

GLADSTONE INVESTMENT CORPORATION\DE
Form 10-Q
August 04, 2015
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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, 2015

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: 001-34007

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 office)

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 12 b-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 August 3, 2015, was 30,270,958.

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

	June 30, 2015	March 31, 2015
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$161,298 and \$162,598, respectively)	\$ 179,581	\$ 174,373
Affiliate investments (Cost of \$325,171 and \$310,628, respectively)	282,392	271,050
Control investments (Cost of \$30,782 and \$32,032 respectively)	19,270	20,630
Total investments at fair value (Cost of \$517,251 and \$505,258, respectively)	481,243	466,053
Cash and cash equivalents	6,082	4,921
Restricted cash and cash equivalents	955	260
Interest receivable	2,001	1,867
Due from custodian	3,968	4,512
Deferred financing costs	5,781	4,529
Other assets, net	1,744	1,379
TOTAL ASSETS	\$ 501,774	\$ 483,521
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$89,750 and \$118,800, respectively)	\$ 89,750	\$ 118,800
Secured borrowing	5,096	5,096
Total borrowings	94,846	123,896
Mandatorily redeemable preferred stock, \$0.001 par value, \$25 liquidation preference; 5,310,000 and 3,610,000 shares authorized, respectively; 4,866,000 and 3,256,000 shares issued and outstanding, respectively	121,650	81,400
Accounts payable and accrued expenses	2,113	1,271
Fees due to Adviser ^(A)	1,810	1,502
Fee due to Administrator ^(A)	355	262
Other liabilities	1,246	1,761
TOTAL LIABILITIES	\$ 222,020	\$ 210,092
Commitments and contingencies ^(B)		
NET ASSETS	\$ 279,754	\$ 273,429

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 30,270,958 and 29,775,958 shares issued and outstanding	\$ 30	\$ 30
Capital in excess of par value	312,684	309,438
Cumulative net unrealized depreciation of investments	(36,007)	(39,204)
Cumulative net unrealized depreciation of other	(75)	(75)
Net investment income in excess of distributions	3,194	3,511
Accumulated net realized loss	(72)	(271)
TOTAL NET ASSETS	\$ 279,754	\$ 273,429
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$ 9.24	\$ 9.18

(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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended June 30,	
	2015	2014
INVESTMENT INCOME		
Interest income:		
Non-Control/Non-Affiliate investments	\$ 3,802	\$ 5,257
Affiliate investments	6,924	2,616
Control investments	659	530
Cash and cash equivalents		1
Total interest income	11,385	8,404
Other income:		
Non-Control/Non-Affiliate investments	1,321	1,399
Affiliate investments		34
Total other income	1,321	1,433
Total investment income	12,706	9,837
EXPENSES		
Base management fee ^(A)	2,453	1,666
Loan servicing fee ^(A)	1,559	1,135
Incentive fee ^(A)	1,291	1,215
Administration fee ^(A)	355	235
Interest expense on borrowings	1,064	738
Dividends on mandatorily redeemable preferred stock	1,767	713
Amortization of deferred financing fees	460	254
Professional fees	442	242
Other general and administrative expenses	556	297
Expenses before credits from Adviser	9,947	6,495
Credit to base management fee - loan servicing fee ^(A)	(1,559)	(1,135)
Credit to fees from Adviser - other ^(A)	(845)	(382)
Total expenses, net of credits	7,543	4,978
NET INVESTMENT INCOME	5,163	4,859

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain:		
Control investments	199	
Total net realized gain	199	
Net unrealized appreciation (depreciation):		
Non-Control/Non-Affiliate investments	6,508	445
Affiliate investments	(3,201)	1,342
Control investments	(110)	3,673
Other		451
Total net unrealized appreciation	3,197	5,911
Net realized and unrealized gain	3,396	5,911
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 8,559	\$ 10,770
BASIC AND DILUTED PER COMMON SHARE:		
Net investment income	\$ 0.17	\$ 0.18
Net increase in net assets resulting from operations	\$ 0.28	\$ 0.41
Distributions declared and paid	\$ 0.19	\$ 0.18
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING: Basic and diluted	30,260,079	26,475,958

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

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2015	2014
OPERATIONS		
Net investment income	\$ 5,163	\$ 4,859
Net realized gain on investments	199	
Net unrealized appreciation of investments	3,197	5,460
Net unrealized depreciation of other		451
Net increase in net assets from operations	8,559	10,770
DISTRIBUTIONS		
Distributions to common stockholders	(5,676)	(4,766)
Net decrease in net assets from distributions	(5,676)	(4,766)
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	6,325	6,004
NET ASSETS, BEGINNING OF PERIOD	273,429	220,837
NET ASSETS, END OF PERIOD	\$ 279,754	\$ 226,841

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Three Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 8,559	\$ 10,770
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Purchase of investments	(17,326)	(2,010)
Principal repayments of investments	5,233	60
Increase in investment balance due to paid in kind interest		(29)
Net proceeds from the sale of investments	315	
Net realized gain on investments	(215)	
Net unrealized appreciation of investments	(3,197)	(5,460)
Net unrealized depreciation of other		(451)
Amortization of deferred financing costs	460	254
Bad debt expense	225	
Changes in assets and liabilities:		
Increase in restricted cash and cash equivalents	(695)	(1)
Increase in interest receivable	(134)	(362)
Decrease in due from custodian	544	612
Increase in other assets	(590)	(1,078)
Increase (decrease) in accounts payable and accrued expenses	842	(48)
Increase in fees due to Adviser ^(A)	308	422
Increase in fee due to Administrator ^(A)	93	11
Decrease in other liabilities	(515)	(49)
Net cash (used in) provided by operating activities	(6,093)	2,641
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	38,500	6,300
Repayments on line of credit	(67,550)	(4,600)
Proceeds from secured borrowing		96
Proceeds from issuance of mandatorily redeemable preferred stock	40,250	
Deferred financing costs	(1,712)	(452)
Distributions paid to common stockholders	(5,676)	(4,766)
Net cash provided by (used in) financing activities	7,254	(3,422)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,161	(781)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,921	4,553
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,082	\$ 3,772

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

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

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GLADSTONE INVESTMENT CORPORATION
CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS
JUNE 30, 2015
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

Company^(A)	Industry	Investment^(B)	Principal	Cost	Fair Value
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