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Apollo Global Management, Inc. (APO)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Apollo Global Management's First Quarter 2025 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 opened for questions. Please limit yourself to one question and then rejoin the queue. This conference call is being recorded.

This call may contain 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.

Noah R. Gunn

Managing Director & Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Thanks, operator, and welcome again to our call. Joining me to discuss our results and the momentum we're seeing across the business are Marc Rowan, CEO; Jim Zelter, President; and Martin Kelly, CFO. Earlier this morning, we published our earnings release and financial supplement on the Investor Relations portion of our website.

As you can see, first quarter results marked a strong start to the year. We generated record fee-related earnings of \$559 million or \$0.91 per share, spread-related earnings excluding notable items of \$826 million or \$1.35 per share, and adjusted net income of \$1.1 billion or a \$1.82 per share. In addition, we declared a cash dividend of \$0.51 per share of common stock for the quarter ended March 31, representing a 10% increase from our prior quarterly run rate. And consistent with the growth trajectory we provided at Investor Day.

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

Marc Jeffrey Rowan

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

Thank you, Noah, and thanks to all of you joining this morning. As Noah started off, strong results, particularly amid a very volatile market, FRE of \$559 million up 21% quarter-over-quarter or I should say year-over-year. SRE of \$826 million ex-notables, AUM of \$785 million up 17% year-over-year. Record inflows \$43 billion in the quarter, inclusive of \$26 billion at Athene, solid origination quarter at \$56 billion led primarily by platforms. And most importantly, fund level returned strong. I'd call out two particular areas in the credit business, 8% to 12% now depending on the fund on an LTM basis. And in our hybrid area, 19% on an LTM basis.

In communicating what's going on in this market. Most of the questions I've received over the past month have been about the macro. So let me start there. It's never been more important to understand the manager philosophy and thus the direction of the business. You as investors, you should expect divergent paths for public asset managers. For us, purchase price matters in all markets. In debt, in equity, in up markets and down

markets, purchase price always matters. We are not a current period profit maximizer. That means we are willing to sit things out. We are willing to reduce leverage. We are willing to wait for the fat pitch. Three, we are relentlessly focused on origination as our source of excess return. We are not riding market trends, hope and prayer we have found to be very poor business strategies, but good strategies for life.

Just a quick example of this, ADS. ADS was one time leverage in January of 2023. Prudent management of the vehicle to took leverage down 2.5 times in January of 2025. We have earned the right to deploy in this market, and we expect an acceleration in returns rather than a reduction in risk. This is a totally different positioning than almost everyone else in the marketplace and reflective of the philosophy by which we run the business.

Let me really pivot to macro. The last few years through Q1, I would describe as hyper US exceptionalism. Money from around the globe found its way into the US, primarily into our listed markets and indices. In the equity market, 10 stocks of the S&P 500 stood for 40% of the index. The video alone was larger than the market cap of every stock exchange in the world other than Japan. And those 10 stocks reached a height of a 60 PE on a current earnings basis.

In credit, BBB corporate spreads tightened below a 100 basis points. The last time that happened 27 years ago in 1998, CLOs tighter spreads in a decade. Every asset manager was offered a choice. They could continue buying into this trend, adding risk, adding leverage, reducing credit quality to chase returns. Or they could reduce risk, reduce leverage, prepare for the fat or I should say fatter pitch and rely on proprietary origination to try to get them through while public markets and the corollary in private markets did not offer acceptable risk adjusted returns.

For us, we found our returns through origination and structure rather than reaching down the credit curve. We have built massive funding and reduced risk. We are well prepared. We believe we are one of the largest active buyers of assets Post Liberation Day, \$25 billion in April alone. Interestingly, mostly in public markets, public markets were the fastest to adjust from a price point of view and exhibited what we expect to see going forward, limited liquidity. The equity market pretty much at all times has liquidity, but investors are discovering what we have been saying for years. There just is no liquidity in publicly traded fixed income markets and therefore we expect extreme price volatility to the point where sometimes public markets offer better returns on a risk adjusted basis than private markets.

This philosophy impacts the two businesses. In asset management, we're sitting with \$64 billion of dry powder, really strong investment performance, I'd highlight particularly in private equity. Private equity their most recent fund, Fund 10 sitting with a net IRR at the end of the quarter of 19% versus 9% for industry peers over the same time period. Strong VPI, purchase price simply matters. The philosophy and performance and product breadth is resonating with our client base. Jim will talk to you about what's happening in capital formation but think about the five or six products that are really scaling. ADS is greater than \$20 billion in three years. S3 our secondaries business, \$10 billion in less than three years, AAA greater than \$20 billion in three years. ABF over \$7 billion in less than two years, Accord \$8.5 billion in less than two years.

We feel good about what we've done. We feel good about the communication we've had with our investors and partners. And they understand our view of markets and how we have prepared for the more volatile environment that we are seeing today. In Retirement Services the macro trend continued to play out, exceptionally strong demand for all forms of guaranteed income, reflecting both higher rates and an aging population. We saw interesting competitive behavior in Q1. Think about this, corporate spreads collapsed, prepaids of higher yielding assets hit records, and yet we saw increased competition in the most competitive of the channels for retail sales of fixed annuities as competitors tried to make up shortfalls with volume and by taking on more risk in asset selection.

