a massively large market where we are, even at our size, a small participant. So I do the following math, Alex, and it's helpful. We have a \$500 billion private credit business today. Somewhere between \$150 billion and \$200 billion of that is beta. For us to double our credit business, we have to double \$300 billion. I like our chances of doing that over the next five years, because the beta comes for free.

Scott Martin Kleinman

Co-President & Director-Apollo Asset Management, Apollo Global Management, Inc.

The only thing I'd add there is, the other 50% not coming from our platforms comes from the Apollo system. We've put enormous time and energy over the last 12 months, 18 months, really driving the origination, linking our various business units to be able to drive the sourcing capabilities, to provide more debt origination from all the relationships we have across the variety of our businesses, our equity businesses, our hybrid businesses, our infra businesses. And we're seeing that start to really come into effect. So, we're only in the early innings of fully tapping that from an origination capability. So, just a lot of momentum all around from all the different sources of origination.

Operator: Thank you. The next question is coming from Patrick Davitt of Autonomous Research. Please go ahead.

Patrick Davitt

Analyst, Autonomous Research US LP

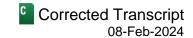
Hey, good morning, everyone. My question is on the Retirement Services growth guide, run rating at \$80 billion in 4Q, but guiding to \$70 billion for 2024. So does that disconnect some restriction from available capital, or are you just being conservative and the growth could actually continue to track from that higher 4Q run rate? Thank you.

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

I think you're hearing from us; in a week or two on the fixed income call, you'll hear from Jim Belardi. If you look back in history, the team sitting in New York is a little more conservative than the team sitting out in Manhattan Beach. But I want to caution. This is not just about volume. We can generate all the volume that we want. And I'm going to encourage you to really look into how people are generating volume.

Q4 2023 Earnings Call



When you buy a secondary block of business, you're buying something that's degraded from a surrender charge point of view. I'm not sure that's good business. I'm not sure I can invest against that. I'm not sure I like the potential risk of that business. So, we can do a victory lap by growing, but that's not the growth I want. We can also do a victory lap by growing three-year market. That's going to feel great this year and next year and the following year. But all I'm doing is, setting up a cliff that is ultimately going to fall off, and I may not like the three-year micro market three years from now.

We are focused on high grading the business that we do. I would rather do \$70 billion of business that I really like than \$80 billion or \$85 billion of business. And I think while it is – while many of you are learning this business, we've been living in this business for 15 years and the headlines are just not – are not what they seem. And this gets also into the guidance on SRE. We had an unbelievable 2023. Jim Belardi and team, Grant Kvalheim and team, I hope they're listening. They should be doing victory laps. We actually did what we say we do. We were not a current period profit maximizer.

We ended the year north of \$12 billion of cash. We ended the year with a sizeable treasury portfolio, which we almost never have; and we essentially high graded the portfolio and built liquidity because we had already grown 25%. We have the opportunity should Apollo, now the pressure is on Apollo, continue at the 30-plus billion dollars run rate of origination to actually do what we want to do, which is deploy into investment grade and yield a private credit that locks in on a matched basis high spread. That will cushion a big chunk of what people would normally expect a falloff from rates.

The other thing that happens in a rates up/rates down; in rates up, we tend to go – we tend to get a full benefit of that. But recall that when rates are up, everything that we own is worth less. We lose flexibility in the portfolio. In a rates down, everything that we own is in gain position. We have massive flexibility in the portfolio. We have the ability to rotate out of investment grade corporates and into originated private investment grade.

The pressure is not on Jim Belardi and Grant. The pressure is on us. We have to originate more of what they need and recall that they don't want 100% of what we originate; they want 25% of everything. So for us to really scale their business and scale our third-party business, comes back to origination. We need to originate more.

Operator: Thank you. The next question is coming from Michael Brown of KBW. Please go ahead.

Michael Brown

Analyst, Keefe, Bruyette & Woods, Inc.

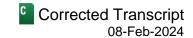
Hey. Great. Thank you for taking my question. So, the mantra for 2024, no new toys. How can we expect the capital allocation to progress over the next two or three years? And then, specifically in 2024, any way to maybe put some guide rails around how the share buybacks could be utilized this year?

Martin Kelly

Partner & Chief Financial Officer, Apollo Global Management, Inc.

