

PENNANTPARK INVESTMENT CORP
Form 10-Q
February 07, 2019

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 DECEMBER 31, 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)

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

MARYLAND 20-8250744
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

590 Madison Avenue, 15th Floor

New York, N.Y. 10022
(Address of principal executive offices) (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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 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 February 7, 2019 was 68,027,537.

PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Consolidated Statements of Assets and Liabilities as of December 31, 2018 (unaudited) and September 30, 2018 4

Consolidated Statements of Operations for the three months ended December 31, 2018 and 2017 (unaudited) 5

Consolidated Statements of Changes in Net Assets for the three months ended December 31, 2018 and 2017 (unaudited) 6

Consolidated Statements of Cash Flows for the three months ended December 31, 2018 and 2017 (unaudited) 7

Consolidated Schedules of Investments as of December 31, 2018 (unaudited) and September 30, 2018 8

Notes to Consolidated Financial Statements (unaudited) 14

Report of Independent Registered Public Accounting Firm 25

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 26

Item 3. Quantitative and Qualitative Disclosures About Market Risk 33

Item 4. Controls and Procedures 34

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 35

Item 1A. Risk Factors 35

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 36

Item 3. Defaults Upon Senior Securities 36

Item 4. Mine Safety Disclosures 36

Item 5. Other Information 36

<u>Item 6. Exhibits</u>	37
<u>SIGNATURES</u>	38

PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 as 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, except where context suggest otherwise, the terms “Company,” “we,” “our” or “us” refer to PennantPark Investment Corporation and its consolidated subsidiaries; “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; “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, our investments and our business 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

	December 31, 2018 (unaudited)	September 30, 2018
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$987,929,505 and \$896,720,950, respectively)	\$989,515,879	\$905,271,258
Non-controlled, affiliated investments (cost—\$74,369,962 and \$91,520,908, respectively)	49,057,619	78,078,331
Controlled, affiliated investments (cost—\$261,311,677 and \$255,574,317, respectively)	152,880,313	148,735,885
Total of investments (cost—\$1,323,611,144 and \$1,243,816,175, respectively)	1,191,453,811	1,132,085,474
Cash and cash equivalents (cost—\$24,657,870 and \$19,543,625, respectively)	24,653,889	19,506,154
Interest receivable	5,506,564	7,606,964
Prepaid expenses and other assets	152,544	920,235
Total assets	1,221,766,808	1,160,118,827
Liabilities		
Distributions payable	12,244,957	12,429,712
Payable for investments purchased	18,172,125	—
Credit Facility payable (cost—\$174,136,000 and \$80,520,000, respectively) (See Notes 5 and 10)	167,088,178	77,645,830
2019 Notes payable (par—\$250,000,000) (See Notes 5 and 10)	249,430,000	251,322,500
SBA debentures payable, net (par—\$150,000,000 and \$180,000,000, respectively) (See Notes 5 and 10)	145,789,777	175,373,229
Base management fee payable, net (See Note 3)	4,419,262	4,086,831
Performance-based incentive fee payable, net (See Note 3)	2,667,270	2,964,265
Interest payable on debt	5,007,094	6,576,393
Accrued other expenses	1,007,040	818,172
Total liabilities	605,825,703	531,216,932
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 68,027,537 and 69,053,958 shares issued and outstanding, respectively		
Par value \$0.001 per share and 100,000,000 shares authorized	68,028	69,054
Paid-in capital in excess of par value	796,236,224	803,729,220
Undistributed net investment income	6,333,033	6,003,360

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

Accumulated net realized loss on investments	(62,157,643)	(70,687,629)
Net unrealized depreciation on investments	(132,156,359)	(111,763,780)
Net unrealized depreciation on debt	7,617,822	1,551,670
Total net assets	\$615,941,105	\$628,901,895
Total liabilities and net assets	\$1,221,766,808	\$1,160,118,827
Net asset value per share	\$9.05	\$9.11

