

APOLLO

# Outlook for private markets

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**Apollo Global Management**

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Unless otherwise noted, information as of March 2024.

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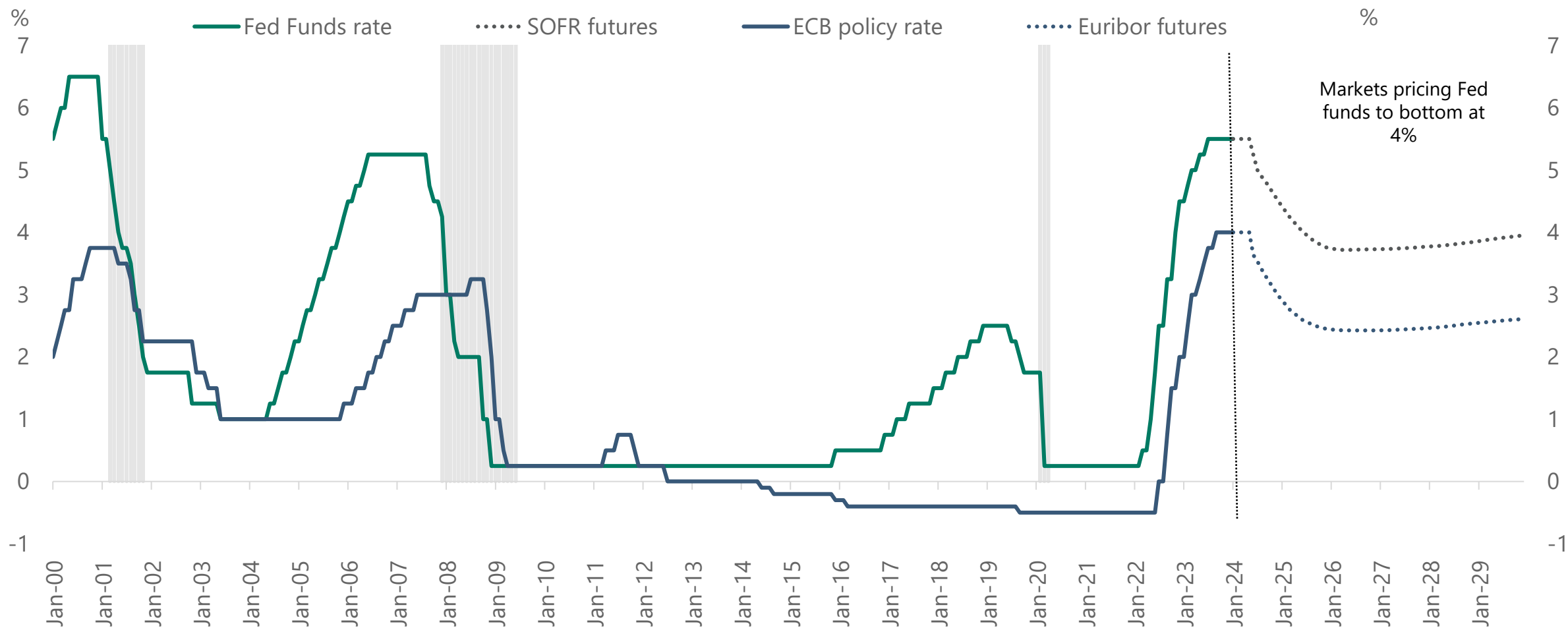
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# Interest rates will remain permanently higher



# Overview

# Comparing public and private markets

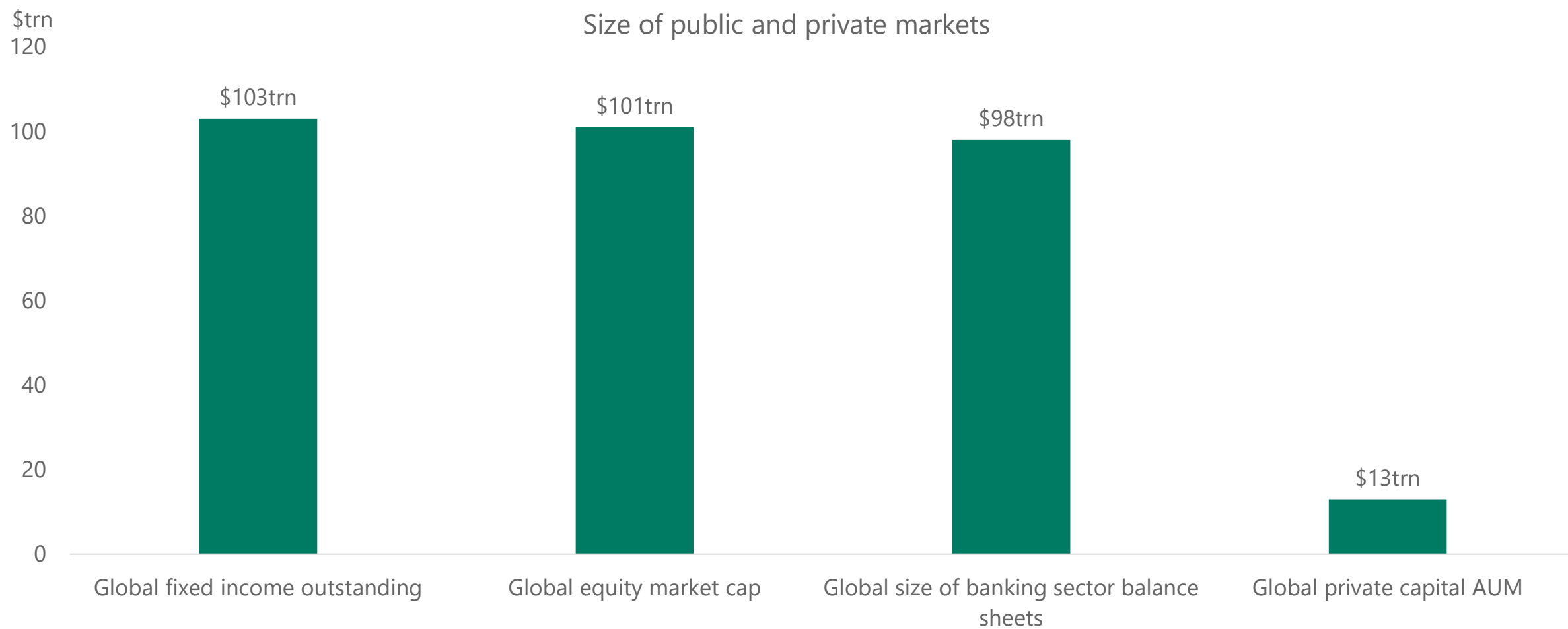
- Global private capital AUM: \$13trn (Source: Pitchbook)
- Global fixed income outstanding: \$103trn (Source: SIFMA)
- Global equity market cap: \$101trn (Source: SIFMA)
- Global size of banking sector balance sheets: \$98trn (Source: BIS)

## **Private capital makes up less than 5% of global financing markets**

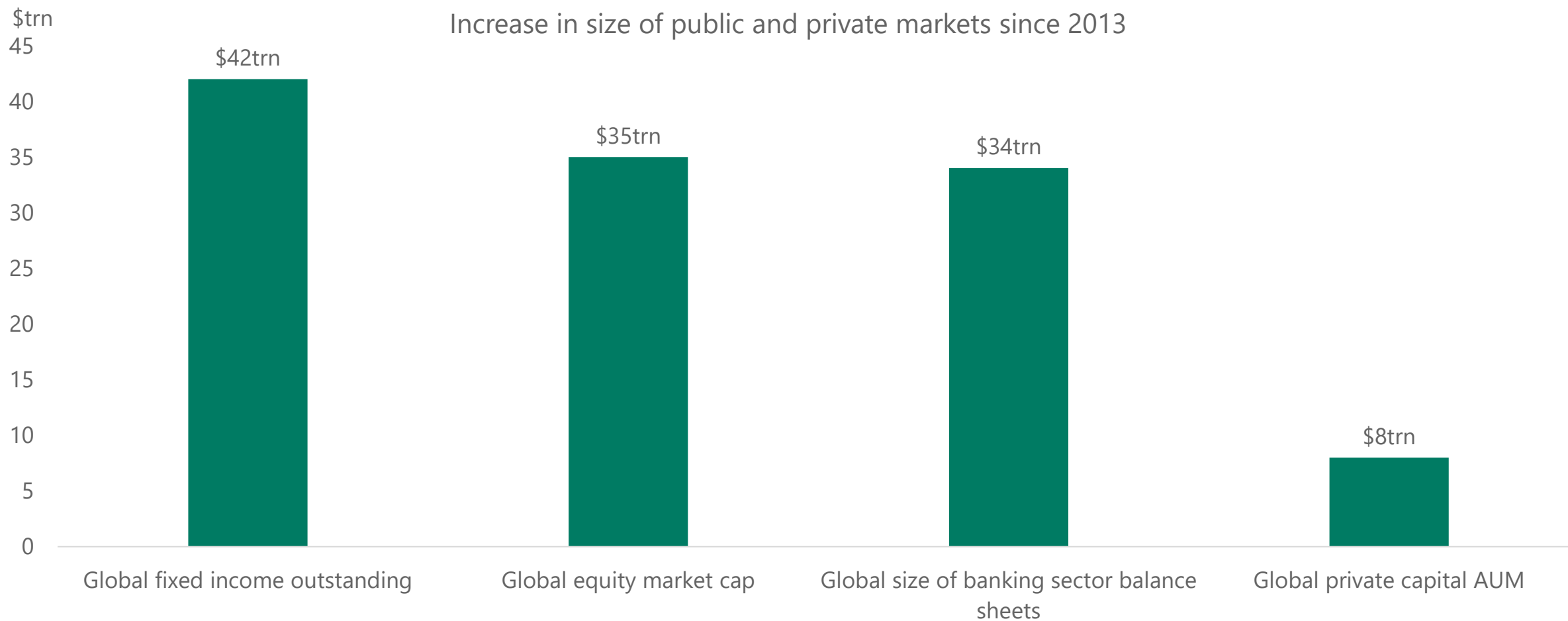
- Increase in the size of global private markets AUM over the past decade: \$8trn
- Increase in the size of global fixed income markets over the past decade: \$42trn
- Increase in the size of global equity market cap over the past decade: \$35trn
- Increase in the size of global banking sector balance sheets over the past decade: \$34trn

## **Private capital has over the past decade grown much slower than global financing markets**

# Comparing public and private markets

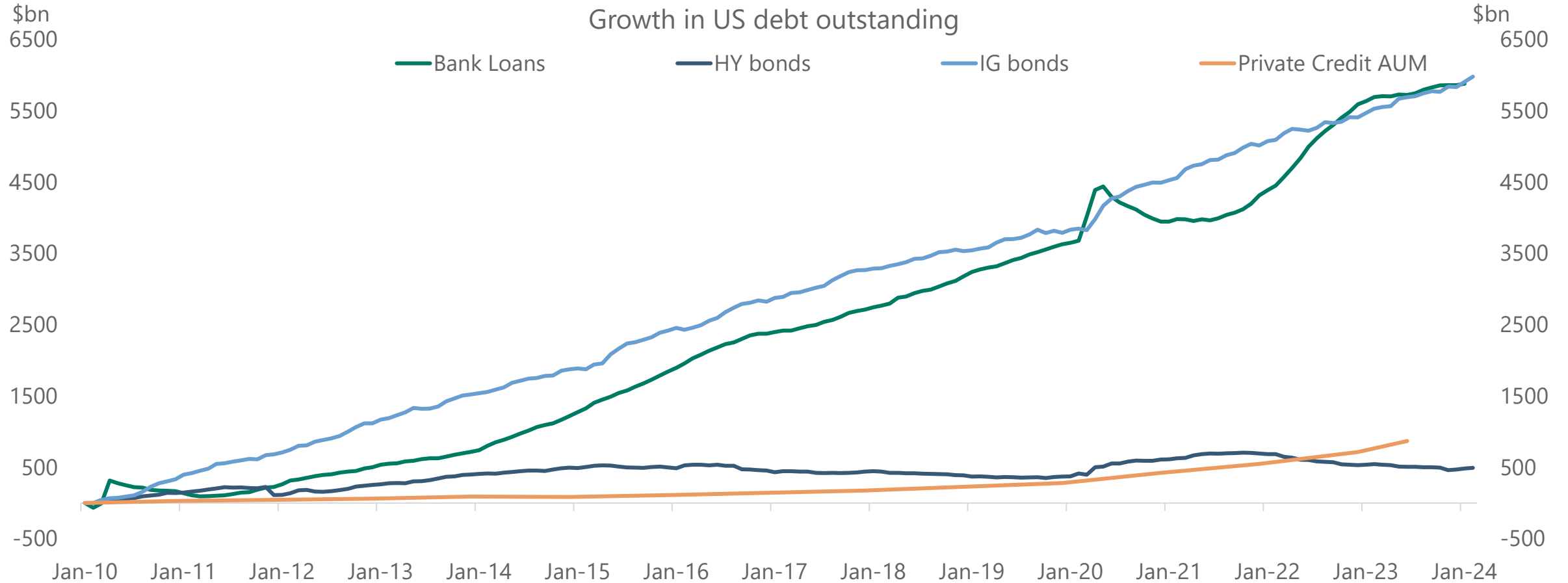


# Comparing growth in public and private markets over the past decade

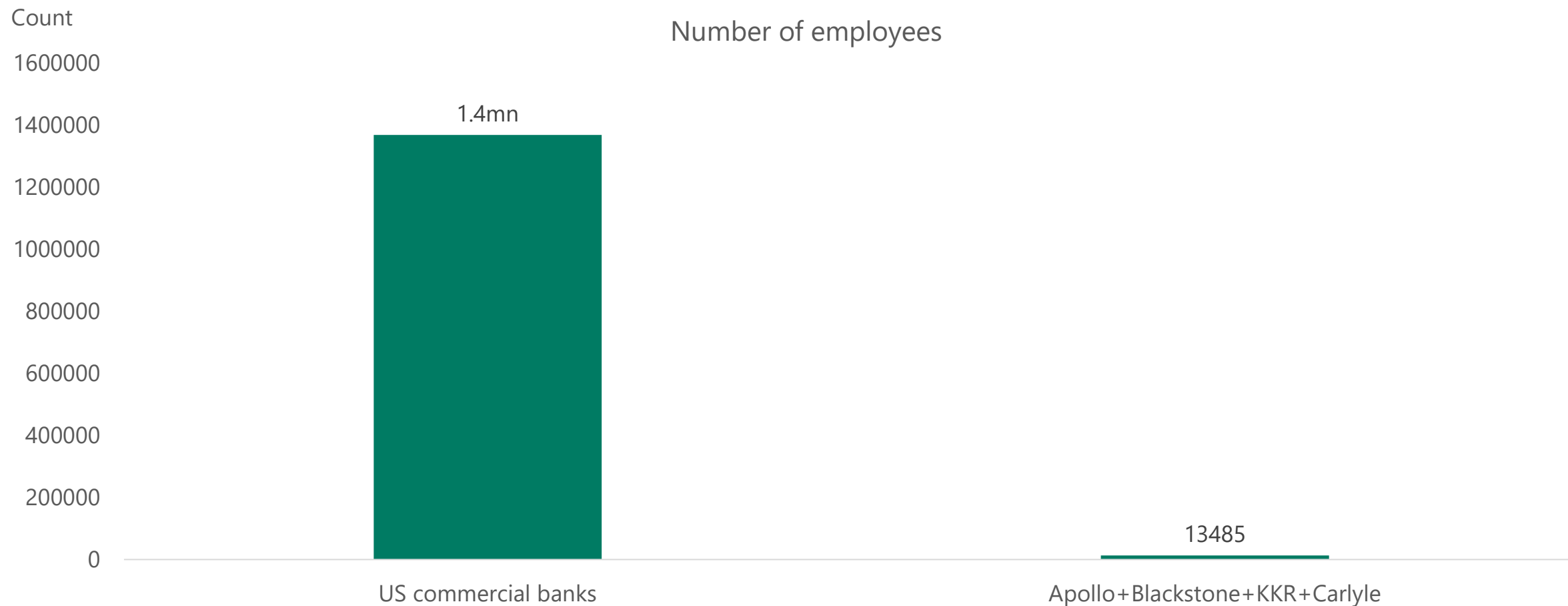




Since 2010, lending by banks has increased by \$5.5trn, IG markets have grown \$5.5trn, HY markets have grown \$500bn, and private credit AUM has increased by \$800bn.



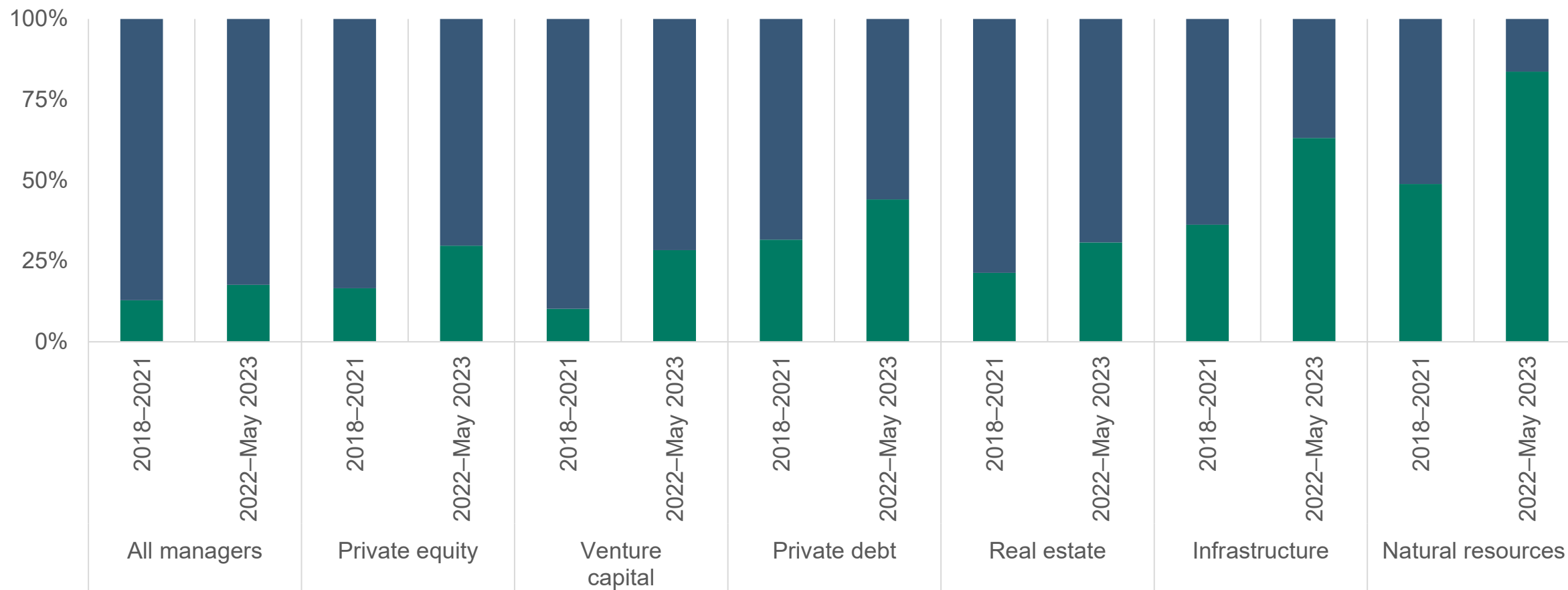
# Total employment in US commercial banks: 1.4mn



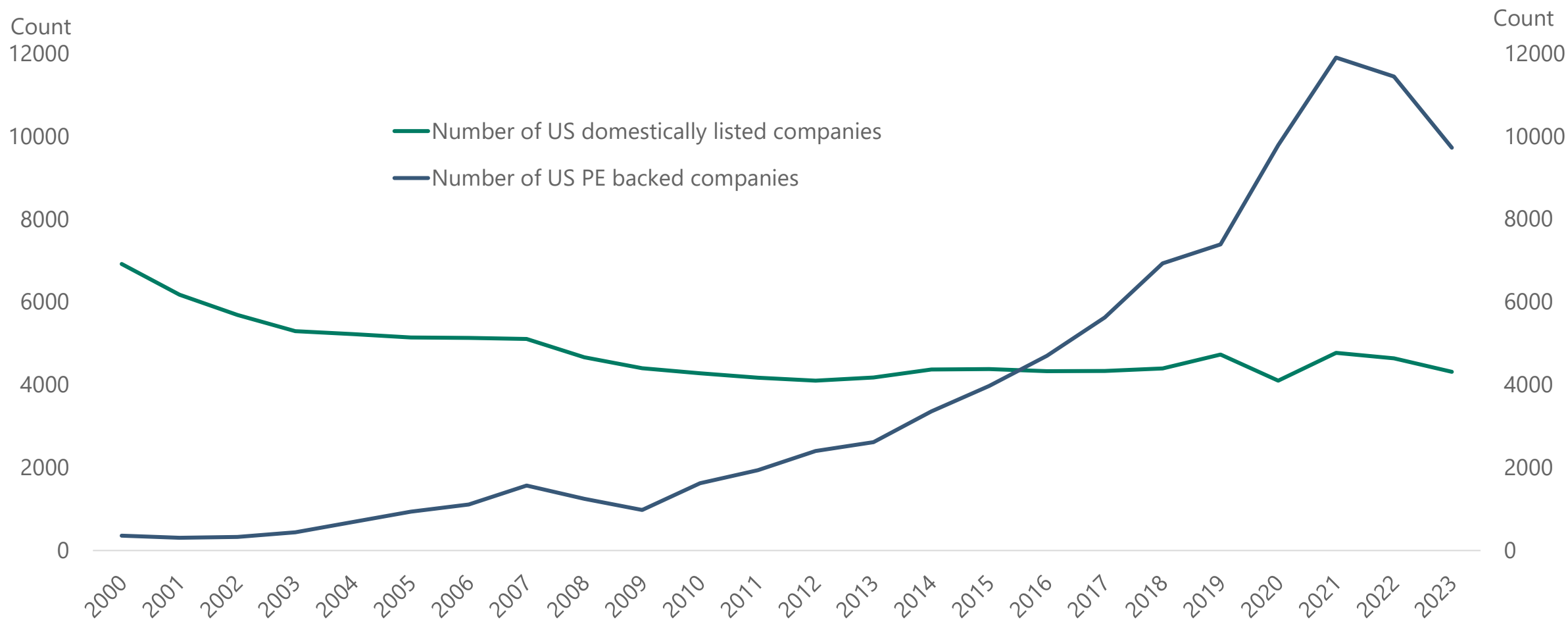
# Percentage of private capital funds raised by the 10 largest managers

% of funds raised

■ 10 largest managers ■ Other managers

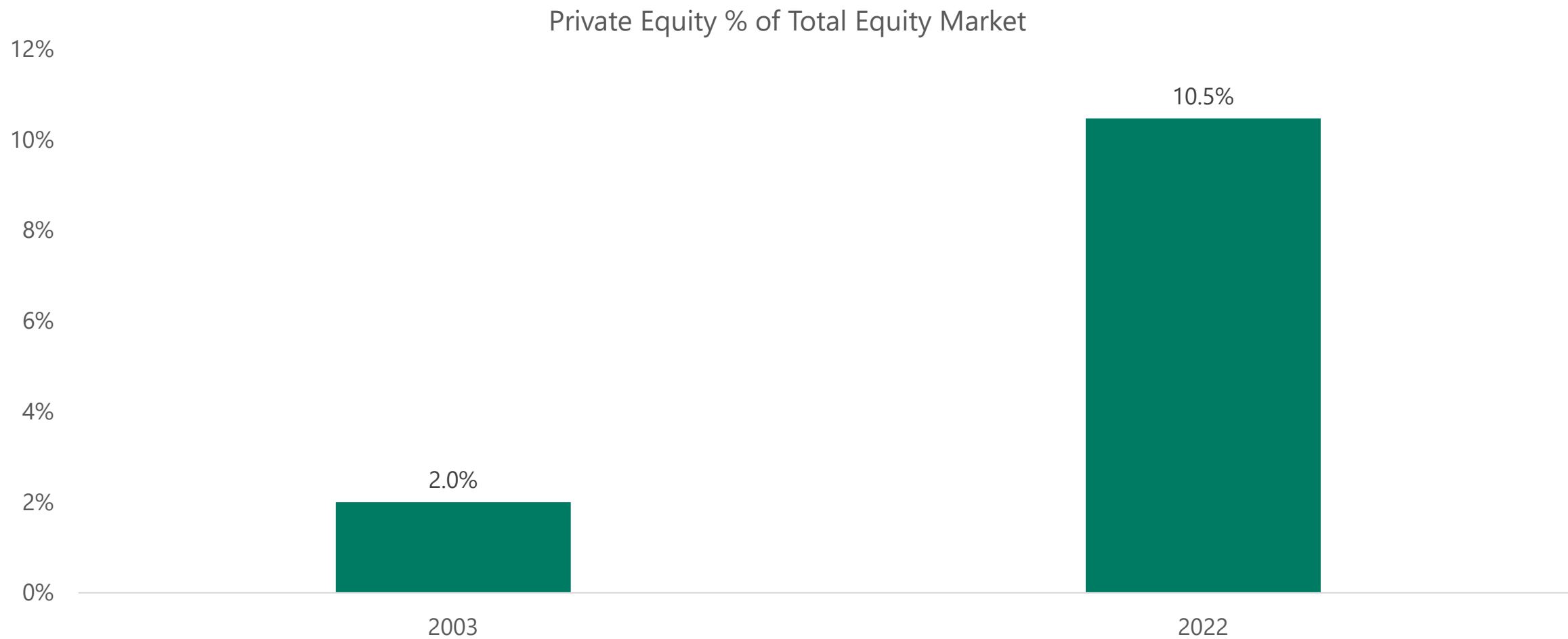


# The number of PE-backed companies and the number of publicly-listed companies

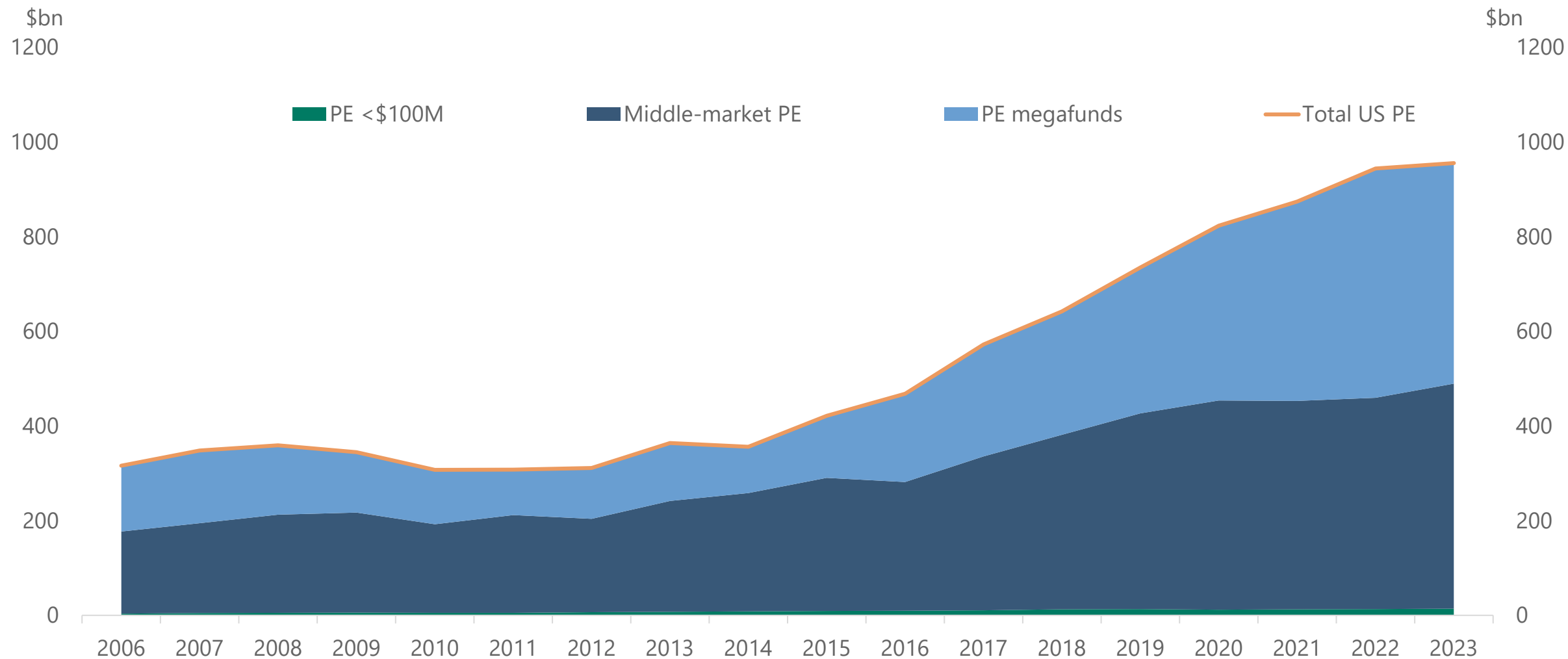


Private equity

# Private equity as a percentage of the equity market

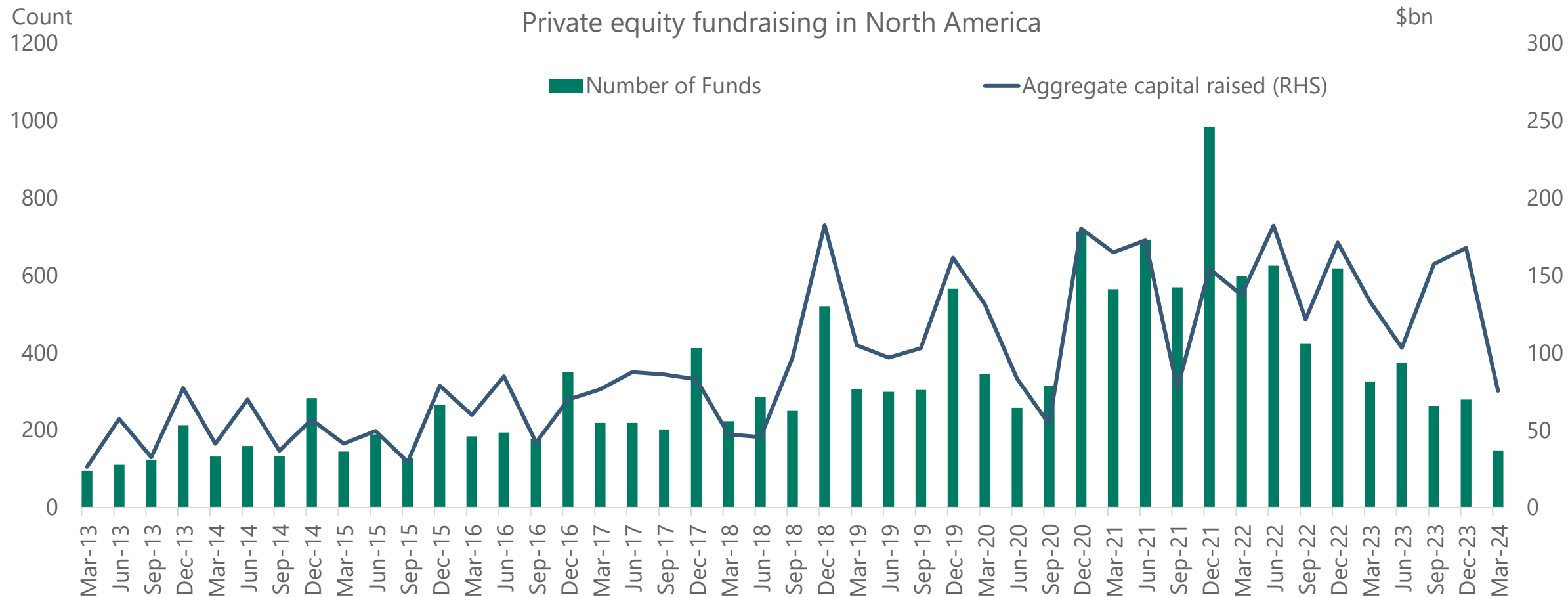


# The composition of PE dry powder



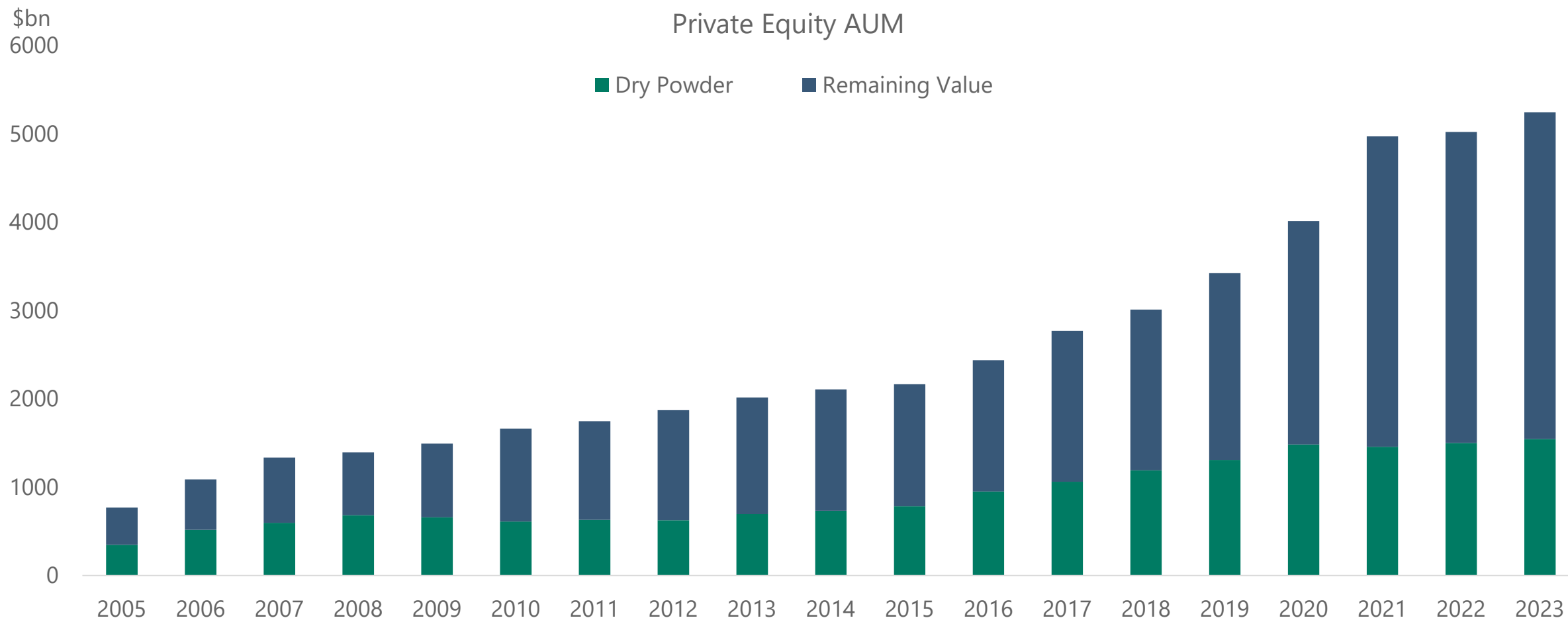
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 31st March 2023

