



FEATURED OPTIONS RADAR REPORT



Apollo Bulls See Rebound After Athene Deal

Ticker/Price: APO (\$49)

Analysis:

Apollo Global (APO) buyer of 1000 January \$40 calls for \$11 to open this morning and follows recent buyers in the January 2023 \$40 and \$42 calls and September \$55/\$45 bull risk reversal. The June \$45 puts also sold to open 3,000X last week. Shares are forming a nice multi-week flag under the April 2020 highs and poised to make a nice run with a measured move out to \$60 and into space. The weekly held the 21- and 50-period moving averages on the recent pullback. The \$21.5B asset manager trades 14X earnings, 12.7X book and 8.8X cash with a 5% yield. The company announced a deal to buy insurance company Athene for \$11B in an all-stock deal. The move is the first significant step forward for incoming CEO Marc Rowan and aligns with his long-term vision to turn Apollo into a Berkshire-model company with the annuity business helping drive cash flows for their investment side. Rowan sees the deal as highly accretive with low integration risks given the two sides have worked together for years. It also allowed APO to convert into a full C-Corp with just one class structure of shares, a move that has been pushed for by shareholders for a few years and likely leads APO to become part of the S&P 500 and other major indices over the next 12 months. Analysts have an average target for shares of \$55 with a Street High \$70 from BMO. The firm out on 3/9 noting that any weakness around the deal is a buying opportunity as it will prove to be over 50% earnings accretive to Apollo shareholders, more than offsetting multiple dilution expected from higher insurance mix. Short interest is 2.75%. Hedge fund ownership rose 2.5% last quarter. Tiger Global a top holder and adding 1M shares last week on 3/11 at \$47.22.

Hawk Vision:



Hawk's Perspective: APO is running into resistance this week and may have another shakeout lower but like it against the recent lows with those June short puts in OI and the Athene deal and other structural changes are positioning them well for the long-term

Confidence Ranking: \$\$