

PENNANTPARK INVESTMENT CORP
Form 10-Q
August 08, 2018

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 QUARTERLY PERIOD ENDED JUNE 30, 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: 814-00736

PENNANTPARK INVESTMENT CORPORATION

(Exact name of registrant as specified in its charter)

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 (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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of August 8, 2018 was 69,988,077.

PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2018

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In this Report, “Company,” “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 I, 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; “Taxable Subsidiaries” refers to PNNT Cascade Environmental Holdings, LLC, PNNT CI (Galls) Prime Investment Holdings, LLC, PNNT ecoserve, LLC, PNNT Investment Holdings, LLC and PNNT New Gulf Resources, 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; “SBIC” refers to a small business investment company under the Small Business Investment Act of 1958, as amended, or the “1958 Act”; “Credit Facility” refers to our multi-currency, senior secured revolving credit facility, as amended and restated; “2025 Notes” refers to our 6.25% notes due 2025; “2019 Notes” refers to our 4.50% notes due 2019; “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; and “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.

Item 1. Consolidated Financial Statements

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2018 (unaudited)	September 30, 2017
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$790,789,351 and \$824,106,322, respectively)	\$ 800,681,196	\$ 849,351,548
Non-controlled, affiliated investments (cost—\$91,509,529 and \$185,799,943, respectively)	75,815,977	189,674,977
Controlled, affiliated investments (cost—\$249,001,007 and \$200,120,407, respectively)	148,247,663	114,550,983
Total of investments (cost—\$1,131,299,887 and \$1,210,026,672, respectively)	1,024,744,836	1,153,577,508
Cash and cash equivalents (cost—\$107,125,512 and \$38,182,373, respectively)	107,091,091	38,202,068
Interest receivable	7,967,079	5,906,976
Prepaid expenses and other assets	1,578,759	4,509,289
Total assets	1,141,381,765	1,202,195,841
Liabilities		
Distributions payable	12,597,854	12,790,950
Payable for investments purchased	14,700,000	1,014,000
Credit Facility payable (cost—\$41,520,000 and \$79,392,900, respectively) (See Notes 5 and 10)	39,310,563	76,037,341
2019 Notes payable (par—\$250,000,000) (See Notes 5 and 10)	251,432,500	255,665,000
SBA debentures payable, net (par—\$180,000,000 and \$199,000,000, respectively) (See Notes 5 and 10)	175,240,289	194,364,653
Base management fee payable, net (See Note 3)	3,772,670	4,845,237
Performance-based incentive fee payable, net (See Note 3)	2,497,843	2,270,008
Interest payable on debt	5,001,613	6,876,756
Accrued other expenses	735,749	1,523,425
Total liabilities	505,289,081	555,387,370
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 69,988,077 and 71,060,836 shares issued and outstanding, respectively.		
Par value \$0.001 per share and 100,000,000 shares authorized	69,988	71,061
Paid-in capital in excess of par value	810,962,271	818,737,784
Undistributed net investment income	4,512,842	3,333,195

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Accumulated net realized loss on investments	(73,643,974)	(116,598,355)
Net unrealized depreciation on investments	(106,585,380)	(56,425,773)
Net unrealized depreciation (appreciation) on debt	776,937	(2,309,441)
Total net assets	\$636,092,684	\$646,808,471
Total liabilities and net assets	\$1,141,381,765	\$1,202,195,841
Net asset value per share	\$9.09	\$9.10

