

GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
August 01, 2016
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

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: 814-00704

GLADSTONE INVESTMENT CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
**(State or other jurisdiction of
incorporation or organization)**

83-0423116
**(I.R.S. Employer
Identification No.)**

1521 WESTBRANCH DRIVE, SUITE 100
MCLEAN, VIRGINIA
(Address of principal executive offices)

22102
(Zip Code)

(703) 287-5800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of shares of the issuer's Common Stock, \$0.001 par value per share, outstanding as of July 29, 2016, was 30,270,958.

Table of Contents

GLADSTONE INVESTMENT CORPORATION

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION:	
Item 1.	Financial Statements (Unaudited)	
	<u>Consolidated Statements of Assets and Liabilities as of June 30 and March 31, 2016</u>	2
	<u>Consolidated Statements of Operations for the three months ended June 30, 2016 and 2015</u>	3
	<u>Consolidated Statements of Changes in Net Assets for the three months ended June 30, 2016 and 2015</u>	4
	<u>Consolidated Statements of Cash Flows for the three months ended June 30, 2016 and 2015</u>	5
	<u>Consolidated Schedules of Investments as of June 30 and March 31, 2016</u>	6
	<u>Notes to Consolidated Financial Statements</u>	14
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
	<u>Overview</u>	37
	<u>Results of Operations</u>	41
	<u>Liquidity and Capital Resources</u>	46
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
Item 4.	<u>Controls and Procedures</u>	52
PART II.	<u>OTHER INFORMATION:</u>	
Item 1.	<u>Legal Proceedings</u>	53
Item 1A.	<u>Risk Factors</u>	53
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
Item 3.	<u>Defaults Upon Senior Securities</u>	53
Item 4.	<u>Mine Safety Disclosures</u>	53
Item 5.	<u>Other Information</u>	53
Item 6.	<u>Exhibits</u>	53
	<u>SIGNATURES</u>	54

Table of Contents**GLADSTONE INVESTMENT CORPORATION****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES****(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)****(UNAUDITED)**

	June 30, 2016	March 31, 2016
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$200,094 and \$191,757, respectively)	\$ 196,486	\$ 180,933
Affiliate investments (Cost of \$300,757 and \$304,856, respectively)	276,676	296,723
Control investments (Cost of \$21,512 and \$21,512 respectively)	17,819	10,000
Total investments at fair value (Cost of \$522,363 and \$518,125, respectively)	490,981	487,656
Cash and cash equivalents	5,233	4,481
Restricted cash and cash equivalents	1,384	1,107
Interest receivable	2,766	2,790
Due from custodian	1,149	1,638
Deferred financing costs, net	959	1,147
Other assets, net	4,567	4,256
TOTAL ASSETS	\$ 507,039	\$ 503,075
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$79,600 and \$95,000, respectively)	\$ 79,600	\$ 95,000
Secured borrowing	5,096	5,096
Total borrowings	84,696	100,096
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 4,956,000 shares authorized; 4,866,000 shares issued and outstanding, net	118,683	118,465
Accounts payable and accrued expenses	828	1,054
Fees due to Adviser ^(A)	2,111	1,912
Fee due to Administrator ^(A)	299	311
Other liabilities	2,542	2,215
TOTAL LIABILITIES	\$ 209,159	\$ 224,053
Commitments and contingencies ^(B)		
NET ASSETS	\$ 297,880	\$ 279,022
ANALYSIS OF NET ASSETS		
	30	\$ 30

Common stock, \$0.001 par value per share, **100,000,000** shares authorized, **30,270,958** shares issued and outstanding

Capital in excess of par value	311,493	311,608
Cumulative net unrealized depreciation of investments	(31,382)	(30,469)
Cumulative net unrealized depreciation of other		(75)
Net investment income in excess of distributions	7,603	6,426
Accumulated net realized gain (loss)	10,136	(8,498)
TOTAL NET ASSETS	\$ 297,880	\$ 279,022
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 9.84	\$ 9.22

(A) Refer to Note 4 *Related Party Transactions* for additional information.

