Athene Holding & Apollo Global Management

Moderators:
Noah Gunn, Head of Investor Relations, ATH
Gary Stein, Head of Investor Relations, APO
October 28, 2019
09:00 AM ET

Operator: Good morning, my name is Maria, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Joint Conference call hosted by members of senior management from Athene Holding and Apollo Global Management.

All participant lines have been placed in a listen-only mode to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question at that time, please press star one on your telephone keypad. If you should require operator assistance, please press star zero, thank you.

I'll now turn the call over to Noah Gunn, Head of Investor Relations for Athene Holding, please go ahead.

Noah Gunn, ATH Head of Investor Relations: Good morning, on behalf of Gary Stein and me, we'd like to thank you all for joining us for this morning's call to discuss the strategic transaction between Athene and Apollo that was announced earlier this morning. We have members of senior management from Athene and Apollo on hand to participate. From Athene, we have Jim Belardi, Chairman and CEO, Bill Wheeler, President, and Marty Klein, Chief Financial Officer.

From Apollo, we have Leon Black, Founder, Chairman, and Chief Executive Officer, Josh Harris, Co-Founder and Senior Managing Director, Gary Parr, Senior managing Director, Martin Kelly, Chief Financial Officer and Co-Chief Operating Officer, and Gary Stein, Head of Investor Relations. The news release presentation and 8K filings addressing the transaction are available on both companies' websites.

As a reminder, this call may include forward-looking statements and projections, which do not guarantee future events or performance. We do not revise or update such statements to reflect new information, subsequent, events or changes in strategy. Please refer to each companies' respective 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 may discuss certain non-GAAP measures on this call, which we believe are relevant in assessing the financial performance of each company's business. Reconciliation of these non-GAAP measures can be found in each company’s respective quarterly earnings materials. We will begin the call with remarks from Leon Black, Jim Belardi, and Josh Harris, and then we will open up the line for any of your questions.

With that, I will now turn the call over to Apollo's Chairman and CEO, Leon black.

Leon Black, APO Founder, Chairman and CEO:

Thanks Noah. Good morning everyone. We are tremendously excited to be announcing this strategic transaction this morning, which we believe will meaningfully enhance value for both Apollo and Athene shareholders. As you all know, Athene and Apollo have developed a special and symbiotic relationship since Athene's inception ten years ago.

Today, both are public companies wherein Athene derives a myriad of benefits from Apollo in the form of M&A and fundraising support as well as asset origination and portfolio management services, and Apollo benefits from a significant revenue stream from Athene.

The fundamental reason for this transaction is that we believe both Athene and Apollo are being penalized by the market due to a perceived lack of economic alignment between our two companies and that Athene is also being held back due to concerns around its multi-share class structure.

We also believe there is a lack of understanding of the strong mutually beneficial relationship Apollo and Athene have built over the last decade. We believe this transaction addresses these issues and provides several key benefits: one, by augmenting the strategic and economic alignment between both companies, we are further strengthening this ten-year relationship for the longer term. Two, we believe the large investment each company is making is very attractive, particularly since both stocks are significantly undervalued in today's market. Three, this transaction strengthens Athene's capital base for future growth, which is beneficial for both companies' shareholders. Furthermore, as part of Apollo's ongoing efforts to augment Athene's strategic growth, we are pleased to announce that we have now closed on $3 billion of capital commitments to date for investment into Athene's strategic capital vehicle, ACRA or ADIP as we refer to it at Apollo.

When the third-party capital for ADIP raised to date is combined with Athene's standalone capital, the cumulative buying power represents more than $70 billion of potential incremental assets for Athene. In summary, by nearly doubling Apollo's and its related parties and employees' economic interest in Athene to approximately 35%, we are reinforcing the durability of our relationship for the long run.

In addition, Athene's ownership stake in Apollo, which will represent its single largest investment, will ensure alignment of interest since Athene will now have a direct economic interest in Apollo's financial success for the first time.

With that, I'd like to now turn this over to Jim Belardi.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Thanks Leon, and thanks to everyone for joining us this morning. As Leon stated, we're excited to jointly announce the strategic transaction that we firmly believe benefits shareholders of both companies. From Athene's perspective, the key attribute of the transaction is that Apollo is conceding its super voting rights in Athene and converting its existing class B shares into class A.

This action paves the way for Athene to have a single class, one-share one-vote model. This structural change in governance removes a material eligibility impediment for Athene to be included in more stock indices. Once the transaction closes, we believe Athene will be fully eligible for inclusion in a major S&P Dow Jones index, such as the S&P 500 or S&P midcap 400.

While inclusion could take time and is subject to the discretion of the S&P index committee, Athene would otherwise not be considered without taking this important step. When we look at Athene's investor base versus other financial and insurance companies, it's clear to us that there's a meaningful opportunity to increase Athene's appeal across a broader investor universe including both passive and active managers.