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$23,508,581	\$21,383,219
Payment in kind	1,246,016	1,284,909
Other income	618,071	1,586,642
From non-controlled, affiliated investments:		
Interest	105,105	1,215,834
Payment in kind	108,625	1,573,306
From controlled, affiliated investments:		
Interest	1,788,603	480,430
Payment in kind	5,000	1,144,085
Total investment income	27,380,001	28,668,425
Expenses:		
Base management fee (See Note 3)	4,419,262	5,735,137
Performance-based incentive fee (See Note 3)	2,667,270	3,185,204
Interest and expenses on debt (See Note 10)	6,278,847	5,857,378
Administrative services expenses (See Note 3)	521,625	521,625
Other general and administrative expenses	618,367	628,290
Expenses before Management Fees waiver and provision for taxes	14,505,371	15,927,634
Management Fees waiver (See Note 3)	—	(1,427,253)
Provision for taxes	300,000	—
Net expenses	14,805,371	14,500,381
Net investment income	12,574,630	14,168,044
Realized and unrealized loss on investments and debt:		
Net realized gain on investments on:		
Non-controlled, non-affiliated investments	3,737,919	1,793,043
Non-controlled and controlled, affiliated investments	4,792,067	1,980,440
Net realized gain on investments	8,529,986	3,773,483
Net change in unrealized depreciation on:		
Non-controlled, non-affiliated investments	(6,929,882)	1,738,065
Non-controlled and controlled, affiliated investments	(13,462,697)	(8,510,961)
Debt depreciation (See Notes 5 and 10)	6,066,152	1,126,766
Net change in unrealized depreciation on investments and debt	(14,326,427)	(5,646,130)
Net realized and unrealized loss from investments and debt	(5,796,441)	(1,872,647)
Net increase in net assets resulting from operations	\$6,778,189	\$12,295,397
Net increase in net assets resulting from operations per common share (See Note 7)	\$0.10	\$0.18

Net investment income per common share	\$0.18	\$0.20
--	--------	--------

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Net increase in net assets resulting from operations:		
Net investment income	\$ 12,574,630	\$ 14,168,044
Net realized gain on investments	8,529,986	3,773,483
Net change in unrealized depreciation on investments	(20,392,579)	(6,772,896)
Net change in unrealized depreciation on debt	6,066,152	1,126,766
Net increase in net assets resulting from operations	6,778,189	12,295,397
Distributions to stockholders:	(12,244,957)	(12,790,950)
Capital transactions:		
Repurchase of common stock	(7,494,022)	—
Net decrease in net assets	(12,960,790)	(495,553)
Net assets:		
Beginning of period	628,901,895	646,808,471
End of period	\$ 615,941,105	\$ 646,312,918
Undistributed net investment income, at end of period	\$ 6,333,033	\$ 4,710,289
Capital share activity:		
Shares of common stock repurchased	(1,026,421)	—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$6,778,189	\$12,295,397
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net change in net unrealized depreciation on investments	20,392,579	6,772,896
Net change in unrealized depreciation on debt	(6,066,152)	(1,126,766)
Net realized gain on investments	(8,529,986)	(3,773,483)
Net accretion of discount and amortization of premium	(729,769)	(239,321)
Purchases of investments	(194,455,970)	(138,433,423)
Payment-in-kind income	(1,922,358)	(3,706,405)
Proceeds from dispositions of investments	125,791,017	192,303,018
Amortization of deferred financing costs	416,548	375,065
Decrease (increase) in interest receivable	2,100,400	(1,852,834)
Decrease in prepaid expenses and other assets	767,691	1,529,740
Increase (decrease) in payable for investments purchased	18,172,125	(1,014,000)
Decrease in interest payable on debt	(1,569,299)	(1,369,723)
Increase (decrease) in base management fee payable, net	332,431	(27,721)
(Decrease) increase in performance-based incentive fee payable, net	(296,995)	405,565
Increase in accrued other expenses	188,868	250,382
Net cash (used in) provided by operating activities	(38,630,681)	62,388,387
Cash flows from financing activities:		
Repurchase of common stock	(7,494,022)	—
Distributions paid to stockholders	(12,429,712)	(12,790,950)
Repayments under SBA debentures	(30,000,000)	(15,000,000)
Borrowings under Credit Facility	217,000,000	91,000,000
Repayments under Credit Facility	(123,384,000)	(91,000,000)
Net cash provided by (used in) financing activities	43,692,266	(27,790,950)
Net increase in cash equivalents	5,061,585	34,597,437
Effect of exchange rate changes on cash	86,150	33,170
Cash and cash equivalents, beginning of period	19,506,154	38,202,068
Cash and cash equivalents, end of period	\$24,653,889	\$72,832,675
Supplemental disclosure of cash flow information:		
Interest paid	\$7,431,597	\$6,852,037
Taxes paid	\$3,617	\$—
Non-cash exchanges and conversions	\$12,697,510	\$—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2018

