

EQUITY RESEARCH REPORT

# Apollo Global Management, Inc.

NYSE: APO | Asset Management – Alternative Credit | \$109.07 | Market Cap \$63.3B

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE	RISK	DATE
<b>BUY</b>	<b>\$155</b>	<b>\$109.07</b>	<b>+42%</b>	<b>MEDIUM-HIGH</b>	17 Mar 2026

### INVESTMENT THESIS SUMMARY

Apollo is the highest-conviction platform play on the structural growth of private credit. The Athene-Apollo perpetual capital flywheel — \$315B+ of insurance policyholder liabilities continuously recycled into proprietary credit origination — is the most durable competitive moat in alternative asset management. At \$109, the stock is pricing in near-terminal risk from the Epstein-related securities litigation at multiples far below peers: 5.5x EV/EBITDA vs. Blackstone at 22x, KKR at 18x. Our base case values APO at \$155, implying 42% upside, with a \$210 bull case if litigation resolves cleanly. The single most important question is not whether the private credit secular trend continues — it will — but whether Marc Rowan survives the litigation intact.

### COMPANY SNAPSHOT

Exchange	NYSE	Sector	Financial Services
Market Cap	\$63.3B	CEO	Marc Rowan
52-Wk Range	\$99.56–\$157.28	Employees	5,141
Beta	1.64	FY2025 Revenue	\$30.3B
P/E (TTM)	~14.9x	EV/EBITDA (TTM)	5.5x
FCF Yield	8.5%	Net Debt	-\$5.9B (net cash)
Dividend	\$2.04/sh	Analyst Consensus	Buy (25B / 3H / 0S)
Price Target	\$157.25 consensus	Our Target	\$155

### BUSINESS DESCRIPTION

Apollo Global Management, founded by Leon Black, Josh Harris, and Marc Rowan in 1990, is one of the world's largest alternative asset managers with approximately \$785B in AUM as of early 2026. Unlike traditional PE-first platforms, Apollo has pivoted decisively into credit — approximately 65–70% of AUM is credit-oriented — making it the dominant private credit franchise globally.

#### Three Business Segments

- **Asset Management:** Fee-generating management of credit, private equity, and real assets funds. FRE is the core earnings driver, growing from ~\$3.2B in FY2023 to ~\$5.0B in FY2025. Apollo targets \$10B+ FRE by FY2026 (company guidance), implying roughly doubling in 3 years.
- **Retirement Services (Athene):** Apollo acquired Athene in 2022, creating a \$315B+ liability-funded balance sheet that it manages as a captive investment vehicle. Athene writes fixed and indexed annuities, generating a

durable spread of ~150bps (SRE) between its cost of liabilities and net investment yield. This \$3.8B annual SRE stream is Apollo's most underappreciated earnings engine.

- **Principal Investing:** Legacy direct investments, primarily GP stakes and co-investments. Performance fees are lumpy but growing as the investment vintage of 2018–2022 enters the harvesting phase.

## FINANCIAL SUMMARY & ESTIMATES

Note: GAAP revenue is highly volatile year-to-year due to Athene's investment portfolio marks. The table below shows both GAAP metrics and non-GAAP FRE/SRE metrics, which are the appropriate lens for valuing the business. The FY2022 GAAP loss reflects a severe unrealized investment mark-down; it does not represent cash earnings deterioration.

\$B unless noted	FY2022	FY2023	FY2024	FY2025A	FY2027E
Fee-Rel. Earnings (FRE)*	\$2.3B	\$3.2B	\$4.1B	\$5.0B	\$7.0B
Spread-Rel. Earnings (SRE)*	\$1.5B	\$2.7B	\$3.4B	\$3.8B	\$4.8B
GAAP Revenue	\$11.0B	\$32.6B	\$26.1B	\$30.3B	~\$27.0B
GAAP EBITDA	-\$3.5B	\$6.6B	\$8.8B	\$10.5B	~\$8.3B
GAAP Net Income	-\$2.0B	\$4.9B	\$4.4B	\$4.5B	~\$6.6B
EPS (Diluted)	-\$3.43	\$8.28	\$7.33	\$7.31	\$10.87E
Op. Cash Flow	\$3.8B	\$6.3B	\$3.3B	\$7.5B	~\$8.0B
Total AUM (est.)	~\$500B	~\$617B	~\$696B	~\$785B	~\$1T+

\* FRE & SRE are non-GAAP performance metrics used by Apollo and the alt-manager peer group. GAAP revenue is volatile due to Athene's insurance investment portfolio marks. Analyst estimates per FMP/Bloomberg; AUM estimates per public filings. FY2027E EPS consensus: \$10.87.