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June		Nine Months Ended June 30,	
	30, 2018	2017	2018	2017
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 19,491,552	\$ 20,154,976	\$ 60,608,891	\$ 64,687,668
Payment in kind	1,585,945	1,211,753	4,545,929	2,641,506
Other income	1,494,072	946,587	5,567,138	4,614,740
From non-controlled, affiliated investments:				
Interest	253,191	2,415,807	2,845,090	8,197,246
Payment in kind	—	1,334,809	1,807,655	4,219,437
Other income	—	1,587,435	—	1,609,935
From controlled, affiliated investments:				
Interest	1,480,768	208,432	2,931,462	598,976
Payment in kind	453,974	3,224,520	2,347,371	10,098,714
Total investment income	24,759,502	31,084,319	80,653,536	96,668,222
Expenses:				
Base management fee (See Note 3)	3,772,669	5,842,601	13,381,545	18,449,890
Performance-based incentive fee (See Note 3)	2,497,843	1,358,165	8,528,663	8,375,564
Interest and expenses on debt (See Note 10)	5,565,240	6,723,980	17,363,511	20,638,611
Administrative services expenses (See Note 3)	521,625	894,000	1,564,875	2,682,000
Other general and administrative expenses	626,213	665,653	1,882,793	2,002,643
Expenses before Management Fees waiver and provision for taxes	12,983,590	15,484,399	42,721,387	52,148,708
Management Fees waiver (See Note 3)	—	(1,152,123)	(1,427,253)	(4,292,073)
Provision for taxes	—	425,000	—	1,275,000
Credit Facility amendment costs (See Notes 5 and 10)	—	3,866,633	—	3,866,633
Net expenses	12,983,590	18,623,909	41,294,134	52,998,268
Net investment income	11,775,912	12,460,410	39,359,402	43,669,954
Realized and unrealized (loss) gain on investments and debt:				
Net realized gain (loss) on investments on:				
Non-controlled, non-affiliated investments	17,085,362	11,693,836	31,754,691	2,746,747
Non-controlled and controlled, affiliated investments	342,086	(1,546,075)	11,199,690	(33,537,057)
Net realized gain (loss) on investments	17,427,448	10,147,761	42,954,381	(30,790,310)
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(12,925,765)	(5,731,239)	(15,407,098)	7,625,092
Non-controlled and controlled, affiliated investments	(927,824)	4,039,995	(34,752,509)	36,206,851
Debt depreciation (appreciation) (See Notes 5 and 10)	1,560,376	(2,137,862)	3,086,378	(2,423,726)

Net change in unrealized (depreciation) appreciation on investments and debt	(12,293,213)	(3,829,106)	(47,073,229)	41,408,217
Net realized and unrealized gain (loss) from investments and debt	5,134,235	6,318,655	(4,118,848)	10,617,907
Net increase in net assets resulting from operations	\$16,910,147	\$18,779,065	\$35,240,554	\$54,287,861
Net increase in net assets resulting from operations per common share (See Note 7)	\$0.24	\$0.26	\$0.50	\$0.77
Net investment income per common share	\$0.17	\$0.18	\$0.55	\$0.61

