

Initiated 2026-09-17 · Price \$126.00 (as of 2026-09-17, StockAnalysis) · Mkt cap \$74.4bn · Financials / alternative asset management · Model: verified (alt_manager, full tier; corrected 2026-09-20 — see note below)

Rating: Hold — Conviction: Medium

Apollo is two businesses stapled together — a fee platform compounding at roughly 20% and an annuity balance sheet that has stopped compounding — priced at about 15x trailing adjusted net income, near the bottom of its own 52-week range. The cheapness is real but not free: spread-related earnings, over half of segment income, fell year-on-year in 1H26 even as the invested-asset book grew, and a live governance and litigation overhang bears on what this firm actually sells, which is institutional trust. Upside is large, downside larger; at \$126 the risk is roughly symmetric. That is a Hold.

MODEL VALUE RANGE VS PRICE



Business overview

Two segments. Asset Management runs ~\$1.05tn of AUM (\$858bn fee-generating) at 6/30/26, overwhelmingly credit rather than buyouts, earning management fees plus origination, placement and capital-solutions fees — \$2,528mm of fee-related earnings on \$4,465mm of fee-related revenue in FY2025. Retirement Services is Athene, a \$314bn net-invested-asset annuity book earning the spread between policyholder cost and the yield on Apollo-originated assets: \$3,361mm of spread-related earnings in FY2025. Realised carry is a small third leg (\$1,198mm gross in FY2025, mostly paid out as carry comp). Three variables drive it: fee-generating AUM growth, the effective management-fee rate, and Athene's net spread.

Bull case

- Fee-generating AUM is compounding fast** — \$709bn at 12/31/25 to \$858bn at 6/30/26, +21% in six months, which largely books FY2026's fee revenue before the year is out. Plays out if origination and the wealth channel keep feeding the fee base beyond 2026. Model: `fpaum_growth`
- Operating leverage plus a fatter non-management fee stream** — FRE margin went 56.6% (FY2025) to 58.1% (1H26) while transaction and capital-solutions fees ran at 33% of management fees, up from 32%. Plays out if the origination platforms keep scaling faster than the cost base. Model: `fre_margin`, `other_fee_pct`
- Athene's spread re-widens as the book reprices** — Net invested assets reached \$314.1bn by 6/30/26; if funding costs on new business normalise while asset yields hold, the spread recovers toward FY2025's ~124bps. Plays out on a higher-for-longer yield path (S3/S4). Model: `nia_growth`, `net_spread_bps`
- The realisation cycle restarts** — Realised performance fees of \$487mm in 1H26 annualise below FY2025's \$1,198mm; an open exit market both releases carry and re-rates the multiple (S5, S10). Model: `perf_revenue`

Bear case

- Fundraising and franchise risk, with a live catalyst** — Deceleration from 2026's pace is the base risk; governance is the accelerant. Two teachers' unions with at least \$27.5bn committed asked the SEC in February 2026 to investigate Apollo's candour about its and its partners' connections to Jeffrey Epstein, and a securities class action naming Apollo, CEO Marc Rowan and co-founder Leon Black was filed in the SDNY on 2026-04-29. The allegations are unproven and Apollo has denied that anyone other than Black had such a relationship; the transmission channel is allocator hesitation, not the verdict. *Model:* `fpaum_growth`
- Fee-rate compression** — The effective management-fee rate fell from 51.2bps (FY2025) to ~49.9bps annualised (1H26) as the mix shifted into investment-grade credit and separate accounts; a commoditising private-credit market grinds both the rate and the multiple. *Model:* `mgmt_fee_bps`, `other_fee_pct`, `fre_multiple`
- Spread compression is already happening** — 1H26 SRE of \$1,596mm came in below 1H25's \$1,625mm despite a materially larger book: implied net spread fell from ~124bps to ~105bps annualised. Over half of segment earnings is currently shrinking, and S6/S7b make it worse. *Model:* `net_spread_bps`, `nia_growth`, `sre_multiple`
- Exits stay shut** — At the 1H26 realisation run rate carry contributes little, and the market keeps capitalising performance earnings at a low multiple. *Model:* `perf_revenue`, `pre_multiple`

