

FIDUS INVESTMENT Corp
Form 10-Q
August 03, 2017
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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, 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 814-00861

Fidus Investment Corporation

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of

Incorporation or Organization)

1603 Orrington Avenue, Suite 1005

Evanston, Illinois

27-5017321
(I.R.S. Employer

Identification No.)

60201

(Address of Principal Executive Offices)

(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, a 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. (Check one):

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 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

As of July 31, 2017, the Registrant had outstanding 24,480,624 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, 2017	December 31,
	(unaudited)	2016
ASSETS		
Investments, at fair value		
Affiliate investments (cost: \$121,032 and \$113,995, respectively)	\$ 139,800	\$ 132,013
Non-control/non-affiliate investments (cost: \$410,312 and \$386,519 respectively)	413,460	392,441
Total investments, at fair value (cost: \$531,344 and \$500,514, respectively)	553,260	524,454
Cash and cash equivalents	50,819	57,083
Interest receivable	4,492	4,407
Proceeds receivable from stock offering	4,234	
Prepaid expenses and other assets	1,308	798
Total assets	\$ 614,113	\$ 586,742
LIABILITIES		
SBA debentures, net of deferred financing costs (Note 6)	\$ 212,916	\$ 219,901
Borrowings under Credit Facility, net of deferred financing costs (Note 6)	(333)	(462)
Accrued interest and fees payable	2,612	3,122
Management and incentive fees payable due to affiliate	9,645	8,830
Administration fee payable and other due to affiliate	100	570
Taxes payable	365	555
Accounts payable and other liabilities	385	441
Total liabilities	225,690	232,957
Commitments and contingencies (Note 7)		
NET ASSETS		
Common stock, \$0.001 par value (100,000,000 shares authorized, 24,480,624 and 22,446,076, shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively)	24	22
Additional paid-in capital	372,760	340,101
Undistributed net investment income	8,915	9,626
Accumulated net realized (loss) on investments, net of taxes and distributions	(15,196)	(19,908)
Accumulated net unrealized appreciation on investments	21,920	23,944

Total net assets	388,423	353,785
Total liabilities and net assets	\$ 614,113	\$ 586,742
Net asset value per common share	\$ 15.87	\$ 15.76

See Notes to Consolidated Financial Statements (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,	
	2017	2016	2017	2016
Investment Income:				
Interest income				
Affiliate investments	\$ 2,909	\$ 2,763	\$ 5,583	\$ 5,607
Non-control/non-affiliate investments	12,325	10,034	24,399	20,637
Total interest income	15,234	12,797	29,982	26,244
Dividend income				
Affiliate investments	268	494	546	656
Non-control/non-affiliate investments	347	254	727	335
Total dividend income	615	748	1,273	991
Fee income				
Affiliate investments	141	6	147	13
Non-control/non-affiliate investments	1,254	244	2,030	1,212
Total fee income	1,395	250	2,177	1,225
Interest on idle funds and other income	27	37	67	63
Total investment income	17,271	13,832	33,499	28,523
Expenses:				
Interest and financing expenses	2,401	2,654	4,985	5,254
Base management fee	2,403	2,005	4,716	3,988
Incentive fee	2,484	3,190	4,862	5,070
Administrative service expenses	340	367	691	688
Professional fees	241	253	710	735
Other general and administrative expenses	431	399	709	717
Total expenses	8,300	8,868	16,673	16,452
Net investment income before income taxes	8,971	4,964	16,826	12,071
Income tax provision	29	21	25	46
Net investment income	8,942	4,943	16,801	12,025
Net realized and unrealized gains (losses) on investments:				

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Net realized gains on affiliate investments		458		26		458
Net realized (losses) gains on non-control/ non-affiliate investments	(367)	112		6,071		(198)
Net change in unrealized appreciation (depreciation) on investments	1,382	7,485		(2,024)		8,253
Income tax provision from realized gains on investments		(205)		(1,385)		(205)
Net gain on investments		1,015		7,850		2,688
Net increase in net assets resulting from operations	\$	9,957		12,793	\$	19,489
					\$	20,333
Per common share data:						
Net investment income per share-basic and diluted	\$	0.39	\$	0.29	\$	0.75
					\$	0.72
Net increase in net assets resulting from operations per share basic and diluted	\$	0.44	\$	0.74	\$	0.86
					\$	1.21
Dividends declared per share	\$	0.39	\$	0.39	\$	0.78
					\$	0.78
Weighted average number of shares outstanding basic and diluted		22,653,580		17,329,685		22,550,846
						16,815,592

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Statements of Changes in Net Assets (unaudited)**

