

PennantPark Floating Rate Capital Ltd.

Form 10-Q

May 03, 2012

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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 MARCH 31, 2012

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, 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 May 3, 2012 was 6,850,667.

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PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2012

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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, Company, we, our or us refer to PennantPark Floating Rate Capital Ltd. and its consolidated subsidiary. PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC. PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC. References to our portfolio, our investments, our senior secured revolving credit facility, or the Credit Facility, and our business include investments we make through our subsidiary, PennantPark Floating Rate Funding I, LLC, or Funding I.

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

	March 31, 2012 (unaudited)	September 30, 2011
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost \$146,227,958 and \$114,829,621, respectively)	\$ 146,188,132	\$ 110,724,241
Cash equivalents (See Note 7)	3,849,360	6,987,450
Interest receivable	1,085,930	732,695
Receivable for investments sold		2,467,500
Prepaid expenses and other assets	50,742	163,374
Total assets	151,174,164	121,075,260
Liabilities		
Distributions payable	513,800	479,547
Payable for investments purchased	2,940,000	990,000
Unfunded investments	2,161,880	2,323,250
Credit Facility payable (cost \$47,800,000 and \$24,650,000, respectively, See Notes 5 and 9)	47,561,000	24,650,000
Interest payable on Credit Facility	342,495	150,246
Management fee payable (See Note 3)	370,352	266,432
Performance-based incentive fees payable (See Note 3)	175,740	
Accrued other expenses	386,592	143,680
Total liabilities	54,451,859	29,003,155
Net Assets		
Common stock, 6,850,667 shares are issued and outstanding.		
Par value \$0.001 per share and 100,000,000 shares authorized.	6,851	6,851
Paid-in capital in excess of par value	97,251,174	97,251,174
Distributions in excess of net investment income	(1,452,769)	(1,392,528)
Accumulated net realized gain on investments	717,875	311,988
Net unrealized depreciation on investments	(39,826)	(4,105,380)
Net unrealized depreciation on Credit Facility	239,000	
Total net assets	\$ 96,722,305	\$ 92,072,105
Total liabilities and net assets	\$ 151,174,164	\$ 121,075,260
Net asset value per share	\$ 14.12	\$ 13.44

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended March 31, 2012	Six Months Ended March 31, 2012
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$ 2,943,730	\$ 5,410,758
Expenses:		
Base management fee (See Note 3)	370,352	686,197
Performance-base incentive fees payable (Note 3)	175,740	175,740
Interest and expenses on the Credit Facility (See Note 9)	342,496	621,476
Administrative services expenses (See Note 3)	149,624	287,959
Other general and administrative expenses	360,618	719,587
Total expenses	1,398,830	2,490,959
Net investment income	1,544,900	2,919,799
Realized and unrealized gain on investments and Credit Facility:		
Net realized gain on non-controlled, non-affiliated investments	95,712	405,887
Net change in unrealized depreciation on:		
Non-controlled, non-affiliated investments	2,996,463	4,065,554
Credit Facility (appreciation) depreciation (See Note 5)	(112,000)	239,000
Net change in unrealized depreciation on investments and Credit Facility	2,884,463	4,304,554
Net realized and unrealized gain from investments and Credit Facility	2,980,175	4,710,441
Net increase in net assets resulting from operations	\$ 4,525,075	\$ 7,630,240
Net increase in net assets resulting from operations per common share (See Note 6)	\$ 0.66	\$ 1.12
Net investment income per common share	\$ 0.23	\$ 0.43

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Six Months Ended March 31, 2012
Net increase in net assets resulting from operations:	
Net investment income	\$ 2,919,799
Net realized gain on investments	405,887
Net change in unrealized depreciation on investments	4,065,554
Net change in unrealized depreciation on Credit Facility	239,000
Net increase in net assets resulting from operations	7,630,240
Distributions to stockholders:	
Distributions	(2,980,040)
Total increase in net assets	4,650,200
Net assets:	
Beginning of period	92,072,105
End of period	\$ 96,722,305
Distributions in excess of net investment income, end of period	\$ (1,452,769)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Six Months Ended March 31, 2012
Cash flows from operating activities:	
Net increase in net assets resulting from operations	\$ 7,630,240
Adjustments to reconcile net increase in net assets resulting from operations to net cash used by operating activities:	
Net change in unrealized depreciation on investments	(4,065,554)
Net change in unrealized depreciation on Credit Facility	(239,000)
Net realized gain on investments	(405,887)
Net accretion of discount and amortization of premium	(333,296)
Purchase of investments	(72,216,125)
Payment-in-kind interest	(47,292)
Proceeds from dispositions of investments	41,604,263
Decrease in receivable for investments sold	2,467,500
(Increase) in interest receivable	(353,235)
Decrease in prepaid expenses and other assets	112,632
Increase in payables for investments purchased	1,950,000
(Decrease) in unfunded investments	(161,370)
Increase in interest payable on Credit Facility	192,249
Increase in management fee payable	103,920
Increase in performance-based incentive fees payable	175,740
Increase in accrued expenses	242,912
 Net cash used by operating activities	 (23,342,303)
Cash flows from financing activities:	
Distributions paid to stockholders	(2,945,787)
Borrowings under Credit Facility (See Note 9)	54,050,000
Repayments under Credit Facility (See Note 9)	(30,900,000)
 Net cash provided by financing activities	 20,204,213
 Net decrease in cash equivalents	 (3,138,090)
Cash equivalents, beginning of period	6,987,450
 Cash equivalents, end of period	 \$ 3,849,360
Supplemental disclosure of cash flow information and non-cash financing activity (See Note 5):	
Interest paid	\$ 429,227
 Taxes paid	 \$ 842

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 151.1%^{(3),(4)}							
First Lien Secured Debt 130.6%							
Airvana Network Solutions Inc.	03/25/2015	Telecommunications	10.00%	L+800	785,714	\$ 787,760	\$ 746,429
Aspen Dental Management, Inc.	10/06/2016	Consumer Services	7.00%	L+550	2,992,500	2,947,919	2,970,056
Autoparts Holdings Limited	07/29/2017	Automotive	6.50%	L+500	995,000	990,663	999,975
Blue Coat Systems, Inc.	02/15/2018	High Tech Industries	7.50%	L+600	4,000,000	3,921,389	3,980,000
C.H.I. Overhead Doors, Inc.	08/17/2017	Consumer Goods: Durable	7.27%	L+575	3,980,000	3,907,844	3,960,100
DCS Business Services, Inc.	03/19/2018	Business Services	8.00%	P+475	3,000,000	2,955,160	2,955,000
Document Technologies, Inc.							