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PRESENTATION

Operator

Good morning and welcome to Apollo Global Management's 2015 first quarter earnings covered call. During today's presentation all callers will be placed in a listen-only mode. And following managements prepared remarks the conference call will be open for questions. This conference call is being recorded. I would now like to turn the call over to Gary Stein, Head of Corporate Communications.

Gary Stein - Apollo Global Management LLC - Head of Corporate Communications

Thanks operator and welcome, everyone. Joining me today from Apollo are Josh Harris, Cofounder and Senior Managing Director and Martin Kelly, Chief Financial Officer.

You probably noticed that we issued a new and improved format for our quarterly earnings release this morning based largely on the feedback we've received from many of you. In addition to changing the overall look and feel of our earnings presentation to make it more user-friendly we also added a number of new disclosures in our continuing effort to enhance our transparency. I'd like to highlight just a few of the new disclosures for your reference. On slide 6, we've included a breakdown of our cash earnings between our management an incentive businesses.

On slide 7, 8, and 9 we've provided he is this drivers and metrics for each of our segments. And specifically for our credit segment on slide 8, we've provided a streamlined and more transparent view of the credit AUM and performance by fund type rather than fund strategy to facilitate your analysis of this segment. On slide 10 we've provided a simplified view of our AUM roll forwards, as well as additional granularity regarding the drivers of changes in our quarterly AUM. On slide 11 we've added details regarding funds that are not currently earn and carry and the appreciation in value required to achieve carry.



Lastly on slide 14 we've provided you with details regarding our balance sheet at the segment level. We hope you'll find these enhancements helpful as you analyze our business and as always, we welcome your feedback.

Turning now to our results, earlier this morning reported non-GAAP economic net income of \$0.23 per share and distributable earnings to common and equivalent holders of \$0.35 per share for the first quarter of which \$0.33 per share was declared as the cash distribution, representing a 94% payout ratio. Before I had to the call over to Josh I wanted to remind you that today's conference call include forward-looking statements and projections and we ask that you refer to our most recent filings with the SEC for important factors that could cause actual results to differ materially from these statements and projections, as well as risk factors relating to our business. We don't undertake to update our forward-looking statements or projections unless required by law.

We'll also be discussing certain non-GAAP measures on the call which are reconciled to GAAP figures in our first-quarter earnings press release. This conference call is copyrighted property and may not be duplicated, reproduced or rebroadcast without our consent. As usual, if you have any questions about any information in the earnings release on this call, please feel free to follow up with Noah Gunn. With that, I'd like to turn the call over to Josh Harris, Co-Founder and Senior Managing Director of Apollo Global Management.

Josh Harris - Apollo Global Management LLC - Co-Founder & Senior Managing Director

Thanks, Gary, and good morning, everyone. During my brief remarks, I'd like to discuss a few elements of our business including fundraising, deployment, innovation and strength of our management business. Broadly speaking, we believe 2015 is off to a great start as we look at the long-term growth drivers of our integrated investment platform.

First on fund raising, we had inflows during the quarter of approximately \$5 billion, and I'm pleased to note that these inflows came from a variety of our investment strategies and reflect the continued growth and diversification of our business. Some of the largest contributors during the first quarter included \$2.7 billion from mid cap, which I'll discuss further in a few minutes. \$425 million from a first closings our new energy opportunity fund and nearly \$600 million from three strategic managed accounts including one that were presented a \$300 million add-on for an existing account and another \$250 million representing a new account which we believe could be expanded meaningfully over time.

In addition to these significant capital raises, we also continued to see inflows in a number of our other evergreen investments strategies including our credit strategy hedge fund, our credit short find and our total returned fund, to name just a few. As we look forward, we are very excited about the pipeline for additional capital raising across the platform which includes \$2 billion from the Teachers Retirement System Texas that we expected to close in the coming months. As you may recall, we were very fortunate to receive \$3 billion mandate from that system just a few years ago, and they recently approved an increase of that original mandate by \$1 billion. They also approved \$1 billion for a new separate mandate focused on credit investing. In addition to continued growth in strategic managed accounts where we now manage \$17.5 billion of AUM pro forma for the incremental TRS allocation, we expect to have an initial closing for our second the privately equity natural resource fund this summer. We also continue to raise capital for our second US private equity real estate fund and a variety of credit strategies.

Moving on to deployment, our funds put more than \$2 billion to work across our platform during the quarter, sowing the seeds for we expect will be future realization opportunities. Despite an environment in which valuations remain elevated, our investment teams continue to leverage our integrated platform in deep industry expertise to find we believe to be an attractive value on investment opportunities. In private equity, the funds we managed deployed \$1 billion toward a number of transactions across the globe, including the opportunistic buyout of Presidio an IT services company based in the US and the corporate carveouts of Leighton Services, a construction services company in Australia, and Tranquilidade, an insurance company in Portugal. Our pipeline of committed but not yet deployed capital flow was \$2 billion as of March 31, of which \$1.5 billion was related to asset buildups that we expect will be deployed over time. With the balance related to deals that have been signed but not yet closed.

