



Differentiating the Alts

Different profiles across the group will impact valuations

While the Alt stocks may tend to move in lockstep many times given their business mix distinction vs. other financials, we think it will be very important to understand the different business attributes across the firms as the earnings and risk profiles for each should drive material performance divergences, including much different growth dynamics in DE over 2014-16 (Figure 4).

Figure 4: DB Forecasts for Alts Distributable Earnings per unit

Alts	DB Annual DE per unit estimates					CAGR
	2012	2013E	2014E	2015E	2016E	2012-16E
APO	\$1.84	\$3.82	\$3.22	\$2.70	\$2.24	5.0%
BX	\$0.93	\$1.40	\$2.33	\$2.91	\$2.98	33.9%
CG	\$2.00	\$2.11	\$2.84	\$3.38	\$3.72	16.8%
KKR	\$2.06	\$2.01	\$1.99	\$2.09	\$2.19	1.6%
OAK	\$3.82	\$5.70	\$5.14	\$5.40	\$5.80	11.0%

Alts	Growth rates of DB DE estimates				
	2012	2013E	2014E	2015E	2016E
APO		107.0%	-15.6%	-16.2%	-16.8%
BX		51.0%	66.1%	24.9%	2.7%
CG		5.5%	34.3%	19.2%	10.0%
KKR		-2.5%	-1.2%	5.0%	5.2%
OAK		49.1%	-9.8%	5.0%	7.5%
Median		49.1%	-1.2%	5.0%	5.2%

Source: Company reports and Deutsche Bank

On the following several pages, we outline the differences in firm heritage and management philosophy and a variety of business mix dynamics that we think will help to portray their risk profiles and earnings leverage and sensitivities. Importantly, each of these firms are "investors" at their core, and have generated outstanding investment performance track records over time, which in our view is the primary reason for their size and stature today as industry leaders in their respective fields.

Apollo Global Mgmt (APO)--Great returns but with more peaks & valleys

Founded by Chairman & CEO Leon Black in 1990, APO's investment orientation is largely credit-driven private equity control – hence the nature is to take larger and more-concentrated bets than peers at more distressed price points – with the view that the entry valuation is a major portion of long-term IRR and their risk appetite and ability to engineer complicated financial structures is a competitive advantage. While Figure 3 shows APOs credit business mix at only 27%, this understates the firms leverage to credit investing – indeed the mix should move above 40% this year with the addition of \$44bn AuM from the Aviva insurance acquisition via APOs Athene insurance investment. This will help leverage APO's credit expertise by investing the insurer's balance sheet, while also improving APOs fee-related earnings profile (a long-term positive that will help buffer cyclical troughs in carried interest revenue).