# Private equity fundraising trending lower after the Fed started raising rates in 2022Q1



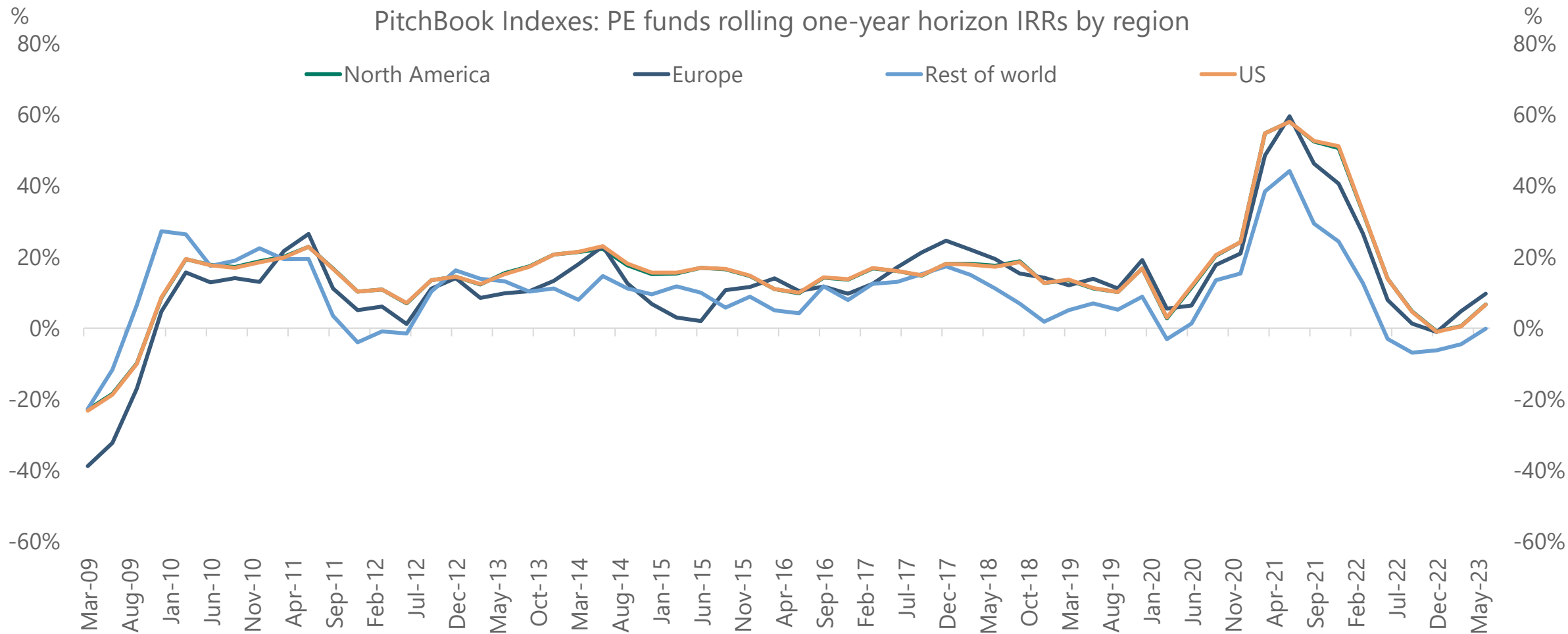


# Global private equity AUM is around \$5trn



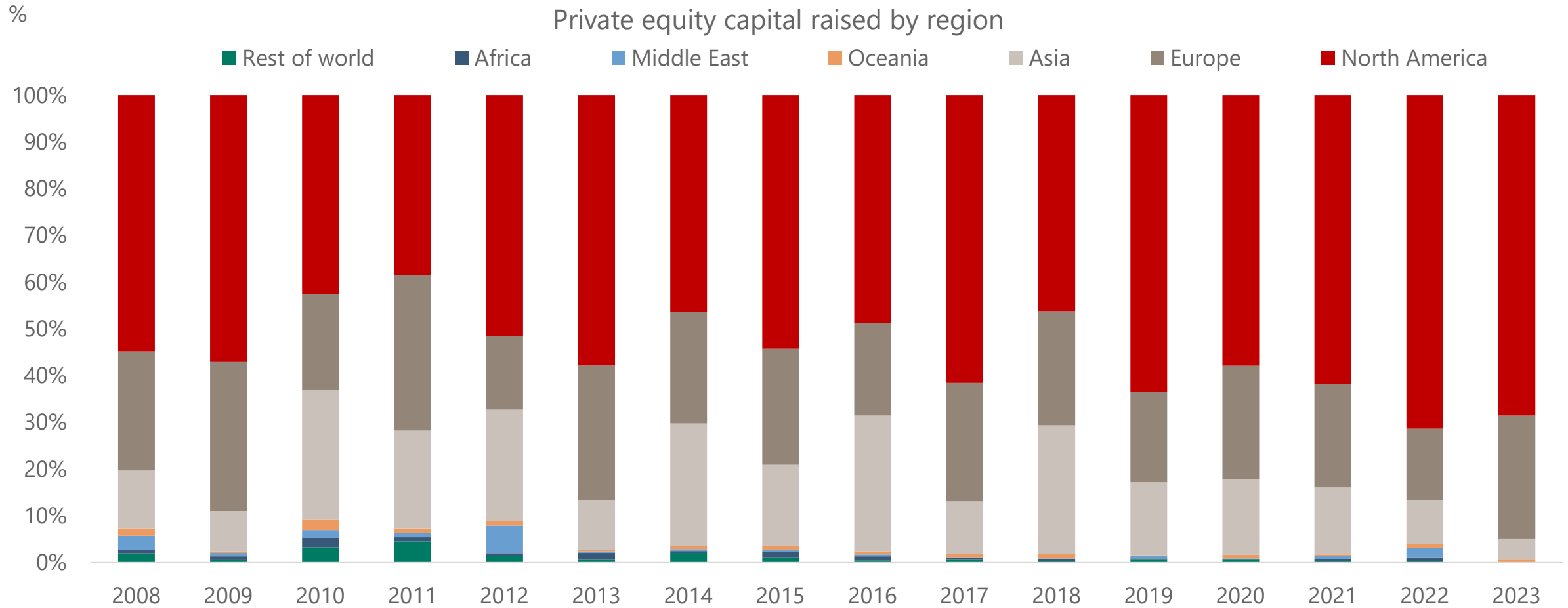
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 31st March 2023

# Private Equity returns, by region



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

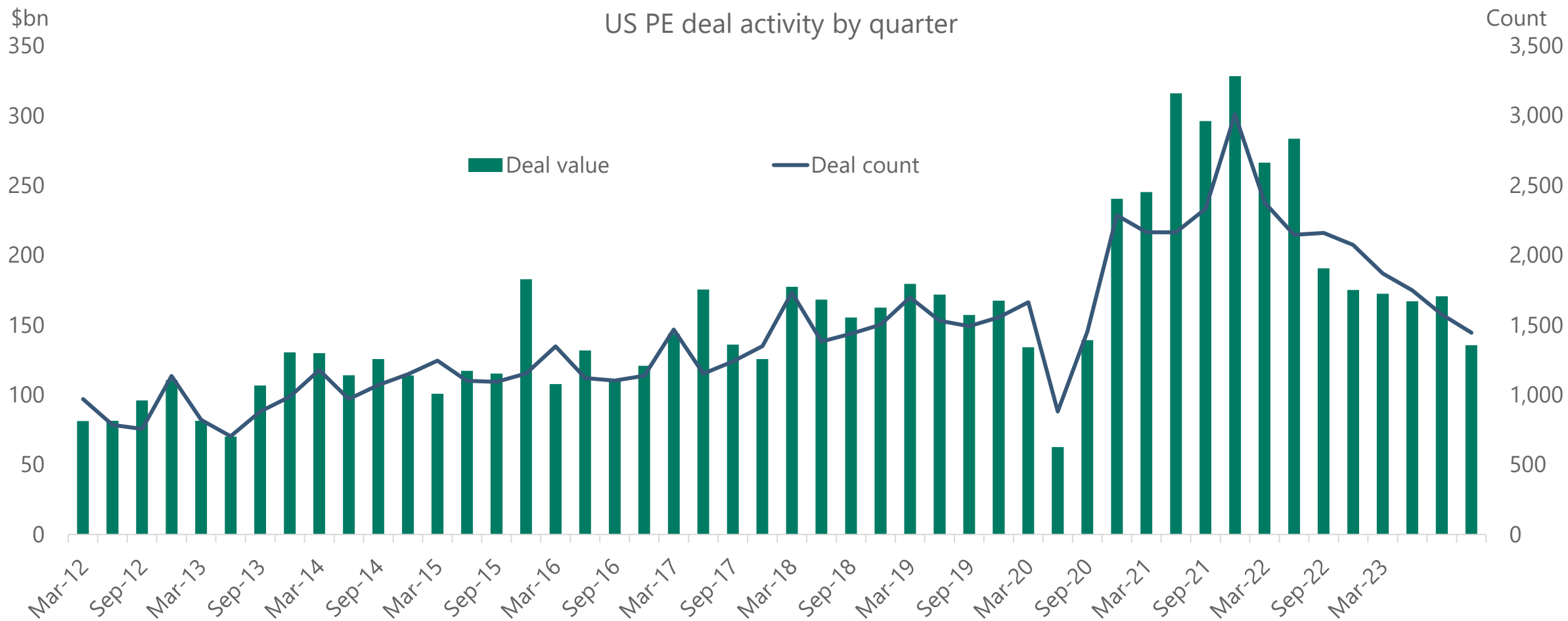
# 70% of global private equity capital is raised in North America



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

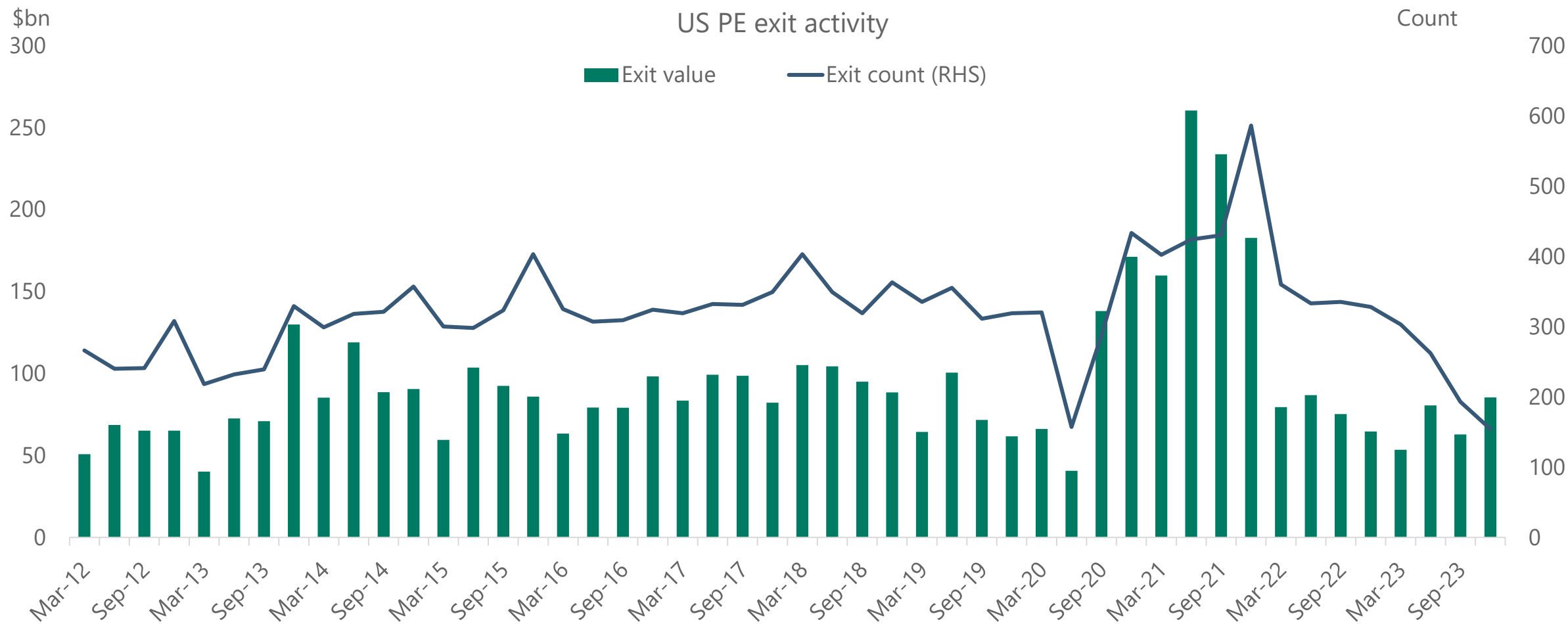
# Recent PE deal activity

# US PE deal activity



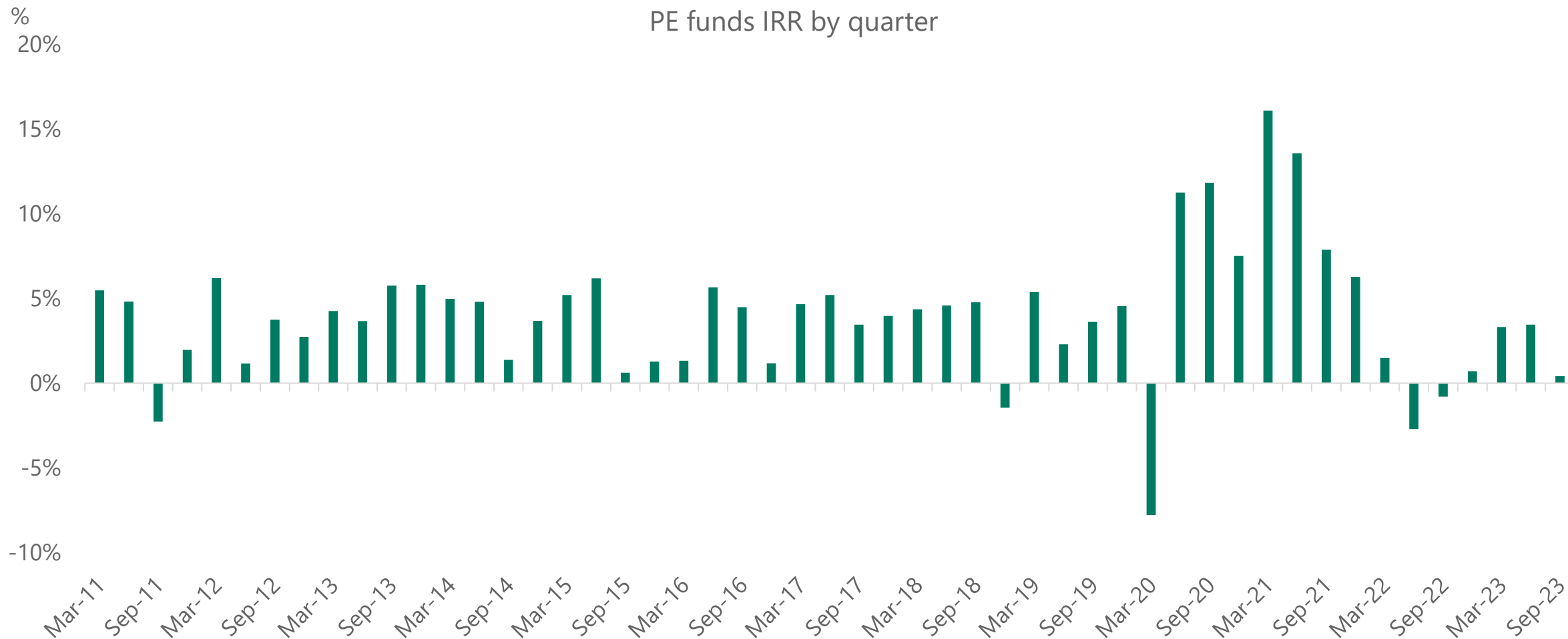
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 31st December

# PE exit activity falling after the Fed raised rates in 2022Q1



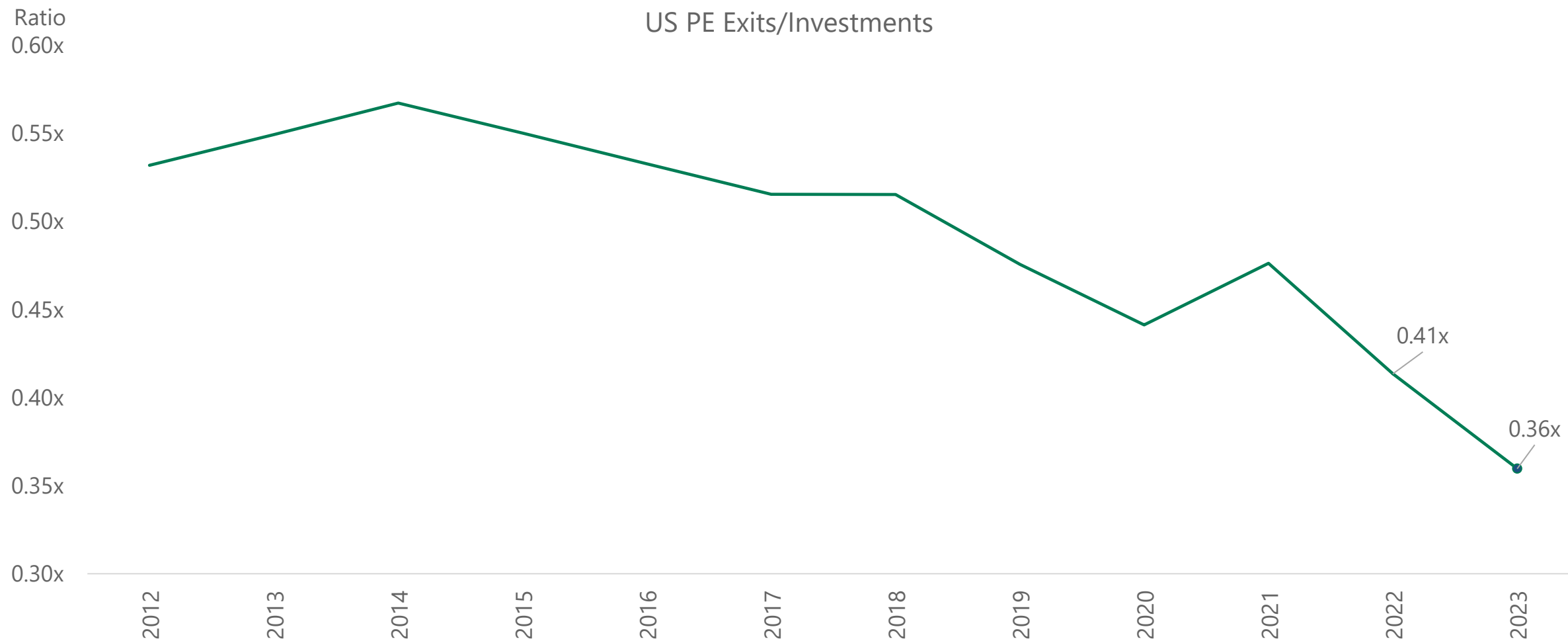
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 31st December 2023

# PE funds IRR



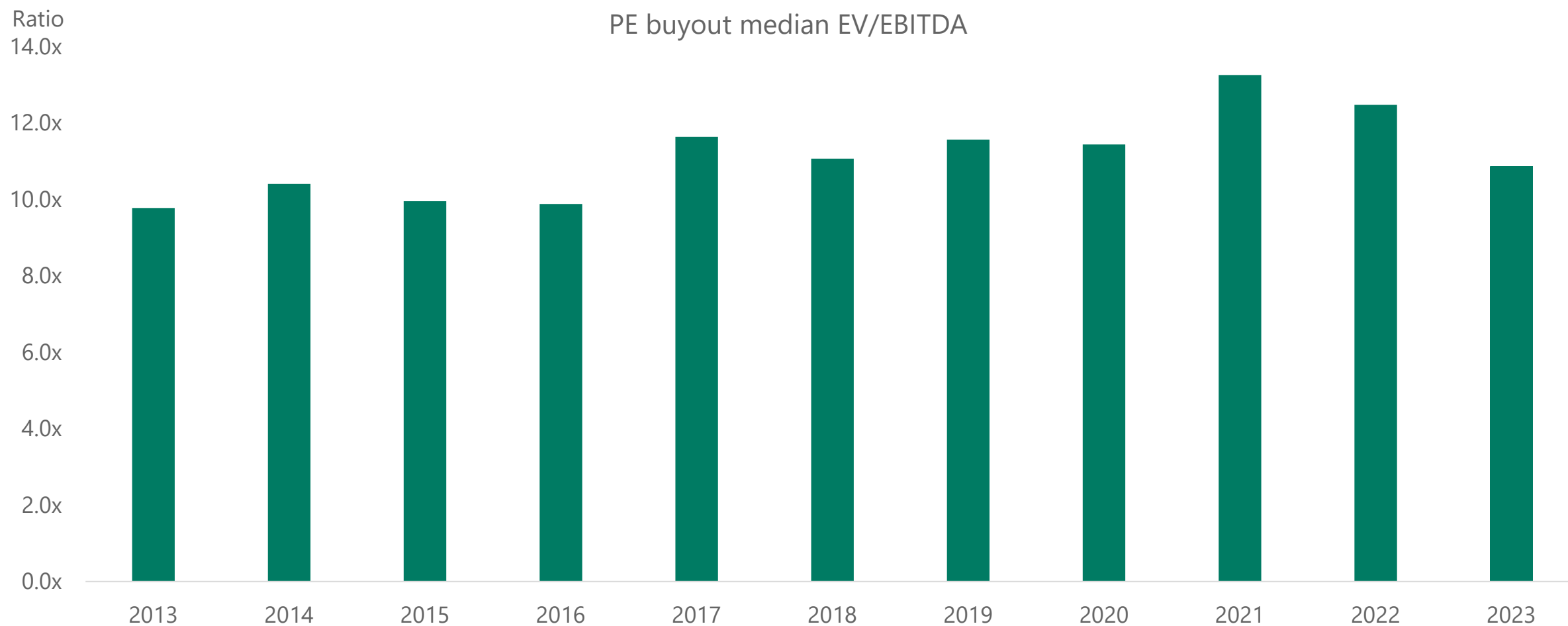
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> June 2023, Q32023 preliminary data

