

Golub Capital BDC, Inc.  
Form 10-Q  
August 03, 2016

**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 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 814-00794

**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 August 3, 2016, the Registrant had 53,056,811 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)*

	June 30, 2016 (unaudited)	September 30, 2015
<b>Assets</b>		
Investments, at fair value		
Non-controlled/non-affiliate company investments	\$ 1,507,898	\$ 1,425,325
Non-controlled affiliate company investments	9,547	5,523
Controlled affiliate company investments	111,064	98,936
Total investments, at fair value (amortized cost of \$1,610,427 and \$1,517,314, respectively)	1,628,509	1,529,784
Cash and cash equivalents	3,167	5,468
Restricted cash and cash equivalents	58,727	92,016
Interest receivable	5,707	5,700
Other assets	586	458
<b>Total Assets</b>	<b>\$ 1,696,696</b>	<b>\$ 1,633,426</b>
<b>Liabilities</b>		
Debt	\$ 862,050	\$ 813,250
Less unamortized debt issuance costs	6,051	7,624
Debt less unamortized debt issuance costs	855,999	805,626
Secured borrowings, at fair value (proceeds of \$323 and \$351, respectively)	326	355
Interest payable	5,300	2,722
Management and incentive fees payable	11,335	11,754
Payable for open trades	1,949	-
Accounts payable and accrued expenses	1,750	2,042
Accrued trustee fees	56	57
<b>Total Liabilities</b>	<b>876,715</b>	<b>822,556</b>
Commitments and contingencies (Note 8)		
<b>Net Assets</b>		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2016 and September 30, 2015	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 51,623,325 and 51,300,193 shares issued and outstanding as of June 30, 2016 and September 30, 2015, respectively	52	51
Paid in capital in excess of par	796,060	790,713
Undistributed net investment income	2,640	4,230

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Net unrealized appreciation (depreciation) on investments and secured borrowings	20,747	15,134
Net realized gain (loss) on investments	482	742
Total Net Assets	819,981	810,870
Total Liabilities and Total Net Assets	\$ 1,696,696	\$ 1,633,426
Number of common shares outstanding	51,623,325	51,300,193
Net asset value per common share	\$ 15.88	\$ 15.80

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 June 30,		Nine months ended June 30,	
	2016	2015	2016	2015
Investment income				
From non-controlled/non-affiliate company investments:				
Interest income	\$ 28,752	\$ 28,782	\$ 83,641	\$ 82,388
Dividend income	111	74	393	155
Fee income	60	80	834	883
Total investment income from non-controlled/non-affiliate company investments	28,923	28,936	84,868	83,426
From non-controlled affiliate company investments:				
Interest income	316	-	337	-
Total investment income from non-controlled affiliate company investments	316	-	337	-
From controlled affiliate company investments:				
Interest income	1,799	1,056	5,192	2,258
Dividend income	1,068	418	2,971	732
Total investment income from controlled affiliate company investments	2,867	1,474	8,163	2,990
Total investment income	32,106	30,410	93,368	86,416
Expenses				
Interest and other debt financing expenses	7,019	6,142	20,583	17,853
Base management fee	5,567	5,226	16,286	14,902
Incentive fee	2,311	2,383	4,262	5,712
Professional fees	692	741	2,123	2,210
Administrative service fee	531	575	1,643	1,766
General and administrative expenses	101	138	386	457
Total expenses	16,221	15,205	45,283	42,900
Net investment income - before excise tax	15,885	15,205	48,085	43,516
Excise tax	-	-	333	-
Net investment income - after excise tax	15,885	15,205	47,752	43,516

