

APOLLO GLOBAL MANAGEMENT, LLC (NYSE: APO)

# Apollo Global Management Valuation Framework

March 2019

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# Valuation Framework: Sum-of-the-Parts (SOTP)

1

## FEE RELATED EARNINGS ("FRE") VALUE

- Value FRE at a target price-to-earnings multiple that reflects growth & margin profile
- ~90% of fee related revenues from management fees
- Growing base of permanent or long-dated funds (nearly 90% of AUM is long-dated or permanent capital)
- Improving margin with operating leverage



2

## BALANCE SHEET VALUE

- Value net cash, debt, preferred equity, and investments at target price-to-book multiple
- Investment portfolio currently comprised of fund co-investments and strategic investments supporting permanent capital vehicles



3

## PERFORMANCE FEE RECEIVABLE VALUE

- Value performance fee receivable and future performance fee income using assumptions in a discounted cash flow construct
- Apply a terminal value to account for franchise value including future fundraising activity

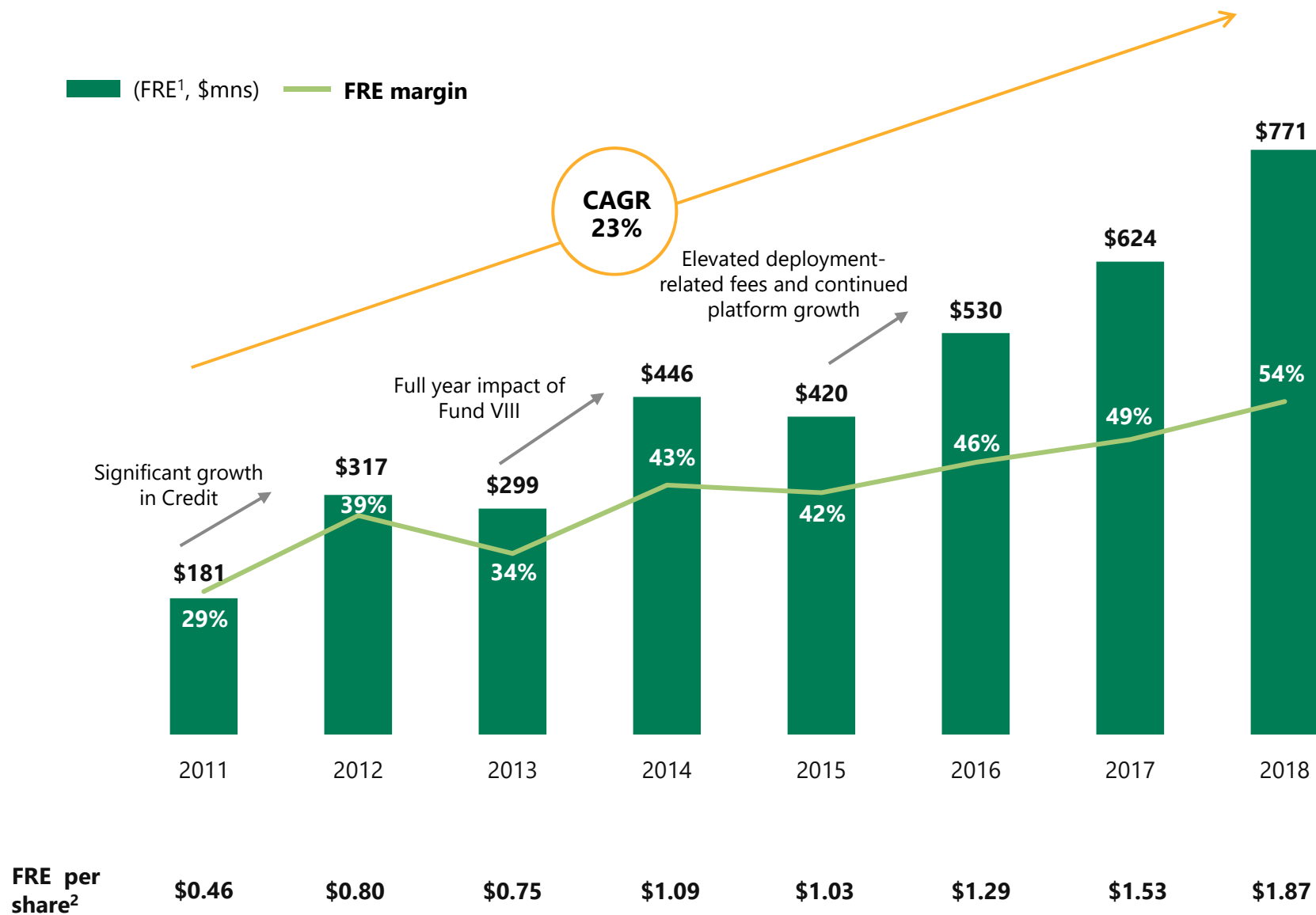


## CURRENT FAIR VALUE OF APO









Note: Sample sum-of-the-parts valuation methodology is provided for illustrative purposes only and is based on a variety of assumptions. In addition, the performance of APO is subject to a variety of risks and uncertainties, including market and event driven situations, any or all of which may significantly impact the APO share price, as well as numerous other risks set forth in Apollo's Form 10-K filed with the SEC on March 1, 2019, as such risks may be updated from time to time in Apollo's periodic filings with the SEC. There can be no assurance the APO share price will achieve the implied price levels presented herein. Furthermore, investors should not use the content in this presentation to make investment decisions and this presentation does not constitute an offer to buy, sell or hold any security.

