

PennantPark Floating Rate Capital Ltd.

Form 10-Q

August 09, 2016

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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 JUNE 30, 2016

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)

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 August 9, 2016 was 26,730,074.

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**PENNANTPARK FLOATING RATE CAPITAL LTD.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016**

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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; 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 multi-currency, senior secured revolving credit facility, as amended and restated, or the Credit Facility, and our business include investments we make through our subsidiaries.

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

	June 30, 2016 (unaudited)	September 30, 2015
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost \$557,185,402 and \$394,561,175, respectively)	\$ 550,999,281	\$ 388,535,383
Controlled, affiliated investments (cost \$0 and \$2,777,132, respectively)		2,776,507
Total of investments (cost \$557,185,402 and \$397,338,307, respectively)	550,999,281	391,311,890
Cash and cash equivalents (cost \$16,767,271 and \$21,428,514, respectively)	16,790,402	21,428,514
Interest receivable	3,201,502	1,959,404
Prepaid expenses and other assets	1,693,258	1,420,529
Total assets	572,684,443	416,120,337
Liabilities		
Distributions payable	2,539,357	2,539,357
Payable for investments purchased	9,833,911	9,367,500
Credit Facility payable (cost \$190,907,500 and \$29,600,000, respectively) (See Notes 5 and 10)	190,374,979	29,600,000
Interest payable on Credit Facility	448,899	224,633
Management fee payable (See Note 3)	1,297,596	956,115
Performance-based incentive fee payable (See Note 3)	497,716	2,936
Accrued other expenses	53,352	539,347
Total liabilities	205,045,810	43,229,888
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 26,730,074 shares issued and outstanding. Par value \$0.001 per share and 100,000,000 shares authorized.	26,730	26,730
Paid-in capital in excess of par value	371,502,801	371,502,801
Undistributed net investment income	3,317,806	6,991,473
Accumulated net realized (loss) gain on investments	(1,578,235)	395,862
Net unrealized depreciation on investments	(6,162,990)	(6,026,417)
Net unrealized depreciation on Credit Facility	532,521	

Total net assets	\$	367,638,633	\$	372,890,449
Total liabilities and net assets	\$	572,684,443	\$	416,120,337
Net asset value per share	\$	13.75	\$	13.95

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 10,555,165	\$ 6,940,910	\$ 28,794,610	\$ 21,457,084
Other income	226,431	163,377	2,005,698	1,107,182
From controlled, affiliated investments:				
Interest	21,429		105,502	
Total investment income	10,803,025	7,104,287	30,905,810	22,564,266
Expenses:				
Base management fee (See Note 3)	1,297,595	881,953	3,556,451	2,616,499
Performance-based incentive fee (See Note 3)	497,716	630,806	1,336,660	1,662,731
Interest and expenses on the Credit Facility (See Note 10)	1,276,288	785,899	3,338,863	2,447,632
Administrative services expenses (See Note 3)	200,000	223,500	600,000	673,000
Other general and administrative expenses	701,555	212,672	1,985,568	650,422
Expenses before provision for taxes and amendment costs	3,973,154	2,734,830	10,817,542	8,050,284
Provision for taxes		110,000		330,000
Credit Facility amendment costs (See Notes 5 and 10)		162,311	907,722	162,311
Total expenses	3,973,154	3,007,141	11,725,264	8,542,595
Net investment income	6,829,871	4,097,146	19,180,546	14,021,671
Realized and unrealized gain (loss) on investments and Credit Facility:				
Net realized gain (loss) on non-controlled, non-affiliated investments	189,623	(11,319)	(1,974,097)	413,535
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	6,082,410	662,950	(136,573)	(3,379,490)
Credit Facility depreciation (appreciation) (See Note 5)	317,438	(22,000)	532,521	233,750
	6,399,848	640,950	395,948	(3,145,740)

**Net change in unrealized (depreciation)
appreciation on investments and Credit Facility**

Net realized and unrealized gain (loss) from investments and Credit Facility	6,589,471	629,631	(1,578,149)	(2,732,205)
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Net increase in net assets resulting from operations	\$ 13,419,342	\$ 4,726,777	\$ 17,602,397	\$ 11,289,466
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Net increase in net assets resulting from operations per common share (See Note 7)	\$ 0.50	\$ 0.32	\$ 0.66	\$ 0.76
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Net investment income per common share	\$ 0.26	\$ 0.28	\$ 0.72	\$ 0.94
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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(Unaudited)**

	Nine Months Ended June 30,	
	2016	2015
Net increase in net assets from operations:		
Net investment income	\$ 19,180,546	\$ 14,021,671
Net realized (loss) gain on investments	(1,974,097)	413,535
Net change in unrealized depreciation on investments	(136,573)	(3,379,490)
Net change in unrealized depreciation on Credit Facility	532,521	233,750
Net increase in net assets resulting from operations	17,602,397	11,289,466
Distributions to stockholders	(22,854,213)	(12,365,386)
Net decrease in net assets	(5,251,816)	(1,075,920)
Net assets:		
Beginning of period	372,890,449	214,527,710
End of period	\$ 367,638,633	\$ 213,451,790
Undistributed net investment income, end of period	\$ 3,317,806	\$ 6,534,376

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Nine Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 17,602,397	\$ 11,289,466
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used) provided by operating activities:		
Net change in unrealized depreciation on investments	136,573	3,379,490
Net change in unrealized depreciation on Credit Facility	(532,521)	(233,750)
Net realized loss (gain) on investments	1,974,097	(413,535)
Net accretion of discount and amortization of premium	(1,263,787)	(919,802)
Purchases of investments	(257,653,704)	(160,986,701)
Payment-in-kind interest	(92,262)	(322,041)
Proceeds from dispositions of investments	97,092,286	146,165,582
Increase in interest receivable	(1,242,098)	(209,853)
Decrease in receivable for investments sold		7,998,188
Increase in prepaid expenses and other assets	(272,729)	(599,457)
Increase in payable for investments purchased	466,411	12,919,850
Increase (decrease) in interest payable on Credit Facility	224,266	(22,655)
Increase (decrease) in management fee payable	341,481	(33,025)
Increase (decrease) in performance-based incentive fee payable	494,780	(1,129,430)
Decrease in accrued other expenses	(485,995)	(529,627)
Net cash (used) provided by operating activities	(143,210,805)	16,352,700
Cash flows from financing activities:		
Distributions paid to stockholders	(22,854,213)	(12,290,896)
Borrowings under Credit Facility (See Notes 5 and 10)	196,807,500	103,400,000
Repayments under Credit Facility (See Notes 5 and 10)	(35,500,000)	(110,100,000)
Net cash provided (used) by financing activities	138,453,287	(18,990,896)
Net decrease in cash equivalents	(4,757,518)	(2,638,196)
Effect of exchange rate changes on cash	119,406	
Cash and cash equivalents, beginning of period	21,428,514	13,113,817
Cash and cash equivalents, end of period	\$ 16,790,402	\$ 10,475,621
Supplemental disclosure of cash flow information:		
Interest paid	\$ 3,114,597	\$ 2,470,287

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Taxes paid	\$ 308,795	\$ 430,242
Non-cash exchanges and conversions	\$ 4,547,934	\$ 670,283

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS