

Apollo Commercial Real Estate Finance, Inc.

Form 10-Q

May 10, 2011

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**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 March 31, 2011

**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)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**27-0467113**  
(IRS Employer  
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)

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 May 10, 2011, there were 17,561,032 shares, par value \$0.01, of the registrant's common stock issued and outstanding.

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**Table of Contents****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)**

	March 31, 2011	December 31, 2010
<b>Assets:</b>		
Cash and cash equivalents	\$ 48,075	\$ 37,894
Contractual deposits	144	
Securities available-for-sale, at estimated fair value	349,662	363,660
Securities at estimated fair value	274,322	279,124
Commercial mortgage loans, held for investment	118,313	109,695
Subordinate loans, held for investment	58,973	58,985
Repurchase agreements, held for investment	41,418	
Principal and interest receivable	8,250	5,553
Deferred financing costs, net	2,459	2,818
Derivative instruments, net	846	387
Other assets	28	31
<b>Total Assets</b>	<b>\$ 902,490</b>	<b>\$ 858,147</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
TALF borrowings	\$ 289,439	\$ 297,334
Borrowings under repurchase agreements	298,392	242,728
Accounts payable and accrued expenses	2,031	2,375
Payable to related party	1,088	683
Dividends payable	7,116	7,189
Deferred underwriting fee (\$8,000 of which is payable to the Manager)	10,000	10,000
<b>Total Liabilities</b>	<b>608,066</b>	<b>560,309</b>
<b>Commitments and Contingencies (see Note 13)</b>		
<b>Stockholders' Equity:</b>		
Common stock, \$0.01 par value, 450,000,000 shares authorized, 17,551,828 shares issued and outstanding in 2011 and 2010	175	175
Additional paid-in-capital	289,767	291,304
Accumulated other comprehensive income	4,482	6,359
<b>Total Stockholders' Equity</b>	<b>294,424</b>	<b>297,838</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 902,490</b>	<b>\$ 858,147</b>

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****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 March 31, 2011	Three months ended March 31, 2010
Net interest income:		
Interest income from securities	\$ 6,656	\$ 3,174
Interest income from commercial mortgage loans	2,313	798
Interest income from subordinate loans	1,909	1,639
Interest income from repurchase agreements	60	
Interest expense	(3,339)	(1,709)
<b>Net interest income</b>	<b>7,599</b>	<b>3,902</b>
Operating expenses:		
General and administrative expenses (includes \$351 and \$390 of non-cash stock based compensation in 2011 and 2010, respectively)	(1,380)	(1,407)
Management fees to related party	(1,088)	(726)
<b>Total operating expenses</b>	<b>(2,468)</b>	<b>(2,133)</b>
Interest income from cash balances	5	6
Realized loss on sale of security		(33)
Unrealized gain on securities	26	
Unrealized gain on derivative instruments	459	
Realized loss on derivative instruments	(441)	
<b>Net income</b>	<b>\$ 5,180</b>	<b>\$ 1,742</b>
Basic net income per share of common stock	\$ 0.30	\$ 0.16
Diluted net income per share of common stock	\$ 0.29	\$ 0.16
Basic weighted average common shares outstanding	17,551,828	10,752,292
Diluted weighted average common shares outstanding	17,670,787	10,762,500
Dividend declared per share of common stock	\$ 0.40	\$ 0.35

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****Apollo Commercial Real Estate Finance, Inc. and Subsidiaries****Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited)**

(in thousands except share data)

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Loss	Total
	Shares	Par					
Balance at December 31, 2010	17,551,828	\$ 175	\$ 291,304	\$	\$ 6,359		\$ 297,838
Vesting of restricted stock pursuant to Equity Incentive Plan			351				351
Net income				5,180		\$ 5,180	5,180
Change in net unrealized gain on securities available-for-sale					(1,877)	(1,877)	(1,877)
Comprehensive income						\$ 3,303	
Dividends on common stock			(1,888)	(5,180)			(7,068)
Balance at March 31, 2011	17,551,828	\$ 175	\$ 289,767	\$	\$ 4,482		\$ 294,424

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****Apollo Commercial Real Estate Finance, Inc. and Subsidiaries****Condensed Consolidated Statement of Cash Flows (Unaudited)**

(in thousands)

	For three months ended March 31, 2011	For three months ended March 31, 2010
Cash flows provided by operating activities:		
Net income	\$ 5,180	\$ 1,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Premium amortization	1,998	662
Amortization of deferred financing costs	358	209
Restricted stock amortization expense	351	390
Unrealized gain on securities available-for-sale	(26)	
Unrealized gain on derivative instruments	(459)	
Realized loss on sale of security		33
Changes in operating assets and liabilities:		
Increase in accrued principal and interest receivable, less purchased interest	(2,696)	(1,571)
Decrease in other assets	3	
Increase in accounts payable and accrued expenses	651	507
Increase (decrease) in payable to related party	405	(22)
<b>Net cash provided by operating activities</b>	<b>5,765</b>	<b>1,950</b>
Cash flows used in investing activities:		
Purchase of securities available-for-sale		(229,498)
Proceeds from sale of securities available-for-sale		12,188
Funding of commercial mortgage loans	(8,800)	(86,000)
Funding of repurchase agreements	(41,418)	
Principal payments received on securities available-for-sale	11,446	77
Principal payments received on securities at estimated fair value	3,505	
Principal payments received on commercial mortgage loans	182	
Principal payments received on subordinate loans	12	
Change in contractual deposits	(144)	90
<b>Net cash used in investing activities</b>	<b>(35,217)</b>	<b>(303,143)</b>
Cash flows from financing activities:		
Payment of offering costs	(494)	(222)
Proceeds from TALF borrowings		178,470
Repayments of TALF borrowings	(7,895)	(127)
Proceeds from repurchase agreement borrowings	58,819	88,905