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Net gain (loss) on investments and secured borrowings				
Net realized gain (loss) on investments:				
Non-controlled/non-affiliate company investments	(5,416	) (1,746	) (2,982	) 4,503
Non-controlled affiliate company investments	-	-	2,722	-
Net realized gain (loss) on investments	(5,416	) (1,746	) (260	) 4,503
Net change in unrealized appreciation (depreciation) on investments:				
Non-controlled/non-affiliate company investments	7,254	4,792	10,203	2,371
Non-controlled affiliate company investments	(253	) 56	(3,052	) 727
Controlled affiliate company investments	818	(19	) (1,539	) 203
Net change in unrealized appreciation (depreciation) on investments	7,819	4,829	5,612	3,301
Net change in unrealized depreciation (appreciation) on secured borrowings	1	-	1	1
Net gain (loss) on investments and secured borrowings	2,404	3,083	5,353	7,805
Net increase in net assets resulting from operations	\$ 18,289	\$ 18,288	\$ 53,105	\$ 51,321
Per Common Share Data				
Basic and diluted earnings per common share	\$ 0.35	\$ 0.36	\$ 1.03	\$ 1.06
Dividends and distributions declared per common share	\$ 0.32	\$ 0.32	\$ 0.96	\$ 0.96
Basic and diluted weighted average common shares outstanding	51,513,685	50,491,035	51,399,363	48,262,048

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, 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	4,002,292	4	67,248	-	-	-	67,252
Net increase in net assets resulting from operations	-	-	-	43,516	3,302	4,503	51,321
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	137,644	-	2,298	-	-	-	2,298
Distributions from net investment income	-	-	-	(46,566)	-	-	(46,566)
Total increase (decrease) for the period ended June 30, 2015	4,139,936	4	69,546	(3,050)	3,302	4,503	74,305
Balance at June 30, 2015	51,259,434	\$ 51	\$ 790,025	\$ 577	\$ 15,996	\$ 395	\$ 807,044
Balance at September 30, 2015	51,300,193	\$ 51	\$ 790,713	\$ 4,230	\$ 15,134	\$ 742	\$ 810,870
Net increase in net assets resulting from operations	-	-	-	47,752	5,613	(260)	53,105
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	323,132	1	5,347	-	-	-	5,348
Distributions from net investment income	-	-	-	(49,342)	-	-	(49,342)
	323,132	1	5,347	(1,590)	5,613	(260)	9,111

Total increase (decrease)  
for the period ended June  
30, 2016

Balance at June 30, 2016	51,623,325	\$ 52	\$ 796,060	\$ 2,640	\$ 20,747	\$ 482	\$819,981
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See Notes to Consolidated Financial Statements.

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

	Nine months ended June 30,	
	2016	2015
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 53,105	\$ 51,321
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Amortization of debt issuance costs	3,227	3,252
Accretion of discounts and amortization of premiums	(5,895 )	(6,076 )
Net realized (gain) loss on investments	260	(4,503 )
Net change in unrealized (appreciation) depreciation on investments	(5,612 )	(3,301 )
Net change in unrealized appreciation (depreciation) on secured borrowings	(1 )	(1 )
Proceeds from (fundings of) revolving loans, net	(2,624 )	(2,865 )
Fundings of investments	(471,480 )	(667,096 )
Proceeds from principal payments and sales of portfolio investments	387,316	461,515
PIK interest	(689 )	(748 )
Changes in operating assets and liabilities:		
Interest receivable	(7 )	323
Receivable from investments sold	-	(4,626 )
Other assets	(128 )	(39 )
Interest payable	2,578	1,406
Management and incentive fees payable	(419 )	231
Payable for open trades	1,949	-
Accounts payable and accrued expenses	(292 )	545
Accrued trustee fees	(1 )	7
Net cash (used in) provided by operating activities	(38,713 )	(170,655 )
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	33,289	24,608
Net cash (used in) provided by investing activities	33,289	24,608
Cash flows from financing activities		
Borrowings on debt	288,050	347,350
Repayments of debt	(239,250 )	(221,400 )
Capitalized debt issuance costs	(1,654 )	(1,509 )
Repayments on secured borrowings	(29 )	(26 )
Proceeds from shares sold, net of underwriting costs	-	67,602
Offering costs paid	-	(350 )
Dividends and distributions paid	(43,994 )	(44,268 )
Net cash (used in) provided by financing activities	3,123	147,399
Net change in cash and cash equivalents	(2,301 )	1,352

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Cash and cash equivalents, beginning of period	5,468	5,135
Cash and cash equivalents, end of period	\$ 3,167	\$ 6,487
Supplemental information:		
Cash paid during the period for interest	\$ 14,766	\$ 13,184
Dividends and distributions declared during the period	49,342	46,566

See Notes to Consolidated Financial Statements.

