

PENNANTPARK INVESTMENT CORP
Form 10-Q
August 08, 2012
Table of Contents

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, 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: 814-00736

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)	20-8250744 (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 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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 8, 2012 was 56,514,503.

Table of Contents

PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2012

TABLE OF CONTENTS

PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

<u>Consolidated Statements of Assets and Liabilities as of June 30, 2012 (unaudited) and September 30, 2011</u>	2
<u>Consolidated Statements of Operations for the three and nine months ended June 30, 2012 and 2011 (unaudited)</u>	3
<u>Consolidated Statements of Changes in Net Assets for the nine months ended June 30, 2012 and 2011 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended June 30, 2012 and 2011 (unaudited)</u>	5
<u>Consolidated Schedules of Investments as of June 30, 2012 (unaudited) and September 30, 2011</u>	6
<u>Notes to Consolidated Financial Statements (unaudited)</u>	15
<u>Report of Independent Registered Public Accounting Firm</u>	29
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Item 3. Quantitative And Qualitative Disclosures About Market Risk</u>	42
<u>Item 4. Controls and Procedures</u>	42

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	43
<u>Item 1A. Risk Factors</u>	43
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	43
<u>Item 3. Defaults Upon Senior Securities</u>	43
<u>Item 4. Reserved</u>	43
<u>Item 5. Other Information</u>	43
<u>Item 6. Exhibits</u>	44
<u>SIGNATURES</u>	45

Table of Contents

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 refers to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. PennantPark Investment refers to only PennantPark Investment Corporation; SBIC LP or our SBIC refers to our wholly owned consolidated small business investment company, or SBIC, subsidiary, PennantPark SBIC LP, and its general partner PennantPark SBIC GP, LLC, or SBIC GP; 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 or investments include investments we make through all our consolidated subsidiaries. References to our Subsidiaries, refers to our SBIC and the Taxable Subsidiaries (as defined in Note 1 to the Consolidated Financial Statements).

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

	June 30, 2012 (unaudited)	September 30, 2011
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost \$907,304,090 and \$816,078,311, respectively)	\$ 878,560,096	\$ 773,375,381
Non-controlled, affiliated investments, at fair value (cost \$29,048,560 and \$36,744,425, respectively)	36,046,802	40,673,133
Controlled, affiliated investments, at fair value (cost \$14,500,100 and \$13,500,100, respectively)	14,500,000	13,500,001
Total Investments, at fair value (cost \$950,852,750 and \$866,322,836, respectively)	929,106,898	827,548,515
Cash equivalents (See Note 8)	9,316,015	71,604,519
Interest receivable	11,365,159	10,878,236
Receivable for investments sold	36,984,788	13,118,967
Prepaid expenses and other assets	5,386,858	5,587,977
Total assets	992,159,718	928,738,214
Liabilities		
Distributions payable	15,782,855	12,336,241
Payable for investments purchased	30,000,000	18,572,499
Unfunded investments	26,935,270	37,132,151
Credit facility payable (cost \$185,100,000 and \$240,900,000, respectively) (See Notes 5 and 10)	184,179,000	238,792,125
SBA debentures payable (cost \$150,000,000) (See Notes 5 and 10)	150,000,000	150,000,000
Interest payable on credit facility and SBA debentures	2,331,295	687,362
Management fee payable (See Note 3)	4,492,660	4,008,054
Performance-based incentive fee payable (See Note 3)	3,892,683	3,773,829
Accrued other expenses	1,884,446	778,757
Total liabilities	419,498,209	466,081,018
Net assets		
Common stock, 56,367,339 and 45,689,781 shares issued and outstanding, respectively. Par value \$0.001 per share and 100,000,000 shares authorized.	56,367	45,690
Paid-in capital in excess of par value	649,247,207	540,603,020
Undistributed net investment income	4,339,635	8,326,854
Accumulated net realized loss on investments	(60,156,848)	(49,651,922)
Net unrealized depreciation on investments	(21,745,852)	(38,774,321)
Net unrealized appreciation on credit facility	921,000	2,107,875
Total net assets	\$ 572,661,509	\$ 462,657,196
Total liabilities and net assets	\$ 992,159,718	\$ 928,738,214
Net asset value per share	\$ 10.16	\$ 10.13

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

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	2012	2011
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 25,860,359	\$ 21,046,388	\$ 74,190,105	\$ 60,441,750
Other	2,628,858	1,157,228	5,584,060	3,237,675
From non-controlled, affiliated investments:				
Interest	458,901	389,709	1,581,426	1,134,363
From controlled, affiliated investments:				
Interest	437,500	315,000	1,230,444	785,167
Total investment income	29,385,618	22,908,325	82,586,035	65,598,955
Expenses:				
Base management fee (See Note 3)	4,493,917	3,803,994	12,715,349	10,891,930
Performance-based incentive fee (See Note 3)	3,892,819	3,256,341	10,016,789	9,387,769
Interest and expenses on the credit facility and SBA debentures (See Note 10)	3,206,771	1,329,441	8,318,513	3,551,391
Administrative services expenses (See Note 3)	1,046,991	583,215	2,652,647	1,812,932
Other general and administrative expenses	820,827	680,322	2,561,021	2,211,349
Expenses before taxes and debt issuance costs	13,461,325	9,653,313	36,264,319	27,855,371
Excise tax (See Note 2)	353,697	35,000	633,697	193,824
Debt issuance costs (See Note 5)			5,361,319	
Total expenses	13,815,022	9,688,313	42,259,335	28,049,195
Net investment income	15,570,596	13,220,012	40,326,700	37,549,760
Realized and unrealized gain (loss) on investments and credit facility:				
Net realized gain (loss) on investments	1,447,084	6,155,867	(10,504,926)	8,735,680
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(16,576,404)	(14,977,901)	13,958,935	8,486,459
Controlled and non-controlled, affiliated investments	2,799,956	(1,474,634)	3,069,531	(1,435,899)
Credit facility unrealized depreciation (appreciation) (See Notes 5 and 10)	178,500	(604,929)	(1,186,875)	(11,908,375)
Net change in unrealized (depreciation) appreciation	(13,597,948)	(17,057,464)	15,841,591	(4,857,815)
Net realized and unrealized (loss) gain from investments and credit facility	(12,150,864)	(10,901,597)	5,336,665	3,877,865
Net increase in net assets resulting from operations	\$ 3,419,732	\$ 2,318,415	\$ 45,663,365	\$ 41,427,625
	\$ 0.06	\$ 0.05	\$ 0.88	\$ 1.01

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Net increase in net assets resulting from operations
per common share (See Note 7)

Net investment income per common share	\$	0.28	\$	0.29	\$	0.78	\$	0.92
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SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(Unaudited)**

	Nine Months Ended June 30,	
	2012	2011
Net increase in net assets from operations:		
Net investment income	\$ 40,326,700	\$ 37,549,760
Net realized (loss) gain on investments	(10,504,926)	8,735,680
Net change in unrealized appreciation on investments	17,028,466	7,050,560
Net change in unrealized (appreciation) on credit facility	(1,186,875)	(11,908,375)
Net increase in net assets resulting from operations	45,663,365	41,427,625
Distributions to stockholders:		
Distributions from net investment income	(44,313,916)	(34,011,451)
Capital share transactions:		