# The exits-to-investments-ratio is declining

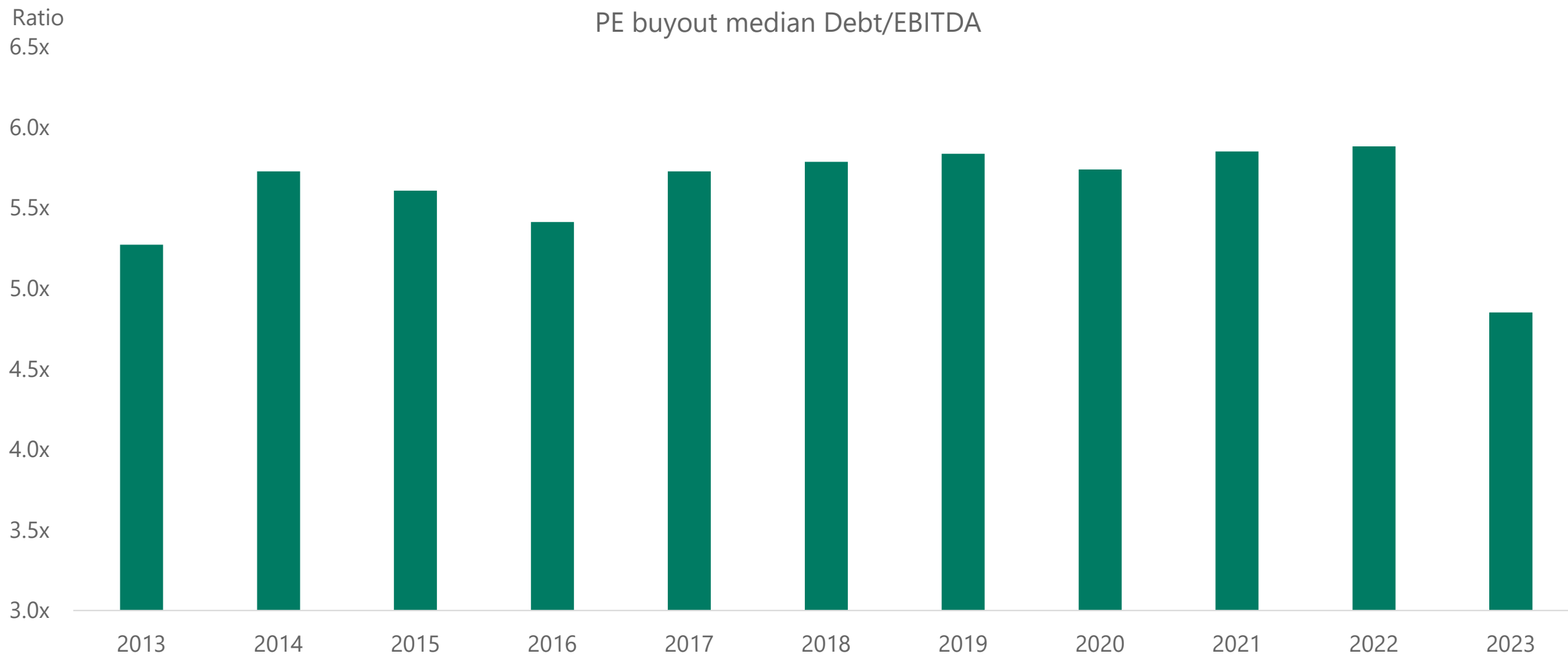




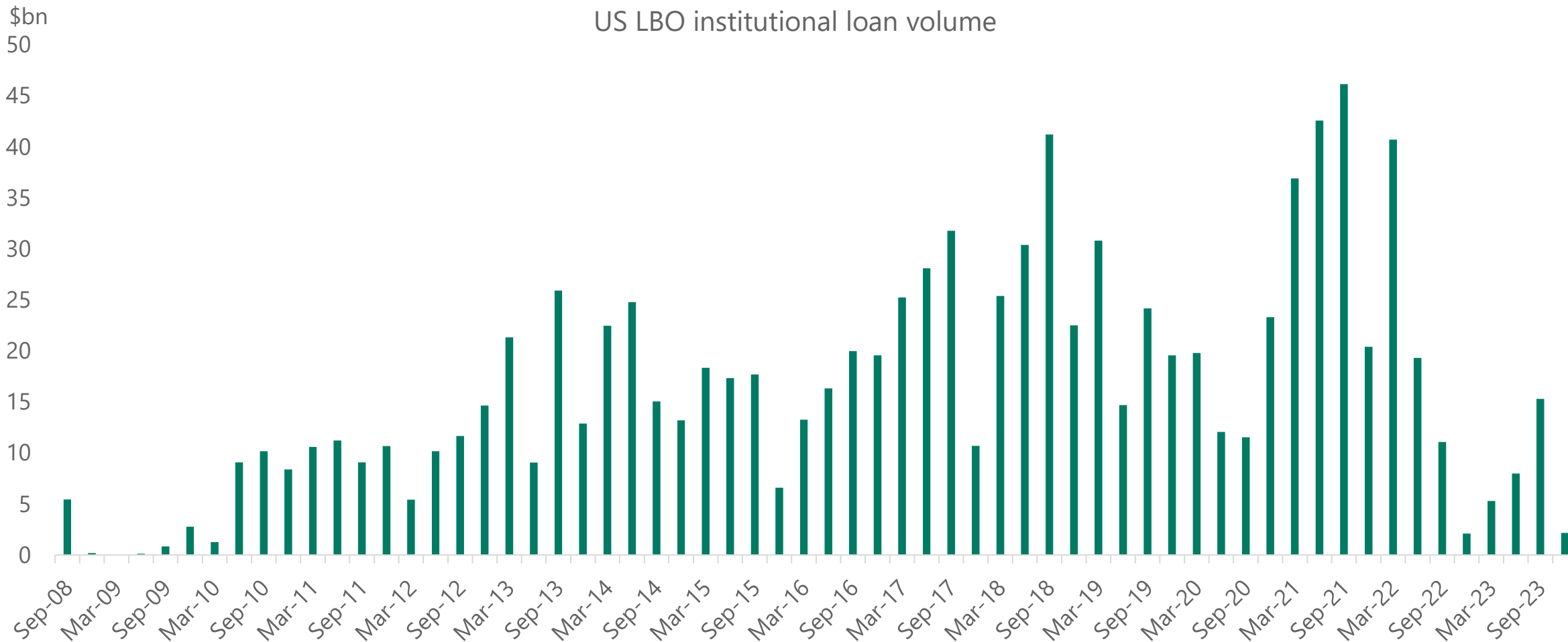
# Median EV/EBITDA ratio



# Median Debt/EBITDA declined in 2023



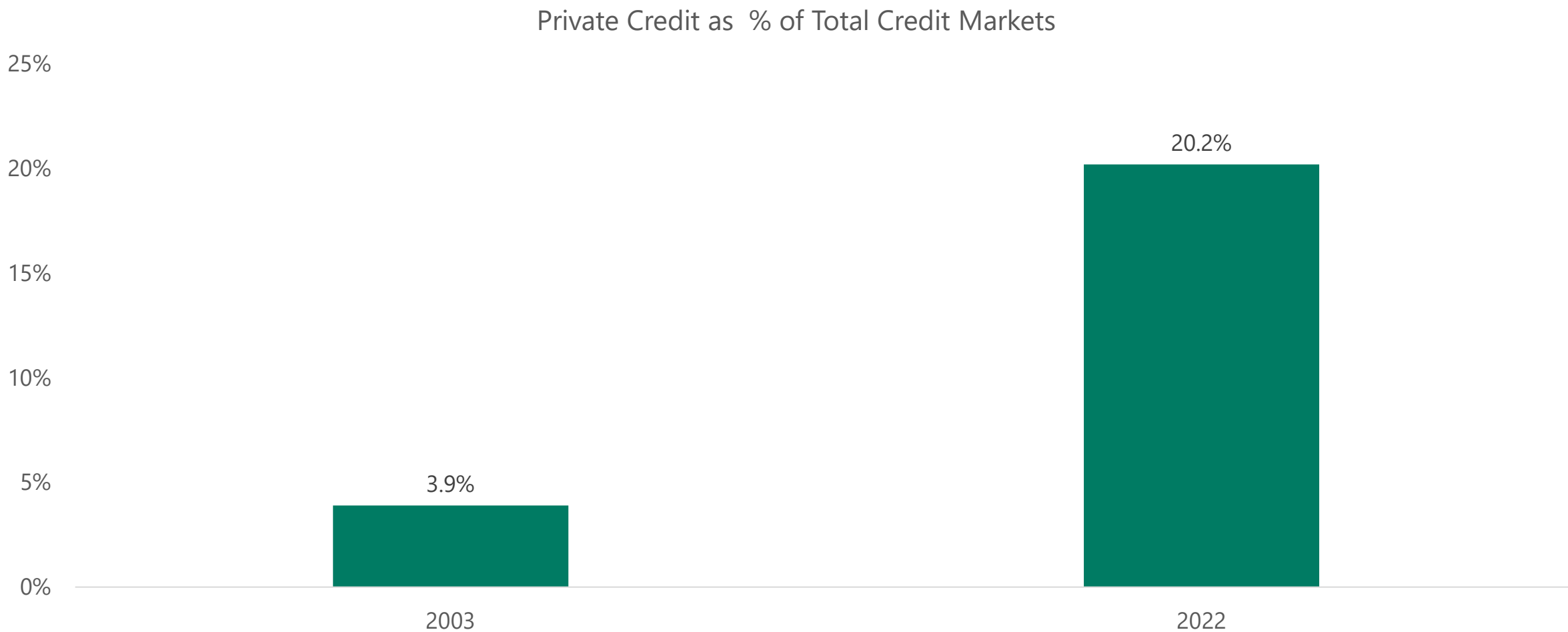
# LBO loan volume



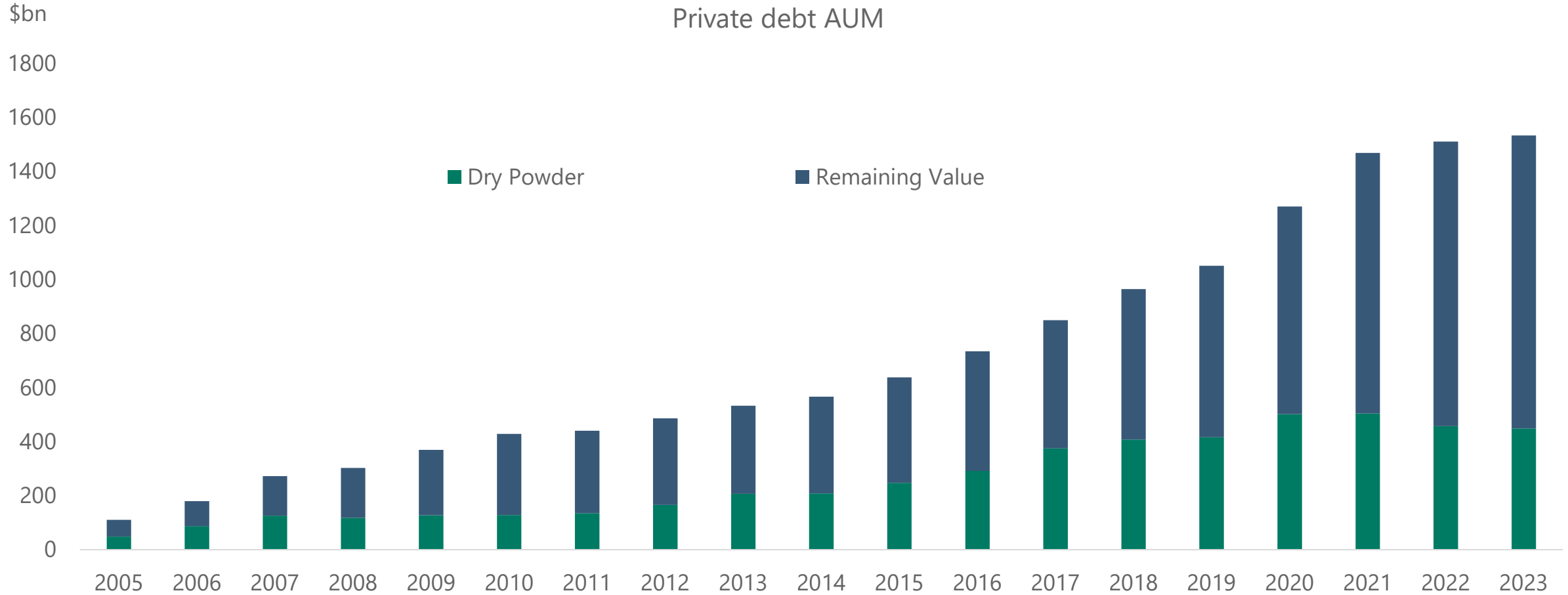
Source: Pitchbook, LCD Apollo Chief Economist. Note: Data as of 31<sup>st</sup> December 2023

# Private credit

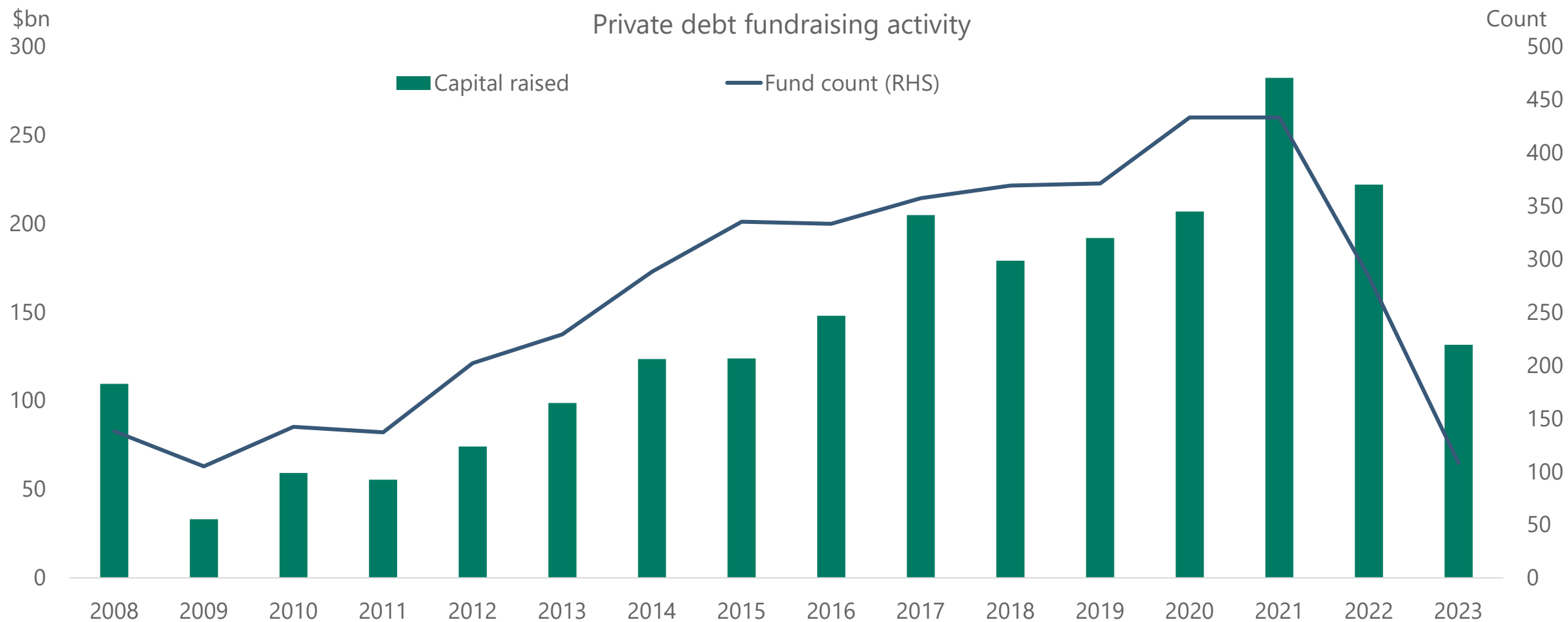
# Private credit as a percentage of credit markets



# About \$1.5trn in private credit globally, of which \$400bn is dry powder

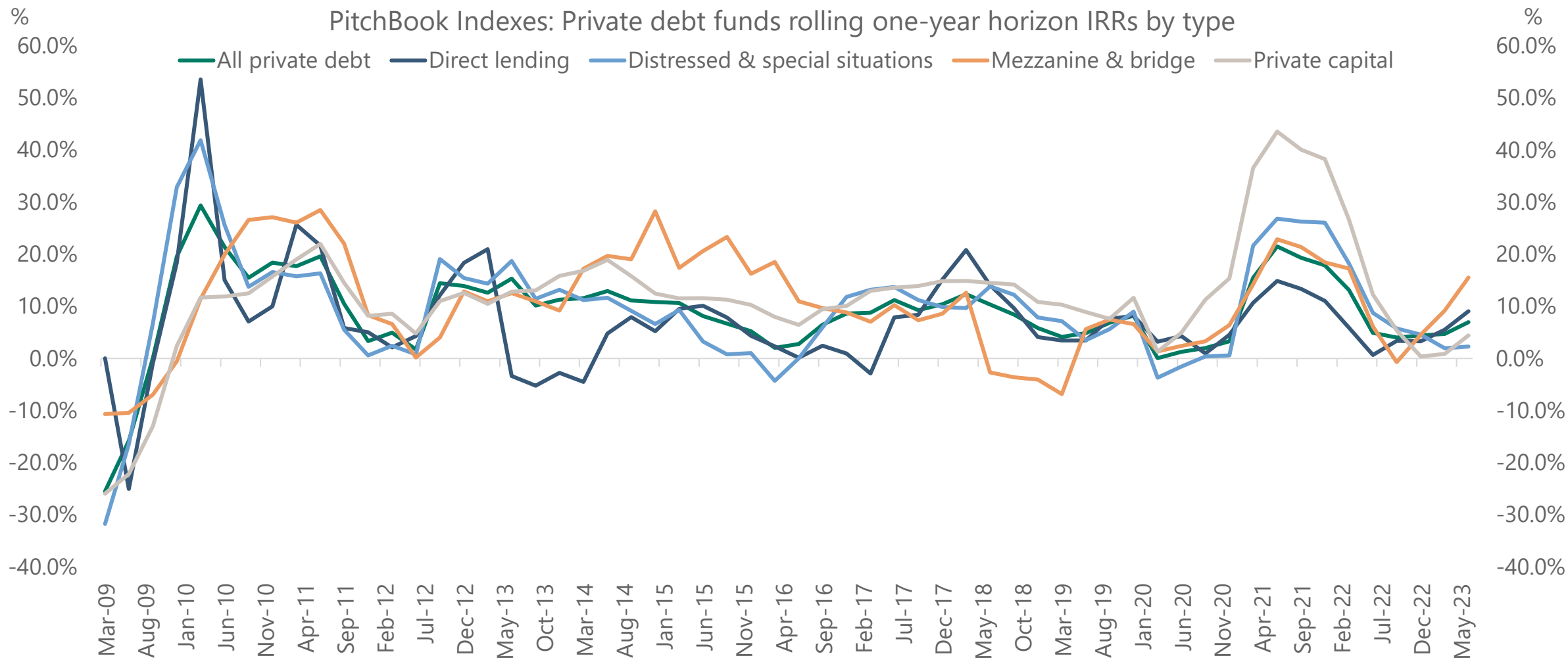


# Private debt fundraising



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

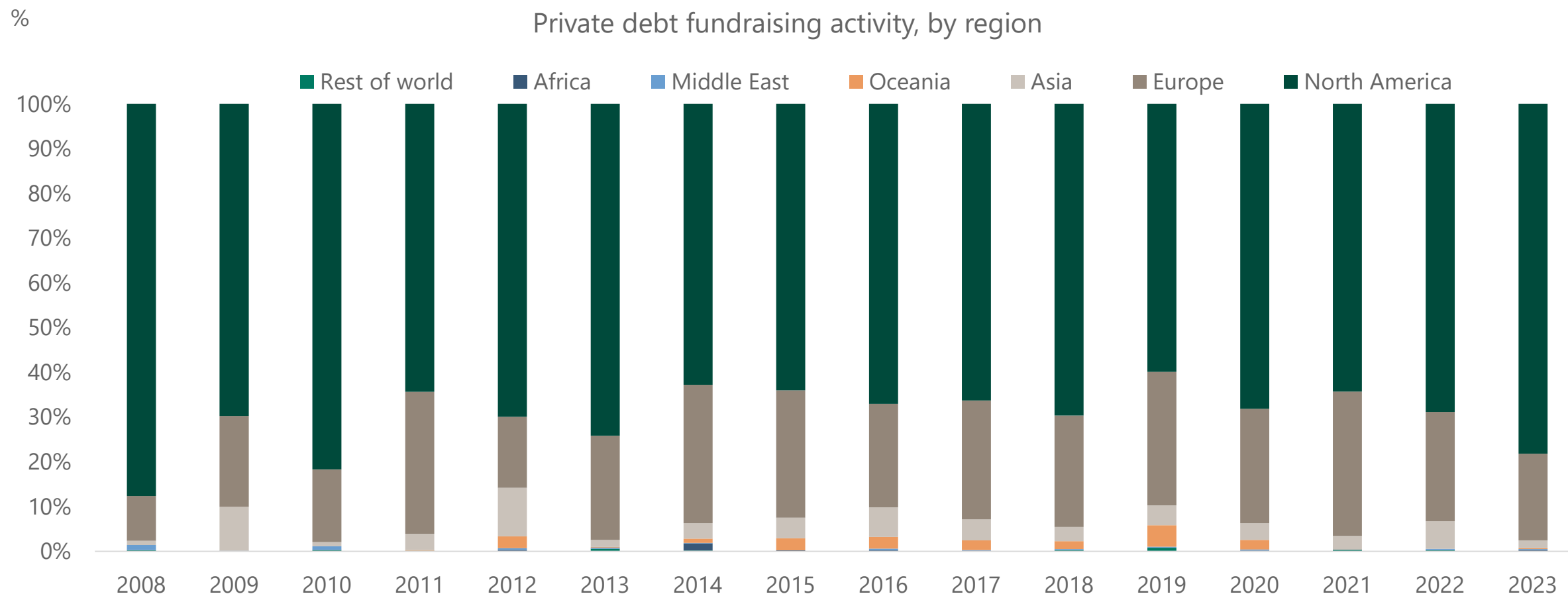
# Private debt returns by strategy



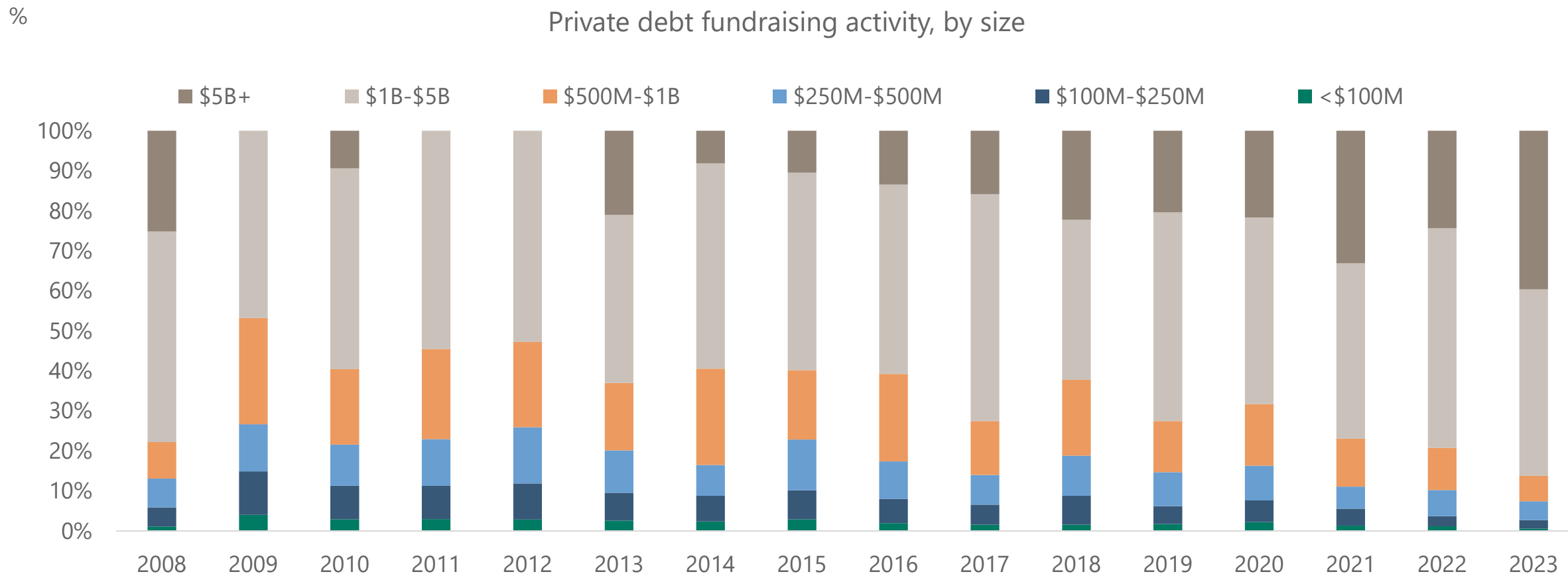
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> June 2023



# Private debt fundraising activity, by region

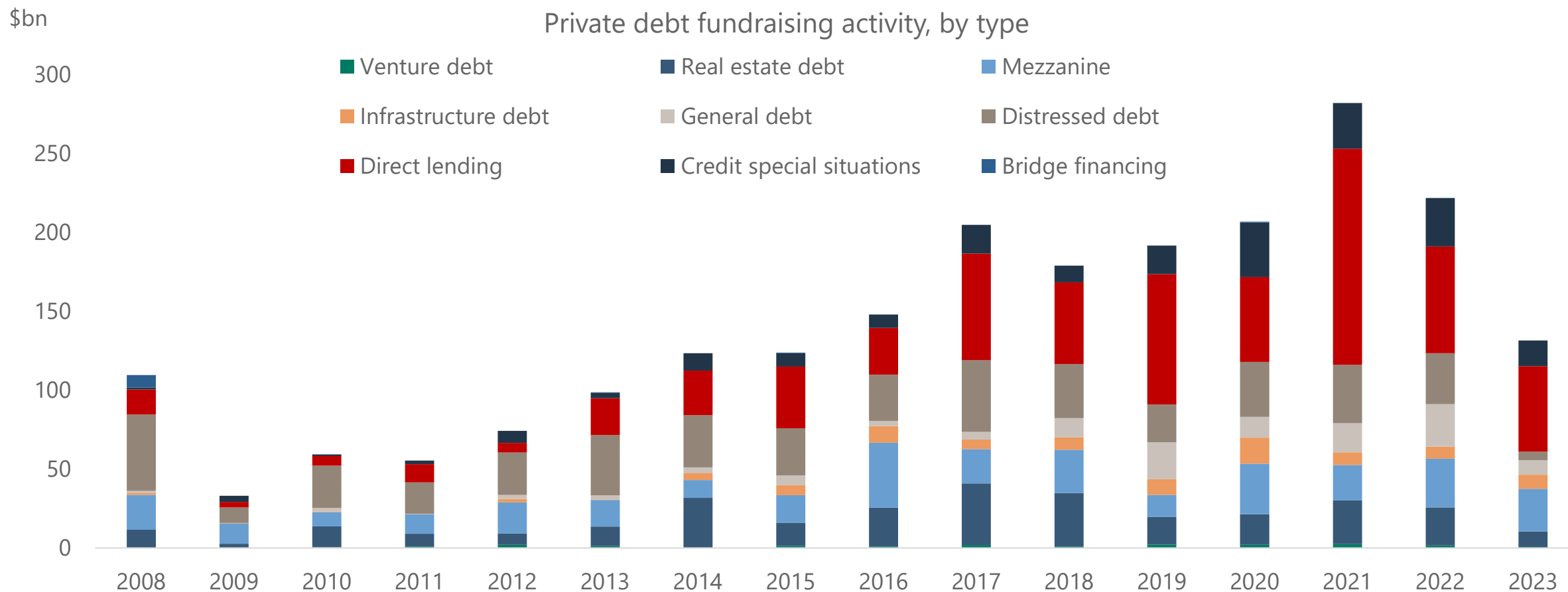


# Private debt fundraising activity, by size



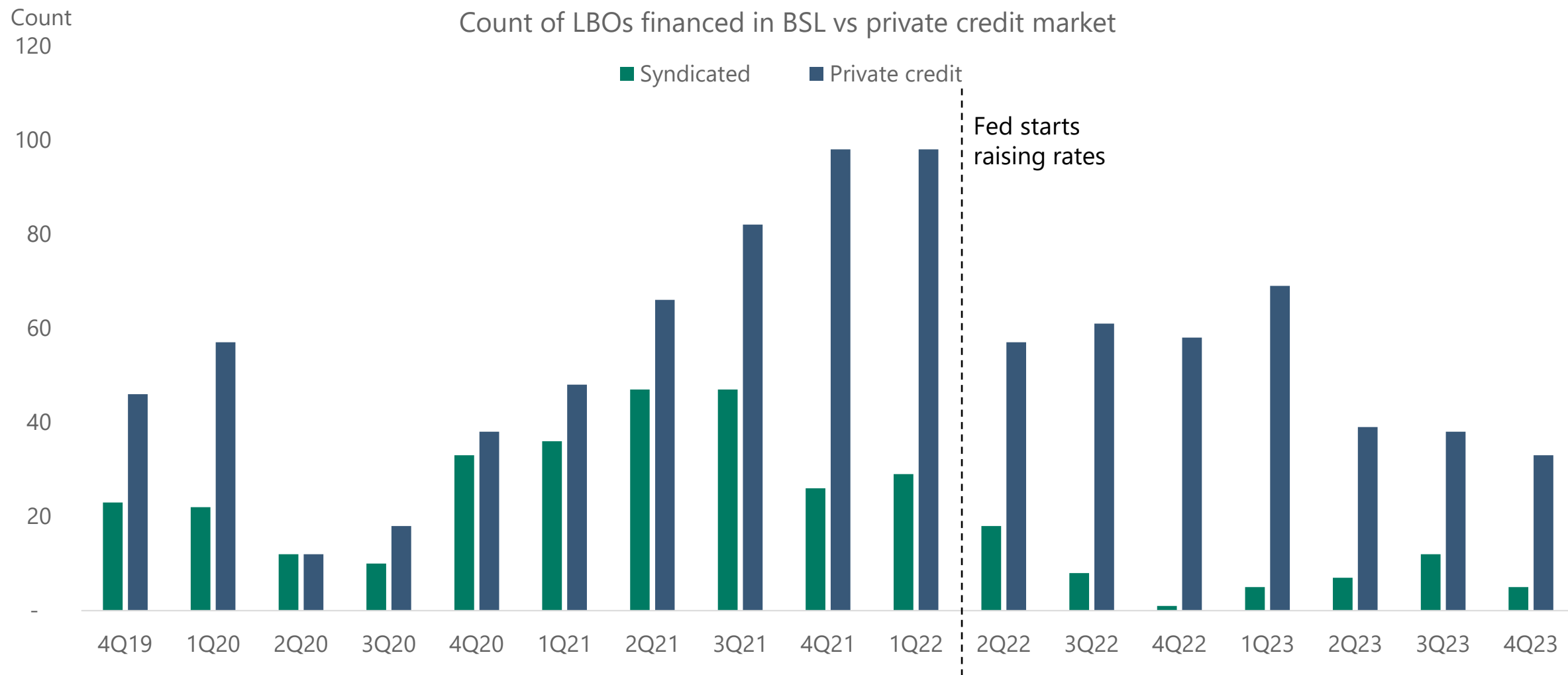
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# Private debt fundraising activity, by type



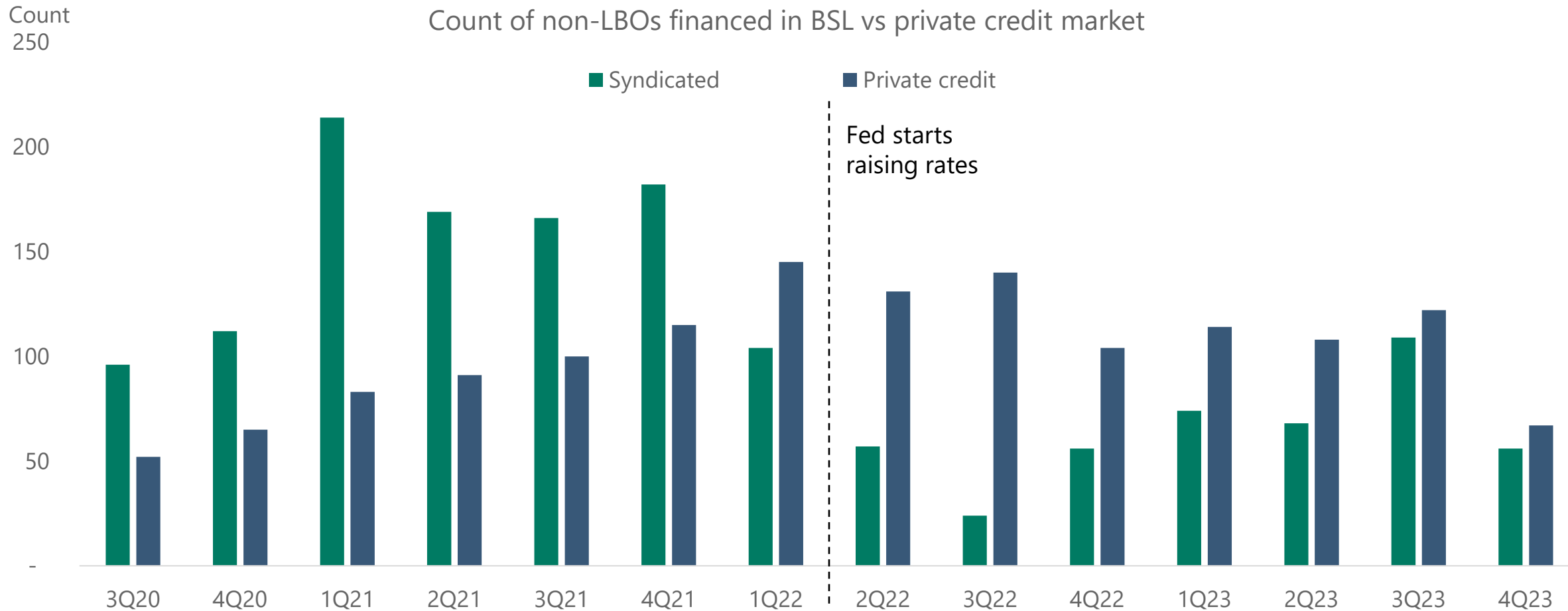
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# LBO financing



