

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

Apollo Commercial Real Estate Finance, Inc.  
Form 10-Q  
April 27, 2016

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

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FORM 10-Q

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(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016

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

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

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Maryland 27-0467113  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

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)

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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 (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 April 27, 2016, there were 67,402,311 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 Consolidated Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands—except share and per share data)

	March 31, 2016	December 31, 2015
Assets:		
Cash	\$23,035	\$ 67,415
Restricted cash	55,781	30,127
Securities, at estimated fair value	472,464	493,149
Securities, held-to-maturity	152,451	153,193
Commercial mortgage loans, held for investment	1,173,185	994,301
Subordinate loans, held for investment	930,401	931,351
Investment in unconsolidated joint venture	23,728	22,583
Derivative assets	1,938	3,327
Interest receivable	23,495	16,908
Other assets	18	236
Total Assets	\$2,856,496	\$ 2,712,590
Liabilities and Stockholders' Equity		
Liabilities:		
Borrowings under repurchase agreements (net of deferred financing costs of \$7,651 and \$7,353 in 2016 and 2015, respectively)	\$ 1,083,665	\$ 918,421
Convertible senior notes, net	248,617	248,173
Participations sold	116,952	118,201
Accounts payable and accrued expenses	8,562	9,246
Payable to related party	5,229	5,297
Dividends payable	36,421	37,828
Total Liabilities	1,499,446	1,337,166
Commitments and Contingencies (see Note 16)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series A Preferred stock, 3,450,000 shares issued and outstanding (\$86,250 aggregate liquidation preference) in 2016 and 2015	35	35
Series B Preferred stock, 8,000,000 shares issued and outstanding (\$200,000 aggregate liquidation preference) in 2016 and 2015	80	80
Common stock, \$0.01 par value, 450,000,000 shares authorized, 67,385,255 and 67,195,252 shares issued and outstanding in 2016 and 2015, respectively	674	672
Additional paid-in-capital	1,409,489	1,410,138
Retained earnings (accumulated deficit)	(50,973 )	(32,328 )
Accumulated other comprehensive loss	(2,255 )	(3,173 )
Total Stockholders' Equity	1,357,050	1,375,424
Total Liabilities and Stockholders' Equity	\$2,856,496	\$ 2,712,590

See notes to unaudited condensed consolidated financial statements.

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

	Three months ended March 31,	
	2016	2015
Net interest income:		
Interest income from securities	\$8,049	\$ 8,287
Interest income from securities, held to maturity	2,896	3,045
Interest income from commercial mortgage loans	21,127	10,094
Interest income from subordinate loans	29,375	18,610
Interest expense	(14,642 )	(11,482 )
Net interest income	46,805	28,554
Operating expenses:		
General and administrative expenses (includes \$1,668 and \$1,117 of equity based compensation in 2016 and 2015, respectively)	(8,185 )	(2,355 )
Management fees to related party	(5,229 )	(3,341 )
Total operating expenses	(13,414 )	(5,696 )
Income from unconsolidated joint venture	68	—
Other income	2	11
Realized loss on sale of securities	—	(443 )
Unrealized gain (loss) on securities	(15,074 )	3,409
Foreign currency gain (loss)	(4,474 )	(3,944 )
Gain (loss) on derivative instruments (includes unrealized gains (losses) of \$(1,380) and \$(3,044) in 2016 and 2015, respectively)	4,703	3,622
Net income	18,616	25,513
Preferred dividends	(5,815 )	(1,860 )
Net income available to common stockholders	\$12,801	\$ 23,653
Basic and diluted net income per share of common stock	\$0.18	\$ 0.47
Basic weighted average shares of common stock outstanding	67,385,194	49,563,822
Diluted weighted average shares of common stock outstanding	68,327,718	50,171,687
Dividend declared per share of common stock	\$0.46	\$ 0.44

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Consolidated Subsidiaries  
 Condensed Consolidated Statement of Comprehensive Income (Unaudited)  
 (in thousands)

	Three months ended March 31,	
	2016	2015
Net income available to common stockholders	\$ 12,801	\$ 23,653
Change in net unrealized gain (loss) on securities available-for-sale	—	678
Foreign currency translation adjustment	918	(1,100 )
Comprehensive income	\$	