

Golub Capital BDC, Inc.
Form 10-Q
February 06, 2015

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 December 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.

(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

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As of February 6, 2015, the Registrant had 47,171,518 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)

	December 31, 2014	September 30, 2014
Assets	(unaudited)	
Investments, at fair value		
Non-controlled/non-affiliate company investments	\$ 1,357,614	\$ 1,309,701
Non-controlled affiliate company investments	3,407	3,080
Controlled affiliate company investments	39,705	34,831
Total investments, at fair value (cost of \$1,391,805 and \$1,337,580, respectively)	1,400,726	1,347,612
Cash and cash equivalents	5,740	5,135
Restricted cash and cash equivalents	35,686	74,808
Interest receivable	6,185	5,791
Deferred financing costs	9,436	9,515
Receivable from investments sold	2,232	-
Other assets	578	527
Total Assets	\$ 1,460,583	\$ 1,443,388
Liabilities		
Debt	\$ 714,650	\$ 697,150
Secured borrowings, at fair value (proceeds of \$376 and \$384, respectively)	380	389
Interest payable	4,455	3,196
Management and incentive fees payable	5,853	8,451
Accounts payable and accrued expenses	1,468	1,397
Accrued trustee fees	59	66
Total Liabilities	726,865	710,649
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 December 31, 2014 and September 30, 2014	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 47,171,518 and 47,119,498 shares issued and outstanding as of December 31, 2014 and September 30, 2014, respectively	47	47
Paid in capital in excess of par	721,364	720,479
Undistributed net investment income	3,106	3,627
Net unrealized appreciation (depreciation) on investments and secured borrowings	11,583	12,694
Net realized gain (loss) on investments	(2,382)	(4,108)
Total Net Assets	733,718	732,739
Total Liabilities and Total Net Assets	\$ 1,460,583	\$ 1,443,388
Number of common shares outstanding	47,171,518	47,119,498

Net asset value per common share	\$ 15.55	\$ 15.55
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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 December 31,	
	2014	2013
Investment income		
From non-controlled/non-affiliate company investments:		
Interest income	\$ 26,769	\$ 24,157
Dividend income	18	16
Fee income	208	829
Total investment income from non-controlled/non-affiliate company investments	26,995	25,002
From non-controlled affiliate company investments:		
Interest income	-	225
Fee income	-	171
Total investment income from non-controlled affiliate company investments	-	396
From controlled affiliate company investments:		
Interest income	550	181
Total investment income from controlled affiliate company investments	550	181
Total investment income	27,545	25,579
Expenses		
Interest and other debt financing expenses	5,694	4,092
Base management fee	4,821	3,824
Incentive fee	1,071	3,032
Professional fees	629	658
Administrative service fee	607	582
General and administrative expenses	166	131
Total expenses	12,988	12,319
Net investment income	14,557	13,260
Net gain (loss) on investments and secured borrowings		
Net realized gains (losses):		
Non-controlled/non-affiliate company investments	1,726	(4,994)
Net realized gains (losses):	1,726	(4,994)
Net unrealized appreciation (depreciation):		
Non-controlled/non-affiliate company investments	(1,412)	6,133
Non-controlled affiliate company investments	327	274
Controlled affiliate company investments	(26)	240
Net unrealized appreciation (depreciation)	(1,111)	6,647

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Net change in unrealized depreciation (appreciation) on secured borrowings	-	(76)
Net gain (loss) on investments and secured borrowings	615	1,577
Net increase in net assets resulting from operations	\$ 15,172	\$ 14,837
Per Common Share Data		
Basic and diluted earnings per common share	\$ 0.32	\$ 0.34
Dividends and distributions declared per common share	\$ 0.32	\$ 0.32
Basic and diluted weighted average common shares outstanding	47,121,194	43,285,250

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	Par	Paid in Capital in Excess of Par	Undistributed Net Investment Income	Net Unrealized Appreciation (Depreciation) on Investments and Secured Borrowings	Net Realized Gain (Loss) on Investments	Total Net Assets
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	-	-	-	-	-	-	-
Net increase in net assets resulting from operations	-	-	-	13,260	6,571	(4,994)	14,837
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	42,643	-	758	-	-	-	758
Dividends and distributions	-	-	-	(13,850)	-	-	(13,850)
Balance at December 31, 2013	43,325,575	\$ 43	\$ 653,427	\$ 2,135	\$ 15,796	\$ (11,420)	\$ 659,981
Balance at September 30, 2014	47,119,498	\$ 47	\$ 720,479	\$ 3,627	\$ 12,694	\$ (4,108)	\$ 732,739
Issuance of common stock, net of offering and underwriting costs	-	-	-	-	-	-	-
Net increase in net assets resulting from operations	-	-	-	14,557	(1,111)	1,726	15,172
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	52,020	-	885	-	-	-	885
Dividends and distributions	-	-	-	(15,078)	-	-	(15,078)

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Balance at December 31, 2014	47,171,518	\$ 47	\$ 721,364	\$ 3,106	\$ 11,583	\$ (2,382) \$733,718
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See Notes to Consolidated Financial Statements.

