

PENNANTPARK INVESTMENT CORP  
Form 10-Q  
February 07, 2018

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, 2017

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)

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

590 Madison Avenue, 15<sup>th</sup> 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 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 (§232.405 of this chapter) 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, 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	(Do not check if a smaller reporting company)	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, 2018 was 71,060,836.

PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2017

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission, or the SEC. In this Report, “Company,” “we,” “our” or “us” refer to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. “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; “2025 Notes” refers to our 6.25% notes due 2025; “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 or investments 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, 2017 (unaudited)	September 30, 2017
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$774,071,408 and \$824,106,322, respectively)	\$ 801,023,017	\$ 849,351,548
Non-controlled, affiliated investments (cost—\$186,604,156 and \$185,799,943, respectively)	192,144,595	189,674,977
Controlled, affiliated investments (cost—\$203,199,235 and \$200,120,407, respectively)	107,453,444	114,550,983
Total of investments (cost—\$1,163,874,799 and \$1,210,026,672, respectively)	1,100,621,056	1,153,577,508
Cash and cash equivalents (cost—\$72,781,092 and \$38,182,373, respectively)	72,832,675	38,202,068
Interest receivable	7,759,810	5,906,976
Prepaid expenses and other assets	2,979,549	4,509,289
Total assets	1,184,193,090	1,202,195,841
<b>Liabilities</b>		
Distributions payable	12,790,950	12,790,950
Payable for investments purchased	—	1,014,000
Credit Facility payable (cost—\$79,392,900 and \$79,392,900, respectively) (See Notes 5 and 10)	76,578,075	76,037,341
2019 Notes payable (par—\$250,000,000) (See Notes 5 and 10)	253,997,500	255,665,000
SBA debentures payable, net (par—\$184,000,000 and \$199,000,000, respectively) (See Notes 5 and 10)	179,739,718	194,364,653
Base management fee payable, net (See Note 3)	4,817,516	4,845,237
Performance-based incentive fee payable, net (See Note 3)	2,675,573	2,270,008
Interest payable on debt	5,507,033	6,876,756
Accrued other expenses	1,773,807	1,523,425
Total liabilities	537,880,172	555,387,370
Commitments and contingencies (See Note 11)		
<b>Net assets</b>		
Common stock, 71,060,836 shares issued and outstanding		
Par value \$0.001 per share and 100,000,000 shares authorized	71,061	71,061
Paid-in capital in excess of par value	818,737,784	818,737,784
Undistributed net investment income	4,710,289	3,333,195
Accumulated net realized loss on investments	(112,824,872 )	(116,598,355 )

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Net unrealized depreciation on investments	(63,198,669 )	(56,425,773 )
Net unrealized appreciation on debt	(1,182,675 )	(2,309,441 )
Total net assets	\$646,312,918	\$646,808,471
Total liabilities and net assets	\$1,184,193,090	\$1,202,195,841
Net asset value per share	\$9.10	\$9.10

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$21,383,219	\$21,651,426
Payment in kind	1,284,909	220,704
Other income	1,586,642	2,102,536
From non-controlled, affiliated investments:		
Interest	1,215,834	2,790,932
Payment in kind	1,573,306	1,434,749
Other income	—	22,500
From controlled, affiliated investments:		
Interest	480,430	179,735
Payment in kind	1,144,085	3,466,329
Total investment income	28,668,425	31,868,911
Expenses:		
Base management fee (See Note 3)	5,735,137	6,274,782
Performance-based incentive fee (See Note 3)	3,185,204	3,374,210
Interest and expenses on debt (See Note 10)	5,857,378	6,735,574
Administrative services expenses (See Note 3)	521,625	894,000
Other general and administrative expenses	628,290	668,507
Expenses before Management Fees waiver and provision for taxes	15,927,634	17,947,073
Management Fees waiver (See Note 3)	(1,427,253 )	(1,543,839 )
Provision for taxes	—	425,000
Net expenses	14,500,381	16,828,234
Net investment income	14,168,044	15,040,677
Realized and unrealized (loss) gain on investments and debt:		
Net realized gain (loss) on investments on:		
Non-controlled, non-affiliated investments	1,793,043	(22,195,334)
Non-controlled and controlled, affiliated investments	1,980,440	—
Net realized gain (loss) on investments	3,773,483	(22,195,334)
Net change in unrealized (depreciation) appreciation on:		
Non-controlled, non-affiliated investments	1,738,065	19,636,201
Non-controlled and controlled, affiliated investments	(8,510,961 )	5,736,899
Debt depreciation (See Notes 5 and 10)	1,126,766	5,830,684
Net change in unrealized (depreciation) appreciation on investments and debt	(5,646,130 )	31,203,784
Net realized and unrealized (loss) gain from investments and debt	(1,872,647 )	9,008,450
Net increase in net assets resulting from operations	\$12,295,397	\$24,049,127



