

Invesco Mortgage Capital Inc.
Form 10-Q
August 07, 2018
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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 June 30, 2018

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 number 001-34385

(Exact Name of Registrant as Specified in Its Charter)

Maryland	26-2749336
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1555 Peachtree Street, N.E., Suite 1800 Atlanta, Georgia	30309
(Address of Principal Executive Offices)	(Zip Code)

(404) 892-0896
(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 website, 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 the 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
	(Do not check if a smaller reporting company)	Emerging growth company	<input type="checkbox"/>

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 13(a) of the Exchange Act.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 3, 2018, there were 111,643,188 outstanding shares of common stock of Invesco Mortgage Capital Inc.

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PART I

ITEM 1. FINANCIAL STATEMENTS

INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

\$ in thousands except share amounts	As of June 30, 2018	December 31, 2017
ASSETS		
Mortgage-backed and credit risk transfer securities, at fair value (including pledged securities of \$17,047,937 and \$17,560,811, respectively)	17,583,187	18,190,754
Commercial loans, held-for-investment	127,607	191,808
Cash and cash equivalents	70,254	88,381
Restricted cash	—	620
Due from counterparties	7,255	—
Investment related receivable	70,839	73,217
Derivative assets, at fair value	47,509	6,896
Other assets	108,124	105,580
Total assets	18,014,775	18,657,256
LIABILITIES AND EQUITY		
Liabilities:		
Repurchase agreements	13,702,321	14,080,801
Secured loans	1,650,000	1,650,000
Exchangeable senior notes, net	—	143,231
Derivative liabilities, at fair value	6,071	32,765
Dividends and distributions payable	50,201	50,193
Investment related payable	23,562	5,191
Accrued interest payable	18,886	17,845
Collateral held payable	39,748	7,327
Accounts payable and accrued expenses	1,705	2,200
Due to affiliate	10,558	10,825
Total liabilities	15,503,052	16,000,378
Commitments and contingencies (See Note 16):		
Equity:		
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized:		
7.75% Series A Cumulative Redeemable Preferred Stock: 5,600,000 shares issued and outstanding (\$140,000 aggregate liquidation preference)	135,356	135,356
7.75% Fixed-to-Floating Series B Cumulative Redeemable Preferred Stock: 6,200,000 shares issued and outstanding (\$155,000 aggregate liquidation preference)	149,860	149,860
7.50% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock: 11,500,000 shares issued and outstanding (\$287,500 aggregate liquidation preference)	278,108	278,108
Common Stock, par value \$0.01 per share; 450,000,000 shares authorized; 111,643,188 and 111,624,159 shares issued and outstanding, respectively	1,116	1,116
Additional paid in capital	2,384,902	2,384,356
Accumulated other comprehensive income	89,461	261,029
Retained earnings (distributions in excess of earnings)	(551,632)	(579,334)
Total stockholders' equity	2,487,171	2,630,491
Non-controlling interest	24,552	26,387

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Total equity	2,511,723	2,656,878
Total liabilities and equity	18,014,775	18,657,256

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INVESCO MORTGAGE CAPITAL INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
\$ in thousands, except share amounts	2018	2017	2018	2017
Interest Income				
Mortgage-backed and credit risk transfer securities	147,548	121,027	296,551	239,900
Commercial loans	4,051	6,021	8,273	11,785
Total interest income	151,599	127,048	304,824	251,685
Interest Expense				
Repurchase agreements	69,389	36,072	128,974	66,019
Secured loans	8,471	4,535	15,398	7,948
Exchangeable senior notes	—	3,504	1,621	8,512
Total interest expense				