# 1 FRE is a Predictable and Growing Earnings Stream



Note: FRE margin is calculated from Fee Related Earnings divided by fee related revenues (which includes management fees, transaction and advisory fees, certain performance fees from business development companies and Redding Ridge Holdings, as well as other income attributable to FRE). 1 Fee Related Earnings (FRE) presented for historical periods excludes non-cash Athene-related fees (\$107.9 million in 2013, \$226.4 million in 2014, and \$1.9 million in 2015). 2 FRE per share is derived by dividing total FRE by the end of period Distributable Earnings shares outstanding.

# 1 FRE Fundamentals Outperform Perceived Comparables

	APOLLO	Traditional Active Asset Managers <sup>1</sup>
<b>Strong growth</b>		
Revenue Growth (5-Yr CAGR: LTM 4Q'13 – LTM 4Q'18) <sup>2</sup>	<b>10%</b>	<b>2%</b>
AUM Growth (5-Yr CAGR: LTM 4Q'13 – LTM 4Q'18)	<b>12%</b>	<b>2%</b>
<b>Longer dated and recurring revenue stream</b>		
<b>Attractive margins and operating leverage</b>		
FRE Margin (LTM-4Q'18)	<b>54%</b>	<b>33%</b>

<sup>1</sup> Traditional Active Asset Managers refer to the five largest U.S. publicly traded active-focused asset managers, including Affiliated Managers Group (AMG), Franklin Resources (BEN), Invesco (IVZ), Legg Mason (LM), and T. Rowe Price (TROW). All metrics presented as mean of population. <sup>2</sup> Revenue growth for Apollo reflects fee related revenues, which includes management fees, transaction and advisory fees, certain performance fees from business development companies and Redding Ridge Holdings, as well as other income attributable to FRE and excludes non-cash Athene related fees.

# 1 Triangulating an Appropriate P/E Multiple for FRE

The fundamental metrics of Apollo's Fee Related Earnings closely compares with sectors of the financial services landscape valued at much higher price-to-earnings (or P/E) multiples

	Revenue Growth (Trailing 5-Year CAGR to 4Q'18)	Operating Margin (LTM-4Q'18)	Earnings Growth (Trailing 5-Year CAGR to 4Q'18)	Current P/E Multiple (2019E)
<b>Mean of Select Financial Services Companies<sup>1</sup></b> (Financial Information Services, Analytics, Financial Technology, Payments Companies, and Management Fee-Focused Alternative Asset Managers)	13%	46%	16%	24.5x
<b>S&amp;P 500</b>	4%	17%	6%	17.1x
<b>APO Fee Related Earnings</b> (If Value of Incentives Is Assumed to Be \$0)	10% <sup>2</sup>	54% <sup>2</sup>	21% <sup>2</sup>	15.2x <sup>3</sup>

<sup>1</sup> "Select Financial Services Companies" includes: FactSet Research Systems, IHS Markit, Moody's Corp, MSCI Inc, S&P Global, Verisk Analytics, Equifax Inc, MasterCard, Visa, Hamilton Lane, and Partners Group. Select Financial Services Companies presented above were selected based on a variety of factors including revenue growth, earnings growth, and margin profile, as well as relative market positioning, visibility of earnings, business diversification, contractually-based revenue arrangements, and exposure to secular growth trends, among others, which management believes is comparable to Apollo. <sup>2</sup> Revenue growth reflects fee related revenues for APO. Operating margin reflects FRE margin for APO. Earnings growth reflects FRE growth for APO. FRE margin is calculated from Fee Related Earnings divided by fee related revenues (which includes management fees, transaction and advisory fees, certain performance fees from business development companies and Redding Ridge Holdings, as well as other income attributable to FRE) and excludes non-cash Athene related fees. <sup>3</sup> Apollo Fee Related Earnings multiple reflects APO stock price as of February 28, 2019 less 90% of 12/31 book value, divided by tax-effected average sell-side 2019E FRE estimate. Source: Company filings and FactSet.

## 1

# Valuing Fee Related Earnings

	<b>2019E</b>
<b>Consensus FRE per share<sup>1</sup></b>	<b>\$2.11</b>
Tax Rate	15%
<b>FRE per share (net of tax)</b>	<b>\$1.79</b>
<b>Indicative P/E Multiple Range</b>	<b>20x-23x</b>
<b>FRE Value per share</b>	<b>\$36-\$41</b>

Based on an average of sellside 2019E estimates for each component of FRE<sup>1</sup>

Apollo expects FRE tax rate<sup>2</sup> of approximately 15% range over a multi-year period, following recent U.S. tax reform

Earnings stream justifies higher multiple: strong revenue and earnings growth backed by long-dated and permanent capital with attractive margins and operating leverage. We have chosen to apply a discount to the comp set P/E multiples to be conservative.