Net increase in net assets resulting from operations per common share (See Note 7)	\$0.18	\$0.34
Net investment income per common share	\$0.20	\$0.21

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Net increase in net assets resulting from operations:		
Net investment income	\$ 14,168,044	\$ 15,040,677
Net realized gain (loss) on investments	3,773,483	(22,195,334 )
Net change in unrealized (depreciation) appreciation on investments	(6,772,896 )	25,373,100
Net change in unrealized depreciation on debt	1,126,766	5,830,684
Net increase in net assets resulting from operations	12,295,397	24,049,127
Distributions to stockholders:	(12,790,950 )	(19,897,034 )
Net (decrease) increase in net assets	(495,553 )	4,152,093
Net assets:		
Beginning of period	646,808,471	643,366,856
End of period	\$646,312,918	\$647,518,949
Undistributed (distributions in excess of) net investment income, at end of period	\$4,710,289	\$(1,736,977 )

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Net increase in net assets resulting from operations	\$ 12,295,397	\$ 24,049,127
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net change in net unrealized depreciation (appreciation) on investments	6,772,896	(25,373,100 )
Net change in unrealized depreciation on debt	(1,126,766 )	(5,830,684 )
Net realized (gain) loss on investments	(3,773,483 )	22,195,334
Net accretion of discount and amortization of premium	(239,321 )	(938,502 )
Purchases of investments	(138,433,423)	(229,234,313)
Payment-in-kind income	(3,706,405 )	(2,914,692 )
Proceeds from dispositions of investments	192,303,018	64,209,266
Amortization of deferred financing costs	375,065	168,635
Increase in interest receivable	(1,852,834 )	(5,716,465 )
Decrease in prepaid expenses and other assets	1,529,740	636,507
(Decrease) increase in payable for investments purchased	(1,014,000 )	50,399,000
Decrease in interest payable on debt	(1,369,723 )	(951,901 )
(Decrease) increase in base management fee payable, net	(27,721 )	195,987
Increase (decrease) in performance-based incentive fee payable, net	405,565	(31,108 )
Increase in accrued other expenses	250,382	795,503
Net cash provided by (used in) operating activities	62,388,387	(108,341,406)
<b>Cash flows from financing activities:</b>		
Distributions paid to stockholders	(12,790,950 )	(19,897,034 )
Repayments under SBA debentures	(15,000,000 )	—
Borrowings under Credit Facility	91,000,000	160,260,000
Repayments under Credit Facility	(91,000,000 )	(62,481,000 )
Net cash (used in) provided by financing activities	(27,790,950 )	77,881,966
Net increase (decrease) in cash equivalents	34,597,437	(30,459,440 )
Effect of exchange rate changes on cash	33,170	191,903
Cash and cash equivalents, beginning of period	38,202,068	75,608,113
Cash and cash equivalents, end of period	\$ 72,832,675	\$ 45,340,576
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 6,852,037	\$ 7,518,840
Taxes paid	\$ —	\$ 86,349
Non-cash exchanges and conversions	\$ —	\$ 18,026,006