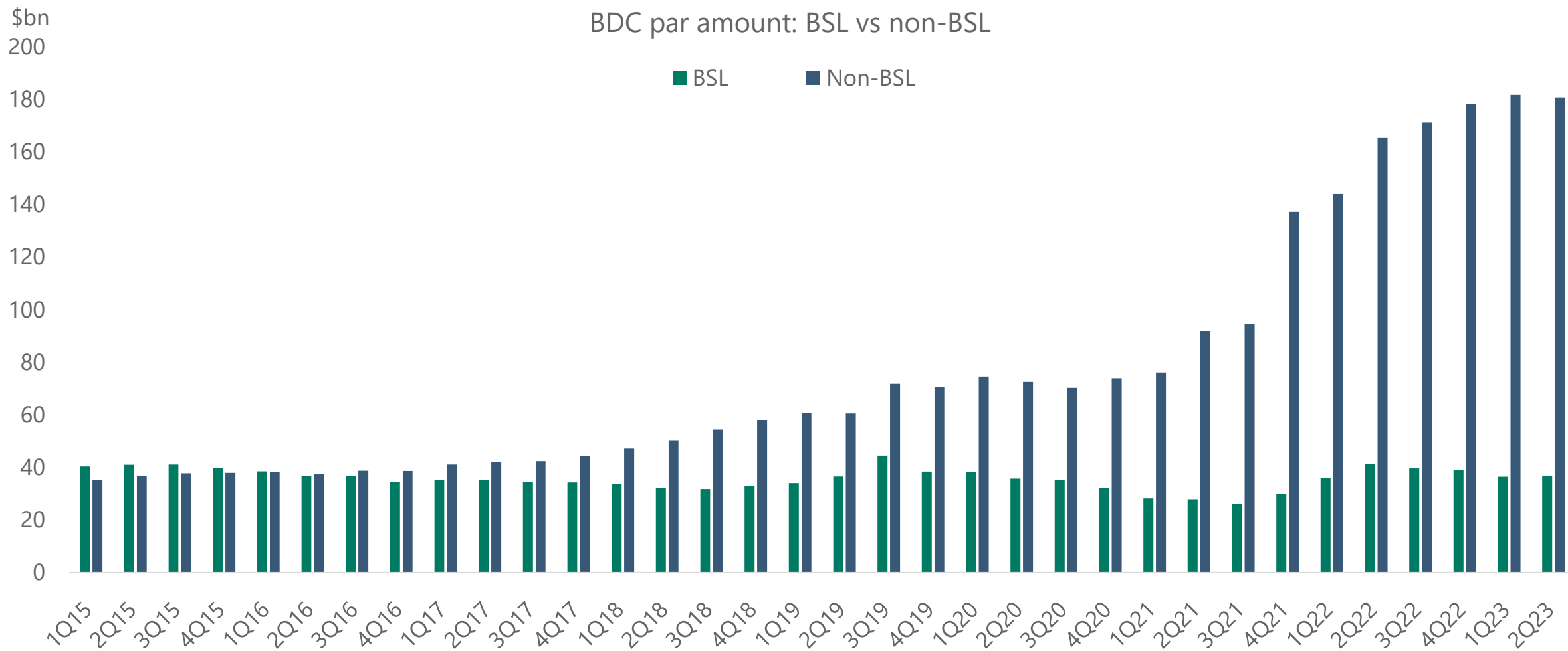
Source: Pitchbook LCD, Apollo Chief Economist. Note: Data as of 31<sup>st</sup> December 2023

# Non-LBO financing

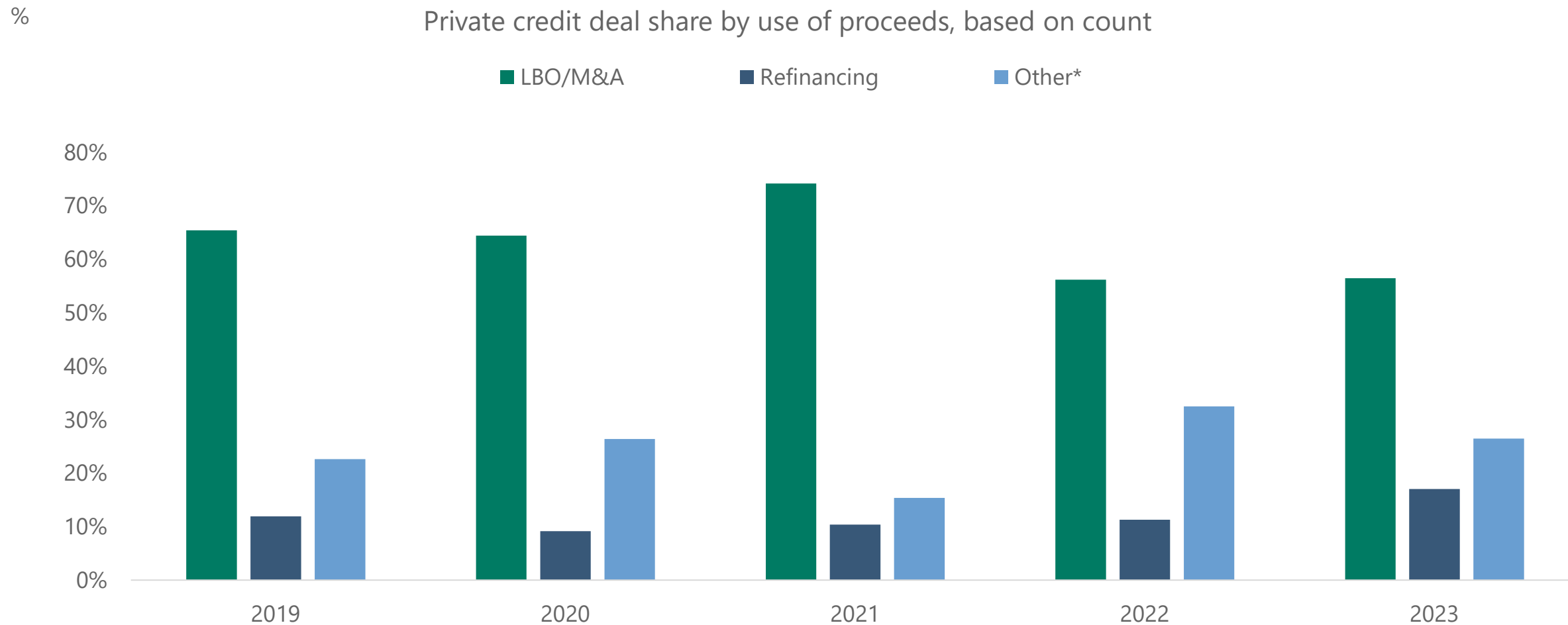


Source: Pitchbook LCD, Apollo Chief Economist. Note: Data as of 31<sup>st</sup> December 2023

# BDC par amount

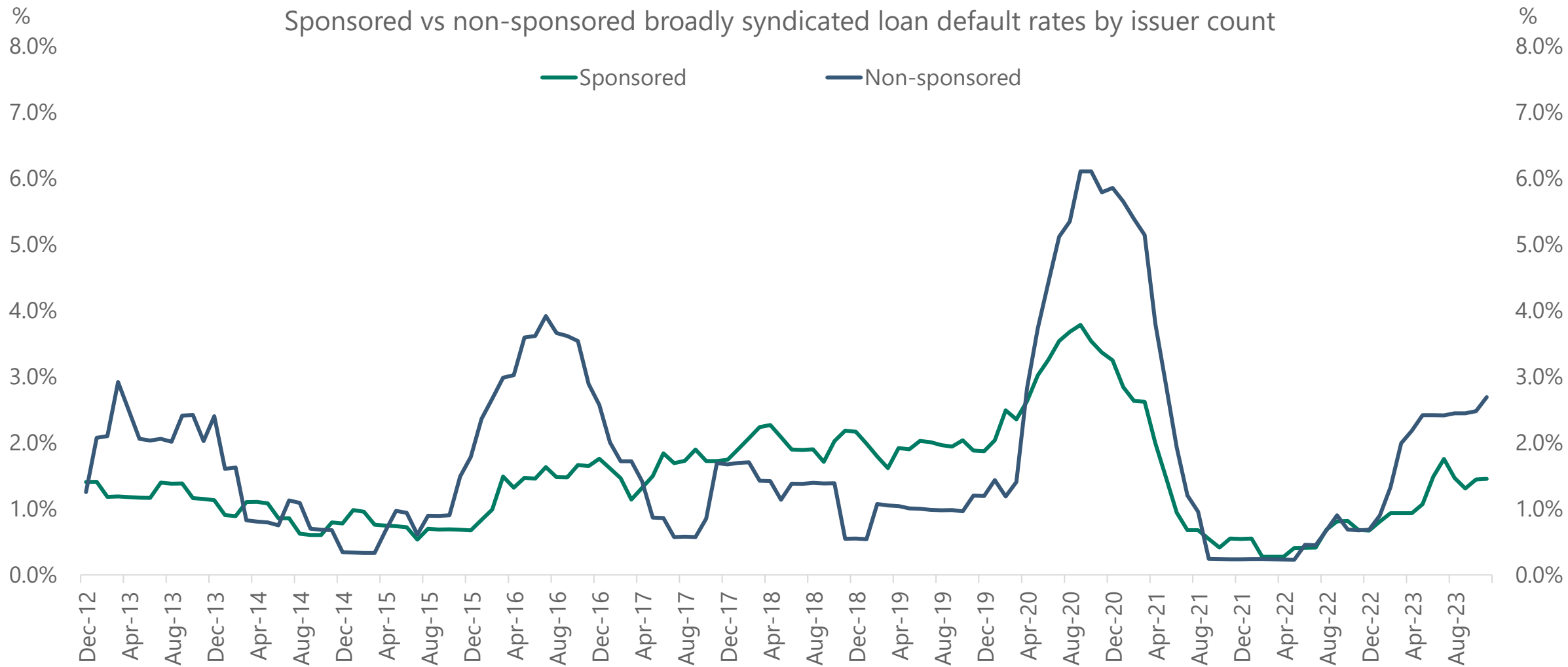


# Private credit by deal share



Source: Pitchbook LCD, Apollo Chief Economist. Note: Data through Nov. 27, 2023\*Other category includes recapitalizations, growth, working capital, or unspecified uses

# Broadly syndicated loan default rates

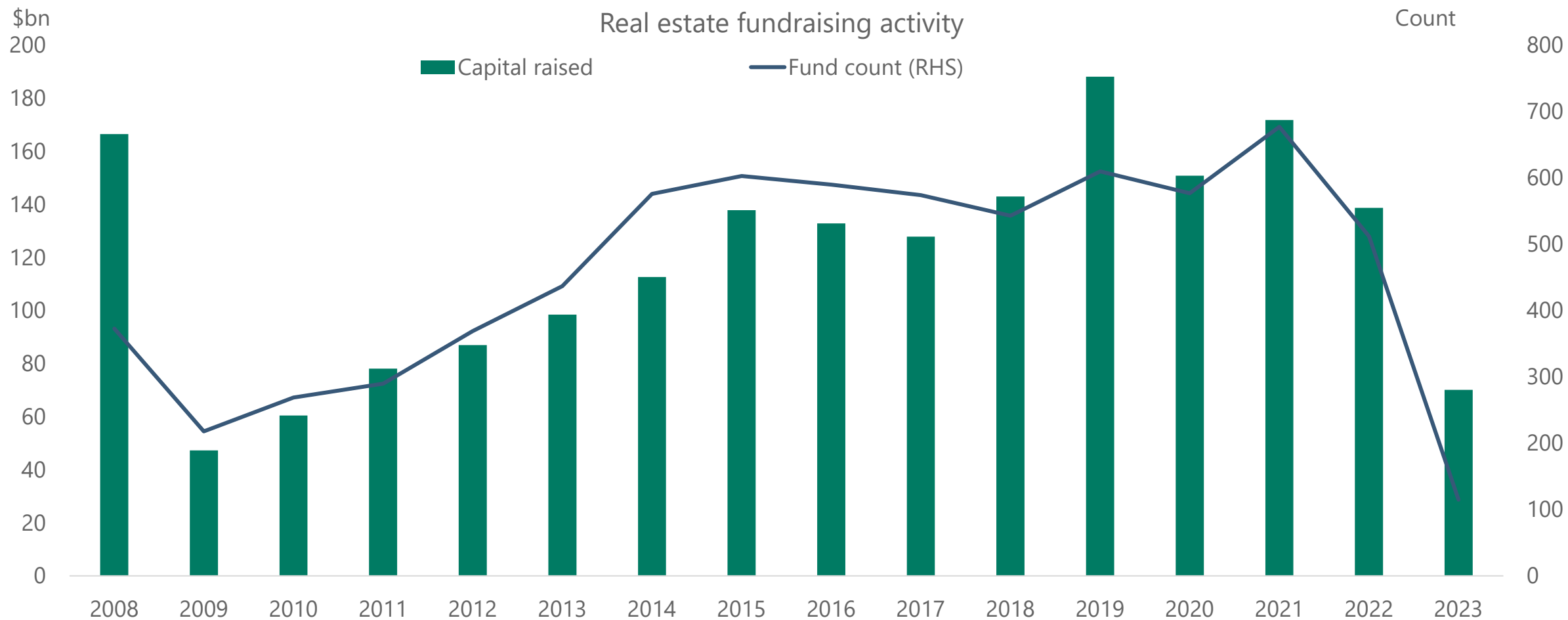


Source: Pitchbook LCD, Apollo Chief Economist.



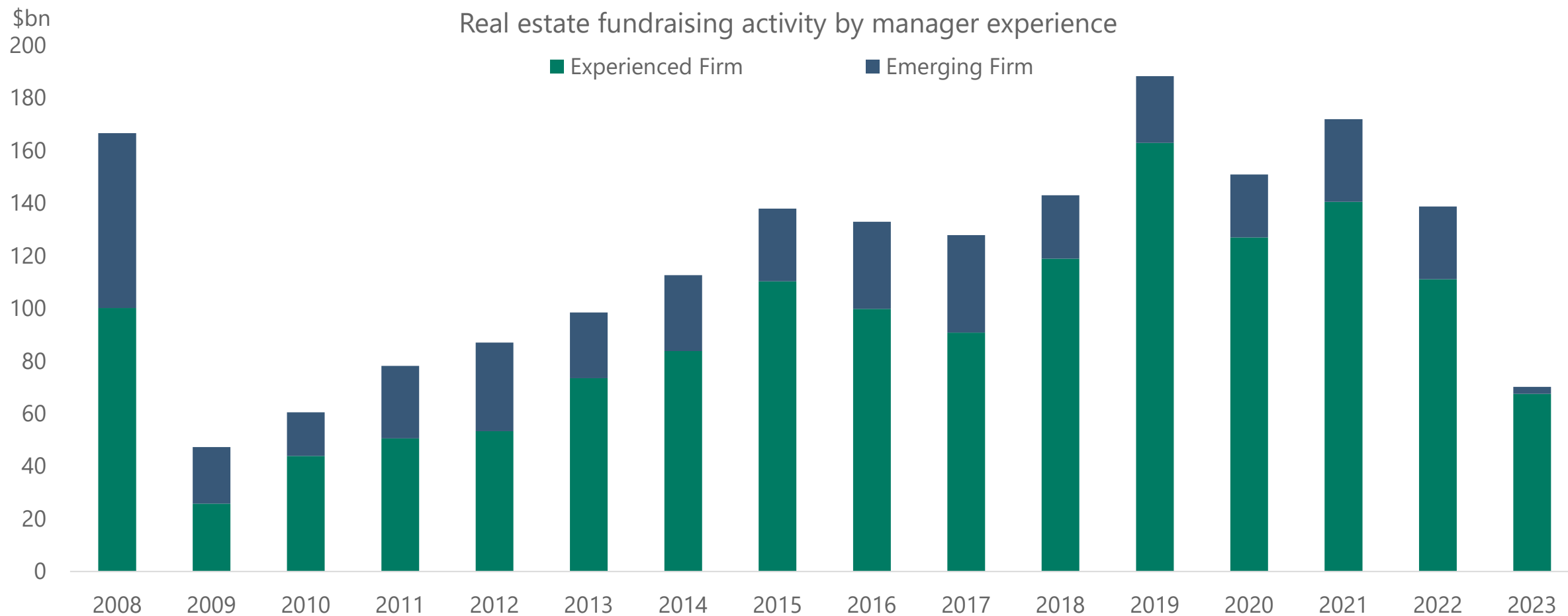
Real estate

# Real estate fundraising activity

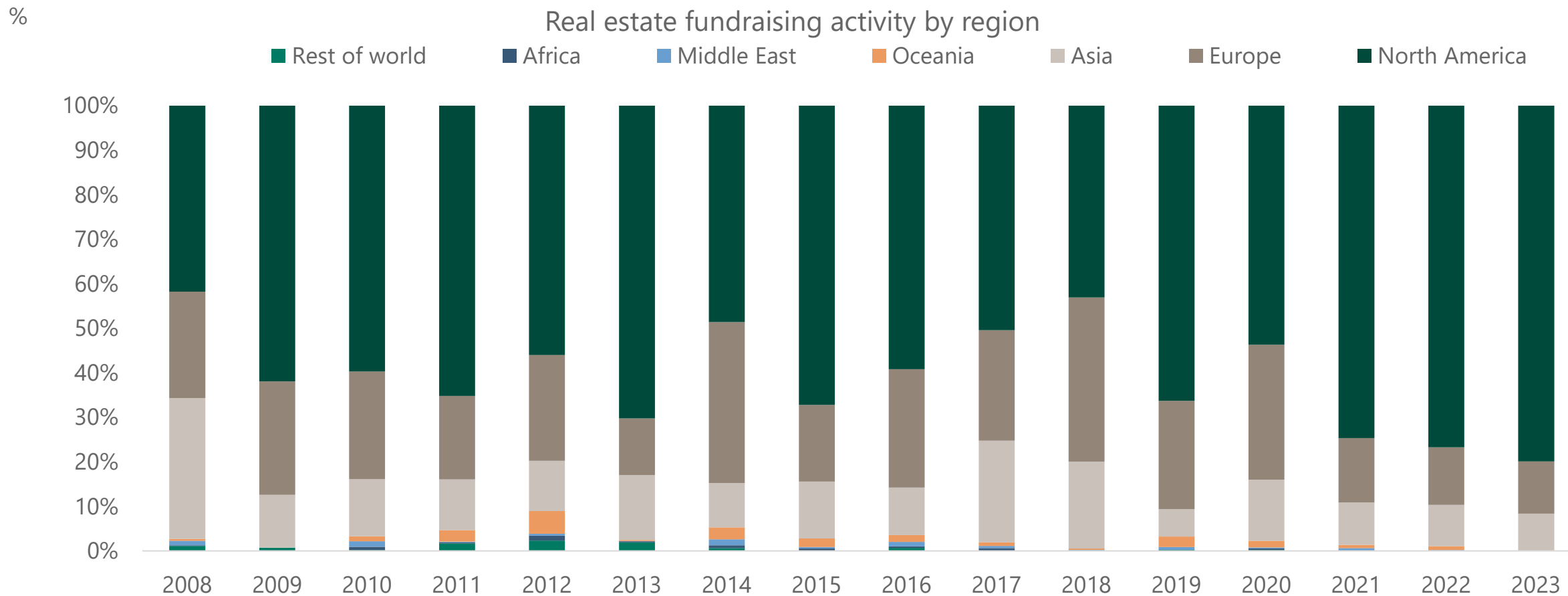


Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# Real estate fundraising led by experienced firms

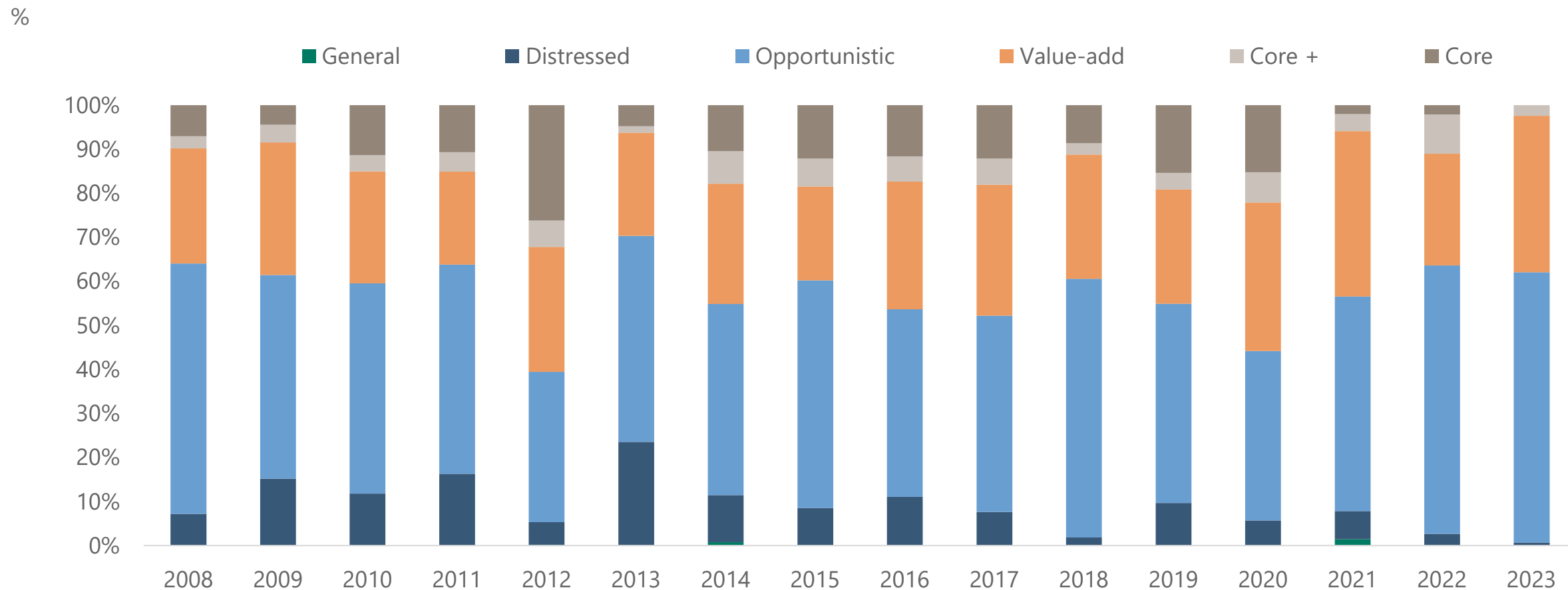


# 80% of real estate fundraising is in North America



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

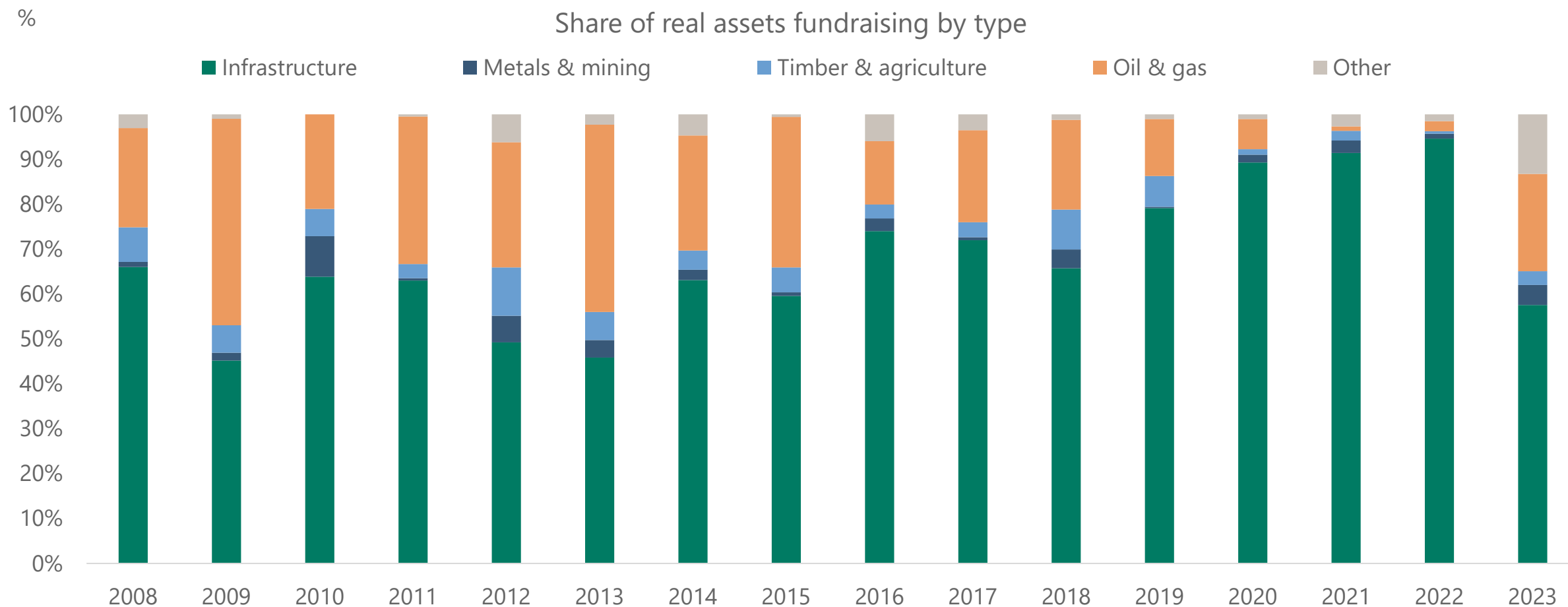
# Real estate fundraising activity by type



