

Apollo Global Management LLC
Form 10-Q
November 05, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018 OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-35107

APOLLO GLOBAL MANAGEMENT, LLC
(Exact name of Registrant as specified in its charter)

Delaware 20-8880053
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
9 West 57th Street, 43rd Floor
New York, New York 10019
(Address of principal executive offices) (Zip Code)
(212) 515-3200
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards ☐

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provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2018 there were 201,427,878 Class A shares and 1 Class B share outstanding.

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Forward-Looking Statements

This quarterly report may contain forward-looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include, but are not limited to, discussions related to Apollo’s expectations regarding the performance of its business, liquidity and capital resources and the other non-historical statements in the discussion and analysis. These forward-looking statements are based on management’s beliefs, as well as assumptions made by, and information currently available to, management. When used in this quarterly report, the words “believe,” “anticipate,” “estimate,” “expect,” “intend” and similar expressions are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are subject to certain risks, uncertainties and assumptions, including risks relating to our dependence on certain key personnel, our ability to raise new credit, private equity, or real assets funds, market conditions generally, our ability to manage our growth, fund performance, changes in our regulatory environment and tax status, the variability of our revenues, net income and cash flow, our use of leverage to finance our businesses and investments by our funds and litigation risks, among others. We believe these factors include but are not limited to those described under the section entitled “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”) on February 12, 2018 (the “2017 Annual Report”); as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Terms Used in This Report

In this quarterly report, references to “Apollo,” “we,” “us,” “our” and the “Company” refer collectively to Apollo Global Management, LLC, a Delaware limited liability company, and its subsidiaries, including the Apollo Operating Group and all of its subsidiaries, or as the context may otherwise require;

“AMH” refers to Apollo Management Holdings, L.P., a Delaware limited partnership, that is an indirect subsidiary of Apollo Global Management, LLC;

“Apollo funds”, “our funds” and references to the “funds” we manage, refer to the funds (including the parallel funds and alternative investment vehicles of such funds), partnerships, accounts, including strategic investment accounts or “SIAs,” alternative asset companies and other entities for which subsidiaries of the Apollo Operating Group provide investment management or advisory services;

“Apollo Operating Group” refers to (i) the limited partnerships through which our Managing Partners currently operate our businesses and (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our “principal investments”; “Assets Under Management”, or “AUM”, refers to the assets of the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services, including, without limitation, capital that such funds, partnerships and accounts have the right to call from investors pursuant to capital commitments. Our AUM equals the sum of:

- the fair value of the investments of the private equity funds, partnerships and accounts we manage or advise plus
- (i) the capital that such funds, partnerships and accounts are entitled to call from investors pursuant to capital commitments;
- the net asset value, or “NAV,” of the credit funds, partnerships and accounts for which we provide investment management or advisory services, other than certain collateralized loan obligations (“CLOs”) and collateralized debt
- (ii) obligations (“CDOs”), which have a fee-generating basis other than the mark-to-market value of the underlying assets, plus used or available leverage and/or capital commitments;
- the gross asset value or net asset value of the real assets funds, partnerships and accounts we manage, and the
- (iii) structured portfolio company investments of the funds, partnerships and accounts we manage or advise, which includes the leverage used by such structured portfolio company investments;

(iv) the incremental value associated with the reinsurance investments of the portfolio company assets we manage or advise; and

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the fair value of any other assets that we manage or advise for the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services, plus unused credit (v) facilities, including capital commitments to such funds, partnerships and accounts for investments that may require pre-qualification or other conditions before investment plus any other capital commitments to such funds, partnerships and accounts available for investment that are not otherwise included in the clauses above.

Our AUM measure includes Assets Under Management for which we charge either nominal or zero fees. Our AUM measure also includes assets for which we do not have investment discretion, including certain assets for which we earn only investment-related service fees, rather than management or advisory fees. Our definition of AUM is not based on any definition of Assets Under Management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we use internally or believe are used by other investment managers. Given the differences in the investment strategies and structures among other alternative investment managers, our calculation of AUM may differ from the calculations employed by other investment managers and, as a result, this measure may not be directly comparable to similar measures presented by other investment managers. Our calculation also differs from the manner in which our affiliates registered with the SEC report “Regulatory Assets Under Management” on Form ADV and Form PF in various ways;

