S&P Global
Market Intelligence

Apollo Global Management, Inc. NYSE:APO

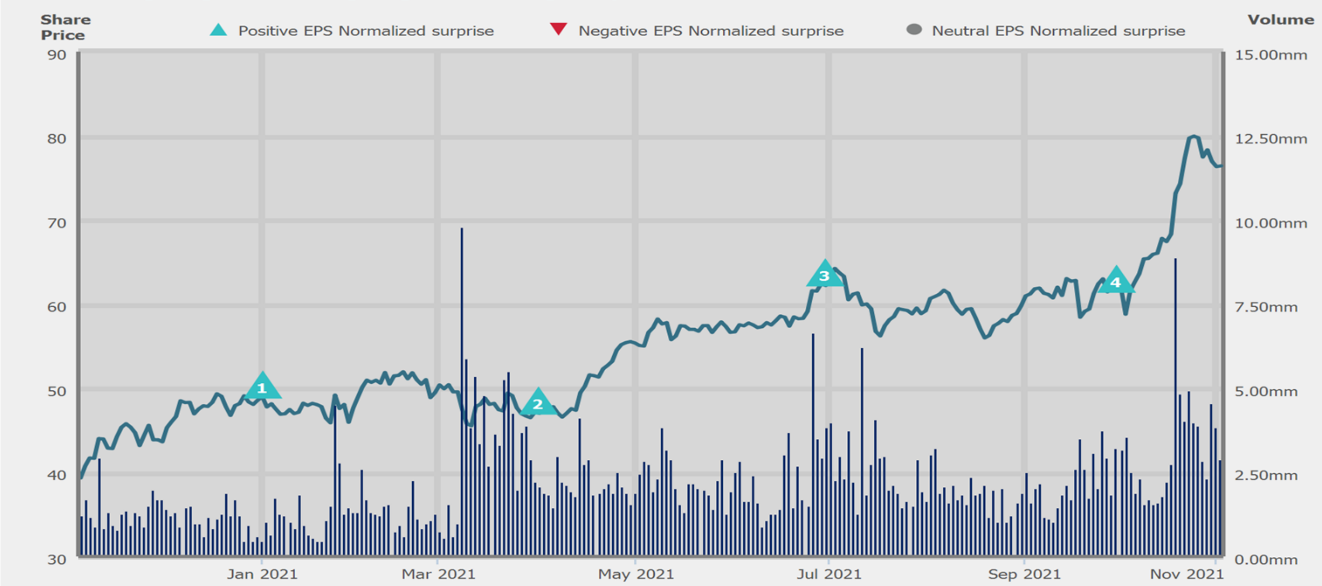
FQ3 2021 Earnings Call Transcripts

Tuesday, November 02, 2021 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.10	1.71	▲55.45	1.15	4.39	NA
Revenue (mm)	548.93	550.95	▲0.58	563.72	2178.75	NA

Currency: USD
Consensus as of Nov-03-2021 12:11 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2020	0.50	0.72	▲1 44.00 %
FQ1 2021	0.58	0.66	▲2 13.79 %
FQ2 2021	0.71	1.14	▲3 60.56 %
FQ3 2021	1.10	1.71	▲4 55.45 %

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EXECUTIVES

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Martin Bernard Kelly
CFO & Co-COO

Noah Gunn
Managing Director & Global Head of Investor Relations

Scott M. Kleinman
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Patrick Davitt
Autonomous Research LLP

Robert Andrew Lee
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Presentation

Operator

Good morning, and welcome to Apollo Global Management's Third Quarter 2021 Earnings Conference Call. [Operator Instructions] This conference call is being recorded.

I would now like to turn the call over to Noah Gunn, Global Head of Investor Relations.

Noah Gunn
Managing Director & Global Head of Investor Relations

Thanks, operator, and thanks to all of you for tuning into our call this morning. Joining me today are Marc Rowan, CEO and Cofounder; Scott Kleinman, Copresident; and Martin Kelly, our Chief Financial Officer and Co-chief Operating Officer.

Earlier this morning, we issued an earnings release and financial supplement, which are available on our website. As a reminder, today's call may include forward-looking statements and projections which do not guarantee future events or performance. We do not undertake any duty to revise or update such statements to reflect new information, subsequent events or changes in strategy. Please refer to our most recent quarterly and annual reports and other SEC filings for a discussion of the factors that could cause actual results to differ materially from those expressed or implied.