As you can see within the materials we jointly issued this morning, Athene is selling an 18% incremental stake in the company to Apollo for a combination of cash and a 7% equity stake in Apollo. Sale by Athene will consist of two components: 7.5 million Athene common shares sold for $350 million dollars of cash valued at a 10% premium to the Friday closing market prices, and 28 million Athene common shares sold at a premium of approximately 2.5% in exchange for a 7% equity stake in Apollo or 29 million units.

This will mark the first time Athene shareholders will have direct exposure to the robust growth, profitability, and yield characteristics of Apollo. In total, the transaction creates $1.55 billion of additional capital for Athene including approximately $1 billion of an incremental excess capital. Importantly, Apollo will have a three-year lock up on its Athene shares including its existing holdings.

Athene will not have a lock up on any of its Apollo equity interest to ensure maximum flexibility for capital purposes. However, Athene views the investment as strategic and intends to be a long-term holder.
In connection with the transaction, Athene's board of directors has authorized a $600 million increase in the company's share repurchase program. We expect to utilize a $350 million of cash proceeds from Apollo toward our buyback program as well as other excess capital available.

In terms of the impact to operating earnings, we need to consider the total return on our Apollo units. We're making this investment because we believe that Apollo's total return should be well in excess of its current dividend yield of over 6%.

Over the past five years, Apollo shares have generated a 19% annualized total return, and current analyst consensus price targets and dividend estimates imply a total return of 17% over the next year. Assuming that level of return, as well as full utilization of the incremental share repurchase authorization, the transaction is expected to be approximately 1.5% accretive to Athene's adjusted earnings for share and approximately 1% dilutive to our adjusted book value per share at close.

We believe Apollo shares have significant upside, a portion of which will be driven by Athene, and we look forward to participating in that upside.

As many of you know, Athene has outperformed by a wide margin over the past decade producing a compound growth in adjusted book value per share of 17%, a remarkable achievement which is approximately triple the amount of book value appreciation generated by other insurance companies over the same time frame.

Two of the primary drivers of our outperformance are assets and capital. With Apollo's differentiated capabilities at our service, we consistently outperform in managing the asset side of our balance sheet. This helps us generate more spread than others resulting in more profitability for shareholders. Capital is another crucial ingredient to our continued success.

Being opportunistic and efficient with shareholder capital has resulted in sustained deployment at high returns. Over the past two and a half years, we've deployed over $5 billion of capital to add more than $60 billion of attractive liabilities, which has double the size of our business and driven strong earnings growth. We also used some of that capital to repurchase our stock at very compelling returns while achieving ratings upgrades at the same time.

As you should expect, Athene is proactively navigating the current market environment with the goal of ensuring our outperformance continues. On the asset side, we are not sitting idly by while interest rates remain at historically low levels. One of the ways we're responding is by being fully engaged with Apollo to identify and invest in direct origination sourcing capabilities that we expect will help us maintain our attractive net investment spread without assuming disproportionate credit risk.

We've made great progress to date. This year alone, we've invested, or are scheduled to invest, more than $3.5 billion in directly originated and/or private credit. We expect to do even more volume per year in the future as we extend our capabilities. As it relates to capital, we have worked with Apollo to develop a strategic capital solution to supplement our deployment capacity.

As Josh will describe in more detail, the recent formation of ACRA is a powerful example of how the interests between Athene and Apollo are fully aligned. Athene's opportunities to deploy capital are abundant, and as Leon noted, there's a tremendous amount of growth potential to realize. Based on activity in the first half of the year, we are on pace to achieve record organic growth and our M&A pipeline remains strong.

Even though Athene's financial performance and execution has been exemplary, we have unfortunately received little recognition from the market. As we stepped back and observed this dynamic and received feedback from market participants, including many of you, it became clear that our multi-class structure is preventing us from being included in all relevant benchmarks and furthermore, it could be a meaningful inhibitor to broader investor appeal over the long term. After careful consideration, we concluded that it was prudent to migrate to a simplified, single-class structure. We believe this transaction creates significant value for Athene and removes any potential concerns around alignment.

We are selling a sizeable stake to our strategic partner at a premium to market in exchange for an attractive investment with real upside partially tied to our success. We're also receiving a material concession of Apollo super-voting shares, and we are raising real capital in further support of our growth potential. Overall, we are confident this transaction puts Athene on an even stronger path to continue generating superior shareholder value.

Now, I'd like to turn the call over to Josh to continue our remarks.

Josh Harris, APO Co-Founder and Senior Managing Director: Thanks Jim, and good morning to everyone. As Jim noted, Apollo's investing an incremental $1.55 billion to increase its equity stake in Athene. Approximately three-fourths of this investment, or $1.2 billion, will be financed through the issuance of equity of the Apollo operating group entities. We'll finance the remaining $350 million of cash required for this transaction, which is expected to close during the first quarter of 2020, in the way we believe most prudent from a capital management perspective at that time.

