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To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: Apollo Global Management LLC: Athene/APO Revised Mgmt Contract a Near-Term Negative but LT Positive
Date: Thu, 20 Sep 2018 12:44:50 +0000

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Begin forwarded message:

From: "Morgan Stanley" [REDACTED]
Subject: Apollo Global Management LLC: Athene/APO Revised Mgmt Contract a Near-Term Negative but LT Positive
Date: September 20, 2018 at 8:28:29 AM EDT
To: [REDACTED]
Rep: [REDACTED]

 Morgan Stanley  Wealth Management 



Apollo Global Management LLC: Athene/APO Revised Mgmt Contract a Near-Term Negative but LT Positive



Michael J. Cyprys, CFA, CPA – Morgan Stanley

September 20, 2018 12:27 PM GMT

We see a 30c hit to APO EPS from a reduction in the base fee that APO generates on assets it manages for Athene; worth 8% hit to our 2019 EPS that likely weighs on the stock today. However, this removes an overhang on the stock and a key risk that weighed on sentiment and the stock YTD. Recall APO generates about 30% of its management fee revenues from its relationship with Athene, worth about \$400m in LTM. The new contract reduces the base fee to 22.5 bps from about 35 bps today and extends duration of the contract to four years with auto 2-year renewals. Further, the contact changes the basis on which the additional sub-advisory fee is calculated but economics appear unchanged at first look on that fee. While the change in base fee reduces APO management fees by 10% on our calculation, this removes an overhang on the stock which is a positive and extends duration of capital. We are not changing our estimates at this time.

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