Michael, it's Martin. So, I addressed some of this in my comments. I think the priorities in terms of allocation for us are to grow Athene, and the benefit of growing Athene including with the use of ADIP are numerous and the earnings leverage from that is really beneficial. And some of which we outlined at the origination day last October, it also goes AAA. So, that has a compounding effect on earnings. As I mentioned, we don't see a lot of scope to invest in growing the business inorganically.

Q4 2023 Earnings Call



And so, that should be modest and very sort of targeted. We want to make sure that we're at least immunizing employee stock issuance, and so that's built into the plans. And then, the ability to immunize stock and reduce the share count on a real basis has been dependent on realizations really. That's the delta. And so, as realizations pick up, we'll have more flexibility to do that. And that really depends on what the markets – what receptivity there is in the markets for exits, particularly in our private equity business.

So, that's how we sort of connected all together. Whichever way you look at it, the returns – the marginal return on a dollar of capital, whether you're buying back stock or whether you're investing in Athene, are both attractive. So they're both good choices. But that's how we try to balance it. But I would think, in terms of timeframe, think of it as a three-year plan, but we need more sort of near-term realizations to be leaning into that. So, more backended than front-ended.

Operator: Thank you. The next question is coming from Brennan Hawken of UBS. Please go ahead.

Brennan Hawken

Analyst, UBS Securities LLC

Good morning. Thanks for taking my question. Martin, I'd like to maybe try and square your comments around the cost of funds in the fourth quarter and some of the adjustments you flagged to slide 12. Is the one piece that's not one of the notable items, the impact of the new performance fee? And given that performance fees are something I think you guys would be collecting on a regular basis, why is it that we should be adjusting that out? Can you please just maybe help us understand that impact a little bit more?

Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

So, this is Marc. I'm going to give a conceptual level and then Martin will address the specifics. If you look at history in our portfolio and this is not history of one year, but you look over 15 years and you say, where have the vast majority of losses come from in the investment portfolio? They come from the corporate IGE book, the thing that everyone thinks is safe. And if you think of that as like most investors, a lot of that is waived in based on rating and diversification and industry classifications. That no longer suffices.

Athene has decided that it makes more sense to bonus the people who are managing portfolios for them, net of specific losses and net of specific impairments which now include the corporate IGE bond book. What we saw was 100% of the charge for the change took place in one quarter as opposed to spread over four quarters. Ultimately, the belief is and the reason this was done is that this on a net basis should be a positive for Athene. But in the quarter it was taken, we're just calling it out so you know exactly why it was taken.

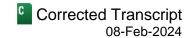
Martin Kelly

Partner & Chief Financial Officer, Apollo Global Management, Inc.

I would also connect it back to originations, right. So, it's a tool to incentivize appropriate originations on a risk adjusted after credit loss basis. And the math is pretty simple. The full charge of 7 bps was taken in one quarter, but think of it as an equivalent dollar amount, performance-dependent, taken over the course of the year. And if you adjust for that and the notables from Q3 and look at the change in sort of top line fixed income, income and cost of funds, they're right on top of each other on a quarter-over-quarter basis.

Operator: Thank you. The next question is coming from Ben Budish of Barclays. Please go ahead.

Q4 2023 Earnings Call



Benjamin Budish

Analyst, Barclays Capital, Inc.

Hi. Good morning, and thanks for taking the question. I was wondering if you could give an update on ADIP

specifically. And then, maybe speak a little bit more generally about sidecars. You identified it, I think, last year as one of your kind of strategic priorities going forward. So maybe a little more color on how you expect that opportunity to evolve and what we should see this year. Thank you.

Scott Martin Kleinman

Co-President & Director-Apollo Asset Management, Apollo Global Management, Inc.

Sure. So, ADIP II fundraising going quite well. We expect to wrap it up this summer in a \$4 billion to \$5 billion range, so – providing Athene the sidecar capital necessary for the next probably two years. So, feeling really good about that. Part of what we're doing is just a big education campaign, right. This is not necessarily an intuitive product to investors. But once folks start to understand it, it's a pretty exciting product.

Marc Jeffrey Rowan
Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

Yeah. The color I would give on this and this is, as you evaluate entry into this business, the reason we are successful raising sidecars and people buy into the business pro-rata with Athene and actually pay both Athene and Apollo fees for the privilege of doing Retirement Services business.

The reason this works is, they, the investors have seen us over a very long period of time, stick to a mantra of high cash on cash returns, the ability to produce north of 15% cash on cash returns, growth in book value over that period of time, and to step away from the market and to step away from kinds of transactions that while would give us growth, but are not fundamentally good transactions, is why we're trusted with this capital.

