

APOLLO INVESTMENT CORP

Form 10-Q

November 06, 2014

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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 September 30, 2014

☐ 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

52-2439556

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

9 West 57<sup>th</sup> Street

37th Floor

10019

New York, N.Y.

(Address of principal executive office)

(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 ☐

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 November 6, 2014 was 236,741,351.

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## 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 (unaudited)  
 (in thousands, except per share amounts)

	September 30, 2014	March 31, 2014
Assets		
Non-controlled/non-affiliated investments, at fair value (cost — \$2,862,751 and \$2,714,971, respectively)	\$2,848,449	\$2,751,896
Non-controlled/affiliated investments, at fair value (cost — \$151,273 and \$153,721, respectively)	155,399	144,628
Controlled investments, at fair value (cost — \$648,994 and \$590,060, respectively)	661,378	582,147
Total investments (cost — \$3,663,018 and \$3,458,752, respectively)	3,665,226	3,478,671
Cash	9,255	13,413
Foreign currency (cost — \$2,488 and \$1,305, respectively)	2,427	1,323
Receivable for investments sold	87,538	72,918
Interest receivable	35,285	40,106
Dividends receivable	3,504	3,627
Deferred financing costs	28,900	31,601
Prepaid expenses and other assets	1,028	292
Total assets	\$3,833,163	\$3,641,951
Liabilities		
Debt (see note 6 & 9)	\$1,577,472	\$1,372,261
Payable for investments purchased	85,232	119,577
Dividends payable	47,348	47,348
Management and performance-based incentive fees payable (see note 3)	38,371	31,108
Interest payable	14,704	14,318
Accrued administrative expenses	1,698	1,915
Other liabilities and accrued expenses	4,847	3,813
Total liabilities	\$1,769,672	\$1,590,340
Net Assets		
Common stock, par value \$.001 per share, 400,000,000 and 400,000,000 common shares authorized, respectively, 236,741,351 and 236,741,351 issued and outstanding, \$237 respectively		\$237
Paid-in capital in excess of par (see note 2)	3,221,802	3,221,829
Over-distributed net investment income (see note 2)	(29,451)	(53,995)
Accumulated net realized loss (see note 2)	(1,135,144)	(1,133,405)
Net unrealized gain	6,047	16,945
Total net assets	\$2,063,491	\$2,051,611
Total liabilities and net assets	\$3,833,163	\$3,641,951
Net asset value per share	\$8.72	\$8.67

See notes to financial statements.



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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
<b>INVESTMENT INCOME:</b>				
From non-controlled/non-affiliated investments:				
Interest	\$96,146	\$ 79,228	\$178,693	\$ 154,789
Dividends	1,275	430	2,116	4,694
Other income	4,038	2,217	6,294	6,693
From non-controlled/affiliated investments:				
Interest	971	1,025	2,927	1,728
Dividends	4,128	4,738	8,074	9,564
From controlled investments:				
Interest	10,104	5,668	19,224	10,577
Dividends	1,891	364	3,699	2,260
Other income	357	38	463	75
Total investment income	\$118,910	\$ 93,708	\$221,490	\$ 190,380
<b>EXPENSES:</b>				
Management fees (see note 3)	\$18,878	\$ 15,356	\$36,989	\$ 30,113
Performance-based incentive fees (see note 3)	15,393	11,545	27,860	23,994
Interest and other debt expenses	18,946	17,472	37,848	33,316
Administrative services expense	1,525	1,109	2,958	2,206
Other general and administrative expenses	2,617	1,974	4,904	4,105
Total expenses	\$57,359	\$ 47,456	\$110,559	\$ 93,734
Management and performance-based incentive fees waived (see note 3)	\$(4,041)	) \$(3,326)	) \$(8,193)	) \$(5,299)
Expense reimbursements (see note 3)	(96)	) (8)	) (116)	) (8)
Net expenses	\$53,222	\$ 44,122	\$102,250	\$ 88,427
Net investment income	\$65,688	\$ 49,586	\$119,240	\$ 101,953
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS, FOREIGN CURRENCIES AND DERIVATIVES:</b>				
Net realized gain (loss):				
Investments and cash equivalents				
Non-controlled/non-affiliated investments	\$(173)	) \$(16,542)	) \$(11,889)	) \$(122,418)
Non-controlled/affiliated investments	11,633	—	11,526	—
Controlled investments	—	(10,303)	—	(2,338)
Net realized gain (loss) from investments and cash equivalents	\$11,460	\$ (26,845)	) \$(363)	) \$(124,756)
Foreign currencies				
Non-controlled/non-affiliated investments	\$7	\$ 77	\$387	\$ (100)
Non-controlled/affiliated investments	—	—	—	—
Controlled investments	—	47	—	36
Foreign debt	127	907	(1,763)	) 3,071
Net realized gain (loss) from foreign currencies	\$134	\$ 1,031	\$(1,376)	) \$ 3,007
Derivatives	—	8,541	—	8,541
Net realized gain (loss)	\$11,594	\$ (17,273)	) \$(1,739)	) \$(113,208)

See notes to financial statements.

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## APOLLO INVESTMENT CORPORATION

## STATEMENTS OF OPERATIONS (unaudited) (continued)

(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended		
	September 30,	September 30,	September 30,	September 30,	
	2014	2013	2014	2013	
Net change in unrealized gain (loss):					
Investments and cash equivalents					
Non-controlled/non-affiliated investments	\$(51,169	) \$ 35,919	\$(48,574	) \$ 100,144	
Non-controlled/affiliated investments	2,944	(1,389	) 10,653	(5,322	)
Controlled investments	5,795	25,880	20,296	22,782	
Net change in unrealized gain (loss) from investments and cash equivalents	\$(42,430	) \$ 60,410	\$(17,625	) \$ 117,604	
Foreign currencies					
Non-controlled/non-affiliated investments	\$(258	) \$ 308	\$(513	) \$ 535	
Non-controlled/affiliated investments	—	—	—	—	
Controlled investments	—	22	—	21	
Foreign debt	7,373	(9,773	) 7,240	(11,676	)
Net change in unrealized gain (loss) from foreign currencies	\$7,115	\$ (9,443	) \$6,727	\$ (11,120	)
Derivatives	\$—	\$ (6,855	) \$—	\$ —	
Net change in unrealized gain (loss)	\$(35,315	) \$ 44,112	\$(10,898		