“Fee-Generating AUM” consists of assets of the funds, partnerships and accounts to which we provide investment management, advisory, or certain other investment-related services and on which we earn management fees, monitoring fees or other investment-related fees pursuant to management or other fee agreements on a basis that varies among the Apollo funds, partnerships and accounts. Management fees are normally based on “net asset value,” “gross assets,” “adjusted par asset value,” “adjusted cost of all unrealized portfolio investments,” “capital commitments,” “adjusted assets,” “stockholders’ equity,” “invested capital” or “capital contributions,” each as defined in the applicable management agreement. Monitoring fees, also referred to as advisory fees, with respect to the structured portfolio company investments of the funds, partnerships and accounts we manage or advise, are generally based on the total value of such structured portfolio company investments, which normally includes leverage, less any portion of such total value that is already considered in Fee-Generating AUM;

“Non-Fee-Generating AUM” refers to AUM that does not produce management fees or monitoring fees. This measure generally includes the following:

- (i) fair value above invested capital for those funds that earn management fees based on invested capital;
- (ii) net asset values related to general partner and co-investment interests;
- (iii) unused credit facilities;
- (iv) available commitments on those funds that generate management fees on invested capital;
- (v) structured portfolio company investments that do not generate monitoring fees; and
- (vi) the difference between gross asset and net asset value for those funds that earn management fees based on net asset value.

“Performance Fee-Eligible AUM” refers to the AUM that may eventually produce performance fees. All funds for which we are entitled to receive a performance fee allocation or incentive fee are included in Performance Fee-Eligible AUM, which consists of the following:

- “Performance Fee-Generating AUM”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is currently above its hurdle rate or preferred return, and profit of such funds, partnerships and accounts is being allocated to, or earned by, the general partner in accordance with the applicable limited partnership agreements or other governing agreements;
- “AUM Not Currently Generating Performance Fees”, which refers to invested capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is currently below its hurdle rate or preferred return; and

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“Uninvested Performance Fee-Eligible AUM”, which refers to capital of the funds, partnerships and accounts we manage, advise, or to which we provide certain other investment-related services, that is available for investment (iii) or reinvestment subject to the provisions of applicable limited partnership agreements or other governing agreements, which capital is not currently part of the NAV or fair value of investments that may eventually produce performance fees allocable to, or earned by, the general partner.

“AUM with Future Management Fee Potential” refers to the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund; We use AUM as a performance measure of our funds’ investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-Fee-Generating AUM includes assets on which we could earn performance fees;

“Advisory” refers to certain assets advised by Apollo Asset Management Europe PC LLP, a wholly-owned subsidiary of Apollo Asset Management Europe LLP (collectively, “AAME”). The AAME entities are subsidiaries of Apollo; “capital deployed” or “deployment” is the aggregate amount of capital that has been invested during a given period (which may, in certain cases, include leverage) by (i) our drawdown funds, (ii) SIAs that have a defined maturity date and (iii) funds and SIAs in our real estate debt strategy;

“Contributing Partners” refer to those of our partners and their related parties (other than our Managing Partners) who indirectly beneficially own (through Holdings) Apollo Operating Group units;

“drawdown” refers to commitment-based funds and certain SIAs in which investors make a commitment to provide capital at the formation of such funds and SIAs and deliver capital when called as investment opportunities become available. It includes assets of Athene Holding Ltd. (“Athene Holding”) and its subsidiaries (collectively “Athene”) managed by Athene Asset Management LLC (“Athene Asset Management” or “AAM”) that are invested in commitment-based funds;

“gross IRR” of a credit fund represents the annualized return of a fund based on the actual timing of all cumulative fund cash flows before management fees, performance fees allocated to the general partner and certain other expenses. Calculations may include certain investors that do not pay fees. The terminal value is the net asset value as of the reporting date. Non-U.S. dollar denominated (“USD”) fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor;

“gross IRR” of a private equity fund represents the cumulative investment-related cash flows (i) for a given investment for the fund or funds which made such investment, and (ii) for a given fund, in the relevant fund itself (and not any one investor in the fund), in each case, on the basis of the actual timing of investment inflows and outflows (for unrealized investments assuming disposition on September 30, 2018 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, performance fees and certain other expenses (including interest incurred by the fund itself) and measures the returns on the fund’s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund’s investors. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor;

