

APOLLO INVESTMENT CORP  
Form 10-Q  
August 08, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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- x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the Quarter Ended June 30, 2007
- .. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
Commission File Number: 333-112591

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**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 57<sup>th</sup> 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)

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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 August 6, 2007 was 103,900,254.

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**APOLLO INVESTMENT CORPORATION**

**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2007**

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

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)

	June 30, 2007 (unaudited)	March 31, 2007
<b>Assets</b>		
Non-controlled/non-affiliated investments, at value (cost - \$2,426,379 and \$2,244,400, respectively)	\$ 2,680,884	\$ 2,348,981
Controlled investments, at value (cost - \$208,000 and \$0, respectively)	208,000	
Cash equivalents, at value (cost - \$741,518 and \$1,089,792, respectively)	741,517	1,089,792
Cash	36,089	7,326
Foreign currency (cost - \$1,799 and \$832, respectively)	1,800	834
Interest receivable	37,703	35,217
Receivable for investments sold		28,248
Dividends receivable	9,412	6,987
Prepaid expenses and other assets	6,150	5,833
<b>Total assets</b>	<b>\$ 3,721,555</b>	<b>\$ 3,523,218</b>
<b>Liabilities</b>		
Payable for investments and cash equivalents purchased	\$ 897,828	\$ 1,134,561
Credit facility payable (see note 7)	791,384	492,312
Management and performance-based incentive fees payable (see note 3)	45,097	43,579
Interest payable	2,392	1,848
Interest purchased payable	356	
Accrued administrative expenses	53	200
Other accrued expenses	1,130	970
<b>Total liabilities</b>	<b>\$ 1,738,240</b>	<b>\$ 1,673,470</b>
<b>Net Assets</b>		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 103,900 and 103,508 issued and outstanding, respectively	\$ 104	\$ 104
Paid-in capital in excess of par (see note 2g)	1,681,825	1,673,191
Distributions in excess of net investment income (see note 2g)	(14,313)	(16,283)
Accumulated net realized gain (see note 2g)	79,750	100,494
Net unrealized appreciation	235,949	92,242
<b>Total Net Assets</b>	<b>\$ 1,983,315</b>	<b>\$ 1,849,748</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,721,555</b>	<b>\$ 3,523,218</b>
<b>Net Asset Value Per Share</b>	<b>\$ 19.09</b>	<b>\$ 17.87</b>

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,	June 30,
	2007	2006
<b>INVESTMENT INCOME:</b>		
From non-controlled/non-affiliated investments:		
Interest	\$ 74,550	\$ 49,023
Dividends	4,026	6,356
Other income	320	482
From controlled investments:		
Dividends	50	
Other income	10,000	
Total investment income	88,946	55,861
<b>EXPENSES:</b>		
Management fees	\$ 12,996	\$ 8,476
Performance-based incentive fees (see note 3)	10,835	7,936
Interest and other credit facility expenses	7,607	5,631
Administrative services expense	1,461	968
Other general and administrative expenses	1,350	1,118
Total expenses	34,249	24,129
Expense offset arrangement (see note 8)	(61)	(12)
Net expenses	34,188	24,117
Net investment income	\$ 54,758	\$ 31,744
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON</b>		
<b>INVESTMENTS, CASH EQUIVALENTS AND</b>		
<b>FOREIGN CURRENCIES:</b>		
Net realized gain (loss):		
Investments and cash equivalents	(17,000)	195
Foreign currencies	(3,743)	(3,203)
Net realized gain (loss)	(20,743)	(3,008)
Net change in unrealized gain (loss):		
Investments and cash equivalents	149,922	55,490
Foreign currencies	(6,215)	(13,070)
Net change in unrealized gain (loss)	143,707	42,420
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	122,964	39,412

<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 177,722</b>	<b>\$ 71,156</b>
<b>EARNINGS PER COMMON SHARE (see note 5)</b>	<b>\$ 1.72</b>	<b>\$ 0.88</b>

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, 2007 (unaudited)	Year ended March 31, 2007
<b>Increase in net assets from operations:</b>		
Net investment income	\$ 54,758	\$ 125,318
Net realized gains	(20,743)	132,882
Net change in unrealized gain	143,707	53,966
<b>Net increase in net assets resulting from operations</b>	<b>177,722</b>	<b>312,166</b>
<b>Dividends and distributions to shareholders:</b>	<b>(52,789)</b>	<b>(168,449)</b>
<b>Capital share transactions:</b>		
Net proceeds from shares sold		443,605
Less offering costs		(986)
Reinvestment of dividends	8,634	33,557
<b>Net increase in net assets from capital share transactions</b>	<b>8,634</b>	<b>476,176</b>
<b>Total increase in net assets:</b>	<b>133,567</b>	<b>619,893</b>
Net assets at beginning of period	\$ 1,849,748	\$ 1,229,855
Net assets at end of period	\$ 1,983,315	\$ 1,849,748
<b>Capital share activity:</b>		
Shares sold		20,700,000
Shares issued from reinvestment of dividends	392,488	1,615,812
<b>Net increase in capital share activity</b>	<b>392,488</b>	<b>22,315,812</b>

See notes to financial statements.



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

	Three months ended	
	June 30, 2007	June 30, 2006
<b>Cash Flows from Operating Activities:</b>		
Net Increase in Net Assets Resulting from Operations	\$ 177,722	\$ 71,156
Adjustments to reconcile net increase:		
Purchase of investment securities	(763,189)	(300,995)
Proceeds from disposition of investment securities	356,253	121,947
Decrease from foreign currency transactions	(3,743)	(3,203)
Increase in interest and dividends receivable	(4,957)	(2,966)
Decrease (increase) in prepaid expenses and other assets	(317)	1,269
Increase in management and performance-based incentive fee payable	1,517	3,562
Increase in interest payable	543	1,858
Increase (decrease) in accrued expenses	14	(1,006)
Decrease in payable for investments and cash equivalents purchased	(236,353)	(228,332)
Decrease in receivables for securities sold	28,248	17,261
Net change in unrealized appreciation on investments, cash equivalents, foreign currencies and other assets and liabilities	(143,707)	(42,420)
Net realized loss on investments and cash equivalents	20,744	3,008
 Net Cash Used by Operating Activities	 (567,225)	 (358,861)
<b>Cash Flows from Financing Activities:</b>		
Dividends paid in cash	(44,154)	(28,729)
Borrowings under credit facility	829,192	407,763
Repayments under credit facility	(536,357)	(209,500)
 Net Cash Provided by Financing Activities	 \$ 248,681	 \$ 169,534
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	 <b>(\$ 318,544)</b>	 <b>(\$ 189,327)</b>
Effect of exchange rates on cash balances	(1)	8
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,097,952</b>	<b>904,959</b>
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 <b>\$ 779,407</b>	 <b>\$ 715,640</b>

Non-cash financing activities consist of the reinvestment of dividends totaling \$8,634 and \$7,807, respectively (in thousands).

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**  
**SCHEDULE OF INVESTMENTS (unaudited)**  
**June 30, 2007**  
**(in thousands)**

<b>Investments in Non-Controlled/Non-Affiliated Portfolio Companies</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b><u>Subordinated Debt/Corporate Notes 80.8%</u></b>				