We will be discussing certain non-GAAP measures on this call which we believe are relevant in assessing the financial performance of the business. And you'll find reconciliations of these metrics within our earnings materials available at apollo.com/stockholders.

With that, I'd now like to turn it over to Marc to kick off our comments for today.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

Thank you, Noah. Good morning. It's my pleasure to start out and outline another quarter of very strong results.

DE for the quarter was $1.71 per share, our highest quarter on record. FRE of $300 million or $0.68 a share, very strong performance. FRE for the first 9 months, $2.01 per share, up 16% year-over-year for the same period. And as you will hear from Scott, we're seeing strong momentum across all fronts, whether it's investment, deployment, realization or fundraising.

Year-to-date organic Athene inflows plus third-party fundraising were $44 billion, and we expect them to exceed $55 billion for the year. Importantly, this will be a record year of organic growth at Athene. And equally as important, this will be a record year of fundraising in a non-flagship year for Apollo, and this again is despite headwinds from the end of 2020. We are well positioned to execute on our long-term targets and deliver for our shareholders.

Let me now pivot from the quarter and focus on next year and the next 5 years. Two weeks ago, many of you endured 5 hours of us walking you through our strategic plan. We enjoyed the opportunity to share our road map and to show you how we are positioned to drive the business forward. Rather than rehearse -- or repeat 5 hours' worth of material, for those who are interested, let's hit the cliff notes.

We're in a growth business, driven by the need for retirement income in an anemic market. Our addressable market is the largest among our alternative peers, focused in particular on fixed income replacement. Athene is a competitive differentiator and a growth accelerant. Our model is highly capital efficient, and I will focus a little bit on this quarter's activities and show you just how efficient. And we have a strong momentum behind a fully aligned industry-leading team and continue to add amazing talent.

A reminder, our business is not about just scale. It is not about AUM. It is about delivering excess return per unit of risk to our clients. That is the promise of alternatives. And so long as we do that, we will continue to grow. And the reminder to everyone in our firm is that AUM growth is the reward for good performance. It is not the goal.

As many of you took away from the 5-hour dialogue, our plan embeds 3 key bets: one, an expansion into retail following the democratization of finance; the second, growth in capital solutions; and the third, direct origination and scaling of direct origination from roughly $80 billion on an annual basis run rate this year to $150 billion 5 years out. While progress was made against all 3 objectives, this quarter was all about origination with numerous platform additions within our ecosystem. The team led by Chris Edson is laser-focused on continuing to scale our origination, which ultimately is one of the drivers of growth in our fixed income replacement business and our yield business.

Just to highlight 3 additions to our ecosystem announced or closed this quarter. The first was MaxCap. MaxCap is an Australian CRE financier and fund manager. The second is Newfi. Newfi is a technology-driven multichannel mortgage lender. And the third is Wheels, which will be merged with our existing Donlen fleet platform, creating combined fleet business with $5 billion of pro forma assets and 550,000 customers. Each of these 3 will drive significant amounts of investment-grade, private and spread-enhancing origination.

Origination and the ability to find spread without taking on increased risk is the driver to success in our yield business. Importantly, none of the capital to add to these 3 platforms or to acquire these 3 platforms was required from the Apollo holding company. As many of you who tuned into our Investor Day understand, we run an incredibly capital efficient business and are able to scale these origination platforms without capital from the holding company, leaving us free to deploy that capital toward growth initiatives or to return to shareholders.

In summary, our business is changing rapidly. Markets, rates and technology and democratization of finance are all sources of this change. Rather than fear this change, we embrace this change. We're going to continue to lead into technology and innovation and capitalize on these disruptive trends.

The platform continues to attract incredibly high-quality talent. And I'd highlight just 2 for this quarter: first, Bill Lewis, joining us as Senior Partner and a member of Apollo's management committee; and the second, Dave Stangis, our new Chief Sustainability Officer, also a member of Apollo's Management Committee.

With that, I'll now turn it over to Scott to review the quarter in more detail.

Scott M. Kleinman
Co-President & Director

Thanks, Marc, and thank you all for joining us this morning. As you've heard us say before, our strategic differentiator is our ability to source excess returns across the risk-reward spectrum. The breadth and scale of our platform gives us confidence in our ability to originate attractive investment opportunities for our clients and deploy capital in a variety of environments.