<sup>1</sup> FRE is the sum across all segments of (i) management fees, (ii) advisory and transaction fees, (iii) performance fees earned from business development companies and Redding Ridge Holdings and (iv) other income, net, less (x) salary, bonus and benefits, excluding equity-based compensation (y) other associated operating expenses and (z) non-controlling interests in the management companies of certain funds the Company manages. Consensus FRE consists of the sum of the average sellside 2019 estimates for each component of FRE. Fee Related Earnings (FRE) presented for historical periods excludes non-cash Athene-related fees (\$107.9 million in 2013, \$226.4 million in 2014, and \$1.9 million in 2015). FRE per share is derived by dividing total FRE by the end of period Distributable Earnings shares outstanding. <sup>2</sup> Tax rate in FRE context refers to all non-performance fee and balance sheet related taxable income and deductions, including equity-based compensation and interest. Source: Company filings and FactSet.

## Valuing the Balance Sheet

Selected Component	Balance at 12/31/18 (\$millions)	Per Share
Cash <sup>1</sup>	\$1,003	
Debt	(\$1,360)	
Preferred Equity	(554)	
<b>Net Debt</b>	<b>(\$911)</b>	
GP Investments in Funds <sup>2</sup>	\$1,129	
Athene/AAA <sup>3</sup>	\$762	
<b>Total Investments<sup>4</sup></b>	<b>\$1,891</b>	
<b>Total Balance Sheet Value</b>	<b>\$980</b>	<b>\$2.37</b>
<i>DE Shares Outstanding (mm)</i>		413.5

Note: Net performance fee receivable included subsequently as a component of performance fee value

<sup>1</sup> Includes cash and cash equivalents of \$610 million and U.S. Treasury securities, at fair value of \$393 million. <sup>2</sup> Represents Apollo's general partner investments in the funds it manages excluding Athene Asset Management LLC ("AAA") and other balance sheet investments. <sup>3</sup> Investment in Athene/AAA primarily comprises Apollo's direct investment of 19.1 million shares of Athene Holding Ltd. ("Athene") valued at a weighted average of \$39.83 per share and 1.6 million shares of AAA valued at NAV. <sup>4</sup> Total Investments are presented on an unconsolidated basis.



## Performance Fees are a Series of Cash Flows with Value

### Key Points to Consider:

- We believe valuing performance fee cash flows in a discounted cash flow construct is the most appropriate valuation approach
- Over 28 years, Apollo's traditional Private Equity funds have generated an aggregate **gross IRR of 39% (25% net)**<sup>1</sup>, but in this presentation we use **more conservative assumptions** to estimate performance fee value since investment returns can vary over time
- While the **precise timing** of realized performance fees on a quarterly or annual basis is uncertain, **every** Apollo traditional Private Equity fund to date has generated performance fees

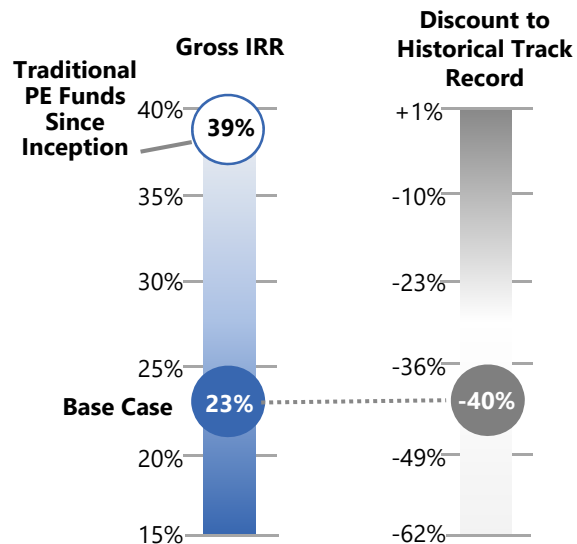
<sup>1</sup> Represents returns of traditional Apollo private equity funds since inception in 1990 through December 31, 2018. Past performance is not indicative of future results.

# 3 Performance Fees Modeling Dashboard

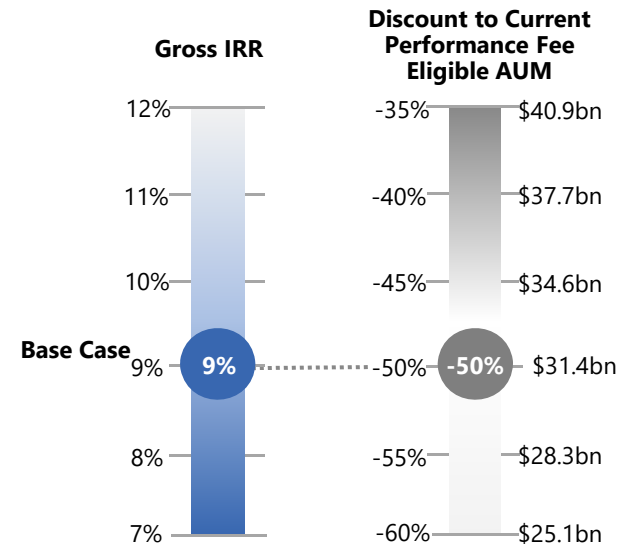
Below is a set of key assumptions that can be used to value Apollo's performance fee income potential in a discounted cash flow construct