We chose a different direction. Tighter spreads made it a great time to fund in less competitive channels. We raised \$26 billion in the first quarter and another \$10 billion in April. We invested that money more in cash, in treasuries, and agencies and paying down leverage. That is not without its cost, but it sets us up well in a volatile market. That move toward more cash and less risky assets cost us approximately \$15 million in the first quarter, and if not deployed, will cost us some \$30 million for the year. However, \$14 billion was invested in April alone at 50 basis points wider spreads than those available in Q1.

Lower rates now forecast in excess of those that we discussed at Investor Day. Plus, sizable prepaids from the record tight spreads in Q1 will create headwinds. The opportunity for us is a strong asset pipeline of proprietary origination, continuation of the wider spreads we're seeing in April. And our ability to run the business in a volatile market because we have prepared for it. We run Athene with a principal mindset and a long-term focus. Athene is in an excellent position, on an absolute basis relative to nearly all peers having four different funding channels, which were especially important in Q1 against a backdrop of strong secular demand for retirement products. And as you can see, we are spring loaded on both sides of the balance sheet. That does not mean it will be straight up, but we are well prepared for volatility, and we will react accordingly with our principal hat on, making sure we get the best long-term outcome. Martin will detail for you all the puts and takes for the rest of the year, making a more difficult forecast in an uncertain environment, but one also filled with opportunity.

Let me return for a moment to the industry that we are in. This is not unique to Apollo. This is the entirety of our industry. We have built this industry over 40 years out of the smallest bucket of our institutional clients called alternatives. We are fortunate we now have another sizable bucket called individuals. We have a third bucket which are retirement services companies who have witnessed the success of Athene and are starting to emulate. We also now have institutions who, for the first time are entertaining the use of privates, particularly private investment grade in their fixed income bucket and we expect eventually will replace some portion of their public equity buckets with equity that is private. But that's for another day.

Most interestingly, over the second half of last year and now the beginning of this year, we're seeing yet another source of demand play out. And that is in the form of traditional asset managers, traditional asset managers are in the process of redefining what active management is. We always thought of active management as the active buying and selling of stocks and bonds. I now believe we will see active management as the public market beta, married with appropriate private market assets in structures that investors understand like mutual funds and ETFs and interval funds and otherwise. These traditional asset managers, I expect, will be large consumers of private assets and will reach clients that our industry probably would not have reached on its own. Whether we see the interesting innovations in model portfolios or the interesting partnerships, or we just look at what we're doing on our own, whether it is access to private credit and a daily liquid wrapper through the State Street PRIV ETF or the Income Solutions we've launched with Lord Abbett through an interval fund or its introducing privates into retirement solutions through a target date fund partnered with State Street.

Across the board, we are working with traditional asset managers to integrate private assets in an appropriate way into products that we and the industry never really expected. These strong sources of demand, starting with the original institutional base and now moving all the way for traditional asset management, I think portend very well for our industry. So long as we are focused as not growing too fast. Too fast to me, we are in the business of excess return per unit of risk. Therefore, we are able to grow only as fast as we are able to originate good assets that offer those risk/reward characteristics. Thus, our relentless focus on origination as much as we possibly can across the board and in most of the asset classes.

We're also seeing interesting innovations across our business that I would call out, not just in traditional asset management, but the early signs of progress in defined contribution, in 401(k) and tax advantaged, tokenization and digital markets, structured notes and portfolio solutions. I expect the level of creativity at our firm and in our industry to create interesting opportunities, again, boosting demand for private assets. And as you know, I am very bullish on the demand for private assets. And most days I wake up concerned more about the supply and thus, origination.

Uncertainty leads to volatility. But volatility historically has been our friend. We would rather have uncertainty from our current position of strength than any other way.

With that, I'll turn the call over to Jim.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

Thanks, Marc. I'd like to start by sharing some perspective and view on the recent market volatility. The current administration was clear on their objectives pre- and post-election. They want to revitalize American industry, bring back manufacturing, focus on domestic energy production, and stimulate the industrial global renaissance. Tariff, taxes, and regulation are the three-legged stool to support these objectives. While the tariffs should not have come in as a surprise, the scope and approach clearly rattled markets. At Apollo, we've been preparing for this environment – like this environment, and positioning the firm, as Marc mentioned, defensively, in anticipation of this market disruption with dry powder and liquidity to thrive.

As a reminder, we run our business as an equal opportunity investor. With the ability to pivot between public and private, primary and secondary, allowing us to focus on the most compelling risk/reward. As market structures evolved and private credit has grown far beyond direct lending to include vast pools of investment grade assets, we believe our presence has been amplified given the differentiated model and strong relative position to address this broader opportunity set. Our long-dated capital has clearly demonstrated this capacity in the investment grade arena, complementing our expertise in the non-investment grade arena over time.

In recent months, when public markets went no bid, we brought our own bid. This wasn't just liquidity, it was leadership. For some, capital light has become code for heads we win, tails we win and hopefully our clients do okay. In contrast, our aligned client-centric model, along with our principal-driven balance sheet, allows our platform a degree of maneuverability that is unmatched. Over many years, we built a platform to deliver stable, strong performance for our clients, and Q1 was no exception.

Touching on origination. As Marc mentioned, we originated \$56 billion of assets during the quarter, representing nearly a 30% growth year-over-year. This result was driven by activity across our diversified channels, platforms, core credit, high-grade corporate solutions, equity and hybrid, and significant momentum to start the year positions us to hit our full year targets of exceeding last year's record level of volume.