## EARNINGS POWER MODEL (FRE + SRE FRAMEWORK)

Apollo is best valued on fee-related earnings (FRE) and spread-related earnings (SRE), not GAAP net income. The FRE/SRE framework strips out volatile mark-to-market items and reveals the durable, recurring cash generation of the platform. Our model forecasts \$11.40 FRE/sh and \$7.80 SRE/sh by FY2027, for combined cash earnings of \$19.20/sh — which, even at conservative peer-discount multiples, implies substantial undervaluation.

Apollo FRE / SRE Model (\$B)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
Management Fees	\$3.3B	\$4.2B	\$5.2B	\$6.2B	\$7.4B
(-) Compensation & G&A	-\$0.9B	-\$1.1B	-\$1.3B	-\$1.6B	-\$1.9B
(-) Other FRE costs	-\$0.2B	-\$0.2B	-\$0.3B	-\$0.3B	-\$0.4B
Fee-Related Earnings (FRE)	\$3.2B	\$4.1B	\$5.0B	\$6.0B	\$7.0B
FRE per share	\$5.40	\$6.80	\$8.20	\$9.80E	\$11.40E
Athene Net Spread	\$2.7B	\$3.4B	\$3.8B	\$4.2B	\$4.8B
Spread-Related Earnings (SRE)	\$2.7B	\$3.4B	\$3.8B	\$4.2B	\$4.8B
SRE per share	\$4.60	\$5.60	\$6.20	\$6.90E	\$7.80E

Combined FRE + SRE / sh	\$10.00	\$12.40	\$14.40	\$16.70E	\$19.20E
Realised Perf. Revenue (est.)	\$0.3B	\$0.8B	\$1.2B	\$1.5B	\$2.0B
AUM Growth (YoY)	+23%	+13%	+13%	+11%E	+14%E

*Note: FRE and SRE are non-GAAP. FY2023-2025 based on public filings and analyst estimates; FY2026-2027 are our forecasts. Apollo targets \$10B+ FRE by 2026 (company guidance). Shares outstanding ~611M. SBC-adjusted.*

## QUALITY ASSESSMENT

### Balance Sheet

Apollo's consolidated balance sheet (\$461B total assets) is dominated by Athene's insurance liabilities (\$315B+ deferred revenue / policyholder obligations). Corporate-level debt is modest at \$13.4B, with net cash of \$5.9B at the holding company. The key risk is not leverage at the manager level but duration/liquidity mismatch within Athene's portfolio.

### Capital Allocation

- **Dividend:** \$2.04/share annual, well-covered by FRE.
- **Buybacks:** APO repurchased \$773M in FY2025, modest relative to FCF generation.
- **M&A:** Apollo has been disciplined — the Athene acquisition was transformational, but subsequent acquisitions have been small bolt-ons (\$99M in FY2025).

### ROE & Efficiency

ROE (GAAP) was 19.2% in FY2025 and 25.7% in FY2024. On an FRE/SRE basis, ROE is substantially higher because GAAP equity includes unrealised losses not reflective of earning power. Compensation as a % of FRE revenue is well-controlled at ~12%, below most asset manager peers.

### Insider Activity

Recent insider transactions are dominated by tax-withholding F-InKind dispositions — a normal pattern at vest dates, not a negative signal. Co-President Scott Kleinman received a fresh A-Award grant in February 2026, suggesting management is not fleeing. No open-market selling has occurred in the recent window.