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Nine Months Ended June 30,	
	2018	2017
Net increase in net assets resulting from operations:		
Net investment income	\$39,359,402	\$43,669,954
Net realized gain (loss) on investments	42,954,381	(30,790,310)
Net change in unrealized (depreciation) appreciation on investments	(50,159,607)	43,831,943
Net change in unrealized depreciation (appreciation) on debt	3,086,378	(2,423,726)
Net increase in net assets resulting from operations	35,240,554	54,287,861
Distributions to stockholders:	(38,179,755)	(45,478,935)
Capital transactions:		
Repurchase of common stock (See Note 12)	(7,776,586)	—
Net (decrease) increase in net assets	(10,715,787)	8,808,926
Net assets:		
Beginning of period	646,808,471	643,366,856
End of period	\$636,092,684	\$652,175,782
Undistributed net investment income, at end of period	\$4,512,842	\$1,310,399
Capital share activity:		
Shares of common stock repurchased	(1,072,759)	—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$35,240,554	\$54,287,861
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net change in net unrealized depreciation (appreciation) on investments	50,159,607	(43,831,943)
Net change in unrealized (depreciation) appreciation on debt	(3,086,378)	2,423,726
Net realized (gain) loss on investments	(42,954,381)	30,790,310
Net accretion of discount and amortization of premium	(1,684,494)	(2,327,068)
Purchases of investments	(423,297,254)	(378,816,543)
Payment-in-kind income	(9,698,374)	(17,060,002)
Proceeds from dispositions of investments	556,356,780	465,353,962
Amortization of deferred financing costs	1,597,386	512,619
Increase in interest receivable	(2,060,103)	(866,582)
Increase in receivable for investments sold	—	(12,478,824)
Decrease (increase) in prepaid expenses and other assets	2,930,530	(2,535,065)
Increase in payable for investments purchased	13,686,000	—
Decrease in interest payable on debt	(1,875,143)	(1,557,797)
Decrease in base management fee payable, net	(1,072,567)	(167,046)
Increase (decrease) in performance-based incentive fee payable, net	227,835	(1,724,585)
(Decrease) increase in accrued other expenses	(787,676)	174,591
Net cash provided by operating activities	173,682,322	92,177,614
Cash flows from financing activities:		
Repurchase of common stock	(7,776,586)	—
Capitalized borrowing costs	(1,721,750)	(666,875)
Distributions paid to stockholders	(38,372,850)	(52,585,018)
Repayments under 2025 Notes	—	(71,250,000)
Borrowings under SBA debentures	71,000,000	27,500,000
Repayments under SBA debentures	(90,000,000)	—
Borrowings under Credit Facility	132,520,000	363,760,000
Repayments under Credit Facility	(170,392,900)	(331,994,400)
Net cash used in by financing activities	(104,744,086)	(65,236,293)
Net increase in cash and cash equivalents	68,938,236	26,941,321
Effect of exchange rate changes on cash	(49,213)	646,698
Cash and cash equivalents, beginning of period	38,202,068	75,608,113
Cash and cash equivalents, end of period	\$107,091,091	\$103,196,132
Supplemental disclosure of cash flow information:		

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Interest paid	\$17,641,268	\$21,683,789
Taxes paid	\$322,693	\$1,280,898
Non-cash exchanges and conversions	\$31,942,605	\$37,712,296

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2018

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point		Cost	Fair Value ⁽³⁾	
				Spread	Above Par / Index ⁽⁴⁾			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—125.9% ⁽²⁾								
First Lien Secured Debt—52.9%								
Allied America, Inc.	08/08/2022	Business Services	9.34 %	3M	L+700	21,489,783	\$21,152,064	\$21,597,231
Allied America, Inc. (Revolver) ⁽⁷⁾	08/08/2022	Business Services	—	—	—	2,000,000	—	—
Bazaarvoice, Inc.	02/01/2024	Printing and Publishing	10.09 %	1M	L+800	14,962,500	14,818,609	14,812,875
Bottom Line Systems, LLC	02/13/2023	Healthcare, Education and Childcare	9.59 %	1M	L+750	19,583,330	19,337,572	19,583,330
Broder Bros., Co.	12/02/2022	Consumer Products	10.31 %	3M	L+800	31,838,384	31,838,384	31,838,384
Cano Health, LLC	12/23/2024	Healthcare, Education and Childcare	10.49 %	1M	L+850	24,973,016	24,443,469	24,973,016
Cano Health, LLC (Revolver)	09/21/2024	Healthcare, Education and Childcare	10.51 %	1M	L+850	1,305,000	1,305,000	1,305,000
Cano Health, LLC (Revolver) ⁽⁷⁾	09/21/2024	Healthcare, Education and Childcare	—	—	—	1,845,000	—	—
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	9.09 %	1M	L+700	9,875,000	9,756,920	9,719,077
Deva Holdings, Inc.	10/31/2022	Consumer Products	8.34 %	3M	L+625	4,975,000	4,885,570	4,975,000
Deva Holdings, Inc. ⁽⁷⁾	10/31/2022	Consumer Products	—	—	—	385,000	—	—
eCommission Financial Services, Inc. ⁽¹¹⁾	08/29/2022	Financial Services	9.59 %	1M	L+750	19,850,000	19,507,541	19,850,000
	08/29/2022	Financial Services	—	—	—	4,000,000	—	—