“gross IRR” of a real assets fund represents the cumulative investment-related cash flows in the fund itself (and not any one investor in the fund), on the basis of the actual timing of cash inflows and outflows (for unrealized investments assuming disposition on September 30, 2018 or other date specified) starting on the date that each investment closes, and the return is annualized and compounded before management fees, performance fees, and certain other expenses (including interest incurred by the fund itself) and measures the returns on the fund’s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund’s investors. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, gross IRRs at the fund level will differ from those at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Gross IRR does not represent the return to any fund investor;

“gross return” of a credit or real assets fund is the monthly or quarterly time-weighted return that is equal to the percentage change in the value of a fund’s portfolio, adjusted for all contributions and withdrawals (cash flows) before

the effects of management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of Athene sub-advised portfolios and CLOs represent the gross returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period's return over time;

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“Holdings” means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our Managing Partners and Contributing Partners indirectly beneficially own their interests in the Apollo Operating Group units;

“inflows” represents (i) at the individual segment level, subscriptions, commitments, and other increases in available capital, such as acquisitions or leverage, net of inter-segment transfers, and (ii) on an aggregate basis, the sum of inflows across the credit, private equity and real assets segments;

“liquid/performing” includes CLOs and other performing credit vehicles, hedge fund style credit funds, structured credit funds and SIAs, as well as sub-advised managed accounts owned by or related to Athene. Certain commitment-based SIAs are included as the underlying assets are liquid;

“Managing Partners” refer to Messrs. Leon Black, Joshua Harris and Marc Rowan collectively and, when used in reference to holdings of interests in Apollo or Holdings, includes certain related parties of such individuals;

“net IRR” of a credit fund represents the annualized return of a fund after management fees, performance fees allocated to the general partner and certain other expenses, calculated on investors that pay such fees. The terminal value is the net asset value as of the reporting date. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor;

“net IRR” of a private equity fund means the gross IRR applicable to a fund, including returns for related parties which may not pay fees or performance fees, net of management fees, certain expenses (including interest incurred or earned by the fund itself) and realized performance fees all offset to the extent of interest income, and measures returns at the fund level on amounts that, if distributed, would be paid to investors of the fund. The timing of cash flows applicable to investments, management fees and certain expenses, may be adjusted for the usage of a fund’s subscription facility. To the extent that a fund exceeds all requirements detailed within the applicable fund agreement, the estimated unrealized value is adjusted such that a percentage of up to 20.0% of the unrealized gain is allocated to the general partner of such fund, thereby reducing the balance attributable to fund investors. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor;

“net IRR” of a real assets fund represents the cumulative cash flows in the fund (and not any one investor in the fund), on the basis of the actual timing of cash inflows received from and outflows paid to investors of the fund (assuming the ending net asset value as of September 30, 2018 or other date specified is paid to investors), excluding certain non-fee and non-performance fee bearing parties, and the return is annualized and compounded after management fees, performance fees, and certain other expenses (including interest incurred by the fund itself) and measures the returns to investors of the fund as a whole. Non-USD fund cash flows and residual values are converted to USD using the spot rate as of the reporting date. In addition, net IRR at the fund level will differ from that at the individual investor level as a result of, among other factors, timing of investor-level inflows and outflows. Net IRR does not represent the return to any fund investor;

“net return” of a credit or real assets fund represents the gross return after management fees, incentive fees allocated to the general partner, or other fees and expenses. Returns of Athene sub-advised portfolios and CLOs represent the gross or net returns on invested assets, which exclude cash. Returns over multiple periods are calculated by geometrically linking each period’s return over time;

“our manager” means AGM Management, LLC, a Delaware limited liability company that is controlled by our Managing Partners;

“performance allocations”, “performance fees”, “performance revenues” and “incentive fees” refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees which are based on the performance of such fund or its underlying investments;

“permanent capital vehicles” refers to (a) assets that are owned by or related to Athene or Athora Holding Ltd. (“Athora Holding” and together with its subsidiaries, “Athora”), (b) assets that are owned by or related to MidCap FinCo Designated Activity Company (“MidCap”) and managed by Apollo, (c) assets of publicly traded vehicles managed by Apollo such as Apollo Investment Corporation (“AINV”), Apollo Commercial Real Estate Finance, Inc. (“ARI”), Apollo