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread		Cost	Fair Value ⁽³⁾
				Above Index ⁽⁴⁾	Par / Shares		
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—160.7% ⁽²⁾							
First Lien Secured Debt—78.6%							
Allied America, Inc.	08/08/2022			3M			
		Business Services	9.81 %	L+700	21,358,192	\$21,057,856	\$21,384,889
Allied America, Inc. (Revolver) ⁽⁷⁾	08/08/2022	Business Services	—	—	2,000,000	—	—
American Insulated Glass, LLC	12/21/2023			3M			
		Building Materials	7.98 %	L+550	31,200,000	30,580,416	30,576,000
American Insulated Glass, LLC ⁽⁷⁾	12/21/2023	Building Materials	—	—	1,350,649	—	—
Bazaarvoice, Inc.	02/01/2024			1M			
		Printing and Publishing	8.10 %	L+575	14,887,500	14,749,371	14,738,625
Bottom Line Systems, LLC	02/13/2024			1M			
		Healthcare, Education and Childcare	10.02 %	L+750	19,583,330	19,354,443	19,583,330
Broder Bros., Co.	12/02/2022			3M			
		Consumer Products	11.31 %	L+850	31,515,152	31,516,838	31,515,152
Cano Health, LLC	12/23/2024			1M			
		Healthcare, Education and Childcare	8.58 %	L+625	37,358,331	36,817,568	37,358,331
DermaRite Industries LLC	03/03/2024			1M			
		Manufacturing / Basic Industries	9.52 %	L+700	9,825,000	9,720,195	9,557,457
Deva Holdings, Inc.	10/31/2023			3M			
		Consumer Products	8.77 %	L+625	4,520,316	4,446,372	4,520,316
Deva Holdings, Inc. ⁽⁷⁾	10/31/2022	Consumer Products	—	—	385,000	—	—
Hollander Sleep Products, LLC	06/09/2023			3M			
		Consumer Products	10.80 %	L+800	19,713,838	19,400,776	18,728,146
Impact Group, LLC	06/27/2023			3M			
		Personal, Food and Miscellaneous	9.30 %	L+650	27,410,052	27,221,921	27,273,002

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

Services							
Juniper Landscaping of Florida, LLC	12/22/2023	Personal, Food and Miscellaneous Services	11.85 %	1M L+950	14,171,119	13,977,311	14,171,119
K2 Pure Solutions NoCal, L.P.	12/20/2023	Chemicals, Plastics and Rubber	7.84 %	1M L+525	27,133,333	26,727,301	26,726,333
K2 Pure Solutions NoCal, L.P. (Revolver) ⁽⁷⁾	12/20/2023	Chemicals, Plastics and Rubber	—	—	1,938,095	—	—
Ox Two, LLC	02/27/2023	Building Materials	8.77 %	1M L+625	22,110,425	21,729,644	22,110,425
Ox Two, LLC (Revolver)	02/27/2023	Building Materials	12.75 %	P+725	750,000	750,000	750,000
Ox Two, LLC (Revolver) ⁽⁷⁾	02/27/2023	Building Materials	—	—	1,750,000	—	—
Peninsula Pacific Entertainment LLC	11/13/2024	Hotels, Motels, Inns and Gaming	9.71 %	3M L+725	7,200,000	7,183,125	7,128,000
Peninsula Pacific Entertainment LLC ⁽⁷⁾	11/13/2024	Hotels, Motels, Inns and Gaming	—	—	800,000	—	(8,000)
Pestell Minerals and Ingredients Inc. ⁽¹¹⁾	06/01/2023	Beverage, Food and Tobacco	7.68 %	1M L+525	5,500,000	5,445,567	5,422,576
Provation Medical, Inc.	03/11/2023	Electronics	9.42 %	1M L+700	27,000,000	26,396,785	26,392,500
Questex, LLC	09/09/2024	Media	9.02 %	3M L+625	22,443,750	22,016,571	21,994,875
Questex, LLC (Revolver)	09/09/2024	Media	9.02 %	3M L+625	598,404	598,404	586,436
Questex, LLC (Revolver) ⁽⁷⁾	09/09/2024	Media	—	—	2,992,021	—	(59,841)
Research Horizons, LLC	06/28/2024	Media	8.60 %	1M L+625	22,359,375	21,955,122	21,800,390
Research Horizons, LLC ⁽⁷⁾	06/28/2024	Media	—	—	9,121,622	—	(228,041)
Research Horizons, LLC (Revolver)	06/28/2024	Media	8.60 %	1M L+625	810,811	810,811	790,541
Research Horizons, LLC (Revolver) ⁽⁷⁾	06/28/2024	Media	—	—	3,243,243	—	(81,081)
SFP Holding, Inc.	09/01/2022	Buildings and Real Estate	9.04 %	3M L+625	20,227,284	19,982,458	20,227,284
SFP Holding, Inc. ⁽⁷⁾	09/01/2022	Buildings and Real Estate	—	—	5,506,214	—	—
SFP Holding, Inc. (Revolver)	09/01/2022	Buildings and Real Estate	9.04 %	3M L+625	833,333	833,333	833,333
SFP Holding, Inc. (Revolver) ⁽⁷⁾	09/01/2022	Buildings and Real Estate	—	—	1,666,667	—	—
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	15.77 %	3M L+1,325	22,099,213	21,885,003	21,325,740
US Dominion, Inc.	07/15/2024	Electronics	9.28 %	3M L+675	29,850,000	29,358,834	29,850,000
	07/15/2024	Electronics	—	—	7,500,000	—	—