## VALUATION

### Peer Comparison

Metric	APO	BX	KKR	ARES
Price (17-Mar-26)	\$109.07	\$111.25	\$88.87	\$104.31
Market Cap	\$63.3B	\$87.1B	\$79.2B	\$34.3B
EV/EBITDA (TTM)	5.5x	~22x	~18x	~16x
P/E (FY2027E)	~10x	~22x	~18x	~19x
FCF Yield (TTM)	8.5%	~3%	~3%	~2%
AUM (\$B)	~\$785B	~\$1,100B	~\$620B	~\$460B
Analyst Rating	Buy 25/3/0	Buy	Buy	Buy

## Price Target Scenarios

We value APO on a sum-of-the-parts FRE/SRE model, applying market-standard multiples to each earnings stream. FRE is valued at 20x (in-line with ARES, modest discount to BX/KKR given litigation overhang). SRE is valued at 10x (insurance-like earnings quality; discount for idiosyncratic risk). Combined with \$5/sh performance fee NAV, our base case yields \$155.

Scenario	FRE/sh	SRE/sh	Multiple	Implied Price
BEAR — Credit cycle turns; reg. tightening	\$7.50	\$3.50	16x FRE / 8x SRE	<b>\$100</b>
BASE — Execution on FRE targets; litigation contained	\$9.50	\$4.50	20x FRE / 10x SRE	<b>\$155</b>
BULL — \$1T AUM, Athene beats, litigation clears	\$12.00	\$5.50	25x FRE / 12x SRE	<b>\$210</b>

The FMP DCF model outputs an intrinsic value of \$557/share, which mechanically discounts Athene's entire \$460B balance sheet through a standard DCF — an inappropriate methodology for a financial firm. Disregard the standard DCF. The FRE/SRE SOTP is the correct framework.

## DIFFERENTIATED VIEW — WHAT THE MARKET HAS WRONG

Consensus correctly identifies Apollo as a high-quality platform but is anchored to the wrong earnings metric. Most sell-side models anchor on GAAP EPS (\$7.31 in FY2025), yielding P/E of ~15x — apparently cheap. The market is then confused by the Epstein litigation and cuts another 30–40% off the multiple, arriving at current prices.

Our view: the correct earnings metric is FRE + SRE per share (~\$14.40 in FY2025, growing to ~\$19.20 by FY2027). At \$109, APO trades at 7.6x FY2025 FRE+SRE — a historic trough multiple. Even in stress scenarios, the Athene SRE stream is structurally insulated from litigation outcomes. The market is conflating legal/reputational risk with fundamental earnings risk. They are not the same. The Epstein matter is a headline and legal cost risk; it is not a mechanism that destroys the management fee contract or the Athene spread.

### Why hasn't the market priced this in? Three reasons:

- Litigation creates career risk for institutional buyers — fund managers cannot be associated with Epstein-adjacent headlines, regardless of the fundamental case.
- GAAP earnings are confusing — the FY2022 loss and year-to-year revenue swings driven by Athene's investment marks make bottom-up modelling difficult for generalist analysts.
- Private credit systemic risk is poorly understood — a growing cohort of macro researchers are warning about hidden losses in private credit, and Apollo is the obvious short thesis vehicle given its scale.

## DEEP-DIVE: PRIVATE CREDIT RISK EVALUATION

### ⚠️ KEY RISK ALERT — PRIVATE CREDIT SYSTEMIC RISK

Apollo Co-President John Zito told UBS clients in February 2026 that 'all the marks are wrong' in private equity software — warning that lenders could recover as little as 20-40 cents on the dollar. Apollo, as the world's largest private credit manager, is both the canary in the coal mine and the most exposed entity to what Zito himself is flagging. This admission is the most significant idiosyncratic risk disclosure in the sector in years.

### Market Context: \$2T Private Credit Industry

Private credit has grown from ~\$300B AUM globally in 2015 to over \$2 trillion in 2025. The sector expanded rapidly during 2020–2024 as traditional banks retreated from leveraged lending under Basel III/IV constraints, creating a vacuum that alternative managers filled. Apollo alone has deployed hundreds of billions across direct lending, asset-backed lending, and hybrid securities. The secular thesis is real — banks will not re-enter leveraged lending structurally — but the current vintage of loans was made under peak optimism.

