

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 offices)

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 every Interactive Data File required to be submitted 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 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 issuer's Common Stock, \$0.001 par value per share, outstanding as of February 4, 2019 was 32,822,459.

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GLADSTONE INVESTMENT CORPORATION

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

	December 31, 2018	March 31, 2018
ASSETS		
Investments at fair value		
Non-Control/Non-Affiliate investments (Cost of \$254,034 and \$220,087, respectively)	\$ 308,098	\$ 247,297
Affiliate investments (Cost of \$326,950 and \$343,247, respectively)	285,016	339,393
Control investments (Cost of \$21,512 and \$21,512 respectively)	13,910	12,457
Cash and cash equivalents	2,242	3,639
Restricted cash and cash equivalents	2,061	328
Interest receivable	2,626	3,532
Due from administrative agent	2,710	2,324
Deferred financing costs, net	1,934	976
Other assets, net	1,011	953
TOTAL ASSETS	\$ 619,608	\$ 610,899
LIABILITIES		
Borrowings:		
Line of credit at fair value (Cost of \$50,100 and \$107,000, respectively)	\$ 50,100	\$ 107,500
Secured borrowing	5,096	5,096
Total borrowings	55,196	112,596
Mandatorily redeemable preferred stock, \$0.001 par value per share, \$25 liquidation preference per share; 6,500,000 and 6,356,000 shares authorized, respectively; 5,290,000 and 5,566,000 shares issued and outstanding, respectively, net	128,314	135,615
Accounts payable and accrued expenses	1,278	916
Fees due to Adviser ^(A)	20,803	6,671
Fee due to Administrator ^(A)	346	317
Other liabilities	2,272	584
TOTAL LIABILITIES	\$ 208,209	\$ 256,699
Commitments and contingencies ^(B)		
NET ASSETS	\$ 411,399	\$ 354,200

ANALYSIS OF NET ASSETS

Common stock, \$0.001 par value per share, 100,000,000 shares authorized, 32,822,459 and 32,653,635 shares issued and outstanding, respectively	\$	33	\$	33
Capital in excess of par value		329,957		330,661
Cumulative net unrealized appreciation of investments		4,528		14,301
Cumulative net unrealized appreciation of other				(500)
(Overdistributed) underdistributed net investment income		(9,849)		3,660
Accumulated net realized gain in excess of distributions		86,730		6,045
Total distributable earnings		81,409		23,506
TOTAL NET ASSETS	\$	411,399	\$	354,200
NET ASSET VALUE PER SHARE AT END OF PERIOD	\$	12.53	\$	10.85

- (A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.
- (B) Refer to Note 10 *Commitments and Contingencies* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
INVESTMENT INCOME				
Interest income				
Non-Control/Non-Affiliate investments	\$ 5,887	\$ 4,593	\$ 17,775	\$ 13,646
Affiliate investments	6,348	8,780	19,228	21,260
Control investments	215	211	636	627
Cash and cash equivalents	10	4	30	14
Total interest income	12,460	13,588	37,669	35,547
Dividend income				
Non-Control/Non-Affiliate investments		152	1,262	1,922
Affiliate investments	(433)		(433)	865
Total dividend income	(433)	152	829	2,787
Success fee income				
Non-Control/Non-Affiliate investments	1,782	706	1,906	2,864
Affiliate investments	1,156		1,156	
Control investments		1,738	2,000	1,738
Total success fee income	2,938	2,444	5,062	4,602
Total investment income	14,965	16,184	43,560	42,936
EXPENSES				
Base management fee ^(A)	3,227	2,769	9,613	7,839
Loan servicing fee ^(A)	1,730	1,567	5,144	4,616
Incentive fee ^(A)	4,138	2,822	18,849	5,289
Administration fee ^(A)	346	261	975	769
Interest expense on borrowings	1,759	1,035	5,027	2,518
Dividends on mandatorily redeemable preferred stock	2,089	2,251	6,657	6,753
Amortization of deferred financing costs and discounts	373	366	1,237	1,100
Professional fees	262	231	920	810
Other general and administrative expenses	66	(16)	3,038	1,682