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eCommission Financial Services, Inc. (7), (11)							
eCommission Financial Services, Inc. (Revolver) (7), (11)	08/29/2021	Financial Services	—	—	—	—	—
					4,000,000		
Hollander Sleep Products, LLC	06/09/2021	Consumer Products	10.33 %	L+800	3M	19,713,838	19,372,604
							19,713,838
Impact Group, LLC	06/27/2021	Personal, Food and Miscellaneous Services	8.84 %	L+650	3M	20,427,156	20,183,705
							20,183,437
Impact Group, LLC (7)	06/27/2021	Personal, Food and Miscellaneous Services	—	—		14,572,844	—
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	11.49 %	L+950	1M	13,361,625	13,160,932
							13,361,625
K2 Pure Solutions NoCal, L.P.	02/19/2021	Chemicals, Plastics and Rubber	10.98 %	L+900	1M	14,522,529	14,303,451
							14,522,529
Ox Two, LLC	02/27/2021	Building Materials	12.25 %	P+725		22,359,375	21,912,188
Ox Two, LLC (Revolver)	02/27/2021	Building Materials	12.25 %	P+725		750,000	750,000
							750,000
Ox Two, LLC (Revolver) (7)	02/27/2021	Building Materials	—	—		1,750,000	—
Research Horizons, LLC	06/28/2021	Media	8.35 %	L+625	3M	22,500,000	22,050,431
							22,050,000
Research Horizons, LLC (7)	06/28/2021	Media	—	—		9,121,622	—
Research Horizons, LLC (Revolver)	06/28/2021	Media	8.35 %	L+625	3M	1,783,784	1,783,784
							1,783,784
Research Horizons, LLC (Revolver) (7)	06/28/2021	Media	—	—		2,270,270	—
SFP Holding, Inc.	09/01/2021	Buildings and Real Estate	8.19 %	L+625	3M	20,529,688	20,232,051
							20,529,688
SFP Holding, Inc. (7)	09/01/2021	Buildings and Real Estate	—	—		1,875,000	—
SFP Holding, Inc. (Revolver)	09/01/2021	Buildings and Real Estate	8.62 %	L+625	3M	2,000,000	2,000,000
							2,000,000
SFP Holding, Inc. (Revolver) (7)	09/01/2021	Buildings and Real Estate	—	—		500,000	—
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	13.34 %	L+1,125	1M	23,718,379	23,441,530
							23,125,419
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	11.33 %	L+900	1M	8,498,438	8,498,438
							8,073,515
Whitney, Bradley & Brown, Inc.	10/18/2021	Aerospace and Defense	11.10 %	L+900	1M	19,353,750	19,009,708
							19,353,750
Total First Lien Secured Debt							333,743,951
Second Lien Secured Debt—61.5%							336,237,280
Condor Borrower, LLC	04/25/2021	Business Services	11.11 %	L+875	3M	12,500,000	12,265,646
							12,500,000
DecoPac, Inc.	03/31/2021	Beverage, Food and Tobacco	10.58 %	L+825	3M	23,024,259	22,596,259
							23,024,259

