

Golub Capital BDC, Inc.
Form 10-Q
May 08, 2014

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, 2014

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.

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

27-2326940

(I.R.S. Employer Identification No.)

150 South Wacker Drive, Suite 800

Chicago, IL 60606

(Address of principal executive offices)

(312) 205-5050

(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, or a smaller reporting company. See 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 (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

As of May 6, 2014, the Registrant had 47,024,463 shares of common stock, \$0.001 par value, outstanding.

Part I. Financial Information

Item 1. Financial Statements	3
Consolidated Statements of Financial Condition as of March 31, 2014 (unaudited) and September 30, 2013	3
Consolidated Statements of Operations for the three and six months ended March 31, 2014 (unaudited) and 2013 (unaudited)	4
Consolidated Statements of Changes in Net Assets for the six months ended March 31, 2014 (unaudited) and 2013 (unaudited)	5
Consolidated Statements of Cash Flows for the six months ended March 31, 2014 (unaudited) and 2013 (unaudited)	6
Consolidated Schedules of Investments as of March 31, 2014 (unaudited) and September 30, 2013	7
Notes to Consolidated Financial Statements (unaudited)	21
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	49
Item 3. Quantitative And Qualitative Disclosures About Market Risk	76
Item 4. Controls and Procedures	77

Part II. Other Information

Item 1. Legal Proceedings	78
Item 1A. Risk Factors	78
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	78
Item 3. Defaults Upon Senior Securities	78
Item 4. Mine Safety Disclosures	78
Item 5. Other Information	78
Item 6. Exhibits	79

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

	March 31, 2014 (unaudited)	September 30, 2013
Assets		
Investments, at fair value		
Non-controlled/non-affiliate company investments	\$ 1,209,009	\$ 1,011,586
Non-controlled affiliate company investments	2,879	8,225
Controlled affiliate company investments	41,709	4,834
Total investments, at fair value (cost of \$1,239,603 and \$1,017,961, respectively)	1,253,597	1,024,645
Cash and cash equivalents	12,810	16,309
Restricted cash and cash equivalents	41,261	38,408
Interest receivable	4,958	4,316
Deferred financing costs	8,712	7,742
Other assets	306	236
Total Assets	\$ 1,321,644	\$ 1,091,656
Liabilities		
Debt	\$ 572,150	\$ 412,100
Secured borrowings, at fair value (proceeds of \$18,008 and \$8,683, respectively)	18,222	8,809
Interest payable	1,691	1,277
Management and incentive fees payable	5,736	5,579
Payable for open trades	-	3,677
Accounts payable and accrued expenses	1,842	1,978
Accrued trustee fees	73	-
Total Liabilities	599,714	433,420
Commitments and contingencies (Note 8)		
Net Assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of March 31, 2014 and September 30, 2013	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 46,857,608 and 43,282,932 shares issued and outstanding as of March 31, 2014 and September 30, 2013, respectively	47	43
Paid in capital in excess of par	715,148	652,669
Undistributed net investment income	1,622	2,725
Net unrealized appreciation on investments, derivative instruments and secured borrowings	16,446	9,225
Net realized loss on investments and derivative instruments	(11,333) (6,426

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Total Net Assets	721,930	658,236
Total Liabilities and Total Net Assets	\$ 1,321,644	\$ 1,091,656
Number of common shares outstanding	46,857,608	43,282,932
Net asset value per common share	\$ 15.41	\$ 15.21

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 March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Investment income				
From non-controlled/non-affiliate company investments:				
Interest income	\$ 24,421	\$ 18,621	\$ 48,494	\$ 35,887
Dividend income	262	479	278	746
Fee income	21	839	934	1,749
Total investment income from non-controlled/non-affiliate company investments	24,704	19,939	49,706	38,382
From non-controlled affiliate company investments:				
Interest income	-	157	225	308
Fee income	-	-	171	-
Total investment income from non-controlled affiliate company investments	-	157	396	308
From controlled affiliate company investments:				
Interest income	556	-	737	-
Total investment income from controlled affiliate company investments	556	-	737	-
Total investment income	25,260	20,096	50,839	38,690
Expenses				
Interest and other debt financing expenses	4,540	3,292	8,632	6,287
Base management fee	4,185	2,686	8,009	5,154
Incentive fee	1,656	2,468	4,688	4,862
Professional fees	640	512	1,298	1,006
Administrative service fee	742	610	1,324	1,158
General and administrative expenses	145	134	276	252
Total expenses	11,908	9,702	24,227	18,719
Net investment income	13,352	10,394	26,612	19,971
Net gain (loss) on investments and secured borrowings				
Net realized gains (losses) on investments:				
Non-controlled/non-affiliate company investments	87	-	(4,907) 94