In credit, the funds we manage deployed \$760 million across a variety of strategies, including nonperforming loans in Europe, energy lending, life settlements and other opportunistic credit investments. In real estate we deployed nearly \$500 million, primarily commercial real estate debt investments. Across the Apollo platform, our funds had more than \$28 billion of dry powder available for investments at the end of first quarter and we continue to evaluate an active pipeline of opportunities to put additional capital work -- capital to work for the funds that we manage.



Turning now to innovation, as we highlighted during our investor day at the end of last year, identifying and creating new business opportunities is a perpetual undertaking here at Apollo. The most recent example of this effort is mid cap FinCo, an innovative direct origination lending platform flooded with a permanent capital that we discussed on our last earnings call. I'm pleased to note that mid cap has already added \$2.1 billion of fee generating assets to Apollo the first quarter, and we believe this is just the beginning for mid cap. As you may recall, we entered into investment management agreement with mid cap whereby we provide access to our origination underwriting platform to help mid cap broaden its capabilities beyond its core focus on healthcare. This relationship is already creating significant value as mid cap recently leveraged our expertise in student lending to commit to purchases to \$1 billion of loans from a LendKey, a leading online provider of consumer lending solutions. Given the changing landscape in the financial services, we see significant opportunities to scale the mid cap platform. The announcement of mid cap's relationship with LendKey just a few months after launch of our partnership is a great example of the value we believe we can add to this innovative direct origination platform.

Lastly, I would like to touch on the growth of our management business. As you know, we have been focused on growing the contribution from this part of our business to the overall profitability of the firm, particularly since it provided a steady and predictable source of cash flow for our shareholders. The revenues we generate in our management business are primarily derived from management fees we earned from long-lived assets we manage. More than \$70 billion of which is permanent in nature.

In addition to driving top line growth in our management business, we are focused on improving our margins through strict cost management and operational efficiencies. I'm pleased to do note that we've made significant progress in this regard. Since we went public four years ago the profitability margins in our management business had more than tripled and we still see meaningful opportunities for continued revenue and margin expansion over time. Although we remain committed to investing in the business as we scale our platform

During the first quarter it's worth highlighting from our enhanced disclosure on slide 6 that our management business generated pretax distributable earnings of \$0.26 per share or approximately \$1 per share on an annualized basis, which we believe represents a strong growing base of cash flow. Around the time of our IPO in the first quarter of 2011, the equivalent figure was \$0.11 per share, or less than \$0.50 per share on an annualized basis. This means we've more than doubled the most stable cash flow strain of our business in just four years.

As we look forward to the remainder of 2015 and beyond, we believe our value-oriented investment style integrated alternative investment platform and ability to innovate leave us exceptionally well-positioned for meaningful long-term growth and profitability. With that, I'd like to turn the call over to Martin for some additional comments.

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks Josh, and good morning again, everyone. Starting briefly with AUM, during the quarter total AUM grew by approximately \$3 billion to \$163 billion, driven primarily by growth in our credit business, partially offset by realization activity within private equity. Fee generating AUM grew by \$2.5 million during the quarter, also due to growth in our credit business and reached \$131 billion at the end of the first quarter.

Touching on our economic earnings for the quarter, first in the management business we earned \$92 million of economic income. Adjusting for a couple of meaningful items in the fourth quarter including the \$59 million of C&S fee from Athene that is since ended, as well as \$32 million of non-recurring CRA evaluation within other income, management business E&I grew on a sequential basis during the first quarter. While we continue to prudently manage our cost base, looking forward we compensation expenses to rise as we continue to grow our management business revenues. In the near-term we expect non-comp expenses, excluding placement fees, to revert back to the run rates earned in prior quarters as we continue to invest in the platform.

Turning to the incentive business, in private equity the 2% appreciation in the first quarter was driven by 4% appreciation in publicly traded equity holdings and 2% appreciation in private holdings partially offset by slightly negative marks in some public debt holdings which represent some ongoing distressed situations. With nearly \$15 billion of unrealized value across the private equity funds we managed at the end of the first quarter, this generated total carry of \$55 million during the quarter.



In credit, the investment performance of the funds we manage was positive, up approximately 2% on a gross basis for the quarter, excluding the non-sub advised assets of Athene. As a result, our carry generating AUM in credit grew by \$4.4 billion during the first quarter as some of the assets that fell out of carry in the prior quarter returned to carry. Despite the positive fund performance in credit this quarter, carry income for the credit segment was flat. This result is a function of which funds were in or out of carry, as well as one particular fund which fell below its preferred return threshold during the quarter, reversing some carry on accelerated basis as is convention. Lastly on the incentive business, there was a discretionary incentive competition accrual in the quarter of \$12 million within the profit share expense.

