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PRESENTATION

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Well, good afternoon, everyone. For our next session, I'd like to welcome Leon Black, Chairman, Co-founder and CEO of Apollo. With $430 billion in AUM, Apollo remains one of the most consistent fee-related earnings growth stories in the space via its leading insurance partnerships, their credit platform, private equity and increasingly [realized] initiatives.

Further, Apollo's flexible investment philosophy in private markets and unique origination capabilities position the firm well for both low interest rate environment as well as market volatility. We look forward to getting an update from Leon on today's investment landscape and how Apollo is positioned to sustain this type of growth momentum that we've seen from the business over the years.

So Leon, thank you so much for joining us. Good to see you.

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Very good to see you too, Alex, and nice to be back at Goldman, even on a virtual basis. It's always tough to follow my friend, Steve Schwarzman, but -- because he has built such an incredible firm. But you know what, we've built an incredible firm, too. So I'm very happy to be here today to talk about it with you all.

QUESTIONS AND ANSWERS

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Perfect. Cool. Great. Great to hear that. So first, I wanted to start with the discussion around the investment landscape. Look, clearly, there's still many challenges in the real economy, but with prospects of a vaccine and what potentially could be a really sharp economic recovery, prices across various asset classes are really approaching record levels.

As a value investor, how are you approaching this landscape, both from a private equity side as well as the credit side of the ledger?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Great question. We've been at this now for 30 years. We've gone through 4 cycles during that time. We've stayed a value investor during that period. It's worked very well for us. So we've zigged a little bit where others are zagging. And that's clearly been true in our PE business, which many of our peers are following a growth strategy and paying 11x for their companies and EBITDA and leveraging 6, 7x. We buy it around 6.5x, and we leverage 3.5 to 4x.

The last 5 years, I think they've -- their strategies have worked very well. A low interest rate environment, a lot of growth, and it's worked out well for them. It's working out well for us, too.

Clearly, we have to uncover a lot more rocks to be able to stick to that discipline. But we're really pretty much on target with our new Fund IX over the last couple of years, and we're about 40% invested.

Clearly, Apollo is a lot more than PE today. PE is maybe 22% of the firm. Clearly, real assets, credit, which is huge for us, we're the largest alternative credit platform actually in the world at over $300 billion today. And insurance, which has been very high-growth for us, are also part of what we're about.

So when you ask about the current environment, I think it is one that has a lot of contradictory things going on in it. The markets, in terms of jobs with the pandemic, we lost 22 million jobs. We've gotten half of that back. Certain industries have gotten clocked, whether they be in travel-related and hotels and airlines and certain consumer areas. And it's going to take time for those jobs to come back and for those industries to come back.

Having said that, many industries have done very well. And clearly, the government did a fabulous job, and the Fed did a fabulous job, and the stimulus package was huge in the spring, and there's another one probably coming in the next few weeks or few months. So you have a combination today of stimulus, of accommodative Fed policies with very low interest rates with the vaccines coming, so there's a lot of reasons for the markets to be very positive, enthusiastic, buoyant, especially in those areas that weren't that affected by COVID, which may take a little time to come back.

From an Apollo point of view, we just have so much going on that's really dynamic and positive right now, especially in credit and insurance, and in creating more origination platforms and creating so much of the virtual circle that we have at Apollo to service and finance companies, big and small, investment grade, noninvestment grade. So we're feeling pretty good even as a value investor in terms of the tailwinds we have at our back and what we're doing at Apollo.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Got you. And we'll talk about a handful of these things. But maybe just to zone in on private equity specifically for one more second. One of the key pillars of investment style within private equity has always been its flexibility, right? I mean there are funds where you've done a lot of distressed and very little traditional deals and there are funds where it's been the opposite.

Given that sort of flexibility, do you still expect to deploy a significant amount of dry powder from your existing funds of Fund IX into distressed opportunities? Or do you think those have largely diminished given all the liquidity that are out there in the system?

And I guess, whether it's traditional LBOs or distressed, what sort of sectors and geographies are you finding most compelling from a risk-reward perspective within PE?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Well, I think that my answer to you would be, I think it would be medium on the spectrum. Back in '09, we backed up the trucks, and 65% of what we did was in distressed. And we put a huge amount of capital to work at that point.