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Net realized gains (losses) on investments:	87	-	(4,907) 94
Net unrealized appreciation (depreciation) on investments:				
Non-controlled/non-affiliate company investments	653	1,857	6,786	1,505
Non-controlled affiliate company investments	-	-	274	-
Controlled affiliate company investments	9	-	249	-
Net unrealized appreciation (depreciation) on investments	662	1,857	7,309	1,505
Net change in unrealized (appreciation) depreciation on secured borrowings	(12) -	(88) -
Net gain (loss) on investments and secured borrowings	737	1,857	2,314	1,599
Net increase in net assets resulting from operations	\$ 14,089	\$ 12,251	\$ 28,926	\$ 21,570
Per Common Share Data				
Basic and diluted earnings per common share	\$ 0.32	\$ 0.38	\$ 0.66	\$ 0.71
Dividends and distributions declared per common share	\$ 0.32	\$ 0.32	\$ 0.64	\$ 0.64
Basic and diluted weighted average common shares outstanding	43,754,776	32,532,794	43,517,433	30,207,933

See Notes to Consolidated Financial Statements.

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

	Common Stock	Paid in Capital	Capital Distributions and Undistributed Net Investment Income	Net Unrealized Appreciation (Depreciation) on Investments, Derivative Instruments and Secured Borrowings	Net Realized Gain (Loss) on Investments and Derivative Instruments	Total Net Assets	
	Shares	Par Amount of Par					
Balance at September 30, 2012	25,688,101	\$ 26	\$ 375,563	\$ 347	\$ 5,737	\$ (6,544)	\$ 375,129
Issuance of common stock, net of offering and underwriting costs ⁽¹⁾	8,016,382	8	122,120	-	-	-	122,128
Net increase in net assets resulting from operations	-	-	-	19,971	1,505	94	21,570
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	50,029	-	765	-	-	-	765
Dividends and distributions	-	-	-	(19,939)	-	-	(19,939)
Balance at March 31, 2013	33,754,512	\$ 34	\$ 498,448	\$ 379	\$ 7,242	\$ (6,450)	\$ 499,653
Balance at September 30, 2013	43,282,932	\$ 43	\$ 652,669	\$ 2,725	\$ 9,225	\$ (6,426)	\$ 658,236
Issuance of common stock, net of offering and underwriting costs ⁽²⁾	3,500,000	4	61,182	-	-	-	61,186
Net increase in net assets resulting from	-	-	-	26,612	7,221	(4,907)	28,926

operations

Distributions to
stockholders:

Stock issued in connection with dividend reinvestment plan	74,676	-	1,297	-	-	-	1,297
Dividends and distributions	-	-	-	(27,715)	-	-	(27,715)
Balance at March 31, 2014	46,857,608	\$ 47	\$ 715,148	\$ 1,622	\$ 16,446	\$ (11,333)	\$ 721,930

(1) On October 16, 2012, Golub Capital BDC, Inc. priced a public offering of 2,600,000 shares of its common stock at a public offering price of \$15.58 per share. On November 14, 2012, Golub Capital BDC, Inc. sold an additional 294,120 shares of its common stock at a public offering price of \$15.58 per share pursuant to the underwriters' partial exercise of the over-allotment option. On January 15, 2013, Golub Capital BDC, Inc. priced a public offering of 4,500,000 shares of its common stock at a public offering price of \$15.87 per share. On February 20, 2013, Golub Capital BDC, Inc. sold an additional 622,262 shares of its common stock at a public offering price of \$15.87 per share pursuant to the underwriters' partial exercise of the over-allotment option.

(2) On March 18, 2014, Golub Capital BDC, Inc. priced a public offering of 3,500,000 shares of its common stock at a public offering price of \$18.05 per share.

See Notes to Consolidated Financial Statements.

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

(In thousands)	Six Months Ended March 31,	
	2014	2013
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 28,926	\$ 21,570
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities		
Amortization of deferred financing costs	899	1,084
Accretion of discounts and amortization of premiums	(3,592)	(4,465)
Net realized loss (gain) on investments	4,907	(94)
Net change in unrealized (appreciation) depreciation on investments	(7,309)	(1,505)
Net change in unrealized appreciation (depreciation) on secured borrowings	88	-
Proceeds from (fundings of) revolving loans, net	2,295	(4,242)
Fundings of investments	(433,116)	(288,565)
Proceeds from principal payments and sales of portfolio investments	207,336	183,906
PIK interest	582	(567)
Changes in operating assets and liabilities:		
Interest receivable	(642)	(372)
Other assets	(70)	190
Interest payable	414	(87)
Management and incentive fees payable	157	866
Accrued trustee fees	73	-
Payable for investments purchased	(3,677)	-
Accounts payable and accrued expenses	(136)	379
Net cash (used in) provided by operating activities	(202,865)	(91,902)
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	(2,853)	(47,178)
Net cash (used in) provided by investing activities	(2,853)	(47,178)
Cash flows from financing activities		
Borrowings on debt	361,600	172,950
Repayments of debt	(201,550)	(139,550)
Capitalized debt financing costs	(1,869)	(2,215)
Proceeds from secured borrowings	23,365	-
Repayments on secured borrowings	(14,095)	-
Proceeds from shares sold, net of underwriting costs	61,250	122,485
Offering costs paid	(64)	(357)
Dividends and distributions paid	(26,418)	(19,174)
Net cash (used in) provided by financing activities	202,219	134,139
Net change in cash and cash equivalents	(3,499)	(4,941)
Cash and cash equivalents, beginning of period	16,309	13,891