(in thousands, except shares)

	Common Stock Number of shares	Par value	Additional paid-in capital	Undistributed net investment income	Accumulated net realized (loss) on distributions	Accumulated net unrealized appreciation on investments	Total net assets
Balances at December 31, 2015	16,300,732	\$ 16	\$ 246,307	\$ 13,887	\$ (6,145)	\$ (6,703)	\$ 247,362
Public offerings of common stock, net of expenses (Note 8)	2,875,000	3	43,667				43,670
Shares issued under dividend reinvestment plan	24,353		374				374
Net increase in net assets resulting from operations				12,025	(174)	8,482	20,333
Dividends declared				(13,694)			(13,694)
Balances at June 30, 2016	19,200,085	\$ 19	\$ 290,348	\$ 12,218	\$ (6,319)	\$ 1,779	\$ 298,045
Balances at December 31, 2016	22,446,076	\$ 22	\$ 340,101	\$ 9,626	\$ (19,908)	\$ 23,944	\$ 353,785
Public offerings of common stock, net of expenses (Note 8)	2,012,500	2	32,285				32,287
Shares issued under dividend reinvestment plan	22,048		374				374
Net increase in net assets resulting from operations				16,801	4,712	(2,024)	19,489
Dividends declared				(17,512)			(17,512)
Balances at June 30, 2017	24,480,624	\$ 24	\$ 372,760	\$ 8,915	\$ (15,196)	\$ 21,920	\$ 388,423

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,	
	2017	2016
Cash Flows from Operating Activities:		
Net increase in net assets resulting from operations	\$ 19,489	\$ 20,333
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used for) provided by operating activities:		
Net change in unrealized depreciation (appreciation) on investments	2,024	(8,253)
Net realized (gain) on investments	(6,097)	(260)
Interest and dividend income paid-in-kind	(3,864)	(2,201)
Accretion of original issue discount	(275)	(120)
Accretion of loan origination fees	(726)	(528)
Purchase of investments	(87,087)	(44,422)
Proceeds from sales and repayments of investments	66,733	46,034
Proceeds from loan origination fees	486	281
Amortization of deferred financing costs	625	547
Changes in operating assets and liabilities:		
Interest receivable	(85)	(575)
Prepaid expenses and other assets	(510)	162
Accrued interest and fees payable	(510)	197
Management and incentive fees payable due to affiliate	815	1,493
Administration fee payable and other due to affiliate	(470)	(223)
Taxes payable	(190)	(195)
Accounts payable and other liabilities	(56)	(76)
Net cash (used for) provided by operating activities	(9,698)	12,194
Cash Flows from Financing Activities:		
Proceeds from stock offering, net of expenses	28,053	43,670
Proceeds received from SBA debentures	18,000	500
Repayments of SBA debentures	(24,750)	
Proceeds received from borrowings under Credit Facility	11,000	13,000
Repayments of borrowings under Credit Facility	(11,000)	(28,500)
Payment of deferred financing costs	(731)	(58)
Dividends paid to stockholders, including expenses	(17,138)	(13,320)
Net cash provided by financing activities	3,434	15,292
Net (decrease) increase in cash and cash equivalents	(6,264)	27,486
Cash and cash equivalents:		

Beginning of period	57,083	31,657
End of period	\$ 50,819	\$ 59,143

Supplemental disclosure of cash flow information:

Cash payments for interest	\$ 4,870	\$ 4,510
Cash payments for taxes, net of tax refunds received	\$ 1,600	\$ 446

Non-cash financing activities:

Shares issued under dividend reinvestment plan	\$ 374	\$ 374
Proceeds receivable from stock offering	\$ 4,234	\$

See Notes to Consolidated Financial Statements (unaudited).

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (unaudited)****June 30, 2017****(In thousands, except shares)****Industry**