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Howard Berger Co. LLC	09/30/2020	Distribution	12.34 %	3M	L+1,000	44,625,000	43,494,412	42,393,750
			(PIK %)					
			4.99					
Infogroup, Inc.	04/03/2021	Other Media	11.58 %	3M	L+925	20,400,000	20,044,407	20,196,000
Integrity Marketing Partners, LLC	01/02/2021	Banking, Finance, Insurance and Real Estate	11.09 %	1M	L+900	6,000,000	5,910,275	5,910,000
Intermediate Transportation 100, LLC ⁽⁵⁾	03/01/2021	Auto Transport	11.00 %	—		455,974	404,907	455,974
			(PIK %)					
			11.00					
MailSouth, Inc.	10/23/2021	Printing and Publishing	12.00 %	3M	L+925	48,425,000	47,478,662	47,456,500
MBS Holdings, Inc.	01/02/2021	Telecommunications	10.59 %	1M	L+850	15,000,000	14,700,000	14,700,000
Parq Holdings Limited Partnership ^{(8), (11)}	12/17/2021	Hotels, Motels, Inns and Gaming	14.45 %	3M	L+1,200	76,500,000	76,500,000	83,235,362
Pathway Partners Vet Management LLC	10/10/2021	Healthcare, Education and Childcare	10.09 %	1M	L+800	13,360,700	13,305,284	13,227,093
Pathway Partners Vet Management LLC ⁽⁷⁾	10/10/2021	Healthcare, Education and Childcare	—	—		10,639,300	—	(106,393)
PT Network, LLC	04/12/2021	Healthcare, Education and Childcare	12.34 %	3M	L+1,000	41,666,667	40,937,919	41,250,000
Shift4 Payments, LLC	11/28/2021	Financial Services	10.59 %	1M	L+850	37,000,000	36,827,761	36,722,500
Veritext Corp.	01/30/2021	Business Services	11.33 %	3M	L+900	18,834,375	18,402,262	18,834,375
Winter Park Intermediate, Inc.	04/03/2021	Auto Sector	10.50 %	1M	L+850	32,000,000	31,367,579	31,680,000
Total Second Lien Secured Debt							384,235,373	391,479,420
Subordinated Debt/Corporate Notes—5.3%								
Cascade Environmental LLC	08/20/2021	Environmental Services	14.50 %	—		34,707,778	34,272,557	33,840,084
			(PIK %)					
			12.50					
Preferred Equity/Partnership Interests—0.5%								
AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00 %	—	211	500,000	477,479	
Aleagus Technologies Holdings Corp.	—	Financial Services	—	—	949	949,050	1,295,211	
CI (PTN) Investment Holdings II, LLC ⁽⁹⁾	—	Healthcare, Education and Childcare	—	—	36,450	546,750	554,161	
	—	Business Services	—	—	556,000	64,277	64,277	

Condor Holdings
Limited ^{(8), (11)}

Condor Top Holdco Limited ^{(8), (11)}	—	Business Services	—	—	556,000	491,723	491,723
HW Holdco, LLC	—	Other Media	8.00 %	—	3,591	—	26,032
Total Preferred Equity/Partnership Interests						2,551,800	2,908,883

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

JUNE 30, 2018

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point		Cost	Fair Value ⁽³⁾
				Above Index ⁽⁴⁾	Spread Par / Shares		
Common Equity/Partnership Interests/Warrants—5.7%							
AH Holdings, Inc. (Warrants)	03/23/2020	Healthcare, Education and Childcare	—	—	753	\$—	\$—
Alegeus Technologies Holdings Corp.	—	Financial Services	—	—	1	950	1,297
ASP LCG Holdings, Inc. (Warrants)	05/05/2020	Education	—	—	933	586,975	1,651,653
Autumn Games, LLC	—	Broadcasting and Entertainment	—	—	1,333,330	3,000,000	—
Cardinal Logistics Holdings LLC (Intermediate Transportation 100, LLC) ⁽⁹⁾	—	Cargo Transport	—	—	—	⁽¹³⁾ 5,411,024	3,789,585
Cascade Environmental LLC ⁽⁹⁾	—	Environmental Services	—	—	33,901	2,852,080	1,186,539
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) ⁽⁹⁾	—	Business Services	—	—	84,000	840,004	1,089,223
CI (PTN) Investment Holdings II, LLC	—	Healthcare, Education and	—	—	333,333	5,000,000	5,000,000