Even with credit spreads at or near generational tides, the advantages of our origination engine shine through. For example, our 16 affiliated platforms and core credit channels, we originated nearly \$49 billion of assets at 200 basis points to 250 basis points of excess spread versus comparable rated corporates or 300 basis points to 375 basis points over comparable treasuries. In the first quarter, we observed market tightening of approximately 30 basis points to levels representing generational tides before subsequent widening of 30 basis points to 45 basis points in April. Our origination activity continues to be very broad based with diversified flow that is not dependent on any one platform or transaction.

To deep dive, we originated over \$11 billion via the broad sponsor channel in more than 80 different financing opportunities, showcasing our leading presence and depth in connectivity to the market. Just recently, our leadership in the financing for Karo Healthcare, sponsored by KKR, is another example where we stepped into a structure at attractive financing solutions in lieu of a broadly syndicated loan package. The sponsor selected of the Apollo-led consortium, owing to our speed of execution and certainty of closing. We believe wins like this create a flywheel effect where demonstrated results lead us being the first call for solutions to broad clients.

Elsewhere, with our infrastructure and energy investing franchise, we signed, committed or deployed over \$3 billion during the quarter, across a half dozen opportunities across the globe, highlighting our growing presence to originate with and finance the ongoing global industrial renaissance. This current environment provides an opportunity to stay close to our clients and understand how we can be helpful and best serve their needs. For example, we continue to work closely with our multiple bank partners. The recently announced financing for the Jeppesen carve-out at Boeing via our Citi partnership is a great example of our ongoing collaboration.

During this time, our scaled, durable capital base and structuring expertise allowed us to offer flexible solutions with certainty for borrowers. As a result, our origination pipeline in a variety of areas with particular focus on high-grade capital solutions and hybrid, has never been broader and wider.

Turning to capital formation, we generated record quarterly organic inflows of \$43 billion across the business, comprised of \$18 billion from asset management and a remarkable \$26 billion from Athene. Our capital formation engine is highly differentiated and less prone to cyclical fundraising dynamics and our historical strong presence within the institutional channel, our building momentum in wealth channel and our market leadership in retirement services is a formidable combination.

Within the \$18 billion of inflows from asset management in the quarter, approximately 70% went to credit-oriented strategies and 30% to equity-oriented strategies, with contribution coming from a broad array of investors around the globe. Two strategies in particular, Accord+, our opportunistic credit strategy and S3, our sponsor and secondary solutions both recently held successful final closings that demonstrate that our approach is resonating.

S3 Equity & Hybrid Solutions Fund I closed with \$5.4 billion in commitments, bringing total capital raised across the S3 ecosystem to nearly \$10 billion since launching three years ago, and Accord+ Fund II closed with \$4.8 billion of commitments which, when combined with the associated managed accounts bring the capital – brings the capital raised for this strategy to \$8.5 billion in less than two years. Global wealth continues to be an important strategic contributor to our growth, and we are extremely excited on the momentum we are seeing in that business. The emergence of a market volatility did not have an observable impact as we generated our best fundraising quarter to date, approaching \$5 billion in the quarter and 85% year-over-year increase from one quarter 2024. And I would add that that's across 18 separate strategies encompassing our semiliquid suite as well as a variety of drawdown and QP offerings.

We saw notable strength in Asia during the quarter as our offering continues to gain traction in that region. We continue to effectively scale the business with six strategies now above \$1 billion in AUM. And while still early, the growth trends in the wealth channel are showing signs of durability, Post Liberation Day. Athene had an outstanding quarter, as mentioned, with \$26 billion of organic flows, the highest results on record. By channel, inflows were driven by \$10 billion from retail, \$11 billion from funding agreements, and \$5 billion in flow reinsurance. Retail flows were led in strength by MYGAs and FIAs, and the FABN issuance was the strongest on record as we leaned in and took advantage of very favorable issuance spreads as Marc mentioned.

In flow reinsurance, we capitalized on the strategic opportunity in the US client – with a US client that drove outsized volume. As we progress throughout the year, we continue to expect Athene's mix of new business will look like last year with strong activity in the funding agreement and retail channel. Athene remains extremely well-positioned to serve the enormous needs of the growing retiree population and executing on this opportunity will enable Athene to durably grow earnings in the future.

Our team remains focused on serving our clients and deserving our promise of excess return. We are leaning into areas of imbalance between capital and opportunity, and we have been extremely active in the market over the past month, leaning into volatility with size, speed and structure. We are viewed as a partner of choice to provide capital solutions to companies unable to go public, provide liquidity solutions to GPs that need realizations and provide alternate – alternative pools of capital to public companies seeking fund diversification or simply CapEx growth.

If the client of dialog in recent weeks is any barometer of the demand of our services, then the outlook for Apollo is very, very bright. The open architecture and integrated model of our firm allows us to pivot and navigate swiftly in periods of short or extreme volatility. The recent stretch has clearly been one of our busiest in the last few years, and we're approaching the opportunity from a position of strength. Since the beginning of April, in addition to what Marc mentioned, is the IG activity of growth, \$27 billion. We have participated in over 40 direct lending or financing transactions and have also seen strong activity in the NAV loan finance sector. Our pipelines remain incredibly robust across our firm.

With that, let me turn the call over to Martin.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

Thanks, Jim, and good morning, everyone. Our Q1 results demonstrate the strength of our platform and our ability to execute in a dynamic environment. I'll quickly walk through our financial results, highlight some key drivers that will position the balance of the year, and then touch on capital allocation.

