

APOLLO INVESTMENT CORP
Form 10-Q
February 05, 2015
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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 December 31, 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 February 5, 2015 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)

	December 31, 2014	March 31, 2014
Assets		
Non-controlled/non-affiliated investments, at fair value (cost — \$2,683,906 and \$2,714,971, respectively)	\$2,568,832	\$2,751,896
Non-controlled/affiliated investments, at fair value (cost — \$189,673 and \$153,721, respectively)	198,739	144,628
Controlled investments, at fair value (cost — \$715,993 and \$590,060, respectively)	746,444	582,147
Total investments (cost — \$3,589,572 and \$3,458,752, respectively)	3,514,015	3,478,671
Cash	11,661	13,413
Foreign currency (cost — \$16,151 and \$1,305, respectively)	16,009	1,323
Receivable for investments sold	94,965	72,918
Interest receivable	30,013	40,106
Dividends receivable	3,667	3,627
Deferred financing costs	27,066	31,601
Prepaid expenses and other assets	3,778	292
Total assets	\$3,701,174	\$3,641,951
Liabilities		
Debt (see note 6 & 9)	\$1,588,653	\$1,372,261
Payable for investments purchased	8,212	119,577
Dividends payable	47,348	47,348
Management and performance-based incentive fees payable (see note 3)	37,525	31,108
Interest payable	15,937	14,318
Accrued administrative expenses	2,232	1,915
Other liabilities and accrued expenses	4,576	3,813
Total liabilities	\$1,704,483	\$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)	3,221,803	3,221,829
Over-distributed net investment income (see note 2)	(20,137	) (53,995)
Accumulated net realized loss (see note 2)	(1,136,574	) (1,133,405)
Net unrealized gain (loss)	(68,638	) 16,945
Net assets	\$1,996,691	\$2,051,611
Total liabilities and net assets	\$3,701,174	\$3,641,951
Net asset value per share	\$8.43	\$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		Nine Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2014	2013	2014	2013
INVESTMENT INCOME:				
From non-controlled/non-affiliated investments:				
Interest	\$87,606	\$ 76,347	\$266,300	\$ 231,136
Dividends	991	1,172	3,106	5,866
Other income	4,533	2,983	10,827	9,675
From non-controlled/affiliated investments:				
Interest	283	1,001	3,210	2,730
Dividends	4,236	5,964	12,310	15,528
From controlled investments:				
Interest	10,199	5,767	29,423	16,345
Dividends	2,115	914	5,815	3,174
Other income	63	413	525	487
Total investment income	\$110,026	\$ 94,561	\$331,516	\$ 284,941
EXPENSES:				
Management fees (see note 3)	\$18,755	\$ 15,932	\$55,744	\$ 46,044
Performance-based incentive fees (see note 3)	13,215	11,469	41,075	35,464
Interest and other debt expenses	20,315	17,366	58,163	50,682
Administrative services expense	1,863	1,410	4,821	3,616
Other general and administrative expenses	3,014	2,097	7,919	6,203
Total expenses	\$57,162	\$ 48,274	\$167,722	\$ 142,009
Management and performance-based incentive fees waived (see note 3)	\$(3,740)	) \$(3,375)	) \$(11,934)	) \$(8,675)
Expense reimbursements (see note 3)	(58)	) (21)	) (174)	) (29)
Net expenses	\$53,364	\$ 44,878	\$155,614	\$ 133,305
Net investment income	\$56,662	\$ 49,683	\$175,902	\$ 151,636
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	\$(2,355)	) \$ 2,516	) \$(14,244)	) \$(119,902)
Non-controlled/affiliated investments	(169)	) 321	11,357	321
Controlled investments	(57)	) 1,368	(57)	) (970)
Net realized gain (loss) from investments and cash equivalents	\$(2,581)	) \$ 4,205	) \$(2,944)	) \$(120,551)
Foreign currencies				
Non-controlled/non-affiliated investments	\$(13)	) \$ 13	) \$374	) \$(87)
Non-controlled/affiliated investments	—	—	—	—
Controlled investments	134	6	134	42
Foreign debt	1,030	(557)	) (733)	) 2,514
Net realized gain (loss) from foreign currencies	\$1,151	) \$(538)	) \$(225)	) \$ 2,469
Derivatives	—	—	—	8,541
Net realized gain (loss)	\$(1,430)) \$ 3,667) \$(3,169)) \$(109,541)

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		Nine Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2014	2013	2014	2013
Net change in unrealized gain (loss):				
Investments and cash equivalents				
Non-controlled/non-affiliated investments	\$(100,749)	\$ 50,084	\$(149,322)	\$ 150,228
Non-controlled/affiliated investments	4,939	3,424	15,592	(1,897)
Controlled investments	18,068	887	38,364	23,669
Net change in unrealized gain (loss) from investments and cash equivalents	\$(77,742)	\$ 54,395	\$(95,366)	\$ 172,000
Foreign currencies				
Non-controlled/non-affiliated investments	\$(234)	\$ 58	\$(747)	\$ 593
Non-controlled/affiliated investments	—	—	—	—
Controlled investments	—	(12)	—	9
Foreign debt	3,292	(2,053)	10,532	(13,730)
Net change in unrealized gain (loss) from foreign currencies	\$ 3,058	\$(2,007)	\$ 9,785	\$(13,128)
Net change in unrealized gain (loss)	\$(74,684)	\$ 52,388	\$(85,581)	\$ 158,872
Net realized and unrealized gain (loss) from investments, cash equivalents, foreign currencies and derivatives	(76,114)	56,055	(88,750)	