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2017

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point		Shares	Cost	Fair Value <sup>(3)</sup>
				Spread	Above Par / Index <sup>(4)</sup>			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—123.9% <sup>(2)</sup>								
First Lien Secured Debt—49.9%								
ACC of Tamarac, LLC	06/20/2022	Telecommunications	11.18 %	3M L+950	7,462,500	\$7,347,875	\$7,462,500	
Allied America, Inc.	08/08/2023	Business Services	8.70 %	3M L+700	20,598,254	20,221,622	20,598,254	
Allied America, Inc. (Revolver) <sup>(8)</sup>	08/08/2023	Business Services	—	—	2,000,000	—	—	
Bottom Line Systems, LLC	02/13/2022	Healthcare, Education and Childcare	9.19 %	3M L+750	19,800,000	19,534,457	19,800,000	
Cano Health, LLC	12/23/2021	Healthcare, Education and Childcare	9.87 %	1M L+850	23,397,021	22,883,876	23,397,021	
Cano Health, LLC (Revolver)	09/21/2018	Healthcare, Education and Childcare	9.87 %	1M L+850	540,000	540,000	540,000	
Cano Health, LLC (Revolver) <sup>(8)</sup>	09/21/2018	Healthcare, Education and Childcare	—	—	360,000	—	—	
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	8.57 %	1M L+700	9,925,000	9,794,823	9,855,591	
Deva Holdings, Inc.	10/31/2023	Consumer Products	8.32 %	3M L+675	5,000,000	4,902,195	4,900,000	
Deva Holdings, Inc. <sup>(8)</sup>	10/31/2023	Consumer Products	—	—	385,000	—	—	
eCommission Financial Services, Inc. <sup>(12)</sup>	08/29/2022	Financial Services	9.07 %	1M L+750	19,950,000	19,572,894	19,950,000	
eCommission Financial Services, Inc. <sup>(8), (12)</sup>	08/29/2022	Financial Services	—	—	4,000,000	—	—	

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eCommission Financial Services, Inc. (Revolver) <sup>(8)</sup> , (12)	08/29/2022	Financial Services	—	—	4,000,000	—	—
Hollander Sleep Products, LLC	06/09/2022	Consumer Products	9.69 %	3M L+800	19,755,213	19,386,938	19,360,109
Home Town Cable TV, LLC	06/20/2022	Telecommunications	11.18 %	3M L+950	10,000,000	9,815,803	10,000,000
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	10.87 %	1M L+950	13,903,313	13,670,663	13,903,313
K2 Pure Solutions NoCal, L.P.	02/19/2022	Chemicals, Plastics and Rubber	10.57 %	1M L+900	14,522,529	14,294,511	14,404,242
One Sixty Over Ninety, LLC	03/03/2022	Media	10.84 %	3M L+918	16,250,000	15,966,825	16,250,000
Prince Mineral Holding Corp. <sup>(5)</sup>	12/16/2021	Mining, Steel, Iron and Non-Precious Metals	11.50 %	—	11,875,000	11,825,258	12,231,250
SFP Holding, Inc.	09/01/2022	Buildings and Real Estate	7.73 %	3M L+625	17,500,000	17,172,080	17,500,000
SFP Holding, Inc. <sup>(8)</sup>	09/01/2022	Buildings and Real Estate	—	—	5,000,000	—	—
SFP Holding, Inc. (Revolver) <sup>(8)</sup>	09/01/2022	Buildings and Real Estate	—	—	2,500,000	—	—
Sunborn Oy, Sunborn Saga Oy <sup>(9)</sup> , <sup>(11)</sup> , <sup>(12)</sup>	06/28/2022	Hotels, Motels, Inns and Gaming	11.50 %	3M L+1,050	€30,417,040	31,583,845	37,620,431
			(PIK %)				
			3.50				
Triad Manufacturing, Inc.	12/28/2021	Manufacturing / Basic Industries	12.82 %	1M L+1,125	24,258,101	23,930,878	24,258,101
Trust Inns Limited <sup>(9)</sup> , <sup>(11)</sup> , <sup>(12)</sup>	02/12/2022	Buildings and Real Estate	9.02 %	3M <sup>(7)</sup> L+850	£16,670,198	26,958,555	22,562,106
US Med Acquisition, Inc.	08/13/2022	Healthcare, Education and Childcare	10.69 %	1M L+900	8,542,188	8,542,188	8,115,078
Whitney, Bradley & Brown, Inc.	10/18/2022	Space and Defense	10.57 %	1M L+900	19,451,250	19,074,851	19,256,737
Whitney, Bradley & Brown, Inc. (Revolver)	10/18/2022	Space and Defense	10.57 %	1M L+900	440,000	440,000	435,600
Whitney, Bradley & Brown, Inc. (Revolver) <sup>(8)</sup>	10/18/2022	Space and Defense	—	—	1,026,667	—	(10,267 )
Total First Lien Secured Debt						317,460,137	322,390,066
Second Lien Secured Debt						—	—
Balboa Capital Corporation <sup>(12)</sup>	03/04/2022	Financial Services	13.75 %	—	28,500,000	28,297,616	28,500,000
Condor Borrower, LLC	04/25/2022	Business Services	10.12 %	3M L+875	12,500,000	12,252,319	12,312,500
DecoPac, Inc.	03/31/2022	Beverage, Food and Tobacco	9.94 %	3M L+825	23,024,259	22,573,436	22,794,017