Base Case Assumptions	Performance Fee Eligible AUM	Gross Return <sup>2</sup>	Perf. Fee Rate	Profit Share	Tax Rate <sup>3</sup>	Terminal Growth Rate	Other	Time Horizon
<b>Private Equity</b>	<b>\$41 billion</b> Over time horizon Fund VIII: \$17.5bn <sup>(1)</sup> Fund IX: \$23.5bn <sup>(1)</sup>	<b>23%</b>	<b>20%</b>	<b>50%</b>	<b>5%</b>	<b>2%</b>	Gains from Other PE funds projected at 15% of Traditional PE Fund contribution	<b>8 Years</b> Deployment: 4yrs Realization: 4yrs
<b>Credit + Real Assets</b>	<b>\$31 billion</b> 50% discount to current total	<b>9%</b>	<b>18%</b>	<b>50%</b>	<b>15%</b>	<b>3%</b>	Gross Performance Fee CAGR 3%	<b>8 Years</b>

## Private Equity



## Credit + Real Assets



1 Reflects third-party performance fee eligible AUM at fund inception. 2 Gross IRR's for Private Equity, Credit, and Real Assets funds can vary significantly on a fund-by-fund basis. 3 Tax rates presented are intended to be indicative across a blend of all performance fee income for a particular business segment. 4 Past performance is not indicative of future results.

# Sensitizing Key Assumptions Provides Range of Perf. Fee Values

## Private Equity Performance Fee Value: \$10 - \$16 per share

		Private Equity Return / Gross IRR Assumption				
		17%	20%	23%	26%	28%
Private Equity Discount Rate	13%	\$10.67	\$13.01	\$15.35	\$17.68	\$20.02
	14%	\$9.77	\$11.90	\$14.04	\$16.17	\$18.31
	15%	\$9.01	\$10.97	\$12.94	\$14.90	\$16.86
	16%	\$8.36	\$10.18	\$11.99	\$13.81	\$15.62
	17%	\$7.80	\$9.49	\$11.18	\$12.87	\$14.56

## Combined Segments

		Return / Gross IRR Assumption					
		17%	20%	23%	26%	28%	
Discount Rate	Private Equity	17%	20%	23%	26%	28%	
	Credit + Real Assets	7%	8%	9%	10%	11%	
	13%	9%	\$17.46	\$20.77	\$24.07	\$27.38	\$30.69
	14%	10%	\$15.59	\$18.56	\$21.52	\$24.49	\$27.46
	15%	11%	\$14.11	\$16.80	\$19.49	\$22.18	\$24.87
	16%	12%	\$12.90	\$15.36	\$17.83	\$20.29	\$22.75
	17%	13%	\$11.89	\$14.16	\$16.43	\$18.71	\$20.98

## Credit + Real Assets Performance Fee Value: \$5 - \$8 per share

		Credit + Real Assets Return / Gross IRR Assumption				
		7%	8%	9%	10%	11%
Credit Discount Rate	9%	\$6.79	\$7.76	\$8.73	\$9.70	\$10.67
	10%	\$5.82	\$6.66	\$7.49	\$8.32	\$9.15
	11%	\$5.10	\$5.83	\$6.56	\$7.28	\$8.01
	12%	\$4.54	\$5.19	\$5.83	\$6.48	\$7.13
	13%	\$4.10	\$4.68	\$5.26	\$5.84	\$6.42

## Total Performance Fee Value: \$15 - \$24 per share

Note: Gross IRR's for Private Equity, Credit, and Real Assets funds can vary significantly on a fund-by-fund basis. Past performance is not indicative of future results.

# Sum-of-the-Parts (SOTP) Valuation Summary

<b>1</b>	<b>FEE RELATED EARNINGS ("FRE") VALUE</b> <ul style="list-style-type: none"><li>• \$1.79 FRE per share after-tax</li><li>• 20-23x P/E multiple based on fundamentals Apollo deems comparable</li></ul>	<b>\$36 - \$41</b>
<b>+</b>		<b>+</b>
<b>2</b>	<b>BALANCE SHEET VALUE</b> <ul style="list-style-type: none"><li>• Net debt/cash plus investments</li><li>• 1.0x P/B multiple</li></ul>	<b>\$2</b>
<b>+</b>		<b>+</b>
<b>3</b>	<b>PERFORMANCE FEE INCOME VALUE</b> <ul style="list-style-type: none"><li>• Project a variety of key assumptions, including forward investment returns</li><li>• Utilize discounted cash flow methodology over multi-year time horizon</li></ul>	<b>\$15 - \$24</b>
<b>=</b>	<b>FAIR VALUE OF APO</b> <ul style="list-style-type: none"><li>• Valuation framework suggests nearly 100% upside from current trading level</li></ul>	<b>\$53 - \$67</b>

Note: Current trading level of APO based on \$29.30 per share as of February 28, 2019. Sample sum-of-the-parts valuation methodology is provided for illustrative purposes only and is based on a variety of assumptions. In addition, the performance of APO is subject to a variety of risks and uncertainties, including market and event driven situations, any or all of which may significantly impact the APO share price, as well as numerous other risks set forth in Apollo's Form 10-K filed with the SEC on March 1, 2019, as such risks may be updated from time to time in Apollo's periodic filings with the SEC. There can be no assurance the APO share price will achieve the implied price levels presented herein. Furthermore, investors should not use the content in this presentation to make investment decisions and this presentation does not constitute an offer to buy, sell or hold any security.

