

APOLLO INVESTMENT CORP
Form 10-Q
August 08, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended June 30, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 814-00646

APOLLO INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

52-2439556
(I.R.S. Employer Identification No.)

9 West 57th Street

37th Floor

New York, N.Y.
(Address of principal executive office)

10019
(Zip Code)
(212) 515-3450

(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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of August 7, 2013 was 224,741,351.

Table of Contents

APOLLO INVESTMENT CORPORATION
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2013

TABLE OF CONTENTS

		PAGE
	<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	<u>FINANCIAL STATEMENTS</u>	3
	<u>Statements of Assets and Liabilities as of June 30, 2013 and March 31, 2013</u>	3
	<u>Statements of Operations for the three months ended June 30, 2013 and June 30, 2012</u>	4
	<u>Statements of Changes in Net Assets for the three months ended June 30, 2013 and the year ended March 31, 2013</u>	5
	<u>Statements of Cash Flows for the three months ended June 30, 2013 and June 30, 2012</u>	6
	<u>Schedule of Investments as of June 30, 2013</u>	7
	<u>Schedule of Investments as of March 31, 2013</u>	18
	<u>Notes to Financial Statements</u>	28
	<u>Report of Independent Registered Public Accounting Firm</u>	52
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	53
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	66
Item 4.	<u>Controls and Procedures</u>	66
	<u>PART II. OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u>	67
Item 1A.	<u>Risk Factors</u>	67
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	67
Item 3.	<u>Defaults Upon Senior Securities</u>	67
Item 4.	<u>Mine Safety Disclosures</u>	67
Item 5.	<u>Other Information</u>	67
Item 6.	<u>Exhibits</u>	68
	<u>Signatures</u>	69

Table of Contents**PART I. FINANCIAL INFORMATION**

In this Quarterly Report, Apollo Investment, the Company, AIC, we, us and our refer to Apollo Investment Corporation unless the context otherwise states.

Item 1. Financial Statements**APOLLO INVESTMENT CORPORATION****STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share amounts)

	June 30, 2013 (unaudited)	March 31, 2013
Assets		
Non-controlled/non-affiliated investments, at fair value (cost \$2,634,689 and \$2,550,091, respectively)	\$ 2,571,788	\$ 2,414,307
Non-controlled /affiliated investments, at fair value (cost \$29,340 and \$0, respectively)	16,582	
Controlled investments, at fair value (cost \$487,447 and \$469,210, respectively)	451,411	436,092
Derivatives, net at fair value (proceeds \$(4,156) and \$0, respectively)	2,699	
Cash	10,053	3,902
Foreign currency (cost \$7,164 and \$2,293, respectively)	7,031	2,295
Restricted cash (see note 12)	5,180	
Receivable for investments sold	8,128	5,713
Interest receivable	44,449	51,990
Dividends receivable	4,850	2,703
Deferred financing costs	30,512	26,990
Prepaid expenses and other assets	995	320
Total assets	\$ 3,153,678	\$ 2,944,312
Liabilities		
Debt (see note 9 & 15)	\$ 1,125,491	\$ 1,156,067
Payable for investments purchased	101,559	26,021
Dividends payable	44,948	40,578
Management and performance-based incentive fees payable (see note 3)	29,167	26,509
Interest payable	12,681	12,012
Accrued administrative expenses	2,452	2,219
Other liabilities and accrued expenses	4,212	3,517
Total liabilities	\$ 1,320,510	\$ 1,266,923
Net Assets		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 224,741 and 202,891 issued and outstanding, respectively	\$ 225	\$ 203
Paid-in capital in excess of par (see note 2f)	3,115,537	2,933,636
Over-distributed net investment income (see note 2f)	(36,764)	(44,183)
Accumulated net realized loss (see note 2f)	(1,149,014)	(1,053,080)
Net unrealized depreciation	(96,816)	(159,187)
Total net assets	\$ 1,833,168	\$ 1,677,389

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

Total liabilities and net assets	\$ 3,153,678	\$ 2,944,312
Net asset value per share	\$ 8.16	\$ 8.27

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS (unaudited)****(in thousands, except per share amounts)**

	Three months ended	
	June 30,	June 30,
	2013	2012
INVESTMENT INCOME:		
From non-controlled/non-affiliated investments:		
Interest	\$ 75,561	\$ 72,637
Dividends	4,264	1,006
Other income	4,476	4,044
From non-controlled/affiliated investments:		
Interest	440	
From controlled investments:		
Interest	5,172	1,278
Dividends	6,722	1,368
Other income	38	
Total investment income	\$ 96,673	\$ 80,333
EXPENSES:		
Management fees (see note 3)	\$ 14,757	\$ 13,820
Performance-based incentive fees (see note 3)	12,449	9,516
Interest and other debt expenses	15,845	15,577
Administrative services expense	1,097	750
Other general and administrative expenses	2,132	2,603
Total expenses	46,280	42,266
Management and performance-based incentive fees waived (see note 3)	(1,974)	(665)
Net expenses	44,306	41,601
Net investment income	\$ 52,367	\$ 38,732
REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, CASH EQUIVALENTS, DERIVATIVES AND FOREIGN CURRENCIES:		
Net realized loss:		
Investments and cash equivalents	\$ (97,910)	\$ (18,241)
Foreign currencies	1,976	(603)
Net realized loss	(95,934)	(18,844)
Net change in unrealized appreciation/depreciation:		
Investments and cash equivalents	57,194	(39,392)
Foreign currencies	(1,678)	7,862
Derivatives	6,855	
Net change in unrealized appreciation/depreciation	62,371	(31,530)

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

Net realized and unrealized gain (loss) from investments, cash equivalents, derivatives and foreign currencies	(33,563)	(50,374)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 18,804	\$ (11,642)
EARNINGS (LOSS) PER SHARE BASIC AND DILUTED (see note 5)	\$ 0.09	\$ (0.06)

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Three months ended June 30, 2013 (unaudited)	Year ended March 31, 2013
Increase (decrease) in net assets from operations:		
Net investment income	\$ 52,367	\$ 167,360
Net realized loss	(95,934)	(74,673)
Net change in unrealized appreciation/depreciation	62,371	11,784
Net increase (decrease) in net assets resulting from operations	18,804	104,471
Dividends and distributions to stockholders:		
From net investment income	(44,948)	(159,629)
Return of capital		(2,684)
Total dividends and distributions to stockholders	(44,948)	(162,313)
Capital share transactions:		
Proceeds from shares sold	182,273	50,000
Less offering costs	(350)	
Net increase in net assets from capital share transactions	181,923	50,000
Total increase (decrease) in net assets:	155,779	(7,842)
Net assets at beginning of period	1,677,389	1,685,231
Net assets at end of period	\$ 1,833,168	\$ 1,677,389
Capital share activity:		
Shares sold	21,850,000	5,847,953
Net increase in capital share activity	21,850,000	5,847,953

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Three months ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase (decrease) in net assets resulting from operations	\$ 18,804	\$ (11,642)
<i>Adjustments to reconcile net increase (decrease):</i>		
PIK interest and dividends	(12,098)	(9,751)
Net amortization on investments	(10,124)	(6,756)
Amortization of deferred financing costs	1,821	3,481
Increase (decrease) from foreign currency transactions	2,123	(470)
Net change in unrealized appreciation/depreciation on investments, cash equivalents, derivatives and foreign currencies	(62,371)	31,530
Net realized loss on investments, cash equivalents and foreign currencies	95,934	