FRE, in asset management, we generated \$559 million of fee related earnings for the quarter. A new record fee FRE grew by 21% year-over-year and was driven by three components, 18% management fee growth with notable strength from credit, which grew by 23%, capital solutions fees of more than a \$150 million for the quarter. A very strong outcome in view of the emerging volatility and expense discipline with combined comp and non-comp expenses growing by 11% year-over-year. The uptick in compensation expense reflects continued investments across our business to execute on our broad set of growth opportunities, 17% overall revenue growth combined with 11% overall cost growth resulted in approximately 200 basis points of FRE margin expansion year-over-year.

Consistent with prior comments, we remain confident in the long-term margin potential of the business and expect to see expansion over a multiyear period as our business continues to scale. Key drivers within our FRE growth plan for 2025 include sustained momentum in global wealth. Continued strength in third-party credit more broadly, in particular, our asset backed finance business and our origination platforms and growth in PE adjacent businesses within equity. Specifically, hybrid value and secondaries. Given the momentum we see in the business, we are very confident in our 2025 earnings guidance.

SRE, at the same time, Athene's business is facing a number of market driven uncertainties, which I will touch on in a minute. Athene's net invested assets grew by 15% year-over-year, driven by record organic inflows with strength across the three channels that Jim just highlighted. We generated \$826 million of SRE for the quarter,

excluding notable items. Adjusting to our long-term 11% return expectation on the alternatives portfolio would contribute an additional \$29 million of investment income. The alt return for the quarter came in higher than our pre-release estimates due to positive valuation adjustments amid late quarter volatility. The notable item in the quarter stemmed from a change to how we recognize income on certain derivatives and resulted in a \$22 million unfavorable impact within cost of funds within the quarter.

In spread terms, net spread ex-notables of 129 basis points declined by 8 basis points sequentially. And you can see the components clearly laid out on the bridge we provide within our earnings presentation. Recall that spread related earnings and net spread results are partly a function of the environment and partly from proactive choices we are taking to position the business for long-term success. Relative to our SRE target for the year of \$3.5 billion, which contemplated an 11% alt return. We are seeing one and a half additional rate cuts, which is about a \$40 million headwind if realized, competitive pressure in the retail channel of approximately 10 basis points on an assumed \$35 billion to \$40 billion of volume, along with \$40 million of headwinds from higher asset prepayments. Those are the headwinds along with the liquidity build that Marc referenced earlier. And collectively, they impact both our net investment income and our cost of funds trends.

In view of these dynamics and assuming normalized investment spreads for the balance of the year, instead of the widespread conditions in April, we expect a mid-single-digit growth rate for 2025 off the rebased \$3.2 billion starting point. We have an opportunity to earn some of this back based on a deployment pipeline and market volatility, providing wider spreads, in which case our growth rate will be higher. While different macro or business variables come into play in any given year, you should trust that we'll do sensible things to navigate the environment, and we remain focused on delivering the 10% average growth we laid out within our five-year plan.

Turning finally to capital allocation, we deployed over \$700 million for share repurchases in the first quarter, including \$130 million for opportunistic buybacks. As we have done in the past, we will seek to be relatively more active when there are particularly compelling opportunities or dislocation in our share price. Over the last 12 months, we've returned \$1.7 billion of capital to shareholders through a combination of dividends and opportunistic share purchase – repurchases, while also allocating more than \$200 million of capital to strategically invest in future growth initiatives.

During the quarter, we announced the acquisition of Bridge Investment Group in an all-stock transaction with an equity value of approximately \$1.5 billion. Bridge is an established leader in residential and industrial real estate, as well as other specialized real estate asset classes. We believe Bridge will enhance our existing real estate business, providing immediate scale and origination capabilities that fit synergistically within Apollo's ecosystem. In particular, asset demand from Athene and ARIS, our semiliquid real estate-oriented products. We look forward to welcoming the bridge team on board later this year and we expect the transaction to close in Q3 subject to outstanding closing conditions.

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] Today's first question is coming from Glenn Schorr of Evercore ISI. Please go ahead.

Glenn Paul Schorr

Analyst, Evercore Group LLC

Q

Hello there. I apologize in advance. I want to try to simplify the conversation, even though you gave us a lot on SRE. And I'm thinking we – a couple of years ago, we thought we were growing, I would say call it mid-double digits. We brought that guy down to 11% and now we're coming down to mid-single digits just this year. I like you being conservative to the environment and waiting for a fat pitch. I like the growth that you've seen. So can we break down the lower SRE on which piece is the conservative part of the investments and what conditions could make you less conservative and put that money to work sooner?

And then the flip side of it is we didn't talk that much of – there is a higher cost of funds. Cost of funds is up 28%. I'm assuming that's tied to funding agreements, but maybe we could try to simplify it between the asset side and the liability side. And then we could understand, which is the conservative piece versus the market environment. Thanks.

Marc Jeffrey Rowan

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

A

Okay. It's Marc. I'll do the macro and then Martin will do some of the micro. We underwrite the business on a spread basis and an ROE basis. Some products offer higher spread but are more capital intensive. Some products lower spread but are more capital efficient. So, we also have adjustments in the spread that we earn. Our goal is to run a mid-teens, historically 15-plus percent ROE business. If we run a 15% ROE business, we are more than covering our cost of equity and we are able to get outside funders to help us fund our business. And that's the basis on which we want to do business.

