

Golub Capital BDC, Inc.
Form 10-Q
August 08, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2013

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 8, 2013, the Registrant had 39,791,805 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, 2013 (unaudited)	September 30, 2012
Assets		
Investments, at fair value (cost of \$962,485 and \$669,841, respectively)	\$ 967,792	\$ 672,910
Cash and cash equivalents	12,936	13,891
Restricted cash and cash equivalents	21,689	37,036
Interest receivable	5,520	3,906
Deferred financing costs	7,372	5,898
Other assets	448	455
Total Assets	\$ 1,015,757	\$ 734,096
Liabilities		
Debt	403,800	\$ 352,300
Interest payable	2,426	1,391
Management and incentive fees payable	5,808	4,203
Accounts payable and accrued expenses	2,225	1,073
Total Liabilities	414,259	358,967
Net Assets		
Preferred stock, par value \$0.001 per share, 1,000,000 shares authorized, zero shares issued and outstanding as of June 30, 2013 and September 30, 2012	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 39,791,805 and 25,688,101 shares issued and outstanding as of June 30, 2013 and September 30, 2012, respectively	40	26
Paid in capital in excess of par	600,352	375,563
Capital distributions in excess of net investment income	(343	) 347
Net unrealized appreciation on investments and derivative instruments	7,975	5,737
Net realized loss on investments and derivative instruments	(6,526	) (6,544
Total Net Assets	601,498	375,129
Total Liabilities and Total Net Assets	\$ 1,015,757	\$ 734,096
Number of common shares outstanding	39,791,805	25,688,101
Net asset value per common share	\$ 15.12	\$ 14.60

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,		
	2013	2012	2013	2012	
Investment income					
Interest income	\$21,187	\$14,811	\$59,130	\$41,263	
Dividend income	1,081	-	1,827	377	
Total investment income	22,268	14,811	60,957	41,640	
Expenses					
Interest and other debt financing expenses	2,967	2,865	9,254	7,811	
Base management fee	3,114	2,220	8,268	6,187	
Incentive fee	2,785	1,917	7,647	4,261	
Professional fees	534	538	1,540	1,685	
Administrative service fee	715	489	1,873	1,207	
General and administrative expenses	153	104	404	405	
Total expenses	10,268	8,133	28,986	21,556	
Net investment income	12,000	6,678	31,971	20,084	
Net gain on investments					
Net realized (loss) gain on investments	(77) (70) 18	(5,002)
Net realized gain on derivative instruments	-	1,228	-	2,216	
Net change in unrealized appreciation (depreciation) on investments	734	(795	) 2,238	3,580
Net change in unrealized (depreciation) appreciation on derivative instruments	-	(1,648	) -	2,136
Net gain (loss) on investments	657	(1,285	) 2,256	2,930
Net increase in net assets resulting from operations	\$12,657	\$5,393	\$34,227	\$23,014	
Per Common Share Data					
Basic and diluted earnings per common share	\$0.34	\$0.21	\$1.05	\$0.97	
Dividends and distributions declared per common share	\$0.32	\$0.32	\$0.96	\$0.96	
Basic and diluted weighted average common shares outstanding	37,118,379	25,639,680	32,511,415	23,803,762	

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	Paid in Capital		Capital Distributions	Net Unrealized Appreciation (Depreciation) on Investments and Derivative Instruments	Net Realized Gain (Loss) on Investments and Derivative Instruments	Total Net Assets
	Shares	Par Amount	in Excess of Par	in Excess of Net Investment Income			
Balance at September 30, 2011	21,733,903	\$ 22	\$ 318,302	\$ (398)	\$ (1,519)	\$ 142	\$ 316,549
Issuance of common stock, net of offering and underwriting costs ⁽¹⁾	3,825,000	4	56,463	-	-	-	56,467
Net increase (decrease) in net assets resulting from operations	-	-	-	20,084	5,716	(2,786)	23,014
Distributions to stockholders:							
Stock issued in connection with dividend reinvestment plan	104,106	-	1,527	-	-	-	1,527
Dividends and distributions	-	-	-	(23,346)	-	-	(23,346)
Balance at June 30, 2012	25,663,009	\$ 26	\$ 376,292	\$ (3,660)	\$ 4,197	\$ (2,644)	\$ 374,211
Balance at September 30, 2012	25,688,101	\$ 26	\$ 375,563	\$ 347	\$ 5,737	\$ (6,544)	\$ 375,129
Issuance of common stock, net of offering and underwriting costs ⁽²⁾	14,016,382	14	223,404	-	-	-	223,418
Net increase in net assets resulting from	-	-	-	31,971	2,238	18	34,227