We have sufficient available liquidity to fund this investment of our balance sheet today. With respect to the economic impact of this transaction for Apollo, it is expected to be approximately neutral on a sum-of-the-parts valuation basis with respect to fee-related earnings per share under our current and historic accounting methodology, which uses a fair-market value approach. The transaction is approximately 7% dilutive as Athene does not pay a dividend. If we were to also include our pro rata share of Athene's adjusted operating earnings, the transaction would be meaningfully accretive to our earnings per share. We are reviewing how to account for Athene's earnings power in our reporting metrics going forward.

As many of you know, we have consistently noted that Apollo's stock is significantly undervalued, so you may be wondering why we are willing to issue equity at this time. At Apollo, we have an industry leading track record as a value investor, and we believe Athene's stock represents a uniquely attractive and highly strategic investment opportunity.

We have particularly strong conviction in this regard since we have served as Athene's strategic partner from its inception. In addition, we are excited about the enhanced liquidity and index inclusion that could result from the elimination of Athene's multi-class share structure in connection with this transaction. The transaction we have announced this morning is yet another step in fortifying the more than decade-long relationship we have established with Athene.

We have made a significant investment in support of this relationship. Pro forma for this transaction, Apollo will have an investment in Athene's equity valued at approximately $2.3 billion. In addition, our founders and other Apollo employees will own approximately 5% of Athene's equity, which is valued at more than $350 million.

Beyond our financial investment as their strategic partner, I'd like to highlight just a few of the differentiated services we provide for Athene across liability origination, asset management, strategic M&A, and capital raising.

In terms of asset origination, through our relationship, Athene benefits from Apollo's industry-leading alternative credit business where they have access to sourcing of direct origination and bespoke trades from platforms such as MidCap and AmeriHome, just to name a few.

In order to provide Athene with best in class asset management and support services, we have more than 100 dedicated asset management professionals at Apollo focused only on Athene, which we believe is unprecedented in the industry. Regarding strategic M&A, we have helped source, diligence, and structure numerous transactions, such as Aviva, USA, Voya and Lincoln among others that have added more than $80 billion of assets to Athene's balance sheet.

Turning to capital, we have raised more than $2.5 billion of third-party capital for Athene prior to their IPO. Also, as both Leon and Jim mentioned, we're pleased to note we've now closed on $3 billion of equity for ADIP to date.

As many of you know, Apollo will be hosting an investor day on November 7th, and during this event we're planning to provide more details regarding the power of our relationship with Athene and the breadth of services we provide as their strategic partner.

During our remarks this morning, Leon, Jim, and I have highlighted a number of benefits that we believe will be realized as a result of this unique, strategic transaction. We are very excited to be making this announcement together this morning, which we view as a win-win for shareholders of both Athene and Apollo.

With that, we'd now like to open the lines to take your questions. Operator, please open the line, thank you.

Operator: Thank you, at this time if you would like to ask a question, please press star one on your telephone keypad. If you wish to remove yourself from the queue, you may do so by pressing the pound key. We remind you to please un mute your line when introduced and if possible, pick up your handset for optimal sound quality.

Our first question is coming from the line of John Nadel of UBS.

John Nadel, UBS: Hey good morning, my question is for Athene. One of the things that I think folks might read into this transaction and the increase in the share repurchase, Jim, is that maybe deal activity and deal opportunity at least in the near to intermediate term maybe driven by the same low interest rate is much slower. And I guess I'm curious whether you'd give us your current view of the market opportunity as it relates to capital deployment into acquisition of blocks.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Yeah, hi John. I'll let Bill add to my comments, but I'll just start. Now look, I think we're very optimistic in our growth prospects both organically and inorganically. We wouldn't be raising the ACRA sidecar if we weren't very optimistic about our growth prospects, so -- and that's going great. So, no, I would not read that into it. I think we're very optimistic about our growth prospects. Bill, you want to add anything.

Bill Wheeler, ATH President: All I'd say is we're still very busy evaluating deals, and I would tell you most of these deals are one-off transactions. They are not auctioned, so the broader market isn't really aware of them. We have a lot on our plate.

Marty Klein, ATH Chief Financial Officer: John, it's Marty. I would just mention, by the way, that with this transaction before buybacks, it helps excess capital by about $1 billion, so even if we did the full $600, which we'll have to see how the stock goes because as you know, we're very price sensitive. Even if we did that, we would still increase Athene's excess capital by $400 million.

John Nadel, UBS: And then my second question sort of unrelated, how are the -- I imagine you had some conversations, dialogue with the rating agencies. How are they looking up on a pretty sizeable investment, equity investment in Apollo? Is that going to reside inside one of the insurance entities of Athene, or is that going to reside at the holding company? Can you help us understand their view of that?

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Yeah, and Marty will elaborate on what I say, so we talked to the agencies. They're very positive on it partly because it creates excess capital. This furthers our excess capital position. They've understood from the beginning the strategic alliance with Apollo. This furthers that. They are a fan of the better governance, so I think it was net positive no doubt about it from their standpoint.