People will discover very quickly that this business done poorly is very capital intensive. This business done well is a great business. So I just step back to the big economics. It costs roughly \$0.08 of capital for every dollar of growth. If you fund all \$0.08 yourself, you can do the math as to how big you get and how much capital you need. Roughly two-thirds of that \$0.08 is funded by third parties who pay us a fee for the privilege of funding, because it offers excess return per unit of risk and they are aligned with us and they know that we will be good stewards of their capital.

If firms do not produce high rates of return and do not make finally good strategic choices, they will not be trusted with sidecars and that will be the difference between success and failure.

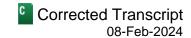
Operator: Thank you. The next question is coming from Michael Cyprys of Morgan Stanley. Please go ahead.

Michael J. Cyprys

Analyst, Morgan Stanley & Co. LLC

Hi. Good morning. Thanks for taking the question. I wanted ask more broadly on the retail annuities market with aging demographics and the need for income. I was hoping you could speak to the market growth that you expect from annuities over the next 5 to 10 years. And what sort of enhancements like you'd be able to make to the product set and overall customer experience to perhaps unlock some additional growth and expand the customer set?

Q4 2023 Earnings Call



Marc Jeffrey Rowan

Chief Executive Officer, Co-Founder & Director, Apollo Global Management, Inc.

So the product set for annuities, if you look over a long period of time, has not evolved all that much. We entered the market real a decade ago. And the changes that we made to the product, in the context our industry were very substantial, but in the context of financial services, not all that substantial. We stripped down many of the unused sliders and we added it to rate, and simplified the product and simplified the administration of the product and it turns out consumers prefer more to less.

That has allowed us, along with capital and good asset availability, to move from a new entrant to the market to the largest ever year of annuity sales in 2023, and a leading market position. I think we will continue to see modest changes around the traditional product in terms of custom indices. Because the product, as you know, is not a straightforward, you get a set rate, you actually get a percentage of a market's index performance subject to a floor. And investors like that mix of upside and downside.

The holy grail of this business, in my opinion, is both simplification and a much simpler promise of guaranteed lifetime income. Certainly, an annuity has firms taking one significant risk; that's investment risk. When you move to guaranteed lifetime income, you're taking both investment risk and longevity risk. We have elected today not to take substantial amounts of longevity risk in our portfolio. But like any marketplace, there is the opportunity to work with market participants who are on the other side of the longevity, bet to hedge out that risk. Right now, the cost of hedging that out would not allow for the distribution of a product that neutralize longevity risk in a commercial sale.

But in a fiduciary sale, one is that is not through a channel that is commission payable, one could in fact offer guaranteed lifetime income and have the cost of a longevity hedge borne by commission. I think you will see a number of firms in our industry trial that this year. I think if we as an industry are successful in doing that, I think we will open a different market and a market that is potentially very large and very attractive, that provides long-term capital, but leaves us as an industry participant focused on the risk we want to take which is investment risk, rather than being in the longevity risk business.

The other is, we think of this mostly in a US context. Europe, I believe, is going to step back and evaluate how they have focused on this industry. There's been a 40% drop in the availability of guaranteed income in European markets, primarily linked toward regulatory change. This problem is also in Australia, the most successful retirement market in the world in terms of superannuation. They've spent a lot of time thinking about accumulation, but very little time thinking about decumulation.

If you're interested in, there's a treasury paper that's out talking about this. This is in Hong Kong, this is elsewhere in the world. So the ability to take what we've done in the US and adjust for the local flavor and local regulation is, one significant growth area, growth in indices and custom indices is another area. And finally, really cracking the code on guaranteed lifetime income, which, in its very early days, is a further potential growth area.

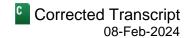
Operator: Thank you. The next question is coming from Finian O'Shea of Wells Fargo Securities. Please go ahead. Actually, I apology. It looks like we have reached our allotted time for questions. I'll turn it back to Mr. Noah Gunn for closing comments.

Noah Gunn

Global Head-Investor Relations, Apollo Global Management, Inc.



Q4 2023 Earnings Call



Great. Thanks for your help this morning, Donna; and thanks to everyone for your interest and time this morning. If you have any questions or clarifications about anything discussed on today's call or our results, please feel free to reach out to us and we look forward to speaking with you again next quarter.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines at this time and enjoy the rest of your day.

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