

PennantPark Floating Rate Capital Ltd.

Form 10-Q

May 07, 2015

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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, 2015

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: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of incorporation or organization)

27-3794690
(I.R.S. Employer Identification No.)

590 Madison Avenue,
15th Floor, New York, N.Y.
(Address of principal executive offices)
(212) 905-1000

10022
(Zip Code)

(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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of May 7, 2015 was 14,898,056.

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PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2015

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PART I CONSOLIDATED FINANCIAL INFORMATION

We are filing this Form 10-Q, or the Report, in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission, or the SEC. In this Report, except where the context suggests otherwise, the terms Company, we, our or us refer to PennantPark Floating Rate Capital Ltd. and its wholly-owned consolidated subsidiary, PennantPark Floating Rate Funding I, LLC, or Funding I; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC; 1940 Act refers to the Investment Company Act of 1940, as amended; Code refers to the Internal Revenue Code of 1986, as amended; RIC refers to a regulated investment company under the Code; BDC refers to a business development company under the 1940 Act. References to our portfolio, our investments, our senior secured revolving credit facility, as amended, or the Credit Facility, and our business include investments we make through Funding I.

Table of Contents**Item 1. Consolidated Financial Statements****PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	March 31, 2015	September 30, 2014
	(unaudited)	
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost \$339,492,784 and \$348,354,295, respectively)	\$ 335,524,541	\$ 348,428,492
Cash equivalents	9,835,853	13,113,817
Interest receivable	1,932,850	1,773,870
Receivable for investments sold	6,501,875	9,001,938
Prepaid expenses and other assets	578,689	556,359
Total assets	354,373,808	372,874,476
Liabilities		
Distributions payable	1,415,315	1,340,825
Payable for investments purchased	19,539,850	3,162,000
Unfunded investments		2,705,882
Credit Facility payable (cost \$117,300,000 and \$146,400,000, respectively) (See Notes 5 and 9)	117,593,250	146,949,000
Interest payable on Credit Facility	263,845	284,906
Management fee payable (See Note 3)	851,176	914,978
Performance-based incentive fee payable (See Note 3)	1,475,644	2,180,604
Accrued other expenses	263,770	808,571
Total liabilities	141,402,850	158,346,766
Commitments and contingencies (See Note 10)		
Net assets		
Common stock, 14,898,056 shares issued and outstanding.		
Par value \$0.001 per share and 100,000,000 shares authorized.	14,898	14,898
Paid-in capital in excess of par value	207,226,615	207,226,615
Undistributed net investment income	6,683,175	4,878,091
Accumulated net realized gain on investments	3,307,763	2,882,909
Net unrealized (depreciation) appreciation on investments	(3,968,243)	74,197
Net unrealized appreciation on Credit Facility	(293,250)	(549,000)
Total net assets	\$ 212,970,958	\$ 214,527,710
Total liabilities and net assets	\$ 354,373,808	\$ 372,874,476
Net asset value per share	\$ 14.30	\$ 14.40

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended March 31,		Six Months Ended	
	2015	2014	March 31,	2014
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 7,067,400	\$ 7,529,198	\$ 14,516,174	\$ 14,283,445
Other income	915,859	94,278	943,805	183,924
Total investment income	7,983,259	7,623,476	15,459,979	14,467,369
Expenses:				
Base management fee (See Note 3)	851,176	952,949	1,734,546	1,834,752
Performance-based incentive fee (See Note 3)	1,345,982	1,417,315	1,031,925	2,100,465
Interest and expenses on the Credit Facility (See Note 9)	775,975	963,688	1,661,733	1,700,125
Administrative services expenses (See Note 3)	223,500	201,000	449,500	402,000
Other general and administrative expenses	220,547	234,014	437,750	524,654
Expenses before excise tax and amendment costs	3,417,180	3,768,966	5,315,454	6,561,996
Excise tax	110,000	130,000	220,000	240,000
Credit Facility amendment costs (See Notes 5 and 9)				712,930
Total expenses	3,527,180	3,898,966	5,535,454	7,514,926
Net investment income	4,456,079	3,724,510	9,924,525	6,952,443
Realized and unrealized gain (loss) on investments and Credit Facility:				
Net realized gain on non-controlled, non-affiliated investments	598,843	482,797	424,854	1,076,854
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	854,690	3,029,990	(4,042,440)	5,264,781
Credit Facility depreciation (See Note 5)	214,875		255,750	
Net change in unrealized appreciation (depreciation) on investments and Credit	1,069,565	3,029,990	(3,786,690)	5,264,781