Tactical Income Fund Inc. (“AIF”), and Apollo Senior Floating Rate Fund Inc. (“AFT”), in each case that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law and (d) a non-traded business development company from which Apollo earns certain investment-related service fees. The investment management agreements of AINV, AIF and AFT have one year terms, are reviewed annually and remain in effect only if approved by the boards of directors of such companies or by the affirmative vote of the holders of a majority of the outstanding voting shares of such companies, including in either case, approval by a majority of the directors who are not “interested persons” as defined in the Investment Company Act of 1940. In addition, the investment management agreements of AINV, AIF and AFT may be terminated

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in certain circumstances upon 60 days' written notice. The investment management agreement of ARI has a one year term and is reviewed annually by ARI's board of directors and may be terminated under certain circumstances by an affirmative vote of at least two-thirds of ARI's independent directors. The investment management or advisory arrangements between MidCap and Apollo, as well as between Athene and Apollo, may also be terminated under certain circumstances. The agreement pursuant to which Apollo earns certain investment-related service fees from a non-traded business development company may be terminated under certain limited circumstances;

"private equity fund appreciation (depreciation)" refers to gain (loss) and income for the traditional private equity funds (as defined below), Apollo Natural Resources Partners, L.P. ("ANRP I"), Apollo Natural Resources Partners II, L.P. ("ANRP II"), Apollo Special Situations Fund, L.P. and AION Capital Partners Limited ("AION") for the periods presented on a total return basis before giving effect to fees and expenses. The performance percentage is determined by dividing (a) the change in the fair value of investments over the period presented, minus the change in invested capital over the period presented, plus the realized value for the period presented, by (b) the beginning unrealized value for the period presented plus the change in invested capital for the period presented. Returns over multiple periods are calculated by geometrically linking each period's return over time;

"private equity investments" refer to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds;

"Realized Value" refers to all cash investment proceeds received by the relevant Apollo fund, including interest and dividends, but does not give effect to management fees, expenses, incentive compensation or performance fees to be paid by such Apollo fund;

"Remaining Cost" represents the initial investment of the fund in a portfolio investment, reduced for any return of capital distributed to date on such portfolio investment;

"Strategic Investor" refers to the California Public Employees' Retirement System, or "CalPERS";

"Total Invested Capital" refers to the aggregate cash invested by the relevant Apollo fund and includes capitalized costs relating to investment activities, if any, but does not give effect to cash pending investment or available for reserves;

"Total Value" represents the sum of the total Realized Value and Unrealized Value of investments;

"traditional private equity funds" refers to Apollo Investment Fund I, L.P. ("Fund I"), AIF II, L.P. ("Fund II"), a mirrored investment account established to mirror Fund I and Fund II for investments in debt securities ("MIA"), Apollo Investment Fund III, L.P. (together with its parallel funds, "Fund III"), Apollo Investment Fund IV, L.P. (together with its parallel fund, "Fund IV"), Apollo Investment Fund V, L.P. (together with its parallel funds and alternative investment vehicles, "Fund V"), Apollo Investment Fund VI, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VI"), Apollo Investment Fund VII, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VII"), Apollo Investment Fund VIII, L.P. (together with its parallel funds and alternative investment vehicles, "Fund VIII") and Apollo Investment Fund IX, L.P. (together with its parallel funds and alternative investment vehicles, "Fund IX");

"Unrealized Value" refers to the fair value consistent with valuations determined in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), for investments not yet realized and may include pay in kind, accrued interest and dividends receivable, if any, and before the effect of certain taxes. In addition, amounts include committed and funded amounts for certain investments; and

"Vintage Year" refers to the year in which a fund's final capital raise occurred, or, for certain funds, the year in which a fund's investment period commences pursuant to its governing agreements.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

(dollars in thousands, except share data)