operations								
Distributions to stockholders:								
Stock issued in connection with dividend reinvestment plan	87,322	-	1,385	-	-	-	-	1,385
Dividends and distributions	-	-	-	(32,661	)	-	-	(32,661)
Balance at June 30, 2013	39,791,805	\$ 40	\$ 600,352	\$ (343	)	\$ 7,975	\$ (6,526	) \$ 601,498

(1) On January 31, 2012, Golub Capital BDC, Inc. priced a public offering of 3,500,000 shares of its common stock at a public offering price of \$15.35 per share. On March 1, 2012, Golub Capital BDC, Inc. sold an additional 325,000 shares of its common stock at a public offering price of \$15.35 per share pursuant to the underwriters' partial exercise of the over-allotment option.

(2) On October 16, 2012, Golub Capital BDC, Inc. priced a public offering of 2,600,000 shares of its common stock at a public offering price of \$15.58 per share. On November 14, 2012, Golub Capital BDC, Inc. sold an additional 294,120 shares of its common stock at a public offering price of \$15.58 per share pursuant to the underwriters' partial exercise of the over-allotment option. On January 15, 2013, Golub Capital BDC, Inc. priced a public offering of 4,500,000 shares of its common stock at a public offering price of \$15.87 per share. On February 20, 2013, Golub Capital BDC, Inc. sold an additional 622,262 shares of its common stock at a public offering price of \$15.87 per share pursuant to the underwriters' partial exercise of the over-allotment option. On May 7, 2013, Golub Capital BDC, Inc. priced a public offering of 6,000,000 shares of its common stock at a public offering price of \$17.47 per share.

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,	
	2013	2012
Cash flows from operating activities		
Net increase in net assets resulting from operations	\$ 34,227	\$ 23,014
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities		
Amortization of deferred financing costs	1,444	1,072
Accretion of discounts and amortization of premiums	(6,104)	(3,447)
Net realized (gain) loss on investments	(18)	5,002
Net realized gain on derivative instruments	-	(2,216)
Net change in unrealized appreciation on investments	(2,238)	(3,580)
Net change in unrealized appreciation on derivative instruments	-	(2,136)
Fundings of revolving loans, net	(8,155)	(1,687)
Fundings of investments	(554,022)	(292,943)
Proceeds from principal payments and sales of portfolio investments	276,506	120,602
Proceeds from derivative instruments	-	2,216
Payment-in-kind ("PIK") interest	(851)	(751)
Changes in operating assets and liabilities:		
Interest receivable	(1,614)	(830)
Cash collateral on deposit with custodian	-	19,875
Other assets	7	131
Interest payable	1,035	1,203
Management and incentive fees payable	1,605	2,462
Accounts payable and accrued expenses	1,152	420
Net cash used in operating activities	(257,026)	(131,593)
Cash flows from investing activities		
Net change in restricted cash and cash equivalents	15,347	(21,643)
Net cash provided by (used in) investing activities	15,347	(21,643)
Cash flows from financing activities		
Borrowings on debt	304,350	154,817
Repayments of debt	(252,850)	(62,700)
Capitalized debt financing costs	(2,918)	(1,810)
Proceeds from shares sold, net of underwriting costs	224,065	57,164
Offering costs paid	(647)	(696)
Dividends and distributions paid	(31,276)	(21,819)
Net cash provided by financing activities	240,724	124,956
Net change in cash and cash equivalents	(955)	(28,280)

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Cash and cash equivalents, beginning of period	13,891	46,350
Cash and cash equivalents, end of period	\$ 12,936	\$ 18,070
Supplemental information:		
Cash paid during the period for interest	\$ 6,775	\$ 5,537
Dividends and distributions declared during the period	\$ 32,661	\$ 23,346

See Notes to Consolidated Financial Statements.