Next I would like to provide some additional information on Athene's impact for the results this quarter. First the percentage of Athene related assets invested in Apollo managed funds was approximately 22%, or \$13.5 billion as of March 31, 2015. Up slightly from 20% as of December 31. As we have noted previously, we expect the subadvised assets under management to increase over time as long as we continue to perform well in providing asset management services to Athene and also identify opportunities to redeploy their investment portfolio.

As of the end of the fourth quarter Apollo had a 9.3% economic ownership in Athene. This includes earned, CNS and related fees through the fourth quarter of 2014, as well as Apollo's general partner stake as the manager of AP alternative assets, or AAA. In dollar terms, Apollo's economic interest in Athene is valued at \$447 million on our balance sheet as of March 31. Note that this amount excludes the \$123 million gross carry receivable related to AAA as of March 31 that we expect to be paid in shares of Athene at a future date.

With regard to our cash distribution, the \$0.33 we declared today includes our regular distribution of \$0.15 plus \$0.18 of other cash earnings. At March 31, the escrow percentage for fund 6 remains below the 115% threshold at 104% with an escrow cash balance of \$0.27 per share. With that, we will turn the call back to the operator and open up the line for any of your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Mike Carrier at Bank of America Merrill Lynch.

Michael Carrier - BofA Merrill Lynch - Analyst

Thanks, guys. The first question just on the growth in fund raising more focused on the mid cap business, there are other assets that are still out there, and I think there has been a bit of a transition from maybe asset sales to a little bit more of business sales. And so I just wanted to understand when you guys are looking at that opportunity and the growth that you're seeing in that product, how should we think about where the demand is coming from, how big the opportunity is, and what both the yields and what you can produce for the client that in those products, And also from your standpoint how the economics work relative to a more traditional product?

Josh Harris - Apollo Global Management LLC - Co-Founder & Senior Managing Director

The answer is, as you might expect, we're approaching this in a highly flexible manner. Whether it's businesses or assets that are for sale or just direct origination on a loan by loan basis, we're going down all those paths. And we had a nice capital raise that the investors are excited about participating in that opportunity. And I would expect us to continue to grow that platform. Gary, have we disclosed what the returns are on --?

Michael Carrier - BofA Merrill Lynch - Analyst

We are essentially targeting 6% to 8%.

Josh Harris - Apollo Global Management LLC - Co-Founder & Senior Managing Director

On an asset level, right? On an asset level, you have a 6% to 8% return but you're able to leverage that. By leveraging it you would be getting into the mid teens for your investors. We get paid a fee on the mid-cap assets plus we have some equity upside. We haven't specifically disclosed the fees that we get from mid cap, but generally in the Athene zip code.

Michael Carrier - BofA Merrill Lynch - Analyst

Okay. That's helpful. As a follow-up, maybe just a couple things, Martin, on the financials. I think you hit on them but I wanted to make sure we got the right. I think you said non-comp would normalize back to the trend line that we've seen over the past couple of quarters. Tax rates seem a little bit lower, even though that was just mix. Then the incentive comp ratio think you mentioned there was \$12 million that was included there. That was maybe one time. I wanted to get a sense on the outlook. Are we still somewhere in that 40%, 50% range in a more normal quarter?

Martin Kelly - Apollo Global Management LLC - CFO

Sure. I guess 3 points on noncomp. Placement fees will be more episodic as we raise funds. Adjusting for that non-comp expenses you should look at last year's run rate as the best proxy going forward. Q1 was a bit light for a couple reasons. On the incentive pool, we accrue that based on realizations. If you look at the realized profit share, it's a realized carry ratio, it's around 40%. When you apply that to economic carry in any particular quarter it can skew it, but over the term, I think low to mid 40% is an appropriate range for the proper share rate.

On taxes we spoke at the investor day about a 10% to 20% tax rate over the longer term. That remains I think an appropriate range over time. We should have a lower rate in 2015 for a couple of reasons. One is we're benefiting from the Athene CNSV, which was taxable, even though it was noncash having gone away, so that's reduced taxable income. We also have some stock deductions this year which should provide additional benefits. I think if you break down the taxes this year we would expect a single-digit tax rate on the measured business from an A&I perspective, and then overall then the overall (inaudible) tax rate depends on the mix of taxable to non within the Company which is hard to predict. The other point I make, though, from a cash tax perspective, cash taxes in the quarter were around to 2%. And I was also expect cash taxes for the year to be in the single-digit area as we look forward to expected taxable income on what we expect to sell.

Michael Carrier - BofA Merrill Lynch - Analyst

Okay. Thanks a lot.

Gary Stein - Apollo Global Management LLC - Head of Corporate Communications

Sure.

Operator

Bill Katz, Citi.