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

(In thousands)

	Three Months Ended December	
	31,	
	2014	2013
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 15,172	\$ 14,837
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	1,047	439
Accretion of discounts and amortization of premiums	(1,670)	(1,865)
Net realized (gain) loss on investments	(1,726)	4,994
Net change in unrealized (appreciation) depreciation on investments	1,111	(6,647)
Net change in unrealized appreciation (depreciation) on secured borrowings	-	76
Proceeds from (fundings of) revolving loans, net	90	277
Fundings of investments	(131,470)	(256,213)
Proceeds from principal payments and sales of portfolio investments	80,941	103,570
PIK interest	(390)	653
Changes in operating assets and liabilities:		
Interest receivable	(394)	138
Receivable for investments sold	(2,232)	-
Other assets	(51)	73
Interest payable	1,259	1,882
Management and incentive fees payable	(2,598)	1,172
Payable for investments purchased	-	(2,020)
Accounts payable and accrued expenses	71	(265)
Accrued trustee fees	(7)	-
Net cash (used in) provided by operating activities	(40,847)	(138,899)
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	39,122	(1,384)
Net cash (used in) provided by investing activities	39,122	(1,384)
Cash flows from financing activities		
Borrowings on debt	33,550	215,350
Repayments of debt	(16,050)	(50,250)
Capitalized debt financing costs	(968)	(1,581)
Proceeds from secured borrowings	-	16,448
Repayments on secured borrowings	(9)	(11,010)
Dividends and distributions paid	(14,193)	(13,092)
Net cash (used in) provided by financing activities	2,330	155,865
Net change in cash and cash equivalents	605	15,582
Cash and cash equivalents, beginning of period	5,135	16,309

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Cash and cash equivalents, end of period	\$ 5,740	\$ 31,891
Supplemental information:		
Cash paid during the period for interest	\$ 3,383	\$ 1,592
Dividends and distributions declared during the period	15,078	13,850

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries
Consolidated Schedule of Investments (unaudited)
December 31, 2014
(In thousands)

Investment Type	Spread		Interest Rate ⁽²⁾	Maturity Date	Principal / Par		Percentage of Fair	
	Above Index ⁽¹⁾				Amount	Cost	Net Assets	Value
Investments United States Debt investments Aerospace and Defense ILC Dover, LP	One stop	P + 4.50%	7.75	% 03/2019	\$600	\$593	0.1%	\$564
ILC Dover, LP [^]	One stop	L + 5.50%	6.50	% 03/2020	18,477	18,357	2.4	17,923
ILC Industries, Inc. ⁽³⁾	One stop	L + 4.75%	N/A	(4) 07/2020	-	(31)	-	-
ILC Industries, Inc.* [^]	One stop	L + 4.75%	5.75	% 07/2020	28,331	28,069	3.8	28,331
NTS Technical Systems ⁽³⁾	One stop	L + 5.50%	N/A	(4) 11/2018	-	(30)	-	-
NTS Technical Systems* [^]	One stop	L + 5.50%	6.75	% 11/2018	18,823	18,540	2.6	18,823
NTS Technical Systems ⁽³⁾	One stop	L + 5.50%	N/A	(4) 11/2018	-	(63)	-	-
Tresys Technology Holdings, Inc.	One stop	L + 6.75%	8.00	% 12/2017	188	182	-	188
Tresys Technology Holdings, Inc.	One stop	L + 6.75%	8.00	% 12/2017	3,899	3,841	0.3	1,950
Whitcraft LLC	Subordinated debt	N/A	12.00	% 12/2018	1,877	1,858	0.3	1,877
					72,195	71,316	9.5	69,656
Automobile	Senior loan	L + 5.50%	7.17	% 01/2016	306	303	-	267