Recall that to do that business, there's actually three things that get you to real spread. The first is your asset spread. The second is your cost of liabilities. And the third, and the one we don't talk about often enough is OpEx, which is very, very low for us on a relative basis. What we saw and so now step back and think about what's happened. We went through COVID, and COVID offered some of the widest spread business we had ever seen. That business will roll off, as you know, throughout 2025 and through a portion of 2026. But the volume by which we've been doing business has been very, very strong because you've seen a significant tick-up in volume over the past few years. We've been doing that higher volume business at wider spread.

The conditions we saw at in December and in the first quarter were not, in my opinion, healthy, competitive conditions to put risk on the books. I can only imagine what's happening on a competitive basis given that we are 25 basis points ahead just on OpEx before you get to origination. But what we chose to do was to massively increase our use of funding agreements which are the least competitive channel for us and to pile up cash in Q1. That allows us – and we do that by increasing cash balances, by increasing treasury balances, by increasing agencies and by paying down repo and other forms of leverage including FHLB.

All of that sets you up to redraw that when spreads widen, which is what we saw in the beginning of April and as we put money to work. So now to your question of Outlook. Outlook is in part driven by the interest rate

environment. As you know, we have some sensitivity on a reduced basis to interest rates. But relative to where we had been, we now have one-and-a-half more rate cuts. That is a headwind.

We had competitive pressure in Q1 that is also a headwind. However, we saw massive spread widening at the beginning of Q2. When Martin frames the year, the question is, do we see a return to normal, which is what is presumed in what Martin has said or do we see a continuation of widespread business that we're seeing in April, that will determine the direction. Martin has given you the conservative side of that because that is what we do. So the opportunities on upside here, in my opinion, are wider spread derived by a lessening of competitive pressure in the liability origination, cost of funds area and a strong pipeline of asset management at widespread, which was particularly good and rewarding in April.

So, that would be my macro, and I'll let Martin add to that and see if we can do better.

Martin Kelly

Chief Financial Officer, Apollo Global Management, Inc.

A

Right. I would only add, as we look at the earnings profile ahead of us, there's pieces that we know and can predict with high certainty. And that's the behavior of the existing business and how it rolls off over time, contractually. And then there's pieces of it that are sort of expectations, which include prepays. And we obviously make assumptions and estimates about prepays, but given the extraordinarily tight conditions we saw on spreads in CLOs in Q1, prepays are running a bit higher than we had forecast. And then you get to the unknowns. And the unknowns are the components that Marc laid out, which are rates and both pace and spreads on putting them to work.

So, as I think about the relationship between the cost of funds and the gross investment income, we're clearly under-earning on the business that we wrote in the quarter relative to the potential it has. And it'll take a period of time, which we're making estimates around, to earn that back. And that's really the primary uncertainty, both timing and spreads that we said that outsized business is put to work.

Operator: Thank you. The next question is coming from Steven Chubak of Wolfe Research. Please go ahead.

Steven Joseph Chubak

Analyst, Wolfe Research LLC

Q

Hi. Good morning. Thanks for taking my questions. So I was hoping to get some perspective on the wealth outlook. Sounds like you guys are continuing to see really good momentum. Was hoping you could speak to how flows were in AAA this quarter, where you guys are in the distribution or platform journey at the moment. And if you could provide more context just on the durability of those April flows and how it informs your outlook from here.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Well, let me start off, and I'm sure Marc may have a couple of comments. But I would say, if you go back 24 months ago, in terms of 2023, we did \$4 billion in the overall channel. If you then – you go to 2024, we were at \$11 billion. We've been clear with \$5 billion in the first quarter this year. And we've laid out a number, \$16 billion, \$17 billion for the year. We feel quite strong on that number. There's no doubt there's been breadth in a variety of vehicles, ADS, AAA, ABC. AAA had solid numbers across the quarter and was not an outlier to the upside or the downside.

So what's clear to us is the, and we mentioned this before, performance is critical, but it's also technology, it's education, it's breadth of the platform. It's the ability to have portfolio of solutions. In time, it will be your ability to fund and finance and really provide the breadth of products. So, we didn't see any wavering in the first part of April. April's been a strong month as well, but it's – we are – we do live in a bit of an uncertain world, but we still feel very strong about the rest of the year in aggregate on this channel.

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

Alexander Blostein

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. Good morning. Thank you. I was hoping we could expand the fundraising conversation a little bit more broadly. It obviously feels like retail and the wealth channel continues to be quite durable, with respect to the current market uncertainty. When you think about how your institutional client base is responding, and appreciate you guys actually don't have a large flagship fund in the market today, which might actually be a good thing right now. But as you think about other sources of institutional demand, in light of this volatility, how much more, I guess, durability do you see within that channel relative to maybe some of the other parts in the market?

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

We feel extremely positive about the traction and the dialogue that we're getting from investors around the globe, notwithstanding some of the actions would have taken place in the administration. I would take a step back. We believe we have under-hit our weight in terms of grabbing our fair share over the last couple of years. We're continuing to grow that. And when I see the dialogue, what Marc described is our purchase price matters, we are not on the apology tour around the globe and people have seen the breadth and success of a variety of our investment strategies from the equity business across the board to our hybrid business and the breadth of our credit business.

So, the call notes that we see, the engagement we see, the results we see make us very, very positive, notwithstanding a bit of a macro headwind about how global investors may see the US. So we feel our share is going to, whatever is out there, we're going to gain share. The dialogues have been increasing, and I think our strategies in terms of what we see going on in terms of how we run our business from purchase price matters to our origination focus to our leadership in ABF, to our leadership in the hybrid areas. These are all areas where people are really – institutional investors are refocusing our attention. And we're garnering a very strong share.

