

GOLUB CAPITAL BDC, Inc.  
Form 10-Q  
May 07, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 814-00794

Golub Capital BDC, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 27-2326940  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

666 Fifth Avenue, 18th Floor  
New York, NY 10103  
(Address of principal executive offices)

(212) 750-6060  
(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 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, a smaller reporting company, or an emerging growth company. See 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

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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

As of May 7, 2018, the Registrant had 59,867,531 shares of common stock, \$0.001 par value, outstanding.

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Golub Capital BDC, Inc. and Subsidiaries  
 Consolidated Statements of Financial Condition  
 (In thousands, except share and per share data)

	March 31, 2018 (unaudited)	September 30, 2017
Assets		
Investments, at fair value		
Non-controlled/non-affiliate company investments	\$1,660,849	\$ 1,586,293
Non-controlled affiliate company investments	3,967	3,707
Controlled affiliate company investments	94,991	95,015
Total investments at fair value (amortized cost of \$1,738,586 and \$1,671,239, respectively)	1,759,807	1,685,015
Cash and cash equivalents	5,868	3,988
Restricted cash and cash equivalents	42,488	58,570
Interest receivable	7,640	6,271
Other assets	230	332
Total Assets	\$1,816,033	\$ 1,754,176
Liabilities		
Debt	\$835,200	\$ 781,100
Less unamortized debt issuance costs	3,920	4,273
Debt less unamortized debt issuance costs	831,280	776,827
Interest payable	2,662	3,800
Management and incentive fees payable	15,159	13,215
Accounts payable and accrued expenses	2,147	2,312
Payable for investments purchased	350	—
Accrued trustee fees	79	76
Total Liabilities	851,677	796,230
Commitments and Contingencies (Note 7)		
Net Assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2018 and September 30, 2017	—	—
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 59,867,531 and 59,577,293 shares issued and outstanding as of March 31, 2018 and September 30, 2017 respectively	60	60
Paid in capital in excess of par	944,318	939,307
Undistributed (over distribution of) net investment income	(976	) 1,954
Net unrealized appreciation (depreciation) on investments and secured borrowings	23,889	16,444
Net realized gain (loss) on investments	(2,935	) 181
Total Net Assets	964,356	957,946
Total Liabilities and Total Net Assets	\$1,816,033	\$ 1,754,176
Number of common shares outstanding	59,867,531	59,577,293
Net asset value per common share	\$16.11	\$ 16.08

See Notes to Consolidated Financial Statements.



Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Statements of Operations (unaudited)  
(In thousands, except share and per share data)

	Three months ended		Six months ended	
	March 31,		March 31,	
	2018	2017	2018	2017
Investment income				
From non-controlled/non-affiliate company investments:				
Interest income	\$34,215	\$30,630	\$67,407	\$61,361
Dividend income	13	8	610	160
Fee income	662	178	1,196	432
Total investment income from non-controlled/non-affiliate company investments	34,890	30,816	69,213	61,953
From non-controlled affiliate company investments:				
Interest income	154	324	316	651
Total investment income from non-controlled affiliate company investments	154	324	316	651
From controlled affiliate company investments:				
Interest income	—	—	—	1,639
Dividend income	1,853	2,417	3,818	3,163
Total investment income from controlled affiliate company investments	1,853	2,417	3,818	4,802
Total investment income	36,897	33,557	73,347	67,406
Expenses				
Interest and other debt financing expenses	7,906	7,674	15,620	15,280
Base management fee	5,929	5,848	11,859	11,685
Incentive fee	3,011	2,110	5,882	4,201
Professional fees	775	717	1,463	1,297
Administrative service fee	621	524	1,239	1,125
General and administrative expenses	127	130	245	301
Total expenses	18,369	17,003	36,308	33,889
Net investment income - before excise tax	18,528	16,554	37,039	33,517
Excise tax	—	7	—	17
Net investment income - after excise tax	18,528	16,547	37,039	33,500
Net gain (loss) on investments				
Net realized gain (loss) on investments:				
Non-controlled/non-affiliate company investments	(618)	) 686	(137)	) 1,593
Net realized gain (loss) on investments	(618)	) 686	(137)	) 1,593
Net change in unrealized appreciation (depreciation) on investments:				
Non-controlled/non-affiliate company investments	5,829	2,723	6,817	4,988
Non-controlled affiliate company investments	5	213	564	(430)
Controlled affiliate company investments	(712)	) 570	64	72
Net change in unrealized appreciation (depreciation) on investments	5,122	3,506	7,445	4,630
Net change in unrealized appreciation (depreciation) on secured borrowings	—	1	—	1
Net gain (loss) on investments	4,504	4,193	7,308	6,224
Net increase in net assets resulting from operations	\$23,032	\$20,740	\$44,347	\$39,724
Per Common Share Data				
Basic and diluted earnings per common share	\$0.39	\$0.38	\$0.75	\$0.72
Dividends and distributions declared per common share	\$0.32	\$0.32	\$0.72	\$0.89
Basic and diluted weighted average common shares outstanding	59,744,054	55,395,179	59,663,361	55,228,210

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries  
Consolidated Statements of Changes in Net Assets (unaudited)  
(In thousands, except share data)

	Common Stock		Paid in Capital in Excess of Par	Undistributed (Over Distribution) of Net Investment Income	Net Unrealized Appreciation (Depreciation on Investments and Secured Borrowings	Net Realized Gain (Loss) on Investments	Total Net Assets
	Shares	Par Amount					
Balance at September 30, 2016	55,059,067	\$ 55	\$ 855,998	\$ 18,832	\$ 13,104	\$ (9,164 )	\$ 878,825
Issuance of common stock, net of offering and underwriting costs <sup>(1)</sup>	1,750,000	2	32,078	—	—	—	32,080
Net increase in net assets resulting from operations	—	—	—	33,500	4,631	1,593	39,724
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	294,356	—	5,312	—	—	—	5,312
Distributions from net investment income	—	—	—	(47,921 )	—	—	(47,921 )
Distributions from net realized gain	—	—	—	—	—	(1,139 )	(1,139 )
Total increase (decrease) for the period ended March 31, 2017	2,044,356	2	37,390	(14,421 )	4,631	454	28,056
Balance at March 31, 2017	57,103,423	\$ 57	\$ 893,388	\$ 4,411	\$ 17,735	\$ (8,710 )	\$ 906,881
Balance at September 30, 2017	59,577,293	\$ 60	\$ 939,307	\$ 1,954	\$ 16,444	\$ 181	\$ 957,946
Issuance of common stock, net of offering and underwriting costs	—	—	—	—	—	—	—
Net increase in net assets resulting from operations	—	—	—	37,039	7,445	(137 )	44,347
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	290,238	—	5,011	—	—	—	5,011
Distributions from net investment income	—	—	—	(39,969 )	—	—	(39,969 )
Distributions from net realized gain	—	—	—	—	—	(2,979 )	(2,979 )
Total increase (decrease) for the period ended March 31, 2018	290,238	—	5,011	(2,930 )	7,445	(3,116 )	6,410
Balance at March 31, 2018	59,867,531	\$ 60	\$ 944,318	\$ (976 )	\$ 23,889	\$ (2,935 )	\$ 964,356

<sup>(1)</sup> On March 21, 2017, Golub Capital BDC, Inc. priced a public offering of 1,750,000 shares of its common stock at a public offering price of \$19.03 per share.

See Notes to Consolidated Financial Statements.





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Golub Capital BDC, Inc. and Subsidiaries  
 Consolidated Statements of Cash Flows (unaudited)  
 (In thousands)

	Six months ended March 31,	
	2018	2017
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$44,347	\$39,724
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities		
Amortization of deferred debt issuance costs	1,435	1,645
Accretion of discounts and amortization of premiums	(5,070 )	(3,622 )
Net realized (gain) loss on investments	137	(1,593 )
Net change in unrealized (appreciation) depreciation on investments	(7,445 )	(4,630 )
Net change in unrealized appreciation (depreciation) on secured borrowings	—	(1 )
Proceeds from (fundings of) revolving loans, net	1,923	(1,409 )
Fundings of investments	(271,602 )	(228,284 )
Proceeds from principal payments and sales of portfolio investments	207,777	167,133
PIK interest	(512 )	(987 )
Changes in operating assets and liabilities:		
Interest receivable	(1,369 )	(78 )
Other assets	102	157
Interest payable	(1,138 )	408
Management and incentive fees payable	1,944	(435 )
Payable for investments purchased	350	190
Accounts payable and accrued expenses	(165 )	(132 )
Accrued trustee fees	3	2
Net cash (used in) provided by operating activities	(29,283 )	(31,912 )
Cash flows from financing activities		
Borrowings on debt	263,850	232,750
Repayments of debt	(209,750 )	(233,800 )
Capitalized debt issuance costs	(1,082 )	(939 )
Repayments on secured borrowings	—	(27 )
Proceeds from shares sold, net of underwriting costs	—	32,305
Offering costs paid	—	(225 )
Distributions paid	(37,937 )	(43,748 )
Net cash provided by (used in) financing activities	15,081	(13,684 )
Net change in cash, cash equivalents and restricted cash and cash equivalents	(14,202 )	(45,596 )
Cash, cash equivalents and restricted cash and cash equivalents, beginning of period	62,558	89,540
Cash, cash equivalents and restricted cash and cash equivalents, end of period	\$48,356	\$43,944
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$15,323	\$13,220
Distributions declared during the period	42,948	49,060
Supplemental disclosure of noncash operating activity:		
Funding of LLC equity interests in SLF	\$—	\$(78,689)
Proceeds from subordinated notes in SLF principal payment	—	78,689
Supplemental disclosure of noncash financing activity:		
Proceeds from issuance of Class A-1-R, Class A-2-R, and Class B-R 2014 Notes	\$246,000	\$—
Redemptions of Class A-1, Class A-2, and Class B 2014 Notes	(246,000 )	—
Proceeds from issuance of Class A-Refi 2010 Notes	—	205,000

Redemptions of Class A and Class B 2010 Notes	—	(205,000)
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See Notes to Consolidated Financial Statements.

