

PROSPECT CAPITAL CORP

Form 10-Q

May 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 814-00659

PROSPECT CAPITAL CORPORATION

(Exact name of Registrant as specified in its charter)

Maryland 43-2048643

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

10 East 40th Street, 42nd Floor

New York, New York 10016

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212)

448-0702

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 Website, 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock Outstanding at May 9, 2018

\$0.001 par value 363,265,564

Table of Contents

	Page
<u>Forward-Looking Statements</u>	<u>3</u>
PART I FINANCIAL INFORMATION	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Statements of Assets and Liabilities as of March 31, 2018 (unaudited) and June 30, 2017</u>	<u>4</u>
<u>Consolidated Statements of Operations for the three and nine months ended March 31, 2018 and March 31, 2017 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Changes in Net Assets for the nine months ended March 31, 2018 and March 31, 2017 (unaudited)</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows for the nine months ended March 31, 2018 and March 31, 2017 (unaudited)</u>	<u>7</u>
<u>Consolidated Schedules of Investments as of March 31, 2018 (unaudited) and June 30, 2017</u>	<u>8</u>
<u>Notes to Consolidated Financial Statements</u>	<u>49</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>109</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>144</u>
Item 4. <u>Controls and Procedures</u>	<u>145</u>
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>146</u>
Item 1A. <u>Risk Factors</u>	<u>146</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>146</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>146</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>146</u>
Item 5. <u>Other Information</u>	<u>146</u>
Item 6. <u>Exhibits</u>	<u>146</u>
<u>Signatures</u>	

FORWARD-LOOKING STATEMENTS

This report contains information that may constitute “forward-looking statements.” Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results—are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, “Item 1A. Risk Factors” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended June 30, 2017, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

PART I

Item 1. Financial Statements

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except share and per share data)

	March 31, 2018 (Unaudited)	June 30, 2017 (Audited)
Assets		
Investments at fair value:		
Control investments (amortized cost of \$1,857,698 and \$1,840,731, respectively)	\$ 1,986,984	\$ 1,911,775
Affiliate investments (amortized cost of \$55,482 and \$22,957, respectively)	52,288	11,429
Non-control/non-affiliate investments (amortized cost of \$3,951,787 and \$4,117,868, respectively)	3,680,532	3,915,101
Total investments at fair value (amortized cost of \$5,864,967 and \$5,981,556, respectively)	5,719,804	5,838,305
Cash	97,563	318,083
Receivables for:		
Interest, net	29,511	9,559
Other	836	924
Prepaid expenses	566	1,125
Due from Broker	—	—
Due from Prospect Capital Management (Note 13)	60	—
Due from Affiliate (Note 13)	88	14
Deferred financing costs on Revolving Credit Facility (Note 4)	2,717	4,779
Total Assets	5,851,145	6,172,789
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	86,000	—
Convertible Notes (less unamortized debt issuance costs of \$11,908 and \$15,512, respectively) (Notes 5 and 8)	805,092	937,641
Prospect Capital InterNotes® (less unamortized debt issuance costs of \$12,342 and \$14,240, respectively) (Notes 7 and 8)	743,729	966,254
Public Notes (less unamortized discount and debt issuance costs of \$9,445 and \$10,981, respectively) (Notes 6 and 8)	739,836	738,300
Due to Prospect Capital Management (Note 13)	47,009	48,249
Interest payable	29,588	38,630
Due to Broker	24,457	50,371
Dividends payable	21,759	30,005
Due to Prospect Administration (Note 13)	2,148	1,910
Accrued expenses	4,320	4,380
Other liabilities	811	2,097
Total Liabilities	2,504,749	2,817,837
Commitments and Contingencies (Note 3)	—	—
Net Assets	\$ 3,346,396	\$ 3,354,952
Components of Net Assets		
Common stock, par value \$0.001 per share (1,000,000,000 common shares authorized; 362,657,362 and 360,076,933 issued and outstanding, respectively) (Note 9)	\$ 363	\$ 360
Paid-in capital in excess of par (Note 9)	4,009,704	3,991,317

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Accumulated overdistributed net investment income	(59,174)	(54,039)
Accumulated net realized loss	(459,334)	(439,435)
Net unrealized loss	(145,163)	(143,251)
Net Assets	\$3,346,396	\$3,354,952
Net Asset Value Per Share (Note 16)	\$9.23	\$9.32

See notes to consolidated financial statements.

4

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

(Unaudited)

	Three Months		Nine Months Ended	
	Ended March 31,		March 31,	
	2018	2017	2018	2017
Investment Income				
Interest income:				
Control investments	\$45,944	\$41,353	\$139,392	\$135,543
Affiliate investments	271	—	476	—
Non-control/non-affiliate investments	68,376	83,794	216,639	257,919
Structured credit securities	31,271	36,564	90,822	114,690
Total interest income	145,862	161,711	447,329	508,152
Dividend income:				
Control investments	5,639	728	5,639	4,250
Non-control/non-affiliate investments	648	89	1,518	