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Apollo agrees to 50% equity share in CION BDC manager

Under the previous arrangement, Apollo split the fees CION earned

CION Investment Group and an Apollo Global Management subsidiary have restructured the CION Investment Corporation business development company manager into a joint venture, according to regulatory documents filed with the US Securities and Exchange Commission.

The BDC had previously been sub-advised by Apollo Investment Management, which will continue its role of sourcing and recommending investments for the vehicle under the new agreement. However, Apollo now earns a dividend with a 50 percent equity share in the advisor, as opposed to previous compensation through fees, effective 11 July. Previously the CION and Apollo split the management and incentive fees the BDC's external advisor earned.

This change in Apollo's compensation for the BDC could bear better return on investments for both firms, Chris Testa, equity research analyst at National Securities Corporation, told *Private Debt Investor*. The structure better aligns Apollo's interest in making smarter investments, in that the firm will be compensated more for a good investment and affected more by a poor investment, compared to a fee, Testa said. "Now Apollo will eat what it kills," he added.

On top of the restructuring, the board of directors at the BDC also voted to increase its size from six to seven directors, and appointed Joseph Glatt, secretary and vice president of Apollo Investment Corporation, a filing showed. In addition, the president of Apollo Investment Corporation, the New York-based credit behemoth's other BDC, Howard Widra, was named to fill Apollo's existing board seat, while the investment manager at Apollo, Richard Kilcoyne, will serve on the BDC's investment committee.

CION Investment Corporation's portfolio had a total fair value of $1.52 billion as of 7 August, up from, the documents showed. The BDC invests primarily in senior secured first lien debt, which accounted for $1.05 billion of its portfolio. The portfolio had an average and median portfolio company annual EBITDA of $87.8 million and $48.1 million, respectively. The BDC launched in August 2011.Last October, CION Investment Corporation purchased the Credit Suisse Park View, the Swiss bank's former BDC, for $276.9 million after Park View went on the block in July 2016.

The portfolio's estimated gross annual yield was 8.91 percent for the period ending 30 June, based upon the purchase price of its investments but excluding expenses, sales commissions and dealer manager fees, meaning that the "estimated yield may be higher than an actual investment return to shareholders," the filing read.

Apollo declined to comment, while CION was not immediately available.

- See more at: https://www.privatedebtinvestor.com/news/north-america/2017-08-21/apollo-no-longer-sub-advisor-to-cion_-owns-50_-stake