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Howard Berger Co. LLC	09/30/2020	Distribution	11.70 %	3M L+1,000	43,500,000	42,156,867	41,325,000
			(PIK %) 5.12				
Infogroup, Inc.	04/03/2021	Other Media	10.94 %	3M L+925	20,400,000	20,022,599	20,094,000
Intermediate Transportation 100, LLC <sup>(5)</sup>	03/01/2019	Chicago Transport	11.00 %	—	432,203	349,328	432,203
			(PIK %) 11.00				
Lighthouse Network, LLC	11/28/2015	Financial Services	10.07 %	3M L+850	22,000,000	21,781,290	21,890,000
MailSouth, Inc.	10/22/2021	Printing and Publishing	11.84 %	3M L+1,050	26,425,000	26,025,392	26,689,250
Parq Holdings Limited Partnership <sup>(9), (12)</sup>	12/17/2020	Hotels, Motels, Inns and Gaming	13.69 %	3M L+1,200	76,500,000	76,500,000	83,322,358
Pathway Partners Vet Management LLC	10/10/2021	Healthcare, Education and Childcare	9.57 %	1M L+800	5,888,889	5,830,883	5,830,000
Pathway Partners Vet Management LLC <sup>(8)</sup>	10/10/2021	Healthcare, Education and Childcare	—	—	6,111,111	—	(61,111 )
Pre-Paid Legal Services, Inc.	07/01/2020	Personal, Food and Miscellaneous Services	10.57 %	1M L+900	42,750,000	42,474,904	42,696,563
PT Network, LLC	04/12/2021	Healthcare, Education and Childcare	11.36 %	3M L+1,000	41,666,667	40,865,252	40,833,333
PT Network, LLC <sup>(8)</sup>	04/12/2021	Healthcare, Education and Childcare	—	—	8,333,333	—	(166,667 )
Veritext Corp.	01/30/2021	Business Services	10.69 %	3M L+900	18,834,375	18,368,715	18,834,375
Total Second Lien Secured Debt						357,498,601	365,325,821
Subordinated Debt/Corporate Notes—8.5%							
Cascade Environmental LLC	08/20/2021	Environmental Services	12.00 %	—	32,675,553	32,185,324	31,531,909
Credit Infonet, Inc.	10/26/2020	Personal, Food and Miscellaneous Services	13.00 %	—	11,172,756	10,960,756	11,172,756
			(PIK %) 0.75				
Goldsun Trading Limited <sup>(9), (11), (12)</sup>	02/19/2018	Healthcare, Education and Childcare	20.50 %	3M L+1,600	£9,388,106	13,643,988	12,414,099
			(PIK %) 12.00				
Total Subordinated Debt/Corporate Notes						56,790,068	55,118,764
Preferred Equity/Partnership Interests—1.0%							
AH Holdings, Inc.	—	Healthcare, Education and Childcare	6.00 %	—	211	500,000	406,023