| | As of September 30, 2018 | As of December 31, 2017 |
|---|--------------------------------|-------------------------------|
| Assets: | | |
| Cash and cash equivalents | \$854,574 | \$751,273 |
| Restricted cash | 3,460 | 3,875 |
| U.S. Treasury securities, at fair value | 390,448 | 364,649 |
| Investments (includes performance allocations of \$1,435,233 and \$1,828,930 as of September 30, 2018 and December 31, 2017, respectively) | 3,415,165 | 3,559,834 |
| Assets of consolidated variable interest entities: | | |
| Cash and cash equivalents | 53,295 | 92,912 |
| Investments, at fair value | 1,202,185 | 1,196,190 |
| Other assets | 45,749 | 39,484 |
| Incentive fees receivable | 7,710 | 43,176 |
| Due from related parties | 335,778 | 262,588 |
| Deferred tax assets, net | 348,588 | 337,638 |
| Other assets | 207,477 | 231,757 |
| Goodwill | 88,852 | 88,852 |
| Intangible assets, net | 18,877 | 18,842 |
| Total Assets | \$6,972,158 | \$6,991,070 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$82,008 | \$68,873 |
| Accrued compensation and benefits | 159,516 | 62,474 |
| Deferred revenue | 182,045 | 128,146 |
| Due to related parties | 412,862 | 428,013 |
| Profit sharing payable | 684,594 | 752,276 |
| Debt | 1,361,024 | 1,362,402 |
| Liabilities of consolidated variable interest entities: | | |
| Debt, at fair value | 880,570 | 1,002,063 |
| Other liabilities | 73,689 | 115,658 |
| Other liabilities | 142,021 | 173,369 |
| Total Liabilities | 3,978,329 | 4,093,274 |
| Commitments and Contingencies (see note 14) | | |
| Shareholders' Equity: | | |
| Apollo Global Management, LLC shareholders' equity: | | |
| Series A Preferred shares, 11,000,000 shares issued and outstanding as of September 30, 2018 and December 31, 2017 | 264,398 | 264,398 |
| Series B Preferred shares, 12,000,000 and 0 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively | 289,815 | — |
| Class A shares, no par value, unlimited shares authorized, 201,089,465 and 195,267,669 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively | — | — |

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| | | |
|--|-------------|-------------|
| Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding as of September 30, 2018 and December 31, 2017 | — | — |
| Additional paid in capital | 1,350,331 | 1,579,797 |
| Accumulated deficit | (273,535) | (379,460) |
| Accumulated other comprehensive loss | (3,600) | (1,809) |
| Total Apollo Global Management, LLC shareholders' equity | 1,627,409 | 1,462,926 |
| Non-Controlling Interests in consolidated entities | 271,379 | 140,086 |
| Non-Controlling Interests in Apollo Operating Group | 1,095,041 | 1,294,784 |
| Total Shareholders' Equity | 2,993,829 | 2,897,796 |
| Total Liabilities and Shareholders' Equity | \$6,972,158 | \$6,991,070 |
| See accompanying notes to condensed consolidated financial statements. | | |

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APOLLO GLOBAL MANAGEMENT, LLC
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(dollars in thousands, except share data)

| | For the Three Months Ended September 30, 2018 | | For the Nine Months Ended September 30, 2018 | |
|---|--|------------|---|------------|
| | 2017 | | 2017 | |
| Revenues: | | | | |
| Management fees | \$358,750 | \$ 301,443 | \$987,102 | \$ 852,291 |
| Advisory and transaction fees, net | 13,154 | 16,209 | 42,145 | 54,905 |
| Investment income: | | | | |
| Performance allocations | 124,856 | 336,910 | 129,776 | 809,896 |
| Principal investment income | 16,153 | 47,488 | 25,334 | 102,877 |
| Total investment income | 141,009 | 384,398 | 155,110 | 912,773 |
| Incentive fees | 4,818 | 9,670 | 23,593 | 23,563 |
| Total Revenues | 517,731 | 711,720 | 1,207,950 | 1,843,532 |
| Expenses: | | | | |
| Compensation and benefits: | | | | |
| Salary, bonus and benefits | 112,722 | 108,853 | 343,623 | 316,011 |
| Equity-based compensation | 50,334 | 24,485 | 123,643 | 70,332 |
| Profit sharing expense | 63,059 | 137,296 | 121,327 | 339,679 |
| Total compensation and benefits | 226,115 | 270,634 | 588,593 | 726,022 |
| Interest expense | 15,209 | 13,303 | 44,168 | 39,497 |
| General, administrative and other | 70,657 | 68,149 | 194,851 | 189,918 |
| Placement fees | 746 | 5,397 | 1,384 | 12,560 |
| Total Expenses | 312,727 | 357,483 | 828,996 | 967,997 |
| Other Income: | | | | |
| Net gains from investment activities | 155,283 | 68,932 | 20,645 | 102,936 |
| Net gains from investment activities of consolidated variable interest entities | 13,001 | 845 | 28,746 | 11,085 |
| Interest income | 5,411 | 1,504 | 13,517 | 2,929 |
| Other income, net | 3,085 | 25,387 | 1,888 | 44,776 |
| Total Other Income | 176,780 | 96,668 | 64,796 | 161,726 |
| Income before income tax provision | 381,784 | 450,905 | 443,750 | 1,037,261 |
| Income tax provision | (19,092) | (16,542) | (46,596) | (54,926) |
| Net Income | 362,692 | 434,363 | 397,154 | 982,335 |
| Net income attributable to Non-Controlling Interests | (191,171) | (231,411) | (220,285) | (542,507) |
| Net Income Attributable to Apollo Global Management, LLC | 171,521 | 202,952 | 176,869 | 439,828 |
| Net income attributable to Series A Preferred Shareholders | (4,383) | (4,383) | (13,149) | (9,155) |
| Net income attributable to Series B Preferred Shareholders | (4,781) | — | (9,350) | — |
| Net Income Attributable to Apollo Global Management, LLC Class A Shareholders | \$ 162,357 | \$ 198,569 | \$ 154,370 | \$ 430,673 |
| Distributions Declared per Class A Share | \$0.43 | \$ 0.52 | \$ 1.47 | \$ 1.46 |
| Net Income Per Class A Share: | | | | |
| Net Income Available to Class A Share – Basic | \$0.77 | \$ 1.00 | \$0.70 | \$ 2.19 |
| Net Income Available to Class A Share – Diluted | \$0.77 | \$ 1.00 | \$0.70 | \$ 2.19 |
| Weighted Average Number of Class A Shares Outstanding – Basic | 200,347,996 | 92,882,082 | 199,837,707 | 90,014,240 |
| Weighted Average Number of Class A Shares Outstanding – Diluted | 200,347,996 | 92,882,082 | 199,837,707 | 90,014,240 |