# Reconciliation of GAAP to Non-GAAP Measures

(\$ in thousands)	FY'14	FY'15	FY'16	FY'17	FY'18
<b>GAAP Net Income (Loss) Attributable to Apollo Global Management, LLC Class A Shareholders</b>	<b>168,229</b>	<b>134,497</b>	<b>402,850</b>	<b>615,566</b>	<b>(42,038)</b>
Preferred distributions	-	-	-	13,538	31,662
Net income (loss) attributable to Non-Controlling Interests in consolidated entities	157,011	21,364	5,789	8,891	31,648
Net income (loss) attributable to Non-Controlling Interests in the Apollo Operating Group	404,682	194,634	561,668	805,644	(2,021)
<b>GAAP Net Income</b>	<b>729,922</b>	<b>350,495</b>	<b>970,307</b>	<b>1,443,639</b>	<b>19,251</b>
Income tax provision (benefit)	147,245	26,733	90,707	325,945	86,021
<b>GAAP Income Before Income Tax Provision (Benefit)</b>	<b>877,167</b>	<b>377,228</b>	<b>1,061,014</b>	<b>1,769,584</b>	<b>105,272</b>
Transaction related charges and equity-based compensation <sup>1</sup>	34,895	39,793	57,042	17,496	(5,631)
Gain from reversal of tax receivable agreement liability	-	-	-	(200,240)	(35,405)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(157,011)	(21,364)	(5,789)	(8,891)	(31,648)
<b>Economic Income</b>	<b>755,051</b>	<b>395,657</b>	<b>1,112,267</b>	<b>1,577,949</b>	<b>32,588</b>
Income tax provision on Economic Income	(185,587)	(10,518)	(165,522)	(127,280)	(85,513)
Preferred distributions	-	-	-	(13,538)	(31,662)
<b>Economic Net Income (Loss)</b>	<b>569,464</b>	<b>385,139</b>	<b>946,745</b>	<b>1,437,131</b>	<b>(84,587)</b>
Preferred distributions	-	-	-	13,538	31,662
Income tax provision on Economic Income	185,587	10,518	165,522	127,280	85,513
Performance fees <sup>2</sup>	(365,322)	(56,665)	(762,945)	(1,319,924)	402,700
Profit sharing expense	264,908	86,031	316,650	509,217	40,327
Equity-based compensation	105,495	62,184	64,468	67,874	69,770
Principal investment income (loss)	(54,905)	(16,078)	(102,581)	(162,951)	(7,614)
Net (gains) losses from investment activities	(9,062)	(121,132)	(138,608)	(94,774)	186,426
Net interest loss	19,098	26,533	39,019	44,984	37,573
Other <sup>3</sup>	(43,078)	45,517	1,604	2,038	9,469
<b>Fee Related Earnings</b>	<b>672,185</b>	<b>422,047</b>	<b>529,874</b>	<b>624,413</b>	<b>771,239</b>

Note: Certain reclassifications, when applicable, have been made to the prior periods' presentation to conform to the current period's presentation and are disclosed accordingly. 1 Transaction-related charges include equity-based compensation charges, the amortization of intangible assets, contingent consideration and certain other charges associated with acquisitions. Equity-based compensation adjustment represents non-cash revenues and expenses related to equity awards granted by unconsolidated related parties to employees of Apollo. 2 Excludes certain performance fees from business development companies and Redding Ridge Holdings. 3 FY'14 and FY'16 includes gains resulting from reversal of the tax receivable agreement liability. FY'15 includes impact of reserve of \$45 million accrued in connection with a SEC regulatory matter previously disclosed in our third quarter 2015 Form 10-Q principally concerning the acceleration of fees from fund portfolio companies.

# Reconciliation of GAAP Net Income Per Class A Share to Non-GAAP Per Share Measures

(\$ in thousands, except per share data where noted)	FY'14	FY'15	FY'16	FY'17	FY'18
<b>Net Income (Loss) Attributable to AGM Class A Shareholders</b>	<b>\$168,229</b>	<b>\$134,497</b>	<b>\$402,850</b>	<b>\$615,566</b>	<b>(\$42,038)</b>
Distributions declared and paid on Class A shares	(483,458)	(339,397)	(230,713)	(354,878)	(388,744)
Distribution on participating securities	(72,074)	(28,497)	(8,396)	(11,822)	(18,119)
Earnings allocable to participating securities	-	-	(6,430)	(8,828)	-
Undistributed income (loss) attributable to Class A shareholders: Basic	(387,303)	(233,397)	157,311	240,038	(448,901)
GAAP weighted average number of Class A shares outstanding: Basic	155,349,017	173,271,666	183,998,080	190,931,743	199,946,632
<b>GAAP Net Income (Loss) per Class A Share under the Two-Class Method: Basic</b>	<b>\$0.62</b>	<b>\$0.61</b>	<b>\$2.11</b>	<b>\$3.12</b>	<b>(\$0.30)</b>
Distributed Income	\$3.11	\$1.96	\$1.25	\$1.85	\$1.93
Undistributed Income (Loss)	(\$2.49)	(\$1.35)	\$0.86	\$1.27	(\$2.23)
<b>Net Income (Loss) Attributable to AGM Class A Shareholders</b>	<b>\$168,229</b>	<b>\$134,497</b>	<b>\$402,850</b>	<b>\$615,566</b>	<b>(\$42,038)</b>
Net Income (Loss) Attributable to AGM Class A Shareholders to Income (Loss) Before Income Tax (Provision) Benefit Differences <sup>1</sup>	708,938	242,731	658,164	1,154,018	147,310
<b>Income (Loss) Before Income Tax (Provision) Benefit</b>	<b>\$877,167</b>	<b>\$377,228</b>	<b>\$1,061,014</b>	<b>\$1,769,584</b>	<b>\$105,272</b>
Income (Loss) Before Income Tax (Provision) Benefit to Economic Income (Loss) Differences <sup>1</sup>	(122,116)	18,429	51,253	(191,635)	(72,684)
<b>Economic Income</b>	<b>\$755,051</b>	<b>\$395,657</b>	<b>\$1,112,267</b>	<b>\$1,577,949</b>	<b>\$32,588</b>
Income tax (provision) benefit on Economic Income (Loss)	(185,587)	(10,518)	(165,522)	(127,280)	(85,513)
Preferred distribution	-	-	-	(13,538)	(31,662)
<b>Economic Net Income (Loss)</b>	<b>\$569,464</b>	<b>\$385,139</b>	<b>\$946,745</b>	<b>\$1,437,131</b>	<b>(\$84,587)</b>
Weighted Average Economic Net Income Shares Outstanding	399,895,861	402,923,251	401,464,645	403,048,568	404,222,653
Economic Net Income (Loss) per share	\$1.42	\$0.96	\$2.36	\$3.57	(\$0.21)
Economic Net Income (Loss) to Fee Related Earnings Differences <sup>1</sup>	102,721	36,908	(416,871)	(812,718)	855,826
<b>Fee Related Earnings</b>	<b>\$672,185</b>	<b>\$422,047</b>	<b>\$529,874</b>	<b>\$624,413</b>	<b>\$771,239</b>
Distributable Earnings Shares Outstanding	408,069,640	409,775,021	409,974,049	409,373,371	413,509,322
Fee Related Earnings per Share	\$1.65	\$1.03	\$1.29	\$1.53	\$1.87

