

Edgar Filing: Apollo Commercial Real Estate Finance, Inc. - Form 10-Q

Apollo Commercial Real Estate Finance, Inc.
Form 10-Q
July 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number: 001-34452

Apollo Commercial Real Estate Finance, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)
Apollo Commercial Real Estate Finance, Inc.
c/o Apollo Global Management, LLC
9 West 57th Street, 43rd Floor,
New York, New York 10019
(Address of registrant's principal executive offices)
(212) 515-3200
(Registrant's telephone number, including area code)

27-0467113
(I.R.S. Employer
Identification Number)

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 (or for such shorter period that the registrant was required to file such reports), 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 (§232.405 of this chapter) 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, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

As of July 30, 2014, there were 46,848,675 shares, par value \$0.01, of the registrant's common stock issued and outstanding.

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Part I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

Apollo Commercial Real Estate Finance, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands—except share and per share data)

	June 30, 2014	December 31, 2013
Assets:		
Cash	\$63,335	\$20,096
Restricted cash	30,127	30,127
Securities available-for-sale, at estimated fair value	23,281	33,362
Securities, at estimated fair value	324,724	158,086
Commercial mortgage loans, held for investment	343,810	161,099
Subordinate loans, held for investment	748,227	497,484
Interest receivable	15,183	6,022
Deferred financing costs, net	5,088	628
Other assets	975	600
Total Assets	\$1,554,750	\$907,504
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowings under repurchase agreements	\$446,224	\$202,033
Convertible senior notes, net	139,362	—
Participations sold	89,182	—
Derivative instrument	1,093	—
Accounts payable and accrued expenses	5,260	2,660
Payable to related party	2,966	2,628
Dividends payable	20,665	17,227
Total Liabilities	704,752	224,548
Commitments and Contingencies (see Note 15)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 3,450,000 shares issued and outstanding (\$86,250 aggregate liquidation preference)	35	35
Common stock, \$0.01 par value, 450,000,000 shares authorized, 46,848,675 and 36,888,467 shares issued and outstanding, respectively	468	369
Additional paid-in-capital	860,421	697,610
Retained earnings (accumulated deficit)	(10,132)) (14,188)
Accumulated other comprehensive loss	(794)) (870)
Total Stockholders' Equity	849,998	682,956
Total Liabilities and Stockholders' Equity	\$1,554,750	\$907,504

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries
Condensed Consolidated Statement of Operations (Unaudited)
(in thousands—except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net interest income:				
Interest income from securities	\$4,366	\$3,014	\$6,785	\$6,101
Interest income from commercial mortgage loans	6,438	3,676	10,449	7,268
Interest income from subordinate loans	18,238	11,498	32,968	22,953
Interest income from repurchase agreements	—	—	—	2
Interest expense	(5,258)	(955)	(7,015)	(2,024)
Net interest income	23,784	17,233	43,187	34,300
Operating expenses:				
General and administrative expenses (includes \$362 and \$788 of equity based compensation in 2014 and \$428 and \$1,311 in 2013, respectively)	(1,479)	(1,437)	(2,921)	(3,333)
Management fees to related party	(2,966)	(2,600)	(5,531)	(4,759)
Total operating expenses	(4,445)	(4,037)	(8,452)	(8,092)
Interest income from cash balances	4	16	4	16
Unrealized gain (loss) on securities	4,749	(1,421)	6,934	(2,500)
Foreign currency gain	959	—	959	—
Loss on derivative instruments (includes \$1,093 and \$1,093 of unrealized losses in 2014 and \$57 and \$130 of unrealized gains in 2013, respectively)	(1,093)	(2)	(1,093)	(3)
Net income	23,958	11,789	41,539	23,721
Preferred dividends	(1,860)	(1,860)	(3,720)	(3,720)
Net income available to common stockholders	\$22,098	\$9,929	\$37,819	\$20,001
Basic and diluted net income per share of common stock	\$0.51	\$0.27	\$0.94	