

FIDUS INVESTMENT Corp
Form 10-Q
August 01, 2013
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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, 2013

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 814-00861

Fidus Investment Corporation

(Exact Name of Registrant as Specified in its Charter)

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Maryland
(State or Other Jurisdiction of

27-5017321
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

1603 Orrington Avenue, Suite 1005

Evanston, Illinois
(Address of Principal Executive Offices)

60201
(Zip Code)

(847) 859-3940

(Registrant's telephone number, including area code)

n/a

(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

As of July 31, 2013, the Registrant had outstanding 13,716,763 shares of common stock, \$0.001 par value.

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FIDUS INVESTMENT CORPORATION

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****FIDUS INVESTMENT CORPORATION****Consolidated Statements of Assets and Liabilities****(In thousands, except shares and per share data)**

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Investments, at fair value		
Control investments (cost: \$11,981 and \$20,709, respectively)	\$ 32,721	\$ 30,613
Affiliate investments (cost: \$75,913 and \$64,336, respectively)	72,586	62,938
Non-control/non-affiliate investments (cost: \$199,048 and \$175,249, respectively)	204,507	180,698
Total investments, at fair value (cost: \$286,942 and \$260,294, respectively)	309,814	274,249
Cash and cash equivalents	56,302	52,042
Interest receivable	3,844	3,307
Deferred financing costs (net of accumulated amortization of \$1,840 and \$1,590, respectively)	3,164	3,414
Prepaid expenses and other assets	859	837
Total assets	373,983	333,849
LIABILITIES		
SBA debentures	144,500	144,500
Accrued interest payable	2,192	2,137
Due to affiliates	6,053	3,646
Accounts payable and other liabilities	947	475
Total liabilities	153,692	150,758
Net assets	\$ 220,291	\$ 183,091
ANALYSIS OF NET ASSETS		
Common stock, \$0.001 par value (100,000,000 shares authorized, 13,716,763 and 11,953,847 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively)	\$ 14	\$ 12
Additional paid-in capital	207,042	177,498
Undistributed net investment income	(1,861)	455
Accumulated net realized gain on investments	1,729	1,493
Accumulated net unrealized appreciation on investments	13,367	3,633
Total net assets	\$ 220,291	\$ 183,091
Net asset value per common share	\$ 16.06	\$ 15.32

See Notes to Consolidated Financial Statement (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Operations (unaudited)****(In thousands, except shares and per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Investment income:				
Interest and fee income				
Control investments	\$ 960	\$ 730	\$ 1,698	1,450
Affiliate investments	2,424	1,780	4,444	3,562
Non-control/non-affiliate investments	6,671	4,903	13,329	9,819
Total interest and fee income	10,055	7,413	19,471	14,831
Dividend income				
Control investments	124		124	
Affiliate investments	31	30	61	60
Non-control/non-affiliate investments	195	152	524	273
Total dividend income	350	182	709	333
Interest on idle funds and other income	71	34	109	61
Total investment income	10,476	7,629	20,289	15,225
Expenses:				
Interest expense	1,765	1,569	3,500	3,012
Base management fee	1,352	1,006	2,611	1,945
Incentive fee	3,352	1,046	4,509	1,923
Administrative service expenses	256	224	501	453
Professional fees	201	156	433	413
Other general and administrative expenses	374	285	596	501
Total expenses	7,300	4,286	12,150	8,247
Net investment income before income taxes	3,176	3,343	8,139	6,978
Income tax expense	12	(8)	52	6
Net investment income	3,164	3,351	8,087	6,972
Net realized and unrealized gains on investments:				
Realized gain on non-control/non-affiliate investments	1,053		1,053	
Net change in unrealized appreciation on investments	9,203	848	8,917	746
Net gain on investments	10,256	848	9,970	746
Net increase in net assets resulting from operations	\$ 13,420	\$ 4,199	\$ 18,057	\$ 7,718
Per common share data:				
Net investment income per share-basic and diluted	\$ 0.23	\$ 0.36	\$ 0.61	\$ 0.74

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Net increase in net assets resulting from operations per share-basic and diluted	\$	0.98	\$	0.45	\$	1.36	\$	0.82
Dividends declared per share	\$	0.38	\$	0.36	\$	0.76	\$	0.70
Weighted average number of shares outstanding basic and diluted		13,700,113		9,427,021		13,318,194		9,427,021

See Notes to Consolidated Financial Statement (unaudited).