### Risk Matrix

Risk Vector	Mechanism	APO-Specific Exposure
Liquidity Illusion	Private credit has no exchange-traded secondary market. Prices are model-derived. In stress, forced sellers discover that 'par' is a fiction — spreads gap 200-400bps on comparable liquid credit.	Apollo's Athene holds private credit as matched assets to insurance liabilities — no forced redemption. But \$228B of short-term investments creates rollover exposure.
Mark-to-Model Opacity	Quarterly marks are appraiser-generated with significant discretion. Zito's own admission — 'all the marks are wrong' for PE software companies — suggests systematic overstatement across the industry.	Apollo's credit book is predominantly senior-secured direct lending. If leveraged buyout software companies deteriorate, recovery rates may be 20-40c vs. par per Zito's estimate.
Covenant Erosion	The 2019-2024 vintage of direct loans was written with cov-lite or cov-loose terms in a competitive market. Borrowers have maximum flexibility to avoid technical default while deteriorating fundamentally.	Apollo's scale gives it better negotiating power than smaller platforms; but the industry-wide covenant erosion is structural and not specific to Apollo.
Concentration by Vintage	Private credit fundraising was record-high in 2021-2023. A cohort of loans made at peak valuations, compressed spreads, and elevated leverage ratios now faces higher-for-longer rates and slowing growth.	Apollo deployed heavily in 2021-2023. The stress test for this vintage is a 2026-2027 refinancing wave where liquidity may be limited and valuations have compressed.
Insurance/PE Systemic Risk	Athene-Apollo loop: Apollo manages Athene's \$315B+ deferred revenue (policyholder liabilities), investing in its own products. A credit event triggers simultaneous: (1) Athene liability stress, (2) performance fee cuts, (3) FRE impairment.	This circular structure is Apollo's central equity risk. It amplifies returns in good times (FRE + SRE + carry) but creates non-linear downside in stress. NAIC/FSOC are actively reviewing.

### Our Assessment: Manageable but Non-Trivial

We believe private credit systemic risk is real but misunderstood in terms of where losses ultimately settle:

- **Apollo is predominantly a creditor, not an equity holder.** In a credit downturn, senior-secured lenders recover 60–80 cents on the dollar even in severe recessions. The equity is impaired first. Apollo's credit book, unlike PE marks, has contractual cash flows and security packages.
- **The Athene liability match reduces liquidity risk.** Athene does not face bank-run dynamics. Annuity policyholders have surrender charges and long holding periods. Unlike a money market fund, Athene cannot face a run that forces fire sales of illiquid assets.
- **FRE is largely insensitive to credit realisation.** Management fees are based on committed/invested capital, not mark-to-market NAV. Even if private credit values decline 10–15%, FRE is not materially impacted unless investors stop committing new capital — which would require a multi-year sustained credit crisis, not a cyclical correction.

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- **Performance fees are at risk.** If credit marks decline materially, carried interest accrual decelerates and may reverse. Apollo's performance fee revenue (\$1.2B in FY2025E) could fall to near zero in a severe credit cycle. This is a real \$1–2/sh EPS risk but not catastrophic to the FRE+SRE thesis.
  - **The insurance/PE loop is the tail risk.** The most concerning scenario is a severe credit event that simultaneously: (a) triggers Athene policyholder stress, (b) decimates carry, (c) causes LP capital allocation freeze. This triple-hit scenario is low-probability but non-zero, and is the mechanism that makes APO a potential systemic risk rather than just a stock risk.

## PRIVATE CREDIT SCENARIO ANALYSIS & VALUATION IMPLICATIONS

The following section stress-tests Apollo's earnings power and stock price across four macroeconomic and credit-cycle scenarios. Each scenario isolates the transmission mechanism from credit market conditions through to FRE, SRE, carried interest, and ultimately to an FRE+SRE sum-of-the-parts stock price. This is the most rigorous way to assess what private credit risk is actually worth to APO shareholders — and, critically, how much of that risk is already embedded in today's \$109 price.

### Scenario Macro Assumptions

Assumption	S1: Soft Landing	S2: Cyclical Correction	S3: Hard Landing	S4: Systemic Crisis
US GDP Growth	2.0–2.5%	0.5–1.0%	-0.5% to -1.5%	-3% to -5%
Fed Funds Rate	3.50–4.00%	3.00–3.50%	2.00–2.50%	<1.00% emergency
Private Credit Default Rate (ann.)	1.5–2.0%	3.5–5.0%	7.0–9.0%	12–15%
Recovery Rate on Defaulted Loans	70–75%	60–65%	45–55%	20–35%
Credit Spread Widening (bps)	-10 to +20	+75 to +150	+200 to +350	+500 to +800
PE Software Mark Correction	0–5%	15–20%	30–40%	50–70%
New LP Capital Commitments	Strong (+15%)	Flat to +5%	-15% to -25%	-40% to -60%
Athene Net Spread (bps)	~150 bps	~130 bps	~100 bps	~70 bps (stress)
Scenario Probability Weight	35%	35%	20%	10%

### Earnings Impact by Scenario (FY2027 Estimates)

The table below translates macro assumptions directly into APO's three earnings streams. FRE is highly resilient across S1–S3 because management fees are based on committed capital, not marks. SRE compresses in stress. Carried interest bears the heaviest brunt and can go to near zero in S3/S4.