Bill Katz - Citigroup - Analyst

Good morning. I appreciate the enhanced disclosure (technical difficulty). Question is on Athene, given some of the changes being proposed by the Department of Labor on fiduciary reform, how do you think if it all such impact might have on feasibility to grow?



Josh Harris - Apollo Global Management LLC - Co-Founder & Senior Managing Director

Obviously the rules are still out for comment and we will see to ultimately where they land. I'll just point out from Athene's standpoint, they don't sell the product into the 401(k) market. They to sell into IRA market, but not 401(k) market. At this point I think the view is that we wouldn't expect to have any significant impact on their business, but I think it's too early to tell until rules get finalized to be able to have a better view on that.

Bill Katz - Citigroup - Analyst

Second question is, coming back to your emphasis on the growth of the management fee, although you can view it as certainly view it as a powerful trend. How do you think about that translating to the dividend with distribution? I think you said that roughly \$0.15 was your base dividend, and another \$0.18 or so from other items. Is there a chance that there's an opportunity there to raise the minimum as you look ahead?

Martin Kelly - Apollo Global Management LLC - CFO

I would look at -- one of the reasons we've provided enhanced disclosures this quarter is to highlight the cash earnings to the management company. I would look at that, which was \$0.26 for the quarter, and within a couple of pennies, in any quarter, that's a good proxy for cash earnings in the management company. I sort of look at that as the core cash earnings of the company with upside obviously from what we sell in the inside of the company.

Josh Harris - Apollo Global Management LLC - Co-Founder & Senior Managing Director

We take your point, it is something, how we talk about the base dividend, something we should think through, given what margin is at.

Bill Katz - Citigroup - Analyst

Great. Thanks for taking my questions.

Operator

Brian Bedell, Deutsche Bank.

Brian Bedell - Deutsche Bank - Analyst

Good morning, folks. I also appreciate the enhanced disclosure. Very helpful. Start on fundraising, maybe you guys could talk a little bit about some of the mutual funds subadvisory mentioned last quarter, whe4hter the you see, first of all, the Oppenheimer, maybe it's still too early for the Oppenheimer flow situation. But also for other deals like that where you're subadvising the illiquid fixed income portions of retail money. If you can also comment on other abilities or other potential for outsourcing fixed annuity assets and then including the 22% for Athene, if there is a range where you think that could end up being. It's obviously been pretty good traction in that so far

Gary Stein - Apollo Global Management LLC - Head of Corporate Communications

Yes, I think on the first part your question about Oppenheimer, yes, it's still too early to comment. We remain quiet period on that as the shareholder vote has not been completed. But we do hope that will come to a conclusion shortly. Broadly speaking, in terms of that, we've said on a prior call that these subadvisory relationship with Oppenheimer is the first with a [40 AK] fund for us. We do think that opportunity has the ability to scale over time and so we will continue to keep you posted as things develop there.



With respect to Athene and the subadvisory percentage at 22%, as we've noted, that has been ticking up over the past quarter since the Aviva deal closed. And our view is that should continue to tick up as we continue to find opportunities to put the capital to work. But there is no target percentage that we can point to at this point. But again, we do expect that to continue to gradually increase.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

It's worth pointing out that free Aviva was at 32. Aviva brought on a lot of assets, and it just takes time to absorb all those assets in a way that is effective for Athene and allows us -- allows them to leverage our platform. It's been going up about 1% a quarter, and we don't see it slowing down for a while, but we're working on trying to make it higher and higher and higher because it's mutually beneficial.

Brian Bedell - *Deutsche Bank - Analyst*

Okay, great. That's helpful. Also, maybe, Josh, can you comment on your view on deployment opportunities. It sounded like a pretty good quarter for deployment, but given your view that valuations are high in the credit markets, maybe where are you seeing incremental opportunities. And maybe just some overall color on the credit markets in general.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes, I think the credit markets continue to be impacted by global quantitative easing and be extremely aggressive and so a more difficult to invest generally. I'm not sure that environment's going to end anytime soon. So we're relying on the strength of -- the breadth of the platform to find investment opportunities in credit and in private equity that are more opportunistic, idiosyncratic or require incremental complexity. Less -- some untraded stuff.

So, in terms of what those opportunities are, certainly as we've mentioned in the past, you have the banks moving out of certain asset classes. And the banks are the largest institutions in the market. So they are many, many asset classes that become less overvalued or get undervalued, and so certainly asset backed finance. Certainly in energy when you have volatility, that can create some opportunities. Direct origination, as we've talked about in mid cap, banks used to do a lot of that. Nonperforming loans are being sold off. Europe provides an area of opportunity, although certainly with the new quantitative easing that's going on in Europe, that's gotten -- that's affected that.