Marc Jeffrey Rowan

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

A

Let me, I'll just add and frame what Jim said. If you go back in just a little bit of history. We were fortunate in the creation of Athene and participating in Athene's growth, but Athene in its early days was growing much faster than Apollo. And so, it was not – we were not in a position to really expand the credit business in particular, but hybrid as a secondary matter substantially with third-party clients. Athene was taking everything we produced and more. About four years ago, we finally crested the hill if you will on origination and we have continued to diversify. So, Jim is putting his finger on it. We have historically under-earned our fair share of assets from the institutional channel, that has left us with more fertile opportunities going forward.

If I look at where the dialogue is coming right now, insurance is a really strong part of this business. Not only are they seeing having to deal with the same tight spreads and therefore need to find ways to diversify. But just the acceptance of private assets as a more mainstream activity is really increasing the opportunity set across the

board in insurance. I would say we are origination constrained rather than client constrained in the investment grade portion of the business. Everything we can originate at widespread there's a home for and that business will grow as fast as we can grow origination and we have to be careful as an industry not to simply raise all the money because we can, we have to try as best we can to pace the growth of the capital side of our business with the growth of origination in our business. And this is a different way of thinking about traditional asset management – people who cover traditional asset managers. But it is how we live every day.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

I have to add here, Marc's bringing up a point. When you think about how you all and how the marketplace looks at our business from a direct lending, it's very, very important for you to be able to commit to that [ph] sponsor-ize (00:44:18) solution. The same analogy is going on in the high-grade capital solutions. You can't really work as agent. You need to be a principal investor and being able to go to that counterparty and deliver a solution with capital on the screws. There's a reason why we've done a vast, vast majority of the transactions in the investment grade capital solutions business, and we will continue to do so, because of our platform in the way that we engage with this aligned capital. You can't go out and source an idea and then say, we'll come back in six weeks when our clients want to buy it. And that's the differentiating factor in our platform. So, origination is so tied into capital formation and that flywheel that we are taking a garnering a greater share as deserve it because of our platform.

Operator: Thank you. The next question is coming from Bill Katz of TD Cowen. Please go ahead.

William Raymond Katz

Analyst, TD Cowen

Q

Great. Thank you very much. Excuse me. Thank you very much. So, Marc, a couple of big picture questions for you. Always appreciate your perspective on this. You talked about sort of the intersection between public and private and you've been positioning your franchise for that for a while. But couple of your peers have you mentioned have sort of linked up on that sort of migration with the traditionals trying to chase the private side and expanding distribution on both sides. So you have KKR now with Capital Group, Blackstone working with Wellington and others. Where do you stand in terms of maybe a broader linkage to potentially participate in that? And then secondly, just given the strong momentum of the business, how are you thinking about large scale M&A? I guess there's a large transaction out there where Apollo has been now sort of publicly linked to that I'm sort of curious about your appetite to sort of build into that channel as well. Thank you.

Marc Jeffrey Rowan

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

A

Okay. So, we have two announced public partnerships. One with State Street and one with Lord Abbett. I would say this is a very active portion of our business, so much so that if as you follow Apollo closely, you'll notice the peeling off of what we call a new markets group specifically to focus on traditional asset managers. And I have said internally in the firm that I expect traditional asset managers to be potentially one of the largest sources of capital formation for us.

But I also want to give you the following perspective. No one firm and service capital group or State Street or Lord Abbett or BlackRock or anyone else. We are all in the early days and these partnerships are a valid experimentation. If we are right, the scale of demand for private assets coming from traditional asset managers is going to be quite large. I believe we – you will eventually adopt the kind of thinking that we have, which is this is not about how many of these partnerships I can get papered. It's about how many assets I can originate that are

worthy of inclusion because they offer good risk/rewards. It's a really weird dynamic over 40 years because for 40 years we've gone from a small group of firms doing alternatives to now a fewer number of sizable firms doing private markets. We've always been measured by or limited by our capital base. We're now, in my opinion, limited by our capacity to find good assets. And as Jim said, it is inextricably linked to capital formation because demand for private assets, I believe, does in some sectors today and will going forward exceed supply of private assets.

And most people who cover our industry also cover traditional asset managers who historically have been judged by the quality and growth of their AUM. I believe that our industry will need to be much more closely looked at the quality of our origination and I like these early partnerships because we are learning a tremendous amount, but none of us have the size and scale today or in the future to serve the needs of the 10 largest asset managers on an exclusive basis. I'm very comfortable focused on origination and if I have a good asset, it will have a home. I don't worry about that.

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

Michael Patrick Davitt

Analyst, Autonomous Research US LP

Q

I have a follow up on that last point. You have been quietly launched on, I guess more quietly launched than others on this hybrid illiquid liquid product with Lord Abbett, I think a few weeks before the other big partnership launched. Could you give more color on where that stands in getting distribution and any broader thoughts on being able to talk about when you think there could be a more tangible view of what demand even really looks like for these hybrid products? Thank you.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Well, I think Marc touched upon it. I mean, certainly these – there's a reason why folks are partnering with those traditionals because of their reach of distribution. We're not traditionally a direct-to-consumer franchise and so we believe that our ability to whether it's new product creation like we've done with State Street and Lord Abbett or just basic selling them SMAs or partnering on JVs, there will be a whole litany of types of partnerships, just like there's bank origination partnerships. Five years ago, when one of us announced a partnership that was thought to be exclusive, and now a variety of banks across a variety of asset classes have partnerships with us and many of our peers. That's what's going to happen in the traditionals as well. There will be a degree of open architecture. There will be a degree of desire not to have concentration in one manager. And so these are all early stages to where the business is going. And again, when we think about the – when you think about the limiting capacity, it's not just aligning yourself with the platform and getting a product on it. It's actually producing the rare commodity, which is these private assets.