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Childcare							
(PT Network, LLC) (9)							
CI (Summit) Investment Holdings LLC (SFP Holdings, Inc.)	—	Buildings and Real Estate	—	—	100,000	1,000,000	1,138,832
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	3,449	3,448,658	3,953,298
eCommission Holding Corporation (11)	—	Financial Services	—	—	80	800,000	1,116,857
Faraday Holdings, LLC	—	Building Materials	—	—	4,277	217,635	1,273,251
HW Holdco, LLC	—	Other Media	—	—	388,378	—	2,815,458
Infogroup Parent Holdings, Inc.	—	Other Media	—	—	181,495	2,040,000	2,128,192
ITC Rumba, LLC (Cano Health, LLC) (9)	—	Healthcare, Education and Childcare	—	—	204,985	2,049,849	3,504,860
Kadmon Holdings, Inc. (12)	—	Healthcare, Education and Childcare	—	—	252,014	2,265,639	1,005,536
LaMi Acquisition, LLC (9)	—	Distribution	—	—	19	493,280	563,764
Lariat ecoserv Co-Invest Holdings, LLC (9)	—	Environmental Services	—	—	1,148,703	1,158,703	575,835
Patriot National, Inc. (12)	—	Insurance	—	—	100,885	238,038	3,380
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.) (9)		Aerospace and Defense	—	—	628,571	628,571	886,286
Wheel Pros Holdings, L.P. (Winter Park Intermediate, Inc.)		Auto Sector			3,200,000	3,200,000	3,741,770
ZS Juniper L.P. (Juniper Landscaping of Florida, LLC) (9)	—	Personal, Food and Miscellaneous Services	—	—	754	754,264	789,913
Total Common Equity/Partnership Interests/Warrants						35,985,670	36,215,529
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						790,789,351	800,681,196
Investments in Non-Controlled, Affiliated Portfolio Companies—11.9% (2)							
First Lien Secured Debt—1.9%							
	02/02/2021	Oil and Gas	10.98 %		10,153,569	10,087,246	10,153,569

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U.S. Well Services, LLC				1M L+900			
U.S. Well Services, LLC (Revolver)	02/02/2021	Oil and Gas	7.98 %	1M L+600	1,680,528	1,680,528	1,680,528
U.S. Well Services, LLC (Revolver) ⁽⁷⁾	02/02/2021	Oil and Gas	—	—	511,893	—	—
Total First Lien Secured Debt						11,767,774	11,834,097
Common Equity/Partnership Interests/Warrants—10.0%							
Affinion Group Holdings, Inc.	—	Consumer Products	—	—	859,496	30,503,493	16,610,368
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Products	—	—	37,181	10,265,973	28,839
Big Run, Inc.	—	Environmental Services	—	—	143,668	674,943	449,962
ETX Energy, LLC ⁽⁹⁾	—	Oil and Gas	—	—	1,658,389	29,711,576	32,977,668
ETX Energy Management Company, LLC	—	Oil and Gas	—	—	1,754,104	1,562,020	1,733,129
USWS Holdings, LLC - Class A and Class B ⁽⁹⁾	—	Oil and Gas	—	—	8,190,817	7,023,750	12,181,914
Total Common Equity/Partnership Interests/Warrants						79,741,755	63,981,880
Total Investments in Non-Controlled, Affiliated Portfolio Companies						91,509,529	75,815,977

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

JUNE 30, 2018

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current		Basis Point		Cost	Fair Value ⁽³⁾
			Coupon	Index ⁽⁴⁾	Spread	Par / Shares		
Investments in Controlled, Affiliated Portfolio Companies—23.3% ⁽²⁾								
First Lien Secured Debt—14.8%								
AKW Holdings Limited ^{(8), (10), (11)}	03/13/2024	Healthcare, Education and Childcare	6.37 %	3M L+575	£28,000,000	\$39,051,600	\$36,967,112	
RAM Energy LLC	07/01/2024	Energy and Utilities	8.00 %	—	35,000,000	35,000,000	35,000,000	
RAM Energy LLC (Revolver)	07/01/2024	Energy and Utilities	8.00 %	—	4,000,000	4,000,000	4,000,000	
RAM Energy LLC (Revolver) ⁽⁷⁾	07/01/2024	Energy and Utilities	—	—	11,000,000	—	—	
Superior Digital Displays, LLC	12/31/2024	Media	7.82 % (PIK 7.82 %)	3M L+550	22,721,234	22,176,125	18,450,000	
Total First Lien Secured Debt						100,227,725	94,417,112	
Preferred Equity—2.1%								
MidOcean JF Holdings Corp.	—	Distribution	—	—	153,922	15,392,188	13,124,124	
Superior Digital Displays Holdings, Inc.	—	Media	15.00 %	—	873,289	30,011,027	—	
Total Preferred Equity						45,403,215	13,124,124	
Common Equity—6.4%								
AKW Holdings Limited ^{(8), (10), (11)}	—	Healthcare, Education and Childcare	—	—	£950	132,497	1,560,804	
	—	Distribution	—	—	65,933	24,761,831	—	