Portfolio Company ^{(a)(b)}	Rate ^(d)	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Investment Type ^(c)	Cash/PIK					
Aerospace & Defense Manufacturing						
<i>FDS Avionics Corp.</i> ^(k)						
<i>(dba Flight Display Systems)</i>						
Subordinated Note	12.3%/2.8%	4/1/2020	\$ 5,367	\$ 5,354	\$ 5,005	
Preferred Equity (186 units) ^{(i)(f)}				371	371	
Common Equity (200 units) ⁽ⁱ⁾				2,000	3	
				7,725	5,379	1%
<i>Fiber Materials, Inc.</i> ^(k)						
Subordinated Note	12.0%/1.0%	5/30/2022	4,024	4,006	4,023	
Common Equity (10 units)				1,000	1,285	
				5,006	5,308	1%
<i>Lightning Diversion Systems, LLC</i>						
Senior Secured Loan ⁽ⁱ⁾	10.5%/0.0%	9/16/2021	21,204	21,124	21,204	
Revolving Loan (\$250 commitment) ^(h)	10.5%/0.0%	9/16/2021		(1)		
Common Equity (600,000 units)					3,760	
				21,123	24,964	6%
<i>Malabar International</i> ^(k)						
Subordinated Note ⁽ⁱ⁾	11.3%/2.0%	11/13/2021	7,693	7,684	7,693	
Preferred Equity (1,494 shares) ^(f)	6.0%/0.0%	5/12/2022		1,997	6,009	
				9,681	13,702	4%
<i>Simplex Manufacturing Co.</i>						
Subordinated Note	14.0%/0.0%	11/1/2017	4,050	4,050	4,050	
Warrant (29 shares) ^(l)				1,155	3,539	
				5,205	7,589	2%
<i>Steward Holding LLC</i> ^(k)						

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(dba Steward Advanced Materials)						
Subordinated Note	12.0%/3.3%	5/12/2021	7,262	7,237	7,262	
Common Equity (1,000,000 units)				1,000	460	
				8,237	7,722	2%
Apparel Distribution						
<i>Jacob Ash Holdings, Inc.</i>						
Subordinated Note ^(j)	13.0%/4.0%	6/30/2018	4,000	3,997	4,000	
Subordinated Note	13.0%/0.0%	6/30/2018	510	507	510	
Preferred Equity (66,138 shares) ^(f)	0.0%/15.0%	6/30/2018		1,149	1,152	
Warrant (63,492 shares) ^(l)				67		
				5,720	5,662	1%
Building Products Manufacturing						
<i>SES Investors, LLC ^(k)</i>						
<i>(dba SES Foam)</i>						
Senior Secured Loan	11.0%/0.0%	3/8/2022	10,448	10,403	9,340	
Revolving Loan (\$1,500 commitment) ⁽ⁱ⁾	6.0%/0.0%	3/8/2022	1,500	1,494	1,500	
Common Equity (6,000 units) ^{(g)(i)}				600	269	
				12,497	11,109	3%

Table of Contents**FIDUS INVESTMENT CORPORATION****Consolidated Schedule of Investments (unaudited) (continued)****June 30, 2017****(In thousands, except shares)****Industry**

Portfolio Company ^{(a)(b)}	Rate ^(d)	Maturity	Principal Amount	Cost	Fair Value	Percent of Net Assets
Investment Type ^(c)	Cash/PIK					
The Wolf Organization, LLC						
Common Equity (175 shares)				\$ 1,455	\$ 3,321	1%
US GreenFiber, LLC						
Subordinated Note ⁽ⁱ⁾	12.0%/2.0%	3/1/2019	\$ 14,004	13,979	13,790	
Common Equity (2,522 units) ^{(g)(i)}				586	322	
				14,565	14,112	4%
Business Services						
Comprehensive Logistics Co., Inc.						
Subordinated Note ⁽ⁱ⁾	11.5%/4.5%	11/22/2021	15,416	15,352	15,417	4%
Inflexion, Inc. ^(k)						
Senior Secured Loan	7.0%/6.0%	12/16/2019	4,324	4,312	3,537	
Revolving Loan (\$500 commitment) ⁽ⁱ⁾	7.0%/6.0%	12/16/2019	365	364	299	
Preferred Equity (252,046 units)				252	149	
Preferred Equity (308,987 units)				309	182	
Preferred Equity (1,400 units)				1,400		
				6,637	4,167	1%
Plymouth Rock Energy, LLC						
Senior Secured Loan ⁽ⁱ⁾	11.0%/0.0%	6/30/2019	5,945	5,945	5,945	2%
Vanguard Dealer Services, L.L.C.						
Subordinated Note	12.3%/0.0%	1/30/2021	11,450	11,411	11,450	
Common Equity (6,000 shares)				600	953	
				12,011	12,403	3%
Capital Equipment Manufacturing						
Thermoforming Technology Group LLC						
Subordinated Note	12.5%/0.0%	9/14/2021	14,700	14,643	14,700	

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Common Equity (3,500 units) ^{(g)(i)}			350	389	
			14,993	15,089	4%
Component Manufacturing					
<i>Hilco Plastics Holdings, LLC</i>					
<i>(dba Hilco Technologies)</i>					
Subordinated Note	11.5%/1.0%	7/15/2022	8,063	8,028	8,063
Common Equity (72,507 units) ^{(g)(i)}			500	448	
			8,528	8,511	2%