

PENNANTPARK INVESTMENT CORP  
Form 10-Q  
August 07, 2013  
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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 JUNE 30, 2013**

**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**

(Exact name of registrant as specified in its charter)

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**MARYLAND**  
(State or other jurisdiction of  
incorporation or organization)  
**590 Madison Avenue, 15<sup>th</sup> Floor**  
**New York, N.Y.**  
(Address of principal executive offices)

**20-8250744**  
(I.R.S. Employer  
Identification No.)  
**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  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 issuer's common stock, \$0.001 par value, outstanding as of August 7, 2013 was 66,499,327.

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**PENNANTPARK INVESTMENT CORPORATION**

**FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2013**

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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, we, our or us refer to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. PennantPark Investment refers to only PennantPark Investment Corporation; our SBIC Funds refers collectively to our consolidated subsidiaries, PennantPark SBIC LP, or SBIC LP, and its general partner, PennantPark SBIC GP, LLC, and PennantPark SBIC II LP, or SBIC II, and its general partner, PennantPark SBIC GP II, LLC ; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC.

SBA refers to the Small Business Administration; Credit Facility refers to our multi-currency, senior secured revolving credit facility; 2025 Notes refers to our 6.25% senior notes due 2025; BDC refers to a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act; Code refers to the Internal Revenue Code of 1986, as amended; RIC refers to a regulated investment company under the Code. References to our portfolio or investments include investments we make through our SBIC Funds and other consolidated subsidiaries.

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

	<b>June 30, 2013</b>	
	<b>(unaudited) September 30, 2012</b>	
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value	\$ 919,743,390	\$ 871,892,745
(cost \$888,478,404 and \$871,867,953, respectively)		
Non-controlled, affiliated investments, at fair value	109,229,772	80,955,257
(cost \$127,568,788 and \$72,576,858, respectively)		
Controlled, affiliated investments, at fair value	37,291,710	37,631,708
(cost \$63,124,956 and \$64,167,051, respectively)		
Total of investments, at fair value (cost \$1,079,172,148 and \$1,008,611,862, respectively)	1,066,264,872	990,479,710
Cash equivalents (See Note 8)	16,322,503	7,559,453
Interest receivable	13,175,682	14,928,862
Prepaid expenses and other assets	6,231,236	5,999,506
<b>Total assets</b>	<b>1,101,994,293</b>	<b>1,018,967,531</b>
<b>Liabilities</b>		
Distributions payable	18,606,033	15,824,061
Payable for investments purchased	15,932,290	
Unfunded investments	22,881,667	26,935,270
Credit Facility payable (cost \$114,500,000 and \$145,000,000, respectively) (See Notes 5 and 10)	114,500,000	144,452,500
SBA debentures payable (cost \$150,000,000) (See Notes 5 and 10)	150,000,000	150,000,000
2025 Notes payable (cost \$71,250,000) (See Notes 5 and 10)	71,250,000	
Management fee payable (See Note 3)	5,412,460	4,791,913
Performance-based incentive fee payable (See Note 3)	4,413,710	4,206,989
Interest payable on debt	3,194,151	854,725
Accrued other expenses	2,701,325	2,185,026
<b>Total liabilities</b>	<b>408,891,636</b>	<b>349,250,484</b>
<b>Net assets</b>		
Common stock, 66,450,117 and 65,514,503 shares issued and outstanding, respectively.		
Par value \$0.001 per share and 100,000,000 shares authorized.	66,450	65,514
Paid-in capital in excess of par value	754,568,763	744,704,825
(Distributions in excess of) Undistributed net investment income	(3,075,320)	2,804,397

Accumulated net realized loss on investments	(45,549,961)	(60,273,037)
Net unrealized depreciation on investments	(12,907,275)	(18,132,152)
Net unrealized depreciation on debt		547,500
<b>Total net assets</b>	\$ 693,102,657	\$ 669,717,047
<b>Total liabilities and net assets</b>	\$ 1,101,994,293	\$ 1,018,967,531
<b>Net asset value per share</b>	\$ 10.43	\$ 10.22