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

US Dominion, Inc. (Revolver) ⁽⁷⁾							
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education Childcare	11.80 %	1M L+900	8,454,688	8,454,688	8,031,952
Walker Edison Furniture Company LLC	09/26/2024	Home and Office Furnishings	8.88 %	3M L+650	22,500,000	22,065,139	22,050,000
Whitney, Bradley & Brown, Inc.	10/18/2021	Aerospace and Defense	11.53 %	1M L+900	19,183,125	18,874,578	19,183,125
Total First Lien Secured Debt						483,910,430	484,232,914
Second Lien Secured Debt—65.5%							
Condor Borrower, LLC	04/25/2025	Business Services	11.28 %	3M L+875	12,500,000	12,277,984	12,437,500
Confie Seguros Holding Co.	10/31/2025	Insurance	11.24 %	3M L+850	14,500,000	14,211,122	14,040,785
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	11.05 %	3M L+825	23,024,259	22,619,598	23,024,259
Halo Buyer, Inc.	07/06/2026	Consumer Products	10.77 %	1M L+825	45,000,000	44,337,844	44,325,000
Infogroup, Inc.	04/03/2024	Printer Media	12.05 %	3M L+925	20,400,000	20,068,042	20,400,000
Integrity Marketing Partners, LLC	11/30/2026	Insurance	11.21 %	3M L+850	20,769,231	20,474,544	20,561,538
Integrity Marketing Partners, LLC ⁽⁷⁾	11/30/2026	Insurance	—	—	2,373,626	—	(23,736)
Intermediate Transportation 100, LLC ⁽⁵⁾	03/01/2019	Airgo Transport	11.00 %	—	481,052	468,352	481,052
			(PIK %)				
			11.00				
MailSouth, Inc.	10/23/2024	Printing and Publishing	12.00 %	6M L+925	48,425,000	47,511,267	47,456,500
MBS Holdings, Inc.	01/02/2024	Telecommunications	10.85 %	1M L+850	15,000,000	14,720,490	14,700,000
Parq Holdings Limited Partnership ^{(8), (11)}	12/17/2021	Hotels, Motels, Inns and Gaming	14.80 %	3M L+1,200	76,500,000	76,500,000	83,062,990
PT Network, LLC	04/12/2022	Healthcare, Education and Childcare	12.43 %	3M L+1,000	41,666,667	40,989,222	41,041,667
Shift4 Payments, LLC	11/28/2025	Financial Services	11.03 %	3M L+850	37,000,000	36,844,123	36,722,500
VT Topco, Inc.	08/24/2026	Business Services	9.80 %	1M L+700	12,500,000	12,437,500	12,468,750
Winter Park Intermediate, Inc.	04/06/2026	Auto Sector	11.02 %	1M L+850	32,800,000	32,186,662	32,472,000
Total Second Lien Secured Debt						395,646,750	403,170,805
Subordinated Debt/Corporate Notes—7.8%							
Blackhawk Industrial Distribution, Inc.	03/17/2025	Distribution	12.00 %	—	13,569,534	13,307,183	13,569,534
			(PIK %)				
			2.00				