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

Real assets

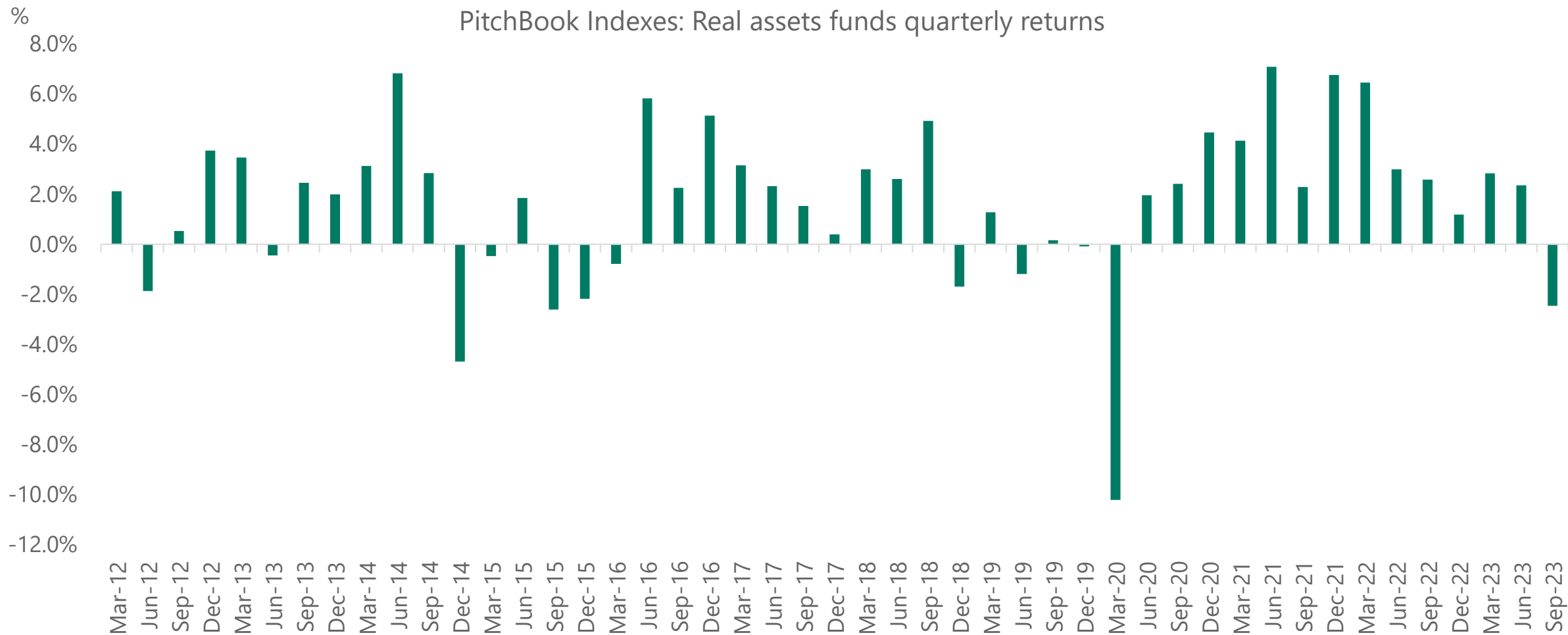
# Real assets is mainly infrastructure



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# Real assets performance

PitchBook Indexes: Real assets funds quarterly returns

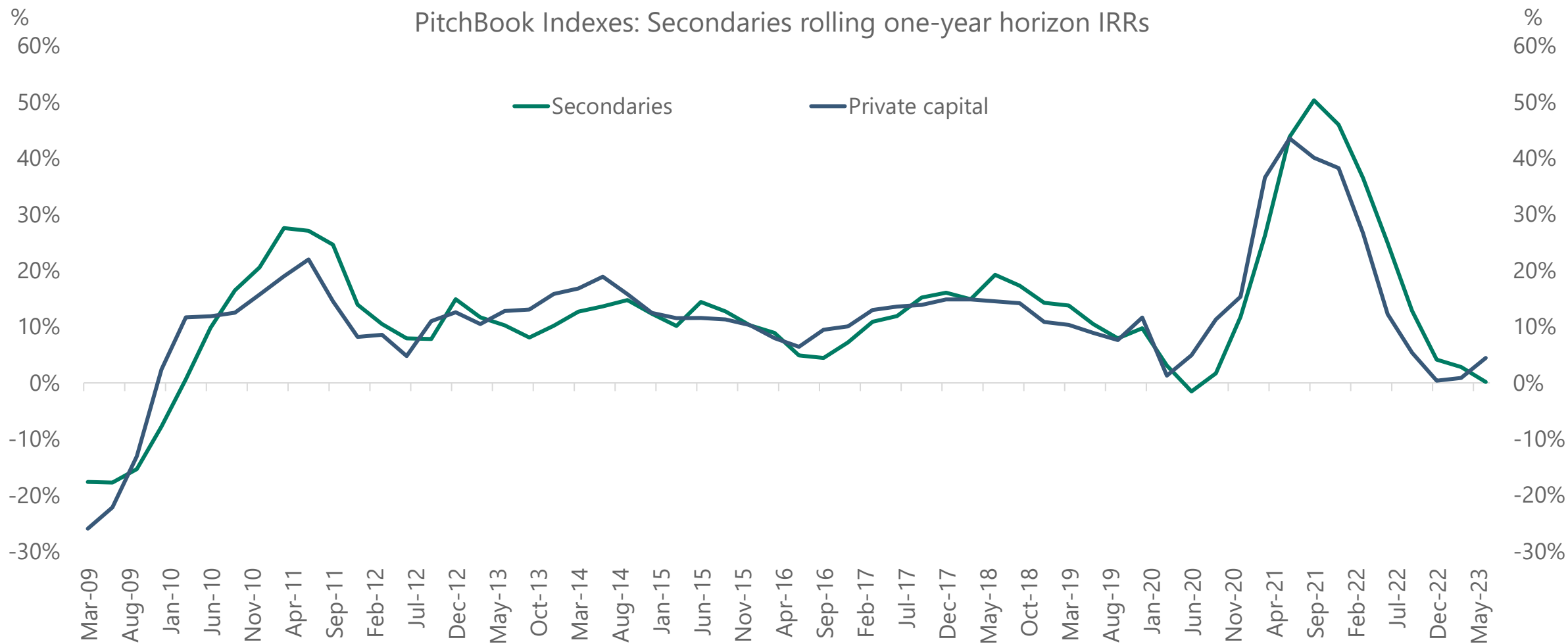


Source: Pitchbook, Apollo Chief Economist. Note: Q32023 preliminary figure

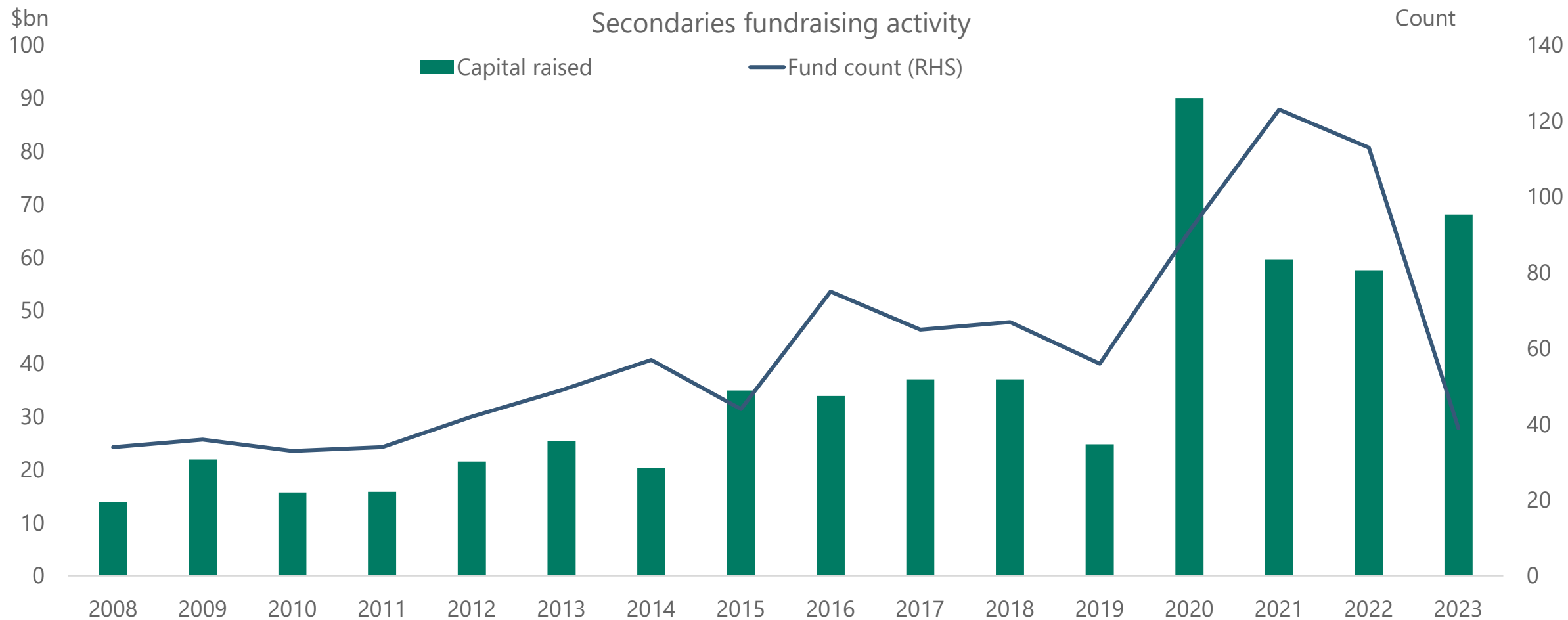


# Secondaries

# Secondaries performance

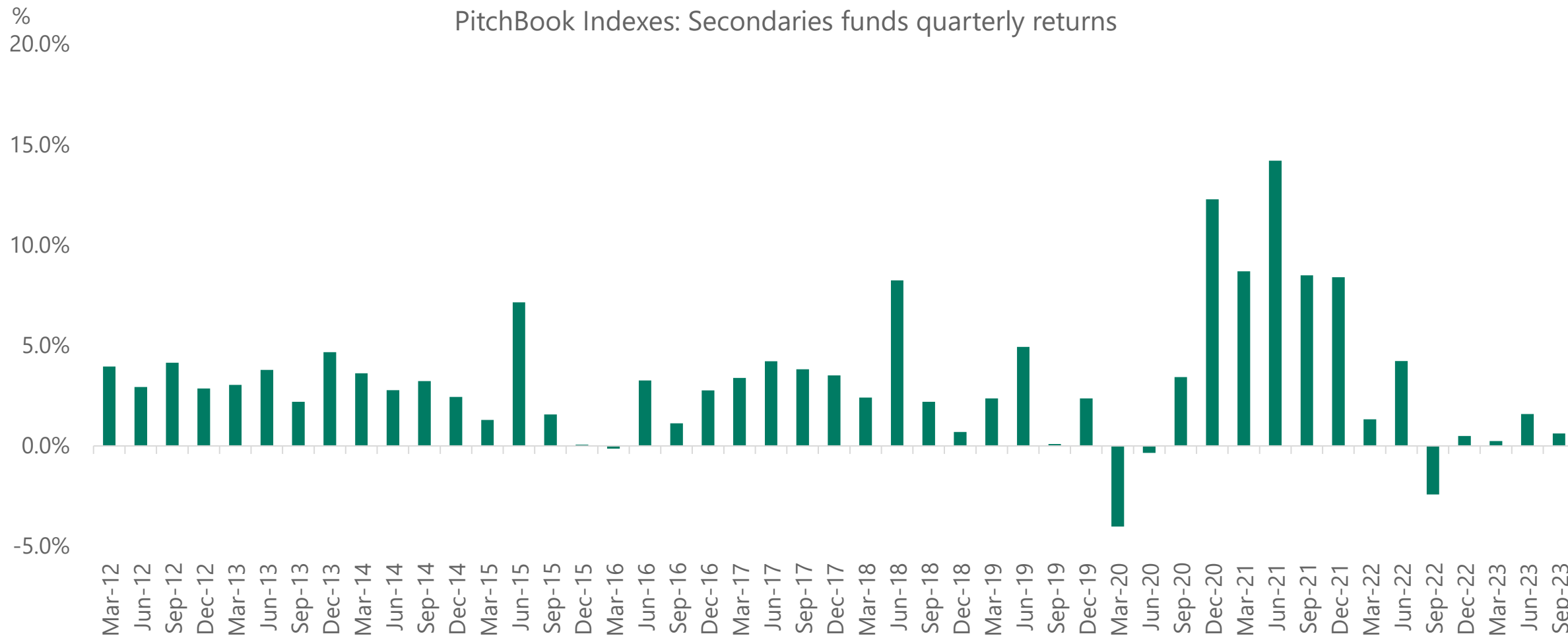


# Secondaries fundraising activity



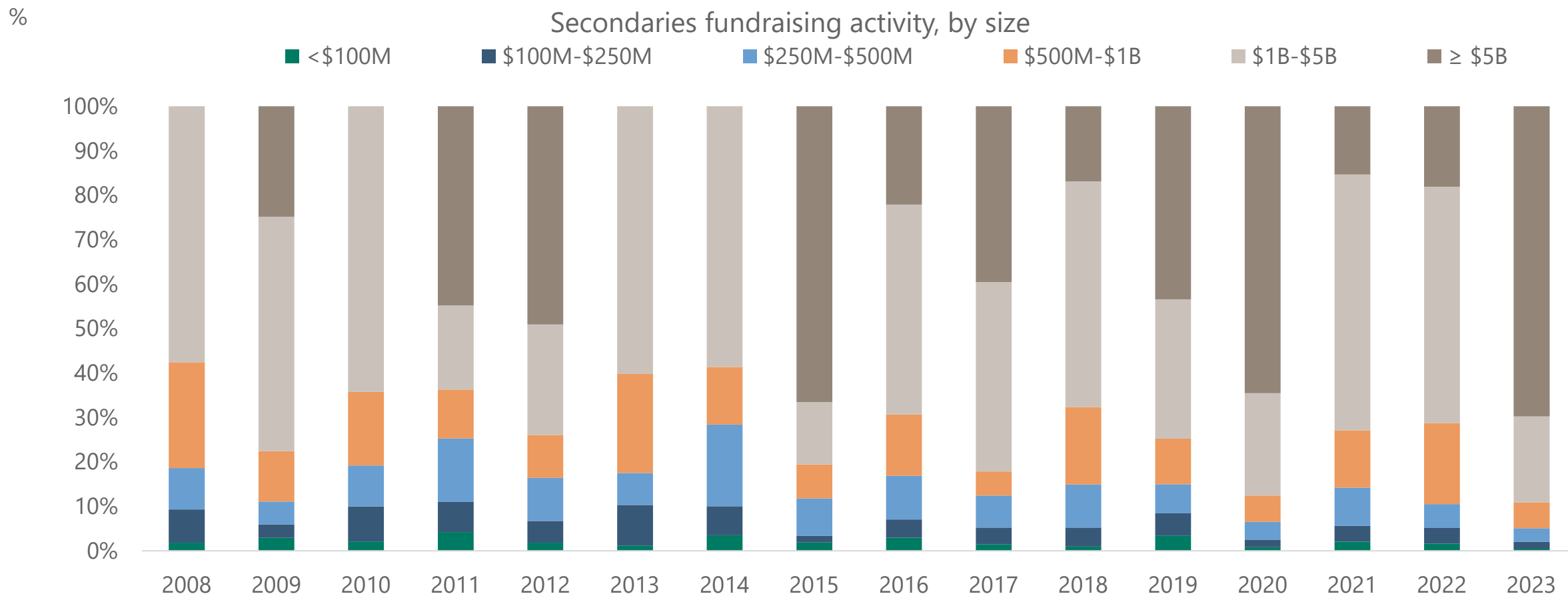
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# Secondaries quarterly returns



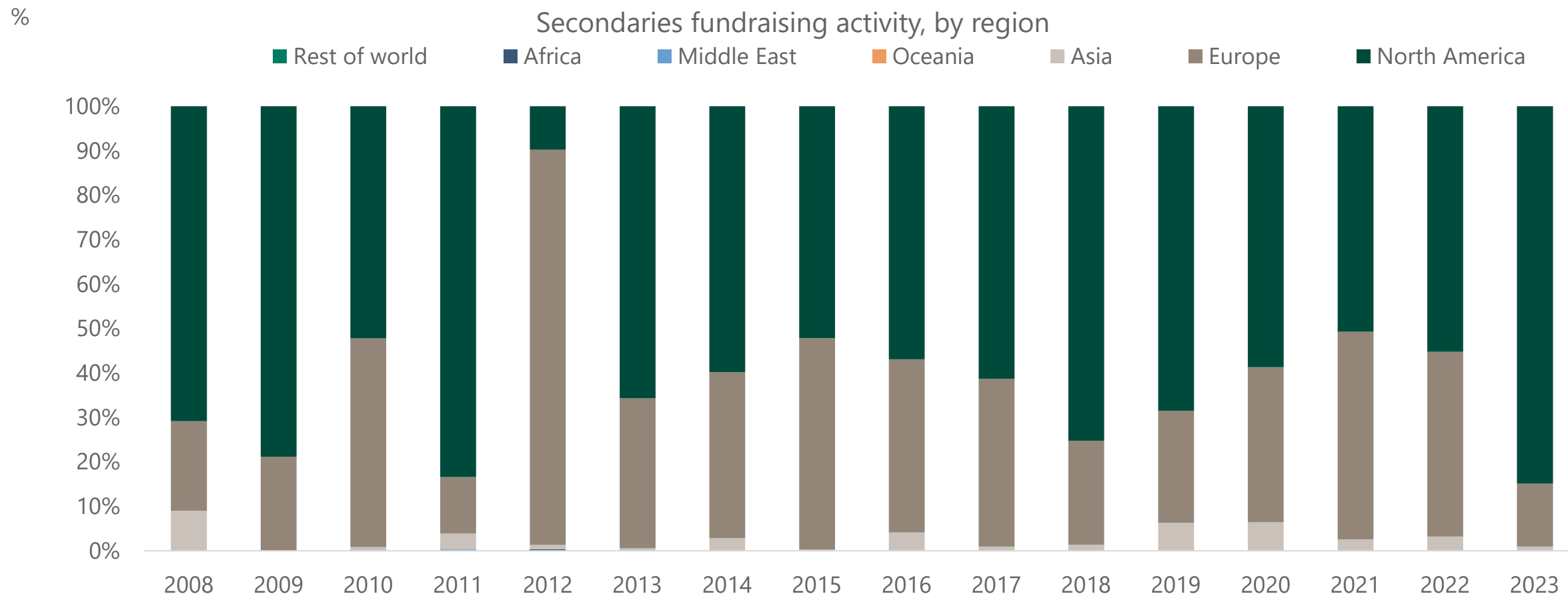
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> June 2023

# Secondaries fundraising activity, by size



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

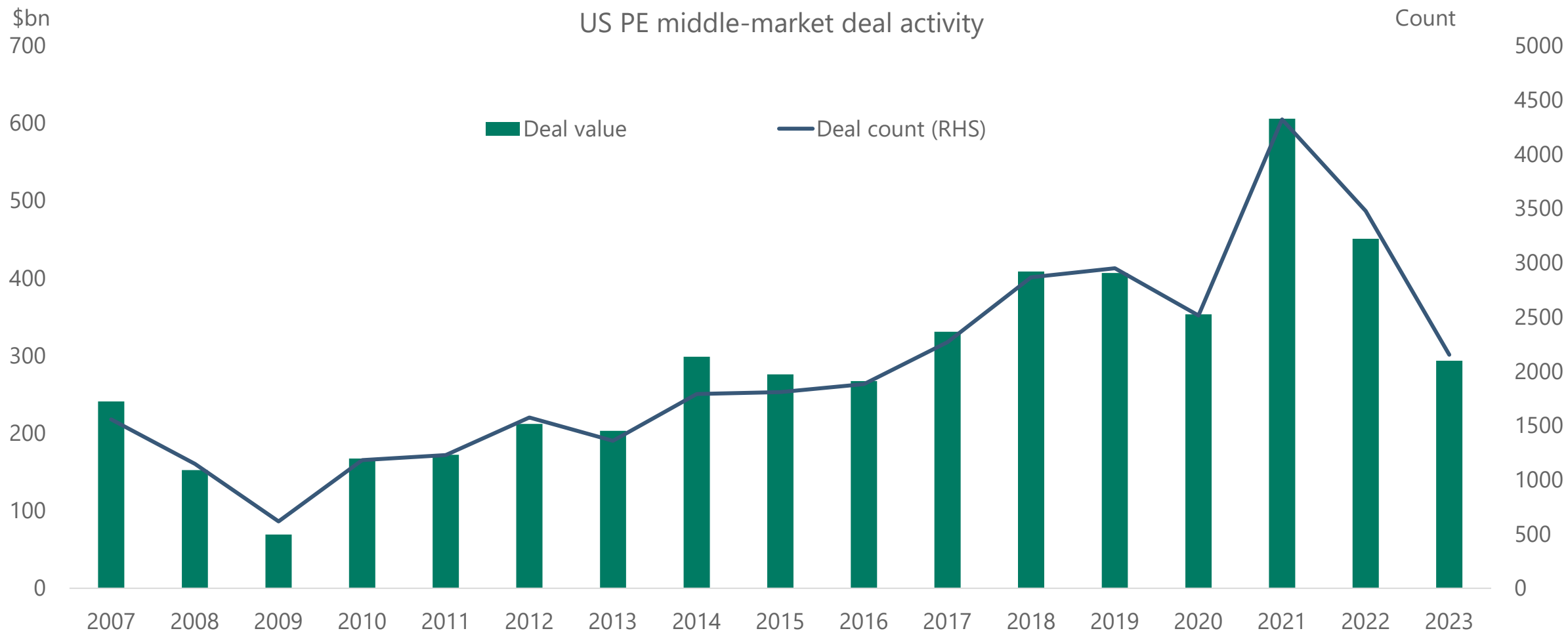
# Secondaries fundraising activity, by region



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# Middle Market

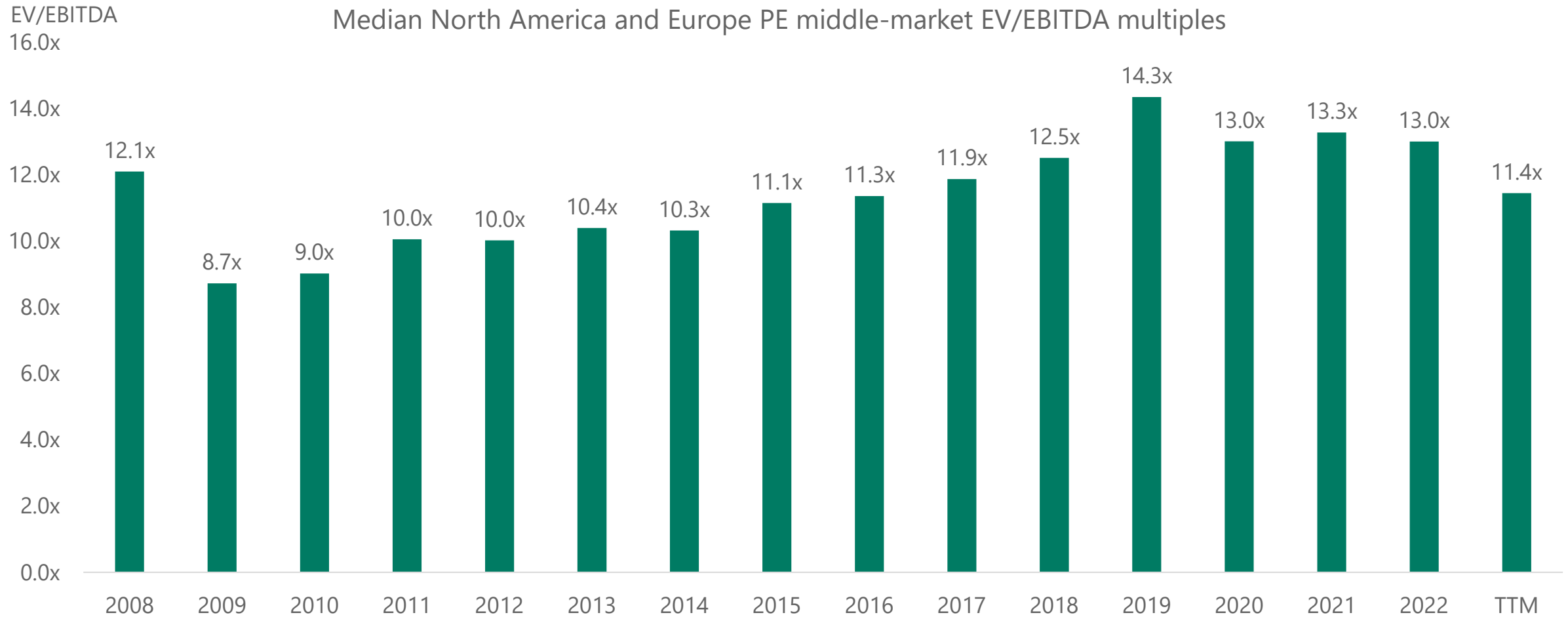
# US PE middle market deal activity



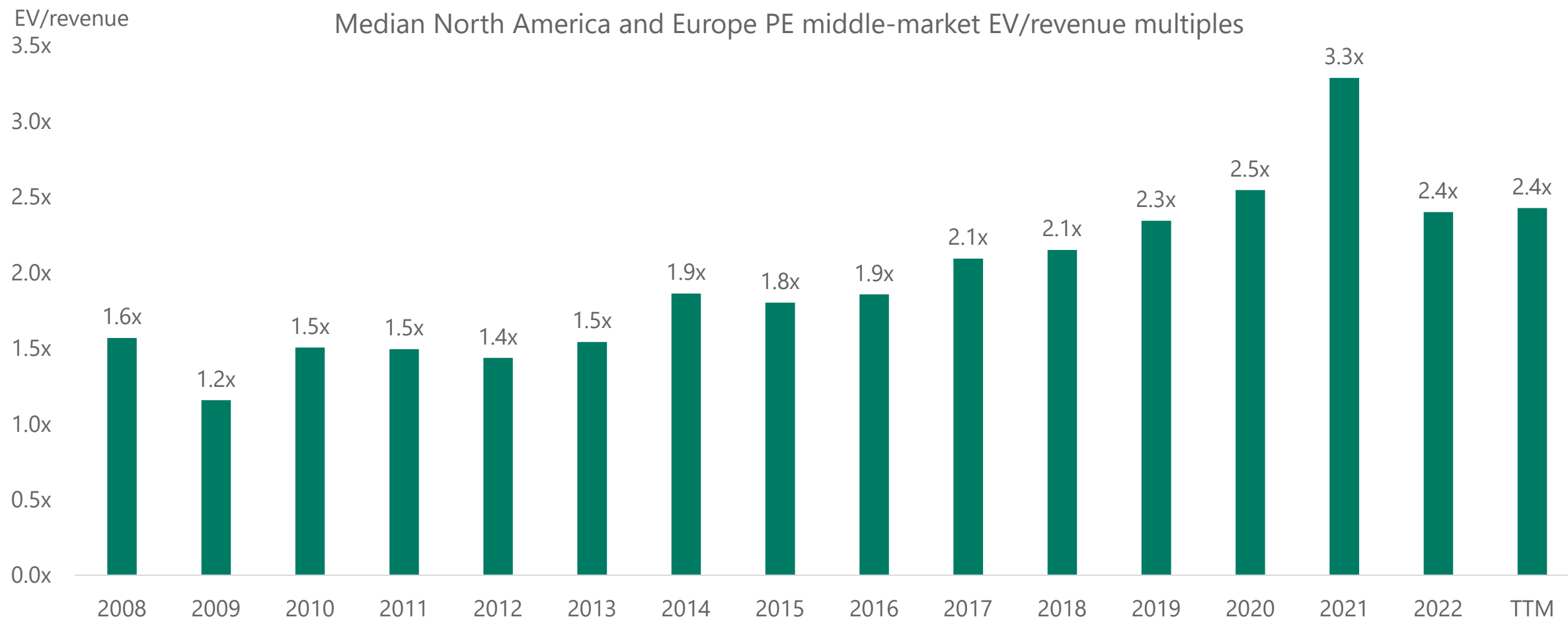
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023



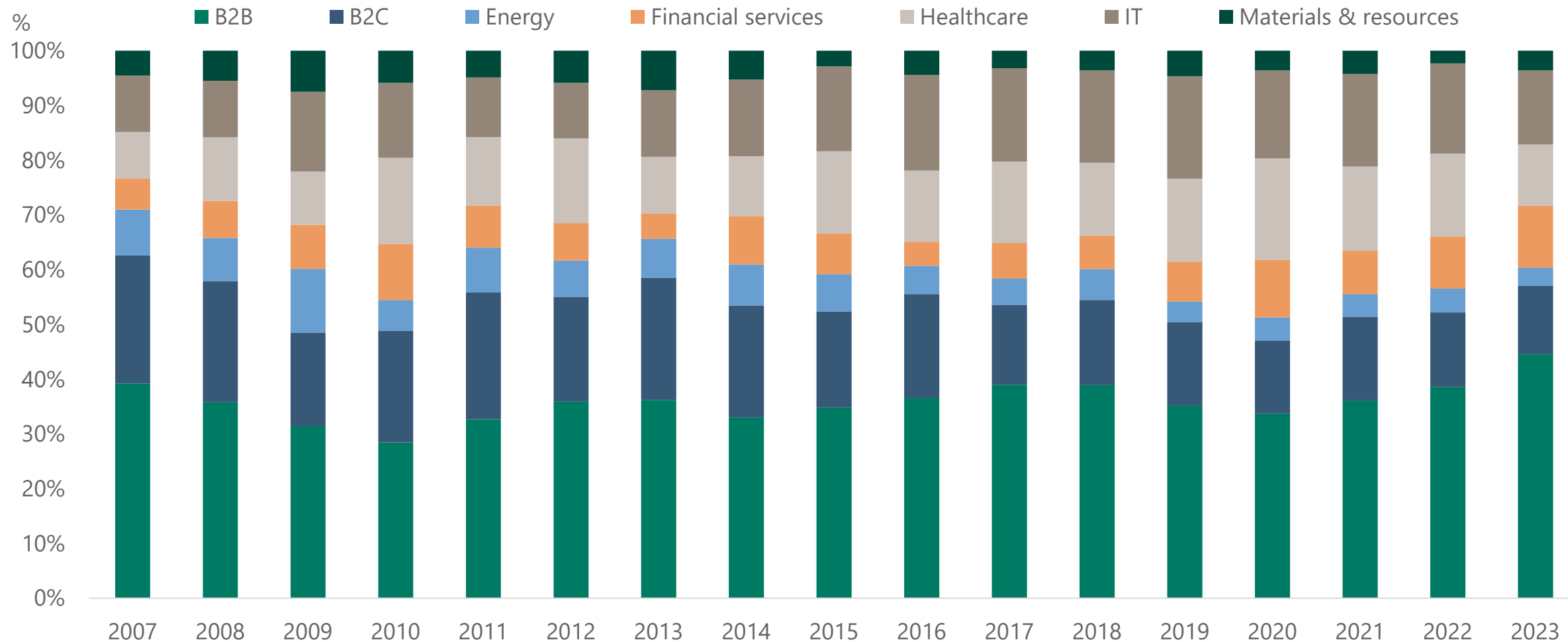
# Median North America and Europe PE middle-market EV/EBITDA multiples



# Median North America and Europe PE middle-market EV/revenue multiples

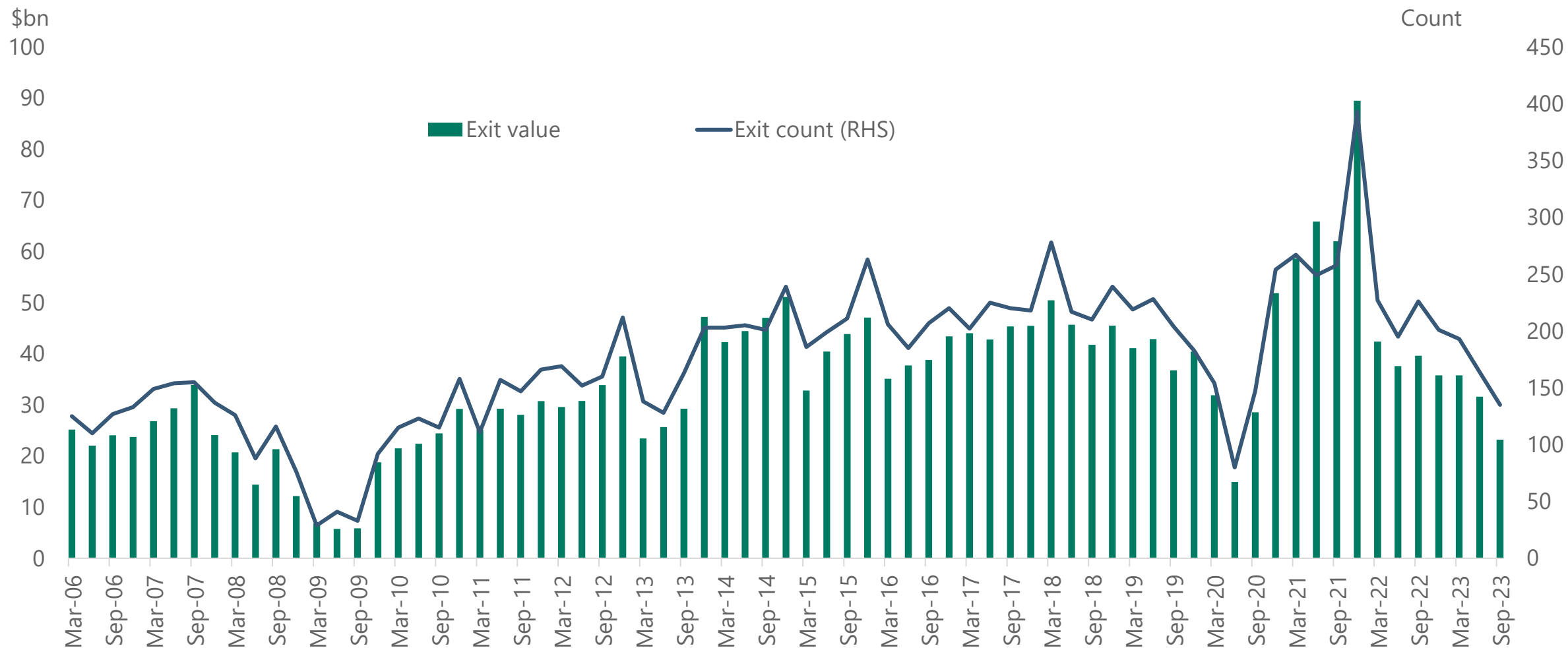


# Share of US PE middle-market deal value by sector



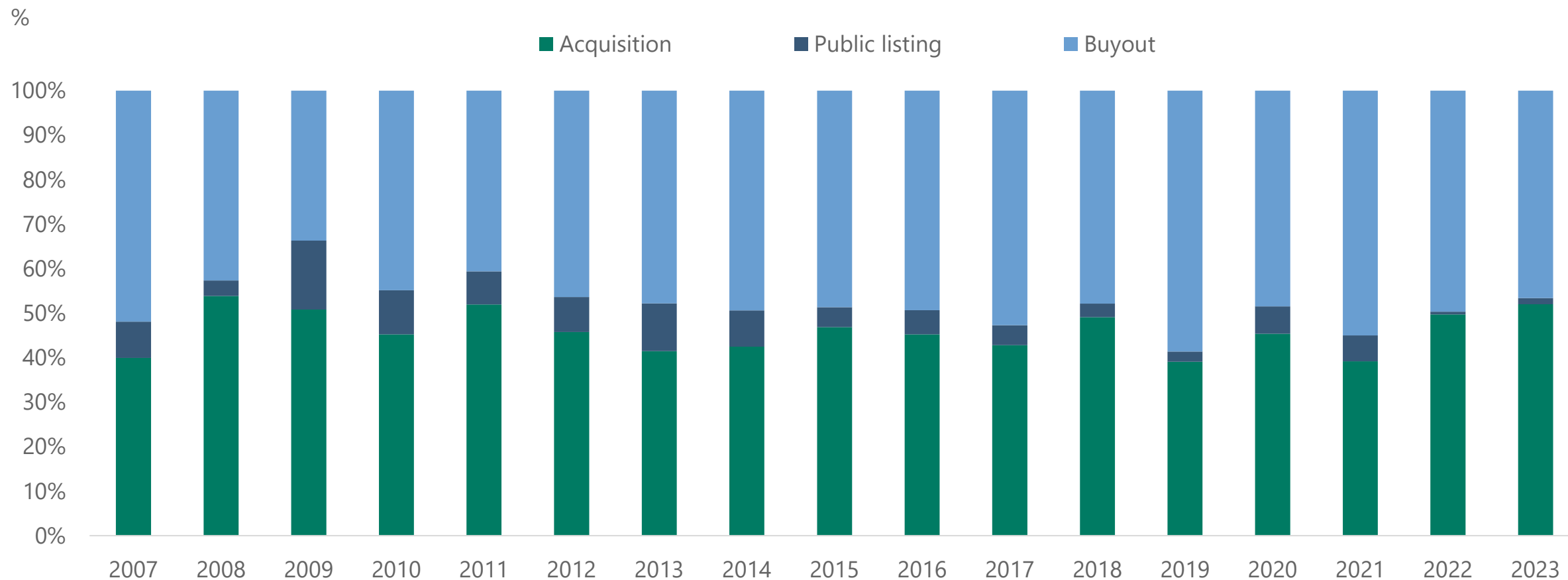
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# US PE middle-market exit activity by quarter