## Golub Capital BDC, Inc. and Subsidiaries

## Consolidated Schedule of Investments (unaudited)

June 30, 2016

(In thousands)

Investment Type	Spread Above Index <sup>(1)</sup>	Interest Rate <sup>(2)</sup>	Maturity Date	Principal / Par (\$), Shares/Units <sup>(3)</sup>	Amortized Cost	Percentage		
						of Net Assets	Fair Value	
Investments								
Non-controlled/non-affiliate company investments								
Debt investments								
Aerospace and Defense								
ILC Dover, LP	One stop	P + 6.00%	9.50%	03/2019	\$ 781	\$ 772	0.1 %	\$ 630
ILC Dover, LP*^#	One stop	P + 6.00%	9.50%	03/2020	17,771	17,623	1.8	15,105
NTS Technical Systems <sup>(4)</sup>	One stop	L + 6.25%	N/A <sup>(5)</sup>	06/2021	-	(87 )	-	(35 )
NTS Technical Systems <sup>(4)</sup>	One stop	L + 6.25%	N/A <sup>(5)</sup>	06/2021	-	(41 )	-	(28 )
NTS Technical Systems*^#	One stop	L + 6.25%	7.25%	06/2021	26,242	25,864	3.2	25,980
Tresys Technology Holdings, Inc.	One stop	L + 6.75%	8.00%	12/2017	525	522	0.1	525
Tresys Technology Holdings, Inc. <sup>(6)</sup>	One stop	L + 6.75%	8.00%	12/2017	3,899	3,845	0.1	1,170
Whitcraft LLC <sup>(4)</sup>	One stop	L + 6.50%	N/A <sup>(5)</sup>	05/2020	-	(1 )	-	-
Whitcraft LLC*^	One stop	L + 6.50%	7.50%	05/2020	13,538	13,431	1.7	13,538
					62,756	61,928	7.0	56,885
Automobile								
American Driveline Systems, Inc.	Senior loan	P + 4.75%	8.25%	03/2020	114	107	-	104
American Driveline Systems, Inc.*	Senior loan	L + 5.75%	6.75%	03/2020	1,803	1,759	0.2	1,713
American Driveline Systems, Inc.^	Senior loan	L + 5.75%	6.75%	03/2020	233	229	-	233

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CH Hold Corp. (Caliber Collision)*#	Senior loan	L + 5.25%	6.25% 01/2019	5,157	5,118	0.6	5,157
Dent Wizard International Corporation*	Senior loan	L + 4.75%	5.75% 04/2020	2,476	2,465	0.3	2,476
K&N Engineering, Inc. <sup>(4)</sup>	Senior loan	L + 4.25%	N/A <sup>(5)</sup> 07/2019	-	(3 )	-	-
K&N Engineering, Inc. <sup>^</sup>	Senior loan	L + 4.25%	5.25% 07/2019	2,828	2,800	0.4	2,828
K&N Engineering, Inc. <sup>^</sup>	Senior loan	L + 4.25%	5.25% 07/2019	133	122	-	133
OEConnection LLC <sup>(4)</sup>	Senior loan	L + 5.00%	N/A <sup>(5)</sup> 06/2021	-	(1 )	-	(1 )
OEConnection LLC*	Senior loan	L + 5.00%	6.00% 06/2022	4,895	4,769	0.6	4,822
Polk Acquisition Corp.	Senior loan	P + 4.00%	7.50% 06/2022	13	11	-	12
Polk Acquisition Corp.	Senior loan	L + 5.00%	N/A <sup>(5)</sup> 06/2022	-	-	-	-
Polk Acquisition Corp. <sup>(4)</sup>	Senior loan	L + 5.00%	N/A <sup>(5)</sup> 06/2022	-	(2 )	-	-
Polk Acquisition Corp.*	Senior loan	L + 5.00%	6.00% 06/2022	4,746	4,670	0.6	4,722
T5 Merger Corporation <sup>(4)</sup>	One stop	L + 6.25%	N/A <sup>(5)</sup> 03/2022	-	(2 )	-	-