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Alegeus Technologies Holdings Corp.	—	Financial Services	—	—	949	949,050	1,129,470
Condor Holdings Limited <sup>(9)</sup> , <sup>(12)</sup>	—	Business Services	—		556,000	64,277	64,277
Condor Top Holdco Limited <sup>(9)</sup> , <sup>(12)</sup>	—	Business Services	—		556,000	491,723	491,723
Convergint Technologies Holdings, LLC	—	Electronics	8.00 %	—	2,375	2,088,121	2,615,887
HW Holdco, LLC	—	Other Media	8.00 %	—	3,591	—	25,264
Roto Holdings, Inc.	—	Manufacturing / Basic Industries	9.00 %	—	1,197	1,197,000	1,572,604
Total Preferred Equity/Partnership Interests						5,290,171	6,305,248

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2017

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point		Cost	Fair Value <sup>(3)</sup>
				Spread	Above Par / Index <sup>(4)</sup> Shares		
Common Equity/Partnership Interests/Warrants—8.0%							
AH Holdings, Inc. (Warrants)	03/23/2016	Healthcare, Education and Childcare	—	—	753	\$—	\$—
Alegeus Technologies Holdings Corp.	—	Financial Services	—	—	1	950	1,131
ASP LCG Holdings, Inc. (Warrants)	05/05/2016	Education	—	—	933	586,975	1,786,524
Autumn Games, LLC	—	Broadcasting and Entertainment	—	—	1,333,330	3,000,000	—
Cardinal Logistics Holdings LLC <sup>(10)</sup>	—	Cargo Transport	—	—	—	<sup>(14)</sup> 5,411,024	4,234,459
(Intermediate Transportation 100, LLC)							
Cascade Environmental LLC <sup>(10)</sup>	—	Environmental Services	—	—	24,382	2,518,909	1,281,303
CI (Allied) Investment Holdings, LLC (Allied America, Inc.)	—	Business Services	—	—	70,000	700,000	700,000
	—	Distribution	—	—	1,745,639	1,745,639	4,680,778

CI (Galls) Prime Investment Holdings, LLC <sup>(10)</sup>							
CI (PTN) Investment Holdings II, LLC	—	Healthcare, Education and Childcare	—	—	333,333	5,000,000	5,000,000
(PT Network, LLC)							
CI (Summit) Investment Holdings LLC	—	Buildings and Real Estate	—	—	100,000	1,000,000	1,079,199
(SFP Holdings, Inc.)							
Convergint Technologies Holdings, LLC	—	Electronics	—	—	2,375	—	5,436,210
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	3,449	3,448,658	3,448,658
eCommission Holding Corporation <sup>(12)</sup>	—	Financial Services	—	—	80	800,000	966,297
Faraday Holdings, LLC (Interior Specialists, Inc.)	—	Building Materials	—	—	4,277	217,635	827,695
HW Holdco, LLC	—	Other Media	—	—	388,378	—	2,732,404
Infogroup Parent Holdings, Inc.	—	Other Media	—	—	181,495	2,040,000	1,641,926
ITC Rumba, LLC (Cano Health, LLC) <sup>(10)</sup>	—	Healthcare, Education and Childcare	—	—	204,985	2,049,849	2,918,499
Kadmon Holdings, Inc. <sup>(13)</sup>	—	Healthcare, Education and Childcare	—	—	252,014	2,265,639	912,291
LaMi Acquisition, LLC <sup>(10)</sup>	—	Distribution	—	—	19	493,280	754,663
Lariat ecoserv Co-Invest Holdings, LLC <sup>(10)</sup>	—	Environmental Services	—	—	1,000,000	1,000,000	—
MidOcean PPL Holdings, Corp.	—	Personal, Food and Miscellaneous Services	—	—	3,000	3,000,000	9,860,064
(Pre-Paid Legal Services, Inc.)							
Patriot National, Inc. <sup>(13)</sup>	—	Insurance	—	—	100,885	238,038	3,733
Roto Holdings, Inc.	—	Manufacturing / Basic Industries	—	—	1,330	133,000	2,187,210
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.)	—	Aerospace and Defense	—	—	628,571	628,571	622,286
ZS Juniper L.P.	—	Personal, Food and Miscellaneous Services	—	—	754	754,264	807,788