Golub Capital BDC, Inc. and Subsidiaries**Consolidated Schedule of Investments (unaudited)****June 30, 2013***(In thousands)*

Investment Type	Spread Above Index ⁽¹⁾	Interest Rate ⁽²⁾	Maturity Date	Principal		Percentage of Net Assets	F V
				Amount	Cost		
Investments							
Canada							
Debt							
investments							
Leisure, Amusement, Motion Pictures, Entertainment							
Extreme Fitness, Inc. ⁽³⁾	Subordinated Debt	N/A	12.00% cash/2.50% PIK	11/2015	\$2,932	\$2,810	- % \$
Total Canada					\$2,932	\$2,810	- % \$
Fair Value as percentage of Principal Amount							
United States							
Debt							
investments							
Aerospace and Defense							
ILC Dover, LP	Senior Loan	L + 6.00 %	7.25	% 07/2017	\$608	\$604	0.1 % \$
ILC Dover, LP	Senior Loan	P + 6.00 %	8.25	% 07/2017	34	27	-
ILC Dover, LP	Senior Loan	L + 6.00 %	7.25	% 07/2017	4,366	4,295	0.7
Tresys Technology Holdings, Inc. ⁽⁴⁾	One Stop	L + 6.75 %	N/A	(5) 12/2017	-	(9)	-
Tresys Technology Holdings, Inc.	One Stop	L + 6.75 %	8.00	% 12/2017	4,000	3,910	0.7

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TurboCombustor Technology Inc.*	Senior Loan	L + 4.75 %	5.75	%	12/2017	383	383	0.1
TurboCombustor Technology Inc.*	Senior Loan	L + 5.00 %	6.00	%	12/2017	898	895	0.1
Whitcraft LLC	Subordinated Debt	N/A	12.00	%	12/2018	1,877	1,851	0.3
White Oak Technologies, Inc.	Senior Loan	L + 5.00 %	6.25	%	03/2017	53	45	-
White Oak Technologies, Inc.*	Senior Loan	L + 5.00 %	6.25	%	03/2017	1,857	1,826	0.3
						14,076	13,827	2.3
Automobile								
ABRA, Inc. ⁽⁴⁾	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(63)	-
ABRA, Inc.	One Stop	P + 5.75 %	7.75	%	05/2018	1,962	1,941	0.3
ABRA, Inc.*	One Stop	L + 5.75 %	7.00	%	05/2018	26,438	26,245	4.4
American Driveline Systems, Inc.	Senior Loan	P + 7.50 %	9.75	%	01/2016	391	386	0.1
American Driveline Systems, Inc.*	Senior Loan	P + 7.50 %	9.75	%	01/2016	2,840	2,803	0.4
Express Oil Change, LLC	Senior Loan	P + 4.75 %	6.75	%	12/2017	119	115	-
Express Oil Change, LLC	Senior Loan	L + 4.75 %	6.00	%	12/2017	181	178	-
Express Oil Change, LLC*	Senior Loan	P + 4.75 %	6.75	%	12/2017	1,865	1,849	0.3
K&N Engineering, Inc. ⁽⁴⁾	Senior Loan	P + 4.50 %	N/A	(5)	04/2018	-	(8)	-
K&N Engineering, Inc.*	Senior Loan	L + 4.50 %	5.75	%	04/2018	7,297	7,191	1.2
						41,093	40,637	6.7
Banking								
Prommis Fin Co.* ⁽³⁾	Senior Loan	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	212	191	-
Prommis Fin Co.	Senior Loan	P + 11.00 %	13.25	%	06/2015	126	125	-
Prommis Fin Co.* ⁽³⁾	Second Lien	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	425	382	-
Prommis Fin Co.* ⁽³⁾	Subordinated Debt	P + 10.50 %	2.25% cash/11.50% PIK		06/2015	213	191	-
						976	889	-
Beverage, Food and Tobacco								
ABP Corporation	Senior Loan	P + 3.50 %	7.25	%	06/2016	63	58	-
	Senior Loan	L + 4.75 %	6.00	%	06/2016	4,501	4,450	0.7