For the third quarter, total deployment of over $28 billion set another quarterly record. Year-to-date deployment volume is tracking nearly $81 billion compared with $88 billion for full year 2020 and $75 billion for full year 2019. These figures indicate the tremendous amounts of investment activity taking place across our platform.

In our Private Equity business, drawdown funds invested $5 billion, including for Yahoo, Great Canadian and W.R. Grace; and committed to invest an additional $6.5 billion as of quarter end. Additionally, investing activity for Athene accelerated significantly from second quarter levels as cash was put to work.

Moving on to debt origination. Total origination volume of $19 billion in the third quarter is run rating at the $80 billion level that we disclosed at Investor Day. Our origination machine continues to build momentum, led by robust MidCap volume, Redding Ridge CLO formation and strength out of our Europe platform. We also have line of sight into a healthy high-grade alpha pipeline over the next couple of quarters.

While we spend most of our time sourcing incremental investment opportunities, today's environment has been accommodative to harvest ripe investments within our portfolio. You can see from our results that we're in the midst of a robust realization cycle, with overlap from Fund VIII and Fund IX monetization activity. We're delivering tremendous value back to our LPs while, at the same time, generating attractive performance fees for our shareholders.

During the third quarter, we returned $8.8 billion of capital to fund our -- to our fund investors, including $6.2 billion from our private equity funds. Year-to-date, private equity realizations have reached $16 billion, which compares to $5 billion for all of 2020. Looking out over the next several quarters, the realization pipeline remains strong for our flagship private equity funds.

As Marc highlighted earlier, overall investment performance remains solid within the PE portfolio, up 4.8%, and core credit up 2.1% during the quarter. In Private Equity, we saw a divergence in returns between our funds' private and public positions, which is not uncommon given the volatility in public markets. Private markets were up 12% while public holdings, representing roughly 20% of our portfolio, declined 12%.

Additionally, our private equity portfolio has appreciated 58% over the last 12 months. Overall, our flagship private equity fund performance remains quite strong, with Fund IX generating a gross IRR of 47% and 28% net. Our inaugural hybrid value fund also continues to deliver exceptional performance, with a gross IRR of 32% and 26% net.

In Credit, we saw particularly good gross returns in direct origination, up 3.2%, and in structured credit, up 2.9% during the quarter. Overall, we continue to be positioned cautiously across the portfolio. But with that said, we continue to see substantial demand for fixed income replacement assets.

Moving to capital raising. We're encouraged by recent LP conversations and new strategic mandate wins as third quarter AUM increased $9 billion sequentially. Total inflows were quite strong at $18 billion, up from $12 billion in the second quarter, and were broad-based. We continue to see impressive organic growth from Athene, driven by the diversity of their low-cost funding origination capabilities as we recently highlighted at our Investor Day.

Gross inflows from Athene totaled $12 billion in the third quarter and $28 billion year-to-date, and we still expect approximately $35 billion of gross inflows for the full year 2021. Third-party inflows exceeded $5 billion in the third quarter, bringing the year-to-date total to approximately $15 billion. Third quarter activity was driven by nearly $2.5 billion from high-grade alpha mandates, bringing total high-grade alpha SMAs to over $4 billion.

As we communicated at Investor Day, we expect to raise approximately $23 billion of third-party capital for full year '21, which implies a pickup in fourth quarter fundraising levels. The near-term fundraising pipeline includes fundraising for a core plus EPF IV and Revolver II. Additionally, with Fund IX 75% committed as of quarter end, we expect to launch the formal fundraising process for Fund X in the first quarter of 2022.

In conclusion, we're encouraged by the progress we've already made to execute on our vision for tomorrow's Apollo. As Marc emphasized, we're continuing to build out our origination ecosystem to capitalize on a larger fixed income addressable market. The upcoming merger with Athene is key to this strategy, especially as a provider of a growing stream of low-cost funding.

So with that, I'll hand it over to Martin to go through this quarter's financial results in more detail.

Martin Bernard Kelly
CFO & Co-COO

Great. Thanks, Scott. From a financial perspective, today's results provided a strong and supportive first step toward our multiyear goals that we laid out at our recent Investor Day. In the third quarter, we generated record after-tax distributable earnings of $752 million or $1.71 per share. DE was up sharply quarter-over-quarter, driven by private equity net realized performance fees of $0.74 per share and realized investment income of $0.66 per share.