1) See previous page for reconciliation of Net Income (Loss) Attributable to Apollo Global Management, LLC Class A Shareholders, Income (Loss) Before Income Tax Provision, Economic Net Income (Loss) and Fee Related Earnings

# Endnotes & Definitions

“**Assets Under Management**”, or “**AUM**”, refers to the assets of the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services, including, without limitation, capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

- i) the fair value of the investments of the private equity funds, partnerships and accounts we manage or advise plus the capital that such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;
- ii) the net asset value, or “NAV,” of the credit funds, partnerships and accounts for which we provide investment management or advisory services, other than certain collateralized loan obligations (“CLOs”) and collateralized debt obligations (“CDOs”), which have a fee-generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;
- iii) the gross asset value or net asset value of the real assets funds, partnerships and accounts we manage, and the structured portfolio company investments of the funds, partnerships and accounts we manage or advise, which includes the leverage used by such structured portfolio company investments;
- iv) the incremental value associated with the reinsurance investments of the portfolio company assets we manage or advise; and
- v) the fair value of any other assets that we manage or advise for the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services, plus unused credit facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification or other conditions before investment plus any other capital commitments to such funds, partnerships and accounts available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either nominal or zero fees. Our AUM measure also includes assets for which we do not have investment discretion, including certain assets for which we earn only investment-related service fees, rather than management or advisory fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers. Our calculation also differs from the manner in which our affiliates registered with the SEC report “Regulatory Assets Under Management” on Form ADV and Form PF in various ways.

We use AUM, Capital Deployed and Dry Powder as performance measurements of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs.

- “**AUM with Future Management Fee Potential**” refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund.
- “**Fee-Generating AUM**” consists of assets of the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services and on which we earn management fees, monitoring fees or other investment-related fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts. Management fees are normally based on “net asset value,” “gross assets,” “adjusted par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, with respect to the structured portfolio company investments of the funds, partnerships and accounts we manage or advise, are generally based on the total value of such structured portfolio company investments, which normally includes leverage, less any portion of such total value that is already considered in Fee-Generating AUM.
- “**Performance Fee-Eligible AUM**” refers to the AUM that may eventually produce performance fees. All funds for which we are entitled to receive a performance fee allocation or incentive fee are included in Performance Fee-Eligible AUM, which consists of the following:
  - “**Performance Fee-Generating AUM**”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is currently above its hurdle rate or preferred return, and profit of such funds, partnerships and accounts is being allocated to, or earned by, the general partner in accordance with the applicable limited partnership agreements or other governing agreements;
  - “**AUM Not Currently Generating Performance Fees**”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services that is currently below its hurdle rate or preferred return; and
  - “**Uninvested Performance Fee-Eligible AUM**”, which refers to capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services that is available for investment or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements, which capital is not currently part of the NAV or fair value of investments that may eventually produce performance fees allocable to, or earned by, the general partner.
- “**Advisory**” refers to certain assets advised by Apollo Asset Management Europe PC LLP, a wholly-owned subsidiary of Apollo Asset Management Europe LLP (collectively, “AAME”). The AAME entities are subsidiaries of Apollo. Until AAME receives full authorization by the UK Financial Conduct Authority (“FCA”), references to AAME mean AAME and Apollo Management International LLP, an existing FCA authorized and regulated subsidiary of Apollo in the United Kingdom.