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(Juniper Landscaping of Florida, LLC) <sup>(10)</sup>

Total Common Equity/Partnership Interests/Warrants					37,032,431	51,883,118	
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies					774,071,408	801,023,017	
Investments in Non-Controlled, Affiliated Portfolio Companies—29.8% <sup>(2)</sup>							
First Lien Secured Debt—9.8%							
American Gilsonite Company	12/31/2021	Diversified Natural Resources,	15.00 %	—	3,257,511	3,173,709	3,680,987
Corfin Industries LLC	11/25/2020	Aerospace and Defense	11.11 %	1M L+975	22,210,332	21,923,817	22,210,332
Corfin Industries LLC (Revolver) <sup>(8)</sup>	11/25/2020	Aerospace and Defense	—	—	1,942,623	—	—
TRAK Acquisition Corp.	04/30/2021	Business Services	12.19 %	3M L+1,050	20,764,911	20,729,297	20,764,911
TRAK Acquisition Corp. (Revolver)	04/30/2021	Business Services	12.07 %	1M L+1,050	5,000,000	5,000,000	5,000,000
U.S. Well Services, LLC	02/02/2021	Oil and Gas	12.35 %	1M L+1,100	9,942,386	9,868,145	9,942,386
			(PIK %)				
			12.35				
U.S. Well Services, LLC (Revolver)	02/02/2021	Oil and Gas	7.35 %	1M L+600	1,680,528	1,680,528	1,680,528
U.S. Well Services, LLC (Revolver) <sup>(8)</sup>	02/02/2021	Oil and Gas	—	—	511,893	—	—
Total First Lien Secured Debt					62,375,496	63,279,144	
Second Lien Secured Debt—1.6%							
EnviroSolutions Real Property Holdings, Inc. - Tranche A	12/23/2020	Environmental Services	9.69 %	3M L+800	4,856,640	4,836,780	4,856,640
EnviroSolutions Real Property Holdings, Inc. - Tranche B	08/03/2020	Environmental Services	9.69 %	3M L+800	4,771,363	4,750,868	4,771,363
			(PIK %)				
			9.69				
EnviroSolutions Real Property Holdings, Inc. - Tranche C	10/10/2023		9.36 %	3M L+800	678,428	653,171	678,428
			(PIK %)				
			9.36				
EnviroSolutions Real Property Holdings, Inc. - Tranche C <sup>(8)</sup>	10/10/2023		—	—	182,124	—	—
Total Second Lien Secured Debt					10,240,819	10,306,431	
Subordinated Debt/Corporate Notes—8.1%							
American Gilsonite Company <sup>(5)</sup>	12/31/2021	Diversified Natural Resources,	17.00 %	—	9,727,948	9,727,948	10,798,023

	Precious Metals and Minerals	(PIK %)					
ETX Energy, LLC, 05/03/2007	Oil and Gas	10.37	12.50 %	—	29,505,314	37,726,511	41,307,441
Convertible Note <sup>(5)</sup>			(PIK %)				
			12.50				
<b>Total Subordinated Debt/Corporate Notes</b>						<b>47,454,459</b>	<b>52,105,464</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2017