Marty Klein, ATH Chief Financial Officer: And I would just, John, a couple things one is that, obviously, I think it's a positive that Apollo's economic interest and voting stake are aligned, and I think that's a positive from a rating agency standpoint. With respect to where the billion and two will reside, we expect to keep it up at the holding company.

It will be available for use by the insurance operating subs, so we're counting it as capital that's available to those subs, but we'll just geographically keeping up with holdco until we have a need for it in the insurance subs.

John Nadel, UBS: Okay, so the actual equity investment the Apollo units will reside at the holding company.

Marty Klein, ATH Chief Financial Officer: Correct.

John Nadel, UBS: Thank you.

Operator: Our next question comes from the line of Craig Siegenthaler of Credit Suisse.

Craig Siegenthaler, Credit Suisse: Thanks, good morning everyone.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Good morning.

Craig Siegenthaler, Credit Suisse: So, when I look at the alts bucket for the Athene subsidiaries and their Bluebook stat filings, you can see direct equity investments in several Apollo credit portfolio companies, like AmeriHome, MidCap, and expect we'll probably see Apollo stock in there next year. So, my question, is how is the return in risk profile for Athene really different from other life co's, which I think uses bucket to make allocations to private equity and private real estate.

Marty Klein, ATH Chief Financial Officer: Well, -- it's Marty. I think with our core investment strategy, it's not really changing, and we've always had an allocation to alternatives. It sits at about 5% right now, which is kind of where it's been. This investment in Apollo, it's going to be up at the holdco, we'll report it in our corporate and other segment, but there's a lot of strategic advantages to doing it, which really helps drive the transaction.

It's clearly going to be another equity investment that we have. We don't typically invest in public common stock, but this is a very unusual and great opportunity for us to create more liquidity in Athene shares and be index eligible. We do expect the return to be just as good and frankly probably better than a lot of the other core alternatives that we do hold, which is also one of the keys to this transaction for us.

Craig Siegenthaler, Credit Suisse: Got it, and then just as my follow –

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Sorry, I'll just add to that, yeah, as Marty said, our business model typically doesn't -- isn't conducive with a single public stock holding but given the strategic alliance with Apollo we think it’s a positive, and it will exceed our return criteria for other alternatives, so it makes a lot of sense from that standpoint.

Craig Siegenthaler, Credit Suisse: Thank you, and just as my follow up here on compensation, can you remind us how the senior leadership team at Athene is compensated by both the role in Athene and also from the Apollo side of the business, Athene Asset Management and also how this is structured to be really a win-win for both firms?

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Yeah sure, so, -- this is Jim Belardi. I'm the only dual hatted employee at Athene. I'm an employee at both Apollo and Athene. By far, my -- the majority of my economic incentive is on the Athene side by virtue of my equity ownership in Athene. I do have a percentage interest in the fee stream on the asset management side given my dual role.

Athene management in general, senior management is compensated based on the results of a scorecard, which focuses year to year on the most important metrics for the company: operating earnings, ROE, profitable organic growth, expense management etc., and it's tilted in favor of incentive comp, meaning if the company does well, executives do well.

Nobody gets paid based on volumes. It's all about returns, and we have to achieve the returns within the risk parameters or management doesn't get paid. And there's a fair amount of long-term incentive comp as well, which is based on metrics including book value appreciation, operating earnings growth, so I think our compensation of senior management is really consistent with the performance of the company, and that's the way it should be for shareholders.

Craig Siegenthaler, Credit Suisse: Thank you.

Leon Black, APO Founder, Chairman and CEO: And I would add -- this is Leon. I would add when you ask about the win-win, part of this from the Apollo point of view is to try to correct the perceived misalignment. We've owned, in the past, 11% economically but had a 44%, 45% vote with the dual shares.

And when we went out to many of the analysts of our stock and asked why we were being undervalued so much relative to our peers, the number one reason that came up consistently to the tune of as much as three multiples was because of this perceived misalignment.

And one of the major reasons we've already expressed for this transaction from our point of view is to correct that misperception, and hopefully the market will see that it's corrected and we won't have such a multiple delta penalty that's gone on in the past.

Craig Siegenthaler, Credit Suisse: Thank you, Leon.

Operator: Our next question comes from one of Thomas Gallagher of Evercore.

Tom Gallagher, Evercore ISI: Good morning. A couple more questions Athene, I guess by indicating this increases excess capital by a billion, that implies you would potentially monetize your stake in Apollo you know when there's not, and Jim I know you mentioned there's no lock up on your stake, but what is really the intention with your ownership position in those shares? Would it be to potentially sell them only when there's a real opportunity to deploy bigger amounts of capital? Would it be to kind of slowly reduce your stake, or would you plan on just owning it, or maintaining the stake for the foreseeable future?

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Yeah. Hi Tom. Athene plans to be a long-term owner of Apollo shares. I think it makes sense in our line of interest, and we're very bullish on the appreciation in the shares, it pays a nice dividend, but you know in a crisis ect. it could be a source of additional capital if we were to liquefy it, but we don't have any plans to do that.