Robust net realized performance fees of $312 million were up $90 million sequentially, primarily related to strong realization activity in Fund VIII with notable transactions, including OneMain Financial, Double Eagle Energy and Apollo Education; and the first realized carry distribution from Fund IX, driven by Tech Data and Smart & Final. Particularly strong realized investment income during the quarter was driven by the monetization of our platform investment in Venerable, which was sold to certain funds we manage; and Athora. This mutually beneficial transaction allowed Apollo to redeploy capital into other strategic priorities while presenting a compelling investment opportunity at an attractive entry valuation for Athora and our fund investors.

Our record DE result in the quarter was also attributable to our strong and consistent fee-related earnings, which amounted to $300 million or $0.68 per share. Despite strong realization activity, management fees continued to demonstrate growth, increasing 9% year-over-year.

We generated $65 million of transaction and advisory fees during the third quarter, primarily driven by our Private Equity business and reflecting transaction fees in connection with a number of portfolio investments, including co-investment activity on the Yahoo transaction. As we discussed at Investor Day, with an increasing focus on building and leveraging our capital solutions capabilities, you should expect the annual revenue contribution from transaction and advisory fees to increase meaningfully over the coming years. Fees related -- fee-related performance fees rose $12 million sequentially. As a reminder, these fees represent incentive-based fees from platforms or permanent capital vehicles, including Redding

Ridge, the public BDC we manage and MidCap. The third quarter level is a reasonable approximation for the quarterly revenue we expect going forward.

Fee-related expenses were relatively flat sequentially despite continued hiring due to start date timing. We expect fee-related expenses, both comp and noncomp costs, to increase in the fourth quarter related to this elevated hiring trend, in line with our full year 2021 margin target of approximately 54%. We expect the pace of head count and compensation growth to normalize as we move through 2022, and the accelerated investment spend is fully incorporated into our run rate.

As we explained at Investor Day, we are focused on completing a significant compensation reset that will create better alignment with investment performance and drive our future FRE compensation ratio downward. These changes will create strong alignment with shareholders and serve to increase our highest value earnings streams. As a result of this reset, we expect to experience an accelerated stock-based compensation charge around the time the merger closes. This number was reflected in the pro forma share count of approximately 600 million total shares we presented at Investor Day and does not change any of our forward earnings goals. We expect this noncash item will impact our GAAP net income but not our operating results.

Turning to AUM. Total AUM of $481 billion was up 2% quarter-over-quarter and 11% year-over-year, driven by $18 billion of inflows, which Scott detailed, and solid investment performance, partially offset by higher realizations.

We declared a dividend of $0.50 per share, in line with our previous guidance, as we continue to glide path to our new fixed dividend policy. We retained excess DE of approximately $500 million for continued growth opportunities, which funded our investments of approximately $350 million in the quarter in Motive and Challenger. We expect the fourth quarter dividend, paid in February, to reflect our new dividend policy of $0.40 per quarter or $1.60 per year.

Our net balance sheet value in the third quarter increased to $5.1 billion, up from $4.8 billion in the second quarter, and our cash on hand increased to $2.1 billion. Additionally, we expect to exceed the $4 DE per share guidance for 2021 that we communicated on our prior earnings call, in light of the $3.51 DE per share we've reported year-to-date.

I'd like to wrap up our prepared remarks by reiterating how much we all enjoyed the opportunity to outline our strategic vision and financial targets at our recent Investor Day. We feel confident in achieving our base plan over the next 5 years, which includes growing fee-related revenue by 2.25x, driven by growth in AUM and capital solutions; FRE by 2.5x due to positive operating leverage; and SRE by 1.75x as the retirement services platforms continue to scale with the benefit of third-party capital.

Overall, our goal is to more than double our DE to more than $9 per share by 2026, even before driving accretion from investing $5 billion of growth capital or executing share repurchases. We hope our strong Q3 results provide you early confidence in our ability to execute on this plan, with trailing 12-month FRE and DE up 16% and 81% year-over-year, respectively. While certain quarterly or annual periods may show lower or higher growth, particularly as we wrap up our accelerated investments across the platform, we remain confident in our ability to deliver on our goal of 18% compound growth in FRE and 60%-plus margins over the next 5 years.
With that, I'll turn the call back to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Michael Cyprys with Morgan Stanley.