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point		Cost	Fair Value <sup>(3)</sup>
				Above Index <sup>(4)</sup>	Par / Shares		
Common Equity/Partnership Interests/Warrants—10.3%							
Affinion Group Holdings, Inc.	—	Consumer Products	—	—	859,496	\$ 30,503,493	\$ 16,748,845
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Products	—	—	37,181	10,265,972	43,349
American Gilsonite Company	—	Diversified Natural Resources, Precious Metals and Minerals	—	—	25,400	5,465,627	9,173,757
Corfin InvestCo, L.P.	—	Aerospace and Defense	—	—	11,250	1,125,000	4,128,814
Corfin InvestCo, L.P. <sup>(8)</sup>	—	Aerospace and Defense	—	—	11,250	—	—
EnviroSolutions Holdings, Inc.	—	Environmental Services	—	—	143,668	11,960,702	16,787,547
ETX Energy, LLC <sup>(10)</sup>	—	Oil and Gas	—	—	113,610	—	2,740,605
ETX Energy Management Company, LLC <sup>(10)</sup>	—	Oil and Gas	—	—	119,603	—	144,259
TRAK Acquisition Corp.	—	Business Services	—	—	491,755	188,837	6,780,758
USWS Holdings, LLC - Class A and Class B	—	Oil and Gas	—	—	8,190,817	7,023,751	9,905,622
						66,533,382	66,453,556

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Total Common Equity/Partnership Interests/Warrants							
Total Investments in Non-Controlled, Affiliated Portfolio Companies						186,604,156	192,144,595
Investments in Controlled, Affiliated Portfolio Companies—16.6% <sup>(2)</sup>							
First Lien Secured Debt—9.2%							
RAM Energy LLC	07/01/2020	Energy and Utilities	8.00 %	—	35,350,000	35,350,000	35,350,000
			(PIK %)				
			4.00				
Superior Digital Displays, LLC	12/31/2018	Media	10.30 %	3M L+900	30,176,453	29,138,450	23,833,333
			(PIK %)				
			10.30				
Total First Lien Secured Debt						64,488,450	59,183,333
Preferred Equity—2.1%							
MidOcean JF Holdings Corp.	—	Distribution	—	—	153,922	15,392,188	13,506,781
Superior Digital Displays Holdings, Inc.	—	Media	15.00 %	—	541,280	20,081,027	—
Total Preferred Equity						35,473,215	13,506,781
Common Equity—5.3%							
MidOcean JF Holdings Corp.	—	Distribution	—	—	65,933	24,761,831	—
RAM Energy Holdings LLC	—	Energy and Utilities	—	—	84,747	76,264,739	34,763,330
Superior Digital Displays Holdings, Inc.	—	Media	—	—	11,100	2,211,000	—
Total Common Equity						103,237,570	34,763,330
Total Investments in Controlled, Affiliated Portfolio Companies						203,199,235	107,453,444
Total Investments—170.3%						1,163,874,799	1,100,621,056
Cash and Cash Equivalents—11.3%							
BlackRock Federal FD Institutional 30						21,487,041	21,487,041
BNY Mellon Cash Reserve and Cash						51,294,051	51,345,634
Total Cash and Cash Equivalents						72,781,092	72,832,675
Total Investments and Cash Equivalents—181.6%						\$1,236,655,891	\$1,173,453,731
Liabilities in Excess of Other Assets—(81.6%)							(527,140,813 )
Net Assets—100.0%							\$646,312,918