Tom Gallagher, Evercore ISI: Got it. And then, the, so is it fair to say that while your excess capital goes up by a billion, deployable capital it's not, it's by you know a fraction of that?

Marty Klein, ATH Chief Financial Officer: No, actually Tom, its Marty. The deployable capital is a billion dollars in its current form. So capital's increasing by billion, but net of capital charges against the Apollo shares, which are probably forty to fifty percent, we think we're growing excess capital by a billion, and we're kind of assuming that excess capital number we threw out of a billion dollars attributes a capital charge against it. We can't do an insurance charge, the agencies and regulators withhold, even though we're holding it up at the holdco. So we could, for example, put the Apollo shares into, like, the Bermuda Company, for example, and back its business in its current form.

Tom Gallagher, Evercore ISI: Okay. And just to follow up Marty, can you give some quantification for your current excess equity capital and debt capacity you know considering this transaction?

Marty Klein, ATH Chief Financial Officer: Well, we will go into excess capital a bit more in our earnings call next week. But again, we probably ended the quarter at about a billion eight at the end of the third quarter, roughly a billion eight dollars of excess, and then, obviously, this transaction would go on top of that. We would anticipate $600 million in buybacks too, so net net we'd expect capital increase, essentially, if we did all the buybacks by another four hundred million.

Jim Belardi, ATH Chairman, CEO and Chief: And, that's equity capital, that’s not counting unused debt capacity.

Investment Officer:

Marty Klein, ATH Chief Financial Officer: Correct, and then, the debt capacity is right, it is probably at this point probably a little over or maybe well over a couple billion dollars of untapped debt capacity on top of that.

Tom Gallagher, Evercore ISI: And Marty, did that include-

Marty Klein, ATH Chief Financial Officer: And one last thing, Tom, finally as you know, in addition those things, on the first of October, we sold two thirds of ACRA to the ADIP shareholders. So that was a check of about five hundred seventy five that goes to capital so the billion eight is at the very end of the quarter, before the five hundred seventy five came in.

Tom Gallagher, Evercore ISI: Okay. So, if I have the pieces right, here, a billion eight, plus the a little under $600 million, plus an extra billion you're getting from this transaction, plus north of two billion of debt capacity, do I have all the pieces right?

Marty Klein, ATH Chief Financial Officer: Right. And then, offsetting some of that might be $600 million of buybacks.

Tom Gallagher, Evercore ISI: Understood. Thank you.

Operator: Our next question comes from the line of Bill Katz of Citi.

Bill Katz, Citi: Okay. Thanks very much for taking the questions this morning, and this would be focus for the Apollo Management Team. And, I guess maybe a two-part question to kick off. Number one, you mentioned in your prepared commentary that you're looking into potentially accounting for the Athene equity fair market value add to the P&L. Could you sort of walk through what some of the milestones or some of the issues might be and how you might be able to evolve that thinking? And, I'll come back to the second part.

Josh Harris, You know, I'll start out, and then I'll kick it to Martin. But, you know when we did this, and one of the, you know Leon has done a good job

APO Co-Founder and Senior Managing Director:	articulating the strategic rationale, but we also felt like we were getting I think buying into an incredible company, incredible asset, and you know Athene as you know is projected to have operating earnings you know of about a billion four, right. So we owned you know thirty percent, round numbers of thirty percent of that, and that's ninety cents a share of earnings, right. But, you know under our existing metrics, and FRE as an example, because Athene doesn't pay a dividend, none of that gets picked up. And so, you know we're going to look really hard at that, because that's incredibly valuable, and we think it's going to grow and go up. And, it's a function of -it's one of the reasons why we were you know willing to in essence issue shares, which we haven't really done, since the IPO, because we're getting this incredible asset with incredible cash flow stream in return. But, I'll let Martin talk about the accounting treatment but underlying the accounting treatment is the massive earnings power of Athene that we're getting.
Martin Kelly, APO Chief Financial Officer and Co-Chief Operating Officer:	Yeah. And so, really the only thing I'll add to that is in our GAAP financials, today, we do mark our investment in Athene on a market value basis that goes through GAAP earnings, and we'll continue doing that going forward. Now, DE metric distributable earnings excludes unrealized gains and losses on balance sheet investments from that metric. And so, you know we are working through different alternatives around including this underlying earnings frame, which is which is very significant as Josh mentioned. And then, also, working through any broader implications that that would introduce. So Bill, I can't give you milestones, but it's clearly you know an important and high priority for us.
Bill Katz, Citi:	Okay, thank you. And just as a follow-up, as part of the announcement you had mentioned that the Athene side with the single share class, obviously, Carlyle has done that in the alternative space. Can you give us your latest thinking about potentially converting Apollo to a single share class to further align to shareholders, as well?
Josh Harris,	You know, we're in early in the days of C-Corp conversion that's worked really well; certainly, we're moving into a number of indices just by

APO Co-Founder and Senior Managing Director: virtue of the C-Corp conversion. We're going to look hard at making, and we believe, we will be able to make changes that'll get us into CRSP, in addition to a number of other indexes, so, I think you know we're going to look hard. That’s the second step. And, we're going to be studying that over time, and you know we’re going to look at everything that we can do to move the shares up and to broaden the stock ownership.