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The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the Consolidated Statements of Financial Condition that sum to the total of the same such amounts in the Consolidated Statements of Cash Flows:

	As of March 31,	
	2018	2017
Cash and cash equivalents	\$5,868	\$4,614
Restricted cash and cash equivalents	42,488	39,330
Total cash, cash equivalents and restricted cash and cash equivalents shown in the Consolidated Statements of Cash Flows	\$48,356	\$43,944

See Note 2. Significant Accounting Policies and Recent Accounting Updates for a description of restricted cash and cash equivalents.

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries  
 Consolidated Schedule of Investments (unaudited)  
 March 31, 2018  
 (In thousands)

	Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal (\$)/ Shares <sup>(3)</sup>	Amortized Cost	Percentage of Net Assets	Fair Value <sup>(4)</sup>
Investments								
Non-controlled/non-affiliate company investments								
Debt investments								
Aerospace and Defense								
ILC Dover, LP#	Senior loan	L + 4.75%	(a)(d) 6.58%	12/2023	\$ 9,978	\$ 9,882	1.0	%\$9,878
NTS Technical Systems*^#	One stop	L + 6.25%	(a) 7.91%	06/2021	21,773	21,525	2.3	21,773
NTS Technical Systems <sup>(5)</sup>	One stop	L + 6.25%	N/A <sup>(6)</sup>	06/2021	—	(63 )	—	—
NTS Technical Systems <sup>(5)</sup>	One stop	L + 6.25%	N/A <sup>(6)</sup>	06/2021	—	(104 )	—	—
Tresys Technology Holdings, Inc. <sup>(7)</sup>	One stop	L + 6.75%	(a) 8.64%	12/2018	3,899	3,845	0.1	1,170
Tresys Technology Holdings, Inc. <sup>(7)</sup>	One stop	L + 6.75%	(a) 8.64%	12/2018	659	658	0.1	659
Tronair Parent, Inc.^	Senior loan	L + 4.75%	(c)(e) 6.56%	09/2023	368	365	—	368
Tronair Parent, Inc.	Senior loan	L + 4.50%	(c)(e) 7.24%	09/2021	62	61	—	62
Whitcraft LLC*^	One stop	L + 6.25%	(c) 8.56%	04/2023	12,502	12,344	1.3	12,502
Whitcraft LLC	One stop	L + 6.25%	(c) 8.56%	04/2023	195	193	—	195
Whitcraft LLC <sup>(5)</sup>	One stop	L + 6.25%	N/A <sup>(6)</sup>	04/2023	—	(1 )	—	—
Whitcraft LLC <sup>(5)</sup>	One stop	L + 6.25%	N/A <sup>(6)</sup>	04/2023	—	(2 )	—	—
					49,436	48,703	4.8	46,607
Automobile								
Dent Wizard International Corporation*	Senior loan	L + 4.00%	(a) 5.88%	04/2020	4,500	4,481	0.5	4,500
Grease Monkey International, LLC*^	Senior loan	L + 5.00%	(a) 6.89%	11/2022	4,887	4,831	0.5	4,887
Grease Monkey International, LLC	Senior loan	P + 4.00%	(a)(e) 8.15%	11/2022	32	31	—	32
Grease Monkey International, LLC <sup>(5)</sup>	Senior loan	L + 5.00%	N/A <sup>(6)</sup>	11/2022	—	(1 )	—	—
T5 Merger Corporation*^	One stop	L + 6.50%	(a) 8.16%	03/2022	4,359	4,298	0.5	4,272

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T5 Merger Corporation*	One stop	L + 6.50%	(a)	8.16%	03/2022	190	188	—	186
T5 Merger Corporation	One stop	L + 6.50%	(a)	8.32%	03/2022	98	96	—	95
T5 Merger Corporation*	One stop	L + 6.50%	(a)	8.16%	03/2022	60	59	—	59
						14,126	13,983	1.5	14,031
Beverage, Food and Tobacco									
Abita Brewing Co., L.L.C.	One stop	L + 5.75%	(a)	7.64%	04/2021	7,454	7,364	0.8	7,454
Abita Brewing Co., L.L.C. <sup>(5)</sup>	One stop	L + 5.75%		N/A <sup>(6)</sup>					