

PENNANTPARK INVESTMENT CORP
Form 10-Q
February 03, 2010
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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 QUARTER ENDED DECEMBER 31, 2009

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

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(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

20-8250744
(I.R.S. Employer
Identification No.)

590 Madison Avenue, 15th Floor

New York, N.Y.
(Address of principal executive offices)

10022
(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 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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 .

The number of shares of the issuer's common stock, \$0.001 par value, outstanding as of February 3, 2010 was 25,808,772.

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PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED DECEMBER 31, 2009

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PART I FINANCIAL INFORMATION

We are filing this Report in compliance with Rule 13a-13 promulgated by the SEC. In this Report, PennantPark Investment , we , our and us refer to PennantPark Investment Corporation unless the context otherwise requires.

Table of Contents**Item 1. Financial Statements****PENNANTPARK INVESTMENT CORPORATION****STATEMENTS OF ASSETS AND LIABILITIES**

	December 31, 2009 (unaudited)	September 30, 2009
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost \$499,221,096 and \$479,909,805, respectively)	\$ 497,049,288	\$ 453,644,335
Non-controlled, affiliated investments, at fair value (cost \$17,566,905 and \$17,378,081, respectively)	16,092,038	16,115,738
Total of Investments, at fair value (cost \$516,788,001 and \$497,287,886, respectively)	513,141,326	469,760,073
Cash equivalents	7,051,165	33,247,666
Interest receivable	5,714,129	5,539,056
Receivables for investments sold	45,891	2,726,007
Prepaid expenses and other assets	945,283	1,108,567
Total assets	526,897,794	512,381,369
Liabilities		
Distributions payable	6,452,193	5,056,505
Payable for investments purchased		19,489,525
Unfunded investments	6,455,018	6,331,385
Credit facility payable (cost \$245,700,000 and \$225,100,000, respectively) (See Notes 5 and 10)	201,914,294	175,475,380
Interest payable on credit facility	61,834	72,788
Management fee payable (See Note 3)	2,524,653	2,220,110
Performance-based incentive fee payable (See Note 3)	1,809,453	1,508,164
Accrued other expenses	1,532,027	1,647,244
Total liabilities	220,749,472	211,801,101
Net Assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 25,808,772 and 25,368,772 shares issued and outstanding, respectively	25,809	25,369
Paid-in capital in excess of par	330,405,864	327,062,304
Undistributed net investment income	2,675,930	1,890,235
Accumulated net realized loss on investments and cash equivalents	(67,098,312)	(50,494,447)
Net unrealized depreciation on investments	(3,646,675)	(27,527,813)
Net unrealized depreciation on credit facility (See Note 5)	43,785,706	49,624,620
Total net assets	\$ 306,148,322	\$ 300,580,268
Total liabilities and net assets	\$ 526,897,794	\$ 512,381,369
Net asset value per share	\$ 11.86	\$ 11.85

SEE NOTES TO FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS****(Unaudited)**

	Three months ended	
	December 31, 2009	December 31, 2008
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$ 12,951,233	\$ 11,712,010
Other	319,603	
From non-controlled, affiliated investments:		
Interest	327,649	364,499
Total investment income	13,598,485	12,076,509
Expenses:		
Base management fee (See Note 3)	2,524,653	1,820,188
Performance-based incentive fee (See Note 3)	1,809,380	1,441,982
Interest and other credit facility expenses	818,683	1,837,220
Administrative services expenses (See Note 3)	557,504	620,402
Other general and administrative expenses	543,415	588,788
Expenses before taxes	6,253,635	6,308,580
Excise tax (See Note 2)	106,962	
Total expenses	6,360,597	6,308,580
Net investment income	7,237,888	5,767,929
Realized and unrealized gain (loss) on investments and credit facility:		
Net realized loss on non-controlled, non-affiliated investments	(16,603,865)	(887,070)
Net change in unrealized appreciation (depreciation) on:		
Non-controlled, non-affiliated investments	24,093,662	(40,663,091)
Non-controlled, affiliated investments	(212,524)	(1,693,186)
Credit facility unrealized (appreciation) depreciation (See Note 5)	(5,838,914)	5,718,694
Net change in unrealized appreciation (depreciation)	18,042,224	(36,637,583)
Net realized and unrealized gain (loss) from investments and credit facility	1,438,359	(37,524,653)
Net increase (decrease) in net assets resulting from operations	\$ 8,676,247	\$ (31,756,724)
Net increase (decrease) in net assets resulting from operations per common share (See Note 8)	\$ 0.34	\$ (1.51)
Net investment income per common share	0.28	0.27

SEE NOTES TO FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION****STATEMENTS OF CHANGES IN NET ASSETS****(Unaudited)**

	Three months ended	
	December 31, 2009	December 31, 2008
Increase (decrease) in net assets from operations:		
Net investment income	\$ 7,237,888	\$ 5,767,929
Net realized loss on investments	(16,603,865)	(887,070)
Net change in unrealized appreciation (depreciation) on investments	23,881,138	(42,356,277)
Net change in unrealized (appreciation) depreciation on credit facility	(5,838,914)	5,718,694
Net increase (decrease) in net assets resulting from operations	8,676,247	(31,756,724)
Dividends to Stockholders:		
Dividends from net investment income	(6,452,193)	(5,056,505)
Capital Share Transactions:		
Issuance of shares of common stock, net of offering costs	3,344,000	
Total increase (decrease) in net assets	5,568,054	(36,813,229)
Net Assets:		
Beginning of period	300,580,268	210,728,260
Cumulative effect of adoption of fair value option (See Note 5)		41,796,000
Adjusted beginning of period balance	300,580,268	252,524,260
End of period	\$ 306,148,322	\$ 215,711,031
Undistributed net investment income, at period end	2,675,930	108,764
Capital Share Activity:		
Shares issued in connection with public offering	440,000	

SEE NOTES TO FINANCIAL STATEMENTS

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	Three Months Ended	
	December 31, 2009	December 31, 2008
Cash flows from operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 8,676,247	\$ (31,756,724)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used for) provided by operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(23,881,138)	42,356,277
Net change in unrealized appreciation (depreciation) on credit facility	5,838,914	(5,718,694)
Net realized loss on investments	16,603,865	887,070
Net accretion of discount and amortization of premium	(1,271,930)	(524,615)
Purchase of investments	(50,481,259)	(803,896)
Payment-in-kind interest	(1,159,733)	(860,532)
Proceeds from dispositions of investments	16,808,942	2,280,140
(Increase) decrease in interest receivable	(175,073)	215,927
Decrease in receivables for investments sold	2,680,116	
Decrease in prepaid expenses and other assets	163,284	130,375
Decrease in payables for investments purchased	(19,489,525)	
Increase in unfunded investments	123,633	278,533
(Decrease) increase in interest payable on credit facility	(10,954)	80,042
Increase in management fee payable	304,543	1,734,292
Increase in performance-based incentive fee payable	301,289	1,318,949
(Decrease) increase in accrued expenses	(115,217)	391,700
Net cash (used for) provided by operating activities	(45,083,996)	10,008,844
Cash flows from financing activities:		
Issuance of shares of common stock, net of offering costs	3,344,000	
Distributions paid to stockholders	(5,056,505)	(5,056,505)
Borrowings under credit facility (See Note 10)	51,300,000	7,500,000
Repayments under credit facility (See Note 10)	(30,700,000)	(52,100,000)
Net cash provided by (used for) financing activities	18,887,495	(49,656,505)
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