“**Economic Income**”, or “**EI**”, as well as “**Economic Net Income**”, or “**ENI**”, are key performance measures used by management in evaluating the performance of Apollo’s credit, private equity, and real assets segments. Management uses these performance measures in making key operating decisions such as the following:

- Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires;
- Decisions related to capital deployment such as providing capital to facilitate growth for the business and/or to facilitate expansion into new businesses; and
- Decisions related to expenses, such as determining annual discretionary bonuses and equity-based compensation awards to its employees. With respect to compensation, management seeks to align the interests of certain professionals and selected other individuals with those of the investors in the funds and those of Apollo’s shareholders by providing such individuals a profit sharing interest in the performance fees earned in relation to the funds. To achieve that objective, a certain amount of compensation is based on Apollo’s performance and growth for the year.

# Endnotes & Definitions

**EI** represents segment income (loss) before income tax provision excluding transaction-related charges arising from the 2007 private placement, and any acquisitions. Transaction-related charges includes equity-based compensation charges, the amortization of intangible assets, contingent consideration and certain other charges associated with acquisitions. In addition, EI excludes non-cash revenue and expense related to equity awards granted by unconsolidated related parties to employees of the Company, compensation and administrative related expense reimbursements, as well as the assets, liabilities and operating results of the funds and VIEs that are included in the consolidated financial statements. We believe the exclusion of the non-cash charges related to the 2007 Reorganization for equity-based compensation provides investors with a meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

EI also excludes impacts of the remeasurement of the tax receivable agreement which arises from changes in the associated deferred tax balance, including the impacts related to the Tax Cuts & Jobs Act enacted on December 22, 2017 (the “TCJA”).

**ENI** represents EI adjusted to reflect income tax provision on EI that has been calculated assuming that all income is allocated to Apollo Global Management, L.L.C, which would occur following an exchange of all Apollo Operating Group Units for Class A shares of Apollo Global Management, L.L.C. ENI excludes the impacts of the remeasurement of deferred tax assets and liabilities which arises from changes in estimated future tax rates, including impacts related to the TCJA. The economic assumptions and methodologies that impact the implied income tax provision are similar to those methodologies and certain assumptions used in calculating the income tax provision for Apollo’s consolidated statements of operations under U.S. GAAP. ENI is net of preferred distributions, if any, to Series A and Series B Preferred shareholders.

Management believes that excluding the remeasurement of the tax receivable agreement and deferred taxes from EI and ENI, respectively, is meaningful as it increases comparability between periods. Remeasurement of the tax receivable agreement and deferred taxes are estimates and may change due to changes in interpretations and assumptions based on additional guidance that may be issued pertaining to the TCJA.

**Fee Related Earnings**, or “**FRE**”, is derived from our segment reported results and refers to a component of EI that is used as a supplemental performance measure to assess whether revenues that we believe are generally more stable and predictable in nature, primarily consisting of management fees, are sufficient to cover associated operating expenses and generate profits. FRE is the sum across all segments of (i) management fees, (ii) advisory and transaction fees, (iii) performance fees earned from business development companies and Redding Ridge Holdings and (iv) other income, net, less (x) salary, bonus and benefits, excluding equity-based compensation (y) other associated operating expenses and (z) non-controlling interests in the management companies of certain funds the Company manages.

“**Distributable Earnings**”, or “**DE**”, as well as “**DE After Taxes and Related Payables**” are derived from Apollo’s segment reported results, and are supplemental measures to assess performance and the amount of earnings available for distribution to Class A shareholders, holders of RSUs that participate in distributions and holders of AOG Units. DE represents the amount of net realized earnings without the effects of the consolidation of any of the related funds. DE, which is a component of EI, is the sum across all segments of (i) total management fees and advisory and transaction fees, (ii) other income (loss), (iii) realized performance fees, excluding realizations received in the form of shares and (iv) realized investment income, less (x) compensation expense, excluding the expense related to equity-based awards, (y) realized profit sharing expense, and (z) non-compensation expenses, excluding depreciation and amortization expense. DE After Taxes and Related Payables represents DE less estimated current corporate, local and non-U.S. taxes as well as the payable under Apollo’s tax receivable agreement. DE After Taxes and Related Payables is net of preferred distributions, if any, to Series A and Series B Preferred shareholders.

**Gross IRR** of a credit fund represents the annualized return of a fund based on the actual timing of all cumulative fund cash flows before management fees, performance fees allocated to the general partner and certain other expenses. Calculations may include certain investors that do not pay fees. The terminal value is the net asset value as of the reporting date. Non- U.S. dollar denominated (“USD”) fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor.

**Gross IRR** of a private equity fund represents the cumulative investment-related cash flows (i) for a given investment for the fund or funds which made such investment, and (ii) for a given fund, in the relevant fund itself (and not any one investor in the fund), in each case, on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on December 31, 2018 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, performance fees and certain other expenses (including interest incurred by the fund itself) and measures the returns on the fund’s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund’s investors. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor.

**Gross IRR** of a real assets fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund), on the basis of the actual timing of cash inflows and outflows (for unrealized investments assuming disposition on December 31, 2018 or other date specified) starting on the date that each investment closes, and the return is annualized and compounded before management fees, performance fees, and certain other expenses (including interest incurred by the fund itself) and measures the returns on the fund’s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund’s investors. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor.

**Net IRR** of a credit fund represents the annualized return of a fund after management fees, performance fees allocated to the general partner and certain other expenses, calculated on investors that pay such fees. The terminal value is the net asset value as of the reporting date. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor.