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

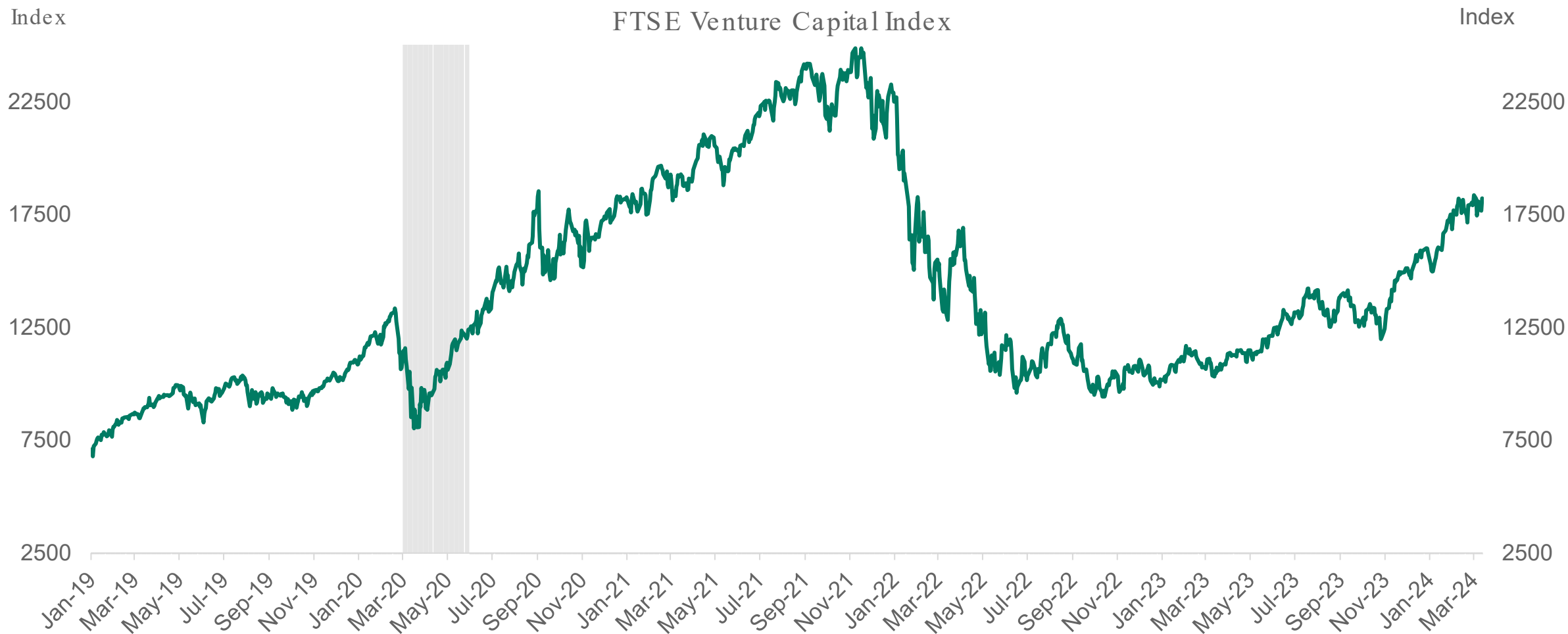
# US PE middle-market exit value by type



Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

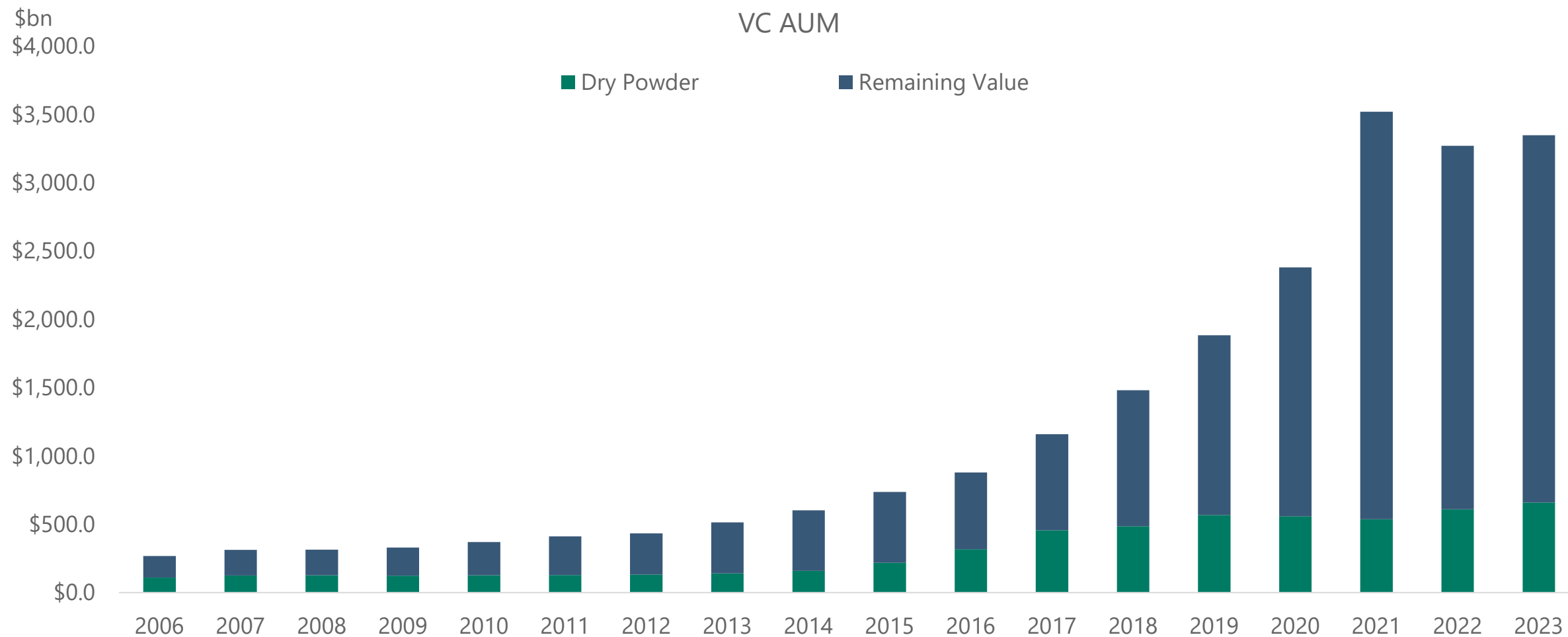
# Venture Capital

# US venture capital valuations



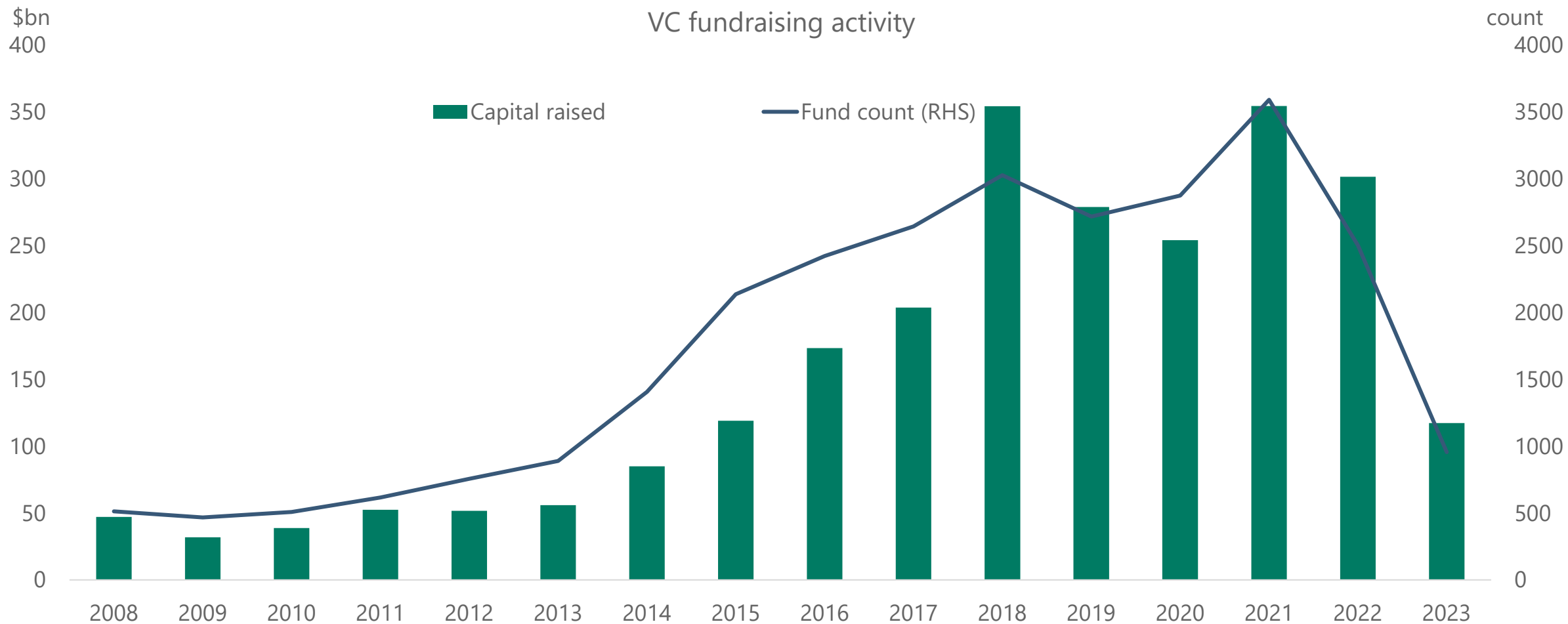
Source: Bloomberg, Apollo Chief Economist. Note: The Thomson Reuters Venture Capital Index is designed to measure the value of the US-based venture capital private company universe in which venture capital funds invest.

# VC assets under management



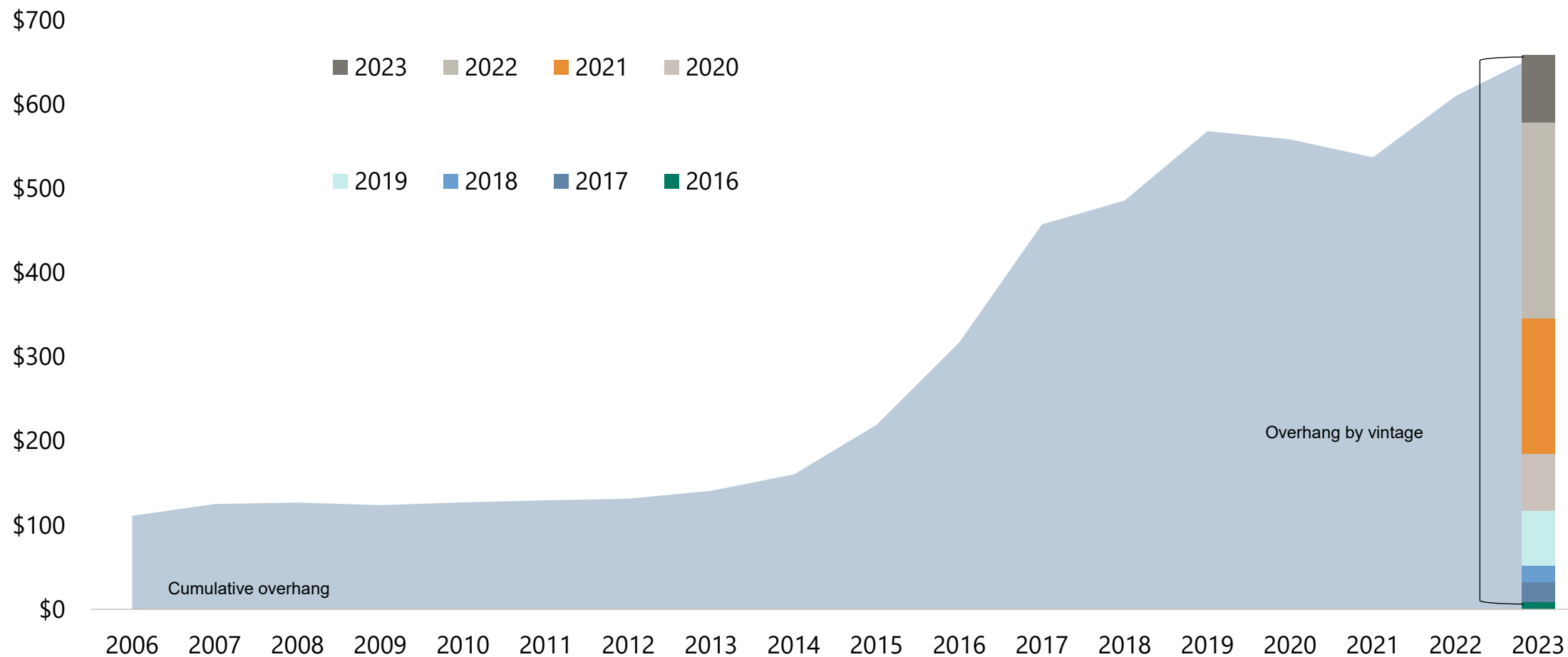


# VC fundraising activity very weak



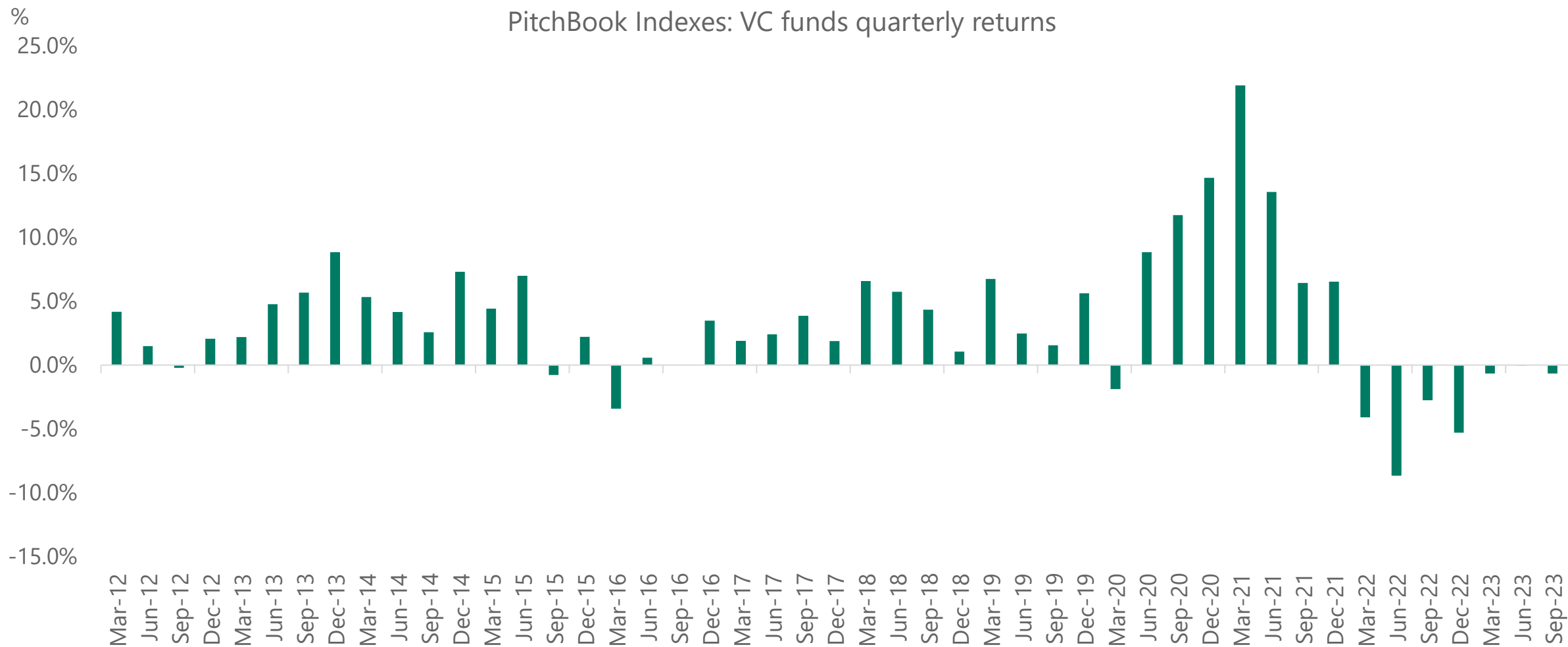
Source: Pitchbook, Apollo Chief Economist. Note: Data as of 30<sup>th</sup> September 2023