Really the opportunities are idiosyncratic, and what we try to do is set up our platform to be able to absorb aircraft leasing, insurance liabilities. Set up our platform to absorb these opportunities when they arise, and we've been successful in doing that. The only other thing that I would mention is that certainly, the breadth of our credit platform is moving from high yield into crossover investment grade and investment grade. Probably a more interesting part of the market is illiquid or not rated, untraded crossover investment grade.

We are starting to -- that opens up a lot of AUM for us to be able to go after and capture. We expect that to be a larger growth opportunity for us going forward.

Brian Bedell - *Deutsche Bank - Analyst*

Great. Thanks very much for that color.

Operator

Robert Lee of KBW.



Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks and good morning. I'll just echo everyone else, I appreciate the enhanced picture. Thank you. A couple of quick questions on fundraising. I know you mentioned your end market, another real estate fundraising, another energy fund. Could you remind us on the targeted sizes of those? And then also I guess Athene's pending acquisition of Delta Lloyd which would be another \$5 billion of assets. Any update on expecting closing of that transaction?

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

Yes, let me start with Delta Lloyd. I should point out, for those of you that may not have seen or heard the call, Athene hosted a conference call-- the management team hosted a conference call on Tuesday, and a replay of that call is on the homepage of the AP alternative assets website. There's also a helpful presentation which provides an update on the Athene business. And in that presentation they noted that Delta Lloyd is actually now sitting with \$6 billion of assets. And they are working with Boffin to push that through to the regulatory process and get the transaction closed. So that's underway.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

On fundraising, we haven't put out the targets, but what I can say is that we expect both of those fundraisers to exceed what we had last time. Certainly in the case of natural resources to be multiple [love]. So it's all the momentum is very positive.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks. One question for Marin, and I apologize if you mentioned this earlier, I had to jump off for a brief period. Quarter to date, any update on quarter to date activity that we should note in terms of realizations and whatnot?

Martin Kelly - *Apollo Global Management LLC - CFO*

Sure. We've announced two transactions which haven't caused -- one is Great Wolf and the other is Brit. Combined they are \$0.10 of cash earnings. They may close Q2, they may close Q3.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Great. That's all I had. Thanks for taking my questions.

Martin Kelly - *Apollo Global Management LLC - CFO*

Thanks.

Operator

Chris Kotowski, Oppenheimer.



Chris Kotowski - *Oppenheimer & Co. - Analyst*

A question for Josh. In your comments on the credit market, I'm wondering, is the issue just that there's no value left in any of the markets? Or is there an issue that you are seeing negative migrations in your own ratings and actual deterioration of underlying credits other than maybe in energy?

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

No, I'm glad you asked. No, in the underlying credits and underlying economy it's not obviously blistering roads, but it's very steady growth. In fact, the US is generally in the mid 2s and Europe is turning around. Global growth is in the mid 2s, heading toward 3. The credits are all fine, it's really a function of the fact that there's over 20 countries that are quantitatively using today. And two-thirds of the world government rates are negative.

You have negative real rates, and so what happens when that occurs is that anything that's easy to understand liquid and rated, there is just a wall of money on the wanting to buy credit. So you've got to get out of the way of the wall of money hitting the credit markets and get into things that are not rated, that don't have [QSIPS], that are a little more complicated, that are directly sourced. If all you are doing is looking at your Bloomberg and buying something that is priced of the treasury curve, definitionally it's going to be -- there is not going to be a lot of value in that.

So what we are doing is quite different than that, obviously. We're getting out of the way of that. Our whole platform is set up to take advantage of things that aren't as effected by that but certainly the entire investment world will be effected by the amount of money hitting the system by central banks. And so our credit is actually quite good, but it's just the return.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

It's not a matter of getting the coupons.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Well, it is. It's a matter of the total return. Again, the high yield today or bank debt, you're earning low 6s for a single B, high yield instrument, that's that is where the market is today. If you went back historically and looked at the average over many, many years, that would be closer to 10. So I guess I'm saying, the relative the value of the absolute yield of everything has come down because a lot of huge money players, the pension funds in the sovereign wealth funds and the endowments all hold a lot of fixed income that might be earning 2. If you buy a 10 year treasury 2 with inflation at 2, you are getting a grand total of zero on your money. And so that affect the credit world. That affects the credit world.

So everybody plays in the credit world is dealing with this. I think the about it is that it could go on for a while. I'm not sure that there's really -- I think there's just a lot of flexibility and capacity in the world to allow the central banks to do that. And the US is starting to come out of that, but the rest of the world, Europe and Japan and even China now is starting to do more of that. If you look at the overall level of quantitative easing, it is actually going up, not down. And so I think the US rates will be impacted by that, as will global rates.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

I guess what I was getting at is, you're not seeing or expecting a wall of defaults, either, are you?