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Cash and cash equivalents, end of period	\$ 12,810	\$ 8,950
Supplemental information:		
Cash paid during the period for interest	\$ 6,881	\$ 5,290
Dividends and distributions declared during the period	\$ 27,715	\$ 19,939

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries

Consolidated Schedule of Investments (unaudited)

March 31, 2014

(In thousands)

Investment Type	Spread Above Index ⁽¹⁾	Interest Rate ⁽²⁾	Maturity Date	Principal / Par Amount	Cost	Percentage		
						of Net Assets	Fair Value	
Investments								
United States								
Debt investments								
Aerospace and Defense								
ILC Dover, LP ⁽³⁾	Senior loan	L + 5.50%	N/A ⁽⁴⁾	03/2019	\$ -	\$(9)	-	% \$(9)
ILC Dover, LP	Senior loan	P + 4.50%	7.75 %	03/2020	18,830	18,689	2.6	18,689
NTS Technical Systems ⁽³⁾	One stop	L + 5.50%	N/A ⁽⁴⁾	11/2018	-	(20)	-	(9)
NTS Technical Systems ⁽³⁾	One stop	L + 5.50%	N/A ⁽⁴⁾	11/2018	-	(63)	-	(30)
NTS Technical Systems*	One stop	L + 5.50%	6.75 %	11/2018	18,966	18,642	2.6	18,776
Tresys Technology Holdings, Inc. ⁽³⁾	One stop	L + 6.75%	N/A ⁽⁴⁾	12/2017	-	(7)	-	-
Tresys Technology Holdings, Inc.	One stop	L + 6.75%	8.00 %	12/2017	3,899	3,827	0.4	2,924
Whitcraft LLC	Subordinated debt	N/A	12.00 %	12/2018	1,877	1,855	0.3	1,877
White Oak Technologies, Inc. ⁽³⁾	Senior loan	L + 5.00%	6.25 %	03/2017	15	8	-	15
White Oak Technologies, Inc.*	Senior loan	L + 5.00%	6.25 %	03/2017	1,784	1,755	0.2	1,784
					45,371	44,677	6.1	44,017
Automobile								
ABRA, Inc ⁽³⁾⁽⁵⁾	One stop	L + 6.00%	N/A ⁽⁴⁾	05/2018	-	(17)	-	-
ABRA, Inc* ⁽⁵⁾	One stop	L + 6.00%	7.25 %	05/2018	31,230	30,960	4.3	31,230
ABRA, Inc ⁽⁵⁾	One stop	L + 6.00%	7.25 %	05/2018	5,179	5,147	0.7	5,179

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ABRA, Inc ⁽⁵⁾	One stop	L + 6.00%	7.25 %	05/2018	1,041	995	0.2	1,041
ABRA, Inc*	One stop	L + 7.75%	9.00 %	05/2018	4,334	4,267	0.6	4,334
American Driveline Systems, Inc.	Senior loan	L + 5.50%	7.14 %	01/2016	290	285	-	251
American Driveline Systems, Inc.*	Senior loan	L + 5.50%	7.00 %	01/2016	2,812	2,780	0.4	2,530
K&N Engineering, Inc. ⁽³⁾	Senior loan	L + 4.50%	N/A ⁽⁴⁾	04/2018	-	(7)	-	-
K&N Engineering, Inc.*	Senior loan	L + 4.50%	5.75 %	04/2018	3,732	3,686	0.5	3,732
K&N Engineering, Inc.*	Senior loan	P + 3.50%	6.75 %	04/2018	3,510	3,467	0.5	3,510
Take 5 Oil Change, L.L.C. ⁽³⁾	Senior loan	L + 5.25%	N/A ⁽⁴⁾	07/2018	-	(3)	-	-
Take 5 Oil Change, L.L.C.	Senior loan	L + 5.25%	6.25 %	07/2018	2,964	2,945	0.4	2,964
Tectum Holdings, Inc.*	Senior loan	L + 4.25%	5.25 %					