(B) Refer to Note 10 *Commitments and Contingencies* for additional information.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Table of Contents

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
INVESTMENT INCOME		
Interest income:		
Non-Control/Non-Affiliate investments	\$ 4,505	\$ 3,802
Affiliate investments	6,914	6,924
Control investments	209	659
Total interest income	11,628	11,385
Other income:		
Non-Control/Non-Affiliate investments	15	1,321
Affiliate investments	2,750	
Total other income	2,765	1,321
Total investment income	14,393	12,706
EXPENSES		
Base management fee ^(A)	2,509	2,453
Loan servicing fee ^(A)	1,681	1,559
Incentive fee ^(A)	1,700	1,291
Administration fee ^(A)	299	355
Interest expense on borrowings	971	1,064
Dividends on mandatorily redeemable preferred stock	2,065	1,767
Amortization of deferred financing costs and discounts	481	460
Professional fees	192	442
Other general and administrative expenses	201	556
Expenses before credits from Adviser	10,099	9,947
Credit to base management fee loan servicing fee ^(A)	(1,681)	(1,559)
Credit to fees from Adviser other ^(A)	(837)	(845)
Total expenses, net of credits to fees	7,581	7,543
NET INVESTMENT INCOME	\$ 6,812	\$ 5,163

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss):		
Non-Control/Non-Affiliate investments	(153)	
Affiliate investments	18,789	
Control investments	(1)	199
Other	(75)	
Total net realized gain	18,560	199
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	7,217	6,508
Affiliate investments	(15,949)	(3,201)
Control investments	7,819	(110)
Other	75	
Total net unrealized (depreciation) appreciation	(838)	3,197
Net realized and unrealized gain	17,722	3,396

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

	\$ 24,534	\$ 8,559
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BASIC AND DILUTED PER COMMON SHARE:

Net investment income	\$ 0.23	\$ 0.17
Net increase in net assets resulting from operations	\$ 0.81	\$ 0.28
Distributions	\$ 0.19	\$ 0.19

WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:

Basic and diluted	30,270,958	30,260,079
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(A) Refer to Note 4 *Related Party Transactions* for additional information.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Table of Contents

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
OPERATIONS		
Net investment income	\$ 6,812	\$ 5,163
Net realized gain on investments	18,635	199
Net realized loss on other	(75)	
Net unrealized (depreciation) appreciation of investments	(913)	3,197
Net unrealized appreciation of other	75	
Net increase in net assets from operations	24,534	8,559
DISTRIBUTIONS		
Distributions to common stockholders	(5,676)	(5,676)
Net decrease in net assets from distributions	(5,676)	(5,676)
CAPITAL ACTIVITY		
Issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Net increase in net assets from capital activity		3,442
TOTAL INCREASE IN NET ASSETS	18,858	6,325
NET ASSETS, BEGINNING OF PERIOD	279,022	273,429
NET ASSETS, END OF PERIOD	\$ 297,880	\$ 279,754

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Table of Contents

GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 24,534	\$ 8,559
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(28,976)	(17,326)
Principal repayments of investments	15,411	5,233
Net proceeds from the sale of investments	27,531	315
Net realized gain on investments	(18,654)	(215)
Net realized loss on other	75	
Net unrealized depreciation (appreciation) of investments	913	(3,197)
Net unrealized appreciation of other	(75)	
Amortization of deferred financing costs and discounts	481	460
Bad debt expense, net of recoveries	(18)	225
Changes in assets and liabilities:		
Increase in restricted cash and cash equivalents	(277)	(695)
Decrease (increase) in interest receivable	24	(134)
Decrease in due from custodian	489	544
Decrease (increase) in other assets, net	157	(590)
(Decrease) increase in accounts payable and accrued expenses	(226)	842
Increase in fees due to Adviser ^(A)	199	308
(Decrease) increase in fee due to Administrator ^(A)	(12)	93
Increase (decrease) in other liabilities	327	(515)
Net cash provided by (used in) operating activities	21,903	(6,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock		3,663
Offering costs for issuance of common stock		(221)
Proceeds from line of credit	31,100	38,500
Repayments on line of credit	(46,500)	(67,550)
Proceeds from issuance of mandatorily redeemable preferred stock		40,250
Deferred financing and offering costs		