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

No. I think you'll have -- relative to opportunistic credit and distressed, I don't personally -- this is obviously -- my crystal ball is as murky as everyone else's, but I think 2008 style massive systematic collapse and creation of distrust and opportunistic credit, if I had to bet, I would bet it would be --

you're going to have to be a lot smarter about it. So energy gets distressed, natural resources with the strong dollars getting distressed. Certain aspects of retail are getting distressed. Shipping has been distressed.

Europe is distressed in certain cases. So I think there are opportunities in stressed and distressed and opportunistic, but it's not a systematic opportunity. It's a very targeted rolling opportunity that will be based on business conditions in certain sectors. And so the breath of your platform in being smart about it is what's going to drive your ability to put interesting investment returns on the board and not waiting for some big collapse.

Chris Kotowski - *Oppenheimer & Co. - Analyst*

Right. Okay. Thank you.

Operator

Craig Siegenthaler, Credit Suisse.

Craig Siegenthaler - *Credit Suisse - Analyst*

Thanks. Of the \$0.35 of deed this quarter, do you have handy the contribution from your perma capital verticals? Like Athene mid cap, the BDC, the REITs? And I'm wondering how we should think about this level on a more normalized basis given the you've just mid cap in the quarter.

Martin Kelly - *Apollo Global Management LLC - CFO*

I don't have that to hand. What I can say is that mid cap at it's current asset level is contributing about \$10 million of management fees per year. So, with that comes a little bit of cost. But that's -- apply an Athene-like management fee structure to a asset growth, and that will drive that up.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

I would point you to page 8. I just want to take your question on a little bit more directly. Permanent capital is \$70 billion of our \$95 billion of fee generating AUM in credit. It's a little hard to answer your question, because the cost structure is services all the vehicles and all the funds.

And all the other, both permanent and nonpermanent capital vehicles. So I think that's about -- without getting into cost accounting and allocation and other things, you can see that \$70 billion out of \$95 billion is about --. Take the credit D&I and multiply by 70-95ths and that will get you close. I think beyond that, we are going to be doing allocations and other things.

The permanent capital does tend to be higher margin. It's a good margin business. So it's probably better than that, to be honest with you. But that's probably as good a way to get a feel for it as any.

Craig Siegenthaler - *Credit Suisse - Analyst*

Thanks. And Josh, it's pretty easy to back in the revenue, but the expense color would be helpful just because this is a more stable, potentially a higher valued stream of earnings there, and that's why I was asking that. But just as my follow up on the private equity side, can you remind us when the investment period for this fund ends? I'm checking it out here and it looks like there's still \$16 billion of dry powder tucked into that fund.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Yes, between four and five years from now. Plenty of time.



Craig Siegenthaler - *Credit Suisse - Analyst*

Got it. Takes, guys.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

Thanks.

Operator

Brennan Hawken, UBS.

Brennan Hawken - *UBS - Analyst*

Good morning. I would also like to say thanks for the enhanced disclosure, it's really great. On Athene, just a quick one. The NAIC is considering a rule change to captive reinsurance. What impact do you think that could have on the returns at Athene, and can you walk us through that a bit?

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

I think I would probably put that one to Athene, but I would say just generally, Athene does not really use captives. They have one captive that was a hold over from the Aviva transaction, but it's not really how they operate their business. But beyond that, I don't think we could comment about the potential NAIC rule changes at this point.

Brennan Hawken - *UBS - Analyst*

Okay. Thanks a lot. That was it for me.

Operator

Chris Harris, Wells Fargo.

Chris Harris - *Wells Fargo Securities, LLC - Analyst*

Thanks. Hi, guys. I want to direct you to slide 11, my question is going to be based off that slide. If we just look at your credit funds that are below the hurdles, is there a general characterization you could make as to why those are below the hurdles? Is it energy-related investments? Is it something else? Or is it really -- is that too broad of a characterization to try to identify it?

Martin Kelly - *Apollo Global Management LLC - CFO*

I think that's certainly part of it. That's certainly part of the answer. Particularly as it relates to the drawdown, can find it there. And then if you look at the \$12 billion in its entirety, about 50% of that is within 250 basis points of getting to carry. And some of that is new investments in the CLO business and elsewhere across the liquid performing platform. Some of it is certainly energy broadly defined -- natural resources, including metals, mining and so on.



Chris Harris - Wells Fargo Securities, LLC - Analyst

Is it fair to say that the pretty significant recovery we've seen in crude oil lately is having a positive impact on those credits since the end of the quarter?

Martin Kelly - Apollo Global Management LLC - CFO

We've seen in April, we've seen a bounce back, more so in the opportunistic business than across the broad platform. They're both up, but opportunistic is up more. And so yes, that's true. I think the account that we mentioned in the prepared remarks that had the claw back this quarter, most of that was due to unrealized losses related to natural resources, and more than half of that has returned in the month of April. So I think we are seeing it across the platform. We're not back, but we're getting back.