# VC dry powder by vintage



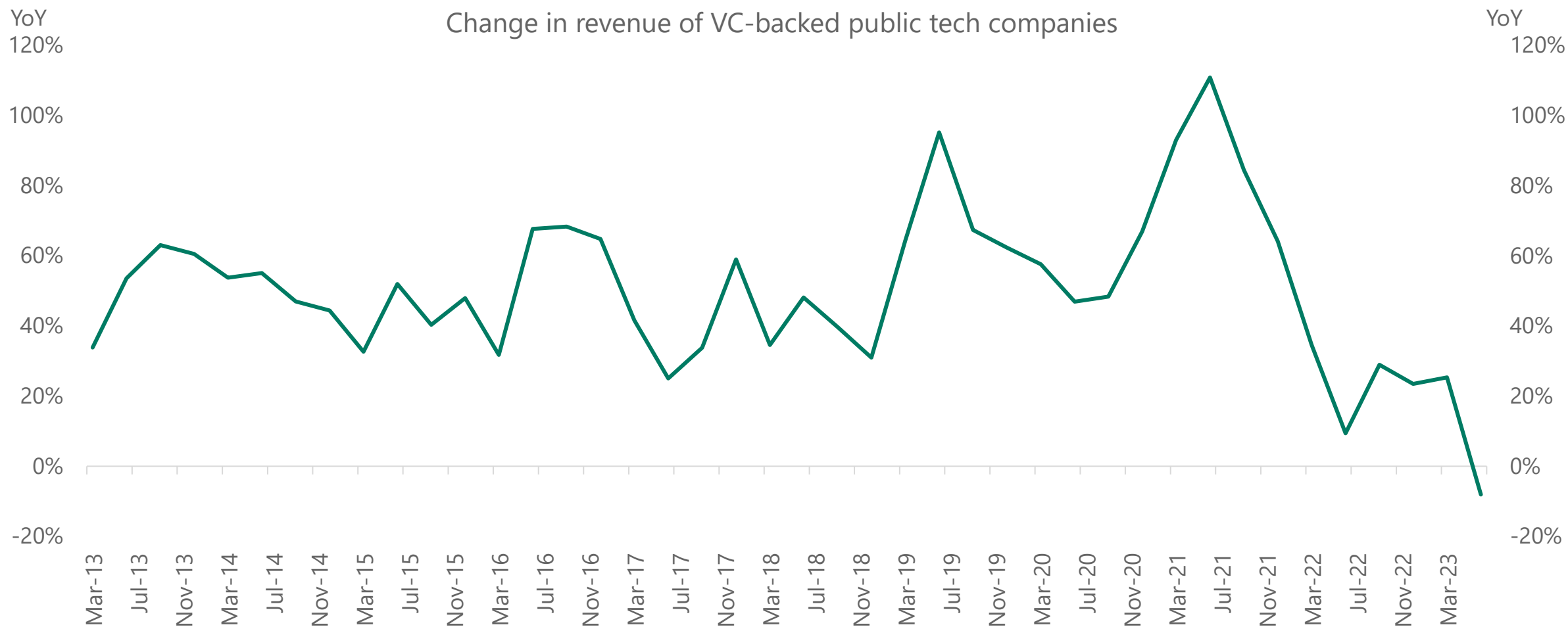
# VC returns negative

PitchBook Indexes: VC funds quarterly returns

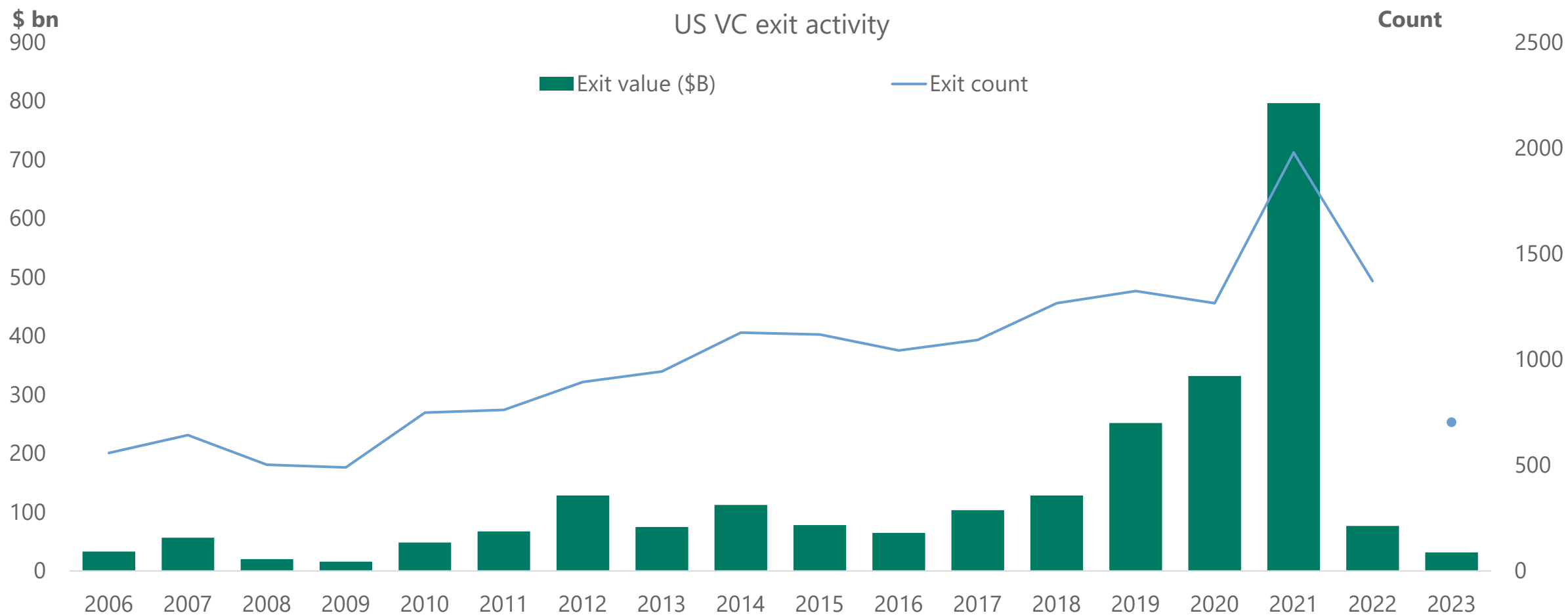


Source: Pitchbook, Apollo Chief Economist. Note: Q32023 preliminary figure

# Revenue growth in VC-backed public tech companies has turned negative

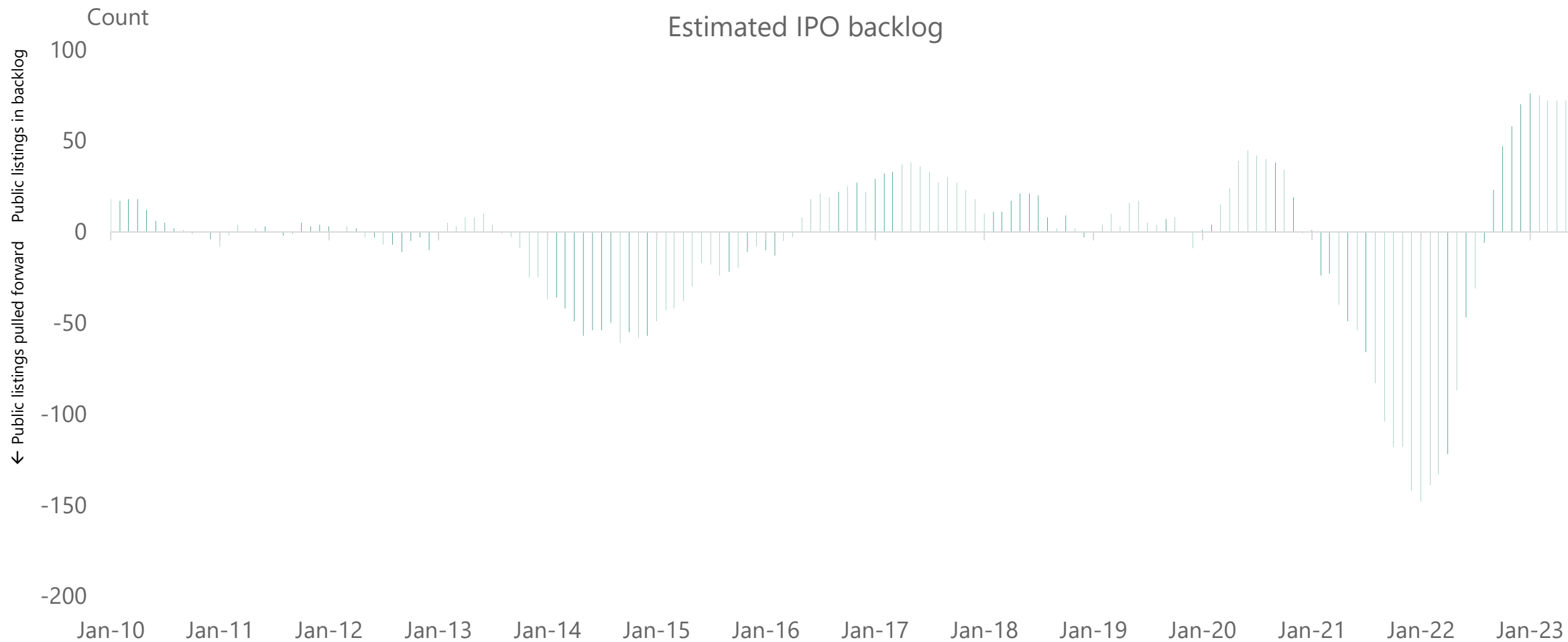


# VC exit activity



Source: Pitchbook, Apollo Chief Economist. Data as of September 2023

# Backlog of VC-backed IPOs piling up



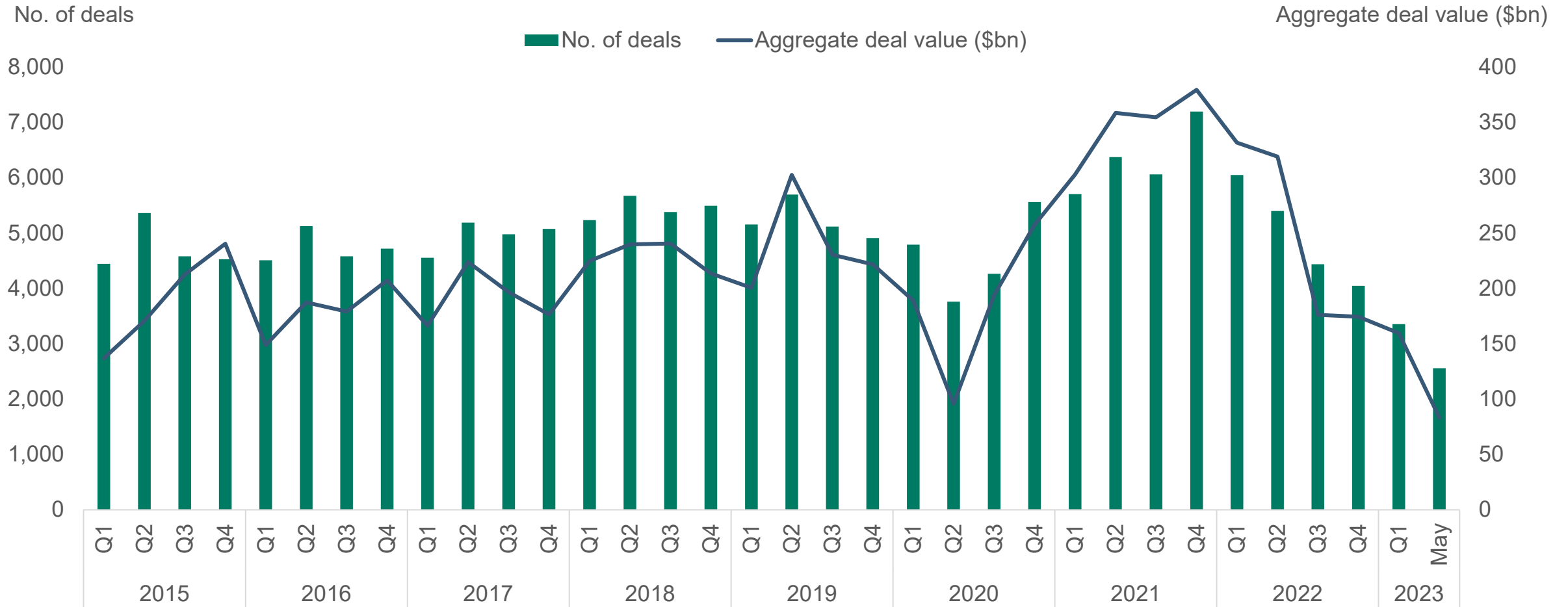
# Recent LBO activity

# Average yield to maturity is above 11%

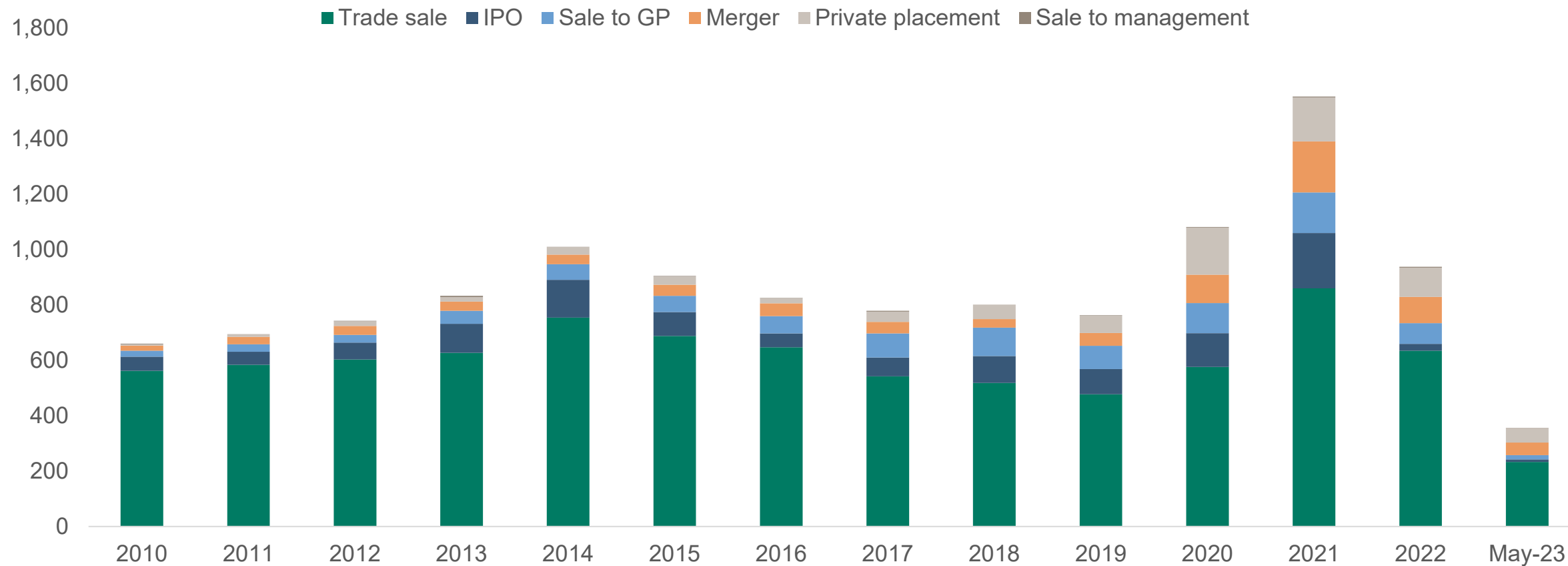




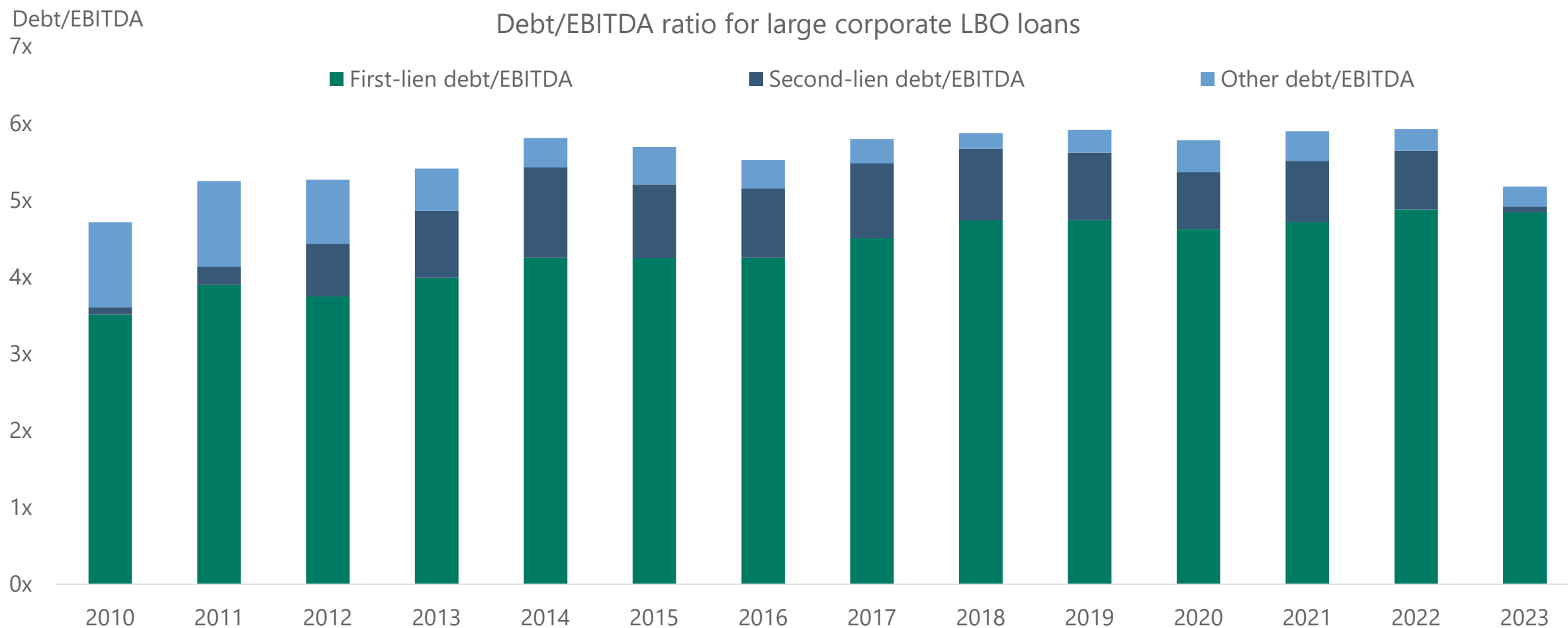
# Deal making slowing



# IPO activity



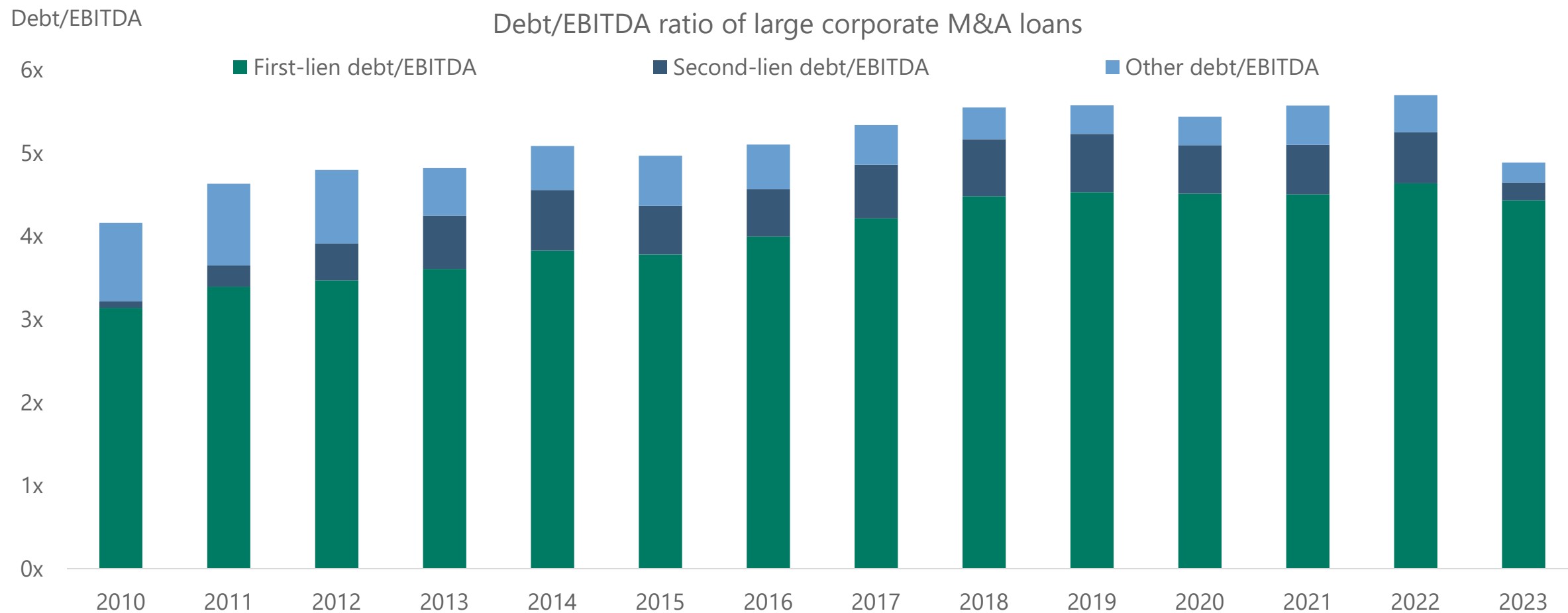
# Leverage for large corporate LBOs has fallen



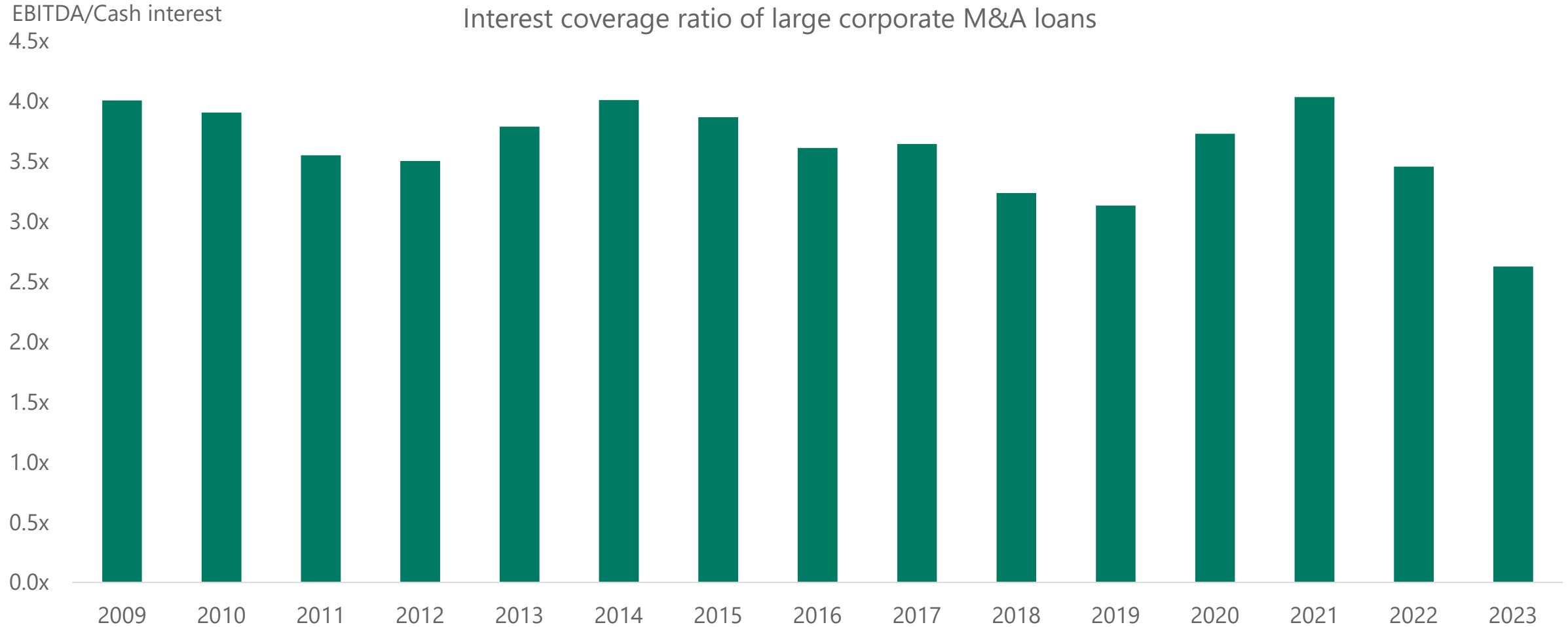
# Interest coverage ratio for large corporate LBOs is declining



# Leverage for large corporate M&A loans has also fallen

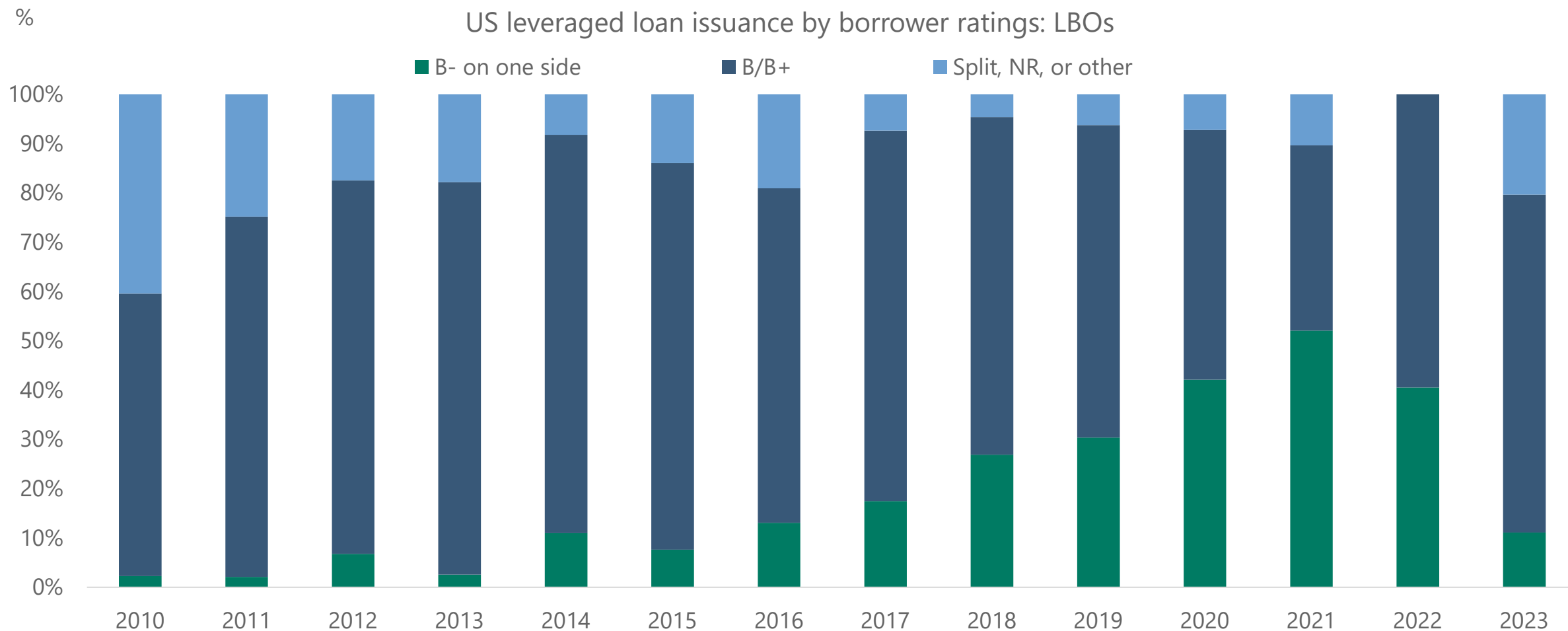


# Interest coverage ratio for large corporate M&A loans also declining



Source: Pitchbook LCD, Apollo Chief Economist. Data as of 30<sup>th</sup> September 2023, Large corporates are defined as EBITDA more than \$50 Million

# LBO loan issuance by borrower rating



Source: Pitchbook LCD, Apollo Chief Economist. Data as of 30<sup>th</sup> September 2023

# Purchase price multiples

Purchase price multiple

14x

12x

10x

8x

6x

4x

2x

0x

Purchase price multiples: LBOs

■ Purchase Price

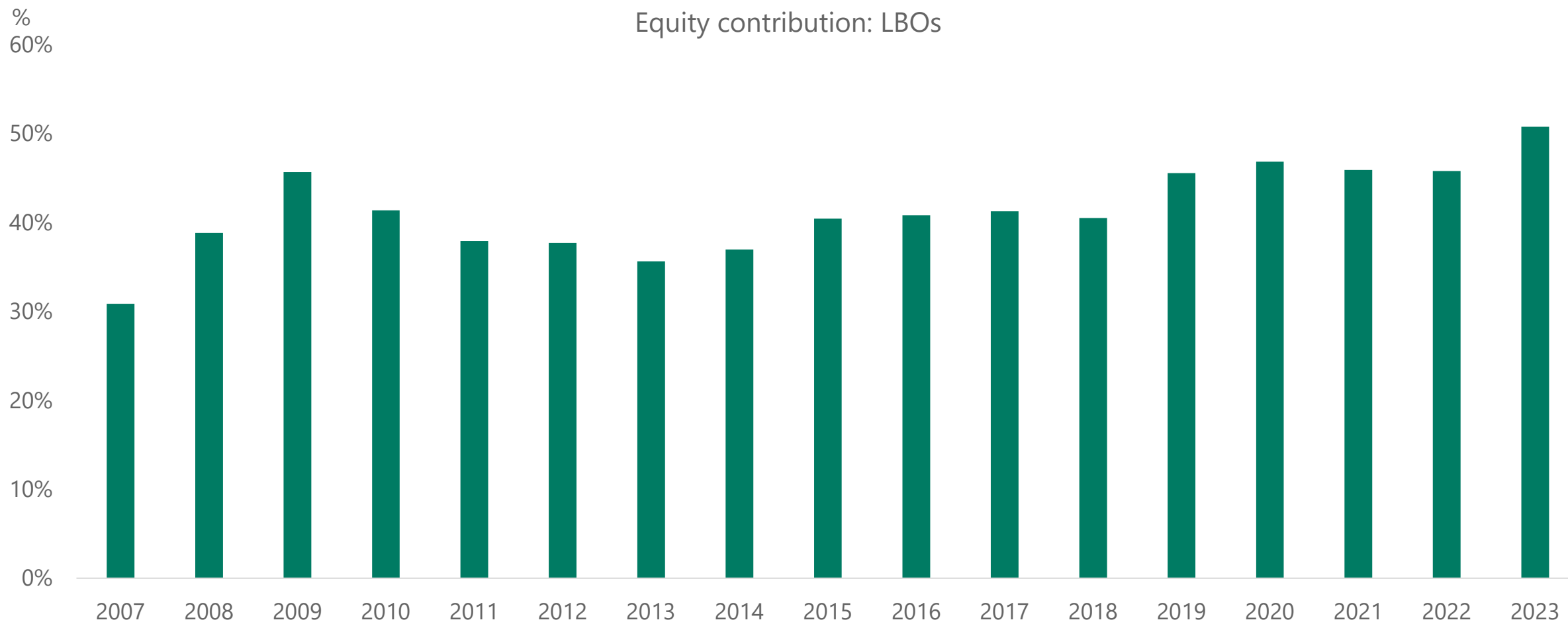
■ Fees/Expenses

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

Source: Pitchbook LCD, Apollo Chief Economist. Data as of 30<sup>th</sup> September 2023