Metric (FY2027E)	S1: Soft Landing	S2: Cyclical Correction	S3: Hard Landing	S4: Systemic Crisis
AUM (gross est.)	\$1.05T	\$940B	\$820B	\$680B
Management Fee Revenue	\$8.1B	\$7.3B	\$6.1B	\$4.8B
Fee-Related Earnings (FRE)	\$7.5B	\$6.5B	\$5.0B	\$3.5B
FRE / share	\$12.20	\$10.60	\$8.15	\$5.70
Athene Net Spread	~150 bps	~130 bps	~100 bps	~70 bps
Spread-Related Earnings (SRE)	\$5.2B	\$4.4B	\$3.2B	\$2.0B
SRE / share	\$8.45	\$7.15	\$5.20	\$3.25
Realised Performance Fees (Carry)	\$2.5B	\$1.0B	\$0.2B	~\$0

Carry / share	\$4.05	\$1.65	\$0.35	~\$0
FRE + SRE / share (combined)	\$20.65	\$17.75	\$13.35	\$8.95
Total Cash EPS (FRE+SRE+Carry)	\$24.70	\$19.40	\$13.70	\$8.95

### Valuation Bridge: Credit Scenario to Stock Price

We apply scenario-specific FRE and SRE multiples. In stress scenarios, multiples contract independently of earnings — pricing in regulatory risk, LP confidence destruction, and structural impairment fears. This double-compression (earnings down AND multiple down) is the classic alt-manager value trap in a credit cycle. The waterfall below shows the full mechanics.

Valuation Component	S1: Soft Landing	S2: Cyclical Correction	S3: Hard Landing	S4: Systemic Crisis
FRE / share (FY2027E)	\$12.20	\$10.60	\$8.15	\$5.70
Applied FRE Multiple (x)	22x	18x	13x	8x
FRE Value / share	\$268	\$191	\$106	\$46
SRE / share (FY2027E)	\$8.45	\$7.15	\$5.20	\$3.25
Applied SRE Multiple (x)	12x	10x	7x	4x
SRE Value / share	\$101	\$72	\$36	\$13
Carry / NAV credit per share	+\$20	+\$10	+\$2	\$0
Net Cash & Adjustments	+\$10	+\$10	+\$8	+\$5
Litigation Haircut	-\$5	-\$10	-\$15	-\$20
<b>IMPLIED STOCK PRICE</b>	<b>\$394</b>	<b>\$273</b>	<b>\$137</b>	<b>\$44</b>
Probability Weight	35%	35%	20%	10%
Prob.-Weighted Contribution	+\$138	+\$96	+\$27	+\$4

### PROBABILITY-WEIGHTED INTRINSIC VALUE

Prob.-Weighted Value	Current Price	Implied Upside
<b>\$265</b>	<b>\$109.07</b>	<b>+143%</b>

Sum: 35% x \$394 + 35% x \$273 + 20% x \$137 + 10% x \$44 = \$265 probability-weighted intrinsic value. Even assigning 30% to severe or systemic outcomes, APO appears materially undervalued at \$109. The current market price is broadly consistent with pricing a 60–70% probability of Systemic Crisis (S4), which is not our view.

### Scenario 1 — Soft Landing (35% prob.): \$394 implied

The Fed successfully engineers a gradual normalisation. Private credit default rates stay below 2%, with minimal losses as borrowers refinance. Apollo crosses \$1T AUM; FRE scales to \$7.5B. Athene maintains ~150bps net spread. Carry accelerates on a healthy exit environment. Multiple re-rates to 22x FRE as litigation resolves. This scenario implies \$394 — the market is leaving \$285 of value on the table.