Traditional managers historically have dealt in the sandbox with public stocks and public investment grade bonds, and the sandbox of opportunities is limited to what has a CUSIP. We're bringing in a completely different perspective of actually originating bespoke solutions, which we apply. And so again, I do think, Lord Abbett's been out there because we had originally filed it over a year ago. I'm not surprised by what we're seeing out of KKR and Capital Group, but as Marc said, we believe that when we have these calls in the ensuing years, you've talked about the institutional business, you talked about global wealth. We believe there will be a pillar on traditionals in the broad-brush perspective is what we talked about.

Operator: Thank you. The next question is coming from Ken Worthington of JPMorgan. Please go ahead.

Kenneth Brooks Worthington*Analyst, JPMorgan Securities LLC*

Q

Hi, good morning. Thanks for taking the question. You talked about tokenization as one of the innovations that will be meaningful for private assets over time. I was hoping you could help us link the two and how you see tokenization driving. Maybe it's greater alternative access and ultimately driving greater alternative asset growth. But help us link the two together.

James Charles Zelter*President & Director, Apollo Global Management, Inc.*

A

Yeah, I think again, I think you have to tie together. You have to have a view of a degree of open architecture. And, we do not hold ourselves out, as leading front edge pioneers in the world of digital finance. But certainly, there's been a tremendous amount of assets raised, a variety of stable value, stable coin structures. And as those institutions decide to expand beyond pure treasury investments, UST or otherwise, they will choose other yielding assets. And from what we've seen interval funds because of the daily NAV and the subscription attributes are particularly attractive to a variety of potential digital platforms. And so, we noted on our call, I believe either last call or two calls that we had one of our interval funds over a period of time, a variety of subscription into that, performing debt vehicle. And I suspect, again, in the breadth of open architecture, in scale of distribution this will be something that potentially expands over time.

Operator: Thank you. The next question is coming from Mike Brown of Wells Fargo Securities. Please go ahead.

Michael C. Brown, Jr.*Analyst, Wells Fargo Securities LLC*

Q

Hi. Good morning. Thanks for taking my question. So there's been a lot of negative headlines related to foreign LPs and endowments and kind of reducing their allocations to private markets or foreign LPs allocating less to the US. So, Marc, from your perspective, is this a true risk for the industry, should we be worried about a potential backlash for US managers or a desire to invest less in the US and then it would seem to me that Apollo would be more insulated from this dynamic, just given your business mix, but just curious how you think about your potential exposure here.

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

A

So again, I'll start at the macro. We have lived through this period of hyper exceptionalism, and I gave you the stats of what had happened to our debt and our equity markets. I believe we are now back to exceptionalism. The reality is, at least for the foreseeable future, there are not going to be alternatives to US capital markets for the most, because the US market is still 60% of all the funding needs in the world. We will see reductions in allocations from foreign investors if current trends continue and I think that's to be expected. The vast, vast majority of capital, as I've suggested, came into our public indices and we're now watching it leave our public indices. And I don't think that's necessarily a bad thing. It's just we're moving, we've lived in this Goldilocks period of time of hyper exceptionalism that we're just not used to things going in reverse, but they do.

In terms of our own business. On the margin, will we see certain pockets of limited partners where there's government pressure not to allocate to US until there's political resolution? I'm sure. Do I expect it to have a major impact on our business? No, I do not. I think the reality is we are a source of diversification for almost every other portfolio. And it's always good to step back and think about relative size. And the stab I like is just thinking about

the size of the US debt market and then think about everyone says we're going to Germany. Well, the total market is \$2.9 trillion. There's just no place to go right now. That does not mean that over time, there will not be challengers to the US, but it's not one of the things that's keeping me up at night.

James Charles Zelter

President & Director, Apollo Global Management, Inc.

A

Yeah, I would just add that the bar is going to be higher. Marc commented about Germany. Our travel schedules would not indicate that there's a lack of global demand for our products. But I would say, I was in Australia in the last month talking to all the super funds, the scale, that's a \$4 trillion pot of assets, going to \$7 trillion. By definition, Australia is not large enough for them to be able to service all of their needs. So, we – I think we feel comfortable that the hurdle for foreign capital or non-US capital to allocate to managers. We feel like we're in a select group and the breadth of our strategies, our performance, the other attributes that we bring to a \$10 billion, \$20 billion, \$30 billion manager, probably challenging, we're going to get our fair share. We're very comfortable.

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

Benjamin E. Budish

Analyst, Barclays Capital, Inc.

Q

Hi. Yeah. Good morning and thank you for taking the question. Marc, in your prepared remarks, you talked a lot about liquidity in public markets. Just wonder if you could talk a little bit about liquidity in private markets. It's something the media has kind of reported that you're poking around in, providing more liquidity to the paper that you're originating. It's clearly part of what is required for your partnership with State Street for the ETF. So just curious if you could talk a little bit about your activities in terms of providing liquidity for private credit, how much capital this sort of requires and what your ambitions are there. Thank you.