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
 (dollars in thousands, except share data)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|------------|---|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net Income | \$362,692 | \$434,363 | \$397,154 | \$982,335 |
| Other Comprehensive Income (Loss), net of tax: | | | | |
| Currency translation adjustments, net of tax | (2,318) | 5,643 | (15,183) | 14,583 |
| Net gain from change in fair value of cash flow hedge instruments | 27 | 27 | 79 | 78 |
| Net gain (loss) on available-for-sale securities | (309) | 290 | (546) | 189 |
| Total Other Comprehensive Income (Loss), net of tax | (2,600) | 5,960 | (15,650) | 14,850 |
| Comprehensive Income | 360,092 | 440,323 | 381,504 | 997,185 |
| Comprehensive Income attributable to Non-Controlling Interests | (189,041) | (236,410) | (206,426) | (550,695) |
| Comprehensive Income Attributable to Apollo Global Management, LLC | \$171,051 | \$203,913 | \$175,078 | \$446,490 |

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
 IN SHAREHOLDERS' EQUITY (UNAUDITED)
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
 (dollars in thousands, except share data)

Apollo Global Management, LLC Shareholders

| | Class A Shares | Series Class A Shares | Series Class B Paid in Preferred Capital Shares | Additional | Accumulated Deficit | Other Comprehensive Loss | Total Apollo Global Management, LLC Shareholders' Equity | Non- Controlling Interests in Consolidated Entities | Non- Controlling Interests in Apollo Operating Group | Total Shareholders' Equity |
|---|-------------------|-----------------------------|--|----------------|------------------------|--------------------------------|--|--|--|----------------------------------|
| Balance at January 1, 2017 | 185,460,294 | 1 | \$— | \$—\$1,830,025 | \$(986,186) | \$(8,723) | \$835,116 | \$90,063 | \$942,349 | \$1,867,528 |
| Adoption of new accounting guidance | — | — | — | — | 22,901 | — | 22,901 | — | — | 22,901 |
| Dilution impact of issuance of Class A shares | — | — | — | (295) | — | — | (295) | — | — | (295) |
| Equity issued in connection with Preferred shares offering | — | — | — | 264,398 | — | — | 264,398 | — | — | 264,398 |
| Capital increase related to equity-based compensation | — | — | — | 52,442 | — | — | 52,442 | — | — | 52,442 |
| Capital contributions | — | — | — | — | — | — | — | 43,758 | — | 43,758 |
| Distributions | — | — | — | (9,155) | (288,726) | — | (297,881) | (4,570) | (329,172) | (631,623) |
| Payments related to issuances of Class A shares for equity-based awards | 2,096,389 | — | — | — | (28,001) | — | (28,001) | — | — | (28,001) |
| Repurchase of Class A shares | (233,248) | — | — | (6,903) | — | — | — | — | — | — |