

PennantPark Floating Rate Capital Ltd.
Form 10-Q
February 08, 2018

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 DECEMBER 31, 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 NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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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.

10022

(Address of principal executive offices)

(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 (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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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.

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

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The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of February 8, 2018 was 38,772,074.

PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2017

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on 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 subsidiaries; “Funding I” refers to PennantPark Floating Rate Funding I, LLC; “Taxable Subsidiary” refers to PFLT Investment Holdings, LLC; “PSSL” refers to PennantPark Senior Secured Loan Fund I LLC, an unconsolidated joint venture; “PennantPark Investment Advisers” or “Investment Adviser” refers to PennantPark Investment Advisers, LLC; “PennantPark Investment Administration” or “Administrator” refers to PennantPark Investment Administration, LLC; “Credit Facility” refers to our multi-currency, senior secured revolving credit facility, as amended and restated; “2023 Notes” refers to our 3.83% Series A notes due 2023; “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 Credit Facility, and our business include investments we make through our subsidiaries.

Item 1. Consolidated Financial Statements

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2017 (unaudited)	September 30, 2017
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$672,975,750 and \$665,514,821, respectively)	\$ 677,586,189	\$ 666,973,639
Controlled, affiliated investments (cost—\$61,000,000 and \$43,000,000, respectively)	61,843,585	43,525,143
Total of investments (cost—\$733,975,750 and \$708,514,821, respectively)	739,429,774	710,498,782
Cash and cash equivalents (cost—\$127,718,637 and \$18,847,673, respectively)	127,785,338	18,910,756
Interest receivable	2,632,994	2,520,506
Receivable for investments sold	11,190,048	14,185,850
Prepaid expenses and other assets	806,566	1,229,505
Total assets	881,844,720	747,345,399
Liabilities		
Distributions payable	3,683,347	3,085,607
Payable for investments purchased	5,599,239	21,730,512
Credit Facility payable (cost—\$190,368,311 and \$253,783,301, respectively) (See Notes 5 and 10)	192,809,299	256,858,457
2023 Notes payable (cost—\$138,579,858 and zero, respectively) (See Notes 5 and 10)	136,085,421	—
Interest payable on debt	1,189,268	693,787
Base management fee payable (See Note 3)	1,822,063	1,784,806
Performance-based incentive fee payable (See Note 3)	2,572,461	5,061,217
Accrued other expenses	663,371	224,739
Total liabilities	344,424,469	289,439,125
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 38,772,074 and 32,480,074 shares issued and outstanding, respectively		
Par value \$0.001 per share and 100,000,000 shares authorized	38,772	32,480
Paid-in capital in excess of par value	539,462,336	451,448,872
(Distributions in excess of) undistributed net investment income	(9,200,786)	3,163,645
Accumulated net realized gain on investments	1,502,838	4,289,389
Net unrealized appreciation on investments	5,563,642	2,047,044

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Net unrealized depreciation (appreciation) on debt	53,449	(3,075,156)
Total net assets	\$537,420,251	\$457,906,274
Total liabilities and net assets	\$881,844,720	\$747,345,399
Net asset value per share	\$13.86	\$14.10

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$ 13,867,420	\$ 11,951,835
Other income	433,180	679,433
From controlled, affiliated investments:		
Interest	535,760	—
Total investment income	14,836,360	12,631,268
Expenses:		
Base management fee (See Note 3)	1,822,063	1,595,727
Performance-based incentive fee (See Note 3)	148,010	1,469,369
Interest and expenses on debt (See Note 10)	2,618,308	1,800,725
Administrative services expenses (See Note 3)	500,000	561,250
Other general and administrative expenses	618,751	357,500
Expenses before amendment costs, debt issuance costs and provision for taxes	5,707,132	5,784,571
Credit Facility amendment costs and debt issuance costs (See Notes 5 and 10)	10,869,098	—
Provision for taxes	200,000	25,000
Total expenses	16,776,230	5,809,571
Net investment (loss) income	(1,939,870)	6,821,697
Realized and unrealized gain on investments and debt:		
Net realized (loss) gain on investments	(2,786,551)	549,401
Net change in unrealized appreciation on:		
Non-controlled, non-affiliated investments	3,198,156	2,546,025
Controlled, affiliated investments	318,442	—
Debt depreciation (appreciation) (See Notes 5 and 10)	3,128,605	(1,068,214)
Net change in unrealized appreciation on investments and debt	6,645,203	1,477,811
Net realized and unrealized gain from investments and debt	3,858,652	2,027,212
Net increase in net assets resulting from operations	\$ 1,918,782	\$ 8,848,909
Net increase in net assets resulting from operations per common share (See Note 7)	\$ 0.05	\$ 0.33
Net investment (loss) income per common share	\$(0.05)	\$ 0.26

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Net increase in net assets resulting from operations:		
Net investment (loss) income	\$(1,939,870)	\$6,821,697
Net realized (loss) gain on investments	(2,786,551)	549,401
Net change in unrealized appreciation on investments	3,516,598	2,546,025
Net change in unrealized depreciation (appreciation) on debt	3,128,605	(1,068,214)
Net increase in net assets resulting from operations	1,918,782	8,848,909
Distributions to stockholders	(10,424,561)	(7,618,071)
Capital transactions		
Public offering (See Note 1)	89,031,800	—
Offering costs	(1,012,044)	—
Net increase in net assets resulting from capital transactions	88,019,756	—
Net increase in net assets	79,513,977	1,230,838
Net assets:		
Beginning of period	457,906,274	375,906,828
End of period	\$537,420,251	\$377,137,666
(Distribution in excess of) undistributed net investment income, end of period	\$(9,200,786)	\$3,763,272
Capital share activity:		
Shares issued from public offering	6,292,000	—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 1,918,782	\$