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FIDUS INVESTMENT CORPORATION

Consolidated Statements of Changes in Net Assets (unaudited)

(In thousands, except shares and per share data)

	Common Stock Number of Shares	Par Value	Additional Paid in Capital	Undistributed Net Investment Income	Accumulated Net Realized Gain (Loss) on Investments	Accumulated Net Unrealized Appreciation on Investments	Total Net Assets
Balances at December 31, 2011	9,427,021	\$ 9	\$ 138,649	\$ 422	\$ (482)	\$ 1,884	\$ 140,482
Net increase in net assets resulting from operations				6,972		746	7,718
Dividends declared and paid				(6,599)			(6,599)
Balances at June 30, 2012	9,427,021	\$ 9	\$ 138,649	\$ 795	\$ (482)	\$ 2,630	\$ 141,601
Balances at December 31, 2012	11,953,847	\$ 12	\$ 177,498	\$ 455	\$ 1,493	\$ 3,633	\$ 183,091
Public offering of common stock, net of expenses	1,725,000	2	28,855				28,857
Net increase in net assets resulting from operations				8,087	236	9,734	18,057
Dividends declared and paid	37,916		689	(10,403)			(9,714)
Balances at June 30, 2013	13,716,763	\$ 14	\$ 207,042	\$ (1,861)	\$ 1,729	\$ 13,367	\$ 220,291

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Cash Flows (unaudited)****(In thousands)**

	Six Months Ended June 30,	
	2013	2012
Cash Flows from Operating Activities		
Net increase in net assets resulting from operations	\$ 18,057	\$ 7,718
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized appreciation on investments	(8,917)	(746)
Realized gain on investments	(1,053)	
Interest and dividend income paid-in-kind	(2,683)	(2,270)
Accretion of original issue discount	(687)	(548)
Accretion of loan origination fees	(105)	(50)
Amortization of deferred financing costs	250	211
Purchase of investments	(59,263)	(33,369)
Proceeds from sale and repayment of investments	36,726	7,398
Proceeds from loan origination fees	417	276
Changes in operating assets and liabilities:		
Interest receivable	(537)	(370)
Prepaid expenses and other assets	(22)	(203)
Accrued interest payable	55	200
Due to affiliates	2,408	279
Accounts payable and other liabilities	471	12
Net cash used in operating activities	(14,883)	(21,462)
Cash Flows from Financing Activities		
Proceeds from stock offering, net of expenses	28,857	
Proceeds received from SBA debentures		17,250
Payment of deferred financing costs		(618)
Dividends paid to stockholders	(9,714)	(6,599)
Net cash provided by financing activities	19,143	10,033
Net increase (decrease) in cash and cash equivalents	4,260	(11,429)
Cash and cash equivalents:		
Beginning of period	52,042	39,059
End of period	\$ 56,302	\$ 27,630
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 3,195	\$ 2,601

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments****June 30, 2013 (unaudited)****(In thousands, except shares and per share data)**

Portfolio Company / Type of Investment ^{(1) (2) (3)}	Industry	Rate ⁽⁴⁾ Cash/PIK	Maturity	Principal Amount	Cost	Fair Value	Percent Net Assets	
Control Investments ⁽⁵⁾								
<i>Worldwide Express Operations, LLC</i>	Transportation							
Subordinated Note	Services	12.0%/2.0%	12/20/2017	\$ 11,770	\$ 11,711	\$ 11,711		
Warrant (213,382 units) ⁽⁷⁾						18,035		
Common Units (51,946 units) ⁽⁷⁾					270	2,975		
Sub Total					11,981	32,721	15%	
Total Control Investments						11,981	32,721	15%
Affiliate Investments ⁽⁵⁾								
<i>Apex Microtechnology, Inc.</i>								
Subordinated Note	Electronic	12.0%/2.0%	2/16/2018	6,200	5,962	6,200		
Warrant (2,294 units)	Control Supplier				220	304		
Common Units (11,690 units)					1,169	1,530		
Sub Total					7,351	8,034	4%	
<i>Avrio Technology Group, LLC</i>								
Subordinated Note	Electronic	0.0%/14.0%	10/15/2015	5,869	5,869	3,857		
Preferred Units Series B (3,704 units) ⁽⁷⁾	Control Supplier				3,704	208		
Preferred Units Series C (476 units) ⁽⁷⁾					238			
Common Units (3,982 units) ⁽⁷⁾					1,000			
Sub Total					10,811	4,065	2%	
<i>Malabar International</i>								
Subordinated Note	Aerospace & Defense Manufacturing	12.5%/2.5%	5/21/2017	5,051	5,025	5,051		
Preferred Equity (1,494 shares) ⁽⁶⁾		6.0%/0.0%			1,989	3,413		
Sub Total					7,014	8,464	4%	
<i>Medsurant Holdings, LLC</i>								
Subordinated Note	Healthcare Services	14.0%/0.0%	7/12/2016	9,750	8,662	9,750		
Preferred Units (79,091 units) ⁽⁷⁾					1,112	1,455		
Warrant (288,239 units) ⁽⁷⁾					3,690	5,329		
Sub Total					13,464	16,534	8%	
<i>Paramount Building Solutions, LLC</i>								
Subordinated Note	Retail Cleaning	12.0%/6.0%	2/15/2014	6,732	6,732	6,695		

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Common Units (107,143 units) ⁽⁷⁾		1,500	171	
Sub Total		8,232	6,866	3%
<i>Pfanstiehl, Inc.</i>	Healthcare			
Subordinated Note	Products	12.0%/4.0%		