MidOcean JF Holdings Corp.							
RAM Energy Holdings LLC	—	Energy and Utilities	—	—	84,747	76,264,739	39,145,623
Superior Digital Displays Holdings, Inc.	—	Media	—	—	11,100	2,211,000	—
Total Common Equity						103,370,067	40,706,427
Total Investments in Controlled, Affiliated Portfolio Companies						249,001,007	148,247,663
Total Investments—161.1%						1,131,299,887	1,024,744,836
Cash and Cash Equivalents—16.8%							
BlackRock Federal FD Institutional 30						48,111,205	48,111,205
BNY Mellon Cash Reserve and Cash						59,014,307	58,979,886
Total Cash and Cash Equivalents						107,125,512	107,091,091
Total Investments and Cash Equivalents—177.9%						\$1,238,425,399	\$1,131,835,927
Liabilities in Excess of Other Assets—(77.9%)							(495,743,243)
Net Assets—100.0%							\$636,092,684

- (1) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be “non-controlled” when we own 25% or less of the portfolio company’s voting securities and “controlled” when we own more than 25% of the portfolio company’s voting securities.
- (2) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as “non-affiliated” when we own less than 5% of a portfolio company’s voting securities and “affiliated” when we own 5% or more of a portfolio company’s voting securities (See Note 6).
- (3) Valued based on our accounting policy (See Note 2).
- (4) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or “L,” the Euro Interbank Offered Rate, or EURIBOR or “E,” or Prime rate, or “P.” The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 90-day or 180-day LIBOR rate (1M L, 3M L, or 6M L, respectively), and EURIBOR loans are typically indexed to a 90-day EURIBOR rate (3M E), at the borrower’s option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act of 1933, as amended, or the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-income producing securities.
- (7) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (8) Non-U.S. company or principal place of business outside the United States.
- (9) Investment is held through our Taxable Subsidiaries (See Note 1).
- (10) Par / Shares amount is denominated in British Pounds (£) as denoted.

- (11) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2018, qualifying assets represent 87% of the Company's total assets and non-qualifying assets represent 13% of the Company's total assets.
- (12) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).
- (13) Share amount is 70,443,882,243.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread		Par / Shares	Cost	Fair Value ⁽³⁾
				Above Index ⁽⁴⁾	Par /			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—131.3% ⁽²⁾								
First Lien Secured Debt—52.8%								
ACC of Tamarac, LLC	06/20/2021	Telecommunications	10.82 %	L+950		7,481,250	\$7,362,571	\$7,331,625
Allied America, Inc.	08/08/2021	Business Services	8.32 %	L+700		19,950,000	19,557,525	19,551,000
Allied America, Inc. (Revolver) ⁽⁸⁾	08/08/2021	Business Services	—	—		2,000,000	—	—
Bottom Line Systems, LLC	02/13/2023	Healthcare, Education and Childcare	8.83 %	L+750		19,850,000	19,573,919	19,773,923
Broder Bros., Co., Tranche A	06/03/2021	Consumer Products	7.08 %	L+575		8,398,102	8,279,029	8,398,102
Broder Bros., Co., Tranche B	06/03/2021	Consumer Products	13.58 %	L+1,225		8,723,735	8,593,867	8,723,735
Cano Health, LLC	12/23/2021	Healthcare, Education and Childcare	9.74 %	L+850		23,538,688	22,997,008	23,538,687
Cano Health, LLC (Revolver)	09/21/2021	Healthcare, Education and Childcare	9.74 %	L+850		540,000	540,000	540,000
Cano Health, LLC (Revolver) ⁽⁸⁾	09/21/2021	Healthcare, Education and Childcare	—	—		360,000	—	—
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	8.24 %	L+700		9,950,000	9,814,043	9,938,114
eCommission Financial Services, Inc. ⁽¹²⁾	08/29/2022	Financial Services	8.74 %	L+750		20,000,000	19,605,736	19,600,000
eCommission Financial Services, Inc. ^{(8), (12)}	08/29/2022	Financial Services	—	—		4,000,000	—	(80,000)
eCommission Financial Services,	08/29/2022	Financial Services	—	—		4,000,000	—	(80,000)