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

Cascade Environmental LLC	08/20/2011	Environmental Services	15.00 % (PIK %) 13.00	—	36,955,649	36,580,410	34,553,533
Preferred Equity/Partnership Interests—0.3%							
AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00 %	—	211	500,000	462,602
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) ⁽⁹⁾	—	Healthcare, Education and Childcare	—	—	36,450	546,750	584,633
Condor Holdings Limited ^{(8), (11)}	—	Business Services	—	—	556,000	64,277	68,981
Condor Top Holdco Limited ^{(8), (11)}	—	Business Services	—	—	556,000	491,723	527,701
Total Preferred Equity/Partnership Interests						1,602,750	1,643,917
SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS							

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2018

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Basis Point		Par / Shares	Cost	Fair Value ⁽³⁾
			Current Coupon ⁽⁴⁾	Spread Above Index			
Common Equity/Partnership Interests/Warrants—8.5%							
AH Holdings, Inc. (Warrants)	03/23/2020	Healthcare, Education and Childcare	—	—	753	\$—	\$—
AG Investco LP ⁽⁹⁾	—	Business Services	—	—	650,000	650,000	650,000
AG Investco LP ^{(7), (9)}	—	Business Services	—	—	350,000	—	—
ASP LCG Holdings, Inc. (Warrants)	05/05/2020	Education	—	—	933	586,975	1,866,067
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	3,611,080
Cascade Environmental LLC ⁽⁹⁾	—	Environmental Services	—	—	33,901	2,852,080	520,736
CI (Allied) Investment Holdings, LLC (Allied America, Inc.) ⁽⁹⁾	—	Business Services	—	—	112,001	1,153,614	1,312,852
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) ⁽⁹⁾	—	Healthcare, Education and Childcare	—	—	333,333	5,000,000	5,000,000
CI (Summit) Investment Holdings LLC	—	Buildings and Real Estate	—	—	100,000	1,000,000	1,287,386

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

(SFP Holdings, Inc.)							
Cowboy Parent LLC (Blackhawk Industrial Distribution, Inc.)	—	Distribution	—	—	22,500	2,250,000	2,535,289
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	3,449	3,448,658	5,212,753
eCommission Holding Corporation ⁽¹¹⁾	—	Financial Services	—	—	80	1,004,625	1,012,082
Faraday Holdings, LLC	—	Building Materials	—	—	4,277	217,635	1,177,113
Go Dawgs Capital III, LP (American Insulated Glass, LLC) ⁽⁹⁾	—	Building Materials	—	—	675,325	675,325	675,325
Green Veracity Holdings, LP - Class A (VT Topco, Inc.)	—	Business Services	—	—	15,000	1,500,000	1,308,318
Infogroup Parent Holdings, Inc.	—	Other Media	—	—	181,495	2,040,000	1,940,195
ITC Rumba, LLC (Cano Health, LLC) ⁽⁹⁾	—	Healthcare, Education and Childcare	—	—	204,985	2,049,849	3,839,997
JWC-WE Holdings, L.P. (Walker Edison Furniture Company LLC)	—	Home and Office Furnishings	—	—	1,906,433	1,906,433	1,906,433
Kadmon Holdings, Inc. ⁽¹²⁾	—	Healthcare, Education and Childcare	—	—	252,014	2,265,639	524,189
LaMi Acquisition, LLC ⁽⁹⁾	—	Distribution	—	—	19	493,280	686,222
Lariat ecoserv Co-Invest Holdings, LLC ⁽⁹⁾	—	Environmental Services	—	—	495,249	495,249	623,125
SSC Dominion Holdings, LLC Class A (US Dominion, Inc.)	—	Electronics	—	—	1,500	1,500,000	1,500,000
SSC Dominion Holdings, LLC Class B (US Dominion, Inc.)	—	Electronics	—	—	1,500	—	552,896
U.S. Well Services, Inc. - Class A ^{(11), (12)}	—	Oil and Gas	—	—	81,383	813,830	528,990
USWS Holdings, LLC ^{(9), (11)}	—	Oil and Gas	—	—	1,188,368	11,883,680	6,372,623
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.) ⁽⁹⁾	—	Aerospace and Defense	—	—	628,571	628,571	1,269,714
Wheel Pros Holdings, L.P.	—	Auto Sector			3,200,000	3,200,000	5,592,775

