

PENNANTPARK INVESTMENT CORP
Form 10-Q
May 04, 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 QUARTER ENDED MARCH 31, 2011**

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: 814-00736

**PENNANTPARK INVESTMENT
CORPORATION**

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(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization)	20-8250744 (I.R.S. Employer Identification No.)
590 Madison Avenue, 15th Floor New York, N.Y. (Address of principal executive offices)	10022 (Zip Code)
(212)-905-1000 (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 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of the issuer's common stock, \$0.001 par value, outstanding as of May 4, 2011 was 45,581,084.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2011

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PART I CONSOLIDATED FINANCIAL INFORMATION

We are filing this form 10-Q (the Report) in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission (SEC). In this Report, we , our or us refer to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. References to PennantPark Investment refer to only PennantPark Investment Corporation. References to subsidiaries or our SBIC refer to PennantPark SBIC LP (SBIC LP) and its general partner PennantPark SBIC GP, LLC (SBIC GP), which are wholly owned and consolidated. References to our portfolio and investments include investments we make through subsidiaries.

Table of Contents**Item 1. Consolidated Financial Statements****PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	March 31, 2011 (unaudited)	September 30, 2010
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost \$698,256,084 and \$631,280,755, respectively)	\$ 731,730,316	\$ 641,290,626
Non-controlled, affiliated investments, at fair value (cost \$17,875,050 and \$17,427,648, respectively)	15,919,916	15,433,680
Controlled, affiliated investments, at fair value (cost \$11,000,100 and 8,000,100, respectively)	11,000,000	8,000,100
Total of Investments, at fair value (cost \$727,131,234 and \$656,708,503, respectively)	758,650,232	664,724,406
Cash equivalents (See Note 8)	1,546,429	1,814,451
Interest receivable	11,576,869	12,814,096
Receivable for investments sold		30,254,774
Prepaid expenses and other assets	3,139,923	1,886,119
Total assets	774,913,453	711,493,846
Liabilities		
Distributions payable	12,286,331	9,401,281
Payable for investments purchased	12,375,000	52,785,000
Unfunded investments	18,633,872	22,203,434
Credit facility payable (cost: \$152,838,800 and \$233,100,000, respectively) (See Notes 5 and 10)	150,183,371	219,141,125
SBA debentures payable (See Note 10)	59,500,000	14,500,000
Interest payable on credit facility and SBA debentures	292,514	215,135
Management fee payable (See Note 3)	3,589,342	3,286,816
Performance-based incentive fee payable (See Note 3)	3,338,434	2,239,011
Accrued other expenses	694,751	1,146,821
Total liabilities	260,893,615	324,918,623
Net Assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 45,504,932 and 36,158,772 shares issued and outstanding, respectively	45,505	36,159
Paid-in capital in excess of par value	538,546,978	428,675,184
Undistributed net investment income	4,584,659	1,800,646
Accumulated net realized loss on investments	(63,331,731)	(65,911,544)
Net unrealized appreciation on investments	31,518,998	8,015,903
Net unrealized depreciation on credit facility	2,655,429	13,958,875
Total net assets	\$ 514,019,838	\$ 386,575,223
Total liabilities and net assets	\$ 774,913,453	\$ 711,493,846
Net asset value per share	\$ 11.30	\$ 10.69

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 20,836,197	\$ 12,783,931	\$ 39,395,362	\$ 25,735,164
Other	1,233,863	412,482	2,080,447	732,085
From non-controlled, affiliated investments:				
Interest	381,222	328,580	744,654	656,229
From controlled, affiliated investments:				
Interest	260,167		470,167	
Total investment income	22,711,449	13,524,993	42,690,630	27,123,478
Expenses:				
Base management fee (See Note 3)	3,589,342	2,772,132	7,087,936	5,296,785
Performance-based incentive fee (See Note 3)	3,338,434	1,764,607	6,131,428	3,573,987
Interest and expenses on the credit facility and SBA debentures (See Note 10)	1,086,523	838,275	2,221,950	1,656,958
Administrative services expenses (See Note 3)	650,662	539,619	1,229,717	1,097,123
Other general and administrative expenses	847,668	560,974	1,531,027	1,104,389
Expenses before taxes	9,512,629	6,475,607	18,202,058	12,729,242
Excise tax (See Note 2)	39,857	(9,072)	158,824	97,890
Total expenses	9,552,486	6,466,535	18,360,882	12,827,132
Net investment income	13,158,963	7,058,458	24,329,748	14,296,346
Realized and unrealized gain (loss) on investments and credit facility:				
Net realized gain (loss) on non-controlled, non-affiliated investments	286,452	(140,986)	2,579,813	(16,744,851)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	4,711,487	9,895,674	23,464,360	33,989,336
Non-controlled, affiliated investments	129,006	8,425	38,835	(204,099)
Controlled, affiliated investments	(100)		(100)	
Credit facility unrealized (appreciation) (See Note 5)	(4,698,821)	(19,852,714)	(11,303,446)	(25,691,628)
Net change in unrealized appreciation (depreciation)	141,572	(9,948,615)	12,199,649	8,093,609
Net realized and unrealized gain (loss) from investments and credit facility	428,024	(10,089,601)	14,779,462	(8,651,242)
Net increase (decrease) in net assets resulting from operations	\$ 13,586,987	\$ (3,031,143)	\$ 39,109,210	\$ 5,645,104
Net increase (decrease) in net assets resulting from operations per common share (See Note 7)	\$ 0.33	\$ (0.11)	\$ 1.01	\$ 0.21

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Net investment income per common share	\$	0.32	\$	0.26	\$	0.63	\$	0.54
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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(Unaudited)**

	Six Months Ended March 31,	
	2011	2010
Increase in net assets from operations:		
Net investment income	\$ 24,329,748	\$ 14,296,346
Net realized gain (loss) on investments	2,579,813	(16,744,851)
Net change in unrealized appreciation on investments	23,503,095	33,785,237
Net change in unrealized (appreciation) on credit facility	(11,303,446)	(25,691,628)
Net increase in net assets resulting from operations	39,109,210	5,645,104
Distributions to Stockholders:		
Distributions from net investment income	(21,704,559)	(14,657,474)
Capital Share Transactions:		
Public offering	114,080,000	61,020,000
Offering costs relating to public offering	(5,743,800)	(3,376,000)
Reinvestment of dividends	1,703,764	
Total increase in net assets	127,444,615	48,631,630