**Net IRR** of a private equity fund means the gross IRR applicable to a fund, including returns for related parties which may not pay fees or performance fees, net of management fees, certain expenses (including interest incurred or earned by the fund itself) and realized performance fees all offset to the extent of interest income, and measures returns at the fund level on amounts that, if distributed, would be paid to investors of the fund. The timing of cash flows applicable to investments, management fees and certain expenses, may be adjusted for the usage of a fund’s subscription facility. To the extent that a fund exceeds all requirements detailed within the applicable fund agreement, the estimated unrealized value is adjusted such that a percentage of up to 20.0% of the unrealized gain is allocated to the general partner of such fund, thereby reducing the balance attributable to fund investors. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor.



# Endnotes & Definitions

**Net IRR** of a real assets fund represents the cumulative cash flows in the fund (and not any one investor in the fund), on the basis of the actual timing of cash inflows received from and outflows paid to investors of the fund (assuming the ending net asset value as of December 31, 2018 or other date specified is paid to investors), excluding certain non-fee and non-performance fee bearing parties, and the return is annualized and compounded after management fees, performance fees, and certain other expenses (including interest incurred by the fund itself) and measures the returns to investors of the fund as a whole. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor.

**“Permanent Capital Vehicles”** refers to (a) assets that are owned by or related to Athene (“ATH”) or Athora Holding Ltd. (“Athora”), (b) assets that are owned by or related to MidCap FinCo Designated Activity Company (“MidCap”) and managed by Apollo, (c) assets of publicly traded vehicles managed by Apollo such as Apollo Investment Corporation (“AINV”), Apollo Commercial Real Estate Finance, Inc. (“ARI”), Apollo Tactical Income Fund Inc. (“AIF”), and Apollo Senior Floating Rate Fund Inc. (“AFT”), in each case that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law and (d) a non-traded business development company from which Apollo earns certain investment-related service fees. The investment management agreements of AINV, AIF and AFT have one year terms, are reviewed annually and remain in effect only if approved by the boards of directors of such companies or by the affirmative vote of the holders of a majority of the outstanding voting shares of such companies, including in either case, approval by a majority of the directors who are not “interested persons” as defined in the Investment Company Act of 1940. In addition, the investment management agreements of AINV, AIF and AFT may be terminated in certain circumstances upon 60 days’ written notice. The investment management agreement of ARI has a one year term and is reviewed annually by ARI’s board of directors and may be terminated under certain circumstances by an affirmative vote of at least two-thirds of ARI’s independent directors. The investment management or advisory arrangements between MidCap and Apollo and Athene and Apollo, may also be terminated under certain circumstances.

**Private Equity fund appreciation (depreciation)** refers to gain (loss) and income for the traditional private equity funds (i.e., Funds I-IX), ANRP I & II, Apollo Special Situations Fund, L.P. AION Capital Partners Limited (“AION”) and Apollo Hybrid Value Fund, L.P. for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change in invested capital over the period presented, plus the realized value for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented. Returns over multiple periods are calculated by geometrically linking each period’s return over time.

**“Realized Value”** refers to all cash investment proceeds received by the relevant Apollo fund, including interest and dividends, but does not give effect to management fees, expenses, incentive compensation or performance fees to be paid by such Apollo fund.

**“Redding Ridge”** refers to Redding Ridge Asset Management, LLC and its subsidiaries, which is a standalone, self-managed asset management business established in connection with risk retention rules that manages CLOs and retains the required risk retention interests.

**“Remaining Cost”** represents the initial investment of the fund in a portfolio investment, reduced for any return of capital distributed to date on such portfolio investment.

**“Total Invested Capital”** refers to the aggregate cash invested by the relevant Apollo fund and includes capitalized costs relating to investment activities, if any, but does not give effect to cash pending investment or available for reserves.

**“Total Value”** represents the sum of the total Realized Value and Unrealized Value of investments

**Traditional Private Equity fund appreciation (depreciation)** refers to gain (loss) and income for the traditional private equity funds (i.e., Funds I-VIII) for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change in invested capital over the period presented, plus the realized value for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented. Returns over multiple periods are calculated by geometrically linking each period’s return over time;

**“Unrealized MOIC”** or **“Unrealized Multiple of Invested Capital”** is calculated as Unrealized Value divided by Remaining Cost;

**“Unrealized Value”** refers to the fair value consistent with valuations determined in accordance with GAAP, for investments not yet realized and may include pay in kind, accrued interest and dividends receivable, if any, and before the effect of certain taxes. In addition, amounts include committed and funded amounts for certain investments; and

**“Vintage Year”** refers to the year in which a fund’s final capital raise occurred, or, for certain funds, the year in which a fund’s investment period commences as per its governing agreements.

## Important Notes Regarding the Use of Index Comparisons

Index performance and yield data are shown for illustrative purposes only and have limitations when used for comparison or for other purposes due to, among other matters, volatility, credit or other factors (such as number and types of securities). It may not be possible to directly invest in one or more of these indices and the holdings of any fund managed by Apollo may differ markedly from the holdings of any such index in terms of levels of diversification, types of securities or assets represented and other significant factors. Indices are unmanaged, do not charge any fees or expenses, assume reinvestment of income and do not employ special investment techniques such as leveraging or short selling. No such index is indicative of the future results of any fund managed by Apollo.

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