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ABP Corporation*									
American Importing Company, Inc.	One Stop	L + 5.75 %	7.00	%	05/2018	14,843	14,651	2.4	
Ameriquel Group, LLC*	Senior Loan	L + 5.00 %	6.50	%	03/2016	1,727	1,708	0.3	
Ameriquel Group, LLC	Senior Loan	L + 7.50 %	9.00	%	03/2016	833	824	0.1	
Atkins Nutritionals, Inc.*	One Stop	L + 5.00 %	6.25	%	01/2019	22,395	22,141	3.7	
Atkins Nutritionals, Inc.	One Stop	L + 8.50 %	9.75	%	04/2019	17,270	16,810	2.9	
Candy Intermediate Holdings, Inc.	Senior Loan	L + 6.25 %	7.50	%	06/2018	4,950	4,806	0.8	
Firebirds International, LLC ⁽⁴⁾	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(7)	-	
Firebirds International, LLC ⁽⁴⁾	One Stop	L + 5.75 %	N/A	(5)	05/2018	-	(2)	-	
Firebirds International, LLC*	One Stop	L + 5.75 %	7.00	%	05/2018	912	900	0.1	
First Watch Restaurants, Inc.	One Stop	L + 7.50 %	8.75	%	12/2016	420	396	0.1	
First Watch Restaurants, Inc.	One Stop	L + 7.50 %	8.75	%	12/2016	618	594	0.1	
First Watch Restaurants, Inc.*	One Stop	P + 7.50 %	9.75	%	12/2016	11,443	11,284	1.9	
IT'SUGAR LLC	Subordinated Debt	N/A	8.00	%	10/2017	1,707	1,707	0.4	
IT'SUGAR LLC	Senior Loan	L + 8.50 %	10.00	%	04/2017	4,223	4,159	0.7	
Julio & Sons Company ⁽⁴⁾	One Stop	L + 5.50 %	N/A	(5)	09/2014	-	(9)	-	
Julio & Sons Company*	One Stop	L + 5.50 %	7.00	%	09/2016	7,067	7,022	1.2	
Julio & Sons Company ⁽⁴⁾	One Stop	L + 5.50 %	N/A	(5)	09/2016	-	(10)	-	
Northern Brewer, LLC	One Stop	P + 6.50 %	8.50	%	02/2018	332	320	0.1	
Northern Brewer, LLC	One Stop	L + 6.50 %	8.00	%	02/2018	6,494	6,343	1.1	
Richelieu Foods, Inc.	Senior Loan	P + 5.00 %	7.25	%	11/2015	108	100	-	
Richelieu Foods, Inc.*	Senior Loan	L + 5.00 %	6.75	%	11/2015	1,988	1,962	0.3	
Smashburger Finance LLC ⁽⁴⁾	Senior Loan	L + 4.25 %	N/A	(5)	05/2018	-	(6)	-	

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Smashburger Finance LLC*	Senior Loan	L + 4.25 % 5.50	% 05/2018	3,274	3,250	0.5
				105,168	103,451	17.4

See Notes to Consolidated Financial Statements.

