



Changes in business mix may drive valuation differences over time

Figures 10-14 show our forecasts for business mix for each of the AIs through 2016, by measure of pretax economic income by business line, and by revenue type. While there are numerous observations to make, we highlight the following for each AI:

APO's business mix (Figure 10) should shift sharply toward credit in 2014, as the acquisition of \$44bn in Aviva assets by Athene (managed by APO) raises APO's relative fee contribution (a positive). However, lower realizations mostly in private equity following a heavy realization period in 2012-13 (and into this year) are partly behind the mix shift. While we expect the overall compression in revenue and income in 2014 to be a negative for APO units, the higher fee component and more diversified mix between private equity and credit should be a longer-term positive. However we also do not see economic income or revenue reaching peak 2013 levels within our forecast horizon.

Figure 10: APO – DB forecasts for EI by segment & revenue by type (\$mn)

Segments	Pretax Economic Income (\$)					CAGR
	2012	2013E	2014E	2015E	2016E	2012-16E
Private Equity	\$1,199	\$1,646	\$632	\$598	\$548	-17.8%
Credit	\$443	\$389	\$479	\$426	\$518	4.0%
Real Estate	-\$8	-\$7	\$30	\$32	\$22	NMF
Total	\$1,634	\$2,028	\$1,141	\$1,056	\$1,088	-9.7%

Segments	Pretax % Business Mix					Average
	2012	2013E	2014E	2015E	2016E	2012-16E
Private Equity	73.4%	81.2%	55.4%	56.7%	50.4%	63.4%
Credit	27.1%	19.2%	42.0%	40.3%	47.6%	35.2%
Real Estate	-0.5%	-0.4%	2.7%	3.0%	2.0%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Segments	Revenues by Type					CAGR
	2012	2013E	2014E	2015E	2016E	2012-16E
Fees	\$811	\$970	\$1,331	\$1,249	\$1,340	13.4%
Carried Interest & Incentives	\$2,164	\$2,725	\$679	\$610	\$527	-29.8%
Principal & other income	\$141	\$155	\$202	\$222	\$233	13.4%
Total	\$3,116	\$3,850	\$2,211	\$2,081	\$2,099	-9.4%

Segments	Revenue Mix by Type					Average
	2012	2013E	2014E	2015E	2016E	2012-16E
Fees	26.0%	25.2%	60.2%	60.0%	63.8%	47.0%
Carried Interest & Incentives	69.4%	70.8%	30.7%	29.3%	25.1%	45.1%
Principal & other income	4.5%	4.0%	9.1%	10.7%	11.1%	7.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company reports and Deutsche Bank