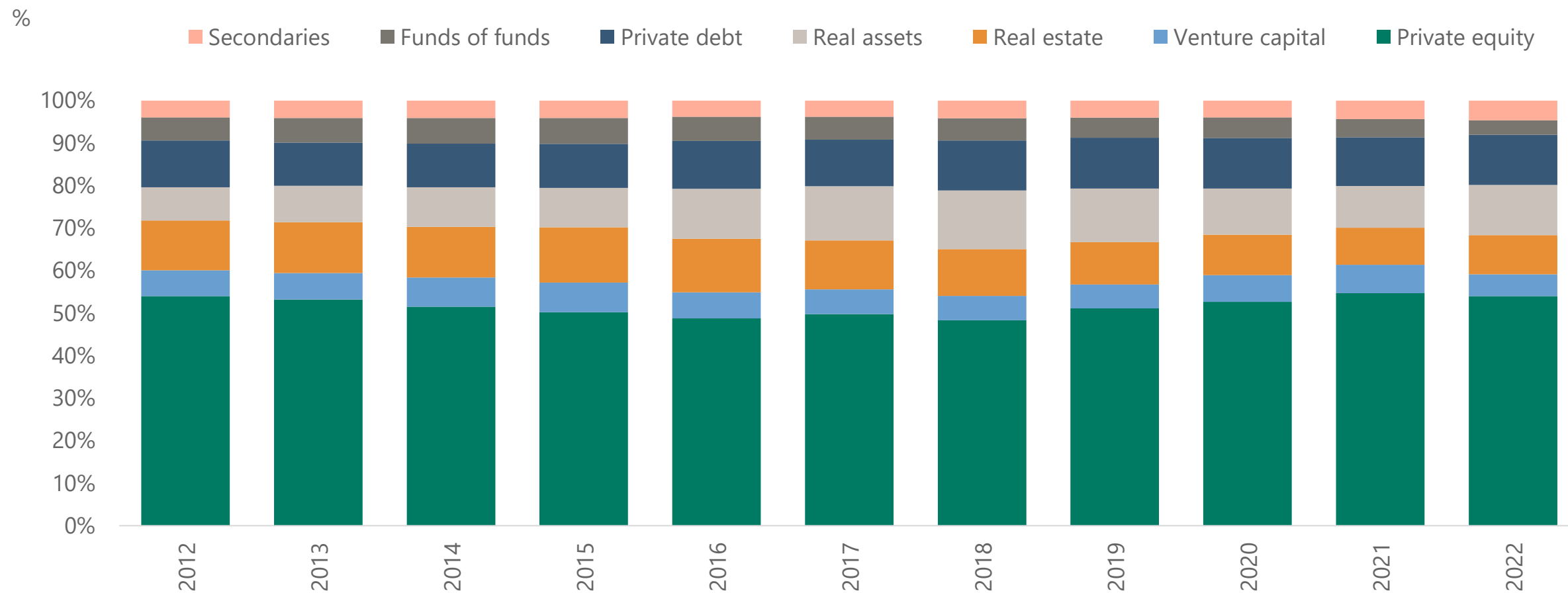


# High debt costs leading to high equity contributions



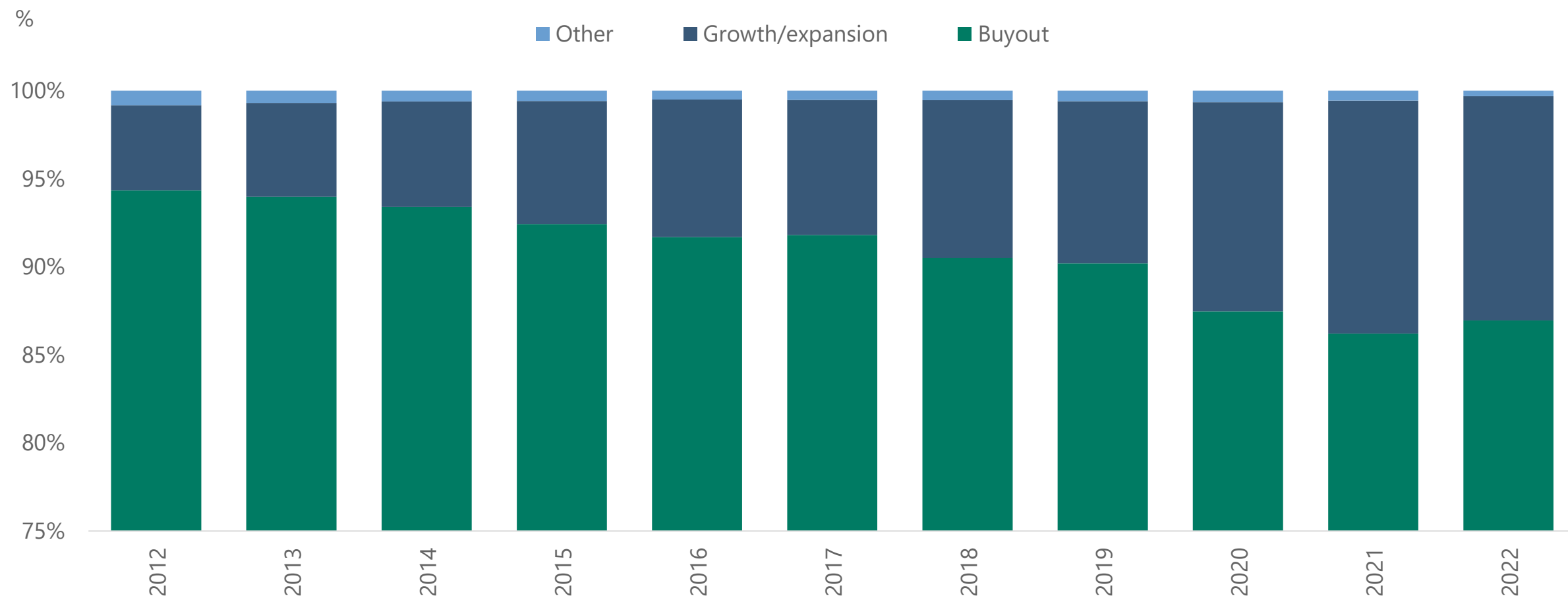
# Index weightings

# Private capital index weightings

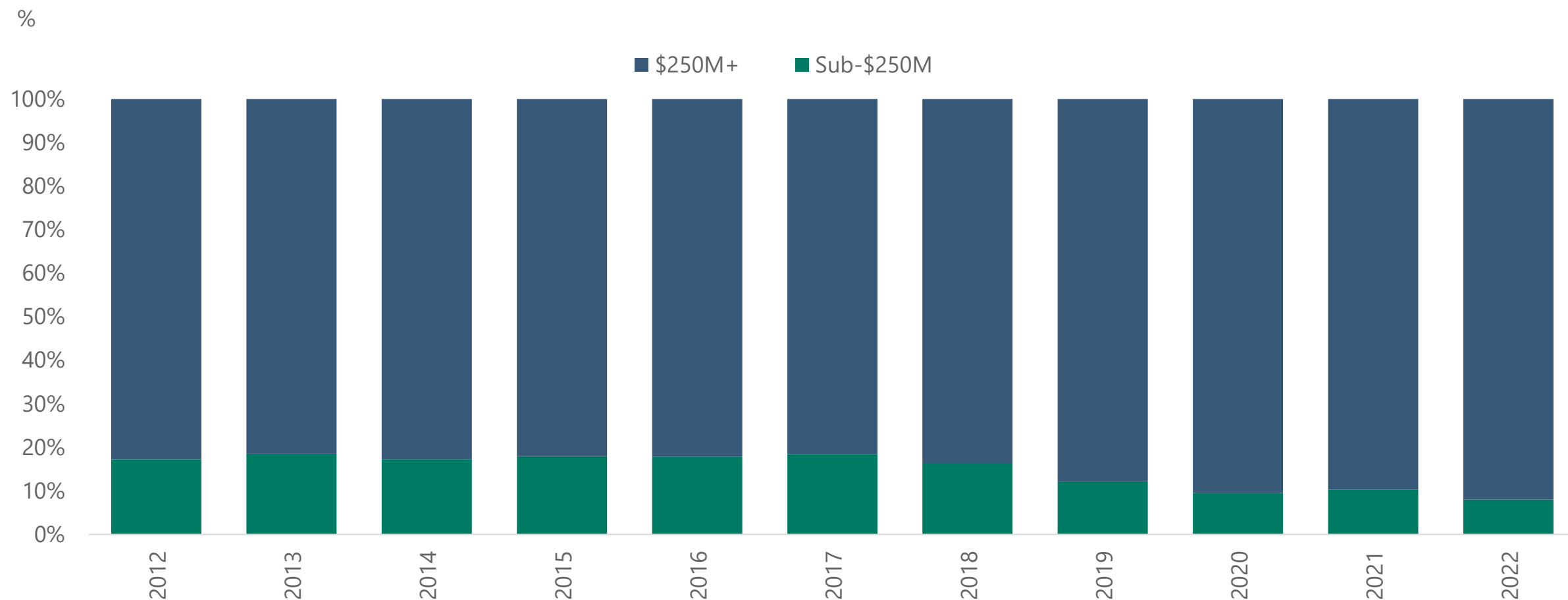


Source: Pitchbook, Apollo Chief Economist. Note: Data as of 31st December 2022

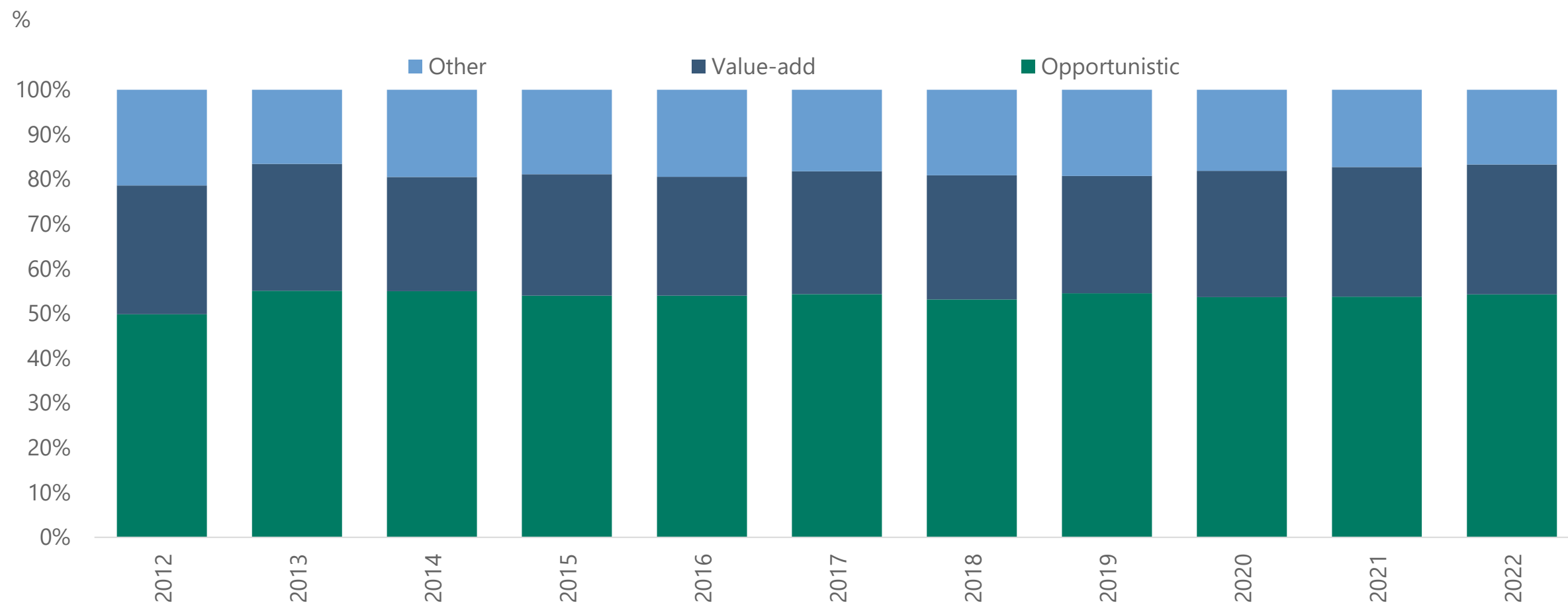
# Private equity index weightings



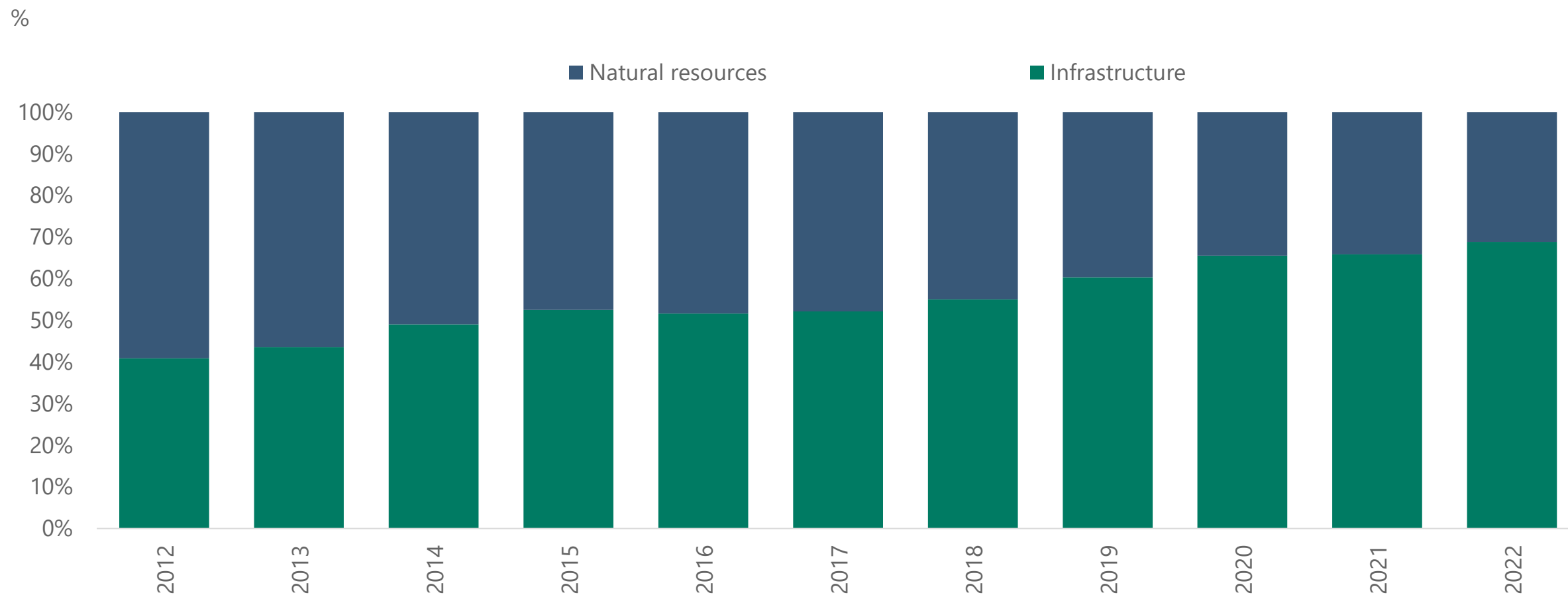
# Venture capital index weightings



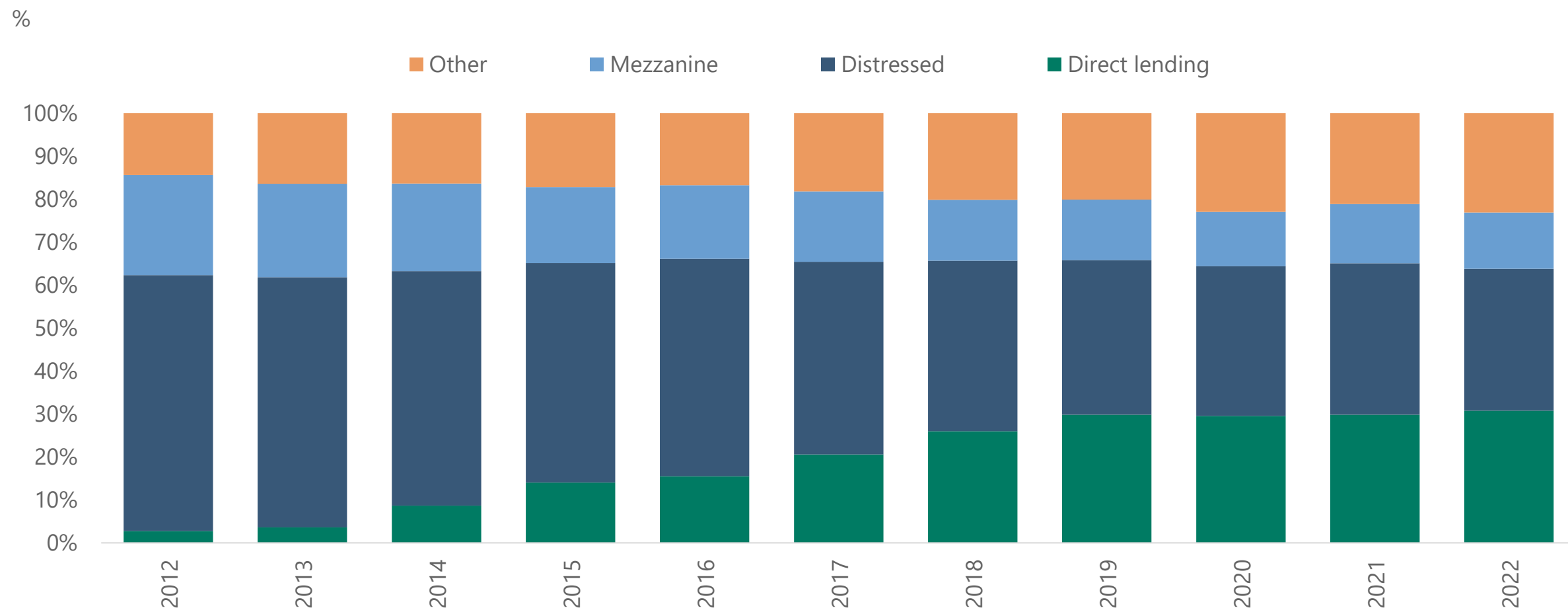
# Real estate index weightings



# Real assets index weightings



# Private debt index weightings



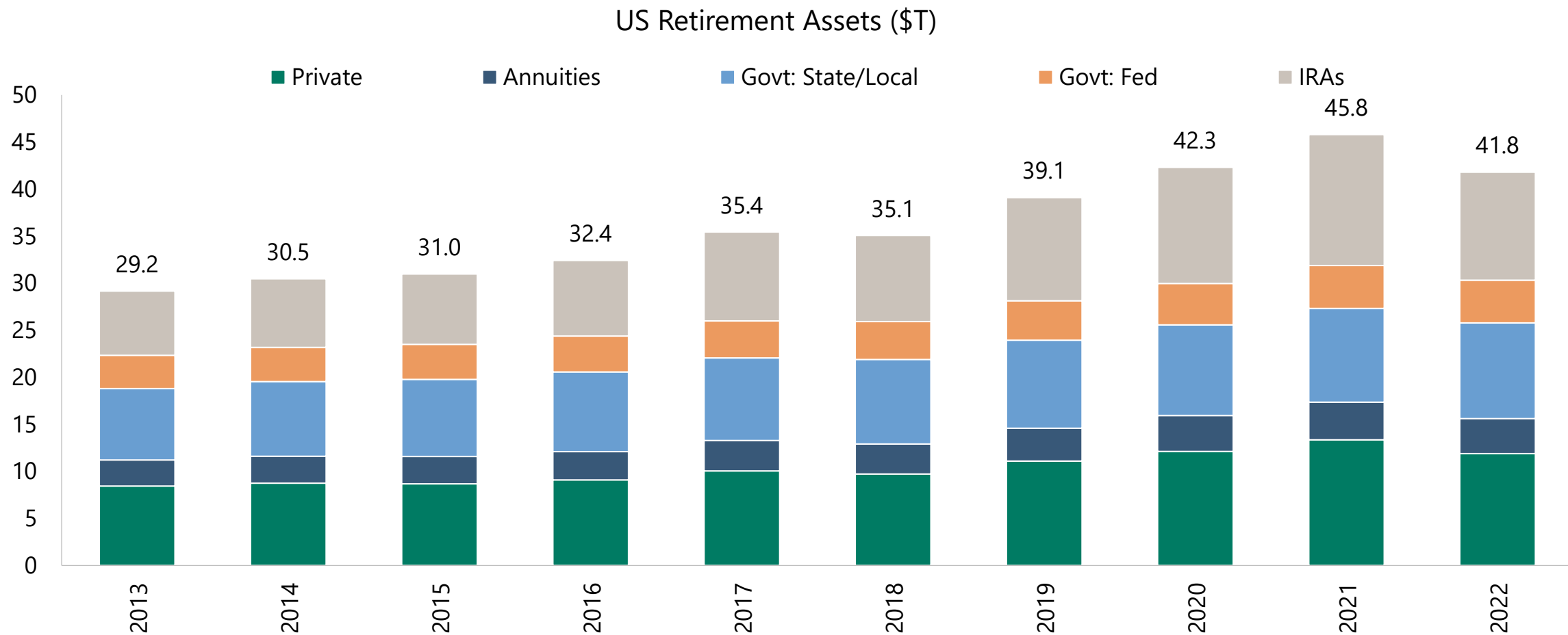


# Time to resolve insolvency in 2019

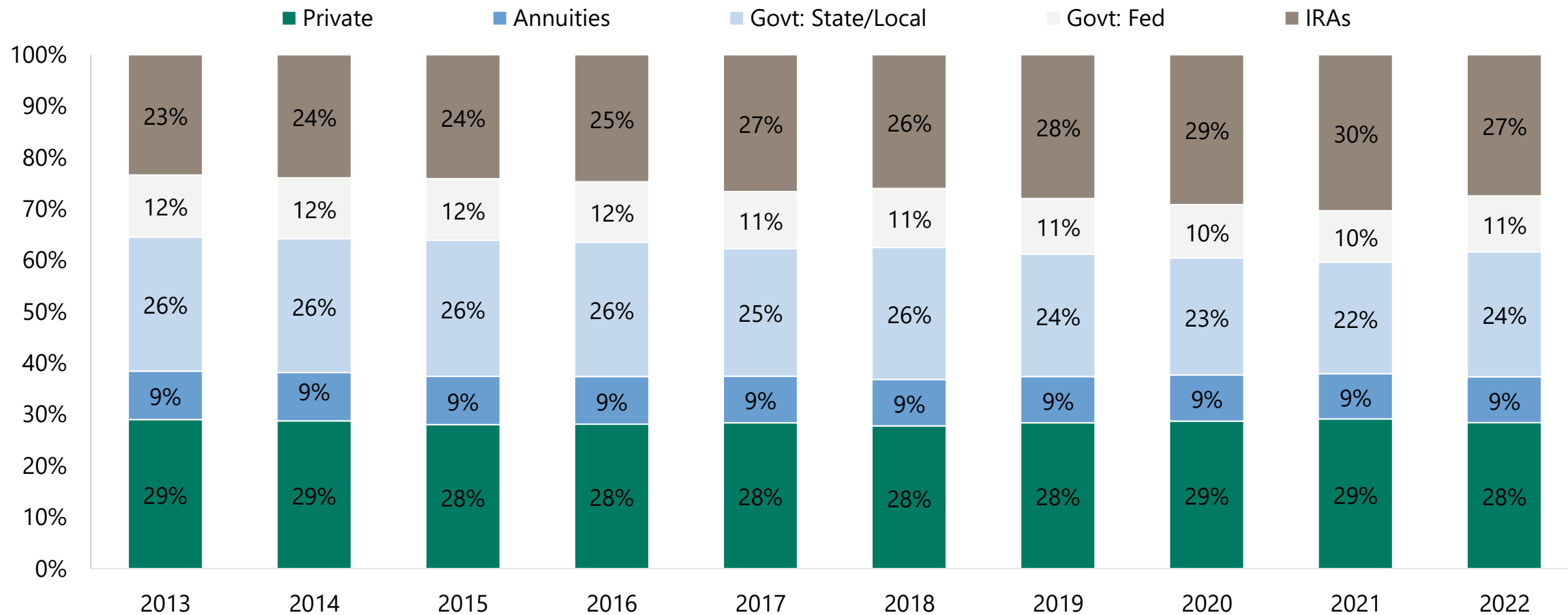


# Retirement assets

# The composition of US retirement assets

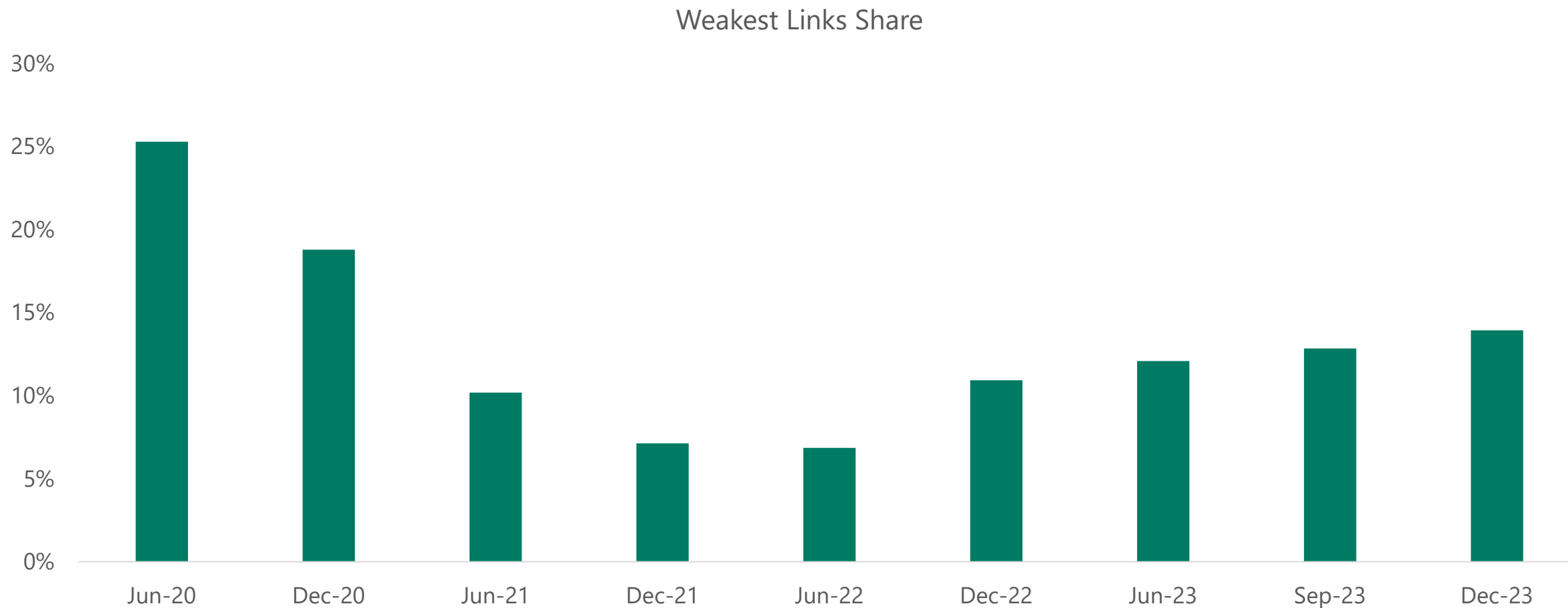


# US retirement assets: % of total

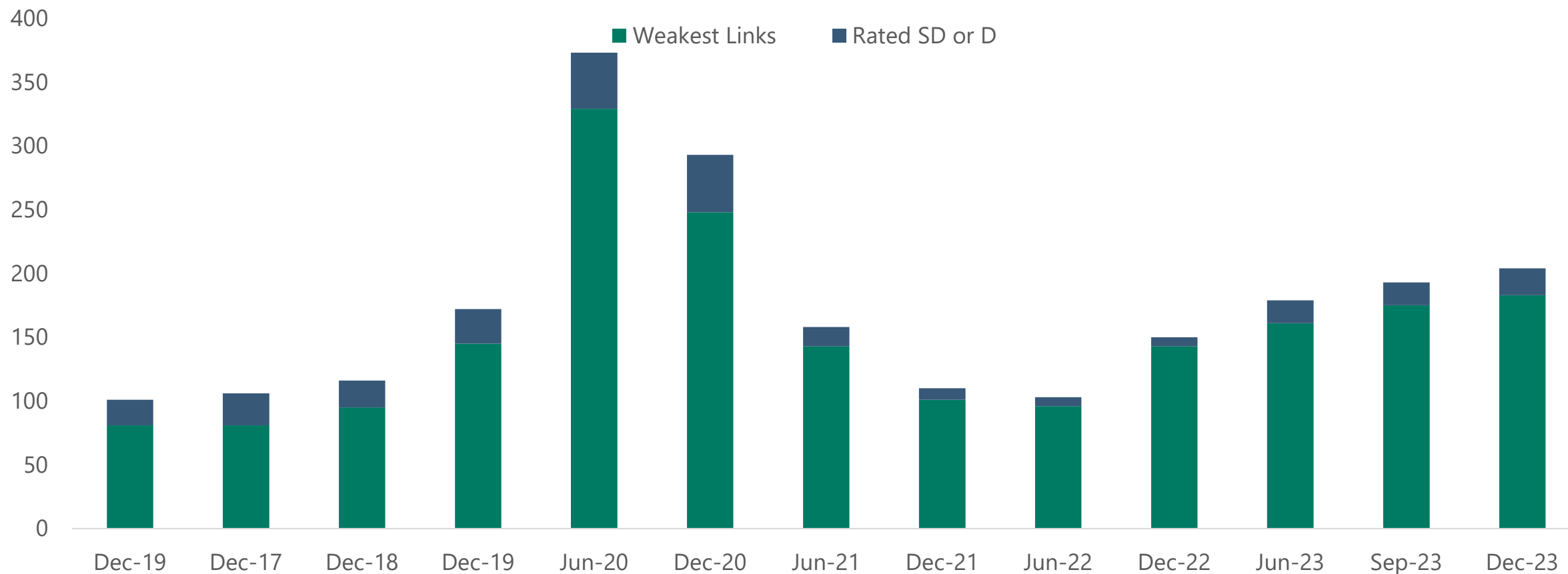


Weakest links

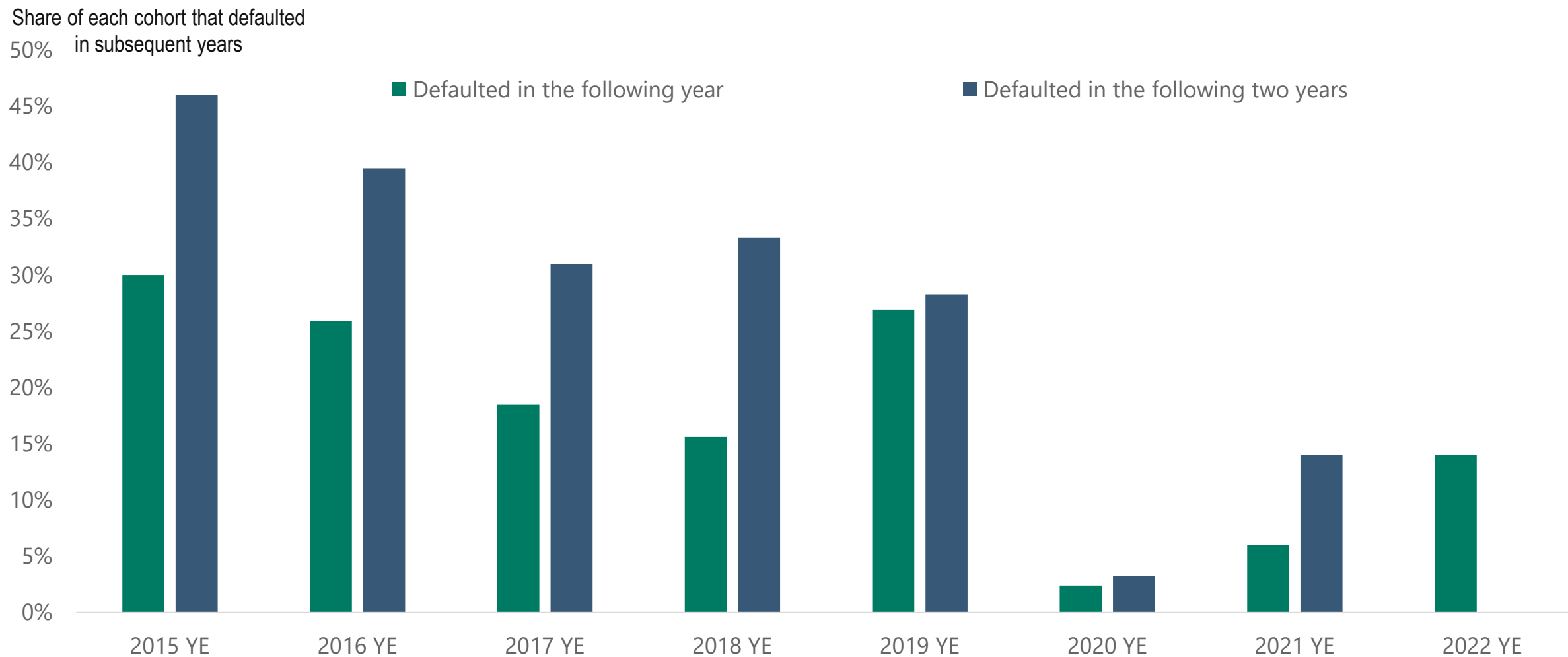
# US leveraged loan Weakest Links (issuer count)



# US leveraged loan Weakest Links plus defaults/restructurings

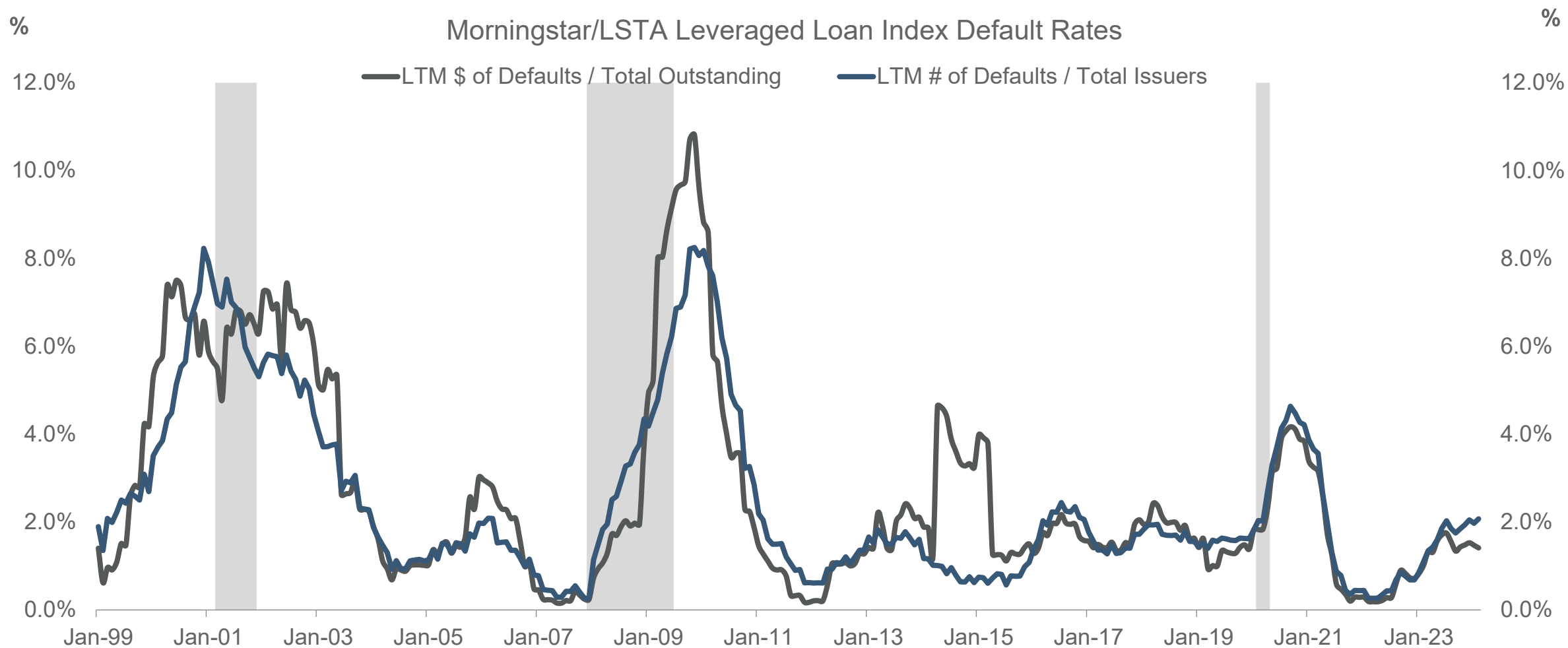


# US loan Weakest Links default rates (issuer count)



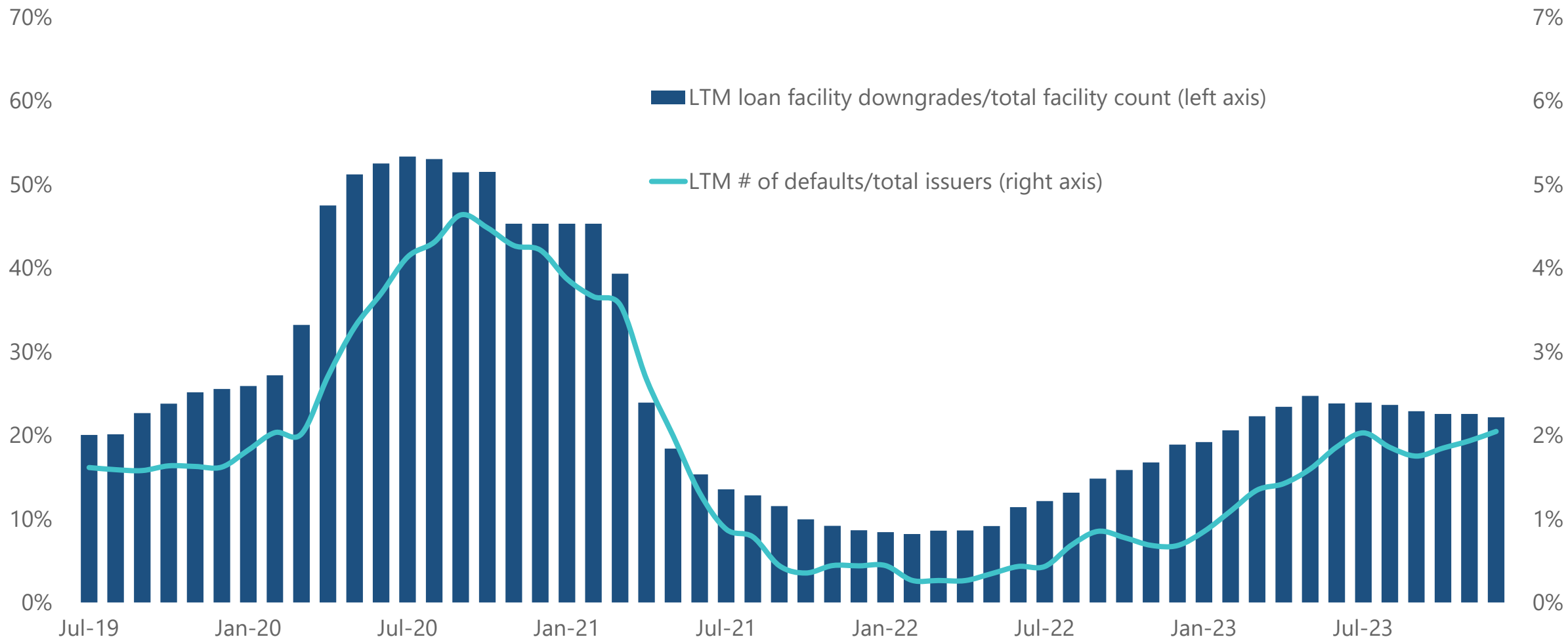


# US leveraged loan default rate



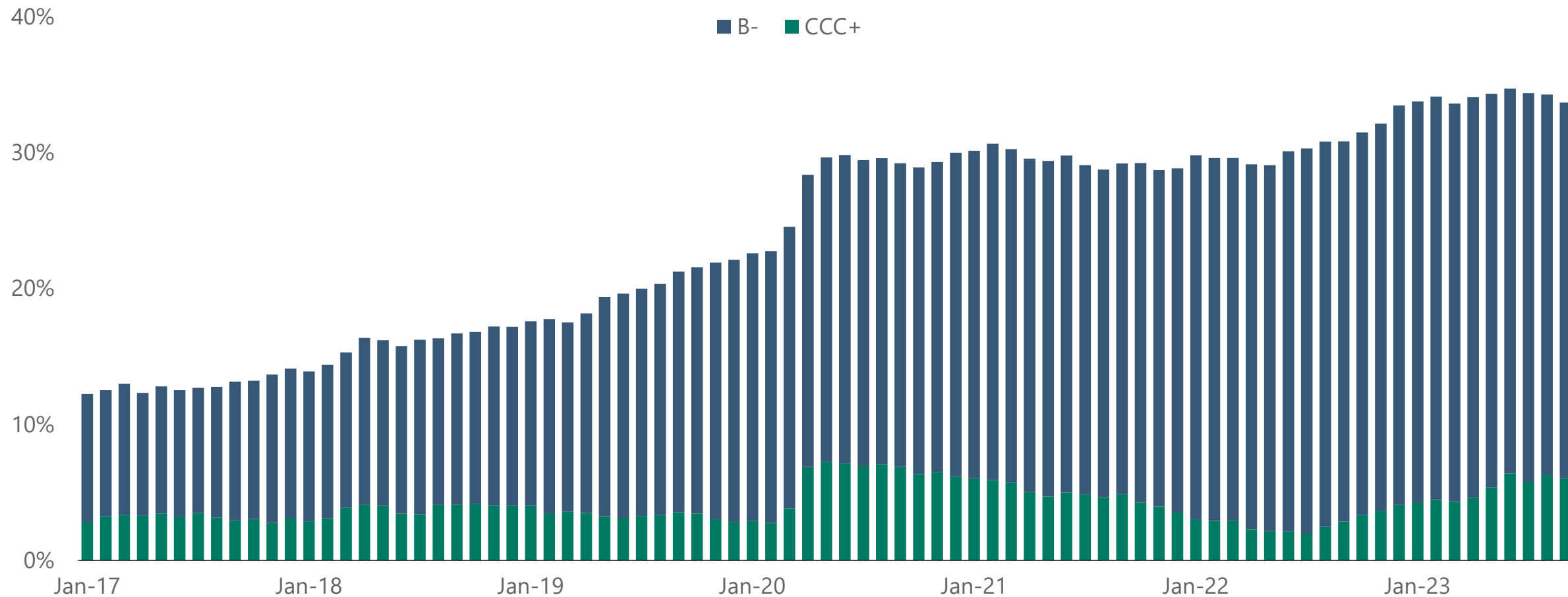
Source: Pitchbook, Apollo Chief Economist (Data through Sept. 30, 2023)

# LTM downgrades share and leveraged loan default rate



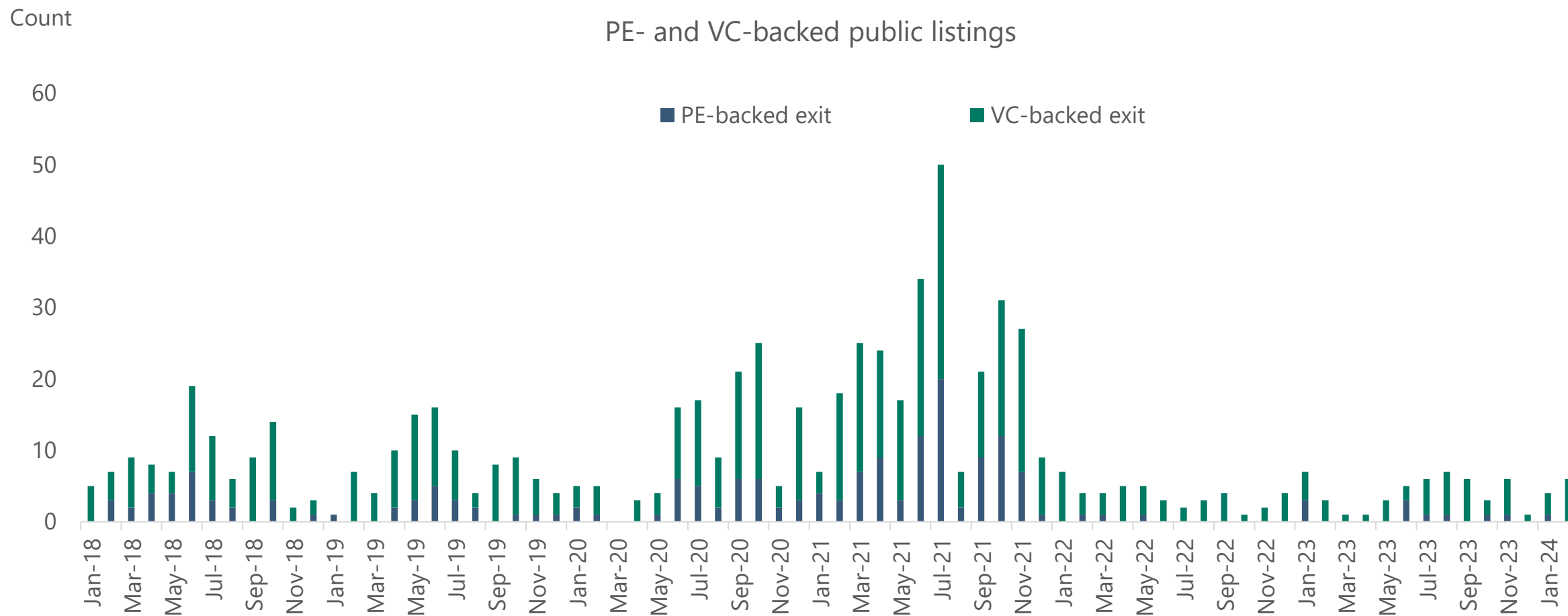
Source: Pitchbook, Apollo Chief Economist (Data through Sept. 30, 2023)

# Share of loans in the LL Index by S&P CCR by par amount



Source: Pitchbook, Apollo Chief Economist (Data through Sept. 30, 2023)

# PE- and VC-backed public listings





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.