(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," the Euro Interbank Offered Rate, or EURIBOR or "E," 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), and EURIBOR loans are typically indexed to a 90-day EURIBOR rate (3M E), 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 provided 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) Coupon is not subject to a LIBOR or Prime rate floor.
- (8) 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.
- (9) Non-U.S. company or principal place of business outside the United States.
- (10) Investment is held through our Taxable Subsidiaries (See Note 1).
- (11) Par amount is denominated in British Pounds (£) or in Euros (€) as denoted.
- (12) 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, 2017, qualifying assets represent 83% of the Company's total assets and non-qualifying assets represent 17% of the Company's total assets.
- (13) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).
- (14) Share amount is 70,443,882,243.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread		Par / Shares	Cost	Fair Value <sup>(3)</sup>
				Above Index <sup>(4)</sup>	Par /			
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—131.3% <sup>(2)</sup>								
First Lien Secured Debt—52.8%								
ACC of Tamarac, LLC	06/20/2021	Telecommunications	10.82 %	L+950		7,481,250	\$7,362,571	\$7,331,625
Allied America, Inc.	08/08/2021	Business Services	8.32 %	L+700		19,950,000	19,557,525	19,551,000
Allied America, Inc. (Revolver) <sup>(8)</sup>	08/08/2021	Business Services	—	—		2,000,000	—	—
Bottom Line Systems, LLC	02/13/2018	Healthcare, Education and Childcare	8.83 %	L+750		19,850,000	19,573,919	19,773,923
Broder Bros., Co., Tranche A	06/03/2021	Consumer Products	7.08 %	L+575		8,398,102	8,279,029	8,398,102
Broder Bros., Co., Tranche B	06/03/2021	Consumer Products	13.58 %	L+1,225		8,723,735	8,593,867	8,723,735
Cano Health, LLC	12/23/2018	Healthcare, Education and Childcare	9.74 %	L+850		23,538,688	22,997,008	23,538,687
Cano Health, LLC (Revolver)	09/21/2018	Healthcare, Education and Childcare	9.74 %	L+850		540,000	540,000	540,000
Cano Health, LLC (Revolver) <sup>(8)</sup>	09/21/2018	Healthcare, Education and Childcare	—	—		360,000	—	—
DermaRite Industries LLC	03/03/2022	Manufacturing / Basic Industries	8.24 %	L+700		9,950,000	9,814,043	9,938,114
eCommission Financial Services, Inc. <sup>(12)</sup>	08/29/2021	Financial Services	8.74 %	L+750		20,000,000	19,605,736	19,600,000
eCommission Financial Services, Inc. <sup>(8), (12)</sup>	08/29/2021	Financial Services	—	—		4,000,000	—	(80,000 )
eCommission Financial Services, Inc. (Revolver) <sup>(8)</sup>	08/29/2021	Financial Services	—	—		4,000,000	—	(80,000 )



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(12)								
Hollander Sleep Products, LLC	06/09/2023	Consumer Products	9.30 %	L+800	22,443,750	22,010,693	22,219,312	
Home Town Cable TV, LLC	06/20/2022	Telecommunications	10.82 %	L+950	10,000,000	9,806,795	9,800,000	
Interior Specialists, Inc.	06/30/2021	Building Materials	9.25 %	L+800	24,470,390	24,323,542	24,470,390	
Juniper Landscaping of Florida, LLC	12/22/2021	Personal, Food and Miscellaneous Services	10.74 %	L+950	14,083,875	13,836,409	14,083,875	
K2 Pure Solutions NoCal, L.P.	02/19/2021	Chemicals, Plastics and Rubber	10.24 %	L+900	14,522,529	14,290,133	14,111,098	
One Sixty Over Ninety, LLC	03/03/2021	Media	10.52 %	L+918	16,250,000	15,953,520	16,250,000	
Prince Mineral Holding Corp. <sup>(5)</sup>	12/16/2020	Mining, Steel, Iron and Non-Precious Metals	11.50 %	—	14,250,000	14,184,265	14,820,000	
SFP Holding, Inc.	09/01/2021	Buildings and Real Estate	7.57 %	L+625	17,500,000	17,155,691	17,150,000	
SFP Holding, Inc. <sup>(8)</sup>	09/01/2021	Buildings and Real Estate	—	—	5,000,000	—	(100,000 )	
SFP Holding, Inc. (Revolver) <sup>(8)</sup>	09/01/2021	Buildings and Real Estate	—	—	2,500,000	—	—	
Sunborn Oy, Sunborn Saga Oy <sup>(9)</sup> , <sup>(11)</sup> , <sup>(12)</sup>	06/28/2021	Hotels, Motels, Inns and Gaming	11.50 % (PIK 3.50 %)	L+1,050	€30,150,294	31,228,529	35,821,926	
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	12.49 %	L+1,125	24,797,823	24,446,831	24,673,834	
Trust Inns Limited <sup>(9)</sup> , <sup>(11)</sup> , <sup>(12)</sup>	02/12/2021	Buildings and Real Estate	10.83 %	L+1,050	£16,890,936	27,246,877	22,817,525	
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	10.33 %	L+900	8,564,063	8,564,063	8,135,859	