



Apollo Global (APO)

Updated February 11th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$162	5 Year CAGR Estimate:	7.0%	Market Cap:	\$92 B
Fair Value Price:	\$118	5 Year Growth Estimate:	13.0%	Ex-Dividend Date:	02/18/25
% Fair Value:	138%	5 Year Valuation Multiple Estimate:	-6.2%	Dividend Payment Date:	02/28/25
Dividend Yield:	1.1%	5 Year Price Target	\$217	Years Of Dividend Growth:	3
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Apollo Global is an alternative asset manager that was founded in 1990 and went public in 2011. The company takes investment capital and puts it to work wherever it sees opportunity, including in credit, private equity, and buyouts of companies. Assets under management have grown by more than five times in the past decade and sit at ~\$750 billion today. Apollo has about 5,000 employees and the stock trades with a market capitalization of \$92 billion.

Apollo posted fourth quarter and full-year earnings on February 4th, 2025, and results were better than expected. The company saw quarterly earnings of \$2.22 per share on an adjusted basis, beating estimates widely by 33 cents. The management team noted fee-related earnings of \$554 million, spread-related earnings of \$841 million, and adjusted net income of \$1.41 billion. Full-year earnings came to \$4.6 billion.

Total assets under management reached a record of \$751 billion, supported by \$150 billion in inflows and \$220 billion in origination volume. Athene, the company's retirement services arm, generated more than \$70 billion in organic inflows for 2024, and another \$9 billion in January to start 2025. Atlas SP, the warehouse financing platform, contributed to \$95 billion in origination growth.

The company announced the acquisition of Argo, an infrastructure manager, adding \$6 billion in AUM and helping to expand the company's footprint in the industry.

We start 2025 with adjusted earnings of \$8.40 per share, which would be a record by a wide margin, if achieved.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.96	\$2.36	\$3.57	-\$0.30	\$2.71	\$0.44	\$4.56	\$5.21	\$6.74	\$7.43	\$8.40	\$15.48
DPS	\$1.96	\$1.25	\$1.85	\$1.93	\$2.02	\$2.31	\$2.10	\$1.60	\$1.69	\$1.82	\$1.85	\$2.36
Shares¹	181	185	195	200	200	228	249	570	568	566	563	545

Apollo's volatile earnings-per-share history is to be expected. Due to the complexity and variability of Apollo's investment strategy, returns are very lumpy. We see earnings growth from here at 13% annually despite the fact that this year's earnings should be a record.

Apollo continues to grow its assets under management, which then allows it to grow its investment portfolio. This will be the primary source of returns moving forward as Apollo has more capital to enter into new investments. When Apollo enters and exits its stakes in these investments is critical for earnings, but these events cannot be forecast ahead of time, and thus results in volatility in earnings. For this reason, Apollo shares are not for the risk-averse investor. Apollo's dry powder is measured in tens of billions of dollars, so we see this as a tailwind for growth when this money is eventually deployed, particularly if deployments are made at favorable prices. The company has been deploying its capital quite swiftly, but it's seeing massive inflows all the time, so dry powder remains high.

Apollo's dividend is important, currently yielding 1.1%. This yield is lower than it has been for substantially all the time the company has been public, so on this measure, the stock appears quite overvalued. Apollo's dividend is also irregular

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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in that the company distributes what it can based upon earnings. The payout has seen a very wide range in the past several years due to this, and the dividend is therefore also difficult to forecast. Apollo's dividend is variable and based upon earnings, so cuts aren't unusual. However, we note the annualized yield is low based upon the company's history.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.4	7.2	7.6	---	12.3	---	13.0	12.2	13.8	22.2	19.3	14.0
Avg. Yld.	9.6%	7.4%	6.8%	6.0%	5.8%	5.1%	3.5%	2.5%	1.8%	1.1%	1.1%	1.1%

Apollo's valuation is currently as high as it's ever been. We see fair value at 14 times earnings, implying a massive headwind from valuation contraction if this were to come to fruition. We note the stock has been bid up on improving growth prospects, but we see nearly 20 times earnings as unsustainable. We see the yield remaining about where it is today, but we reiterate that Apollo's variable dividend makes it challenging to forecast.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	204%	53%	52%	---	75%	---	46%	31%	25%	24%	22%	15%