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Golub Capital BDC, Inc. and Subsidiaries**Consolidated Schedule of Investments (unaudited) - (Continued)****June 30, 2013***(In thousands)*

	Investment	Spread Above	Interest	Maturity	Principal	Percentage of Total Fair			
	Type	Index ⁽¹⁾	Rate ⁽²⁾	Date	Amount	Cost	Net Assets	Value	
Building and Real Estate									
ASP PDM									
Acquisition Co. LLC ^{*(3)}	Senior Loan	P + 7.25	% 10.50	% 12/2013	451	443	-	180	
Global Claims Services, Inc. ⁽⁴⁾	Senior Loan	L + 4.75	% N/A	⁽⁵⁾ 06/2018	-	(1)	-	-	
Global Claims Services, Inc.*	Senior Loan	L + 4.75	% 6.00	% 06/2018	803	793	0.1	803	
KHKI Acquisition, Inc.	Senior Loan	P + 5.00	% 8.50	% 03/2017	2,573	2,573	0.2	1,415	
Tecta America Corp.	Senior Loan	P + 5.75	% 9.00	% 06/2013	141	141	-	141	
Tecta America Corp.	Senior Loan	P + 5.75	% 9.00	% 03/2014	3,779	3,779	0.4	2,267	
					7,747	7,728	0.7	4,806	
Cargo Transport									
RP Crown Parent*	Senior Loan	L + 5.50	% 6.75	% 12/2018	1,990	1,953	0.3	2,002	
RP Crown Parent	Second Lien	L + 10.00	% 11.25	% 12/2019	7,500	7,360	1.3	7,772	
					9,490	9,313	1.6	9,774	
Chemicals, Plastics and Rubber									
Integrated DNA Technologies, Inc									
Road Infrastructure Investment, LLC	Subordinated Debt	N/A	12.00% cash/2.00% PIK	04/2015	2,167	2,131	0.4	2,167	
	Senior Loan	L + 5.00	% 5.28	% 03/2017	316	282	0.1	313	
	Senior Loan	L + 5.00	% 6.25	% 03/2018	4,515	4,467	0.8	4,526	

Road Infrastructure Investment, LLC*							6,998	6,880	1.3	7,006
Containers, Packaging and Glass										
Fort Dearborn Company*	Senior Loan	L + 4.25	% 5.25		% 10/2017	48	48	-	48	
Fort Dearborn Company*	Senior Loan	L + 4.75	% 5.75		% 10/2018	191	189	-	191	
Fort Dearborn Company*	Senior Loan	L + 4.25	% 5.25		% 10/2017	570	566	0.1	570	
Fort Dearborn Company*	Senior Loan	L + 4.75	% 5.75		% 10/2018	2,208	2,192	0.4	2,208	
John Henry Holdings Inc.	Second Lien	L + 9.00	% 10.25		% 05/2019	1,175	1,148	0.2	1,197	
Packaging Coordinators, Inc.*	Senior Loan	L + 4.25	% 5.50		% 05/2020	6,810	6,776	1.1	6,776	
Packaging Coordinators, Inc.	Second Lien	L + 8.25	% 9.50		% 11/2020	29,098	28,520	4.8	28,807	
						40,100	39,439	6.6	39,797	
Diversified Conglomerate Manufacturing										
Chase Industries, Inc.*	One Stop	L + 6.19	% 6.75		% 11/2017	11,572	11,387	1.9	11,572	
Metal Spinners, Inc.*	Senior Loan	L + 6.50	% 8.00		% 12/2014	1,367	1,343	0.2	1,367	
Metal Spinners, Inc.*	Senior Loan	L + 6.50	% 8.00		% 12/2014	2,721	2,678	0.5	2,721	
Onicon Incorporated ⁽⁴⁾	One Stop	L + 6.75	% N/A		⁽⁵⁾ 12/2017	-	(14)	-	-	
Onicon Incorporated	One Stop	L + 6.75	% 8.25		% 12/2017	3,652	3,586	0.6	3,652	
Pasternack Enterprises, Inc.*	Senior Loan	L + 5.00	% 6.25		% 12/2017	1,231	1,221	0.2	1,231	
Plex Systems, Inc. ⁽⁴⁾	Senior Loan	L + 7.50	% N/A		⁽⁵⁾ 06/2018	-	(26)	-	-	