Fund VIII had less than 5% distressed. My guess is that Fund IX will be something in the 10% to 20%. The fact is the government did such a good job with stimulus that there really wasn't a large distressed reaction last March. I think you had a week of investment-grade distressed, and we put some real dollars to work then.

I think that you've had, on the noninvestment-grade side, a little better than that. In fact, recently, we've done a number of distressed deals. Swissport, we're involved. Aeromexico, we're involved in. And I think, as I mentioned earlier, some of the industries that were more impacted will yield some distressed opportunities over the next 12 to 18 months because they're going to be slower to recover.

Having said that, I don't think it's the floodgates opening up given the buoyancy in the markets and how much stimulus that there's been.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Got it. But clearly, it sounds still like some stuff to do. So that's encouraging. Let's pivot a little bit and talk about fee-related earnings growth and AUM growth.

At your Investor Day, which wasn't too long ago, but it feels like a long time ago, I guess, at this point. You highlighted some of your 5-year goals, which included grown fee-related earnings in sort of mid-teens on an annual basis and doubling AUM.

Can you remind us again sort of where you stand in relation to those goals? And who's going to drive growth from this point forward?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Sure. I think back then, we had said our 5-year goal was to go from roughly $320 billion of AUM to $600 billion over 5 years. I'm happy to report that in the first year, the first quintile of that time period, we've actually accomplished about 35% of that goal. Clearly, the 2 transactions we did with VIVAT in The Netherlands as well as the Jackson deal with Prudential U.K. that produced about $75 billion of new assets under management. In addition to that, we've had organic growth of almost $20 billion. So in all, we've actually, in year 1, accomplished $100 million -- $100 billion, I should say, of that $280 billion goal. So I am confident -- and this is just my personal opinion, I'm not projecting for the company, but I feel pretty good that we'll end up surpassing what we said at that call last year, just given the fact that we are raising $15 billion to $20 billion a year. And in terms of new fundraising, if you just look at the organic growth that's there in so many of our products and insurance products as well as I think there's a lot of tailwind in terms of insurance M&A, I think that what we talked about last year is very much doable and then some.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great, great. Look, while we are on the topic of asset growth and fundraising, clearly, the Epstein matter has been top of mind for shareholders and LPs. Can you give us a sense of what the feedback has been to the Board's independent investigation? And how recent fundraising and near-term FRE growth may have been impacted by that?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Sure. Well, look, while I'm on, I should say, certainly, in hindsight, it was a terrible mistake to be dealing with Epstein. I didn't have the hindsight at the time. And given a lot of the people he was dealing with, who I respected, I gave him a second chance, but that was a mistake.

Having said that, it's important to note that he did no business with Apollo. And frankly, I've never been accused of any wrongdoing in the matter. He did do some work for my family office in terms of tax planning and state planning, art structuring, philanthropy, and I paid him for that.

All of that work was fully vetted by major law firms and accounting firms. There is a significant amount of backup materials substantiating that. And so I asked the independent Board members to hire outside counsel to verify basically everything I've said. That is an ongoing process right now. I've had no real contact with the independent directors or, as yet, the outside counsel. So I really cannot comment on where they are.

Look, I feel very confident. I asked for the review. I know what the facts are and so let it play out. And my guess is they've been at this 6 weeks, so it'll probably take -- again, I don't want to speak for them, but we're hoping somewhere around year-end, we'll have the results of this.

As to its impact, a lot of our investors have been fully comfortable doing a lot of business with us. And it really hasn't affected what we're doing in insurance and in most of our credit business. I'd say the biggest impact was on public pension funds who are under their own internal pressures.

And they took the reasonable stance of saying, "Hey, let's pause vis-a-vis fundraising until we see the results of the review." So that's where things stand. I think, of note, we usually, as I said, we raised $15 billion to $20 billion a year on average. If it had no effect on fundraising, our revenue growth would be about 12%. If it had an effect, where we were unable to raise any new money in all of '21, which we certainly don't expect to happen, we would still have 7% to 9% revenue growth. And if it's half, it's about 10% revenue growth. But I think we're all waiting for the review to be finished and then the chips will fall where they are.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. That's helpful context. So maybe shifting gears a little bit and talk about some of the building blocks of the fee-related earnings growth story.