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Expenses before credits from Adviser	13,990	11,286	51,460	31,376
Credits to base management fee loan servicing fee ^(A)	(1,730)	(1,567)	(5,144)	(4,616)
Credits to fees from Adviser other ^(A)	(3,317)	(1,066)	(4,842)	(2,540)
Total expenses, net of credits to fees	8,943	8,653	41,474	24,220
NET INVESTMENT INCOME	6,022	7,531	2,086	18,716
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss):				
Non-Control/Non-Affiliate investments	(1,983)	25	12,548	1,003
Affiliate investments	78,787		75,508	144
Other			(1,687)	
Total net realized gain (loss)	76,804	25	86,369	1,147
Net unrealized appreciation (depreciation):				
Non-Control/Non-Affiliate investments	10,790	7,330	26,854	23,454
Affiliate investments	(74,302)	3,773	(38,081)	1,163
Control investments	(2,823)	(1,257)	1,454	(5,381)
Other		(258)	500	(258)
Total net unrealized (depreciation) appreciation	(66,335)	9,588	(9,273)	18,978
Net realized and unrealized gain	10,469	9,613	77,096	20,125
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 16,491	\$ 17,144	\$ 79,182	\$ 38,841

^(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

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

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
BASIC AND DILUTED PER COMMON SHARE:				
Net investment income	\$ 0.18	\$ 0.23	\$ 0.06	\$ 0.58
Net increase in net assets resulting from operations	\$ 0.50	\$ 0.53	\$ 2.41	\$ 1.21
WEIGHTED-AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
Basic and diluted	32,822,459	32,526,223	32,802,733	32,178,127

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended December 31,	
	2018	2017
OPERATIONS		
Net investment income	\$ 2,086	\$ 18,716
Net realized gain on investments	88,056	1,147
Net realized loss on other	(1,687)	
Net unrealized (depreciation) appreciation of investments	(9,773)	19,236
Net unrealized depreciation (appreciation) of other	500	(258)
Net increase in net assets from operations	79,182	38,841
DISTRIBUTIONS		
Distributions to common stockholders from net investment income	(18,134)	(20,826)
Distributions to common stockholders from realized gains	(5,685)	(1,756)
Net decrease in net assets from distributions	(23,819)	(22,582)
CAPITAL ACTIVITY		
Issuance of common stock	1,873	21,154
Discounts, commissions, and offering costs for issuance of common stock	(37)	(1,098)
Net increase in net assets from capital activity	1,836	20,056
TOTAL INCREASE IN NET ASSETS	57,199	36,315
NET ASSETS, BEGINNING OF PERIOD	354,200	301,082
NET ASSETS, END OF PERIOD	\$ 411,399	\$ 337,397

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	Nine Months Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in net assets resulting from operations	\$ 79,182	\$ 38,841
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Purchase of investments	(84,211)	(71,188)
Principal repayments of investments	44,714	19,610
Net proceeds from the sale of investments	109,094	7,007
Net realized gain on investments	(87,489)	(1,239)
Net realized loss on other	1,670	
Net unrealized depreciation (appreciation) of investments	9,773	(19,236)
Net unrealized (depreciation) appreciation of other	(500)	258
Amortization of premiums, discounts, and acquisition costs, net	(14)	(11)
Amortization of deferred financing costs and discounts	1,237	1,100
Bad debt expense, net of recoveries	1,492	302
Changes in assets and liabilities:		
Increase in interest receivable	(105)	(1,051)
Increase in due from administrative agent	(386)	(3,699)
(Increase) decrease in other assets, net	(155)	2,606
Increase in accounts payable and accrued expenses	361	655
Increase in fees due to Adviser ^(A)	14,132	1,720
Increase (decrease) in fee due to Administrator ^(A)	30	(35)
Increase (decrease) in other liabilities	1,687	(885)
Net cash provided by (used in) operating activities	90,512	(25,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	1,873	21,154
Discounts, commissions, and offering costs for issuance of common stock	(28)	(1,090)
Proceeds from line of credit	191,100	96,300
Repayments on line of credit	(248,000)	(69,400)
Proceeds from issuance of mandatorily redeemable preferred stock	74,750	
Redemption of mandatorily redeemable preferred stock	(81,650)	
Deferred financing and offering costs	(4,402)	(75)
Distributions paid to common stockholders	(23,819)	(22,582)