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P / Adjusted Net Income (÷ trailing FY2025 ANI/share \$8.38)	15.0x	11.9x–18.3x over 52 weeks (\$99.56–\$153.29 range)	n/a (unverified)	StockAnalysis + FY2025 release, 2026-09-17
P/E (trailing GAAP; noisy here — consolidated funds distort net income)	44.85x	n/a (unverified)	BX 28.07x · KKR 31.34x · ARES 56.46x	StockAnalysis, 2026-09-17
Fee-generating AUM growth	+21.0% 1H26 (\$709 → \$858bn)	FY2025 +15.1% (\$616 → \$709bn)	n/a (unverified)	2Q'26 + FY2025 releases, 2026-06-30
FRE margin (FRE ÷ fee-related revenue)	58.1% (1H26)	55.9% / 56.5% / 56.6% (FY23–25)	n/a (unverified)	FY2024, FY2025, 2Q'26 releases

Model-implied value range (from `model-summary.json`; `alt_manager`, SOTP on after-tax FRE/SRE/PRE and a DE-per-share DCF with terminal P/DE, midpoints): Bear \$68 · Base \$130 · Bull \$198, i.e. implied returns of –46% / +3% / +57% vs \$126.00. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits essentially on the Base case: the market is neither paying for the fee platform's 2026 growth rate nor discounting a credit cycle.

Balance sheet: net leverage 0.42x and gross leverage 1.00x of FY0 FRE + SRE, coverage 18.5x, \$3,415mm of Asset Management cash against \$5,895mm of HoldCo debt, nearest material maturity n/a (unverified), ratings n/a (unverified — no current agency release was retrievable this session). Athene's \$7,832mm of debt and \$21,957mm of cash are excluded; that business is capitalised through the SRE multiple.

Model note: `built`, full tier, no failing error checks, no scenario consistency CHECKs. Verification: `verified` as of 2026-09-20 — LibreOffice's independent recalculation now matches the Python values on every formula cell (2,896 cells); it was `not_run` at initiation because the environment's LibreOffice install was missing its Calc component. Unverified inputs: `market.bs_investments`, carried at zero because Apollo does not disclose Asset Management balance-sheet investments separately, which understates SOTP value. Assumptions without a basis: none. Three input caveats: the FY2023 → FY2024 fee-generating AUM step mixes definitions (12/31/24 restated \$569bn → \$616bn); 12/31/2023 net invested assets were left blank rather than estimated; and HoldCo debt is one aggregate tranche with an estimated coupon and maturity, since only the aggregate is disclosed.

2026-09-20 correction: the scenario table's "Model Δ value vs Base" column originally showed the pre-2026-09-18 percentage-based delta (e.g. S1 was displayed as –18%), which predates the fix in `scripts/build_model.py` commit `d658635` that switched this field to a dollar delta (to avoid a divide-by-zero mask on distressed, floored-at-\$0 names like HTZ). This report was never rebuilt after that fix. The table above now shows the corrected \$/sh values from a 2026-09-20 rebuild; the relative ranking of scenarios is unchanged (dividing by a constant positive base preserves order), so no conclusion in this report changes — only the displayed numbers.