Michael J. Cyprys
Morgan Stanley, Research Division

I just wanted to come back to some of the strategic mandate wins that you alluded to earlier. I think this was in Credit. I was just hoping you could maybe give us an update on how much capital you manage in some of these strategic mandates today. And maybe if you could elaborate on where you're seeing some of the strength of flows coming into these mandates and if you could just also talk about how you think about scaling these sort of customized mandates over time.

Martin Bernard Kelly
CFO & Co-COO

Mike, it's Martin. So we spoke to mandates which were specific in the quarter to high-grade alpha, but this has been a focus of ours for a long time. And we have over $30 billion in mandates across the platform today, and that number continues to increase as we bring new mandates on, which are customized for individual LPs and provide access to investments across the platform.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

It's Marc. I'll expand on it for 1 second. Martin is right, he's given you all the numbers, but let me kind of describe what it is we're trying to do. Strategic mandate definitionally is with a large account who's prepared to invest across the platform. But what is it they're trying to achieve? Really, what they're trying to achieve is alignment. And so we are, pro forma for the merger with Athene, an immense investor in our own products.

There is nothing more comforting for another large strategic account than to have us invested side by side. I think you will see us more and more emphasize the notion of alignment, both in the fixed income area and increasingly in the equity area as no other firm will have the kind of alignment and, therefore, investment in products side by side with our clients that we will pro forma.

Operator

Our next question comes from Glenn Schorr with Evercore ISI.

Glenn Paul Schorr
Evercore ISI Institutional Equities, Research Division

So I just want to dig into the expansion into retail. For you all, I wouldn't mind getting a little bit more about what you think in terms of product development. You've mentioned, half joking, the A cred, but talked timing, focus and key attributes that will differentiate your products there.

And then just while we have it, I'll just give my follow-up as well. Since Investor Day, we've seen 2 deals, and I would just describe them as traditional asset managers buying their way into the alternatives world. They have retail distribution and now they're getting product. I'm curious to get your thoughts on that reverse commute as opposed to you with product building out distribution.

Scott M. Kleinman
Co-President & Director

Sure. So I'll take the first part of that. So as we described in Investor Day, we are in the midst of dramatically building out our retail capabilities. By year-end, we'll have about 30 professionals, on our way to about 100 over the next couple of years. That's going to really help us move a number of products, both purpose-built for retail-type products as well as further driving retail components of our traditional institutional products.

One of the first products coming to market is our private BDC, which will be fully in the market by the beginning of the year. That's going to be, our expectation, one of our flagship retail products, given the strength of our credit capabilities. But over the course of the year, we're going to have a few other products coming out as well. So we're incredibly optimistic on what our retail capabilities will be and the product development behind it.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

First, thanks for tuning in after suffering through 5 hours. But I guess I'd give you the following perspective. The thing that's in short supply is assets. Yes, building out and reaching a retail channel is -- requires effort and requires infrastructure. But ultimately, every asset that offers a good risk/reward has a home. There is no shortage of capital to find those assets.

To reach a retail audience, one needs the retail audience to accept some amount of illiquidity. That is ultimately what moving into an alternative is. Increasingly, we've seen better acceptance of high net worth and retail investors of this amount of illiquidity, whether it's a private BDC, a private REIT or a true alternative in terms of the equity area.

The big firms, the traditional asset managers that are buying in, in many ways, are simply validating what's there, which is the traditional markets cannot offer sustainable alpha and sustainable outperformance. And so they are recognizing that they have to go and purchase that.

Ultimately, this trend -- the ability of a retail firm to distribute these products will depend in part on their -- the capacity of their retail system. Many of these traditional retail systems are not set up to offer illiquid products. And so everyone is essentially building toward this market in retail.

But I come back to the place I started. Generating assets that offer attractive risk/rewards is ultimately the key to success. They will go to retail. They will go to institutional. They will go to capital solutions. They will go to retirement services balance sheets. And we want to serve all of those. We currently serve 3 of those very well, and we're building on the fourth.

Operator

Our next question comes from Patrick Davitt with Autonomous Research.

Patrick Davitt
Autonomous Research LLP

On Australia, you mentioned MaxCap in the prepared remarks, and I think there's news that you've hired a bunch of other senior origination-type people there this week. Could you update us on the opportunity there to maybe build something like Athene? It feels like you're starting to build a portfolio of origination capability there, perhaps specifically for something similar. So any thoughts around what the opportunity there is? And can we start thinking about this being something like Athene in Australia?

Scott M. Kleinman
Co-President & Director

Yes. Look, as we highlighted at Investor Day, Asia is probably the biggest untapped market for us on the retirement services side, massive market, very fragmented, different regulatory environments, so really plays to the strengths of Apollo. We've started entering that market in a few different ways.

We've made investments in a couple of large established retirement service platforms over there. We've also been entering into a number of flow reinsurance agreements in Asia as well as another way to play to our strength. I think over time, you'll see more activity out of us in this, both on the asset and liability side, and could ultimately create a consolidated platform for ourselves. But right now, the strategy is really getting into the market through some well-established players.

Operator

Our next question comes from Bill Katz with Citi.

William Raymond Katz

Citigroup Inc., Research Division

I may have missed it, I apologize. Can you just sort of go back and sort of talk through the sizable investment income on the quarter? I think you've mentioned that there was maybe some intercompany sale going on. Just sort of wondering what that was and sort of how to think about the go-forward impact of that.

Martin Bernard Kelly
CFO & Co-COO

Yes. Bill, it's Martin. So that earnings related to our investment in Venerable, which was the variable annuity platform that we set up some years back. It was not an intercompany sale. We sold to fund investors into Athora. And it was -- this was a great investment, and it was something that was ultimately not intended to be part of the Apollo ecosystem. And so we realized a great return, and we're recycling that capital back into other uses.

Marc Jeffrey Rowan
Co-Founder, CEO & Director

And Bill, it's Marc. I'll probably just expand on it. Venerable was a private entity that Apollo, Athene and 2 other private equity firms bought -- created, really, some number of years ago in connection with the acquisition of Voya's variable annuity business. In our view, variable is not a great product to be part of a public company given the inherent volatility of GAAP results if the business is run properly. Having said that, it's been an amazing investment all around.

In the last year, a second block of business was added in connection with the Equitable transaction. And Equitable became an investor in the platform, side by side with the existing private equity firms and with Apollo and with Athene. At the Equitable mark, Apollo sold its position in Venerable to one of its funds and to Athora. There was obviously demand from other entities, including the other private equity firms, for that same stake. But this -- again, this was a great investment. And it's a great tool to have in our toolbox to offer the industry complete solutions in connection with delevering their insurance and retirement services balance sheets, but it is not a permanent part of Apollo on a recurring basis.

Operator

Our next question comes from Robert Lee with KBW.

Robert Andrew Lee
Keefe, Bruyette, & Woods, Inc., Research Division

I have a question which, I guess, relates more specifically to Athene going forward. But I guess there's been some accounting changes related to insurance companies as LDTI, I guess. And I mean is that going to have -- would that have any impact at all on how you think about Athene's ability to maybe not originate product but -- from an accounting or a capital perspective or how you would think about reporting the results?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

In short, no. I mean one of the interesting things about Athene is Athene was started, as you know, in 2008 and 2009 and therefore, acquired a set of liabilities at a point in time when interest rates were very low and when there was pretty good understanding of where accounting was going. And so we at Apollo have been on top of and Athene has been on top of the setting up of the reserves at each point in time.

And Athene has its call tomorrow. And I think it would be a good question for you to ask them about the LDTI and specifically, the percentage of their business that is -- comes with writers and other forms of variability versus the industry. And you'll, I believe, receive a very satisfactory answer.

Operator

Our next question comes from Alexander Blostein with Goldman Sachs.

Alexander Blostein
Goldman Sachs Group, Inc., Research Division

Scott, as you embark on Fund X, it sounds like first quarter, you guys are going to begin the fundraising. Can you maybe talk us through your latest thinking about sizing and what you're starting to hear from LPs, how much of the fund you expect to ultimately be re-ups from existing LPs versus some new folks? Just general thoughts around how you expect this fund to unfold.

Scott M. Kleinman
Co-President & Director

Yes, sure. So as you can imagine, I've been out, as others have, talking to LPs over the last couple of months. And feedback is incredibly strong. So I'm feeling very confident going into the fundraise early next year. The backdrop of demand is incredibly strong in the alternative space, particularly in private equity. And we have thankfully been posting really good performance.