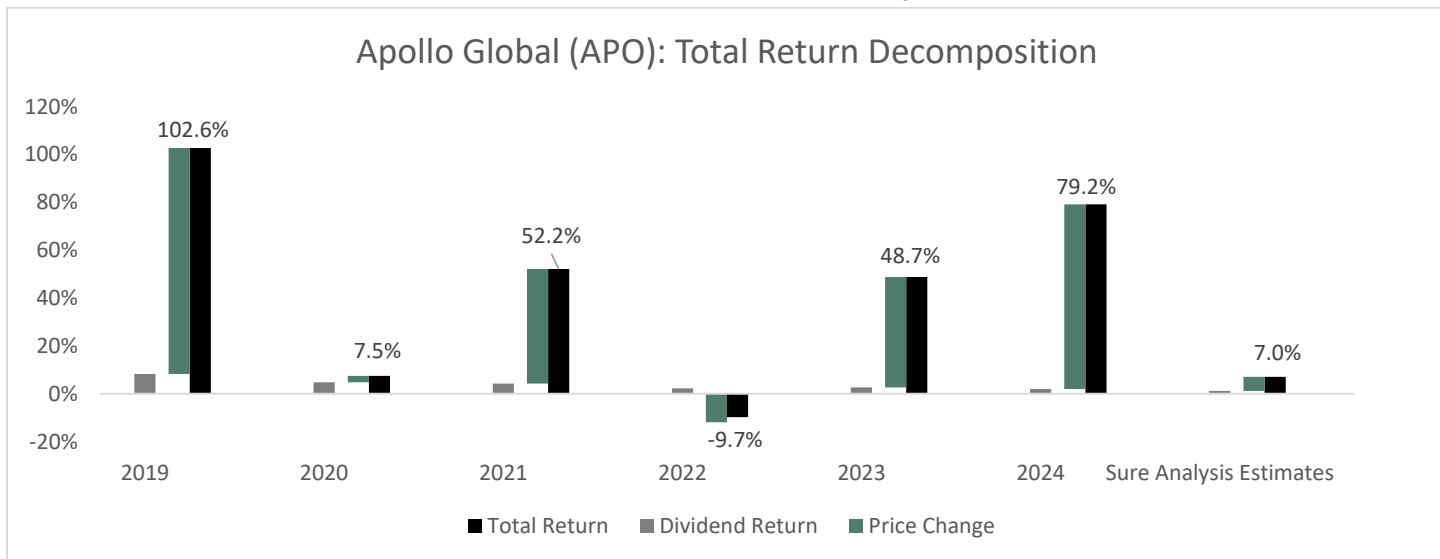
Apollo's dividend policy is to pay out most of the company's earnings to shareholders but note that the company's irregular dividend policy means any particular year may have a very high or very low payout ratio. Volatility in the payout isn't ideal for income investors, so some caution is warranted. Apollo raised the payout for May 2023, but as we mentioned, that does not mean that level will be maintained.

Apollo held up extremely well during the 2020 recession, and we see it as well positioned coming out of it and into a recovery. Its competitive advantage is in its world-class leadership team that has years of experience in successful investment management, and its ability to continue to raise capital.

Final Thoughts & Recommendation

We forecast total annual returns of 7% in the years to come, consisting of the 1.1% yield, 13% earnings growth and a 6.2% headwind from the valuation. Apollo is certainly not for the risk-averse investor, and we see growth as driving modest potential returns. The dividend yield is quite low based upon the company's historical yields, and shares earn a hold rating. The yield is unattractive, as is the valuation, but growth should be strong.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	944	2,074	2,772	1,093	2,932	2,354	5,952	10,968	32,644	26,114
Gross Profit	407	1,224	1,736	518	1,671	1,265	5,173	10,041	31,617	23,506
Gross Margin	43.1%	59.0%	62.6%	47.4%	57.0%	53.8%	87.0%	91.5%	96.9%	90.0%
SG&A Exp.	255	247	258	266	330	354	477	1,698	2,567	1,170
D&A Exp.	44	19	18	15	16	19	27	594	803	---
Operating Profit	152	977	1,479	252	1,340	911	1,976	(5,879)	6,146	8,299
Op. Margin	-114.7%	13.7%	16.1%	47.1%	53.3%	23.0%	45.7%	33.2%	-53.6%	31.8%
Net Profit	134	403	629	(10)	843	157	1,838	(3,213)	5,047	4,577
Net Margin	14.2%	19.4%	22.7%	-0.9%	28.8%	6.7%	30.9%	-29.3%	15.5%	17.5%
Free Cash Flow	576	593	851	800	1,043	(1,676)	1064	3789	6,322	---
Income Tax	27	91	326	86	(129)	87	594	(1,069)	-923	1,062

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,560	5,630	6,991	5,992	8,542	23,669	30,502	259,333	313,488	377,895
Cash & Equivalents	674	855	844	659	1,602	2,449	1,380	9,452	15,928	16,166
Goodwill & Int. Ass.	117	112	108	108	115	141	117	4,322	4,329	4,327
Total Liabilities	3,171	3,762	4,093	3,540	5,504	18,156	18,537	252,104	288,243	346,915
Accounts Payable	92	57	69	71	94	120	2,847	2,975	3,338	3,616
Long-Term Debt	1,827	2,139	2,364	2,216	3,501	14,288	13,688	6,522	8,092	10,588
Shareholder's Equity	650	835	1,199	822	1,298	875	3,235	397	12,646	15,855
LTD/E Ratio	2.81	2.56	1.62	1.61	1.89	10.00	3.61	16.43	0.58	0.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	7.9%	10.0%	-0.2%	11.6%	1.0%	6.8%	-2.2%	1.8%	1.3%
Return on Equity	11.0%	54.3%	61.9%	-1.0%	79.5%	14.4%	89.5%	-176%	24.8%	16.3%
ROIC	1.1%	11.2%	13.6%	-0.2%	15.0%	1.2%	8.0%	-16.3%	18.3%	12.2%
Shares Out.	181	185	195	200	200	228	237	585	589	604
Revenue/Share	5.45	11.27	14.39	5.47	14.04	10.35	25.16	18.76	55.44	43.24
FCF/Share	3.33	3.23	4.42	4.00	5.00	(7.37)	4.50	6.48	10.74	---

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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