And I wanted to zone in on the build-out of the private equity business. In the past, you talked about diversifying Apollo's strategy when it comes to private equity away just from the flagship funds. We're seeing very clear traction from things like hybrid value, and it's now on its second vintage. Can you talk through what else you envisioned within private equity? How do you envision Apollo's private equity business growing from here outside of the flagship funds?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Sure. I think there are a number of areas. We have one of the largest private equity funds out there, which is about $25 billion. We really haven't, as some other firms have done, divided into geographies. So that kind of encompasses a lot of what we do in private equity.

We did go out and start this hybrid value, as you mentioned. First fund was about $3 billion. We're hoping the next one will be more in the $5 billion range. We're going out and fundraising now. We have a semi-private equity, it's credit, it's real estate, it's private equity fund in Europe called ETF, and that has done very well. And we're out fundraising there.

We have an impact fund that we're going out with now, which is private equity-related. We've done more -- we've done some SPACs, as you're aware, which will be related to much of what we're doing in private equity also.

So that's where we are in private equity. I'd say the larger amount of growth has actually been in credit and in insurance. The other areas, I should say, in private equity, though, are more real assets-related. In fact, we make a distinction between private equity and real assets, but that also includes infrastructure, which we've got a lot more involved in the last year and then fundraising as well as real assets and real estate.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Right. Well, you mentioned insurance. So obviously, let's talk about that a little bit. 2020 has been a very successful year for Apollo, for your insurance partners in terms of acquisitions, $45 billion VIVAT and $29 billion Jackson National.

When you take a step back and you think about the sweet spot for Apollo-linked insurance deals, how would you characterize that? And also, how would you characterize your current acquisition pipeline between all the various insurance partnerships that you now have around the world?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Well, I love the position we have in insurance. I love it for a lot of reasons. One, it's permanent capital. And over 60% of the firm now is permanent capital, 90% actually is over 5 years in duration. So sticky capital is a very good thing. I also like the fact that my partner, Marc Rowan, has built this so over 13 years now, both in the U.S. and in Europe to really being around $240 billion of AUM, which is very, very significant.

I love the fact that we have real, I think, competitive advantages. I know some of our peers and we're very flattered that they're following some of our strategies are now jumping in. But I think we've established a lot of competitive advantages.

One, we're sitting with almost $90 billion of dry powder for acquisitions; two, 150 of our 500 investment professionals are in the FIG area; three, we've had a lot of experience with regulators, having done multiple transactions on both continents; and four, I'd say, the fact is we -- our hallmark or sweet spot, as you say, is doing complex transactions, not vanilla deals just based on price, but really being able to provide holistic solutions so that we can create win-win-wins. And when I talk about 3 wins, I mean, Athene and Athora, as the case may be. I mean Apollo, and most importantly, a win for the seller. And that's also a great advertising card. We did that with Voya. We've done that with Prudential.

On the Jackson deal, we've been able to figure out ways to do things combining life annuities with variable annuities and setting up structures that make that work. I also like the fact that we have such a huge tailwind here because of low interest rates, you have a $10 trillion industry that really needs to shed assets. They can't create spreads the way they are structured.

That is a terrific dynamic in terms of supply/demand. So even with a few of our peers getting in, there is more than enough for all of us. But probably the most important competitive edge we have is we've really created this virtual cycle I mentioned before, not only do we have the insurance companies, but we've set up sidecars, we have ADIP, which is a $4 billion, $5 billion entity that helps co-invest with Athene and Athora -- or Athene, I should say, to be able to buy assets.

We now have ASOP, our $12 billion platform, where we can go out private credit-wise and finance large-cap companies because we have the pockets to put that in. And those pockets go from Athene and Athora to so many of the other origination platforms we've created at Apollo, whether it's in equipment finance or it's in aviation finance or ship financing, and we're creating more and more new platforms and originating them.

So we're both growing our existing ones, and there are about 30 different ones, and we're creating new ones, which all really plays to being able to fund the veracious appetite that's out there, both by our insurance companies, Athene and Athora, but also the secular third parties, the sovereign funds, the pension funds in terms of this voracious appetite for yields right now.

So you've seen some of the things we've done, whether it was funding noninvestment-grade companies like Albertsons, or doing a AA financing for [ADNOC], an Abu Dhabi real estate-related, where we really placed the whole $3.5 billion of that, both internally and syndicating it out to other third parties.