(Winter Park Intermediate, Inc.)							
ZS Juniper L.P.	—	Personal, Food and Miscellaneous Services	—	—	856	855,515	839,016
(Juniper Landscaping of Florida, LLC) ⁽⁹⁾							
Total Common Equity/Partnership Interests/Warrants						56,881,982	52,345,176
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						987,929,505	989,515,879
Investments in Non-Controlled, Affiliated Portfolio Companies—8.0% ⁽²⁾							
Preferred Equity—1.5%							
ETX Energy, LLC ⁽⁹⁾	—	Oil and Gas	—	—	23,269	2,326,900	9,307,600
Total Preferred Equity						2,326,900	9,307,600
Common Equity/Partnership Interests/Warrants—6.5%							
Affinion Group Holdings, Inc.	—	Consumer Products	—	—	859,496	30,503,493	16,804,236
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Products	—	—	37,181	10,265,973	16,571
ETX Energy, LLC ⁽⁹⁾	—	Oil and Gas	—	—	1,658,389	29,711,576	21,768,908
ETX Energy Management Company, LLC	—	Oil and Gas	—	—	1,754,104	1,562,020	1,160,304
Total Common Equity/Partnership Interests/Warrants						72,043,062	39,750,019
Total Investments in Non-Controlled, Affiliated Portfolio Companies						74,369,962	49,057,619

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2018

(Unaudited)

Issuer Name	Maturity /	Industry	Current Coupon	Basis Point		Par / Shares	Cost	Fair Value ⁽³⁾
				Spread	Above Index ⁽⁴⁾			
Investments in Controlled, Affiliated Portfolio Companies—24.7% ⁽²⁾								
First Lien Secured Debt—15.1%								
AKW Holdings Limited ^{(8), (10), (11)}	03/13/2024	Healthcare, Education and Childcare	6.65 %	3M L+575	—	£28,000,000	\$39,051,600	\$35,660,604
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 %	—	—	15,000,000	15,000,000	15,000,000
Superior Digital Displays, LLC	12/31/2024	Media	3.00 % (PIK %) 3.00	—	—	7,504,371	7,243,236	7,500,000
Total First Lien Secured Debt							96,294,836	93,160,604
Preferred Equity—1.4% ⁽²⁾								
MidOcean JF Holdings Corp.	—	Distribution	—	—	—	153,922	15,392,188	9,082,240
Superior Digital Displays Holdings, Inc.	—	Media	15.00 %	—	—	1,416,392	46,254,586	—
Total Preferred Equity							61,646,774	9,082,240
Common Equity—8.2% ⁽²⁾								
AKW Holdings Limited ^{(8), (10), (11)}	—	Healthcare, Education and Childcare	—	—	—	£950	132,497	7,307,469
MidOcean JF Holdings Corp.	—	Distribution	—	—	—	65,933	24,761,831	—
	—		—	—	—	84,747	76,264,739	43,330,000

RAM Energy Holdings LLC	Energy and Utilities						
Superior Digital Displays Holdings, Inc.	Media	—	—	—	11,100	2,211,000	—
Total Common Equity						103,370,067	50,637,469
Total Investments in Controlled, Affiliated Portfolio Companies						261,311,677	152,880,313
Total Investments—193.4%						1,323,611,144	1,191,453,811
Cash and Cash Equivalents—4.0%							
BlackRock Federal FD Institutional 30						4,846,547	4,846,547
BNY Mellon Cash Reserve and Cash						19,811,323	19,807,342
Total Cash and Cash Equivalents						24,657,870	24,653,889
Total Investments and Cash Equivalents—197.4%						\$1,348,269,014	\$1,216,107,700
Liabilities in Excess of Other Assets—(97.4%)							(600,166,595)
Net Assets—100.0%							\$615,941,105

- (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” 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), 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 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 December 31, 2018, qualifying assets represent 89% of the Company’s total assets and non-qualifying assets represent 11% 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, 2018