Chris Harris - Wells Fargo Securities, LLC - Analyst

Okay, great. And a quick follow-up if I may, Martin, on the, I think you said \$0.10 on the realization so far, or if you were to realize it on this quarter, that's what it would be. I believe Brit paid a special dividend. Does that number include the special dividend from Brit, and how will that show up exactly?

Martin Kelly - Apollo Global Management LLC - CFO

Most of that -- \$0.09 of that \$0.10 is Great Wolf. So Brit's only a small piece.

Chris Harris - Wells Fargo Securities, LLC - Analyst

Okay. Thank you.

Operator

Michael Cyprys, Morgan Stanley.

Michael Cyprys - Morgan Stanley - Analyst

Good morning and thank you for taking the question. The question about the credit business and the carried interest there, cash carried interest. Just wondering how we should be thinking about the cash carry and credit. On a trailing 12 months, it looks like it's about \$240 million or so down from about \$400 million that was generated in 2013. Yet to carry eligibly, you end up about 20% over that period since 2013. I guess how should we think about the trajectory of cash carry of credit? I guess related to that, as you think about growing the credit business, in the past you put some large targets out there, I think in about \$250 billion or so for credit. How much of that should we think about being carry eligible at the 15%, 20% carry rates?

Martin Kelly - Apollo Global Management LLC - CFO

The way I think about it is, let's look at back at actuals and then we will look forward. In 2013 the credit business generated economic carry, net carry of \$0.80. In 2014 it generated \$0.30, and that's with the energy losses in the fourth quarter. It's obviously tough to predict a quarter on a prospective basis.

But if you look at what's in the ground today earning carry, \$20 billion, way to apply a 10% rate to that, which I think is conservative, assume 10% after carry -- after profit share and after taxes, that's about \$0.50 per year. If you then took the \$42 billion of carry eligible that you have in credit

and said, let's say we could get that in carry amount up to \$30 billion, that gets you to \$0.75 a share. I think without raising any more money and just looking at what's in the ground today with some reasonable potential, that frames a realistic carry rate over time, obviously add to that new capital raises and growth in carry (inaudible).

Michael Cyprys - *Morgan Stanley - Analyst*

Was that cash carry?

Martin Kelly - *Apollo Global Management LLC - CFO*

It becomes cash carry. I'm talking economic appreciation which will convert to cash carry as it [monetize].

Michael Cyprys - *Morgan Stanley - Analyst*

Okay. I guess I'm thinking about the timeframe. Can you help us think about the timeframe for it to get to the cash carry component?

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The only way -- the drawn out funds are generally run like private equity funds, so it's on realization. Obviously it's a pretty complicated question. We'd have to go back through and look at -- they're not going to be held as long as private equity investments is my guess, but there's a lot of funds in there. There's nonperforming loans and distressed. My guess is that rather than a five or seven year hole, you're probably half of that, but it is certainly not going to turn every year. But that is a very broad guess.

The liquid performing is going to be a more predictable annually because it's mostly interest expense. So that's going to come out every year and that's what it will be. There's a component of that that is pretty much predictably going to become cash. The non opportunistic part of it generally will become cash in the year, and that's also the part that doesn't have as much incentive fee. So is probably worth -- will take on -- you're asking -- there is 1,000 pieces that add up to a whole. So we can certainly take on some of these questions and communicate over time. But that's probably as good as we can say to that.

Michael Cyprys - *Morgan Stanley - Analyst*

Okay. Thank you.

Operator

Next question -- Ken Worthington of a JPMorgan.

Unidentified Participant - *JPMorgan - Analyst*

Good morning. This is Amanda stepping in for Ken. All of our questions have been asked and answered at this time. Thank you.

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

Thanks.



Operator

(Operator Instructions) Bulent Ozcan, RBC.

Bulent Ozcan - *RBC Capital Markets - Analyst*

Question on the private equity portfolio. Could you give us a little more color on the appreciation in the quarter and then also maybe talk about the EBITDA growth at your portfolio companies in first quarter? And maybe if you have updated data in the month of April. Secondly, the ratio of companies that are based in value, based on public quotes. That number has declined to 39%. I'm wondering what, going forward, if that number could decline any further, or if you're hitting the bottom here, and if we are going to see that number tick up again over time? Thank you.

Martin Kelly - *Apollo Global Management LLC - CFO*

Let me start and then I'll hand it to Josh. In the quarter [TU] was up to 2.2%, and if you exclude energy, that would have been about 120 basis points higher. That's the role performance.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The S&P was 1% and a change.

Martin Kelly - *Apollo Global Management LLC - CFO*

Yes. And then if you look at the construction of the book, it obviously depends on what we sell. For each of the three key funds, they are all at a different point in their maturity. Fund 6 is about two-thirds public, fund 7 is about one-third public and fund 8 is all private. So each of those companies has its own story and will be managed to an exit that is appropriate for the company. It's hard to say we're at a low as a percentage, what makes a percentage? But it could certainly (inaudible).

