

APOLLO INVESTMENT CORP

Form 10-Q

August 07, 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 June 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 57th 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 August 7, 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
(in thousands, except per share amounts)

	June 30, 2014 (unaudited)	March 31, 2014
Assets		
Non-controlled/non-affiliated investments, at fair value (cost — \$2,790,135 and \$2,714,971, respectively)	\$2,829,627	\$2,751,896
Non-controlled/affiliated investments, at fair value (cost — \$162,796 and \$153,721, respectively)	161,412	144,628
Controlled investments, at fair value (cost — \$647,103 and \$590,060, respectively)	653,669	582,147
Total investments (cost — \$3,600,034 and \$3,458,752, respectively)	3,644,708	3,478,671
Cash	10,177	13,413
Foreign currency (cost — \$1,384 and \$1,305, respectively)	1,386	1,323
Receivable for investments sold	86,874	72,918
Interest receivable	32,829	40,106
Dividends receivable	5,050	3,627
Deferred financing costs	30,010	31,601
Prepaid expenses and other assets	1,315	292
Total assets	\$3,812,349	\$3,641,951
Liabilities		
Debt (see note 6 & 9)	\$1,571,018	\$1,372,261
Payable for investments purchased	70,580	119,577
Dividends payable	47,348	47,348
Management and performance-based incentive fees payable (see note 3)	33,362	31,108
Interest payable	14,718	14,318
Accrued administrative expenses	2,747	1,915
Other liabilities and accrued expenses	3,703	3,813
Total liabilities	\$1,743,476	\$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)	(47,791	) (53,995)
Accumulated net realized loss (see note 2)	(1,146,738	) (1,133,405)
Net unrealized gain	41,363	16,945
Total net assets	\$2,068,873	\$2,051,611
Total liabilities and net assets	\$3,812,349	\$3,641,951
Net asset value per share	\$8.74	\$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	
	June 30, 2014	June 30, 2013
INVESTMENT INCOME:		
From non-controlled/non-affiliated investments:		
Interest	\$82,547	\$75,561
Dividends	841	4,264
Other income	2,256	4,476
From non-controlled/affiliated investments:		
Interest	1,956	703
Dividends	3,946	4,825
From controlled investments:		
Interest	9,120	4,910
Dividends	1,808	1,896
Other income	106	38
Total investment income	\$102,580	\$96,673
EXPENSES:		
Management fees (see note 3)	\$18,111	\$14,757
Performance-based incentive fees (see note 3)	12,467	12,449
Interest and other debt expenses	18,902	15,845
Administrative services expense	1,433	1,097
Other general and administrative expenses	2,288	2,132
Total expenses	53,201	46,280
Management and performance-based incentive fees waived (see note 3)	\$(4,152)	\$(1,974)
Expense reimbursements (see note 3)	(20)	—
Net expenses	\$49,029	\$44,306
Net investment income	\$53,551	\$52,367
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS, FOREIGN CURRENCIES AND DERIVATIVES:		
Net realized gain (loss):		
Investments and cash equivalents		
Non-controlled/non-affiliated investments	\$(11,716)	\$(105,876)
Non-controlled/affiliated investments	(107)	—
Controlled investments	—	7,966
Net realized loss from investments and cash equivalents	\$(11,823)	\$(97,910)
Foreign currencies		
Non-controlled/non-affiliated investments	\$380	\$(177)
Non-controlled/affiliated investments	—	—
Controlled investments	—	(11)
Foreign debt	(1,890)	2,164
Net realized gain (loss) from foreign currencies	\$(1,510)	\$1,976
Net realized gain (loss)	\$(13,333)	\$(95,934)
Net change in unrealized gain (loss):		
Investments and cash equivalents		
Non-controlled/non-affiliated investments	\$2,595	\$64,225
Non-controlled/affiliated investments	7,709	(3,933)

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF OPERATIONS (unaudited) (continued)

(in thousands, except per share amounts)

Controlled investments	14,501	(3,098)
Net change in unrealized gain (loss) from investments and cash equivalents	\$24,805	\$57,194	
Foreign currencies			
Non-controlled/non-affiliated investments	\$(177	) \$226	
Non-controlled/affiliated investments	—	—	
Controlled investments	(79	) (1)
Foreign debt	(131	) (1,903)
Net change in unrealized gain (loss) from foreign currencies	\$(387	) \$(1,678)
Derivatives	\$—	\$6,855	
Net change in unrealized gain	\$24,418	\$62,371	
Net realized and unrealized gain (loss) from investments, cash equivalents, foreign currencies and derivatives	11,085	(33,563)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$64,636	\$18,804	
EARNINGS PER SHARE — BASIC (see note 4)	\$0.27	\$0.09	
EARNINGS PER SHARE — DILUTED (see note 4)	\$0.27	\$0.09	

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
 STATEMENTS OF CHANGES IN NET ASSETS
 (in thousands, except shares)

	Three months ended June 30, 2014 (unaudited)	Year ended March 31, 2014
Increase (decrease) in net assets from operations:		
Net investment income	\$53,551	\$201,248
Net realized loss	(13,333	) (106,507)
Net change in unrealized gain	24,418	176,131
Net increase in net assets resulting from operations	64,636	270,872
Dividends and distributions to stockholders (see note 2):		
Distribution of income	(47,348	) (182,193)
Return of capital	—	—
Total dividends and distributions to stockholders	(47,348	) (182,193)
Capital share transactions:		
Net proceeds from shares sold	—	286,553
Less offering costs	(26	) (1,010)
Reinvestment of dividends	—	—
Net increase (decrease) in net assets from capital share transactions	(26	) 285,543
Total increase (decrease) net assets:	17,262	374,222
Net assets at beginning of period	2,051,611	1,677,389
Net assets at end of period	\$2,068,873	\$2,051,611
Capital share activity		
Shares sold	—	33,850,000
Shares issued from reinvestment of dividends	—	—
Net capital share activity	—	33,850,000

See notes to financial statements.

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

	Three months ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in net assets resulting from operations	\$64,636	\$18,804
Adjustments to reconcile net increase (decrease):		
PIK interest and dividends	(11,545	) (12,098
Net amortization on investments	(2,688	) (2,285
Amortization of deferred financing costs	1,746	1,821
Increase (decrease) from foreign currency transactions	(1,831	) 2,123
Net change in unrealized gain on investments, cash equivalents, foreign currencies and derivatives	(24,418	) (62,371
Net realized loss on investments, cash equivalents, and foreign currencies	13,333	95,934
Changes in operating assets and liabilities:		
Restricted cash	—	(5,180
Purchase of investments and cash equivalents	(649,512	) (788,349
Proceeds from derivatives	—	4,156
Proceeds from disposition of investments and cash equivalents	510,753	572,722
Increase in receivables for investments sold	(13,956	) (2,415
Decrease in interest receivable	7,277	7,541
Increase in dividends receivable	(1,423	) (2,147
Increase in prepaid expenses and other assets	(1,023	) (675
Increase (decrease) in payable for investments purchased	(48,997	) 75,538
Increase in management and performance-based incentive fees payable	2,254	2,658
Increase in interest payable	400	669
Increase in accrued administrative expenses	832	233
Increase (decrease) in other liabilities and accrued expenses	(110	) 695
Net cash (used in) provided by operating activities	\$(154,272	) \$(92,626
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the issuance of common stock	\$—	\$182,273
Offering costs for the issuance of common stock	(26	) (350
Dividends paid in cash	(47,348	) (40,578