

PennantPark Floating Rate Capital Ltd.

Form 10-Q

February 05, 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 DECEMBER 31, 2014

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. (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 (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 February 5, 2015 was 14,898,056.

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PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q

FOR THE QUARTER ENDED DECEMBER 31, 2014

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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**

	December 31, 2014 (unaudited)	September 30, 2014
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost \$348,017,575 and \$348,354,295, respectively)	\$ 343,194,642	\$ 348,428,492
Cash equivalents (See Note 7)	10,385,490	13,113,817
Interest receivable	2,162,761	1,773,870
Receivable for investments sold		9,001,938
Prepaid expenses and other assets	502,728	556,359
Total assets	356,245,621	372,874,476
Liabilities		
Distributions payable	1,340,825	1,340,825
Payable for investments purchased	4,900,000	3,162,000
Unfunded investments		2,705,882
Credit Facility payable (cost \$135,500,000 and \$146,400,000, respectively) (See Notes 5 and 9)	136,008,125	146,949,000
Interest payable on Credit Facility	283,642	284,906
Management fee payable (See Note 3)	883,370	914,978
Performance-based incentive fee payable (See Note 3)	829,739	2,180,604
Accrued other expenses	1,056,483	808,571
Total liabilities	145,302,184	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	6,324,062	4,878,091
Accumulated net realized gain on investments	2,708,920	2,882,909
Net unrealized (depreciation) appreciation on investments	(4,822,933)	74,197
Net unrealized appreciation on Credit Facility	(508,125)	(549,000)
Total net assets	\$ 210,943,437	\$ 214,527,710
Total liabilities and net assets	\$ 356,245,621	\$ 372,874,476
Net asset value per share	\$ 14.16	\$ 14.40

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2014	2013
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$ 7,448,774	\$ 6,754,247
Other income	27,946	89,646
Total investment income	7,476,720	6,843,893
Expenses:		
Base management fee (See Note 3)	883,370	881,803
Performance-based incentive fee (See Note 3)	(314,057)	683,150
Interest and expenses on the Credit Facility (See Note 9)	885,758	736,437
Administrative services expenses (See Note 3)	226,000	201,000
Other general and administrative expenses	217,203	290,640
Expenses before excise tax and amendment costs	1,898,274	2,793,030
Excise tax	110,000	110,000
Credit Facility amendment costs (See Notes 5 and 9)		712,930
Total expenses	2,008,274	3,615,960
Net investment income	5,468,446	3,227,933
Realized and unrealized (loss) gain on investments and Credit Facility:		
Net realized (loss) gain on non-controlled, non-affiliated investments	(173,989)	594,057
Net change in unrealized (depreciation) appreciation on:		
Non-controlled, non-affiliated investments	(4,897,130)	2,234,791
Credit Facility appreciation (See Note 5)	40,875	
Net change in unrealized (depreciation) appreciation on investments and Credit Facility	(4,856,255)	2,234,791
Net realized and unrealized (loss) gain from investments and Credit Facility	(5,030,244)	2,828,848
Net increase in net assets resulting from operations	\$ 438,202	\$ 6,056,781
Net increase in net assets resulting from operations per common share (See Note 6)	\$ 0.03	\$ 0.41

Net investment income per common share	\$	0.37	\$	0.22
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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Three Months Ended December 31,	
	2014	2013
Net increase in net assets from operations:		
Net investment income	\$ 5,468,446	\$ 3,227,933
Net realized (loss) gain on investments	(173,989)	594,057
Net change in unrealized (depreciation) appreciation on investments	(4,897,130)	2,234,791
Net change in unrealized appreciation on Credit Facility	40,875	
Net increase in net assets resulting from operations	438,202	6,056,781
Distributions to stockholders:	(4,022,475)	(3,985,230)
Net (decrease) increase in net assets	(3,584,273)	2,071,551
Net assets:		
Beginning of period	214,527,710	210,066,394
End of period	\$ 210,943,437	\$ 212,137,945
Undistributed (Distributions in excess of) net investment income, end of period	\$ 6,324,062	\$ (282,531)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Three Months Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 438,202	\$ 6,056,781
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	4,897,130	(2,234,791)
Net change in unrealized appreciation on Credit Facility	(40,875)	
Net realized loss (gain) on investments	173,989	(594,057)
Net accretion of discount and amortization of premium	(292,312)	(301,795)
Purchases of investments	(46,998,949)	(103,914,361)
Payment-in-kind interest	(168,128)	(51,042)
Proceeds from dispositions of investments	44,916,238	55,416,308
(Increase) decrease in interest receivable	(388,891)	232,643
Decrease (increase) in receivable for investments sold	9,001,938	(2,699,174)
Decrease in prepaid expenses and other assets	53,631	98,358
Increase in payable for investments purchased	1,738,000	12,613,912
(Decrease) increase in interest payable on Credit Facility	(1,264)	88,983
(Decrease) increase in management fee payable	(31,608)	150,168
(Decrease) increase in performance-based incentive fee payable	(1,350,865)	182,943
Increase in accrued other expenses	247,912	39,882
Net cash provided (used) by operating activities	12,194,148	(34,915,242)
Cash flows from financing activities:		
Distributions paid to stockholders	(4,022,475)	(3,947,985)
Borrowings under Credit Facility (See Notes 5 and 9)	34,300,000	54,800,000
Repayments under Credit Facility (See Notes 5 and 9)	(45,200,000)	(15,200,000)
Net cash (used) provided by financing activities	(14,922,475)	35,652,015
Net (decrease) increase in cash equivalents	(2,728,327)	736,773
Cash equivalents, beginning of period	13,113,817	4,578,249
Cash equivalents, end of period	\$ 10,385,490	\$ 5,315,022
Supplemental disclosure of cash flow information:		
Interest paid	\$ 852,022	\$ 647,454
Conversions and non-cash exchanges	\$	\$ 5,952,277

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2014

(Unaudited)

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				162.7% ^{(3), (4)}		
First Lien Secured Debt 136.8%						
AKA Diversified Holdings, Inc.	04/02/2018	Retail	11.92%	L+1,175 ⁽⁹⁾	8,944,758	