**Scenario 2 — Cyclical Correction (35% prob.): \$273 implied**

A mild recession triggers 3.5–5% private credit defaults. PE software marks correct 15–20%, validating Zito's warning but not catastrophically. AUM growth stalls near \$940B; FRE holds at \$6.5B on committed capital; SRE compresses to ~130bps; carry falls to ~\$1B. The market applies 18x FRE / 10x SRE for uncertainty. Our working near-base case: \$273 — still 2.5x today's price.

**Scenario 3 — Hard Landing (20% prob.): \$137 implied**

A hard recession pushes private credit defaults to 7–9%. PE software marks correct 30–40%; Zito's 20–40c recovery becomes reality for the 2021–2022 cohort. LP commitments fall 15–25%. FRE drops to ~\$5B; SRE compresses to ~100bps; carry goes to near zero. Multiple contracts to 13x FRE / 7x SRE. Implies \$137 — still 26% above today's price. This is the scenario the market appears to be partially pricing.

**Scenario 4 — Systemic Crisis (10% prob.): \$44 implied**

A 2008-scale credit event. Default rates hit 12–15%; recoveries collapse to 20–35%. Athene faces policyholder stress and NAIC regulatory intervention. LP commitments freeze for 18–24 months. FRE collapses to ~\$3.5B; SRE compresses to ~70bps; carry zeroed. Multiple collapses to 8x FRE / 4x SRE. Apollo survives but equity is deeply impaired. This scenario requires a simultaneous macro shock + regulatory intervention + reputational event — 10% probability.

**Key Sensitivities**

Sensitivity Factor	Shift	FRE Impact	SRE Impact	Stock Price Delta
AUM Growth Rate (annual)	+/- 5pp	+/- \$350M	Minimal	+/- \$7/sh
FRE Multiple (market sentiment)	+/- 2x turns	No change	No change	+/- \$24/sh
Athene Net Spread	+/- 25bps	Minimal	+/- \$400M	+/- \$6/sh
Private Credit Default Rate	+/- 2pp	-/+ \$200M	-/+ \$300M	-/+ \$8/sh
SRE Multiple (insurance quality)	+/- 2x turns	No change	No change	+/- \$16/sh
Litigation Settlement Cost	+/- \$100M	Minimal	Minimal	-/+ \$2/sh

*Key insight: FRE multiple sentiment is the single largest driver of stock price variability — more than AUM growth or credit defaults. The Epstein/reputational overhang, which directly suppresses the multiple, is the dominant valuation lever. Clearing litigation overhang alone could add ~\$48/sh with no earnings improvement.*

**SCENARIO ANALYSIS CONCLUSION**

Across all four scenarios, only the Systemic Crisis (10% probability) produces a stock price below today's \$109. Scenarios 1, 2, and 3 — representing 90% of the probability space — place APO's intrinsic value between \$137 and \$394. The probability-weighted value of \$265 implies 143% upside from current levels. The market is either pricing near-systemic credit outcomes, or assigning outsized permanent impairment probability to Epstein litigation, or both. We believe neither is warranted at 90% confidence. The trade is to own the mispricing; the risk discipline is to size it knowing that the tail can be brutal.

**CATALYSTS**

**Positive Catalysts (6–18 months)**

- \$1T AUM milestone: Apollo has guided to \$1T+ AUM; crossing this threshold would force a PE multiple re-rating similar to Blackstone's \$1T catalyst in 2023.
- Epstein litigation settlement: A defined settlement removes the overhang without fundamentally impairing the business. Precedent from comparable securities class actions suggests settlements of \$50–200M — material but absorbable.
- ICE Private Credit Intelligence (announced today): Apollo's anchor partnership with ICE to bring transparency to private credit pricing is strategically smart — it positions Apollo as the transparency leader in a sector under regulatory fire, and could become a data revenue stream.
- Rate environment: In a rate-cutting cycle, Athene's new money rate advantage narrows, but refinancing wave for portfolio companies eases credit stress. Net-net positive for FRE; mildly negative for SRE spread.
- Performance fee realisation: A healthy exit environment in 2026–2027 could unlock meaningful carry from the 2018–2022 vintage.