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread		Cost	Fair Value ⁽³⁾
				Above Par / Index ⁽⁴⁾	Shares		
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—144.0% ⁽²⁾							
First Lien Secured Debt—66.9%							
Allied America, Inc.	08/08/2022	Business Services	9.39 %	3M L+700	21,435,548	\$21,116,138	\$21,478,419
Allied America, Inc. (Revolver) ⁽⁷⁾	08/08/2022	Business Services	—	—	2,000,000	—	—
Bazaarvoice, Inc.	02/01/2024	Printing and Publishing	10.24 %	1M L+800	14,925,000	14,783,825	14,925,000
Bottom Line Systems, LLC	02/13/2022	Healthcare, Education and Childcare	9.74 %	1M L+750	19,583,330	19,345,650	19,583,330
Broder Bros., Co.	12/02/2022	Consumer Products	10.33 %	3M L+800	31,676,768	31,678,078	31,676,768
Cano Health, LLC	12/23/2021	Healthcare, Education and Childcare	10.61 %	1M L+850	32,813,941	32,240,776	32,813,941
Cano Health, LLC (Revolver)	11/05/2021	Healthcare, Education and Childcare	10.68 %	1M L+850	3,150,000	3,150,000	3,150,000
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	9.24 %	1M L+700	9,850,000	9,738,431	9,683,465
Deva Holdings, Inc.	10/31/2022	Consumer Products	7.74 %	3M L+550	4,962,500	4,877,212	4,962,500
Deva Holdings, Inc. ⁽⁷⁾	10/31/2022	Consumer Products	—	—	385,000	—	—
eCommission Financial Services, Inc. ⁽¹¹⁾	08/29/2022	Financial Services	9.74 %	1M L+750	19,800,000	19,475,599	19,800,000
eCommission Financial Services, Inc. ^{(7), (11)}	08/29/2022	Financial Services	—	—	4,000,000	—	—
eCommission Financial Services,	08/29/2022	Financial Services	—	—	4,000,000	—	—

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

Inc. (Revolver) ^{(7), (11)}							
Hollander Sleep Products, LLC	06/09/2021	Consumer Products	10.39 %	3M L+800	19,713,838	19,386,443	19,516,699
Impact Group, LLC	06/27/2021	Personal, Food and Miscellaneous Services	8.64 %	1M L+625	22,457,923	22,225,155	22,345,634
Impact Group, LLC ⁽⁷⁾	06/27/2021	Personal, Food and Miscellaneous Services	—	—	—	—	—
					12,491,009		(62,455)
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	11.61 %	1M L+950	14,350,500	14,140,360	14,350,500
K2 Pure Solutions NoCal, L.P.	02/19/2021	Chemicals, Plastics and Rubber	11.24 %	1M L+900	14,243,249	14,033,015	14,243,249
Ox Two, LLC	02/27/2021	Building Materials	8.49 %	1M L+625	22,218,750	21,819,701	22,218,750
Ox Two, LLC (Revolver)	02/27/2021	Building Materials	12.50 %	P+725	750,000	750,000	750,000
Ox Two, LLC (Revolver) ⁽⁷⁾	02/27/2021	Building Materials	—	—	—	—	—
Questex, LLC	09/09/2021	Media	8.57 %	3M L+625	22,500,000	22,054,120	22,050,000
Questex, LLC (Revolver)	09/09/2021	Media	8.57 %	3M L+625	598,404	598,404	586,436
Questex, LLC (Revolver) ⁽⁷⁾	09/09/2021	Media	—	—	—	—	—
					2,992,021		(59,840)
Research Horizons, LLC	06/28/2021	Media	8.36 %	1M L+625	22,500,000	22,071,351	22,050,000
Research Horizons, LLC ⁽⁷⁾	06/28/2021	Media	—	—	—	—	—
					9,121,622		(182,432)
Research Horizons, LLC (Revolver)	06/28/2021	Media	8.36 %	1M L+625	1,783,784	1,783,784	1,748,108
Research Horizons, LLC (Revolver) ⁽⁷⁾	06/28/2021	Media	—	—	—	—	—
					2,270,270		(45,405)
SFP Holding, Inc.	09/01/2021	Buildings and Real Estate	8.59 %	3M L+625	20,925,313	20,642,473	20,925,313
SFP Holding, Inc. ⁽⁷⁾	09/01/2021	Buildings and Real Estate	—	—	—	—	—
					1,375,000		—
SFP Holding, Inc. (Revolver) ⁽⁷⁾	09/01/2021	Buildings and Real Estate	—	—	—	—	—
					2,500,000		—
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	15.49 %	1M L+1,325	23,718,379	23,464,517	23,006,827
US Dominion, Inc.	07/15/2021	Electronics	9.14 %	3M L+675	29,925,000	29,415,076	29,925,000
US Dominion, Inc. (Revolver) ⁽⁷⁾	07/15/2021	Electronics	—	—	—	—	—
					7,500,000		—
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	11.39 %	1M L+900	8,476,563	8,476,563	8,052,732
Walker Edison Furniture Company LLC	09/26/2021	Home and Office Furnishings	8.88 %	3M L+650	22,500,000	22,050,866	22,050,000