Net cash (used in) provided by financing activities	(90,176)	24,307
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	336	(938)
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,967	4,099
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS AT END OF PERIOD	\$ 4,303	\$ 3,161
CASH PAID FOR INTEREST	\$ 4,764	\$ 1,928
NON-CASH ACTIVITIES^(B)	\$	\$ 42,977

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

(A) Refer to Note 4 *Related Party Transactions* in the accompanying *Notes to Consolidated Financial Statements* for additional information.

(B) 2017: Significant non-cash operating activities consisted principally of the following transaction:

In November 2017, one of our portfolio companies, GI Plastek, Inc. (GI Plastek), merged with another one of our portfolio companies, Precision Southeast, Inc. (Precision), into a new company, PSI Molded Plastics, Inc. (PSI Molded). As a result of this transaction, our debt investments in GI Plastek and Precision, which totaled \$15.0 million and \$9.6 million, respectively, at principal and cost, were assumed by PSI Molded and combined into a new secured second lien term loan totaling \$24.6 million. Our preferred equity investment in GI Plastek, with a cost basis of \$5.2 million, and our preferred and common equity investments in Precision, with a combined cost basis of \$3.8 million, were converted into a preferred equity investment in PSI Molded with the same cost basis.

In June 2017, one of our portfolio companies, Mathey Investments, Inc. (Mathey), merged with and into another one of our portfolio companies, SBS Industries, LLC (SBS). As a result of this transaction, our debt investments in Mathey, which totaled \$8.6 million at principal and cost, were assumed by SBS and combined with our existing debt investment in SBS, which totaled \$11.4 million at principal and cost, into a new secured first lien term loan totaling \$20.0 million. Our common equity investment in Mathey, with a cost basis of \$0.8 million, was converted into a preferred equity investment in SBS with the same cost basis.

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

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
NON-CONTROL/NON-AFFILIATE INVESTMENTS^(N) 75.0%			
Secured First Lien Debt 38.8%			
Containers, Packaging, and Glass 2.3%			
Frontier Packaging, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 3/2021) ^(L)	\$ 9,500	\$ 9,500	\$ 9,500
Diversified/Conglomerate Services 15.7%			
Bassett Creek Restoration, Inc. Term Debt (L+10.0%, 12.5% Cash, Due 4/2023) ^(L)	28,000	28,000	28,000
Counsel Press, Inc. Term Debt (L+11.8%, 14.3% Cash, Due 3/2020) ^(L)	18,000	18,000	18,000
Counsel Press, Inc. Term Debt (L+13.0%, 15.5% Cash, Due 3/2020) ^(L)	5,500	5,500	5,500
Nth Degree, Inc. Term Debt (L+11.5%, 14.0% Cash, Due 3/2023) ^(L)	13,290	13,290	13,290
		64,790	64,790
Farming and Agriculture 2.7%			
Jackrabbit, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 9/2019) ^(L)	11,000	11,000	11,000
Healthcare, Education, and Childcare 4.9%			
Educators Resource, Inc. Line of Credit, \$5,000 available (L+8.0%, 10.5% Cash, Due 11/2019) ^(T)			
Educators Resource, Inc. Term Debt (L+10.5%, 13.0% Cash, Due 11/2023) ^(T)	20,000	20,000	20,000
		20,000	20,000
Leisure, Amusement, Motion Pictures, and Entertainment 6.8%			
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019) ^(L)	13,081	13,081	13,081
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019) ^(L)	8,500	8,500	8,500
Schylling, Inc. Term Debt (L+11.0%, 13.5% Cash, Due 8/2019) ^(L)	6,000	6,000	6,000
		27,581	27,581
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 4.9%			
SBS Industries, LLC Term Debt (L+12.0%, 14.5% Cash, Due 6/2020) ^(L)	19,957	19,957	19,957