### Negative Catalysts / Risks to Monitor

- Rowan departure or leave of absence — the single stock-price event most likely to re-rate APO to bear case.
- NAIC capital rule changes targeting insurer/PE linkages — could require Athene to hold more capital against Apollo-originated assets.
- Credit cycle acceleration: A wave of leveraged loan defaults in 2026 that exceeds 5% annualised would pressure SRE marks and delay performance fee realisation.
- Securities class action adverse ruling: A jury verdict or judicial ruling that establishes material damages beyond litigation reserves.

### TECHNICALS & POSITIONING

- **52-week range:** \$99.56–\$157.28. Current price \$109 is 31% below the 52-week high, near 52-week lows. The sell-off began with Epstein disclosure in late Feb 2026.
- **Today's move:** +5.4% (+\$5.62), heavy volume (3.86M vs. 4.64M avg). Likely short-covering / news-driven (ICE partnership announcement).
- **Analyst consensus:** 25 Buy / 3 Hold / 0 Sell. Consensus PT \$157.25 (high \$186, low \$136). Sell-side has not mass-downgraded despite the Epstein newsflow — a bullish signal that fundamental conviction is intact.
- **Short interest:** Likely elevated given litigation; exact data not available but the litigation class action filing pattern suggests institutional short-sellers are active.

## VERDICT

**RATING: BUY | PRICE TARGET: \$155 | UPSIDE: +42% | HORIZON: 12–18 MONTHS**

Apollo is the best-capitalised, most-diversified private credit franchise in the world, trading at a significant discount to peers because of litigation overhang that does not impair its fundamental earnings power. The Epstein matter is a reputational and legal risk — not a business model risk. FRE+SRE per share of ~\$14.40 in FY2025, growing to ~\$19.20 by FY2027, supports a \$155 base case at normalised multiples. The private credit systemic risk is real but overstated for Apollo specifically given Athene's liability structure, senior-secured credit orientation, and FRE's insensitivity to marks. We would size a full position. The single biggest risk: Marc Rowan departs or is forced into a leave of absence before the litigation resolves.

### KEY RISKS SUMMARY

Risk	Description	Severity	Mitigant
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<p><b>Epstein Litigation</b></p>	<p>Securities class action alleging CEO Rowan misrepresented ties to Jeffrey Epstein (class period May 2021–Feb 2026). \$12B+ market cap lost on disclosure.</p>	<p><b>CRITICAL</b></p>	<p>Outcome deeply uncertain; reputational damage may be more durable than legal liability. Monitor for settlement size vs. earning power.</p>
<p><b>Private Credit Cycle</b></p>	<p>\$600B+ private credit book is unrated and illiquid. In a hard landing, mark-to-model valuations may hide losses; Zito himself flagged PE software marks as wrong by 60-80c on the dollar.</p>	<p><b>HIGH</b></p>	<p>Senior-secured focus, diversified vintage; Athene's liability-matched duration provides buffer. But marks are lagging by design.</p>
<p><b>Athene Spread Compression</b></p>	<p>SRE depends on maintaining ~150bps net investment spread at Athene. Rate cuts or credit spread tightening compresses this margin; 25bp compression = ~\$400M SRE drag.</p>	<p><b>MEDIUM</b></p>	<p>Liability duration match limits mark-to-market sensitivity; Athene reinvests into higher-yielding private assets at origination.</p>
<p><b>Regulatory Risk</b></p>	<p>Bank regulators, NAIC, and global supervisors are scrutinising insurance/PE linkages. Athene is a regulated insurer in multiple jurisdictions; capital requirements could rise.</p>	<p><b>MEDIUM</b></p>	<p>Apollo proactively engaging regulators; diversifying origination. ICE Private Credit Intelligence partnership signals push for transparency.</p>
<p><b>Key-Man Risk</b></p>	<p>Marc Rowan is the intellectual architect of the retirement services flywheel. Epstein litigation increases tail risk of departure or distraction.</p>	<p><b>MEDIUM</b></p>	<p>Zelter (President), Zito (Co-President), Kleinman (Co-President) are strong successors; institutional knowledge broadly distributed.</p>
<p><b>Valuation Marks</b></p>	<p>PE and credit assets are marked quarterly. In a dislocation, realisation values can diverge sharply from carrying values, impacting performance fees and LP confidence.</p>	<p><b>MEDIUM</b></p>	<p>FRE is largely mark-insensitive; performance fees are lumpy. Credit book is senior-secured, limiting downside vs. PE marks.</p>

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