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American Driveline Systems, Inc.									
American Driveline Systems, Inc.*	Senior loan	L + 5.50%	7.00	% 01/2016	2,790	2,771	0.3	2,511	
K&N Engineering, Inc. ⁽³⁾	Senior loan	L + 4.25%	N/A	(4) 07/2019	-	(4)	-	-	
K&N Engineering, Inc. [^]	Senior loan	L + 4.25%	5.25	% 07/2019	2,905	2,855	0.4	2,905	
K&N Engineering, Inc. ⁽³⁾	Senior loan	L + 4.25%	N/A	(4) 07/2019	-	(18)	-	-	
Take 5 Oil Change, L.L.C. ⁽³⁾	Senior loan	L + 5.25%	N/A	(4) 07/2018	-	(7)	-	-	
Take 5 Oil Change, L.L.C. [^]	Senior loan	L + 5.25%	6.25	% 07/2018	4,860	4,831	0.7	4,860	
					10,861	10,731	1.4	10,543	
Banking HedgeServ Holding L.P. [^]	One stop	L + 8.25%	5.25% cash/4.00% PIK	02/2019	17,416	17,277	2.4	17,416	
HedgeServ Holding L.P. ⁽³⁾	One stop	L + 4.25%	N/A	(4) 02/2019	-	(8)	-	-	
Prommis Fin Co. ⁽⁶⁾	Senior loan	P + 10.00%	13.25	% 06/2015	82	81	-	2	
Prommis Fin Co.* ⁽⁶⁾	Senior loan	N/A	2.25% cash/11.5% PIK	06/2015	119	119	-	3	
					17,617	17,469	2.4	17,421	
Beverage, Food and Tobacco ABP Corporation	Senior loan	P + 3.50%	7.25	% 09/2018	209	203	-	209	
ABP Corporation*	Senior loan	L + 4.75%	6.00	% 09/2018	4,783	4,719	0.7	4,783	
ARG IH Corporation (Arby's) [^]	Senior loan	L + 3.75%	4.75	% 11/2020	2,331	2,306	0.3	2,328	
Atkins Nutritionals, Inc.* [^]	One stop	L + 5.00%	6.25	% 01/2019	23,873	23,695	3.2	23,574	
Atkins Nutritionals, Inc.*	One stop	L + 8.50%	9.75	% 04/2019	21,636	21,343	2.9	21,527	

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C. J. Foods, Inc. ⁽³⁾	One stop	L + 5.50%	N/A	(4) 05/2019	-	(9)	-	-
C. J. Foods, Inc. ⁽³⁾	One stop	L + 5.50%	N/A	(4) 05/2019	-	(12)	-	-
C. J. Foods, Inc. Candy Intermediate Holdings, Inc.	One stop	L + 5.50%	6.50	% 05/2019	3,216	3,174	0.4	3,216
(Ferrara Candy)^	Senior loan	L + 6.25%	7.50	% 06/2018	4,875	4,775	0.6	4,717
Diversified Foodservice Supply, Inc. ⁽³⁾	Senior loan	L + 4.50%	N/A	(4) 12/2018	-	(3)	-	-
Diversified Foodservice Supply, Inc.*	Senior loan	L + 4.50%	5.75	% 12/2018	4,556	4,520	0.6	4,556
Firebirds International, LLC ⁽³⁾	One stop	L + 6.25%	N/A	(4) 05/2018	-	(2)	-	-
Firebirds International, LLC*	One stop	L + 6.25%	7.50	% 05/2018	1,090	1,077	0.2	1,090
Firebirds International, LLC	One stop	L + 6.25%	7.50	% 05/2018	304	299	-	304
Firebirds International, LLC ⁽³⁾	One stop	L + 6.25%	N/A	(4) 05/2018	-	(4)	-	-
First Watch Restaurants, Inc. ⁽³⁾	One stop	L + 7.50%	N/A	(4) 12/2018	-	(22)	-	-
First Watch Restaurants, Inc.*^	One stop	L + 7.50%	8.75	% 12/2018	14,327	14,174	2.0	14,327
First Watch Restaurants, Inc.^	One stop	L + 7.50%	8.75	% 12/2018	1,748	1,743	0.2	1,748
IT'SUGAR LLC	Senior loan	L + 7.50%	9.00	% 04/2018	7,547	7,445	1.0	7,547
IT'SUGAR LLC	Subordinated debt	N/A	5.00	% 10/2017	1,707	1,707	0.3	1,847
Julio & Sons Company	One stop	L + 5.50%	6.50	% 09/2017	426	417	0.1	426
Julio & Sons Company*	One stop	L + 5.50%	6.50	% 09/2017	6,960	6,903	0.9	6,960