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

Whitney, Bradley & Brown, Inc.	10/18/2022	Aerospace and Defense	11.25 %	1M L+900	19,305,000	18,977,907	19,305,000
Total First Lien Secured Debt						418,295,444	420,847,539
Second Lien Secured Debt—62.2%							
Condor Borrower, LLC	04/25/2015	Business Services	11.09 %	3M L+875	12,500,000	12,271,734	12,500,000
DecoPac, Inc.	03/31/2025	Beverage, Food and Tobacco	10.64 %	3M L+825	23,024,259	22,607,675	23,024,259
Halo Buyer, Inc.	07/06/2026	Consumer Products	10.49 %	1M L+825	45,000,000	44,338,109	44,325,000
Infogroup, Inc.	04/03/2024	Printer Media	11.64 %	3M L+925	20,400,000	20,056,087	20,400,000
Integrity Marketing Partners, LLC	01/02/2021	Banking, Finance, Insurance and Real Estate	11.17 %	1M L+900	6,000,000	5,913,341	5,987,443
Intermediate Transportation 100, LLC ⁽⁵⁾	03/01/2019	Airgo Transport	11.00 %	—	481,052	447,988	481,052
			(PIK %) 11.00				
MailSouth, Inc.	10/23/2024	Printing and Publishing	12.00 %	3M L+925	48,425,000	47,496,549	47,456,500
MBS Holdings, Inc.	01/02/2024	Telecommunications	10.60 %	1M L+850	15,000,000	14,710,035	14,700,000
Parq Holdings Limited Partnership ^{(8), (11)}	12/17/2021	Hotels, Motels, Inns and Gaming	14.39 %	3M L+1,200	76,500,000	76,500,000	80,904,325
Pathway Partners Vet Management LLC	10/10/2025	Healthcare, Education and Childcare	10.24 %	1M L+800	19,300,700	19,246,644	19,107,693
Pathway Partners Vet Management LLC ⁽⁷⁾	10/10/2025	Healthcare, Education and Childcare	—	—	4,699,300	—	(46,993)
PT Network, LLC	04/12/2021	Healthcare, Education and Childcare	12.34 %	3M L+1,000	41,666,667	40,959,198	41,250,000
Shift4 Payments, LLC	11/28/2025	Financial Services	10.84 %	3M L+850	37,000,000	36,835,458	36,768,750
VT Topco, Inc.	08/24/2026	Business Services	9.34 %	3M L+700	12,500,000	12,437,500	12,500,000
Winter Park Intermediate, Inc.	04/03/2026	Auto Sector	10.62 %	1M L+850	32,000,000	31,380,959	31,680,000
Total Second Lien Secured Debt						385,201,277	391,038,029
Subordinated Debt/Corporate Notes—7.7%							
Blackhawk Industrial Distribution, Inc.	03/17/2025	Distribution	12.00 %	—	13,500,000	13,230,411	13,230,000
			(PIK %) 2.00				
Cascade Environmental LLC	08/20/2024	Environmental Services	15.00 %	—	35,792,396	35,386,702	34,897,586
			(PIK %) 13.00				
Preferred Equity/Partnership Interests—0.2%						48,617,113	48,127,586

Edgar Filing: PENNANTPARK INVESTMENT CORP - Form 10-Q

AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00 %	—	211	500,000	396,898
CI (PTN) Investment Holdings II, LLC (PT Network, LLC) (9)	—	Healthcare, Education and Childcare	—	—	36,450	546,750	565,339
Condor Holdings Limited (8), (11)	—	Business Services	—	—	556,000	64,277	64,277
Condor Top Holdco Limited (8), (11)	—	Business Services	—	—	556,000	491,723	491,723
HW Holdco, LLC	—	Other Media	8.00 %	—	3,591	—	25,771
Total Preferred Equity/Partnership Interests						1,602,750	1,544,008

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)

SEPTEMBER 30, 2018

Issuer Name	Maturity / Expiration	Industry	Basis Point		Par / Shares	Cost	Fair Value ⁽³⁾
			Current Coupon ⁽⁴⁾	Spread Above Index			
Common Equity/Partnership Interests/Warrants—7.0%							
AH Holdings, Inc. (Warrants)	03/23/2021	Healthcare, Education and Childcare	—	—	753	\$—	\$—
ASP LCG Holdings, Inc. (Warrants)	05/05/2021	Education	—	—	933	586,975	1,651,653
Autumn Games, LLC	—	Broadcasting and Entertainment	—	—	1,333,330	3,000,000	—
Cardinal Logistics Holdings LLC	—	Cargo Transport	—	—	—	—	—