Bill Katz, Citi: Okay. Thanks very much guys.

Josh Harris, APO Co-Founder and Senior Managing Director: Thanks Bill.

Operator: Our next question comes from the line of Erik Bass of Autonomous Research.

Erik Bass, Autonomous Research: Hello.

Josh Harris, APO Co-Founder and Senior Managing Director: Hi we can hear it now. Go ahead.

Erik Bass, Autonomous Research: Sorry, can you hear me?

Josh Harris, APO Co-Founder and Senior Managing Director: Yep.

Erik Bass, Autonomous Research:	Okay. Excuse me. So, just one thing to confirm is the equity ownership will be marked to market for the Apollo stake, you said, through the corporate segment, is that correct?
Marty Klein, ATH Chief Financial Officer:	It's Marty, for Athene, we will hold the Apollo shares at our holdco and that will be marked to market in our GAAP earnings, fair value.
Erik Bass, Autonomous Research:	Got it. Thank you. All right. My other questions were answered, thank you.
Operator:	Ladies and gentleman, in the interest of time, we please ask that you please stick to one question and re-enter the queue if you have any follow-ups. Our next question comes from one of Mike Carrier of Bank of America Merrill Lynch.
Mike Carrier, Bank of America:	Morning everyone. Thanks for taking the question. I guess, on the Apollo side, I think, in some of the details you know it shows that you can increase you know the stake over time I think by another five percent. But, what's the, I guess, the max you know in terms of ownership that you'd be looking you know to do? And then, it seems like on the voting side, certain members you know of Athene you know agreed to a vote you know in align with Apollo. So, just from a like a corporate governance standpoint, like, how does that align or create any conflicts or not from your perspective?
Josh Harris, APO Co-Founder and Senior Managing Director:	Well, I mean, I'll start broadly and let other people fill in. I think we're very comfortable today at this ownership. If you think about our strategy, it's to invest. You know we're an asset light company, and we try to invest our capital into strategic platforms that leverage that capital. And so, we feel that we're getting a lot of leverage on our Athene investment. And, our balance sheet still continues to be you know kind of in the high teens from the low teens a percentage of our total market. So, I think that we feel good about this. We think it creates a lot of stability given the size of the share ownership, and at the same time,

we're getting a lot of leverage on our capital. I don't believe there is a limitation on where we can go in terms of our ownership, and obviously, you know we you know we're going to be opportunistic, but I think that, we feel very comfortable where we are right now.

And then on the corporate governance side, I mean, I think it's a very small percentage, and I'll let Jim speak to it, because it's primarily Jim.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Yeah. I think we're disclosing that Bill and I are having our shares voting consistent with Apollo. My M shares actually don't vote, so when they convert to A's that would be the case. And, the same thing with Bill. So, we're comfortable with that, and again, it's about alignment of interests, and we have it.

Mike Carrier, Bank of America: Okay, thanks a lot.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Thanks.

Operator: Our next question comes from the line of Ryan Kruger of KBW.

Ryan Krueger, KBW: Hi. Thanks. Good morning. A question for Athene. On the $600 million buyback authorization, are you viewing that as specifically related to this transaction, and you'd still consider doing kind of ongoing regular buyback, in addition to that, or should we think of this more of an all in view of your buyback, over a certain period of time?

Marty Klein, ATH Chief Financial Officer: You know Ryan, its Marty. You know, I think the $600 million does relate to a large extent to this transaction, obviously, it creates buybacks, a billion dollars of additional capital, and the opportunity to buy back shares, at what have been very depressed prices, if that opportunity continues to be there, we certainly would move on that. And then, obviously, it helps from an accretion standpoint if we do that.

But, you know still net net with $1 billion of additional capital for this transaction, net of $600 million of buyback if we do that much, it gives us $400 million of excess. You know, we continually evaluate how to deploy capital every month, probably, actually every day, and we try to allocate it to where we see the best opportunities: organic growth, inorganic; we want to, obviously, increase capital, get ratings upgrades, and buybacks. And so, we will evaluate beyond the $600 million, if you want to do additional share buybacks as we evaluate all those opportunities. You know over time when we see the opportunity to buy back shares and we think it's a compelling opportunity, we do go back to the board and get additional authorizations, and we did that several times over the course of the past year.

Ryan Krueger, KBW: Thanks. And then, just to follow up on Tom's question. Is the right way to think about it on the billion in excess capital, and as it relates to the Apollo shares, is that they are available- that is available capital to support inorganic or organic growth, it just would not be available for share purchases, and you don't plan to monetize the space?

Josh Harris, APO Co-Founder and Senior Managing Director: That's, basically, the case. Yeah, we'd, as we would do buybacks, we would do it with other cash that we've got away from the Apollo shares, and then, we'd anticipate holding those shares, but they are there to support the business, that's right.