Oil and Gas 0.8%

Tread Corporation Line of Credit, \$634 available (L+10.0%, 12.5% Cash, Due 3/2021) ^(Q)	3,216	3,216	3,216
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Personal, Food, and Miscellaneous Services 0.7%

B-Dry, LLC Line of Credit, \$50 available (L+0.3%, 2.8% Cash (0.8% Unused Fee), Due 12/2019) ^{(G)(L)}	4,600	4,600	3,076
B-Dry, LLC Term Debt (L+0.3%, 2.8% Cash, Due 12/2019) ^{(F)(L)}	6,443	6,443	
B-Dry, LLC Term Debt (L+0.3%, 2.8% Cash, Due 12/2019) ^{(F)(L)}	840	840	
		11,883	3,076

Total Secured First Lien Debt		\$ 167,927	\$ 159,120
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Secured Second Lien Debt 7.4%**Automobile 1.0%**

Country Club Enterprises, LLC Term Debt (L+8.0%, 10.5% Cash, Due 2/2022) ^(T)	\$ 4,000	\$ 4,000	\$ 4,000
Country Club Enterprises, LLC Guaranty (\$1,000) ^(V)			
		4,000	4,000

Cargo Transport 3.2%

Diligent Delivery Systems Term Debt (L+9.0%, 11.5% Cash, Due 11/2022) ^(K)	13,000	12,929	12,967
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Home and Office Furnishings, Housewares, and Durable Consumer Products 3.2%

Ginsey Home Solutions, Inc. Term Debt (L+10.0%, 13.5% Cash, Due 1/2021) ^{(H)(L)}	13,300	13,300	13,300
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Total Secured Second Lien Debt		\$ 30,229	\$ 30,267
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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GLADSTONE INVESTMENT CORPORATION
CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2018

(DOLLAR AMOUNTS IN THOUSANDS)

(UNAUDITED)

Company and Investment ^{(A)(B)(D)(E)}	Principal/Shares/ Units ^{(F)(J)}	Cost	Fair Value
Preferred Equity 24.5%			
Containers, Packaging, and Glass 0.3%			
Frontier Packaging, Inc. Preferred Stock ^{(K)(L)}	1,373	\$ 1,373	\$ 1,400
Diversified/Conglomerate Services 13.6%			
Bassett Creek Restoration, Inc. Preferred Stock ^{(K)(L)}	4,900	4,900	1,887
Counsel Press, Inc. Preferred Stock ^{(K)(L)}	6,995	6,995	11,823
Nth Degree, Inc. Preferred Stock ^{(K)(L)}	5,660	5,660	42,027
		17,555	55,737
Farming and Agriculture 1.3%			
Jackrabbit, Inc. Preferred Stock ^{(K)(L)}	3,556	3,556	5,529
Healthcare, Education, and Childcare 2.1%			
Educators Resource, Inc. Preferred Stock ^{(K)(T)}	8,560	8,560	8,560
Home and Office Furnishings, Housewares, and Durable Consumer Products 3.8%			
Ginsey Home Solutions, Inc. Preferred Stock ^{(K)(L)}	19,280	9,583	15,497
Leisure, Amusement, Motion Pictures, and Entertainment 1.4%			
Schylling, Inc. Preferred Stock ^{(K)(L)}	4,000	4,000	5,722
Machinery (Non-Agriculture, Non-Construction, and Non-Electronic) 1.1%			
SBS Industries, LLC Preferred Stock ^{(K)(L)}	27,705	2,771	4,377
Oil and Gas 0.9%			
Tread Corporation Preferred Stock ^{(K)(Q)}	12,998,639	3,768	3,869
Personal, Food, and Miscellaneous Services 0.0%			
B-Dry, LLC Preferred Stock ^{(K)(L)}	2,500	2,516	
Total Preferred Equity		\$ 53,682	\$ 100,691
Common Equity/Equivalents 4.3%			
Cargo Transport 0.5%			

Diligent Delivery Systems Common Stock Warrant^{(C)(L)} 8% \$ 500 \$ 2,199

Containers, Packaging, and Glass 2.7%

Frontier Packaging, Inc. Common Stock^{(C)(L)}