Facility

Net realized and unrealized gain (loss) from investments and Credit Facility	1,668,408	3,512,787	(3,361,836)	6,341,635
Net increase in net assets resulting from operations	\$ 6,124,487	\$ 7,237,297	\$ 6,562,689	\$ 13,294,078
Net increase in net assets resulting from operations per common share (See Note 6)	\$ 0.41	\$ 0.49	\$ 0.44	\$ 0.89
Net investment income per common share	\$ 0.30	\$ 0.25	\$ 0.67	\$ 0.47

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Six Months Ended March 31,	
	2015	2014
Net increase in net assets from operations:		
Net investment income	\$ 9,924,525	\$ 6,952,443
Net realized gain on investments	424,854	1,076,854
Net change in unrealized (depreciation) appreciation on investments	(4,042,440)	5,264,781
Net change in unrealized appreciation on Credit Facility	255,750	
Net increase in net assets resulting from operations	6,562,689	13,294,078
Distributions to stockholders	(8,119,441)	(8,007,705)
Net (decrease) increase in net assets	(1,556,752)	5,286,373
Net assets:		
Beginning of period	214,527,710	210,066,394
End of period	\$ 212,970,958	\$ 215,352,767
Undistributed (Distributions in excess of) net investment income, end of period	\$ 6,683,175	\$ (580,496)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Six Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 6,562,689	\$ 13,294,078
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided (used) by operating activities:		
Net change in unrealized depreciation (appreciation) on investments	4,042,440	(5,264,781)
Net change in unrealized appreciation on Credit Facility	(255,750)	
Net realized gain on investments	(424,854)	(1,076,854)
Net accretion of discount and amortization of premium	(639,080)	(680,975)
Purchases of investments	(85,391,682)	(154,345,653)
Payment-in-kind interest	(307,588)	(128,333)
Proceeds from dispositions of investments	92,918,833	91,157,502
(Increase) decrease in interest receivable	(158,980)	307,764
Decrease (increase) in receivable for investments sold	2,500,063	(2,375,389)
(Increase) decrease in prepaid expenses and other assets	(22,330)	85,439
Increase (decrease) in payable for investments purchased	16,377,850	(7,133,956)
(Decrease) increase in interest payable on Credit Facility	(21,061)	134,469
(Decrease) increase in management fee payable	(63,802)	221,314
(Decrease) increase in performance-based incentive fee payable	(704,960)	1,077,421
Decrease in accrued other expenses	(544,801)	(399,695)
Net cash provided (used) by operating activities	33,866,987	(65,127,649)
Cash flows from financing activities:		
Distributions paid to stockholders	(8,044,951)	(7,970,460)
Borrowings under Credit Facility (See Notes 5 and 9)	54,900,000	112,500,000
Repayments under Credit Facility (See Notes 5 and 9)	(84,000,000)	(38,900,000)
Net cash (used) provided by financing activities	(37,144,951)	65,629,540
Net (decrease) increase in cash equivalents	(3,277,964)	501,891
Cash equivalents, beginning of period	13,113,817	4,578,249
Cash equivalents, end of period	\$ 9,835,853	\$ 5,080,140
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,647,794	\$ 1,530,656

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Excise taxes paid	\$	431,856	\$	256,392
Conversions and non-cash exchanges	\$	670,283	\$	5,952,277

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽¹⁾	Par / Shares	Cost	Fair Value ⁽²⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies			157.6%^{(3), (4)}				
First Lien Secured Debt			130.3%				
AKA Diversified Holdings, Inc.	04/02/2018	Retail	11.94%	L+1,175 ⁽⁹⁾	8,965,635	\$ 8,796,176	\$ 9,000,096
AKA Diversified Holdings, Inc. ⁽¹⁰⁾	04/02/2018	Retail			2,019,209		
AKA Diversified Holdings, Inc. (Revolver) ⁽¹⁰⁾	04/02/2018	Retail			1,165,725		
ALG USA Holdings, LLC	02/28/2019	Hotel, Gaming and Leisure	7.00%	L+575	7,315,907	7,272,490	7,279,327
Ancile Solutions, Inc.	07/16/2018	High Tech Industries	6.25%	L+500	3,910,965	3,884,998	3,896,299
AP Gaming I, LLC	12/21/2020	Hotel, Gaming and Leisure	9.25%	L+825	1,382,500	1,346,274	1,373,859
ARC Automotive Group, Inc.	10/12/2020	Automotive	6.00%	L+500			