Operator: Thank you. Again, ladies and gentlemen, we do ask that you please limit yourself to one question, and then reenter the queue if you have any follow ups.

Our next question comes from the line of Ken Worthington of JP Morgan.

Ken Worthington, JP Morgan: Hi. Good morning and thank you for taking my question. So for thinking about this from a risk perspective, and the risk for Apollo of Athene being a big client, Apollo's giving up super voting rights and is getting an Athene to own Apollo stock. So, why does giving up super voting rights in exchange for greater Athene ownership of Apollo lower the risk profile more for Apollo than the existing or I guess prior structure? I would think that you'd want more voting rights not less, particular because super voting rights could have lasted indefinitely, while Athene's new ownership is guaranteed for only three years. So, maybe explain to thinking around this from a risk perspective?

Josh Harris, APO Co-Founder and Senior Managing Director: We were getting a lot of questions about alignment, and there was real question as to you know this is sustainability over time without it you know putting pressure on, both, stock prices really the sustainability of the super, particularly in Athene cases, super voting shares. And so, we felt that you know giving that up in the context of making it in the context of getting to invest into a fantastic company, and a fantastic management team, and a good valuation, along with the alignment having that company participate in Apollo, we felt that was on an overall basis, a very good trade for and a very good long term investment for us and our shareholders. And so, I think it really comes down to taking more of a long term point of view and trying to get to the point where we could say to the market and demonstrate to the market our interests are aligned and that we were together on this.

Leon Black, APO Founder, Chairman and CEO: I mean, just to underscore what Josh said. You know, we've had a lot of pluses in the last ten years, in terms of building the relationship with Athene to the point that now Athene and Athora you know make up something like a third of Apollo's revenues, and that's only going up from here, given the management and the growth potential that we see in those entities. And, you know a lot of that was held in place by a renewable contract, which the market again and again questioned as to its durability. And so, our view is that this transaction should really assuage any concerns in the market place, as to the real alignment of interests, the growth potential of these two partners going forward.

I don't think Apollo gave up, yes your right, you had a 45% vote with the double shares, but right now, it's bought a real 35% economic interest and has an option to buy another 5%, and could continue to buy in the market place. So, that it's getting; I don't think it's giving up any of what it had from the double shares, and it's showing: one, we're getting a big investment as Josh has said, and a terrific asset that we think is grossly undervalued, and you know it’s something that we are planning, as you'll hear on growth today, in the next ten days, to be a very important part of Apollo's growth going into the next five years.

Our feeling is that we, as Apollo, have been able to double our earnings and our assets over the last five years, partially, because of Athene being a significant part of that. And, as you'll hear in the next ten days, we think that trajectory is only going to continue, again, with Athene being a significant part that strategy. So, again, as Josh said to us, this is a win/win; it should have answered the market's concerns, both, about the dual share structure, which is holding back Athene's stock, as well as, what we were hearing at Apollo, that there was a perceived misalignment between ownership and control, holding back Apollo stock by, what we were being told, by as much as three multiple points. So, that helps, I hope.

Operator: Our next question comes from a line of Alex Scott of Goldman Sachs.

Alex Scott, Goldman Sachs: Hey. Good morning. The question I had was for the Athene side. I guess, I'd just be interested to hear your thinking on the common dividend, and you know looking at the market structure and the solution here you know the one thing that wasn't part of it was the common dividend, and I'm just interested as to why not, if that's something that's still under consideration, going forward? Thanks.

Marty Klein, ATH Chief Financial Officer: We certainly look at it from time to time, but we continue to believe that the four best uses for us to put capital to work is organically and inorganically at mid-teens unlevered returns. We do want to get capital upgrades, which also help us continue to grow that business at profitable terms, and then look for share buybacks, as the opportunity presents itself. We're different than other insurance companies, for the most part, in that we're able to put our capital work, even in what is now a pretty tough environment from a rate and spread standpoint at mid-teens unlevered returns. So, we think the best way to create shareholder value is to continue to do that and get those mid-teens returns.

I think, you know from a shareholder standpoint is a number of us have been on the road talking with investors, you know, we would hear, we do hear about dividends from time to time, but I think the bigger issue by far, and I think Leon mentioned this, is you know the dual class structure, and the way that it kept us out of the indices, and narrowed our shareholder base. So, we feel very good about this transaction on a number of levels, including the ability to increase our shareholder base over time.

Alex Scott, Goldman Sachs: Thank you.

Operator: Our next question comes from a line of Michael Cyprys of Morgan Stanley.

Michael Cyprys, Morgan Stanley: Hey. Good morning. Thanks for taking the question. I just wanted to follow up on the Apollo purchase right of up to an additional five percent stake in Athene. I guess, I'm just curious if you could elaborate a little bit on the thinking behind that? What are the intentions there, and what scenario could we see Apollo exercise that purchase right?

