

ARES CAPITAL CORP
Form 10-Q
August 02, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 814-00663

ARES CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland 33-1089684

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

245 Park Avenue, 44th Floor, New York, NY 10167

(Address of principal executive office) (Zip Code)

(212) 750-7300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

Edgar Filing: ARES CAPITAL CORP - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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 practicable date.

Class	Outstanding at July 26, 2017
Common stock, \$0.001 par value	426,299,165

ARES CAPITAL CORPORATION

INDEX

Part I. Financial Information

<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheet as of June 30, 2017 (unaudited) and December 31, 2016</u>	<u>3</u>
<u>Consolidated Statement of Operations for the three and six months ended June 30, 2017 and 2016 (unaudited)</u>	<u>4</u>
<u>Consolidated Schedule of Investments as of June 30, 2017 (unaudited) and December 31, 2016</u>	<u>5</u>
<u>Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2017 (unaudited)</u>	<u>65</u>
<u>Consolidated Statement of Cash Flows for the six months ended June 30, 2017 and 2016 (unaudited)</u>	<u>66</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>67</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>103</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>133</u>
<u>Item 4. Controls and Procedures</u>	<u>134</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>134</u>
<u>Item 1A. Risk Factors</u>	<u>134</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>134</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>136</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>136</u>
<u>Item 5. Other Information</u>	<u>136</u>
<u>Item 6. Exhibits</u>	<u>136</u>

ARES CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(in millions, except per share data)

	As of	
	June 30,	December 31,
	2017	2016
	(unaudited)	
ASSETS		
Investments at fair value		
Non-controlled/non-affiliate company investments	\$7,756	\$ 5,940
Non-controlled affiliate company investments	212	185
Controlled affiliate company investments	3,530	2,695
Total investments at fair value (amortized cost of \$11,735 and \$9,034, respectively)	11,498	8,820
Cash and cash equivalents	536	223
Interest receivable	110	112
Receivable for open trades	33	29
Other assets	151	61
Total assets	\$12,328	\$ 9,245
LIABILITIES		
Debt	\$4,838	\$ 3,874
Base management fees payable	44	34
Income based fees payable	20	32
Capital gains incentive fees payable	63	38
Accounts payable and other liabilities	194	58
Interest and facility fees payable	53	44
Payable for open trades	65	—
Total liabilities	5,277	4,080
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Common stock, par value \$0.001 per share, 500 common shares authorized; 426 and 314 common shares issued and outstanding, respectively	—	—
Capital in excess of par value	7,206	5,292
Accumulated undistributed (overdistributed) net investment income	(69) 37
Accumulated net realized gains on investments, foreign currency transactions, extinguishment of debt and other assets	165	57
Net unrealized losses on investments, foreign currency and other transactions	(251) (221
Total stockholders' equity	7,051	5,165
Total liabilities and stockholders' equity	\$12,328	\$ 9,245
NET ASSETS PER SHARE	\$16.54	\$ 16.45

See accompanying notes to consolidated financial statements.

ARES CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF OPERATIONS
 (in millions, except per share data)
 (unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
INVESTMENT INCOME:				
From non-controlled/non-affiliate company investments:				
Interest income from investments	\$171	\$137	\$339	\$277
Capital structuring service fees	24	12	36	27
Dividend income	6	9	12	17
Other income	5	4	9	7
Total investment income from non-controlled/non-affiliate company investments	206	162	396	328
From non-controlled affiliate company investments:				
Interest income from investments	4	4	8	8
Total investment income from non-controlled affiliate company investments	4	4	8	8
From controlled affiliate company investments:				
Interest income from investments	56	62	115	126