Marc Jeffrey Rowan

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

A

Sure. First, look the reality is we made significant changes in the funding of our financial system following 2008. In the equity market, we had a number of firms step forward, Citadel among them, Jane Street, who provides liquidity in the equity markets, one of the largest providers of liquidity. I've now been through hundreds of client meetings and I asked them, who does this in fixed income? And it's met with complete silence. And that is the answer.

No one stepped forward to do this in fixed income. By some estimates, fixed income trading capital in the world today is 10% of what it was in 2008 and the market's three times its size. The math is easy. We have a 30th of the liquidity. I expect that in every risk-off moment we are going to see significant movements in trading prices in fixed income because there just is no market. We're discovering that public is both liquid and illiquid, and private is liquid and illiquid, just to differing degrees.

The second thing I'd ask you to think about now get to your question. More than 20 years ago, some crazy banker stood up in a meeting and said loans are going to trade. And all of us looked at him and said, how could loans trade? Every loan is bespoke. There's no information, took 30 days to settle a loan and yet – and they're not even securities. And yet here we are more than 20 years later, and we have loan ETFs and loan mutual funds. And we all think loans trade. Well, Jimmy Lee was right, loans traded. And JPMorgan made a market in loans and was earning widespread. Others on the street saw JPMorgan earning widespread and decided that, that was unfair. And they stepped in, and lo and behold, we have a market that's comprised of dealers.

We're kind of doing the same thing initially in investment grade private credit. We came out and I've said to you, I think 18 months from now we will not know the difference between public and private credit in the investment grade market. It will not be the issuers, it will not be the size, it will not be the rating, it will not be provision of financial information, nor will it be the ability to buy and sell. And so, in the context of the launch of the ETF, we've stepped forward and we're making a market in private credit, and something tells me that given the competitive dynamic that a number of firms will not like that we will earn widespread, and they will step in and make a market in private credit as well. And it's already happening. That's kind of where we are.

And I just see the more barriers we remove from the notion of private, the greater market acceptance we're going to have, the greater regulatory acceptance we're going to have. And it's not that I worry about the elimination of the so-called illiquidity premium. I just don't think it exists. I think that premium is derived from originating a good asset and then structuring it and controlling it. I come back to origination. I don't worry at all about having more transparency. I don't worry about daily NAV, I don't worry about any of it. We fundamentally exist for a real reason.

The banking system everywhere in the world funds itself short and is really good and really strong at a group of activities, generally not long dated. The public bond markets around the world generally are also good at another group of activities, generally simple and standard. Anything that is long dated and complex, particularly highly rated, currently in Europe has no home. Read the Draghi report. And in the US, the home is with people like us.

I like our chances because everywhere in the world, we're building infrastructure, we're building next generation data and power, we're doing additions to our energy supply. We're redoing our manufacturing base, we're ramping up defense production. Almost every one of these activities is long dated, complex, and most are highly rated. So for us, the bet we've made is that trading, liquidity, transparency will increase the acceptance and the use cases for private and that therefore all the value is going to come from those who can originate, not from those who can obfuscate.

I like our chances here and I think the market is going to develop very similar to what we saw happening in the loan market. And I think it's early days and I can't point to you where it's going, but the experiments are kind of easy. And take – even in its most extreme, a very successful ETF, \$15 billion, \$20 billion, \$30 billion, a third private. If everyone wanted their money in a month, that's like a week's work here. It's just not all that big for the payoff of acceptance and transparency in this marketplace.

Will it go beyond investment grade private? I don't know. Because already there's not all that much difference between private credit in the lending market and broadly syndicated. The difference I sometimes joke is whether it's held by one person or by a group of people. The documentation is often the same. The credit quality is often the same. What you get in the private credit market, you get to have a one-on-one negotiation with the end buyer who can give you certainty and flexibility and give you something you can't buy in a broadly syndicated marketed process.

Not clear to me which is better or which is worse from a credit quality point of view. But from a tradability point of view to the extent broadly syndicated loans, trade, I see no reason why private credit loans could not trade should the holder of those loans desire to trade them. But let's not get there. Let's focus on IG for the time being. And that's what we're focused on.

Operator: Thank you. We're showing time for one final question today. The final question will be coming from John Barnidge of Piper Sandler. Please go ahead.

John Barnidge

Analyst, Piper Sandler & Co.



Good morning. Thank you for the opportunity. I know in some of your prior answers, you said it's not about how many partnerships an asset manager or financial sponsor can start, but how many assets they originate that offer risk/reward. And you have those origination capabilities. How far off do you think the alternative space is from something that happened in the 401(k) space where the biggest providers garnered all the assets and then it became a consolidation opportunity for those at the top. Thank you.

Marc Jeffrey Rowan

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



Look, I like the chances of the larger firms in this marketplace. The reality is, however, one may feel about this, the individual opportunity is an opportunity that is available to the established firms who are capable of managing and manning the resources necessary to serve large distribution channels. I think the same is going to be true in the traditional asset management area. The same is true in the retirement services area. The scale of need just can't be met by the sole proprietorship, PE firm. That doesn't mean we get everything, because I don't think that's the case. I think there are a number of firms in our industry who garner the largest share of assets. Should they keep their origination quality high? And we're fortunate to be one of them. And I'm thankful every day that we are.

Operator: Thank you. At this time, I'd like to turn the floor back over to Mr. Gunn for any additional or closing comments.

Noah R. Gunn

Managing Director & Global Head-Investor Relations, Apollo Global Management, Inc.

Great. Well, we really appreciate everyone's time this morning. If you have any questions or follow ups on what we discussed, please feel free to reach out and we'll speak to you all next quarter. Thank you.

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

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