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Inc. (Revolver) ⁽⁸⁾ , ⁽¹²⁾								
Hollander Sleep Products, LLC	06/09/2023	Consumer Products	9.30 %	L+800	22,443,750	22,010,693	22,219,312	
Home Town Cable TV, LLC	06/20/2022	Telecommunications	10.82 %	L+950	10,000,000	9,806,795	9,800,000	
Interior Specialists, Inc.	06/30/2020	Building Materials	9.25 %	L+800	24,470,390	24,323,542	24,470,390	
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	10.74 %	L+950	14,083,875	13,836,409	14,083,875	
K2 Pure Solutions NoCal, L.P.	02/19/2021	Chemicals, Plastics and Rubber	10.24 %	L+900	14,522,529	14,290,133	14,111,098	
One Sixty Over Ninety, LLC	03/03/2022	Media	10.52 %	L+918	16,250,000	15,953,520	16,250,000	
Prince Mineral Holding Corp. ⁽⁵⁾	12/16/2019	Mining, Steel, Iron and Non-Precious Metals	11.50 %	—	14,250,000	14,184,265	14,820,000	
SFP Holding, Inc.	09/01/2022	Buildings and Real Estate	7.57 %	L+625	17,500,000	17,155,691	17,150,000	
SFP Holding, Inc. ⁽⁸⁾	09/01/2022	Buildings and Real Estate	—	—	5,000,000	—	(100,000)	
SFP Holding, Inc. (Revolver) ⁽⁸⁾	09/01/2022	Buildings and Real Estate	—	—	2,500,000	—	—	
Sunborn Oy, Sunborn Saga Oy ^{(9), (11), (12)}	06/28/2019	Hotels, Motels, Inns and Gaming	11.50 % (PIK 3.50 %)	L+1,050	€30,150,294	31,228,529	35,821,926	
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	12.49 %	L+1,125	24,797,823	24,446,831	24,673,834	
Trust Inns Limited ^{(9), (11), (12)}	02/12/2020	Buildings and Real Estate	10.83 %	L+1,050	£16,890,936	27,246,877	22,817,525	
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	10.33 %	L+900	8,564,063	8,564,063	8,135,859	
Total First Lien Secured Debt						339,371,046	341,489,005	
Second Lien Secured Debt						—	60.3%	
Acre Operating Company, LLC	12/12/2022	Electronics	10.74 %	L+950	38,800,000	38,164,636	39,576,000	
Balboa Capital Corporation ⁽¹²⁾	03/04/2022	Financial Services	13.75 %	—	28,500,000	28,288,480	28,500,000	
DecoPac, Inc.	03/31/2022	Beverage, Food and Tobacco	9.58 %	L+825	35,500,000	34,790,399	34,790,000	
Howard Berger Co. LLC	09/30/2020	Distribution	11.34 %	L+1,000	42,937,500	41,491,290	41,220,000	
			(PIK %) 5.18					
Infogroup, Inc.	04/03/2021	Other Media	10.58 %	L+925	20,400,000	20,011,940	19,992,000	
Intermediate Transportation 100, LLC ⁽⁵⁾	03/01/2020	Chicago Transport	11.00 %					