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Investment income:</b>				
From non-controlled, non-affiliated investments:				
Interest	\$ 26,693,069	\$ 25,860,359	\$ 80,520,256	\$ 74,190,105
Other income	3,941,167	2,628,858	9,184,121	5,584,060
From non-controlled, affiliated investments:				
Interest	2,140,854	458,901	4,471,618	1,581,426
Other income			227,800	
From controlled, affiliated investments:				
Interest	949,583	437,500	3,336,040	1,230,444
<b>Total investment income</b>	<b>33,724,673</b>	<b>29,385,618</b>	<b>97,739,835</b>	<b>82,586,035</b>
<b>Expenses:</b>				
Base management fee (See Note 3)	5,412,461	4,493,917	15,869,172	12,715,349
Performance-based incentive fee (See Note 3)	4,413,711	3,892,819	12,518,209	10,016,789
Interest and expenses on debt (See Note 10)	4,212,450	3,206,771	11,292,224	8,318,513
Administrative services expenses (See Note 3)	1,157,748	1,046,991	3,485,607	2,652,647
Other general and administrative expenses	520,970	820,827	2,000,919	2,561,021
<b>Expenses before taxes and debt issuance costs</b>	<b>15,717,340</b>	<b>13,461,325</b>	<b>45,166,131</b>	<b>36,264,319</b>
Tax expense	32,500	353,697	(82,396)	633,697
Debt issuance costs (See Note 5)	320,000		2,757,500	5,361,319
<b>Total expenses</b>	<b>16,069,840</b>	<b>13,815,022</b>	<b>47,841,235</b>	<b>42,259,335</b>
<b>Net investment income</b>	<b>17,654,833</b>	<b>15,570,596</b>	<b>49,898,600</b>	<b>40,326,700</b>
<b>Realized and unrealized (loss) gain on investments and debt:</b>				
Net realized gain (loss) on investments	15,682,708	1,447,084	14,723,076	(10,504,926)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	(23,484,170)	(16,576,404)	8,805,377	13,958,935
Controlled and non-controlled, affiliated investments	3,504,661	2,799,956	(3,580,500)	3,069,531
Debt depreciation (appreciation) (See Notes 5 and 10)	427,500	178,500	(547,500)	(1,186,875)
<b>Net change in unrealized appreciation (depreciation)</b>	<b>(19,552,009)</b>	<b>(13,597,948)</b>	<b>4,677,377</b>	<b>15,841,591</b>
Net realized and unrealized (loss) gain from investments and debt	(3,869,301)	(12,150,864)	19,400,453	5,336,665
<b>Net increase in net assets resulting from operations</b>	<b>\$ 13,785,532</b>	<b>\$ 3,419,732</b>	<b>\$ 69,299,053</b>	<b>\$ 45,663,365</b>
Net increase in net assets resulting from operations per common share (See Note 7)				
	\$ 0.21	\$ 0.06	\$ 1.05	\$ 0.88
Net investment income per common share	\$ 0.27	\$ 0.28	\$ 0.76	\$ 0.78





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	<b>Nine Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Net increase in net assets from operations:</b>		
Net investment income	\$ 49,898,600	\$ 40,326,700
Net realized gain (loss) on investments	14,723,076	(10,504,926)
Net change in unrealized appreciation on investments	5,224,877	17,028,466
Net change in unrealized appreciation on debt	(547,500)	(1,186,875)
<b>Net increase in net assets resulting from operations</b>	<b>69,299,053</b>	<b>45,663,365</b>
<b>Distributions to stockholders:</b>		
Distributions	(55,778,317)	(44,313,916)
<b>Capital share transactions:</b>		
Public offering	7,574,000	109,192,500
Offering costs	(265,090)	(3,979,000)
Reinvestment of dividends	2,555,964	3,441,364
<b>Net increase from capital transactions</b>	<b>9,864,874</b>	<b>108,654,864</b>
<b>Total increase in net assets</b>	<b>23,385,610</b>	<b>110,004,313</b>
<b>Net assets:</b>		
Beginning of period	\$ 669,717,047	\$ 462,657,196
End of period	693,102,657	572,661,509
(Distributions in excess of) Undistributed net investment income, at period end	\$ (3,075,320)	\$ 4,339,635
<b>Capital share activity:</b>		
Shares issued from public offering	700,000	10,350,000
Shares issued from reinvestment of dividends	235,614	327,558

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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