So all those things really point towards a very robust fundraise. We're not sort of giving out specific numbers, but would expect the fundraise to be at least as large as the current fund, the $25 billion. So like I said, we feel really good about that. Look, as far as the mix, each of our last several funds have been about 80% re-ups, 20% new investors. Based on our relationship building, that probably feels like a good number, but ultimately, we'll see over the next couple of quarters.

Operator

Our next question comes from Rufus Hone with Bank of Montreal.

Rufus Hone
BMO Capital Markets Equity Research

I had a longer-term one on Athora. And I'd love to hear your thoughts around how you view the organic growth potential of Athora over time. Because when you look back at Athene, the organic growth really started to pick up around 5 years ago. And I was wondering if there are any structural differences between the way Athora is set up in Europe that might make it harder to scale the business organically over time.

Scott M. Kleinman
Co-President & Director

Right. Sure. So Athora was -- has been set up like Athene initially was as buying blocks of runoff insurance. Athene got into the organic growth business over time through acquisitions and through development of their various retail and organic channels. Athora, if you look at it, for its first several years has largely been that same runoff business. However, through an acquisition it just announced in Italy, it actually is picking up a meaningful new organic business platform and would expect, as it grows its Italian presence and is looking at certain other countries, could certainly consider to look at organic growth as well as the inorganic activity.

In addition, Athora -- the European PRT market is in its early stages but is clearly poised to be as big or bigger than the U.S. market. And so Athora is getting organized around that as well. So to answer your initial question, nothing is structurally different or would structurally prevent that. Obviously, they're slightly different markets with different products. But where it makes sense, I would expect that, that will be the case.

Operator

Our next question comes from Gerry O'Hara with Jefferies.

Gerald Edward O'Hara
Jefferies LLC, Research Division

I think in the prepared remarks, you all mentioned a kind of a pickup in 4Q fundraising. I was kind of hoping you might be able to flesh that out a little bit. And also, I guess, as we think about moving into next year beyond Fund X, what -- kind of what you're looking for to drive fundraising efforts.

Scott M. Kleinman
Co-President & Director

Sure. So as I alluded to in the comments, we have a number of funds expecting closes in the fourth quarter. So things like EPF is going to have its first sizable first close. Accord plus Hybrid Value will have another close. So just a number of variety of different funds across the PE, hybrid and yield platforms. Next year, as you can imagine, a big part of the focus in the first part of the year will be our Fund X flagship, but EPF and Impact plus several of our credit products will be having fundraises going on as well throughout the year.

Operator

Our next question comes from Devin Ryan with JMP Securities.

Brian J. Mckenna
JMP Securities LLC, Research Division

This is Brian Mckenna for Devin. So at the Investor Day, you spoke at length about the opportunity within fintech and how Apollo can leverage this to drive a number of benefits and efficiencies across the platform. This might be difficult to answer, but is there any way to quantify the impact of this longer term, specifically as it relates to revenues and expenses?

Marc Jeffrey Rowan
Co-Founder, CEO & Director

In short, no. I think it is difficult. I think as I mentioned -- it's Marc, by the way. As we mentioned on Investor Day, this is a multipronged opportunity. And the easiest to understand is cost. Obviously, moving securitizations from their current form to blockchain is an information advantage and a cost advantage. It's AUM -- providing our capacity to accept large amounts of committed yield in the origination area to fintech challengers should be a source of AUM growth and is -- takes up a considerable amount of our time.

Investing in and benefiting from the fintech ecosystem with us as a large customer and as a large financial institution is also part of the playbook. But I think you should think about this very holistically. Technology is going to impact every part of our business. Ultimately, you'll see it probably first in capital solutions, which is the business that Craig Farr runs.

Today, that business runs salesperson to salesperson. It will not surprise you that we believe it will ultimately run link to link. And it will be just a much more efficient way. And someone will -- an investor will be able to enter an Apollo ecosystem and decide how to invest and where to invest in addition to the traditional methods. That does not mean that funds and fundraising are going to disappear, quite the contrary. I think this is for a certain set of products and a certain set of institutions. But I do think innovation and change are coming to our corner of the industry. And I, for one, welcome it.

Operator

That concludes the Q&A portion of today's call. I will now turn the floor to Noah Gunn for any additional or closing remarks.

Noah Gunn
Managing Director & Global Head of Investor Relations

Great. Thank you, again, everyone, for joining us this morning and for your continued interest in Apollo. If you have any questions regarding anything we discussed on today's call, please feel free to reach out to us, and we look forward to speaking with you all next quarter.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.