So I'm very, very excited about where we are, who we are, what we've created, the current environment and what the future holds, vis-à-vis both insurance and private credit at this point.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Got it. Makes sense. So we have about 5 minutes left, and I want to make sure we hit on some of the other dynamics, particularly with respect to capital returns and then maybe M&A.

Now on the capital returns front, Apollo continues to pay out the vast majority of its distributable earnings and dividends to shareholders. You committed to a minimum dividend of $1.60 a share, which is obviously well covered by fee-related earnings.

As you enter a realization cycle at some point, what are your thoughts with respect to using more of the kind of carry-related earnings towards share repurchases versus what some people might call more of a special dividend, right, as kind of some of these gains get crystallized and kind of how do you value the 2?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Well, I think you used the keyword earlier which is flexibility. I mean what we've committed is that we would dividend out $0.40 a quarter per share, and we feel very confident about that because that is generated through management fees, which is the bulk of our FRE.

Now when there are performance fees and realizations, that can either be used as additional gravy above and beyond the $1.60, which we've done a lot in the past where we've dividended most of that out on a quarterly basis. It could be done as a special dividend, or it could be used for something opportunistic at the time. In case we want to be making an acquisition, we have a light balance sheet model, but when opportunities come up, that could be used for that. It could be used if our shares aren't trading well or as well as we'd like them to be. It could be used to buying shares.

So what we've committed is the $0.40 per quarter backed up by management fees and FRE. And when performance fees come up, we like having the flexibility to choose at the time how that will be deployed.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Got it. Understood. And then I guess, when it comes to M&A, specifically, Apollo has been sort of strategically acquisitive in the past, including some recent deals like the GE infrastructure portfolio, for instance. Are there areas within the firm that could benefit more from acquiring a strategy versus building it out organically? I know we've talked about real assets as a whole in the past. We talked about real estate in the past.

Is there anything out there that you think you could significantly accelerate in other properties out there, given the dislocation we've sort of been in, in the last 12 months that could kind of help you get there a little faster?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Yes. Well, I think, again, it's about being opportunistic. You're right. We did [Teekay] finance from GE. We did infrastructure from GE. We created Haydock, which is equipment finance.

We've just brought in a team for an impact investing, some of it internally, but some very good people from outside. Right now, we're -- we probably put $100 million to work; about 1/3 of that was put into creating new, whether it was large cap or infrastructure platforms; about 1/3 of it was to augment existing platforms; and about 1/3 was put into technology.

So -- and then there are other opportunities that come up. As you know, a year ago, we increased significantly our ownership of Athene. So of course, there are new platforms in credits. We're looking at trade finance. If we find the right team, that could make a lot of sense. So all of the above.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. Sounds good. Look, we have about 1 minute left on the clock. So I want to grab one of the questions maybe from our virtual audience, so to speak here.

And this question is -- there's actually a few around realizations, but this one is really around Fund VIII. In the past, you expressed confidence in the ability to deliver 2x multiple of invested capital on Fund VIII. How have your holdings in Fund VIII performed relative to your expectations through the pandemic? And with improving macro conditions, are you still -- are you starting to see opportunities to monetize, I guess, some of these investments a little bit faster than maybe you had thought a few quarters ago?

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Well, we feel good about Fund VIII. Our last quarter revenues, I guess, we're up 7%. EBITDA was up about 18%. We're at about 1.5 MOIC right now, and we feel confident that we'll get to 2 plus. And our history has always been in that zone.

So I don't think we feel differently about Fund VIII than what we've done in the past. As to realizations, I can't promise you anything immediate. We will keep managing the fund as we've managed all other funds, which is to have realizations when we think they make the most sense. But we just reevaluated the fund. As I said, we're at 1.5. We think we'll get to over 2x, and that's where we are on it.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Got it. Understood. Well, there's a few more, but unfortunately, we're out of time. So we're going to have to leave it there. Leon, thank you so much for joining the conference again and appreciate your support for the conference, of course, over the years. And we hope to see you again here next year, but this time, hopefully in person.

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Alex, thank you, and we appreciate the relationship we've had for 30 years with Goldman. And wish you and everybody in the audience good health and happy holidays.

Alexander Blostein - *Goldman Sachs Group, Inc., Research Division - Lead Capital Markets Analyst*

Great. You as well. Thanks very much.

Leon David Black - *Apollo Global Management, Inc. - Founder, Chairman & CEO*

Take care. Bye.