Gary Parr, APO Senior Managing Director: Hi. It's Gary Parr. To address it, it's our right to buy shares, in the future, and we thought about it all collectively, Athene and Apollo, is it could be an effective tool. If there was a time when there was a large acquisition, for example, that Athene could implement, it gave us an easy way to infuse further capital. There might be other scenarios, but the primary one was to think of our growth and the growth opportunity where we can efficiently, and effectively, and quickly infuse capital to deal with growth.

Operator: Our next question comes from the line of Jimmy Bhullar of JP Morgan.

Jimmy Bhullar, JP Morgan: Hi. Good morning. So, most of my questions were answered. Just, Marty, could you comment on the pace of buybacks, and should we assume that most of this program will be done relatively close to when you close the deal, or is it more open ended?

Marty Klein, ATH Chief Financial Officer: Hey, Jimmy. A good question. You know, I think we need to stick to the deal closing sometime in the first quarter. And, you know it's hard to predict timing of buybacks, obviously, when the window opens, we will be able to, and that won't happen until after our earnings next week, at the soonest.

And then, it's just a matter of assessing you know the share price and the opportunity, we're, as we mentioned many times, very price sensitive and when the stock is really at very low multiples to book value, we buy back a lot, and when that's not the case, we buy back very little, and when it's close to book, we don't buy anything at all. So, the timing of those buybacks is really frankly a little hard to predict, but, obviously, when we open the windows if the share price so presents an opportunity within them, unfortunately the last two weeks close to 80% of book, those are pretty attractive levels, as they gets closer to book it's less attractive. So, it's hard to predict the speed, and it could be anywhere over the next three, six months, or nine months, or maybe never, if the share price goes up over book, which would be our hope over time, quite frankly.

Operator: Our next question comes from Elyse Greenspan of Wells Fargo.

Elyse Greenspan, Wells Fargo: Hi, good morning. My question, so you guys rationale for the change in share structure was really to increase your potential to go in some of these indices, whether the S&P 500 or you also mentioned the S&P mid-cap 400 index, I'm just trying to get a sense on time frame here, you know, and I'm sure you've done some analysis internally you know to have conviction, right, that you guys would move into some of these indices? So, any additional color you could provide there would be great.

Marty Klein, ATH Chief Financial Officer: Hey, Elyse, it's Marty. Yeah, we have looked at it; this certainly paved the way for us to become eligible to go into the indices. You know, the S&P index committee meets on a monthly basis. We think this transaction eliminates a key part of why we've not been eligible. There's a bit of a waiting list, and we're, obviously, now that we've got this transaction announced, we can begin making our points to the committee to get included. But, it's hard to know exactly when we might get into either those indices, but we will keep folks posted as we go. We don't think it would be anytime in the immediate near term, but hopefully in the not too distant future, that'll be the case.

Jim Belardi, ATH Chairman, CEO and Chief Investment Officer: Hey Elyse, I would just add, I remember, way back when at Sun America, when we got into the S&P 500, it was a huge deal for our stock and what propelled us to great things after that. So, we're very optimistic this is going to be a great thing for Athene and Apollo.

Marty Klein, ATH Chief Financial Officer: There is a bit of a waiting list. I would just note that as we looked at some of the research, it looks, you know we'd say that the best we can tell that in the S&P 500 maybe about half of it should turn over in the next ten years, we'd, obviously, hope to get included well before that, but, obviously, it's a fair amount of turnover. And, we are getting to the point where our market cap will allow us to get in, and, obviously, the elimination of dual class would make us eligible.

Operator: Our last question will come from the line of Sunset Kamath of Citi.

Suneet Kamath, Citi: Thanks. Just one for the Athene Team. I'm just curious about the how you arrived at the mix of cash in Apollo stock. You know, did you have a preference for this stock or cash, obviously, Apollos shares are up pretty big this year, so just curious how you arrived at that mix?

Marty Klein, ATH Chief Financial Officer: Hey. It's Marty, Suneet. I think the biggest driver was really looking to eliminate the dual class shares and with that get Apollo's voting stake up to 35%. And then, with that as a major objective, we wanted to look at mix of transactions that would get us something that was pretty good from a capital standpoint.

So, ultimately, we're taking $350 million cash and a billion or two of Apollo shares, and we think the Apollo shares represent great value, even though perhaps they are not the most capital efficient for us, but we do have that $350 cash. So, the combination of those two pieces, $350 cash and a billion or two of Apollo, gets us that billion dollars of active capital buy our measure. The driving force was getting Apollo that 35% stake and eliminating dual class.

Operator: And, that was our final question. I would now like to turn the floor back over to Noah Gunn for any additional or closing remarks.

Noah Gunn, ATH Head of Investor Relations: Thanks Maria, and thanks everyone for joining us this morning. If you have any follow up questions regarding anything discussed on today's call, please reach out to me or Gary Stein at Apollo. We look forward to speaking with you again for our respective third quarter earnings call scheduled to occur over the next week.

Thank you.

Operator: Thank you. This does conclude today's joint Athene and Apollo Investor Call and Webcast. Please disconnect your lines at this time and have a wonderful day.