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

The color I would add to that is obviously, as we've said publicly and as you noticed, we've been through a pretty significant -- realizations have been exceeding investing for several years now, for three or four years. You're at the tail end of a large realization cycle and your now into the build value cycle on a relative basis.

So what happens is that the percentage of public goes down because you're the public company that you were midstream and exiting. You don't have as many of those because they're private because you just bought them. Plus the distress cycle hadn't been as productive recently, and so we sold a lot of public debt securities and don't own as many of those on a relative basis. Obviously I can't predict the future, what Martin is saying is absolutely true. But my guess is we are sort of in or around a low point. Not saying it couldn't go a little lower, but based on the overall big picture fundamental that I just laid out, I would expect it to go back up over time.

Martin Kelly - *Apollo Global Management LLC - CFO*

In the sense of the company performance, revenue in EBITDA, it's really a continuation of what we've talked about in the last quarter or two. 12 months Q1 on 12 months Q1, revenues were up 1.6% across the whole portfolio. That was up in both industrials and nonindustrial which is how we break it down. EBITDA was up significantly, it was up 8.5%. That's just -- the headline there is organic growth in revenues and more active cost management.

Bulent Ozcan - *RBC Capital Markets - Analyst*

I appreciate the additional color. Thank you.

Operator

[Caiman Chong], Evercore ISI.

Caiman Chong - *Evercore ISI - Analyst*

Josh, just curious if you expect bulk selling of the NPLs in Europe, and also just curious why the expense moved out of the management business into the incentive business. Thanks.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

I think you asked about whether the NPL business is going to grow over time and what's going on with it. Certainly in the short run, yes the NPL business is going to grow over time, it's been a good business for us. I'd say in a very short run it's slowed down based on some of the actions taken by the EC, which took some pressure of the banks. But we have a number of transactions going on right now and that's a business that we're very differentiated in. We have 1,000 servicing people. We're seeing opportunities even today. They're shifting a bit toward real estate, back nonperforming loans. But continue to grow the business.

Martin Kelly - *Apollo Global Management LLC - CFO*

On the interest expense, our debt principally funds our balance sheet. For E&I and E&I purposes, we include the earnings on the balance sheet in the incentive company. So we reclassified the interest expense to align with that.

Caiman Chong - *Evercore ISI - Analyst*

Okay. Thanks.

Operator

Robert Lee, KBW.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Thanks. And thanks for taking my follow-ups, I just had two of them. First, on the carried interest, I'm on page 15, just kind of curious. The accrued carry, the net accrued carry and credit, if you look at that as the -- it looks like the profit shares are pretty high on that relative to the other segments. Is there anything -- is that -- should we expect that that's the rate going forward for credit, or is there something specific to the mix currently that's driving the net down?

Martin Kelly - *Apollo Global Management LLC - CFO*

It's a mix issue. If the quarter that has zero net carry. When you have funds that are both up and down and better within that number, and different carry -- and different profit share rates, the resulting profit share ratio across the whole thing was abnormal.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

But think 40%. Is pretty standard.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay. The second question is going to mid city. I know we talked about it a little bit on the last earnings call. To try to understand the Apollo relationship -- obviously you mentioned of the assets. You get the Athene-like managers, which you've talked about But you also mentioned, Josh, that there's some equity upside. Should we think of this, that longer-term that it's similar to Athene and that maybe somewhere down the road you also get paid in options or equity and that gives you some upsides in mid cap down the road?

Martin Kelly - *Apollo Global Management LLC - CFO*

Yes, it's down the road. We earn a management fee, pay in cash on the assets subject to a cap. And that is the predictable amount. We also have a promoted interest in the structure, which is dependent on that business successfully growing over time. So, it's something that will monetize at some point, we expect, but not for some years.

Josh Harris - *Apollo Global Management LLC - Co-Founder & Senior Managing Director*

And we have warrants, so we have all of it. So the answer is yes, you should think about it exactly like Athene. Kind of broadly. We'll think about and we'll think about what we -- there seems to be a lot of -- at this point, obviously there's \$2 billion of equity, we think we have \$5 billion to \$7 billion of buying power. It's not huge right now, but it is something that we expect will grow very quickly. So maybe we'll try to provide some enhanced disclosure around it. Around the -- make it a little more transparent. Let us think about that.

Robert Lee - *Keefe, Bruyette & Woods, Inc. - Analyst*

Great. I appreciate that. Thanks for taking my question.

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

Thanks.

Operator

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

Gary Stein - *Apollo Global Management LLC - Head of Corporate Communications*

I want to say thanks to everybody for joining the call today. As I said earlier, if you have any follow-up questions, please circle back to Noah Gunn or myself.

Operator

Thanks for participating in the Apollo Global Management 2015 first quarter earningsconference call. You may now disconnect.



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