

APOLLO INVESTMENT CORP
Form 10-Q
November 05, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarter Ended September 30, 2008

- .. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 333-112591

APOLLO INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

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Maryland (State or other jurisdiction of incorporation or organization)	52-2439556 (I.R.S. Employer Identification No.)
9 West 57th Street 14th 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 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.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer
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 3, 2008 was 142,221,335.

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APOLLO INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2008

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In this Quarterly Report, Apollo Investment, Company, AIC, Fund, 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)

	September 30, 2008 (unaudited)	March 31, 2008
Assets		
Non-controlled/non-affiliated investments, at value (cost \$3,288,014 and \$3,139,047, respectively)	\$ 2,930,703	\$ 2,986,556
Controlled investments, at value (cost \$310,297 and \$247,400, respectively)	261,795	246,992
Cash equivalents, at value (cost \$0 and \$404,063, respectively)		403,898
Cash	409,086	8,954
Foreign currency (cost \$2,071 and \$2,140, respectively)	2,071	2,130
Interest receivable	52,557	46,643
Dividends receivable	32,813	23,024
Prepaid expenses and other assets	4,307	5,896
Receivable from investment adviser		231
Total assets	\$ 3,693,332	\$ 3,724,324
Liabilities		
Payable for investments and cash equivalents purchased	\$ 44,395	\$ 142,339
Credit facility payable (see notes 7 & 12)	1,657,227	1,639,122
Management and performance-based incentive fees payable (see note 3)	30,476	26,969
Dividends payable		9,368
Interest payable	6,600	6,178
Accrued administrative expenses	421	288
Other liabilities and accrued expenses	1,217	2,152
Total liabilities	\$ 1,740,336	\$ 1,826,416
Net Assets		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 142,221 and 119,894 issued and outstanding, respectively	\$ 142	\$ 120
Paid-in capital in excess of par	2,352,883	1,983,795
Undistributed net investment income (see note 2f)		24,959
Distributions in excess of net investment income (see note 2f)	(20,147)	
Accumulated net realized gain (see note 2f)	26,342	86,136
Net unrealized depreciation	(406,224)	(197,102)
Total Net Assets	\$ 1,952,996	\$ 1,897,908
Total liabilities and net assets	\$ 3,693,332	\$ 3,724,324

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Net Asset Value Per Share	\$	13.73	\$	15.83
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See notes to financial statements.

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(in thousands, except per share amounts)

	Three months ended		Six months ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
INVESTMENT INCOME:				
From non-controlled/non-affiliated investments:				
Interest	\$ 90,225	\$ 79,069	\$ 175,200	\$ 153,619
Dividends	3,776	3,341	7,111	7,367
Other income	3,276	1,401	3,473	1,721
From controlled investments:				
Dividends	6,270	2,258	8,722	2,308
Other income				10,000
Total Investment Income	103,547	86,069	194,506	175,015
EXPENSES:				
Management fees (see note 3)	\$ 16,354	\$ 14,850	\$ 32,376	\$ 27,846
Performance-based incentive fees (see note 3)	14,123	(7,357)	25,701	3,478
Interest and other credit facility expenses	14,404	15,121	28,321	22,727
Administrative services expense	855	693	2,723	2,154
Other general and administrative expenses	1,366	1,225	2,713	2,576
Total expenses	47,102	24,532	91,834	58,781
Expense offset arrangement (see note 8)	(46)	(86)	(132)	(147)
Net expenses	47,056	24,446	91,702	58,634
Net investment income	\$ 56,491	\$ 61,623	\$ 102,804	\$ 116,381
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments and cash equivalents	\$ (33,171)	\$ (1,210)	\$ (62,401)	\$ (18,210)
Foreign currencies	3,195	304	2,607	(3,439)
Net realized loss	(29,976)	(906)	(59,794)	(21,649)
Net change in unrealized gain (loss):				
Investments and cash equivalents	(307,592)	(56,237)	(252,703)	93,686
Foreign currencies	43,125	(27,656)	43,581	(33,872)
Net change in unrealized gain (loss)	(264,467)	(83,893)	(209,122)	59,814
Net realized and unrealized gain from investments, cash equivalents and foreign currencies	(294,443)	(84,799)	(268,916)	38,165
	\$ (237,952)	\$ (23,176)	\$ (166,112)	\$ 154,546

**NET INCREASE (DECREASE) IN NET ASSETS
RESULTING FROM OPERATIONS**

EARNINGS (LOSS) PER SHARE (see note 5)	\$	(1.67)	\$	(0.22)	\$	(1.21)	\$	1.47
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See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Six months ended September 30, 2008 (unaudited)	Year ended March 31, 2008
Increase (Decrease) in net assets from operations:		
Net investment income	\$ 102,804	\$ 201,606
Net realized gains (losses)	(59,794)	54,300
Net change in unrealized gain (loss)	(209,122)	(289,344)
Net decrease in net assets resulting from operations	(166,112)	(33,438)
Dividends and distributions to stockholders:	(147,910)	(230,889)
Capital share transactions:		
Net proceeds from shares sold	369,589	285,545
Less offering costs	(479)	(461)
Reinvestment of dividends		27,403
Net increase in net assets from capital share transactions	369,110	312,487
Total increase in net assets:	55,088	48,160
Net assets at beginning of period	1,897,908	1,849,748
Net assets at end of period	\$ 1,952,996	\$ 1,897,908
Capital share activity		
Shares sold	22,327,500	14,950,000
Shares issued from reinvestment of dividends		1,436,069
Net increase in capital share activity	22,327,500	16,386,069

See notes to financial statements.

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

	Six months ended	
	September 30, 2008	September 30, 2007
Cash Flows from Operating Activities:		
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ (166,112)	\$ 154,546
Adjustments to reconcile net increase (decrease):		
Purchase of investment securities	(385,734)	(1,241,906)
Proceeds from disposition of investment securities	111,504	495,590
Increase (decrease) from foreign currency transactions	2,127	(3,439)
Increase in interest and dividends receivable	(15,703)	(15,582)
Decrease (increase) in prepaid expenses and other assets	1,820	(375)
Increase (decrease) in management and performance-based incentive fees payable	3,507	(17,105)
Increase in interest payable		