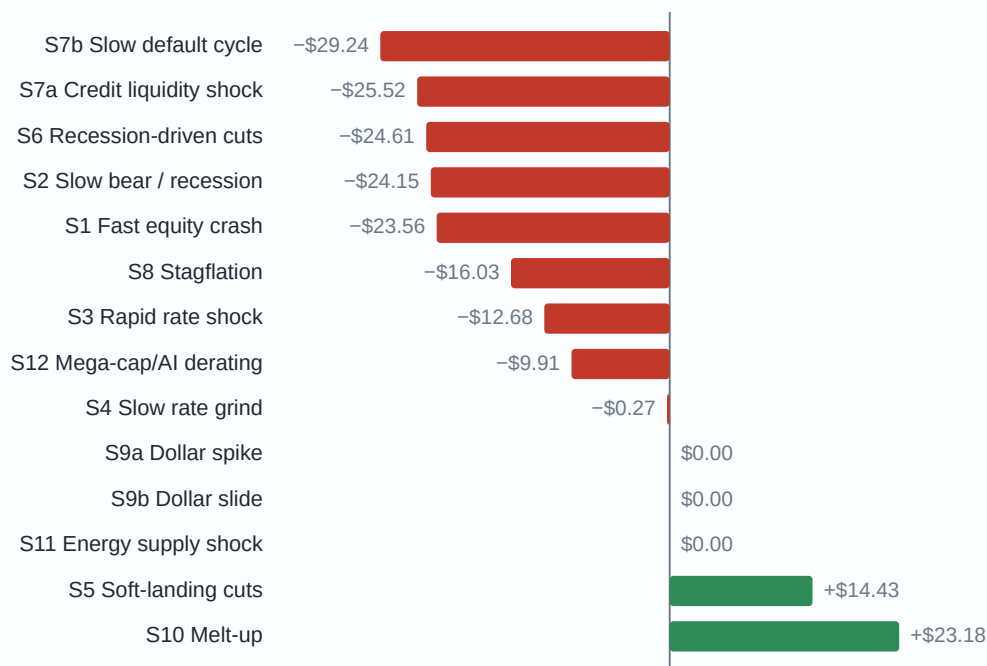
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	—	Realisations freeze and a high-beta financial de-rates with the tape; earnings power intact	Med	—\$23.56
S2 Slow bear / recession	—	Fundraising slows, exits shut, Athene's credit book starts absorbing losses	High	—\$24.15
S3 Rapid rate shock	±	Higher reinvestment yields and annuity demand lift SRE; the exit window shuts and the multiple compresses	Med	—\$12.68
S4 Slow rate grind	±	Slow positive for spread earnings, slow negative for the multiple — the two roughly cancel	Low	—\$0.27
S5 Soft-landing cuts	+	Deal and exit activity return with growth intact; spread narrows modestly	Med	+\$14.43
S6 Recession-driven cuts	—	Worst mix: falling asset yields plus rising credit losses hit SRE while realisations stay frozen	High	—\$24.61
S7a Credit liquidity shock	—	Apollo is the most private-credit-identified large manager, so a spread gap hits its multiple hardest	High	—\$25.52
S7b Slow default cycle	—	A grinding default cycle shows up directly in Athene's invested-asset yields and in credit fundraising	High	—\$29.24
S8 Stagflation	—	Nominal yields help spread a little; higher discount rates and harder exits more than offset	Med	—\$16.03
S9a Dollar spike	0	No material effect, not modeled — earnings and the invested-asset book are overwhelmingly USD	—	\$0.00
S9b Dollar slide	0	No material effect, not modeled — earnings and the invested-asset book are overwhelmingly USD	—	\$0.00
S10 Melt-up	+	Tight spreads and low volatility open the monetisation window and re-rate the group	Med	+\$23.18
S11 Energy supply shock	0	No material effect, not modeled — energy is a modest slice of a ~\$1tn book and the sign is ambiguous	—	\$0.00
S12 Mega-cap/AI derating	—	Sympathy de-rating plus a slowdown in large-scale investment-grade origination tied to technology capex	Low	—\$9.91

Currently active/on watch per the playbook: S3 partially active; S8, S10 and S11 on watch — so the live macro set is mildly mixed-to-negative for APO, with S3's spread benefit offset by its multiple compression.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: implied net spread holds at or above ~110bps for two consecutive quarters (SRE growing year-on-year again) with fee-generating AUM growth still double-digit; **or** the governance matter resolves without material commitment loss; **or** the price falls far enough for the Base case to imply a double-digit return with no assumption changed.

Downgrades if: a named large allocator publicly reduces or suspends commitments; **or** implied net spread falls below ~95bps; **or** the effective management-fee rate drops below ~47bps while fee-generating AUM growth slows to single digits.

Watch items

- **W1:** Athene implied net spread ($\text{SRE} \div \text{average net invested assets}$) vs the ~105bps 1H26 run rate — threshold: two quarters above 110bps or below 95bps — Q3'26 / Q4'26 releases (early Nov 2026, early Feb 2027) — Model: `net_spread_bps`
- **W2:** Effective management-fee rate ($\text{management fees} \div \text{average fee-generating AUM}$) vs 49.9bps annualised in 1H26 — threshold: below 47bps — Q3'26 release, early Nov 2026 — Model: `mgmt_fee_bps`
- **W3:** Fee-generating AUM vs \$858bn at 6/30/26 — threshold: sequential decline, or 2H26 growth below 3% — Q3'26 / Q4'26 releases — Model: `fpaum_growth`
- **W4:** Governance overhang — threshold: a motion-to-dismiss ruling in the SDNY class action, a formal SEC order, or any disclosed change in LP commitments — 10-Q/10-K legal proceedings note and press — no fixed date — Model: `fpaum_growth`

Sources

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- Apollo Global Management — Fourth Quarter and Full Year 2025 earnings release (Form 8-K, Ex. 99) — <https://www.sec.gov/Archives/edgar/data/1858681/000185868126000007/agmearningsrelease4q2025.htm> — accessed 2026-09-17
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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.